Independent Auditor's 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 2013 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 Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 27, 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 2013 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 27, 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 2013

Income Statement

For the year ended 30 June

	Notes	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Gains/(losses) on investments	9	–	7,725	**7,725**	–	(5,604)	**(5,604)**
(Losses)/gains on futures contracts	9	–	(1,058)	**(1,058)**	–	614	**614**
Currency losses	14	–	(172)	**(172)**	–	(346)	**(346)**
Income	2	1,347	–	**1,347**	1,259	–	**1,259**
Investment management fee	3	(161)	(161)	**(322)**	(151)	(151)	**(302)**
Other administrative expenses	4	(246)	–	**(246)**	(233)	–	**(233)**
Net return before finance costs and taxation		940	6,334	**7,274**	875	(5,487)	**(4,612)**
Finance costs of borrowings	5	(64)	(64)	**(128)**	(63)	(63)	**(126)**
Net return on ordinary activities before taxation		876	6,270	**7,146**	812	(5,550)	**(4,738)**
Tax on ordinary activities	6	(45)	–	**(45)**	(32)	–	**(32)**
Net return on ordinary activities after taxation		**831**	**6,270**	**7,101**	**780**	**(5,550)**	**(4,770)**
Net return per ordinary share	8	**3.11p**	**23.43p**	**26.54p**	**2.93p**	**(20.88p)**	**(17.95p)**

A final dividend for the year of 2.10p per share is proposed (2012 – 2.00p), making a total of 3.40p for the year (2012 – 3.30p). More information on dividend distributions can be found in note 7 on page 35.

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 33 to 46 are an integral part of the financial statements.

Balance Sheet

As at 30 June

	Notes	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		71,570		65,167
Current assets					
Debtors	10	76		985	
Cash and deposits	20	1,203		1,239	
		1,279		2,224	
Creditors					
Amounts falling due within one year	11	(991)		(628)	
Net current assets			288		1,596
Total assets less current liabilities			71,858		66,763
Creditors					
Amounts falling due after more than one year	12		(5,071)		(4,927)
Total net assets			**66,787**		**61,836**
Capital and reserves					
Called up share capital	13		1,343		1,343
Capital redemption reserve	14		16		16
Share premium	14		4,983		4,983
Capital reserve	14		59,010		54,004
Revenue reserve	14		1,435		1,490
Shareholders' funds	15		**66,787**		**61,836**
Net asset value per ordinary share (after deducting borrowings at fair value)	15		**253.1p**		**229.8p**
Net asset value per ordinary share (after deducting borrowings at par)	15		**253.3p**		**230.2p**

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 2013.

Richard RJ Burns
Chairman

The accompanying notes on pages 33 to 46 are an integral part of the financial statements.

Reconciliation of Movements in Shareholders' Funds

For the year ended 30 June 2013

	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 2012		1,343	16	4,983	54,004	1,490	**61,836**
Net return on ordinary activities after taxation	14	–	–	–	6,270	831	**7,101**
Shares bought back	13	–	–	–	(1,264)	–	**(1,264)**
Shares issued	13	–	–	–	–	–	**–**
Dividends paid during the year	7	–	–	–	–	(886)	**(886)**
Shareholders' funds at 30 June 2013	14	**1,343**	**16**	**4,983**	**59,010**	**1,435**	**66,787**

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		–	–	–	(5,550)	780	**(4,770)**
Shares bought back		–	–	–	–	–	**–**
Shares issued	13	25	–	1,165	–	–	**1,190**
Dividends paid during the year	7	–	–	–	–	(873)	**(873)**
Shareholders' funds at 30 June 2012	14	**1,343**	**16**	**4,983**	**54,004**	**1,490**	**61,836**

The accompanying notes on pages 33 to 46 are an integral part of the financial statements.

Cash Flow Statement

For the year ended 30 June

	Notes	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Net cash inflow from operating activities	16		744		691
Servicing of finance					
Interest paid		(129)		(129)	
Net cash outflow from servicing of finance			(129)		(129)
Financial investment					
Acquisitions of investments		(24,073)		(29,882)	
Disposals of investments		26,243		29,608	
Futures		(643)		200	
Realised currency loss		(28)		(457)	
Net cash inflow/(outflow) from financial investment			1,499		(531)
Equity dividends paid	7		(886)		(873)
Net cash inflow/(outflow) before financing			1,228		(842)
Financing					
Shares issued	13	–		1,190	
Shares purchased for cancellation	13	(1,264)		–	
Bank loans repaid		–		(5,465)	
Bank loans drawn down		–		4,997	
Net cash (outflow)/inflow from financing			(1,264)		722
Decrease in cash	17		**(36)**		**(120)**

	Notes	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Reconciliation of net cash flow to movement in net debt	17				
Decrease in cash in the year			(36)		(120)
Net cash outflow from bank loans			–		468
Exchange movement on bank loans			(144)		111
Movement in net debt in the year			(180)		459
Net debt at 1 July			(3,688)		(4,147)
Net debt at 30 June			**(3,868)**		**(3,688)**

The accompanying notes on pages 33 to 46 are an integral part of the financial statements.

Notes to the Financial Statements

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 or holdings on certain recognised overseas exchanges, 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

	2013 £'000	2012 £'000
Income from investments		
Franked investment income	249	183
UK unfranked investment income	–	3
Overseas dividends	781	853
Overseas interest	317	219
	1,347	**1,258**
Other income		
Underwriting commission and commitment fees	–	1
	–	**1**
Total income	**1,347**	**1,259**
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	1,030	1,036
Interest from financial assets designated at fair value through profit or loss	317	222
Other income not from financial assets	–	1
	1,347	**1,259**

3 Investment Management Fee

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Investment management fee	161	161	**322**	151	151	**302**

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

	2013 £'000	2012 £'000
General administrative expenses	158	155
Directors' fees (see Directors' Remuneration Report on page 26)	76	66
Auditor's remuneration for audit services	12	12
	246	**233**

5 Finance Costs of Borrowings

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Bank loans repayable within five years:						
Interest	64	64	**128**	63	63	**126**

6 Tax on Ordinary Activities

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Overseas taxation	45	–	**45**	32	–	**32**
Total tax	**45**	**–**	**45**	**32**	**–**	**32**

	2013 £'000	2012 £'000
The tax charge for the year is lower than the average standard rate of corporation tax in the UK (23.75%)		
The differences are explained below:		
Net return on ordinary activities before taxation	7,146	(4,738)
Net return on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 23.75% (2012 – 25.5%)	1,697	(1,208)
Effects of:		
Capital returns not taxable	(1,542)	1,361
Income not taxable (UK dividend income)	(59)	(47)
Income not taxable (overseas dividend income)	(178)	(203)
Overseas tax – non offsettable	45	32
Taxable losses in the year not utilised	82	97
Current tax charge for the year	**45**	**32**

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

The standard rate of corporation tax in the UK changed from 24% to 23% on 1 April 2013.

Factors that may affect future tax charges

At 30 June 2013 the Company had a potential deferred tax asset of £289,000 (2012 – £219,000) 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 23%. 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

	2013	2012	2013 £'000	2012 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 12 October 2012)	2.00p	2.00p	537	527
Interim (paid 4 April 2013)	1.30p	1.30p	349	346
	3.30p	**3.30p**	**886**	**873**

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 £831,000 (2012 – £780,000).

	2013	2012	2013 £'000	2012 £'000
Dividends paid and payable in respect of the year:				
Interim dividend per ordinary share (paid 4 April 2013)	1.30p	1.30p	349	346
Proposed final dividend per ordinary share (payable 11 October 2013)	2.10p	2.00p	554	537
	3.40p	**3.30p**	**903**	**883**

8 Net Return per Ordinary Share

	2013 Revenue	2013 Capital	2013 Total	2012 Revenue	2012 Capital	2012 Total
Net return on ordinary activities after taxation	**3.11p**	**23.43p**	**26.54p**	**2.93p**	**(20.88p)**	**(17.95p)**

Revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £831,000 (2012 – £780,000), and on 26,754,925 (2012 – 26,577,628) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during the year.

Capital return per ordinary share is based on the net capital gain for the financial year of £6,270,000 (2012 – net capital loss of £5,550,000), and on 26,754,925 (2012 – 26,577,628) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during the year.

There are no dilutive or potentially dilutive shares in issue.

9 Fixed Assets – Investments

As at 30 June 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Securities				
Listed equities	66,087	2,061	–	**68,148**
Listed equity index options	–	–	–	**–**
Listed convertible securities	56	–	–	**56**
Listed debt securities	2,080	–	524	**2,604**
Unlisted equities quoted on an investment exchange	–	322	–	**322**
Unlisted equities	–	–	440	**440**
Total financial asset investments	**68,223**	**2,383**	**964**	**71,570**

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 quoted on an investment exchange	–	–	–	**–**
Unlisted equities	–	–	398	**398**
Total financial asset investments	**60,708**	**2,813**	**1,646**	**65,167**

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	Total £'000
Cost of investments held at 1 July 2012	50,128	405	3,040	**53,573**
Investment holding gains and losses at 1 July 2012	11,285	(7)	316	**11,594**
Fair value of investments held at 1 July 2012	61,413	398	3,356	**65,167**
Movements in year:				
Purchases at cost	23,927	369	575	**24,871**
Sales – proceeds	(24,464)	(58)	(1,710)	**(26,232)**
– (losses)/gains on sales	(39)	–	529	**490**
Amortisation of fixed interest book cost	–	–	39	**39**
Change in listing	(648)	648	–	**–**
Changes in investment holding gains and losses	7,959	(595)	(129)	**7,235**
Fair value of investments held at 30 June 2013	**68,148**	**762**	**2,660**	**71,570**
Cost of investments held at 30 June 2013	48,904	1,364	2,473	**52,741**
Investment holding gains and losses at 30 June 2013	19,244	(602)	187	**18,829**
Fair value of investments held at 30 June 2013	**68,148**	**762**	**2,660**	**71,570**

The purchases and sales proceeds figures above include transaction costs of £60,000 on purchases (2012 – £38,000) and £85,000 on sales (2012 – £30,000), making a total of £145,000 (2012 – £68,000).

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 2013	Value at 1 July 2012 £'000	Purchases/ amortisation* £'000	Sales proceeds £'000	Change in category £'000	Gains on sales £'000	Holding gains and losses £'000	Value at 30 June 2013 £'000
Listed debt	1,248	7	(968)	–	434	(197)	**524**
Unlisted equities	398	8	(58)	648†	–	(556)	**440**
	1,646	**15**	**(1,026)**	**648**	**434**	**(753)**	**964**

* Purchases/amortisation includes amortisation of fixed income securities of £7,000.
† This relates to a closed end fund which is being wound up and which cancelled its listing.

The gains and losses included in the above table have all been recognised in the income statement on page 29. 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 2012	Value at 1 July 2011 £'000	Purchases/ amortisation* £'000	Sales proceeds £'000	Change in category £'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.

9 Fixed Assets – Investments (continued)

	2013 £'000	2012 £'000
Net (losses)/gains on investments designated at fair value through profit or loss on initial recognition		
Fixed asset investments		
Gains/(losses) on sales	490	(947)
Changes in investment holding gains and losses	7,235	(4,657)
	7,725	**(5,604)**
Equity index futures		
Realised gains on closed contracts	(1,507)	1,063
Changes in investment holding gains and losses	449	(449)
	(1,058)	**614**

Of the gains on sales of fixed asset investments of £490,000 (2012 – losses of £947,000) during the year, a net gain of £1,027,000 (2012 – £4,023,000) was included in the investment holding gains at the previous year end.

10 Debtors

	2013 £'000	2012 £'000
Amounts falling due within one year:		
Income accrued (net of overseas withholding tax)	44	71
Sales for subsequent settlement	–	11
Amounts due from equity index futures brokers	–	863
Other debtors and prepayments	32	40
	76	**985**

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

	2013 £'000	2012 £'000
Purchases for subsequent settlement	868	70
Unrealised losses on open futures contracts	–	449
Other creditors and accruals	123	109
	991	**628**

Included in other creditors is £83,000 (2012 – £77,000) in respect of the investment management fee. The above creditors at 30 June 2012 of £449,000 in respect of unrealised losses on open futures contracts are financial liabilities designated at fair value through profit or loss.

12 Creditors – Amounts falling due after more than one year

	2013 £'000	2012 £'000
Bank loans	**5,071**	**4,927**

Borrowing facilities

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

At 30 June 2013 and 30 June 2012 drawings were as follows:
Scotiabank Europe – £2.5 million at an interest rate of 2.6530% per annum
– €3 million at an interest rate of 2.4780% per annum

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

	2013 Number	2013 £'000	2012 Number	2012 £'000
Allotted, called up and fully paid ordinary shares of 5p each	26,363,830	1,318	26,863,830	1,343
Treasury shares of 5p each	500,000	25	–	–
Total	**26,863,830**	**1,343**	**26,863,830**	**1,343**

The Company's authority permits it to hold shares bought back 'in treasury'. Such treasury shares may be subsequently either sold for cash (at, or at a premium to, net asset value per ordinary share) or cancelled. In the year to 30 June 2013 a total of 500,000 ordinary shares with a nominal value of £25,000 were bought back at a total cost of £1,264,000 and held in treasury. (No shares were bought back in the year to 30 June 2012.) At 30 June 2013 the Company had authority to buy back a further 3,526,888 ordinary shares.

Under the provisions of the Company's Articles the share buy-backs were funded from the capital reserve.

In the year to 30 June 2013 the Company did not allot any ordinary shares (2012 – allotted 500,000 ordinary shares with a nominal value of £25,000 for consideration of £1,190,000). At 30 June 2013 the Company had authority to allot 2,686,383 ordinary shares without application of pre-emption rights in accordance with the authorities granted at the AGM in October 2012.

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 2012	1,343	16	4,983	54,004	1,490	**61,836**
Gains on sales of investments	–	–	–	490	–	**490**
Changes in investment holding gains and losses on investments	–	–	–	7,235	–	**7,235**
Losses on futures contracts	–	–	–	(1,507)	–	**(1,507)**
Changes in investment holding gains and losses on futures	–	–	–	449	–	**449**
Exchange differences on bank loans	–	–	–	(144)	–	**(144)**
Other exchange differences	–	–	–	(28)	–	**(28)**
Investment management fee	–	–	–	(161)	–	**(161)**
Finance costs of borrowings	–	–	–	(64)	–	**(64)**
Revenue return on ordinary activities after taxation	–	–	–	–	831	**831**
Shares bought back	–	–	–	(1,264)	–	**(1,264)**
Dividends paid in the year	–	–	–	–	(886)	**(886)**
At 30 June 2013	**1,343**	**16**	**4,983**	**59,010**	**1,435**	**66,787**

The capital reserve includes investment holding gains on fixed asset investments of £18,829,000 (2012 – gains of £11,594,000) as disclosed in note 9.

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:

	2013	2012	2013 £'000	2012 £'000
Ordinary shares	**253.3p**	**230.2p**	**66,787**	**61,836**

	2013 £'000	2012 £'000
The movements during the year of the assets attributable to the ordinary shares were as follows:		
Total net assets at 1 July	61,836	66,289
Total recognised gains and losses for the year	7,101	(4,770)
Shares bought back	(1,264)	–
Shares issued	–	1,190
Dividends appropriated in the year	(886)	(873)
Total net assets at 30 June	**66,787**	**61,836**

Net asset value per ordinary share is based on net assets as shown above and on 26,363,830 (2012 – 26,863,830) ordinary shares, being the number of ordinary shares in issue (excluding treasury shares) at the year end.

Deducting borrowings at fair value (see note 20, page 45) would have had the effect of decreasing the net asset value per ordinary share from 253.3p to 253.1p. Taking the market price of the ordinary shares at 30 June 2013 of 256.6p, this would have given a premium to net asset value of 1.4% as against 1.3% on debt at par basis. At 30 June 2012 the effect would have been to reduce the net asset value 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% as against 0.3% on debt at par basis.

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

	2013 £'000	2012 £'000
Net return before finance costs and taxation	7,274	(4,612)
(Gains)/losses on investments	(7,725)	5,604
Losses/(gains) on futures contracts	1,058	(614)
Currency losses	172	346
Amortisation of fixed interest book cost	(39)	(25)
Decrease in accrued income	30	46
Decrease/(increase) in debtors	8	(4)
Increase/(decrease) in creditors	14	(10)
Overseas tax suffered	(48)	(40)
Net cash inflow from operating activities	**744**	**691**

17 Analysis of Change in Net Debt

	At 1 July 2012 £'000	Cash flows £'000	Exchange movement £'000	At 30 June 2013 £'000
Cash at bank and in hand	1,239	(36)	–	**1,203**
Bank loans due after more than one year	(4,927)	–	(144)	**(5,071)**
	(3,688)	**(36)**	**(144)**	**(3,868)**

18 Contingent Liabilities, Guarantees and Financial Commitments

At 30 June 2013 and 30 June 2012 the Company had no contingent liabilities, guarantees or financial commitments.

19 Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 26.

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.

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 and sold equity index options and equity index futures. There were no derivative financial instruments open at the balance sheet date (those open at 30 June 2012 are shown on page 46).

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

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. Details of the Company's investment portfolio are shown in note 9 and on pages 15 to 18.

(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 overleaf. The main changes to net currency exposure during the year are as follows: exposure to the Euro increased, reflecting purchases of a euro denominated bond, equity investments and market movements; exposure to the Swiss franc with additions to equity investments and market movements; exposure to the Kenyan shilling through the purchase of an equity investment and exposure to the Brazilian real decreased through the sale of the Brazilian equities. Explanations of changes in asset allocation can be found in the Chairman's Statement and Managers' Portfolio Review on pages 4 and 5 and 12 to 14 respectively.

20 Financial Instruments (continued)

(i) Currency Risk (continued)

At 30 June 2013	Investments £'000	Cash and deposits £'000	Bank loans £'000	Other debtors and creditors * £'000	Net exposure £'000
US dollar	17,765	1,169	–	(712)	**18,222**
Euro	12,499	9	(2,571)	31	**9,968**
Swiss franc	3,041	–	–	–	**3,041**
Norwegian krone	2,398	–	–	–	**2,398**
Japanese yen	2,288	–	–	4	**2,292**
Turkish lira	2,114	–	–	–	**2,114**
Brazilian real	1,884	–	–	2	**1,886**
Kenyan shilling	1,415	–	–	–	**1,415**
Danish krone	1,264	–	–	–	**1,264**
South African rand	1,189	–	–	–	**1,189**
Other overseas currencies	5,782	–	–	–	**5,782**
Total exposure to currency risk	**51,639**	**1,178**	**(2,571)**	**(675)**	**49,571**
Sterling	19,931	25	(2,500)	(240)	**17,216**
	71,570	**1,203**	**(5,071)**	**(915)**	**66,787**

* Includes net non-monetary assets of £8,000.

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**
Swiss franc	1,671	–	–	–	**1,671**
Norwegian krone	1,841	–	–	–	**1,841**
Japanese yen	2,973	–	–	11	**2,984**
Turkish lira	1,193	–	–	–	**1,193**
Brazilian real	5,487	–	–	–	**5,487**
Kenyan shilling	–	–	–	–	**–**
Danish krone	1,133	–	–	–	**1,133**
South African rand	1,754	–	–	–	**1,754**
Other overseas currencies	4,597	–	–	15	**4,612**
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.

Currency Risk Sensitivity

At 30 June 2013, 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 opposite. 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 2012.

20 Financial Instruments (continued)

(i) Currency Risk (continued)

Currency Risk Sensitivity (continued)

	2013 £'000	2012 £'000
US dollar	911	869
Euro	498	291
Swiss franc	152	84
Norwegian krone	120	92
Japanese yen	115	149
Turkish lira	106	60
Brazilian real	94	274
Kenyan shilling	71	–
Danish krone	63	57
South African rand	60	88
Other overseas currencies	289	230
	2,479	**2,194**

(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.

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

Financial Assets

	2013 Fair value £'000	2013 Weighted average interest rate	2013 Weighted average period until maturity	2012 Fair value £'000	2012 Weighted average interest rate	2012 Weighted average period until maturity
Fixed rate:						
US dollar bonds	1,037	10.4%	8 years	1,067 *	4.9%	8 years
Euro bonds	1,099	9.3%	4 years	986	9.1%	5 years
Floating rate:						
US dollar bonds (interest rate linked to reinsurance rate)	–	–	–	684	13.6%	4 years
Euro bonds (interest rate linked to Euro LIBOR)	304	8.4%	2 years	287	8.7%	3 years
Fixed interest collective investment schemes:						
Athena Debt Opportunities Fund	–	–	–	746	2.5%	25 years
K1 Life Settlements	220	–	n/a	215	–	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.

20 Financial Instruments (continued)

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

	2013 £'000	2012 £'000
Fixed rate – Sterling denominated	2,500	2,500
Fixed rate – Euro denominated	2,571	2,427
	5,071	**4,927**

Maturity Profile

	2013 Within 1 year £'000	2013 Between 1 and 5 years £'000	2013 More than 5 years £'000	2012 Within 1 year £'000	2012 Between 1 and 5 years £'000	2012 More than 5 years £'000
Repayment of loans	–	5,071	–	–	4,927	–
Interest on loans	130	87	–	126	212	–
	130	**5,158**	**–**	**126**	**5,139**	**–**

Interest Rate Risk Sensitivity

An increase of 100 basis points in bond yields as at 30 June 2013 would have decreased total net assets and total return on ordinary activities by £122,000 (2012 – £83,000). 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 2013 would have decreased the net asset value per share (with borrowings at fair value) by 0.15p (2012 – increased by 0.16p). A decrease of 100 basis points would have had an equal but opposite effect.

(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 30 June 2012 are shown on page 46.

After deducting borrowings 102.0% (2012 – 100.0%) of the Company's net assets are invested in quoted equities.

The Company had no equity derivative instruments at 30 June 2013. At 30 June 2012 the sensitivity of the Company's equity investments to general movements in equity markets was adjusted by the use of the equity derivative instruments detailed on page 46, with the purchase of equity index call options increasing it and the sale of equity index futures decreasing it. 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. 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.

20 Financial Instruments (continued)

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:

	2013 £'000	2012 £'000
Fixed interest investments	2,660	3,356
Cash and deposits	1,203	1,239
Debtors and prepayments	76	985
	3,939	**5,580**

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

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.

	2013 Book £'000	2013 Fair £'000	2012 Book £'000	2012 Fair £'000
Fixed rate sterling loan	2,500	2,530	2,500	2,553
Fixed rate euro loan	2,571	2,606	2,427	2,476
Total long term borrowings	**5,071**	**5,136**	**4,927**	**5,029**

20 Financial Instruments (continued)

Gains and Losses on Purchased Options

The Company had no purchased options at 30 June 2013, the following purchased options were in position at 30 June 2012:

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**

Gains and (Losses) on Equity Index Futures Sales

The Company had no equity index futures sales at 30 June 2013, the following equity index futures sales were in position at 30 June 2012:

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 2013 and 30 June 2012 there were no unrecognised gains/losses on hedges.

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 note 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 22. The Company has the ability to issue and buy back its shares (see pages 24 and 25) and changes to the share capital during the year are set out in notes 13 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.