Smith & Williamson

Charity Value and Income Fund

Annual Long Report

for the year ended 31 December 2014

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Charity Value and Income Fund

Manager's report

Smith & Williamson Fund Administration Limited ("the Manager") presents herewith the Annual Long Report ("the Report") for Charity Value and Income Fund for the year ended 31 December 2014.

Charity Value and Income Fund ("the Scheme" or "the Fund") is a Common Investment Fund established by a Scheme of the Charity Commission for England and Wales ("the Commission") dated 11 April 2007, made pursuant to the powers given to it by the Charities Act 1993, section 24. The registered charity number is 1119289. The Scheme is not an authorised unit trust within the meaning of the Financial Services and Markets Act 2000 ("FSMA"). The Scheme is operated by Smith & Williamson Fund Administration Limited as an unregulated collective investment scheme in accordance with the Financial Conduct Authority ("the FCA") rules, the Collective Investment Schemes sourcebook ("COLL") and the Investment Funds sourcebook ("FUND"). Customers investing in the Scheme may not therefore receive the full levels of protection available under FSMA.

The Manager is of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the accounts as the assets of the Scheme consist predominantly of securities which are readily realisable and, accordingly, the Scheme has adequate financial resource to continue in operational existence for the foreseeable future. Further, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of these accounts and applicable accounting standards have been followed.

The Scheme Particulars can be inspected at the Manager's office.

A copy of the Scheme Particulars are available free of charge from the Manager.

Investment objective

The objective of the Scheme is to achieve long-term capital and income growth through investment primarily in UK equities and convertible securities, with an above-average yield. The Scheme may also from time to time invest in other securities, including UK government securities, other fixed interest securities and cash.

Investment policy

The investments for the Scheme will be made principally in UK companies listed on the London Stock Exchange, typically within the FTSE All Share Index or quoted on the Alternative Investment Market. As such, both income received from those investments and their capital valuation will be subject to fluctuation. However, the Investment Manager will endeavour to manage the portfolio in a way that leads to an increasing income year on year, and to invest in a portfolio whose volatility is not significantly different to that of the FTSE All Share Index. The Investment Manager's portfolios historically have tended to have volatility similar to that of the FTSE All Share Index.

Benchmark and performance target

The performance target will be to outperform the FTSE All Share Index on a total return basis. The Scheme will be benchmarked against the FTSE All Share Index.

Remuneration

In accordance with Article 107 of the Alternative Investment Fund Manager's Directive (AIFMD) Level II regulation, the Alternative Investment Fund Manager (AIFM) is required to disclose remuneration in respect of the AIFM. As the financial year of the AIFM is from 1 May to 30 April and the AIFM was granted permission by the FCA with effect from 1 July 2014, remuneration disclosure is not included as the first full performance period of the AIFM is not complete and the required information is not available.

Changes affecting the Scheme in the year

There were no fundamental or significant changes to the Scheme in the year.

With effect from 1 July 2014, the Manager will act as Alternative Investment Fund Manager (AIFM) in order to comply with the Alternative Investment Fund Manager's Directive (AIFMD). The Fund is within the scope of an Alternative Investment Fund (AIF). One of the main objectives of AIFMD is to improve transparency around the activities of the AIFM. The result is a change to certain content and disclosures in the annual report of an AIF. The Manager will comply with AIFMD in the preparation of the accounts in addition to UK Generally Accepted Accounting Practice, and COLL and FUND as issued and amended by the Financial Conduct Authority. This change will have no effect on the value of a unitholder's investment.

Further information in relation to the Fund is illustrated on page 22.

In accordance with the requirements of the Charities (Accounts and Reports) Regulations 2008 and the Scheme Particulars, we hereby approve the Report on behalf of Smith & Williamson Fund Administration Limited.

K. Stopps G. Murphy

Directors
Smith & Williamson Fund Administration Limited
30 April 2015

Statement of the Manager's responsibilities

The Manager is required to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the Fund as at the end of the financial period and of its net revenue and the net losses 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 Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008 ('the Regulations') and where relevant the Statement of Recommended Practice: “Financial Statements of Authorised Funds” issued by the Investment Management Association, now known as The Investment Association, in December 2005;
- follow generally accepted United Kingdom accounting principles (UK accounting standards and applicable law);
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation;
- keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- make judgements and estimates that are reasonable and prudent; and
- take reasonable steps for the prevention and detection of fraud and other irregularities.

The Manager is also responsible for the management of the Fund in accordance with the Scheme Particulars.

The Fund's policy on the use of financial instruments and the management of risk is set out in the Notes to the financial statements.

Report of the Trustee to the unitholders of Charity Value and Income Fund

Statement of the Trustee's responsibilities

The Trustee is responsible for the safekeeping of all the property of the Fund (other than tangible movable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the Trustee to take reasonable care to ensure that the Fund is managed in accordance with the Fund's Scheme Particulars, in relation to the pricing of, and dealings in, units in the Fund; the application of revenue of the Fund; and the investment and borrowing powers of the Fund.

Report of the Trustee to the unitholders of Charity Value and Income Fund

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

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Fund's units and the application of the Fund's revenue in accordance with the Scheme Particulars; and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Fund.

BNY Mellon Trust & Depositary (UK) Limited
30 April 2015

Independent Auditor's report to the charity trustees of Charity Value and Income Fund ("the Fund")

We have audited the financial statements of Charity Value and Income Fund for the year ended 31 December 2014 which comprise the Statement of total return, the Statement of change in net assets attributable to unitholders, the Balance sheet together with the related notes and the Distribution table. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity trustees, as a body, in accordance with Section 144 of the Charities Act 2011 and regulations made under Section 154 of that Act. Our audit work has been undertaken so that we might state to the charity trustees those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity trustees, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Manager Smith and Williamson Fund Administration Limited and the Auditor

As explained more fully in the Statement of the Manager's responsibilities set out on page 3, the Manager is responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under Section 144 of the Charities Act 2011 and report in accordance with regulations made under Section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Manager and the overall presentation of the financial statements.

In addition we read all the financial and non-financial information in the Annual Long 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 material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 31 December 2014 and of the incoming resources and application of the resources of the Fund for the year then ended;
- give a true and fair view of the movement in the net assets of the Fund for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the annual long report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Beavis Morgan Audit Limited
Registered Auditors
82 St John Street
London EC1M 4JN
30 April 2015

Beavis Morgan Audit Limited is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006.

Investment Adviser's report

The market

In 2014 UK equities traded within a narrow range for most of the year. The FTSE All Share Index fell by 2.1% by the year end and recorded a total return of +1.2%. Investors were caught between the opposing forces of a strengthening UK economy, where the growth was the highest in the developed world, and growing international tensions. In addition, growth in many parts of the world was either stagnant, particularly in Europe and Japan, or slowing, particularly in China. At the end of 2014, stability in the eurozone again became a concern, after the outcome of the Greek election failed to give an outright victory to the Government's presidential candidate. Within the overall trend, the Higher Yield Index underperformed, with a fall of 3.9% and a total return of +0.5%. Despite a setback in the middle of the year, the FTSE 250 Index of mid-cap companies, rose by 0.9% with a total return of +3.7%.

Overseas equity markets were mixed, led by America which rose by 11.4%. Europe trailed with a small rise in Germany in euro terms and a fall in the French equity market. Emerging markets fell, measured in US dollars. In currency markets, the pound fell by 6% against a strong dollar but rose by 7% against the weak euro. During the year the US Federal Reserve (Fed) progressively reduced its programme of Quantitative Easing (QE) to zero, leading to expectations of higher interest rates and a rising dollar. Conversely, Japan announced further programmes of QE and in Europe, the European Central Bank (ECB) has tried to stimulate economic growth with continuing very low interest rates. Slowing growth in developing markets has diminished demand for metals and the price of copper fell by 14% over the year, and the oil price collapsed in the last quarter of 2014 and fell by 48% over the year as a whole.

Performance

The bid price of the accumulation units rose by 0.8% during the year, which was just behind the total return of +1.2% recorded by the FTSE All Share Index, but just ahead of the +0.5% return on the FTSE Higher Yield Index. Over the last three years the total return on the Fund has been +51.0% against +37.3% on the All Share Index. Sector positioning was helpful including the underweight positions in the Banks and Mining sectors as well as the overweight position in Utilities (Pennon Group +40% and United Utilities Group +36%). In addition stock selection was positive in Travel & Leisure (Go-Ahead Group +40% and Cineworld Group +22%). These positives were slightly outweighed by negative factors including stock selection in General Retail (N Brown Group -28%) and Pharmaceuticals (GlaxoSmithKine -15% and not owning AstraZenaca +27%).

Source: Smith & Williamson Fund Administration Limited; Bid to Bid Basis; net income reinvested and Financial Times.

Portfolio

We sold three complete holdings during the year. After Vodafone Group completed its restructuring in February, we sold the shares received in Verizon Communications. In the Media sector, we switched our holding in Reed Elsevier into Daily Mail & General Trust, where we consider the subsidiary interests and strong branding give more potential growth in future. We sold the holding in Tesco. There were no other changes in the holdings but most were increased as new money was received into the Fund.

Distribution

For the year as a whole the distribution was 4.0p, an increase of 8.1% on 3.7p for 2013. We have a surplus of income to carry forward into 2015.

Outlook

Investor confidence has been buffeted by significant geopolitical problems. In the UK and the US economic growth has accelerated. However, the eurozone economy remains moribund while the slowdown in Chinese growth has continued. Divergent monetary policies to meet these different economic environments can be expected to lead to further exchange rate volatility. The speed and the extent of the fall in the oil price has caused severe pressures in the oil dependent economies of the world, particularly Russia, parts of South America and Africa. The repercussions of this significant change in world economic power have yet to become apparent, though longer term the lower oil price should benefit consumers and stimulate growth in oil consuming countries including the UK. The outcome of the General Election here in the UK in May 2015 is unusually difficult to predict, with extremes from the left to the right of the political spectrum possibly forming the next Government. With ten year gilt yields now just 1.6% and equity yields on average more than double the gilt yield at 3.4%, we think the investment case for longer term investment in equities is compelling.

OLIM Limited
12 January 2015

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Major purchases and total sales

for the year ended 31 December 2014

Total purchases in the year	2,241,375	Total sales in the year	924,977

Purchases	Cost £	Sales	Proceeds £
Vodafone Group	341,696	Reed Elsevier	353,388
Daily Mail & General Trust	327,706	Verizon Communications	347,452
Carillion	196,314	Tesco	224,137
Dechra Pharmaceuticals	120,481		
Conviviality Retail	103,734		
HSBC Holdings	103,728		
Spectris	97,940		
Amec Foster Wheeler	93,364		
Informa	92,000		
GlaxoSmithKline	88,437		

The above represents the major purchases and total sales in the year to reflect a clearer picture of the major investment activities.

Portfolio statement

as at 31 December 2014

Investment	Nominal value or holding	Market value £	% of total net assets
Equities - United Kingdom 95.15% (98.28%)			
Equities - incorporated in the United Kingdom 89.09% (90.46%)			
Oil & Gas 9.90% (11.83%)			
Amec Foster Wheeler	33,500	288,770	1.66
BG Group	25,770	222,833	1.29
BP	173,200	707,002	4.07
Royal Dutch Shell 'B'	22,470	499,845	2.88
		1,718,450	9.90
Chemicals 4.23% (3.74%)			
Croda International	14,425	382,407	2.20
Johnson Matthey	10,400	352,352	2.03
		734,759	4.23
Basic Resources 3.78% (4.72%)			
BHP Billiton	28,000	387,100	2.23
Rio Tinto	9,000	269,145	1.55
		656,245	3.78
Industrial Goods & Services 13.64% (13.49%)			
Babcock International Group	30,489	321,964	1.86
Carillion	177,500	593,205	3.42
Halma	84,500	579,247	3.34
Spectris	30,000	629,100	3.62
Sthree	84,000	243,810	1.40
		2,367,326	13.64
Food & Beverage 2.43% (2.73%)			
Britvic	63,000	422,100	2.43
Personal & Household Goods 4.33% (4.06%)			
Unilever	28,700	752,227	4.33
Health Care 6.56% (6.14%)			
Dechra Pharmaceuticals	51,500	430,540	2.48
GlaxoSmithKline	51,500	707,868	4.08
		1,138,408	6.56
Retail 3.56% (6.67%)			
Conviviality Retail	210,000	298,200	1.72
N Brown Group	85,000	318,835	1.84
		617,035	3.56
Media 4.04% (2.15%)			
Daily Mail & General Trust	40,000	327,000	1.88
Informa	80,000	374,160	2.16
		701,160	4.04
Travel & Leisure 12.42% (10.71%)			
Cineworld Group	135,300	560,954	3.23
Go-Ahead Group	28,700	704,011	4.06
Marston's	395,000	561,690	3.24
Restaurant Group	50,000	328,750	1.89
		2,155,405	12.42
Telecommunications 8.00% (9.56%)			
BT Group	148,000	593,332	3.42
Vodafone Group	358,340	795,515	4.58
		1,388,847	8.00
Utilities 7.71% (6.74%)			
Centrica	103,100	286,309	1.65
Pennon Group	41,750	382,847	2.20
United Utilities Group	73,200	669,414	3.86
		1,338,570	7.71
Banks 3.16% (3.07%)			
HSBC Holdings	90,500	548,340	3.16
Insurance 5.33% (4.85%)			
Amlin	78,300	372,395	2.15
Legal & General Group	222,600	551,825	3.18
		924,220	5.33
Total equities - incorporated in the United Kingdom		15,463,092	89.09

Portfolio statement (continued)

as at 31 December 2014

Investment	Nominal value or holding	Market value £	% of total net assets
Equities - incorporated outwith the United Kingdom 6.06% (7.82%)			
Media 0.00% (2.14%)		-	-
Insurance 3.16% (2.93%)			
Beazley	164,900	474,582	2.74
Hansard Global	85,000	73,100	0.42
		547,682	3.16
Financial Services 2.90% (2.75%)			
John Laing Infrastructure Fund	409,200	502,907	2.90
Total equities - incorporated outwith the United Kingdom		1,050,589	6.06
Total equities - United Kingdom		16,513,681	95.15
Portfolio of investments		16,513,681	95.15
Other net assets		842,403	4.85
Total net assets		17,356,084	100.00

All investments are quoted securities unless otherwise stated.

The comparative figures in brackets are as at 31 December 2013.

United Kingdom equities are grouped by the Industry Classification Benchmark.

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Comparative table

Number of units in issue	31.12.14	31.12.13	31.12.12
Gross income	15,572,636	13,509,469	10,123,236
Gross accumulation	2,353,055	2,353,055	1,546,678
Net Asset Value (NAV)	£	£	£
Total NAV of Fund	17,356,084	15,878,607	9,489,789
NAV attributable to gross income unitholders	14,259,750	12,835,745	7,914,564
NAV attributable to gross accumulation unitholders	3,096,334	3,042,862	1,575,225
Net asset value per unit (based on bid value)	p	p	p
Gross income	91.57	95.01	78.18
Gross accumulation	131.6	129.3	101.8
Quoted prices (based on bid value)	p	p	p
Gross income	92.40	95.63	78.86
Gross accumulation	131.3	130.2	102.7

Gross income units were first issued at 100.0p per unit on 6 June 2007.
Gross accumulation units were first issued at 100.0p per unit on 6 June 2007.

Performance record

Calendar year		Distribution per unit p	Highest offer price p	Lowest bid price p
2010	Gross income	3.300	75.67	62.52
2010	Gross accumulation	3.819	89.11	72.58
2011	Gross income	3.600	78.44	64.48
2011	Gross accumulation	4.373	95.60	79.37
2012	Gross income	3.700	80.38	68.67
2012	Gross accumulation	4.732	104.7	87.27
2013	Gross income	3.700	96.21	77.99
2013	Gross accumulation	4.959	130.9	102.9
2014	Gross income	4.000	98.67	84.25
2014	Gross accumulation	5.591	136.4	119.7

Distributions in the current and prior year:

Gross income			
Payment date	p	Payment date	p
31.05.14	1.000	31.05.13	0.800
31.08.14	1.000	31.08.13	1.000
30.11.14	1.000	30.11.13	0.900
28.02.15	1.000	28.02.14	1.000
Gross accumulation			
Allocation date	p	Allocation date	p
31.05.14	1.375	31.05.13	1.055
31.08.14	1.390	31.08.13	1.331
30.11.14	1.405	30.11.13	1.212
28.02.15	1.421	28.02.14	1.361

Total expense ratio (TER)

The total expense ratio provides investors with a clearer picture of the total annual costs in running a collective investment scheme. The TER consists principally of the Manager's periodic charge and the Investment Adviser's fee which are included in the annual management charge, but also includes the costs for other services paid.

	31.12.14	31.12.13
Annual management charge^	0.60%	0.60%
Other expenses	0.11%	0.11%
Total expense ratio	0.71%	0.71%

^ inclusive of VAT

Please note the TER is only indicative of the charges which the Fund may incur in a year as it is calculated on historical data.

Investments carry risk. Past performance is not a guide to future performance. Investors may not get back the amount invested.

Financial statements - Charity Value and Income Fund

Statement of total return

for the year ended 31 December 2014

	Notes	2014		2013	
		£	£	£	£
Income:					
Net capital (losses) / gains	2		(882,799)		2,313,757
Revenue	3	1,142,647		480,018	
Expenses	4	(121,044)		(81,008)	
Finance costs: Interest	6	-		(15)	
Net revenue			1,021,603		398,995
Total return before distributions			138,804		2,712,752
Finance costs: Distributions	6		(693,887)		(477,917)
Change in net assets attributable to unitholders from investment activities			(555,083)		2,234,835

Statement of change in net assets attributable to unitholders

for the year ended 31 December 2014

	2014		2013	
	£	£	£	£
Opening net assets attributable to unitholders		15,878,607		9,489,789
Amounts receivable on issue of units	1,960,624		4,088,965	
Amounts payable on cancellation of units	(59,624)		(41,079)	
		1,901,000		4,047,886
Change in net assets attributable to unitholders from investment activities		(555,083)		2,234,835
Retained accumulation distributions		131,560		106,097
Closing net assets attributable to unitholders		17,356,084		15,878,607

Balance sheet

as at 31 December 2014

	Notes	2014		2013	
		£	£	£	£
ASSETS:					
Investment assets			16,513,681		15,604,814
Debtors	7	86,948		276,976	
Cash and bank balances	8	916,461		137,166	
Total other assets			1,003,409		414,142
Total assets			17,517,090		16,018,956
LIABILITIES:					
Creditors	9	(5,280)		(5,254)	
Distribution payable on income units		(155,726)		(135,095)	
Total liabilities			(161,006)		(140,349)
Net assets attributable to unitholders			17,356,084		15,878,607

K. Stopps G. Murphy

Directors
Smith & Williamson Fund Administration Limited
30 April 2015

Registered Charity number 1119289

Notes to the financial statements

for the year ended 31 December 2014

1. Accounting policies

a Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments. They have been prepared in accordance with the applicable UK Accounting Standards and in accordance with the Statement of Recommended Practice for Authorised Funds ("the SORP") issued by the Investment Management Association, now known as The Investment Association, in December 2005 as applicable to Charity Common Investment Funds and the Charities (Accounts and Reports) Regulations 2008.

As described in the Manager's report, the Manager continues to adopt the going concern basis in the preparation of the accounts.

b Valuation of investments

The purchase and sale of investments are included up to close of business on 31 December 2014.

Purchases and sales of investments are recognised when a legally binding and unconditional right to obtain or an obligation to deliver an asset arises.

Investments are stated at their fair value at the balance sheet date. In determining fair value, the valuation point is 12 noon on 31 December 2014 with reference to quoted bid prices from reliable external sources.

Where an observable market price is unreliable or does not exist, investments are valued at the Manager's best estimate of the amount that would be received from an immediate transfer at arm's length.

c Foreign exchange

The base currency of the Fund is sterling which is taken to be the Fund's functional currency.

All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the dates of such transactions. The resulting exchange differences are disclosed in note 2 of the Notes to the financial statements.

Any foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate prevailing at the balance sheet date.

d Revenue

Revenue is recognised in the Statement of total return on the following basis:

Dividends from quoted equity instruments and non equity units are recognised as revenue, net of attributable tax credits on the date when the securities are quoted ex-dividend.

Special dividends are treated as either revenue or a repayment of capital depending on the facts of each particular case.

Overseas dividends are recognised as revenue gross of any withholding tax and the tax consequences are recognised within the tax expense.

Interest on bank deposits and short term deposits is recognised on an accruals basis.

Ordinary scrip dividends are recognised wholly as revenue on the basis of the market values of the shares on the date that they are quoted ex-dividend. Where an enhancement is offered the amount by which the market value of the shares on the date they are quoted ex-dividend exceeds the cash dividend is taken to capital. The ordinary element of scrip dividends is treated as revenue and forms part of the Fund's distributions.

Underwriting commission is recognised as revenue on an accruals basis except when the Fund is required to take up some or all of the units underwritten. In this case a proportion of the commission will be deducted from the cost of these units.

Commission received resulting from the participation in new issues is deducted from the cost of these units and does not form part of the Funds' distributions.

e Expenses

All expenses, other than those relating to the purchase and sale of investments are charged against revenue and are then reallocated to capital, net of any tax effect.

f Taxation

The Fund is exempt from UK income and capital gains tax due to its charitable status pursuant to sections 505 and 506 of the income and Corporation Taxes Act 1988.

g Use of derivatives

The Fund may (subject to the provisions of the Scheme) enter into derivatives and forward transactions (i.e. futures, options and contracts for differences) provided that:

- the transaction is entered into for the purpose of protection or the reduction of risk and/or the reduction of costs to the Fund;
- the Manager is satisfied that the transaction is expedient in the interests of the Fund;
- any securities to be acquired under the transaction are eligible to be held by the Fund, having regard to clause 38 of the Scheme and the investment objective and policy of the Fund; and
- the Manager is satisfied that the transaction is not speculative.

1. Accounting policies (continued)

h Distribution policies

i Basis of distribution
Where income is available, distributions are made quarterly from the Fund and take the form of dividend distributions. Distributions attributable to income units are paid to unitholders. Distributions attributable to accumulation units are re-invested in the Fund on behalf of the unitholders.

ii Unclaimed distributions
Distributions to unitholders outstanding after 6 years are taken to the capital property of the Fund.

iii Revenue
All revenue is included in the final distribution with reference to the accounting policies for revenue disclosed in note 1d.

iv Expenses
Expenses incurred against the revenue of the Fund are included in the final distribution, subject to any expense which may be transferred to capital for the purpose of calculating the distribution, with reference to note 6.

v Equalisation
Group 2 units are units which are purchased on or after the previous XD date and before the current XD date. Equalisation applies only to group 2 units. It is the average amount of revenue included in the purchase price of group 2 units and is refunded to holders of these units as a return of capital.

2. Net capital (losses) / gains

	2014	2013
	£	£
Non-derivative securities - realised (losses) / gains	(33,830)	113,284
Non-derivative securities - unrealised (losses) / gains	(849,134)	2,201,228
Currency gains	872	-
Transaction charges	(707)	(755)
Total net capital (losses) / gains	(882,799)	2,313,757

Where realised gains/losses on investments include unrealised gains/losses arising in previous periods, a corresponding loss/gain is included in unrealised losses/gains.

3. Revenue

	2014	2013
	£	£
Franked revenue	1,105,286	436,688
Overseas revenue	33,041	43,330
Bank and deposit interest	7	-
Underwriting commission	4,313	-
Total revenue	1,142,647	480,018

4. Expenses

	2014	2013
	£	£
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	102,454	68,839
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee fees	8,196	6,150
Safe custody fees	1,404	1,219
	9,600	7,369
Other expenses:		
Audit fee	5,280	4,800
Legal fees	3,710	-
	8,990	4,800
Total expenses	121,044	81,008

5. Taxation

The Fund is exempt from UK income and capital gains tax due to its charitable status pursuant to sections 505 and 506 of the Income and Corporation Taxes Act 1988. Distributions are paid and credited gross to unitholders on the basis that all UK taxation has been both reclaimed and received. No overseas taxation has been suffered on income arising or paid during the year.

6. Finance costs

Distributions and interest

The distributions take account of revenue added on the issue of units and revenue deducted on the cancellation of units, and comprise:

	2014	2013
	£	£
Quarter 1 income distribution	144,559	80,986
Quarter 1 accumulation distribution	32,355	16,798
Interim income distribution	149,804	101,628
Interim accumulation distribution	32,708	28,697
Quarter 3 income distribution	153,490	100,786
Quarter 3 accumulation distribution	33,060	28,577
Final income distribution	155,726	135,095
Final accumulation distribution	33,437	32,025
	735,139	524,592
Equalisation:		
Amounts deducted on cancellation of units	2,198	196
Amounts added on issue of units	(43,450)	(46,871)
Finance costs: Distributions	693,887	477,917
Finance costs: Interest	-	15
Total finance costs	693,887	477,932

6. Finance costs (continued)

Reconciliation between net revenue and distributions:	2014 £	2013 £
Net revenue after taxation per Statement of total return	1,021,603	398,995
Undistributed revenue brought forward	30,858	28,772
Expenses paid from capital	121,044	81,008
Undistributed revenue carried forward	(479,618)	(30,858)
Finance costs: Distributions	693,887	477,917

Details of the distribution per unit are disclosed in the Distribution table.

7. Debtors

	2014 £	2013 £
Amounts receivable on issue of units	-	200,000
Accrued revenue	86,948	71,878
Recoverable overseas withholding tax	-	4,704
Recoverable income tax	-	394
Total debtors	86,948	276,976

8. Cash and bank balances

	2014 £	2013 £
Bank balances	916,461	137,166
Total cash and bank balances	916,461	137,166

9. Creditors

	2014 £	2013 £
Accrued expenses:		
Payable to the Trustee and associates of the Trustee		
Safe custody fees	225	199
Transaction fees	15	255
	240	454
Other expenses:		
Audit fee	5,040	4,800
Total creditors	5,280	5,254

10. Purchases, sales and transaction costs

Purchases	2014 £	2013 £
Capital events^	142,345	77,700
Purchases excluding transaction costs	2,237,080	4,734,439
Commissions	4,251	9,392
Taxes	44	93
Total purchase transaction costs *	4,295	9,485
Purchases including transaction costs	2,241,375	4,743,924

Sales	2014 £	2013 £
Sales excluding transaction costs	926,833	680,140
Commissions	(1,854)	(1,259)
Taxes	(2)	(8)
Total sales transaction costs *	(1,856)	(1,267)
Sales including transaction costs	924,977	678,873

^ No commission or tax charges were incurred in the execution of capital events.
* These amounts have been deducted in determining net capital (losses) / gains.

11. Unit classes

The Fund currently has two types of unit; gross income and gross accumulation. The current annual management charge in the Fund is 0.50% plus VAT at 20%. The Investment Adviser's fee and the Manager's periodic charge are included in the annual management charge.

The net asset value of each unit type, the net asset value per unit, and the number of units in the Fund are disclosed in the Comparative table.

12. Related party transactions

Smith & Williamson Fund Administration Limited, as Manager, BNY Mellon Trust & Depositary (UK) Limited, as Trustee, OLIM Limited, as Investment Adviser and Bank of New York Mellon, as custodian are related parties due to their ability to act in respect of the operations of the Fund.

The Manager acts as principal in respect of all transactions of units in the Fund. The aggregate monies received and paid through the creation and cancellation of units are disclosed in the Statement of change in net assets attributable to unitholders.

Amounts payable to the Manager and its associates and amounts payable to the Trustee and its associates are disclosed in note 4. The amount due to the Manager and its associates and the Trustee and its associates at the balance sheet date is disclosed in note 9.

A unitholder with a holding in excess of 20% of the value of the Fund may be able to exercise significant influence over the financial and operating policies of the Fund with reference to unitholders' voting rights at general meetings and as such is deemed to be a related party.

Parties with an interest in excess of 20% of the Fund at any time during the year are as follows:

	2014	2013
The Bank Of New York (Nominees) Ltd	18.99%	20.77%

13. Post balance sheet events

Subsequent to the year end, the net asset value per income unit has increased from 91.57p to 96.59p and the accumulation unit has increased from 131.6p to 140.3p as at 17 April 2015. This movement takes into account routine transactions but also reflects the market movements of recent months.

14. Financial instruments

In accordance with the investment objective, the Fund holds certain financial instruments. These comprise:

- Securities held in accordance with the investment objective and policies
- Cash and short term debtors and creditors arising directly from operations.

a *Currency exposure*

The Fund had no significant exposure to foreign currency during the year.

b *Interest rate risk*

There is no exposure to interest bearing securities at the balance sheet date.

The interest rate on bank balances is determined by the following:

UK sterling	Bank of England's Monetary Policy Committee
US dollar	US Federal Reserve

c *Fair value of financial assets and liabilities*

Securities held by the Fund are valued in accordance with the accounting policies in note 1. There is no material difference between the fair value and the market value. Other financial assets and liabilities of the Fund are included in the Balance sheet at fair value.

d *Assets subject to special arrangements arising from their illiquid nature*

There are no assets held in the portfolio of investments which are subject to special arrangements arising from their illiquid nature.

e *Leverage*

There have been no leveraging arrangements in the year.

15. Risk management policies

In pursuing the Fund's investment objective, as set out in the Scheme Particulars, the following are accepted by the Manager as being the main risks from the Fund's holding of financial instruments, either directly or indirectly through its underlying holdings. These are presented with the Manager's policy for managing these risks. To ensure these risks are consistently and effectively managed these are continually reviewed by the risk committee, a body appointed by the Manager, which sets the risk appetite and ensures continued compliance with the management of all known risks.

a Market risk

Market risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices which are governed by three elements; price risk, currency risk, and interest rate risk.

15. Risk management policies (continued)

a Market risk (continued)

(i) Price risk
The Fund's exposure to price risk comprises mainly of movements in the holding of investment positions in the face of price movements.

This risk is generally regarded as consisting of two elements; stock specific risk and market risk. Through these two factors, the Fund is exposed to price fluctuations, which are monitored by the Manager in pursuance of the investment objective and policy.

Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective of the Fund, spreading exposure in the portfolio of investments both globally and across sectors can mitigate market risk.

(ii) Currency risk
Currency risk is the risk that the value of investments or future cash flows will fluctuate as a result of exchange rate movements. Investment in overseas securities will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates. Fluctuations in currency exchange rates against sterling can also affect the profitability of some UK companies, and thus their market prices, as sterling's relative strength or weakness can affect export prospects, the value of overseas earnings in sterling terms, and the prices of imports sold in the UK.

The Manager may seek to manage the portfolio exposure to currency movements by using forward currency contracts. There was no exposure to forward currency contracts in the year.

(iii) Interest rate risk profile of financial assets and liabilities
Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes.

During the year the Fund's direct exposure to interest rates consisted of cash and bank balances.

The amount of revenue receivable from bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates.

Changes in the rate of return in one asset class may influence the valuation basis of other asset classes.

Possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account by the Investment Adviser when making investment decisions. The Fund would not in normal market conditions hold significant cash balances and would have limited borrowing capabilities as stipulated in the COLL rules.

The interest rate risk can be reduced by diversifying (investing in debt securities with different durations) or hedging the debt securities.

b Liquidity risk
The main liability of the Fund is the cancellation of any units which investors may wish to sell. Securities may have to be sold in order to fund such cancellations should insufficient cash be held at the bank to meet this obligation. If there were significant requests for the redemption of units in the Fund at a time when a large proportion of the Fund's portfolio of investments were not easily tradable due to market volumes or market conditions the Fund's ability to fund those redemptions would be impaired and it might be necessary to suspend dealings in units in the Fund.

Investments in smaller companies at times may prove illiquid, as by their nature they tend to have relatively modest traded unit capital. Shifts in investor sentiment, or the announcement of new price sensitive information, can provoke significant movement in unit prices, and make dealing in any quantity difficult.

The Fund may also invest in securities that are not listed or traded on any stock exchange. In such situations the Fund may not be able to immediately sell such securities.

To reduce liquidity risk the Manager will ensure, in line with the limits stipulated within the COLL rules, a substantial portion of the Fund's assets consist of readily realisable securities.

c Credit risk
This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty risk and issuer risk.

Transactions in securities entered into by the Fund give rise to exposure to the risk that the counterparties may not be able to fulfil their responsibility by completing their side of the transaction. This risk is mitigated by the Fund only transacting with brokers who are subject to frequent reviews/limits set, which may be transacted with any one broker.

15. Risk management policies (continued)

c Credit risk (continued)

The Trustee has appointed the custodian to provide custody services for the assets of the Fund. There is a counterparty risk that the custodian could cease to be in a position to provide custody services to the Fund. The Fund's investments (excluding cash) are ring fenced hence the risk is considered to be negligible.

The Fund holds cash and cash deposits with financial institutions which potentially exposes the Fund to counterparty risk. The credit rating of the financial institution is taken into account so as to minimise the risk to the Fund of default.

The Fund may hold short-term debtors in the form of unsettled subscription amounts, reclaimable tax, outstanding coupon and dividend amounts. The risk from these is deemed to be low.

d 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.

To ensure this, the fair value pricing committee is a body appointed by the Manager which analyses, reviews and votes on price adjustments/maintenance where no current secondary market exists and/or where there are potential liquidity issues that would affect the disposal of an asset. In addition, the committee may also consider adjustments to the Fund's price should the constituent investments be exposed to closed markets during general market volatility or instability.

e Derivatives

The Manager may employ derivatives with the aim of reducing the risk profile, reducing costs or generating additional capital or revenue, in accordance with efficient portfolio management.

The Manager monitors that any exposure is covered globally to ensure adequate cover is available from within the Fund to meet the Fund's total exposure, taking into account the value of the underlying investments, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.

During the year no derivative transactions were entered into for the purposes of efficient portfolio management.

Distribution table

for the year ended 31 December 2014

Distributions on gross income units in pence per unit

Distribution number 27
Group 1 : Units purchased prior to 1 January 2014
Group 2 : Units purchased 1 January 2014 to 31 March 2014

Payment date	Distribution type	Net revenue	Equalisation	Distribution 2014	Distribution 2013
Group 1					
31.05.14	quarter 1	1.000	-	1.000	0.800
Group 2					
31.05.14	quarter 1	0.074	0.926	1.000	0.800

Distribution number 28
Group 1 : Units purchased prior to 1 April 2014
Group 2 : Units purchased 1 April 2014 to 30 June 2014

Payment date	Distribution type	Net revenue	Equalisation	Distribution 2014	Distribution 2013
Group 1					
31.08.14	interim	1.000	-	1.000	1.000
Group 2					
31.08.14	interim	-	1.000	1.000	1.000

Distribution number 29
Group 1 : Units purchased prior to 1 July 2014
Group 2 : Units purchased 1 July 2014 to 30 September 2014

Payment date	Distribution type	Net revenue	Equalisation	Distribution 2014	Distribution 2013
Group 1					
30.11.14	quarter 3	1.000	-	1.000	0.900
Group 2					
30.11.14	quarter 3	-	1.000	1.000	0.900

Distribution number 30
Group 1 : Units purchased prior to 1 October 2014
Group 2 : Units purchased 1 October 2014 to 31 December 2014

Payment date	Distribution type	Net revenue	Equalisation	Distribution 2014	Distribution 2013
Group 1					
28.02.15	final	1.000	-	1.000	1.000
Group 2					
28.02.15	final	-	1.000	1.000	1.000

Equalisation
Equalisation applies only to group 2 units. It is the average amount of revenue included in the purchase price of 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 in the hands of the unitholders but must be deducted from the cost of units for capital gains tax purposes.

Distribution table (continued)
for the year ended 31 December 2014

Distributions on gross accumulation units in pence per unit

Distribution number 27
Group 1 : Units purchased prior to 1 January 2014
Group 2 : Units purchased 1 January 2014 to 31 March 2014

Allocation date	Distribution type	Net revenue	Equalisation	Distribution 2014	Distribution 2013
Group 1					
31.05.14	quarter 1	1.375	-	1.375	1.055
Group 2					
31.05.14	quarter 1	1.375	-	1.375	1.055

Distribution number 28
Group 1 : Units purchased prior to 1 April 2014
Group 2 : Units purchased 1 April 2014 to 30 June 2014

Allocation date	Distribution type	Net revenue	Equalisation	Distribution 2014	Distribution 2013
Group 1					
31.08.14	interim	1.390	-	1.390	1.331
Group 2					
31.08.14	interim	1.390	-	1.390	1.331

Distribution number 29
Group 1 : Units purchased prior to 1 July 2014
Group 2 : Units purchased 1 July 2014 to 30 September 2014

Allocation date	Distribution type	Net revenue	Equalisation	Distribution 2014	Distribution 2013
Group 1					
30.11.14	quarter 3	1.405	-	1.405	1.212
Group 2					
30.11.14	quarter 3	1.405	-	1.405	1.212

Distribution number 30
Group 1 : Units purchased prior to 1 October 2014
Group 2 : Units purchased 1 October 2014 to 31 December 2014

Allocation date	Distribution type	Net revenue	Equalisation	Distribution 2014	Distribution 2013
Group 1					
28.02.15	final	1.421	-	1.421	1.361
Group 2					
28.02.15	final	1.421	-	1.421	1.361

Accumulation distributions
Holders of accumulation units should add the distributions received thereon to the cost of the units for capital gains tax purposes.

Further information

Distributions and reporting dates

Where net revenue is available it will be distributed on 31 May (interim), 31 August (interim), 30 November (interim) and the last day of February (final). In the event of a distribution, unitholders will receive a tax voucher.

XD dates:	1 January	final
	1 April	interim
	1 July	interim
	1 October	interim
Reporting dates:	31 December	annual
	30 June	interim

Buying and selling units

The Fund will be valued as though it was an authorised unit trust subject to the terms of the Financial Conduct Authority Collective Investment Schemes sourcebook ("COLL"). The property of the Fund is valued every business day at 12 noon and prices of units are calculated as at that time. Units can be bought at the offer price and sold at the bid price. Unit dealing is on a forward basis i.e. investors can buy and sell units at the next valuation point following receipt of the order.

The minimum holding of units in the Fund at any time in terms of value is currently £1,000. The minimum value of units in the Fund which may be the subject of any one sale or purchase is £1,000.

Prices of units and the estimated yield of the Fund are published on the following website: www.fundlistings.com or may be obtained by calling 0141 222 1150.

Management charges

The Manager is entitled to receive and retain for its own use and benefit an initial charge to be included in the issue price of units. Should the Manager make an initial charge, this will not exceed 5%.

The annual management charge of 0.5% per annum plus VAT at 20% is payable based on the net asset value of the Fund.

Taxation

As long as it is applied for charitable purposes, any income received by a unitholder from the Fund will not be subject to UK tax and a unitholder will be exempt from UK tax on chargeable gains on the disposal of its units. No tax will be deducted from income distributed by the Fund.

Appointments

Manager and Registered office

Smith & Williamson Fund Administration Limited
25 Moorgate
London EC2R 6AY
Telephone: 020 7131 4000
Authorised and regulated by the Financial Conduct Authority

Administrator and Registrar

Smith & Williamson Fund Administration Limited
206 St. Vincent Street
Glasgow G2 5SG
Telephone: 0141 222 1151 (Registration)
0141 222 1150 (Dealing)
Authorised and regulated by the Financial Conduct Authority

Directors of the Manager

David Cobb
Giles Murphy
Jeremy Boadle
Jocelyn Dalrymple
Kevin Stopps
Paul Wyse
Tim Lyford
Michael Lea - resigned 1 May 2014
Philip Moody - resigned 1 May 2014
Sheridan Lees – appointed 21 May 2014
Susan Shaw – appointed 21 May 2014

Investment Adviser

OLIM Limited
15 Berkeley Street
London W1J 8DY
Authorised and regulated by the Financial Conduct Authority

Trustee

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

Auditor

Beavis Morgan Audit Limited
Chartered Accountants and Statutory Auditors
82 St John Street
London EC1M 4JN