



McInroy & Wood

PERSONAL INVESTMENT MANAGERS

INCOME FUND

A pooled management service for private clients

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2014

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

INTRODUCTION

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

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

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

The principal investment objective of the fund is to provide unitholders with an above average level of income, together with a measure of capital growth.

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

Further information and application forms may be obtained from McInroy & Wood Limited, Easter Alderston, Haddington, EH41 3SE. (Tel. +44(0)1620 825867) or through the website www.mcinroy-wood.co.uk

MANAGER'S INVESTMENT REPORT

At 31st December 2014, total net assets of the fund amounted to £287,198,242 compared with £285,039,629 twelve months before. At 31st December 2014 there were 914 investors (excluding ISA holders), with an average holding worth £268,896.

Markets

Global equity markets diverged strikingly during the year to 31st December 2014.

In the UK, investors became increasingly concerned about the sustainability of growth and rising political uncertainty ahead of the May general election. By contrast the US stock market performed very strongly, boosted by the robust progress of the economy. European equities advanced more modestly in the face of continuing economic weakness on the continent. In contrast, developing markets were generally weaker, particularly those with significant exposure to commodities.

The UK equity index (FTSE 100) fell by 3% over the year. Measured by MSCI indices in local currency, the USA and Europe advanced by 11% and 4% respectively, while Emerging Markets fell by 5%. Expressed in sterling, the overall MSCI All Country World index gained 6%.

Bond prices also showed divergent trends, with longer-dated issues performing much more strongly than shorter-dated stocks. Although conventional gilts overall rose on average by 10%, 5 year and shorter issues gained 3 to 4%; their index-linked counterparts, however, fell by 2%. Shorter-dated US Treasury inflation-protected stocks fell by a similar amount.

In the foreign exchange markets, sterling rose by 7% against the euro, but fell by 6% against the US dollar.

Results

The price of Personal units in the fund at 31st December 2014 stood at £24.226, 1% above the level of the unit price twelve months before. The price of Legacy units stood at £23.983. Although the UK equity market lost ground, as did some of the portfolio's holdings in developing markets, these falls were counterbalanced by gains in US equities. The latter were amplified by the continuing strength of the US dollar against sterling.

Dividend Distribution

A dividend distribution of 40.736p per unit is now being paid. This means that total distributions paid to shareholders in respect of the year past will amount to 68.736p per unit, 3% below the corresponding figure for the previous year.

As indicated to unitholders in the interim report, the fund's income in 2014 was already impacted by currency movements, particularly in the first half of the year when sterling had actually gained ground against the dollar. The reinvestment of maturing bonds into other lower yielding issues also had a negative impact on income, offsetting the benefit to income of an increase in the equity allocation in April. So-called 'special dividends' amounted to 3.0p in 2014 compared to 2.6p in the previous year. Ignoring the possible impact of special factors, the distribution for the next six months is expected to be similar to that for the corresponding period in 2014.

MANAGER'S INVESTMENT REPORT

continued

Portfolio Strategy

The portfolio's equity allocation was increased by 4% in early April with an equivalent reduction in the bond allocation. As noted in the interim report, that decision reflected a more positive prospect for corporate earnings and a less encouraging outlook for fixed and variable rate bonds.

At 31st December 2014, 80% of the portfolio was allocated to equities (76% at 31st December 2013), 19% to bonds (22%), and 1% (2%) to cash deposits.

Of the equities, 43% were allocated to the UK, 15% to the USA, 10% to Europe, and 12% to developing markets.

The bond component was allocated 15% into sterling and 4% into US dollar-denominated stocks.

Investments

New equity holdings were purchased in CNOOC (China), National Retail Properties and Realty Income (both USA). The investments in Ecolab and Verizon (received in the portfolio following a demerger from Vodafone) were sold. The portfolio's holdings in developing markets were concentrated into a shorter list of somewhat larger positions. That move reflected an increased confidence in the operation and transparency of these markets. As a result there were a larger than usual number of sales of existing investments during the period. Full details are shown on the Summary of All Portfolio Changes on page 10-11 of this report.

There were notably strong performances from Telekomunikasi Indonesia (+35%) and Perusahaan Gas Negari (+34%); it was a disappointing year for Embotelladora Andina (-39%) and RPS (-38%).

Within the bond allocation, two sterling issues and an inflation-protected US Treasury stock matured; the Norwegian krone-denominated stock was sold. New investments were made in 2017 and 2023 UK gilts, and in a 2016 US Treasury floating-rate note.

Outlook

The dramatic fall in the oil price should at least provide a boost to disposable incomes for consumers across the globe. However there may be collateral damage to related sectors, particularly oil-producing economies and energy companies. Acknowledging the caveats, and potential casualties, the Financial Times has estimated that a \$30 drop in the oil price should add 1.0% to global GDP.

Certainly growth in the USA remains robust, at 2.4% in 2014. Unemployment there has fallen to 5.6% and leading indicators of future economic activity have been very strong. Favourable construction of recent statistics has prompted the US Federal Reserve to announce the end of its 'quantitative easing' programme of bond purchases. It has also signalled that it does not anticipate any imminent rise in interest rates, as there is little sign of any inflationary pressures.

MANAGER'S INVESTMENT REPORT

continued

Outlook (continued)

Similar trends are evident in the UK. GDP growth here was 2.6% in 2014. Unemployment has fallen to 5.8%, and household consumption is at its strongest for four years. Against this background, the Bank of England is forecasting 2.9% economic growth in 2015.

Prospects elsewhere look less encouraging, despite widespread benefits from lower energy costs. Growth in the Eurozone in 2014 was a mere 0.8%, and the union is experiencing 0.2% deflation. Unemployment remains at 11.4% across the currency union. Sanctions against Russia have hit some European exporters (although Russia only represents 3% of overall German exports). Recent developments in Greece and an ensuing threat to the final bail-out for the country have heightened concerns over the integrity of the Eurozone. However, on a more positive note, the European Central Bank has committed itself to further stimulatory policies and weakness in the euro should assist European exports.

Developing countries are still expanding relatively quickly, even if the IMF now estimates their current rate of growth has dropped to 5%. Commodity-based economies look especially vulnerable. So too does the Chinese property sector. Nevertheless there should be considerable opportunities in emerging markets if recent political initiatives for pro-business reform can be implemented successfully. For example, in Brazil much of the financial community's disappointment over the failure of the Naves candidacy for the presidency has been assuaged by Mrs Rousseff's appointment of an apparently pragmatic and responsible finance minister. Moreover, at least in the short term, many developing countries will benefit hugely from the fall in the oil price, particularly China and India.

Rising company sales and earnings continue to provide some support for equity valuations. Provided fear of deflation does not spread more widely, equity prices should at least hold current levels and the attractions of bond investments will remain limited. In current circumstances, the merits of a broadly diversified and balanced investment strategy remain as apparent as ever.

24th February 2015

CAPITAL RECORD

Highest and lowest unit prices.

Year	High		Low	
	Legacy	Personal	Legacy	Personal
2010	£21.246	—	£18.079	—
2011	£21.617	—	£19.325	—
2012	£22.056	—	£19.925	—
2013	£24.251	£24.297	£21.820	£21.822
2014	£24.239	£24.472	£22.496	£22.700

INCOME RECORD

Year (to 31 st Dec)	Per unit (net)	
	Legacy	Personal
2010	62.551p	—
2011	66.965p	—
2012	71.013p	—
2013	70.651p	70.732p
2014	68.487p	68.736p

NET ASSET VALUES

Date	Net asset value of fund	Net asset value per unit	Number of units
31.12.10 Legacy	£206,531,716	£20.698	9,978,280
31.12.11 Legacy	£217,216,904	£19.780	10,981,645
31.12.12 Legacy	£243,113,076	£21.442	11,338,190
31.12.13 Legacy	£19,766,781	£23.481	841,823
31.12.13 Personal	£265,272,848	£23.605	11,238,142
31.12.14 Legacy	£17,329,329	£23.528	736,539
31.12.14 Personal	£269,868,913	£23.768	11,354,448

ONGOING CHARGES FIGURE

Date	Annualised	
	Legacy	Personal
31.12.10	1.550%	—
31.12.11	1.552%	—
31.12.12	1.550%	—
31.12.13	1.561%	1.094%
31.12.14	1.606%	1.106%

PORTFOLIO TURNOVER

Date	Annualised
31.12.10	8%
31.12.11	9%
31.12.12	17%
31.12.13	8%
31.12.14	17%

PORTFOLIO STATEMENT

as at 31st December 2014

INVESTMENTS	Holding or Nominal Value of positions at 31 st Dec. 2014	Bid Market Value £	Percentage of Value of total net assets	
			31 st Dec. 2014	31 st Dec. 2013
<i>Bonds</i>				
UK				
UK Treasury 1% 2017	£7,073,000	7,129,407	2.5	
UK Treasury 2.25% 2023	£5,439,000	5,696,673	2.0	
UK Treasury 2.5% I-L 2020	£3,067,000	11,321,140	3.9	
UK Treasury 3.75% 2019	£6,113,000	6,835,404	2.4	
UK Treasury 3.75% 2021	£2,997,000	3,441,680	1.2	
UK Treasury 4% 2016	£6,942,000	7,351,404	2.6	
		<u>41,775,708</u>	<u>14.6</u>	<u>15.3</u>
NORWAY				
			—	2.7
USA				
US Treasury FRN 2016	\$7,241,000	4,642,680	1.6	
US Treasury TIPS 1.625% 2015	\$9,437,000	7,513,423	2.6	
		<u>12,156,103</u>	<u>4.2</u>	<u>4.0</u>
TOTAL BONDS		<u><u>53,931,811</u></u>	<u><u>18.8</u></u>	<u><u>22.0</u></u>
<i>Equities</i>				
UK				
AG Barr	1,028,865	6,018,860	2.1	
BG	459,155	3,971,232	1.4	
GlaxoSmithKline	453,605	6,241,605	2.2	
Hill & Smith	1,099,144	6,375,035	2.2	
Indivior	144,831	215,364	0.1	
Inmarsat	961,110	7,674,463	2.7	
Keller	573,345	5,019,636	1.7	
Land Securities	678,772	7,853,392	2.7	
Majestic Wine	1,090,665	4,414,467	1.5	
National Grid	974,483	8,944,779	3.1	
Pearson	496,710	5,905,882	2.1	
Reckitt Benckiser	144,831	7,545,695	2.6	
Rio Tinto	193,285	5,796,617	2.0	
Rotork	162,410	3,776,033	1.3	
Royal Dutch Shell B	333,701	7,449,875	2.6	
RPS	1,289,000	2,695,299	0.9	
Severn Trent	385,990	7,739,100	2.7	
Spectris	209,855	4,392,265	1.5	
Spirax Sarco	200,869	5,766,949	2.0	
Standard Life	2,131,530	8,528,252	3.0	
Vodafone	3,065,930	6,826,293	2.4	
		<u>123,151,093</u>	<u>42.8</u>	<u>42.6</u>

PORTFOLIO STATEMENT

continued

	Holding or Nominal Value of positions at 31 st Dec. 2014	Bid Market Value £	Percentage of Value of total net assets	
			31 st Dec. 2014	31 st Dec. 2013
<i>Equities continued</i>				
USA				
Abbvie	158,530	6,651,296	2.3	
AT&T	204,020	4,393,774	1.5	
Donaldson	161,480	4,001,659	1.4	
National Retail Properties	112,100	2,829,730	1.0	
Paychex	208,915	6,184,715	2.2	
Realty Income	93,100	2,848,678	1.0	
RPM	204,650	6,650,387	2.3	
Schlumberger	67,100	3,674,631	1.3	
Watsco	64,855	4,451,359	1.6	
		<u>41,686,229</u>	<u>14.6</u>	<u>12.5</u>
FINLAND				
Kone	131,510	<u>3,858,906</u>	<u>1.3</u>	<u>1.1</u>
FRANCE				
Danone	71,410	3,012,016	1.0	
Total	145,490	4,800,363	1.7	
Unibail-Rodamco	25,310	<u>4,180,849</u>	<u>1.5</u>	
		<u>11,993,228</u>	<u>4.2</u>	<u>4.2</u>
GERMANY				
Fielmann	115,000	5,036,242	1.8	
Pfeiffer Vacuum	39,505	<u>2,100,413</u>	<u>0.7</u>	
		<u>7,136,655</u>	<u>2.5</u>	<u>2.8</u>
NETHERLANDS				
Reed Elsevier	280,575	<u>4,316,790</u>	<u>1.5</u>	<u>1.1</u>
SWITZERLAND				
Kuehne + Nagel	41,450	<u>3,617,027</u>	<u>1.3</u>	<u>1.0</u>

PORTFOLIO STATEMENT

continued

		Holding or Nominal Value of positions at 31 st Dec. 2014	Bid Market Value £	Percentage of Value of total net assets 31 st Dec. 2014	31 st Dec. 2013
<i>Equities continued</i>					
DEVELOPING MARKETS					
<i>Brazil</i>	Natura Cosmetics	272,341	2,092,757	0.7	
<i>Chile</i>	Embotelladora Andina	224,500	2,441,892	0.9	
	IAM	1,573,000	1,562,841	0.5	
<i>China</i>	CNOOC	2,965,000	2,559,977	0.9	
	China Mobile	366,000	2,745,359	1.0	
<i>Hong Kong</i>	MTR	1,166,000	3,066,454	1.1	
	Vitasoy International	3,310,000	3,065,892	1.1	
<i>Indonesia</i>	Perusahaan Gas Negari	9,446,500	2,922,786	1.0	
	Telekomunikasi Indonesia	18,284,200	2,707,885	0.9	
<i>Mexico</i>	Wal-Mart de Mexico	2,045,040	2,823,359	1.0	
<i>Singapore</i>	Keppel	634,870	2,716,219	0.9	
	Thai Beverage	8,291,000	2,768,749	0.9	
<i>South Africa</i>	MTN	232,460	2,847,477	1.0	
			<u>34,321,647</u>	<u>11.9</u>	<u>10.3</u>
TOTAL EQUITIES			<u>230,081,575</u>	<u>80.1</u>	<u>75.6</u>
TOTAL INVESTMENTS			284,013,386	98.9	97.6
Net other assets			<u>3,184,856</u>	<u>1.1</u>	<u>2.4</u>
TOTAL NET ASSETS			<u><u>287,198,242</u></u>	<u><u>100.0</u></u>	<u><u>100.0</u></u>

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

All debt securities in the portfolio at 31st December 2014 are investment grade.

SUMMARY OF ALL PORTFOLIO CHANGES

for the year to 31st December 2014

	Cost £
Purchases	
126,785 BG	1,447,396
116,359 CEMIG- ADR (<i>stock dividend</i>)	—
121,000 China Mobile	922,797
2,965,000 CNOOC	3,017,934
146,200 Embotelladora Andina	1,829,075
57,500 Fielmann (<i>stock split</i>)	—
52,370 GlaxoSmithKline	718,267
165,540 Hill & Smith	933,618
504,000 Hong Kong & China Gas	676,716
118,700 Hong Kong & China Gas (<i>stock split</i>)	—
90,010 Inmarsat	625,871
18,015 Keller	204,542
341,000 Keppel	1,704,451
20,590 Kone	523,858
6,575 Kuehne + Nagel	521,788
7,101 Land Securities	72,643
75,900 MTN	1,000,615
558,000 MTR	1,344,488
190,528 National Grid	1,594,296
112,100 National Retail Properties	2,297,509
118,616 Natura Cosméticos	1,207,343
6,180 Pearson	67,177
4,227,000 Perusahaan Gas Negara	1,303,804
93,100 Realty Income	2,292,555
12,615 Reckitt Benckiser	618,685
42,445 Reed Elsevier	525,055
40,050 Rio Tinto	1,314,313
34,350 Rotork	913,016
3,136 Royal Dutch Shell B	69,776
1,980 Severn Trent	35,006
49,765 Spectris	1,185,182
400,000 Standard Life	1,494,188
3,044,200 Telekomunikasi Indonesia	458,290
7,073,000 UK Treasury 1% 2017	7,000,148
5,439,000 UK Treasury 2.25% 2023	5,201,209
3,210 Unibail-Rodamco	524,796
7,241,000 US Treasury FRN 2016	4,375,048
940,000 Vitasoy International	741,512
1,390,162 Vodafone	3,024,370
1,705,418 Vodafone (<i>reverse stock split</i>)	—
1,640,040 Wal-Mart de Mexico	2,514,411
TOTAL	<u>54,301,748</u>

SUMMARY OF ALL PORTFOLIO CHANGES

for the year to 31st December 2014

continued

Sales	Proceeds £
494,574 CEMIG - ADR	2,240,173
43,490 CEZ	799,434
198,000 Cheung Kong	2,183,791
1,720,700 Digi.com	1,913,981
43,870 Ecolab	2,884,878
7,970,000 EIB 3.375% 2014	7,984,436
350,000 Giant Manufacturing	1,659,684
1,305,700 Hong Kong & China Gas	1,838,027
82,283 Keppel REIT	44,372
76,200,000 KfW 3.25% 2014	7,658,093
35,960 Majestic Wine	145,597
52,300 National Grid	439,149
18,330 Paychex	449,463
9,825 Pfeiffer Vacuum	632,109
22,610 Royal Dutch Shell B	577,036
22,790 RPM	618,182
4,153,000 Shenzhen Expressway	1,566,259
263,271 Standard Chartered	2,746,840
2,210,000 UK Treasury 3.75% 2021	2,492,239
4,707,000 UK Treasury 2.25% 2014	4,707,000
812,500 Universal Robina	1,945,846
5,730,000 US Treasury TIPS 2% 2014	4,419,071
82,229 Verizon	2,323,003
3,126,600 Vodafone	924,262
3,126,600 Vodafone (<i>reverse stock split</i>)	—
TOTAL	<u><u>53,192,925</u></u>

GENERAL INFORMATION

Authorisation

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

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

Income Tax

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

Capital Gains Tax

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

Applications

The minimum initial and subsequent investment in the fund is £1,000. Regular monthly contributions may be made for a minimum of £100.

Data Protection

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

A Word of Caution

You should remember that the price of units and the income from them may go down as well as up. Gains are not necessarily achieved in the short term. Exchange rate fluctuations may also cause the value of an investment to rise and fall. Investment in emerging markets can be subject to risk not normally associated with developed markets.

GENERAL INFORMATION

continued

Synthetic Risk and Reward Indicator (Volatility measure)

1	2	3	4	5	6	7
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Lower risk

Typically lower rewards

Higher risk

Typically higher rewards

Please note, the category stated above is the same for each class of unit within the fund.

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

The fund has been classed as 4 because its volatility has been measured as average.

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

STATEMENT OF THE MANAGER'S RESPONSIBILITIES

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

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

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

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

DIRECTORS' STATEMENT

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

T A U Wood
Director

J C McAulay
Director

Haddington, 24th February 2015

STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES

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

TRUSTEE'S REPORT

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

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

24th February 2015

INDEPENDENT AUDITORS' REPORT

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the financial position of the Trust as at 31st December 2014 and of the net revenue and the net capital gains of the scheme property of the Trust for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements of McInroy & Wood Income Fund (the "Trust") which are prepared by McInroy & Wood Portfolios Limited (the "Authorised Fund Manager"), comprise:

- the balance sheet of the Trust as at 31st December 2014;
- the statement of total return of the Trust for the year then ended;
- the statement of change in net assets attributable to unitholders of the Trust for the year then ended;
- the notes to the Trust's financial statements, which include a summary of significant accounting policies and other explanatory information; and
- the distribution tables.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds"), the Collective Investment Schemes sourcebook and the Trust Deed.

In applying the financial reporting framework, the Fund Manager has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

INDEPENDENT AUDITORS' REPORT

continued

Report on the financial statements continued

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). 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 Trust's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Authorised Fund Manager; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion:

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

Other matters on which we are required to report by exception

Propriety of accounting records and information and explanations received

Under the Collective Investment Schemes sourcebook we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT

continued

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Authorised Fund Manager

As explained more fully in the Statement of the Manager's Responsibilities, the Authorised Fund Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose.

We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
Edinburgh

24th February 2015

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

STATEMENT OF TOTAL RETURN
for the year ended 31st December 2014

	Notes	Year ended 31 st Dec. 2014		Year ended 31 st Dec. 2013	
		£	£	£	£
Income					
Net capital gains	2		4,719,402		27,065,520
Revenue	3	9,335,500		8,950,281	
Expenses	4	<u>(3,256,515)</u>		<u>(3,317,950)</u>	
Net revenue before taxation		6,078,985		5,632,331	
Taxation	5	<u>(410,916)</u>		<u>(119,669)</u>	
Net revenue after taxation			<u>5,668,069</u>		<u>5,512,662</u>
Total return before distributions			10,387,471		32,578,182
Finance costs: distributions	6		<u>(8,398,647)</u>		<u>(8,252,520)</u>
Change in net assets attributable to unitholders from investment activities			<u>1,988,824</u>		<u>24,325,662</u>

STATEMENT OF CHANGE IN NET ASSETS
ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31st December 2014

	Year ended 31 st Dec. 2014		Year ended 31 st Dec. 2013	
	£	£	£	£
Opening net assets attributable to unitholders		285,039,629		243,113,076
Amounts receivable on creation of units	30,035,392		33,666,182	
Amounts payable on cancellation of units	<u>(29,846,983)</u>		<u>(16,216,917)</u>	
		188,409		17,449,265
Securities exchanged		—		184,661
Stamp duty reserve tax		(18,620)		(33,035)
Change in net assets attributable to unitholders from investment activities		<u>1,988,824</u>		<u>24,325,662</u>
Closing net assets attributable to unitholders		<u>287,198,242</u>		<u>285,039,629</u>

BALANCE SHEET

as at 31st December 2014

	Notes	31 st Dec. 2014		31 st Dec. 2013	
		£	£	£	£
ASSETS:					
Investment assets			284,013,386		278,329,306
Debtors	7	1,228,649		1,577,363	
Cash & bank balances		<u>8,296,056</u>		<u>10,630,440</u>	
Total other assets			<u>9,524,705</u>		<u>12,207,803</u>
Total assets			<u>293,538,091</u>		<u>290,537,109</u>
LIABILITIES:					
Creditors	8	(1,416,329)		(336,155)	
Distribution payable		<u>(4,923,520)</u>		<u>(5,161,325)</u>	
Total liabilities			<u>(6,339,849)</u>		<u>(5,497,480)</u>
Net assets attributable to unitholders			<u>287,198,242</u>		<u>285,039,629</u>

NOTES TO THE FINANCIAL STATEMENTS

as at 31st December 2014

1. Accounting policies

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

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

- (f) The revenue available for distribution is the total revenue earned by the fund, less deductible expenses and taxation charged to revenue. This revenue is distributed annually on the last business day of February. An interim distribution based on available revenue is distributed on the last day of August. The ordinary element of scrip dividends is treated as revenue but does not form part of the distribution.
- (g) Listed investments of the fund have been valued at market value on the balance sheet date. Market value is defined by the SORP as fair value which generally is the bid value of each security.
- (h) Foreign currency transactions are translated at the rates ruling on the date of the transaction. Assets and liabilities valued in foreign currencies have been translated into sterling at the exchange rates prevailing at the balance sheet date.
- (i) Stamp Duty Reserve Tax (SDRT) suffered on the surrender of units has been charged against the capital assets of the fund.

NOTES TO THE FINANCIAL STATEMENTS

continued

2. Net gains on investments:

	Year ended 31 st Dec. 2014	Year ended 31 st Dec. 2013
	£	£
Non-derivative securities	4,885,353	27,098,284
Currency losses	(141,041)	(12,469)
Transaction costs	(24,910)	(20,295)
Net capital gains*	<u>4,719,402</u>	<u>27,065,520</u>
<i>*includes realised gains on investments sold</i>	<u>5,300,631</u>	<u>10,181,249</u>

3. Revenue

Dividends on UK equities	4,125,818	3,859,430
Dividends on overseas equities	3,744,039	3,074,991
Interest on bank deposits	927	7
Interest on French withholding tax recoverable	29,155	—
Interest on UK interest bearing securities	913,093	1,207,440
Interest on overseas interest bearing securities	308,580	555,973
Property income distributions on UK REITs	213,888	252,440
Total revenue	<u>9,335,500</u>	<u>8,950,281</u>

4. Expenses

Payable to the Manager, associates of the Manager and agents of either of them:		
- Manager's periodic charge	2,975,735	3,107,112
- Transfer Agency fee	95,078	21,539
- Registrar's fee	15,698	32,045
Payable to the Trustee, associates of the Trustee and agents of either of them:		
- Trustee's fee	45,513	43,314
- Safe custody fee	58,208	58,944
Other expenses:		
- Accounts printing and postage	2,905	—
- Administration fee	32,471	22,531
- Audit fee	7,079	7,561
- FCA fee	353	329
- French withholding tax recovery fee	5,250	17,359
- FT listing fee	4,160	—
- Professional fees	6,415	—
- Sundry fees	7,650	7,216
Total expenses	<u>3,256,515</u>	<u>3,317,950</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

5. Taxation

	Year ended 31 st Dec. 2014	Year ended 31 st Dec. 2013
	£	£
(a) Analysis of tax charge		
Overseas withholding tax	410,916	351,546
French withholding tax recoverable	—	(231,877)
	<u>410,916</u>	<u>119,669</u>

(b) Factors affecting the tax charge for the year

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

	Year ended 31 st Dec. 2014	Year ended 31 st Dec. 2013
	£	£
Net revenue before taxation	<u>6,078,985</u>	<u>5,632,331</u>
Corporation tax at 20%	1,215,797	1,126,466

Effects of:

Revenue not subject to corporation tax	(1,538,131)	(1,363,973)
Movement in excess management charges	327,537	240,941
French withholding tax recoverable	—	(231,877)
Irrecoverable overseas withholding tax	410,916	351,546
Overseas tax expensed	<u>(5,203)</u>	<u>(3,434)</u>
Current tax charge for the year	<u>410,916</u>	<u>119,669</u>

(c) Deferred tax

At the balance sheet date, there is a potential deferred tax asset of £1,486,067 (2013 - £1,158,530) in respect of unutilised management expenses. The fund may not generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the year or prior year.

NOTES TO THE FINANCIAL STATEMENTS

continued

6. Finance costs: Distributions

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

	Year ended 31 st Dec. 2014	Year ended 31 st Dec. 2013
	£	£
Interim	3,399,435	3,258,419
Final	4,923,520	5,161,325
	<u>8,322,955</u>	<u>8,419,744</u>
Add: Revenue deducted on cancellation of units	327,633	155,455
Deduct: Revenue received on creation of units	(251,941)	(322,679)
Net distribution for the year	<u>8,398,647</u>	<u>8,252,520</u>
Net revenue after taxation	5,668,069	5,512,662
Expenses taken to capital	2,975,735	3,107,112
Tax attributable to capital	(245,157)	(367,254)
Net distribution for the year	<u>8,398,647</u>	<u>8,252,520</u>

Details of the distributions per unit are shown in the Distribution Tables on page 31.

7. Debtors

	31 st Dec. 2014	31 st Dec. 2013
	£	£
Amounts receivable for creation of units	81,487	29,105
Overseas withholding tax recoverable	109,740	292,674
Prepaid expenses	4,208	4,018
Revenue receivable:		
UK equities	642,192	584,608
Overseas equities	26,523	18,852
UK bond interest	307,678	305,146
Overseas bond interest	56,821	342,960
	<u>1,228,649</u>	<u>1,577,363</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

8. Creditors	31 st Dec. 2014	31 st Dec. 2013
	£	£
Amounts payable for cancellation of units	1,082,041	—
Accrued expenses:		
Audit fee	7,080	7,081
Administration fee	22,603	21,698
French WHT recovery fee	—	17,359
FT listing fee	335	—
Manager's periodic charge	255,537	267,557
Registrar's fee	—	5,232
Tax Agents fee	4,490	—
Transfer Agency fee	25,569	—
Trustee's fee	4,082	4,096
Safe custody fee	14,592	7,938
Other	—	5,194
	<u>1,416,329</u>	<u>336,155</u>

9. Related Party Transactions

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

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

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

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

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

Units held or managed by the Manager or associates of the Manager as a percentage of the fund's value at the balance sheet date were 1.3% (2013 - 0.8%).

continued

10. Portfolio Risk Analysis

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

Credit and Cashflow Risk

The fund has little exposure to any specific credit risk, holding prime quality government or government backed issues in its fixed interest allocations.

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

Market Price Risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

continued

10. Portfolio Risk Analysis continued

Foreign Currency Risk

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

Interest Rate Risk

The fund commonly invests part of the portfolio in quoted debt instruments, generally bonds, issued by third parties. It also holds cash on deposit. Changes in interest rates may have an adverse effect on the value of such securities and deposits and on the amount of revenue derived from them.

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

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

Interest rate profile

	Floating rate (Bonds/Cash) £	Fixed rate (Bonds) £	Non interest bearing (Equities/Other) £	Total £	Total %
31st Dec. 2014					
UK Sterling	8,229,031	41,775,708	117,846,530	167,851,269	58.4
US Dollar	4,642,680	7,513,423	44,211,464	56,367,567	19.6
Euro	58,544		27,365,668	27,424,212	9.5
Hong Kong Dollar	8,760		11,437,683	11,446,443	4.0
Indonesian Rupiah			5,630,671	5,630,671	2.0
Singapore Dollar	(279)		5,485,248	5,484,969	1.9
Swiss Franc			3,659,119	3,659,119	1.3
Mexican Peso			2,823,359	2,823,359	1.0
South African Rand			2,855,035	2,855,035	1.0
Brazilian Real			2,092,757	2,092,757	0.7
Chilean Peso			1,562,841	1,562,841	0.6
Total	12,938,736	49,289,131	224,970,375	287,198,242	100.0

NOTES TO THE FINANCIAL STATEMENTS

continued

10. Portfolio Risk Analysis continued

Interest rate profile continued

	Floating rate (Bonds/Cash) £	Fixed rate (Bonds) £	Non interest bearing (Equities/Other) £	Total £	Total %
31st Dec. 2013					
UK Sterling	10,534,392	43,605,050	116,937,093	171,076,535	60.2
US Dollar	59,235	11,558,002	38,953,361	50,570,598	17.7
Euro	25,027		26,377,188	26,402,215	9.3
Hong Kong Dollar	5,906		9,077,294	9,083,200	3.2
Norwegian Krone		7,619,843	166,783	7,786,626	2.7
Singapore Dollar			3,757,059	3,757,059	1.3
Swiss Franc			2,786,685	2,786,685	1.0
Indonesian Rupiah			2,777,893	2,777,893	0.9
South African Rand			1,961,481	1,961,481	0.7
Brazilian Real			1,627,538	1,627,538	0.6
Chilean Peso			1,608,649	1,608,649	0.6
Malaysian Ringgit			1,570,025	1,570,025	0.5
Taiwan Dollar	5,880		1,442,910	1,448,790	0.5
Philippine Peso			1,250,111	1,250,111	0.4
Czech Koruna			694,632	694,632	0.2
Mexican Peso			637,592	637,592	0.2
Total	10,630,440	62,782,895	211,626,294	285,039,629	100.0

NOTES TO THE FINANCIAL STATEMENTS

continued

10. Portfolio Risk Analysis continued

Currency profile

	Monetary (Cash/Other assets) £	Non-monetary (Securities) £	Total £	Total %
31st Dec. 2014				
UK Sterling	8,229,030	159,622,240	167,851,270	58.4
US Dollar		56,367,568	56,367,568	19.6
Euro	58,544	27,365,668	27,424,212	9.5
Hong Kong Dollar	8,760	11,437,682	11,446,442	4.0
Indonesian Rupiah		5,630,671	5,630,671	2.0
Singapore Dolla	(278)	5,485,246	5,484,968	1.9
Swiss Franc		3,659,119	3,659,119	1.3
Mexican Peso		2,823,359	2,823,359	1.0
South African Rand		2,855,035	2,855,035	1.0
Brazilian Real		2,092,757	2,092,757	0.7
Chilean Peso		1,562,841	1,562,841	0.6
Total	8,296,056	278,902,186	287,198,242	100.0
31st Dec. 2013				
UK Sterling	6,043,809	165,032,726	171,076,535	60.0
US Dollar	170,245	50,400,353	50,570,598	17.7
Euro	287,702	26,114,513	26,402,215	9.3
Hong Kong Dollar	5,906	9,077,294	9,083,200	3.2
Norwegian Krone	166,783	7,619,843	7,786,626	2.7
Singapore Dollar		3,757,059	3,757,059	1.3
Swiss Franc	16,573	2,770,112	2,786,685	1.0
Indonesian Rupiah		2,777,893	2,777,893	1.0
South African Rand	2,851	1,958,630	1,961,481	0.7
Brazilian Real		1,627,538	1,627,538	0.6
Chilean Peso		1,608,649	1,608,649	0.6
Malaysian Ringgit		1,570,025	1,570,025	0.6
Taiwan Dollar	5,880	1,442,910	1,448,790	0.5
Philippine Peso		1,250,111	1,250,111	0.4
Czech Koruna	10,574	684,058	694,632	0.2
Mexican Peso		637,592	637,592	0.2
Total	6,710,323	278,329,306	285,039,629	100.0

NOTES TO THE FINANCIAL STATEMENTS

continued

10. Portfolio Risk Analysis continued

Fixed rate interest

	Weighted average rates		Weighted average maturity	
	31 st Dec. 2014	31 st Dec. 2013	31 st Dec. 2014	31 st Dec. 2013
UK Sterling	2.51%	2.65%	5 years	4 years
Norwegian Krone	—	3.23%	—	—
US Dollar	1.62%	1.40%	—	1 year

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

The fixed rate financial assets typically comprise UK, US and EU government and public sector issues.

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

Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

11. Portfolio Transaction Costs

	Year ended 31 st Dec. 2014	Year ended 31 st Dec. 2013
	£	£
Analysis of total purchase costs		
Purchases in year before transaction costs	54,129,957	44,305,295
Add:		
Broker		
Commissions	91,979	40,107
Taxes	79,812	25,674
Total purchase costs	<u>171,791</u>	<u>65,781</u>
Gross purchases total	<u>54,301,748</u>	<u>44,371,076</u>
Analysis of total sales costs		
Gross sales in year before transaction costs	53,268,839	30,310,654
Less:		
Broker		
Commissions	(53,851)	(45,396)
Fees	<u>(22,063)</u>	<u>—</u>
Total sales costs	<u>(75,914)</u>	<u>(45,396)</u>
Total sales net of transaction costs	<u>53,192,925</u>	<u>30,265,258</u>

DISTRIBUTION TABLES

in pence per unit
for the year ended 31st December 2014

INTERIM DISTRIBUTION

Group 1 - Units purchased prior to 1st January 2014

Group 2 - Units purchased 1st January 2014 to 30th June 2014

	Unit Class	Gross income	Tax credit @ 10%	Net income	Equalisation	Amount paid 29.08.14
Group 1	Legacy	31.111	3.111	28.000	—	28.000
Group 2	Legacy	24.098	2.410	21.688	6.312	28.000
Group 1	Personal	31.111	3.111	28.000	—	28.000
Group 2	Personal	15.026	1.503	13.523	14.477	28.000

FINAL DISTRIBUTION

Group 1 - Units purchased prior to 1st July 2014

Group 2 - Units purchased 1st July 2014 to 31st December 2014

	Unit Class	Gross income	Tax credit @ 10%	Net income	Equalisation	Amount payable 27.02.15
Group 1	Legacy	44.986	4.499	40.487	—	40.487
Group 2	Legacy	18.829	1.883	16.946	23.541	40.487
Group 1	Personal	45.262	4.526	40.736	—	40.736
Group 2	Personal	15.214	1.521	13.693	27.043	40.736

DISTRIBUTION SUMMARY

in pence per unit
for the year ended 31st December 2014

	Year to 31 st Dec. 2014 net rate		Year to 31 st Dec. 2013 net rate	
	<i>Personal</i>	<i>Legacy</i>	<i>Personal</i>	<i>Legacy</i>
Interim paid	28.000	28.000	28.000	28.000
Final payable/paid	40.736	40.487	42.732	42.651
	<u>68.736</u>	<u>68.487</u>	<u>70.732</u>	<u>70.651</u>

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AUTHORISED AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY

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