Manchester & London Investment Trust PLC

Annual Report & Financial Statements

Year ended 31st July 2014

Manchester & London Investment Trust plc

Registered in England & Wales No. 01009550

Contents

If you are in any doubt about the contents of this document or the action you should take, you are recommended to immediately seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended).

Financial Summary

Total Return

	Year to 31st July 2014	Year to 31st July 2013	Percentage (decrease)/ increase
Total return (£'000)	(6,295)	2,522	(349.6)
Return per 25p ordinary share – fully diluted	(28.08)p	11.23p	(350.0)
Total revenue return per 25p ordinary share	13.63p	13.76p	(0.9)
Cash dividend per 25p ordinary share	13.75p	13.75p	-

Capital

	At 31st July 2014	At 31st July 2013	Percentage (decrease)/ increase
Net assets attributable to equity shareholders* (£'000)	64,361	75,050	(14.2)
Net asset value per 25p ordinary share – fully diluted	293.20p	334.19p	(12.3)
Benchmark performance	2,953.45	2,897.26	1.9
Performance versus benchmark			(14.2)

** Net asset value as at 31st July 2014 includes a £1.3m reduction in respect of own shares bought back during the year.*

Ongoing Charges

	Year to 31st July 2014	Year to 31st July 2013
Ongoing charges as a percentage of average net assets	1.05%	0.89%

Financial Calendar

Year ended:	31st July 2014
Results announced:	27th October 2014
Report and Accounts made available to shareholders:	27th October 2014
Annual General Meeting to be held in Manchester:	24th November 2014
Expected final dividend payment:	28th November 2014

Directors

[1]**P H A Stanley** (81) joined the Board in November 1997 and was appointed Chairman in November 2000. Mr Stanley was Chairman of BWD Securities plc (1995-2000) and has extensive experience in Stock Market related matters.

[1]**D Harris** (64) was appointed to the board on 26th May 2009 following the acquisition of OSP Limited (formerly Osprey Smaller Companies Income Fund Limited). Mr Harris is also the Chief Executive of InvaTrust Consultancy.

[2]**B Miller** (46) was appointed to the board on 30th August 2013 following the resignation of Mr B S Sheppard. Mr Miller is also an executive director of Damille Partners Limited and Damille Investments II Limited.

B S Sheppard (80) is a founder Director of Manchester & London Investment Trust plc and was Chairman until November 2000. Mr Sheppard resigned from the board on 30th August 2013.

[1]Member of nomination, remuneration, management and audit committees.

[2]Member of nomination, remuneration and audit committees only.

Advisers & Administration

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Arthur House
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Manchester M1 3FH
Tel: 0161 228 1709
Fax: 0161 228 2510

Country of Incorporation
Registered in England & Wales
Number: 01009550

Company website
www.manchesterandlondon.co.uk

Investment Manager & Stockbroker
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Secretary
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Fax: 0870 703 6114

Bank
National Westminster Bank plc
11 Spring Gardens
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Auditor
CLB Coopers
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98 King Street
Manchester M2 4WU

Administrator
M&M Investment Services
2nd Floor
Arthur House
Chorlton Street
Manchester M1 3FH

Chairman's Statement

Results for the year ended 31st July 2014

The trust's performance for our financial year has been disappointing with a fall of 12.3 per cent (in net asset value per share) as against an increase of 1.9 per cent for our benchmark but following a modification of tactics we can report that the fund has performed in line with our benchmark for the last 5 months. The reasons for the underperformance were that we remained underexposed to U.K. and U.S. centric and smaller capitalisation stocks, overexposed to commodity price driven companies and stocks exposed to developing markets whilst, in addition, we were leveraged which accentuated the underperformance. The investment manager has deleveraged the portfolio and rebalanced some of the weightings within the portfolio. Historically the fund has always been attracted to growth overseas and this exposure has not been reduced. Stocks exposed to developing markets remain out of fashion but the investment manager believes that, in time, this will change and the fund should then reap the rewards. In former years, we have been holders of smaller capitalisation stocks but we have not increased our exposure in this area during the recovery for liquidity reasons. The board approves this modified philosophy. We have always been growth-based investors and I hope that when I next report I shall be able to record that we are back on track.

Dividends

On the 31st July 2014, we announced that it is possible that under the lower leverage conditions we have chosen to adopt to comply with the partial exemption, sub threshold regulations within the AIFM directive, the Company may have less capital with which to generate trading income for financial years following 2014.

The Company's income is comprised of both (1) dividend income from investments (considered ordinary investment income) and (2) income from trading activity which includes gains and losses on the trading of shares, options, futures and equity swaps, net of commissions, interest and other costs expensed (considered trading income or special income). In the future, the Directors have decided to pay ordinary dividends from the more consistent dividend income from investments less our corporate expenses, and special dividends from any positive trading income generated. The Directors believe this split makes the nature of the dividends received by shareholders more transparent.

The Directors are proposing a final ordinary dividend of 1.98 pence for the financial year 2014 and a second special dividend for the financial year 2014 of 1.27 pence.

Annual General Meeting

I look forward to welcoming shareholders to our forty second Annual General Meeting to be held at St. Ann's Church, St. Ann Street, Manchester, M2 7LF at 1 p.m. on 24th November 2014.

Mr P H A Stanley.
Chairman

Equity Exposures (Longs)

As at 31st July 2014

Listed investments	Sector	Valuation £'000	% of Net Assets
PZ Cussons plc	Personal Goods	**16,005**	24.9
AstraZeneca plc	Pharmaceuticals & Biotechnology	**4,649**	7.2
Diageo plc	Beverages	**4,349**	6.8
Jardine Matheson Holdings Ltd[4]	Asian Conglomerate	**4,331**	6.7
Glencore plc	Mining	**3,815**	5.9
Afren plc	Oil & Gas Producers	**3,526**	5.5
BG Group plc	Oil & Gas Producers	**3,457**	5.4
Shire plc	Pharmaceuticals & Biotechnology	**3,135**	4.9
Unilever plc	Food Producers	**2,809**	4.4
bioMérieux SA[2]	Medical Technology	**2,714**	4.2
Syngenta AG[1]	Agrisciences	**2,644**	4.1
KWS SAAT AG[2]	Agrisciences	**2,065**	3.2
ishares FTSE 100 Ucits (Inc)	Equity Instruments	**1,971**	3.1
Pernod Ricard SA[2]	Beverages	**1,888**	2.9
Davide Campari-Milano S.p.A.[2]	Beverages	**1,854**	2.9
Svenska Cellulosa AB[3]	Household Utilities	**1,411**	2.2
Euronext NV[2]	Financial Services	**1,369**	2.1
ishares MSCI World Ucits (Inc)	Equity Instruments	**975**	1.5
Ophir Energy plc	Oil & Gas Producers	**749**	1.2
Adidas AG[2]	Personal Goods	**711**	1.1
Salamander Energy plc	Oil & Gas Producers	**472**	0.7
Time Warner Inc[4]	Media	**438**	0.7
Spire Healthcare Group plc	Healthcare	**408**	0.6
Cairn Energy plc	Oil & Gas Producers	**388**	0.6
ITV plc	Media	**250**	0.4
lululemon athletica inc[4]	Personal Goods	**187**	0.3
The Interpublic Group of Companies Inc[4]	Media	**146**	0.2
British Sky Broadcasting Group plc	Media	**88**	0.1
Listed investments		**66,804**	103.8
Unlisted at Directors' valuation		**133**	0.2
Total long positions		**66,937**	104.0
Cash and net current assets/(liabilities)		**(2,576)**	(4.0)
Net assets		**64,361**	100.0

All investments listed above are equities (unless otherwise stated), denominated in Sterling (except [1]CHF, [2]Euro, [3]SEK and [4]USD) that have been issued by companies registered in England (save for Jardine Matheson Holdings Ltd, Glencore plc, Shire plc, bioMérieux SA, Syngenta AG, KWS SAAT AG, Pernod Ricard SA, Davide Campari-Milano S.p.A., Svenska Cellulosa AB, Euronext NV, Adidas AG, Time Warner Inc, lululemon athletica inc and The Interpublic Group of Companies Inc that are registered in Bermuda, Jersey, Jersey, France, Switzerland, Germany, France, Italy, Sweden, Holland, Germany, USA, Canada and USA respectively).

Portfolio Sector Analysis

As at 31st July 2014

Sector	**% of Net Assets**
Personal Goods	26.3
Oil & Gas Producers	13.4
Beverages	12.6
Pharmaceuticals & Biotechnology	12.1
Agrisciences	7.3
Asian Conglomerate	6.7
Mining	5.9
Equity Instruments	4.6
Food Producers	4.4
Medical Technology	4.2
Household Utilities	2.2
Financial Services	2.1
Media	1.4
Healthcare	0.6
Unlisted Investments	0.2
Cash and net current assets/(liabilities)	(4.0)
Net assets	**100.0**

Investment Objective and Policy

Investment objective

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

Investment policy

Asset allocation

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

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

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

Risk diversification

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

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

Gearing

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

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

General

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

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

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

Investment Manager's Review

Last year we wrote an extensive investment manager's review providing a fuller explanation of our investment style. We do not intend to replicate this again as nothing has changed. What we would say is that we have underestimated how some of the geopolitical, economic and technological changes that have occurred since the 2008 depression have structurally altered some business models. We need to be quicker to spot these shifts.

Controlling costs and generating trading income

Other operating expenses have increased marginally from £232,000 to £234,000 since our preceding financial year. This is a reasonable performance but, as has been highlighted before, we expect these costs to now escalate following the introduction of AIFMD and further regulation over forthcoming financial years. We will do our best to control these costs but they are somewhat out of our control. We will cut all unnecessary expenditure.

The cost of our investment transactions has increased but only in line with Trading Income which has reached a record of £1,377k for the financial year. This is a good result but, as has been detailed in the Chairman's Statement and our announcement of the 31st July 2014, there are several reasons deriving from AIFMD as to why it will be much harder for us to generate Trading Income in future financial years. The consequences of lower Trading Income will most probably lead to lower dividends in future financial periods.

Paying shareholders a dividend

In 2014, the fund will pay a dividend equal to last year on a net asset value per share that has fallen over twelve per cent. We believe this is a good result and represents a 2014 dividend yield of 5.4 per cent (using the mid price at the year end).

Generating capital returns

We have failed shareholders for the third year out of three in generating positive capital returns and the fund has also underperformed its benchmark for each of the last three years. During the year, the fund's net asset value per share dropped by 12.3 per cent. The constituents of this underperformance can be broken down as follows:

Performance of Mining investments	2.5%
Performance of Energy investments	(0.8)%
Performance of Agrisciences investments	(1.2)%
Performance of PZ Cussons plc	(2.6)%
Performance of Other Consumer Goods investments	(3.3)%
Performance of Healthcare & Pharmaceuticals investments	0.2%
Performance of Standard Chartered plc	(1.1)%
Performance of Hedge against Leverage	(5.1)%
Other factors	(0.9)%
Total	(12.3)%

As our Chairman has detailed in his report, we have tracked our benchmark for the last five months to the publishing of this report. In the following section, we will detail our views on the above underperformance and what we have done to modify our investment approach.

Investment Manager's Review (continued)

Our mining investments performed positively for the portfolio. Nonetheless, we have taken an active view to deleverage and derisk our portfolio and we have reduced our holdings in the sector materially by selling down our position in ***Rio Tinto plc*** (at a profit). Looking forward, we see supply surpluses in iron ore for a number of years and hence we believe we will be better positioned in commodity traders and copper producers hence our remaining material holding in **Glencore plc**. We do believe the sector appears relatively inexpensive (as do all value traps) and should global growth pick up (especially from developing markets) then we could see the copper price stabilise under deficit supply conditions even with an appreciating dollar (which normally reduces commodity prices although this is often partially offset by a cost base in a declining currency).

Another sector that is looking inexpensive is the Oil & Gas sector which, like the Mining sector, has started to focus on efficiency and capital returns rather than volume and "interesting" projects. We are concerned that the Oil & Gas sector could go the way of the Coal sector so we are concentrating on future investments in stocks that are either cash generative, producers or are focused on LNG and gas (which we guess could end up powering a good proportion of future electric cars). ***BP plc*** was actually a positive contributor to performance during the year but due to the escalation of risks around Russia and the Macondo litigation case we decided to derisk by removing BP from the portfolio (at a loss). **Afren plc** has fallen considerably following corporate governance issues regarding a number of directors. We had top sliced the position in a risk reduction exercise before this occurred but nonetheless Afren suppressed 1.2 per cent from our performance. We estimate the stock is now trading at close to 50 per cent of its fair value so we will be patient and hope for an opportunistic bid.

We increased our exposure to the Agrisciences sector with the purchase of **KWS Saat AG** shares during the financial year so that we had a more balanced exposure to both seeds and crop protection. KWS Saat is a family controlled, mid capitalisation, German company with a history of success and growth. We intend to hold the stock for the long term. **Syngenta AG** has been a poor performer and withdrew 1.2 per cent from our performance. The stock has been hit by some exogenous factors such as bumper corn crops and some internal issues with the mis-introduction of new products. We do believe that if Syngenta doesn't deliver soon then either Monsanto or DuPont could be interested in rebalancing their portfolio with more crop protection.

PZ Cussons plc has had another poor year due to a tough supermarket environment in the UK, terrorism and Ebola in Nigeria and a slow down in Indonesia. The good news is that all these are exogenous and their issues this year have not been due to poor management. We maintain that the economies of Nigeria and Indonesia are exciting areas to be exposed to and PZ is one of the few companies that allows you to gain this undiluted exposure with passable corporate governance. We are constantly told by shareholders that we should sell this holding but when we ask what other suggestions they have to gain exposure to the two aforementioned economies they are yet to come up with any suggestions.

A selection of other consumer goods companies gave a negative contribution to our performance including ***Burberry Group plc*** and **Diageo plc**. We have sold Burberry (at an attractive profit) because we are concerned by the inexperience of the CEO in matters of corporate stewardship, a potential consensus forecasting gap with regard to the cessation of the Japanese license and concerns regarding the effect on the quality of the product with ever expanding gross margins. We have replaced Burberry with holdings in **Tods S.p.A.** and **Prada S.p.A.** which have a higher leather exposure and are perceived as higher quality brands. Our guess is that if there are to be M&A targets in the sector there is a decent chance that one of these latter two names will star before Burberry. Diageo was overvalued as we entered the period and we were complacent in not reducing the position, especially as we believe (contrary to rumours regarding SAB Miller) that it is extremely unlikely that Diageo will be the subject of M&A activity. Diageo withdrew 0.8 per cent from our overall performance but we believe that Diageo has very impressive brands and there are a number of self help measures it can take to continue growing as long as the global economy does not stall. We have also added to our sector position with **Davide Campari-Milano S.p.A.**

Astra Zeneca plc withdrew 0.6 per cent from our overall performance but this was more than offset by a positive contribution from ***Smith & Nephew plc***. We believe that Astra Zeneca will perform better in the current financial year even if Pfizer don't return with an improved bid. We did sell our Smith & Nephew position (at a profit) on concerns regarding the barriers to entry for some of the products in the Wound Management division and concerns that the new CEO was overpaying for acquisitions. Nonetheless, we have revisited Smith & Nephew on price weakness because we do see a bid from Styrker as a strong possibility at some point after November 2014.

Investment Manager's Review (continued)

We have finally "seen the light" with banks, having had a relatively good financial crisis being under exposed to the sector. We believe the retail banks will suffer attrition from peer to peer platforms and we are not sure that Asian based wholesale banks can thrive now that the dollar carry trade has turned. Basically, there are multiple matters we don't know about banks (although some of our team have worked in them) and we do not believe in business models reliant on twenty to thirty times geared books. Banks will generate outstanding returns at times but the risks are so high that we have decided we would just rather avoid this sector unless it becomes compellingly undervalued. We have disposed of ***Standard Chartered plc*** (at a loss that more than cancelled out our previous profit on exiting in 2008) in a derisking process.

It may seem crazy looking at the end result but the reason we put on the hedge against our gross leverage position was to derisk our portfolio. In essence, we wanted to run a long book of potential M&A targets that exceeded our net asset value but we did not want to be geared in our exposure greater than our net asset value. The solution, we believed, was to hedge the exposure with some equal value and opposite direction shorts on stock indexes on the UK and USA market (the latter as it is the most liquid). Considering the state of the UK and European economies, we did not anticipate the devaluation of the US dollar against the British Pound and the Euro to be so pronounced and hence drive up the S&P 500 so much more than the positions we were attempting to hedge. We have closed this position whilst closing down equal value long positions in a deleveraging process.

The year ahead

Our best guesses for 2015 are set out below:

- **The best of the bull market has passed** – this is galling as we have pretty much missed it.

- **But the bear market won't be back quite yet** – whilst there are more worries than there ever were for financial markets (including hair raising debt levels and structural stagnation issues) the forces of continuing accommodative interest rates from the Fed, the global savings glut in countries that have no further material room to invest it internally and more quantitative easing from Japan and the ECB mean that we may see stock markets grinding higher.

- **Share buy backs may be replaced by M&A** – shareholders may well turn against CEOs continuing to enhance their remuneration through the escalating value of option packages via the enhancement of earnings from share buy backs, and hence the next tactic they may try is to enhance earnings via M&A synergies.

- **The Dollar continues to appreciate** – this may result in Dollar earners performing better than Pound earners so UK centric small capitalisation stocks may not repeat their returns of the last two financial years.

- **The developing markets will slow but should still grow faster than developed markets** – so we continue to favour global companies with exposure to these markets.

- **Demographics in the developed world may make growth structurally slower** – hence our desire to hold stocks in global companies with exposure to demographic and income per GDP growth in developing markets.

- **Trading income strategies of selling mega cap call options and buying arbitrage positions in sensible targets may be the best tactics for us.**

Investment Manager's Review (continued)

Conclusion

We see a slower appreciation in markets as the bull market grows longer in the tooth so we have deleveraged and have changed our positioning to concentrate on M&A activity for global businesses that offer synergies to the larger global mega capitalisation stocks. We intend to position further to reap the benefits of this strategy should it prove successful throughout the year.

We are all fully aware of the consequences of a rising dollar on the developing markets carry trade but we hope that this is now reflected within the price of such stocks exposed to developing markets. In time, we believe that the growth differential between developed market centric stocks and stocks exposed to developing markets will lead to a rerating of the latter. We have always been growth based investors.

We should understand that by holding less small capitalisation stocks we may underperform as we are theoretically taking less risk. Nonetheless, the portfolio has been partly repositioned away from over $10bn market capitalisation stocks to stocks capitalised in the $1bn to $10bn range (examples being bioMérieux SA, KWS Saat AG, Davide Campari-Milano S.p.A.) but we have no intention of gaining material exposure to companies smaller than this due to liquidity risks.

We will do our best to generate Trading Income which can be paid out to long suffering shareholders as dividend income.

Investment Manager
Midas Investment Management Limited.

Principal Portfolio Holdings

PZ Cussons plc ("PZ Cussons")

PZ Cussons is a global personal goods manufacturer, with a portfolio of more than 30 leading brands, including Imperial Leather, Carex, Cussons Baby and Morning Fresh. The company operates in a variety of selected mature and emerging markets including the UK, Africa, Asia, Central Europe and Australia. PZ Cussons has a five year compound earnings per share ("EPS") growth rate of 6.1 per cent.

PZ Cussons is exposed to developing markets and the volatility that incurs. We believe medium term prospects are encouraging and we have no intention of reducing our stake in the short term. PZ Cussons' geographic footprints and distribution network should be attractive to a major.

AstraZeneca plc ("AstraZeneca'')

AstraZeneca is a global innovation-driven biopharmaceutical company. AstraZeneca has a wide portfolio of products with a primary focus on three important areas of healthcare: Cardiovascular and Metabolic disease, Oncology and Autoimmunity.

While we were disappointed to see AstraZeneca turn down the approach from Pfizer, we believe that the Net Present Value of the new product/drug pipeline supports a higher valuation than is currently recognised by the market. We are likely to sell down the position if this valuation discount closes.

Diageo plc ("Diageo")

Diageo is a global alcoholic beverages company, and the world's largest producer of spirits. The company holds a portfolio of iconic brands such as Johnnie Walker, Smirnoff, Baileys and Guinness. With a large footprint in emerging markets, Diageo should benefit from the growth of the middle classes in these economies over time. The company has a five year compound EPS growth rate of 6.4 per cent.

We believe that Beverages is an attractive sector over the long term but we may continue to shift exposure from Diageo to other stocks in the sector that are more obvious takeover targets. We are also holders of Pernod Ricard SA and Davide Campari-Milano S.p.A.

Jardine Matheson Holdings Ltd ("Jardine Matheson")

Jardine Matheson is an Asian focused conglomerate, with interests in sectors such as engineering and construction, motor vehicles, insurance broking, property investment and retailing. The company has a five year compound EPS growth rate of 7.6 per cent.

Jardine Matheson should offer exposure to growing markets over the medium term, though we may reduce the position if the estimated discount to net asset value ("NAV") closed significantly.

Glencore plc ("Glencore")

Glencore is a leading global mining & trading group, covering a wide range of essential commodities from copper to oil to grain. Glencore is forecast to generate significant free cash flow over the next few years, which we hope may lead to further capital returns.

We believe Glencore is undervalued, but we have reduced the holding and would continue to do so should valuations become more optimistic.

Principal Portfolio Holdings (continued)

Afren plc ("Afren")

Afren is an African focused E&P company with a balanced portfolio of cash-generative producing assets and high-impact exploration and appraisal opportunities. Afren has a four year compound EPS growth rate of over 15 per cent.

Afren has performed poorly this year predominantly due to lapses in corporate governance. However, we believe the stock now trades at a significant discount to the value of its assets, which in our view remain attractive. Afren is a long term play on Africa's emerging hydrocarbon basins, but we may reduce our position sooner if the estimated discount to NAV materially reduced. We view Afren as an uncomfortably high risk position.

BG Group plc ("BG")

BG is a global diversified oil & gas E&P company, with assets in the Santos Basin (Brazil), Australia and the North Sea. The group also has an LNG arm, capitalising on global price differences by transporting gas in liquid form from producing nations to high demand regions such as Asia.

BG has a five year compound EPS growth rate of 6.7 per cent and we believe it trades at a significant discount to its NAV. As production in Brazil and Australia increases, we would anticipate this discount closing in time.

Shire plc ("Shire")

Shire is a global specialty biopharmaceutical company focusing on rare and specialized conditions.

Shire was primarily an event driven investment and we divested the position post the year end once our price target had been reached. Post year end, we have begun to rebuild the position post a material drop in the share price.

Unilever plc ("Unilever")

Unilever is a multinational consumer goods company, with recognisable brands in personal goods, household goods and food. It has a high exposure to developing markets and has a compound annual EPS growth rate of 7.2 per cent over the last 5 years. Unilever has been slowly divesting non core food brands and we look for further disposals to drive a re-rating.

bioMérieux SA ("bioMérieux")

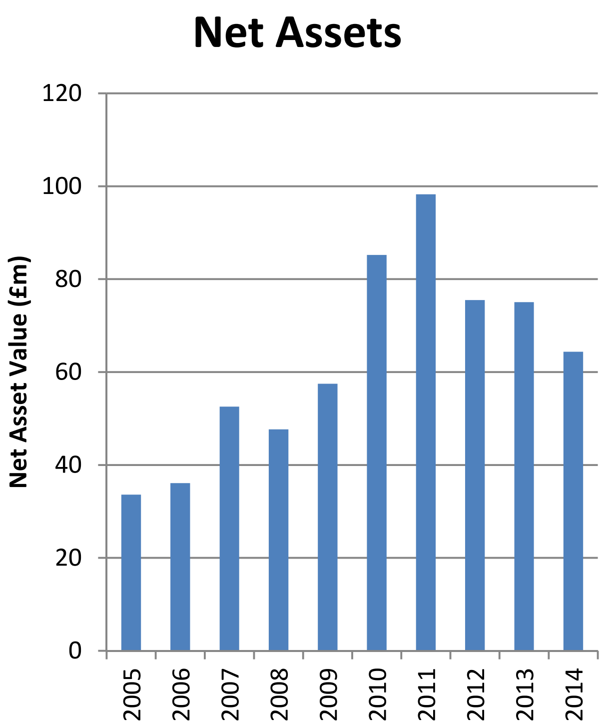
bioMérieux is a multinational biotechnology company. It is a leader in the field of in vitro diagnostics, providing diagnostic solutions (reagents, instruments, software) with a core focus on infectious diseases, cardiovascular diseases and targeted cancers.

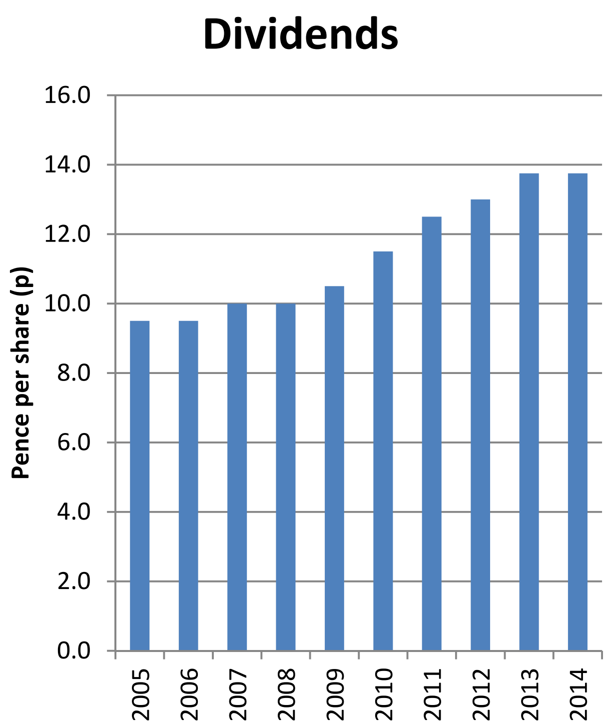
We believe bioMérieux has an attractive medium term outlook and we are holding it with a longer term investment horizon in mind.

Investment Record of the Last Ten Years

Year ended	Total return £'000	Return per ordinary share Basic p	Return per ordinary share Fully diluted p	Dividend per ordinary share p	Total assets less liabilities £'000	Net asset value per 25p share Basic p	Net asset value per 25p share Fully diluted p
31st July 2005	5,426	72.35	52.33	9.50	33,611	448.15	327.34
31st July 2006	3,206	42.75	31.14	9.50	36,107	481.43	351.17
31st July 2007	5,799	41.58	41.58	10.00	52,554	376.80	376.80
31st July 2008	(3,490)	(25.02)	(25.02)	10.00	47,669	341.80	341.80
31st July 2009	645	4.43	4.43	10.50	57,495	328.44	328.44
31st July 2010	13,151	71.75	71.75	11.50	85,203	379.40	379.40
31st July 2011	15,691	69.87	69.87	12.50	98,267	437.60	437.60
31st July 2012	(19,945)	(88.81)	(88.81)	13.00	75,515	336.26	336.26
31st July 2013	2,522	11.23	11.23	13.75	75,050	334.19	334.19
31st July 2014	**(6,295)**	**(28.08)**	**(28.08)**	**13.75**	**64,361**	**293.20**	**293.20**

In 2006, the Company adopted International Financial Reporting Standards ("IFRS"). As a result, the data has been restated to reflect the change to IFRS.





In the period from 1981 to 2004, total assets less liabilities increased from £241,000 to £28,900,000. Net assets per share increased from 24.1p to 385.4p.

Statement of Corporate Governance

Application of Association of Investment Companies Code Principles

The Directors attach importance to ensuring that the Company operates to high ethical and compliance standards. Accordingly, the Board has put in place a framework for Corporate Governance which it believes appropriate for an investment trust and which seeks to observe the principles set out in the Code of Corporate Governance, as published by the Association of Investment Companies (the "AIC Code"), established specifically for investment trust companies and endorsed by the Financial Reporting Council ("FRC"). A copy of the AIC's Code of Governance is available on their website, www.theaic.co.uk.

The AIC Code provides a guide to best practice in certain areas of governance where the specific characteristics of investment trusts suggest that alternative approaches to those set out in the UK Corporate Governance Code may be preferable.

The Board considers that the Company has complied with the provisions set out in the UK Corporate Governance Code throughout the year to 31st July 2014 except as referred to below. The following statement describes how the Company has applied the relevant principles of Corporate Governance.

The Board and Committees

The Board currently comprises three non-executive Directors, all of whom are considered to be independent of the Company's Investment Manager. Although Mr P H A Stanley has been a member of the Board for more than nine years (which is suggested as a benchmark for independence by the AIC Code), the Board believes Mr P H A Stanley has a wealth of experience and consistently acts in all shareholder's best interests and so is considered independent. Nonetheless, to accord with best corporate governance, Mr D Harris is the nominated senior independent director. As the Board is composed entirely of non-executive Directors and executive responsibility for investment management has been delegated to the Company's Investment Manager, there is no Chief Executive Officer.

The Board regularly reviews the independence of its members and considers all the current Directors to be independent in character and judgement within the meaning set out in the Code, having examined each Director against the independence criteria described in the Code.

All the Directors of the Company are resident in the UK and their biographical details on page 5 of this report demonstrate the wide range of skills and experience that they bring to the Board. Non-executive Directors are not appointed for a specific term, as the Board believes that long service does not detract from their independence and that a detailed knowledge of the business has a beneficial impact on the running of the Company. All Directors are subject to re-election by rotation, one-third of their number each year, and their re-election is subject to shareholders' approval. All non-executive Directors stand for election at the Annual General Meeting following their appointment. No Director has been in office for more than three years without having offered himself for re-election.

The Board has procedures in place to deal with a situation where a Director has a conflict of interest, as required by the provisions of the Companies Act 2006. As part of this process, the Directors prepare a list of other positions held and all other conflict situations that may need authorising either in relation to the Director concerned or his or her connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his or her wider duties is affected.

Each Director is required to notify the Company Secretary of any potential or actual conflict situations which will require authorisation by the Board. Authorisations given by the Board will be reviewed at each Board meeting.

The Board has established both a nominations and a remuneration committee, comprising the entire Board. The nominations committee is responsible for considering the appointment of new directors, agents and advisers, and evaluating the overall composition of the Board. In considering appointments to the Board these are based on merit. The nomination committee also takes into account the ongoing requirements of the Company and the need to have within the Board a balance of skills, experience, independence and diversity, including gender and knowledge of the Company. There are procedures for a new Director to receive relevant information on the Company together with appropriate induction. The remuneration committee is responsible for considering all material elements of remuneration policy which is set out in the Directors' Remuneration Report on page 30. Mr P H A Stanley is Chairman of both committees.

Statement of Corporate Governance (continued)

It is the responsibility of the full Board to ensure that there is effective stewardship of the Company's affairs and that the Company meets its obligations to shareholders. Strategic issues and all operational matters of a material nature are determined by the Board and in order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. The Board meets regularly and at each meeting reviews investment performance and financial results and monitors compliance with the Company's objectives.

A management engagement committee has been established, comprising of Mr P H A Stanley (Chairman of the committee) and Mr D Harris. This management engagement committee is responsible for ensuring that the Investment Manager of the Company complies with the terms of the management agreement entered into with the Company, and that the provisions of the management agreement follow industry practice and remain competitive and in the best interests of shareholders. The Directors maintain regular contact with the Investment Manager.

The Board has established a procedure whereby Directors, in the furtherance of their duties, may take independent professional advice at the expense of the Company. The Board also ensures that all Directors continually update the skills and knowledge required to fulfil their role both on the Board and on Board committees. The Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that established Board procedures and applicable rules and regulations are complied with. The performance of individual Directors and of the committees is evaluated on a regular basis by the Board as a whole.

The audit committee, which consists of Mr P H A Stanley, Mr B Miller (appointed 30th August 2013) and Mr D Harris, and is chaired by Mr D Harris, has specific terms of reference. Its primary role is to review the accounting policies and the contents of the Annual Report, the adequacy and scope of the external audit and compliance with regulatory and financial reporting requirements. The audit committee regularly monitors and reviews the auditor's independence (including the provision of non-audit services), objectivity and effectiveness. The audit committee is also responsible to the Board for making recommendations in relation to the appointment of the external auditor. All committee members are regarded as having recent and relevant financial experience. The audit committee has direct access to the external auditor and they are invited to attend the Board Meeting at which the Annual Reports and Financial Statements are approved. All reports received from the auditor are given full consideration.

The audit committee, having regard to matters communicated to it by the auditors, considered the significant issues of investment valuation and revenue recognition, addressed through regular review of investment valuations and reports prepared by the Investment Manager.

The rotation of the senior statutory auditor is at least every five years and, if the auditor becomes aware of any situation which might potentially compromise their independence, the Board expects the auditor to bring that situation to their attention at the earliest opportunity. The audit committee assessed the independence of the external auditors and concluded CLB Coopers, the Company’s auditor to be independent of the Company.

The Administrator is responsible for the internal audit function and ensuring that adequate internal controls are in place.

Directors Meetings

Attendance and frequency details of Board and Committee meetings held during the year are as follows:

	Board Meetings	Nomination Committee	Remuneration Committee	Management Committee	Audit Committee
Number of meetings during the year	6	1	1	1	1
P H A Stanley	6	1	1	1	1
D Harris	6	1	1	1	1
B Miller	6	1	1	N/A	1
Membership summary:					
P H A Stanley		●	●	●	●
D Harris		●	●	●	●
B Miller		●	●		●

Statement of Corporate Governance (continued)

Accountability and Audit

The Directors' Responsibilities Statement in respect of the financial statements is set out on page 29. The Report of the Independent Auditor is on pages 31 to 33.

The Directors acknowledge that their responsibility to present a balanced and understandable assessment extends to interim and other price sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.

Alternative Investment Fund Managers Directive

AIFMD is now applicable to all Alternative Investment Funds including ourselves. In conjunction with our investment manager, the Board has chosen to comply with the partial exemption, sub threshold regulations within the AIFM directive, by ensuring our gross assets do not exceed the Euro 100m threshold. This is not a long term solution to this regulation and it is anticipated that the Board may appoint a Depositary once a suitably priced solution becomes available.

Internal Financial Control

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process is subject to regular review by the Board and is in accordance with the FRC guidance. The process was fully in place throughout the year and up to the date of approval of the financial statements.

The Board is responsible for ensuring that the Company has in place an effective system of internal financial controls designed to ensure the maintenance of proper accounting records and the safeguarding of the Company's assets. These systems are designed to provide reasonable, but not absolute, assurance against material mis-statement or loss. The Board recognises its responsibility for regular review of all aspects of internal financial control.

The Board has established a series of parameters which are designed to limit the inherent risk in managing a portfolio of investments and the Board receives regular reports from the Investment Manager and Administrator which are reviewed in detail.

The Board has contractually delegated responsibility for management of the investment portfolio and the provision of accounting services to external agencies. This is after full and proper consideration by the Board of the quality and cost of services offered including the financial control systems in operation insofar as they relate to the affairs of the Company. The internal audit function is undertaken by the Administrator, which is a standalone unit which reports to the Board.

The key procedures, which have been established to provide effective internal control, are as follows:

- Investment management is provided by Midas Investment Management Limited ("Midas"). The Board is responsible for setting the overall investment policy and monitors the activity of the Investment Manager at regular Board meetings. The Investment Manager provides reports at these meetings, which cover investment performance and compliance issues.
- M&M Investment Services is responsible for the provision of administration, internal audit and risk management duties. M&M Investment Services is a standalone unit which reports to the Board on risk control issues for the Company as a whole.
- Custody and safekeeping of assets is undertaken by Pershing Securities Limited, Morgan Stanley & Co. International plc and JP Morgan Chase & Co.
- The duties of investment management and custody of assets are segregated. The procedures of the individual parties are designed to complement one another.
- The non-executive Directors of the Company clearly define the duties and responsibilities of their agents and advisers in terms of their contracts. The appointment of agents and advisers is conducted by the nominations committee after consideration of the quality of the parties involved and the Board monitors their ongoing performance and contractual arrangements.

Statement of Corporate Governance (continued)

- Mandates for authorisation of investment transactions and expenses payments are set by the Board and monitored by the Administrator.
- For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market prices at the close of business at the end of the reporting period. The Administrator produces all valuation reports independently for the Board based on the Company's valuation policy.
- Liquidity risk is minimised by investing in a portfolio of quoted companies that are readily realisable. The Administrator reports to the Board monthly on the liquidity profile of the fund.
- The Board reviews in detail the financial information produced by the Administrator, Investment Manager and Company Secretary on a regular basis.

The Board has carried out a review of the system of internal controls as undertaken by the Administrator as it has operated throughout the year. The Directors confirm that actions are taken, where appropriate, to remedy any significant failings or weaknesses identified.

Investment Manager

The Company has a management agreement with Midas under which the Investment Manager will manage the Company's portfolio in accordance with the investment policy determined by the Board. The management agreement has a termination period of three months. Details of the fee arrangements with Midas are disclosed in note 3 to the financial statements. Midas is authorised and regulated by the FCA.

In the year to 31st July 2014 the total remuneration paid to the entire staff of Midas was £359,000, payable to an average staff number throughout the year of 9. Of the £1.7m turnover reported in the financial statements of Midas 40.8 per cent was derived from Manchester & London Investment Trust plc ("MLIT").

The investment management of MLIT is solely undertaken by Mr M Sheppard and Mr R Morgan, to whom a combined total of £98,000 was paid during the year.

Midas was paid no performance fee or carried interest in the Company.

The remuneration policy of Midas is to pay fixed annual salaries, with non-guaranteed bonuses, dependent upon performance only. These bonuses are generally paid in MLIT stock, released over a three year period.

The fund requires that the fund manager does not give preferential treatment to any single or class of shareholder. To this end, all ordinary shares carry equal voting rights and are traded on a public market, the only exception being that shares held by the parent company and its related parties are not included in the annual draw for Wimbledon tickets. There are now no Sheppard family members on the board of MLIT.

The Board regularly considers the appointment of the Investment Manager and, in particular, reviews the long term investment performance and the quality of the personnel employed. The Directors consider that the continuing appointment of Midas on the agreed terms is in the interests of the shareholders as a whole.

Exercise of Voting Powers

The Company has approved a Corporate Governance voting policy which, in summary, is based on the governance recommendations of the Combined Code with the intention of voting in accordance with best practice whilst maintaining a primary focus on financial returns. The Investment Manager utilised the votes of the fund on ten different occasions during the period.

Capital Structure

The Company's capital structure is summarised in note 17 to the financial statements.

Statement of Corporate Governance (continued)

Transfer of Securities

There are:

- no restrictions concerning the transfer of securities in the Company;
- no special rights with regard to control attached to securities;
- no agreements between holders of securities regarding their transfer known to the Company; and
- no agreements which the Company is party to that might affect its control following a takeover bid.

Relations with Shareholders

Communications with shareholders are given priority, with information provided regularly in interim and annual financial statements. The information contained therein is supplemented by regular net asset value announcements and a monthly fact sheet available on the Company's website. In addition, any issues of concern can be addressed to the Board by any shareholder via emailing the Company Secretary at kurt@midasim.co.uk. The Investment Manager can be contacted at mark@midasim.co.uk.

All shareholders are encouraged to attend the Annual General Meeting, where they are given an opportunity to question the Chairman, the Board and the Investment Manager. Separate resolutions are proposed on each issue including a resolution to adopt the annual report and accounts. The Company ensures that all proxy votes are counted and announces the level of proxies lodged on each resolution.

Social, Ethical and Environmental Policy

As an investment trust, the Company has no direct social, environmental or community responsibilities. Its ethical policy is focused on ensuring that the Company's resources are properly managed and invested within the guidelines approved by the Board.

The Directors, through the Company's Investment Manager, ensure that investments are made in companies that it considers to be well managed and subject to appropriate corporate governance. A well-managed company is considered to be one which complies with all the relevant legislation and which meets the environmental, social, community and ethical requirements of the country in which it operates. It is important to recognise that local laws and requirements of some markets do not necessarily equate with those of developed countries.

The Investment Manager performs extensive investment analysis, in assessing both the risk and return of targeted investments for the Company. The depth of its research provides comprehensive insights into the many factors that affect the value of an investment, which also include environmental, social and governance issues. This analysis is monitored by the Administrator and reported to the Board.

The Company's ultimate objective however is to maximise investment return for its shareholders. Accordingly, the Manager will seek to favour companies that pursue best practice in governance, but this must not be to the detriment of the return on the investment portfolio.

We are committed to caring for our environment and ensuring that our carbon footprint is minimised. One of our main policies to achieve this is the encouragement of the use of electronic communication with shareholders, in order to save paper, printing consumables and energy. The Fund Manager predominantly uses public transport to attend meetings.

Strategic Report

The Directors present their annual report and financial statements for the year ended 31st July 2014.

The Chairman's Statement on page 6 forms part of the Directors' Report.

Business Review

The purpose of the strategic report is to provide an overview of the business of the Company by:

- Analysing development and performance using appropriate key performance indicators ("KPIs").
- Outlining the principal risks and uncertainties affecting the Company.
- Describing how the Company manages these risks.
- Explaining the future business plan of the Company.
- Providing information about persons with whom the Company has contractual or other arrangements which are essential to the business of the Company.
- Outlining the main trends and factors likely to affect the future development, performance and position of the Company's business.

Status

The Company is an Investment Company as defined by Section 833 of the Companies Act 2006 and operated as an Investment Trust in accordance with Section 1158 of the Corporation Tax Act 2010.

The Company is also governed by the Listing Rules and Disclosure and Transparency Rules of the Financial Conduct Authority and is listed on the main market of the London Stock Exchange under the epic code "MNL".

The close company provisions of the Corporation Tax Act 2010 do not apply to the Company.

Company registered number: 01009550.

Principal activities

The Company carries on business as an Investment Company. A review of investment activities for the year ended 31st July 2014 and the outlook for the coming year is given by the Investment Manager on pages 10 to 13.

Performance and key performance indicators

The key measures by which the Board judges the success of the Company are the share price, the net asset value per share and the ongoing charges measure.

The Board considers the most important key performance indicator to be the comparison with its benchmark index. This is referred to in the Financial Summary on page 4.

Total net assets at 31st July 2014 amounted to £64,361,000 compared with £75,050,000 at 31st July 2013, a decrease of 14.2 per cent (net of own share buybacks as disclosed in note 18), whilst the fully diluted net asset value per ordinary share decreased to 293.2p from 334.2p. This decrease of 12.3 per cent compared with an increase over the period of 1.9 per cent by our benchmark index, equated to an underperformance by the Group of 14.2 per cent.

Group net revenue return after taxation for the year was £3,055,000, a decrease of 1.1 per cent.

The share price during the period under review has been quoted at discounts to net asset value of 8.7 to 16.2 per cent.

Strategic Report (continued)

Ongoing charges set out on page 4 is a measure of the total expenses (including those charged to capital) expressed as a percentage of the average net assets over the year. The Board regularly reviews the ongoing charges measure and monitors Group expenses.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Principal risks and uncertainties associated with the Company

An investment in the Company is only suitable for financially sophisticated investors who are capable of evaluating the risks and merits of such an investment, or other investors who have been professionally advised with regard to investment and who have sufficient resources to bear any loss which might result from such an investment. There can be no guarantee that investors will recover their initial investment. The investment may employ gearing and may be subject to sudden and large falls in value. Investors should be aware that movements in the price of the Company may be more volatile than movements in the price of the underlying investments and that there is a risk that investors may lose all their invested money. Investors considering an investment should consult their stockbroker, bank manager, solicitor, accountant and/or other independent financial adviser.

In respect of some of the companies in which the Company may invest:

- the company may be undergoing significant change, or be exposed to the volatility of emerging or developing markets;
- they may have less mature businesses, a more restricted depth of management and accordingly a higher risk profile;
- the quality of the investments' management may have been overestimated;
- the market value of, and income derived from, such shares can fluctuate; and
- there may not be a liquid market for their shares. The fact that a share is traded on a market does not guarantee its liquidity. Accordingly, such shares may be difficult to realise at quoted market prices.

Any change in the tax treatment of dividends paid, or income received by the Company, may reduce the level of yield received by shareholders. Any change in the Company's tax status, or in legislation, could affect the value of the investments held by the Company and its performance.

Investment in the Company should be regarded as long-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur and investors may not get back the full value of their investment. There can be no guarantee that the investment objective of the Company will be met.

The Company is exposed to a range of economic and market risks, liquidity, interest rates, exchange rates and general financial risks.

The market capitalisation of the Company will make the market of the ordinary shares less liquid than would be the case for a larger company.

Whilst the use of borrowings by the Company should enhance the net asset value of the ordinary shares when the value of the Company's underlying assets is rising, it will have the opposite effect when the underlying asset value is falling. Furthermore, should any fall in the underlying assets' values result in the Company breaching the financial covenants applicable to borrowings, the Company may be required to repay such borrowing in whole or in part together with any attendant costs. In order to repay such borrowings, the Company may have to sell assets at less than their quoted market values. A positive net asset value for the ordinary shares will be dependent upon the Company's assets being sufficient to meet any debt.

Strategic Report (continued)

On a winding-up of the Company, the ordinary shares rank for repayment of capital after repayment of all other creditors of the Company. Ordinary shares are only appropriate for investors who understand that they may receive an amount less than their original investment.

Risk management

The risks with regards to financial instruments, and the Company's policies for management of these risks, are detailed in note 20 to the financial statements - "Risks – Investments, derivatives and other risks". The Company manages the risks inherent in portfolio management by investing in approximately 20 to 40 securities of companies operating in a range of industrial sectors and varying the extent of cash holdings or gearing in relation to the Investment Manager's assessment of overall market conditions.

The Company does not have any employees and consequently relies upon the services provided by a number of third parties. The Board therefore relies on the control procedures of these third parties which include the Company's Investment Manager, Registrar, Custodians and Broker. This type of operational structure is not uncommon with Investment Trust companies.

The Board via reports from the Administrator reviews the internal control procedures of its third party service providers and assesses the reliability of these procedures as part of its risk management strategy. The Risk Management function is a responsibility of the Administrator, M&M Investment Services, which is a division of M&M Investment Company plc* and operates as a standalone unit, comprised of individuals who are not members of the Board or the Sheppard family. Further details with regards to the Board's risk management procedures are detailed in the "Internal Financial Control" section of the Statement of Corporate Governance.

(* formerly Manchester & Metropolitan Investment Limited)

Gearing

By the year end gross long equity exposure represented 104.0 per cent of net assets.

Management

Details of the Company's management agreement with Midas Investment Management Limited ("the Investment Manager") are contained in note 3 to the financial statements.

Future development

A commentary on the trends and factors likely to affect the future development, performance and position of the Company, which includes an assessment of market sentiment and the effectiveness of government intervention, is set out in the Chairman's Statement and the Investment Manager's Report and is also released monthly in a fund factsheet published via the Company's website.

By Order of the Board
Mr M K Camp
Secretary

27th October 2014

Directors' Report

Investment objective and policy

The Group's investment objective and policy is stated on page 9.

Results

The Group's total comprehensive loss for the year, after taxation, amounted to £6,295,000 (2013: £2,522,000 total comprehensive profit).

After own share buybacks as disclosed in note 18, total net assets at 31st July 2014 amounted to £64,361,000 compared with £75,050,000 at 31st July 2013, whilst the fully diluted net asset value per ordinary share decreased to 293.2p from 334.2p.

Dividends

An interim ordinary and a first special dividend of 5.5p and 5.0p per ordinary share were paid on 30th April 2014 and 22nd August 2014 respectively (2013: 5.5p interim ordinary, nil special dividend). The Directors are recommending a final ordinary dividend of 1.98p per ordinary share (2013: 8.25p) and a second special dividend of 1.27p per ordinary share (2013: nil), giving a total for the year of 13.75p per ordinary share (2013: 13.75p).

It is our current intention that the final ordinary and second special dividend will be paid on 28th November 2014 to shareholders registered on 21st November 2014. The shares will be declared ex-dividend on 20th November 2014.

Share valuations

On 31st July 2014, the middle market quotation and the net asset value per ordinary 25p share were 256.3p and 293.2p, respectively. This indicates that the discount on the Company's shares was 12.6 per cent. This is not uncommon as the share prices of closed-end funds are often traded at a discount to their net asset values.

Prior year restatement

In 2014 the Group amended its presentation of derivatives to improve reporting alignment to industry standards. The effects of this restatement are shown in the Group and Company balance sheets and in notes 15 and 16.

Events after the reporting period

Since the end of the reporting period the Company has bought back 166,885 of its own ordinary 25p shares for an aggregate cost of £407,000. These shares are all currently held in treasury.

Substantial holdings in the Company

At 27th October 2014, the Company had been notified of the following beneficial interests of 3 per cent and over in the Company's ordinary share capital carrying unrestricted voting rights:

	Number	**%**
Pershing Nominees Limited	14,847,002*	66.1
The Bank of New York (Nominees) Limited	1,056,222	4.7

** This holding includes 13,474,225 shares of which M&M Investment Company plc is the beneficial owner. This figure represents 60.0% of the issued share capital of the Company.*

M&M Investment Company plc is controlled by Mr M Sheppard.

Directors' Report (continued)

Directors

The members of the Board who served during the year to 31st July 2014, together with their biographical details, are listed on page 5.

Mr P H A Stanley, in accordance with the recommendations of the AIC Corporate Code of Governance regarding directors with service in excess of 9 years, retires and being eligible, offers himself for re-election.

Mr D Harris, who was re-elected to the Board in November 2012, offers himself for re-election, which is in accordance with the AIC recommended Code.

Mr B Miller, who was elected to the Board in December 2013 will remain on the Board and does not offer himself for re-election.

Directors' interests

The interests of the Directors in the ordinary shares of the Company are:

	31st July 2014 Ordinary shares of 25p	31st July 2013 Ordinary shares of 25p
Beneficial interests		
Mr P H A Stanley (Chairman)	13,250	13,250
Mr D Harris	-	-
Mr B Miller	-	-

No other changes in the above interests occurred between 31st July 2014 and 27th October 2014.

Supplier terms

It is the Group's policy to obtain the best terms for all business, including purchases of investments and to abide by those agreed terms.

The Group had trade payables of £96,000 (2013: £99,000) at the year end. Trade payables are settled by the due date for payment. Payables in respect of investment purchases are settled in accordance with Stock Exchange regulations.

Relationship agreement with controlling shareholder

Post the period end, the Company has, as required by LR 9.2.2A, entered into a written and legally binding relationship agreement with its controlling shareholder, M&M Investment Company plc, and their associates. The purpose of this agreement is to formally ensure compliance with independence provisions set out in LR 6.1.4D.

Since entering the relationship agreement, the Company has fully complied with the independence provisions included within this agreement and, so far as the Company is aware, the independence provisions included in this agreement have also been complied with during the period under review by the controlling shareholder and their associates.

Directors' Report (continued)

Explanation of the Annual General Meeting Special Resolutions

The resolutions stated below are important and require your immediate attention. If you are in any doubt as to what action you should take, you should consult an appropriate independent adviser.

If you have sold or otherwise transferred all of your shares in MLIT you should pass this document to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

There are three items of special business to be considered at the forthcoming Annual General Meeting:

- to seek a renewal of the authority of the Company to issue shares;
- to seek a renewal of the authority to authorise the Directors to allot new shares for cash without offering them first to shareholders in proportion to their existing holdings of shares; and
- to seek a renewal of the authority of the Company to purchase its own shares.

Resolution 7 Authority to issue shares

Resolution 7, which will be put as a special resolution would, if passed, permit the Company to allot up to 6,737,113 ordinary shares, which is an authority to allot up to approximately 30 per cent of the total ordinary share capital in issue (a nominal amount of £1,684,278) at the date of this report. The allotment limit proposed for the current year follows the guidelines of the Association of British Insurers.

The Directors consider it to be in the Company's best interests that they would have the authority to be able to issue new ordinary shares as consideration should investment opportunities arise. The power to allot shares would only be used by the Directors if they believe that to do so would be advantageous to the Company.

The Directors have no present intention of using the authority. Shareholders should note that UK Listing Rules require that the issue of further shares at a price which is at a discount to the net asset value per share would require a further approval from shareholders.

Resolution 8 Authority to issue shares on a non pre-emptive basis

Resolution 8, which will be put as a special resolution would, if passed, permit the Directors to allot up to 1,122,852 of such shares (a nominal amount of £280,713) for cash without offering them first to shareholders in proportion to their existing holdings of shares ("Section 561 Authority") which would be an authority for up to 5 per cent of the total ordinary share capital in issue at the date of this report.

The proposed level of Section 561 Authority is within Investor Protection Committee guidelines. The Section 561 Authority would also permit the Directors to sell treasury shares for cash without first offering them to existing shareholders in proportion to their holding.

The power to allot shares for cash on a non pre-emptive basis would only be used by the Directors if they believe that to do so would be advantageous to the Company. The Directors have no present intention of using the authority.

The authority contained in resolution 8 will continue, if granted, until the next Annual General Meeting of the Company after the passing of this resolution or for 15 months, whichever is the sooner, when the Directors intend seeking further renewal of the authority.

Directors’ Report (continued)

Explanation of the Annual General Meeting Special Resolutions (continued)

Resolution 9 Renewal of authority for the Company to purchase its own shares

The Directors are seeking shareholders' authority to be able to purchase up to 3,366,310 of the Company's own ordinary shares (representing 14.99 per cent of the issued ordinary share capital at the date of this report) in the market at a minimum price of 25p and a maximum price (exclusive of expenses) of the higher of: 5 per cent above the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange daily official list) for the 5 business days before the relevant purchase was made and; the price of the last independent trade and the highest current independent bid for an ordinary share on the London Stock Exchange prior to the purchase.

This authority will, if granted, expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or 15 months from the date of this resolution, whichever is earlier.

The Directors would use this authority with the objective of enhancing shareholder value. Purchases would only be made, within guidelines established from time to time by the Board, through the market for cash, at prices below the prevailing net asset value per ordinary share. The main purpose of any share buy-back would be to enhance the net asset value of the remaining ordinary shares.

The Directors' current intention would be to hold any bought back shares in treasury. If the Company subsequently wished to sell such treasury shares for cash, special resolution number 8 would permit the disapplication of pre-emption rights on such shares up to the limits referred to in that resolution.

The Directors consider that it would be advantageous to shareholders that they have the authority to make such purchases as and when they consider the timing to be favourable. However, use of this authority, if given, would depend upon market conditions and the Board's judgement as to its likely effectiveness in increasing net asset value per share and/or reducing the discount.

It is proposed that any purchase of ordinary shares would be funded from the Company's own cash resources or, if appropriate, from short term borrowings.

Directors' responsibilities in relation to the Company's Auditor

The Directors who held office at the date of approval of this Directors’ Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken steps that ought to have been taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

By Order of the Board
Mr M K Camp
Secretary

27th October 2014

Directors' Responsibilities in Relation to the Annual Report and the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and Article 4 of the EU IAS Regulation. Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company and the Group and of the profit or loss of the Company and Group for that period.

In preparing those financial statements, the Directors are required to:

- properly select suitable accounting policies and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable;
- provide additional disclosure when compliance with the specific requirements of IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company and Group financial position and financial performance;
- state that the Company and Group financial statements have been prepared in accordance with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- make an assessment of the ability of the Company and Group to continue on a going concern basis.

The Directors are responsible for keeping adequate accounting records that show and explain the Company's and Group's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, a Directors' Report and Statement of Corporate Governance that comply with that law and those regulations.

To the best of the knowledge of each of the Directors, whose names are set out on page 5:

(a) the financial statements, prepared in accordance with the IFRS adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

(b) the Annual Report includes a fair review of the development and performance of the fund and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The board confirms that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the performance, strategy and business model of the Group. This statement is underpinned by the comprehensive review process of the annual report by the audit committee and directors. Each of the Directors accepts responsibility accordingly.

On behalf of the Board of Directors
Mr P H A Stanley
Chairman

27th October 2014

Directors' Remuneration Report

This report has been prepared by the Board in accordance with the requirements of the Companies Act 2006 in respect of the year ended 31st July 2014. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

Company law requires the Company's Auditor to audit certain information set out in this report. Where information has been audited it is indicated as such. The Auditor's opinion is included in their report on pages 31 to 33.

Remuneration policy

The Board as a whole reviews and sets the level of remuneration payable to each Director annually.

The Company's Articles of Association limit the aggregate fees payable to the Directors to a total of £200,000 per annum. Subject to this overall limit, it is the Board's policy that the remuneration of Directors should be set at a level that is commensurate with the duties and responsibilities of the role. The Board also takes into account remuneration levels elsewhere in the investment trust industry and all other relevant information when considering Directors' fees. The Board considers that the current policy to remunerate the Directors by way of fixed fees is appropriate to the Company's present circumstances and there are no plans to introduce any alternative remuneration schemes.

Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Terms of Directors' appointment

All Directors hold ongoing, non-fixed term service contracts with the Company requiring six months' notice of termination (under normal circumstances).

There are no agreements between the Company and its Directors concerning compensation for loss of office.

Directors' emoluments for the year (audited)

The Directors who served during the year received the following emoluments in the form of fees:

	Fees 2014 £	Fees 2013 £
Mr P H A Stanley (Chairman)	18,000	18,000
Mr B S Sheppard (Resigned 30th August 2013)	1,000	12,000
Mr D Harris	15,000	15,000
Mr B Miller (Appointed 30th August 2013)	13,750	-
	47,750	45,000

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 27th October 2014 and signed on its behalf by:

Mr P H A Stanley
Chairman

Independent Auditor's Report To The Members of Manchester & London Investment Trust plc

We have audited the financial statements of Manchester & London Investment Trust plc for the year ended 31st July 2014, which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Statements of Financial Position and Consolidated and Company Statements of Cash Flows. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

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

Scope of the audit

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

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31st July 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Our assessment of risks of material misstatement

We identified the following specific risks of material misstatement that had the greatest effect on the audit strategy, the greatest allocation of resources and the main direction of the audit team's efforts;

- Inaccurate valuation of investments, derivatives and related liabilities; and
- Incomplete or inaccurate revenue recognition in respect of entitlement to income.

Independent Auditor's Report To The Members of Manchester & London Investment Trust plc (continued)

Our application of materiality

We applied our professional judgement to assess an appropriate level of materiality for our audit of the financial statements. This provides suitable benchmarks to determine the nature, timing and extent of audit procedures in determining whether the financial statements are free from material misstatements.

After carrying out risk assessment procedures we applied an overall materiality level for the audit of the financial statements at £1.3m based on 2% of Gross Assets. After consideration of the internal control environment and the complexity of account balances we applied a 62.5% reduction factor in determining performance materiality at £0.8m.

Given the importance of the distinction between revenue and capital for the Group we applied a separate performance materiality for the Statement of Comprehensive Income of £0.2m based on an average benchmark of gross return at 1% and return on ordinary activities before taxation at 10%.

We reported to the Board all differences above £65,000 or £17,000 identified through our audit procedures on the Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income respectively.

An overview of the scope of the audit

The audit was completed through a fully substantive approach with use of professional scepticism. Our approach addressed the above risks of material misstatement through the following procedures;

- Reviewing the reconciliation of investment balances to third party custodian statements and subsequent retranslation of foreign currency values;
- Agreeing a sample of investments held at year end to prices from external sources; and
- Agreeing revenue entitlement, on a sample basis, to and from underlying accounting records to 3rd party documentation and recalculating foreign currency balances.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

Independent Auditor's Report To The Members of Manchester & London Investment Trust plc (continued)

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge gained during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses these matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors remuneration specified by law are not made; and
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement set out on page 23 in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Group's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Graham Rigby (Senior Statutory Auditor)
For and behalf of
CLB Coopers
Statutory Auditor
Manchester

27th October 2014

Consolidated Statement of Comprehensive Income

For the year ended 31st July 2014

	Note	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Gains							
Losses on investments at fair value through profit or loss		-	(9,052)	(9,052)	-	(240)	(240)
Trading income	**2**	1,377	-	1,377	627	-	627
Investment income	**2**	2,431	-	2,431	3,189	-	3,189
Gross return		3,808	(9,052)	(5,244)	3,816	(240)	3,576
Expenses							
Investment management fee	**3**	(348)	-	(348)	(411)	-	(411)
Cost of investment transactions		(170)	-	(170)	(82)	-	(82)
Other operating expenses	**4**	(234)	-	(234)	(232)	-	(232)
Total expenses		(752)	-	(752)	(725)	-	(725)
Return before finance costs and tax		3,056	(9,052)	(5,996)	3,091	(240)	2,851
Finance costs	**6**	(1)	(298)	(299)	(2)	(327)	(329)
Return on ordinary activities before tax		3,055	(9,350)	(6,295)	3,089	(567)	2,522
Tax expense	**7**	-	-	-	-	-	-
Return on ordinary activities after tax		3,055	(9,350)	(6,295)	3,089	(567)	2,522
Earnings per ordinary share (pence)							
Basic	**9**	13.63	(41.71)	(28.08)	13.76	(2.53)	11.23
Fully diluted	**9**	13.63	(41.71)	(28.08)	13.76	(2.53)	11.23

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

The Group does not have any Other Comprehensive Income and hence the return on ordinary activities after tax, as disclosed above, is the same as the Group's Total Comprehensive (Loss)/Income.

All items in the above statement derive from continuing operations.

The notes on pages 40 to 54 form part of these financial statements.

Consolidated and Company Statements of Changes in Equity

For the year ended 31st July 2014

Group

	Share capital £'000	Share premium £'000	Treasury shares £'000	Other reserves £'000	Capital reserve (unrealised) £'000	Capital reserve (realised) £'000	Retained earnings £'000	Total £'000
Balance at 1st August 2012	5,614	35,132	-	(79)	8,146	22,916	3,786	75,515
Changes in equity for 2013								
Total comprehensive income	-	-	-	-	-	-	2,522	2,522
Transfer of capital loss	-	-	-	-	(2,550)	1,983	567	-
Ordinary dividend paid	-	-	-	-	-	-	(2,987)	(2,987)
Balance at 31st July 2013	5,614	35,132	-	(79)	5,596	24,899	3,888	75,050
Changes in equity for 2014								
Total comprehensive loss	-	-	-	-	-	-	(6,295)	(6,295)
Buybacks of ordinary shares	-	-	(1,306)	-	-	-	-	(1,306)
Transfer of capital loss	-	-	-	-	9,643	(18,993)	9,350	-
Ordinary dividend paid	-	-	-	-	-	-	(3,088)	(3,088)
Balance at 31st July 2014	5,614	35,132	(1,306)	(79)	15,239	5,906	3,855	64,361

Company

	Share capital £'000	Share premium £'000	Treasury shares £'000	Other reserves £'000	Capital reserve (unrealised) £'000	Capital reserve (realised) £'000	Retained earnings £'000	Total £'000
Balance at 1st August 2012	5,614	35,295	-	(79)	8,079	(889)	27,160	75,180
Changes in equity for 2013								
Total comprehensive income	-	-	-	-	-	-	2,865	2,865
Transfer of capital loss	-	-	-	-	(2,483)	2,419	64	-
Ordinary dividend paid	-	-	-	-	-	-	(2,987)	(2,987)
Balance at 31st July 2013	5,614	35,295	-	(79)	5,596	1,530	27,102	75,058
Changes in equity for 2014								
Total comprehensive income	-	-	-	-	-	-	(6,303)	(6,303)
Buybacks of ordinary shares	-	-	(1,306)	-	-	-	-	(1,306)
Transfer of capital loss	-	-	-	-	9,643	(18,993)	9,350	-
Ordinary dividend paid	-	-	-	-	-	-	(3,088)	(3,088)
Balance at 31st July 2014	5,614	35,295	(1,306)	(79)	15,239	(17,463)	27,061	64,361

The notes on pages 40 to 54 form part of these financial statements.

Consolidated Statement of Financial Position

At 31st July 2014

	Note	2014 £'000	Restated 2013 £'000	Restated 2012 £'000
Non-current assets				
Investments at fair value through profit or loss	**10**	45,664	75,689	79,966
		45,664	**75,689**	**79,966**
Current assets				
Unrealised derivative assets	**16**	291	5,748	1,883
Trade and other receivables	**12**	100	190	81
Cash and cash equivalents	**13**	19,625	21,802	11,432
		20,016	27,740	13,396
Gross assets		**65,680**	**103,429**	**93,362**
Current liabilities				
Unrealised derivative liabilities	**16**	(1,185)	(17,229)	(7,772)
Borrowings	**14**	-	(10,967)	(9,899)
Trade and other payables	**15**	(134)	(183)	(176)
		(1,319)	(28,379)	(17,847)
Net assets		**64,361**	**75,050**	**75,515**
Equity attributable to equity holders				
Ordinary share capital	**17**	5,614	5,614	5,614
Shares held in treasury	**18**	(1,306)	-	-
Share premium		35,132	35,132	35,132
Other reserves				
Capital reserve – realised		5,906	24,899	22,916
Capital reserve – unrealised		15,239	5,596	8,146
Goodwill reserve		(79)	(79)	(79)
Retained earnings		3,855	3,888	3,786
Total equity		**64,361**	**75,050**	**75,515**
Net asset value per share				
Ordinary shares – basic	**19**	**293.2p**	**334.2p**	**336.3p**
Ordinary shares – fully diluted	**19**	**293.2p**	**334.2p**	**336.3p**

The financial statements on pages 34 to 54 were approved by the Board of Directors and authorised for issue on 27th October 2014 and are signed on their behalf by:

Mr P H A Stanley (Chairman)
Mr D Harris

Directors

The notes on pages 40 to 54 form part of these financial statements.

Company Statement of Financial Position

At 31st July 2014

	Note	2014 £'000	Restated 2013 £'000	Restated 2012 £'000
Non-current assets				
Investments at fair value through profit or loss	**10**	45,664	75,689	79,009
Investment in subsidiaries	**11**	-	17	2,180
		45,664	**75,706**	**81,189**
Current assets				
Unrealised derivative assets	**16**	291	5,012	1,883
Trade and other receivables	**12**	100	2,761	83
Cash and cash equivalents	**13**	19,625	14,134	11,336
		20,016	21,907	13,302
Gross assets		**65,680**	**97,613**	**94,491**
Current liabilities				
Unrealised derivative liabilities	**16**	(1,185)	(11,388)	(5,896)
Borrowings	**14**	-	(10,967)	(9,899)
Trade and other payables	**15**	(134)	(200)	(3,516)
		(1,319)	(22,555)	(19,311)
Net assets		**64,361**	**75,058**	**75,180**
Equity attributable to equity holders				
Ordinary share capital	**17**	5,614	5,614	5,614
Shares held in treasury	**18**	(1,306)	-	-
Share premium		35,295	35,295	35,295
Other reserves				
Capital reserve – realised		(17,463)	1,530	(889)
Capital reserve – unrealised		15,239	5,596	8,079
Goodwill reserve		(79)	(79)	(79)
Retained earnings		27,061	27,102	27,160
Total equity		**64,361**	**75,058**	**75,180**

The financial statements on pages 34 to 54 were approved by the Board of Directors and authorised for issue on 27th October 2014 and are signed on their behalf by:

Mr P H A Stanley (Chairman)
Mr D Harris

Directors

The notes on pages 40 to 54 form part of these financial statements.

Consolidated Statement of Cash Flows
For the year ended 31st July 2014

	2014 £'000	2013 £'000
Cash flow from operating activities		
Return on operating activities before taxation	(6,295)	2,522
Interest paid	299	329
Loss/(profit) on investments	2,208	(9,106)
Decrease/(increase) in receivables	90	(109)
(Decrease)/increase in payables	(49)	7
(Increase)/decrease in derivatives	(10,587)	5,592
Net cash used in operating activities	(14,334)	(765)
Cash flow from investing activities		
Purchases of investments	(35,015)	(16,548)
Sales of investments	62,832	29,931
Net cash generated from investing activities	27,817	13,383
Cash flow from financing activities		
Equity dividends paid	(3,088)	(2,987)
Buybacks of ordinary shares	(1,306)	-
(Repaid to)/drawn from loan facility	(10,967)	1,068
Interest paid	(299)	(329)
Net cash used in financing activities	(15,660)	(2,248)
Net (decrease)/increase in cash and cash equivalents	(2,177)	10,370
Cash and cash equivalents at beginning of year	21,802	11,432
Cash and cash equivalents at end of year	**19,625**	**21,802**

The notes on pages 40 to 54 form part of these financial statements.

Company Statement of Cash Flows

For the year ended 31st July 2014

	2014 £'000	2013 £'000
Cash flow from operating activities		
Return on operating activities before taxation	(6,303)	2,865
Interest paid	299	329
Loss/(profit) on investments	2,225	(9,605)
Decrease/(increase) in receivables	2,661	(2,678)
(Decrease)/increase in payables	(66)	(518)
(Increase)/decrease in derivatives	(5,482)	2,363
Net cash used in operating activities	(6,666)	(7,244)
Cash flow from investing activities		
Purchases of investments	(35,015)	(16,368)
Sales of investments	62,832	28,658
Net cash generated from investing activities	27,817	12,290
Cash flow from financing activities		
Equity dividends paid	(3,088)	(2,987)
Buybacks of ordinary shares	(1,306)	-
(Repaid to)/drawn from loan facility	(10,967)	1,068
Interest paid	(299)	(329)
Net cash used in financing activities	(15,660)	(2,248)
Net increase in cash and cash equivalents	5,491	2,798
Cash and cash equivalents at beginning of year	14,134	11,336
Cash and cash equivalents at end of year	**19,625**	**14,134**

The notes on pages 40 to 54 form part of these financial statements.

Notes Forming Part of the Financial Statements

For the year ended 31st July 2014

1. Accounting policies

A summary of the principal accounting policies is set out below.

Manchester & London Investment Trust plc ("MLIT") is a public limited company, which is listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31st July 2014 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

a) Basis of preparation and statement of compliance

In accordance with European Union regulations, these financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB"), as adopted for use in the EU effective at 31st July 2014.

The financial statements have been prepared on the historical cost basis except where IFRS require an alternative treatment.

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

The Group's principal accounting policies are set out below. These accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31st July each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group balances are eliminated on consolidation.

As permitted by Section 408 of the Companies Act 2006, the parent Company's statement of comprehensive income has not been included in these financial statements. The parent Company's comprehensive loss after tax for the year was £6,303,000 (2013: £2,865,000 comprehensive profit).

The results of subsidiaries or businesses acquired or disposed of during the year are included in the consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal as appropriate.

c) Presentation of Statement of Comprehensive Income

In order to reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the statement of comprehensive income between items of a revenue and capital nature has been presented alongside the statement of comprehensive income. The updated Investment Trusts (Approved Company) (Tax) Regulations 2011, has removed the previous Section 833 restriction of the Companies Act 2006 that prohibited the distribution of dividends from net capital returns. However, the net revenue is also the measure the Directors believe appropriate in assessing the Group's compliance with certain requirements set out in Section 1159 Corporation Tax Act 2010.

d) Intangible assets - goodwill

Goodwill arising on consolidation prior to 1st August 1998 has been written off against reserves on acquisition as a matter of accounting policy.

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2014

e) Valuation of investments

Investments held at fair value through profit or loss are initially recognised at fair value, being the consideration given, excluding transaction or other dealing costs associated with the investment.

After initial recognition, investments, which are classified as at fair value through profit or loss, are measured at fair value. Gains or losses on investments designated as at fair value through profit or loss are recognised as a capital item. For investments that are actively traded in organised financial markets, fair value for longs/shorts are determined by reference to Stock Exchange quoted market bid/offer prices respectively, as at the close of business at the end of the reporting period.

Unlisted investments are valued at the Directors' estimate of fair value by reference to the following valuation guidelines – asset values, earnings, dividends, last trade values and any other relevant factors.

All purchases and sales of investments are recognised on the trade date i.e. the date that the Group commits to purchase or sell an asset.

Investments in subsidiaries are valued at cost in accordance with IAS 27 and reviewed annually for impairment.

f) Revenue recognition

Revenue is recognised when it is probable that economic benefits associated with a transaction will flow to the Company and the revenue can be reliably measured.

Income from trading activity includes gains and losses on the trading of shares, equity swaps and futures, net of commissions, interest and other costs expensed.

A position is deemed to be trading activity rather than investment if the position has been opened and closed and the duration that the position was open is less than twelve months. Changes to core holdings will not be classified as trading activities regardless of their duration. Positions opened but not yet closed are deemed to be investments in nature until closed at which point their duration determines if they are classified as trading rather than investment.

Listed options and futures contracts are recognised at fair value through profit or loss and fall within the classification of held for trading under FRS 26. The fair value is the applicable closing price of the underlying option or contract.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established, normally the ex-dividend date. Special dividends representing a return of capital are credited to capital reserves.

Fixed returns on non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield on the shares.

Where the Group has elected to receive its dividends in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as income.

g) Derivatives

Derivatives include equity swaps, futures and options. The Company recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument.

Derivatives are held at fair value based upon traded prices and/or third party information provided and are recognised in the Statement of Comprehensive Income. They are recognised as capital and are shown in the capital column of the Statement of Comprehensive Income if they are of a capital nature, and are recognised as revenue and shown in the revenue column of the Statement of Comprehensive Income if they are of a revenue nature.

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2014

h) Treasury shares

Consideration paid for the purchase of shares held in treasury is recognised directly in equity reserves.

i) Expenses

All expenses are accounted for on the accruals basis and with the exception of capital interest are charged to revenue.

j) Finance costs

Finance costs are accrued at the effective interest rate.

k) Taxation

The tax charge represents the sum of the tax currently payable and any deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from return on operating activities before tax as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax balances are not discounted.

Investment Trusts which have approval under Section 1158 Corporation Tax Act 2010 are not liable for taxation on capital or revenue gains.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited through profit and loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

l) Dividends payable to shareholders

No equity dividend is accrued unless the shareholders' right to receive payment is established in the period. Dividends proposed after the end of the reporting period are disclosed in note 8.

m) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank, short-term deposits with an original maturity of three months or less and cash held in highly liquid investment accounts.

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2014

n) Capital reserve

Capital reserve - realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments; and
- expenses and finance costs, together with the related taxation effect, are charged to this reserve in accordance with the above policies.

Capital reserve - unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end.

o) Foreign currencies

In preparing the financial statements, transactions in currencies other than pounds sterling are recorded at the actual rate of exchange prevailing on the dates of the transactions. At each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period.

Foreign exchange gains and losses arising from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities in foreign currencies are recognised through profit or loss or capital dependent upon their duration.

p) New standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations with a date of adoption for annual periods beginning on or after the effective date shown:

Accounting Standards		***Effective date***
IFRS 10	Consolidated Financial Statements	1st January 2014
IFRS 11	Joint Arrangements	1st January 2014
IFRS 12	Disclosure of Interests in Other Entities	1st January 2014
IAS 27	Separate Financial Statements (2011)	1st January 2014
IAS 28	Investments in Associates and Joint Ventures (2011)	1st January 2014
IAS 32	Financial Instruments: Presentation	1st January 2014
IAS 36	Impairment of Assets	1st January 2014
IAS 39	Financial Instruments: Recognition and Measurement	1st January 2014

The Directors have chosen not to early adopt the above standards and interpretations and they do not anticipate that they would have a material impact on the Company's financial statements in the period of initial application.

q) Prior year restatement

In 2014 the Group amended its presentation of derivatives to improve reporting alignment to industry standards. The effects of this restatement are shown in the Group and Company balance sheets and in notes 15 and 16.

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2014

2. Income

Total income comprises	2014 £'000	2013 £'000
Trading income	1,377	627
Dividends from listed investments	2,428	3,181
Interest	3	8
	3,808	3,816

Finance, commission and other costs (including stamp duty) deducted in the calculation of Trading income are not disclosed separately.

3. Investment management fee

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Investment management fee	348	-	348	411	-	411

Midas provides investment services to the Company under a management agreement with a termination period of three months. The annual fee is 0.5 per cent of the total portfolio value including cash and short term deposits, payable quarterly in arrears. The fee is not subject to Value Added Tax ("VAT"). Transactions with Midas during the year are disclosed in note 21.

The investment management fee is chargeable 100 per cent to revenue.

4. Other operating expenses

	2014 £'000	2013 £'000
Directors' fees	48	57
Auditors' remuneration - audit	23	28
Registrar fees	11	10
Exchange rate variances	45	3
Other expenses	107	134
	234	232
Directors' fees – Subsidiaries	-	12
Directors' fees – Company	48	45
	48	57
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	23	25
Fees payable to the Company's auditor for other services:		
• the audit of the Company's subsidiaries pursuant to legislation	-	3
• other services relating to taxation	7	7
	30	35

Other operating expenses include irrecoverable VAT where appropriate.

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2014

5. Staff numbers and costs

Excluding Directors, the Group employs no members of staff.

Included in Directors' fees above (note 4) are the emoluments paid to the Chairman as follows:

	2014 £'000	2013 £'000
P H A Stanley (Chairman)	18	18

6. Finance costs

	2014 £'000	2013 £'000
Charged to revenue	1	2
Charged to capital	298	327
	299	329

The finance costs attributable to closed positions defined as Trading Income are deducted in the calculation of Trading Income along with commission costs and neither are disclosed separately.

7. Taxation

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Current UK corporation tax	-	-	-	-	-	-

The charge for the year can be reconciled to the profit per the income statement as follows:

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Profit/(loss) before tax	3,055	(9,350)	(6,295)	3,089	(567)	2,522
Tax at the UK corporation tax rate of 22.33% (2013: 23.67%)	682	(2,088)	(1,406)	731	(134)	597
Tax effect of non-taxable dividends/unrealised profits	(489)	-	(489)	(727)	-	(727)
Income not subject to UK corporation tax	(308)	-	(308)	(32)	-	(32)
Brought forward losses utilised during the period	-	-	-	-	(30)	(30)
Losses on investments not relieved	-	2,022	2,022	-	165	165
Other non-taxable income less expenses not deductible for tax	-	66	66	(112)	-	(112)
Excess management expenses	115	-	115	140	(1)	139
Current year tax charge	-	-	-	-	-	-

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2014

Taxation (continued)

The Company has surplus management expenses at 31st July 2014 of £3,053,000 (2013: £2,538,000).

At 31st July 2014, there is an unrecognised deferred tax asset, measured at the standard rate of 21 per cent, of £641,000 (2013: £584,000). This deferred tax asset relates to surplus management expenses. It is unlikely that the Group will generate sufficient taxable profits in the foreseeable future to recover these amounts and therefore the asset has not been recognised in the year, or in prior years.

As at 31st July 2014, the Company has unrelieved capital losses of £9,330,000 (2013: £9,330,000). There is therefore, a related unrecognised deferred tax asset, measured at the standard rate of 21 per cent, of £1,959,000 (2013: £2,146,000). These capital losses can only be utilised to the extent that the Company does not qualify as an investment trust in the future and, as such, the asset has not been recognised.

8. Dividends

	2014 £'000	2013 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31st July 2013 of 8.25p (2012: 7.80p) per share	1,853	1,752
Interim dividend for the year ended 31st July 2014 of 5.50p (2013: 5.50p) per share	1,235	1,235
	3,088	2,987

A further interim special dividend of 5.00p per share was paid 22nd August 2014.

The Directors are proposing a final ordinary dividend of 1.98p for the financial year 2014 and a second special dividend for the financial year 2014 of 1.27p. These proposed dividends have been excluded as a liability in these financial statements in accordance with IFRS.

We also set out below the total dividend payable in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered.

	2014 £'000	2013 £'000
Interim ordinary dividend for the year ended 31st July 2014 of 5.50p (2013: 5.50p) per share	1,235	1,235
Proposed final ordinary dividend for the year ended 31st July 2014 of 1.98p (2013: 8.25p) per share*	431	1,853
Interim special dividend for the year ended 31st July 2014 of 5.00p (2013: Nil) per share	1,098	-
Proposed second special dividend for the year ended 31st July 2014 of 1.27p (2013: Nil) per share*	277	-
	3,041	3,088

*Based on the total shares eligible to receive dividend as at 27th October 2014.

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2014

9. Return per ordinary share

The calculation of the basic and fully diluted earnings per ordinary share is based on the following:

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Return:						
Basic and fully diluted	3,055	(9,350)	(6,295)	3,089	(567)	2,522

Basic revenue, capital and total return per ordinary share is based on the net revenue, capital and total return for the period and on the weighted average number of ordinary shares in issue (excluding those shares held in treasury per note 18) of 22,417,547 (2013: 22,457,042).

10. Investments at fair value through profit or loss

	Group & Company 2014 £'000	2013 £'000
Investments as below	45,664	75,689

	Listed £'000	Unlisted £'000	Total £'000
Opening cost at 1st August	60,129	56	60,185
Opening unrealised appreciation at 1st August	15,436	68	15,504
Opening fair value at 1st August	75,565	124	75,689
Purchases at cost	35,015	-	35,015
Sales proceeds	(62,832)	-	(62,832)
Realised profit on sales	(1,649)	-	(1,649)
(Decrease)/increase in unrealised appreciation	(568)	9	(559)
Closing fair value at 31st July	45,531	133	45,664
Closing cost at 31st July	30,663	56	30,719
Closing unrealised appreciation at 31st July	14,868	77	14,945
Closing fair value at 31st July	45,531	133	45,664

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2014

11. Subsidiary undertakings

	Company	
	2014 £'000	2013 £'000
Opening cost at 1st August	17	2,180
Subsidiaries purchase of own shares	-	(2,163)
Write down of subsidiaries	(17)	-
Closing cost at 31st July	-	17

The Company has investments in the following subsidiary undertakings:

Name of undertaking	Principal Activity	Country of incorporation and operation	% of shares held Ordinary shares	Preference shares
OSP Limited	Non-Trading	Guernsey	100	-
Manchester & London Securities Limited	Dormant	England	100	-
Saintclose Limited	Dormant	England	100	-
Beacontree Plaza Limited	Dormant	England	100	100
Beaconbranch Limited	Dormant	England	100*	-
Darethrift Limited	Dormant	England	100	-
Fileglow Limited	Dormant	England	100	-
Zealgate Limited	Dormant	England	100	-

All these subsidiary undertakings are included in the consolidation.

*Beaconbranch Limited is 100 per cent owned by Beacontree Plaza Limited.

In the opinion of the Directors, there is no material difference between the book value and fair value of these investments.

12. Trade and other receivables

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Receivables from subsidiary undertakings	-	-	-	2,571
Dividend receivables	51	49	51	49
Other receivables	10	133	10	133
Prepayments	39	8	39	8
	100	190	100	2,761

13. Cash and cash equivalents

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Cash & cash equivalents	19,625	21,802	19,625	14,134

Notes Forming Part of the Financial Statements (continued)
For the year ended 31st July 2014

14. Borrowings and securities

During the current and preceding period, the Company operated a Flexible Revolving Loan Facility with a maximum limit of £11m with Pershing Securities Limited, a subsidiary of The Bank of New York Mellon Corporation.

During the year this loan was repaid in full and the facility cancelled. As at 31st July 2014, the balance on the loan facility was £Nil (2013: £10,967,000).

As part of custodian relationships, assets held with both Morgan Stanley & Co. International plc and JP Morgan Chase & Co. are subject to a first fixed charge with full title guarantee as continuing security.

15. Trade and other payables

Group

	2014 £'000	2013 £'000	Effect of Restatement £'000	Restated 2013 £'000
Trade payables	96	99	-	99
Accruals	38	1,764	(1,680)	84
	134	1,863	(1,680)	183

Company

	2014 £'000	2013 £'000	Effect of Restatement £'000	Restated 2013 £'000
Trade payables	96	99	-	99
Payables to subsidiary undertakings	-	17	-	17
Accruals	38	1,764	(1,680)	84
	134	1,880	(1,680)	200

The above restatement reflects the revised grouping of derivatives and related liabilities in the Group and Company balance sheets (see note 16).

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2014

16. Derivatives

The Company may use a variety of derivative contracts, including equity swaps, futures, forwards and options under master agreements with the Company's derivative counterparties to enable the Company to gain long and short exposure on individual securities. Derivatives are valued by reference to the underlying market value of the corresponding security.

The sources of the return under the derivative contract (e.g. notional dividends, financing costs, interest returns and capital changes) are allocated to the revenue and capital accounts in accordance with the nature of the underlying source of income and in accordance with the guidance given in the AIC SORP. Notional dividend income arising on long positions is apportioned wholly to the revenue account. Notional interest expense on long positions is initially allocated 100% to capital whilst the position is unrealised, however, upon realisation these costs are expensed through the income statement as revenue or capital in accordance with the Company's revenue recognition accounting policy. Unrealised changes in value relating to underlying price movements of securities in relation to derivatives are allocated to revenue or capital, dependent upon their nature.

The total fair value of the derivatives at 31st July 2014 was negative £894,000 (2013: negative £11,481,000). The corresponding gross exposure on equity swaps as at 31st July 2014 was £21,273,000 (2013: £105,130,000). The net marked to market futures and options total value as at 31st July 2014 was negative £290,000 (2013: negative £1,680,000).

In 2014, the Group amended its presentation of derivatives. Previously equity swaps had been shown in the balance sheet at the full notional exposure with the corresponding liability also grossed up and shown in liabilities. This policy was amended to aggregating equity swap assets with other derivative assets within current assets, and to grouping equity swap liabilities with other derivative liabilities within current liabilities in order to align with industry norm. The effects of this restatement can be seen below and in note 15.

Group

	2014 £'000	2013 £'000	Effect of Restatement £'000	Restated 2013 £'000
Assets				
Equity swaps - longs	-	49,457	(49,457)	-
Unrealised derivatives assets	291	-	5,748	5,748
Equity swaps - shorts	-	55,673	(55,673)	-
	291	105,130	(99,382)	5,748
Current liabilities				
Unrealised derivative liabilities	1,185	-	17,229	17,229
Equity swaps - liability	-	114,931	(114,931)	-
	1,185	114,931	(97,702)	17,229

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2014

Derivatives (continued)

Company

	2014 £'000	2013 £'000	Effect of Restatement £'000	Restated 2013 £'000
Assets				
Equity swaps - longs	-	31,027	(31,027)	-
Unrealised derivatives assets	291	-	5,012	5,012
Equity swaps - shorts	-	34,180	(34,180)	-
	291	65,207	(60,195)	5,012
Current liabilities				
Unrealised derivative liabilities	1,185	-	11,388	11,388
Equity swaps - liability	-	69,903	(69,903)	-
	1,185	69,903	(58,515)	11,388

The net impact of the restatements in notes 15 and 16 to total shareholder funds for both Group and Company is £nil.

17. Share capital

Ordinary share capital	No. ('000)	2014 £'000	No. ('000)	2013 £'000
Authorised				
Ordinary shares of 25p each	28,000	7,000	28,000	7,000
Non-voting Convertible Preference shares of £1 each	1,000	1,000	1,000	1,000
Ordinary shares of 25p each issued and fully paid				
Balance as at 1st August	22,457	5,614	22,457	5,614
Balance as at 31st July	22,457	5,614	22,457	5,614

Ordinary shares carry the right to one vote and the right to dividends.

18. Shares held in treasury

	No. ('000)	2014 £'000	No. ('000)	2013 £'000
Shares bought back during year	506	1,306	-	-
Balance as at 31st July	506	1,306	-	-

At the annual general meeting held on 2nd December 2013, shareholders approved the Board's proposal to authorise the Company to acquire up to 14.99 per cent of its issued share capital as at 31 July 2013.

During the year the Company bought back 505,851 (2.3%) of its Ordinary Shares for a total consideration of £1,306,000. These shares were held in Treasury throughout the period.

See note 24 for details of transactions in the Company's own shares since the year end.

Notes Forming Part of the Financial Statements (continued)
For the year ended 31st July 2014

19. Net asset value per share

	Net asset value per share 2014 p	Net asset value per share 2013 p	Net assets attributable 2014 £'000	Net assets attributable 2013 £'000
Ordinary shares: basic and fully diluted	293.2	334.2	64,361	75,050

The basic net asset value per ordinary share is based on net assets at the year end and 21,951,191 (2013: 22,457,042) ordinary shares in issue, adjusted for any shares held in treasury.

20. Risks – Investments, derivatives and other risks

In order to manage its portfolio efficiently and to enable the Investment Manager to pursue the investment objectives as set out on page 9, the Group holds equity swaps, derivatives and other financial instruments. All equity swaps, derivative transactions and financial instruments are accounted for at fair value and comprise securities, cash balances, trade receivables and trade payables arising directly from financial operations.

The main risk arising from the Group's investment strategy is market price risk. There is also exposure to liquidity risk, interest rate risk and currency rate risk.

The Board regularly reviews and agrees policies for managing these risks, which are monitored by the Administrator, as summarised below.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Group might suffer through holding market positions in the face of price movements. Both the Investment Manager and the Administrator actively monitor market prices throughout the year and report to the Board which meets regularly to review investment strategy.

Details of the long equity exposures held at 31st July 2014 are shown on page 7.

If the price of these investments and equity swaps had increased by 3 per cent at the reporting date with all other variables remaining constant, the capital return in the statement of comprehensive income and the net assets attributable to equity holders of the Group would increase by £2,008,000.

A 3 per cent decrease in share prices would have resulted in an equal and opposite effect of £2,008,000, on the basis that all other variables remain constant.

At the year end the Group's assets exposed to market price risk were as follows:

	Group 2014 £'000	Group Restated 2013 £'000	Company 2014 £'000	Company Restated 2013 £'000
Equity long exposures				
Investments held in equity form	45,664	75,689	45,664	75,706
Long exposure held in equity swaps	21,273	49,457	21,273	31,027
	66,937	125,146	66,937	106,733
Derivatives				
Unrealised derivative assets	291	5,748	291	5,012
	67,228	130,894	67,228	111,745

Notes Forming Part of the Financial Statements (continued)
For the year ended 31st July 2014

Risks – Investments, derivatives and other risks (continued)

Interest rate risk
Interest rate risk arises from uncertainty over the interest rates charged by financial institutions. It represents the potential increased costs of financing for the Group. The Investment Manager actively monitors interest rates and the Group's ability to meet its financing requirements throughout the year and reports to the Board.

Liquidity risk
The Directors have minimised liquidity risk by investing in a portfolio of quoted companies that are readily realisable.

The Group's un-invested funds are held almost entirely with the Custodians or on interest bearing deposits with UK banking institutions.

As at 31st July 2014 the financial liabilities comprised:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	£'000	**£'000**	**£'000**	**£'000**
Unrealised derivative liabilities	1,185	17,229	1,185	11,388
Loan facility	-	10,967	-	10,967
Trade payables and accruals	134	183	134	200
	1,319	28,379	1,319	22,555

All of the above liabilities are due within one month and are stated at fair value.

The Group manages liquidity risk through constant monitoring of the Group's gearing position to ensure the Group is able to satisfy any and all debts within the agreed credit terms.

Currency rate risk
The only material foreign currency exposures are Syngenta AG with a market value of £2,644,000, denominated in Swiss Francs, bioMérieux SA, KWS SAAT AG, Pernod Ricard SA, Davide Campari-Milano S.p.A. and Euronext NV denominated in Euros with a combined market value of £9,890,000, Svenska Cellulosa AB denominated in SEK with a market value of £1,411,000 and Jardine Matheson Holdings Ltd denominated in US Dollars with a market value of £4,331,000.

In addition the group held cash exposure to US Dollars of £2,400,000 at the year end.

The Group constantly monitors currency rate risk to ensure balances wherever possible are translated at rates favourable to the group.

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2014

21. Related party transactions

The Investment Manager of the Company is Midas Investment Management Limited, a Company controlled by Mr M Sheppard. Midas receives a quarterly investment management fee for these services which in the year under review amounted to a total of £348,000 (2013: £411,000) excluding VAT, together with a corporate fee for acting as financial adviser amounting to £30,000 (2013: £30,000) excluding VAT to the Company and commission fees of £293,000 (2013: £141,000) excluding VAT to the Group. The balance owing to Midas at 31st July 2014 was £82,000 (2013: £96,000).

During the year the Company paid service, administration and secretarial charges totalling £18,000 (2013:£Nil) to its parent company, M&M Investment Company plc. There were no amounts outstanding in respect of these charges as at 31 July 2014 (2013: £Nil).

The Company's subsidiaries are listed in note 11.

As at 31st July 2014, the Company had the following outstanding interest free loans:

I. £Nil due from OSP Limited (2013: £2,563,000).

II. £Nil due to Saintclose Limited (2013: £10,000).

III. £Nil due from Manchester & London Securities Limited (2013: £8,000).

IV. £Nil due to Beacontree Plaza Limited (2013: £7,000).

22. Capital management

There are no externally imposed capital requirements. The capital managed is noted in the Statements of Changes in Equity on page 35 and managed in accordance with the Investment Policies and Objectives on page 9.

23. Ultimate control

The holding company and ultimate parent throughout the year and the previous year was M&M Investment Company plc (formerly Manchester & Metropolitan Investment Limited), a company incorporated in England and Wales. This company was controlled throughout the year and the previous year by Mr M Sheppard and his immediate family.

A copy of the consolidated financial statements of M&M Investment Company plc can be obtained by writing to The Company Secretary, 2nd Floor, Arthur House, Chorlton Street, Manchester M1 3FH.

24. Post balance sheet events

Since the end of the reporting period the Company has bought back 166,885 of its own ordinary 25p shares for an aggregate cost of £407,000. These shares are all currently held in treasury.

Shareholder Benefits

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

Centre Court

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

The Sheppard family remove their shares from the draw to manage conflicts of interest hence your probability of success more than doubles.

Shareholders Notes