Mid Wynd
International Investment Trust PLC

Annual Report & Accounts
30 June 2002

SC 42651

Contents

Company Summary

COMPANY DATA AT 30 JUNE 2002

Total assets†	Shareholders' funds	Market capitalisation
£34m	£32m	£28m

† total assets less current liabilities before deduction of bank loan.

Policy and Objective

Mid Wynd's objective is to achieve capital and income growth by investing on a worldwide basis.
The proportion of the portfolio invested in British companies will not normally exceed a quarter. Owing to its size, the Company is able to include small companies and markets in its portfolio which are not practically available to its larger peers.

Company History

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

Comparative Index

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

Management Details

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

Capital Structure

The Company's share capital consists of 5,027,766 ordinary shares of 25p each which are issued and fully paid.

Management Fee

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

ISA/PEP

ISA and PEP transfer facilities are available (see inside back cover). Currently up to £7,000 per annum can be invested in a Maxi ISA.

AITC

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

Year's Summary

	30 June 2002	30 June 2001	% change
Total assets (total assets less current liabilities before deduction of bank loan)	£33.7m	£39.4m	
Bank loan	£1.9m	£1.9m	
Equity shareholders' funds	£31.8m	£37.5m	
Net asset value per ordinary share	632.7p	746.3p	(15.2)
Share price	550.0p	602.5p	(8.7)
FTSE All-Share Index	2,263.1	2,728.1	(17.0)
FTSE World Index (in sterling terms)	243.6	314.4	(22.5)
Dividend per ordinary share	8.90p	8.50p	4.7
Earnings per ordinary share	10.18p	9.64p	5.6
Expense ratio	0.57%	0.66%	
Discount	13.1%	19.3%	

	Year to 30 June 2002		Year to 30 June 2001	
Year's high and low	**High**	**Low**	**High**	**Low**
Share price	622.5p	480.0p	692.5p	557.5p
Net asset value	746.4p	582.5p	823.5p	688.0p
Discount	9.0%	23.4%	12.1%	21.9%

	30 June 2002	30 June 2001
Total return per ordinary share		
Revenue	10.18p	9.64p
Capital	(114.91p)	(29.13p)
Total	(104.73p)	(19.49p)

Five Year Summary

The following charts indicate how an investment in Mid Wynd has performed relative to its comparative index (applied retrospectively), the relationship between share price and asset value, and how dividends have grown relative to the retail price index over the period to 30 June 2002:

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 in Perthshire and is aged 60.

RRJ Burns. Richard Burns became a Director of the Company in 1981. He is a senior partner of Baillie Gifford & Co and a director of The Baillie Gifford Japan Trust PLC. He is aged 56.

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 63.

TM Lawrie. Tom Lawrie became a Director of the Company in 1985. He was formerly senior partner of Maclay Murray & Spens, Solicitors, and is aged 68.

MCN Scott, QC. Malcolm Scott became a Director of the Company in 1990. He is a practising Advocate, and is aged 50.

Managers and Secretaries

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

Baillie Gifford is one of the largest investment trust groups in the UK and currently manages six investment trusts. Baillie Gifford also manages unit trusts and Open Ended Investment Companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford total around £20 billion. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 22 partners and a staff of over 390.

The manager of Mid Wynd's portfolio is Michael MacPhee, a partner of Baillie Gifford. Stock selection is primarily the responsibility of specialist teams covering all the regions of the world.

The firm of Baillie Gifford & Co is regulated by the FSA.

Tom Lawrie   Malcolm Scott   Patrick Barron   Richard Burns   Bruce Johnston

Chairman's Statement

Market Background

This has been the worst year for stockmarkets since the 1970's and the feeling of gloom is increased by the fact that markets have been declining since March 2000, making this one of the longest as well as the deepest bear markets in modern history. Three particular events have been notable. The first was the terrorist attack on America on 11 September last year which severely shook confidence and was followed by dramatic interest rate cuts which helped produce a temporary rally in markets. The second was the revelation of financial irregularities at Enron, quickly followed by the bankruptcy of this very large energy trading business and almost as quickly by the demise of Enron's auditors, Arthur Andersen, up until then one of the world's 'Big Five' accounting practices. The third was the bankruptcy of Worldcom, which had become one of America's largest telecoms companies by a rapid series of large acquisitions, and whose financial statements, it transpired, had been compiled fraudulently.

Taken together, these events, and various smaller shock bankruptcies and write offs, have severely damaged investor confidence and produced the big market falls.

Capital Account

Against this background Mid Wynd has done better than its benchmark. Our net asset value per share has fallen by 15.2% from 746.3p to 632.7p, the second largest decline we have experienced since Mid Wynd became a listed company in 1981 (the biggest fall we have had being the 16.3% in the year ended 30 June 1988). However, the markets in which we invest have performed much more poorly – the world index in sterling terms was down by 22.5%, led by the US and Japan with falls of 26.2% and 24.0% respectively. The UK, down 17%, and continental Europe down 16.6%, also did worse than us, and the only area which did better was Asia Pacific, ex Japan, down 7.0%. As was the case last year, the decline in asset value was of similar magnitude in each half of our year; NAV fell by 8.8% in the first half and by 7.1% in the second, against falls in the World Index of 10.5% and 13.4%. It will be seen therefore that our relative performance grew stronger as the year progressed.

The performance of the portfolio is analysed in detail on page 7 of this Report and commented on more fully in the Manager's Overview and Portfolio Review. The key factors in our strong relative performance have been the cautious strategy followed, with a significant and rising exposure to fixed income, and positive stock selection in the US, Europe and, especially, the UK.

Revenue Account

At this time last year, we were expecting earnings to fall, but in the event, and largely because of our increased exposure to fixed interest, earnings per share have come out at 10.18p, an increase of 5.6% on last year's figure of 9.64p. At this stage, we are expecting a similar outcome in the year just started, but if we were to redeploy any of our bond holdings into equities, particularly overseas equities, the estimate would be reduced quite sharply. We expect to make such a switch at some future point, as bear markets do not last forever. Accordingly, the Board is recommending only a relatively small 3.9% increase in the final dividend to 5.30p against last year's 5.10p, to give a total dividend for the year of 8.90p, an increase of 4.7% on last year's 8.50p.

Investment Activity

Portfolio turnover has again dropped from last year's figure, but nevertheless there have been some significant moves, the main one being the sale of the majority of our holding of US TIPS (index linked Treasury bonds) with the proceeds being re-invested in euro-denominated government bonds. We have also made net equity sales totalling almost £2m, part of which has been switched into bonds, so that our total net investment in bonds came to slightly over £2.5m. Within equities, the main features have been sales totalling £1.8m in the United States and purchases of £550,000 in Japan.

Directors' Fees

You will see from the Notice of the Annual General Meeting on page 37 that you are being asked to approve an increase in the annual fee payable to each Director from £6,000 to £8,000 with the Chairman's additional fee increasing from £2,000 to £2,500. The current fees, which are well below those currently paid by the most nearly *comparable investment trusts, have applied* since 1999. The responsibilities of the Directors have increased significantly over recent years in response to the increasingly prescriptive and regulatory environment.

Outlook

The first six weeks of our financial year have seen great volatility in markets, with some huge one-day moves both up and down, but the general trend has continued to be downwards. In such conditions it is extraordinarily difficult to comment sensibly on the prospects for the year ahead. What can be said, though, is that the market falls are producing opportunities to buy shares in soundly managed, well financed companies with well established businesses on ratings which are now quite near the average of the last twenty years. In particular, it is becoming possible to find companies whose dividend yields are very competitive with the interest rates available on cash deposits, and even, in some cases and markets, with yields on government bonds. Although it is entirely possible that such shares, as well as markets in general, may fall further in the short term, we believe that in five years' time buying them at current levels will prove to have been very rewarding.

In the meantime, I am confident that the companies in Mid Wynd's portfolio will continue to produce satisfactory results, and hopeful that we can continue to produce results which compare well with market indices.

Patrick MS Barron
15 August 2002

Managers' Overview

Mid Wynd fared comparatively well in a dreadful year for markets, with a total return in sterling terms (capital and income combined) on net assets of –13.2% as against the –21.0% suffered by the FTSE World Index. Both asset allocation and stock selection contributed to relative performance with sizeable bond holdings serving us well and American and British stock selection again materially positive. The February reduction of American equity holdings and re-investment in US index-linked bonds has also proved helpful. There were no major adverse influences upon relative performance. Yen borrowings shrunk in sterling terms and proceeds, which were invested in bonds, produced a positive absolute return.

PORTFOLIO PERFORMANCE ATTRIBUTION FOR THE YEAR TO 30 JUNE 2002

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

PERFORMANCE ATTRIBUTION (in sterling terms)

	Index	Mid Wynd				Contribution	Contribution attributable to:	
	allocation	asset allocation		Performance*		to relative	Stock	Asset
	01.07.01	01.07.01	30.06.02	Mid Wynd	Index	return	selection	allocation
Portfolio breakdown	%	%	%	%	%	%	%	%
UK	10.1	16.9	17.3	(7.2)	(14.5)	2.0	1.4	0.6
Europe ex. UK	17.7	21.0	20.2	(12.4)	(14.1)	0.6	0.3	0.3
Americas	59.3	39.9	32.0	(19.9)	(24.8)	3.6	2.4	1.1
Japan	9.0	9.5	9.9	(27.2)	(23.2)	(0.4)	(0.2)	(0.2)
Asia Pacific ex. Japan	3.4	3.2	3.3	(10.1)	(4.3)	(0.3)	0.2	(0.5)
Other	0.5	–	–	–	(15.6)	–	–	–
Bonds	–	11.3	21.3	4.4	–	4.6	–	4.6
Cash	–	3.3	1.8	1.9	–	0.6	–	0.6
Loan	–	(5.1)	(5.8)	(4.0)	–	(1.0)	–	(1.0)
Total	100.0	100.0	100.0	(13.2)	(21.0)	9.8	4.2	5.4

Source: HSBC

*The above returns are calculated on a total return basis with net income reinvested. Mid Wynd's figures represent the returns on the Company's portfolio and the index figures for each geographical area represent the return on the appropriate FTSE index. Contributions cannot be added together as they are geometric; for example, to calculate how a return of (13.2%) (against an index return of (21.0%)) translates into a relative performance of 9.8%, divide the portfolio performance of 86.8 by the index year end figure of 79.0 and subtract one.

The chart below compares Mid Wynd's performance in each of the geographical regions in which it invests with the relevant local index.

INVESTMENT CHANGES (£'000)

	Valuation at 30 June 2001	Net acquisitions (disposals)	Appreciation (depreciation)	Valuation at 30 June 2002
Equities*:				
UK	6,354	(269)	(582)	5,503
Continental Europe	7,911	(355)	(1,098)	6,458
North America	13,828	(1,826)	(2,574)	9,428
Japan	3,572	549	(949)	3,172
Asia Pacific	1,202	(4)	(151)	1,047
Other Emerging Markets	1,220	(69)	(375)	776
	34,087	(1,974)	(5,729)	26,384
Bonds:				
UK	1,533	332	40	1,905
Continental Europe	158	2,802	45	3,005
North America	2,584	(556)	(155)	1,873
Total investments	38,362	604	(5,799)	33,167
Net liquid assets	1,100	(606)	10	504
Total assets	39,462	(2)	(5,789)	33,671

The figures above for total assets comprise total assets less current liabilities before deduction of bank loan.
*Equities includes limited partnerships.

CLASSIFICATION OF INVESTMENTS

	UK %	Continental Europe %	North America %	Japan %	Asia Pacific %	Other Emerging Markets %	2002 Total %	2001 Total %
Equities*:								
Resources	2.5	2.0	2.2	–	–	0.3	7.0	8.3
Oil and gas	2.5	2.0	2.2	–	–	0.3	7.0	8.3
Industrials	1.3	3.3	1.1	0.8	1.0	1.0	8.5	10.8
Chemicals	–	0.9	–	–	–	–	0.9	0.8
Construction and building materials	0.9	1.2	–	–	–	0.8	2.9	3.1
Forestry and paper	–	–	–	–	–	–	–	0.7
Diversified industrials	–	–	0.3	–	0.7	–	1.0	1.1
Electronic and electrical equipment	–	0.7	0.8	0.8	0.3	–	2.6	4.4
Engineering and machinery	0.4	0.5	–	–	–	0.2	1.1	0.7
Consumer Goods	4.7	6.4	7.2	2.5	–	–	20.8	16.5
Automobiles	–	0.4	–	0.4	–	–	0.8	0.7
Household goods and services	–	0.3	–	0.4	–	–	0.7	0.3
Beverages	0.7	1.0	–	–	–	–	1.7	1.3
Food producers and processors	–	0.8	0.7	–	–	–	1.5	1.3
Healthcare and pharmaceuticals	2.4	2.9	3.8	0.9	–	–	10.0	7.6
Personal care and household products	–	0.4	–	0.8	–	–	1.2	1.0
Tobacco	1.6	0.6	2.7	–	–	–	4.9	4.3
Services and Utilities	2.7	3.7	3.9	2.9	1.6	0.8	15.6	22.5
Retailers	–	0.5	2.1	1.4	0.6	0.3	4.9	6.5
Leisure, entertainment and hotels	0.3	0.3	–	0.4	–	–	1.0	0.7
Media and photography	1.1	1.2	1.2	–	0.7	–	4.2	6.2
Support services	0.3	–	0.6	0.5	–	–	1.4	2.4
Transport	0.1	1.1	–	–	0.3	0.2	1.7	2.5
Telecommunication services	0.9	0.6	–	0.6	–	0.3	2.4	4.2
Financials								18.4
Banks	3.6	0.8	0.8	–	0.1	0.2	5.5	6.1
Insurance	0.5	1.8	1.0	–	–	–	3.3	3.5
Life assurance	0.2	–	–	–	–	–	0.2	0.3
Real estate	0.4	–	–	0.4	–	–	0.8	0.4
Other financial	0.5	0.5	7.4	1.8	–	–	10.2	8.1
Information Technology	–	0.7	4.4	1.0	0.4	–	6.5	9.9
Information technology hardware	–	0.4	1.8	0.6	0.4	–	3.2	5.5
Software and computer services	–	0.3	2.6	0.4	–	–	3.3	4.4
Total Equities	16.4	19.2	28.0	9.4	3.1	2.3	78.4	
Total Equities – 2001	16.1	20.1	35.0	9.0	3.1	3.1		86.4
Bonds	5.7	8.9	5.5	–	–	–	20.1	10.8
Net Liquid Assets	(0.7)	1.6	0.6	–	–	–	1.5	2.8
Total Assets – 2002 (before deduction of bank loan)	21.4	29.7	34.1	9.4	3.1	2.3	100.0	
Total Assets – 2001	20.5	20.9	42.0	10.2	3.3	3.1		100.0
Bank Loan	–	–	–	(5.5)	–	–	(5.5)	
Equity Shareholders' Funds – 2002	21.4	29.7	34.1	3.9	3.1	2.3	94.5	
Equity Shareholders' Funds – 2001	20.5	20.9	42.0	5.3	3.3	3.1		95.1
Number of equity investments	29	36	29	22	11	9	136	129

*Equities includes limited partnerships.

Name	Business	Market value £'000	% of total assets
Philip Morris	Tobacco, food and beer	917	2.7
Freddie Mac	Mortgages	831	2.5
Golden West Financial	Savings and loans	722	2.1
GlaxoSmithKline	Pharmaceuticals	650	1.9
Pfizer	Pharmaceuticals	643	1.9
Imperial Tobacco	Tobacco	534	1.6
Total Fina Elf	Integrated oil	458	1.4
Walgreen	Pharmacy chain	456	1.4
BP	Integrated oil	455	1.4
Sanofi-Synthelabo	Pharmaceuticals	383	1.1
Amerada Hess	Integrated oil	379	1.1
Royal Bank of Scotland	Banking	378	1.1
MAC Japan Active Shareholder Fund LP	Shareholder activist fund	371	1.1
Swiss Re	Reinsurance	367	1.1
State Street	Custodian bank	352	1.1
Marsh & McLennan	Insurance and fund management	349	1.0
Suncor Energy	Integrated oil	344	1.0
Barclays	Banking	331	1.0
Moody's	Bond rating agency	326	1.0
Novartis	Pharmaceuticals	319	1.0
Shell Transport & Trading	Integrated oil	307	0.9
Wellpoint	Managed healthcare	306	0.9
Vodafone	Mobile telecommunication services	297	0.9
Akzo Nobel	Chemicals and pharmaceuticals	288	0.9
Microchip Technology	Semiconductors	284	0.8
Brisa-Auto Estradas	Toll road operator	280	0.8
Nestle	Food producer	277	0.8
Federated Investors	Fund management	272	0.8
Molex	Connectors	270	0.8
DST Systems	Mutual fund computer services	270	0.8
		12,416	36.9

North America
United Kingdom
Continental Europe
Japan

Managers' Portfolio Review

One of Imperial Tobacco's cigarette brands. (The value of our holding in Imperial Tobacco is £534,000.)

Some of Diageo's leading brands. (The value of our holding in Diageo is £239,000.)

United Kingdom

The FTSE World United Kingdom (with net income re-invested) Index fell by a further 14.5% in the year under review. In line with most other major markets, it has fallen significantly further since. It is particularly disappointing that, even with its bias towards traditionally 'defensive' sectors such as banks and oils, the UK stockmarket has not so far fared any better than most other markets. Some limited consolation can however be gleaned from the fact that our UK portfolio performed relatively well against this difficult market background, with a fall of 7.2% as can be seen on page 7.

Two main features of our UK portfolio over the last year have been the large holding in the tobacco sector and a relatively limited exposure to telecoms companies. Both of these worked well and made a significant contribution to performance, at least when compared to the falling index. Imperial Tobacco continued to trade well over the period and its acquisition earlier this year of Reemtsma, a privately owned German tobacco business, was well received by the market.

Despite the recent turmoil in financial markets, the fundamental economic background in the UK is still reasonable, with inflation remaining low and growth this year likely to be around 2%. Although the buoyant conditions in the housing market have prompted some concern, the very recent evidence suggests some slowing to a more sustainable level of activity. Against this background of steady economic progress, our portfolio remains skewed towards defensive, but steadily growing areas such as tobacco, pharmaceuticals and beverages. We have, however, been looking to take advantage of the fall in valuations with recent selective purchases or additions such as BSkyB and Vodafone, where we think the recent decline in share prices is unwarranted given the long term attractions of these businesses.

Continental Europe

Performance has been modestly positive and a slight overweight in continental stocks through the year similarly so. As elsewhere, markets have fallen back emphatically after positive returns in the fourth quarter of 2001. The euro has strengthened significantly against the dollar as faith in the relative superiority of American capitalism has waned for reasons discussed below and capital flows have more clearly reflected America's considerable trade deficit.

Secure cash flows have proved valuable over the last year. Brisa, our Portuguese toll road operator, has performed well. Traffic has grown somewhat ahead of forecasts, costs have been restrained and new road franchises secured. After a long period in the investment wilderness, dividend yield has become a more important component in total return, and Brisa scores highly here. We hope for further appreciation this year. Sanofi Synthelabo provides unusually attractive prospective organic growth. In a world where few companies have pricing power, this pharmaceutical company has rapid volume growth from a range of products. We believe the company is undervalued in the context of what should be reasonably predictable earnings growth through the next several years. While the industry faces challenges to its unrivalled return structure we believe that these obstacles are unevenly distributed and that Sanofi's share price offers us an opportunity in a company that should thrive in contrast to some of its peers.

The economic background has been one of modest growth, with weakness in Germany offset by a more robust picture in France and Spain. Some recovery in exports has been matched by deterioration in consumption and confidence. Leading indicators of activity do not currently offer much solace. Interest rates have scope to be reduced further in the Eurozone should that prove necessary. The underlying problem, as discussed last year, remains over-investment and over-indebtedness in various sectors, the typical aftermath of a stock market bubble or any other period of indiscriminately available cheap capital.

The clearest casualty has been corporate profits, and through them, the stock market itself. The good news is that the diagnosis has become more evident, and we may now be entering a period of convalescence. Valuations are no longer very demanding, provided afflicted companies act to preserve margins, conserve cash flows and cut costs. By no means all industries have fallen victim. End demand, though subdued, ought to prove fairly durable in Europe where consumption has never attained the heights reached across the Atlantic.

United States

The FTSE World USA Index fell by 25.2% in the year under review. Our US portfolio did better than this, falling 19.7% in the period.

The end of a long bull market has, as usual, been accompanied by a number of scandals and frauds of which Enron and Worldcom are only the best publicised. But it has also focused wider attention on the extent to which many companies' underlying earning power is significantly lower than their reported earnings. Such distortions include accounting for option grants, pension fund expectations, and the unprecedented size of "non-recurring" write-offs. If any single factor has aided our US stock-picking over the past couple of years, it is our continued emphasis on long-established corporate virtues: clean accounts, honest management with realistic expectations, and organic growth.

More specifically, three factors were helpful to the Trust's US performance over the last twelve months. First, we continued to avoid most of the technology and telecoms sectors. Valuations are still high and earnings still overstated. Second, our financial investments performed strongly. In particular, Golden West and Freddie Mac continued to enjoy strong organic growth from their activities in the US residential mortgage market. Finally, our largest investment, Philip Morris, the food and tobacco group, did well. We continue to believe that the group's pricing power and steady growth prospects are under-valued by the market.

Reported US corporate profits fell approximately 10% over the period. Cost-cutting and price-cutting are dominant factors. Recent transactions have focused more than ever on companies with durable competitive advantages. We added to the drug group, Pfizer, bought State Street Bank (back office services for fund managers), Suncor (an oil group with large reserves in oil sands), and Moodys, the ratings agency, and sold Applied Materials, the semiconductor capital equipment supplier. Despite recent media headlines about corporate excess, we continue to find the US a rewarding market for stock-picking, and may invest more if specific ideas arise.

Japan

It has been a disappointing year for investment in Japan although the relative returns of the market have been ahead of other major indices, over the first six months of 2002, during which time we have added to holdings. Over the year to June the FTSE World Japan Index fell 23.2% in sterling terms. Smaller companies did better than large companies with a sterling decline of 17.9% in the Tokyo Stock Exchange Second Section Index. Mid Wynd's portfolio suffered in relative terms by having too little exposure to the

1 *The Porsche 911 Carrera 4S. (The value of our holding in Porsche is £133,000.)*

2 *Outdoor advertising by JC Decaux. (The value of our holding in JC Decaux is £153,000.)*

1 DeVry's university campus at Long Beach, C.A. (The value of our holding in DeVry is £210,000).

2 One of Canon's digital cameras. (The value of our holding in Canon is £149,000.)

domestic economy and too great a focus on world-leading Japanese companies with a bias towards exporters.

The Japanese economy saw a significant slowdown in 2001 with the industrial side of the economy bearing the brunt of cuts in global capital expenditure. Companies have reacted to this demand shock by cutting capacity which has fallen around 4% over the last year. Whilst this is painful in the short-term as unemployment increases, we believe that such restructuring is a long-term positive for Japan through getting rid of some of the excess capacity from the corporate sector. In a context of weak external demand, the domestic economy has produced a reasonable performance. The service sector is still showing positive growth and real consumption is flattish when price deflation is factored in. Recent data has shown that Japan has reached a cyclical bottom although the pace of the recovery is difficult to discern at the current juncture. There have also been several pieces of data suggesting that deflationary pressures are easing.

The biggest area of disappointment over the last year has been the lack of reform since Prime Minister Koizumi came to power in April 2001. There have, however, been several ad-hoc announcements which are encouraging such as severing the link between taxes and spending in areas such as roads and the announcement that the Housing Loan Corporation will be abolished removing an anachronistic presence from the housing market.

Overall earnings have held up relatively well and stockmarket valuations in Japan are now more in line with international markets than they have been since the mid 1980s. Small companies in particular, where the portfolio is overweight, sell on significant discounts to their large capitalisation peers. There are many new companies exploiting societal changes in Japan such as the rise of outsourcing, where we are exposed through LeoPalace 21 which is the number one condominium manager, or the freeing up of the labour market, where we hold Goodwill which leads the market in part-time employment placement. Many such companies possess the valuable ability to grow their sales, profits and cash flows regardless of the economic cycle.

Asia Pacific

Our portfolio lost 10.1% in sterling terms over the year, considerably worse than the 4.3% decline in the regional index. The outperformance of the region's markets within a global context owes much to low starting valuations and initially modest expectations for profits growth. Economic and stock market conditions fluctuated, generally reflecting what was happening in the United States. Our own regional performance was adversely affected by the de-rating of high growth companies like Hutchison Whampoa, Li & Fung and Legend, but we are encouraged that the operating performance of these companies has withstood the difficult environment facing them. The same cannot be said of our two Australian holdings, Brambles and Coles Myer, where operating problems arose. We are monitoring progress in both and holdings are under review. We have been pleased with developments at Samsung Electronics, Tom.com and Convenience Retail Asia. These have all achieved strong operating performance during the year and appear on track to deliver good returns. The portfolio continues to have a bias towards companies with high growth rates and strong returns on equity, and has a significant exposure to opportunities in China.

Looking forward, prospects are reliant as ever on the extent of economic recovery elsewhere as it is reflected in demand for Asian exports. We continue to believe that the Asia Pacific region offers a relatively attractive environment for stock-picking.

Other Emerging Markets (Latin America)

The MSCI Latin American Index fell 28.6% in sterling terms over the period, but this hides considerable divergence between the individual markets. The Argentine crisis has overshadowed all else in recent months; however, contagion to the rest of the region has been limited thus far, and with no Argentinean holdings the impact on the fund has been minimal. In Brazil, the market has also been weak, most recently owing to uncertainty surrounding the looming Presidential election and concerns over unsustainably high real interest rates and the fiscal position. However, there are individual stocks with attractive long-term growth prospects and low valuations such as Embraer, one of the world's leading manufacturers of regional aircraft. Mexico, meanwhile, has been the star performer within the region, and continues to benefit from economic convergence with the US. We continue to like companies such as low-income house builder Consorcio ARA, an excellent secular growth story where pent-up demand remains high and the land-bank is substantial, and Cemex, one of the largest global cement companies, which has a strong market position and sustainably high margins.

The outlook for the region varies by country and by company. Mexico's prospects are aligned with those of the US, while the election in Brazil will probably keep stock market volatility at high levels. However, with many individual companies offering alluring growth prospects, strong cash flows and undemanding valuations, this should make the currently unfashionable Latin American region an attractive area for portfolio investors and particularly for stock-pickers.

Fixed income

The allocation to fixed income and our additions to the asset class have served the Company well again in both absolute and relative terms in what has continued to be a dire environment for equities. Index-linked and longer duration bonds have done generally better, which has worked well for us, and our switch post year end within index-linked from American to French has avoided some of the recent depreciation of the dollar. As mentioned in the Chairman's Statement we would hope to be able to start to reduce our fixed income holdings as equities regain some relative attraction.

Outlook

The past year has proved especially challenging for companies and profits. Global economic activity, by contrast, may yet prove resilient despite question marks regarding excessive debt and production capacity and low pent-up end demand. Much depends upon prospects for the US and within that the consumer; so far, housing markets and retail sales are holding firm in that country. Interest rates remain low, inflation is subdued, debt service appears undemanding and mortgage refinancing offers further potential support to consumption. Profits are depressed because competition has soared. Supply exceeds demand. The consumer is buying more for less. Living standards are high. Set against this are falls in markets and the risk of credit crunch as the financial system faces rising defaults and capital constraints. Any further rise in unemployment as companies strive to recapture margins would constitute a further setback. At the time of writing, it is difficult to predict an outcome. Our current cautious asset allocation is a reflection of high underlying risks, though we are reassured stock market valuations are much lower than they were and individual investment ideas are no longer in short supply.

1 *Tom.com has become a market leader in billboard advertising in The People's Republic. Picture c/o Tom.com. (The value of our holding in Tom.com is £140,000.)*

2 *Brazil's Embraer is one of the world's leading manufacturers of regional aircraft. (The value of our holding in Embraer is £56,000.)*

LIST OF INVESTMENTS AS AT 30 JUNE 2002

Classification	Name	Business	Market value £'000	%
UNITED KINGDOM				
Oil and gas	Abbot Group	Oil services	88	
	BP	Integrated oil	455	
	Shell Transport & Trading	Integrated oil	307	
			850	2.5
Construction and building materials	Bellway	House builder	77	
	Hanson	Building materials	94	
	Travis Perkins	Builders' merchant	129	
			300	0.9
Engineering and machinery	Halma	Niche engineering products	116	0.4
Beverages	Diageo	Branded spirits	239	0.7
Healthcare and pharmaceuticals	AstraZeneca	Pharmaceuticals	163	
	GlaxoSmithKline	Pharmaceuticals	650	
			813	2.4
Tobacco	Imperial Tobacco	Tobacco	534	1.6
Leisure, entertainment and hotels	William Hill	Licensed betting operator	106	0.3
Media and photography	British Sky Broadcasting	Satellite broadcaster	126	
	Reed International	Professional information publisher	143	
	Trinity Mirror	Newspaper publisher	110	
			379	1.1
Support services	Michael Page International	Recruitment consultant	48	
	Premier Farnell	Electronic components distributor	42	
			90	0.3
Transport	Stagecoach	Bus and train operator	43	0.1
Telecommunication services	Vodafone	Mobile telecommunication services	297	0.9
Banks	Barclays	Banking	331	
	HSBC Holdings	Banking	226	
	Lloyds TSB	Banking	261	
	Royal Bank of Scotland	Banking	378	
			1,196	3.6
Insurance	Jardine Lloyd Thomson	Insurance broker	75	
	Royal & Sun Alliance	General insurance	79	
			154	0.5
Life assurance	Prudential	Life assurance	78	0.2
Real estate	Chelsfield	Property	141	0.4
Other financial	Amvescap	Fund manager	85	
	Rathbone Brothers	Private client fund manager	82	
			167	0.5
	TOTAL UNITED KINGDOM EQUITIES		5,503	16.4
CONTINENTAL EUROPE				
Oil and gas	ENI	Oil and gas – Italy	212	
	Total Fina Elf	Integrated oil – France	458	
			670	2.0
Chemicals	Akzo Nobel	Chemicals and pharmaceuticals – Netherlands	288	0.9
Construction and building materials	CRH	Building materials – Ireland	267	
	Holcim 'B'	Building materials – Switzerland	133	
			400	1.2
Electronic and electrical equipment	EPCOS	Electronic components – Germany	100	
	Schneider Electronics	Electronic equipment – France	119	
			219	0.7
Engineering and machinery	Assa Abloy	Security locks – Sweden	154	0.5
Automobiles	Porsche	Automobiles – Germany	133	0.4

Classification	Name	Business	Market value £'000	%
Household goods and textiles	Luxottica	Eyewear – Italy	103	0.3
Beverages	Pernod-Ricard	Drinks – France	126	
	Interbrew	Brewing – Belgium	207	
			333	1.0
Food producers and processors	Nestle	Food producer – Switzerland	277	0.8
Healthcare and pharmaceuticals	Aventis	Pharmaceuticals – France	152	
	Novo Nordisk	Pharmaceuticals – Denmark	123	
	Novartis	Pharmaceuticals – Switzerland	319	
	Sanofi-Synthelabo	Pharmaceuticals – France	383	
			977	2.9
Personal care and household products	L'Oreal	Personal care – France	151	0.4
Tobacco	Altadis	Tobacco – Spain	204	0.6
Retailers	Delhaize	Food retailer – Belgium	171	0.5
Leisure, entertainment and hotels	Jurys Doyle Hotel Group	Hotel chain – Ireland	116	0.3
Media and photography	JC Decaux	Outdoor media – France	153	
	Publicis	Advertising – France	122	
	VNU	Publishing and media research – Netherlands	123	
			398	1.2
Transport	Brisa-Auto Estradas	Toll road operator – Portugal	280	
	Ryannair	Budget airline – Ireland	97	
			377	1.1
Telecommunication services	Portugal Telecom	Telecommunications – Portugal	211	0.6
Banks	Danske Bank	Banking – Denmark	119	
	Santander	Banking – Spain	136	
			255	0.8
Insurance	RAS	Insurance – Italy	229	
	Swiss Re	Reinsurance – Switzerland	367	
			596	1.8
Other financial	MLP	Financial services – Germany	65	
	Deutsche Boerse	Stock exchanges – Germany	120	
			185	0.5
Information technology hardware	Ericsson	Telecommunications equipment – Sweden	50	
	Nokia	Mobile telecommunications equipment – Finland	87	
			137	0.4
Software and computer services	SAP	Business software – Germany	103	0.3
	TOTAL EUROPEAN EQUITIES		6,458	19.2
NORTH AMERICA				
Oil and gas	Amerada Hess	Integrated oil	379	
	Suncor Energy	Integrated oil – Canada	344	
			723	2.2
Diversified industrials	General Electric	Industrial conglomerate	114	0.3
Electronic and electrical equipment	Molex 'A'	Connectors	270	0.8
Food producers and processors	Wrigley	Chewing gum	240	0.7
Healthcare and pharmaceuticals	Eli Lilly	Pharmaceuticals	120	
	Merck	Pharmaceuticals	203	
	Pfizer	Pharmaceuticals	643	
	Wellpoint	Managed healthcare	306	
			1,272	3.8

LIST OF INVESTMENTS

Classification	Name	Business	Market value £'000	%
Tobacco	Philip Morris	Tobacco, food and beer	917	2.7
Retailers	Costco Wholesale	Warehouse clubs	253	
	Walgreen	Pharmacy chain	456	
			709	2.1
Media and photography	Omnicom	Advertising agency	183	
	TMP Worldwide	Internet recruitment	212	
			395	1.2
Support services	DeVry	Tertiary education	210	0.6
Banks	M&T Bank	Regional banking	248	0.8
Insurance	Marsh & McLennan	Insurance broking and fund management	349	1.0
Other financial	Federated Investors	Fund management	272	
	Freddie Mac	Mortgages	831	
	Golden West Financial	Savings and loans	722	
	Moody's	Bond rating agency	326	
	State Street	Custodian bank	352	
			2,503	7.4
Information technology hardware	Analog Devices	Semiconductors	175	
	Maxim Integrated Products	Semiconductors	151	
	Microchip Technology	Semiconductors	284	
			610	1.8
Software and computer services	Automatic Data Process	Payroll processing	171	
	Choicepoint	Risk management services	159	
	DST Systems	Mutual fund processing	270	
	First Data	Transaction processing	268	
			868	2.6
	TOTAL NORTH AMERICAN EQUITIES		9,428	28.0
JAPAN				
Electronic and electrical equipment	Canon	Office automation equipment	149	
	Daikin Industries	Air conditioning	120	
			269	0.8
Automobiles	Suzuki Motor	Automobiles and motorcycles	121	0.4
Household goods and textiles	Bandai	Makers of toys and character goods	127	0.4
Healthcare and pharmaceuticals	Takeda Chemical Industries	Pharmaceuticals	202	
	Weathernews	Weather information provider	103	
			305	0.9
Personal care and household products	Kao	Household goods	136	
	Suruga	Manufacturer of sundry goods	124	
			260	0.8
Retailers	Nagaileben	Nursing wear	123	
	Sugi Pharmacy	Pharmacy chain	164	
	Yamada Denki	Consumer electronics	172	
			459	1.4
Leisure, entertainment and hotels	Kappa Create	Revolving sushi restaurants	145	0.4
Support services	Goodwill Group	Diversified human resources	168	0.5
Telecommunication services	NTT DoCoMo	Mobile telecommunications	202	0.6
Real estate	LeoPalace21	Condominium manager	140	0.4
Other financial	Aiful	Consumer finance	108	
	*MAC Japan Active Shareholder Fund LP	Shareholder activist fund	371	
	Nissin	Consumer loans and business finance	107	
	Tomen Devices	Electronic component wholesaler	34	
			620	1.8
Information technology hardware	Hitachi	Electronics conglomerate	119	
	Rohm	Specialist semiconductors	98	
			217	0.6

*denotes unlisted security

Classification	Name	Business		Market value £'000	%
Software and computer services	Nippon Systemware	Telecom software		139	0.4
	TOTAL JAPANESE EQUITIES			3,172	9.4
ASIA PACIFIC					
Diversified industrials	Hutchinson Whampoa	Industrial conglomerate – Hong Kong		108	
	Li & Fung	Supply chain management – Hong Kong		115	
				223	0.7
Electronic and electrical equipment	Samsung Electronics	Electronics manufacturer – Korea		121	0.3
Retailers	Coles Myer	General retailer – Australia		68	
	Convenience Retail Asia	Convenience stores – Hong Kong		122	
				190	0.6
Media and photography	Kenfair International	Trade fair organisation – Hong Kong		96	
	Tom.com	Media – Hong Kong		140	
				236	0.7
Transport	Brambles Industries	Logistical services – Australia		97	0.3
Banks	Hang Seng Bank	Banking – Hong Kong		49	0.1
Information technology hardware	Artel Solutions Group	Technology distribution – Hong Kong		71	
	Legend Holdings	PC manufacturer – Hong Kong		60	
				131	0.4
	TOTAL ASIA PACIFIC EQUITIES			1,047	3.1
OTHER EMERGING MARKETS					
Oil and gas	Petrobras	Integrated oil – Brazil		107	0.3
Construction and building materials	ARA	Construction – Mexico		144	
	Cemex	Cement producer – Mexico		135	
				279	0.8
Engineering and machinery	Embraer	Aircraft manufacturer – Brazil		56	0.2
Retailers	Guararapes	Clothing retailer – Brazil		84	0.3
Transport	Asur	Airport concessions operator – Mexico		63	0.2
Telecommunication services	Amtel A1	Telecommunications – Mexico		37	
	Telecom 'A1'	Telecommunications – Mexico		67	
				104	0.3
Banks	Itausa	Bank holding company – Brazil		83	0.2
	TOTAL OTHER EMERGING MARKETS EQUITIES			776	2.3
TOTAL EQUITY INVESTMENTS				26,384	78.4
FIXED INTEREST					
Sterling denominated	Big Food Group 9.75% 2012		200		
	Enterprise Oil 7.25% 2009		381		
	Gallaher Group 6.675% 2009		351		
	Innogy 8.375% 2006		446		
	RHM Finance 11.5% 2022		158		
	South Africa 9.375% 2006		157		
	Yell Finance 10.75% 2011		212		
			1,905		
Euro denominated	Bundesrepublik 6.5% 2003		1,137		
	Bundesrepublik 6.25% 2024		1,729		
	Messer Griesheim 10.375% 2011		139		
			3,005		
Dollar denominated	US Treasury Index Linked 3.375% 2012		1,873		
TOTAL FIXED INTEREST				6,783	20.1
NET LIQUID ASSETS				504	1.5
TOTAL ASSETS AT MARKET VALUE (before deduction of bank loan)				33,671	100.0

CAPITAL

At 30 June	Total assets* £'000	Bank loans £'000	Equity shareholders' funds £'000	Net asset value per share p	Share price p	(Discount)/ Premium † %
1992	16,473	2,363	14,110	280.9	251.0	(10.6)
1993	18,196	–	18,196	362.3	329.0	(9.2)
1994	20,621	–	20,621	410.6	392.0	(4.5)
1995	20,171	–	20,171	401.2	413.0	2.9
1996	25,600	927	24,673	490.7	421.0	(14.2)
1997	28,104	830	27,274	542.5	453.0	(16.5)
1998	32,103	1,978	30,125	599.2	480.0	(19.9)
1999	34,546	1,572	32,974	655.8	487.5	(25.7)
2000	40,804	1,873	38,931	774.3	662.5	(14.4)
2001	39,462	1,939	37,523	746.3	602.5	(19.3)
2002	**33,671**	**1,861**	**31,810**	**632.7**	**550.0**	**(13.1)**

* Total assets comprise total assets less current liabilities before deduction of bank loans.
† (Discount)/premium is the difference between Mid Wynd's quoted share price and its underlying net asset value.

REVENUE / GEARING RATIOS

Year to 30 June	Gross revenue £'000	Available for ordinary shareholders £'000	Earnings per ordinary share p	Dividend per ordinary share net p	Expense ratio‡ %	Actual gearing§	Potential gearing¶
1992	760	318	6.34	6.00	0.74	96	117
1993	769	355	7.07	6.00	0.69	92	100
1994	601	312	6.21	6.20	0.72	89	100
1995	711	381	7.59	6.50	0.72	94	100
1996	727	388	7.71	6.85	0.71	102	104
1997	811	426	8.47	7.50	0.69	99	103
1998	854	443	8.82	8.00	0.67	92	107
1999	738	382	7.60	8.30	0.61	94	105
2000	804	432*	8.59*	8.30	0.73	86	105
2001	849	484	9.64	8.50	0.66	90	105
2002	**858**	**512**	**10.18**	**8.90**	**0.57**	**82**	**106**

‡ Ratio of total operating costs to average shareholders' funds.
§ Total assets (including all debt used for investment purposes) less all cash and fixed interest securities (ex convertibles) divided by shareholders' funds.
¶ Total assets (including all debt used for investment purposes) divided by shareholders' funds.
* Restated for change in accounting policy to charge expenses 50 : 50 between revenue and capital.

CUMULATIVE PERFORMANCE

At 30 June	Net asset value per share	Net asset value total return††	Share price	Share price total return††	FTSE World Index (in sterling terms)	FTSE World Index (in sterling terms) total return‡‡	Earnings per ordinary share	Dividend per ordinary share net	Retail price index
1992	100	100	100	100	100	100	100	100	100
1993	129	132	131	134	147	151	112	100	102
1994	146	151	156	162	154	162	98	103	104
1995	143	150	165	174	160	172	120	108	108
1996	175	186	168	180	189	208	122	114	110
1997	193	209	180	197	211	237	134	125	114
1998	213	234	191	212	240	274	139	133	118
1999	233	260	194	220	291	337	120	138	119
2000	276	311	264	303	336	395	135	138	124
2001	266	302	240	280	291	347	152	142	126
2002	**225**	**260**	**219**	**260**	**226**	**274**	**161**	**148**	**127**
Compound Annual Returns									
5 year	3.1%	4.5%	4.0%	5.7%	1.4%	2.9%	3.7%	3.5%	2.3%
10 year	8.5%	10.0%	8.2%	10.0%	8.5%	10.6%	4.8%	4.0%	2.4%

†† Source: AITC.
‡‡ Source: Thomson Financial Datastream.

Directors' Report

The Directors have pleasure in submitting their Annual Report together with the results of the Company for the year to 30 June 2002.

Review of Activities

During the year under review the Company has 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 5.30p per ordinary share which, together with the interim already paid, makes a total of 8.90p for the year.

If approved, the recommended final dividend on the ordinary shares will be paid on 16 October 2002 to shareholders on the register at the close of business on 27 September 2002.

After payment of the dividend the accumulated revenue balance is increased by £64,000 to £609,000.

Status

The Company carries on business as an investment trust. It was approved by the Inland Revenue as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30 June 1999. For the years ended 30 June 2000 and 2001 the Company has received approval under section 842 subject to matters that may arise from any subsequent enquiry by the Inland Revenue into the Company's tax return. In the opinion of the Directors the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval and will continue to seek approval under section 842 of the Income and Corporation Taxes Act 1988 each year.

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

Corporate Governance

The Board has considered the principles set out in the Combined Code and believes that the Company's current practice, given the special circumstances of an investment trust company is, in all material respects consistent with the principles of the Combined Code.

The Principles of Good Governance

The Board

The Board's regular meetings take place every two months. It has a number of matters reserved for its approval including investment policy, borrowings, treasury matters and dividend policy. The Board also reviews the financial statements, investment transactions, revenue budgets and performance.

The Board currently comprises five Directors all of whom are non-executive and four of whom are independent of the Company's Managers. The executive responsibilities for investment management have been delegated to the Company's Managers and Secretaries, Baillie Gifford & Co, and in the context of a Board comprised entirely of non-executive Directors, there is no chief executive officer. Mr PMS Barron was appointed Chairman in 1989 and is also the senior independent member. Given the size and composition of the Board it is not felt necessary to separate the roles of chairman and senior independent director. The Directors all have appropriate business and financial experience with which to conduct the business of the Board. Information about them can be found on page 4.

Given the non-executive nature of the Board a separate nomination committee has not been established. It is the view of the Board that the appointment of new Directors should be a matter for consideration by the Board as a whole. Upon appointment each Director is provided with a summary of the responsibilities and duties of directors, together with relevant background information on the Company. Consistent with the recommendation of the Code of Best Practice, the Board will arrange appropriate training for new Directors where necessary.

Under the provisions of the Company's Articles, a Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting. The Articles also require that one third of the Directors retire by rotation and that they submit themselves for re-election. In order to ensure compliance with the spirit of this provision, the Board has resolved further that no Director shall serve for a period of greater than three consecutive years without submitting himself for re-election.

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

Remuneration

Since all Directors are non-executive, the Company is not required to comply with principles B.1 to B.3 of the Combined Code in respect of executive Directors' remuneration. There is no separate remuneration committee and the Board as a whole considers recommendations put forward by the Managers and Secretaries, from time to time, for changes in Directors' fees.

In proposing Directors' fee levels for shareholder approval, it is the Board's policy to take account of fees paid by comparable investment trusts to ensure that remuneration is sufficient to attract Directors of the appropriate quality and experience.

No Director has a contract of service and there is no notice period. Directors' fees are detailed in note 4 on page 30; no other benefits are provided.

Internal Controls and Risk Management

The practical measures to ensure compliance with regulation and company law, and to provide effective and efficient operations and investment management, have been delegated to the Managers and Secretaries, Baillie Gifford & Co, under the terms of the Management Agreement. The Board acknowledges its responsibilities to supervise and control the discharge by the Managers and Secretaries of their obligations.

Baillie Gifford & Co is 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. This responsibility also extends to maintaining effective operational and compliance controls and risk management.

The Company's investments are segregated from those of Baillie Gifford & Co and its other clients through the appointment of The Bank of New York and Mizuho Corporate Bank, Limited (formerly The Fuji Bank, Limited) as independent custodians of the Company's investments.

Baillie Gifford & Co has an established compliance function in accordance with FSA regulations. The compliance function provides the Board with a report on monitoring procedures at least annually. Baillie Gifford & Co conducts an annual review of its system of internal controls which is documented within an internal controls report. This report is submitted for independent review and approval by Baillie Gifford & Co's auditors. A copy of the internal controls report is submitted to the Board. The Baillie Gifford & Co partner in charge of internal audit and compliance provides the Board with regular reports on its monitoring programmes.

The Directors acknowledge their responsibility for the Company's system of internal controls and for reviewing its effectiveness. The system of internal controls is designed to manage rather than eliminate risk and can only provide reasonable but not absolute assurance against material misstatement or loss. The Directors confirm that they have reviewed the effectiveness of the system and that they have procedures in place to review its effectiveness on a regular basis.

The Board has undertaken a full review of all aspects of the published guidance "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull guidance) and has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, in accordance with the Turnbull recommendations. To ensure that risk management and internal controls are considered on a regular basis and that a full risk and control assessment is undertaken on an annual basis, the following processes have been established in compliance with the guidance:

- internal controls strategy has been formalised following the production of a detailed risk map whereby significant risks are identified and the key controls to manage these risks are confirmed as in place and operating effectively;
- reporting procedures for the internal audit department, in respect of its risk framework monitoring and audit programme, and the compliance department, in respect of its regulatory monitoring programme, are defined and formalised within a service level agreement; and
- regular reports on internal controls are prepared by the Managers and submitted for Board review.

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

Accountability and Audit

The respective responsibilities of the Directors and the auditors in connection with the Financial Statements are set out on pages 24 and 25.

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 Combined Code consisting of all independent non-executive Directors. Its authority and duties are clearly defined within its written terms of reference. Mr BWM Johnston has been appointed Chairman of the Audit Committee. The committee meets periodically to review the Company's interim and annual financial statements. It meets at least annually with the external auditors and approves the level of fees for audit and non-audit services.

An Investment Management Agreement between the Company and Baillie Gifford & Co sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Management Agreement is terminable on not less than 12 months notice and the Audit Committee regularly reviews the terms of the Management Agreement.

Relations with Shareholders

The Company is ready, where practicable, to enter into dialogue with institutional shareholders. The Company's Annual General Meeting provides a forum for communication with private shareholders and the Board announces the level of proxies lodged. The notice period for the Annual General Meeting is 20 working days.

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

Compliance

The Board considers that throughout the year the Company has been in compliance with the Combined Code provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the UK Listing Authority of the FSA. There is no nomination committee, the absence of which has been explained above. As previously stated, internal control procedures have been in place throughout the Company's financial year which accord with the guidance for directors on compliance with the Combined Code.

Directors

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

		Ordinary 25p shares held at	
Name	**Nature of interest**	**30 June 2002**	**30 June 2001**
†PMS Barron	Beneficial	38,916	38,871
RRJ Burns	Beneficial	167,500	167,500
	Non-beneficial Trustee	23,900	23,900
†BWM Johnston	Beneficial	1,000	1,000
	Non-beneficial Trustee*	50,000	50,000
†TM Lawrie	Beneficial	5,000	5,000
†MCN Scott	Beneficial	116,338	116,338
	Non-beneficial Trustee*	50,000	50,000

† Member of the Audit Committee.
* *The 50,000 Mid Wynd shares are duplicated on these holdings due to joint trusteeship.*

Mr PMS Barron, Mr TM Lawrie and Mr MCN Scott offer themselves for re-election having served three consecutive years. Being eligible, the aforementioned Directors are recommended by the Board for re-election.

There have been no changes intimated in the Directors' interests up to 14 August 2002.

Substantial Holdings

The following information has been intimated to the Company as at 14 August 2002 in compliance with section 198 of the Companies Act 1985.

Name	Number of ordinary 25p shares held	% of issue
Mr RRJ Burns	167,500	3.33
Mrs JJ Scott	151,639	3.02

Directors' Fees

You will see from the Chairman's Statement and Resolution No. 8 in the Notice of Annual General Meeting on page 37 that you are being asked to approve an increase in the annual fee payable to each Director from £6,000 to £8,000 with the Chairman's additional fee increasing from £2,000 to £2,500. The current fees, which are below those currently paid by the most nearly comparable investment trusts, have applied since 1999.

Share Capital

Authority to issue shares for cash to participants of the share plan when the share price stands at a premium to the net asset value was renewed for the period of five years at the Annual General Meeting of the Company held on 18 October 1999. The authority is limited to a maximum number of ordinary shares with an aggregate nominal value of £61,437.50 (being the amount equal to 4.89% of the issued share capital at 16 August 1999).

During the year no ordinary shares were allotted for cash.

Creditor Payment Policy

It is the Company's payment policy for the forthcoming financial year to obtain the best terms for all business. In general, the Company agrees with its suppliers the terms on which business will take place and it is its policy to abide by these terms. The Company had no trade creditors at 30 June 2002.

Auditors

During the year the Company appointed Scott-Moncrieff as its auditors, in place of Ernst & Young LLP. The change followed a formal review process by the audit committee, where the services offered by a number of leading accountancy firms were considered. During its tenure as auditors, Ernst & Young has provided a quality service and has demonstrated a high level of professionalism.

Scott-Moncrieff are willing to continue in office and in accordance with section 385 and section 390A of the Companies Act 1985 resolutions concerning their reappointment and remuneration will be submitted to the Annual General Meeting.

By order of the Board

BAILLIE GIFFORD & Co
Managers and Secretaries
15 August 2002

Baillie Gifford & Co

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 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; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditors' Report

TO THE SHAREHOLDERS OF MID WYND INTERNATIONAL INVESTMENT TRUST PLC

We have audited the financial statements of Mid Wynd International Investment Trust PLC which comprise the Statement of Total Return, the Balance Sheet, the Cash Flow Statement and the relevant notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of investments and on the basis of the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with applicable law and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the corporate governance statement on pages 21 to 23 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Opinion

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2002 and of the total return of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Scott-Moncrieff

Scott-Moncrieff
Chartered Accountants
Registered Auditors

17 Melville Street
Edinburgh
15 August 2002

STATEMENT OF TOTAL RETURN
(incorporating the revenue account*)

		for the year ended 30 June 2002			for the year ended 30 June 2001		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	9	–	(5,799)	(5,799)	–	(1,467)	(1,467)
Currency gains	16	–	88	88	–	83	83
Income	2	858	–	858	849	–	849
Investment management fee	3	(88)	(88)	(176)	(105)	(105)	(210)
Other administrative expenses	4	(122)	–	(122)	(130)	–	(130)
NET RETURN BEFORE FINANCE COSTS AND TAXATION		648	(5,799)	(5,151)	614	(1,489)	(875)
Finance costs of borrowings	5	(7)	(7)	(14)	(11)	(11)	(22)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION		641	(5,806)	(5,165)	603	(1,500)	(897)
Tax on ordinary activities	6	(129)	29	(100)	(119)	35	(84)
RETURN ON ORDINARY ACTIVITIES AFTER TAXATION *for the financial year attributable to equity shareholders*		512	(5,777)	(5,265)	484	(1,465)	(981)
Dividends in respect of equity shares	7	(448)	–	(448)	(427)	–	(427)
TRANSFER TO/(FROM) RESERVES		64	(5,777)	(5,713)	57	(1,465)	(1,408)
RETURN PER ORDINARY SHARE	8	10.18p	(114.91p)	(104.73p)	9.64p	(29.13p)	(19.49p)

* The revenue column of this statement is the profit and loss account of the Company.
All revenue and capital items in the above statement derive from continuing operations.
The accompanying notes on pages 29 to 36 are an integral part of this statement.

		at 30 June 2002		at 30 June 2001	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Investments	9		33,167		38,362
CURRENT ASSETS					
Debtors	11	310		194	
Cash at bank and in hand	10	707		1,278	
		1,017		1,472	
CREDITORS					
Amounts falling due within one year	12	(2,372)		(2,309)	
NET CURRENT LIABILITIES			(1,355)		(837)
TOTAL ASSETS LESS CURRENT LIABILITIES			31,812		37,525
PROVISION FOR LIABILITIES AND CHARGES					
Deferred taxation	14		(2)		(2)
			31,810		37,523
CAPITAL AND RESERVES					
Called-up share capital	15		1,257		1,257
Share premium			20		20
Capital reserve – realised	16		29,108		30,160
Capital reserve – unrealised	16		816		5,541
Revenue reserve	16		609		545
EQUITY SHAREHOLDERS' FUNDS	18		31,810		37,523
NET ASSET VALUE PER ORDINARY SHARE	17		632.7p		746.3p

The Accounts were approved by the Board and signed on their behalf on 15 August 2002.

Peter M Burn

Chairman

The accompanying notes on pages 29 to 36 are an integral part of this statement.

CASH FLOW STATEMENT

	Notes	for the year ended 30 June 2002 £'000	£'000	for the year ended 30 June 2001 £'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	19		381		475
SERVICING OF FINANCE					
Interest paid		(12)		(31)	
NET CASH OUTFLOW FROM SERVICING OF FINANCE			(12)		(31)
TAXATION					
Corporation tax paid		(1)		–	
TOTAL TAX PAID			(1)		–
FINANCIAL INVESTMENT					
Acquisitions of investments		(14,716)		(20,714)	
Disposals of investments		14,204		18,249	
Realised currency profit/(loss)		10		(87)	
NET CASH OUTFLOW FROM FINANCIAL INVESTMENT			(502)		(2,552)
EQUITY DIVIDENDS PAID			(437)		(422)
NET CASH OUTFLOW BEFORE FINANCING			(571)		(2,530)
FINANCING					
Bank loan drawn down		–		1,997	
Bank loan repaid		–		(1,476)	
Realised currency loss on bank loan		–		(285)	
NET CASH INFLOW FROM FINANCING			–		236
DECREASE IN CASH	20		(571)		(2,294)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	20				
Decrease in cash in the year			(571)		(2,294)
Cash used to repay bank loan			–		(236)
Exchange movement			78		170
MOVEMENT IN NET DEBT IN THE YEAR			(493)		(2,360)
NET (DEBT)/FUNDS AT 1 JULY			(661)		1,699
NET DEBT AT 30 JUNE			(1,154)		(661)

The accompanying notes on pages 29 to 36 are an integral part of this statement.

1 PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies is set out in paragraphs (a) to (h) below. All have been applied consistently throughout the current year and preceding year.

(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 UK accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'.

(b) INVESTMENTS

Listed investments are shown at middle market value, or in the case of FTSE 100 constituents, at last traded prices issued by the London Stock Exchange.

Unlisted investments are shown at a valuation determined by the Directors based upon latest dealing prices, stockbroker valuations, net asset values and other information, as appropriate.

(c) 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.

(ii) Interest from fixed interest securities is recognised on an accruals basis. Fixed interest securities issued at a significant discount or premium are accounted for on an effective yield basis.

(iii) Franked income is stated net of tax credits.

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

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

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

(d) EXPENSES

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

(e) FINANCE COSTS

Finance costs are accounted for on an accruals basis and are allocated 50:50 to the revenue account and realised capital reserve.

(f) TAXATION

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

(g) FOREIGN CURRENCIES

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

(h) CAPITAL RESERVES

Realised: Gains and losses on realisation of investments and realised exchange differences of a capital nature are dealt with in this reserve. 50% of management fees, including related VAT, and finance costs together with any associated tax relief are allocated to realised capital reserve in accordance with the Company's objective of combining capital and income growth.

Unrealised: Unrealised appreciation represents the amount by which the market value of assets and liabilities exceeds their original cost and is dealt with in this reserve.

	2002	2001
	£'000	£'000
2 INCOME		
INCOME FROM INVESTMENTS		
Franked investment income	155	167
UK unfranked income	131	136
Overseas dividends	346	326
Overseas interest	200	141
Overseas scrip dividend	5	–
	837	770
OTHER INCOME		
Deposit interest	20	79
Underwriting commission	1	–
TOTAL INCOME	858	849
TOTAL INCOME COMPRISES		
Dividends	506	493
Interest from investments	331	277
Other	21	79
	858	849
INCOME FROM INVESTMENTS		
Listed UK	221	216
Listed overseas	595	514
Unlisted	21	40
	837	770

3 INVESTMENT MANAGEMENT FEE	2002			2001		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	83	83	166	94	94	188
Irrecoverable VAT thereon	5	5	10	11	11	22
	88	88	176	105	105	210

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 that quarter and is subject to VAT at the appropriate rate.

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

4 OTHER ADMINISTRATIVE EXPENSES – *all charged to revenue*	2002 £'000	2001 £'000
General administrative expenses	84	92
Directors' fees	32	32
Auditors' remuneration – audit services	6	6
	122	130

General administrative expenses for the year to 30 June 2001 include the Company's contribution to the AITC campaign of £12,000 plus VAT. There was no such payment in the current year.

The Chairman's emoluments amounted to £8,000 (2001 – £8,000). The four other Directors each received fees of £6,000 (2001 – £6,000) per annum. No pension contributions were made in respect of Directors.

	2002			2001		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
5 FINANCE COSTS OF BORROWINGS						
Bank loan repayable within five years	7	7	14	11	11	22
6 TAX ON ORDINARY ACTIVITIES						
UK corporation tax at 27% (2001 – 25%)	129	(29)	100	119	(35)	84
Overseas taxation	40	–	40	34	–	34
	169	(29)	140	153	(35)	118
Relief for overseas taxation	(40)	–	(40)	(34)	–	(34)
	129	(29)	100	119	(35)	84

Capital returns are not included in the above analysis since, as an Investment Trust, the Company's capital gains are not taxable.

The Company has adopted the semi-proportional method for allocating tax relief between capital and income. The tax charge for the year is lower than the standard rate of corporation tax in the UK (30%).

The differences are explained below.

	2002 £'000	2001 £'000
Revenue return on ordinary activities before taxation	641	603
Revenue return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 – 30%)	192	181
Effects of:		
Income not taxable	(48)	(50)
Expenses not deductible for tax purposes	–	4
Marginal small companies relief	(15)	(16)
Current tax charge for the year	129	119

7 ORDINARY DIVIDENDS	2002	2001	2002 £'000	2001 £'000
Interim dividend per ordinary share (paid 8 April 2002)	3.60p	3.40p	181	171
Proposed final dividend per ordinary share (payable 16 October 2002)	5.30p	5.10p	267	256
	8.90p	8.50p	448	427

8 RETURN PER ORDINARY SHARE	2002			2001		
	Revenue	Capital	Total	Revenue	Capital	Total
	10.18p	(114.91p)	(104.73p)	9.64p	(29.13p)	(19.49p)

Revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £512,000 (2001 – £484,000) and on 5,027,766 ordinary shares, being the number of ordinary shares in issue throughout each year.

Capital return per ordinary share is based on the net capital losses for the financial year of £5,777,000 (2001 – losses of £1,465,000) and on 5,027,766 ordinary shares, being the number of ordinary shares in issue throughout each year.

	2002	2001
	£'000	£'000
9 FIXED ASSETS – INVESTMENTS		
Listed at market value – UK	6,615	7,289
– overseas	26,181	30,441
Unlisted at Directors' valuation*	371	632
	33,167	38,362

	Listed in UK £'000	Listed overseas £'000	Unlisted £'000	Total £'000
Cost of investments held at 1 July 2001	6,065	26,610	204	32,879
Unrealised appreciation at 1 July 2001	1,224	3,831	428	5,483
Value of investments held at 1 July 2001	7,289	30,441	632	38,362
Movements in year:				
Purchases at cost	1,609	12,786	398	14,793
Sales – proceeds	(1,720)	(11,920)	(549)	(14,189)
– realised gains/(losses) on sales	45	(1,517)	476	(996)
Decrease in unrealised appreciation	(608)	(3,609)	(586)	(4,803)
Value of investments held at 30 June 2002	6,615	26,181	371	33,167
Cost of investments held at 30 June 2002	5,999	25,959	529	32,487
Unrealised appreciation/(depreciation) at 30 June 2002	616	222	(158)	680
Value of investments held at 30 June 2002	6,615	26,181	371	33,167

LOSSES ON INVESTMENTS	2002 £'000	2001 £'000
Realised (losses)/gains on sales	(996)	2,504
Decrease in unrealised appreciation	(4,803)	(3,971)
	(5,799)	(1,467)

*The unlisted balance comprises MAC Japan Active Shareholder Fund LP valued at £371,000 (30 June 2001 – National Toll Roads valued at £632,000, which was sold during the year).

10 FINANCIAL ASSETS

A full list of the Company's investments is given on pages 16 to 19. In addition, a geographical analysis of the portfolio, an analysis of the investment portfolio by broad industrial or commercial sector and a list of the 30 largest equity investments by their aggregate market value are contained in the Managers' Overview Section. All financial assets and liabilities are included in the accounts at market value (see note 1).

Exposure to currency risk through asset allocation is indicated on page 10.

The interest rate risk profile of the Company's financial assets at 30 June was:

	2002			2001		
	Market value £'000	Weighted average interest rate	Weighted average period until maturity	Market value £'000	Weighted average interest rate	Weighted average period until maturity
Fixed rate:						
UK bonds	1,905	8.6%	8 years	1,092	8.0%	8 years
European bonds	3,005	6.5%	13 years	158	12.0%	9 years
North American bond	–	–	–	196	12.8%	4 years
Floating rate:						
US Treasury Index Linked (interest rate linked to CPI)	1,873	3.4%	11 years	2,388	3.9%	17 years

	2002 £'000	2001 £'000
Cash:		
UK deposits	53	423
Foreign deposits – euro	463	113
– US dollar	153	127
– Japanese yen	38	482
– Other	–	133
	707	1,278

The cash deposits generally comprise call or short term money market deposits of less than one month.
Short term debtors and creditors have been excluded from the disclosure of financial instruments.

11 DEBTORS

Due within one year:		
Income accrued (net)	248	125
Sales for subsequent settlement	–	15
Other debtors	62	54
	310	194

12 CREDITORS

Amounts falling due within one year:		
Purchases for subsequent settlement	120	48
Proposed final dividend	267	256
Bank loan (see note 13)	1,861	1,939
Corporation tax payable	59	1
Other creditors and accruals	65	65
	2,372	2,309

Included in other creditors and accruals is £40,000 (2001 – £47,000) in respect of the investment management fee.

Loan facilities

Maturity profile:

A one year multi-currency loan has been arranged with The Bank of New York. The loan expires on 5 February 2003 and has been included in creditors falling due within one year in these accounts. At 30 June 2002 ¥340 million (2001 – ¥340 million) has been drawn down under the loan facility at an interest rate of 0.5% (2001 – 0.8038%) per annum.

	2002 £'000	2001 £'000
13 FINANCIAL LIABILITIES		
The interest rate risk profile of the Company's financial liabilities at 30 June was:		
Bank loan		
Yen denominated – fixed rate (see note 12)	1,861	1,939

All borrowings are stated at market value.

Short term debtors and creditors have been excluded from the disclosure of financial instruments.

Gains and losses on hedges

At 30 June 2002 there were no unrecognised gains/losses on hedges. Realised currency profits/losses are taken to the capital reserve and are not reflected in the profit and loss account unless they are of a revenue nature.

	2002 £'000	2001 £'000
14 DEFERRED TAXATION		
Income taxable in a later period	5	5
Overseas withholding tax claimable as a deduction in a later period	(3)	(3)
	2	2
Deferred taxation provision at 1 July	2	–
Deferred taxation charge for the year	–	2
Deferred taxation provision at 30 June	2	2

	2002 £'000	2001 £'000
15 CALLED-UP SHARE CAPITAL		
Authorised:		
Ordinary shares – 5,273,516 shares of 25p each	1,318	1,318
Allotted, issued and fully paid:		
Ordinary shares – 5,027,766 shares of 25p each	1,257	1,257

16 RESERVES	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
At 1 July 2001	30,160	5,541	545
Net loss on realisation of investments	(996)	–	–
Decrease in unrealised appreciation (see note 9)	–	(4,803)	–
Exchange differences on bank loans	–	78	–
Other exchange differences	10	–	–
Investment management fees	(88)	–	–
Finance costs of borrowings	(7)	–	–
Tax relief on management fee and finance costs	29	–	–
Retained net revenue for the year	–	–	64
At 30 June 2002	29,108	816	609

17 NET ASSET VALUE PER ORDINARY SHARE

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

	2002	2001	2002 £'000	2001 £'000
Ordinary shares	632.7p	746.3p	31,810	37,523

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

	2002 £'000	2001 £'000
Total net assets at 1 July	37,523	38,931
Total recognised gains and losses for the year	(5,265)	(981)
Dividends appropriated in the year	(448)	(427)
Total net assets at 30 June	31,810	37,523

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

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Shareholders' funds at 1 July	37,523	38,931
Total recognised gains and losses for the year (after dividend payments)	(5,713)	(1,408)
Shareholders' funds at 30 June	31,810	37,523

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

Net revenue on ordinary activities before finance costs and taxation	648	614
(Increase)/decrease in accrued income	(123)	55
(Increase) in debtors	(8)	(13)
(Decrease) in creditors	(3)	(12)
Investment management fee charged to capital	(88)	(105)
Income tax suffered	–	(30)
Overseas tax suffered	(40)	(34)
Scrip dividends non-cash adjustment	(5)	–
	381	475

20 ANALYSIS OF CHANGE IN NET DEBT

	At 1 July 2001 £'000	Cash flows £'000	Exchange movement £'000	At 30 June 2002 £'000
Cash	1,278	(571)	–	707
Loan due within one year	(1,939)	–	78	(1,861)
	(661)	(571)	78	(1,154)

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 section 232 of the Companies Act 1985.

22 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Company operates as an investment trust company in accordance with Section 842 of the Income and Corporation Taxes Act 1988. The international nature of the Company's investment activities provides opportunities for both market appreciation and currency gains, but leaves it exposed to the risk of market volatility and currency fluctuations.

In the case of an investment trust, capital profits from investing activities and currency gains are not recognised in the revenue account, but are credited directly to a separate capital reserve which the Company is prohibited from distributing in the form of dividends.

The Company makes use of gearing (long and short term borrowings) to achieve improved performance in rising markets.

The Company's revenue account may be affected by fluctuations in short term interest rates; income from overseas investment can be affected by currency fluctuations.

The Company's financial instruments which provide finance for investment activities comprise bank borrowings, cash and liquid resources. In addition, the Company maintains financial assets comprising an international equity portfolio, UK corporate bonds and overseas government and corporate bonds as part of its investment strategy.

The Company may, from time to time, enter into derivative transactions to hedge specific currency or interest rate risk. No such transactions were undertaken in the period under review.

The Company has precisely defined guidelines to govern the purchase or writing of options on individual shares. No options were purchased or written in the year under review.

Trading in financial instruments is not within the normal activities of an investment trust, nor is it the Company's policy to trade in such instruments. Transactions in financial instruments generally arise as a result of strategic investment decisions.

The Company's Managers may not enter into derivative transactions without the prior approval of the Board, and all borrowing facilities require Board authorisation. The Board agrees policies for managing risk with the Company's Managers. The main risks arising from the Company's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk.

Interest Rate Risk

The Company finances its operations by means of realised capital profits, retained revenue reserves and bank borrowings.

The Company has negotiated a one year multi-currency borrowing facility at a fixed rate of interest. In addition, the Company has negotiated a short term multi-currency borrowing facility linked to LIBOR and may draw down funds for a period of up to 12 months.

Credit Risk

In addition to interest rate risk, the Company's investments in bonds are also subject to credit risk. Credit risk reflects the possibility that a borrower will not be able to meet its obligation to make payments of interest or principal when they fall due. The Managers analyse the credit risk of the Company's bond investments prior to purchase and continue to monitor developments in credit quality subsequently.

Liquidity Risk

The Company's policy with regard to liquidity is to ensure continuity of funding. Short term flexibility is achieved by overdraft facilities.

The Company's assets comprise mainly readily realisable securities which can be sold freely to meet funding commitments if necessary.

Foreign Currency Risk

The international nature of the Company's investment activities gives rise to a currency risk which is inherent in the performance of its overseas investments. It is not the Company's policy to hedge this risk on a continuing basis, but the Company may from time to time match specific overseas investment with foreign currency borrowings. The yen loan is matched by a portfolio of Japanese securities.

The revenue account is subject to currency fluctuation arising on overseas income. The Company does not hedge this currency risk.

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, 14 October 2002, at 11.00 am for the following purposes:

Ordinary Business

1. To approve the Accounts of the Company for the year to 30 June 2002 with the Reports of the Directors and of the Auditors thereon.
2. To declare a dividend.
3. To re-elect Mr PMS Barron as a Director.
4. To re-elect Mr TM Lawrie as a Director.
5. To re-elect Mr MCN Scott as a Director.
6. To reappoint Scott-Moncrieff as Auditors.
7. To authorise the Directors to fix the remuneration of the Auditors.

Special Business

To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

8. THAT with effect from 1 July 2002, the sum payable to each Director be increased from £6,000 to £8,000 per annum and the Chairman's additional fee be increased from £2,000 to £2,500 per annum.

By order of the Board

BAILLIE GIFFORD & Co
Managers and Secretaries
11 September 2002

Baillie Gifford & Co

Notes

1 A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company. A Form of Proxy for the use of members is enclosed.

2 An ordinary shareholder entered on the Register of Members 48 hours before the meeting is entitled to attend and vote at the meeting pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any shareholder to attend and/or vote at the meeting.

3 Shareholders participating in the Baillie Gifford Investment Trust Share Plan and/or the Baillie Gifford Investment Trust ISA/PEP who wish to vote and/or attend the meeting must complete and return the enclosed reply-paid Form of Direction.

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

HOW TO FIND US

The Annual General Meeting of the Company will be held at the offices of Baillie Gifford & Co at 1 Rutland Court, Edinburgh EH3 8EY on Monday, 14 October 2002 at 11.00 am.

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

ANALYSIS OF SHAREHOLDERS

ANALYSIS OF SHAREHOLDERS AT 30 JUNE 2002

	Ordinary shares held		Shareholders	
	Number	%	Number	%
Individuals	2,016,733	40.1	421	29.9
Baillie Gifford Share Plan/PEP/ISA	624,911	12.4	743	52.7
Nominee Companies and Banks	2,142,504	42.6	203	14.4
Insurance Companies	3,000	0.1	1	0.1
Other holders	240,618	4.8	41	2.9
	5,027,766	100.0	1,409	100.0

- **How to Invest** The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker, by asking a professional adviser to do so, or through the Baillie Gifford Investment Trust Share Plan (of which details follow on the inside back cover of this report).

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

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

- **CGT** For Capital Gains Tax indexation purposes, the market value of an ordinary share in the Company as at 31 March 1982 was 52p.

- **Share Register Enquiries** Computershare Investor Services PLC currently maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0870 702 0010. By quoting the reference number on your share certificate, you can check your holding on the Registrars' web site: www.cshare.co.uk

- **Telephone Share Dealing Service** We are pleased to announce that a telephone share dealing service has been established with our Registrar, Computershare Investor Services PLC, which provides shareholders with a simple way of buying or selling Mid Wynd International Investment Trust PLC ordinary shares on the London Stock Exchange. The commission is 1%, subject to a minimum charge of £15. In addition stamp duty, currently 0.5% is payable on purchases. There are no forms to complete and the share price at which you deal will generally be confirmed to you whilst you are still on the telephone. The service is available from 8.00 am to 4.30 pm Monday to Friday excluding bank holidays on telephone number 0870 703 0084. Please ensure you have your Shareholder Reference Number (SRN) ready when making the call. The SRN appears on your share certificate. Detailed terms and conditions are available on request, please phone 0870 702 0000.

  This is not a recommendation to buy, sell or hold shares in Mid Wynd. If you are unsure of what action to take contact a financial advisor authorised under the Financial Services and Markets Act 2000. Please note that share values may go down as well as up, which may result in you receiving less than what you originally invested.

  In so far as this statement constitutes a financial promotion for the share dealing service provided by Computershare Investor Services it has been approved by Computershare Investor Services PLC for the purpose of Section 21(2)(b) of the Financial Services and Markets Act 2000 only. Computershare Investor Services PLC is regulated by the Financial Services Authority.

  Where this has been received in a country where the provision of such a service would be contrary to local laws or regulations, this should be treated as information only.

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

- Participation in a diversified portfolio of shares.
- Constant supervision at low cost by experienced professional managers.
- Freedom from capital gains tax on capital profits realised within the portfolio.
- The opportunity to achieve improved performance for shareholders' funds in rising markets by the borrowing of additional money.

Shares in Mid Wynd are also available within an ISA or PEP Transfer wrapper or through Baillie Gifford's Investment Trust Share Plan as detailed on the inside back cover of this report. These products can also be used to invest in the five other investment trusts managed by Baillie Gifford:

- Baillie Gifford Shin Nippon PLC
- Pacific Horizon Investment Trust PLC
- The Baillie Gifford Japan Trust PLC
- The Monks Investment Trust PLC
- The Scottish Mortgage and Trust PLC.

These accounts have been approved by the Directors of Mid Wynd International Investment Trust PLC. The information about the ISA, PEP and Share Plan has been approved by Baillie Gifford Savings Management Limited. Baillie Gifford Savings Management Limited is the ISA Manager of the Baillie Gifford Investment Trust ISA, the PEP Manager of the Baillie Gifford Investment Trust PEP and the Manager of the Baillie Gifford Investment Trust Share Plan. Baillie Gifford Savings Management Limited is wholly owned by Baillie Gifford & Co. Both are regulated by the FSA. Baillie Gifford only provides information about its products and does not provide investment advice. The staff of Baillie Gifford may have positions in investment trusts managed by Baillie Gifford and may buy, sell or offer to make a purchase or sale of such securities from time to time. The value of ISA and PEP tax advantages will depend on personal circumstances. Past performance is not necessarily a guide to future performance. The capital value of and income distributed by an investment trust can go down as well as up and an investor may not get back the amount originally invested. The price of an investment trust share will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value.

Baillie Gifford's Investment Trust Share Plan

You can invest from £250 or from £30 per month in any of the six investment trusts managed by Baillie Gifford through the Baillie Gifford Investment Trust Share Plan. The only charges are stamp duty at 0.5%, market maker's spread and a selling charge of £10 plus VAT.

Baillie Gifford's Investment Trust ISA

You can put any of our trusts in a tax efficient wrapper by investing from £2,000 or £250 per month or by transferring an ISA from your existing manager.

Baillie Gifford's Investment Trust PEP Transfer

You can transfer an existing PEP to access different markets through our investment trusts or to change your investment manager.

Further Information

Retail Investments Department
Baillie Gifford Savings Management Limited
1 Rutland Court
EDINBURGH EH3 8EY

Tel: 0800 027 0133
We may record your call

E-mail: its@bailliegifford.com
Website: www.bailliegifford.com

Fax: 0131 474 3248

Pillans & Wilson, Edinburgh. 69508

DIRECTORS	MANAGERS, SECRETARIES AND REGISTERED OFFICE	REGISTRARS	BANKERS	AUDITORS
Chairman PMS Barron RRJ Burns BWM Johnston TM Lawrie MCN Scott	Baillie Gifford & Co 1 Rutland Court Edinburgh EH3 8EY Telephone: 0131 222 4000 Website: www.bailliegifford.com	Computershare Investor Services PLC Owen House 8 Bankhead Crossway North Edinburgh EH11 4BR Telephone: 0870 702 0010	The Bank of New York Mizuho Corporate Bank, Limited	Scott-Moncrieff 17 Melville Street Edinburgh EH3 7PH Company Registration No. 42651