Mid Wynd International Investment Trust PLC

Annual Report and Financial Statements 30 June 2012

BAILLIE GIFFORD

Contents

Mid Wynd invests on an international basis.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately.

If you have sold or otherwise transferred all of your ordinary shares in Mid Wynd International Investment Trust PLC, please forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.

Company data at 30 June 2012

Total assets	Shareholders' funds	Market capitalisation
£66.7m*	**£61.8m**	**£62.0m**

*before deduction of bank loans.

Company Summary

Mid Wynd's objective is to achieve capital and income growth by investing on a worldwide basis.

Investment Policy

Mid Wynd seeks to meet its objective of achieving capital and income growth through investment principally in a portfolio of international quoted equities. The proportion of the portfolio invested in UK companies will not normally exceed 25%.

Further details of the Company's investment policy are given in the Directors' Report.

Company History

Mid Wynd can trace its origins to a Dundee based textile business operated by successive generations of the Scott family since 1797, when premises were first purchased for the business in the lane or 'wynd' from which the Company takes its name. Mid Wynd obtained a listing of its share capital on the London Stock Exchange in October 1981 and has, since that time, conducted its business as an investment trust company.

Comparative Index

The principal index against which performance is measured is the FTSE World Index in sterling terms.

Management Details

Baillie Gifford & Co are appointed as investment managers and secretaries to the Company. The management contract can be terminated at twelve months' notice.

Management Fee

Baillie Gifford & Co's annual remuneration is 0.50% of the net assets of the Company attributable to its shareholders, calculated on a quarterly basis.

Capital Structure

At the year end the Company's share capital consisted of 26,863,830 fully paid ordinary shares of 5p each. The Company has been granted authority to buy back and issue a limited number of its own ordinary shares.

AIC

The Company is a member of the Association of Investment Companies.

Savings Vehicles

Mid Wynd shares can be held through a variety of savings vehicles (see page 56 for details).

Notes

None of the views expressed in this document should be construed as advice to buy or sell a particular investment.

Investment trusts are UK public listed companies and as such comply with the requirements of the UK Listing Authority. They are not authorised or regulated by the Financial Services Authority.

Year's Summary

	30 June 2012	30 June 2011*	% change
Total assets (before deduction of bank loans)	£66.7m	£71.8m	
Bank loans	£4.9m	£5.5m	
Shareholders' funds	£61.8m	£66.3m	
Net asset value per ordinary share (after deducting borrowings at fair value)	229.8p	251.4p	(8.6)
Net asset value per ordinary share (after deducting borrowings at par)	230.2p	251.4p	(8.4)
Share price†	230.8p	254.0p	(9.2)
FTSE All-Share Index	2,891.5	3,096.7	(6.6)
FTSE World Index (in sterling terms)	339.7	362.2	(6.2)
Dividends paid and proposed	3.30p	3.30p	–
Revenue return per ordinary share	2.93p	3.43p	(14.6)
Ongoing charges	0.87%	0.83%	
Premium (after deducting borrowings at fair value)	0.4%	1.0%	
Premium (after deducting borrowings at par)	0.2%	1.0%	

Year to 30 June	2012	2012	2011*	2011*
Year's high and low	High	Low	High	Low
Share price†	255.0p	214.1p	266.6p	185.0p
Net asset value (after deducting borrowings at fair value)	255.8p	211.9p	258.6p	198.3p
Net asset value (after deducting borrowings at par)	255.8p	211.9p	258.7p	198.4p
Premium/(discount) (after deducting borrowings at fair value)	7.8%	(3.8%)	6.5%	(10.5%)
Premium/(discount) (after deducting borrowings at par)	7.6%	(3.8%)	6.5%	(10.6%)

	30 June 2012	30 June 2011*
Total return per ordinary share		
Revenue	2.93p	3.43p
Capital	(20.88p)	48.00p
Total	**(17.95p)**	**51.43p**

*All per share figures have been restated for the five for one share split in October 2011.
†At mid market price.

One Year Performance

(figures rebased to 100 at 30 June 2011)

Source: Thomson Reuters Datastream/Baillie Gifford & Co

NAV (after deducting borrowings at fair value)

Share price

FTSE World Index (in sterling terms)

Dividends are not reinvested.

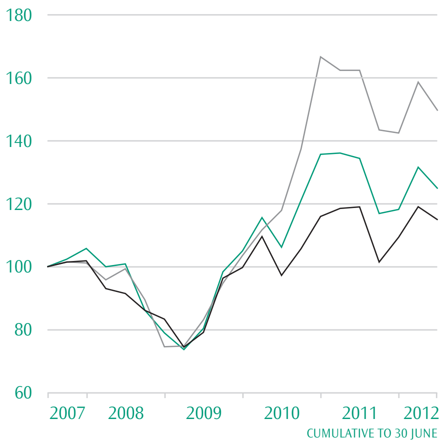
Past performance is not a guide to future performance.

Five Year Summary

The following charts indicate how an investment in Mid Wynd has performed relative to its comparative index and its underlying net asset value over the five year period to 30 June 2012.

5 Year Total Return Performance

(figures rebased to 100 at 30 June 2007)



Source: Thomson Reuters Datastream

NAV (par) total return

Share price total return

FTSE World Index (in sterling terms) total return

Dividend and RPI Growth

(figures rebased to 100 at 30 June 2007)

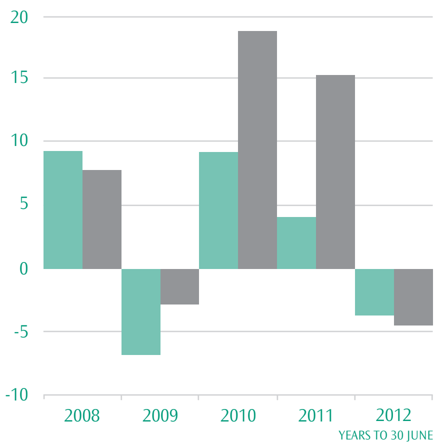
Source: Thomson Reuters Datastream/ Baillie Gifford & Co

RPI

Mid Wynd's dividend*

* The 2008 dividend excludes the special dividend of 2.30p (0.46p if adjusted for the share split).

Annual Share Price Total Return and NAV Total Return (relative to the FTSE World Index Total Return in sterling terms)



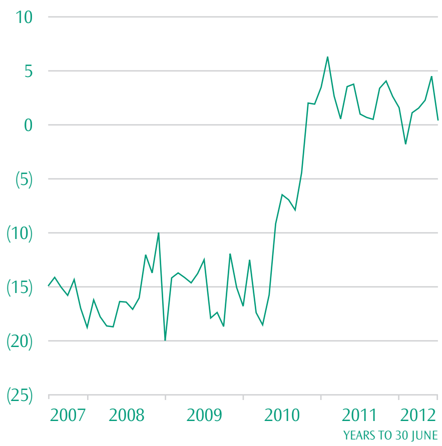
Source: Thomson Reuters Datastream

NAV (par) total return

Share price total return

Premium/(discount) to Net Asset Value

(plotted on a monthly basis)



Source: Thomson Reuters Datastream

Mid Wynd premium/(discount)

The premium/(discount) is the difference between Mid Wynd's quoted share price and its underlying net asset value (at par).

Past performance is not a guide to future performance.

Chairman's Statement

I am pleased to write to you for the first time as your Company's Chairman, a role I took over at the Company's financial year end.

In the year to 30 June 2012, net asset value declined by 8.6% to 229.8p per share. The share price fell by 9.2% to 230.75p per share. The FTSE World index dropped by 6.2% in sterling terms. This has been a challenging year for markets, reflecting the structural challenges faced by economies which companies cannot permanently insulate themselves against, and the Company's underperformance has been disappointing. Repeated central bank stimuli have managed to contain, for now, what would otherwise have been a combination of Western debt deflation and deep recession. These interventions buy time, but not an indefinite amount. Policy making in the afflicted parts of the Western world appears to be running up against the laws of diminishing returns. Underlying sovereign balance sheets are deteriorating further meantime. What has happened is akin to stripping insulation from the bare economic wire – governments and Central Banks are that insulation. As time goes on, and in the absence of a more potent recovery, the risk of short-circuit increases. Following a partial, tactical withdrawal from our sale of index futures following the European Central Bank intervention in the early part of this calendar year, we have reverted to the strategic position of having significant portfolio insurance. Should markets turn south unexpectedly, we would hope to find ourselves with cash flow from margin payments and to be in a position to exploit any major weakness in asset prices. This remains an unusual situation for the Company but one we believe remains merited by the circumstances.

Earnings and dividend

The revenue return for the year of 2.93p per share represents a 14.6% fall in earnings compared to the previous year. The surprising strength of portfolio dividends enjoyed last year has not been maintained, owing in part to the non-payment of a dividend by Marine Harvest in the current year, historically a generous contributor to our income stream.

The Company can draw upon accumulated revenue reserves to address such an earnings shortfall in order to maintain its dividend and, accordingly, a final dividend of 2.0p will be recommended, taking the full year total to 3.3p, equivalent to the 16.5p paid last year.

Discount and share buybacks/ issuance

The 1.0% premium at which the Company's shares were trading at the previous year end had fallen to 0.4% by 30 June 2012. During the year it rose to over 7%, however, and the Company was able to issue 500,000 new shares, raising £1.19m, to satisfy shareholder demand. To reiterate the intention expressed in the Half-Yearly Management Report, it is hoped that liquidity will be improved by the creation of a band within which issuance and buybacks take place as a matter of routine.

Board

At last year's Annual General Meeting ('AGM') I thanked Pat Barron for his years of service on this Company's Board, and I should like to do so again, following his retirement from the Board on 30 June 2012. After almost ten years as a Director, Pat took over as Chairman in 1989 after the sudden and untimely death of George Scott, and led the Company with calm and good humour through the long boom of the 1990s and the very difficult period since the spring of 2001. I also welcome two new Directors: Harry Morgan and Alan Scott, both appointed with effect from 21 May 2012, who therefore fall to be elected by shareholders at the AGM to be held on 8 October 2012. As can be seen from his description on page 5, Harry has wide and lengthy investment experience, particularly with private clients, while Alan, son of the late George, not only represents the next generation of the Scott family, but also has broad financial experience in banking and wealth management. Their experience will be of great value to the Board and I commend their election to you.

Past performance is not a guide to future performance.

Outlook

Most of last year's outlook statement still applies. As is exhaustively rehearsed in the media, the Eurozone political and financial drama appears to be nearing a denouement. Periodic flurries of politicking demonstrate strong intent but also rising north/south strains and questionable effectiveness. There do not appear to be any clear winners in this game in either the short or even perhaps the medium term. Recovering from the prolonged overindulgence of the past, in the case of Europe, which for this purpose includes the UK, is likely to take a long period of adjustment (perhaps alongside fiscal, political and banking integrations). The alternative is a short, sharp shock – some manner of Eurozone break-up and a complex web of accompanying unintended and mostly undesirable consequences. Long term causes for optimism, however, are significant. They fall mainly into two categories – commercial innovation and renovation on the one hand, and a multi-decade long expansion of consumption across large swathes of the world's population on the other. Most of Asia, for instance, continues to grow at a worthwhile pace and has high savings ratios to back up higher spending. It would not be immune in the short term from some dislocation in Western economies, but seems well placed over the next ten or twenty years. This would appear to be a more significant development than the moderate but fragile recovery in the US economy that has preoccupied markets over the past year.

The pace of global growth has mostly been slowing markedly of late. Rising commodity prices, a feature of last year's report, have been reversing in the last few months, as has headline inflation. Industrial production indices and surveys have been slipping back into low growth or even flat to down territory. Inventory levels have not yet fallen, however, indicating a marked weakness in final demand and more weak output to come.

Overall, this is a subdued backdrop for equity investors despite or perhaps because of the recent success of companies and their profits. Outwith equities, where valuations seem from a long term perspective somewhere between moderately attractive to rather expensive, there appear to be few clear attractive asset classes. Some such, in the form of catastrophe bonds, litigation finance and assorted other forms of mispriced equity-like risk, are important and uncorrelated, if modest, elements of Mid Wynd's portfolio. Volatility in asset prices deriving from high profile events may continue to throw up investment opportunities of a short term nature. Taking advantage of such a situation will require tenacity, fortitude and intelligence in equal measure.

Richard RJ Burns
16 August 2012

Directors and Management

The Directors of the Company have many years' experience of investment trusts and professional services. Baillie Gifford & Co, a leading UK investment management firm, have acted as Managers and Secretaries to the Company since it listed on the London Stock Exchange in 1981.

Directors

Patrick MS Barron, RD

Pat Barron has been a Director of the Company since 1979, was appointed Chairman in 1989 and was Chairman of the Nomination Committee. Having farmed in Perthshire for 30 years, he converted his farm into a golf course in the mid-90s, retiring in 2006. He served for 20 years in the Royal Naval Reserve retiring in the rank of Commander. He retired from the Board on 30 June 2012.

Richard RJ Burns

Richard Burns became a Director of the Company at the time of the listing of its shares in 1981 and became Chairman on 30 June 2012. He qualified as a solicitor in 1971 and he joined Baillie Gifford in 1973 as a trainee investment manager, becoming a partner in 1977 and was joint senior partner from 1999 until his retiral in April 2006. He is a director of EP Global Opportunities Trust PLC, Standard Life Equity Income Trust PLC, The Bankers Investment Trust PLC, JP Morgan Indian Investment Trust plc and is a trustee of the National Galleries of Scotland.

Harry J Morgan

Harry Morgan was appointed to the Board with effect from 21 May 2012. He is currently head of private investment management for Thomas Miller Investment, based in Edinburgh, and sits on the board of Thomas Miller Investment Limited. His previous role was as head of investment management at Adam & Company. He also held senior roles at Newton Investment Management and Edinburgh Fund Managers. He has over 28 years' experience of managing portfolios for private clients and charities, having started his investment career in London in 1984. He is a Chartered Fellow of the Chartered Institute For Securities & Investment and is an IMC member of the CFA Society of the UK.

Russell AR Napier

Russell Napier became a Director of the Company in 2009 and Chairman of the Audit Committee shortly thereafter. He joined Baillie Gifford in 1989 managing funds in the Japanese, US and, finally, Asian markets. He managed Asian portfolios for Foreign & Colonial Emerging Markets from 1994 and in 1995 became Asian equity strategist for stockbrokers CLSA in Hong Kong. Since 1999 he has been a consultant global macro strategist with CLSA Asia-Pacific markets. He is the author of 'Anatomy of a Bear – Lessons from Wall Street's Four Great Bottoms' and he has established and runs a course called 'A Practical History of Financial Markets' at The Edinburgh Business School. He is a director of the Didasko Education Company Limited, Orlock Advisors Limited and the Scottish Investment Trust PLC.

Alan G Scott

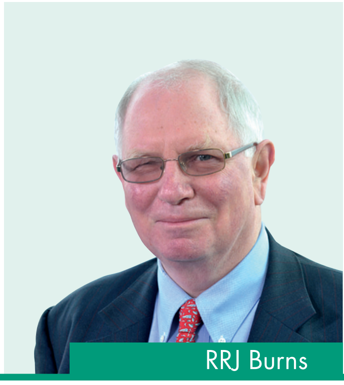
Alan Scott was appointed to the Board with effect from 21 May 2012. He has 24 years' experience in banking, within the Royal Bank of Scotland Group, across various divisions including Retail, Corporate and Wealth. In 2003 he joined Adam & Company International in Guernsey as a relationship manager for a portfolio of offshore clients and trusts and in 2004 moved to Adam & Company's onshore operations, where he is an associate director, relationship management, providing a range of wealth management services to a portfolio of private banking clients.

Malcolm CN Scott, QC

Malcolm Scott became a Director of the Company in 1990. He was educated at Trinity College, Glenalmond and thereafter at Gonville & Caius College, Cambridge and Glasgow University. He became an Advocate in 1978 and a QC in 1991. He is a practising Advocate, and the Company's Senior Independent Director.

All Directors are members of the Nomination and Audit Committees.


PMS Barron, RD


RRJ Burns


HJ Morgan


RAR Napier


AG Scott


MCN Scott, QC

Managers and Secretaries

Mid Wynd is managed by Baillie Gifford & Co, an investment management firm formed in 1927 out of the legal firm Baillie & Gifford, WS, which had been involved in investment management since 1908.

Baillie Gifford are among the largest investment trust managers in the UK and currently manage eight investment trusts. Baillie Gifford also manage unit trusts and Open Ended Investment Companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford total around £80 billion. Based in Edinburgh, they are one of the leading privately owned investment management firms in the UK, with 37 partners and a staff of around 700.

The manager of Mid Wynd's portfolio is Michael MacPhee, a partner of Baillie Gifford.

The firm of Baillie Gifford & Co is authorised and regulated by the Financial Services Authority.

Capital

At 30 June	Total assets * £'000	Bank loans £'000	Shareholders' funds £'000	Net asset value per share (at par) p	Share price p	Premium/ (discount) † %
2002	33,671	1,861	31,810	126.5	110.0	(13.1)
2003	31,425	1,737	29,688	118.1	100.2	(15.2)
2004	35,053	1,654	33,399	132.9	105.2	(20.8)
2005#	40,209	1,674	38,535	153.3	122.2	(20.3)
2006	46,672	1,622	45,050	179.2	150.6	(16.0)
2007	52,590	2,422	50,168	199.6	168.5	(15.6)
2008	51,411	1,422	49,989	198.9	164.8	(17.1)
2009	40,953	1,888	39,065	155.4	134.5	(13.4)
2010	55,409	5,347	50,062	201.8	187.0	(7.3)
2011	71,795	5,506	66,289	251.4	254.0	1.0
2012	**66,763**	**4,927**	**61,836**	**230.2**	**230.8**	**0.2** ‡

* Total assets comprise total net assets before deduction of bank loans.
† Premium/(discount) is the difference between Mid Wynd's quoted share price and its underlying net asset value (at par).
# The figures prior to 2005 have not been restated for the changes in accounting policies implemented in 2006.
‡ At 30 June 2012 the net asset value after deducting borrowings at fair value was 229.8p. The premium on the same basis was 0.4%.

Revenue / Gearing Ratios

Year to 30 June	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings per share p	Dividend paid and proposed per share (net) ¶ p	Ongoing charges § %	Actual gearing ^	Potential gearing **
2002	858	512	2.04	1.78	0.86	82	106
2003	887	533	2.12	1.84	0.93	83	106
2004	721	406	1.61	1.84	0.98	95	105
2005#	833	475	1.89	1.88	0.90	92	104
2006	996	564	2.24	2.10	0.94	96	104
2007	1,113	649	2.59	2.40	0.84	99	105
2008	1,561	1,020	4.06	2.80	0.82	86	103
2009	1,336	818	3.25	3.00	0.77	87	105
2010	1,263	847	3.37	3.10	0.87	105	111
2011	1,338	876	3.43	3.30	0.83	101	108
2012	**1,259**	**780**	**2.93**	**3.30**	**0.87**	**101**	**108**

¶ The 2008 dividend excludes the special dividend of 2.30p (0.46p if adjusted for the share split in October 2011).
§ Ratio of total operating costs to average shareholders' funds. The 2008 figure excludes the impact of VAT recovered. With effect from 2009 operating costs are calculated without any deduction for corporation tax relief thereon. Figures prior to 2009 have been restated accordingly.
^ Total assets (including all debt used for investment purposes) less all cash and fixed interest securities (excluding unquoteds) divided by shareholders' funds.
** Total assets (including all debt used for investment purposes) divided by shareholders' funds.
# The figures prior to 2005 have not been restated for the changes in accounting policies implemented in 2006.

Cumulative Performance (taking 2002 as 100)

At 30 June	Net asset value per share (at par)	Net asset value total return ^^	Share price	Share price total return ^^	FTSE World Index (in sterling terms) ^^	FTSE World Index (in sterling terms) total return ^^	Revenue earnings per share	Dividend paid and proposed per share (net) ¶	Retail price index ^^
2002	100	100	100	100	100	100	100	100	100
2003	93	95	91	93	89	91	104	103	103
2004	105	109	96	100	99	103	79	103	106
2005#	120	126	111	118	109	117	93	106	109
2006	142	149	137	147	123	134	110	118	113
2007	158	168	153	167	139	155	127	135	118
2008	157	170	150	166	124	142	199	157	123
2009	123	135	122	139	104	123	160	169	121
2010	159	179	170	197	125	151	166	174	127
2011	199	226	231	271	149	185	169	185	133
2012	**182**	**210**	**210**	**250**	**139**	**178**	**144**	**185**	**137**
Compound annual returns									
5 year	2.9%	4.5%	6.5%	8.4%	–	2.8%	2.5%	6.6%	3.1%
10 year	6.2%	7.7%	7.7%	9.6%	3.4%	6.0%	3.7%	6.4%	3.2%

^^ Source: Thomson Reuters Datastream.
¶ The 2008 dividend excludes the special dividend of 2.30p (0.46p if adjusted for the share split in October 2011).
# The figures prior to 2005 have not been restated for the changes in accounting policies implemented in 2006.

Total return: with net income reinvested.
Past performance is not a guide to future performance.
All per share figures have been restated for the five for one share split in October 2011.

Performance Attribution for the year to 30 June 2012 (in sterling terms)

Computed relative to the FTSE World Index (in sterling terms) with net income reinvested.

Portfolio breakdown	Index allocation 30.06.11	Index allocation 30.06.12	Mid Wynd asset allocation 30.06.11	Mid Wynd asset allocation 30.06.12	Performance * Mid Wynd %	Performance * Index %	Contribution to relative return %	Contribution attributable to stock selection %	Contribution attributable to asset allocation † %
UK	8.5	8.6	26.3	30.9	2.6	(2.6)	1.7	1.5	0.2
Europe ex UK	19.3	16.1	22.0	20.6	(9.2)	(20.1)	2.2	2.7	(0.5)
North America	48.6	52.8	15.9	22.4	(13.8)	5.9	(6.7)	(3.6)	(3.1)
Asia Pacific including Japan	16.4	16.1	8.3	5.9	(12.2)	(7.3)	(0.1)	(0.4)	0.3
Emerging Markets	7.2	6.4	27.0	20.1	(10.0)	(13.0)	(0.5)	0.9	(1.4)
Bonds	–	–	6.6	5.4	8.2	–	0.8	–	0.8
Futures	–	–	–	–	–	–	0.6	–	0.6
Cash	–	–	2.2	2.6	–	–	(1.0)	–	(1.0)
Loans	–	–	(8.3)	(7.9)	(1.0)	–	(0.2)	–	(0.2)
Total	**100.0**	**100.0**	**100.0**	**100.0**	**(6.6)**	**(3.5)**	**(3.2)**	**1.1**	**(4.3)**

Past performance is not a guide to future performance.

Source: Statpro/Baillie Gifford & Co

* The above returns are calculated on a total return basis with net income reinvested. Mid Wynd's figures represent the returns on the Company's portfolio and the index figures for each geographical area represent the return on the appropriate FTSE index.

† Asset allocation includes the contribution attributable to currency movements.

Contributions cannot be added together as they are geometric; for example, to calculate how a return of -6.6% against an index return of -3.5% translates into a relative performance of -3.2%, divide the portfolio performance of 93.4 by the index year end figure of 96.5 and subtract one.

Investment Changes (£'000)

	Valuation at 30 June 2011	Net acquisitions/ (disposals)	Appreciation/ (depreciation)	Valuation at 30 June 2012
Equities*:				
UK	17,415	1,517	183	19,115
Continental Europe	14,580	(310)	(1,523)	12,747
North America	10,555	5,032	(1,727)	13,860
Asia Pacific including Japan	5,525	(1,057)	(811)	3,657
Emerging Markets	17,923	(3,401)	(2,090)	12,432
Total equities	65,998	1,781	(5,968)	61,811
Bonds:				
Sterling bonds	1,119	(1,391)	272	–
Euro bonds	301	834	138	1,273
US dollar bonds	2,003	140	(60)	2,083
Brazilian real bonds	939	(953)	14	–
Total bonds	4,362	(1,370)	364	3,356
Total investments	70,360	411	(5,604)	65,167
Net liquid assets	1,435	618	(457)	1,596
Total assets	**71,795**	**1,029**	**(6,061)**	**66,763**

The figures above for total assets are made up of total net assets before deduction of the bank loans.

* Equities include limited partnerships, unit trusts, OEICs, SICAVs, index options and convertible loan notes expected to convert to equity.

Top Ten and Bottom Ten Contributors to Performance

For the year ended 30 June 2012

Top Ten

Name	Contribution (%)
IP Group	4.2
TJX Companies	0.6
The Biotech Growth Trust	0.6
Curis	0.5
BIM Birlesik Magazalar	0.5
Marine Harvest	0.4
Better Capital	0.3
Intuitive Surgical	0.3
Falkland Oil and Gas	0.3
Seattle Genetics	0.3

Bottom Ten

Name	Contribution (%)
Digital Garage	(0.7)
Ocean Wilsons	(0.7)
ASOS.com	(0.6)
Research In Motion	(0.6)
Aixtron	(0.5)
HaloSource	(0.5)
Sino-Forest	(0.5)
Yoox.com	(0.5)
Level E Maya Fund	(0.5)
Craneware	(0.5)

Thirty Largest Holdings

Name	Region	Business	2012 Value £'000	2012 % of total assets	2011 Value £'000
IP Group	United Kingdom	Commercialisation of intellectual property	3,791	5.7	1,254
Level E Maya Fund	United Kingdom	Artificial intelligence based algorithmic trading	2,129	3.2	2,454
Odontoprev	Emerging Markets	Dental health services – Brazil	2,127	3.2	2,286
Reinet Investments SCA	Continental Europe	Investment holding company	1,929	2.9	993
Kone	Continental Europe	Elevators	1,680	2.5	1,704
Ocean Wilsons	United Kingdom	Tugboats, platform supply vessels and container handling – Brazil	1,344	2.0	1,755
Marine Harvest	Continental Europe	Salmon farming	1,300	1.9	359
BIM Birlesik Magazalar	Emerging Markets	Discount food stores – Turkey	1,193	1.8	588
Better Capital	United Kingdom	Fund investing in distressed businesses	1,114	1.7	885
The Biotech Growth Trust	United Kingdom	Biotechnology investment trust	1,064	1.6	723
MMX Mineracao e Metalicos	Emerging Markets	Port – royalties based on iron ore shipments	1,037	1.6	601
Fuchs Petrolub	Continental Europe	Specialty lubricant manufacture	1,030	1.5	405
Schindler	Continental Europe	Elevators	999	1.5	1,061
Santos Brasil Participacoes	Emerging Markets	Container handling and logistics services – Brazil	921	1.4	1,064
Reynolds Group 9.5% 2017	Fixed Interest	Food and beverage packaging and storage company bond	903	1.4	–
TJX Companies	North America	Discount clothing and homeware stores	854	1.3	510
Naspers	Emerging Markets	Media company – South Africa and China	846	1.3	875
Yoox.com	Continental Europe	Online fashion retailer	823	1.2	1,399
Chariot Oil & Gas	Emerging Markets	Oil and gas exploration and production – Namibia	799	1.2	512
Doric Nimrod Air Two	United Kingdom	Fund to acquire, lease and sell A380 aircraft	792	1.2	–
ASOS.com	United Kingdom	Online fashion retailer	761	1.1	1,710
IG Group	United Kingdom	Spread betting	758	1.1	690
Athena Debt Opportunities Fund	Fixed Interest	Distressed debt fund	746	1.1	1,622
Curis	North America	Biopharmaceutical drug development	737	1.1	477
Dragon Oil	Emerging Markets	Oil and gas exploration and production – Turkmenistan	729	1.1	1,126
TOTVS	Emerging Markets	Application software for Latin American markets	719	1.1	481
Doric Nimrod Air One	United Kingdom	Fund to acquire, lease and sell A380 aircraft	716	1.1	637
Novozymes	Continental Europe	Enzyme producer	715	1.1	878
Seattle Genetics	North America	Biopharmaceuticals	712	1.1	467
CATCo Reinsurance Opportunities Fund	United Kingdom	Catastrophe reinsurance fund	701	1.1	685
			33,969	**51.1**	**28,201**

Classification of Investments

Classification	UK %	Continental Europe %	North America %	Asia Pacific incl. Japan %	Emerging Markets %	2012 Total %	2011 Total %
Equities*:							
Oil and gas producers	1.7	0.4	0.9	–	2.9	5.9	4.6
Oil equipment, services and distribution	0.5	0.8	–	–	–	1.3	2.6
Oil and Gas	2.2	1.2	0.9	–	2.9	7.2	7.2
Chemicals	0.1	1.5	–	–	–	1.6	1.2
Forestry and paper	–	–	–	–	–	–	0.1
Industrial metals	–	–	–	–	0.6	0.6	0.2
Mining	0.2	–	2.8	–	–	3.0	3.2
Basic Materials	0.3	1.5	2.8	–	0.6	5.2	4.7
Construction and materials	–	0.6	–	–	–	0.6	1.0
General industrials	–	0.8	–	–	1.0	1.8	0.6
Electronic and electrical equipment	0.8	–	–	–	–	0.8	0.7
Industrial engineering	–	4.0	–	–	–	4.0	4.6
Industrial transportation	4.3	–	–	–	3.0	7.3	5.6
Support services	–	–	0.9	1.0	–	1.9	–
Industrials	5.1	5.4	0.9	1.0	4.0	16.4	12.5
Beverages	–	–	–	–	–	–	0.6
Automobiles and parts	–	–	1.3	–	–	1.3	–
Food producers	–	1.9	–	–	–	1.9	1.3
Household goods	–	0.6	–	–	–	0.6	–
Personal goods	–	0.4	0.5	–	–	0.9	1.8
Tobacco	–	–	0.9	–	–	0.9	0.6
Consumer Goods	–	2.9	2.7	–	–	5.6	4.3
Healthcare equipment and services	–	0.7	0.8	–	3.2	4.7	6.5
Pharmaceuticals and biotechnology	1.2	1.1	2.6	–	0.5	5.4	5.1
Health Care	1.2	1.8	3.4	–	3.7	10.1	11.6
Food and drug retailers	–	–	–	–	1.8	1.8	0.8
General retailers	1.1	1.2	1.9	0.5	1.6	6.3	8.3
Media	–	–	0.9	0.9	1.3	3.1	1.8
Travel and leisure	–	1.0	1.9	0.8	–	3.7	3.9
Consumer Services	1.1	2.2	4.7	2.2	4.7	14.9	14.8
Fixed line telecommunications	–	–	–	–	–	–	4.5
Telecommunications	–	–	–	–	–	–	4.5
Electricity	–	–	–	–	–	–	0.6
Gas, water and multiutilities	0.4	–	–	–	–	0.4	0.4
Utilities	0.4	–	–	–	–	0.4	1.0
Banks	–	–	0.8	–	–	0.8	2.4
Real estate	–	1.0	–	–	–	1.0	1.8
General financial	6.0	0.1	1.6	–	1.8	9.5	5.4
Investment companies	10.9	2.9	–	0.4	0.1	14.3	13.0
Financials	16.9	4.0	2.4	0.4	1.9	25.6	22.6
Software and computer services	0.4	–	2.8	1.9	1.1	6.2	5.4
Technology hardware and equipment	1.0	–	–	–	–	1.0	3.4
Technology	1.4	–	2.8	1.9	1.1	7.2	8.8
Total Equities*	**28.6**	**19.0**	**20.6**	**5.5**	**18.9**	**92.6**	
Total Equities* – 2011	24.3	20.3	14.6	7.8	25.0		92.0
Bonds	–	1.9	3.1	–	–	5.0	6.0
Net Liquid Assets	(0.2)	0.1	2.5	–	–	2.4	2.0
Total Assets (before deduction of bank loans)	**28.4**	**21.0**	**26.2**	**5.5**	**18.9**	**100.0**	
Total Assets – 2011	25.8	21.2	17.4	7.8	27.8		100.0
Bank Loans	(3.7)	(3.7)	–	–	–	(7.4)	(7.7)
Shareholders' Funds	**24.7**	**17.3**	**26.2**	**5.5**	**18.9**	**92.6**	
Shareholders' Funds – 2011	23.0	19.5	17.4	4.6	27.8		92.3
Number of equity investments*	**27**	**17**	**28**	**7**	**17**	**96**	**113**

*Equities include limited partnerships, unit trusts, OEICs, SICAVs, index options and convertible loan notes expected to convert to equity.

Managers' Portfolio Review

The portfolio

Five of last year's top ten holdings remain top ten holdings this year. All continue to feature in the portfolio but some (Dragon Oil, Seadrill, Yoox, Athena Debt Opportunities Fund and ASOS) were reduced in scale. Modest changes have occurred in the size and composition of non equity holdings over the year. The real yield on Brazilian index-linked bonds fell and they were replaced by Venezuelan dollar bonds yielding above 12%. New holdings have been taken in Everglades Re, a Florida related catastrophe bond, and in Reynolds Group, the unlisted but indebted owner of the global number two company in aseptic packaging after Tetrapak. This is an industry we admire, but to which we would otherwise have no access. Bonds accounted for 5% of the portfolio as at year end compared to 6% in June 2011.

Ten largest holdings

IP Group

IP Group is a UK listed company with unique access to participate in the intellectual property output of many of the UK's best universities. From a wide base of small commercialisations, a small number of enterprises have risen to comprise the bulk of the value in the group. Already one of our largest holdings last year, news on many of its portfolio companies has been encouraging. Nowhere was this more evident than at Oxford Nanopore, an unlisted company in which IP Group has a substantial stake, which has announced what may be ground-breaking new technology in the field of DNA sequencing and small molecule analysis. We added to the IP Group position over the course of the year. The primary impetus, however, to the expanding size of our holding has been a share price rising to reflect improving underlying prospects. The shares have the potential to deliver further strong results over coming years.

Level E Maya

This is an investment in two parts. First, the Maya fund itself, and second, an option to invest in the unlisted asset management and intellectual property companies (Level E) that lie behind the fund. The Maya fund has produced rather disappointing overall returns to date, even if volatility has been as low as intended. The overall fund mix has been altered to increase further the sub-segment that is most likely to deliver attractive returns that are also uncorrelated to equity markets. As regards the option component, we have nearly 3 years remaining on the option held by the Company to participate directly in the equity of the management companies at Level E. Some third party inflows into these funds have started to take place and should prove helpful to the economics of the respective management companies. The bulk of potential upside for Mid Wynd shareholders lies in the possibility of meaningful ownership in a growing new asset management business. The option that confers this possibility is held at its book cost of zero. Should it be exercised, it would be in the context of improving economics for the management group.

Odontoprev

This is Brazil's leading dental plan company. We have seen the company deliver anticipated margin improvements following the important acquisition of Bradesco Dental. Scale and efficiency opportunities deriving from this are clearly paying off. As a strong market leader with economies of scale, its costs are rising more slowly than prices. Prices should have scope to continue to increase from fairly low levels. The determinant of future revenue trends may well be the group's ability to sell dental plans directly to Brazil's burgeoning middle classes, rather than simply supplying dental care as an adjunct to other employment benefits.

Kone

The lift business, and this applies almost as much to our other lift holding, Schindler, has continued to produce gratifying results. In particular for Kone, new orders, primarily from Asia, hold out the promise of continued expansion in the maintenance portfolio. Several small acquisitions of maintenance businesses have occurred over the course of the year as is the historical norm. Cash generation has been impressive and Kone has once again paid a special dividend to all shareholders in addition to its healthy and rising traditional dividend stream.

Ocean Wilsons

Wilson Sons, the main Brazilian operating company underlying this London listed holding company, is in the midst of an exciting expansion of its activities. The recent combination of the tug business with that of UltraTug has led to a very powerful offering up and down the Brazilian coastline. Cheap financing has been obtained to allow the expansion of the platform supply vessel production business. This is at a time when offshore activity is growing rapidly as the multi-decade project to exploit the Brazilian pre-salt oil resource gains momentum. Last, but not least, container port volumes have held up at high levels, and agricultural related exports continue to benefit from high prices. The remainder of Ocean Wilson's NAV lies in an investment portfolio, the results of which have been lacklustre over the past year or so. However, the discount at which the shares stand to the underlying combined net asset value has rarely been higher, and Mid Wynd continues periodically to add to its position here.

Marine Harvest

This is the world's leading salmon farming business. As Chilean supply continues to come back onstream following that country's uncontrolled over-expansion some years ago, salmon prices have remained rather weak over the course of the year. Marine Harvest, however, has managed to expand its own supply and constrain its cost base far better than in past cycles. The influence of the Fredriksen group ownership here, as in Seadrill, may be seen in the combination of persistent striving for operational excellence along with sensible capital allocation (and high levels of dividend payout) through the cycle. There is little argument that this is likely to remain a brutally cyclical industry even if ownership is now consolidated among fewer hands than in the past. We added to our holdings as new supply came on, and have lately enjoyed a boost in the share price as the market perhaps begins to anticipate the point at which demand again absorbs supply and salmon prices can begin to recover.

BIM

BIM is a Turkish hard discount food retail format with similarities to that of Aldi. Both the business and the local economy have thrived over most of the period of our ownership, now more than three years. This year has been no exception and the shares, to which we added, have started to feature among our larger holdings.

Better Capital

The clearest opportunities to make money domestically in the UK are likely to stem from company failures of the past several years. This specialist fund aims to buy bankrupt or distressed businesses and reinvigorate them. It is sadly the case that many firms were run in good times by management that has proved inadequate in the downturn. It is equally undeniable that many such assets are now in the hands of bankers who lent too much money to uncertain propositions in a period of boom. In many such instances, simple changes, in the form of investment or cost cutting, can produce a very material improvement in trading.

Biotech Growth Trust

After a long period of research and development, many biotech firms are finally demonstrating strong results. Often assisted by technological advances, these firms are developing innovations that can transform healthcare in a way that mass marketed blockbuster drugs have largely failed to do. Valuations had fallen to low levels as markets lost patience. We chose to invest in this area via a fund as well as by directly capitalising on the analytical output of our own resources. NAV progression at BGT has taken it up the scale rankings of the Company's largest holdings.

MMXM11 Mineracao

This is a new holding for Mid Wynd, spun out from an old holding and added to in the autumn of 2011. It came about from the sale of the Sudeste port in Brazil to a mining company, MMX. MMXM11 is a bond-like structure that has rights to the payment from the new owner of the port. Holders of this security receive, in effect, U$5 per tonne of iron ore shipped through Sudeste with an inflation adjustment for US producer price indices. The related hinterland of mining undertakings and railroads is owned and run by a variety of companies, including MMX itself. Connection to Sudeste is made via transport systems that give the port a particularly favourable position. Port capacity stands at 50m tonnes but permission to double this is being actively sought. MMXM11 stands to benefit from any port and tonnage expansion but does not incur any of the related costs.

Transactions

Portfolio turnover was lower this year than last. It comprised the usual mixture of cutting back some successful holdings where a proportion of the upside opportunity had been captured, culling things that hadn't worked out and finding new ideas that appear to offer asymmetrically attractive potential returns.

Sales

We cut back in telecoms and within the energy and resources sectors, these being areas where the Company had enjoyed some success. Telstra, Chunghwa and Verizon had suffered, when we bought these holdings, from a perception of shrinking top lines, whereas we believed that mobile data finally offered them some leeway to combat that. The sector performed well as views shifted towards ours and we sold the shares. In oil, the quality of DNO's reserves had gone a long way to move the share price despite ongoing challenges of exporting oil from Kurdistan. EOG enjoyed a run up on the back of hopes for shale gas and shale oil. We share a belief in the latter but are somewhat sceptical about the former. Kenmare Resources had finally brought its Mozambican mineral sands project to full scale production and was increasingly perceived and valued as a takeover target.

Inevitably, we had our share of mistakes too. MIPS (in semi-conductor design), ITT Education (a tertiary education provider) and Aixtron (a maker of machines to produce light emitting diodes), all failed to live up to expectations and involved bad timing on our part. The purchase and subsequent retreat from both RIM (maker of Blackberry phones) and Peugeot (autos) proved the old adage about catching a falling knife, in both cases to our material disadvantage. We suffered from out and out fraud at Sino Forest (Chinese timber producer) and within the Vision Opportunities China fund (an investor in Chinese unquoted mid cap growth enterprises). Every year experience increases our awareness of the worth of studying management and their incentives when analysing investments. The driving forces behind owners and managers vary materially as do business cultures across the globe. OGX proved the point about being better to travel than to arrive as capex budgets raced upwards and oil flow rate projections moved in the opposite direction.

New purchases

Tripadvisor, Priceline.com, Facebook, Retroscreen Virology (IPO'd out of IP Group), Westport Innovations and Marketaxess are all companies that, in very different contexts, are in the process of creating entirely new markets for themselves. The trend, noted last year, of increasing exposure to technological innovation and internet related businesses, continues.

Such propositions can involve a wide range of possible outcomes and pose quite a challenge to traditional valuation methods. Historically, observers and analysts tend to be over-confident about their predictive powers. But in this area it is hard to be over-confident. Even the revenue line in such businesses is open to many different and equally valid prognoses. In principle, we view this as a prospective area, as uncertainty is generally off-putting for many investors, and in practice we are living in an era that is producing increasing numbers of such opportunities. Those of us who see what economists would call 'creative destruction' at work today need to be mindful to exploit as many opportunities to turn creativity into cash flow as we can find, at reasonable prices. The reward of a single large success here can outweigh the pain of several failures.

Unloved or hidden growth stocks is another area of investment interest and engagement. Harley Davidson (motorbikes) has gone through hard times, appeared to be rated by the market as damaged goods, but is starting to capture new kinds of customers and is expanding internationally from a modest start. Bang & Olufsen (sound systems) is finding new ways of using its audio expertise to enhance the enjoyment of luxury car owners. Teradyne is a semiconductor testing company potentially emerging from a multi-year bout of brutal industry-wide competition. Many peers have gone out of business. A positive outcome here would see the company with oligopolistic pricing power in a rapidly expanding market in years to come. Ultra Petroleum (a gas producer) has suffered materially as the spot price of US domestic natural gas has collapsed. However, at the present very low prices, all capital expenditure on shale gas has been suspended. It seems reasonable to expect some retracement of recent falls in spot prices and much improved profits for Ultra.

Other new buys, such as IHS (where our thesis sees enhanced monetisation over time of powerful industry databases), or First Republic Bank, which is about wealth management opportunities within the shell of what looks like and is priced like a regular bank, are more recognisable long term, cash generative businesses. The upside may be less spectacular and tends to rely on good old-fashioned persistent hard work and management execution, but the odds of achieving that upside are often appealing.

Summary

This has been a frustrating year both relatively and absolutely: US market returns were markedly superior whereas European and developing markets fell short. It is of some consolation that stock selection boosted returns, as shown on page 10 – we are essentially stock pickers whose geographic ambitions are limited to investing in a diverse range of companies and maintaining a long range perspective.

Classification	Name	Business	Value £'000	%
United Kingdom				
Oil and gas producers	Borders and Southern Petroleum	Oil and gas exploration – Falkland Islands	174	
	Falkland Oil and Gas	Oil and gas exploration and production – Falkland Islands	517	
	President Petroleum	Oil and gas exploration and production – USA and Australia	391	
			1,082	1.7
Oil equipment, services and distribution	Petrofac	Engineering services – Middle East	347	0.5
Chemicals	HaloSource	Clean water technology	79	0.1
Mining	Hambledon Mining	Gold mining and exploration – Kazakhstan	124	0.2
Electronic and electrical equipment	Renishaw	Robotic probes	566	0.8
Industrial transportation	Doric Nimrod Air One	Fund to acquire, lease and sell A380 aircraft	716	
	Doric Nimrod Air Two	Fund to acquire, lease and sell A380 aircraft	792	
	Ocean Wilsons	Tugboats, platform supply vessels and container handling – Brazil	1,344	
			2,852	4.3
Pharmaceuticals and biotechnology	Genus	Livestock farming products	602	
	Retroscreen Virology	Clinical and pre-clinical services	223	
			825	1.2
General retailers	ASOS.com	Online fashion retailer	761	1.1
Gas, water and multiutilities	Igas Energy	Coal bed methane gas production – UK	241	0.4
Banks	NBNK Investments	UK High Street banking	31	0.0
General financial	FTSE100 5500 Call Option Dec 12	Equity index call option	233	
	IP Group	Commercialisation of intellectual property	3,791	
			4,024	6.0
Investment companies	Altus Resource Capital	Metal and mineral mining investment company	587	
	Better Capital	Fund investing in distressed businesses	1,114	
	Burford Capital	Fund of lawsuits	572	
	CATCo Reinsurance Opportunities Fund (C shares)	Catastrophe reinsurance fund	701	
	Damille Investments II	Investment fund	280	
	IG Group	Spread betting	758	
	Level E Maya Fund	Artificial intelligence based algorithmic trading	2,129	
	The Biotech Growth Trust	Biotechnology investment trust	1,064	
			7,205	10.9
Software and computer services	Craneware	Business management software to healthcare industry	287	0.4
Technology hardware and equipment	Nanoco	Quantum dot manufacture, second generation LEDs	691	1.0
Total United Kingdom Equities			**19,115**	**28.6**
Continental Europe				
Oil and gas producers	Petroceltic	Oil and gas exploration and production – Algeria, Italy and Kurdistan	283	0.4
Oil equipment, services and distribution	Seadrill	Deep water oil rigs	541	0.8
Chemicals	Fuchs Petrolub	Specialty lubricant manufacture	1,030	1.5
Construction and materials	Geberit	Plumbing systems	375	0.6
General industrials	CFAO	Specialised consumer distribution in Africa	522	0.8
Industrial engineering	Kone	Elevators	1,680	
	Schindler	Elevators	999	
			2,679	4.0

Classification	Name	Business	Value £'000	%
Continental Europe (continued)				
Food producers	Marine Harvest	Salmon farming	1,300	1.9
Household goods	Bang & Olufsen	Audiovisual equipment	418	0.6
Personal goods	Richemont	Luxury goods	297	0.4
Healthcare equipment and services	Essilor	Ophthalmology	452	0.7
Pharmaceuticals and biotechnology	Novozymes	Enzyme producer	715	1.1
General retailers	Yoox.com	Online fashion retailer	823	1.2
Travel and leisure	Edenred	Prepaid service vouchers	674	1.0
Real estate	Deutsche Wohnen	Residential property – Germany	635	1.0
General financial	EuroStoxx 50 2500 Call Option Dec 12	Equity index call option	74	0.1
Investment companies	Reinet Investments SCA	Investment holding company	1,929	2.9
Total Continental Europe Equities			**12,747**	**19.0**
North America				
Oil and gas producers	Niko Resources	Oil and gas exploration and production - Indonesia	111	
	Ultra Petroleum	Gas exploration and production	489	
			600	0.9
Mining	AuRico Gold	Gold mining – Canada, Australia, Mexico	349	
	Detour Gold	Gold mining – Canada	287	
	Eldorado Gold	Gold mining – Brazil, China, Greece & Turkey	487	
	Semafo	Gold mining – West Africa	265	
	Silver Wheaton	Silver streaming	517	
			1,905	2.8
Support services	IHS	Technical databases	583	0.9
Automobiles and parts	Harley-Davidson	Motorcycle manufacturer	364	
	Westport Innovations	Combustion technology	552	
			916	1.3
Personal goods	iRobot	Practical robots for domestic and military use	361	0.5
Tobacco	Philip Morris International	Tobacco	597	0.9
Healthcare equipment and services	Intuitive Surgical	Robotic minimally invasive surgical tools	565	0.8
Pharmaceuticals and biotechnology	Alnylam Pharmaceuticals	Biopharmaceuticals	265	
	Curis	Biopharmaceutical drug development	737	
	Seattle Genetics	Biopharmaceuticals	712	
			1,714	2.6
General retailers	O'Reilly Automotive	Automotive parts stores	433	
	TJX Companies	Discount clothing and homeware stores	854	
			1,287	1.9
Media	Facebook	Social networking website	615	0.9
Travel and leisure	Priceline.com	Online travel/hotel reservation service	623	
	Tripadvisor	Travel website	655	
			1,278	1.9
Banks	First Republic Bank San Francisco	Banking and wealth management	525	0.8
General financial	Marketaxess	Electronic bond trading platform	526	
	S&P 1225 Call Option Dec 12	Equity index call option	505	
			1,031	1.6

Classification	Name	Business	Value £'000	%
North America (continued)				
Software and computer services	Oracle	Database management systems	392	
	Salesforce.com 0.75% 2015 CV	Applications software (convertible)	629	
	Solera	Software services for automobile claims processing	458	
	Teradyne	Supplier of semi-conductor test equipment	404	
			1,883	2.8
Total North American Equities			**13,860**	**20.6**
Asia Pacific including Japan				
Support services	Seek	Online employment agency – Asia	684	1.0
General retailers	Start Today	Online fashion retailer – Japan	331	0.5
Media	M3	Medical-related internet services	572	0.9
Travel and leisure	Namco Bandai	Toys, arcade games and gaming software	539	0.8
Investment companies	Kenedix Realty Investment	Real estate investment fund – Japan	236	0.4
Software and computer services	Digital Garage	Internet business incubator – Japan	617	
	So-Net Entertainment	Internet services – Asia	678	
			1,295	1.9
Total Asia Pacific including Japan Equities			**3,657**	**5.5**
Emerging Markets				
Oil and gas producers	Chariot Oil & Gas	Oil and gas exploration and production – Namibia	799	
	Dragon Oil	Oil and gas exploration and production – Turkmenistan	729	
	Gulf Keystone Petroleum	Oil and gas exploration and production – Kurdistan	381	
			1,909	2.9
Industrial metals	Ferro Alloy Resources*	Vanadium and rare earths production – Kazakhstan	398	0.6
General industrials	Yingde Gases	Production and sale of industrial gases – China	656	1.0
Industrial transportation	MMX Mineracao e Metalicos	Port – royalties based on iron ore shipments	1,037	
	Santos Brasil Participacoes	Container handling and logistics services – Brazil	921	
			1,958	3.0
Healthcare equipment and services	Odontoprev	Dental health services – Brazil	2,127	3.2
Pharmaceuticals and biotechnology	Genomma Lab Internacional	Over-the-counter medicines – Mexico	316	0.5
Food and drug retailers	BIM Birlesik Magazalar	Discount food stores – Turkey	1,193	1.8
General retailers	MercadoLibre	eBay's Latin American partner	638	
	Sun Art Retail	Retail hypermarkets – China	401	
			1,039	1.6
Media	Naspers	Media company – South Africa and China	846	1.3
General financial	Cetip	Investment services – Brazil	683	
	Letshego	Micro-loans – Botswana	523	
			1,206	1.8
Investment companies	Vision Opportunity China Fund	Investment fund – China	65	0.1
Software and computer services	TOTVS	Application software for Latin American markets	719	1.1
Total Emerging Markets Equities			**12,432**	**18.9**
Total Equities			**61,811**	**92.6**

*denotes unlisted security.

Classification	Name	Business	Value £'000	%
Fixed Interest				
Euro denominated	Marfin 5% 19/03/2015 CV	Investment holding company – Greece	83	
	Reynolds Group 9.5% 2017	Food and beverage packaging and storage company bond	903	
	Semper Finance FRN SLP 2015	East German housing association funding	287	
			1,273	1.9
US dollar denominated	Athena Debt Opportunities Fund	Distressed debt fund	746	
	Everglades Re Ltd	Catastrophe reinsurance bond	684	
	K1 Life Settlements 0% 2016	Life settlements bond	215	
	Venezuela 9.25% 15/09/2027	Venezuelan bond	167	
	Venezuela 11.75% 21/10/2026	Venezuelan bond	271	
			2,083	3.1
Total Fixed Interest			**3,356**	**5.0**
Total Investments			**65,167**	**97.6**
Net Liquid Assets			**1,596**	**2.4**
Total Assets at Fair Value (before deduction of bank loans)			**66,763**	**100.0**

Directors' Report

The Directors present their Report together with the financial statements of the Company for the year to 30 June 2012.

Business Review

Business and Status

The Company is an investment company within the meaning of section 833 of the Companies Act 2006.

The Company carries on business as an investment trust. It was approved as an investment trust under section 1158 of the Corporation Tax Act 2010 for the year ended 30 June 2011, subject to matters that may arise from any subsequent enquiry by HM Revenue and Customs into the Company's tax return. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to seek such approval for the year ended 30 June 2012. In accordance with recent changes to section 1158, the Company has obtained approval as an investment trust from HM Revenue and Customs for accounting periods commencing on or after 1 July 2012.

Objective

The Company's objective is to achieve capital and income growth by investing on a worldwide basis.

Investment Policy

Mid Wynd seeks to meet its objective of achieving capital and income growth through investment principally in a portfolio of international quoted equities. Investments are selected for their inclusion within the portfolio solely on the basis of the strength of the investment case.

The Company is prepared to move freely between different markets, sectors, industries, market capitalisations and asset classes as investment opportunities dictate. The proportion of the portfolio invested in UK companies will not normally exceed 25%, and geographical and sectoral exposures are reported to, and monitored by, the Board in order to ensure that the portfolio provides adequate diversification. The total number of investments will typically be between 50 and 150.

Exposures to individual entities are monitored by the Board. On acquisition, no holding shall exceed 15% of the portfolio. Investment may also be made in funds (open and closed-ended) including those managed by Baillie Gifford & Co. The maximum permitted investment in UK listed investment companies in aggregate is 15% of gross assets. Assets other than equities will be purchased from time to time including but not limited to fixed interest holdings, unquoted securities and derivatives. Subject to prior Board approval, the Company may use derivatives for investment purposes or for efficient portfolio management (including reducing, transferring or eliminating investment risk in its investments and protection against currency risk).

It is an aim of the Trust to provide dividend growth over time, although this is subordinate to the primary aim of maximising total returns to shareholders.

While there is a comparative index for the purpose of measuring performance, no attention is paid to the composition of this index when constructing the portfolio and the composition of the portfolio is likely to vary substantially from that of the index. A long term view is taken and there may be periods when the net asset value per share declines both in absolute terms and relative to the comparative index. The number of individual holdings will vary over time and the portfolio is managed on a global basis rather than as a series of regional sub-portfolios.

Borrowings are invested in equity and other markets as considered to be appropriate on investment grounds. The level of gearing is discussed by the Board and Managers at every Board meeting.

The portion of borrowings which is not invested in equities may be invested in fixed interest or other liquid securities. Except in exceptional circumstances the Board will not take out additional borrowings if, at the time of borrowing, this would take the level of effective gearing to equities beyond 130%. Equity exposure will, on occasions, be below 100% of shareholders' funds.

Details of investment strategy and activity this year can be found in the Chairman's Statement on pages 4 and 5 and the Managers' Review on pages 12 to 14.

Premium/Discount

The Board recognises that it is in the long term interests of shareholders to maintain a share price as close as possible to net asset value and believes that the prime driver of premiums/discounts over the longer term is performance. The Company issues shares at such times as the premium indicates that demand is not being met by natural liquidity in the market, and buys back when discounts widen. During the year the Company issued 500,000 ordinary shares with a nominal value of £25,000, raising £1,190,000, and no shares were bought back. No shares were bought back or issued between 30 June 2012 and the date of this report.

Performance

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives.

The key performance indicators (KPIs) used to measure the progress and performance of the Company over time are established industry measures and are as follows:

- the movement in net asset value per ordinary share compared to the FTSE World Index;
- the movement in the share price;
- the premium/discount;
- the ongoing charges ratio; and
- dividend per share.

The one, five and ten year records for the KPIs can be found on pages 2, 3 and 8 respectively.

Results and Dividends

The net asset value per share (after deducting borrowings at fair value) decreased by 8.6% during the year, compared to a decrease in the comparative index of 6.2%. The premium moved from 1.0% to 0.4% and the ongoing charges ratio was 0.87%.

The Board recommends a final dividend of 2.0p per ordinary share which, together with the interim already paid, makes a total of 3.3p for the year, equivalent to the 3.3p for the previous year (16.5p adjusted for the October 2011 share split).

If approved, the recommended final dividend on the ordinary shares will be paid on 12 October 2012 to shareholders on the register at the close of business on 7 September 2012. The ex-dividend date is 5 September 2012. The Company's Registrar offers a Dividend Reinvestment Plan (see page 54) and the final date for receipt of elections for this dividend is 21 September 2012.

Borrowings

During the year the Company's loan facilities with Lloyds TSB Scotland expired and were replaced with €3 million and £2.5 million 3 year fixed-rate loans with Scotiabank Europe, both of which expire 20 February 2015.

Review of the Year and Future Trends

A review of the main features of the year and the investment outlook is contained in the Chairman's Statement and the Managers' Review on pages 4 to 5 and 12 to 14 respectively.

Principal Risks and Uncertainties

The Company's assets consist mainly of listed securities and its principal risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 20 to the financial statements on pages 45 to 50.

Other risks faced by the Company include the following:

Regulatory risk – failure to comply with applicable legal and regulatory requirements could lead to suspension of the Company's Stock Exchange Listing, financial penalties or a qualified audit report. Breach of Section 1158 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on capital gains.

The Managers monitor investment movements and the level of forecast income and expenditure to ensure the provisions of Section 1158 are not breached. Baillie Gifford's heads of Business Risk & Internal Audit and Regulatory Risk provide regular reports to the Audit Committee on Baillie Gifford's monitoring programmes.

Major regulatory change could impose disproportionate compliance burdens on the Company. In such circumstances representation is made to ensure that the special circumstances of investment trusts are recognised.

Operational/Financial Risk – failure of the Managers' accounting systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. The Managers have a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption or major disaster. The Board reviews the Managers' Report on Internal Controls and the reports by other key third party providers are reviewed by the Managers on behalf of the Board.

Premium/Discount Volatility – the premium/discount at which the Company's shares trade can change. The Board monitors the level of premium/discount and the Company has authority to issue or buy back its own shares.

Gearing Risk – the Company may borrow money for investment purposes. If the investments fall in value, any borrowings will magnify the extent of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings.

All borrowings require the prior approval of the Board and gearing levels are discussed by the Board and Managers at every meeting. The majority of the Company's investments are in listed securities that are readily realisable.

Employees

The Company has no employees.

Social and Community Issues

As an investment trust, the Company has no direct social or community responsibilities. The Company however believes that it is in the shareholders' interests to consider environmental, social and governance factors when selecting and retaining investments. Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 24.

Corporate Governance

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the main principles of the June 2010 UK Corporate Governance Code (the 'Code') which can be found at www.frc.org.uk and the principles of the Association of Investment Companies (AIC) Code of Corporate Governance were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at www.theaic.co.uk.

Compliance

The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code.

The Board

The Board has overall responsibility for the Company's affairs. It has a number of matters reserved for its approval including strategy, investment policy, currency hedging, gearing, treasury matters, dividend and corporate governance policy. The Board also reviews the financial statements, investment transactions, revenue budgets and performance. Full and timely information is provided to the Board to enable the Board to function effectively and to allow Directors to discharge their responsibilities.

Following the retirement of Mr PMS Barron on 30 June 2012 and the appointment of Mr HJ Morgan and Mr AG Scott with effect from 21 May 2012 the Board comprises five Directors, all of whom are non-executive. On 30 June 2012 Mr RRJ Burns became Chairman. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The executive responsibility for investment management has been delegated to the Company's Managers and Secretaries, Baillie Gifford & Co, and, in the context of a Board comprising only non-executive Directors, there is no chief executive officer. The Senior Independent Director is Mr MCN Scott.

The Directors believe that the Board has a balance of skills and experience that enables it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on page 6.

There is an agreed procedure for Directors to seek independent professional advice, if necessary, at the Company's expense.

Terms of Appointment

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for inspection on request.

Under the provisions of the Company's Articles of Association, a Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting. Directors are required to submit themselves for re-election at least once every three years and Directors who have served for more than nine years offer themselves for re-election annually.

Independence of Directors

All the Directors are considered by the Board to be independent of the Managers and free of any business or other relationship which could interfere with the exercise of their independent judgement.

The Directors recognise the value of progressive refreshing of, and succession planning for, company boards and the Board's composition is reviewed annually. However, the Board is of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company, where continuity and experience can be a benefit to the board. The Board concurs with the view expressed in the AIC Code that long serving directors should not be prevented from being considered as independent.

Mr RRJ Burns and Mr MCN Scott, having served on the Board for more than nine years, offer themselves for re-election annually. Following formal performance evaluation, and notwithstanding their length of service, the Board has concluded that Mr RRJ Burns and Mr MCN Scott continue to demonstrate independence of character and judgement and their skills and experience add significantly to the strength of the Board. The Board believes that none of the other commitments of Mr RRJ Burns and Mr MCN Scott, as set out on page 6 of this report, interfere with the discharge of their duties to the Company and the Board is satisfied that they are capable of devoting sufficient time to the Company.

Meetings

There is an annual cycle of Board meetings which is designed to address, in a systematic way, overall strategy, review of investment policy, investment performance, marketing, revenue budgets, dividend policy and communication with shareholders. The Board considers that it meets sufficiently regularly to discharge its duties effectively. The following table shows the attendance record for the Board and Committee Meetings held during the year. The Annual General Meeting was attended by all Directors.

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee
Number of meetings	**5**	**2**	**1**
PMS Barron	4	1	1
RRJ Burns	5	2	1
* HJ Morgan	1	–	–
RAR Napier	5	2	1
* AG Scott	1	–	–
MCN Scott	5	2	1

* Mr HJ Morgan and Mr AG Scott joined the Board with effect from 21 May 2012.

Nomination Committee

The Nomination Committee consists of the independent non-executive Directors and the Chairman of the Board is the Chairman of the Committee. The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference which include reviewing the Board, identifying and nominating new candidates for appointment to the Board, Board appraisal, succession planning and training. The Committee also considers whether Directors should be recommended for re-election by shareholders. The Committee is responsible for considering Directors' potential conflicts of interest and for making recommendations to the Board on whether or not the potential conflicts should be authorised. The terms of reference are available on request from the Company and on the Company's page of the Managers' website: www.midwynd.co.uk.

During the year, the Committee initiated the search for additional directors to broaden the skills base of the Board and in anticipation of the retirement of Mr PMS Barron. The Committee identified the skills and experience that would strengthen the Board, having due regard for the benefits of diversity on the Board. The Committee considered several high quality candidates and identified Mr Harry Morgan and Mr Alan Scott as the preferred candidates due to their retail investment experience. Both were appointed to the Board with effect from 21 May 2012. Given the quality of the candidates identified, it was not necessary either to appoint external search consultants or use open advertising.

Performance Evaluation

The Nomination Committee met to assess the performance of the Chairman, each Director, the Board as a whole and its Committees, after inviting each Director and the Chairman to consider and respond to an evaluation questionnaire. The appraisal of Mr Barron was led by Mr RRJ Burns.

The appraisals considered, amongst other criteria, the balance of skills of the Board, the contribution of individual Directors and the overall competency and effectiveness of the Board and its Committees during the year. Following this process it was concluded that the performance of each Director, the Chairman, the Board and its Committees continues to be effective and each Director and the Chairman remain committed to the Company.

A review of the Chairman's and the other Directors' commitments was carried out and the Nomination Committee is satisfied that they are capable of devoting sufficient time to the Company. There were no significant changes to the Chairman's other commitments during the year.

Induction and Training

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee. Briefings were provided during the year on industry and regulatory matters, taxation and company law. Directors receive other relevant training as necessary.

Remuneration

As all the Directors are non-executive there is no requirement for a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 27 and 28.

Internal Controls and Risk Management

The Directors acknowledge their responsibility for the Company's risk management and internal controls systems and for reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company in accordance with the guidance 'Internal Control: Revised Guidance for Directors on the Combined Code'.

The Directors confirm that they have reviewed the effectiveness of the Company's risk management and internal controls systems and they have procedures in place to review their effectiveness on a regular basis. No significant weaknesses were identified in the year under review.

The practical measures to ensure compliance with regulation and company law, and to provide effective and efficient operations and investment management, have been delegated to the Managers and Secretaries, Baillie Gifford & Co, under the terms of the Management Agreement. The practical measures in relation to the design, implementation and maintenance of control policies and procedures to safeguard the assets of the Company and to manage its affairs properly, including the maintenance of effective operational and compliance controls and risk management, have also been delegated to Baillie Gifford & Co. The Board acknowledges its responsibilities to supervise and control the discharge by the Managers and Secretaries of their obligations.

The Baillie Gifford & Co heads of Business Risk & Internal Audit and Regulatory Risk provide the Board with regular reports on Baillie Gifford & Co's monitoring programmes. The reporting procedures for these departments are defined and formalised within a service level agreement. Baillie Gifford & Co conduct an annual review of their system of internal controls which is documented within an internal controls report which complies with Technical Release AAF 01/06 – Assurance Reports on Internal Controls of Service Organisations made available to Third Parties. This report is independently reviewed by Baillie Gifford & Co's auditors and a copy is submitted to the Audit Committee.

The Company's investments are segregated from those of Baillie Gifford & Co and their other clients through the appointment of The Bank of New York Mellon SA/NV as independent custodian of the Company's investments. The custodian prepares a report on its internal controls which is independently reviewed by KPMG LLP.

A detailed risk map is prepared which identifies the significant risks faced by the Company and the key controls employed to manage these risks.

These procedures ensure that consideration is given regularly to the nature and extent of the risks facing the Company and that they are being actively monitored. Where changes in risk have been identified during the year they also provide a mechanism to assess whether further action is required to manage the risks identified. The Board confirms that these procedures have been in place throughout the Company's financial year and continue to be in place up to the date of approval of this Report.

Internal Audit

The Audit Committee carries out an annual review of the need for an internal audit function. The Audit Committee continues to believe that the compliance and internal control systems and the internal audit function in place within the Managers and Secretaries provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

Accountability and Audit

The respective responsibilities of the Directors and the Auditors in connection with the financial statements are set out on pages 29 and 30.

Going Concern

In accordance with the Financial Reporting Council's guidance on going concern and liquidity risk, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern. The Company's assets, the majority of which are investments in listed securities which are readily realisable, exceed its liabilities significantly. The Board approves borrowing limits and reviews regularly the amount of any borrowings and compliance with borrowing covenants. Accordingly, the financial statements have been prepared on the going concern basis as it is the Directors' opinion that the Company will continue in operational existence for the foreseeable future.

Audit Committee

An Audit Committee has been established consisting of all the independent non-executive Directors. Its authority and duties are clearly defined within its written terms of reference which are available on request and on the Company's page of the Managers' website: www.midwynd.co.uk. Mr RAR Napier is Chairman of the Audit Committee. The Committee's responsibilities which were discharged during the year include:

- monitoring and reviewing the integrity of the half-yearly and annual financial statements and any formal announcements relating to the Company's financial performance;
- reviewing the adequacy and effectiveness of internal control and risk management systems;
- making recommendations to the Board in relation to the appointment of the external auditors and approving the remuneration and terms of their engagement;
- developing and implementing policy on the engagement of the external auditors to supply non-audit services (there were no non-audit services during the year);
- reviewing and monitoring the independence, objectivity and effectiveness of the external auditors;
- reviewing the arrangements in place within Baillie Gifford & Co whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company;
- reviewing annually the terms of the Investment Management Agreement; and
- considering annually whether there is a need for the Company to have its own internal audit function.

Scott-Moncrieff are engaged as the Company's Auditors. Having considered the experience and tenure of the audit partner and staff and the nature and level of services provided, the Committee remains satisfied with the Auditors' effectiveness. The audit partners responsible for the audit are rotated every 5 years and the current lead partner was appointed during the year following the sad death of Mr A Donaldson. There are no contractual obligations restricting the Company's choice of external auditor. The Committee receives confirmation from the Auditors that they have complied with the relevant UK professional and regulatory requirements on independence.

Relations with Shareholders

The Board places great importance on communication with shareholders. The Company's Managers meet regularly with shareholders and report shareholders' views to the Board. The Chairman is available to meet with shareholders as appropriate. Shareholders wishing to communicate with any members of the Board may do so by writing to them at the Company's Registered Office.

The Company's Annual General Meeting provides a forum for communication with all shareholders. The level of proxies lodged for each resolution is announced at the Meeting and is published on the Company's page of the Managers' website: www.midwynd.co.uk subsequent to the meeting. The notice period for the Annual General Meeting is at least twenty working days. Shareholders and potential investors may obtain up-to-date information on the Company at www.midwynd.co.uk.

Corporate Governance and Stewardship

The Company has given discretionary voting powers to the Investment Managers, Baillie Gifford & Co. The Managers vote against resolutions they consider may damage shareholders' rights or economic interests.

The Company believes that it is in the shareholders' interests to consider environmental, social and governance (ESG) factors when selecting and retaining investments and have asked the Managers to take these issues into account as long as the investment objectives are not compromised. The Managers do not exclude companies from their investment universe purely on the grounds of ESG factors but adopt a positive engagement approach whereby matters are discussed with management with the aim of improving the relevant policies and management systems and enabling the Managers to consider how ESG factors could impact long term investment returns. The Managers' Statement of Compliance with the UK Stewardship Code can be found on the Managers' website at www.bailliegifford.com. The Managers' policy has been reviewed and endorsed by the Board.

The Managers are signatories of the United Nations Principles for Responsible Investment and the Carbon Disclosure Project.

Conflicts of Interest

Each Director submits a list of potential conflicts of interest to the Nomination Committee on an annual basis. The Committee considers these carefully, taking into account the circumstances surrounding them, and makes a recommendation to the Board on whether or not the potential conflicts should be authorised. Board authorisation is for a period of one year. Having considered the lists of potential conflicts there were no situations which gave rise to a direct or indirect interest of a Director which conflicted with the interests of the Company.

Bribery Act 2010

The Company has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. The Managers also adopt a zero tolerance approach and have policies and procedures in place to prevent bribery.

Investment Managers

The Board as a whole fulfils the function of the Management Engagement Committee. An Investment Management Agreement between the Company and Baillie Gifford & Co sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The notice period for terminating the Management Agreement is 12 months. Careful consideration has been given by the Board as to the basis on which the management fee is charged. The Board considers that maintaining a relatively low ongoing charges ratio is in the best interests of all shareholders as lower costs mean higher returns, particularly when compounded over long periods. The Board is also of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence over the long term performance. Details of the fee arrangements with Baillie Gifford & Co are shown on page 38.

The Board considers the Company's investment management and secretarial arrangements on an ongoing basis and a formal review is conducted annually. The Board considers, amongst others, the following topics in its review: the quality of the personnel assigned to handle the Company's affairs; the investment process and the results achieved to date; the administrative services provided by the Secretaries and the marketing efforts undertaken by the Managers. Following the most recent review it is the opinion of the Directors that the continuing appointment of Baillie Gifford & Co as Managers, on the terms agreed, is in the interests of shareholders as a whole.

Directors

Information about the Directors, including their relevant experience, can be found on page 6.

Mr PMS Barron retired on 30 June 2012. Mr RRJ Burns and Mr MCN Scott, having served for more than nine years, are subject to annual re-election and will therefore be retiring at the Annual General Meeting and will offer themselves for re-election. Mr RAR Napier, having served for three years since he was elected by shareholders, is required to retire and offers himself for re-election at the Annual General Meeting. Following formal performance evaluation, the Board considers that the performance of Mr RRJ Burns, Mr MCN Scott and Mr RAR Napier continues to be effective and each remains committed to the Company. Their contribution to the Board is greatly valued and the Board recommends their re-election to shareholders.

Mr HJ Morgan and Mr AG Scott, having been appointed to the Board with effect from 21 May 2012, are required to seek election by the shareholders at the Annual General Meeting. The Directors believe that the Board will benefit from their skills and experience and recommend their election to shareholders.

Director Indemnification and Insurance

The Company has entered into deeds of indemnity in favour of each of its Directors. The deeds cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against him. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person.

The Company also maintains directors' and officers' liability insurance.

Directors' Interests

Name	Nature of interest	Ordinary 5p shares held at 30 June 2012	Ordinary shares held at 30 June 2011*
PMS Barron	Beneficial	171,390	191,270
RRJ Burns	Beneficial	812,500	812,500
	Non-beneficial trustee	119,500	119,500
HJ Morgan	Beneficial	5,000	–†
RAR Napier	Beneficial	273,825	273,825
AG Scott	Beneficial	150,000	–†
MCN Scott	Beneficial	581,690	581,690
	Non-beneficial trustee	250,000	250,000

*Adjusted for share split.
†Appointed with effect from 21 May 2012.

The Directors at the year end, and their interests in the Company, were as shown above. There have been no changes intimated in these Directors' interests up to 14 August 2012.

Major Interests in the Company's Shares

Name	Ordinary 5p shares held at 30 June 2012	% of issue
Brewin Dolphin Securities Limited – Indirect	1,301,940	4.8
Mr MWMR MacPhee – Direct	1,158,315	4.3
Mr RRJ Burns – Direct	812,500	3.0
– Indirect	119,500	0.4

There have been no changes to the major interests in the Company's shares intimated up to 14 August 2012.

Share Capital

Capital Structure

The Company's capital structure consisted of 26,863,830 ordinary shares of 5p each at 30 June 2012 (2011 – 5,272,766 ordinary shares of 25p each). At the Company's Annual General Meeting held on 10 October 2011, shareholders approved the five-for-one share subdivision and on 11 October 2011 they received five shares of 5p each for every share of 25p previously held. There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attached to any of the shares.

Dividends

The ordinary shares carry a right to receive dividends. Interim dividends are determined by the Directors, whereas the proposed final dividend is subject to shareholder approval.

Capital Entitlement

On a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to ordinary shareholders in proportion to their shareholdings.

Voting

Each ordinary shareholder present in person or by proxy is entitled to one vote on a show of hands and, on a poll, to one vote for every share held.

Information on the deadlines for proxy appointments can be found on pages 52 and 53.

Annual General Meeting

The following business falls to be considered at the Annual General Meeting to be held at noon on Monday 8 October 2012.

Purchase of Own Shares

At the AGM in October 2011 the Company was granted authority to make market purchases of ordinary shares equivalent to 14.99% of its issued share capital, such authority to expire at the AGM of the Company to be held in 2012.

During the year under review no shares were bought back by the Company.

As at 14 August 2012, the Company had not bought back any shares since the year end. The principal reasons for share buy-backs are:

(i) to enhance the net asset value for continuing shareholders by purchasing shares at a discount to the prevailing net asset value; and

(ii) to address any imbalance between the supply of and demand for the Company's shares that results in a discount of the quoted market price to the published net asset value per ordinary share.

Resolution 13, which is being proposed as a special resolution, will authorise the Company to make market purchases of its own ordinary shares.

The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to make market purchases of up to 14.99% of the Company's ordinary shares in issue at the date of passing of the resolution, such authority to expire at the conclusion of the next Annual General Meeting of the Company or on the expiry of 15 months from the date of passing of the resolution, whichever is earlier.

In accordance with the Listing Rules of the UK Listing Authority, the maximum price (excluding expenses) that may be paid on the exercise of the authority will be the higher of:

(i) 5 percent above the average closing price of the ordinary shares (as derived from the Daily Official List of the London Stock Exchange) over the five business days immediately preceding the date of purchase; and

(ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange.

The minimum price (exclusive of expenses) that may be paid for any ordinary share is the nominal value thereof.

The authority will not of itself force the Company to make market purchases of its ordinary shares but it is considered desirable for the Company to have the power to purchase such shares when considered appropriate. The authority may be used by the Company to make a series of purchases of its ordinary shares or a single purchase of them and any purchase(s) of ordinary shares will be made within guidelines established by the Board from time to time.

The authority to make market purchases, if conferred, will only be exercised if the Directors are of the opinion that the net asset value per ordinary share will be enhanced for the continuing shareholders and it is considered to be in the best interests of shareholders generally or if the overall financial position of the Company was to benefit from such purchases. If the Company purchases any shares under this authority, it may cancel such shares or hold them in treasury. The Directors believe it is advantageous for the Company to have this choice. No dividends would be paid on treasury shares and the Company cannot exercise any rights (including any right to attend or vote at meetings) in respect of those shares. Shares will only be re-sold from treasury at a premium to the net asset value per ordinary share.

Authority to Allot Shares and Disapply Pre-emption Rights

Resolution 11 in the Notice of the Annual General Meeting seeks to renew the Directors' general authority to allot shares in the Company up to an aggregate nominal value of £447,685. This amount represents approximately 33.3% of the Company's total ordinary share capital in issue as at 14 August 2012 (the latest practicable date prior to publication of this document) and meets institutional guidelines.

Resolution 12, which is proposed as a special resolution, seeks to provide the Directors with authority to allot equity securities and to sell ordinary shares held in treasury on a non-pre-emptive basis for cash (i.e. without first offering them to existing shareholders pro-rata to their existing shareholdings) up to an aggregate nominal amount of £134,319 (representing approximately 10% of the issued share capital of the Company as at 14 August 2012) (the latest practicable date prior to publication of this document). The authorities sought in Resolutions 11 and 12 will continue until the earlier of the Annual General Meeting to be held in 2013 or the expiry of 15 months from the date of passing of these resolutions.

The Directors intend to use the authorities which will be conferred by Resolutions 11 and 12 at times when the share price stands at a premium to net asset value and natural liquidity is unable to meet demand. The Directors will not make any issue of new ordinary shares to investors unless they consider it advantageous to the Company to do so, and no issue of ordinary shares will be made pursuant to the authorisation in Resolution 12 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

During the year the Company issued and allotted 500,000 shares with a nominal value of £25,000 for total consideration of £1,190,000.

The Company does not hold any shares in treasury as at 14 August 2012, the latest practicable date prior to publication of this document. The Company does not have any warrants or options in issue.

Independent Auditors

The Auditors, Scott-Moncrieff, are willing to continue in office and resolutions concerning their reappointment and remuneration will be proposed at the Annual General Meeting.

Recommendation

The Directors unanimously recommend that shareholders vote in favour of the resolutions to be proposed at the Annual General Meeting as it is their view that the resolutions are in the best interests of the Company and its shareholders as a whole, consistent with the Directors' duty to act in the way most likely to promote the success of the Company for the benefit of its shareholders as a whole.

Creditor Payment Policy

It is the Company's payment policy for the forthcoming financial year to obtain the best terms for all business. In general, the Company agrees with its suppliers the terms on which business will take place and it is its policy to abide by these terms. The Company had no trade creditors at 30 June 2012 or 30 June 2011.

Disclosure of Information to Auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and the Directors have taken all the steps that they might reasonably be expected to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Richard RJ Burns
Chairman
16 August 2012

Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on page 30.

Remuneration Committee

The Company has five Directors all of whom are non-executive. There is no separate remuneration committee and the Board as a whole considers changes to Directors' fees from time to time. Baillie Gifford & Co, who have been appointed by the Board as Managers and Secretaries, provide advice when the Board considers the level of Directors' fees.

Policy on Directors' Fees

The Board's policy is that the remuneration of Directors should be set at a reasonable level that is commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain Directors of the appropriate quality and experience. It should also reflect the experience of the Board as a whole, be fair and should take account of the level of fees paid by comparable investment trusts. It is intended that this policy will continue for the year ending 30 June 2013 and subsequent years.

The Board carried out a review of the level of Directors' fees during the year and concluded that the annual fee payable to each Director should remain unchanged at £14,000, the Chairman's additional fee should remain at £5,000, and the Audit Committee Chairman's additional fee should remain at £1,500 per annum. Directors' fees were last increased on 1 July 2011.

The fees for the non-executive Directors are determined within an aggregate limit set out in the Company's Articles of Association, which currently stands at £125,000. Non-executive Directors are not eligible for any other remuneration apart from the reimbursement of allowable expenses.

Directors' Remuneration for the Year (audited)

Name	2012 £	2011 £
PMS Barron (retired 30 June 2012)	19,000	16,500
RRJ Burns	14,000	12,000
HJ Morgan (appointed 21 May 2012)	1,577	–
RAR Napier	15,500	12,000
AG Scott (appointed 21 May 2012)	1,589	–
MCN Scott	14,000	12,000
	65,666	**52,500**

The Directors who served in the year received the above remuneration in the form of fees.

Sums paid to Third Parties (audited)

The Directors' fees payable to RAR Napier were paid to Orlock Advisors Limited for making his services available as a Director of the Company. The Directors' fees payable to HJ Morgan were paid to Thomas Miller Investment Ltd.

Directors' Service Details

Name	Date of appointment	Due date for election/re-election
PMS Barron	9 May 1979	–
RRJ Burns	25 September 1981	AGM 2012
HJ Morgan	21 May 2012	AGM 2012
RAR Napier	10 August 2009	AGM 2012
AG Scott	21 May 2012	AGM 2012
MCN Scott	12 February 1990	AGM 2012

Directors' Service Contracts

It is the Board's policy that none of the Directors has a service contract. All of the Directors have been provided with appointment letters and the terms of their appointment provide that Directors shall retire and be subject to election at the first Annual General Meeting after their appointment. Thereafter they are obliged to retire every three years, and may, if they wish, offer themselves for re-election. The Board has also resolved that Directors who have served on the Board for more than nine years will submit themselves for re-election annually. There is no notice period and no provision for compensation upon early termination of appointment.

Company Performance

The following graph compares the total return (assuming all dividends are reinvested) to Mid Wynd's ordinary shareholders compared to the total shareholder return on a notional investment made up of shares in the component parts of the FTSE All-Share Index. This index was chosen for comparison purposes, as it is a widely used measure of performance for UK listed companies (FTSE World Index in sterling terms, which is the Company's comparative index, is provided for information purposes only).

Performance Graph

(figures rebased to 100 at 30 June 2007)

Source: Thomson Reuters Datastream

Mid Wynd's share price

FTSE World Index (in sterling terms)

FTSE All-Share

All figures are total returns (assuming net dividends are reinvested).

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 27 and 28 was approved by the Board of Directors and signed on its behalf on 16 August 2012.

Richard RJ Burns
Chairman

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors have delegated responsibility to the Managers for the maintenance and integrity of the Company's page of the Managers' website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed within the Directors and Management section confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Richard RJ Burns
Chairman
16 August 2012

Independent Auditors' Report

to the shareholders of Mid Wynd International Investment Trust PLC

We have audited the financial statements of Mid Wynd International Investment Trust PLC for the year ended 30 June 2012 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related notes. 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).

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of part 16 of the Companies Act 2006 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2012 and of its results 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 Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 23, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Iain D Lee (Senior Statutory Auditor) for and on behalf of
Scott-Moncrieff, Statutory Auditor
Exchange Place 3,
Semple Street
Edinburgh EH3 8BL
16 August 2012

Income Statement

For the year ended 30 June

	Notes	2012 Revenue £'000	2012 Capital £'000	**2012 Total £'000**	2011 Revenue £'000	2011 Capital £'000	**2011 Total £'000**
(Losses)/gains on investments	9	–	(5,604)	**(5,604)**	–	12,589	**12,589**
Gains on futures contracts	9	–	614	**614**	–	–	–
Currency losses	14	–	(346)	**(346)**	–	(117)	**(117)**
Income	2	1,259	–	**1,259**	1,338	–	**1,338**
Investment management fee	3	(151)	(151)	**(302)**	(159)	(159)	**(318)**
Other administrative expenses	4	(233)	–	**(233)**	(186)	–	**(186)**
Net return before finance costs and taxation		875	(5,487)	**(4,612)**	993	12,313	**13,306**
Finance costs of borrowings	5	(63)	(63)	**(126)**	(54)	(54)	**(108)**
Net return on ordinary activities before taxation		812	(5,550)	**(4,738)**	939	12,259	**13,198**
Tax on ordinary activities	6	(32)	–	**(32)**	(63)	–	**(63)**
Net return on ordinary activities after taxation		**780**	**(5,550)**	**(4,770)**	**876**	**12,259**	**13,135**
Net return per ordinary share	8	**2.93p**	**(20.88p)**	**(17.95p)**	**3.43p**	**48.00p**	**51.43p**

A final dividend for the year of 2.0p per share is proposed (2011 – 10.0p, equating to 2.0p following the share split) making a total of 3.3p for the year (2011 – 16.5p, equating to 3.3p following the share split).
More information on dividend distributions can be found in note 7 on page 39.

The total column of this statement is the profit and loss account of the Company.

All revenue and capital items in this statement derive from continuing operations. No operations were acquired or discontinued during the year.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

The accompanying notes on pages 36 to 50 are an integral part of the financial statements.

Balance Sheet

At 30 June

	Notes	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		65,167		70,360
Current assets					
Debtors	10	985		238	
Cash and deposits	20	1,239		1,359	
		2,224		1,597	
Creditors					
Amounts falling due within one year	11	(628)		(5,668)	
Net current assets/(liabilities)			1,596		(4,071)
Total assets less current liabilities			66,763		66,289
Creditors					
Amounts falling due after more than one year	12		(4,927)		–
Total net assets			**61,836**		**66,289**
Capital and reserves					
Called up share capital	13		1,343		1,318
Capital redemption reserve	14		16		16
Share premium	14		4,983		3,818
Capital reserve	14		54,004		59,554
Revenue reserve	14		1,490		1,583
Shareholders' funds	15		**61,836**		**66,289**
Net asset value per ordinary share					
(after deducting borrowings at fair value)	15		**229.8p**		**251.4p**
Net asset value per ordinary share					
(after deducting borrowings at par)	15		**230.2p**		**251.4p**

The financial statements of Mid Wynd International Investment Trust PLC (Company registration number SC042651) were approved and authorised for issue by the Board and were signed on 16 August 2012.

Richard RJ Burns
Chairman

The accompanying notes on pages 36 to 50 are an integral part of the financial statements.

Reconciliation of Movements in Shareholders' Funds

For the year ended 30 June 2012

	Notes	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	**Shareholders' funds £'000**
Shareholders' funds at 1 July 2011		1,318	16	3,818	59,554	1,583	**66,289**
Net return on ordinary activities after taxation	14	–	–	–	(5,550)	780	**(4,770)**
Shares issued	13	25	–	1,165	–	–	**1,190**
Dividends paid during the year	7	–	–	–	–	(873)	**(873)**
Shareholders' funds at 30 June 2012		**1,343**	**16**	**4,983**	**54,004**	**1,490**	**61,836**

For the year ended 30 June 2011

	Notes	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	**Shareholders' funds £'000**
Shareholders' funds at 1 July 2010		1,241	16	20	47,295	1,490	**50,062**
Net return on ordinary activities after taxation		–	–	–	12,259	876	**13,135**
Shares issued	13	77	–	3,798	–	–	**3,875**
Dividends paid during the year	7	–	–	–	–	(783)	**(783)**
Shareholders' funds at 30 June 2011		**1,318**	**16**	**3,818**	**59,554**	**1,583**	**66,289**

The accompanying notes on pages 36 to 50 are an integral part of the financial statements.

Cash Flow Statement

For the year ended 30 June

	Notes	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Net cash inflow from operating activities	16		691		828
Servicing of finance					
Interest paid		(129)		(109)	
Net cash outflow from servicing of finance			(129)		(109)
Financial investment					
Acquisitions of investments		(29,882)		(29,760)	
Disposals of investments		29,608		27,242	
Futures		200		–	
Realised currency (loss)/profit		(457)		42	
Net cash outflow from financial investment			(531)		(2,476)
Equity dividends paid			(873)		(783)
Net cash outflow before financing			(842)		(2,540)
Financing					
Shares issued		1,190		3,875	
Shares purchased for cancellation		–		(378)	
Bank loans repaid		(5,465)		–	
Bank loans drawn down		4,997		–	
Net cash inflow from financing			722		3,497
(Decrease)/increase in cash	17		**(120)**		**957**
Reconciliation of net cash flow to movement in net debt	17				
(Decrease)/increase in cash in the year			(120)		957
Net cash outflow from bank loans			468		–
Exchange movement on bank loans			111		(159)
Movement in net debt in the year			459		798
Net debt at 1 July			(4,147)		(4,945)
Net debt at 30 June			**(3,688)**		**(4,147)**

The accompanying notes on pages 36 to 50 are an integral part of the financial statements.

Notes to the Financial Statements

Contents

1 Principal Accounting Policies

A summary of the principal accounting policies, which are unchanged from the prior year and have been applied consistently, is set out below.

(a) Basis of Accounting

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments, and on the assumption that approval as an investment trust will continue to be granted.

The financial statements have been prepared in accordance with The Companies Act 2006, applicable United Kingdom accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' issued in January 2009.

In order to better reflect the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the profit and loss account between items of a revenue and capital nature has been presented in the income statement.

Financial assets and financial liabilities are recognised in the Company's balance sheet when it becomes a party to the contractual provisions of the instrument.

The Directors consider the Company's functional currency to be sterling as the Company's shareholders are predominantly based in the UK and the Company is subject to the UK's regulatory environment.

(b) Investments

Purchases and sales of investments are accounted for on a trade date basis.

Investments are designated as held at fair value through profit or loss on initial recognition and are measured at subsequent reporting dates at fair value. The fair value of listed investments is bid value or, in the case of FTSE 100 constituents, Japanese, Greek and Indian listed investments, at last traded prices. Listed investments include Open Ended Investment Companies ('OEICs') authorised in the UK and Société d'Investissement À Capital Variable ('SICAVs') authorised in Europe; these are valued at closing prices and are classified in the list of investments according to the principal geographical area of the underlying holdings.

The fair value of unlisted investments uses valuation techniques, determined by the Directors, based upon latest dealing prices, stockbroker valuations, net asset values and other information, as appropriate.

(c) Derivatives

The Company may use derivatives for the purpose of efficient portfolio management (including reducing, transferring or eliminating risk in its investments and protection against currency risk) and to achieve capital growth. Such instruments are recognised on the date of the contract that creates the Company's obligation to pay or receive cash flows and are measured as financial assets or liabilities at fair value at subsequent reporting dates, while the relevant contracts remain open. The fair value is determined by reference to the open market value of the contract.

Where the investment rationale for the use of derivatives is to hedge specific risks pertaining to the Company's portfolio composition, hedge accounting will only be adopted where the derivative instrument relates specifically to a single item, or group of items, of equal and opposite financial exposure, and where the derivative instrument has been explicitly designated as a hedge of such item(s) at the date of initial recognition. In all other circumstances changes in the fair value of derivative instruments are recognised immediately in the income statement as capital or revenue as appropriate.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

(e) Income

(i) Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Equity investment income includes distributions from Collective Investment Schemes other than those that relate to equalisation, which are treated as capital items.

(ii) Interest from fixed interest securities is recognised on an effective yield basis.

(iii) Unfranked investment income includes the taxes deducted at source.

(iv) Franked investment income is stated net of tax credits.

(v) Underwriting commission and interest receivable on deposits are recognised on an accruals basis.

(vi) If scrip is taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue account. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as capital.

(f) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows: where they relate directly to the acquisition or disposal of an investment, in which case they are added to the cost of the investment or deducted from the sale proceeds; and where they are connected with the maintenance or enhancement of the value of investments, in which case they are charged 50:50 to the revenue account and capital reserve.

(g) Finance Costs

Loan interest is accounted for on an accruals basis and is allocated 50:50 to the revenue account and capital reserve. Loan breakage costs are charged to the capital reserve.

(h) Deferred Taxation

Deferred taxation is provided on all timing differences which have originated but not reversed by the balance sheet date, calculated at the current tax rate relevant to the benefit or liability. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

(i) Dividend Distributions

Interim dividends are recognised in the period in which they are paid and final dividends are recognised in the period in which the dividends are approved by the Company's shareholders.

(j) Foreign Currencies

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Assets and liabilities in foreign currencies are translated at the closing rates of exchange at the balance sheet date, with the exception of forward exchange contracts which are valued at the forward rate ruling at the balance sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in capital reserve or revenue reserve as appropriate.

(k) Capital Reserve

Gains and losses on sales of investments, exchange differences of a capital nature and the amount by which the fair value of assets and liabilities differs from their book value are dealt with in this reserve. 50% of management fees and finance costs together with any associated tax relief are allocated to the capital reserve in accordance with the Company's objective of combining capital and income growth. Purchases of the Company's own shares are also funded from this reserve.

2 Income

	2012 £'000	2011 £'000
Income from investments		
Franked investment income	183	154
UK unfranked investment income	3	50
Overseas dividends	853	993
Overseas interest	219	138
	1,258	**1,335**
Other income		
Underwriting commission and commitment fees	1	3
	1	**3**
Total income	**1,259**	**1,338**
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	1,036	1,147
Interest from financial assets designated at fair value through profit or loss	222	188
Other income not from financial assets	1	3
	1,259	**1,338**

3 Investment Management Fee

	2012 Revenue £'000	2012 Capital £'000	**2012 Total £'000**	2011 Revenue £'000	2011 Capital £'000	**2011 Total £'000**
Investment management fee	151	151	**302**	159	159	**318**

Baillie Gifford & Co are employed by the Company as Managers and Secretaries under a management agreement which is terminable on not less than one year's notice, or on shorter notice in certain circumstances. The fee in respect of each quarter is 0.125% of the net assets of the Company attributable to its shareholders on the last day of that quarter. The management fee is levied on all assets, including, if applicable, holdings in collective investment schemes (OEICs) managed by Baillie Gifford & Co. However, the OEICs' share classes held by the Company do not incur management fees.

4 Other Administrative Expenses – all charged to revenue

	2012 £'000	2011 £'000
General administrative expenses	155	121
Directors' fees (see Directors' Remuneration Report on pages 27 and 28)	66	53
Auditors' remuneration for audit services	12	12
	233	**186**

5 Finance Costs of Borrowings

	2012 Revenue £'000	2012 Capital £'000	**2012 Total £'000**	2011 Revenue £'000	2011 Capital £'000	**2011 Total £'000**
Bank loans repayable within five years:						
Interest	63	63	**126**	54	54	**108**

6 Tax on Ordinary Activities

	2012 Revenue £'000	2012 Capital £'000	**2012 Total £'000**	2011 Revenue £'000	2011 Capital £'000	**2011 Total £'000**
Overseas taxation	32	–	**32**	63	–	**63**
Total tax	**32**	**–**	**32**	**63**	**–**	**63**

	2012 £'000	2011 £'000
The tax charge for the year is lower than the average standard rate of corporation tax in the UK (25.5%)		
The differences are explained below:		
Net return on ordinary activities before taxation	(4,738)	13,198
Net return on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 25.5% (2011 – 27.5%)	(1,208)	3,629
Effects of:		
Capital returns not taxable	1,361	(3,430)
Income not taxable (UK dividend income)	(47)	(42)
Income not taxable (overseas dividend income)	(203)	(265)
Overseas tax – non offsettable	32	63
Taxable losses in the year not utilised	97	108
Current tax charge for the year	**32**	**63**

As an investment trust, the Company's capital returns are not taxable.

The standard rate of corporation tax in the UK changed from 26% to 24% on 1 April 2012.

Factors that may affect future tax charges
At 30 June 2012 the Company had a potential deferred tax asset of £219,000 (2011 – £102,000) in respect of taxable losses which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been provided on these losses as it is considered unlikely that the Company will make suitable taxable revenue profits in excess of deductible expenses in future periods. The potential deferred tax asset has been calculated using a corporation tax rate of 24%. Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

7 Ordinary Dividends

	2012	2011	2012 £'000	2011 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 14 October 2011)	2.00p	1.80p	527	447
Interim (paid 5 April 2012)	1.30p	1.30p	346	336
	3.30p	**3.10p**	**873**	**783**

We also set out below the total dividends paid and payable in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £780,000 (2011 – £876,000).

	2012	2011	2012 £'000	2011 £'000
Dividends paid and payable in respect of the year:				
Interim dividend per ordinary share (paid 5 April 2012)	1.30p	1.30p	346	336
Proposed final dividend per ordinary share (payable 12 October 2012)	2.00p	2.00p	537	527
	3.30p	**3.30p**	**883**	**863**

8 Net Return per Ordinary Share

	2012 Revenue	2012 Capital	**2012 Total**	2011 Revenue	2011 Capital	**2011 Total**
Net return on ordinary activities after taxation	**2.93p**	**(20.88p)**	**(17.95p)**	**3.43p**	**48.00p**	**51.43p**

Revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £780,000 (2011 – £876,000), and on 26,577,628 (2011 – 25,541,500 – being 5,108,300 adjusted for the five for one share split) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share is based on the net capital loss for the financial year of £5,550,000 (2011 – net capital gain of £12,259,000), and on 26,577,628 (2011 – 25,541,500 – being 5,108,300 adjusted for the five for one share split) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

There are no dilutive or potentially dilutive shares in issue.

9 Fixed Assets – Investments

As at 30 June 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total £'000**
Securities				
Listed equities	57,843	2,129	–	**59,972**
Listed equity index options	812	–	–	**812**
Listed convertible securities	712	–	–	**712**
Listed debt securities	1,341	684	1,248	**3,273**
Unlisted equities	–	–	398	**398**
Total financial asset investments	**60,708**	**2,813**	**1,646**	**65,167**

As at 30 June 2011	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total £'000**
Securities				
Listed equities	63,318	2,454	–	**65,772**
Listed equity index options	73	–	–	**73**
Listed convertible securities	203	–	–	**203**
Listed debt securities	1,380	–	2,101	**3,481**
Unlisted equities	–	–	153	**153**
Unlisted debt securities	–	–	678	**678**
Total financial asset investments	**64,974**	**2,454**	**2,932**	**70,360**

Investments in securities are financial assets designated at fair value through profit or loss on initial recognition. In accordance with Financial Reporting Standard 29 'Financial Instruments: Disclosures', the preceding tables provide an analysis of these investments based on the fair value hierarchy described below which reflects the reliability and significance of the information used to measure their fair value.

Fair Value Hierarchy

The fair value hierarchy used to analyse the fair values of financial assets is described below. The levels are determined by the lowest (that is the least reliable or least independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

Level 1 – investments with quoted prices in an active market;

Level 2 – investments whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3 – investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data.

9 Fixed Assets – Investments (continued)

	Listed equities £'000	Unlisted equity £'000	Listed debt £'000	Unlisted debt £'000	**Total £'000**
Cost of investments held at 1 July 2011	49,688	152	3,264	1,005	**54,109**
Investment holding gains and losses at 1 July 2011	16,157	1	420	(327)	**16,251**
Fair value of investments held at 1 July 2011	**65,845**	**153**	**3,684**	**678**	**70,360**
Movements in year:					
Purchases at cost	27,760	253	1,899	–	**29,912**
Sales – proceeds	(26,232)	–	(2,289)	(1,005)	**(29,526)**
– (losses)/gains on sales	(1,088)	–	141	–	**(947)**
Amortisation of fixed interest book cost	–	–	25	–	**25**
Changes in investment holding gains and losses	(4,872)	(8)	(104)	327	**(4,657)**
Fair value of investments held at 30 June 2012	**61,413**	**398**	**3,356**	**–**	**65,167**
Cost of investments held at 30 June 2012	50,128	405	3,040	–	**53,573**
Investment holding gains and losses at 30 June 2012	11,285	(7)	316	–	**11,594**
Fair value of investments held at 30 June 2012	**61,413**	**398**	**3,356**	**–**	**65,167**

The purchases and sales proceeds figures above include transaction costs of £38,000 on purchases (2011 – £61,000) and £30,000 on sales (2011 – £28,000), making a total of £68,000 (2011 – £89,000).

Listed equities include OEICs, SICAVs, index options and convertible loan notes expected to convert to equity.

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy.

For the year to 30 June 2012	Value at 1 July 2011 £'000	Purchases/ amortisation * £'000	Sales proceeds £'000	Gains on sales £'000	Holding gains and losses £'000	**Value at 30 June 2012 £'000**
Listed debt	2,101	6	(772)	279	(366)	**1,248**
Unlisted debt	678	–	(1,005)	327	–	**–**
Unlisted equities	153	253	–	–	(8)	**398**
	2,932	**259**	**(1,777)**	**606**	**(374)**	**1,646**

*Purchases/amortisation includes amortisation of fixed income securities of £6,000.

The gains and losses included in the above table have all been recognised in the income statement on page 32. The Company believes that other reasonably possible alternative valuations for its Level 3 holdings would not be significantly different from those included in the financial statements.

For the year to 30 June 2011	Value at 1 July 2010 £'000	Purchases/ amortisation * £'000	Sales proceeds £'000	Gains on sales £'000	Holding gains and losses £'000	**Value at 30 June 2011 £'000**
Listed debt	1,558	200	(217)	52	508	**2,101**
Unlisted debt	335	510	–	–	(167)	**678**
Unlisted equities	–	152	–	–	1	**153**
	1,893	**862**	**(217)**	**52**	**342**	**2,932**

*Purchases/amortisation includes amortisation of fixed income securities of £25,000.

9 Fixed Assets – Investments (continued)

	2012 £'000	2011 £'000
Net (losses)/gains on investments designated at fair value through profit or loss on initial recognition		
Fixed asset investments		
(Losses)/gains on sales	(947)	5,020
Changes in investment holding gains and losses	(4,657)	7,569
	(5,604)	**12,589**
Equity index futures		
Realised gains on closed contracts	1,063	–
Changes in investment holding gains and losses	(449)	–
	614	**–**

Of the losses on sales of fixed asset investments of £947,000 (2011 – gains of £5,020,000) during the year, a net gain of £4,023,000 (2011 – £2,870,000) was included in the investment holding gains at the previous year end.

During the year the Company held shares in Open Ended Investment Companies (OEICs) managed by Baillie Gifford & Co, the Company's investment managers. The share classes held in the OEICs do not incur management fees. At 30 June the Company held:

	2012 C income shares held	2012 % of share class held	2011 C income shares held	2011 % of share class held
Baillie Gifford Japanese Smaller Companies Fund	–	–	60,764	100.0

The total value of the Company's holdings in investments managed by Baillie Gifford & Co at 30 June 2012 was nil (2011 – £699,000).

10 Debtors

	2012 £'000	2011 £'000
Amounts falling due within one year:		
Income accrued (net)	71	109
Sales for subsequent settlement	11	93
Amounts due from equity index futures brokers	863	–
Other debtors and prepayments	40	36
	985	**238**

None of the above debtors are financial assets designated at fair value through profit or loss. The carrying amount of debtors is a reasonable approximation of fair value.

11 Creditors – Amounts falling due within one year

	2012 £'000	2011 £'000
Lloyds TSB Scotland short term loan facility (see note 12)	–	2,000
Lloyds TSB Scotland multi-currency loan facility (see note 12)	–	3,506
Purchases for subsequent settlement	70	40
Unrealised losses on open futures contracts	449	–
Other creditors and accruals	109	122
	628	**5,668**

The above creditors of £449,000 in respect of unrealised losses on open futures contracts are financial liabilities designated at fair value through profit or loss. Included in other creditors is £77,000 (2011 – £83,000) in respect of the investment management fee.

12 Creditors – Amounts falling due after more than one year

	2012 £'000	2011 £'000
Bank loans	**4,927**	**–**

Borrowing facilities

A US$5 million multi-currency loan facility and a £2 million loan facility with Lloyds TSB Scotland plc expired on 27 February 2012.

Two three-year, fixed rate loan facilities, maturing 20 February 2015, were arranged with Scotiabank Europe PLC.

At 30 June 2012 drawings were as follows:

Scotiabank Europe – €3 million at an interest rate of 2.4780% per annum (2011 – €1.32 million at 1.7913% with Lloyds TSB)
– £2.5 million at an interest rate of 2.6530% per annum (2011 – £2 million at 2.3048% with Lloyds TSB)
– Nil yen borrowings (2011 – ¥300 million at 1.905% with Lloyds TSB)

The main covenants relating to the loans are:

(i) Total borrowings shall not exceed 33.33% of the Company's investment portfolio.
(ii) The Company's minimum net asset value shall be £32 million.

13 Called up Share Capital

	2012 Number	2012 £'000	2011 Number	2011 £'000
Allotted, called up and fully paid ordinary shares of 5p each	**26,863,830**	**1,343**	**–**	**–**
Allotted, called up and fully paid ordinary shares of 25p each	**–**	**–**	**5,272,766**	**1,318**

At the Company's Annual General Meeting in October 2011, shareholders approved a five for one share split and subsequently received five ordinary shares of 5p each for every ordinary share of 25p previously held.

In the year to 30 June 2012 the Company allotted 500,000 ordinary shares with a nominal value of £25,000 for total consideration of £1,190,000 (2011 – allotted 310,000 ordinary shares with a nominal value of £77,500 for consideration of £3,875,000). At 30 June 2012 the Company had authority to buy back 3,951,938 ordinary shares and to allot a further 2,136,383 ordinary shares without application of pre-emption rights in accordance with the authorities granted at the AGM in October 2011. Under the provisions of the Company's Articles of Association share buybacks are funded from the capital reserve.

14 Capital and Reserves

	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	**Shareholders' funds £'000**
At 1 July 2011	1,318	16	3,818	59,554	1,583	**66,289**
Losses on investments	–	–	–	(5,604)	–	**(5,604)**
Gains on futures contracts	–	–	–	614	–	**614**
Exchange differences on bank loans	–	–	–	111	–	**111**
Other exchange differences	–	–	–	(457)	–	**(457)**
Investment management fee	–	–	–	(151)	–	**(151)**
Finance costs of borrowings	–	–	–	(63)	–	**(63)**
Revenue return on ordinary activities after taxation	–	–	–	–	780	**780**
Shares issued	25	–	1,165	–	–	**1,190**
Dividends paid in the year	–	–	–	–	(873)	**(873)**
At 30 June 2012	**1,343**	**16**	**4,983**	**54,004**	**1,490**	**61,836**

The Revenue reserve is distributable by way of dividend.

15 Net Asset Value per Ordinary Share

The net asset value per ordinary share and the net assets attributable to the ordinary shareholders at the year end calculated in accordance with the Articles of Association were as follows:

	2012	2011	2012 £'000	2011 £'000
Ordinary shares	**230.2p**	**251.4p**	**61,836**	**66,289**

	2012 £'000	2011 £'000
The movements during the year of the assets attributable to the ordinary shares were as follows:		
Total net assets at 1 July	66,289	50,062
Total recognised gains and losses for the year	(4,770)	13,135
Shares issued	1,190	3,875
Dividends appropriated in the year	(873)	(783)
Total net assets at 30 June	**61,836**	**66,289**

Net asset value per ordinary share is based on net assets as shown above and on 26,863,830 (2011 – 26,363,830, being 5,272,766 adjusted for the share split) ordinary shares, being the number of ordinary shares in issue at the year end.

Deducting borrowings at fair value (see note 20, page 50) would have had the effect of decreasing the net asset value per ordinary share from 230.2p to 229.8p. Taking the market price of the ordinary shares at 30 June 2012 of 230.8p, this would have given a premium to net asset value of 0.4%. At 30 June 2011 all borrowings were short-term and their fair value was considered to be equal to their par value, so deducting borrowings at fair value would have had no effect on either the net asset value per ordinary share or the premium calculated thereon.

16 Reconciliation of Net Return before Finance Costs and Taxation to Net Cash Inflow from Operating Activities

	2012 £'000	2011 £'000
Net return before finance costs and taxation	(4,612)	13,306
Losses/(gains) on investments	5,604	(12,589)
Gains on futures contracts	(614)	–
Currency losses	346	117
Amortisation of fixed interest book cost	(25)	(57)
Decrease in accrued income	46	86
(Increase)/decrease in debtors	(4)	2
(Decrease)/increase in creditors	(10)	28
Overseas tax suffered	(40)	(65)
Net cash inflow from operating activities	**691**	**828**

17 Analysis of Change in Net Debt

	At 1 July 2011 £'000	Cash flows £'000	Exchange movement £'000	At 30 June 2012 £'000
Cash at bank and in hand	1,359	(120)	–	**1,239**
Bank loans due in less than one year	(5,506)	5,465	41	**–**
Bank loans due after more than one year	–	(4,997)	70	**(4,927)**
	(4,147)	**348**	**111**	**(3,688)**

18 Contingent Liabilities, Guarantees and Financial Commitments

At 30 June 2012 the Company had no contingent liabilities. As at 30 June 2011 it had a contingent liability of £495,000 in respect of a subscription agreement, relating to participating unsecured loan notes in Pantheon International Participations plc (PIP), which expired on 31 December 2011. The PIP loan notes of par value £1,005,000 held by the Company were converted to Redeemable Preference Shares in August 2011 and subsequently sold.

19 Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 27. No Director has a contract of service with the Company. During the year no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006. The details of the management fee are set out in note 3, and the management fee due to Baillie Gifford as at 30 June 2012 is disclosed in note 11.

20 Financial Instruments

As an Investment Trust, the Company invests in equities and makes other investments so as to meet its investment objective of achieving capital and income growth by investing on a worldwide basis. In pursuing its investment objective, the Company is exposed to various types of risk that are associated with the financial instruments and markets in which it invests.

These risks are categorised here as market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Board monitors closely the Company's exposure to these risks but does so in order to reduce the likelihood of a permanent loss of capital rather than to minimise the short term volatility.

The Company may enter into derivative transactions as explained in the Investment Policy on page 19. In the period under review the Company purchased equity index options and sold equity index futures. Details of derivative financial instruments open at the balance sheet date are shown on page 50.

The risk management policies and procedures outlined in this note have not changed substantially from the previous accounting period.

20 Financial Instruments (continued)

Market Risk

The fair value or future cash flows of a financial instrument or other investment held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. The Board of Directors reviews and agrees policies for managing these risks and the Company's Investment Managers both assess the exposure to market risk when making individual investment decisions and monitor the overall level of market risk across the investment portfolio on an ongoing basis.

(i) Currency Risk

Certain of the Company's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and that in which it reports its results). Consequently, movements in exchange rates may affect the sterling value of those items.

The Investment Managers monitor the Company's exposure to foreign currencies and report to the Board on a regular basis. The Investment Managers assess the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. However, the country in which a company is listed is not necessarily where it earns its profits. The movement in exchange rates on overseas earnings may have a more significant impact upon a company's valuation than a simple translation of the currency in which the company is quoted.

Foreign currency borrowings can limit the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments.

Exposure to currency risk through asset allocation, which is calculated by reference to the currency in which the asset or liability is quoted, is shown below. The exposure of the Company's OEIC investment managed by Baillie Gifford & Co has been included in the analysis at 30 June 2011 as sterling, being its currency of quotation. The main changes to net currency exposure during the year are as follows: exposure to the Euro decreased, reflecting the larger Euro loan; exposure to the Japanese yen increased following the expiry of the Japanese yen loan; exposure to the Brazilian real decreased through the sale of the Brazilian bond. Explanations of changes in asset allocation can be found in the Chairman's Statement and Managers' Portfolio Review on pages 4 to 5 and 12 to 14.

At 30 June 2012	Investments £'000	Cash and deposits £'000	Bank loans £'000	Other debtors and creditors * £'000	**Net exposure £'000**
US dollar	15,730	1,401	–	246	**17,377**
Euro	8,185	(107)	(2,427)	172	**5,823**
Norwegian krone	1,841	–	–	–	**1,841**
Swiss franc	1,671	–	–	–	**1,671**
Japanese yen	2,973	–	–	11	**2,984**
Brazilian real	5,487	–	–	–	**5,487**
Hong Kong dollar	1,057	–	–	15	**1,072**
South African rand	1,754	–	–	–	**1,754**
Other overseas currencies	5,866	–	–	–	**5,866**
Total exposure to currency risk	**44,564**	**1,294**	**(2,427)**	**444**	**43,875**
Sterling	20,603	(55)	(2,500)	(87)	**17,961**
	65,167	**1,239**	**(4,927)**	**357**	**61,836**

*Includes net non-monetary assets of £9,000.

20 Financial Instruments (continued)

At 30 June 2011	Investments £'000	Cash and deposits £'000	Bank loans £'000	Other debtors and creditors * £'000	**Net exposure £'000**
US dollar	13,591	(19)	–	(15)	**13,557**
Euro	8,588	(27)	(1,192)	25	**7,394**
Norwegian krone	2,185	–	–	–	**2,185**
Swiss franc	2,527	346	–	–	**2,873**
Japanese yen	3,894	–	(2,314)	6	**1,586**
Brazilian real	7,159	1,008	–	14	**8,181**
Hong Kong dollar	2,426	–	–	–	**2,426**
South African rand	1,293	–	–	–	**1,293**
Other overseas currencies	7,374	–	–	79	**7,453**
Total exposure to currency risk	**49,037**	**1,308**	**(3,506)**	**109**	**46,948**
Sterling	21,323	51	(2,000)	(33)	**19,341**
	70,360	**1,359**	**(5,506)**	**76**	**66,289**

*Includes net non-monetary assets of £11,000.

Currency Risk Sensitivity

At 30 June 2012, if sterling had strengthened by 5% in relation to all currencies, with all other variables held constant, total net assets and total return on ordinary activities would have decreased by the amounts shown below. A 5% weakening of sterling against all currencies, with all other variables held constant, would have had an equal but opposite effect on the financial statement amounts. The analysis is performed on the same basis for 2011.

	2012 £'000	2011 £'000
US dollar	869	678
Euro	291	370
Norwegian krone	92	109
Swiss franc	84	144
Japanese yen	149	79
Brazilian real	274	409
Hong Kong dollar	54	121
South African rand	88	65
Other overseas currencies	293	372
	2,194	**2,347**

(ii) Interest Rate Risk

Interest rate movements may affect directly:

- the fair value of the investments in fixed interest rate securities;
- the level of income receivable on cash deposits;
- the fair value of the Company's fixed-rate borrowings; and
- the interest payable on any variable rate borrowings which the Company may take out.

Interest rate movements may also impact upon the market value of the Company's investments outwith fixed income securities. The effect of interest rate movements upon the earnings of a company may have a significant impact upon the valuation of that company's equity.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and when entering borrowing agreements.

The Board reviews on a regular basis the amount of investments in cash and fixed income securities and the income receivable on cash deposits, floating rate notes and other similar investments.

The Company finances part of its activities through borrowings at approved levels. The amount of such borrowings and the approved levels are monitored and reviewed regularly by the Board. Movements in interest rates, to the extent that they affect the market value of the Company's fixed rate borrowings, may also affect the amount by which the Company's share price is at a discount or a premium to the net asset value.

20 Financial Instruments (continued)

The interest rate risk profile of the Company's financial assets and liabilities at 30 June is shown below.

Financial Assets	2012 Fair value £'000	2012 Weighted average interest rate	2012 Weighted average period until maturity	2011 Fair value £'000	2011 Weighted average interest rate	2011 Weighted average period until maturity
Fixed rate:						
US dollar bonds*	1,067	4.9%	8 years	180	4.3%	2 years
Euro bonds	986	9.1%	5 years	23	5.0%	4 years
Floating rate:						
UK bonds (interest rate linked to LIBOR)	–	–	–	678	2.0%	1 year
US dollar bonds (interest rate linked to reinsurance rate)	684	13.6%	4 years	–	–	–
Euro bonds (interest rate linked to Euro LIBOR)	287	8.7%	3 years	278	9.5%	4 years
Brazilian bond (interest rate linked to Brazilian CPI)	–	–	–	939	12.1%	34 years
Fixed interest collective investment schemes:						
CQS Rig Finance Fund	–	–	–	441	–	n/a
Athena Debt Opportunities Fund	746	2.5%	25 years	1,622	0.6%	26 years
K1 Life Settlements	215	–	n/a	201	–	n/a

*Includes convertible treated as equity.

The cash deposits generally comprise call deposits or short term money market deposits with original maturities of less than three months, which are repayable on demand. The benchmark rate which determines the interest payments received on cash balances is the bank base rate.

Financial Liabilities

The interest rate risk profile of the Company's bank loans and the maturity profile of the undiscounted future cash flows in respect of the Company's contractual financial liabilities at 30 June are shown below.

Interest Rate Risk Profile	2012 £'000	2011 £'000
Fixed rate – Yen denominated	–	2,314
Fixed rate – Euro denominated (2011 – floating rate)	2,427	1,192
Fixed rate – Sterling denominated (2011 – floating rate)	2,500	2,000
	4,927	**5,506**

Maturity Profile	2012 Within 1 year £'000	2012 Between 1 and 5 years £'000	2012 More than 5 years £'000	2011 Within 1 year £'000	2011 Between 1 and 5 years £'000	2011 More than 5 years £'000
Repayment of loans	–	4,927	–	5,506	–	–
Interest on loans	126	338	–	57	–	–
	126	**5,265**	**–**	**5,563**	**–**	**–**

Interest Rate Risk Sensitivity

An increase of 100 basis points in bond yields as at 30 June 2012 would have decreased total net assets and total return on ordinary activities by £83,000 (2011 – £145,000). A decrease of 100 basis points would have had an equal but opposite effect.

An increase of 100 basis points in bond yields as at 30 June 2012 would have decreased the net asset value per share (with borrowings at fair value) by 0.31p (2011 – 0.55p). A decrease of 100 basis points would have had an equal but opposite effect.

20 Financial Instruments (continued)

(iii) Other Price Risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets.

The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Managers. The Board meets regularly and at each meeting reviews investment performance, the investment portfolio and the rationale for the current investment positioning to ensure consistency with the Company's objectives and investment policies. The portfolio does not seek to reproduce the index. Investments are selected based upon the merit of individual companies and therefore performance may well diverge from the short term fluctuations of the comparative index.

Other Price Risk Sensitivity

Fixed asset investments are valued at bid prices which equate to their fair value. A full list of the Company's investments is given on pages 15 to 18. In addition, an analysis of the investment portfolio by geographical split and broad industrial or commercial sector and a list of the 30 largest investments by their aggregate market value is given on pages 10 and 11. Details of derivative financial instruments open at the balance sheet date are shown on page 50.

After deducting borrowings 100.0% (2011 – 99.5%) of the Company's net assets are invested in equities. The sensitivity of the Company's equity investments to general movements in equity markets has been adjusted by the use of the equity derivative instruments detailed on page 50, with the purchase of equity index call options increasing it and the sale of equity index futures decreasing it. Further details of the impact of these instruments on the portfolio are set out in the Chairman's Statement on page 4. After taking into account the impact of the equity index options and equity index futures open at the balance sheet date, a 3% increase in quoted equity valuations at 30 June 2012 would have increased total assets and total return on ordinary activities by £1,637,000 (2011 – £2,016,000). A decrease of 3% would have had an equal but opposite effect.

Liquidity Risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Board monitors the exposure to any one holding.

The Company has the power to take out borrowings, which give it access to additional funding when required. The Company's borrowing facilities are detailed in note 12.

Credit Risk

This is the risk that a failure of a counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

This risk is managed as follows:

- Where the Investment Managers make an investment in a bond or other security with credit risk, that credit risk is assessed and then compared to the prospective investment return of the security in question.
- The Board regularly receives information from the Investment Managers on the credit ratings of those bonds and other securities in which the Company has invested.
- The Company's listed investments are held on its behalf by The Bank of New York Mellon, the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Investment Managers monitor the Company's risk by reviewing the custodian's internal control reports and reporting their findings to the Board.
- Investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Investment Managers. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed.
- Transactions involving derivatives, and other arrangements wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest, are subject to rigorous assessment by the Investment Managers of the creditworthiness of that counterparty.
- Cash is only held at banks that are regularly reviewed by the Managers.

Credit Risk Exposure

The exposure to credit risk at 30 June was

	2012 £'000	2011 £'000
Fixed interest investments	3,356	4,362
Cash and deposits	1,239	1,359
Debtors and prepayments	985	238
	5,580	**5,959**

None of the Company's financial assets are past due or impaired.

20 Financial Instruments (continued)

Fair Value of Financial Assets and Financial Liabilities

The Directors are of the opinion that the financial assets and liabilities of the Company are stated at fair value in the balance sheet with the exception of long term borrowings which are stated in accordance with FRS26. Short term borrowings have a fair value equal to par.

	2012 Book £'000	2012 Fair £'000	2011 Book £'000	2011 Fair £'000
Fixed rate sterling loan	2,500	2,553	–	–
Fixed rate euro loan	2,427	2,476	–	–
Total long term borrowings	**4,927**	**5,029**	**–**	**–**

Gains and Losses on Purchased Options

The following purchased options were in position at 30 June:

At 30 June 2012 Description	Number of contracts	Strike price	Expiration date	Potential exposure £'000	Premium paid £'000	Fair value £'000
FTSE 100 call	80	5,500	21/12/12	2,286	291	233
Eurostoxx 50 call	200	2,500	21/12/12	898	295	74
S&P 500 call	50	1,225	21/12/12	2,684	259	505
				5,868	**845**	**812**

At 30 June 2011 Description	Number of contracts	Strike price	Expiration date	Potential exposure £'000	Premium paid £'000	Fair value £'000
Nikkei 225 call	100	11,000	9/12/11	1,257	353	73
				1,257	**353**	**73**

Gains and (Losses) on Equity Index Futures Sales

The following equity index futures sales were in position at 30 June:

At 30 June 2012 Description	Expiration date	Notional amount	Position	Counterparty	Fair value £'000
FTSE 100 Sept 2012	21/9/12	(£4,304,200)	Sale	UBS	(114)
Eurostoxx 50 Sept 2012	21/9/12	(€4,275,000)	Sale	UBS	(188)
S&P 500 Sept 2012	21/9/12	(US$ 6,486,975)	Sale	UBS	(147)
					(449)

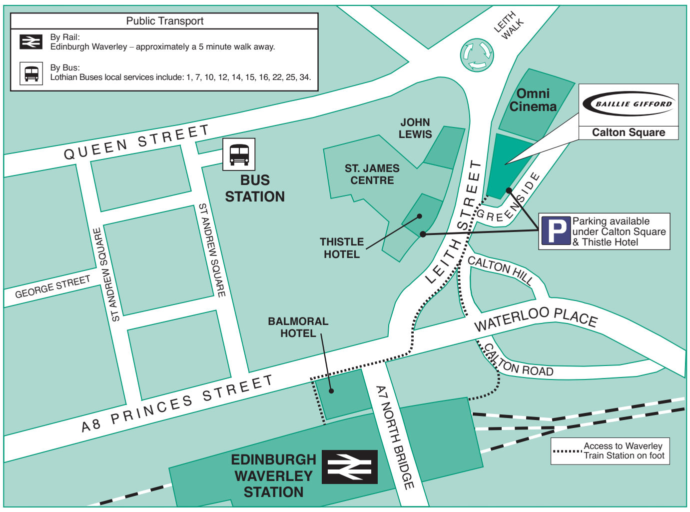
Gains and losses on hedges

At 30 June 2012 there were no unrecognised gains/losses on hedges (2011 – nil).

Currency gains/losses are taken to the capital reserve and are not reflected in the revenue account unless they are of a revenue nature.

Capital Management

The capital of the Company is its share capital and reserves as set out in notes 13 and 14 together with its borrowings (see notes 11 and 12). The objective of the Company is to achieve capital and income growth by investing on a worldwide basis. The Company's investment policy is set out on page 19. In pursuit of the Company's objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern and details of the related risks and how they are managed are set out on page 45. The Company has the ability to issue and buy back its shares (see pages 25 and 26) and changes to the share capital during the year are set out in notes 14 and 15. The Company does not have any externally imposed capital requirements other than the covenants on its loans which are detailed in note 12.



The Annual General Meeting of the Company will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Monday, 8 October 2012 at 12.00 noon.

If you have any queries as to how to vote or how to attend the meeting, please call us on 0800 027 0133.

Baillie Gifford may record your call.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Mid Wynd International Investment Trust PLC will be held within the Registered Office of the Company at Calton Square, 1 Greenside Row, Edinburgh EH1 3AN on Monday, 8 October 2012 at 12.00 noon (the 'Meeting') for the following purposes:

Ordinary Business

To consider and, if thought fit, pass Resolutions 1 to 11 (inclusive) which will be proposed as ordinary resolutions:

1. To receive and adopt the Annual Report and the Financial Statements of the Company for the financial year ended 30 June 2012 together with the Reports of the Directors and of the Independent Auditors thereon.
2. To approve the Directors' Remuneration Report for the financial year ended 30 June 2012.
3. To declare a final dividend of 2.00p per ordinary share for the financial year ended 30 June 2012.
4. To re-elect Mr RRJ Burns as a Director of the Company.
5. To elect Mr HJ Morgan as a Director of the Company.
6. To re-elect RAR Napier as a Director of the Company.
7. To elect Mr AG Scott as a Director of the Company.
8. To re-elect Mr MCN Scott as a Director of the Company.
9. To reappoint Scott-Moncrieff as Independent Auditors of the Company to hold office from the conclusion of the Meeting until the conclusion of the next meeting at which accounts are laid before the Company.
10. To authorise the Directors to determine the remuneration of the Independent Auditors.
11. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (such shares and rights together being 'Securities') up to an aggregate nominal value of £447,685, being equal to approximately 33.3% of the Company's issued share capital as at 14 August 2012, to such persons and on such terms as the Directors may determine, such authority to expire at the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution or on the expiry of 15 months from the date of passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

To consider and, if thought fit, to pass Resolutions 12 and 13 as special resolutions:

12. That, subject to the passing of Resolution 11 above (the 'Section 551 Resolution'), and in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to Sections 570 and 573 of the Companies Act 2006 (the 'Act'), to allot equity securities (as defined in Section 560 of the Act), for cash pursuant to the Section 551 Resolution or by way of a sale of treasury shares, in each case as if Section 561(1) of the Act did not apply to any such allotment of equity securities, provided that this power:
    (a) shall be limited to the allotment of equity securities in connection with an offer of such securities to the holders of ordinary shares in the capital of the Company in proportion (as nearly as may be) to their respective holdings of such shares but subject to such exclusions, limits or restrictions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates or any legal, regulatory or practical problems in or under the laws of any territory, or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever; or

(b) shall be limited to the allotment of equity securities (otherwise than pursuant to sub-paragraph (a) of this resolution) up to an aggregate nominal value of £134,319 being approximately 10% of the nominal value of the issued share capital of the Company, as at 14 August 2012; and

(c) expires at the conclusion of the next Annual General Meeting of the Company held after the passing of this Resolution or on the expiry of 15 months from the date of passing of this Resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

13. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised pursuant to Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693(4) of the Act) of any of its ordinary shares in the capital of the Company ('ordinary shares') in such manner and upon such terms as the Directors of the Company may from time to time determine, provided that:

(a) the maximum aggregate nominal value of ordinary shares hereby authorised to be purchased is £201,344 representing approximately 14.99% of the issued ordinary share capital of the Company as at 14 August 2012;

(b) the minimum price (excluding expenses) which may be paid for any ordinary share is the nominal value thereof;

(c) the maximum price (excluding expenses) which may be paid for any ordinary share shall not be more than the higher of:

(i) 5 per cent above the average closing price of an ordinary share on the London Stock Exchange over the five business days immediately preceding the date of purchase; and

(ii) the higher of the price of the last independent trade in ordinary shares and the highest current independent bid for such shares on the London Stock Exchange; and

(d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution or on the expiry of 15 months from the date of passing of this resolution, whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

By order of the Board

Baillie Gifford & Co
Managers and Secretaries
28 August 2012

Notes

1. Information about the Meeting is available on the Company's page of the Managers' website at www.midwynd.co.uk.
2. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the Meeting. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share. A proxy need not be a shareholder of the Company.
3. A Form of Proxy is enclosed and to be valid must be lodged with the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or www.investorcentre.co.uk/eproxy so as to arrive not later than 48 hours, excluding non-working days, before the time set for the Meeting, or any adjourned meeting. Any Power of Attorney or any other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the Meeting in person.
4. The right to vote at the Meeting is determined by reference to the Register of Members of the Company as at noon on 4 October 2012.

   Changes to entries on the Register of Members after noon on 4 October 2012 shall be disregarded in determining the rights of any shareholder to attend and vote at the Meeting.
5. As a shareholder, you have the right to put questions at the Meeting relating to the business being dealt with at the Meeting.
6. Shareholders participating in the Baillie Gifford Investment Trust Share Plan, Children's Savings Plan or the Baillie Gifford Investment Trust ISA who wish to vote and/or attend the Meeting must complete and return the enclosed reply-paid Form of Direction.
7. Any person to whom this Notice is sent who is a person nominated under Section 146 of the Companies Act 2006 (the '2006 Act') to enjoy information rights (a 'Nominated Person') may, under agreement between them and the shareholder by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it they may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 2 and 3 above does not apply to Nominated Persons. The rights described in these Notes can only be exercised by shareholders of the Company.

8. As at noon on 14 August 2012, the latest practicable date before publication of this document, the Company had 26,863,830 ordinary shares of 5p each in issue. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at noon on 14 August 2012 is 26,863,830.

9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

10. In order for a proxy appointment by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK and Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID number 3RA50) not later than 48 hours (excluding non-working days) before the time appointed for holding the Meeting. For this purpose the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

12. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35 (5) (a) of the Uncertificated Securities Regulations 2001.

13. No Director has a contract of service with the Company. Copies of Directors' letters of appointment will be available for inspection for at least 15 minutes prior to the Meeting and during the Meeting.

14. It is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006 (the '2006 Act'), the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the 2006 Act.

    The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under Section 527 of the 2006 Act, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required under Section 527 of the 2006 Act to publish on a website.

Further Shareholder Information

How to Invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker, by asking a professional adviser to do so, or through the Baillie Gifford savings vehicles (see page 56 for details). If you are interested in investing directly in Mid Wynd, you can do so online. There are a number of companies offering real time online dealing services – find out more by visiting the investment trust pages at www.bailliegifford.com.

Sources of Further Information on the Company

The price of shares is quoted daily in the Financial Times and can also be found on the Baillie Gifford website at www.bailliegifford.com, Trustnet at www.trustnet.co.uk and on other financial websites. Company factsheets are also available on the Baillie Gifford website and are updated monthly. These are available from Baillie Gifford on request.

Key Dates

Ordinary shareholders normally receive two dividends in respect of each financial year. An interim dividend is paid in April and a final dividend is paid in October. The AGM is normally held in October.

Capital Gains Tax

For Capital Gains Tax indexation purposes, the market value of an ordinary share in the Company as at 31 March 1982 was 52p. The equivalant price, adjusted for the five for one share split in October 2011, is 10.4p.

Share Register Enquiries

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0870 707 1186.

This helpline also offers an automated self-service functionality (available 24 hours a day, 7 days a week) which allows you to:

- hear the latest share price;
- confirm your current share holding balance;
- confirm your payment history; and
- order Change of Address, Dividend Bank Mandate and Stock Transfer forms.

By quoting the reference number on your share certificate you can also check your holding on the Registrars' website at www.investorcentre.co.uk.

They also offer a free, secure share management website service which allows you to:

- view your share portfolio and see the latest market price of your shares;
- calculate the total market price of each shareholding;
- view price histories and trading graphs;
- update bank mandates and change address details;
- use online dealing services; and
- pay dividends directly into your overseas bank account in your chosen local currency.

To take advantage of this service, please log in at www.investorcentre.co.uk and enter your Shareholder Reference Number and Company Code (this information can be found on the last dividend voucher or your share certificate).

Dividend Reinvestment Plan

Computershare operate a Dividend Reinvestment Plan which can be used to buy additional shares instead of receiving your dividend via cheque or into your bank account. For further information log in to www.investorcentre.co.uk and follow the instructions or telephone 0870 707 1694.

Electronic Proxy Voting

If you hold stock in your own name you can choose to vote by returning proxies electronically at www.investorcentre.co.uk/eproxy.

If you have any questions about this service please contact Computershare on 0870 707 1186.

Mid Wynd is an investment trust. Investment trusts offer investors the following:

- Participation in a diversified portfolio of shares.
- Constant supervision by experienced professional managers.
- The Company is free from capital gains tax on capital profits realised within its portfolio, although investors are still liable for capital gains tax on profits when selling their investment.

Analysis of Shareholders at 30 June

	2012 Number	2012 %	2011 Number	2011 %
Institutions	388,803	1.5	40,630	0.8
Intermediaries	13,456,136	50.1	2,390,984	45.3
Individuals	6,405,231	23.8	1,633,777	31.0
Baillie Gifford Share Plans/ISA	6,613,660	24.6	1,207,375	22.9
	26,863,830	**100.0**	**5,272,766**	**100.0**

Cost-effective Ways to Buy and Hold Shares in Mid Wynd

Baillie Gifford Savings Management Limited offers a number of plans that enable you to buy and hold shares of Mid Wynd cost-efficiently. Purchases and sales are normally subject to a dealing price spread and Government stamp duty of 0.5% is payable on purchases.

The Baillie Gifford Investment Trust Share Plan

- No initial charge
- No annual wrapper charge
- Normally cheaper than dealing through a stockbroker
- Invest a lump sum from £250 or monthly from just £30
- No maximum investment limits
- Stop and start saving at any time with no charge
- Twice weekly dealing (usually Tuesday and Friday)
- A withdrawal charge of just £22

The Baillie Gifford Investment Trust ISA

- Tax-efficient investment
- No set-up charge
- Flat rate annual management charge currently of £32.50 + VAT
- Lump sum investment from £2,000 currently up to a maximum of £11,280 each year
- Save monthly from £100
- A withdrawal charge of just £22

ISA Transfers

- Transfer existing ISAs from other plan managers into the Baillie Gifford ISA
- Consolidate your plans into a managed global investment
- Minimum transfer value £2,000

The Baillie Gifford Children's Savings Plan

- An excellent way for parents, grandparents or other adults to invest for a child
- No initial charge
- No annual wrapper charge
- The option of a designated account or a bare trust in favour of the child
- Flexible investment options: lump sum from £100 or monthly saving from just £25
- A withdrawal charge of just £22

Online Management Service

You can also open and manage your Share Plan/Children's Savings Plan* and/or ISA online, through our secure Online Management Service (OMS) which can be accessed through the Baillie Gifford website at www.bailliegifford.com/oms. As well as being able to view the details of your plan online, the service also allows you to:

- get current valuations;
- make lump sum investments;
- switch between investment trusts (except where there is more than one holder);
- set up a direct debit to make regular investments; and
- update certain personal details.

*Please note that a bare trust cannot be opened via OMS. A bare trust application form must be completed.

Risks

Past performance is not a guide to future performance.

Mid Wynd is a UK listed company. As a result, the value of the shares, and any income from those shares, is not guaranteed and could go down as well as up. You may not get back the amount you invested. You should view your investment as long term.

Mid Wynd invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

Mid Wynd invests in emerging markets which could encounter dealing, settlement and custody difficulties more than the main international markets.

Mid Wynd has borrowed money to make further investments (sometimes known as 'gearing'). The risk is that when this money is repaid by the Company, the value of the investments may not be enough to cover the borrowing and interest costs, and the Company will make a loss. If the Company's investments fall in value, any borrowings will increase the amount of this loss.

Mid Wynd can buy back its own shares. The risks from borrowing, referred to above, are increased when the Company buys back its shares.

Market values for securities which have become difficult to trade may not be readily available, and there can be no assurance that any value assigned to such securities will accurately reflect the price the Company might receive upon their sale.

Mid Wynd's use of derivatives may impact on its performance.

Corporate bonds are generally perceived to carry a greater possibility of capital loss than investment in, for example, higher rated UK government bonds. Bonds issued by companies and governments may be adversely affected by changes in interest rates and expectations of inflation.

You should note that tax rates and reliefs may change at any time and their value depends on your circumstances.

The favourable tax treatment of ISAs may change.

The information and opinions expressed within this financial report are subject to change without notice. This information has been issued and approved by Baillie Gifford & Co and does not in any way constitute investment advice.

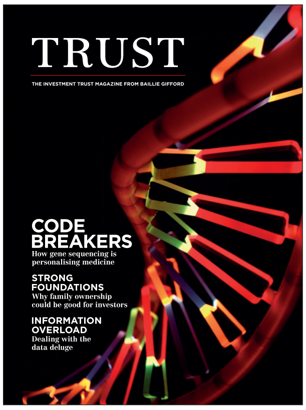
Details of other risks that apply to investment in the plans shown on this page are contained in the product brochures.

Mid Wynd International Investment Trust PLC is a UK public listed company and as such complies with the requirements of the UK Listing Authority. It is not authorised and regulated by the Financial Services Authority.

Baillie Gifford Savings Management Limited (BGSM) is the manager of The Baillie Gifford Investment Trust Share Plan, The Baillie Gifford Children's Savings Plan and The Baillie Gifford Investment Trust ISA. BGSM is wholly owned by Baillie Gifford & Co who are the Managers and Secretaries of Mid Wynd International Investment Trust PLC. BGSM and Baillie Gifford & Co are authorised and regulated by the Financial Services Authority and both are based at Calton Square, 1 Greenside Row, Edinburgh EH1 3AN.

The staff of Baillie Gifford & Co, and/or the Directors of Mid Wynd, may hold shares in Mid Wynd or may buy or sell shares from time to time.

Communicating with Shareholders



'Trust' magazine

The Share Plan and ISA brochure available at www.midwynd.co.uk

Promoting Mid Wynd

Baillie Gifford carries out marketing activity to promote Mid Wynd to institutional, intermediary and direct investors. The Board warmly supports the promotion of the plans described on page 56 in order to bring the merits of Mid Wynd to as wide an audience as possible.

Trust Magazine

Trust is the Baillie Gifford investment trust magazine which is published three times a year. It provides an insight to our investment approach by including interviews with our fund managers, as well as containing investment trust news, investment features and articles about the trusts managed by Baillie Gifford, including Mid Wynd. *Trust* plays an important role in helping to explain our products so that readers can really understand them. For a copy of *Trust*, please contact the Baillie Gifford Client Relations Team (see contact details opposite).

An online version of *Trust* can be found at www.bgtrustonline.com.

All articles are available to read on screen and can now also be downloaded in PDF format.

Guides to Investment Trusts

Baillie Gifford has produced a number of educational guides on investment trusts. These are designed to explain how Investment Trusts work and to explain the various ways you can invest in them. If you would like copies of any of the guides, please contact the Baillie Gifford Client Relations Team (see contact details opposite).

Mid Wynd on the Web

Up-to-date information about Mid Wynd is on the Mid Wynd page of the Managers' website at www.midwynd.co.uk. In the Investment Trust section you will find full details of Mid Wynd, including a monthly commentary, recent portfolio information and performance figures.

You can also find a history of the Trust, an explanation of the effects of gearing and a flexible performance reporting tool.

If you are interested in investing directly in Mid Wynd, you can do so online. There are a number of companies offering real time online dealing services – find out more on the Buying Shares section of Mid Wynd's website www.midwynd.co.uk.

Suggestions and Questions

Any suggestions on how communications with shareholders can be improved are welcome. Please contact the Baillie Gifford Client Relations Team (see contact details below) and give them your suggestions. They will also be very happy to answer any questions that you may have, either about Mid Wynd or the plans described on page 56.

Literature in Alternative Formats

It is possible to provide copies of literature in alternative formats, such as large print or on audio tape. Please contact the Baillie Gifford Client Relations Team for more information.

Client Relations Team Contact Details

You can contact the Baillie Gifford Client Relations Team by telephone, email, fax or post:

Telephone: 0800 027 0133
Your call may be recorded.

E-mail: trustenquiries@bailliegifford.com
Website: www.bailliegifford.com
Fax: 0131 275 3955

Client Relations Team
Baillie Gifford Savings Management Limited
Calton Square
1 Greenside Row
Edinburgh EH1 3AN

For Mid Wynd specific queries, please use the following contact details:

Website: www.midwynd.co.uk

Please note that Baillie Gifford is not permitted to give financial advice. If you would like advice or if you have any questions about the suitability of any of these plans for you, please ask an authorised intermediary.

Directors

Chairman:
RRJ Burns

HJ Morgan
RAR Napier
AG Scott
MCN Scott

Registrar

Computershare
Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Tel: 0870 707 1186

Banker

The Bank of New York
Mellon

Broker

JP Morgan Cazenove
10 Aldermanbury
London
EC2V 7RF

Independent Auditors

Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Company registration No. SC042651

Managers, Secretaries and Registered Office

Baillie Gifford & Co
Calton Square
1 Greenside Row
Edinburgh
EH1 3AN
Tel: 0131 275 2000
Website: www.bailliegifford.com