



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 2017

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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 investment objective of the Smaller Companies Fund is to grow the real value of investors' capital and income. Investments will primarily be in global smaller companies, which do not form part of the leading market indices. An equal emphasis will be placed 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 Portfolios Limited, Easter Alderston, Haddington, EH41 3SF. (Tel. +44(0)1620 825867) or through the website www.mcinroy-wood.co.uk

MANAGER'S INVESTMENT REPORT

At 31st January 2017, total net assets of the fund amounted to £80,148,819 compared with £59,369,550 at 31st January 2016. There was a net investment inflow into the fund over the twelve months. At 31st January, there were 327 investors (excluding ISA holders), each with an average holding worth £228,607.

Markets

Equity markets performed strongly over the year to 31st January 2017. Investors were apparently little disturbed by the result of the UK referendum on membership of the European Union, or by the accession of President Trump in America, even if the full implications of both events remain unclear. Nevertheless, the subsequent fall of the pound has boosted the value of overseas investments for UK investors, together with that of UK companies with overseas earnings.

Over the full year, the FTSE 100 index in the UK rose 17%, the US by 18% while Europe by a more modest 7% (both as measured by MSCI indices in local currency terms). Expressed in sterling, the overall MSCI All Country World equity index gained 31%.

Results

The price of Personal units in the fund at 31st January stood at £44.671, a rise of 26% from the level of the unit price at 31st January 2016. Gains from equity markets were amplified by sterling's weakness against many overseas currencies.

Dividend Distribution

A final dividend distribution of 42.719p per unit is now being paid. This brings the total distributions for the year to 62.719p, an increase of 6% on the equivalent payment a year ago.

The distribution for the next six months is expected to be broadly similar to that for the corresponding period in 2016.

Portfolio Strategy

There was no significant change to portfolio strategy in the period. At 31st January 2017, the UK equity allocation was 28% (29% at 31st January 2016), the USA 28%, (30%), Europe 29% (30%), Japan 3% (3%) and Australia 6% (5%). Cash accounted for a further 6% (3%). The higher cash balance includes money retained for security trades pending settlement.

MANAGER'S INVESTMENT REPORT

continued

Investments

In the UK, Advanced Medical Solutions, which develops dressings for chronic and acute wounds, and James Fisher & Sons, a specialist offshore and marine services provider, were added to the portfolio. Elsewhere, new positions were established in Hella, a specialist German automotive components manufacturer, and Asahi, a Japanese manufacturer of guidewires and catheters used in minimally invasive cardiovascular surgery. Otherwise, cash was used to increase existing holdings.

Cape, MP Evans and Sepura were sold, reflecting concerns about their growth prospects. Questar Corporation was the subject of a takeover. To accommodate new investments in much smaller companies, long term holdings in Kuehne + Nagel and O'Reilly Automotive were realised, at very substantial profits, both having grown to a considerable size.

ISRA Vision (+86%) and Craneware (+74%) led a group of 8 stocks that returned over 50% in the period; Galenica (-24%) and NCC Group (-41%) disappointed.

Outlook

Although the state of global economic growth is reasonably encouraging, political uncertainty gives some cause for concern. President Trump's initial executive orders appear to have been hastily prepared and insufficiently considered. Long-established political conventions seem to have been jettisoned, compromising fundamental checks and balances in the Washington system. Existing global trade arrangements may also be abandoned. A drift towards isolationism in America would have adverse implications for other economies, particularly capital inflows to emerging markets: forecasts for foreign direct investment into Mexico have already been lowered. Trade restrictions might also exacerbate inflationary trends if free market price levels are disturbed.

Nevertheless the new President has inherited a US economy gathering considerable impetus. Unemployment remains low, GDP growth accelerated to 3.2% in the third quarter and consumer sentiment is strong. The administration's initiatives on tax reform, regulatory relief and infrastructure spending may provide a further boost to growth. Yet the funding sources for such measures are entirely unclear; Trump could find himself blocked by his fellow Republicans in Congress when a higher debt ceiling comes to be renegotiated in the spring. Fiscal profligacy might result in the Federal Reserve bringing forward interest rate rises. Still, US investors so far appear optimistic that growth can be accelerated without damaging consequences.

MANAGER'S INVESTMENT REPORT

continued

Outlook continued

Faced with the prospect of protectionist policies in the USA, European leaders have been drawn to defend the merits of multilateral trade agreements and the single market. Yet increasing political stresses across the EU raise concerns in Europe too. On the basis of recent history, it would be foolish to discount the likelihood of a right-wing nationalist victory in the French Presidential election.

Meanwhile the eurozone recorded a fourteenth consecutive quarter of positive growth. Job creation has accelerated to a nine-year record high. Economic sentiment recovered to a level not seen since the Greek crisis in 2015. Reassuringly, the European Central Bank has pledged to increase its asset purchase programme if momentum wavers.

In the UK, attention will shortly focus on negotiation of the details of Britain's divorce from the European Union. Benefits derived from sterling weakness will inevitably diminish while the spectre of rising inflation implies a raft of new challenges. A bilateral trading arrangement with the US could assist the transition, although President Trump's international priorities remain far from clear. Even so, the UK starts the negotiation process on a fair economic footing. Unemployment is at an 11-year low of 4.8% and average weekly earnings are rising at an annual rate of 2.3%.

As to investment markets, sharp swings in sentiment are likely in coming months. The world economy faces a hitherto unimaginable prospect of globalisation's longstanding proponent, the United States, now becoming the champion of protectionism. How political and business leaders react to such circumstances may affect investors' confidence for a considerable period. Nevertheless, for the moment, the major economies have steadied themselves and rising commodity prices seem to suggest continuing recovery. Against this mixed background, judicious diversification of portfolios and careful stock selection based on reasonable valuations is essential. Many of the most interesting opportunities to secure satisfactory longer-term returns remain in the smaller company sector.

13th March 2017

COMPARATIVE TABLE — PERSONAL CLASS

	31 st Jan. 2017 (pence per unit)	31 st Jan. 2016 (pence per unit)	31 st Jan. 2015 (pence per unit)
Change in net assets per unit			
Opening net asset value per unit	3,546.70	3,442.51	3,225.50
Return before operating charges*	965.79	207.75	319.73
Operating charges	(49.61)	(44.40)	(40.79)
Return after operating charges	916.18	163.35	278.94
Distributions	(62.72)	(59.16)	(61.93)
Closing net asset value per unit			
	4,400.16	3,546.70	3,442.51
*After direct transaction costs of	(2.89)	(2.34)	(1.00)
Performance**			
Return after charges	25.83%	4.75%	8.65%
Other information			
Closing net asset value (£'000)	80,149	57,758	57,522
Closing number of units	1,821,500	1,628,498	1,670,942
Operating charges	1.22%	1.23%	1.22%
Direct transaction costs	0.08%	0.06%	0.03%
Prices			
Highest unit price	£45.98	£38.174	£35.308
Lowest unit price	£33.46	£33.909	£30.566
Portfolio turnover			
Annualised	12%	11%	(3%)

**Performance is capital gains (or losses) plus income earned.

Please note that the capital return element, reflected in the performance figure noted above, may vary from the unit price movement noted in the Manager's Report. The unit price is struck at the daily valuation point at noon, whereas the valuation of investments reported in financial statements is struck at the close of business on the last business day of the period (See note 1 (g)), creating a timing difference.

COMPARATIVE TABLE — LEGACY CLASS

	31 st Jan. 2017 (pence per unit)	31 st Jan. 2016 (pence per unit)	31 st Jan. 2015 (pence per unit)
Change in net assets per unit			
Opening net asset value per unit	3,491.96	3,406.49	3,208.03
Return before operating charges*	919.21	205.17	316.63
Operating charges	(60.50)	(61.28)	(56.71)
Return after operating charges	858.71	143.89	259.92
Distributions	(20.00)	(58.42)	(61.46)
Amount transferred to the Personal Class***	(4,330.67)	—	—
Closing net asset value per unit			
	—	3,491.96	3,406.49
*After direct transaction costs of	(2.51)	(2.31)	(0.99)
Performance**			
Return after charges	24.59%	4.22%	8.10%
Other information			
Closing net asset value (£'000)	—	1,612	1,876
Closing number of units	—	46,151	55,075
Operating charges	1.72%	1.72%	1.71%
Direct transaction costs	0.08%	0.06%	0.03%
Prices			
Highest unit price	£44.40	£37.737	£34.940
Lowest unit price	£32.93	£33.441	£30.290

**Performance is capital gains (or losses) plus income earned.

***Units in the Legacy class were converted to units in the Personal class on 21st December 2016.

PORTFOLIO STATEMENT

as at 31st January 2017

INVESTMENTS	Holding or Nominal Value of positions at 31 st Jan. 2017	Bid Market Value £'000	Percentage of Value of total net assets	
			31 st Jan. 2017	31 st Jan. 2016
<i>Equities</i>				
UK				
Abcam	205,020	1,675	2.1	
Advanced Medical Solutions	505,700	1,010	1.3	
Assura	2,874,400	1,495	1.9	
Barr (A.G.)	276,414	1,386	1.7	
Craneware	142,360	1,815	2.3	
Hill & Smith	139,395	1,680	2.1	
Intermediate Capital	182,064	1,261	1.6	
James Fisher & Sons	73,000	1,110	1.4	
Keller	118,165	957	1.2	
Mattioli Woods	50,000	383	0.5	
NCC	450,800	835	1.0	
Parkmead	1,126,691	653	0.8	
Rotork	738,000	1,885	2.3	
Spectris	70,140	1,695	2.1	
Spirax-Sarco Engineering	45,785	1,970	2.4	
Treatt	606,000	1,515	1.9	
XP Power	69,250	1,250	1.6	
		<u>22,575</u>	<u>28.2</u>	<u>29.4</u>
USA				
Anika Therapeutics	62,975	2,527	3.1	
Anixter International	26,230	1,782	2.2	
Dorman	36,300	1,990	2.5	
Energen	29,380	1,259	1.6	
Landauer	25,060	1,021	1.3	
Lindsay	24,190	1,448	1.8	
Owens & Minors	40,464	1,154	1.5	
Proto Labs	46,600	1,943	2.4	
Sun Hydraulics	63,392	1,974	2.5	
Tractor Supply	33,060	1,935	2.4	
US Physical Therapy	49,020	2,729	3.4	
Watsco	22,135	2,687	3.3	
		<u>22,449</u>	<u>28.0</u>	<u>30.1</u>

PORTFOLIO STATEMENT

continued

	Holding or Nominal Value of positions at 31 st Jan. 2017	Bid Market Value £'000	Percentage of Value of total net assets	
			31 st Jan. 2017	31 st Jan. 2016
<i>Equities continued</i>				
FRANCE				
Boiron	24,938	1,827	2.3	
Medicrea International	181,100	895	1.1	
Rubis	29,437	1,970	2.5	
Somfy	5,481	1,876	2.3	
Teleperformance	25,910	2,206	2.8	
Virbac	10,520	1,533	1.9	
		<u>10,307</u>	<u>12.9</u>	<u>12.4</u>
GERMANY				
Dr Hoenle	59,062	1,425	1.8	
Hella Hueck	24,150	781	1.0	
ISRA Vision	9,825	941	1.2	
Krones	22,150	1,797	2.2	
Pfeiffer Vacuum	7,176	615	0.7	
		<u>5,559</u>	<u>6.9</u>	<u>5.6</u>
NETHERLANDS				
Boskalis Westminster	46,000	1,353	1.7	2.1
SWITZERLAND				
Belimo	930	2,369	2.9	
Galenica	1,624	1,414	1.8	
Sonova	20,860	2,191	2.7	
		<u>5,974</u>	<u>7.4</u>	<u>9.4</u>
AUSTRALIA				
ARB	162,300	1,588	2.0	
Bapcor	419,500	1,387	1.7	
Technology One	542,500	1,683	2.1	
		<u>4,658</u>	<u>5.8</u>	<u>5.4</u>
JAPAN				
Asahi Intecc	12,200	395	0.5	
Systemex	35,500	1,692	2.1	
		<u>2,087</u>	<u>2.6</u>	<u>2.6</u>
TOTAL INVESTMENTS		74,962	93.5	97.0
Net other assets		<u>5,187</u>	<u>6.5</u>	<u>3.0</u>
TOTAL NET ASSETS		<u>80,149</u>	<u>100.0</u>	<u>100.0</u>

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

SUMMARY OF ALL PORTFOLIO CHANGES

for the year to 31st January 2017

	Cost £'000
Purchases	
41,000 Abcam	300
505,700 Advanced Medical Solutions	1,029
12,200 Asahi Intecc	400
419,500 Bapcor	1,157
23,540 Craneware	246
13,000 Dr Hoelen	244
24,150 Hella Hueck	800
24,000 Hill & Smith	181
182,064 Intermediate Capital (reverse stock split)	-
2,325 Isra Vision	192
73,000 James Fisher & Sons	1,174
50,000 Mattioli Woods	391
351,300 NCC	1,039
18,600 Proto Labs	778
244,000 Rotork	498
1,550 Somfy	360
6,700 Sonova	609
86,350 Treatt	160
30,500 XP Power	503
TOTAL	<u>10,061</u>
	Proceeds £'000
Disposals	
234,353 Cape	332
204,822 Intermediate Capital (reverse stock split)	-
13,920 Kuehne & Nagel	1,486
189,610 MP Evans	793
6,630 O'Reilly Automotive	1,415
99,870 Questar	1,708
528,465 RPS	921
850,000 Sepura	147
300,000 Technology One	1,068
6,315 US Physical Therapy	317
TOTAL	<u>8,187</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.

Capital Gains Tax

Authorised unit trusts are exempt from capital gains 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.

Remuneration Policy

McInroy & Wood Portfolios Limited ("MWP") delegates investment management of the fund to McInroy & Wood Ltd ("MW"), the Investment Advisor. Directors and staff working on the fund are not remunerated by MWP, but they are subject to remuneration requirements which are equally as effective as those in place under the UCITS Directive. The group remuneration policy is approved annually by the Board and is designed to ensure that the remuneration of directors and staff is consistent with and promotes sound and effective risk management. MW pays no variable remuneration to its directors. No other employees have authority to influence the risk profile of the funds. It is, therefore, not possible for variable remuneration incentives to encourage risktaking which is inconsistent with the risk profile of the funds managed. MWP's compliance with its duty to act in the best interests of the funds it manages is therefore not subject to any conflict of interest.

GENERAL INFORMATION

continued

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.

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.

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 May 2014.
- 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, 13th March 2017

STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES

The Trustee in its capacity as Trustee of Mclnroy & Wood Smaller Companies Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together the Regulations), the Trust Deed and Prospectus (together the Scheme documents) as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors.

The Trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The Trustee must ensure that:

- the Trust's cash flows are properly monitored¹ and that cash of the Trust is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits;
- the Trust's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager (the AFM), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Trust is managed in accordance with the Regulations and the Scheme documents of the Trust in relation to the investment and borrowing powers applicable to the Trust.

¹This requirement on the Trustee applied from 18th March 2016.

REPORT OF THE TRUSTEE

to the unit holders of McInroy & Wood Smaller Companies Fund for the year ended 31st January 2017

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustee of the Trust, it is our opinion, based on the information available to us and the explanations provided, that, in all material respects, the Trust, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents of the Trust, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

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

13th March 2017

INDEPENDENT AUDITORS' REPORT

Report on the financial statements

Our opinion

In our opinion, McInroy & Wood Smaller Companies Fund's financial statements, (the "financial statements"):

- give a true and fair view of the financial position of the Trust as at 31st January 2017 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 UK Authorised Funds, the Collective Investment Schemes Sourcebook and the Trust Deed.

What we have audited

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

- the balance sheet as at 31st January 2017;
- the statement of total return for the year then ended;
- the statement of change in net assets attributable to unitholders for the year then ended;
- the notes to the 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 UK Authorised Funds"), the Collective Investment Schemes Sourcebook and the Trust Deed.

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

INDEPENDENT AUDITORS' REPORT

continued

Opinions 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.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Authorised Fund Manager

As explained more fully in the Authorised Fund Manager's Responsibilities Statement set out on page 13, 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.

INDEPENDENT AUDITORS' REPORT

continued

Responsibilities for the financial statements and the audit 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.
- We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.
- We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
Edinburgh

13th March 2017

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 2017

	Notes	Year ended 31 st Jan. 2017		Year ended 31 st Jan. 2016	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		15,528		2,490
Revenue	3	1,236		1,208	
Expenses	4	<u>(860)</u>		<u>(733)</u>	
Net revenue before taxation		376		475	
Taxation	5	<u>(3)</u>		<u>(90)</u>	
Net revenue after taxation			<u>373</u>		<u>385</u>
Total return before distributions		<u>15,901</u>		<u>2,875</u>	
Distributions	6		<u>(1,091)</u>		<u>(1,002)</u>
Change in net assets attributable to unitholders from investment activities			<u>14,810</u>		<u>1,873</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31st January 2017

	Year ended 31 st Jan. 2017		Year ended 31 st Jan. 2016	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		59,370		59,398
Amounts receivable on creation of units	7,905		4,587	
Amounts payable on cancellation of units	<u>(1,936)</u>		<u>(6,488)</u>	
		5,969		(1,901)
Change in net assets attributable to unitholders from investment activities		<u>14,810</u>		<u>1,873</u>
Closing net assets attributable to unitholders		<u>80,149</u>		<u>59,370</u>

BALANCE SHEET

as at 31st January 2017

	Notes	31 st Jan. 2017		31 st Jan. 2016	
		£'000	£'000	£'000	£'000
ASSETS:					
Investments			74,962		57,614
Current assets					
Debtors	7	1,422		155	
Cash & bank balances		5,453		2,355	
		<u>5,453</u>		<u>2,355</u>	
Total other assets			<u>6,875</u>		<u>2,510</u>
Total assets			<u>81,837</u>		<u>60,124</u>
LIABILITIES:					
Creditors					
Distribution payable		(778)		(672)	
Other creditors	8	(910)		(82)	
		<u>(910)</u>		<u>(82)</u>	
Total liabilities			<u>(1,688)</u>		<u>(754)</u>
Net assets attributable to unitholders			<u>80,149</u>		<u>59,370</u>

NOTES TO THE FINANCIAL STATEMENTS

as at 31st January 2017

1. Accounting policies

- (a) The financial statements have been prepared on a going concern basis in accordance with FRS 102 and the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the IMA (now known as the Investment Association) in May 2014 (the "SORP").
- (b) Dividends receivable from equity investments are recognised net of attributable tax credits and are credited to revenue when they are first quoted ex dividend. Interest receivable from debt securities is accounted for on an effective yield basis. All other income is recognised on an accruals basis.
- (c) Special dividends are treated as revenue or capital depending on the facts of each particular case.
- (d) Expenses of the fund are charged against revenue except for Stamp Duty Reserve Tax and costs associated with the purchase and sale of investments which are allocated to the capital of the fund. The annual management charge is initially charged to revenue but ultimately borne by the capital of the fund.
- (e) Corporation tax is provided for on the revenue liable to corporation tax less deductible expenses.

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

- (f) The revenue available for distribution is the total revenue earned by the fund, less deductible expenses and taxation charged to revenue. This revenue is distributed annually on the last business day of March. An interim distribution based on available revenue is distributed on the last day of September. The ordinary element of scrip dividends is treated as revenue but does not form part of the distribution.
- (g) All investments have been valued at their fair value, at close of business on the last business day of the period, which is generally the bid market value net of any accrued revenue.
- (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.

NOTES TO THE FINANCIAL STATEMENTS

continued

2. Net capital gains on investments:

	Year ended 31 st Jan. 2017 £'000	Year ended 31 st Jan. 2016 £'000
Non-derivative securities	15,608	2,546
Currency losses	(66)	(34)
Custodial transaction fees	(14)	(22)
Net capital gains*	<u>15,528</u>	<u>2,490</u>
<i>*includes realised gains on investments sold</i>	<u>1,623</u>	<u>7,026</u>

3. Revenue

Dividends on UK equities	445	466
Dividends on overseas equities	791	742
Total revenue	<u>1,236</u>	<u>1,208</u>

4. Expenses

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

- Manager's periodic charge	718	617
- Transfer agency fee	46	41

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

- Trustee's fee	21	18
- Safe custody fee	14	12

Other expenses:

- Audit fee	11	8
- Fund accounting fee	35	29
- FT listing fee	3	2
- Sundry fees*	5	3
- Tax computation fee	7	3

Total expenses	<u>860</u>	<u>733</u>
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*Includes accounts printing and postage and other fees.

NOTES TO THE FINANCIAL STATEMENTS

continued

5. Taxation

	Year ended 31 st Jan. 2017 £'000	Year ended 31 st Jan. 2016 £'000
(a) Analysis of tax charge		
Irrecoverable overseas withholding tax	69	90
French withholding tax recoverable	(66)	—
	<u>3</u>	<u>90</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. 2017 £'000	Year ended 31 st Jan. 2016 £'000
Net revenue before taxation	<u>376</u>	<u>475</u>
Corporation tax at 20%	75	95

Effects of:

Revenue not subject to corporation tax	(247)	(241)
Movement in excess management expenses	172	146
French withholding tax recoverable	(66)	—
Irrecoverable overseas withholding tax	69	90
Current tax charge for the year	<u>3</u>	<u>90</u>

(c) Deferred tax

At the balance sheet date, there is a potential deferred tax asset of £1,048,672 (2016 - £876,362) in respect of excess 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. 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. 2017 £'000	Year ended 31 st Jan. 2016 £'000
Interim	347	317
Final	778	672
	<u>1,125</u>	<u>989</u>
Add: Revenue deducted on cancellation of units	13	46
Deduct: Revenue received on creation of units	(47)	(33)
Net distribution for the year	<u>1,091</u>	<u>1,002</u>
Net revenue after taxation	373	385
Expenses taken to capital	718	617
Net distribution for the year	<u>1,091</u>	<u>1,002</u>

Details of the distributions per unit are shown in the Distribution Tables on page 30.

7. Debtors

	31 st Jan. 2017 £'000	31 st Jan. 2016 £'000
Amounts receivable for creation of units	785	30
Foreign currency contracts awaiting settlement	407	—
Overseas withholding tax recoverable	221	120
Prepaid expenses	2	3
Revenue receivable:		
UK equities	7	2
	<u>1,422</u>	<u>155</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

8. Other creditors	31 st Jan. 2017	31 st Jan. 2016
	£'000	£'000
Accrued expenses:		
Audit fees	9	7
Foreign currency contracts awaiting settlement	400	—
Fund accounting fee	3	10
Manager's periodic charge	69	51
Transfer Agency fee	11	3
Trustee's fee	2	2
Custodial transaction fees	3	6
Purchase awaiting settlement	407	—
Safe custody fee	2	—
Other	4	3
	<u>910</u>	<u>82</u>

9. Unit movement

For the year 1st February 2016 to 31st January 2017

	Legacy	Personal
Opening units	46,151	1,628,498
Units created	204	195,679
Units cancelled	(1,612)	(46,563)
Units converted	(44,743)	43,886
Closing units	<u>—</u>	<u>1,821,500</u>

10. Related Party Transactions

The Manager actively exercises control over the fund and is therefore a related party by virtue of their controlling influence.

Amounts paid during the year or due to the Manager at the balance sheet date are disclosed under Expenses and Creditors 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 Distributions 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 2.9% (2016 - 2.8%).

NOTES TO THE FINANCIAL STATEMENTS

continued

11. Portfolio Risk Analysis

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

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

Interest rate profile

	Floating rate Investments £'000	Fixed rate Investments £'000	Non interest bearing Investments £'000	Total £'000
31st Jan. 2017				
Investment assets	—	—	74,962	74,962
31st Jan. 2016				
Investment assets	—	—	57,614	57,614

NOTES TO THE FINANCIAL STATEMENTS

continued

11. 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.

The currency profile of the fund's net assets at 31st January was:

Currency profile

	Monetary (Cash/Other assets) £'000	Non-monetary (Securities) £'000	Total £'000	Total %
31st Jan. 2017				
UK Sterling	2,889	22,575	25,464	31.8
US Dollar	2,077	22,449	24,526	30.6
Euro	121	17,219	17,340	21.6
Swiss Franc	100	5,975	6,075	7.6
Australian Dollar	—	4,657	4,657	5.8
Japanese Yen	—	2,087	2,087	2.6
Total	5,187	74,962	80,149	100.0
31st Jan. 2016				
UK Sterling	1,632	17,414	19,046	32.1
US Dollar	3	17,883	17,886	30.1
Euro	44	11,982	12,026	20.2
Swiss Franc	77	5,552	5,629	9.5
Australian Dollar	—	3,206	3,206	5.4
Japanese Yen	—	1,577	1,577	2.7
Total	1,756	57,614	59,370	100.0

NOTES TO THE FINANCIAL STATEMENTS

continued

11. Portfolio Risk Analysis continued

Valuation of financial investments

The categorisation of financial investments in the tables below reflects the methodology used to measure their fair value.

	Assets £'000	Liabilities £'000
31st Jan. 2017		
Quoted prices for identical instruments in active markets	74,962	—
	74,962	—
31st Jan. 2016		
Quoted prices for identical instruments in active markets	57,614	—
	57,614	—

12. Portfolio Transaction Costs

For the year 1st February 2016 to 31st January 2017

Purchases	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	10,027	18	0.18	16	0.16
Total purchases	10,027	18		16	

Total purchases including transaction costs

10,061

Sales	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	8,203	16	0.20	0	0.00
Total sales	8,203	16		0	

Total sales net of transaction costs

8,187

Total transaction costs 34 16

Total transaction costs as a % of average net assets 0.05% 0.02%

NOTES TO THE FINANCIAL STATEMENTS

continued

12. Portfolio Transaction Costs continued

For the year 1st February 2015 to 31st January 2016

Purchases	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	7,501	12	0.16	10	0.13
Total purchases	7,501	12		10	

**Total purchases including
transaction costs** 7,523

Sales	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	10,124	17	0.17	—	—
Total sales	10,124	17		—	

**Total sales net of
transaction costs** 10,107

Total transaction costs 29 10

Total transaction costs
as a % of average net assets 0.04% 0.02%

The above analysis covers any direct transaction costs carried by the fund during the period. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instrument types.

Separately identifiable direct transaction costs (commissions & taxes etc) are attributable to the fund's purchase and sale of equity shares. Additionally for equity shares there are dealing spread costs (the difference between the buying and selling prices) which are payable on purchase and sale transactions.

Dealing spread costs incurred by the fund vary depending on a number of factors including transaction value and market sentiment.

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.36% (2016 - 0.46%).

13. Post Balance Sheet Events

There are no post balance sheet events that require disclosure or adjustments to the financial statements.

DISTRIBUTION TABLES

in pence per unit

for the year ended 31st January 2017

INTERIM DISTRIBUTION

Group 1 - Units purchased prior to 1st February 2016

Group 2 - Units purchased 1st February 2016 to 31st July 2016

	Unit Class	Net income	Equalisation*	Amount paid
				30.09.16
Group 1	Legacy	20.000	—	20.000
Group 2	Legacy	14.772	5.228	20.000
Group 1	Personal	20.000	—	20.000
Group 2	Personal	9.553	10.447	20.000

FINAL DISTRIBUTION

Group 1 - Units purchased prior to 1st August 2016

Group 2 - Units purchased 1st August 2016 to 31st January 2017

	Unit Class	Net income	Equalisation*	Amount payable
				31.03.17
Group 1	Legacy**	—	—	—
Group 2	Legacy**	—	—	—
Group 1	Personal	42.719	—	42.719
Group 2	Personal	5.911	36.808	42.719

*Income arises throughout each reporting period. Equalisation is the average amount of income included in the purchase price of all Group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax. Instead, it must be deducted from the cost of units for capital gains purposes.

**Units in the Legacy class were converted to units in the personal class on 21st December 2016.

DISTRIBUTION TABLES

continued

DISTRIBUTION SUMMARY

in pence per unit

for the year ended 31st January 2017

	Year to 31 st Jan. 2017 net rate		Year to 31 st Jan. 2016 net rate	
	<i>Personal</i>	<i>Legacy</i>	<i>Personal</i>	<i>Legacy</i>
Interim paid	20.000	20.000	19.000	19.000
Final payable/paid	42.719	—	40.160	39.422
	<u>62.719</u>	<u>20.000</u>	<u>59.160</u>	<u>58.422</u>

DISTRIBUTION XD AND PAYMENT DATES

	<i>XD Date</i>	<i>Payment Date</i>
Final	31.01.17	31.03.17
Interim	31.07.17	30.09.17

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