# Manchester & London Investment Trust plc

INTERIM REPORT
FOR THE SIX MONTHS ENDED
31 JANUARY 2014

# Contents

# Trust Performance

| | At 31 January 2014 | At 31 July 2013 | Percentage Change |
|---|---|---|---|
| Net assets attributable to Equity Shareholders (£'000) | **67,360** | 75,050 | **(10.2)** |
| Net asset value per ordinary Share (p) | **299.9** | 334.2 | **(10.2)** |
| Dow Jones UK Total Stock Market Index | **2880.2** | 2897.3 | **(0.6)** |
| Interim dividend declared per ordinary share | **5.5p** | 5.5p | **-** |
| Ex-dividend date | 9 April 2014 | | |
| Record date | 11 April 2014 | | |
| Payment date | 30 April 2014 | | |

The price and net asset value is published in the Investment Companies Sector of The Financial Times.

**ISA and Savings Schemes - cost efficient ways to invest in the Company.**

The shares of Manchester & London Investment Trust plc ("MLIT" or the "Company") are listed on the Official List and traded on the London Stock Exchange. Private investors can buy or sell shares by placing an order either directly with a stockbroker or through an Independent Financial Adviser. Alternatively, investments can be made through the Company's Share Savings Plan or the MLIT Individual Savings Account ("ISA").

1. **The MLIT Investment Plan**

   MLIT operates a zero-charge Savings Plan and all cash (whether from subscriptions or dividends) is reinvested in the Company's shares on the earliest dealing day. Investors have the option of making a lump sum payment to the Plan or regular payments on a monthly or quarterly basis, whichever is preferred. The Plan can be held jointly or set up for the benefit of children and there is no upper limit on the amount which can be invested.

2. **The MLIT ISA**

   Like the Savings Plan, the MLIT zero-charge ISA consists solely of MLIT shares and all cash (whether from subscriptions or dividends) is reinvested in the Company's shares on the earliest dealing day. There are no commissions or annual administration charges on the ISA. Subscriptions may be made either by lump sum or by monthly payments. The current lump sum minimum payment is £2,000 with a maximum subscription per year of £11,520.

3. **The transfer of other ISAs into the MLIT ISA**

   Equity ISAs and cash ISAs which are currently held by other managers may be transferred into an MLIT ISA free of charge. The costs of selling the existing holdings and purchasing the MLIT shares will also be free of charge.

**Disposal of other shareholdings**

MLIT offers a facility whereby holders may sell any of their existing shares without incurring any stockbroking costs as long as the full proceeds are reinvested into MLIT shares. The purchases will also be undertaken free of commission.

Please contact Midas on **0161 228 1709** should you require further details on these savings plans and for the full terms and conditions.

# Chairman's Statement

**Performance**

Our benchmark dropped 0.6 per cent during the period. However, we dropped further, leading to an underperformance of 9.6 per cent. The Company's net assets per share decreased by 10.2 per cent over the half year.

**Dividend**

The Board has declared an interim dividend of 5.5p per share, payable on 30 April 2014, which is the same interim dividend as for the half year ended 31 January 2013. We are aware of how important dividends are to our shareholders but our Net Asset Value is nearly twenty five per cent lower than last year.

**Outlook and Strategy**

QE continues to drive the US market higher but other markets have started to slow down. Whether this is simply a pause in a continuing bull market or the start of a period of lower returns remains to be seen. Once again exposure to developed markets has been rewarded and stocks exposed to developing markets have been punished. This investment performance differential has not seen any change since 2011 and once again that has not helped our performance. The simple response is often to simply suggest we switch to increase our UK domestic exposure, but the chart below suggests this could be a dangerous strategy. It is clear that the domestically focused Mid-Caps are trading at stretched valuation multiples.


Source: S&P Dow Jones Indices.

We are disappointed with the performance in this period but we have been very clear that we wished to invest in companies based in the developed markets with operational exposure to developing markets. This investment theme worked well for a decade up to 2011, but since then continues to perform very poorly. The Investment Manager detailed to shareholders at our AGM that he felt that performance would remain weak until there was more certainty that China's planned deceleration was controllable. This may well take some time and there is no certainty that the outturn will be as we hoped for. In the meantime, we do not see the logic of selling shares that optically look relatively inexpensive, to buy shares that are trading at multi-year valuation multiple highs.

**P H A Stanley, Chairman.**
**March 2014.**

# Investment Manager's Report

**Investment Manager's Review**

**Performance over period**

Our underperformance has been broad based and can be largely explained by a review of nine of our largest holdings during the period.

| **Holding** | **Performance** |
|---|---:|
| Glencore Xstrata plc | 1.5% |
| Vodafone Group plc | 1.3% |
| Unilever plc | -0.9% |
| BG Group plc | -0.9% |
| Diageo plc | -1.0% |
| Syngenta AG | -1.3% |
| Standard Chartered plc | -1.5% |
| PZ Cussons plc | -1.8% |
| S&P 500 Index Shorts | -3.9% |
| Other positions | -1.1% |
| **Total** | **-9.6%** |

The Miners finally went well for us with positive contributions from both Glencore Xstrata plc and Rio Tinto plc. We attended the Indaba conference in Cape Town in February 2014 and had a number of in depth conversations with these companies and other sector commentators. The state of the Chinese economy is a clear worry, but the philosophy of the sector has changed and the focus is now on cost cutting, reducing debt, improving efficiencies and shareholder returns.

In the last few years, the Consumer Goods sector has performed very well. However, over the last nine months the sector has been weaker due to concerns about the slow down in emerging markets coupled with the increased focus on price competition in the developed markets.

Standard Chartered plc has seen a compression in its wholesale net interest margins as its market places have seen a wave of competitive pressure from banks looking to offload excess funds provided at discount rates from central banks. We expect this situation to reverse in time but Standard Chartered plc needs to take a more measured approach to growth, whereby earnings growth exceeds the growth in its risk weighted assets. In the meantime, the stock is trading only marginally higher than its book value, whilst yielding an attractive dividend of greater than four per cent.

BG Group plc has continued to disappoint on delivery, with ongoing issues in Egypt and delays across the portfolio. However, whilst these successive guidance cuts have damaged near term profitability, the core value of their assets remains largely intact. As such, we believe the near term delivery risk is more than compensated by the stock's material discount to NAV. Whilst waiting for this value to be unlocked will require patience, the assets are of great enough value that further failures by the incumbent management could draw attention from competitors or shareholder activists. In the meantime, we also look towards the prospect of a positive FCF in 2015 and the potential for greater future shareholder returns.

# Investment Manager's Report **(Continued)**

Syngenta AG has seen a decline in earnings due to bumper crops in North America which have suppressed grain prices, alongside some issues with the regulatory approval of its traits in China which have led to exporting farmers being less willing to use its seeds. If you are selling an integrated offering, the sales proposition often starts with the seed. A cost base set in Swiss Franc whilst emerging market currencies are falling is also a painful situation to be in. Once again, we see these issues as reversible but we hope Syngenta AG can launch future technology with more advanced tactics.

We have remained less than fully invested in the market, which has been a reasonable strategy considering that our benchmark has fallen during the period. We also continue to believe that the S&P is one of the more expensively valued global indices and hence, coupled with its liquidity and tight spreads, is attractive as a tool for reducing our Net Long to Net Asset position. However, during the period the S&P 500 outperformed our benchmark by 6.1 per cent. We would suggest that the main reason for this outperformance has been because the Dollar weakened against Sterling by 8.7 per cent during the period. This was not the consensus trade so we are not alone in getting this element of our position incorrect. During the period the recovery of the UK has startled most, including Ed Balls, Mark Carney and George Osborne. In addition, those consensus dollar bulls who saw a lower dependence on oil imports for the USA and a commencement of tapering as a prelude to dollar strengthening have been proven wrong. It is important to note that we entered the period with an S&P 500 short position valued at £48m and this position has been reduced to £26m as at 17 March 2014.

During the period we sold our positions in Weir Group plc, Smith & Nephew plc, Burberry Group plc and Vodafone Group plc. We still like all these companies who have all performed well, but we decided to reduce our gross holdings so we sold these positions and reduced the market hedge we had against them. We were concerned regarding:

- the valuation of Weir Group plc when Rolls Royce plc was trading at a less expensive multiple and the mining sector is likely to continue to slash capex;
- Burberry Group plc's ability to weather a cooling of China's consumption growth and the required replacement of their Japanese license revenue;
- the valuation multiples Smith & Nephew plc were paying for new acquisitions; and
- whether Vodafone Group plc was pricing in too much certainty of a bid from A T & T Inc.

**Gearing**

By the interim period end, the portfolio's net long over net asset position had been reduced to a level of 93.5 per cent. There has not been a material change since the period end.

**Conclusion**

In conclusion, we remain focused on investing in developed market equities which are liquid and are participating in global growth via the developing markets. We prefer companies with short working capital cycles, strong market positions with an understandable business model, open information flow, long development cycles and attractive returns on capital.

# Investment Manager's Report (Continued)

## Risk Management of portfolio

### *Volatility*

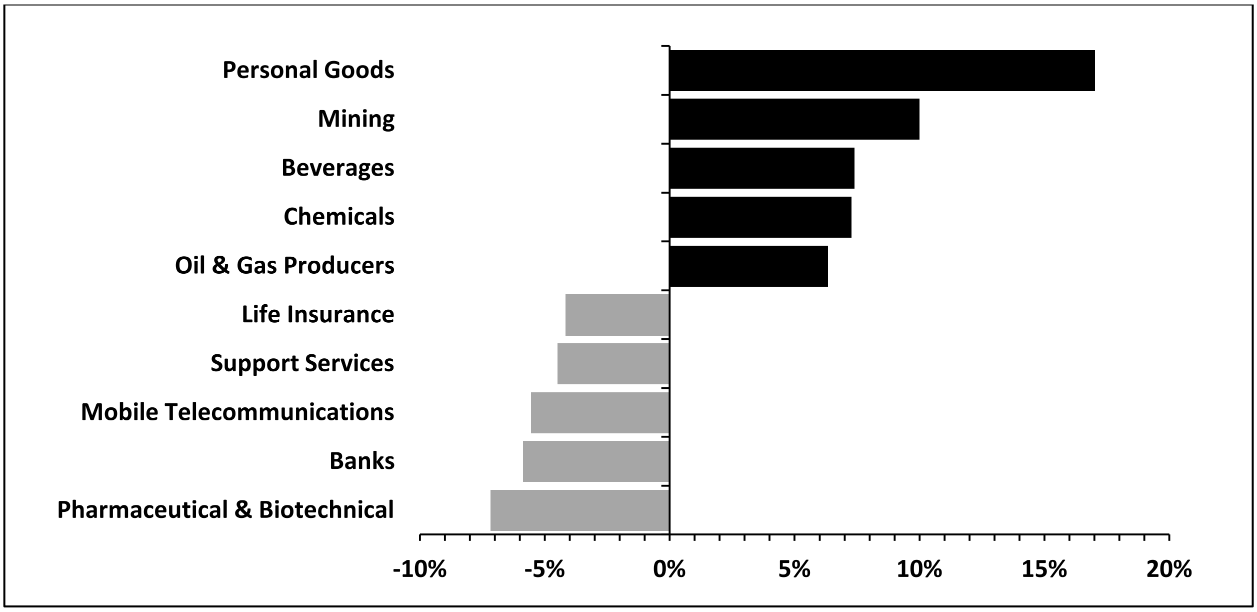
| | **5 year annualised** |
|---|---|
| MLIT price volatility | 18.0% |
| MLIT NAV volatility | 17.8% |
| Sharpe | (0.1x) |
| Benchmark volatility | 14.2% |

| | **31 January 2014** |
|---|---|
| Period end beta of portfolio | 1.0 |

### *Liquidity*

| | **31 January 2014** |
|---|---|
| Weighted average market capitalisation of holdings | £25.2bn |

## Portfolio sector weightings vs benchmark




Source: Digital Look, Manchester & London Investment Trust plc

# Investment Portfolio
## As at 31 January 2014

| Company | Sector | Value £'000 | % of Net Assets |
|---|---|---|---|
| PZ Cussons plc | Personal Goods | 16,296 | 24.2 |
| Diageo plc | Beverages | 8,142 | 12.1 |
| Glencore Xstrata plc | Mining | 7,663 | 11.4 |
| Rio Tinto plc | Mining | 6,612 | 9.8 |
| Standard Chartered plc | Banking | 5,216 | 7.7 |
| Afren plc | Oil & Gas Producers | 5,212 | 7.7 |
| Syngenta AG | Chemicals | 5,137 | 7.6 |
| Unilever plc | Food Producers | 4,995 | 7.4 |
| BG Group plc | Oil & Gas Producers | 4,584 | 6.8 |
| Jardine Matheson Holdings Ltd | General Industrial | 3,950 | 5.9 |
| BP plc | Oil & Gas Producers | 3,503 | 5.2 |
| bio Merieux SA | Medical Technology | 2,833 | 4.2 |
| The Interpublic Group of Companies Inc | Media Communications | 2,693 | 4.0 |
| Weir Group plc | Industrial Engineering | 2,506 | 3.7 |
| KWS SAAT AG | Agrisciences | 2,366 | 3.5 |
| Remy Cointreau SA | Beverages | 2,272 | 3.4 |
| Trinity Exploration & Production plc | Oil & Gas Producers | 1,827 | 2.7 |
| Vedanta Resources plc | Mining | 1,611 | 2.4 |
| Etablissements Maurel et Prom SA | Oil & Gas Producers | 1,574 | 2.3 |
| Echo Entertainment Group Ltd | Travel & Leisure | 1,450 | 2.2 |
| Parmalat SpA | Food Producers | 891 | 1.3 |
| Northern Petroleum plc | Oil & Gas Producers | 653 | 1.0 |
| Cairn Energy plc | Oil & Gas Producers | 474 | 0.7 |
| Tullow Oil plc | Oil & Gas Producers | 332 | 0.5 |
| Heritage Oil plc | Oil & Gas Producers | 314 | 0.5 |
| Other listed investments (under 0.5%) | Various | 412 | 0.6 |
| **Listed Investments** | | **93,518** | **138.8** |
| Other Investments | | 181 | 0.3 |
| Cash and Net Current Assets | | (26,339) | (39.1) |
| **Net Assets** | | **67,360** | **100.0** |

# Shareholder Benefits

All shareholders with 2,500 shares (excluding the officers of the Company) are qualified to participate in a draw undertaken by the Directors before the Annual General Meeting in respect of The All England Lawn Tennis Ground plc Debentures listed below. Once a party's holding exceeds 2,500 shares, the probability of success in this draw will increase for every additional share held. The investment policy of the Company may result in some, or all, of the Debentures being sold in which event the benefit would cease.

***Centre Court***

The Company owns two Debentures entitling it to two Centre Court seats (together with two badges admitting entry to the Debenture Holders' Lounge) for the thirteen days play of the Championships. There will be thirteen draws, each draw entitling the successful shareholder to one pair of adjacent seats for one day's play.

# Investment Objective

The investment objective of the Company is to achieve capital appreciation together with a reasonable level of income.

# Investment Policy

***Asset allocation***

The Company's investment objective is sought to be achieved through a policy of actively investing in a diversified portfolio, comprising UK and overseas equities and fixed interest securities. The Company seeks to invest in companies whose shares are admitted to trading on a regulated market. However, it may invest in a small number of equities and fixed interest securities of companies whose capital is not admitted to trading on a regulated market. Investment in overseas equities is utilised by the Company to increase the risk diversification of the Company's portfolio and to reduce dependence on the UK economy in addressing the growth and income elements of the Company's investment objective.

The Company may invest in derivatives, money market instruments, currency instruments, contracts for differences ("CFDs"), futures, forwards and options for the purposes of (i) holding investments and (ii) hedging positions against movements in, for example, equity markets, currencies and interest rates.

There are no maximum exposure limits to any one particular classification of equity or fixed interest security. The Company's investments are not limited to any one industry sector and its current investment portfolio is spread across a range of sectors. The Company has no specific criteria regarding market capitalisation or credit ratings in respect of investee companies.

***Risk diversification***

The Company intends to maintain a relatively focused portfolio, seeking capital growth by investing in approximately 20 to 40 securities. The Company will not invest more than 15 per cent of the gross assets of the Company at the time of investment in any one security. However, the Company may invest up to 50 per cent of the gross assets of the Company at the time of investment in an investment company subsidiary, subject always to other restrictions set out in this investment policy and the Listing Rules.

The Company intends to be fully invested whenever possible. However, during periods in which changes in economic conditions or other factors so warrant, the Investment Manager may reduce the Company's exposure to one or more asset classes and increase the Company's position in cash and/or money market instruments.

# Investment Policy (Continued)

### *Gearing*

The Company may borrow to gear the Company's returns when the Investment Manager believes it is in shareholders' interests to do so. The Company's investment policy and the Articles permit the Company to incur borrowing up to a sum equal to two times the adjusted total of capital and reserves. Any change to the Company's borrowing policy will only be made with the approval of shareholders by special resolution.

> *The effect of gearing may be achieved without borrowing by investing in a range of different types of investments including derivatives. The Company will not enter into any investments which have the effect of increasing the Company's net gearing beyond the above limit.*

### *General*

In addition to the above, the Company will observe the investment restrictions imposed from time to time by the Listing Rules which are applicable to investment companies with shares listed on the Official List of the UKLA under Chapter 15.

In accordance with the Listing Rules, the Company will manage and invest its assets in accordance with the Company's investment policy. Any material changes in the principal investment policies and restrictions (as set out above) of the Company will only be made with the approval of shareholders by ordinary resolution.

In the event of any breach of the investment restrictions applicable to the Company, shareholders will be informed of the remedial actions to be taken by the Board and the Investment Manager by an announcement issued through a Regulatory Information Service approved by the FCA.

### *Benchmark Index*

Performance is measured against the Dow Jones UK Total Stock Market Index. The Company sources index and price data from FactSet Research Systems Inc.

# Consolidated Statement of Comprehensive Income

***For the six months ended 31 January 2014***

| | (Unaudited) Six months ended 31 January 2014 | | | (Unaudited) Six months ended 31 January 2013 | | | (Audited) Year ended 31 July 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Revenue £'000** | **Capital £'000** | **Total £'000** | **Revenue £'000** | **Capital £'000** | **Total £'000** | **Revenue £'000** | **Capital £'000** | **Total £'000** |
| (Losses)/gains on investments at fair value | - | (7,569) | (7,569) | - | 14,354 | 14,354 | - | (240) | (240) |
| Trading income | 1,050 | - | 1,050 | 572 | - | 572 | 627 | - | 627 |
| Investment income | 1,216 | - | 1,216 | 1,254 | - | 1,254 | 3,189 | - | 3,189 |
| Gross return | 2,266 | (7,569) | (5,303) | 1,826 | 14,354 | 16,180 | 3,816 | (240) | 3,576 |
| **Expenses** | | | | | | | | | |
| Management fee | (185) | - | (185) | (75) | (140) | (215) | (411) | - | (411) |
| Transaction costs | (39) | - | (39) | (9) | (36) | (45) | (82) | - | (82) |
| Other expenses | (127) | - | (127) | (107) | (4) | (111) | (232) | - | (232) |
| Total expenses | (351) | - | (351) | (191) | (180) | (371) | (725) | - | (725) |
| Finance costs | - | (183) | (183) | - | (161) | (161) | (2) | (327) | (329) |
| Profit/(loss) before tax | 1,915 | (7,752) | (5,837) | 1,635 | 14,013 | 15,648 | 3,089 | (567) | 2,522 |
| Taxation | - | - | - | - | - | - | - | - | - |
| **Profit/(loss) attributable to equity shareholders** | **1,915** | **(7,752)** | **(5,837)** | **1,635** | **14,013** | **15,648** | **3,089** | **(567)** | **2,522** |
| **Earnings/(loss) per share (p)** | **8.53** | **(34.52)** | **(25.99)** | **7.28** | **62.40** | **69.68** | **13.76** | **(2.53)** | **11.23** |

The total column of this statement represents the Group's Statement of Comprehensive Income, prepared in accordance with IFRS. The supplementary revenue and capital return columns are both prepared under guidance published by the Association of Investment Companies.

All items in the above statement are derived from continuing operations.

# Consolidated Statement of Changes in Equity

***For the six months ended 31 January 2014***

**Unaudited**
**Six months ended 31 January 2014**

| | Share Capital £'000 | Share Premium £'000 | Other Reserves £'000 | Capital Reserve Unrealised £'000 | Capital Reserve Realised £'000 | Retained Earnings £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 August 2013** | 5,614 | 35,132 | (79) | 5,596 | 24,899 | 3,888 | 75,050 |
| Total comprehensive loss | - | - | - | - | - | (5,837) | (5,837) |
| Transfer of profit realised on previous transfers | - | - | - | 3,165 | (3,165) | - | - |
| Transfer of capital losses | - | - | - | (3,240) | (4,512) | 7,752 | - |
| Ordinary dividend paid | - | - | - | - | - | (1,853) | (1,853) |
| | **5,614** | **35,132** | **(79)** | **5,521** | **17,222** | **3,950** | **67,360** |

**Unaudited**
**Six months ended 31 January 2013**

| | Share Capital £'000 | Share Premium £'000 | Other Reserves £'000 | Capital Reserve Unrealised £'000 | Capital Reserve Realised £'000 | Retained Earnings £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 August 2012** | 5,614 | 35,132 | (79) | 8,146 | 22,916 | 3,786 | 75,515 |
| Total comprehensive income | - | - | - | - | - | 15,648 | 15,648 |
| Transfer of capital profits | - | - | - | 13,444 | 569 | (14,013) | - |
| Ordinary dividend paid | - | - | - | - | - | (1,752) | (1,752) |
| | **5,614** | **35,132** | **(79)** | **21,590** | **23,485** | **3,669** | **89,411** |

**Audited**
**Year ended 31 July 2013**

| | Share Capital £'000 | Share Premium £'000 | Other Reserves £'000 | Capital Reserve Unrealised £'000 | Capital Reserve Realised £'000 | Retained Earnings £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 August 2012** | 5,614 | 35,132 | (79) | 8,146 | 22,916 | 3,786 | 75,515 |
| Total comprehensive income | - | - | - | - | - | 2,522 | 2,522 |
| Transfer of capital losses | - | - | - | (2,550) | 1,983 | 567 | - |
| Ordinary dividend paid | - | - | - | - | - | (2,987) | (2,987) |
| | **5,614** | **35,132** | **(79)** | **5,596** | **24,899** | **3,888** | **75,050** |

# Consolidated Statement of Financial Position

*As at 31 January 2014*

| | (Unaudited) 31 January 2014 £'000 | (Unaudited) 31 January 2013 £'000 | (Audited) 31 July 2013 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments held at fair value through profit and loss | 68,736 | 91,059 | 75,689 |
| Derivative financial instruments - longs | 24,963 | 26,887 | 49,457 |
| | 93,699 | 117,946 | 125,146 |
| **Current assets** | | | |
| Trade and other receivables | 10 | 29 | 190 |
| Derivative financial instruments - shorts | 30,529 | 46,257 | 55,673 |
| Cash and cash equivalents | 14,617 | 11,305 | 21,802 |
| | 45,156 | 57,591 | 77,665 |
| **Gross assets** | 138,855 | 175,537 | 202,811 |
| **Current liabilities** | | | |
| Borrowings | (8,220) | (6,631) | (10,967) |
| Trade and other payables | (649) | (3,482) | (1,863) |
| Derivative financial instruments | (62,626) | (76,013) | (114,931) |
| | (71,495) | (86,126) | (127,761) |
| **Net assets** | **67,360** | **89,411** | **75,050** |
| **Equity attributable to equity holders** | | | |
| Ordinary share capital | 5,614 | 5,614 | 5,614 |
| Share premium | 35,132 | 35,132 | 35,132 |
| Capital reserves | 22,743 | 45,075 | 30,495 |
| Goodwill reserve | (79) | (79) | (79) |
| Retained earnings | 3,950 | 3,669 | 3,888 |
| **Total equity shareholders' funds** | **67,360** | **89,411** | **75,050** |
| **Net asset value per share (p)** | **299.9** | **398.1** | **334.2** |

## Consolidated Statement of Cash Flows

***For the six months ended 31 January 2014***

| | (Unaudited) 31 January 2014 £'000 | (Unaudited) 31 January 2013 £'000 | (Audited) 31 July 2013 £'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| (Loss)/Profit after tax | (5,837) | 15,648 | 2,522 |
| Interest paid | 183 | 161 | 329 |
| Losses/(Gains) on investments | 2,231 | (13,787) | (9,106) |
| Decrease/(Increase) in receivables | 180 | 52 | (109) |
| (Decrease)/Increase in payables | (1,214) | 1,430 | (189) |
| (Decrease)/Increase in derivative financial instruments | (2,667) | (1,144) | 5,788 |
| Net cash (used in)/generated from operating activities | **(7,124)** | **2,360** | **(765)** |
| **Cash flow from investing activities** | | | |
| Purchase of investments | (12,457) | (6,679) | (16,548) |
| Sale of investments | 17,179 | 9,373 | 29,931 |
| Net cash generated from investing activities | **4,722** | **2,694** | **13,383** |
| **Cash flow from financing activities** | | | |
| Equity dividends paid | (1,853) | (1,752) | (2,987) |
| (Repaid to)/drawn from loan facility | (2,747) | (3,268) | 1,068 |
| Interest paid | (183) | (161) | (329) |
| Net cash used in financing activities | **(4,783)** | **(5,181)** | **(2,248)** |
| **Net (decrease)/increase in cash and cash equivalents** | **(7,185)** | **(127)** | **10,370** |
| Cash and cash equivalents at the beginning of the period | 21,802 | 11,432 | 11,432 |
| **Cash and cash equivalents at the end of the period** | **14,617** | **11,305** | **21,802** |

# Notes to the Group Results

**1. Accounting policies**

The interim report and condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 July 2013. The accounting policies are consistent with the preceding annual accounts.

The results are based on unaudited Group consolidated accounts prepared under the historical cost basis except where International Financial Reporting Standards ("IFRS") require an alternative treatment.

**2. Comparative information**

The financial information contained in this interim report does not constitute statutory accounts and, in addition, those relating to the six month periods to 31 January 2013 and 31 January 2014 have not been audited.

The financial information for the year ended 31 July 2013 has been extracted from the latest published audited accounts which have been filed with the Registrar of Companies and prepared under IFRS. The report of the auditors on those accounts contained no qualification or statement under the provisions of the Companies Act 2006.

**3. Significant accounting policies**

Investments held at fair value through profit or loss are initially recognised at fair value. As the entity's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends, or increases in fair value, listed equities and fixed income securities are designated as at fair value through profit or loss on initial recognition. The entity manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the Group is provided internally on this basis to the entity's key management personnel.

After initial recognition, investments which are classified as fair value through profit and loss are measured at fair value. Gains or losses on investments designated as fair value through profit or loss are included in net profit or loss as a capital item, and material transaction costs on acquisition and disposal of investments are expensed and included in the revenue column of the income statement. For investments that are actively traded in organised financial markets, fair value is determined by reference to the Stock Exchange quoted market bid prices or last traded prices, depending upon the convention of the exchange on which the investment is quoted, at the close of business at the end of the reporting period.

In respect of unquoted investments, or where the market for a financial investment is not active, fair value is established by using an appropriate valuation technique. Where a reliable fair value cannot be estimated for such unquoted equity instruments, they are carried at cost, subject to any provision for impairment. All purchases and sales of investments are recognised on the trade date i.e. the date that the Group commits to purchase or sell an asset.

Dividend income from investments is recognised as income when the shareholders' rights to receive payment has been established, normally the ex-dividend date. When special dividends are received, the underlying circumstances are reviewed on a case by case basis in determining whether the amount is capital, or income, or a mixture of both, in nature. Amounts recognised as income will form part of the Company's distribution.

# Notes to the Group Results (Continued)

**4. Principal risks and uncertainties**

The principal risks and uncertainties associated with the Company's business fall into the following categories: financial risk; strategic risk; and accounting, legal and regulatory risk. A detailed explanation of the risks and uncertainties in each of these categories can be found in the Company's published Annual Report and Accounts for the year ended 31 July 2013.

**5. Directors' responsibilities**

The Directors (P H A Stanley, D Harris and B Miller, all of whom are non-executive) are of the opinion that it is appropriate to continue to adopt the going concern basis in accordance with the FRCs "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" in the preparation of the accounts as the assets of the Company consist predominantly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

The Directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting".

Where presentational guidance, set out in the Statement of Recommended Practice ("SORP") for investment trusts revised by the Association of Investment Companies ("AIC"), is inconsistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The Interim Management Report, in the form of the Chairman's Statement and Investment Manager's Review, includes a fair review of the information required by DTR 4.2.7 and 4.2.8 of the FCA's Disclosure and Transparency Rules.

**6. Related party**

Midas Investment Management Limited ('Midas'), a company controlled by Mr. M. Sheppard, acts as Investment Manager to the Company. Details of the fee arrangements are given in note 7. Mr. M. Sheppard is also a director of the parent company of Manchester and London Investment Trust plc.

**7. Related party transactions**

The management fee charged by Midas is payable quarterly in arrears and is equal to 0.5 per cent of the Net Asset Value of the Group on an annualised basis.

Investment management fees are charged to revenue.

Additional fees charged by Midas include a monthly financial advisory fee and commissions on the purchase and sale of investments.

Monthly company secretarial and office administration costs incurred by the parent company, Manchester and Metropolitan Investment Limited, on behalf of the Company were also recharged to the Company in the period.

There are no other related party transactions.

# Notes to the Group Results (Continued)

**This Half Yearly Report was approved by the Board on 26 March 2014.**
In accordance with DTR 4.2.9(2) of the UK Disclosure and Transparency Rules (DTRs), it is confirmed that this publication has not been audited by auditors pursuant to the Auditing Practices Board (APB) guidance on Review of Interim Financial Information, but has been reviewed by the auditors pursuant to the APB's guidance on Review of Interim Financial Information.

Copies of the Half-Yearly Financial Report for the six months ended 31 January 2014 will be available from the Company's registered office at 2nd Floor, Arthur House, Chorlton Street, Manchester, M1 3FH, as well as on the Company's website at www.manchesterandlondon.co.uk.

# Independent Review Report to Manchester & London Investment Trust plc

**Introduction**
We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the related condensed notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

**Directors' Responsibilities**
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

**Our Responsibility**
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

**Scope of Review**
We conducted our review in accordance with International Standard on Review Engagements (UK & Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK & Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

CLB Coopers, Statutory Auditors and Chartered Accountants, Manchester.
27 March 2014

# Corporate Information

**Directors**
P H A Stanley (Chairman)
B S Sheppard (resigned 30 August 2013)
D Harris
B Miller (appointed 30 August 2013)

**Registered Office**
2nd Floor
Arthur House
Chorlton Street
Manchester
M1 3FH
Tel: 0161 228 1709
Fax: 0161 228 2510

**Registered in England & Wales**
Company Number 01009550

**Investment Manager & Stockbroker**
Midas Investment Management Limited
2nd Floor
Arthur House
Chorlton Street
Manchester
M1 3FH
Tel: 0161 228 1709
Fax: 0161 228 2510

**Secretary**
M K Camp
2nd Floor
Arthur House
Chorlton Street
Manchester
M1 3FH

**Registrar**
Computershare Investor Services plc
The Pavillions
Bridgwater Road
Bristol
BS13 8AE

**Bankers**
National Westminster Bank plc
11 Spring Gardens
Manchester
M60 2DB

**Independent Auditors**
CLB Coopers
Ship Canal House
98 King Street
Manchester
M2 4WU

**Website and Price Information**
The Company has a dedicated website which may be found at www.manchesterandlondon.co.uk. The website has been designed to be utilised as the Company's primary method of electronic communication with shareholders and contains copies of the Report and Accounts, other documents published by the Company and announcements made by the Company to the market.

The Company releases its Net Asset Value to the market on a weekly basis. Share price information may also be found in the Financial Times.

# Shareholders Notes