

# CAPITA



## Trojan Investment Funds

Annual Report and Financial Statements  
31 January 2012

Trojan Fund  
Trojan Capital Fund  
Trojan Income Fund  
Crystal Fund  
Spectrum Fund

AUTHORISED CORPORATE DIRECTOR ('ACD')  
 Capita Financial Managers Limited  
 Head Office:  
 Ibex House  
 42 – 47 Minories  
 London EC3N 1DX  
 Telephone: 0870 607 2555 Fax: 0870 607 2550  
 Email: enquiries@capitafinancial.com  
 (Authorised and regulated by the Financial Services Authority)

#### DIRECTORS OF THE ACD

C. Addenbrooke  
 N. Boyling  
 C. Hayes  
 K.J. Midl  
 J.E. Millan  
 R.M. Short

#### INVESTMENT MANAGER

Troy Asset Management Limited  
 Brookfield House  
 44 Davies Street  
 London W1K 5JA  
 (Authorised and regulated by the Financial Services Authority)

#### DEPOSITARY

BNY Mellon Trust & Depositary (UK) Limited  
 The Bank of New York Mellon Centre  
 160 Queen Victoria Street  
 London EC4V 4LA  
 (Authorised and regulated by the Financial Services Authority)

#### REGISTRARS

Capita Financial Administrators Limited  
 Customer Service Centre:  
 2 The Boulevard  
 City West One Office Park  
 Gelderd Road  
 Leeds LS12 6NT  
 Telephone: 0845 922 0044 Fax: 0113 224 6001  
 (Authorised and regulated by the Financial Services Authority)

#### INDEPENDENT AUDITOR

Ernst & Young LLP  
 1 More London Place  
 London SE1 2AF

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ACD'S REPORT  
FOR THE YEAR ENDED 31 JANUARY 2012

The following policies have been changed effective from 14 March 2011:

**Spectrum Fund**

- Prices will be published in the *Financial Times*;
- Dilution levy to be charged on every deal;
- Change from weekly to daily valuations;
- Change from weekly to daily investor dealing;
- Reduction in investment minima ('lump sum') and 'Holding' from £250,000 to £1,000;
- Reduction in 'Top-up' from £100,000 to £1,000; and
- The sub-fund will become ISA eligible.

The following policies have been changed effective from 2 May 2011:

**Trojan Fund**

- Increase of the initial charge from nil to 5%; and
- Increase of the initial investment minima ('lump sum') amount from £1k to £250k.

The following policies have been changed effective from 1 August 2011:

**Spectrum Fund**

- Additional share class launch: 'I' Share
  - i. ACD's periodic charge: 1.15%
  - ii. Lump sum: £1,000
  - iii. Holding: £1,000
  - iv. Top-up: £1,000

Full details of the changes can be found in the revised Prospectus dated 16 March 2012.

CAPITA FINANCIAL MANAGERS LIMITED  
*ACD of Trojan Investment Funds*  
25 May 2012

AUTHORISED STATUS

Trojan Investment Funds is an open-ended investment company with variable capital incorporated in England and Wales under registration number IC280 and authorised by the Financial Services Authority with effect from 14 November 2003.

Shareholders are not liable for the debts of the Company. A shareholder is not liable to make any further payment to the Company after he has paid the price on purchase of the shares.

The Company is a 'UCITS Scheme' and the base currency is pounds sterling.

As a sub-fund is not a legal entity, if the assets of one sub-fund are insufficient to meet the liabilities attributable to it, the ACD may re-allocate such liabilities between the sub-funds then in existence in a manner which is fair to shareholders generally. This re-allocation will normally be performed on the basis of the respective net asset values of the sub-funds.

CAPITA FINANCIAL MANAGERS LIMITED  
*ACD of Trojan Investment Funds*  
25 May 2012

## DIRECTOR'S STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Services Authority.

C. ADDENBROOKE

C. HAYES

CAPITA FINANCIAL MANAGERS LIMITED  
*ACD of Trojan Investment Funds*  
25 May 2012

## 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 Services Authority's Collective Investment Schemes Sourcebook (the 'COLL Sourcebook') requires the ACD to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the net revenue/expense and of the net capital gains/losses on the scheme property of the Company for that year. In preparing those financial statements, the ACD is required to:

- select suitable accounting policies, as described in the attached financial statements, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements in accordance with the requirements of the IMA SORP; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The ACD is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable it to ensure that the financial statements comply with the COLL Sourcebook. The ACD is also responsible for safeguarding the assets of the Company 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 Company's Auditor is unaware; and
- the ACD has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the Auditor is 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.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the COLL Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the 'OEIC Regulations') and the Company's Instrument of Incorporation, in relation to the pricing of, and dealings in, shares in the Company; the application of revenue of the Company; and the investment and borrowing powers of the Company.

## REPORT OF THE DEPOSITARY FOR THE YEAR ENDED 31 JANUARY 2012

In our opinion, during the year under review, we confirm that in all material respects the Company has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's revenue, 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) LIMITED  
*Depositary of Trojan Investment Funds*  
25 May 2012

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TROJAN INVESTMENT FUNDS

We have audited the financial statements of Trojan Investment Funds ('the Company') for the year ended 31 January 2012 which comprise the Aggregated Statement of Total Return, Aggregated Statement of Change in Net Assets Attributable to Shareholders, Aggregated Balance Sheet and the related notes 1 to 13, together with the Statement of Total Return, Statement of Change in Net Assets Attributable to Shareholders, Balance Sheet, the related notes and Distribution Tables for each sub-fund. 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).

This report is made solely to the Company's members, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Services Authority. Our audit work has been undertaken so that we might state to the Company's members 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF THE AUTHORISED CORPORATE DIRECTOR (ACD) AND AUDITOR

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 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 Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the ACD; 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 financial position of the Company and of its sub-funds as at 31 January 2012 and of the net revenue and the net capital gains on the scheme property of the Company and its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### OPINION ON OTHER MATTERS PRESCRIBED BY THE RULES OF THE COLLECTIVE INVESTMENT SCHEMES SOURCEBOOK OF THE FINANCIAL SERVICES AUTHORITY

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Services Authority and the Instrument of Incorporation;
- the information given in the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records; and
- we have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

ERNST & YOUNG LLP  
*Statutory Auditor*  
London  
25 May 2012

AGGREGATED FINANCIAL STATEMENTS  
AGGREGATED STATEMENT OF TOTAL RETURN  
FOR THE YEAR ENDED 31 JANUARY 2012

	Notes	£	31.01.12 £	£	31.01.11 £
Income:					
Net capital gains	2		158,114,658		76,787,069
Revenue	3	47,970,299		26,415,433	
Expenses	4	(19,035,475)		(9,430,678)	
Finance costs: Interest	6	(22,432)		(39)	
Net revenue before taxation		28,912,392		16,984,716	
Taxation	5	(1,259,875)		(600,781)	
Net revenue after taxation			27,652,517		16,383,935
<b>Total return before distributions</b>			185,767,175		93,171,004
Finance costs: Distributions	6		(30,975,319)		(18,250,914)
<b>Change in net assets attributable to shareholders from investment activities</b>			154,791,856		74,920,090

AGGREGATED STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS  
FOR THE YEAR ENDED 31 JANUARY 2012

	Notes	£	31.01.12 £	£	31.01.11 £
<b>Opening net assets attributable to shareholders</b>			1,251,381,519		623,806,143
Amounts receivable on issue of shares		1,022,876,133		556,198,531	
Amounts payable on cancellation of shares		(44,023,872)		(10,840,851)	
			978,852,261		545,357,680
Dilution levy charged	1(k)	5,935,198		3,055,339	
Stamp duty reserve tax	1(g)	(165,696)		(76,990)	
Change in net assets attributable to shareholders from investment activities			154,791,856		74,920,090
Retained distribution on Accumulation shares			10,489,683		4,319,257
<b>Closing net assets attributable to shareholders</b>			2,401,284,821		1,251,381,519

AGGREGATED BALANCE SHEET  
AS AT 31 JANUARY 2012

	Notes	£	31.01.12 £	£	31.01.11 £
<b>ASSETS</b>					
<b>Investment assets</b>			2,242,417,474		1,156,190,437
<b>Other assets</b>					
Debtors	7	24,301,650		11,705,823	
Cash and bank balances		153,956,548		93,812,352	
<b>Total other assets</b>			178,258,198		105,518,175
<b>Total assets</b>			2,420,675,672		1,261,708,612
<b>LIABILITIES</b>					
<b>Other liabilities</b>					
Creditors	8	(2,472,627)		(1,368,871)	
Bank overdrafts		(2,615,361)		(38,280)	
Distribution payable on Income shares		(14,302,863)		(8,919,942)	
<b>Total other liabilities</b>			(19,390,851)		(10,327,093)
<b>Total liabilities</b>			(19,390,851)		(10,327,093)
<b>Net assets attributable to shareholders</b>			2,401,284,821		1,251,381,519

1. ACCOUNTING POLICIES

The principal accounting policies, which have been applied in both the current and prior year, are set out below:

(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 Statement of Recommended Practice ('SORP') issued by the Investment Management Association in October 2010.

(b) *Basis of aggregation*

The aggregated financial statements represent the sum of the relevant items from the financial statements of the individual sub-funds within the umbrella company.

(c) *Recognition of revenue*

Dividends on quoted equities and preference shares are recognised when the securities are quoted ex-dividend.

Distributions from collective investment schemes are recognised when the schemes are quoted ex-distribution. Equalisation returned with the distribution is deducted from the cost of the scheme and does not form part of the distributable revenue.

Revenue on debt securities is accounted for on an effective yield basis.

Rebates of annual management charges (AMC rebates) from underlying investments are accounted for on an accruals basis and are recognised as revenue, or capital in line with the distribution policies of the underlying investments.

Interest on bank and other cash deposits is recognised on an accruals basis.

All revenue is recognised as a gross amount that includes any withholding taxes but excludes any other taxes such as attributable tax credits.

(d) *Treatment of stock and special dividends*

The ordinary element of stock dividend received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue. The tax accounting treatment follows the treatment of the principal amount.

(e) *Treatment of expenses*

All expenses, except for those relating to the purchase and sale of investments and stamp duty reserve tax, are charged initially against revenue.

(f) *Allocation of revenue and expenses to multiple share classes and sub-funds*

Any revenue or expense not directly attributable to a particular share class or sub-fund will normally be allocated pro-rata to the net assets of the relevant share classes and sub-funds.

1. ACCOUNTING POLICIES (continued)

(g) *Taxation*

Corporation tax is provided at 20% on taxable revenue, after deduction of allowable expenses.

Where overseas tax has been deducted from overseas revenue that tax can, in some instances, be set off against the corporation tax payable, by way of double tax relief.

Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, 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.

Stamp duty reserve tax suffered on surrender of shares is deducted from capital.

(h) *Distribution policy*

Surplus revenue after taxation, as disclosed in the financial statements, after adjustment for items of a capital nature, is distributable to shareholders. Any deficit of revenue is deducted from capital.

The annual management charge for the Trojan Income Fund is transferred to capital for distribution purposes in line with the Fund's investment objective.

Interim distributions may be made at the ACD's discretion. Final distributions are made in accordance with the Regulations.

Distributions which have remained unclaimed by shareholders for more than six years are credited to the capital property of the sub-fund.

(i) *Basis of valuation of investments*

Listed investments are valued at closing bid prices excluding any accrued interest in the case of fixed interest securities, on the last business day of the accounting period.

Collective investment schemes 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.

Open forward currency contracts are valued based on the difference between the contract value and the market value adjusted by the prevailing spot rate and swap curve on the last business day of the accounting period.

(j) *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 exchange rates ruling on that date.

1. ACCOUNTING POLICIES (continued)

(k) Dilution levy

The ACD may require a dilution levy on the sale and redemption of shares if, in its opinion, the existing shareholders (for sales) or remaining shareholders (for redemptions) might otherwise be adversely affected. In particular, the dilution levy may be charged in the following circumstances: where the scheme property is in continual decline; on a sub-fund experiencing large levels of net sales relative to its size; on 'large deals'; in any case where the ACD is the opinion that the interests of remaining shareholders require the imposition of a dilution levy.

	31.01.12 £	31.01.11 £
2. NET CAPITAL GAINS		
The net capital gains during the year comprise:		
Non-derivative securities	160,112,529	72,245,500
Derivative contracts	–	(2,507,569)
Forward currency contracts	(4,123,747)	8,798,106
Transaction charges	(9,406)	(6,902)
Currency gains/(losses)	2,135,282	(1,742,066)
Net capital gains	<u>158,114,658</u>	<u>76,787,069</u>
3. REVENUE		
Non-taxable dividends	33,216,457	20,033,370
Taxable dividends	7,885	11,741
UK property income distributions	171,323	–
Unfranked interest	14,532,982	6,331,230
AMC rebates from underlying investments	41,317	38,190
Bank interest	335	902
Total revenue	<u>47,970,299</u>	<u>26,415,433</u>
4. EXPENSES		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	18,269,818	8,934,658
Printing costs	27,456	23,090
Registration fees	74,334	30,333
	<u>18,371,608</u>	<u>8,988,081</u>

	31.01.12 £	31.01.11 £
4. EXPENSES (continued)		
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	345,079	220,784
Safe custody and other bank charges	233,462	144,491
	<u>578,541</u>	<u>365,275</u>
Other expenses:		
FSA fee	280	255
Fees paid to auditor – audit	40,500	40,500
– tax services	15,000	15,315
Publication costs	29,546	19,509
Legal and professional fees	–	1,743
	<u>85,326</u>	<u>77,322</u>
Total expenses	<u>19,035,475</u>	<u>9,430,678</u>
5. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	1,259,914	598,884
Irrecoverable income tax	–	1,519
Adjustments in respect of prior periods	(39)	378
Current tax charge (note 5b)	<u>1,259,875</u>	<u>600,781</u>
Deferred tax – origination and reversal of timing differences	–	–
Total taxation	<u>1,259,875</u>	<u>600,781</u>
b) Factors affecting current tax charge for the year		
The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.01.11 : 20%) for the reasons explained below.		
	31.01.12 £	31.01.11 £
Net revenue before taxation	<u>28,912,392</u>	<u>16,984,716</u>
Corporation tax at 20%	<u>5,782,478</u>	<u>3,396,944</u>

	31.01.12 £	31.01.11 £
5. TAXATION (continued)		
Effects of:		
Non-taxable dividends	(6,643,292)	(4,006,674)
Non-taxable RPI movement on UK index-linked gilts	(1,177,227)	–
Unutilised excess management expenses	2,038,041	609,730
Corporation tax charge	–	–
Overseas tax	1,259,914	598,884
Irrecoverable income tax	–	1,519
Adjustments in respect of prior periods	(39)	378
Current tax charge (note 5a)	1,259,875	600,781
6. FINANCE COSTS		
Distributions		
The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:		
	31.01.12 £	31.01.11 £
Interim	17,353,047	9,700,994
Final	19,551,911	11,134,081
	36,904,958	20,835,075
Add: Revenue deducted on cancellation of shares	250,410	108,897
Deduct: Revenue received on issue of shares	(6,180,049)	(2,693,058)
Net distributions for the year	30,975,319	18,250,914
Interest	22,432	39
Total finance costs	30,997,751	18,250,953
Distributions represented by:		
Net revenue after taxation	27,652,517	16,383,935
Allocations to Capital:		
Expenses, net of tax relief	3,187,003	1,806,929
Revenue deficit	136,364	60,130
	3,323,367	1,867,059
Balance brought forward	296	216
Balance carried forward	(861)	(296)
Net distributions for the year	30,975,319	18,250,914

	31.01.12 £	31.01.11 £
7. DEBTORS		
Amounts receivable for issue of shares	18,889,867	9,342,643
Accrued revenue:		
Non-taxable dividends	3,599,871	1,304,841
Unfranked interest	964,547	764,294
AMC rebates from underlying investments	12,479	–
Bank interest	63	–
	4,576,960	2,069,135
Dilution levy	119,293	51,533
Prepaid expenses	23,375	17,761
Refund of safe custody fees	4,050	–
Taxation recoverable:		
Income tax	17,997	2,568
Overseas withholding tax	670,108	190,118
	688,105	192,686
Repricing compensation	–	32,065
Total debtors	24,301,650	11,705,823
8. CREDITORS		
Amounts payable for cancellation of shares	156,240	150,956
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	2,082,275	1,065,927
Printing costs	13,972	11,818
Registration fees	7,688	4,687
	2,103,935	1,082,432
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	35,596	23,307
Transaction charges	2,633	642
Safe custody and other bank charges	93,449	29,211
	131,678	53,160
Other expenses	70,500	70,500

	31.01.12 £	31.01.11 £
8. CREDITORS (continued)		
Taxation payable:		
Stamp duty reserve tax	10,274	11,823
Total creditors	<u>2,472,627</u>	<u>1,368,871</u>

#### 9. RELATED PARTY TRANSACTIONS

Management fees payable to Capita Financial Managers Limited ('the ACD'), registration fees payable to Capita Financial Administrators Limited and printing costs payable to Capita Business Services Limited (both companies are associates of the ACD) are disclosed in note 4 and amounts due at the year end are disclosed in note 8.

The aggregate monies received and paid by the ACD through the issue and cancellation of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 10 and amounts due at the year end are disclosed in notes 7 and 8.

Capita Financial Managers Limited and its associates (including other authorised investment funds managed by Capita Financial Managers) had the following shareholdings in the sub-funds:

	Held at 31.01.12	Change in year	Held at 31.01.11
<b>Trojan Fund</b>			
'O' Income	3,794,436	2,325,167	1,469,269
'O' Accumulation	3,901,315	1,052,237	2,849,078
'I' Accumulation	84,216	56,619	27,597
<b>Trojan Capital Fund</b>			
'O' Income	16,405	4,731	11,674
'O' Accumulation	334,605	112,509	222,096
<b>Trojan Income Fund</b>			
'O' Income	1,063,842	591,201	472,641
'O' Accumulation	638,294	355,740	282,554
'I' Income	49,026	49,026	–
'I' Accumulation	11,798	11,798	–
<b>Spectrum Fund</b>			
'O' Accumulation	74,149	74,149	–

#### 10. SHAREHOLDER FUNDS

The Company has three share classes which are available as Income and Accumulation shares. The annual management charges per share class for Trojan Fund, Trojan Capital Fund and Trojan Income Fund are shown below:

'O' shares	1.00%
'I' shares	1.50%
'S' shares	0.75%

#### 10. SHAREHOLDER FUNDS (continued)

The Spectrum Fund have two share classes which are available as Income and Accumulation.

The annual management charges per share class are shown below.

'O' shares	0.65%
'I' shares	1.15%

The Crystal Fund has one share class and the annual management charge is 1.00%.

#### 11. CONTINGENT LIABILITIES AND COMMITMENTS

Disclosure is made in note 11 of the Notes to the Financial Statements of the sub-funds.

#### 12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

In pursuing the investment objectives 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 currency contracts, may be utilised for hedging purposes.

The main risks from the Company's holding of financial instruments, together with the ACD's policy for managing these risks, are set out below:

- Credit risk**  
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty and issuer risk. Cash is held with reputable credit institutions and credit risk is assessed on a regular basis.

Certain transactions in securities that the Company enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Company has fulfilled its responsibilities. The Company only buys and sells investments through brokers which have been approved by the ACD as an acceptable counterparty and these are reviewed on an ongoing basis.

The bond investments held are exposed to credit risk which reflects the ability of the issuer to meet its obligations. The majority of bonds in which the sub-funds invest are investment grade listed bonds or government securities which are lower risk.

- Interest rate risk**  
Interest rate risk is the risk that the value of the Company's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in the interest rate environment, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate securities and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates.

Investment in collective investment schemes exposes the Company to indirect interest rate risk to the extent that they invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

Numerical disclosure of the direct interest rate risk profile is made in note 12 of the Notes to the Financial Statements of the sub-funds.

## 12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

### iii. Foreign currency risk

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

Numerical disclosure of the direct foreign currency risk profile is made in note 12 of the Notes to the Financial Statements of the sub-funds.

### iv. Liquidity risk

The main liability of the Company is the cancellation of any shares that investors want to sell. Investments may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

To reduce liquidity risk the Investment Manager will ensure that a substantial portion of the Company's assets consist of readily realisable securities.

### v. Market price risk

Market price risk is the risk that the value of the Company's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rates or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Company holds.

Market price risk represents the potential loss the Company may suffer through holding market positions in the face of price movements. The Company's investment portfolios are exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objectives and policies. For an equity portfolio the risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adherence to investment guidelines and avoidance of excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

### vi. 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.

### vii. Derivatives

Disclosure is made in note 12 of the Notes to the Financial Statements of the sub-funds.

## 13. PORTFOLIO TRANSACTION COSTS

Disclosure is made in note 13 of the Notes to the Financial Statements of the sub-funds.

## TROJAN FUND INVESTMENT MANAGER'S REPORT FOR THE YEAR ENDED 31 JANUARY 2012

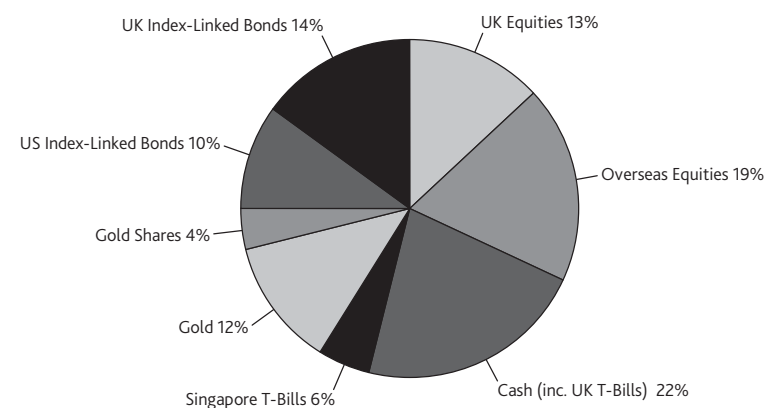
### INVESTMENT OBJECTIVE AND POLICY

The investment objective of the Trojan Fund ('the Fund') is to achieve growth in capital and income in real terms over the longer term. The Fund's policy is to invest substantially in UK and overseas equities and fixed interest securities, but may also invest in collective investment schemes and money market instruments.

### INVESTMENT REVIEW

For the year to 31 January 2012, the Fund produced a Total Return of +13.4% compared to a return of +0.5% in the LIBID Index (Total Return) and -0.3% in the FTSE All-Share Index (Total Return). (Source: Lipper Hindsight, bid-to-bid basis, net income reinvested at ex-dividend date, sterling terms. Fund performance is based on 'O' Income Shares).

### TROJAN FUND – ASSET ALLOCATION AS AT 31 JANUARY 2012



Source: Troy Asset Management Limited.

### MARKET REVIEW

Twelve months ago we reported that the Federal Reserve Chairman, Ben Bernanke, believed that the answer to all of the world's economic ills was money printing. In an op-ed piece for the Washington Post in November 2010 after QEII was confirmed, the Fed Chairman told the world that he wanted to engineer higher stock prices to create a wealth effect:

*This approach (quantitative easing) eased financial conditions in the past and, so far, looks to be effective again... higher stock prices will boost consumer wealth and help increase confidence, which can also spur spending. Increased spending will lead to higher incomes and profits that, in a virtuous circle, will further support economic expansion.*

In fact the circle did not turn and the US economy was moribund for much of 2011. However, every economic problem looks like a nail to a man carrying a monetary hammer. Chairman Bernanke has tried and tried again to rebuild confidence with ever more desperate unconventional monetary tools. The Federal Reserve promised to keep short-term interest rates close to zero until 2013. Then the Federal Reserve forced long-term interest rates down to encourage even further borrowing, in a process that has become known as 'Operation Twist.' Finally last month, the Fed announced that nailing interest rates to the floor until 2013 was not long enough for speculators to gamble with cheap money and so this distortion was extended for at least a further twelve months.

## MARKET REVIEW (continued)

The Federal Reserve was not alone in wishing to goose up markets and it was enthusiastically joined by its brethren in London and Frankfurt. Money printing by the Federal Reserve, the Bank of England and the European Central Bank were palliatives so soothing that the global debt disease came to be seen as a minor ailment as 2011 rolled into 2012. The symptoms may have been attended to by Doctors Draghi, Bernanke and King, but the misdiagnosis means the cure will only prolong the period before the real recovery of the patient can begin. Passing the debt around is not the same as dealing with it.

Volatility was pronounced throughout much of the year, which made conditions more challenging than usual. The tendency for investors to blow hot and then cold as 'risk on' gives way to 'risk off', in short cycles, is the direct result of zero interest rates. August and September were particularly capricious, with the FTSE 100 Index swinging by more than 3 per cent on 10 out of the 44 trading days. This volatility creates a whipsaw trap when short-term investors are caught *zigging* when they should be *zagging* and vice versa. In the end the market was flat over the period but many other investors were ensnared by the whipsaw trap and fared much worse.

## PORTFOLIO REVIEW

Our bias was toward inactivity but there were important changes made to the portfolio. We purchased Singaporean dollars as we believe the Singaporeans are one of the few monetary authorities to deliberately remain in the starting blocks in the race to debase national currencies. This also further diversifies the Fund's cash currency exposure away from sterling: a currency undergoing wilful neglect in the vain hope that currency devaluation will lead to an export-led recovery of the UK economy. Fear that the Swiss National Bank ('SNB') would enter the relay and take the debasement baton led us to sell the Fund's holding of Swiss franc bonds. The franc's strength against sterling and most other major currencies looked excessive and we sold out. Within weeks of our action the SNB announced that it would aggressively intervene in foreign exchange markets and sell the Swiss franc to dampen enthusiasm for this previously consensual safe haven.

The Fund had material cash inflows throughout the period. We were therefore able to add to a number of core holdings at attractive valuations. We made further purchases of Unilever, British American Tobacco, Philip Morris International, Microsoft Corporation and Becton, Dickinson & Company. This is a diverse collection of businesses selling into very different end markets. But the characteristics they share are far more important than their differences. These are businesses that enjoy repeat revenues for goods and services that customers buy again and again, out of necessity, unshakeable loyalty, or pure habit. These businesses are all conservatively financed and have a strong desire to reward shareholders through distributions.

We added to the holding of Centrica, the parent of British Gas. The sustainable dividend that yields nearly 5 per cent and a very strong balance sheet should provide a sizeable margin of safety to our investment. We made an incremental purchase of the conglomerate, Berkshire Hathaway. The value we saw was also recognised by Berkshire's Chairman and CEO, Warren Buffett, who subsequently directed the company to repurchase shares for the first ever time. We also added to the Fund's holding of Tesco. Our purchase valued the shares on a 4% yield but we were too optimistic! A subsequent profits warning from the company toward the end of the Fund's financial year end provided evidence that even the strong were beginning to suffer from subdued UK consumer demand. It has become clear that the UK business has been 'over-earning' and the necessary readjustment will be good for consumers but less favourable for shareholders.

New equity investments were made in two Canadian securities, Imperial Oil and Agnico-Eagle Mines. We are believers in the theory that, in the long-run, oil prices will stay higher for longer but we have struggled to find appealing European oil producers. Most have been spending ever more of shareholders' funds on capital projects but are producing ever less. In contrast the profile of Imperial looks much better. All of the company's reserves are to be found in Canada, a geological blessing that we value highly in a world of creeping resource *statism*. It has first class assets that should support growing production for decades to come. Indeed the company has the potential and the aspiration to more than double output by 2020. Imperial is a returns driven business, enjoying industry leading returns on capital but also returning value to shareholders through increasing dividends and buybacks. The shares were acquired at a not unreasonable ten times earnings.

Agnico-Eagle is a gold miner operating in Canada, Finland and Mexico. Until recently it was the darling of the sector, with strong production growth forecast for the next five years. The initial appeal to us was the location of its assets in territories that traditionally respect the rights of private property ownership. However, a high valuation had always put us off. 2011 was an *annus horribilis* for Agnico. It has suffered material interruptions to production at two of its six operating mines, which has led to the shares more than halving from their 2011 peak. The share price is back to where it was in 2007 when Agnico was producing just 20 per cent of the Gold it is mining today.

The strength of the Gold price has been in sharp contrast to the fragility of the majority of gold-mining shares. Their cheapness throughout most of the last twelve months has been a frail reed to lean upon. During the twelve month period under review the Gold price was up 30 per cent but the gold mining sector, as measured by the Philadelphia Gold & Silver Index, was unchanged. In theory the relationship between bullion and those miners that unearth it should be one of marriage. We believe the divergence in performance is a trial separation and the cheapness of the gold miners should eventually act as the required mediation. Ahead of the anticipated price reconciliation we added to the Fund's existing gold mining holdings, Newmont and Newcrest.

Our allocation to index-linked bonds (24 per cent of the Fund's assets) was broadly unchanged over the 12 month period. Our belief is that unconventional monetary policy cannot prevent the conventional result of swooning government spending deficits: inflation.

The allocation of the Fund directed toward equities fell over the course of the year. The overall equity allocation fell from 44 per cent, at the beginning of the year, to 36 per cent at the end. An important factor in contributing to this shift was the material inflows of new investor money. Your cash does not burn a hole in our pocket and we will only invest it, if we find opportunities that compensate us for taking on risk. Over the course of the year (and as detailed) we were opportunistic in adding to a number of core holdings and initiating two new equity holdings, but for long periods it was frustrating to see many of our favoured names make new all-time highs. Chasing stocks higher is the same as saying you are willing to take lower returns. We did not take to the chase, as our experience tells us that it is better for the market to come to you.

## OUTLOOK

Western governments and their banks are like two drunks in a bar, both desperately trying to hold the other up. The banks fund the governments, by buying their bonds, whilst the governments backstop the banks. The banks buy the bonds with printed money given to them by the state and the governments try to underwrite the banks' profitability with implied and written guarantees. The reasoning is so circular it can leave your head in a spin without having touched a drop yourself.

## TROJAN FUND

Investment Manager's Report (continued)

### OUTLOOK (continued)

Controlling risk is central to our approach to investing. Orthodox wisdom states that high risk equates to high returns: we fervently disagree. Our opinion is that there are times when the market compensates you for taking on risk and there are times when it does not. The current investment menu resembles unappetising gruel. Cash yields nothing but 10 year gilts provide just 2 per cent, reliable corporate bonds just a slither more than that and equities yield less than 3.5 per cent. It is dangerously overoptimistic to expect sustainable high returns when only low returns are on offer.

Gold and index-linked bonds have served us well. The majority of our equities have been re-rated and now stand on top of the podium in the eyes of many investors. If price is the best arbiter of risk then these investments, by definition, are more risky. This is not to say we fear permanent capital loss from here, but that we appreciate that good returns will be harder to come by. In this current frenetic climate it seems that patience is the most undervalued asset.

TROY ASSET MANAGEMENT LIMITED

Investment Manager

22 February 2012

## FUND INFORMATION

### PERFORMANCE RECORD

'O' Income shares

Calendar Year	Highest Price p	Lowest Price p	Distribution per share p
2007	155.19	146.55	3.8346
2008	154.91	130.87	3.3885
2009	167.42	135.58	3.7058
2010	187.95	161.35	2.4673
2011	202.11	180.36	2.5743
2012*	203.32	200.80	0.8545

'O' Accumulation shares

Calendar Year	Highest Price p	Lowest Price p	Distribution per share p
2007	168.48	158.54	4.0328
2008	169.66	145.38	4.2865
2009	190.74	152.77	3.5021
2010	217.25	184.79	2.8233
2011	236.81	209.54	3.0025
2012*	238.24	235.28	1.0020

'I' Income shares

Calendar Year	Highest Price p	Lowest Price p	Distribution per share p
2007	155.06	146.45	3.6869
2008	154.72	130.37	3.2023
2009	166.80	135.42	2.7984
2010	187.39	161.17	1.5310
2011	201.56	180.17	1.6779
2012*	202.62	200.16	0.4080

**TROJAN FUND**  
Fund Information (continued)

**PERFORMANCE RECORD** (continued)

*'I' Accumulation shares*

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2007	168.43	158.49	3.4434
2008	168.95	144.92	3.6053
2009	188.99	151.99	2.8305
2010	214.20	183.00	1.7337
2011	232.58	206.50	1.9743
2012*	233.81	230.97	0.4734

*'S' Income shares*

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2007	155.33	146.61	4.2017
2008	155.12	131.14	3.5791
2009	167.51	135.67	4.3804
2010	188.19	161.40	2.7647
2011	202.36	180.46	2.9900
2012*	203.62	201.07	1.0338

*'S' Accumulation shares*

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2007	169.60	159.17	4.2280
2008	171.11	146.60	4.5520
2009	192.61	154.10	3.8000
2010	219.43	186.65	3.1226
2011	239.70	211.70	3.4719
2012*	241.20	238.18	1.2223

\* To 31 January 2012.

**NET ASSET VALUE**

Date	Share Class	Net Asset Value £	Shares in Issue	Net Asset Value pence per share
31.01.10	'O' Income	230,814,437	142,267,735	162.24
	'O' Accumulation	95,395,702	51,343,170	185.80
	'I' Income	10,726,993	6,618,587	162.07
	'I' Accumulation	8,405,165	4,567,569	184.02
	'S' Income	45,848,998	28,252,103	162.29
	'S' Accumulation	3,058,756	1,629,863	187.67
31.01.11	'O' Income	420,787,012	233,323,772	180.34
	'O' Accumulation	245,905,832	117,356,083	209.54
	'I' Income	27,852,416	15,459,596	180.16
	'I' Accumulation	82,115,373	39,764,271	206.51
	'S' Income	93,604,267	51,877,312	180.43
	'S' Accumulation	20,869,253	9,858,339	211.69
31.01.12	'O' Income	698,856,183	346,050,488	201.95
	'O' Accumulation	502,760,718	211,571,036	237.63
	'I' Income	78,067,711	38,706,828	201.69
	'I' Accumulation	264,097,416	113,250,142	233.20
	'S' Income	191,983,131	95,007,936	202.07
	'S' Accumulation	44,401,871	18,455,194	240.59

**TOTAL EXPENSE RATIOS**

Expense Type	31.01.12 %			31.01.11 %		
	'O'	'I'	'S'	'O'	'I'	'S'
ACD's periodic charge	1.00	1.50	0.75	1.00	1.50	0.75
Other expenses	0.03	0.03	0.03	0.04	0.04	0.04
Total expense ratios	1.03	1.53	0.78	1.04	1.54	0.79

The Total Expense Ratio represents the total expenses of the Fund, excluding transaction costs, interest payable and expenses of a capital nature, expressed as a percentage of the average net assets during the accounting period.

Other expenses include fees payable to the depositary and auditor, printing costs, publication costs, registration fees and safe custody and other related bank charges.

# TROJAN FUND

Fund Information (continued)

## FUND PERFORMANCE TO 31 JANUARY 2012 (%)

	1 year	3 years	5 years
Trojan Fund	13.36	44.70	49.74

The performance of the Fund is based on the published price per 'O' Income share with income reinvested.

Details of the distributions per share for the year are shown in the Distribution Tables on pages 45 and 46.

# PORTFOLIO STATEMENT

AS AT 31 JANUARY 2012

Holding	Portfolio of Investments	Value £	Total Net Assets 31.01.12 %	31.01.11 %
	DEBT SECURITIES			
SG\$44,000,000	Monetary Authority of Singapore Treasury 0% 10.02.2012	22,200,273	1.24	
SG\$10,000,000	Monetary Authority of Singapore Treasury 0% 16.02.2012	5,045,259	0.28	
SG\$69,000,000	Monetary Authority of Singapore Treasury 0% 17.02.2012	34,811,976	1.96	
SG\$80,000,000	Monetary Authority of Singapore Treasury 0% 16.04.2020	40,366,555	2.27	
£80,000,000	UK Treasury 0% 15.08.2011	79,994,400	4.49	
£115,000,000	UK Treasury 0% 22.08.2011	114,975,505	6.46	
£80,000,000	UK Treasury 0% 30.08.2011	79,977,600	4.49	
£36,538,000	UK Treasury 1.25% index-linked 2017	52,183,316	2.93	
£99,603,000	UK Treasury 1.875% index-linked 2022	147,065,523	8.26	
£15,496,000	UK Treasury 2.5% index-linked 2020	56,659,079	3.18	
US\$67,000,000	US Treasury 0.625% Inflation Indexed 2021	46,914,687	2.64	
US\$64,000,000	US Treasury 1.25% Inflation Indexed 2020	48,769,431	2.74	
US\$65,400,000	US Treasury 1.375% Inflation Indexed 2020	50,483,524	2.84	
US\$31,785,000	US Treasury 1.625% Inflation Indexed 2018	25,251,297	1.42	
	TOTAL DEBT SECURITIES	804,698,425	45.20	36.22
	EQUITIES			
	UNITED KINGDOM			
	OIL & GAS			
	OIL & GAS PRODUCERS			
620,000	BG Group	8,835,000	0.50	0.97

**TROJAN FUND**  
*Portfolio Statement (continued)*

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.01.12 %	31.01.11 %
	CONSUMER GOODS			
	BEVERAGES			
97,173	Barr (A.G.)	1,166,076	0.07	
1,252,500	Diageo	17,560,050	0.99	
		<u>18,726,126</u>	<u>1.06</u>	<u>2.10</u>
	FOOD PRODUCERS			
1,264,000	Unilever	<u>25,861,440</u>	<u>1.45</u>	<u>1.70</u>
	TOBACCO			
1,736,000	British American Tobacco	<u>50,639,120</u>	<u>2.84</u>	<u>4.05</u>
	TOTAL CONSUMER GOODS	<u>95,226,686</u>	<u>5.35</u>	<u>7.85</u>
	HEALTH CARE			
	PHARMACEUTICALS & BIOTECHNOLOGY			
1,337,000	GlaxoSmithKline	<u>18,845,015</u>	<u>1.06</u>	<u>1.69</u>
	CONSUMER SERVICES			
	FOOD & DRUG RETAILERS			
1,757,022	Greggs	8,960,812	0.50	
9,315,000	Tesco	<u>29,770,740</u>	<u>1.67</u>	
		<u>38,731,552</u>	<u>2.17</u>	<u>2.64</u>
	TELECOMMUNICATIONS			
	MOBILE TELECOMMUNICATIONS			
9,498,250	Vodafone Group	<u>16,223,011</u>	<u>0.91</u>	<u>1.87</u>
	UTILITIES			
	GAS, WATER & MULTIUTILITIES			
8,773,279	Centrica	<u>25,732,027</u>	<u>1.45</u>	<u>1.33</u>

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.01.12 %	31.01.11 %
	FINANCIALS			
	REAL ESTATE INVESTMENT TRUSTS			
3,116,480	London & Stamford Property	<u>3,269,188</u>	<u>0.18</u>	<u>0.44</u>
	FINANCIAL SERVICES	<u>–</u>	<u>–</u>	<u>0.26</u>
	EQUITY INVESTMENT INSTRUMENTS			
6,036,011	Better Capital	7,303,573	0.41	
3,185,000	Mithras Investment Trust	<u>3,057,600</u>	<u>0.17</u>	
		<u>10,361,173</u>	<u>0.58</u>	<u>1.02</u>
	TOTAL FINANCIALS	<u>13,630,361</u>	<u>0.76</u>	<u>1.72</u>
	TECHNOLOGY			
	SOFTWARE & COMPUTER SERVICES			
4,773,647	Sage Group (The)	<u>13,991,559</u>	<u>0.79</u>	<u>1.58</u>
	TOTAL UNITED KINGDOM	<u>231,215,211</u>	<u>12.99</u>	<u>19.65</u>
	CONTINENTAL EUROPE			
752,000	Nestlé	<u>27,334,944</u>	<u>1.54</u>	<u>2.86</u>
	AUSTRALIA			
1,326,000	Newcrest Mining	<u>30,093,945</u>	<u>1.69</u>	<u>1.87</u>
	NORTH AMERICA			
1,000,000	Agnico-Eagle Mines	23,620,015	1.33	
1,000,000	Becton, Dickinson & Company	49,681,296	2.79	
300	Berkshire Hathaway	22,347,078	1.26	
595,000	Coca-Cola Company (The)	25,461,886	1.43	
437,000	Colgate-Palmolive	25,105,797	1.41	
1,276,500	Imperial Oil	38,475,128	2.16	
567,500	Johnson & Johnson	23,688,109	1.33	
3,752,000	Microsoft Corporation	70,210,672	3.94	

# TROJAN FUND

Portfolio Statement (continued)

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.01.12 %	31.01.11 %
	NORTH AMERICA (continued)			
919,000	Newmont Mining	35,797,737	2.01	
558,334	Philip Morris International	26,447,348	1.49	
759,000	Reynolds American	18,863,671	1.06	
	TOTAL NORTH AMERICA	359,698,737	20.21	19.27
	COMMODITIES			
129,531	BlackRock Gold & General*	1,948,153	0.11	
786,900	ETFS Physical Swiss Gold	85,648,238	4.81	
1,204,800	Gold Bullion Securities	128,247,642	7.20	
	TOTAL COMMODITIES	215,844,033	12.12	11.28
	FORWARD FOREIGN EXCHANGE CONTRACTS			
US\$(405,000,000)	Vs £259,967,007 (expiry 15.03.12)	3,237,021	0.18	0.38
	Portfolio of investments	1,672,122,316	93.93	91.53
	Net other assets	108,044,714	6.07	8.47
	Net assets	1,780,167,030	100.00	100.00

The investments have been valued in accordance with note 1(i) of the Notes to the Aggregated Financial Statements and are ordinary shares unless stated otherwise.

\* Collective investment schemes.

Credit Quality	31.01.12 %	31.01.11 %
Investment grade securities	45.20	36.22
Equities	48.55	54.93
Forward currency contracts	0.18	0.38
Cash	6.07	8.47
Total	100.00	100.00

**TROJAN FUND**  
**SUMMARY OF MATERIAL PORTFOLIO CHANGES**  
**FOR THE YEAR ENDED 31 JANUARY 2012**

**Total purchases for the year (note 13) £2,809,320,421**

<b>Major purchases</b>	<b>Cost £</b>
UK Treasury 0% 18.07.2011	264,915,560
UK Treasury 0% 20.06.2011	244,462,835
UK Treasury 0% 22.08.2011	194,973,960
UK Treasury 0% 28.03.2011	194,941,524
UK Treasury 0% 31.05.2011	139,961,827
UK Treasury 0% 14.03.2011	119,941,645
UK Treasury 0% 06.06.2011	109,960,696
UK Treasury 1.875% index-linked 2022	92,312,152
UK Treasury 0% 15.08.2011	79,984,469
UK Treasury 0% 28.12.2011	79,979,677
UK Treasury 0% 26.09.2011	69,979,811
Gold Bullion Securities	53,474,727
Monetary Authority of Singapore Treasury 0% 18.08.11	49,361,029
UK Treasury 0% 12.12.2011	44,986,541
US Treasury 0.625% Inflation Indexed 2021	44,297,404
Monetary Authority of Singapore 0% 14.10.2011	40,585,645
UK Treasury 0% 05.12.2011	39,987,730
UK Treasury 0% 07.11.2011	39,987,419
Monetary Authority of Singapore Treasury 0% 03.02.2012	39,870,269
Monetary Authority of Singapore 0% 11.11.2011	39,817,607

**Total sales for the year (note 13) £2,099,103,104**

<b>Major sales</b>	<b>Proceeds £</b>
UK Treasury 0% 18.07.2011	265,000,000
UK Treasury 0% 20.06.2011	244,546,000
UK Treasury 0% 21.02.2011	235,000,000
UK Treasury 0% 31.01.2011	160,000,000
UK Treasury 0% 14.03.2011	120,000,000
UK Treasury 0% 06.06.2011	110,000,000
UK Treasury 0% 28.12.2011	80,000,000
UK Treasury 0% 26.09.2011	70,000,000
Monetary Authority of Singapore Treasury 0% 18.08.2011	49,990,929
UK Treasury 0% 12.12.2011	45,000,000
UK Treasury 0% 05.12.2011	40,000,000
UK Treasury 0% 07.11.2011	40,000,000
UK Treasury 0% 03.05.2011	40,000,000
Monetary Authority of Singapore 0% 14.10.2011	39,940,797
Monetary Authority of Singapore 0% 06.01.2012	39,921,098
Monetary Authority of Singapore 0% 09.12.2011	39,315,804
Monetary Authority of Singapore 0% 11.11.2011	38,948,486
Monetary Authority of Singapore 0% 29.07.2011	36,700,531
Monetary Authority of Singapore 0% 16.09.2011	35,217,653
Monetary Authority of Singapore 0% 20.01.2012	34,942,058

The summary of material portfolio changes represent the 20 largest purchases and sales during the year.

**TROJAN FUND**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF TOTAL RETURN**  
**FOR THE YEAR ENDED 31 JANUARY 2012**

		31.01.12	31.01.11
	Notes	£	£
Income:			
Net capital gains	2	135,387,385	46,987,790
Revenue	3	30,231,587	15,201,922
Expenses	4	(14,198,191)	(6,370,109)
Finance costs: Interest	6	(21,508)	–
Net revenue before taxation		16,011,888	8,831,813
Taxation	5	(967,769)	(427,419)
Net revenue after taxation		15,044,119	8,404,394
<b>Total return before distributions</b>		150,431,504	55,392,184
Finance costs: Distributions	6	(15,043,757)	(8,404,297)
<b>Change in net assets attributable to shareholders from investment activities</b>		135,387,747	46,987,887

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**  
**FOR THE YEAR ENDED 31 JANUARY 2012**

		31.01.12	31.01.11
	Notes	£	£
<b>Opening net assets attributable to shareholders</b>		891,134,153	394,250,051
Amounts receivable on issue of shares	764,020,608	448,000,857	
Amounts payable on cancellation of shares	(21,944,873)	(3,853,877)	
		742,075,735	444,146,980
Dilution levy charged	1(k)	4,384,591	2,436,671
Stamp duty reserve tax	1(g)	(52,185)	(26,380)
Change in net assets attributable to shareholders from investment activities		135,387,747	46,987,887
Retained distribution on Accumulation shares		7,236,989	3,338,944
<b>Closing net assets attributable to shareholders</b>		1,780,167,030	891,134,153

**BALANCE SHEET**  
**AS AT 31 JANUARY 2012**

		31.01.12	31.01.11
	Notes	£	£
<b>ASSETS</b>			
<b>Investment assets</b>		1,672,122,316	815,620,414
<b>Other assets</b>			
Debtors	7	14,320,269	9,775,659
Cash and bank balances		101,959,171	69,400,435
<b>Total other assets</b>		116,279,440	79,176,094
<b>Total assets</b>		1,788,401,756	894,796,508
<b>LIABILITIES</b>			
<b>Other liabilities</b>			
Creditors	8	(1,713,271)	(824,471)
Bank overdrafts		(2,424,338)	–
Distribution payable on Income shares		(4,097,117)	(2,837,884)
<b>Total other liabilities</b>		(8,234,726)	(3,662,355)
<b>Total liabilities</b>		(8,234,726)	(3,662,355)
<b>Net assets attributable to shareholders</b>		1,780,167,030	891,134,153

# TROJAN FUND

Financial Statements (continued)

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 JANUARY 2012

### 1. ACCOUNTING POLICIES

The Fund's Financial Statements have been prepared on the same basis as the Aggregated Financial Statements.

	31.01.12 £	31.01.11 £
<b>2. NET CAPITAL GAINS</b>		
The net capital gains during the year comprise:		
Non-derivative securities	137,203,183	42,528,600
Derivative contracts	–	(2,507,569)
Forward currency contracts	(3,809,142)	8,443,627
Transaction charges	(2,997)	(2,198)
Currency gains/(losses)	1,996,341	(1,474,670)
Net capital gains	<u>135,387,385</u>	<u>46,987,790</u>
<b>3. REVENUE</b>		
Non-taxable dividends	16,054,799	9,249,959
UK property income distributions	65,446	–
Unfranked interest	14,111,083	5,949,932
AMC rebates from underlying investments	–	1,133
Bank interest	259	898
Total revenue	<u>30,231,587</u>	<u>15,201,922</u>
<b>4. EXPENSES</b>		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	13,749,892	6,119,132
Printing costs	6,710	5,370
Registration fees	52,782	19,377
	<u>13,809,384</u>	<u>6,143,879</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	196,489	109,015
Safe custody and other bank charges	172,861	99,133
	<u>369,350</u>	<u>208,148</u>

	31.01.12 £	31.01.11 £
<b>4. EXPENSES (continued)</b>		
Other expenses:		
FSA fee	56	51
Fees paid to auditor – audit	8,100	8,100
– tax services	3,000	3,063
Publication costs	8,301	6,503
Legal and professional fees	–	365
	<u>19,457</u>	<u>18,082</u>
Total expenses	<u>14,198,191</u>	<u>6,370,109</u>
<b>5. TAXATION</b>		
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	967,769	427,029
Adjustments in respect of prior periods	–	390
Current tax charge (note 5b)	<u>967,769</u>	<u>427,419</u>
Deferred tax – origination and reversal of timing differences (note 5c)	–	–
Total taxation	<u>967,769</u>	<u>427,419</u>
b) Factors affecting current tax charge for the year		
The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.01.11 : 20%) for the reasons explained below.		
	31.01.12 £	31.01.11 £
Net revenue before taxation	<u>16,011,888</u>	<u>8,831,813</u>
Corporation tax at 20%	3,202,377	1,766,363
Effects of:		
Non-taxable dividends	(3,210,960)	(1,849,992)
Non-taxable RPI movement on UK index-linked gilts	(1,144,935)	–
Unutilised excess management expenses	1,153,518	83,629
Corporation tax charge	–	–
Overseas tax	967,769	427,029
Irrecoverable income tax	–	390
Current tax charge (note 5a)	<u>967,769</u>	<u>427,419</u>

## TROJAN FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

### 5. TAXATION (continued)

#### c) Deferred tax

At the year end there is a potential deferred tax asset of £1,532,361 (31.01.11 : £378,843) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

### 6. FINANCE COSTS

#### Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:

	31.01.12 £	31.01.11 £
Interim	10,748,066	5,250,574
Final	6,978,763	4,494,676
	<u>17,726,829</u>	<u>9,745,250</u>
Add: Revenue deducted on cancellation of shares	34,766	23,260
Deduct: Revenue received on issue of shares	(2,717,838)	(1,364,213)
Net distributions for the year	<u>15,043,757</u>	<u>8,404,297</u>
Interest	21,508	–
Total finance costs	<u>15,065,265</u>	<u>8,404,297</u>

Details of the distributions per share are set out in the tables on pages 45 and 46.

	31.01.12 £	31.01.11 £
Distributions represented by:		
Net revenue after taxation	15,044,119	8,404,394
Balance brought forward	221	124
Balance carried forward	(583)	(221)
Net distributions for the year	<u>15,043,757</u>	<u>8,404,297</u>

### 7. DEBTORS

	31.01.12 £	31.01.11 £
Amounts receivable for issue of shares	11,970,385	8,492,977
Accrued revenue:		
Non-taxable dividends	806,150	393,609
Unfranked interest	949,457	685,195
	<u>1,755,607</u>	<u>1,078,804</u>
Dilution levy	79,652	46,846
Prepaid expenses	5,844	5,915
Refund of safe custody fees	2,160	–
Taxation recoverable:		
Income tax	13,089	–
Overseas withholding tax	493,532	121,190
	<u>506,621</u>	<u>121,190</u>
Repricing compensation	–	29,927
Total debtors	<u>14,320,269</u>	<u>9,775,659</u>

### 8. CREDITORS

	31.01.12 £	31.01.11 £
Amounts payable for cancellation of shares	30,426	956
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	1,567,021	764,882
Printing costs	3,256	2,662
Registration fees	5,226	3,326
	<u>1,575,503</u>	<u>770,870</u>
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	20,980	12,195
Transaction charges	860	266
Safe custody and other bank charges	67,489	20,676
	<u>89,329</u>	<u>33,137</u>

## TROJAN FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

	31.01.12 £	31.01.11 £
8. CREDITORS (continued)		
Other expenses	14,100	14,100
Taxation payable:		
Stamp duty reserve tax	3,913	5,408
Total creditors	<u>1,713,271</u>	<u>824,471</u>

### 9. RELATED PARTY TRANSACTIONS

Disclosure is made in note 9 of the Notes to the Aggregated Financial Statements.

### 10. SHAREHOLDER FUNDS

Disclosure is made in note 10 of the Notes to the Aggregated Financial Statements.

### 11. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or outstanding commitments (31.01.11 : none).

### 12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are disclosed in note 12 of the Notes to the Aggregated Financial Statements.

#### ii. Interest rate risk

The table below shows the direct interest rate risk profile:

	31.01.12 £	31.01.11 £
Floating rate assets:		
Singapore dollars	102,494,166	–
US dollars	171,418,940	106,705,280
Pounds sterling	632,744,490	204,841,719
	<u>906,657,596</u>	<u>311,546,999</u>
Floating rate liabilities:		
Pounds sterling	(2,424,338)	–
Fixed rate assets:		
Pounds sterling	–	10,617,726

### 12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

	31.01.12 £	31.01.11 £
ii. Interest rate risk (continued)		
Assets on which interest is not paid:		
Australian dollars	30,093,945	16,629,030
Canadian dollars	62,095,143	–
Swiss francs	27,526,677	25,701,579
US dollars	512,019,941	270,525,653
Pounds sterling	506,738,440	455,870,593
	<u>1,138,474,146</u>	<u>768,726,855</u>
Liabilities on which interest is not paid:		
US dollars	(256,729,986)	(196,095,072)
Pounds sterling	(5,810,388)	(3,662,355)
	<u>(262,540,374)</u>	<u>(199,757,427)</u>
Net assets	<u>1,780,167,030</u>	<u>891,134,153</u>

The floating rate financial assets and liabilities comprise bank balances and bank overdraft positions which earn or pay interest at rates linked to the Bank of England base rate or its international equivalents and index-linked securities that earn interest at rates adjusted by changes in the UK Retail Prices Index (RPI) or its international equivalent.

Fixed Rate Financial Assets				
Currency	Weighted average interest rate		Weighted average period for which rate is fixed	
	31.01.12	31.01.11	31.01.12	31.01.11
Swiss francs	–	2.50%	–	2 years

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

## TROJAN FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

### 12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

#### iii. Foreign currency risk

The table below shows the direct foreign currency risk profile:

	31.01.12 Gross £	31.01.12 Hedged £	31.01.12 Net £	31.01.11 £
Currency:				
Australian dollars	30,093,945	–	30,093,945	16,629,030
Canadian dollars	62,095,143	–	62,095,143	–
Singapore dollars	102,494,166	–	102,494,166	–
Swiss francs	27,526,677	–	27,526,677	36,319,305
US dollars	683,438,881	(256,729,986)	426,708,895	181,135,861
	905,648,812	(256,729,986)	648,918,826	234,084,196
Pounds sterling	871,281,197	259,967,007	1,131,248,204	657,049,957
Net assets	1,776,930,009	3,237,021	1,780,167,030	891,134,153

#### vii. Derivatives

The derivatives held by the Fund during the current and the prior year were for hedging purposes only.

### 13. PORTFOLIO TRANSACTION COSTS

Analysis of total purchase costs

Purchases in year before transaction costs	2,808,614,396	632,405,691
Transaction costs:		
Commissions	462,068	416,128
Stamp duty and other charges	243,957	277,883
	706,025	694,011
Gross purchases total	2,809,320,421	633,099,702

Analysis of total sale costs

Gross sales before transaction costs	2,099,109,444	211,857,620
Transaction costs:		
Commissions	(6,330)	(97,326)
Other charges	(10)	(23)
	(6,340)	(97,349)
Total sales net of transaction costs	2,099,103,104	211,760,271

### DISTRIBUTION TABLES

FOR THE YEAR ENDED 31 JANUARY 2012 – IN PENCE PER SHARE

Interim

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased on or after 1 February 2011 and on or before 31 July 2011

'O' Income Shares	Net Revenue	Equalisation	Paid 30.09.11	Paid 30.09.10
Group 1	1.6386	–	1.6386	1.6245
Group 2	0.6674	0.9712	1.6386	1.6245

'O' Accumulation Shares	Net Revenue	Equalisation	Allocated 30.09.11	Allocated 30.09.10
Group 1	1.9055	–	1.9055	1.8624
Group 2	0.7173	1.1882	1.9055	1.8624

'I' Income Shares	Net Revenue	Equalisation	Paid 30.09.11	Paid 30.09.10
Group 1	1.1844	–	1.1844	1.1970
Group 2	0.4509	0.7335	1.1844	1.1970

'I' Accumulation Shares	Net Revenue	Equalisation	Allocated 30.09.11	Allocated 30.09.10
Group 1	1.3607	–	1.3607	1.3632
Group 2	0.4021	0.9586	1.3607	1.3632

'S' Income Shares	Net Revenue	Equalisation	Paid 30.09.11	Paid 30.09.10
Group 1	1.8751	–	1.8751	1.8383
Group 2	0.8748	1.0003	1.8751	1.8383

'S' Accumulation Shares	Net Revenue	Equalisation	Allocated 30.09.11	Allocated 30.09.10
Group 1	2.1996	–	2.1996	2.1377
Group 2	0.9094	1.2902	2.1996	2.1377

## TROJAN FUND

Financial Statements (continued)

Distribution Tables (continued)

Final

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased on or after 1 August 2011 and on or before 31 January 2012

'O' Income Shares	Net Revenue	Equalisation	Payable 31.03.12	Paid 31.03.11
Group 1	0.8545	–	0.8545	0.9357
Group 2	0.3208	0.5337	0.8545	0.9357

'O' Accumulation Shares	Net Revenue	Equalisation	Allocation 31.03.12	Allocated 31.03.11
Group 1	1.0020	–	1.0020	1.0970
Group 2	0.3555	0.6465	1.0020	1.0970

'I' Income Shares	Net Revenue	Equalisation	Payable 31.03.12	Paid 31.03.11
Group 1	0.4080	–	0.4080	0.4935
Group 2	0.0115	0.3965	0.4080	0.4935

'I' Accumulation Shares	Net Revenue	Equalisation	Allocation 31.03.12	Allocated 31.03.11
Group 1	0.4734	–	0.4734	0.6136
Group 2	0.1020	0.3714	0.4734	0.6136

'S' Income Shares	Net Revenue	Equalisation	Payable 31.03.12	Paid 31.03.11
Group 1	1.0338	–	1.0338	1.1149
Group 2	0.6026	0.4312	1.0338	1.1149

'S' Accumulation Shares	Net Revenue	Equalisation	Allocation 31.03.12	Allocated 31.03.11
Group 1	1.2223	–	1.2223	1.2723
Group 2	0.5747	0.6476	1.2223	1.2723

## EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents the accrued revenue 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.

## TROJAN CAPITAL FUND

### INVESTMENT MANAGER'S REPORT

FOR THE YEAR ENDED 31 JANUARY 2012

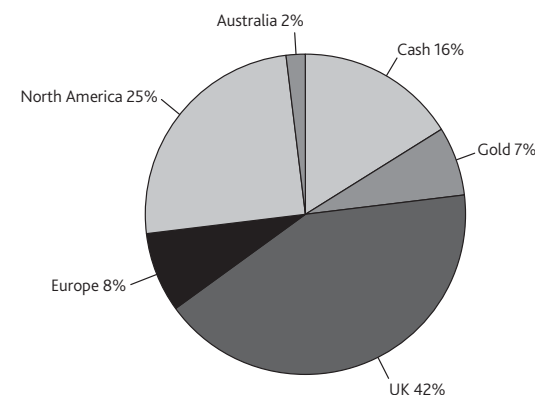
## INVESTMENT OBJECTIVE AND POLICY

The investment objective of the Trojan Capital Fund ('the Fund') is to provide capital growth over the longer term. The Fund's policy is to invest substantially in UK and overseas equities but may also invest in collective investment schemes and money market instruments.

## INVESTMENT REVIEW

For the year to 31 January 2012 the Fund produced a total return of +9.8% compared to a Total Return of +0.5% for the LIBID Index and -0.3% for the FTSE All-Share Index. (Source: *Lipper Hindsight, net income reinvested at ex-dividend date, sterling terms. Fund performance is based on 'O' Accumulation Shares*).

## TROJAN CAPITAL FUND – ASSET ALLOCATION AS AT 31 JANUARY 2012



Source: Troy Asset Management Limited.

## MARKET REVIEW

The relatively benign market return of -0.3% belies what has been an extremely challenging year for equity investing. The US equity market returned 6.1% for the year helped by an appreciation in the USD; Global Equities as measured by the MSCI World Index were down 1.2%; Emerging Markets lost just under 5% of their value and European equities ex the UK were down 13.4% all measured in sterling. The Gold and oil prices were up 29.5% and 11% respectively. Healthcare, consumer staples and utilities were the best performing sectors and financials, industrials and materials were the worst.

The Fund delivered on its objective of providing capital growth despite the very difficult backdrop. The highlights for the Fund were strong returns from the stalwart stocks of British American Tobacco, Imperial Tobacco Group, Diageo and GlaxoSmithKline. PayPoint was the best performing stock (+54.0%) and Société BIC, Colgate Palmolive Company and Roche Holdings were all strong contributors outside the UK. The Fund's holding in Gold was also a very positive feature. In contrast the weakest contributor was Tesco following its profits warning in January 2012. The gold mining shares of Newmont and Newcrest were lacklustre despite the strong performance of the underlying commodity. Overall, this was a year when our investment discipline, of owning healthy, thriving, cash generative, dividend paying companies, was rewarded.

## TROJAN CAPITAL FUND

*Financial Statements (continued)*

*Distribution Table (continued)*

### MARKET REVIEW (continued)

We are living through truly extraordinary times. Much has been written about the global sovereign and banking debt crisis, the quantitative easing exercises by global central banks and the many intended and unintended consequences. Suffice to say that we ended January 2012 with the ECB's balance sheet totalling \$3.5 trillion, a level equating to 29% of eurozone GDP. The Fed are not far behind at \$2.9 billion (20% of US GDP), the Bank of Japan \$1.8 trillion (33% of GDP) and the Bank of England's balance sheet sits at \$0.3 trillion (14% of GDP). By way of comparison it is only a few years ago that, with the exception of Japan, central bank balance sheets typically represented significantly less than 10% of GDP. This huge state participation in financial markets is unprecedented in our investing careers, is a great cause for unease and the full consequences are a long way from playing out.

### PORTFOLIO REVIEW

The Fund entered the second half of 2011 in defensive mode and therefore despite the fairly extreme volatility over the summer very few changes were made to the portfolio.

The most significant action was the purchase of the Canadian company Imperial Oil in August. Imperial is an integrated oil and gas company that has been trading since 1880, is 70% owned by Exxon Mobil and is AAA rated despite a substantial capital expenditure commitment to investing in oil sands. Unlike many of its peers, Imperial has comfortably replaced oil and gas reserves in recent years and is in the exceptional position of having proved reserves equal to 28 years of current production. The total proved and non-proved reserves are in excess of 15 billion boe – more than 140 years of production at current levels – an industry leading position. The attractive reserves all of which are to be found in geopolitically safe Canada, combined with sensible management and a commitment to solid capital allocation make for a compelling investment case.

Weakness in Becton, Dickinson and Company after publication of a cautious outlook at the beginning of November gave us the opportunity to add to our position. Becton, like many healthcare businesses in the United States, is experiencing a more challenging operating environment and revenues are growing more slowly than in the past. Becton sell a large number of small, must have products that are manufactured very efficiently and are priced competitively. Emerging markets represent more than 20% of revenues and are growing strongly. Becton is efficiently run, the business model is well proven and generates a 25% return on equity. We are not overly concerned by the near-term challenges of the US healthcare environment and were happy to add to the position.

We took the decision to sell our holding in Reed Elsevier in January. Reed generates cash and returns above its cost of capital but our concern is that it is fundamentally challenged by the internet and at best will struggle to grow. At worst it could see revenues in its core science and business information subscription divisions decline. Reed faces these challenges with too much debt on its balance sheet.

### OUTLOOK

Most of the concerns raised in previous reports are very much present today. We believe that the extraordinary race by central banks to expand their balance sheets, which has gathered pace significantly in recent weeks, is likely to result in inflation in the longer term and we are very worried about the negative consequences that accompany it.

We remain firmly committed to owning strong franchises that are growing cash flow, have pricing power, are paying dividends and can sustain earnings through the challenges ahead. Our companies have a very broad geographical spread of where they do business and in time we aim to broaden our investment universe to encompass more companies in Europe, the United States, Asia and Latin America.

The valuations of many of the companies we like to own have become quite rich in recent times so we enter a period where yet again our patience as discerning investors is seriously tested. While central bankers continue to devalue our currencies we are likely to continue to invest in gold.

## TROY ASSET MANAGEMENT LIMITED

*Investment Manager*

22 February 2012

TROJAN CAPITAL FUND  
FUND INFORMATION

PERFORMANCE RECORD

'O' Income shares

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2007	132.81	109.99	1.4113
2008	111.65	86.05	1.9966
2009	112.40	86.62	3.2400
2010	126.46	107.65	2.2439
2011	132.52	118.24	1.9941
2012*	132.83	131.53	0.5713

'O' Accumulation shares

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2007	134.70	112.71	1.4355
2008	112.20	87.47	2.7151
2009	121.49	92.04	2.7574
2010	139.50	117.12	2.4392
2011	147.03	131.06	2.2204
2012*	148.86	147.41	0.6496

'I' Income shares

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2007	132.39	109.59	0.9915
2008	111.22	85.63	1.6710
2009	113.41	87.50	3.0650
2010	127.39	108.75	1.7251
2011	133.48	119.27	1.4397
2012*	133.73	132.47	0.2621

'I' Accumulation shares

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2007	132.47	110.56	1.0959
2008	114.41	89.92	1.6417
2009	117.51	89.37	2.2176
2010	134.27	113.22	1.7897
2011	141.02	126.02	1.5065
2012*	142.54	141.19	0.2891

'S' Income shares

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2007	132.72	109.88	1.1916
2008	111.52	85.84	1.8496
2009	112.31	86.75	3.6600
2010	126.44	107.72	2.0680
2011	132.72	118.32	2.1326
2012*	133.05	131.73	0.7461

'S' Accumulation shares

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2007	134.38	112.33	1.2097
2008	114.01	89.37	2.3576
2009	120.76	91.57	2.8440
2010	138.64	116.40	2.3280
2011	146.33	130.31	2.3360
2012*	148.16	146.71	0.7720

\* To 31 January 2012.

TROJAN CAPITAL FUND  
Fund Information (continued)

NET ASSET VALUE

Date	Share Class	Net Asset Value £	Shares in Issue	Net Asset Value pence per share
31.01.10	'O' Income	13,481,862	12,370,102	108.99
	'O' Accumulation	17,178,401	14,486,529	118.58
	'I' Income	278	250	111.20
	'I' Accumulation	125,436	109,415	114.64
	'S' Income	274	250	109.60
	'S' Accumulation	296	250	118.40
31.01.11	'O' Income	21,950,869	18,125,955	121.10
	'O' Accumulation	34,434,828	25,654,149	134.23
	'I' Income	53,140	43,479	122.22
	'I' Accumulation	406,199	314,565	129.13
	'S' Income	19,517	16,111	121.14
	'S' Accumulation	334	250	133.43
31.01.12	'O' Income	18,583,022	14,185,517	131.00
	'O' Accumulation	40,833,373	27,691,836	147.46
	'I' Income	279,581	211,497	132.19
	'I' Accumulation	2,566,146	1,817,679	141.18
	'S' Income	21,176	16,159	131.05
	'S' Accumulation	367	250	146.75

TOTAL EXPENSE RATIOS

Expense Type	31.01.12 %			31.01.11 %		
	'O'	'I'	'S'	'O'	'I'	'S'
ACD's periodic charge	1.00	1.50	0.75	1.00	1.50	0.75
Other expenses	0.11	0.11	0.11	0.12	0.12	0.12
Total expense ratios	1.11	1.61	0.86	1.12	1.62	0.87

The Total Expense Ratio represents the total expenses of the Fund, excluding transaction costs, interest payable and expenses of a capital nature, expressed as a percentage of the average net assets during the accounting year.

Other expenses include fees payable to the depositary and auditor, printing costs and publication costs, registration fees and safe custody and other related bank charges.

FUND PERFORMANCE TO 31 JANUARY 2012 (%)

	1 year	3 years	5 years
Trojan Capital Fund	9.81	48.69	21.69

The performance of the Fund is based on the published price per 'O' Accumulation share which includes reinvested income.

Details of the distributions per share for the year are shown in the Distribution Tables on pages 67 and 68.

TROJAN CAPITAL FUND  
PORTFOLIO STATEMENT  
AS AT 31 JANUARY 2012

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.01.12 %	31.01.11 %
	UNITED KINGDOM			
	OIL & GAS			
	<i>OIL &amp; GAS PRODUCERS</i>			
166,500	BG Group	2,372,625	3.81	
160,000	BP	753,360	1.21	
		<u>3,125,985</u>	<u>5.02</u>	<u>7.49</u>
	INDUSTRIALS			
	<i>SUPPORT SERVICES</i>			
202,500	Experian	1,739,475	2.79	
141,100	PayPoint	776,050	1.25	
		<u>2,515,525</u>	<u>4.04</u>	<u>3.65</u>
	CONSUMER GOODS			
	<i>BEVERAGES</i>			
35,060	Barr (A.G.)	420,720	0.67	
118,000	Diageo	1,654,360	2.66	
		<u>2,075,080</u>	<u>3.33</u>	<u>4.94</u>
	<i>FOOD PRODUCERS</i>			
120,700	Unilever	2,469,522	3.96	5.21
	<i>TOBACCO</i>			
79,000	British American Tobacco	2,304,430	3.70	
96,000	Imperial Tobacco Group	2,178,240	3.50	
		<u>4,482,670</u>	<u>7.20</u>	<u>6.21</u>
	TOTAL CONSUMER GOODS	<u>9,027,272</u>	<u>14.49</u>	<u>16.36</u>
	HEALTH CARE			
	<i>PHARMACEUTICALS &amp; BIOTECHNOLOGY</i>			
160,000	Dechra Pharmaceuticals	841,600	1.35	
106,000	GlaxoSmithKline	1,494,070	2.40	
		<u>2,335,670</u>	<u>3.75</u>	<u>3.52</u>

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.01.12 %	31.01.11 %
	CONSUMER SERVICES			
	<i>FOOD &amp; DRUG RETAILERS</i>			
380,000	Greggs	1,938,000	3.11	
432,500	Tesco	1,382,270	2.22	
		<u>3,320,270</u>	<u>5.33</u>	<u>6.18</u>
	<i>GENERAL RETAILERS</i>			
35,000	Ted Baker	257,425	0.41	0.40
	<i>MEDIA</i>	<u>–</u>	<u>–</u>	<u>2.91</u>
	TOTAL CONSUMER SERVICES	<u>3,577,695</u>	<u>5.74</u>	<u>9.49</u>
	TELECOMMUNICATIONS			
	<i>MOBILE TELECOMMUNICATIONS</i>	<u>–</u>	<u>–</u>	<u>1.70</u>
	UTILITIES			
	<i>GAS, WATER &amp; MULTIUTILITIES</i>			
180,000	Centrica	527,940	0.85	1.01
	FINANCIALS			
	<i>REAL ESTATE INVESTMENT &amp; SERVICES</i>			
1,300,000	London & Stamford Property	1,363,700	2.19	2.88
	<i>FINANCIAL SERVICES</i>			
155,000	Rathbone Brothers	1,774,750	2.85	6.47
	TOTAL FINANCIALS	<u>3,138,450</u>	<u>5.04</u>	<u>9.35</u>
	TECHNOLOGY			
	<i>SOFTWARE &amp; COMPUTER SERVICES</i>			
625,000	Sage Group (The)	1,831,875	2.94	3.24
	TOTAL UNITED KINGDOM	<u>26,080,412</u>	<u>41.87</u>	<u>55.81</u>

**TROJAN CAPITAL FUND**  
*Portfolio Statement (continued)*

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.01.12 %	31.01.11 %
	CONTINENTAL EUROPE			
48,000	Nestlé	1,744,784	2.80	
15,000	Roche Holdings	1,610,410	2.59	
25,000	Société BIC	1,412,698	2.27	
	TOTAL CONTINENTAL EUROPE	4,767,892	7.66	7.74
	AUSTRALIA			
71,000	Newcrest Mining	1,611,365	2.59	2.42
	NORTH AMERICA			
29,000	Becton, Dickinson and Company	1,440,758	2.31	
42,000	Coca-Cola Company (The)	1,797,309	2.89	
27,200	Colgate-Palmolive Company	1,562,649	2.51	
46,000	Imperial Oil	1,386,491	2.22	
60,000	Johnson & Johnson	2,504,470	4.02	
74,000	Medtronic	1,810,541	2.91	
165,000	Microsoft Corporation	3,087,623	4.96	
50,000	Newmont Mining	1,947,646	3.13	
	TOTAL NORTH AMERICA	15,537,487	24.95	21.83
	COMMODITIES			
41,860	Gold Bullion Securities	4,455,882	7.15	5.95
	FORWARD CURRENCY CONTRACTS	–	–	0.13
	Portfolio of investments	52,453,038	84.22	93.88
	Net other assets	9,830,627	15.78	6.12
	Net assets	62,283,665	100.00	100.00

The investments have been valued in accordance with note 1(i) of the Notes to the Aggregated Financial Statements and are ordinary shares unless stated otherwise.

**SUMMARY OF MATERIAL PORTFOLIO CHANGES**  
 FOR THE YEAR ENDED 31 JANUARY 2012

<b>Total purchases for the year (note 13)</b>	<b>£2,276,836</b>
<b>Purchases</b>	<b>Cost £</b>
Imperial Oil	1,101,441
Becton, Dickinson and Company	548,496
Unilever	289,141
Newcrest Mining	270,257
Shaftesbury	67,501

TROJAN CAPITAL FUND  
Summary of Material Portfolio Changes (continued)

Total sales for the year (note 13) £7,698,238

Sales	Proceeds £
Close Brothers Group	1,831,584
Reed Elsevier	1,613,928
Barr (A.G.)	1,137,954
Royal Dutch Shell 'B'	1,132,810
Associated British Foods	1,033,346
Vodafone Group	878,223
Shaftesbury	70,393

The summary of material portfolio changes represent all of the purchases and sales during the year.

FINANCIAL STATEMENTS  
STATEMENT OF TOTAL RETURN  
FOR THE YEAR ENDED 31 JANUARY 2012

	Notes	£	31.01.12 £	31.01.11 £
Income:				
Net capital gains	2		4,424,304	4,854,802
Revenue	3	1,628,178		1,193,806
Expenses	4	(652,489)		(478,943)
Finance costs: Interest	6	—		(39)
Net revenue before taxation		975,689		714,824
Taxation	5	(75,753)		(33,553)
Net revenue after taxation			899,936	681,271
<b>Total return before distributions</b>			5,324,240	5,536,073
Finance costs: Distributions	6		(899,947)	(681,267)
<b>Change in net assets attributable to shareholders from investment activities</b>			4,424,293	4,854,806

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS  
FOR THE YEAR ENDED 31 JANUARY 2012

	Notes	£	31.01.12 £	31.01.11 £
<b>Opening net assets attributable to shareholders</b>			56,864,887	30,786,547
Amounts receivable on issue of shares		8,518,635		22,174,694
Amounts payable on cancellation of shares		(8,210,494)		(1,481,815)
			308,141	20,692,879
Dilution levy charged	1(k)		89,608	119,753
Stamp duty reserve tax	1(g)		(8,286)	(3,526)
Change in net assets attributable to shareholders from investment activities			4,424,293	4,854,806
Retained distribution on Accumulation shares			605,022	414,428
<b>Closing net assets attributable to shareholders</b>			62,283,665	56,864,887

TROJAN CAPITAL FUND  
Financial Statements (continued)  
BALANCE SHEET  
AS AT 31 JANUARY 2012

	Notes	£	31.01.12 £	£	31.01.11 £
<b>ASSETS</b>					
<b>Investment assets</b>			52,453,038		53,386,871
<b>Other assets</b>					
Debtors	7	327,255		162,396	
Cash and bank balances		<u>9,752,242</u>		<u>3,492,707</u>	
<b>Total other assets</b>			10,079,497		3,655,103
<b>Total assets</b>			<u>62,532,535</u>		<u>57,041,974</u>
<b>LIABILITIES</b>					
<b>Other liabilities</b>					
Creditors	8	(167,153)		(70,865)	
Distribution payable on Income shares		<u>(81,717)</u>		<u>(106,222)</u>	
<b>Total other liabilities</b>			(248,870)		(177,087)
<b>Total liabilities</b>			<u>(248,870)</u>		<u>(177,087)</u>
<b>Net assets attributable to shareholders</b>			<u>62,283,665</u>		<u>56,864,887</u>

NOTES TO THE FINANCIAL STATEMENTS  
AS AT 31 JANUARY 2012

1. ACCOUNTING POLICIES

The Fund's Financial Statements have been prepared on the same basis as the Aggregated Financial Statements.

	31.01.12 £	31.01.11 £
<b>2. NET CAPITAL GAINS</b>		
The net capital gains during the year comprise:		
Non-derivative securities	4,560,724	4,716,480
Forward currency contracts	(148,084)	104,940
Transaction charges	(331)	(1,359)
Currency gains	11,995	34,741
<b>Net capital gains</b>	<u>4,424,304</u>	<u>4,854,802</u>
<b>3. REVENUE</b>		
Non-taxable dividends	1,600,048	1,179,597
UK property income distributions	28,125	–
Unfranked interest	–	14,209
Bank interest	5	–
<b>Total revenue</b>	<u>1,628,178</u>	<u>1,193,806</u>
<b>4. EXPENSES</b>		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	586,206	425,942
Printing costs	5,503	4,830
Registration fees	3,418	1,877
	595,127	432,649
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	27,778	20,016
Safe custody and other bank charges	10,127	8,196
	37,905	28,212

	31.01.12 £	31.01.11 £
4. EXPENSES (continued)		
Other expenses:		
FSA fee	56	51
Fees paid to auditor – audit	8,100	8,100
– tax services	3,000	3,063
Publication costs	8,301	6,503
Legal and professional fees	–	365
	19,457	18,082
Total expenses	652,489	478,943
5. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	75,753	33,553
Current tax charge (note 5b)	75,753	33,553
Deferred tax – origination and reversal of timing differences (note 5c)	–	–
Total taxation	75,753	33,553
b) Factors affecting current tax charge for the year		
The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.01.11 : 20%) for the reasons explained below.		
	31.01.12 £	31.01.11 £
Net revenue before taxation	975,689	714,824
Corporation tax at 20%	195,138	142,965
Effects of:		
Non-taxable dividends	(320,010)	(235,919)
Unutilised excess management expenses	124,872	92,954
Corporation tax charge	–	–
Overseas tax	75,753	33,553
Current tax charge (note 5a)	75,753	33,553

5. TAXATION (continued)

c) Deferred tax

At the year end there is a potential deferred tax asset of £254,406 (31.01.11 : £129,534) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

6. FINANCE COSTS

Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:

	31.01.12 £	31.01.11 £
Interim	620,025	503,640
Final	266,860	273,830
	886,885	777,470
Add: Revenue deducted on cancellation of shares	44,589	8,846
Deduct: Revenue received on issue of shares	(31,527)	(105,049)
Net distributions for the year	899,947	681,267
Interest	–	39
Total finance costs	899,947	681,306

Details of the distributions per share are set out in the tables on pages 67 and 68.

	31.01.12 £	31.01.11 £
Distributions represented by:		
Net revenue after taxation	899,936	681,271
Balance brought forward	23	19
Balance carried forward	(12)	(23)
Net distributions for the year	899,947	681,267
7. DEBTORS		
Amounts receivable for issue of shares	216,786	60,735
Accrued revenue:		
Non-taxable dividends	72,818	80,925

# TROJAN CAPITAL FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

	31.01.12 £	31.01.11 £
7. DEBTORS (continued)		
Dilution levy	1,584	314
Prepaid expenses	5,844	5,915
Refund of safe custody fees	390	–
Taxation recoverable:		
Income tax	2,245	–
Overseas withholding tax	27,588	14,507
	29,833	14,507
Total debtors	327,255	162,396
8. CREDITORS		
Amounts payable for cancellation of shares	89,224	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	53,829	49,320
Printing costs	2,763	2,283
Registration fees	336	226
	56,928	51,829
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	2,530	2,353
Transaction charges	25	78
Safe custody and other bank charges	4,143	1,761
	6,698	4,192
Other expenses	14,100	14,100
Taxation payable:		
Stamp duty reserve tax	203	744
Total creditors	167,153	70,865

## 9. RELATED PARTY TRANSACTIONS

Disclosure is made in note 9 of the Notes to the Aggregated Financial Statements.

## 10. SHAREHOLDER FUNDS

Disclosure is made in note 10 of the Notes to the Aggregated Financial Statements.

## 11. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or outstanding commitments (31.01.11 : none).

## 12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are disclosed in note 12 of the Notes to the Aggregated Financial Statements.

### ii. Interest rate risk

The table below shows the direct interest rate risk profile:

	31.01.12 £	31.01.11 £
Floating rate assets:		
US dollars	–	11,378
Pounds sterling	9,752,242	3,481,329
	9,752,242	3,492,707
Assets on which interest is not paid:		
Australian dollars	1,611,365	1,378,096
Canadian dollars	1,386,491	–
Euros	1,412,698	1,342,760
Swiss francs	3,381,076	3,072,904
US dollars	18,617,082	15,804,199
Pounds sterling	26,371,581	37,197,164
	52,780,293	58,795,123
Liabilities on which interest is not paid:		
US dollars	–	(5,245,856)
Pounds sterling	(248,870)	(177,087)
	(248,870)	(5,422,943)
Net assets	62,283,665	56,864,887

The floating rate financial assets and liabilities comprise bank balances which earn interest at rates linked to the Bank of England base rate or its international equivalents.

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

# TROJAN CAPITAL FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

## 12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

### iii. Foreign currency risk

The table below shows the direct foreign currency risk profile:

	31.01.12 £	31.01.11 £
Currency:		
Australian dollars	1,611,365	1,378,096
Canadian dollars	1,386,491	–
Euros	1,412,698	1,342,760
Swiss francs	3,381,076	3,072,904
US dollars	18,617,082	10,569,721
	26,408,712	16,363,481
Pounds sterling	35,874,953	40,501,406
Net assets	62,283,665	56,864,887

### vii. Derivatives

There are no derivatives held in the current year and the derivatives held by the Fund in the prior year were for hedging purposes only.

	31.01.12 £	31.01.11 £
13. PORTFOLIO TRANSACTION COSTS		
Analysis of total purchase costs		
Purchases in year before transaction costs	2,271,958	24,956,414
Transaction costs:		
Commissions	3,437	38,794
Stamp duty and other charges	1,441	49,827
	4,878	88,621
Gross purchases total	2,276,836	25,045,035
Analysis of total sale costs		
Gross sales before transaction costs	7,709,766	6,153,247
Transaction costs:		
Commissions	(11,513)	(8,897)
Other charges	(15)	(37)
	(11,528)	(8,934)
Total sales net of transaction costs	7,698,238	6,144,313

## DISTRIBUTION TABLES

FOR THE YEAR ENDED 31 JANUARY 2012 – IN PENCE PER SHARE

Interim

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased on or after 1 February 2011 and on or before 31 July 2011

'O' Income Shares	Net Revenue	Equalisation	Paid 30.09.11	Paid 30.09.10
Group 1	1.4093	–	1.4093	1.5212
Group 2	0.9116	0.4977	1.4093	1.5212

'O' Accumulation Shares	Net Revenue	Equalisation	Allocated 30.09.11	Allocated 30.09.10
Group 1	1.5709	–	1.5709	1.6563
Group 2	0.4749	1.0960	1.5709	1.6563

'I' Income Shares	Net Revenue	Equalisation	Paid 30.09.11	Paid 30.09.10
Group 1	1.1354	–	1.1354	1.2691
Group 2	0.1106	1.0248	1.1354	1.2691

'I' Accumulation Shares	Net Revenue	Equalisation	Allocated 30.09.11	Allocated 30.09.11
Group 1	1.1938	–	1.1938	1.3191
Group 2	0.4896	0.7042	1.1938	1.3191

'S' Income Shares	Net Revenue	Equalisation	Paid 30.09.11	Paid 30.09.10
Group 1	1.5823	–	1.5823	1.5400
Group 2	1.5823	0.0000	1.5823	1.5400

'S' Accumulation Shares	Net Revenue	Equalisation	Allocated 30.09.11	Allocated 30.09.11
Group 1	1.7040	–	1.7040	1.7080
Group 2	1.7040	0.0000	1.7040	1.7080

## TROJAN CAPITAL FUND

Financial Statements (continued)

Distribution Tables (continued)

Final

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased on or after 1 August 2011 and on or before 31 January 2012

'O' Income Shares	Net Revenue	Equalisation	Payable 31.03.12	Paid 31.03.11
Group 1	0.5713	–	0.5713	0.5848
Group 2	0.2044	0.3669	0.5713	0.5848

'O' Accumulation Shares	Net Revenue	Equalisation	Allocation 31.03.12	Allocated 31.03.11
Group 1	0.6496	–	0.6496	0.6495
Group 2	0.2224	0.4272	0.6496	0.6495

'I' Income Shares	Net Revenue	Equalisation	Payable 31.03.12	Paid 31.03.11
Group 1	0.2621	–	0.2621	0.3043
Group 2	0.0538	0.2083	0.2621	0.3043

'I' Accumulation Shares	Net Revenue	Equalisation	Allocation 31.03.12	Allocated 31.03.11
Group 1	0.2891	–	0.2891	0.3127
Group 2	0.0416	0.2475	0.2891	0.3127

'S' Income Shares	Net Revenue	Equalisation	Payable 31.03.12	Paid 31.03.11
Group 1	0.7461	–	0.7461	0.5503
Group 2	0.0000	0.7461	0.7461	0.5503

'S' Accumulation Shares	Net Revenue	Equalisation	Allocation 31.03.12	Allocated 31.03.11
Group 1	0.7720	–	0.7720	0.6320
Group 2	0.7720	0.0000	0.7720	0.6320

### EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents the accrued revenue 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.

## TROJAN INCOME FUND

### INVESTMENT MANAGER'S REPORT

FOR THE YEAR ENDED 31 JANUARY 2012

### INVESTMENT OBJECTIVE AND POLICY

The investment objective of the Trojan Income Fund ('the Fund') is to provide an above average income with the potential for capital growth in the medium term. The Fund's policy is to invest substantially in UK and overseas equities and fixed interest securities but may also invest in collective investment schemes and money market instruments.

### INVESTMENT REVIEW

Over the twelve months under review the Fund produced a Total Return of +8.5%. (Based on 'O' Income Shares). Over the same period the FTSE All-Share Index produced a Total Return of -0.3%, while the Total Return on cash (LIBID Index) amounted to +0.5%. At the 31 January 2012 the Fund size was £452 million.

A distribution of 3.4046p will be paid to holders of 'O' Income shares on 31 March, which combined with the interim dividend of 2.3500p paid on 30 September, makes a total distribution of 5.7546p. This represents an increase of 3.1% over the previous year's dividend and continues the Fund's track record of unbroken dividend growth since its launch in 2004. With the Fund's dividend now better covered by the market's level of distribution the Fund is in a strong position to continue this trend.

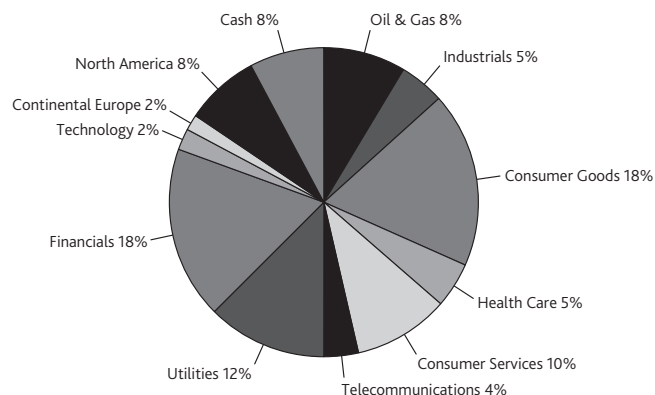
The equity market return of -0.3% belies a year of turbulence in which markets saw frequent risk on, risk off switches which, at their most violent, precipitated a fall of more than 18% over a few weeks. While the economy remained subdued for much of the year, delivering only minimal growth and suffering persistently high unemployment, investors were much more transfixed by the political drama being played out on the international stage. Some of the most pivotal acts were performed to a European backdrop and the narrative surrounding Greece and the European Banking sector brought investors to the edge of their seats on several occasions. But just like any good saga the suspense was repeatedly prolonged by the failure of policy makers and central bankers to properly take on the story's villain – widespread over-indebtedness. Rather than being directly addressed, debt has been passed from the balance sheets of the private sector to those of governments via a series of transactions so elaborate and opaque as to make even the most convoluted tragedy seem banal. The balance sheets of the European Central Bank and Bank of England have both grown by more than 25% in the last year as a result of this process and the latter has more than trebled since the start of the crisis. This debt is now increasingly being monetised by the printing presses of the central banks. In addition the Federal Reserve is set to keep official interest rates at close to zero until 2014. Cheap money is continuing to be forced into the system.

The most significant impact of this policy has been the suppression of returns available on cash and government debt, which have been reduced to near zero and a paltry 2% respectively. The resulting demand for yield, and a move to quality, meant that many of our holdings saw strong returns. Eight of the top ten holdings (as at the beginning of the period) made positive contributions to the Fund's return, and within that our tobacco stocks and GlaxoSmithKline returned in excess of 30%. As we would expect, many of these stocks achieved their returns with considerably less volatility than the market and the portfolio saw materially lower volatility during the large swings of August and September.

### PORTFOLIO REVIEW

As at 31 January 2012 there were 46 equity holdings in the portfolio and 8% was held in cash. The asset allocation described by the chart below shows few significant changes from the position at the end of 2011 and those changes that were made were predominantly at a stock specific level.

TROJAN INCOME FUND – SECTOR ALLOCATION AS AT 31 JANUARY 2012



Source: Troy Asset Management Limited.

The only corporate bond held in the portfolio, the BP 2.75% 2012 issue, was sold at above par in April having been bought at as little as 86c in the dollar less than a year earlier.

Reckitt Benckiser Group, the branded household goods and pharmaceutical company, is a company whose shares we had coveted for a long time but after falling by nearly 20% in the first months of the year, the lower P/E rating of 13x and the yield of nearly 4% offered an excellent opportunity to purchase a holding in such a high quality company.

During May the Fund's holding in United Utilities Group was sold. This utility was trading at a share price peak that was only fleetingly seen again in November and on a P/E multiple of 16x. Most critically this multiple was in line with businesses such as Nestlé that we consider far superior on many different measures. We reinvested the proceeds in 3i Infrastructure, which yields just less than 5% and holds stakes in utilities and infrastructure assets in the UK and overseas. The investment was made at a small discount to net asset value. Shortly after this purchase Northumbrian Water Group exited the portfolio following a takeover bid from a Hong Kong Infrastructure Group at a 20% premium to the undisturbed price.

In August a holding was bought in Inmarsat. Inmarsat operates a global satellite system providing voice and data services to a wide range of customers. On a 6% yield with a well-covered dividend the shares offered exceptional value. An investment was also made in Smiths Group, a well-managed company specialising in security detection, medical devices and high specification industrial components. A yield of 3.8% and a P/E of 11x was a good entry point.

Newmont Mining has been held in other Troy funds for some time but the recent announcement by the company that dividends will in future be linked to the Gold price makes it a more attractive income investment. The yield, currently about 2%, could rise to as much as 4% if the gold price remains in the \$1600-1700 range. We remain positive about the outlook for Gold.

The Fund also sold its holdings in Lancashire Holdings and Novae Group due to concerns about elevated levels of underwriting risk. A. G. Barr, which we continue to like, was also sold on valuation grounds. Shares in SSE (Scottish & Southern Electricity), N Brown Group (the online clothing retailer), and Aberdeen Asset Management were also bought during the year.

OUTLOOK

At the beginning of the year the yield on the FTSE All-Share was below 3% and we wrote at the time that we felt this offered little comfort to investors. What was only just becoming apparent at the time was the extent to which the corporate sector (ex financials) was following a different script to the rest of the economy. While the macro-economic drama carries on into the next act companies, conversely, are looking confident. Many of the high quality names in which the Fund is invested have preserved stable revenue lines, benefitted from strong self-help programmes and have remained highly cash generative. Balance sheets remain strong and in many cases companies felt able to grow dividends at double digit rates over the last 12 months.

The market now trades on a yield closer to 3.5% and although this is still some way from the 5% levels at which we would feel investors were being offered exceptional value we would expect only average long term returns from the broad market at this level. Over the shorter time frame of a year we would shy away from making market predictions, but we continue to be confident in our process and believe that our focus on quality and valuation remains the best way to carry on generating stable real returns for our investors.

TROY ASSET MANAGEMENT LIMITED

Investment Manager

22 February 2012

TROJAN INCOME FUND  
FUND INFORMATION

PERFORMANCE RECORD

'O' Income shares

Calendar Year	Highest Price p	Lowest Price p	Distribution per share p
2007	134.36	121.28	4.7194
2008	127.79	94.87	5.1325
2009	117.99	91.85	5.2337
2010	128.94	109.16	5.4057
2011	133.24	116.68	5.6321
2012*	132.09	129.98	3.4046

'O' Accumulation shares

Calendar Year	Highest Price p	Lowest Price p	Distribution per share p
2007	146.57	134.50	5.0786
2008	141.71	110.02	6.3034
2009	144.01	109.64	5.6054
2010	164.99	136.90	6.6681
2011	175.07	156.15	7.2763
2012*	176.76	173.94	4.5420

'I' Income shares

Calendar Year	Highest Price p	Lowest Price p	Distribution per share p
2007	133.57	120.43	4.7005
2008	126.66	93.63	5.0984
2009	115.74	90.49	5.1814
2010	125.85	106.87	5.3111
2011	129.75	113.53	5.5115
2012*	128.26	126.17	3.2556

'I' Accumulation shares

Calendar Year	Highest Price p	Lowest Price p	Distribution per share p
2007	147.64	134.66	2.2522
2008	142.64	110.65	6.3720
2009	144.21	110.22	5.6671
2010	164.44	136.78	6.6862
2011	174.05	155.16	7.2711
2012*	175.30	172.45	4.4350

'S' Income shares

Calendar Year	Highest Price p	Lowest Price p	Distribution per share p
2007	135.24	122.15	4.7341
2008	128.83	95.84	5.1674
2009	119.55	92.86	5.2848
2010	130.97	110.68	5.4761
2011	135.49	118.72	5.7131
2012*	134.53	132.39	3.5087

'S' Accumulation shares

Calendar Year	Highest Price p	Lowest Price p	Distribution per share p
2007	146.24	134.18	5.1122
2008	141.37	109.66	6.2600
2009	143.20	109.17	5.5468
2010	164.14	136.15	6.6363
2011	174.41	155.59	7.2175
2012*	176.31	173.51	4.5871

\* To 31 January 2012.

# TROJAN INCOME FUND

Fund Information (continued)

## NET ASSET VALUE

Date	Share Class	Net Asset Value £	Shares in Issue	Net Asset Value pence per share
31.01.10	'O' Income	115,120,517	102,119,456	112.73
	'O' Accumulation	6,717,603	4,751,490	141.38
	'I' Income	1,885,812	1,705,595	110.57
	'I' Accumulation	499,578	353,015	141.52
	'S' Income	12,743,556	11,157,308	114.22
	'S' Accumulation	351	250	140.40
31.01.11	'O' Income	176,663,137	144,797,418	122.01
	'O' Accumulation	9,964,374	6,215,347	160.32
	'I' Income	8,477,006	7,119,212	119.07
	'I' Accumulation	3,160,126	1,978,588	159.72
	'S' Income	28,698,398	23,156,715	123.93
	'S' Accumulation	1,826,065	1,144,589	159.54
31.01.12	'O' Income	274,261,050	216,901,916	126.44
	'O' Accumulation	38,714,497	22,279,800	173.77
	'I' Income	28,420,142	23,145,708	122.79
	'I' Accumulation	41,352,006	24,003,658	172.27
	'S' Income	65,588,271	50,937,472	128.76
	'S' Accumulation	3,996,419	2,305,347	173.35

## TOTAL EXPENSE RATIOS

Expense Type	31.01.12 %			31.01.11 %		
	'O'	'I'	'S'	'O'	'I'	'S'
ACD's periodic charge	1.00	1.50	0.75	1.00	1.50	0.75
Other expenses	0.05	0.05	0.05	0.06	0.06	0.06
Total expense ratios	1.05	1.55	0.80	1.06	1.56	0.81

The Total Expense Ratio represents the total expenses of the Fund, excluding transaction costs, interest payable and expenses of a capital nature, expressed as a percentage of the average net assets during the accounting period.

Other expenses include fees payable to the depositary and auditor, printing costs, publication costs, registration fees and safe custody and other related bank charges.

## FUND PERFORMANCE TO 31 JANUARY 2012 (%)

	1 year	3 years	5 years
Trojan Income Fund	8.46	45.09	28.37

The performance of the Fund is based on the net asset value per 'O' Income share with income reinvested.

Details of the distributions per share for the year are shown in the Distribution Tables on pages 91 and 92.

TROJAN INCOME FUND  
PORTFOLIO STATEMENT  
AS AT 31 JANUARY 2012

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.01.12 %	31.01.11 %
	DEBT SECURITIES	—	—	0.99
	EQUITIES			
	UNITED KINGDOM			
	OIL & GAS			
	<i>OIL &amp; GAS PRODUCERS</i>			
500,000	BG Group	7,125,000	1.58	
3,300,000	BP	15,538,050	3.43	
700,000	Royal Dutch Shell 'B'	16,159,500	3.57	
		<u>38,822,550</u>	<u>8.58</u>	<u>9.59</u>
	INDUSTRIALS			
	<i>GENERAL INDUSTRIALS</i>			
487,500	Smiths Group	<u>4,677,563</u>	<u>1.03</u>	<u>—</u>
	<i>SUPPORT SERVICES</i>			
1,200,000	Experian	10,308,000	2.28	
1,300,000	PayPoint	7,150,000	1.58	
		<u>17,458,000</u>	<u>3.86</u>	<u>3.59</u>
	TOTAL INDUSTRIALS	<u>22,135,563</u>	<u>4.89</u>	<u>3.59</u>
	CONSUMER GOODS			
	<i>BEVERAGES</i>			
1,800,000	Britvic	6,192,000	1.37	
600,000	Diageo	8,412,000	1.86	
		<u>14,604,000</u>	<u>3.23</u>	<u>3.99</u>
	<i>FOOD PRODUCERS</i>			
1,300,000	Associated British Foods	14,989,000	3.31	
2,200,000	Dairy Crest Group	6,897,000	1.52	
450,000	Unilever	9,207,000	2.04	
		<u>31,093,000</u>	<u>6.87</u>	<u>8.38</u>

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.01.12 %	31.01.11 %
	<i>HOUSEHOLD GOODS &amp; HOME CONSTRUCTION</i>			
165,000	Reckitt Benckiser Group	<u>5,563,800</u>	<u>1.23</u>	<u>—</u>
	<i>TOBACCO</i>			
380,000	British American Tobacco	11,084,600	2.45	
900,000	Imperial Tobacco Group	20,421,000	4.51	
		<u>31,505,600</u>	<u>6.96</u>	<u>7.34</u>
	TOTAL CONSUMER GOODS	<u>82,766,400</u>	<u>18.29</u>	<u>19.71</u>
	HEALTH CARE			
	<i>PHARMACEUTICALS &amp; BIOTECHNOLOGY</i>			
325,000	AstraZeneca	9,915,750	2.19	
775,000	GlaxoSmithKline	10,923,625	2.42	
		<u>20,839,375</u>	<u>4.61</u>	<u>6.63</u>
	CONSUMER SERVICES			
	<i>FOOD &amp; DRUG RETAILERS</i>			
825,080	Greggs	4,207,908	0.93	
2,750,000	Tesco	8,789,000	1.94	
		<u>12,996,908</u>	<u>2.87</u>	<u>4.76</u>
	<i>GENERAL RETAILERS</i>			
3,000,000	Brown (N) Group	6,900,000	1.52	
2,000,000	WH Smith	11,020,000	2.44	
		<u>17,920,000</u>	<u>3.96</u>	<u>1.32</u>
	<i>TRAVEL &amp; LEISURE</i>			
2,400,000	Compass Group	<u>14,136,000</u>	<u>3.13</u>	<u>0.97</u>
	TOTAL CONSUMER SERVICES	<u>45,052,908</u>	<u>9.96</u>	<u>7.05</u>

**TROJAN INCOME FUND**  
*Portfolio Statement (continued)*

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.01.12 %	31.01.11 %
	TELECOMMUNICATIONS			
	<i>MOBILE TELECOMMUNICATIONS</i>			
720,000	Inmarsat	2,875,680	0.64	
8,300,000	Vodafone Group	14,176,400	3.13	
		<u>17,052,080</u>	<u>3.77</u>	<u>4.60</u>
	UTILITIES			
	<i>ELECTRICITY</i>			
1,050,000	SSE	12,820,500	2.83	–
	<i>GAS, WATER &amp; MULTIUTILITIES</i>			
3,000,000	Centrica	8,799,000	1.95	
2,250,000	National Grid	14,186,250	3.14	
914,000	Pennon Group	6,347,730	1.40	
900,000	Severn Trent	13,698,000	3.03	
		<u>43,030,980</u>	<u>9.52</u>	<u>12.00</u>
	TOTAL UTILITIES	<u>55,851,480</u>	<u>12.35</u>	<u>12.00</u>
	FINANCIALS			
	<i>BANKS</i>			
2,600,000	HSBC Holdings	13,743,600	3.04	2.38
	<i>NON-LIFE INSURANCE</i>			
2,200,000	Amlin	7,475,600	1.65	
848,387	Jardine Lloyd Thompson Group	5,777,515	1.28	
		<u>13,253,115</u>	<u>2.93</u>	<u>5.33</u>
	<i>REAL ESTATE INVESTMENT TRUSTS</i>			
5,571,200	London & Stamford Property	5,844,189	1.29	
1,600,000	Primary Health Properties	5,176,000	1.15	
		<u>11,020,189</u>	<u>2.44</u>	<u>2.04</u>

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.01.12 %	31.01.11 %
	<i>FINANCIAL SERVICES</i>			
2,000,000	Aberdeen Asset Management	4,768,000	1.06	
588,326	Close Brothers Group	3,971,201	0.88	
2,500,000	ICAP	8,385,000	1.85	
800,000	Provident Financial	7,660,000	1.69	
573,632	Rathbone Brothers	6,568,086	1.45	
300,000	Schroders	4,347,000	0.96	
		<u>35,699,287</u>	<u>7.89</u>	<u>10.35</u>
	<i>EQUITY INVESTMENT INSTRUMENTS</i>			
7,000,000	3i Infrastructure	8,400,000	1.86	–
	TOTAL FINANCIALS	<u>82,116,191</u>	<u>18.16</u>	<u>20.10</u>
	TECHNOLOGY			
	<i>SOFTWARE &amp; COMPUTER SERVICES</i>			
3,300,000	Sage Group (The)	9,672,300	2.14	2.15
	TOTAL UNITED KINGDOM	<u>374,308,847</u>	<u>82.75</u>	<u>85.42</u>
	CONTINENTAL EUROPE			
220,000	Nestlé	7,996,925	1.77	3.18
	NORTH AMERICA			
150,000	Coca-Cola Company (The)	6,418,963	1.42	
450,000	Microsoft Corporation	8,420,789	1.86	
250,000	Newmont Mining	9,738,231	2.15	
400,000	Reynolds American	9,941,329	2.20	
	TOTAL NORTH AMERICA	<u>34,519,312</u>	<u>7.63</u>	<u>4.54</u>
	Portfolio of investments	416,825,084	92.15	94.13
	Net other assets	35,507,301	7.85	5.87
	Net assets	<u>452,332,385</u>	<u>100.00</u>	<u>100.00</u>

The investments has been valued in accordance with note 1(i) of the Notes to the Aggregated Financial Statements and are ordinary shares unless stated otherwise.

TROJAN INCOME FUND  
SUMMARY OF MATERIAL PORTFOLIO CHANGES  
FOR THE YEAR ENDED 31 JANUARY 2012

Total purchases for the year (note 13) £232,790,027

Major purchases	Cost £
SSE	13,979,255
Compass Group	11,805,436
Imperial Tobacco Group	10,660,631
Newmont Mining	10,110,729
HSBC Holdings	9,293,489
Severn Trent	8,706,340
National Grid	8,683,829
BP	8,473,868
3i Infrastructure	8,424,463
Brown (N) Group	7,898,834
Associated British Foods	7,754,831
WH Smith	6,973,155
Royal Dutch Shell 'B'	6,647,655
Vodafone Group	6,020,355
Nestlé	5,957,773
ICAP	5,778,615
Reckitt Benckiser Group	5,085,956
Smiths Group	4,534,421
Amlin	4,442,167
Sage Group (The)	4,361,947

Total sales for the year (note 13) £43,343,567

Sales	Proceeds £
Lancashire Holdings	5,051,519
United Utilities Group	4,348,097
Marston's	4,121,566
Gas Natural	3,433,359
Northumbrian Water Group	3,411,303
Nestlé	2,846,510
Repsol	2,770,869
BP Capital 2.75% 2012	2,231,115
Johnson & Johnson	2,106,385
Diageo	2,061,560
Unilever	2,012,075
Vodafone Group	1,977,151
Barr (A.G.)	1,779,455
GlaxoSmithKline	1,665,838
Novae Group	1,295,828
Jardine Lloyd Thompson Group	1,159,839
Royal Dutch Shell 'B'	1,071,098

The summary of material portfolio changes represent the 20 largest purchases and all of the sales during the year.

TROJAN INCOME FUND  
FINANCIAL STATEMENTS  
STATEMENT OF TOTAL RETURN  
FOR THE YEAR ENDED 31 JANUARY 2012

	Notes	£	31.01.12 £	£	31.01.11 £
Income:					
Net capital gains	2		12,033,536		15,937,142
Revenue	3	14,716,641		8,795,100	
Expenses	4	(3,338,386)		(1,917,915)	
Finance costs: Interest	6	—		—	
Net revenue before taxation		11,378,255		6,877,185	
Taxation	5	(164,589)		(101,306)	
Net revenue after taxation			11,213,666		6,775,879
<b>Total return before distributions</b>			23,247,202		22,713,021
Finance costs: Distributions	6		(14,400,454)		(8,582,828)
<b>Change in net assets attributable to shareholders from investment activities</b>			8,846,748		14,130,193

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS  
FOR THE YEAR ENDED 31 JANUARY 2012

	Notes	£	31.01.12 £	£	31.01.11 £
<b>Opening net assets attributable to shareholders</b>			228,789,106		136,967,417
Amounts receivable on issue of shares		224,272,425		81,752,529	
Amounts payable on cancellation of shares		(13,456,992)		(5,078,749)	
			210,815,433		76,673,780
Dilution levy charged	1(k)	1,337,572		498,915	
Stamp duty reserve tax	1(g)	(104,146)		(47,084)	
Change in net assets attributable to shareholders from investment activities			8,846,748		14,130,193
Retained distribution on Accumulation shares			2,647,672		565,885
<b>Closing net assets attributable to shareholders</b>			452,332,385		228,789,106

BALANCE SHEET  
AS AT 31 JANUARY 2012

	Notes	£	31.01.12 £	£	31.01.11 £
<b>ASSETS</b>					
<b>Investment assets</b>			416,825,084		215,355,760
<b>Other assets</b>					
Debtors	7	9,116,104		1,704,379	
Cash and bank balances		36,793,520		17,715,731	
<b>Total other assets</b>			45,909,624		19,420,110
<b>Total assets</b>			462,734,708		234,775,870
<b>LIABILITIES</b>					
<b>Other liabilities</b>					
Creditors	8	(476,906)		(230,511)	
Distribution payable on Income shares		(9,925,417)		(5,756,253)	
<b>Total other liabilities</b>			(10,402,323)		(5,986,764)
<b>Total liabilities</b>			(10,402,323)		(5,986,764)
<b>Net assets attributable to shareholders</b>			452,332,385		228,789,106

**TROJAN INCOME FUND**  
*Financial Statements (continued)*  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT 31 JANUARY 2012**

**1. ACCOUNTING POLICIES**

The Fund's Financial Statements have been prepared on the same basis as the Aggregated Financial Statements.

	<b>31.01.12</b>	<b>31.01.11</b>
	<b>£</b>	<b>£</b>
<b>2. NET CAPITAL GAINS</b>		
The net capital gains during the year comprise:		
Non-derivative securities	12,003,034	15,892,780
Transaction charges	(2,457)	(1,996)
Currency gains	32,959	46,358
Net capital gains	<u>12,033,536</u>	<u>15,937,142</u>
<b>3. REVENUE</b>		
Non-taxable dividends	14,610,422	8,683,892
UK property income distributions	76,664	–
Unfranked interest	29,493	107,041
Bank interest	62	4,167
Total revenue	<u>14,716,641</u>	<u>8,795,100</u>
<b>4. EXPENSES</b>		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	3,187,003	1,806,985
Printing costs	5,958	4,376
Registration fees	14,630	5,994
	3,207,591	1,817,355
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	76,434	59,057
Safe custody and other bank charges	34,904	23,421
	111,338	82,478

	<b>31.01.12</b>	<b>31.01.11</b>
	<b>£</b>	<b>£</b>
<b>4. EXPENSES (continued)</b>		
Other expenses:		
FSA fee	56	51
Fees paid to auditor – audit	8,100	8,100
– tax services	3,000	3,063
Publication costs	8,301	6,503
Legal and professional fees	–	365
	19,457	18,082
Total expenses	<u>3,338,386</u>	<u>1,917,915</u>
<b>5. TAXATION</b>		
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	164,589	101,306
Current tax charge (note 5b)	164,589	101,306
Deferred tax – origination and reversal of timing differences (note 5c)	–	–
Total taxation	<u>164,589</u>	<u>101,306</u>
b) Factors affecting current tax charge for the year		
The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.01.11 : 20%) for the reasons explained below.		
	<b>31.01.12</b>	<b>31.01.11</b>
	<b>£</b>	<b>£</b>
Net revenue before taxation	<u>11,378,255</u>	<u>6,877,185</u>
Corporation tax at 20%	2,275,651	1,375,437
Effects of:		
Non-taxable dividends	(2,922,084)	(1,736,778)
Unutilised excess management expenses	646,433	361,341
Corporation tax charge	–	–
Overseas tax	164,589	101,306
Current tax charge (note 5a)	<u>164,589</u>	<u>101,306</u>

# TROJAN INCOME FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

## 5. TAXATION (continued)

### c) Deferred tax

At the year end there is a potential deferred tax asset of £1,172,000 (31.01.11 : £525,567) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

## 6. FINANCE COSTS

The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:

	31.01.12 £	31.01.11 £
Interim	5,552,775	3,584,854
Final	12,107,677	6,145,992
	<u>17,660,452</u>	<u>9,730,846</u>
Add: Revenue deducted on cancellation of shares	170,064	75,189
Deduct: Revenue received on issue of shares	(3,430,062)	(1,223,207)
Net distributions for the year	<u>14,400,454</u>	<u>8,582,828</u>
Interest	–	–
Total finance costs	<u>14,400,454</u>	<u>8,582,828</u>

Details of the distributions per share are set out in the tables on pages 91 and 92.

	31.01.12 £	31.01.11 £
Distributions represented by:		
Net revenue after taxation	11,213,666	6,775,879
Allocations to Capital:		
ACD's periodic charge	3,187,003	1,806,929
Balance brought forward	51	71
Balance carried forward	(266)	(51)
Net distributions for the year	<u>14,400,454</u>	<u>8,582,828</u>

31.01.12  
£

31.01.11  
£

## 7. DEBTORS

Amounts receivable for issue of shares	6,265,195	788,931
Accrued revenue:		
Non-taxable dividends	2,681,250	805,899
Unfranked interest	–	56,959
Bank interest	63	–
	<u>2,681,313</u>	<u>862,858</u>
Dilution levy charged	35,869	4,373
Prepaid expenses	5,844	5,915
Refund of safe custody fees	1,500	–
Taxation recoverable:		
Overseas withholding tax	126,383	42,302
Total debtors	<u>9,116,104</u>	<u>1,704,379</u>

## 8. CREDITORS

Amounts payable for cancellation of shares	36,590	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	390,406	197,626
Printing costs	2,937	2,349
Registration fees	1,824	833
	<u>395,167</u>	<u>200,808</u>
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	7,802	5,640
Transaction charges	746	188
Safe custody and other bank charges	16,347	4,104
	<u>24,895</u>	<u>9,932</u>
Other expenses	14,100	14,100
Taxation payable:		
Stamp duty reserve tax	6,154	5,671
Total creditors	<u>476,906</u>	<u>230,511</u>

## TROJAN INCOME FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

### 9. RELATED PARTY TRANSACTIONS

Disclosure is made in note 9 of the Notes to the Aggregated Financial Statements.

### 10. SHAREHOLDER FUNDS

Disclosure is made in note 10 of the Notes to the Aggregated Financial Statements.

### 11. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or outstanding commitments (31.01.11 : none).

### 12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are disclosed in note 12 of the Notes to the Aggregated Financial Statements.

#### ii. Interest rate risk

The table below shows the direct interest rate risk profile:

	31.01.12 £	31.01.11 £
Floating rate assets:		
US dollars	–	42,142
Pounds sterling	36,793,520	17,673,589
	36,793,520	17,715,731
Fixed rate assets:		
Pounds sterling	–	2,263,968
Assets on which interest is not paid:		
Euros	29,940	3,056,879
Swiss francs	8,072,139	4,271,707
US dollars	34,540,604	10,443,147
Pounds sterling	383,298,505	197,024,438
	425,941,188	214,796,171
Liabilities on which interest is not paid:		
Pounds sterling	(10,402,323)	(5,986,764)
Net assets	452,332,385	228,789,106

The floating rate financial assets comprise bank balances which earn interest at rates linked to the Bank of England base rate or its international equivalents.

### 12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

#### ii. Interest rate risk (continued)

Fixed Rate Financial Assets				
Currency	Weighted average interest rate		Weighted average period for which rate is fixed	
	31.01.12	31.01.11	31.01.12	31.01.11
US dollars	–	2.75%	–	1 year

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

#### iii. Foreign currency risk

The table below shows the direct foreign currency risk profile:

	31.01.12 £	31.01.11 £
Currency:		
Euros	29,940	3,056,879
Swiss francs	8,072,139	4,271,707
US dollars	34,540,604	12,749,257
	42,642,683	20,077,843
Pounds sterling	409,689,702	208,711,263
Net assets	452,332,385	228,789,106

#### vii. Derivatives

The Fund held no derivatives during the current or prior year.

	31.01.12 £	31.01.11 £
13. PORTFOLIO TRANSACTION COSTS		
Analysis of total purchase costs		
Purchases in year before transaction costs	231,489,953	87,348,439
Transaction costs:		
Commissions	373,396	134,398
Stamp duty and other charges	926,678	397,657
	1,300,074	532,055
Gross purchases total	<u>232,790,027</u>	<u>87,880,494</u>
Analysis of total sale costs		
Gross sales before transaction costs	43,404,825	19,914,270
Transaction costs:		
Commissions	(61,186)	(31,000)
Other charges	(72)	(26)
	(61,258)	(31,026)
Total sales net of transaction costs	<u>43,343,567</u>	<u>19,883,244</u>

DISTRIBUTION TABLES  
FOR THE YEAR ENDED 31 JANUARY 2012 – IN PENCE PER SHARE

Interim

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased on or after 1 February 2011 and on or before 31 July 2011

'O' Income Shares	Net Revenue	Equalisation	Paid 30.09.11	Paid 30.09.10
Group 1	2.3500	–	2.3500	2.3000
Group 2	0.6010	1.7490	2.3500	2.3000

'O' Accumulation Shares	Net Revenue	Equalisation	Allocated 30.09.11	Allocated 30.09.10
Group 1	3.0888	–	3.0888	2.8845
Group 2	1.0030	2.0858	3.0888	2.8845

'I' Income Shares	Net Revenue	Equalisation	Paid 30.09.11	Paid 30.09.10
Group 1	2.3500	–	2.3500	2.3000
Group 2	0.5843	1.7657	2.3500	2.3000

'I' Accumulation Shares	Net Revenue	Equalisation	Allocated 30.09.11	Allocated 30.09.10
Group 1	3.1521	–	3.1521	2.9423
Group 2	0.7553	2.3968	3.1521	2.9423

'S' Income Shares	Net Revenue	Equalisation	Paid 30.09.11	Paid 30.09.10
Group 1	2.3500	–	2.3500	2.3000
Group 2	1.4284	0.9216	2.3500	2.3000

'S' Accumulation Shares	Net Revenue	Equalisation	Allocated 30.09.11	Allocated 30.09.10
Group 1	3.0262	–	3.0262	2.8523
Group 2	1.5497	1.4765	3.0262	2.8523

## TROJAN INCOME FUND

Financial Statements (continued)

Distribution Tables (continued)

Final

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased on or after 1 August 2011 and on or before 31 January 2012

'O' Income Shares	Net Revenue	Equalisation	Payable 31.03.12	Paid 31.03.11
Group 1	3.4046	–	3.4046	3.2821
Group 2	1.4345	1.9701	3.4046	3.2821

'O' Accumulation Shares	Net Revenue	Equalisation	Allocation 31.03.12	Allocated 31.03.11
Group 1	4.5420	–	4.5420	4.1875
Group 2	2.1130	2.4290	4.5420	4.1875

'I' Income Shares	Net Revenue	Equalisation	Payable 31.03.12	Paid 31.03.11
Group 1	3.2556	–	3.2556	3.1615
Group 2	0.9020	2.3536	3.2556	3.1615

'I' Accumulation Shares	Net Revenue	Equalisation	Allocation 31.03.12	Allocated 31.03.11
Group 1	4.4350	–	4.4350	4.1190
Group 2	1.8281	2.6069	4.4350	4.1190

'S' Income Shares	Net Revenue	Equalisation	Payable 31.03.12	Paid 31.03.11
Group 1	3.5087	–	3.5087	3.3631
Group 2	1.2233	2.2854	3.5087	3.3631

'S' Accumulation Shares	Net Revenue	Equalisation	Allocation 31.03.12	Allocated 31.03.11
Group 1	4.5871	–	4.5871	4.1913
Group 2	2.5361	2.0510	4.5871	4.1913

### EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents the accrued revenue 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.

## CRYSTAL FUND

### INVESTMENT MANAGER'S REPORT

FOR THE YEAR ENDED 31 JANUARY 2012

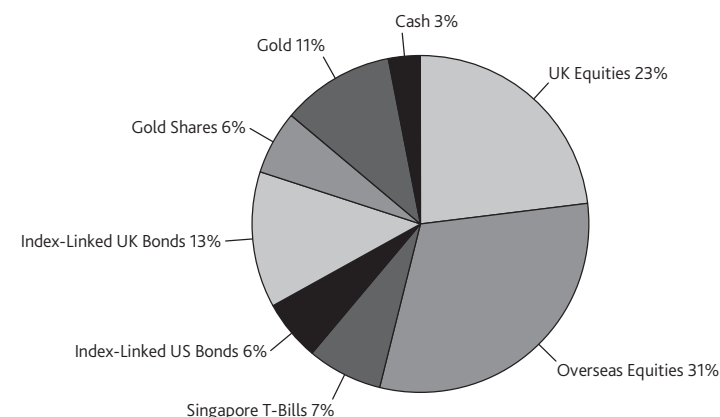
### INVESTMENT OBJECTIVE AND POLICY

The investment objective of the Crystal Fund ('the Fund') is to achieve growth in capital over the longer term with a particular emphasis on preservation. The Fund's policy is to invest substantially in UK and overseas equities and fixed interest securities, but may also invest in collective investment schemes and money market instruments.

### INVESTMENT REVIEW

For the year to 31 January 2012, the Fund produced a total return of +14.1% compared to a return +0.5% in the LIBID Index (Total Return) and -0.3% in the FTSE All-Share Index (Total Return). (Source: Bloomberg, bid-to-bid basis, net income reinvested at ex-dividend date, sterling terms).

### CRYSTAL FUND – ASSET ALLOCATION AS AT 31 JANUARY 2012



Source: Troy Asset Management Limited.

### MARKET REVIEW

Twelve months ago we reported that the Federal Reserve Chairman, Ben Bernanke, believed that the answer to all of the world's economic ills was money printing. In an op-ed piece for the Washington Post in November 2010 after QEII was confirmed, the Fed Chairman told the world that he wanted to engineer higher stock prices to create a wealth effect:

*This approach (quantitative easing) eased financial conditions in the past and, so far, looks to be effective again... higher stock prices will boost consumer wealth and help increase confidence, which can also spur spending. Increased spending will lead to higher incomes and profits that, in a virtuous circle, will further support economic expansion.*

In fact the circle did not turn and the US economy was moribund for much of 2011. However, every economic problem looks like a nail to a man carrying a monetary hammer. Chairman Bernanke has tried and tried again to rebuild confidence with ever more desperate unconventional monetary tools. The Federal Reserve promised to keep short-term interest rates close to zero until 2013. Then the Federal Reserve forced long-term interest rates down to encourage even further borrowing, in a process that has become known as 'Operation Twist.' Finally last month the Fed announced that nailing interest rates to the floor until 2013 was not long enough for speculators to gamble with cheap money and so this distortion was extended for at least a further twelve months.

## CRYSTAL FUND

*Investment Manager's Report (continued)*

### MARKET REVIEW *(continued)*

The Federal Reserve was not alone in wishing to goose up markets and it was enthusiastically joined by its brethren in London and Frankfurt. Money printing by the Federal Reserve, the Bank of England and the European Central Bank were palliatives so soothing that the global debt disease came to be seen as a minor ailment as 2011 rolled into 2012. The symptoms may have been attended to by Doctors Draghi, Bernanke and King, but the misdiagnosis means the cure will only prolong the period before the real recovery of the patient can begin. Passing the debt around is not the same as dealing with it.

Volatility was pronounced throughout much of the year, which made conditions more challenging than usual. The tendency for investors to blow hot and then cold as 'risk on' gives way to 'risk off', in short cycles, is the direct result of zero interest rates. August and September were particularly capricious, with the FTSE 100 index swinging by more than 3 per cent on 10 out of the 44 trading days. This volatility creates a whipsaw trap when short-term investors are caught *zigging* when they should be *zagging* and vice versa. Our own approach was one of 'masterly inactivity' and we are indebted to Ronald Reagan who said: 'Don't just do something, stand there'. In the end the market was flat over the period but many other investors were ensnared by the whipsaw trap and fared much worse.

### PORTFOLIO REVIEW

We made modest changes to the overall asset allocation over the course of the twelve months under review. We purchased Singaporean dollars as we believe the Singaporeans are one of the few monetary authorities to deliberately remain in the starting blocks in the race to debase national currencies. This also further diversifies the Fund's cash currency exposure away from sterling: a currency undergoing wilful neglect in the vain hope that currency devaluation will lead to an export-led recovery of the UK economy. Fear that the Swiss National Bank ('SNB') would enter the relay and take the debasement baton led us to sell the Fund's holding of Swiss franc bonds. The franc's strength against sterling and most other major currencies looked excessive and we sold out. Within weeks of our action the SNB announced that it would aggressively intervene in foreign exchange markets and sell the Swiss franc to dampen enthusiasm for this previously consensual safe haven.

We sold the majority of the Fund's holding of A.G. Barr on valuation concerns. Barr is a high quality business underpinned by the iconic IRN-BRU branded soft drink. It has tremendous market share in Scotland and is penetrating south of the border. However, we felt that these qualities were reflected in a share price valuing the business at more than 20 times earnings and less than a 2 per cent dividend yield. We sold the longstanding holding of Close Brothers. The company's new strategy, to buy independent financial advisers in order to boost assets, is unproven. The firm's asset management division has over £8 billion funds under management but remains loss making. This is something we find hard to reconcile.

In July we felt the market had gone too far, too fast and trimmed our large holdings in BG Group, Centrica, Coca-Cola, Diageo, British American Tobacco, Vodafone Group and Nestlé. Our view was proven right as the market subsequently fell nearly twenty per cent but our execution left a lot to be desired. The stocks we sold have all continued to perform well and to a rule have appreciated in price to a level higher than they were when we did our pruning. The garden was full of flowers rather than weeds!

We added to the core holdings in Microsoft and Becton, Dickinson and Company. We felt both companies' shares were trading at valuations that failed to reflect their qualities. These are two businesses that enjoy repeat revenues for goods and services that customers buy again and again out of necessity. They are both conservatively financed and have a strong desire to reward shareholders through distributions.

New equity investments were made in two Canadian securities, Imperial Oil and Agnico-Eagle Mines. We are believers in the theory that, in the long-run, oil prices will stay higher for longer but we have struggled to find appealing European oil producers. Most have been spending ever more of shareholders' funds on capital projects but are producing ever less. In contrast the profile of Imperial looks much better. All of the company's reserves are to be found in Canada, a geological blessing that we value highly in a world of creeping resource *statism*. It has first class assets that should support growing production for decades to come. Indeed the company has the potential and the aspiration to more than double output by 2020. Imperial is a returns driven business, enjoying industry leading returns on capital but also returning value to shareholders through increasing dividends and buybacks. The shares were acquired at a not unreasonable ten times earnings.

Agnico-Eagle is a gold miner operating in Canada, Finland and Mexico. Until recently it was the darling of the sector, with strong production growth forecast for the next five years. The initial appeal to us was the location of its assets in territories that traditionally respect the rights of private property ownership. However, a high valuation had always put us off. 2011 was an *annus horribilis* for Agnico. It has suffered material interruptions to production at two of its six operating mines, which has led to the shares more than halving from their 2011 peak. The share price is back to where it was in 2007 when Agnico was producing just 20 per cent of the Gold it is mining today.

### OUTLOOK

Western governments and their banks are like two drunks in a bar, both desperately trying to hold the other up. The banks fund the governments, by buying their bonds, whilst the governments backstop the banks. The banks buy the bonds with printed money given to them by the state and the governments try to underwrite the banks' profitability with implied and written guarantees. The reasoning is so circular it can leave your head in a spin without having touched a drop yourself.

Controlling risk is central to our approach to investing. Orthodox wisdom states that high risk equates to high returns: we fervently disagree. Our opinion is that there are times when the market compensates you for taking on risk and there are times when it does not. The current investment menu resembles unappetising gruel. Cash yields nothing but 10 year gilts provide just 2 per cent, reliable corporate bonds just a slither more than that and equities yield less than 3.5 per cent. It is dangerously overoptimistic to expect sustainable high returns when only low returns are on offer.

Gold and index-linked bonds have served us well. The majority of our equities have been re-rated and now stand on top of the podium in the eyes of many investors. If price is the best arbiter of risk then these investments, by definition, are more risky. This is not to say we fear permanent capital loss from here, but that we appreciate that good returns will be harder to come by. In this current frenetic climate it seems that patience is the most undervalued asset.

### TROY ASSET MANAGEMENT LIMITED

*Investment Manager*

22 February 2012

CRYSTAL FUND  
FUND INFORMATION

PERFORMANCE RECORD

*Income shares*

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2007	153.00	142.91	5.2118
2008	153.22	124.58	4.8080
2009	156.41	128.31	4.7258
2010	177.93	152.00	2.5937
2011	190.40	169.26	2.8548
2012*	191.78	190.34	0.8714

\* To 31 January 2012.

NET ASSET VALUE

Date	Net Asset Value £	Shares in Issue	Net Asset Value pence per share
31.01.10	34,715,145	22,969,686	151.13
31.01.11	38,600,776	22,830,467	169.08
31.01.12	43,292,369	22,792,263	189.94

TOTAL EXPENSE RATIO

Expense Type	31.01.12 %	31.01.11 %
ACD's periodic charge	1.00	1.00
Other expenses	0.11	0.11
Total expense ratio	1.11	1.11

The Total Expense Ratio represents the total expenses of the Fund, excluding transaction costs, interest payable and expenses of a capital nature, expressed as a percentage of the average net assets during the accounting period.

Other expenses include fees payable to the depositary and auditor, printing costs, registration fees and safe custody and other related bank charges.

FUND PERFORMANCE TO 31 JANUARY 2012 (%)

	1 year	3 years	5 years
Crystal Fund	14.11	45.19	48.91

The performance of the Fund is based on the published price per share with income reinvested.

Details of the distributions per share for the year are shown in the Distribution Tables on page 113.

CRYSTAL FUND  
PORTFOLIO STATEMENT  
AS AT 31 JANUARY 2012

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.01.12 %	31.01.11 %
	DEBT SECURITIES			
SG\$2,000,000	Monetary Authority of Singapore 0% 03.02.12	1,009,164	2.33	
SG\$1,000,000	Monetary Authority of Singapore 0% 10.02.12	504,552	1.17	
SG\$1,000,000	Monetary Authority of Singapore 0% 17.02.12	504,521	1.16	
SG\$2,000,000	Monetary Authority of Singapore Treasury 0% 2012	1,009,052	2.33	
£2,248,000	UK Treasury 1.25% index-linked 2017	3,210,578	7.42	
£1,518,000	UK Treasury 1.875% index-linked 2022	2,241,353	5.18	
US\$1,500,000	US Treasury 1.375% Inflation Indexed 2020	1,157,879	2.67	
US\$2,000,000	US Treasury 1.625% Inflation Indexed 2018	1,588,881	3.67	
	TOTAL DEBT SECURITIES	11,225,980	25.93	20.51
	EQUITIES			
	UNITED KINGDOM			
	OIL & GAS			
	<i>OIL &amp; GAS PRODUCERS</i>			
31,000	BG Group	441,750	1.02	2.00
	CONSUMER GOODS			
	<i>BEVERAGES</i>			
16,560	Barr (A.G.)	198,720	0.46	
77,000	Diageo	1,079,540	2.49	
		1,278,260	2.95	4.95
	<i>FOOD PRODUCERS</i>			
62,000	Unilever	1,268,520	2.93	2.92
	<i>TOBACCO</i>			
60,000	British American Tobacco	1,750,200	4.04	4.48
	TOTAL CONSUMER GOODS	4,296,980	9.92	12.35

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.01.12 %	31.01.11 %
	HEALTH CARE			
	<i>PHARMACEUTICALS &amp; BIOTECHNOLOGY</i>			
70,475	GlaxoSmithKline	993,345	2.29	2.06
	CONSUMER SERVICES			
	<i>FOOD &amp; DRUG RETAILERS</i>			
94,186	Greggs	480,349	1.11	
240,000	Tesco	767,040	1.77	
		1,247,389	2.88	3.64
	TELECOMMUNICATIONS			
	<i>MOBILE TELECOMMUNICATIONS</i>			
527,000	Vodafone Group	900,116	2.08	3.53
	UTILITIES			
	<i>GAS, WATER &amp; MULTIUTILITIES</i>			
295,000	Centrica	865,235	2.00	3.48
	FINANCIALS			
	<i>REAL ESTATE INVESTMENT &amp; SERVICES</i>			
51,799	London & Stamford Property	54,337	0.13	0.17
	<i>FINANCIAL SERVICES</i>			
		–	–	1.31
	<i>EQUITY INVESTMENT INSTRUMENTS</i>			
304,000	Better Capital	367,840	0.85	0.91
	TOTAL FINANCIALS	422,177	0.98	2.39

**CRYSTAL FUND**
*Portfolio Statement (continued)*

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.01.12 %	31.01.11 %
	TECHNOLOGY			
	SOFTWARE & COMPUTER SERVICES			
255,000	Sage Group (The)	747,405	1.73	1.95
	TOTAL UNITED KINGDOM	9,914,397	22.90	31.40
	CONTINENTAL EUROPE			
47,000	Nestlé	1,708,434	3.95	5.01
	AUSTRALIA			
35,000	Newcrest Mining	794,335	1.83	1.79
	NORTH AMERICA			
15,500	Agnico-Eagle Mines	366,110	0.85	
17,900	Becton Dickinson & Company	889,295	2.05	
16	Berkshire Hathaway	1,191,844	2.75	
42,000	Coca-Cola Company (The)	1,797,310	4.15	
8,000	Colgate-Palmolive	459,603	1.06	
38,000	Imperial Oil	1,145,362	2.65	
22,000	Johnson & Johnson	918,306	2.12	
95,000	Microsoft Corporation	1,777,722	4.11	
24,958	Philip Morris International	1,182,219	2.73	
48,000	Reynolds American	1,192,959	2.76	
	TOTAL NORTH AMERICA	10,920,730	25.23	20.47
	COMMODITIES			
111,363	BlackRock Gold & General*	1,674,903	3.87	
24,746	ETFS Physical Swiss Gold	2,693,419	6.22	
30,000	Gold Bullion Securities	3,193,418	7.38	
	TOTAL COMMODITIES	7,561,740	17.47	15.78
	FORWARD CURRENCY CONTRACTS			
US\$(11,000,000)	Vs £7,060,787 (expiry 15.03.12)	87,874	0.20	0.24

Portfolio of Investments	Value £	Total Net Assets	
		31.01.12 %	31.01.11 %
Portfolio of investments	42,213,490	97.51	95.20
Net other assets	1,078,879	2.49	4.80
Net assets	43,292,369	100.00	100.00
The investments have been valued in accordance with note 1(i) of the Notes to the Aggregated Financial Statements and are ordinary shares unless stated otherwise.			
* Collective investment scheme.			
<b>Credit Quality</b>		<b>31.01.12 %</b>	<b>31.01.11 %</b>
Investment grade securities		25.93	20.51
Equities		71.38	74.45
Forward currency contracts		0.20	0.24
Cash		2.49	4.80
Total		100.00	100.00

CRYSTAL FUND  
SUMMARY OF MATERIAL PORTFOLIO CHANGES  
FOR THE YEAR ENDED 31 JANUARY 2012

**Total purchases for the year (note 13)** **£25,395,109**

Major purchases	Cost £
UK Treasury 1.875% index-linked 2022	1,985,328
ETFS Physical Swiss Gold	1,075,033
Monetary Authority of Singapore Treasury 0% 29.09.11	1,019,305
Monetary Authority of Singapore 0% 12.08.11	1,019,252
Monetary Authority of Singapore 0% 29.07.11	1,016,910
Monetary Authority of Singapore 0% 14.10.11	1,014,641
Monetary Authority of Singapore 0% 16.09.11	999,749
Monetary Authority of Singapore 0% 25.11.11	998,466
Monetary Authority of Singapore 0% 03.02.12	996,757
Monetary Authority of Singapore 0% 11.11.11	995,440
Monetary Authority of Singapore Treasury 0% 2012	995,191
Monetary Authority of Singapore 0% 30.12.11	990,907
Monetary Authority of Singapore 0% 06.01.12	988,825
Monetary Authority of Singapore 0% 28.10.11	988,090
Monetary Authority of Singapore Treasury 0% 2011	987,221
Monetary Authority of Singapore 0% 09.12.11	973,884
Imperial Oil	910,431
Monetary Authority of Singapore 0% 19.08.11	509,029
Monetary Authority of Singapore 0% 26.08.11	509,019
Monetary Authority of Singapore 0% 17.02.12	507,586

**Total sales for the year (note 13)** **£24,946,614**

Major sales	Proceeds £
Oesterreichische Kontrollbank 2.5% 2012	2,126,532
Gold Bullion Securities	1,071,021
Monetary Authority of Singapore 0% 16.09.11	1,020,802
Monetary Authority of Singapore 0% 29.07.11	1,019,459
Monetary Authority of Singapore 0% 12.08.11	1,013,880
Monetary Authority of Singapore Treasury 0% 2011	999,819
Monetary Authority of Singapore 0% 28.10.11	999,356
Monetary Authority of Singapore 0% 14.10.11	998,520
Monetary Authority of Singapore 0% 06.01.12	998,027
Monetary Authority of Singapore 0% 30.12.11	995,529
UK Treasury 1.25% index-linked 2017	995,031
Monetary Authority of Singapore Treasury 0% 29.09.11	988,228
Monetary Authority of Singapore 0% 25.11.11	982,941
Monetary Authority of Singapore 0% 09.12.11	982,895
Monetary Authority of Singapore 0% 11.11.11	973,712
Monetary Authority of Singapore 0% 26.08.11	507,785
Monetary Authority of Singapore 0% 20.01.12	506,407
Monetary Authority of Singapore 0% 13.01.12	505,788
Close Brothers Group	505,638
Monetary Authority of Singapore 0% 19.08.11	499,930

The summary of material portfolio changes represent the 20 largest purchases and sales during the year.

CRYSTAL FUND  
FINANCIAL STATEMENTS  
STATEMENT OF TOTAL RETURN  
FOR THE YEAR ENDED 31 JANUARY 2012

	Notes	£	31.01.12 £	£	31.01.11 £
Income:					
Net capital gains	2		4,765,231		4,109,618
Revenue	3	1,143,707		1,037,932	
Expenses	4	(460,211)		(418,427)	
Finance costs: Interest	6	(533)		–	
Net revenue before taxation		682,963		619,505	
Taxation	5	(51,803)		(36,984)	
Net revenue after taxation			631,160		582,521
<b>Total return before distributions</b>			5,396,391		4,692,139
Finance costs: Distributions	6		(631,161)		(582,522)
<b>Change in net assets attributable to shareholders from investment activities</b>			4,765,230		4,109,617

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS  
FOR THE YEAR ENDED 31 JANUARY 2012

	Note	£	31.01.12 £	£	31.01.11 £
<b>Opening net assets attributable to shareholders</b>			38,600,776		34,715,145
Amounts receivable on issue of shares		245,378		199,411	
Amounts payable on cancellation of shares		(319,010)		(423,397)	
			(73,632)		(223,986)
Stamp duty reserve tax	1(g)		(5)		–
Change in net assets attributable to shareholders from investment activities			4,765,230		4,109,617
<b>Closing net assets attributable to shareholders</b>			43,292,369		38,600,776

BALANCE SHEET  
AS AT 31 JANUARY 2012

	Notes	£	31.01.12 £	£	31.01.11 £
<b>ASSETS</b>					
<b>Investment assets</b>			42,213,490		36,747,094
<b>Other assets</b>					
Debtors	7	77,575		58,675	
Cash and bank balances		1,292,840		2,218,088	
<b>Total other assets</b>			1,370,415		2,276,763
<b>Total assets</b>			43,583,905		39,023,857
<b>LIABILITIES</b>					
<b>Other liabilities</b>					
Creditors	8	(58,355)		(203,498)	
Bank overdrafts		(34,569)		–	
Distribution payable on Income shares		(198,612)		(219,583)	
<b>Total other liabilities</b>			(291,536)		(423,081)
<b>Total liabilities</b>			(291,536)		(423,081)
<b>Net assets attributable to shareholders</b>			43,292,369		38,600,776

# CRYSTAL FUND

Financial Statements (continued)

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 JANUARY 2012

### 1. ACCOUNTING POLICIES

The Fund's Financial Statements have been prepared on the same basis as the Aggregated Financial Statements.

	31.01.12 £	31.01.11 £
<b>2. NET CAPITAL GAINS</b>		
The net capital gains during the year comprise:		
Non-derivative securities	4,809,530	4,205,177
Forward currency contracts	(114,517)	249,539
Transaction charges	(1,775)	(785)
Currency gains/(losses)	71,993	(344,313)
Net capital gains	<u>4,765,231</u>	<u>4,109,618</u>
<b>3. REVENUE</b>		
Non-taxable dividends	796,220	805,469
UK property income distributions	1,088	–
Unfranked interest	346,399	223,701
AMC rebates from underlying investments	–	8,760
Bank interest	–	2
Total revenue	<u>1,143,707</u>	<u>1,037,932</u>
<b>4. EXPENSES</b>		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	415,924	375,548
Printing costs	3,837	4,618
Registration fees	1,898	1,568
	<u>421,659</u>	<u>381,734</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	19,964	17,685
Safe custody and other bank charges	7,432	7,429
	<u>27,396</u>	<u>25,114</u>

	31.01.12 £	31.01.11 £
<b>4. EXPENSES (continued)</b>		
Other expenses:		
FSA fee	56	51
Fees paid to auditor – audit	8,100	8,100
– tax services	3,000	3,063
Legal and professional fees	–	365
	<u>11,156</u>	<u>11,579</u>
Total expenses	<u>460,211</u>	<u>418,427</u>
<b>5. TAXATION</b>		
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	51,803	36,996
Adjustments in respect of prior periods	–	(12)
Current tax charge (note 5b)	<u>51,803</u>	<u>36,984</u>
Deferred tax – origination and reversal of timing differences (note 5c)	–	–
Total taxation	<u>51,803</u>	<u>36,984</u>
b) Factors affecting current tax charge for the year		
The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.01.11 : 20%) for the reasons explained below.		
	31.01.12 £	31.01.11 £
Net revenue before taxation	<u>682,963</u>	<u>619,505</u>
Corporation tax at 20%	136,593	123,901
Effects of:		
Non-taxable dividends	(159,244)	(161,094)
Non-taxable RPI movement on UK index-linked gilts	(32,292)	–
Unutilised excess management expenses	<u>54,943</u>	<u>37,193</u>
Corporation tax charge	–	–
Overseas tax	51,803	36,996
Adjustments in respect of prior periods	–	(12)
Current tax charge (note 5a)	<u>51,803</u>	<u>36,984</u>

# CRYSTAL FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

## 5. TAXATION (continued)

### c) Deferred tax

At the year end there is a potential deferred tax asset of £119,581 (31.01.11 : £64,638) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

## 6. FINANCE COSTS

### Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:

	31.01.12 £	31.01.11 £
Interim	432,181	361,926
Final	198,612	219,583
	<u>630,793</u>	<u>581,509</u>
Add: Revenue deducted on cancellation of shares	990	1,602
Deduct: Revenue received on issue of shares	(622)	(589)
Net distributions for the year	<u>631,161</u>	<u>582,522</u>
Interest	533	–
Total finance costs	<u>631,694</u>	<u>582,522</u>

Details of the distributions per share are set out in the tables on page 113.

	31.01.12 £	31.01.11 £
Distributions represented by:		
Net revenue after taxation	631,160	582,521
Balance brought forward	1	2
Balance carried forward	–	(1)
Net distributions for the year	<u>631,161</u>	<u>582,522</u>

## 7. DEBTORS

### Accrued revenue:

Non-taxable dividends	39,653	24,408
Unfranked interest	15,090	22,140
	<u>54,743</u>	<u>46,548</u>

Prepaid expenses	9	8
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31.01.12  
£

31.01.11  
£

## 7. DEBTORS (continued)

### Taxation recoverable:

Income tax	218	–
Overseas withholding tax	22,605	12,119
	<u>22,823</u>	<u>12,119</u>

Total debtors	<u>77,575</u>	<u>58,675</u>
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## 8. CREDITORS

Amounts payable for cancellation of shares	–	150,000
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### Accrued expenses:

Amounts payable to the ACD, associates of the ACD and agents of either of them:

ACD's periodic charge	36,909	33,870
Printing costs	2,288	2,276
Registration fees	162	164
	<u>39,359</u>	<u>36,310</u>

Amounts payable to the Depositary, associates of the Depositary and agents of either of them:

Depositary's fees	1,771	1,626
Transaction charges	571	60
Safe custody and other bank charges	2,554	1,402
	<u>4,896</u>	<u>3,088</u>

Other expenses	14,100	14,100
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Total creditors	<u>58,355</u>	<u>203,498</u>
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## 9. RELATED PARTY TRANSACTIONS

Disclosure is made in note 9 of the Notes to the Aggregated Financial Statements.

## 10. SHAREHOLDER FUNDS

Disclosure is made in note 10 of the Notes to the Aggregated Financial Statements.

## 11. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or outstanding commitments (31.01.11 : none).

# CRYSTAL FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

## 12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are disclosed in note 12 of the Notes to the Aggregated Financial Statements.

### ii. Interest rate risk

The table below shows the direct interest rate risk profile:

	31.01.12 £	31.01.11 £
Floating rate assets:		
Singapore dollars	3,029,933	–
US dollars	2,746,760	2,399,770
Pounds sterling	6,742,127	6,021,509
	12,518,820	8,421,279
Fixed rate assets:		
Swiss francs	–	1,712,536
Floating rate liabilities:		
Pounds sterling	(34,569)	–
Assets on which interest is not paid:		
Australian dollars	794,335	689,048
Canadian dollars	1,511,472	–
Swiss francs	1,722,967	1,957,356
US dollars	15,308,349	12,375,561
Pounds sterling	18,700,875	19,488,636
	38,037,998	34,510,601
Liabilities on which interest is not paid:		
US dollars	(6,972,913)	(5,620,559)
Pounds sterling	(256,967)	(423,081)
	(7,229,880)	(6,043,640)
Net assets	43,292,369	38,600,776

The floating rate financial assets and liabilities comprise bank balances and bank overdraft positions which earn or pay interest at rates linked to the Bank of England base rate or its international equivalents and index-linked securities that earn interest at rates adjusted to changes in the UK Retail Prices Index (RPI) or its international equivalent.

Fixed Rate Financial Assets				
Currency	Weighted average interest rate		Weighted average period for which rate is fixed	
	31.01.12	31.01.11	31.01.12	31.01.11
Swiss francs	–	2.50%	–	2 years

## 12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

### ii. Interest rate risk (continued)

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

### iii. Foreign currency risk

The table below shows the direct foreign currency risk profile:

	31.01.12 Gross £	31.01.12 Hedged £	31.01.12 Net £	31.01.11 £
Currency:				
Australian dollars	794,335	–	794,335	689,048
Canadian dollars	1,511,472	–	1,511,472	–
Singapore dollars	3,029,933	–	3,029,933	–
Swiss francs	1,722,967	–	1,722,967	3,669,892
US dollars	18,055,109	(6,972,913)	11,082,196	9,154,772
	25,113,816	(6,972,913)	18,140,903	13,513,712
Pounds sterling	18,090,679	7,060,787	25,151,466	25,087,064
Net assets	43,204,495	87,874	43,292,369	38,600,776

### vii. Derivatives

The derivatives held by the Fund during the current and prior year were for hedging purposes only.

# CRYSTAL FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

	31.01.12 £	31.01.11 £
13. PORTFOLIO TRANSACTION COSTS		
Analysis of total purchase costs		
Purchases in year before transaction costs	25,389,190	15,370,094
Transaction costs:		
Commissions	5,919	8,039
Stamp duty and other charges	–	2,694
	5,919	10,733
Gross purchases total	<u>25,395,109</u>	<u>15,380,827</u>
Analysis of total sale costs		
Gross sales before transaction costs	24,953,251	16,668,131
Transaction costs:		
Commissions	(6,616)	(11,228)
Other charges	(21)	(22)
	(6,637)	(11,250)
Total sales net of transaction costs	<u>24,946,614</u>	<u>16,656,881</u>

## DISTRIBUTION TABLES

FOR THE YEAR ENDED 31 JANUARY 2012 – IN PENCE PER SHARE

Interim

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased on or after 1 February 2011 and on or before 31 July 2011

Income Shares	Net Revenue	Equalisation	Paid 30.09.11	Paid 30.09.10
Group 1	1.8930	–	1.8930	1.5874
Group 2	1.8930	0.0000	1.8930	1.5874

Final

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased on or after 1 August 2011 and on or before 31 January 2012

Income Shares	Net Revenue	Equalisation	Payable 31.03.12	Paid 31.03.11
Group 1	0.8714	–	0.8714	0.9618
Group 2	0.3972	0.4742	0.8714	0.9618

## EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents the accrued revenue 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.

**SPECTRUM FUND**  
**INVESTMENT MANAGER'S REPORT**  
**FOR THE YEAR ENDED 31 JANUARY 2012**

**INVESTMENT OBJECTIVE AND POLICY**

The investment objective of the Spectrum Fund ('the Fund') is to produce long term capital growth. The Fund's policy is diversified investment predominantly in collective investment schemes, though the Fund may be invested in bonds, equities, cash and other eligible instruments from time to time. The Fund may invest up to 100% of its assets in collective investment schemes.

**INVESTMENT REVIEW**

For the year to 31 January 2012 the Fund produced a Total Return of +2.8% compared to a rise of +0.5% in the LIBID Index (Total Return) and a fall of -1.0% in the MSCI World (£) Index (Total Return). The FTSE All-Share Index (Total Return) produced a return of -0.3%. (*Source: Lipper Hindsight & Bloomberg, net income reinvested at ex-dividend date, sterling terms. The Fund performance is based on 'O' Income Shares*).

**MARKET REVIEW**

A year ago, we said that a combination of quantitative easing and negative real interest rates were encouraging investors to speculate in risk assets. Since then, these reckless monetary policies have continued to distort markets and make wealth protection particularly challenging. The policies are clearly not sustainable in the long run and are likely to lead to greater financial instability. In 2011, that instability was witnessed as stock markets swayed sporadically between 'risk on' and 'risk off' phases but the end result was a derisory return. High levels of portfolio turnover, something we eschew, were punished as it was easy to be whipsawed. The flat returns of the MSCI (£) and FTSE All-Share indices belie very high levels of volatility.

For much of the year the focus of investors was on Europe and the sustainability of the Euro. While there was broad recognition that Greece and possibly other peripheral countries are insolvent and required further bailouts or would exit the single currency, concern shifted to Spain and Italy's position. Markets looked into the abyss of a total break up of the eurozone by the middle of the year. Risk appetite waned and markets swooned as investors became concerned by weak bank balance sheets. European banks failed to shrink their balance sheets after the financial crisis of 2008 and were now looking at write downs, not only on their bad debts, but also on their 'safe' holdings of European sovereign bonds. These issues have yet to be fully addressed but have been alleviated, in the short term, by the European Central Bank's Long Term Refinancing Operation, or quantitative easing by another name. Europe, which had long resisted the Anglo Saxon siren voices calling for money printing gave in after the appointment of Mario Draghi as head of the ECB in November. Banks have averted death for now. The symptoms may have abated temporarily but the threat of insolvency remains.

2011 was, for us, a year of realisation. Economic growth in developed markets of the West disappointed. The recovery from the depths of the credit crisis had been bought with unsustainable monetary and fiscal stimuli. Once this was withdrawn the global economy's weakness was exposed for all to see. However, unsustainable government debt levels were not only laid bare in Europe. The trigger for sharp market falls in August was the inability of US politicians to agree to extend the Federal debt limit. This uncertainty led to the US losing its treasured 'AAA' credit rating. While the sovereign credit crises centred on peripheral Europe in 2011 we believe that the ultimate crisis will occur across the Atlantic, but this may take time.

**PORTFOLIO REVIEW**

Our preference is for low portfolio turnover. The aim of Spectrum is to diversify manager risk and provide a wide geographical spread of investments. We seek to back managers over the medium-to-long term and to monitor them closely. As you can see in the table below, we made very few changes to the portfolio during the year with only two changes to the top 10 holdings.

**Top 10 Holdings January 2011**

	<b>% Fund</b>
First State Asia Pacific Leaders	8.3
Findlay Park American	7.7
Gold Bullion Securities	7.5
BlackRock Gold and General	6.7
Jupiter Absolute Return	6.5
RIT Capital Partners	6.4
Veritas Asian Fund	6.3
CF Morant Wright Japan	6.2
Better Capital	5.9
CF Ruffer European	5.6
<b>Total Top 10</b>	<b>67.1</b>
Plus 8 other holdings	30.4
<b>Cash</b>	<b>2.5</b>
<b>Total</b>	<b>100.0</b>

**Top 10 Holdings January 2012**

	<b>% Fund</b>
CF Ruffer European	7.1
BlackRock Gold and General	6.6
Finlay Park American	6.5
Polar Capital Global Insurance	5.9
First State Asia Pacific Leaders	5.9
Jupiter Absolute Return	5.8
Gold Bullion Securities	5.6
CF Morant Wright Japan	5.6
ETFS Physical Swiss Gold	4.2
Better Capital	4.0
<b>Total Top 10</b>	<b>57.2</b>
Plus 14 other holdings	35.8
<b>Cash</b>	<b>7.0</b>
<b>Total</b>	<b>100.0</b>

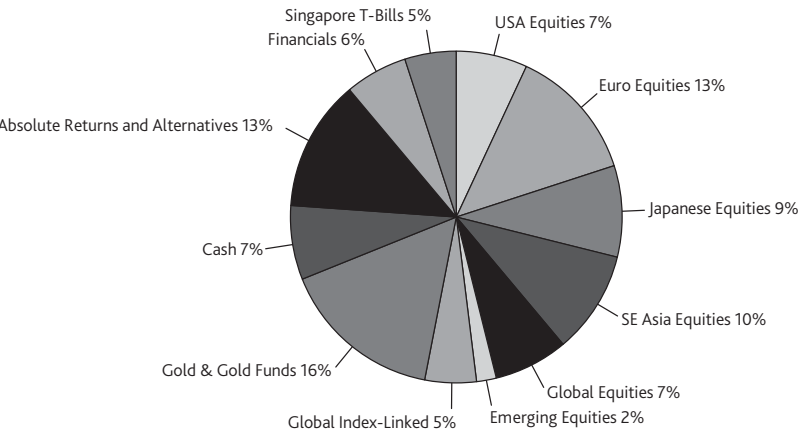
*Source: Troy Asset Management Limited.*

During the year, we made a number of select changes to the portfolio. We sold the holding in CF Odey Continental European Investment. The fund's performance has been lacklustre and the investment style a little too unpredictable for our taste. We replaced this holding with Senhouse European Focus where we found the investment approach of the manager more predictable. The fund is considerably smaller than Odey's and we hope in Senhouse to have found a fund Spectrum can grow with. From Europe, we also acquired a new holding in HAL trust, listed in the Netherlands. HAL is a holding company trading at a material discount to its underlying assets. The management has produced outstanding returns for shareholders over two and a half decades. HAL is no exception to the rule for Spectrum, which is not just a fund of funds. Our aim has always been to diversify the portfolio via holdings in investment trusts such as RIT Capital Partners and holding companies such as HAL, in addition to open ended funds. Spectrum's exposure to investment trusts is lower than we would like but discounts to net asset values are not currently attractive enough. We expect that to change if history is any guide to the future.

**PORTFOLIO REVIEW (continued)**  
One investment trust holding, SR Europe, has been a serial disappointment for us. We were hoping that a change of manager in 2010 would lead to an improvement in performance but unfortunately 2011 proved as disappointing as 2010 in terms of the net asset value performance. The discount inevitably drifted out. We cannot say that we were not a little tempted to throw in the towel with this investment, as the manager appeared to be whipsawed by the challenging volatile conditions that prevailed last year. Our patience has been at least partially rewarded in that the Board has announced its decision to wind up the trust, returning our investment at or near NAV.

The other new holding was the Lindsell Train Global Equity. We have known the managers for many years. They have a simple and rewarding investment process of selecting strong global franchises with minimal portfolio turnover. This is an investment practice we understand and have sympathy with. We expect this fund to be a longstanding holding and, in time, a lucrative one for Spectrum shareholders.

SPECTRUM FUND – ASSET ALLOCATION AS AT 31 JANUARY 2012



Source: Troy Asset Management Limited.

**OUTLOOK**  
Western governments and their banks are in a deadly embrace. Banks fund the governments by buying their bonds, governments back up the banks and provide liquidity with newly printed money in order to avert collapse. Governments attempt to underpin profitability by permitting a carry trade, but as long bond yields fall fewer options are available for banks to rebuild much needed capital. The circularity of the relationship leads to greater financial instability and the prospect for further stock market volatility. Investors are being offered an unappetising menu of gruel – cash yields nothing, 10 year gilts or US treasuries yield less than 3% and equities yield less than 3.3%, based on trailing dividends. These valuations offer little upside so we remain cautiously positioned.

The portfolio is supported by a number of strong pillars in recognition that the outlook remains so uncertain. We hold global equities to exploit economic growth in the faster growing markets of Asia and Latin America. Gold bullion and gold mining equities are held to protect the Fund from currency debasement. Holdings of absolute return and alternative investments give the portfolio exposure to assets that are less correlated with the vagaries of markets. Index-linked bonds protect the Fund from a potential rise of inflation and finally liquidity (in sterling and Singapore dollars) gives us valuable firepower once equity valuations become more compelling. Your cash never burns a hole in our pocket.

TROY ASSET MANAGEMENT LIMITED  
Investment Manager  
22 February 2012

SPECTRUM FUND  
FUND INFORMATION

PERFORMANCE RECORD

*'O' Income shares*

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2008#	101.62	88.53	–
2009	113.72	87.38	1.5102
2010	134.06	110.50	–
2011	134.40	125.66	–
2012*	133.57	129.78	–

*'O' Accumulation shares*

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2008#	101.70	88.60	–
2009	115.62	88.74	1.5625
2010	136.31	112.35	–
2011	136.66	127.78	–
2012*	135.81	131.96	–

*'I' Income shares*

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2011##	133.30	127.17	–
2012*	133.24	129.51	–

*'I' Accumulation shares*

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2011##	135.57	129.34	–
2012*	135.53	131.74	–

# From 21 February 2008.

## From 1 August 2011.

\* To 31 January 2012.

NET ASSET VALUE

Date	Share Class	Net Asset Value £	Shares in Issue	Net Asset Value pence per share
31.01.10	'O' Income	26,542,595	24,183,991	109.75
	'O' Accumulation	544,388	487,854	111.59
31.01.11	'O' Income	34,247,181	26,624,114	128.63
	'O' Accumulation	1,745,416	1,334,494	130.79
31.01.12	'O' Income	49,359,932	37,142,481	132.89
	'O' Accumulation	13,582,441	10,051,768	135.12
	'I' Income	331	250	132.56
	'I' Accumulation	266,668	197,762	134.84

TOTAL EXPENSE RATIOS

Expense Type	31.01.12 %		31.01.11 %
	'O'	'I'	'O'
ACD's periodic charge*	0.65	1.15	0.65
Other expenses	0.11	0.10	0.12
	0.76	1.25	0.77
Collective investment scheme costs	0.73	0.73	0.84
Total expense ratios	1.49	1.98	1.61

\* 'I' Share Class launched on 1 August 2011.

The Total Expense Ratio (TER) represents the total expenses of the Fund, excluding transaction costs, interest payable and expenses of a capital nature, expressed as a percentage of the average net assets during the accounting period.

Other expenses include fees payable to the depositary and auditor, printing costs, publication costs, registration fees and safe custody and other related bank charges.

The collective investment scheme costs represent the TERs of the underlying funds which are held as portfolio investments. Their inclusion has been calculated on a weighted basis against the Fund's net assets at the balance sheet date.

# SPECTRUM FUND

Fund Information (continued)

## FUND PERFORMANCE TO 31 JANUARY 2012 (%)

	1 year	3 years	Since launch*
Spectrum Fund	2.78	41.09	35.70

# Launch date: 21 February 2008.

The performance of the Fund is based on the published price per 'O' Income share with income reinvested.

# PORTFOLIO STATEMENT

AS AT 31 JANUARY 2012

Holding	Portfolio of Investments	Value £	Total Net Assets 31.01.12 %	31.01.11 %
DEBT SECURITIES				
SG\$3,000,000	Monetary Authority of Singapore 0% 03.02.12	1,513,746	2.40	
SG\$3,000,000	Monetary Authority of Singapore 0% 10.02.12	1,513,655	2.39	
	TOTAL DEBT SECURITIES	3,027,401	4.79	–
INDEX-LINKED BONDS				
9,246	CG Portfolio Dollar Fund	1,241,323	1.96	
9,854	CG Portfolio Real Return	1,882,324	2.98	
	TOTAL INDEX-LINKED BONDS	3,123,647	4.94	7.37
EUROPEAN				
1,223,994	CF Ruffer European#	4,504,054	7.13	
21,500	HAL***	1,575,366	2.49	
21,770	Senhouse European Focus	1,981,476	3.13	
225,000	SR Europe*	364,500	0.58	
	TOTAL EUROPEAN	8,425,396	13.33	13.01
UNITED STATES				
131,094	Findlay Park American	4,116,270	6.51	7.69
EMERGING MARKETS				
122,450	Findlay Park Latin American	1,361,800	2.16	4.46
JAPANESE EQUITIES				
1,794,458	CF Morant Wright Japan#	3,563,614	5.64	
3,816,782	Lindsell Train Japanese Equity	1,954,135	3.09	
	TOTAL JAPANESE EQUITIES	5,517,749	8.73	10.36
SE ASIAN EQUITIES				
998,373	First State Asia Pacific Leaders	3,699,470	5.85	
9,009	Veritas Asian	2,412,966	3.82	
	TOTAL SE ASIAN EQUITIES	6,112,436	9.67	14.59

**SPECTRUM FUND**
*Portfolio Statement (continued)*

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.01.12 %	31.01.11 %
	GLOBAL EQUITIES			
2,271,087	Lindsell Train Global Equity	2,351,938	3.72	
180,300	RIT Capital Partners*	2,181,630	3.45	
	TOTAL GLOBAL EQUITIES	4,533,568	7.17	6.44
	ABSOLUTE RETURNS & ALTERNATIVES			
1,754,385	Aberforth Geared Income*	2,061,402	3.26	
2,088,709	Better Capital***	2,527,338	4.00	
7,625,616	Jupiter Absolute Return	3,648,857	5.77	
750,000	Jupiter Second Split*	243,750	0.39	
	TOTAL ABSOLUTE RETURNS & ALTERNATIVES	8,481,347	13.42	12.40
	FINANCIALS			
1,672,873	Polar Capital Global Insurance	3,719,299	5.88	3.83
	COMMODITIES			
278,778	BlackRock Gold and General	4,192,823	6.63	
24,125	ETFS Physical Swiss Gold**	2,625,827	4.16	
33,500	Gold Bullion Securities**	3,565,983	5.64	
	TOTAL COMMODITIES	10,384,633	16.43	17.32
	Portfolio of investments	58,803,546	93.03	97.47
	Net other assets	4,405,826	6.97	2.53
	Net assets	63,209,372	100.00	100.00

The investments have been valued in accordance with note 1(i) of the Notes to the Aggregated Financial Statements and are Collective Investment Schemes unless stated otherwise.

\* Investment trusts.

\*\* Exchange traded fund.

\*\*\* Equity.

# Related party transactions.

**SUMMARY OF MATERIAL PORTFOLIO CHANGES**
**FOR THE YEAR ENDED 31 JANUARY 2012**

<b>Total purchases for the year (note 13)</b>	<b>£46,003,566</b>
<b>Major purchases</b>	<b>Cost £</b>
CF Ruffer European	2,700,000
Lindsell Train Global Equity	2,250,000
Global Managers Platform Senhouse European Focus	2,160,000
Polar Capital Global Insurance	2,100,000
Aberforth Geared Income	1,999,999
Monetary Authority of Singapore 0% 18.08.11	1,974,441
BlackRock Gold and General 'D'	1,700,000
Singapore 0% 14.01.11	1,521,962
Singapore 0% 10.02.12	1,515,630
Veritas Asian	1,500,000
Monetary Authority of Singapore 0% 18.11.11	1,499,733
Monetary Authority of Singapore 0% 16.09.11	1,499,623
Monetary Authority of Singapore 0% 03.02.12	1,495,135
Monetary Authority of Singapore 0% 21.10.11	1,493,976
Monetary Authority of Singapore 0% 11.11.11	1,493,160
Monetary Authority of Singapore 0% 06.01.12	1,483,237
Monetary Authority of Singapore 0% 13.01.12	1,479,823
HAL	1,479,377
Monetary Authority of Singapore 0% 16.12.11	1,472,146
Monetary Authority of Singapore 0% 09.12.11	1,460,827

# SPECTRUM FUND

Summary of Material Portfolio Changes (continued)

**Total sales for the year (note 13) £23,949,783**

Major sales	Proceeds £
Singapore Treasury Bill 0% 18.08.11	1,999,637
CF Odey Continental European	1,654,998
Monetary Authority of Singapore 0% 16.09.11	1,531,202
Monetary Authority of Singapore 0% 13.01.12	1,517,364
Monetary Authority of Singapore 0% 14.01.11	1,497,780
Monetary Authority of Singapore 0% 06.01.12	1,497,041
Monetary Authority of Singapore 0% 16.12.11	1,483,586
Monetary Authority of Singapore 0% 21.10.11	1,483,357
Monetary Authority of Singapore 0% 09.12.11	1,474,343
Monetary Authority of Singapore 0% 18.11.11	1,461,015
Monetary Authority of Singapore 0% 11.11.11	1,460,568
Veritas Asian	1,109,263
Monetary Authority of Singapore 0% 29.07.11	1,019,459
Monetary Authority of Singapore 0% 22.09.11	996,153
Monetary Authority of Singapore 0% 24.11.11	984,916
Findlay Park Latin American	734,006
SR Europe	538,919
Monetary Authority of Singapore 0% 26.08.11	507,785
Monetary Authority of Singapore 0% 19.08.11	499,930
Monetary Authority of Singapore 0% 23.09.11	498,462

The summary of material portfolio changes represent the 20 largest purchases and sales during the year.

## FINANCIAL STATEMENTS STATEMENT OF TOTAL RETURN FOR THE YEAR ENDED 31 JANUARY 2012

	Notes	£	31.01.12 £	31.01.11 £
Income:				
Net capital gains	2		1,504,202	4,897,717
Revenue	3	250,186		186,673
Expenses	4	(386,198)		(245,284)
Finance costs: Interest	6	(391)		–
Net expense before taxation		(136,403)		(58,611)
Taxation	5	39		(1,519)
Net expense after taxation			(136,364)	(60,130)
<b>Total return before distributions</b>			<b>1,367,838</b>	<b>4,837,587</b>
Finance costs: Distributions	6		–	–
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>1,367,838</b>	<b>4,837,587</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS FOR THE YEAR ENDED 31 JANUARY 2012

	Notes	£	31.01.12 £	31.01.11 £
<b>Opening net assets attributable to shareholders</b>			<b>35,992,597</b>	<b>27,086,983</b>
Amounts receivable on issue of shares		25,819,087		4,071,040
Amounts payable on cancellation of shares		(92,503)		(3,013)
			25,726,584	4,068,027
Dilution levy charged	1(k)	123,427		–
Stamp duty reserve tax	1(g)	(1,074)		–
Change in net assets attributable to shareholders from investment activities			1,367,838	4,837,587
<b>Closing net assets attributable to shareholders</b>			<b>63,209,372</b>	<b>35,992,597</b>

SPECTRUM FUND  
*Financial Statements (continued)*  
**BALANCE SHEET**  
AS AT 31 JANUARY 2012

	Notes	£	31.01.12 £	£	31.01.11 £
<b>ASSETS</b>					
<b>Investment assets</b>			58,803,546		35,080,298
<b>Other assets</b>					
Debtors	7	460,447		4,714	
Cash and bank balances		<u>4,158,775</u>		<u>985,391</u>	
<b>Total other assets</b>			4,619,222		990,105
<b>Total assets</b>			<u>63,422,768</u>		<u>36,070,403</u>
<b>LIABILITIES</b>					
<b>Other liabilities</b>					
Creditors	8	(56,942)		(39,526)	
Bank overdrafts		<u>(156,454)</u>		<u>(38,280)</u>	
<b>Total other liabilities</b>			(213,396)		(77,806)
<b>Total liabilities</b>			<u>(213,396)</u>		<u>(77,806)</u>
<b>Net assets attributable to shareholders</b>			<u>63,209,372</u>		<u>35,992,597</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
AS AT 31 JANUARY 2012

1. ACCOUNTING POLICIES

The Fund's Financial Statements have been prepared on the same basis as the Aggregated Financial Statements.

	31.01.12 £	31.01.11 £
<b>2. NET CAPITAL GAINS</b>		
The net capital gains during the year comprise:		
Non-derivative securities	1,536,058	4,902,463
Forward currency contracts	(52,004)	–
Transaction charges	(1,846)	(564)
Currency gains/(losses)	21,994	(4,182)
<b>Net capital gains</b>	<u>1,504,202</u>	<u>4,897,717</u>
<b>3. REVENUE</b>		
Non-taxable dividends	154,968	114,453
Taxable dividends	7,885	11,741
Unfranked interest	46,007	36,347
AMC rebates from underlying investments	41,317	24,130
Bank interest	9	2
<b>Total revenue</b>	<u>250,186</u>	<u>186,673</u>
<b>4. EXPENSES</b>		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	330,793	207,051
Printing costs	5,448	3,896
Registration fees	1,606	1,517
	<u>337,847</u>	<u>212,464</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	24,414	15,011
Safe custody and other bank charges	8,138	6,312
	<u>32,552</u>	<u>21,323</u>

# SPECTRUM FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

	31.01.12 £	31.01.11 £
4. EXPENSES (continued)		
Other expenses:		
FSA fee	56	51
Fees paid to auditor – audit	8,100	8,100
– tax services	3,000	3,063
Publication costs	4,643	–
Legal and professional fees	–	283
	15,799	11,497
Total expenses	386,198	245,284
5. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Irrecoverable income tax	–	1,519
Adjustments in respect of prior periods	(39)	–
Current tax charge (note 5b)	(39)	1,519
Deferred tax – origination and reversal of timing differences (note 5c)	–	–
Total taxation	(39)	1,519
b) Factors affecting current tax charge for the year		
The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.01.11 : 20%) for the reasons explained below.		
	31.01.12 £	31.01.11 £
Net expense before taxation	(136,403)	(58,611)
Corporation tax at 20%	(27,281)	(11,722)
Effects of:		
Non-taxable dividends	(30,994)	(22,891)
Unutilised excess management expenses	58,275	34,613
Corporation tax charge	–	–
Irrecoverable income tax	–	1,519
Adjustments in respect of prior periods	(39)	–
Current tax charge (note 5a)	(39)	1,519

## 5. TAXATION (continued)

At the year end there is a potential deferred tax asset of £109,633 (31.01.11 : £51,358) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

## 6. FINANCE COSTS

Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:

	31.01.12 £	31.01.11 £
Net distributions for the year	–	–
Interest	391	–
Total finance costs	391	–
Distributions represented by:		
Net expense after taxation	(136,364)	(60,130)
Allocations to Capital:		
Revenue deficit	136,364	60,130
Net distributions for the year	–	–

## 7. DEBTORS

Amounts receivable for issue of shares	437,501	–
Accrued revenue:		
AMC rebates from underlying investments	12,479	–
Dilution levy	2,188	–
Prepaid expenses	5,834	8
Taxation recoverable:		
Income tax	2,445	2,568
Repricing compensation	–	2,138
Total debtors	460,447	4,714

# SPECTRUM FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

	31.01.12 £	31.01.11 £
8. CREDITORS		
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	34,110	20,229
Printing costs	2,728	2,248
Registration fees	140	138
	36,978	22,615
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	2,513	1,493
Transaction charges	431	50
Safe custody and other bank charges	2,916	1,268
	5,860	2,811
Other expenses	14,100	14,100
Taxation payable:		
Stamp duty reserve tax	4	–
Total creditors	56,942	39,526

## 9. RELATED PARTY TRANSACTIONS

Disclosure is made in note 9 of the Notes to the Aggregated Financial Statements.

## 10. SHAREHOLDER FUNDS

Disclosure is made in note 10 of the Notes to the Aggregated Financial Statements.

## 11. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or outstanding commitments (31.01.11 : none).

## 12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are disclosed in note 12 of the Notes to the Aggregated Financial Statements.

## 12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

### ii. Interest rate risk

The table below shows the direct interest rate risk profile:

	31.01.12 £	31.01.11 £
Floating rate assets:		
Singapore dollars	3,028,536	–
Pounds sterling	7,281,287	3,637,737
	10,309,823	3,637,737
Floating rate liabilities:		
Pounds sterling	(156,454)	(38,280)
Assets on which interest is not paid:		
Euros	1,575,366	–
Japanese yen	1,954,135	1,482,810
US dollars	11,669,880	8,204,840
Pounds sterling	37,913,564	22,745,016
	53,112,945	32,432,666
Liabilities on which interest is not paid:		
Pounds sterling	(56,942)	(39,526)
Net assets	63,209,372	35,992,597

The floating rate financial assets and liabilities comprise bank balances and bank overdraft positions which earn or pay interest at rates linked to the Bank of England base rate or its international equivalents and collective investment schemes that pay UK interest distributions.

### iii. Foreign currency risk

The table below shows the direct foreign currency risk profile as at the balance sheet date:

	31.01.12 £	31.01.11 £
Currency:		
Euros	1,575,366	–
Japanese yen	1,954,135	1,482,810
Singapore dollars	3,028,536	–
US dollars	11,669,880	8,204,840
	18,227,917	9,687,650
Pounds sterling	44,981,455	26,304,947
Net assets	63,209,372	35,992,597

## SPECTRUM FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

### 12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

#### vii. Derivatives

The derivatives held by the Fund during the current and prior year were for hedging purposes only.

	31.01.12 £	31.01.11 £
13. PORTFOLIO TRANSACTION COSTS		
Analysis of total purchase costs		
Purchases in year before transaction costs	45,994,805	10,273,245
Transaction costs:		
Commissions	5,270	3,092
Stamp duty and other charges	3,491	6,490
	8,761	9,582
Gross purchases total	46,003,566	10,282,827
Analysis of total sale costs		
Gross sales before transaction costs	23,954,552	6,185,934
Transaction costs:		
Commissions	(1,080)	(4,337)
Other charges	(3,689)	(12)
	(4,769)	(4,349)
Total sales net of transaction costs	23,949,783	6,181,585

## GENERAL INFORMATION

**Head Office:** Ibex House, 42 – 47 Minorities, London EC3N 1DX.

**Address for Service:** The Head Office is the address in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on it.

**Base Currency:** The base currency of the Company is pounds sterling. Each sub-fund and class is designated in pounds sterling.

**Share Capital:** The minimum share capital of the Company is £1 and the maximum is £100,000,000,000.

Shares in the Company have no par value. The share capital of the Company at all times equals the sum of the net asset values of each of the sub-funds.

### STRUCTURE OF THE COMPANY

The Company is structured as an umbrella company, in that different sub-funds may be established from time to time by the ACD with the approval of the Financial Services Authority and the agreement of the Depositary. On the introduction of any new sub-fund or class, a revised prospectus will be prepared setting out the relevant details of each sub-fund or class.

The assets of each sub-fund will be treated as separate from those of every other sub-fund and will be invested in accordance with the investment objective and investment policy applicable to that sub-fund. The sub-funds which are currently available are:

Trojan Fund  
Trojan Capital Fund  
Trojan Income Fund  
Crystal Fund  
Spectrum Fund

In the future there may be other sub-funds of the Company.

### CLASSES OF SHARES

The Company can issue different classes of shares in respect of any sub-fund.

Holders of Income shares are entitled to be paid the income attributable to such shares, in respect of each annual or interim accounting period.

Holders of Accumulation shares are not entitled to be paid the income attributable to such shares, but that income is retained and accumulated for the benefit of shareholders and is reflected in the price of shares.

### VALUATION POINT

The valuation point of the Trojan Fund, the Trojan Capital Fund, the Trojan Income Fund and the Spectrum Fund is 12.00 noon on each business day. The valuation point of the Crystal Fund is 12.00 noon on each Thursday and the last business day of each month. Valuations may be made at other times under the terms contained within the Prospectus.

### BUYING AND SELLING SHARES

The ACD will accept orders to deal in the shares on normal business days between 8.30am and 5.30pm and transactions will be effected at prices determined by the following valuation. Instructions to buy or sell shares may be either in writing to: 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT or by telephone on 0845 922 0044. 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 prices of shares are published in the *Financial Times* under the heading Troy Asset Management Ltd with the exception of Crystal Fund.

**OTHER INFORMATION**

The Instrument of Incorporation, Prospectus, Simplified Prospectus and the most recent interim and annual reports may be inspected at the office of the ACD which is also the Head Office of the Company and copies may be obtained upon application.

Shareholders who have any complaints about the operation of the Company 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**

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.

**RISK WARNING**

An investment in an open-ended investment company 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 fluctuation in exchange rates, which can be favourable or unfavourable.