MID WYND INTERNATIONAL INVESTMENT TRUST PLC

ANNUAL REPORT AND ACCOUNTS
1996

BG

MANAGED BY BAILLIE GIFFORD & CO

Directors
PMS Barron *Chairman*
RRJ Burns · TM Lawrie
BWM Johnston · MCN Scott

Managers, Secretaries and Registered Office
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Telephone 0131-222 4000

Registrars
The Royal Bank of Scotland plc · PO Box 435 · Owen House · 8 Bankhead Crossway North
Edinburgh EH11 4BR
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Bankers
The Royal Bank of Scotland plc · The Fuji Bank, Ltd

Brokers
NatWest Wood Mackenzie · 135 Bishopsgate · London EC2M 3XT

Auditors
Ernst & Young · Chartered Accountants and Registered Auditor · Ten George Street
Edinburgh EH2 2DZ

Company Registration No. 42651

AI TC The Company is a member of the Association of Investment Trust Companies.

Mid Wynd International Investment Trust PLC

CONTENTS

Record of Revenue and Capital

Year to 30th June	Revenue: Gross revenue £'000	Available for ordinary shareholders £'000	Earnings per ordinary 25p share net p	Dividend per ordinary 25p share net p	Capital: Total assets (1) £'000	Bank loans £'000	Equity shareholders' funds £'000	Net asset value per ordinary 25p share p
1986	275	134	2·67	2·40	11,207	–	11,207	223·2
1987	345	161	3·20	2·90	13,771	–	13,771	274·2
1988	357	174	3·47	3·20	11,521	–	11,521	229·4
1989	452	253	5·04	4·20	13,199	–	13,199	262·8
1990	533	240	4·77	4·60	17,922	2,580	15,342	305·5
1991	823	337	6·70	5·70	17,369	2,779	14,590	290·5
1992	760	318	6·34	6·00	16,473	2,363	14,110	280·9
1993	769	355	7·07	6·00	18,196	–	18,196	362·3
1994	601	312	6·21	6·20	20,621	–	20,621	410·6
1995	711	381	7·59 (2)	6·50	20,171	–	20,171	401·2
1996	**727**	**388**	**7·71** (2)	**6·85**	**25,600**	**927**	**24,673**	**490·7**

Notes: 1 Total assets comprises net assets before deduction of bank loans.

2 The calculation of earnings per share is based on the net revenue from ordinary activities after taxation of £387,675 (1995 – £381,121) and the weighted average of 5,027,761 (1995 – 5,022,996) ordinary shares in issue.

GROWTH 1986 to 1996

This graph is shown on a logarithmic scale which, we consider, gives a fairer impression of overall progress.

Directors and Management

DIRECTORS

PMS BARRON RD

Pat Barron has been a director of the Company since 1979 and was appointed Chairman in 1989. He is a businessman and farmer in Perthshire and is aged 54.

RRJ BURNS

Richard Burns became a director of the Company in 1981. He has been a partner of Baillie Gifford & Co since 1977 and is aged 50.

TM LAWRIE

Tom Lawrie became a director of the Company in 1985. He was formerly senior partner and is now a consultant of Maclay Murray & Spens, Solicitors, and is aged 62.

BWM JOHNSTON

Bruce Johnston became a director of the Company in 1989. He is chairman of The Alliance Trust PLC and a director of a number of other companies. He is aged 57.

MCN SCOTT QC

Malcolm Scott became a director of the Company in 1990. He is a practising Advocate, and is aged 44.

MANAGERS AND SECRETARIES

BAILLIE GIFFORD & Co was formed in 1927 out of the legal firm of Baillie & Gifford, WS, which had been involved in investment management since 1909. It is an independent investment management firm based in Edinburgh with 15 partners and a staff of around 215.

Baillie Gifford & Co manages five other listed investment trust companies and eighteen unit trusts. The firm also manages investment portfolios for pension funds, charities and other institutional clients. Included in these are international funds managed on behalf of Japanese and American clients. Funds under the management of Baillie Gifford & Co are around £12 billion.

The firm of Baillie Gifford & Co is regulated by IMRO.

About the Company

The Company's objective is to achieve capital and income growth by investing primarily in smaller and less well-known companies on a worldwide basis. The proportion of the portfolio invested in British companies will not normally exceed a quarter.

As an investment trust the Company offers long term professional investment management, freedom from capital gains tax on profits realised within the portfolio, low costs and simple dealing arrangements.

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.

Chairman's Statement

HIGHLIGHTS

	1996	1995	% change
Equity shareholders' funds	**£24,673,442**	£20,171,318	+ 22·3
Net asset value per ordinary share	**490·7p**	401·2p	+ 22·3
Revenue before taxation	**£500,613**	£504,258	– 0·7
Earnings per ordinary share	**7·71p**	7·59p	+ 1·6
Dividends per ordinary share	**6·85p**	6·50p	+ 5·4

Results

It gives me great pleasure to report an excellent result for Mid Wynd this year, after the disappointing outcome twelve months ago. Returns on the capital account were well ahead of all markets other than the United States and the increase of 22·3% in the net asset value compares with increases of 14·3% in the All-Share index of UK shares and 18·6% in the FTA World index (in Sterling). The main reasons for this good result were our having borrowed £1m worth of yen in October 1995, good stock picking in Europe, Latin America and Asia Pacific and the increased value attributed to our holding in National Toll Roads, an unlisted Irish company which has become our largest investment.

Last August, when the yen was standing at 146 to the pound, we felt it was likely to weaken, so, to protect the value of our Japanese investments, we hedged ¥70m of our exposure by forward sales of yen. We hedged a further ¥56m in this way in September. In October, still being of the view the yen was likely to be weak, and to take advantage of interest rates of little more than ½% per annum, we closed off the two forward sales, realising a profit of almost £50,000, and borrowed £1m in yen at a rate of 0·59% for a year. These funds were all invested outside the UK and with the markets in which we invested having risen in local terms by between 12·1% (Pacific Basin ex. Japan) and 20·5% (Tokyo Second Section), this has proved a successful strategy so far. In addition, as anticipated, the yen has declined 7·3% to 170·4 to the pound, thus reducing the liability on our balance sheet to £927,104.

We first invested in National Toll Roads ('NTR') in the autumn of 1987, when the company, which was already operating a toll bridge ('East Link') in the docks area of Dublin, raised funds to finance the construction of another bridge ('West Link') across the River Liffey which, together with two miles of road on either side, was to form part of the motorway system on the west side of the Irish capital. This financing was done at the same time as that for the Channel Tunnel, but unlike that project the West Link was completed ahead of time and under budget. Traffic flows initially picked up more slowly than had been projected, but NTR is now benefiting from the boom conditions currently being experienced in Ireland (a country in which we have 10·1% of our assets). As the success of the project has become obvious, shares in the company have been increasing in value and the price at which we are valuing the shares is £E4.50 against our original purchase price of £E0.82. The basis of this valuation is described in some detail on page 27 of the Report. The increase in value this year, some £488,000, accounts for 9·7p of the rise in the net asset value.

Revenue results have also been very satisfactory. In this Statement last year I said that we anticipated a lower earnings figure in 1996 than in 1995 but in the event dividend rates on our holdings have exceeded our expectations, while our having borrowed funds at substantially less cost than the income received from the investments bought with those funds has also been beneficial. Earnings of 7·71p per share are very similar to last year's. At this stage the estimates for 1997 are for a lower figure than this, and a decision not to renew the yen borrowing could further reduce earnings, but the Board is recommending a final dividend of 4·10p, an increase of 5·1% on last year's final, following an increase of 5·8% in the interim dividend. If approved this will give a total dividend for the year of 6·85p, an increase of 5·4% compared with the increase of 2·1% in the Retail Price Index over the last twelve months.

Future Policy

Although the results this year have been very pleasing the Board has been concerned that not all parts of the portfolio have produced good results consistently. In particular, our British shares have over quite an extended period fallen well short of the market indices. Following a recent in-depth review of this part of the portfolio (part of a regular monitoring cycle carried out in conjunction with the Managers), it has been agreed that our selection of UK companies should no longer emphasise companies whose earnings have a high overseas content, and the description of our objective on page 3 of the Report has been amended accordingly. We hope this alteration will help the Managers achieve better results in future.

CREST

You will probably be aware by now that the London Stock Exchange has recently begun to introduce a new share settlement system, called CREST, for the trading of listed companies in the UK. This will make settlement faster and more secure and will bring the UK up to best international standards. Mid Wynd will be making its shares available for settlement in CREST in early 1997, but it is important to understand that shareholders need not change to holding their shares electronically rather than in the traditional form of paper certificates unless they want to. There is a further explanation of the new system, together with a notification of the resolution passed recently by the Board, on page 16 of this Report.

Directors Fees

You will see from the Notice of Meeting on page 34 that you are being asked to approve an increase in the annual fee payable to each Director from £4,000 to £5,000 with the Chairman's additional fee increasing from £1,500 to £1,750. The current fees, which are below those currently paid by the most nearly comparable investment trusts, have applied since 1993. Since then the Company's net asset value has increased by 35·4% and the dividend per share by 14·2%. The responsibilities of the Directors have certainly increased over recent years in response to the increasingly prescriptive and regulatory environment.

Outlook

The world seems to be entering a period of fairly general growth, with only the European economies not already providing clear evidence of acceleration. This means that profits growth should continue to be generally satisfactory. However, the outlook is not totally favourable. Monetary policy is fairly relaxed at present, in response to most economies operating at sub-optimal levels, but it seems likely that changes in interest rates from now on will involve increases not further reductions. Long term interest rates have already risen significantly from the low levels of last winter but may still have a bit further to go before the cycle turns. Current yield levels in bond markets are already offering formidable competition to equities and a further unfavourable change in the interest rate background could well provoke quite a setback. It will be surprising if the results I report to you next year are as encouraging as those commented on in this Report.

Patrick MS Barron

Patrick MS Barron
16th August 1996

Distribution of Portfolio

GEOGRAPHICAL

1996 (1995)

Continental Europe
26·0% (21·3%)

UK
22·9% (29·2%)

The Americas
23·8% (21·9%)

Net liquid assets
and bonds
1·8% (5·1%)

Japan
6·9% (3·4%)

Asia Pacific
18·6% (19·1%)

SECTOR

1996 (1995)

Consumer goods
34·6% (28·7%)

Other groups
25·4% (26·0%)

Capital goods
18·4% (17·4%)

Net liquid assets
and bonds
1·8% (5·1%)

Commodities
2·1% (2·5%)

Financial
17·7% (20·3%)

Classification of Investments

Classification	UK	Continental Europe	The Americas	Asia Pacific	Japan	Total 1996	Total 1995
	%	%	%	%	%	%	%
EQUITIES: (including convertibles)							
CAPITAL GOODS	**5·8**	**5·1**	**5·9**	**–**	**1·6**	**18·4**	**17·4**
Building and construction	–	5·1	1·1	–	0·5	6·7	3·9
General manufacturing	5·8	–	4·2	–	1·1	11·1	12·6
Motors	–	–	–	–	–	–	0·1
Miscellaneous	–	–	0·6	–	–	0·6	0·8
CONSUMER GOODS	**9·3**	**9·9**	**4·2**	**6·9**	**4·3**	**34·6**	**28·7**
Light electrical and engineering	–	2·4	–	–	3·7	6·1	3·4
Breweries and distilleries	–	0·4	–	–	–	0·4	0·3
Food manufacturing	1·3	–	–	0·7	–	2·0	0·9
Hotels and leisure	–	0·5	–	1·0	–	1·5	1·5
Healthcare	1·7	–	1·0	–	–	2·7	2·1
Media	4·0	0·7	1·1	1·1	–	6·9	4·8
Retail trade	–	4·0	2·1	2·2	0·6	8·9	4·0
Tobacco	–	–	–	1·5	–	1·5	1·2
Miscellaneous	2·3	1·9	–	0·4	–	4·6	10·5
OTHER GROUPS	**5·3**	**6·8**	**8·0**	**4·8**	**0·5**	**25·4**	**26·0**
Chemicals	2·3	0·2	1·0	–	–	3·5	4·4
Energy	–	0·6	2·6	1·5	–	4·7	4·1
Electronics	0·9	1·0	0·6	–	–	2·5	4·0
Services	1·3	1·1	1·8	–	0·5	4·7	3·4
Telephone networks	–	–	0·5	1·8	–	2·3	2·4
Transport	–	3·9	0·8	–	–	4·7	2·8
Utilities	0·8	–	0·7	–	–	1·5	2·6
Miscellaneous	–	–	–	1·5	–	1·5	2·3
FINANCIAL	**2·5**	**4·2**	**3·6**	**6·9**	**0·5**	**17·7**	**20·3**
Banks	–	1·4	0·9	1·3	–	3·6	6·2
Insurance	1·2	–	0·5	–	–	1·7	1·6
Investment trusts	1·3	–	1·6	1·2	–	4·1	4·7
Land and property	–	1·8	0·6	3·4	–	5·8	4·2
Other financial	–	1·0	–	1·0	0·5	2·5	3·6
COMMODITIES	**–**	**–**	**2·1**	**–**	**–**	**2·1**	**2·5**
Extractive industries	–	–	2·1	–	–	2·1	2·5
TOTAL EQUITIES (incl. convertibles)	**22·9**	**26·0**	**23·8**	**18·6**	**6·9**	**98·2**	
Total equities – 1995 (incl. convertibles)	29·2	21·3	21·9	19·1	3·4		**94·9**
BONDS	–	–	–	–	–	–	**3·6**
NET LIQUID ASSETS	**0·1**	**0·5**	**0·1**	**0·4**	**0·7**	**1·8**	**1·5**
TOTAL ASSETS (before deduction of bank loan)	23·0	26·5	23·9	19·0	7·6	100·0	
Total assets – 1995	28·3	22·4	22·0	23·8	3·5		100·0
BANK LOAN	–	–	–	–	(3·7)	(3·7)	
EQUITY SHAREHOLDERS' FUNDS	**23·0**	**26·5**	**23·9**	**19·0**	**3·9**	**96·3**	
Equity shareholders' funds – 1995	28·3	22·4	22·0	23·8	3·5		**100·0**
Number of equity investments (including convertibles)	23	28	32	19	12	114	106

Largest Equity Holdings

Name	Description	Market value £000	% of total assets
National Toll Roads	Toll bridge operator	879	3·4
Trinity International	Regional newspaper publisher	606	2·4
Gucci	Luxury goods and accessories	420	1·6
Marling	Industrial webbing, principally seat belts	398	1·6
Genesis Chile Fund	Investment trust	395	1·6
Kingspan	Building materials	388	1·5
Australia Gas Light	Gas distributor	387	1·5
Renold	Industrial chains and gears	386	1·5
CP Pokphand	Agricultural and industrial conglomerate	384	1·5
RJ Reynolds	Tobacco	379	1·5
IBC	Conference organiser and publisher	377	1·5
Hon Kwok Land	Property developer	371	1·5
MCIT Income	Venture capital investor	339	1·3
Devro International	Sausage skin producer	335	1·3
Yule Catto	Chemicals and building products	333	1·3
Dawson Holdings	Newspaper wholesale and library services	333	1·3
Bank of Bangkok	Banking	322	1·3
Thai Eurofund	Investment trust	310	1·2
Green Property	Property	291	1·1
Oriental Press	Newspaper publisher	290	1·1
Central Newspapers	Regional newspaper	290	1·1
Pentair	Diversified industrial	290	1·1
Apcoa Parking	Car parking	280	1·1
Wellington Holdings	Supplier of rubber seals	271	1·0
Grafton Group	Building materials	260	1·0
Protean	Water purification equipment	260	1·0
CRH	Building materials	259	1·0
WD-40	Petroleum based lubricants	257	1·0
Formosa Fund	Semi-closed end Taiwanese fund	256	1·0
Telekom Malaysia	Telephone utility	256	1·0
		10,602	

INVESTMENT CHANGES (£'000)

	Valuation at 30th June 1995	Net acquisitions (disposals)	Appreciation (depreciation)	Valuation at 30th June 1996
Equities (incl. convertibles):				
UK	5,896	(317)	291	5,870
Continental Europe	4,301	658	1,698	6,657
The Americas	4,418	408	1,265	6,091
Asia Pacific	3,841	30	883	4,754
Japan	683	975	110	1,768
	19,139	1,754	4,247	25,140
BONDS	725	(799)	74	–
NET LIQUID ASSETS	307	154	–	461
TOTAL ASSETS	20,171	1,109	4,321	25,601

The figures above for total assets are stated before deduction of bank loan.

Managers' Portfolio Review

General Background

Twelve months ago we thought that most economies were slowing down. In the USA and Britain demand was declining in response to previous monetary tightening whilst in Europe the strength of the deutschemark and associated currencies was eroding even the mild economic recovery that had been apparent. In Japan, in contrast, the authorities were heavily engaged in reflating the economy through lower interest rates and a falling yen. We felt that against this background investment prospects were reasonable with the helpful combination of falling interest rates and gently rising earnings and dividends the most likely outcome. Our main concern was that equities were at highly rated levels whilst our main hopes were for an improvement in the relative performance of smaller companies and a recovery in Japan where we had increased our weighting after years of caution. We are delighted that these views have proved basically correct despite our underestimation of the US economy.

The Americas

The progress of the US economy continues to be admirable. The stock market again responded ebulliently with the S&P 500 gaining 26·1% in sterling terms. We anticipate GDP growth of around 3% in 1996. It is impressive that growth continues to be healthy and without excesses or imbalances coming to the fore. It is conceivable that short-term interest rates will be raised soon in the light of this buoyant picture but we do not expect a major deterioration in inflationary expectations. It is gradually becoming more difficult for American corporations to maintain profits progress after the gains of recent years, but we feel that our portfolio is focussed on stable and often unfashionable companies which should produce steady earnings growth. This emphasis on high quality but conservative stocks has shown signs of paying off in the last six months when our US portfolio outperformed the market, after a troubled period earlier in the year. Our purchases during the year included Donaldson (filtration equipment) and Briggs & Stratton (gasoline engines), both of which seem to embody the improved management of so many American industrial companies. Whilst we remain concerned by the overall rating of the US market it is apparent that much of the recent excessive excitement has been concentrated in areas such as high technology where we have little exposure. We feel that valuations elsewhere are reasonable in the light of the encouraging macroeconomic background.

The last twelve months have seen Latin American markets clamber back from their major declines in the previous year with a gain of 16·7% in the MSCI index for the area in sterling terms. Mid Wynd remains heavily exposed to these markets where our own portfolio outperformed the index over the year, benefiting from good stock selection in Argentina and Chile. Perhaps the most notable new holdings in the region have been the retailers Patagonia (Argentina) and Brasiliera de Distribucao (Brazil) which illustrate our confidence that the gloomy consumer environment is gradually improving throughout much of the continent.

Briggs & Stratton is one of the world's leading producers of petrol engines. (The value of our holding in Briggs & Stratton is £169,391)

Managers' Portfolio Review

CONTINUED

Asia

We suggested a year ago that we were on the verge of increasing our Japanese exposure and this has come about with our stake rising from 3·4% of assets to a higher but still modest 6·9% of assets. The Tokyo second section rose by 18·6% in sterling terms. Here too we have concentrated our purchases in comparatively unfashionable but high quality domestically oriented stocks such as Itariyard (clothes wholesaling) and Airport Facilities (management of airport facilities). We are sufficiently convinced by the evidence that the domestic economy is being deregulated and that consumer demand is being successfully reignited that we would like to add further to this still modest portfolio if we were able to find additional attractive stocks. In contrast we remain cautious about the outlook for the yen. It appears to us that interest rates are likely to remain low for some time to come and that the Japanese current account surplus is set to decline further.

As has become usual South East Asia has provided the most dynamic growth in the world in the last twelve months. The FT Pacific ex. Japan index gained 17·7% which our portfolio exceeded. It is fair to say that there are now a few signs of over-heating in some of the less stable participants in the regional boom but nevertheless the overall outlook remains bright. We have made small increases to our weightings in Hong Kong through the purchase of Henderson Land (property development) and Oriental Press (the leading Chinese language publisher) and in Singapore by the purchase of the property company Wing Tai. We have also made our initial investments in Taiwan (via the Formosa Fund) and the Philippines, where we have bought a convertible bond issued by the food manufacturer RFM.

Some of the clothing products sold by Itariyard.
(The value of our holding in Itariyard is £154,028)

Europe

In marked contrast to South East Asia the macroeconomic environment in Europe has continued to be depressing. A year ago we thought that growth was going to be slower than previously expected but we did not anticipate the flirtation with recession that Germany endured over the winter. Even the recent bounce back in activity levels has been unconvincing. In particular the new laender of the former East Germany have failed to attain self-sustaining recovery and are suffering badly from the end of a short-lived property boom. This difficult background has also characterised France and Switzerland with gloom in the former being deepened by outbursts of political anxiety and the latter held back by a burst of currency strength that has been unusual even by its own standards. In recent months the peripheral countries of Italy, Spain and Sweden have also begun to struggle as their exchange rates have appreciated and as fiscal austerity has bitten into consumer expenditure.

Despite this apparently unpromising situation continental equities have performed well. The FT Europe ex. UK index rose by 16·8% and our own portfolio comfortably exceeded this return. European equities rose from 21·3% to 26·0% of assets. Corporate restructuring has provided much of the impetus in continental markets and in our own portfolio. It has become clear that even smaller companies are paying more attention to the interests of their shareholders and less to the consensus cultures of their communities. This has been particularly evident amongst recent new issues that have been purchased such as Gucci (luxury products) and Moebel Walther (furniture retailing). The other feature of the European scene which has offered hope has been the progress of a diverse

Managers' Portfolio Review

CONTINUED

group of smaller economies. Ireland, Holland, Poland and the Czech Republic have all exceeded expectations at the macroeconomic level and provided opportunities of varying significance to the portfolio. As noted in the Chairman's statement National Toll Roads has been a significant success but it is worth stressing that the Irish portfolio, which makes up 10·1% of assets, has long been a distinctive feature of Mid Wynd and has generated excellent returns. In the course of the year we purchased Polifarb (Wroclaw) which is our first holding in Poland which we hope will offer similarly attractive long-term prospects.

The United Kingdom

British equities have fallen from 29·2% of assets to 22·9% in the course of the year. To a large extent this decline has reflected the return to a more normal weighting in the UK but we have become concerned that, once again, economic policy is being run with political rather than financial motivations predominating. Policy tightening is likely to be required after the general election, presumably through higher corporate taxes in the event of a Labour victory or by monetary rigour in the case of a Conservative recovery. Our UK portfolio has not matched the FT All Share index return of 14·3% over the course of the year but, pleasingly, has shown signs of improvement in recent months as the impact of problematic individual holdings such as the troubled footwear company Chamberlain Phipps has waned.

We have made an effort to raise the quality of the portfolio after these disappointments.

We would note our major purchases of Life Sciences (laboratory equipment), Renold (high calibre chains) and American Port Services (listed in London) in this light.

The toll plaza at the West-Link bridge over the Liffey operated by National Toll Roads, with the Wicklow mountains in the background. (The value of our holding in National Toll Roads is £879,087)

Managers' Portfolio Review

CONTINUED

Chains and sprockets manufactured by Renold. (The value of our holding in Renold is £385,450)

Borrowing and Bonds

As noted in the Chairman's statement Mid Wynd utilised its borrowing facilities last October to raise £1m in yen to be invested internationally. We have not yet decided if this operation will be continued beyond its current expiry date in October but so far it has had a positive impact on both the asset value and the revenue position. Combined with good dividend increases in most markets we have been able to offset most of the revenue impact of the sale of the remaining Australian bonds. From a capital perspective this sale has been beneficial. We do not think that international bond markets have as yet reverted to attractive levels given the acceleration of American economic growth.

Investment Policy Outlook

As can be seen from the regional and national comments the basic economic health of the world appears to be intact. Growth is reasonable and inflation is moderate. At the same time the corporate sector is thriving as globalisation and technological gains have helped to contain costs and raise profits and dividends. This process has generally taken longer to feed through to the prospects and results of smaller companies but we see some evidence that this is now happening. The relative performance of smaller stocks has improved in recent months in markets such as the UK and Europe after a prolonged difficult phase. We feel that the relative valuation of these stocks offers Mid Wynd considerable opportunities despite our concerns about the overall level of international equity markets. In terms of the international distribution of the portfolio we would anticipate a continued search for beneficiaries of the improved domestic backdrop in Japan and we would welcome the opportunity to add to our historically low US position if we can find individually attractive stocks or if there should be a significant set-back in the overall market. As the low liquidity level illustrates we are currently in the happy position of finding a high enough number of good quality individual investment ideas to offset our comparatively cautious view of international markets.

Richard Burns
James Anderson — Baillie Gifford & Co

Further Shareholder Information

Mid Wynd's ordinary shares are traded on the London Stock Exchange. They can be bought by investors either by placing an order with a stockbroker or by asking a professional adviser, eg lawyer, accountant or bank manager, to do so on their behalf. They are also available through The Baillie Gifford Investment Trust Savings Scheme and Mixed Personal Equity Plan referred to below.

Mid Wynd's shares are quoted daily amongst Investment Trusts in the Share Information Service in the *Financial Times*, *The Scotsman* and *The Herald*.

Mid Wynd's financial year ends on 30th June. The Company's ordinary shareholders receive two dividends in respect of each financial year, an interim dividend which is usually paid in April, and a final one in October. An Interim Report covering the first half of the financial year is published in February and the Annual Report and Accounts in September. The Annual General Meeting will be held on Monday, 14th October 1996 in Edinburgh.

Mid Wynd's ordinary shares, for capital gains tax and indexation purposes, at 31st March 1982 had a market value of 52p.

The Baillie Gifford Investment Trust Savings Scheme has been established for the investment trusts managed by Baillie Gifford & Co. The scheme enables current shareholders and others to invest in Mid Wynd by making occasional payments (minimum £250), or regular payments (minimum £30 per month or £90 per quarter) or by reinvesting dividends (minimum £15).

A Mixed Personal Equity Plan (PEP) has been established to enable current shareholders and others to invest up to £1,500 in Mid Wynd. In addition up to £4,500 may be invested in The Scottish Mortgage and Trust PLC.

It is only possible to subscribe to one General PEP and/or one Single Company PEP during one tax year. If you already subscribe to a PEP on a continuing basis (i.e. the arrangement is carried forward from one tax year to the next) please note this restriction.

Details of the Savings Scheme and PEP may be obtained by completing the enclosed reply paid card or by contacting:

Baillie Gifford Savings Management Limited
1 Rutland Court, Edinburgh EH3 8EY.
FREECALL: 0500 418008

Baillie Gifford Savings Management Limited is regulated by IMRO.

Directors' Report

The Directors have pleasure in submitting their Annual Report together with the results of the Company for the year to 30th June 1996.

REVIEW OF ACTIVITIES

During the year under review the Company followed the normal activities of an investment trust company. A review of the main features of the year is contained in the Chairman's Statement and in the Managers' Portfolio Review on the preceding pages.

DIVIDENDS

The Board recommends a final dividend of 4·10p per ordinary share which, together with the interim already paid on 8th April 1996, makes a total of 6·85p for the year.

If approved, the recommended final dividend on the ordinary shares will be paid on 16th October 1996 to shareholders on the register at close of business on 24th September 1996.

After payment of the dividend the accumulated revenue balance is increased by £43,254 to £418,091.

STATUS

The Company has received approval as an Investment Trust from the Inland Revenue in respect of the year to 30th June 1995 and has subsequently directed its affairs so as to enable it to continue to seek such approval.

The Company is an investment company within the meaning of S.266 of the Companies Act 1985.

CORPORATE GOVERNANCE

COMPLIANCE

The Board currently comprises five directors, all of whom are non-executive and four of whom are independent of the Company's Managers.

The Board considers that it fully complies with the Code of Best Practice published by the committee on Financial Aspects of Corporate Governance ("the Code") and that it has done so throughout the year.

The accounts 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.

An Audit Committee has been established in compliance with the Code consisting of all the independent non-executive Directors. Mr BWM Johnston has been appointed Chairman of the Audit Committee.

A Management Agreement between the Company and Baillie Gifford & Co sets out the matters over which the Manager has authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Audit Committee regularly reviews the terms of the management agreement.

INTERNAL CONTROLS

The responsibility to ensure compliance with regulations and company law, and to provide effective and efficient operations and investment management has been delegated to the Manager and Secretaries, Baillie Gifford & Co, under the terms of the Investment Management Agreement.

Baillie Gifford & Co are responsible for the design, implementation and maintenance of control policies and procedures to safeguard the assets of the Company and to manage its affairs properly. The Company's investments are segregated from those of Baillie Gifford & Co and those of its other clients through the appointment of The Royal Bank of Scotland plc and The Fuji Bank, Ltd as independent custodians of those investments.

The Directors acknowledge their responsibility for the Company's system of internal financial controls, which is designed to provide reasonable but not absolute assurance against material misstatement or loss, and confirm that they have reviewed the effectiveness of the system.

The Audit Committee also reviews the Company's financial statements. It meets regularly with the external auditors.

The Board holds bi-monthly meetings and has a number of matters reserved for its approval including investment transactions, borrowings, treasury matters and dividend policy. The Board also reviews the financial statements, revenue budgets and performance.

Directors' Report

CONTINUED

DIRECTORS

The Directors during the year under review, and their interests in the Company, were as follows:

	Nature of Interest	Ordinary 25p shares held at 30th June 1996	30th June 1995
†PMS Barron	Beneficial	39,600	39,600
RRJ Burns	Beneficial	126,870	127,870
	Non-Beneficial Trustee	23,900	23,900
†TM Lawrie	Beneficial	5,000	5,000
†BWM Johnston	Beneficial	1,000	1,000
	Non-Beneficial Trustee*	62,108	74,216
†MCN Scott	Beneficial	116,338	116,338
	Beneficial Trustee*	50,000	50,000

* A total of 50,000 Mid Wynd shares are duplicated on these holdings due to joint trusteeship.

† Member of the Audit Committee.

There have been no other changes intimated in the Directors' interests up to 14th August 1996.

Mr PMS Barron retires by rotation but is eligible for re-election.

No Director has a contract of service with the Company.

SUBSTANTIAL HOLDINGS

The following information has been intimated to the Company as at 14th August 1996 in compliance with S.198 of the Companies Act 1985.

Name	Number and class of shares held	% of issue
Mrs JJ Scott	154,639 Ord. 25p shares	3·08

SHARE CAPITAL

The Directors wish to draw your attention to the final item of business in the Notice of Annual General Meeting. This relates to the resolution passed by shareholders at the Annual General Meeting on 16th October 1995 authorising the Directors to allot new shares to applicants under the Baillie Gifford Investment Trust Savings Scheme at times when the share price stood at a premium to net asset value.

It was stated at that time that the Directors envisaged seeking the renewal of this authority at this year's Annual General Meeting and this will now be done by means of a special resolution put to that meeting. The Directors consider that the reasons for asking shareholders to approve such authorisation still apply.

The resolution required to allot shares in this way is set out as Resolution No. 6 in the Notice of Annual General Meeting. This resolution, if passed, will continue to give your Directors power to allot equity securities of the Company for cash, up to a maximum aggregate nominal value equal to the aggregate nominal value of the authorised share capital of the Company which remains unissued on the date on which this Resolution is passed, to investors under the Savings Scheme or in other circumstances, as if Section 89(1) of the Companies Act 1985 did not apply.

The authority contained in Resolution No. 6 will continue until the earlier of, 13th April 1998 or the conclusion of the next Annual General Meeting of the Company held after the date on which this Resolution is passed, and your Directors envisage seeking the renewal of this authority in succeeding years.

Your Directors will not make any issues 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 No. 6 which would effectively alter the control of the Company without prior approval of shareholders in general meeting.

During the year 497 ordinary 25p shares were allotted for cash. Changes to the issued share capital are detailed in Note 14 to the accounts.

Directors' Report

CONTINUED

CREDITOR PAYMENT POLICY

It is the Company's payment policy for the forthcoming financial year to get 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.

CREST

CREST, the new computerised settlement system for market transactions in securities, became operational in July 1996, replacing the existing Stock Exchange Talisman system, which is being phased out.

CREST is a voluntary system which will enable shareholders to hold and transfer their shareholding in electronic form rather than paper if they so wish. Stock certificates will remain valid and shareholders who wish to retain their certificates will be able to continue to do so.

It is the Company's intention to join CREST in early 1997. To allow the Company's shares to be eligible for settlement in CREST the Directors have passed a resolution which disapplies those provisions of the Company's Articles of Association that are inconsistent with the holding and transfer of shares in CREST and any provision of the Uncertificated Securities Regulations 1995, as and when the shares concerned enter the CREST system.

Formal notification of the Directors' resolution relating to the CREST system is set out below:–

This is to give you notice, in accordance with the Uncertificated Securities Regulations 1995 ('the Regulations'), that, on 5th August 1996, the Company resolved, by a resolution of its Directors ('the Directors' resolution'), that title to the ordinary shares of 25p each in the Capital of the Company in issue, or to be issued, may be transferred by means of a relevant system as defined in the Regulations. You should note that the shares have not become transferable by means of the CREST system merely by virtue of the passing of the Directors' resolution; permission of the operator of the system, CRESTCo Limited must also be given before the shares can become so transferable in CREST. It is anticipated that such permission will be given by CRESTCo Limited early in 1997.

In addition, shareholders should note that they have the right by ordinary resolution:

(a) until the Directors' resolution comes into effect in accordance with its terms, to resolve that it shall not come into effect;

(b) if the Directors' resolution is effective in accordance with its terms but the permission of the operator of the system, CRESTCo Limited, has not yet been given to the shares concerned becoming transferable by means of the CREST system, to resolve that the Directors' resolution shall cease to have effect; and

(c) once the Directors' resolution is effective in accordance with its terms and the permission of the operator of the system, CRESTCo Limited, has been given to the shares concerned becoming transferable by means of the CREST system, to resolve that the Directors of the Company shall take the necessary steps to ensure that title to the shares concerned shall cease to be transferable by means of the CREST system and that the Directors' resolution shall cease to have effect.

AUDITORS

Ernst & Young are willing to continue in office and in accordance with S.385 and S.390A of the Companies Act 1985, resolutions concerning their re-appointment and remuneration will be submitted to the Annual General Meeting.

By order of the Board

BAILLIE GIFFORD & Co,
Managers and Secretaries.

16th August 1996

Statement of Directors' Responsibilities in Respect of the Accounts

Company law requires the Directors to prepare accounts for each financial year which 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 those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

Auditors' Reports

TO THE MEMBERS OF MID WYND INTERNATIONAL INVESTMENT TRUST PLC

Report on Accounts

We have audited the accounts on pages 19 to 30 which have been prepared under the historical cost convention as modified to include the revaluation of fixed asset investments and on the basis of the accounting policies set out on page 24.

Respective responsibilities of Directors and Auditors

As described on page 17, the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 30th June 1996 and of its total return for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young Ernst & Young
Chartered Accountants and Registered Auditor
Edinburgh, 16th August 1996

TO MID WYND INTERNATIONAL INVESTMENT TRUST PLC

Report on Corporate Governance Matters

In addition to our audit of the accounts, we have reviewed the Directors' statement on page 14 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to any non-compliance with those paragraphs of the Code which is not disclosed.

We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board and assessed whether the Directors' statements on going concern and internal financial control are consistent with the information of which we are aware from our audit. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures, nor on the Company's ability to continue in operational existence.

Opinion

With respect to the Directors' statement on internal financial control and going concern on page 14, in our opinion the Directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for Directors) and such statements are consistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain Directors and Officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 14 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Ernst & Young Ernst & Young
Chartered Accountants
Edinburgh, 16th August 1996

Explanatory Note on the Accounts

A number of changes have been introduced this year as a result of the Company's adoption of the recommendations contained within the Statement Of Recommended Practice (SORP) issued by the Association of Investment Trust Companies in December 1995. The Company is not obliged to follow the SORP's guidelines this year, but your Board has decided to adopt the recommendations early as these will become the industry standard in the near future.

The SORP seeks to harmonise accounting practice across all investment trusts, with the aim of making it easier for shareholders and other users of financial information to interpret and compare the information given.

In Mid Wynd's case most of the changes relate to the presentation of the accounting information. The principal change is the introduction of a new primary statement, the Statement of Total Return which means a separate revenue account is not required. This new statement combines the revenue account and a statement of realised and unrealised capital gains to give a "total return". The bottom line of the statement shows how the total return per share can be split into revenue and capital elements. Although this information is in an unfamiliar format it is intended to achieve standardisation of financial reporting across the investment trust industry thereby providing greater comparability for shareholders when assessing investment trust performance.

Statement of Total Return

(incorporating the revenue account*)

for the year ended 30th June 1996

	Notes	Revenue £	1996 Capital £	Total £
Gains/(losses) on investments	*9*	–	4,325,163	4,325,163
Currency gains	*15*	–	131,654	131,654
Income	*2*	726,717	–	726,717
Investment management fee	*3*	(124,280)	–	(124,280)
Other administrative expenses	*4*	(97,248)	–	(97,248)
NET RETURN BEFORE FINANCE COSTS AND TAXATION		505,189	4,456,817	4,962,006
Finance costs of borrowings	*5*	(4,576)	–	(4,576)
RETURN ON ORDINARY ACTIVITIES BEFORE TAX		500,613	4,456,817	4,957,430
Tax on ordinary activities	*6*	(112,938)	–	(112,938)
RETURN ON ORDINARY ACTIVITIES AFTER TAX *for the financial year attributable to equity shareholders*		387,675	4,456,817	4,844,492
Dividends in respect of equity shares	*7*	(344,421)	–	(344,421)
TRANSFER TO RESERVES *(After aggregate dividends paid and proposed of £344,421)*		43,254	4,456,817	4,500,071
RETURN PER ORDINARY SHARE	*8*	7·71p	88·64p	96·35p

* The revenue column of this statement is the profit and loss account of the Company.
The accompanying notes are an integral part of this statement.
All revenue and capital items in the above statement derive from continuing operations.

Statement of Total Return

(incorporating the revenue account*)

for the year ended 30th June 1995

	Notes	Revenue £	1995 Capital £	Total £
Gains/(losses) on investments	*9*	–	(649,418)	(649,418)
Currency gains	*15*	–	64,651	64,651
Income	*2*	711,004	–	711,004
Investment management fee	*3*	(110,471)	–	(110,471)
Other administrative expenses	*4*	(96,275)	–	(96,275)
NET RETURN BEFORE FINANCE COSTS AND TAXATION		504,258	(584,767)	(80,509)
Finance costs of borrowings	*5*	–	–	–
RETURN ON ORDINARY ACTIVITIES BEFORE TAX		504,258	(584,767)	(80,509)
Tax on ordinary activities	*6*	(123,137)	7,987	(115,150)
RETURN ON ORDINARY ACTIVITIES AFTER TAX *for the financial year attributable to equity shareholders*		381,121	(576,780)	(195,659)
Dividends in respect of equity shares	*7*	(326,646)	–	(326,646)
TRANSFER TO/(FROM) RESERVES *(after aggregate dividends paid of £326,646)*		54,475	(576,780)	(522,305)
RETURN PER ORDINARY SHARE	*8*	7·59p	(11·48p)	(3·89p)

* The revenue column of this statement is the profit and loss account of the Company.
The accompanying notes are an integral part of this statement.
All revenue and capital items in the above statement derive from continuing operations.

Balance Sheet

at 30th June 1996

	Notes	1996 £	1996 £	1995 £	1995 £
FIXED ASSETS					
Investments	9		25,139,677		19,864,335
CURRENT ASSETS					
Debtors	11	336,564		361,640	
Cash at bank and in hand		431,976		461,903	
		768,540		823,543	
CREDITORS					
Amounts falling due within one year	12	(1,229,205)		(507,438)	
NET CURRENT (LIABILITIES)/ASSETS			(460,665)		316,105
TOTAL ASSETS *less current liabilities*			24,679,012		20,180,440
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	13		(5,570)		(9,122)
			24,673,442		20,171,318
CAPITAL AND RESERVES					
Called-up share capital	14		1,256,942		1,256,817
Share premium	15		20,268		18,340
Capital reserve – realised	15		16,579,488		16,316,069
Capital reserve – unrealised	15		6,398,653		2,205,255
Revenue reserve	15		418,091		374,837
EQUITY SHAREHOLDERS' FUNDS	17		24,673,442		20,171,318
NET ASSET VALUE PER ORDINARY SHARE	16		490·7p		401·2p

The Accounts were approved by the Board and signed on their behalf on 16th August 1996.

Chairman Patrick Ms Barr

The accompanying notes are an integral part of this balance sheet.

Cash Flow Statement

for the year to 30th June 1996

	Notes	1996 £	1996 £	1995 £	1995 £
OPERATING ACTIVITIES					
Investment income received			618,562		597,284
Deposit interest received			30,072		45,442
Investment management fees paid			(118,664)		(111,036)
Other administrative expenses paid			(85,720)		(99,190)
Income tax repaid/(suffered)			7,989		(9,870)
Overseas tax suffered			(32,720)		(21,878)
NET CASH INFLOW FROM OPERATING ACTIVITIES	18		419,519		400,752
SERVICING OF FINANCE					
Interest paid		(705)		–	
Dividends paid		(334,347)		(316,411)	
NET CASH OUTFLOW FROM SERVICING OF FINANCE			(335,052)		(316,411)
TAXATION					
ACT paid		(32,721)		(33,835)	
TOTAL TAX PAID			(32,721)		(33,835)
INVESTING ACTIVITIES					
Acquisitions of investments		(9,331,311)		(9,090,129)	
Disposals of investments		8,184,104		7,490,415	
Capital distributions from investments		4,723		11,393	
Realised currency profit		8,546		64,651	
Realised profit on forward contracts		49,843		–	
Fixed interest stocks adjustment		–		10,970	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES			(1,084,095)		(1,512,700)
NET CASH OUTFLOW BEFORE FINANCING			(1,032,349)		(1,462,194)
FINANCING					
Issue of shares	14		(2,053)		(19,558)
Loan drawn down			(1,000,369)		–
NET CASH INFLOW FROM FINANCING			(1,002,422)		(19,558)
DECREASE IN CASH AND CASH EQUIVALENTS	19		(29,927)		(1,442,636)
			(1,032,349)		(1,462,194)

The accompanying notes are an integral part of this statement.

Notes to Accounts

1 PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies, which have been applied consistently is set out below.

(a) BASIS OF ACCOUNTING

The accounts are prepared 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 accounts have been prepared in accordance with applicable accounting standards and with the Statement Of Recommended Practice 'Financial statements of investment trust companies' (SORP). Changes to reporting requirements recommended by this statement have been reflected as appropriate in the 1996 financial statements. An explanation of the principal changes to the accounts as a result of adopting the SORP is contained on page 19.

(b) 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. Income from convertible securities having an element of equity is recognised on an accruals basis.

(ii) Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis.

(iii) Franked and unfranked investment income include the imputed tax credits or taxes deducted at source.

(iv) Interest receivable on deposits is dealt with on an accruals basis.

(v) If scrip is taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue account.

(c) EXPENSES

All expenses are accounted for on an accruals basis and are charged through the revenue account except where they directly relate 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.

(d) 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. 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 in the revenue account depending on whether the gain is of a capital or revenue nature.

(e) INVESTMENTS

Listed investments are shown in the accounts at mid market value. Unlisted investments are shown at a valuation determined by the Directors based upon latest known information.

(f) TAXATION

(i) Deferred taxation is provided for short-term timing differences.

(ii) Provision is made for advance corporation tax payable in respect of the final dividend where it is considered that this will not be fully relieved or recovered within one year.

(g) CAPITAL RESERVES

Realised: Gains and losses on realisation of investments and realised exchange differences are dealt with in this reserve.

Unrealised: Unrealised appreciation represents the amount by which the market value of assets and liabilities exceeds their book value.

Notes to Accounts

CONTINUED

	1996 £	1995 £
2 INCOME		
INCOME FROM INVESTMENTS		
Franked investment income	252,456	233,326
Overseas dividends	409,487	272,191
Overseas interest	11,280	126,399
Foreign income dividends	12,300	12,300
Scrip dividends	18,604	14,701
	704,127	658,917
OTHER INCOME		
Deposit interest	22,590	52,087
TOTAL INCOME	726,717	711,004
TOTAL INCOME COMPRISES:		
Dividends	692,847	532,518
Interest from investments	11,280	126,399
Other	22,590	52,087
	726,717	711,004
INCOME FROM INVESTMENTS		
Listed UK	264,756	245,626
Listed overseas	408,181	395,445
Unlisted	31,190	17,846
	704,217	658,917

3 INVESTMENT MANAGEMENT FEE

— all charged to revenue

	1996 £	1995 £
Investment management fee	114,492	99,962
Irrecoverable VAT thereon	9,788	10,509
	124,280	110,471

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. Their fee in respect of each quarter is 0·125 per cent of the net assets of the Company attributable to its shareholders on the last day of each quarter.

Mr RRJ Burns, a Director of the Company, is a partner in Baillie Gifford & Co.

4 OTHER ADMINISTRATIVE EXPENSES

— all charged to revenue

	1996 £	1995 £
General administrative expenses	71,448	70,575
Directors' fees	21,500	21,500
Auditors' remuneration for — Audit services	4,100	4,000
— Other services to the Company	200	200
	97,248	96,275

The Chairman's emoluments amounted to £5,500 (1995 – £5,500). Each other Director received fees at the rate of £4,000 (1995 – £4,000) per annum. No pension contributions were made in respect of Directors.

Notes to Accounts

CONTINUED

	1996 £	1995 £
5 FINANCE COSTS OF BORROWINGS		
On bank loan:		
Repayable within 5 years, not by instalments	4,576	–

6 TAX ON ORDINARY ACTIVITIES

	1996 Revenue £	1996 Capital £	1996 Total £	1995 Revenue £	1995 Capital £	1995 Total £
UK corporation tax at 33% (1995 – 33%)	65,088	–	65,088	77,701		77,701
Overseas taxation	32,720	–	32,720	24,418	–	24,418
Tax attributable to franked investment income	50,491	–	50,491	46,665	–	46,665
Deferred taxation	6,371	–	6,371	9,467	–	9,467
	154,670	–	154,670	158,251		158,251
Small companies' relief	(9,012)	–	(9,012)	(10,696)	–	(10,696)
Relief for overseas taxation	(32,720)	–	(32,720)	(24,418)	–	(24,418)
Taxation on accrued income	–	–	–	–	(7,987)	(7,987)
	112,938	–	112,938	123,137	(7,987)	115,150

7 ORDINARY DIVIDENDS

	1996	1995	1996 £	1995 £
Interim dividend per ordinary share	2·75p	2·60p	138,283	130,582
Proposed final dividend per ordinary share	4·10p	3·90p	206,138	196,064
	6·85p	6·50p	344,421	326,646

8 RETURN PER ORDINARY SHARE

1996 Revenue	1996 Capital	1996 Total	1995 Revenue	1995 Capital	1995 Total
7·71p	88·64p	96·35p	7·59p	(11·48p)	(3·89p)

Revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £387,675 (1995 – £381,121), and on 5,027,761 (1995 – 5,022,996) 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 gains for the financial year of £4,456,817 (1995 – loss £576,780), and on 5,027,761 (1995 – 5,022,996) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Notes to Accounts

CONTINUED

	1996 £	1995 £
9 FIXED ASSETS – INVESTMENTS		
Listed at market value		
In Great Britain	**6,020,139**	6,245,078
Overseas	**18,143,913**	13,133,984
Unlisted – Others at Directors' valuation	**975,625**	485,273
	25,139,677	19,864,335

	Listed in UK £	Listed Overseas £	Unlisted £	Total £
Cost of investments held at 1st July 1995	5,131,705	12,032,835	494,540	17,659,080
Unrealised appreciation at 1st July 1995	1,113,373	1,101,149	(9,267)	2,205,255
Value of investments held at 1st July 1995	6,245,078	13,133,984	485,273	19,864,335
Movements in year:				
Purchases at cost	1,776,904	7,306,137	–	9,083,041
Sales – proceeds	(2,299,321)	(5,828,818)	–	(8,128,139)
– realised gains on sales	252,784	76,597	–	329,381
Investments written off	–	–	(129,074)	(129,074)
Increase in unrealised appreciation	44,694	3,456,013	619,426	4,120,133
Value of investments held at 30th June 1996	6,020,139	18,143,913	975,625	25,139,677
Cost of investments held at 30th June 1996	4,608,889	13,839,934	365,466	18,814,289
Unrealised appreciation at 30th June 1996	1,411,250	4,303,979	610,159	6,325,388
Value of investments held at 30th June 1996	6,020,139	18,143,913	975,625	25,139,677

GAINS/(LOSSES) ON INVESTMENTS	1996 £	1995 £
Realised gains on sales	**329,381**	415,702
Increase/(decrease) in unrealised appreciation/(depreciation)	**4,120,133**	(1,087,483)
Investments written off/capital distributions received	**(124,351)**	11,393
Fixed interest stock adjustment	–	10,970
	4,325,163	(649,418)

A geographical analysis of the investment portfolio, an analysis of the investment portfolio by broad industrial or commercial sector, and a list of the thirty largest investments by their aggregate market value, are contained in the Managers' Review section of the Annual Report.

10 UNQUOTED INVESTMENTS

Details of material investments in unquoted companies are as follows:

Investment

National Toll Roads – 190,000 ordinary shares

% of Issued share capital	Total Cost £	Carrying Value at 30th June 1996 £	Carrying Value at 30th June 1995 £	Latest accounts year-end 31st December 1995: Aggregate capital and reserves £	Profit/(Loss) after tax for year £	Earnings per share £	Dividend per share £E
1·1	138,674	879,087	390,987	9,794,000	1,972,000	0·11	0·085

Shares in National Toll Roads have been valued at the latest dealt price of £E4.50 (1995 – £E2.00). Although the company's shares are not actively traded this basis of valuation has been applied consistently since dealings in the shares commenced. The Board consider £E4.50 to be a conservative valuation, representing a 25% discount to the present value of over £E6.00 placed on the shares by the company's brokers.

Notes to Accounts

CONTINUED

	1996 £	1995 £
11 DEBTORS		
Due within one year:		
Dividends receivable	133,818	99,989
UK and withholding taxes deductible therefrom	(28,912)	(19,285)
	104,906	80,704
Sales for subsequent settlement	150,428	206,393
Advance corporation tax recoverable	31,229	–
Other tax recoverable	35,724	43,167
Other debtors	14,277	31,376
	336,564	361,640

	1996 £	1995 £
12 CREDITORS		
Amounts falling due within one year:		
Purchases for subsequent settlement	–	248,270
Advance corporation tax payable	40,965	19,504
Other creditors	54,998	43,600
Proposed final dividend	206,138	196,064
Bank loan	927,104	–
	1,229,205	507,438

Loan facilities

A one year multi-currency loan facility has been arranged with the Royal Bank of Scotland plc. The facility expires on the 18th October 1996. At 30th June 1996 there were outstanding drawings of ¥158 million.

	1996 £	1995 £
13 DEFERRED TAXATION		
Timing differences related to:		
– income items accrued but not received	(5,570)	(9,122)

14 CALLED-UP SHARE CAPITAL	1996		1995	
Authorised share capital:	No. of Shares	£	No. of Shares	£
Ordinary shares of 25p each	5,273,516	1,318,379	5,273,516	1,318,379
Allotted, called up and fully paid:				
Ordinary shares of 25p each	5,027,766	1,256,942	5,027,269	1,256,817

By authority of the special resolution passed at the Extraordinary General Meeting on 13th February 1995, 497 ordinary 25p shares were issued to Savings Scheme participants on 5th July 1995 for a total consideration of £2,053.

15 RESERVES	Share premium account £	Capital reserve – realised £	Capital reserve – unrealised £	Revenue reserve £
At 1st July 1995	18,340	16,316,069	2,205,255	374,837
Net gain on realisation of investments	–	329,381	–	–
Capital distributions received	–	4,723	–	–
Investments written off	–	(129,074)	–	–
Increase in unrealised appreciation	–	–	4,120,133	–
Exchange differences	–	8,546	–	–
Realised profit on forward contracts	–	49,843	–	–
Exchange differences on multi-currency loan	–	–	73,265	–
Retained net revenue for the year	–	–	–	43,254
Premium arising on issue of shares	1,928	–	–	–
At 30th June 1996	20,268	16,579,488	6,398,653	418,091

Currency gains of £131,654 (1995 – £64,651) are comprised of £58,389 realised and £73,265 unrealised at the balance sheet date.

Notes to Accounts

CONTINUED

16 NET ASSET VALUE PER SHARE

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

	1996	1995	1996 £	1995 £
Ordinary shares	**490·7p**	401·2p	**24,673,442**	20,171,318

The movements during the year of the assets attributable to the ordinary shares were as follows:

	Ordinary shares £
Total net assets at 1st July 1995	20,171,318
Total recognised gains and (losses) for the year	4,844,492
Dividends appropriated in the year	(344,421)
Proceeds from issue of shares in year	2,053
Total net assets at 30th June 1996	24,673,442

Net asset value per ordinary share is based on net assets as shown above and 5,027,766 (1995 – 5,027,269) ordinary shares being the number of ordinary shares in issue at the year end.

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Shareholders' funds at 1st July 1995	**20,171,318**	20,621,407
Total recognised gains and (losses) for the year	**4,844,492**	(195,659)
Dividends appropriated in year	**(344,421)**	(326,646)
Increase in share capital	**125**	1,218
Premium resulting from issue of shares	**1,928**	18,340
Prior year effect of change in accounting policy	–	52,658
Shareholders' funds at 30th June 1996	**24,673,442**	20,171,318

18 RECONCILIATION OF REVENUE BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996	1995
Net revenue on ordinary activities before finance costs and taxation	**505,189**	504,258
Increase in accrued income	**(27,592)**	(74,271)
Decrease/(increase) in debtors	**9,617**	(7,613)
Increase in creditors	**7,527**	4,133
Tax on franked investment income	**(50,491)**	(46,665)
Income tax repaid/(suffered)	**7,989**	(9,870)
Overseas tax suffered	**(32,720)**	(21,878)
Adjustment for change in accounting policy	–	52,658
	419,519	400,752

Notes to Accounts

CONTINUED

	1996 £	1995 £
19 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR		
Balance at 1st July 1995	461,903	1,904,539
Net cash outflow	(29,927)	(1,442,636)
Balance at 30th June 1996	431,976	461,903
ANALYSIS OF THE BALANCES		
Cash at bank and in hand	431,976	461,903

20 CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

There were no contingent liabilities in either year.

21 DIRECTORS' INTERESTS IN CONTRACTS

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 S.232 of the Companies Act 1985.

List of Investments

at 30th June 1996

Classification	Name	Business	Market value £'000	%
		UNITED KINGDOM		
General manufacturing	MTL Instruments	Intrinsic safety devices	202	
	Protean	Water purification equipment	260	
	Renold	Industrial chains and gears	386	
	Weir Group	Pumps and valves	188	
	Whatman	Laboratory filtration products	253	
	Vosper Thornycroft	Naval shipbuilder	205	
			1,494	5·8
Food manufacturing	Devro International	Sausage skin producer	335	1·3
Healthcare	Life Sciences	Laboratory equipment manufacturer	219	
	† Scholl	Healthcare retailer	214	
			433	1·7
Media	Guiton	Newspaper publisher – Channel Islands	34	
	IBC	Conference organiser and publisher	377	
	Trinity International	Regional newspaper publisher	606	
			1,017	4·0
Miscellaneous – Consumer goods	Chamberlain Phipps	Footwear materials and shoe manufacturer	18	
	Dawson International	Knitwear	164	
	Marling	Industrial webbing, principally seat belts	398	
			580	2·3
Chemicals	Wellington Holdings	Supplier of rubber seals	271	
	Yule Catto	Chemicals and building products	333	
			604	2·3
Electronics	Macro 4	Computer software	240	0·9
Services	Dawson Holdings	Newspaper wholesale and library services	333	1·3
Utilities	International Energy	Gas distributor – Channel Islands	196	0·8
Insurance	§ Angerstein Underwriting	Lloyds insurance underwriter	156	
	New London Capital	Lloyds insurance underwriter	143	
			299	1·2
Investment trusts	MCIT Income	Venture capital investor	339	1·3
	TOTAL UNITED KINGDOM EQUITIES		5,870	22·9
		CONTINENTAL EUROPE		
Building and construction	CRH	Building materials – Ireland	259	
	Grafton Group	Building materials – Ireland	260	
	Kingspan	Building materials – Ireland	388	
	Volker Stevin	Construction – Netherlands	250	
	Zalakeramia	Tiles – Hungary	150	
			1,307	5·1
Light electrical and engineering	Austria Mikro Systeme	Semi-conductors – Austria	144	
	Autoliv	Automotive components – Sweden	255	
	Bobst	Packaging equipment – Switzerland	209	
			608	2·4
Breweries and distilleries	Plezensky Prazdroj	Brewery – Czech Republic	109	0·4
Hotels and leisure	Jolly Hotels	Hotels – Italy	126	0·5
Media	Axel Springer	Newspapers – Germany	181	0·7
Retail trade	Castorama Dubois	DIY stores – France	204	
	Continente	Supermarkets – Spain	153	
	Gucci	Luxury goods and accessories – Italy	420	
	Moebel Walther	Furniture retail – Germany	233	
			1,010	4·0
Miscellaneous – Consumer goods	Ahrend Groep	Office furniture – Netherlands	251	
	Industrie Natuzzi	Furniture – Italy	247	
			498	1·9

(† denotes holding partly or wholly in convertible stock)
(§ denotes holding partly or wholly in warrants)

List of Investments

CONTINUED

Classification	Name	Business	Market value £'000	%
Chemicals	Polifarb (Wroclaw)	Paints – Poland	62	0·2
Energy	Elf Gabon	Oil production – France	141	0·6
Electronics	Bang & Olufsen	Audio systems – Denmark	252	1·0
Services	Apcoa Parking	Car parking – Germany	280	1·1
Transport	Aumar	Toll road operator – Spain	125	
	* National Toll Roads	Toll bridge operator – Ireland	879	
			1,004	3·9
Banks	Allied Irish	Banking – Ireland	253	
	Banca Popolare dell' Emilia	Banking – Italy	116	
			369	1·4
Land and property	Green Property	Property – Ireland	291	
	Intershop	Retail property – Europe	166	
			457	1·8
Other financial	Woodchester	Leasing – Ireland	253	1·0
	TOTAL EUROPEAN EQUITIES		6,657	26·0
		THE AMERICAS		
Building and construction	Dragados	Construction company – Argentina	112	
	Owens Corning	Glass fibre products	161	
			273	1·1
General manufacturing	Briggs & Stratton	Gasoline engines	169	
	Donaldson	Filtration equipment	83	
	†* Haley Industries	Aerospace components – Canada	97	
	Pentair	Diversified industrial	290	
	Trimas	Towing systems, fasteners	226	
	Wolverine Tube	Manufacturer of copper tube	203	
			1,068	4·2
Miscellaneous – Capital goods	Antofagasta	Conglomerate – Chile (London listing)	161	0·6
Healthcare	Dentsply	Dental supplies	246	1·0
Media	Central Newspapers	Regional newspaper	290	1·1
Retail trade	Brasiliera de Distribucao	Supermarkets – Brazil	170	
	Panamerican Beverages	Soft drinks – Latin America	230	
	Patagonia	Supermarkets – Argentina	150	
			550	2·1
Chemicals	WD-40	Petroleum based lubricants	257	1·0
Energy	§ New World Power	Renewable energy sources	1	
	Perez Companc	Conglomerate – Argentina	253	
	TGS	Gas pipeline – Argentina	210	
	Vintage Petroleum	Oil and gas	205	
			669	2·6
Electronics	National Presto	Household products	157	0·6
Services	American List	Information services	256	
	Scientific Games Holdings	Instant lottery tickets	205	
			461	1·8
Telephone networks	Telebras	Telephone utility – Brazil	134	0·5
Transport	American Port Services	Port operator in USA (London listing)	219	0·8
Utilities	Capex GDR	Electricity generation – Argentina	182	0·7
Banks	TCF Finance	Regional savings bank	220	0·9
Insurance	Capitol American Finance	Health insurance	121	0·5
Investment trusts	Genesis Chile Fund	Investment trust – Chile	395	1·6
Land and property	Chateau Properties	Residential property	158	0·6

(* denotes unlisted security)
(† denotes holding partly or wholly in convertible stock)
(§ denotes holding partly or wholly in warrants)

List of Investments

CONTINUED

Classification	Name	Business	Market value £'000	%
Extractive industries	CSA Management	Metals – Canada	177	
	Orvana Minerals	Metals – Canada	149	
	Southern Peru Copper	Copper mining – Peru	204	
			530	2·1
	TOTAL AMERICAN EQUITIES		6,091	23·8
		ASIA PACIFIC		
Food manufacturing	† RFM Capital Corp.	Diversified food manufacturer – Philippines	196	0·7
Hotels and leisure	Mandarin Oriental	Hotels – Hong Kong	252	1·0
Media	Oriental Press	Newspaper publisher – Hong Kong	290	1·1
Retail trade	Espirit Asia	Regional fashion retailer – Hong Kong	204	
	Hallenstein	Clothing retailer – New Zealand	230	
	Hua Thai	Garment manufacturer – Thailand	46	
	International Cosmetics	Consumer goods distribution – Thailand	81	
			561	2·2
Tobacco	RJ Reynolds	Tobacco – Malaysia	379	1·5
Miscellaneous – Consumer goods	Modern Photo Film	Photographic supplies – Indonesia	90	0·4
Energy	Australia Gas Light	Gas distributor – Australia	387	1·5
Telephone networks	Telekom Malaysia	Telephone utility – Malaysia	256	
	Telecom New Zealand	Telephone utility – New Zealand	206	
			462	1·8
Miscellaneous – Other groups	CP Pokphand	Agricultural and industrial conglomerate – Hong Kong	384	1·5
Banks	Bank of Bangkok	Banking – Thailand	322	1·3
Investment trusts	§ Thai Eurofund	Investment trust – Thailand	310	1·2
Land and property	Henderson Land	Property developer – Hong Kong	241	
	Hon Kwok Land	Property developer – Hong Kong	371	
	Wing Tai Holdings	Property developer – Singapore	253	
			865	3·4
Other financial	Formosa Fund	Semi-closed end Taiwanese fund	256	1·0
	TOTAL ASIA PACIFIC EQUITIES		4,754	18·6
		JAPAN		
Building and construction	Eyeful Home Technology	Housing	123	0·5
General manufacturing	Fuji Machine Manufacturing	Machine tools	109	
	Miura Company	Boilers	164	
			273	1·1
Light electrical and engineering	FCC	Motorbike clutches	191	
	Hirose Electric	Electrical and optical connectors	238	
	Mabuchi Motor	Precision motors	164	
	Nihon Dempa Kogyo	Crystal oscillators	153	
	Riso Kagaku	Copying machinery	207	
			953	3·7
Retail trade	Itariyard	Womens clothing	154	0·6
Services	Airport Facilities	Management of airport facilities	122	0·5
Other financial	Acom	Unsecured consumer lending	25	
	Osaka Securities Finance	Specialist finance company	118	
			143	0·5
	TOTAL JAPANESE EQUITIES		1,768	6·9

Value of equity stock	24,618		
Convertible stock having an element of equity	507		
Warrants having an element of equity	15		
TOTAL EQUITIES (including convertibles)		25,140	98·2
NET LIQUID ASSETS		461	1·8
TOTAL ASSETS AT MARKET VALUE (before deduction of bank loan)		25,601	100·0

(† denotes holding partly or wholly in convertible stock)
(§ denotes holding partly or wholly in warrants)

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, 1 Rutland Court, Edinburgh EH3 8EY, on Monday, 14th October 1996 at 11.00a.m. for the following purposes:

1. To approve the Accounts of the Company for the year to 30th June 1996 with the reports of the Directors and of the Auditors thereon, and to declare a dividend.
2. To re-elect Mr PMS Barron as a Director.
3. To re-appoint Ernst & Young as Auditors.
4. To authorise the Directors to fix the remuneration of the Auditors.

Special Business

To consider, and if thought fit, to pass the following Resolutions:

As an Ordinary Resolution:

5. That with effect from 1st July 1996, an increase in the sum payable to each Director from £4,000 per annum to £5,000 per annum with the Chairman's additional fee increasing from £1,500 to £1,750 per annum.

As a Special Resolution:

6. THAT the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94(2) of the said Act) for cash pursuant to the authority conferred on them in accordance with Section 80 of the said Act at the Extraordinary General Meeting of the Company on 13th February 1995, as if subsection 89(1) of the said Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal value equal to the aggregate nominal value of the authorised share capital of the Company which remains unissued on the date on which this Resolution is passed and shall expire on 13th April 1998 or at the conclusion of the next Annual General Meeting of the Company held after the date on which this Resolution is passed, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By Order of the Board.

BAILLIE GIFFORD & Co,
Managers and Secretaries

Baillie G

1 Rutland Court
Edinburgh EH3 8EY
16th September 1996

Notes

1 A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. A form of proxy is enclosed.

2 Only holders of ordinary shares are entitled to attend or be represented at the meeting.

3 No Director has a contract of service with the Company.

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Mid Wynd International Investment Trust PLC

Form of Proxy

I/We ______________________________

of ______________________________

being a Member(s) of the above-named Company, hereby appoint the Chairman of the Meeting, or (see Note 2) ______________________________
as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Monday, 14th October 1996, and at any adjournment thereof.

Please indicate with an X in the spaces below how you wish your votes to be cast. In any case where no indication is given the proxy will vote or abstain as he/she thinks fit.

RESOLUTIONS	FOR	AGAINST
ORDINARY BUSINESS		
1. To approve the report of the Directors and the Accounts for the year ended 30th June 1996 and to declare a dividend.		
2. To re-elect Mr PMS Barron as a Director.		
3. To re-appoint Ernst & Young as Auditors.		
4. To authorise the Directors to fix the remuneration of the Auditors.		
SPECIAL BUSINESS		
5. To approve by Ordinary Resolution an increase in the sum payable to each Director from £4,000 per annum to £5,000 per annum with the Chairman's additional fee increasing from £1,500 to £1,750 per annum.		
6. To approve by Special Resolution that the Directors be authorised to issue additional shares pursuant to Section 95 of the Companies Act 1985.		

Signature ______________________________

Dated this ______________ day of ______________ 1996.

Notes

1. *In the case of joint holders the vote of the senior who tenders a vote will be accepted.*
2. *A member may appoint a proxy of his/her own choice by deleting the references to the Chairman of the Meeting and inserting the name of the proxy in the space provided. A proxy need not be a member of the Company but must attend the meeting in person to represent the member.*
3. *An instrument appointing a proxy by a corporation must be given under its common seal or signed by an officer or attorney on its behalf.*
4. *An instrument appointing a proxy must be lodged with the Registrar of the Company not less than 48 hours before the time of the meeting, and in default will not be treated as valid.*

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BUSINESS REPLY SERVICE
Licence No. EH 59

2

The Royal Bank of Scotland plc
Registrars Department
PO Box 457
Owen House
8 Bankhead Crossway North
Edinburgh EH11 0XG

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