



McInroy & Wood

PERSONAL INVESTMENT MANAGERS

SMALLER COMPANIES FUND

A pooled management service for private clients

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY 2015

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

INTRODUCTION

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

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

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

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

The fund may invest in any 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 January 2015 the total net assets of the fund amounted to £59,398,407 compared with £56,385,770 twelve months before. There was a small net outflow from the fund over the twelve months. At 31st January there were 284 investors (excluding ISA holders), with an average holding worth £192,088.

Markets

Global equity markets diverged strikingly during the year to 31st January 2015.

In the UK, investors became increasingly concerned about the sustainability of growth and rising political uncertainty ahead of the May general election. Meanwhile, in the US, the stock market performed strongly, boosted by the robust progress of its economy. European equities also advanced, albeit late in the year. That was when investors began to anticipate asset price inflation following the European Central Bank's overdue decision to undertake a large programme of quantitative easing. Investors also appeared to become more confident in Europe's ability to cope with a possible Greek exit from the euro.

The UK equity index (FTSE 100) rose by 4% over the year. Measured by MSCI indices in local currency, the USA and Europe advanced by 12% and 14% respectively. Expressed in sterling, the MSCI All Country World index gained 17%.

In the foreign exchange markets, sterling rose by 10% against the euro, but fell by 8% against the US dollar and 7% against Swiss franc; the latter removed the euro peg which had hitherto effectively fixed its exchange rate.

Results

At 31st January 2015 the price of Personal units stood at £35.157, a rise of 8% over the twelve months. The price of Legacy units stood at £34.789. This increase reflected widespread gains in equity markets. However, smaller companies in general did not advance as strongly as the main index constituents, possibly because the prospect of continuing economic recovery was thought likely to benefit larger cyclical companies first.

Dividend Distribution

A final dividend distribution of 42.932p (net) per unit is now being paid in respect of Personal units and 42.459p in respect of Legacy units. This means that total distributions paid to shareholders during the past year will amount to 61.932p per Personal unit (61.459p per Legacy unit), up 15% from the corresponding figure for 2014.

Special dividends accounted for 8.7p of the distribution per unit. Recurring dividends (excluding special dividends) rose by 11% during the year.

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

At 31st January 2015 the UK allocation, including cash deposits, accounted for 30% of the portfolio investments (37% at 31st January 2014), the USA for 32% (28%), Europe for 30% (30%), Japan for 4% (2%) and Australia for 4% (3%).

The fund's exposure to the relatively buoyant US economy was increased, as prospects there for smaller companies appeared stronger than in other geographic regions.

Investments

New holdings were established in Parkmead, a UK oil and exploration and production company, and Medicrea International, a French manufacturer of medical devices for correcting spinal deformities. Otherwise, purchases were directed towards existing holdings.

Kentz was taken over, while the holdings in Bioquell and Yamada Denki were sold due to more limited prospects. Gooch and Housego was sold for ethical reasons. The company had historically sold lasers for industrial and medical purposes, but now has exposure to the defence sector. McInroy & Wood has a policy of not investing in arms companies.

Systemex, O'Reilly Automotive, Boiron and Technology One all rose by more than 50% in the period. Meanwhile, Parkmead (-50%), Immunodiagnostic Systems (-40%) and RPS (-38%) were disappointingly weak.

Outlook

The dramatic fall in the oil price should at least provide a boost to disposable incomes for consumers across the globe. However there has been, and is likely to be, further collateral damage, particularly in energy companies and those whose main customers are dependent upon them. Nevertheless, after allowing for the potential casualties, the Financial Times has estimated that a \$30 drop in the oil price should add 1.0% to global GDP.

GDP growth (2.4%) in the USA during the year was encouraging, while unemployment there has fallen to 5.7%. Leading indicators of future economic activity have been strong and 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, there being little sign of any inflationary pressures.

Similar trends are evident in the UK. GDP growth here was 2.7% in 2014 and the unemployment rate has also fallen to 5.7%. Meanwhile household consumption is at its strongest for four years. Against this background, the Bank of England is forecasting 2.9% economic growth in 2015.

MANAGER'S INVESTMENT REPORT

continued

Outlook (continued)

Prospects elsewhere are less encouraging. Despite widespread benefits from lower energy costs, growth in the Eurozone in 2014 was a mere 0.8%, and the union is now 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).

Despite the recent extension of debt repayment in Greece, concerns remain over whether the country will remain in the Eurozone. Were it to leave, contagion could quickly spread to other Eurozone members undergoing painful austerity programmes. 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. There is some evidence to suggest that there are now pockets of improvement in Europe; as a region, it has the greatest potential to surprise on the upside.

Rising company sales and earnings continue to provide some support for equity valuations, although share prices over the period again advanced in excess of earnings growth. Provided fear of deflation does not take hold, and consumer confidence remains high, current equity valuations can be justified.

While gains in smaller companies have been more limited than those of the wider equity market in the past year, many now appear to be offering better value, along with greater growth prospects, than the large equity index constituents. Long term investors should benefit accordingly.

18th March 2015

CAPITAL RECORD

Highest and lowest unit prices.

Year	High		Low	
	Legacy	Personal	Legacy	Personal
2011	£28.734	—	£23.442	—
2012	£26.597	—	£23.657	—
2013	£33.505	£33.675	£27.224	£28.017
2014	£34.266	£34.613	£30.290	£30.566
2015*	£34.940	£35.308	£33.710	£34.060

*Up to 31st January only.

INCOME RECORD

Year (to 31 st Jan)	Per unit (net)	
	Legacy	Personal
2011	42.133p	—
2012	42.134p	—
2013	59.012p	40.023p
2014	53.931p	54.051p
2015	61.459p	61.932p

NET ASSET VALUES

Date	Net asset value of fund	Net asset value per unit	Number of units
31.01.13 Legacy	£43,583,452	£27.842	1,565,387
31.01.13 Personal	£338,949	£27.851	12,170
31.01.14 Legacy	£2,208,260	£32.080	68,835
31.01.14 Personal	£54,177,510	£32.255	1,679,663
31.01.15 Legacy	£1,876,116	£34.065	55,075
31.01.15 Personal	£57,522,291	£34.425	1,670,942

ONGOING CHARGES FIGURE

Date	Annualised	
	Legacy	Personal
31.01.11	1.596%	—
31.01.12	1.605%	—
31.01.13	1.599%	1.099%
31.01.14	1.630%	1.214%
31.01.15	1.714%	1.216%

PORTFOLIO TURNOVER

Date	Annualised
31.01.11	12%
31.01.12	3%
31.01.13	(2%)
31.01.14	2%
31.01.15	(3%)

PORTFOLIO STATEMENT

as at 31st January 2015

INVESTMENTS	Holding or Nominal Value of positions at 31 st Jan. 2015	Bid Market Value £	Percentage of Value of total net assets	
<i>Equities</i>			31 st Jan. 2015	31 st Jan. 2014
UK				
Abcam	164,020	708,156	1.2	
AG Barr	276,414	1,745,554	2.9	
Assura	2,874,400	1,552,176	2.6	
Cape	234,353	491,555	0.8	
Craneware	118,820	588,159	1.0	
Hill & Smith	115,395	700,448	1.2	
Immunodiagnostic Systems	132,345	423,504	0.7	
Intermediate Capital	238,960	1,178,073	2.0	
Keller	118,165	1,055,213	1.8	
Majestic Wine	188,900	635,649	1.1	
MP Evans	189,610	758,440	1.3	
Parkmead	558,650	655,017	1.1	
Rotork	49,400	1,138,176	1.9	
RPS	528,465	963,920	1.6	
Spectris	70,140	1,465,225	2.5	
Spirax Sarco	47,481	1,448,171	2.4	
Treatt	329,650	517,551	0.9	
		<u>16,024,987</u>	<u>27.0</u>	<u>34.4</u>
USA				
Anika Therapeutics	62,975	1,641,568	2.7	
Anixter International	26,230	1,315,779	2.2	
Energen	29,380	1,240,419	2.1	
Landauer	25,060	466,361	0.8	
Lindsay	24,190	1,390,293	2.3	
O'Reilly Automotive	19,000	2,370,224	4.0	
Owens & Minor	40,464	921,951	1.6	
QEP Resources	28,370	381,755	0.6	
Questar	75,870	1,310,891	2.2	
Sun Hydraulics	63,392	1,528,347	2.6	
Tractor Supply	48,400	2,615,128	4.4	
US Physical Therapy	77,465	1,999,163	3.4	
Watsco	22,135	1,603,936	2.7	
		<u>18,785,815</u>	<u>31.6</u>	<u>27.8</u>

PORTFOLIO STATEMENT

continued

<i>Equities continued</i>	Holding or Nominal Value of positions at 31 st Jan. 2015	Bid Market Value £	Percentage of Value of total net assets	
			31 st Jan. 2015	31 st Jan. 2014
FINLAND				
Kone B	23,648	709,822	1.2	1.8
FRANCE				
Boiron	34,420	2,317,942	3.9	
Medicrea International	121,100	820,709	1.4	
Rubis	27,475	1,060,232	1.8	
Somfy	3,931	664,544	1.1	
Teleperformance	44,910	2,145,368	3.6	
Virbac	10,520	1,549,209	2.6	
		<u>8,558,004</u>	<u>14.4</u>	<u>12.1</u>
GERMANY				
Krones	22,150	1,396,118	2.4	
Pfeiffer Vacuum	12,976	776,347	1.3	
		<u>2,172,465</u>	<u>3.7</u>	<u>3.6</u>
NETHERLANDS				
Boskalis Westminster	46,000	1,357,932	2.3	2.4
SWITZERLAND				
Belimo	930	1,429,475	2.4	
Galenica	2,574	1,379,344	2.3	
Kuehne + Nagel	13,920	1,275,299	2.1	
Sonova	14,160	1,240,928	2.1	
		<u>5,325,046</u>	<u>8.9</u>	<u>9.5</u>
AUSTRALIA				
ARB	162,300	969,458	1.6	
Technology One	842,500	1,428,484	2.4	
		<u>2,397,942</u>	<u>4.0</u>	<u>3.4</u>
JAPAN				
Sysmex	71,000	2,128,945	3.6	2.4
<i>TOTAL INVESTMENTS</i>		57,460,958	96.7	97.4
Net other assets		<u>1,937,449</u>	<u>3.3</u>	<u>2.6</u>
<i>TOTAL NET ASSETS</i>		<u><u>59,398,407</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.

SUMMARY OF ALL PORTFOLIO CHANGES

for the year to 31st January 2015

	Cost
Purchases	£
93,317 Hill & Smith	511,596
121,100 Medicrea International	865,516
558,650 Parkmead	1,268,524
35,500 Sysmex (bonus issue)	—
329,650 Treatt (stock split)	—
16,085 US Physical Therapy	301,149
TOTAL	<u>2,946,785</u>
	Proceeds
Sales	£
186,190 Bioquell	197,895
155,430 Gooch & Housego	1,050,845
37,655 Immunodiagnostic Systems	120,496
212,460 Kentz (tender offer)	1,986,501
18,500 Kone B	440,125
6,230 Majestic Wine	25,224
65,930 Treatt (stock split)	—
4,085 Virbac	586,093
80,000 Yamada Denki	158,099
TOTAL	<u>4,565,278</u>

GENERAL INFORMATION

Authorisation

The Smaller Companies Fund is an authorised unit trust scheme within the meaning of the Financial Services and Markets Act 2000 and is categorised as a UCITS scheme under the rules contained in the Collective Investment Schemes Sourcebook made by the Financial 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 5 because its volatility has been measured as slightly above average.

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

STATEMENT OF THE MANAGER'S RESPONSIBILITIES

The Collective Investment Schemes Sourcebook as issued and amended by the Financial 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 period. 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 Investment Association 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, 18th March 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

18th March 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 January 2015 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 Smaller Companies 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 January 2015;
- 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

18th March 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 January 2015

	Notes	Year ended 31 st Jan. 2015		Year ended 31 st Jan. 2014	
		£	£	£	£
Income					
Net capital gains	2		4,338,687		7,645,488
Revenue	3	1,281,206		1,026,358	
Expenses	4	<u>(703,856)</u>		<u>(649,806)</u>	
Net revenue before taxation		577,350		376,552	
Taxation	5	<u>(85,987)</u>		<u>(41,984)</u>	
Net revenue after taxation			<u>491,363</u>		<u>334,568</u>
Total return before distributions			4,830,050		7,980,056
Finance costs: distributions	6		<u>(1,085,591)</u>		<u>(891,213)</u>
Change in net assets attributable to unitholders from investment activities			<u>3,744,459</u>		<u>7,088,843</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31st January 2015

	Year ended 31 st Jan. 2015		Year ended 31 st Jan. 2014	
	£	£	£	£
Opening net assets attributable to unitholders		56,385,770		43,922,401
Amounts receivable on creation of units	4,230,441		7,648,572	
Amounts payable on cancellation of units	<u>(4,960,216)</u>		<u>(2,271,670)</u>	
		(729,775)		5,376,902
Stamp duty reserve tax		(2,047)		(2,376)
Change in net assets attributable to unitholders from investment activities		<u>3,744,459</u>		<u>7,088,843</u>
Closing net assets attributable to unitholders		<u>59,398,407</u>		<u>56,385,770</u>

BALANCE SHEET

as at 31st January 2015

	Notes	31 st Jan. 2015		31 st Jan. 2014	
		£	£	£	£
ASSETS:					
Investment assets			57,460,958		54,918,026
Debtors	7	200,220		131,225	
Cash & bank balances		<u>2,560,717</u>		<u>2,053,823</u>	
Total other assets			<u>2,760,937</u>		<u>2,185,048</u>
Total assets			<u>60,221,895</u>		<u>57,103,074</u>
LIABILITIES:					
Creditors	8	(82,743)		(104,524)	
Distribution payable		<u>(740,745)</u>		<u>(612,780)</u>	
Total liabilities			<u>(823,488)</u>		<u>(717,304)</u>
Net assets attributable to unitholders			<u>59,398,407</u>		<u>56,385,770</u>

NOTES TO THE FINANCIAL STATEMENTS

as at 31st January 2015

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 capital gains on investments:

	Year ended 31 st Jan. 2015	Year ended 31 st Jan. 2014
	£	£
Non-derivative securities	4,310,785	7,676,522
Currency gains/(losses)	44,649	(17,034)
Transaction costs	(16,747)	(14,000)
Net capital gains*	<u>4,338,687</u>	<u>7,645,488</u>
<i>*includes realised gains on investments sold</i>	<u>2,405,099</u>	<u>2,880</u>

3. Revenue

Dividends on UK equities	370,154	287,838
Dividends on overseas equities	857,870	725,566
Interest on bank deposits	6	19
UK REITs	53,176	12,935
Total revenue	<u>1,281,206</u>	<u>1,026,358</u>

4. Expenses

Payable to the Manager, associates of the Manager and agents of either of them:

- Manager's periodic charge	594,228	557,439
- Transfer agency fee	26,211	9,878
- Registrar's fee	6,072	13,611

Payable to the Trustee, associates of the Trustee and agents of either of them:

- Trustee's fee	17,631	15,830
- Safe custody fee and activity charges	11,676	10,344

Other expenses:

- Audit fee	7,079	7,561
- FCA fee	355	334
- French withholding tax recovery fee	3,554	3,029
- Fund accounting fee	30,641	24,609
- Sundry fees	6,409	7,171

Total expenses	<u>703,856</u>	<u>649,806</u>
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NOTES TO THE FINANCIAL STATEMENTS

continued

5. Taxation

	Year ended 31 st Jan. 2015	Year ended 31 st Jan. 2014
	£	£
(a) Analysis of tax charge		
Overseas withholding tax	90,901	82,244
French withholding tax recoverable	(4,914)	(40,260)
	<u>85,987</u>	<u>41,984</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 Jan. 2015	Year ended 31 st Jan. 2014
	£	£
Net revenue before taxation	<u>577,350</u>	<u>376,552</u>
Corporation tax at 20%	115,470	75,310

Effects of:

Revenue not subject to corporation tax	(171,580)	(202,681)
Movement in excess management charges	130,141	127,371
Irrecoverable overseas withholding tax	90,901	82,244
Franked investment revenue at 20%	(74,031)	—
French withholding tax recoverable	(4,914)	(40,260)
Current tax charge for the year	<u>85,987</u>	<u>41,984</u>

(c) Deferred tax

At the balance sheet date, there is a potential deferred tax asset of £719,560 (2014 - £589,419) 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 Jan. 2015	Year ended 31 st Jan. 2014
	£	£
Interim	337,048	315,532
Final	740,745	612,780
	<u>1,077,793</u>	<u>928,312</u>
Add: Revenue deducted on cancellation of units	29,673	14,162
Deduct: Revenue received on creation of units	(21,875)	(51,261)
Net distribution for the year	<u>1,085,591</u>	<u>891,213</u>
Net revenue after taxation	491,363	334,568
Expenses taken to capital	594,228	556,645
Net distribution for the year	<u>1,085,591</u>	<u>891,213</u>

Details of the distributions per unit are shown in the Distribution Tables on page 28.

7. Debtors

	31 st Jan. 2015	31 st Jan. 2014
	£	£
Amounts receivable for creation of units	—	54,906
Overseas withholding tax recoverable	66,367	72,460
Prepaid expenses	2,692	3,859
Revenue receivable:		
UK equities	7,149	—
Sales awaiting settlement	124,012	—
	<u>200,220</u>	<u>131,225</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

8. Creditors	31 st Jan. 2015	31 st Jan. 2014
	£	£
Accrued expenses:		
Audit fees	7,080	7,081
Administration fees	12,453	22,109
Manager's periodic charge	51,399	52,121
Registrar's fee	68	1,179
Transfer Agency fee	2,346	—
Trustee's fee	1,575	1,549
Transaction charges	2,594	2,421
Safe custody fee	2,102	1,936
Other	3,000	3,780
Amounts payable for cancellation of units	126	—
Purchase awaiting settlement	—	12,348
	<u>82,743</u>	<u>104,524</u>

9. Related Party Transactions

Trustee fees, safe custody fees and transaction costs paid to BNY Mellon Trust & Depository (UK) Limited are shown in notes 2 & 4 and details of units created and cancelled by BNY Mellon Trust & Depository (UK) Limited are shown in the Statement of Change in Net Assets Attributable to Unitholders.

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

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

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

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

Units held or managed by the Manager or associates of the Manager as a percentage of the fund's value at the balance sheet date were 2.8% (2014 - 2.6%).

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

The fund's assets comprise mainly readily realisable securities. There are no borrowings or unlisted securities of a material nature. The main potential liability of the fund is the redemption of any units that 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

continued

10. Portfolio Risk Analysis continued

Interest Rate Risk

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

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

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

Interest rate profile

	Floating rate (Cash) £	Non interest bearing (Equities/Other) £	Total £	Total %
31st Jan. 2015				
UK Sterling	2,139,954	15,335,352	17,475,306	29.4
US Dollar	420,763	18,785,815	19,206,578	32.3
Euro		12,816,966	12,816,966	21.6
Swiss Franc		5,372,670	5,372,670	9.1
Australian Dollar		2,397,942	2,397,942	4.0
Japanese Yen		2,128,945	2,128,945	3.6
	<u>2,560,717</u>	<u>56,837,690</u>	<u>59,398,407</u>	<u>100.0</u>

	Floating rate (Cash) £	Non interest bearing (Equities/Other) £	Total £	Total %
31st Jan. 2014				
UK Sterling	2,053,923	18,723,099	20,777,022	36.8
US Dollar		15,685,683	15,685,683	27.8
Euro		11,253,950	11,253,950	20.0
Swiss Franc	(100)	5,388,206	5,388,106	9.6
Australian Dollar		1,909,469	1,909,469	3.4
Japanese Yen		1,371,540	1,371,540	2.4
	<u>2,053,823</u>	<u>54,331,947</u>	<u>56,385,770</u>	<u>100.0</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

10. Portfolio Risk Analysis continued

Currency profile

	Monetary (Cash/Other assets) £	Non-monetary (Securities) £	Total £	Total %
31st Jan. 2015				
UK Sterling	1,450,319	16,024,987	17,475,306	29.4
US Dollar	420,763	18,785,815	19,206,578	32.3
Euro	18,743	12,798,223	12,816,966	21.6
Swiss Franc	47,624	5,325,046	5,372,670	9.1
Australian Dollar		2,397,942	2,397,942	4.0
Japanese Yen		2,128,945	2,128,945	3.6
	<u>1,937,449</u>	<u>57,460,958</u>	<u>59,398,407</u>	<u>100.0</u>
31st Jan. 2014				
UK Sterling	1,395,384	19,381,638	20,777,022	36.8
US Dollar		15,685,683	15,685,683	27.8
Euro	55,767	11,198,183	11,253,950	20.0
Swiss Franc	16,593	5,371,513	5,388,106	9.6
Australian Dollar		1,909,469	1,909,469	3.4
Japanese Yen		1,371,540	1,371,540	2.4
	<u>1,467,744</u>	<u>54,918,026</u>	<u>56,385,770</u>	<u>100.0</u>

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

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

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

Fair value of financial assets and financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

continued

11. Portfolio Transaction Costs

	Year ended 31 st Jan. 2015 £	Year ended 31 st Jan. 2014 £
Analysis of total purchase costs		
Purchases in period before transaction costs	2,934,499	7,497,354
Add:		
Broker		
Commissions	5,942	15,771
Taxes	<u>6,344</u>	<u>5,520</u>
Total purchase costs	<u>12,286</u>	<u>21,291</u>
Gross purchases total	<u>2,946,785</u>	<u>7,518,645</u>
Analysis of total sales costs		
Gross sales in period before transaction costs	4,570,504	2,104,004
Less:		
Broker		
Commissions	(5,221)	(3,524)
Taxes	<u>(5)</u>	<u>—</u>
Total sales costs	<u>(5,226)</u>	<u>(3,524)</u>
Total sales net of transaction costs	<u>4,565,278</u>	<u>2,100,480</u>

DISTRIBUTION TABLES

**in pence per unit
for the year ended 31st January 2015**

INTERIM DISTRIBUTION

Group 1 - Units purchased prior to 1st February 2014

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

	Unit Class	Gross income	Tax credit @ 10%	Net income	Equalisation	Amount paid 30.09.14
Group 1	Legacy	21.111	2.111	19.000	—	19.000
Group 2	Legacy	15.990	1.599	14.391	4.609	19.000
Group 1	Personal	21.111	2.111	19.000	—	19.000
Group 2	Personal	6.320	0.632	5.688	13.312	19.000

FINAL DISTRIBUTION

Group 1 - Units purchased prior to 1st August 2014

Group 2 - Units purchased 1st August 2014 to 31st January 2015

	Unit Class	Gross income	Tax credit @ 10%	Net income	Equalisation	Amount payable 31.03.15
Group 1	Legacy	47.177	4.718	42.459	—	42.459
Group 2	Legacy	19.242	1.924	17.318	25.141	42.459
Group 1	Personal	47.702	4.770	42.932	—	42.932
Group 2	Personal	13.149	1.315	11.834	31.098	42.932

DISTRIBUTION SUMMARY

**in pence per unit
for the year ended 31st January 2015**

	Year to 31 st Jan. 2015 net rate		Year to 31 st Jan. 2014 net rate	
	<i>Personal</i>	<i>Legacy</i>	<i>Personal</i>	<i>Legacy</i>
Interim paid	19.000	19.000	19.000	19.000
Final payable/paid	42.932	42.459	35.051	34.931
	<u>61.932</u>	<u>61.459</u>	<u>54.051</u>	<u>53.931</u>

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