

Mid Wynd  
International  
Investment Trust *PLC*

Annual Financial Report  
for the year ended  
30 June 2018



**ARTEMIS**  
The PROFIT Hunter

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## Financial Highlights

### Returns for the year ended 30 June 2018

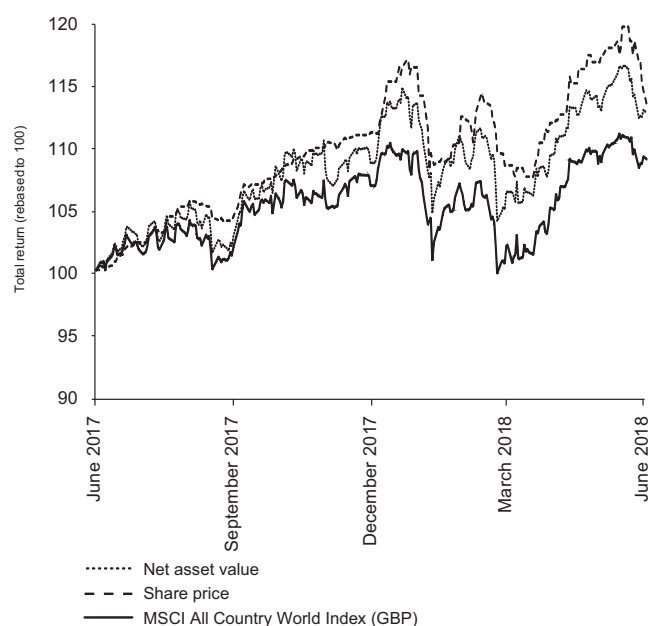
|                                        | Year ended<br>30 June 2018    | Year ended<br>30 June 2017    |
|----------------------------------------|-------------------------------|-------------------------------|
| <b>Total returns</b>                   |                               |                               |
| Share price <sup>†</sup>               | 13.4%                         | 27.5%                         |
| Net asset value per share <sup>†</sup> | 12.7%                         | 21.0%                         |
| MSCI All Country World Index (GBP)     | 8.9%                          | 22.2%                         |
| <b>Revenue and dividends</b>           |                               |                               |
| Revenue earnings per share             | 7.14p                         | 5.41p                         |
| Dividends per share*                   | 5.55p                         | 5.00p                         |
| Ongoing charges <sup>†</sup>           | 0.7%                          | 0.7%                          |
| <b>Capital</b>                         | <b>As at<br/>30 June 2018</b> | <b>As at<br/>30 June 2017</b> |
| Net asset value per share              | 493.23p                       | 439.75p                       |
| Share price                            | 498.00p                       | 441.00p                       |
| Gearing <sup>†</sup>                   | —                             | 0.3%                          |
| Net cash <sup>†</sup>                  | 1.7%                          | —                             |

Source: Artemis/Datastream.

<sup>†</sup> Alternative Performance Measure (see page 55).

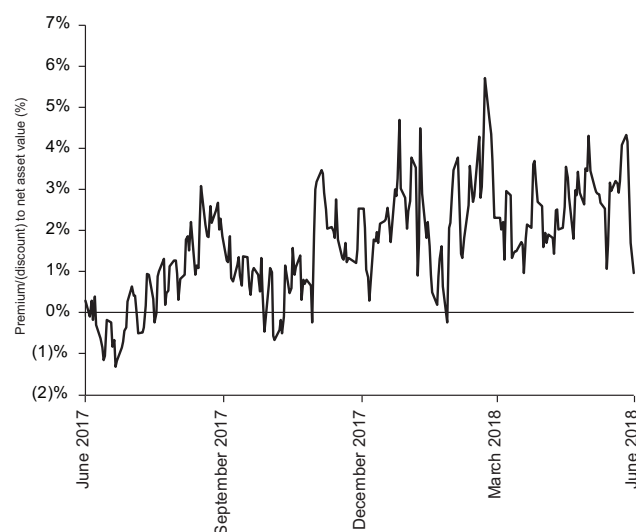
\* The final dividend for the year to 30 June 2018 of 3.75 pence will, if approved by shareholders, be paid on 30 November 2018 to shareholders on the register at the close of business on 5 October 2018. The Company's Registrar provides a Dividend Reinvestment Plan (see page 53) and the final date for receipt of elections for this dividend is 9 November 2018.

### Performance for the year ended 30 June 2018



Source: Datastream/Morningstar.

### (Discount)/premium during the year ended 30 June 2018



Source: Datastream/Morningstar.

| Total returns to 30 June 2018          | 3 years | Since 1 May 2014** | 5 years |
|----------------------------------------|---------|--------------------|---------|
| Share price <sup>†</sup>               | 56.4%   | 93.6%              | 106.3%  |
| Net asset value per share <sup>†</sup> | 58.2%   | 89.3%              | 107.1%  |
| MSCI All Country World Index (GBP)     | 50.8%   | 69.7%              | 80.1%   |

Source: Artemis/Datastream/Morningstar.

<sup>†</sup> Alternative Performance Measure (see page 55).

\*\* The date when Artemis was appointed as Investment Manager.

## Ten year summary

| At 30 June  | Total net assets (£'000) <sup>1</sup> | Borrowings (£'000) | Shareholders' funds (£'000) | Net asset value per share (at fair value) (p) | Share price (p) | Premium/ (discount) (%) | Dividends per share (p) <sup>2</sup> | Ongoing charges (%) <sup>†</sup> | Gearing/ (net cash) (%) <sup>†</sup> |
|-------------|---------------------------------------|--------------------|-----------------------------|-----------------------------------------------|-----------------|-------------------------|--------------------------------------|----------------------------------|--------------------------------------|
| 2009        | 40,953                                | (1,888)            | 39,065                      | 155.30                                        | 134.50          | (13.4)                  | 3.00                                 | 0.8                              | 4.5                                  |
| 2010        | 55,409                                | (5,347)            | 50,062                      | 201.64                                        | 187.00          | (7.3)                   | 3.10                                 | 0.9                              | 9.9                                  |
| 2011        | 71,795                                | (5,506)            | 66,289                      | 251.44                                        | 254.00          | 1.0                     | 3.30                                 | 0.8                              | 6.3                                  |
| 2012        | 66,763                                | (4,927)            | 61,836                      | 229.80                                        | 230.75          | 0.4                     | 3.30                                 | 0.9                              | 6.0                                  |
| 2013        | 71,858                                | (5,071)            | 66,787                      | 253.10                                        | 256.63          | 1.4                     | 3.40                                 | 0.9                              | 5.8                                  |
| 2014        | 67,744                                | (4,902)            | 62,842                      | 279.17                                        | 274.50          | (1.7)                   | 3.80                                 | 0.8                              | 5.8                                  |
| 2015        | 85,463                                | (4,622)            | 80,841                      | 322.87                                        | 329.75          | 2.1                     | 4.00                                 | 0.8                              | —                                    |
| 2016        | 113,064                               | (5,438)            | 107,626                     | 369.70                                        | 352.00          | (4.8)                   | 4.50                                 | 0.7                              | 0.9                                  |
| 2017        | 146,907                               | (3,849)            | 143,058                     | 439.75                                        | 441.00          | 0.3                     | 5.00                                 | 0.7                              | 0.3                                  |
| <b>2018</b> | <b>187,979</b>                        | <b>(4,442)</b>     | <b>183,537</b>              | <b>493.23</b>                                 | <b>498.00</b>   | <b>1.0</b>              | <b>5.55</b>                          | <b>0.7</b>                       | <b>(1.7)</b>                         |

Source: Artemis.

<sup>1</sup> Total net assets comprise net assets before deduction of bank loans.

<sup>2</sup> The 2018 dividend includes the proposed final dividend of 3.75 pence per share which is subject to shareholder approval at the Annual General Meeting.

<sup>†</sup> Alternative Performance Measure (see page 55).

## Cumulative ten year performance summary (from 30 June 2008)

| At 30 June  | Dividend growth <sup>2</sup> | Retail Prices Index <sup>1</sup> | Net asset value per share (at fair value) total return <sup>2†</sup> | Share price total return <sup>2†</sup> | MSCI All Country World Index (GBP) total return <sup>2</sup> |
|-------------|------------------------------|----------------------------------|----------------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------|
| 2009        | 7.1%                         | (1.9)%                           | (20.4)%                                                              | (16.6)%                                | (14.6)%                                                      |
| 2010        | 10.7%                        | 2.4%                             | 5.0%                                                                 | 18.3%                                  | 5.1%                                                         |
| 2011        | 17.9%                        | 6.8%                             | 32.7%                                                                | 62.9%                                  | 27.4%                                                        |
| 2012        | 17.9%                        | 9.2%                             | 23.0%                                                                | 50.1%                                  | 22.0%                                                        |
| 2013        | 21.4%                        | 12.1%                            | 37.4%                                                                | 69.2%                                  | 47.0%                                                        |
| 2014        | 35.7%                        | 14.4%                            | 53.4%                                                                | 83.4%                                  | 60.4%                                                        |
| 2015        | 42.9%                        | 14.8%                            | 79.7%                                                                | 123.2%                                 | 75.6%                                                        |
| 2016        | 60.7%                        | 15.9%                            | 108.6%                                                               | 141.3%                                 | 98.9%                                                        |
| 2017        | 78.6%                        | 19.0%                            | 152.4%                                                               | 207.8%                                 | 143.1%                                                       |
| <b>2018</b> | <b>92.9%</b>                 | <b>22.2%</b>                     | <b>184.4%</b>                                                        | <b>249.1%</b>                          | <b>164.8%</b>                                                |

<sup>1</sup> Source: Office for National Statistics Jevons formula.

<sup>2</sup> Source: Artemis/Datastream/Morningstar.

<sup>†</sup> Alternative Performance Measure (see page 55).

## Strategic Report

### Chairman's Statement

#### Performance

For the year ended 30 June 2018 the Company's share price rose by 13.4%, on a total return basis with dividends assumed to be re-invested. This compares to a total return from the MSCI All Country World Index (GBP) of 8.9%.

The Company's net asset value per share increased by 12.2%, in capital only terms, and by 12.7% on a total return basis. Since Artemis' appointment as Investment Manager on 1 May 2014, the net asset value per share has increased by 89.3%, on a total return basis, against the benchmark's increase of 69.7%.

At 30 June 2018, the shares stood at a 1.0% premium to net asset value.

Further details of the performance of the Company during the year are included in the Investment Manager's review.

#### Earnings and Dividend

The total return for the year ended 30 June 2018 was a gain of 53.34 pence per share, comprising a revenue gain of 7.14 pence per share and a capital gain of 46.20 pence per share. The Board is proposing a final dividend of 3.75 pence per share which, subject to approval by shareholders at the Annual General Meeting ('AGM'), will be paid on 30 November 2018 to those shareholders on the register at the close of business on 5 October 2018. An interim dividend of 1.80 pence per share was paid in April 2018.

In accordance with the Board's aim of paying progressive dividends, the total dividend for the current year of 5.55 pence per share represents an increase of 11.0% on the 5.00 pence per share paid in respect of the year ended 30 June 2017. This year's total dividend has been covered by earnings for the current year and the excess earnings are retained in the Company's revenue reserve. This reserve represents 4.65 pence per share once the final dividend has been taken into account. Whilst the Board aims to grow the dividend progressively over time, it should not be assumed that this rate of growth will be replicated every year; indeed if the Company continues to be successful in issuing new shares, the existing revenue reserves per share will become diluted over time. The ability to retain a certain amount of income each year is a helpful feature of an investment trust and it provides a degree of investment flexibility. This reserve will be used as necessary to support the Company's objective of growing its dividend in future years.

#### Share capital

Demand for the Company's shares continued to be strong over the year and they have typically traded at a premium to net asset value. The Company's policy is to issue and re-purchase shares, where necessary, to maintain the

share price within the 2% band relative to the net asset value. The Board's longer term strategic aim is to continue to increase the net assets of the Company, thereby improving the liquidity in the shares and reducing the 'per share' running cost.

A targeted PR and advertising campaign was undertaken, in pursuit of this aim, in order to seek to raise the profile of the Company and generate further demand for shares. It was well received and a number of share issues ensued.

Another important milestone was met in June 2018 when the Company's shares became a constituent of the FTSE SmallCap Index, part of the FTSE All-Share Index. This has led to further demand for the Company's shares from index-trackers, which are funds that seek to replicate the performance of a stock market index.

The Board is therefore pleased that, during the year ended 30 June 2018, the Company issued 4,680,000 new shares raising £23.3 million. This represented 14.4% of the share capital at the start of the year. The net assets of the Company have almost trebled in four years, through the combination of strong investment performance and share issues.

Since the year end, a further 650,000 shares have been issued raising £3.4 million of new money.

#### Borrowings

In February 2018 the Company's US\$16 million revolving credit facility with Scotiabank expired. Ahead of this the Company undertook a review of its borrowing requirements and invited several banks to quote for the business. The Board approved a three year, US\$30 million multi-currency facility with Scotiabank (Ireland) Designated Activity Company on revised terms. Further information on the Company's gearing is set out on page 12.

#### AGM

The AGM will be held on Tuesday 6 November 2018 at 12 noon at 42 Melville Street, Edinburgh, Midlothian EH3 7HA. The Board welcomes your attendance as it provides shareholders with an opportunity to ask questions of the Board and the Investment Manager. Artemis will make a short presentation at the meeting. For those shareholders who are unable to attend, I would encourage you to make use of your proxy votes by completing and returning the form of proxy enclosed with this report.

#### Outlook

Much on a geo-political level is unclear. The Turkish financial crisis, the eventual outcome of Brexit, the extent of future interest rate increases in the United States and whether President Trump's tariff policy will lead to a full-blown global trade war are all matters which may concern markets in the coming year. While the Company's Investment Manager has reduced the portfolio's exposure to stocks which would suffer in a global 'trade war' (such

as makers of automation equipment), your Investment Manager remains focused on stock-picking and concentrates on companies which, it believes, can continue to grow their cashflows in most conditions.

Of course the bull market that began in March 2009 will not go on forever. Ultimately recessions cause bear markets. Many commentators are predicting a US, and indeed a global, recession in 2020. The catalyst for that will be apparent only in hindsight. In the meantime, we continue to believe that a diversified portfolio of companies exposed to growth around the world, and whose share prices are clearly supported by their underlying cashflows, will continue to serve your Company well over the longer term – come bull or bear.

#### **Contact us**

Shareholders can keep up to date with developments between formal reports by visiting [midwynd.co.uk](http://midwynd.co.uk) where you will find information on the Company including a factsheet which is updated monthly. In addition, the Board is always keen to hear from shareholders. Should you wish to, you can e-mail the Chairman at [midwyndchairman@artemisfunds.com](mailto:midwyndchairman@artemisfunds.com).

**Malcolm Scott**

6 September 2018

## Strategic Report (continued)

## Investment Manager's Review

## Performance

Like the previous year, the past year has been one of steady returns against a background of political turbulence and rising interest rates. Economic growth was excellent around the world and inflation remained low, supporting equity markets. Most of our core investments continue to grow their underlying cashflows and this enabled the Company to produce another year of high real returns for its shareholders.

Over the year, the Company's net asset value, in capital terms, rose 12.2%. This compares with the MSCI All Country World Index (GBP), which rose by 6.9% in capital terms. Again, stocks with consistent growth performed rather better than 'value' stocks, despite these seeming to trade on lower multiples of earnings. Many older 'blue-chip' businesses lack growth and seem challenged by changes in technology and the modern business environment.

## Regional performance

| Region           | Contribution % |
|------------------|----------------|
| North America    | 6.2            |
| Europe           | 3.9            |
| Japan            | 2.5            |
| Emerging Markets | 0.4            |
| United Kingdom   | 0.2            |
| Developed Asia   | (0.1)          |

## Thematic performance

| Theme                    | Contribution % |
|--------------------------|----------------|
| Online Services          | 3.6            |
| Healthcare Costs         | 2.0            |
| Automation               | 1.9            |
| Emerging Market Consumer | 1.9            |
| Scientific Equipment     | 1.4            |
| Tourism                  | 1.1            |
| High Quality Assets      | 0.7            |
| Bank Regulation          | 0.5            |
| Media Content            | 0.2            |
| Frontier Investments     | 0.0            |
| Retiree Spending Power   | (0.3)          |

## Current investment themes

**High Quality Assets** (16.1% of the portfolio) – We added a number of holdings to this part of the portfolio over the year. We looked for companies which can easily cope with rising inflation, such as US railroads or European property companies, and whose yields seem very attractive, even in the context of higher interest rates worldwide. When conditions in the market become turbulent, we find that these investments give a good balance against the more growth-oriented parts of the portfolio.

**Automation** (15.7% of the portfolio) – Through this new theme, we invest in the new wave of automation available to business. Industrial robots have been replacing

humans for many years and have raised the quality of production in many industries such as car making. More recently, as the price of robots has fallen, their applications have improved, allowing automation of many new areas of industry – from agriculture to making clothes to surgery.

The political outcry does rather echo the Luddites of the 18th century. It is worth noting that the number of weavers in Manchester rose steadily after the introduction of the Spinning Jenny and their wages rose sharply as productivity improved. Indeed, as we discuss the current protectionist threats to global trade proposed by the US administration, some companies are planning to increase manufacturing closer to home – but by investing in highly automated plants, not by creating 'blue-collar' work.

This theme drove the performance of the Company strongly through the latter part of 2017. In January 2018, we felt that some stocks had moved onto rather stretched valuations and so we took profits in some areas. Orders have since become sluggish as businesses worry about threats to trade, but we believe the longer-term drivers for this theme remain excellent.

**Healthcare Costs** (15.3% of the portfolio) – This theme had an excellent year with holdings in both medical equipment and health insurers seeing good growth. We should point out that while we have a large investment in healthcare, we own no drug companies as we find they no longer get the returns they used to, even when they discover new drugs. Instead, we have holdings which should benefit from the growth in immunotherapies and help governments to manage healthcare costs, such as companies which make blood plasma and specialists in diagnostics including Sysmex (Japan) and Quidel (USA).

**Tourism** (13.3% of the portfolio) – This theme also performed well, with numbers of tourists rising strongly, especially in Asia. We saw a hedge fund try to 'bear raid' Samsonite, but the company rebutted many of its claims and the share price has rebounded. Recently, Beijing Capital International Airport has performed poorly as investors worry about competition from the new Daxing airport which is about to open nearby. However, we can see many years of growth in Chinese travel ahead, which will be quite enough to keep both airports busy. We have therefore topped up our investment.

**Online Services** (12.6% of the portfolio) – Over the year we took profits in many of our holdings in online services as valuations had become too high for comfort. We took good profits in Amazon.com, but felt that its acquisition of Whole Foods, an upmarket grocery chain, indicated a pursuit of sales in areas which tend to be lower-margin, slow-growing and capital-intensive. We also took profits in Facebook and Alphabet (which owns Google and YouTube) as we became concerned they underestimate the cost of managing the content on their sites to avoid

greater regulation. We made a modest investment in Netflix, which seems able to keep subscribers while raising subscription costs, allowing us to estimate a longer-term valuation for the company based on cashflows.

**Scientific Equipment** (10.7% of the portfolio) – This theme had another year of steady growth and good cash generation. We took profits in Shimadzu (Japan) and bought PerkinElmer, which seems to be on a rather more modest valuation.

**Emerging Market Consumer** (9.1% of the portfolio) – As noted last year, we are maintaining a modest exposure to emerging markets while US monetary policy is tightening. This has proved prudent as emerging-market equities and currencies have come under pressure. Our main investments are developed-market companies, such as Louis Vuitton Moët Hennessy and L’Oreal, whose strongest growth comes from high-end consumers in emerging markets. These investments had another good year though recent currency falls in Turkey, Russia and, more modestly, Asian currencies may make reported growth more modest in the year to come.

**Retiree Spending Power** (7.2% of the portfolio) – Our main investments are in companies seeing good growth in retirement savings in Asia. In the medium-term, these tend to trade in line with the valuations of their investment funds. That is, Shanghai-quoted stocks in the case of China Life Insurance and UK and US stocks and bonds in the case of Prudential. None of these asset classes had a particularly good year and so this theme was dull.

**Discontinued themes** – Our analysis of Netflix made us very concerned about traditional television businesses. We therefore took our remaining profits in Disney and Worldwide Wrestling Entertainment (where we were also concerned about governance). We believe some of these programme-makers will succeed in building a subscription business rather than relying on television advertising, but these transitions can be painful for shareholders. We also sold a number of bank holdings during the year as valuations no longer seemed attractive and demand for loans remains lacklustre even in the booming US economy. We continue to hold no oil or mining shares, which has been a modest drag in our performance against the benchmark in recent months – offset by our low weighting in banks.

#### Five largest stock contributors to performance

| Company                     | Theme                    | Contribution % |
|-----------------------------|--------------------------|----------------|
| Mastercard                  | Online Services          | 1.1            |
| Yaskawa Electric            | Automation               | 1.1            |
| Daifuku                     | Automation               | 1.0            |
| Louis Vuitton Moët Hennessy | Emerging Market Consumer | 0.9            |
| UnitedHealth Group          | Healthcare Costs         | 0.7            |

#### Five largest stock detractors from performance

| Company                               | Theme                  | Contribution % |
|---------------------------------------|------------------------|----------------|
| Teradyne                              | Automation             | (0.3)          |
| Equifax                               | Online Services        | (0.3)          |
| Beijing Capital International Airport | Tourism                | (0.3)          |
| Mitsubishi UFJ Financial Group        | High Quality Assets    | (0.3)          |
| China Life Insurance                  | Retiree Spending Power | (0.3)          |

#### Outlook

The first few years of Artemis managing the Company were mainly set against a background of European troubles, including Brexit. The last year has been the first full year of Trump’s presidency and this has introduced a number of new threats, principally – for international investors – to global trade. In 1930, the US introduced a range of protectionist measures known as the Smoot-Hawley Tariff Act. The economic slump which followed is a core part of US economic history and well understood by members of the Federal Reserve, if less well read in the White House.

At the same time, however, damage to business confidence can come from brinkmanship alone and we retain our cautious stance. Our themes do not lead us to have much direct exposure to international manufacturing businesses and our low exposure to cyclical parts of the equity market give the portfolio some resilience against falling markets. As noted above, we suspect that current disputes over trade may prove beneficial to our automation theme over the longer term and, as we are currently only modestly using the Company’s loan facility, we have scope to increase the size of our investments were markets to fall.

The cashflows of most of our core holdings seem to be growing very well this year, bolstered by low corporate tax rates in the US. It seems likely that this rate of growth will moderate and perhaps inflationary pressures will increase. However, the companies we hold tend to be well financed and not very cyclical. Our concerns therefore focus more on the effect of US trade policy on Emerging Markets. We reduced our direct exposure in 2015 and remain wary of economic and political pressures in countries as diverse as Turkey, Mexico, Russia and South Africa. Although increasing numbers of economists seem to be predicting a US recession next year, evidence of anything more than a slowdown seems scarce: consumer debt levels are modest; corporate investment in capital has only recently increased; and the US consumer is still quiet. Similarly in Europe, consumers are still guarded despite better job security and improved wages in some areas.

## Strategic Report (continued)

### Investment Manager's Review (continued)

As long as valuations remain reasonable and inflation under control, we do not believe equity markets are expensive. We remain vigilant towards political developments, especially on trade, but to date, we do not see these issues affecting the cashflows of our major investments. Until then we believe growth in these cashflows will continue to underpin further gains for our shareholders.

#### Artemis' investment approach

Our aim is to identify reliable commercial trends around the world which are likely to deliver superior growth to our investments. By focusing the portfolio around trends, such as the rise of the consumer in emerging markets, the growth in demand for healthcare in developed markets and technological change on the internet, we believe our thematic-based approach can deliver superior returns over time.

Within each investment theme's universe of companies, there may be many quoted equities which could be attractive investments. Our preference is to select high-quality companies with records of profitability, high cash generation, strong balance sheets and which have established barriers to entry to their industries. Such companies sometimes lag equity markets when they recover vigorously, but they protect capital well when economic conditions become more testing.

Once an investment opportunity has been identified, we will commit capital to it only when the price offers the chance to invest at a reasonable valuation. This valuation discipline is at the heart of all of our investment decisions. In terms of portfolio construction, this will reflect opportunities that meet our investment criteria and will not be weighted to a benchmark. We aim to run a diversified portfolio, with around 55-70 holdings spread across eight to 10 different themes.

Over time we have found this investment approach gives a framework to deliver very attractive returns to investors.

Further information on our investment approach can be found on our website at [artemisfunds.com](http://artemisfunds.com).

**Simon Edelsten, Alex Illingworth & Rosanna Burcheri**  
**Fund Managers**

6 September 2018

## Investments as at 30 June 2018

| Investment                            | Region           | Industry                   | Theme                    | Market value<br>£'000 | % of total<br>net assets |
|---------------------------------------|------------------|----------------------------|--------------------------|-----------------------|--------------------------|
| <b>Equities</b>                       |                  |                            |                          |                       |                          |
| Louis Vuitton Moet Hennessy           | Europe           | Consumer Discretionary     | Emerging Market Consumer | 4,621                 | 2.5                      |
| Boston Scientific                     | North America    | Health Care                | Healthcare Costs         | 4,496                 | 2.5                      |
| UnitedHealth Group                    | North America    | Health Care                | Healthcare Costs         | 4,233                 | 2.3                      |
| Mastercard                            | North America    | Information Technology     | Online Services          | 4,205                 | 2.3                      |
| Unibail-Rodamco-Westfield (REIT)      | Europe           | Real Estate                | High Quality Assets      | 4,152                 | 2.3                      |
| Thermo Fisher Scientific              | North America    | Health Care                | Scientific Equipment     | 3,805                 | 2.1                      |
| Hexagon                               | Europe           | Information Technology     | Automation               | 3,745                 | 2.0                      |
| Amadeus IT                            | Europe           | Information Technology     | Tourism                  | 3,724                 | 2.0                      |
| L'Oreal                               | Europe           | Consumer Staples           | Emerging Market Consumer | 3,724                 | 2.0                      |
| Accenture                             | North America    | Information Technology     | Online Services          | 3,710                 | 2.0                      |
| <b>Top 10 equity investments</b>      |                  |                            |                          | <b>40,415</b>         | <b>22.0</b>              |
| Avery Dennison                        | North America    | Materials                  | Emerging Market Consumer | 3,654                 | 2.0                      |
| Siemens Healthineers                  | Europe           | Health Care                | Healthcare Costs         | 3,621                 | 2.0                      |
| National Grid                         | UK               | Utilities                  | High Quality Assets      | 3,603                 | 2.0                      |
| Perkinelmer                           | North America    | Health Care                | Scientific Equipment     | 3,581                 | 1.9                      |
| Microsoft                             | North America    | Information Technology     | Online Services          | 3,531                 | 1.9                      |
| Humana                                | North America    | Health Care                | Healthcare Costs         | 3,513                 | 1.9                      |
| Norfolk Southern                      | North America    | Industrials                | High Quality Assets      | 3,507                 | 1.9                      |
| Waters                                | North America    | Health Care                | Scientific Equipment     | 3,473                 | 1.9                      |
| Union Pacific                         | North America    | Industrials                | High Quality Assets      | 3,413                 | 1.9                      |
| Booking Holdings                      | North America    | Consumer Discretionary     | Tourism                  | 3,358                 | 1.8                      |
| <b>Top 20 equity investments</b>      |                  |                            |                          | <b>75,669</b>         | <b>41.2</b>              |
| Prudential                            | UK               | Financials                 | Retiree Spending Power   | 3,298                 | 1.8                      |
| China Life Insurance                  | Emerging Markets | Financials                 | Retiree Spending Power   | 3,210                 | 1.7                      |
| Cadence Design Systems                | North America    | Information Technology     | Automation               | 3,134                 | 1.7                      |
| Japan Airport Terminal                | Japan            | Industrials                | Tourism                  | 3,089                 | 1.7                      |
| Premier                               | North America    | Health Care                | Healthcare Costs         | 2,913                 | 1.6                      |
| Synopsys                              | North America    | Information Technology     | Automation               | 2,790                 | 1.5                      |
| Anthem                                | North America    | Health Care                | Healthcare Costs         | 2,723                 | 1.5                      |
| Henkel                                | Europe           | Consumer Staples           | Retiree Spending Power   | 2,701                 | 1.5                      |
| Carnival                              | North America    | Consumer Discretionary     | Retiree Spending Power   | 2,692                 | 1.5                      |
| Agilent Technologies                  | North America    | Health Care                | Scientific Equipment     | 2,684                 | 1.5                      |
| <b>Top 30 equity investments</b>      |                  |                            |                          | <b>104,903</b>        | <b>57.2</b>              |
| Tencent Holdings                      | Emerging Markets | Information Technology     | Online Services          | 2,675                 | 1.5                      |
| ASML                                  | Europe           | Information Technology     | Automation               | 2,652                 | 1.4                      |
| Paypal                                | North America    | Information Technology     | Online Services          | 2,625                 | 1.4                      |
| Beijing Capital International Airport | Emerging Markets | Industrials                | Tourism                  | 2,596                 | 1.4                      |
| Citigroup                             | North America    | Financials                 | High Quality Assets      | 2,569                 | 1.4                      |
| Toyota Industries                     | Japan            | Consumer Discretionary     | Automation               | 2,557                 | 1.4                      |
| Aéroports de Paris                    | Europe           | Industrials                | Tourism                  | 2,509                 | 1.4                      |
| China Mobile                          | Emerging Markets | Telecommunication Services | Emerging Market Consumer | 2,478                 | 1.4                      |
| Daifuku                               | Japan            | Industrials                | Automation               | 2,408                 | 1.3                      |
| Symex                                 | Japan            | Health Care                | Scientific Equipment     | 2,249                 | 1.2                      |
| <b>Top 40 equity investments</b>      |                  |                            |                          | <b>130,221</b>        | <b>71.0</b>              |

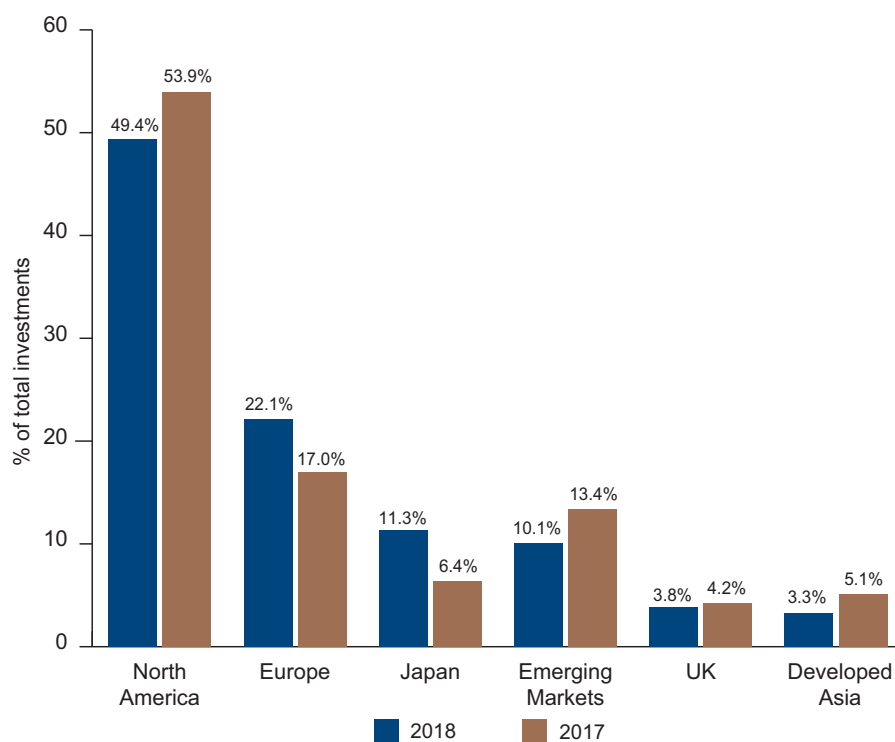
## Strategic Report (continued)

Investments as at 30 June 2018 (continued)

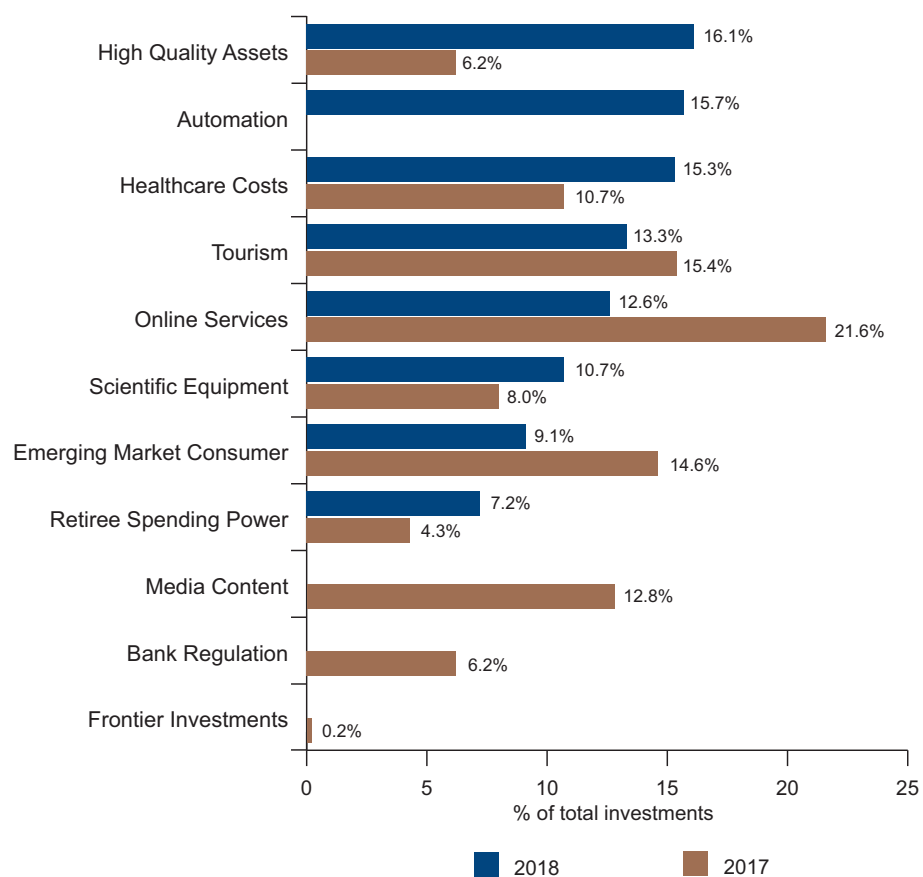
| Investment                                | Region           | Industry                   | Theme                    | Market value<br>£'000 | % of total<br>net assets |
|-------------------------------------------|------------------|----------------------------|--------------------------|-----------------------|--------------------------|
| Grifols                                   | Europe           | Health Care                | Healthcare Costs         | 2,208                 | 1.2                      |
| Icade (REIT)                              | Europe           | Real Estate                | High Quality Assets      | 2,197                 | 1.2                      |
| SBI                                       | Japan            | Financials                 | Online Services          | 2,189                 | 1.2                      |
| Samsonite International                   | Developed Asia   | Consumer Discretionary     | Tourism                  | 2,162                 | 1.2                      |
| Arion                                     | Europe           | Financials                 | High Quality Assets      | 2,136                 | 1.1                      |
| Keyence                                   | Japan            | Information Technology     | Automation               | 2,094                 | 1.1                      |
| Netflix                                   | North America    | Consumer Discretionary     | Online Services          | 2,035                 | 1.1                      |
| Mitsubishi UFJ Financial                  | Japan            | Financials                 | High Quality Assets      | 2,019                 | 1.1                      |
| Quidel                                    | North America    | Health Care                | Healthcare Costs         | 2,011                 | 1.1                      |
| Live Nation Entertainment                 | North America    | Consumer Discretionary     | High Quality Assets      | 1,972                 | 1.1                      |
| <b>Top 50 equity investments</b>          |                  |                            |                          | <b>151,244</b>        | <b>82.4</b>              |
| Capitaland Mall Trust (REIT)              | Developed Asia   | Real Estate                | Tourism                  | 1,961                 | 1.1                      |
| Cognex                                    | North America    | Information Technology     | Automation               | 1,953                 | 1.1                      |
| Intel Corp                                | North America    | Information Technology     | Automation               | 1,929                 | 1.0                      |
| Hitachi                                   | Japan            | Information Technology     | Scientific Equipment     | 1,860                 | 1.0                      |
| Harmonic Drive Systems                    | Japan            | Industrials                | Automation               | 1,802                 | 1.0                      |
| SK Telecom                                | Emerging Markets | Telecommunication Services | Emerging Market Consumer | 1,802                 | 1.0                      |
| Sydney Airport                            | Developed Asia   | Industrials                | Tourism                  | 1,792                 | 1.0                      |
| ResMed                                    | North America    | Health Care                | Healthcare Costs         | 1,791                 | 1.0                      |
| Swiss Prime Site                          | Europe           | Real Estate                | High Quality Assets      | 1,730                 | 0.9                      |
| IPG Photonics                             | North America    | Information Technology     | Automation               | 1,652                 | 0.9                      |
| <b>Top 60 equity investments</b>          |                  |                            |                          | <b>169,516</b>        | <b>92.4</b>              |
| Timken                                    | North America    | Industrials                | High Quality Assets      | 1,625                 | 0.9                      |
| Docusign                                  | North America    | Information Technology     | Online Services          | 1,605                 | 0.9                      |
| Baxter International                      | North America    | Health Care                | Scientific Equipment     | 1,602                 | 0.9                      |
| Samsung                                   | Emerging Markets | Information Technology     | Automation               | 1,590                 | 0.8                      |
| Airports of Thailand                      | Emerging Markets | Industrials                | Tourism                  | 1,528                 | 0.8                      |
| Ctrip.com                                 | Emerging Markets | Consumer Discretionary     | Tourism                  | 1,123                 | 0.6                      |
| ICICI Prudential                          | Emerging Markets | Financials                 | Retiree Spending Power   | 1,110                 | 0.6                      |
| Ferro Alloy Resources <sup>1</sup>        | Emerging Markets | Materials                  | Unquoted investment      | –                     | –                        |
| <b>Total equity investments (68)</b>      |                  |                            |                          | <b>179,699</b>        | <b>97.9</b>              |
| Net current assets (excluding bank loans) |                  |                            |                          | 8,280                 | 4.5                      |
| Bank loan                                 |                  |                            |                          | (4,442)               | (2.4)                    |
| <b>Total net assets</b>                   |                  |                            |                          | <b>183,537</b>        | <b>100.0</b>             |

<sup>1</sup> Unquoted security.

## Regional analysis of the portfolio as at 30 June



## Thematic analysis of the portfolio as at 30 June



## Strategic Report (continued)

## Strategy and Business Review

This Strategic Report has been prepared in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

**Corporate strategy and operating environment**

The Company is incorporated in Scotland and operates as an investment trust company and is an investment company within the meaning of section 833 of the Companies Act 2006 (the 'Act'). Its business as an investment trust is to buy and sell investments with the aim of achieving the objective and investment policy outlined below.

**Objective and investment policy**

The objective of the Company is to achieve capital and income growth by investing on a worldwide basis.

The Company is prepared to move freely between different markets, sectors, industries, market capitalisations and asset classes as investment opportunities dictate. On acquisition, no holding shall exceed 15% of the portfolio. The Company will not invest more than 15% of its gross assets in UK listed investment companies. Assets other than equities will be purchased from time to time including but not limited to fixed interest holdings, unquoted securities and derivatives. Subject to prior Board approval, the Company may use derivatives for investment purposes or for efficient portfolio management (including reducing, transferring or eliminating investment risk in its investments and protection against currency risk).

The number of individual holdings will vary over time but to ensure diversification there can be between 40 and 140 holdings and the portfolio is managed on a global basis rather than as a series of regional sub-portfolios.

It is an aim of the Company to provide dividend growth over time, although the primary aim is maximising total returns to shareholders.

While there is a comparative index for the purpose of measuring performance, little attention is paid to the composition of this index when constructing the portfolio and the composition of the portfolio is likely to vary substantially from that of the index. A long-term view is taken and there may be periods when the net asset value per share declines in absolute terms and relative to the comparative index.

**Gearing**

The Company may use borrowings to support its investment strategy and the Company's Articles of Association (the 'Articles') allow the Company to borrow up to 30% of its net assets. During the reporting period, the Company held a revolving credit facility with Scotiabank (Ireland) Plc which expired on 19 February 2018. On 15 February 2018, the Company agreed new terms with

Scotiabank (Ireland) Designated Activity Company for a US\$30 million multi-currency credit facility which will expire on 19 February 2021. As at 30 June 2018, €1.2m, ¥95.6m and US\$3.6m (£4.4 million) was drawn down from this facility.

The Company's gearing is reviewed by the Board and Investment Manager on an ongoing basis.

**Operating environment**

The Company has been approved as an investment trust in accordance with the requirements of section 1158 of the Corporation Taxes Act 2010. This approval remains subject to the Company continuing to meet the eligibility conditions and ongoing requirements of the regulations. The Board will manage the Company so as to continue to meet these conditions.

The Company has no employees and delegates most of its operational functions to a number of service providers, details of which are set out later in the report.

**Current and future developments**

A summary of the Company's developments during the year ended 30 June 2018, together with its prospects for the future, is set out in the Chairman's Statement on pages 4 and 5 and the Investment Manager's Review on pages 6 to 8. The Board's principal focus is the delivery of positive long-term returns for shareholders. This will be dependent on the success of the investment strategy, in the context of both economic and stock market conditions. The investment strategy, and factors that may have an influence on it, are discussed regularly by the Board and the Investment Manager. The Board regularly considers the ongoing development and strategic direction of the Company, including its promotion and the effectiveness of communication with shareholders.

**Key Performance Indicators ('KPIs')**

The performance of the Company is reviewed regularly by the Board and it uses a number of KPIs to assess the Company's success in meeting its objective. The KPIs which have been established for this purpose are set out below.

- **Net asset value performance compared to the MSCI All Country World Index (GBP)**

The Board monitors the performance of the net asset value per share against that of the MSCI All Country World Index (GBP).

- **Share price performance**

The Board monitors the performance of the share price of the Company to ensure that it broadly reflects the performance of the net asset value.

## Discrete annual total returns

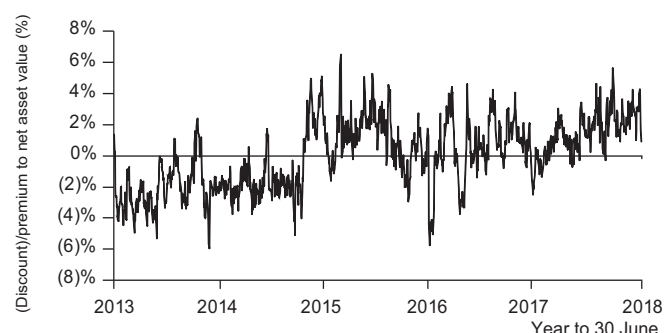
| Year ended 30 June | Net asset value† | Share price† | MSCI All Country World Index (GBP) |
|--------------------|------------------|--------------|------------------------------------|
| 2014               | 11.7%            | 8.4%         | 9.1%                               |
| 2015               | 17.2%            | 21.7%        | 9.5%                               |
| 2016               | 16.0%            | 8.1%         | 13.3%                              |
| 2017               | 21.0%            | 27.5%        | 22.2%                              |
| 2018               | 12.7%            | 13.4%        | 8.9%                               |

† Alternative Performance Measure (see page 56).

### ■ Share price (discount)/premium to net asset value

The Board recognises that it is in the interests of shareholders to maintain a share price as close as possible to the net asset value per share. The policy of the Board is to limit the discount to a maximum of 2% in normal circumstances. The Company may issue shares at such times as demand is not being met by liquidity in the market and buy back shares when there is excess supply. Further details of the shares issued and bought back during the year are set out in the Share Capital section on page 14.

### Share price (discount)/premium to net asset value



### ■ Ongoing charges

The Board is mindful of the ongoing costs to shareholders of running the Company and monitors operating expenses on a regular basis. The Company's current ongoing charges ratio is 0.7% (2017: 0.7%) (alternative performance measure).

### ■ Dividends per share

The Board aims to grow dividends paid to shareholders, in addition to capital growth. It monitors the revenue returns generated by the Company during the year and against this determines the dividends to be paid. Subject to approval of the final dividend by shareholders, total dividends of 5.55 pence per share (2017: 5.00 pence per share) will be paid in respect of the year ended 30 June 2018. This represents an increase of 11.0%.

## Principal risks and risk management

The Board, in conjunction with the Investment Manager, has developed a risk map which sets out the principal risks faced by the Company. It is used to monitor these risks and to review the effectiveness of the controls established to mitigate them. Further information on the Company's internal controls is set out in the corporate governance section of the Directors' Report on page 22. As an investment company the main risks relate to the nature of the individual investments and the investment activities generally. These include market price risk, foreign currency risk, interest rate risk, credit and counterparty risk and liquidity risk.

A summary of the key areas of risk and uncertainties are set out below along with the controls in place to manage these which are highlighted for each risk.

- **Strategic:** the suitability of the Board's strategy for the development of the Company in the current market place and the effectiveness of the Board to deliver it. *The Board meets regularly and considers the ongoing suitability of the Company's strategy as part of its review of the Company's performance. The Nomination Committee reviews the effectiveness of the Board annually.*
- **Investment:** the management of the portfolio of the Company to achieve its investment objective and policy. The Company's investments are selected on their individual merits and the performance of the portfolio is not likely to track the wider market (represented by the MSCI All Country World Index (GBP)). The Board believes this approach will continue to generate good long-term returns for shareholders. *Risk is diversified through a broad range of investments being held. The Board discusses the investment portfolio and its performance with the Investment Manager at each Board meeting.*
- **Regulatory:** failure to comply with the requirements of a framework of regulation and legislation within which the Company operates. *The Company relies on the services of the Company Secretary and Investment Manager to monitor ongoing compliance with relevant regulations and legislation.*

## Strategic Report (continued)

### Strategy and Business Review (continued)

Failure to comply with appropriate accounting standards could result in a reporting error or breach of regulations or legislation. *The Company relies on the services of the Company Secretary and Investment Manager to monitor and report on any changes in accounting standards. The Company's Independent Auditor also provides an annual update on any accounting changes that affect the Company.*

- *Operational: failure of the Investment Manager's and/or any third party service providers' systems which could result in an inability to report accurately and monitor the Company's financial position. The Investment Manager has established a business continuity plan to facilitate continued operation in the event of a major service disruption or disaster and carries out oversight and monitoring of third party service providers.*

Further information on risks and uncertainties and the management of them are set out in the Directors' Report on page 22 and in note 20 of the notes to the financial statements.

#### Other matters

#### Viability statement

In accordance with the AIC Code of Corporate Governance, the Board has considered the longer term prospects for the Company. The period assessed is the five years to 30 June 2023. This has been deemed appropriate for the Company given the nature of its business, its current size and the longer term view taken by the Investment Manager when managing the portfolio.

As part of its assessment of the viability of the Company, the Board has considered each of the principal risks above and the impact on the Company's portfolio of a significant fall in global markets. The Board has also considered the liquidity of the Company's portfolio to ensure that it will be able to meet its liabilities as they fall due.

The conclusion of this review is that the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 30 June 2023.

#### Share capital

During the year ended 30 June 2018 the Company issued 4,680,000 new shares to satisfy continued demand for the Company's shares. All of these were issued at a premium to the prevailing net asset value on the date of issue.

During the year the Company did not buy back any ordinary shares (2017: nil).

The Directors' authorities to issue and buy back shares will expire at the end of the AGM on Tuesday 6 November 2018. The Directors intend to seek approval from the shareholders to renew these authorities at the 2018 AGM in order to allow the Directors to continue to manage the liquidity of the Company's shares.

#### Directors

The Directors of the Company and their biographical details are set out on page 16. Each of the Directors held office throughout the year under review.

No Director has a contract of service with the Company.

Appointments to the Board will be made on merit with due regard to the benefits of diversity, including gender. The priority in appointing a new director is to identify the candidate with the best range of skills and experience to complement existing directors.

The Board is currently comprised of five male Directors. The Company does not have any employees.

#### Modern Slavery Act 2015

The Company does not fall within the scope of the Modern Slavery Act 2015 as its turnover is less than £36 million. Therefore no slavery and human trafficking statement is included in the Annual Financial Report.

#### Social and environmental matters

The Company has no employees and has delegated the management of the Company's investments to Artemis which, in its capacity as Investment Manager, has a Corporate Governance and Shareholder Engagement policy which sets out a number of principles that are intended to be considered in the context of its responsibility to manage investments in the financial interests of shareholders. Artemis undertakes extensive evaluation and engagement with company managements on a variety of matters such as strategy, performance, risk, dividend policy, governance and remuneration. All risks and opportunities are considered as part of the investment process in the context of enhancing the long-term value of shareholders' investments. This will include matters relating to material environmental, human rights and social considerations that will ultimately impact the profitability of a company or its stock market rating and hence these matters are an integral part of Artemis' thinking as institutional investors.

As the Company has delegated the investment management and administration of the Company to third party service providers, and has no fixed premises, there are no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act

2006 (Strategic Report and Directors' Reports)  
Regulations 2013, including those within the underlying  
investment portfolio.

### **Leverage**

Leverage is defined in the Alternative Investment Fund Managers Directive ('AIFMD') as any method by which the Company can increase its exposure by borrowing cash or securities, or from leverage that is embedded in derivative positions. The Company is permitted by its Articles to borrow up to 30% of its net assets (determined as 130% under the commitment and gross ratios). The Company is permitted to have additional leverage of up to 100% of its net assets, which results in permitted total leverage of 230% under both ratios. The Alternative Investment Fund Manager (the 'AIFM') monitors leverage values on a daily basis and reviews the limits annually. No changes have been made to these limits during the period. At 30 June 2018, the Company's leverage was 104.8% as determined using the commitment method and 103.2% using the gross method.

### **Financial statements**

The financial statements of the Company are included on pages 31 to 34 of this report.

### **Malcolm Scott**

Chairman

6 September 2018

### Directors and Corporate Governance

#### Directors

##### Malcolm Scott (Chairman)

Malcolm Scott became a Director of the Company in 1990. He was educated at Trinity College, Glenalmond and thereafter at Gonville & Caius College, Cambridge and Glasgow University. He became an Advocate in 1978 and a QC in 1991.

##### Russell Napier (Senior Independent Director)

Russell Napier became a Director of the Company in 2009 and is Chairman of the Audit Committee. He worked for Baillie Gifford from 1989 and for Foreign & Colonial Emerging Markets from 1994. In 1995 he joined stockbrokers CLSA in Hong Kong as its Asian equity strategist. Since 1999 he has been a consultant global macro strategist advising institutional investors. He is the author of 'Anatomy of a Bear – Lessons from Wall Street's Four Great Bottoms' and has established and runs a course called 'A Practical History of Financial Markets'. He is a director of the Didasko Education Company Limited, Orlock Advisors Limited and The Scottish Investment Trust PLC.

##### David Kidd

David Kidd became a director of the Company on 8 November 2016. He is a director of The Law Debenture Pension Trust Corporation PLC, which acts as independent trustee for over 200 pension schemes including those of many FTSE 100 companies. He has over 30 years investment management experience, having been chief investment officer of the Royal Bank of Scotland's investment management arm, the charity specialists Chiswell Associates and the private bank Arbuthnot Latham. He is a non-executive director of The Baillie Gifford Japan Trust plc and a director of The Golden Charter Trust. He was previously a non-executive director of Martin Currie Global Portfolio Trust plc, Shires Income plc and The Salvation Army International Trustee Company.

##### Harry Morgan

Harry Morgan became a Director of the Company in 2012. He is currently a portfolio manager and director of investment management at the Tilney Group. He has spent his career managing portfolios for private clients and charities, serving as head of investment management at Adam & Company and in senior roles at Newton Investment Management and Edinburgh Fund Managers. He has an MBA with Distinction from the Edinburgh Business School, and is a Chartered Fellow of the Chartered Institute for Securities & Investment. He was elected a non-executive director of the Association of Investment Companies in 2014.

##### Alan Scott

Alan Scott became a Director of the Company in 2012. He has over 30 years' experience in banking, within the Royal Bank of Scotland Group, across various divisions including Retail, Corporate and Wealth. In 2003 he joined Adam & Company International in Guernsey as a relationship manager for a portfolio of offshore clients and trusts and in 2004 moved to Adam & Company's onshore operations, where he leads a banking team with responsibility for managing a portfolio of private banking clients.

All Directors are members of the Nomination and Audit Committees.

## Directors' Report

The Directors have pleasure in presenting their report, together with the audited financial statements of the Company for the year ended 30 June 2018.

### Results and dividends

The Company's results for the year are set out in the Statement of Comprehensive Income on page 31.

The Directors are recommending the payment of a final dividend of 3.75 pence per share. If approved at the AGM, this will be paid on 30 November 2018, to shareholders on the register as at 5 October 2018.

This will result in total dividends for the year of 5.55 pence (2017: 5.00 pence).

### Management and management fees

The Company's investments are managed by Artemis Fund Managers Limited ('Artemis'), following its appointment as Investment Manager on 1 May 2014, subject to the Investment Management Agreement dated 15 July 2014. Artemis is entitled to an investment management fee of 0.5% per annum of the net asset value of the Company. The agreement may be terminated by either party on six months' notice.

Simon Edelsten, Alex Illingworth and Rosanna Burcheri are the day-to-day fund managers.

The Board regularly reviews the Investment Manager's position, which includes a review of its management and investment processes, risk controls, the quality of support provided to the Board and consideration of investment performance.

Artemis is also the AIFM to the Company. The Investment Management Agreement sets out Artemis' duties to the Company in respect of the AIFMD. No fees are paid to Artemis in respect of its role as the AIFM to the Company. Artemis has delegated responsibility for the day-to-day portfolio management of the Company's portfolio to Artemis Investment Management LLP.

Both Artemis entities are authorised and regulated by the Financial Conduct Authority and at 31 July 2018 had £29.9 billion, in aggregate, of assets under management.

### Continued appointment of the Investment Manager

The Board has reviewed the Investment Manager's engagement, including its management processes, risk controls and the quality of support provided to the Board and believes that its continuing appointment, on its current terms, remains in the interests of shareholders at this time. The last review was undertaken at a board meeting held on 9 May 2018.

### Re-election of Directors

The Board recommends the re-election of Alan Scott and Harry Morgan on the basis of their industry knowledge, experience and contribution to the operation of the

Company. Malcolm Scott and Russel Napier have been Directors for more than nine years and are subject to annual re-election. The Board and Nomination Committee have each considered the performance of Malcolm Scott and Russell Napier and, notwithstanding their length of service, have concluded that they each continue to make a valued contribution to the Board. Accordingly, the Board recommends the re-election of Malcolm Scott and Russell Napier.

### Directors' insurance and indemnification

Directors' and Officers' liability insurance cover is maintained by the Company to cover Directors against certain liabilities that may arise in conducting their duties.

The Company has entered into deeds of indemnity in favour of each of its Directors. The deeds cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against him. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person.

### Share capital

As at 30 June 2018, the capital structure of the Company was 37,211,416 (2017: 32,531,416) ordinary shares of 5 pence each.

Details of changes to the shares in issue can be found in the Strategic Report on page 14 and note 14.

Since the year end a further 650,000 ordinary shares have been issued. As at 6 September 2018 the Company had 37,861,416 ordinary shares in issue. The Company's total voting rights are 37,861,416.

At any general meeting of the Company, every ordinary shareholder attending in person or by proxy (or by corporate representative) is entitled to one vote on a show of hands and, where a poll is called, every ordinary shareholder attending in person or by proxy is entitled to have one vote for every ordinary share of which he is the holder. There are no restrictions concerning the voting rights of the Company's ordinary shares or the holding or transfer of the Company's shares and there are no special rights attached to any of the ordinary shares. The Company's ordinary shareholders may, by ordinary resolution, declare dividends provided such dividends are not in excess of any dividends recommended by the Directors. The Directors may also pay interim dividends. The Company is not aware of any agreements between shareholders which may result in any restriction on the transfer of shares or on the voting rights.

## Directors and Corporate Governance (continued)

## Directors' Report (continued)

The table below sets out those shareholders who have notified the Company that they hold more than 3% of the voting rights attaching to the ordinary shares in issue as at the date of this report.

| Name                              | Number of ordinary shares held as at 6 September 2018 | % of voting rights |
|-----------------------------------|-------------------------------------------------------|--------------------|
| Mr Simon Edelsten                 | 2,137,294                                             | 6.6                |
| Brewin Dolphin Securities Limited | 1,212,541                                             | 3.7                |

Further information on the share capital of the Company is detailed in note 14 of the notes to the financial statements.

**Additional shareholder information**

The requirements relating to the appointment and replacement of Directors are contained in the Articles of the Company, a copy of which can be found on the Company's web site at [midwynd.co.uk](http://midwynd.co.uk). The granting of powers to issue or buy back the Company's shares requires appropriate resolutions to be passed by shareholders. The current authorities to buy back and issue shares will expire at the AGM and proposals for their renewal are set out below.

There are no agreements to which the Company is party that might affect its control following a takeover bid; and there are no agreements between the Company and its Directors concerning compensation for loss of office.

**Going concern**

The Directors, having considered the likely operational costs and liabilities of the Company for the 18 months from the year end, are of the opinion that the Company has adequate financial resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in the preparation of the financial statements.

**AGM**

Details of the 2018 AGM are set out in the Notice of Meeting on pages 48 to 52.

**Authority to allot shares and disapply pre-emption rights**

The Directors were authorised at the AGM in November 2017 to allot shares up to an aggregate nominal amount of £542,480 under a general authority to allot new shares. This authority will expire at the forthcoming AGM of the Company.

The Directors were also authorised at the AGM in November 2017 to allot up to an aggregate nominal amount of £244,360 ordinary shares in the Company without first offering them to existing shareholders in accordance with

statutory pre-emption procedures. This authority will expire at the forthcoming AGM. A further authority was approved by shareholders at a general meeting held on 1 June 2017 providing authority to issue 31,241,352 shares on a non pre-emptive basis. This authority expired on 8 May 2018. The Directors believe it to be in shareholders' interests to continue to have such an authority for the forthcoming year to enable the issue of shares to meet market demand and grow the Company and will seek to renew the authority at the forthcoming AGM. Resolution 10, which will be proposed as an ordinary resolution, seeks to renew this authority.

Resolution 11, which is conditional upon Resolution 10 being approved, will, if approved, authorise the Directors to allot new ordinary shares or to sell treasury shares up to an aggregate nominal amount of £283,961, under a general authority, representing approximately 15% of the Company's issued ordinary share capital as at 6 September 2018 for cash, without first offering such shares to existing shareholders pro rata to their existing holdings. Resolution 11 will be proposed as a special resolution and the authority will continue in effect until the conclusion of the AGM to be held in 2019. The Directors will only issue new ordinary shares pursuant to the general authority if they believe it is advantageous to the Company's shareholders to do so.

The Directors acknowledge that the authority sought by Resolution 11 is higher than the limit recommended by the Pre-Emption Group in its Statement of Principles on Dissatisfying Pre-Emption Rights. The Directors intend to use the authorities which will be conferred by the passing of Resolution 11 at times when the share price stands at a premium to net asset value and market liquidity is unable to meet demand. The Directors will not make any issue of new ordinary shares to investors unless they consider it advantageous to the Company and its shareholders to do so, and no issue of ordinary shares will be made pursuant to Resolution 11 which would effectively alter the control of the Company without the prior approval of shareholders at a general meeting.

**Authority to buy back shares**

The Company's existing authority to make market purchases of up to 14.99% of the issued ordinary share capital will expire at the forthcoming AGM. The Directors consider that the Company should continue to have authority to make market purchases of its own shares and Resolution 12 will be proposed as a special resolution at the forthcoming AGM to renew that authority.

The maximum price which may be paid for purchases of ordinary shares in the market will not exceed the higher of: (i) 5.0% above the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the relevant shares for the five consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made; and (ii)

the higher of the price quoted for (a) the last independent trade of, or (b) the highest current independent bid for any number of ordinary shares, as applicable, on the trading venue where the purchase is carried out.

The authority to make market purchases, if conferred, will only be exercised if the Directors are of the opinion that the net asset value per share will be enhanced for the continuing shareholders and it is considered to be in the best interests of shareholders generally or if the overall financial position of the Company was to benefit from such purchases. If the Company purchases any shares under this authority, it may cancel such shares or hold them in treasury. The Directors believe it is advantageous for the Company to have this choice. No dividends would be paid on treasury shares and the Company cannot exercise any rights (including any right to attend or vote at meetings) in respect of those shares. Shares will only be re-sold from treasury at, or at a premium to, the prevailing net asset value per share.

#### **Notice period for general meetings**

The Company's Articles of Association enable the Company to call general meetings (other than an annual general meeting) on 14 clear days' notice. In order for this to be effective, the shareholders must also approve annually the calling of meetings other than annual general meetings on 14 clear days' notice. Resolution 13, which is a special resolution, seeks this approval from shareholders. If approved, it will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Companies Act 2006 (as amended by the Shareholders' Rights Regulations), offering facilities for all shareholders to vote by electronic means before it can call a general meeting on 14 days' notice. The Directors believe it is in the best interests of the shareholders of the Company to preserve the shorter notice period, although it is intended that this flexibility will be used for non-routine business only and where merited in the interests of shareholders as a whole.

#### **Recommendation**

The Directors consider that passing the resolutions to be proposed at the AGM will be in the best interests of the Company and shareholders as a whole and unanimously recommend that shareholders vote in favour of each of these resolutions as they intend to do in respect of their own holdings.

#### **Independent auditor**

Scott-Moncrieff has expressed its willingness to continue in office as independent auditor. The Audit Committee has responsibility for making a recommendation to the Board on the re-appointment of the external auditor. After careful consideration of the services provided during the year and a review of their effectiveness, the Audit Committee

recommended to the Board that Scott-Moncrieff be reappointed as auditor. Accordingly, a resolution will be proposed at the forthcoming AGM for its re-appointment and to authorise the Directors to agree its remuneration.

#### **Audited information**

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 all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

#### **Corporate Governance**

##### **Compliance**

The Company is committed to high standards of corporate governance and has established procedures to monitor its continuing compliance with the AIC Code of Corporate Governance (the 'AIC Code'). This statement outlines how the principles of the AIC Code issued in July 2016 were applied throughout the financial year. The AIC Code has been endorsed by the Financial Reporting Council (the 'FRC') and compliance with the AIC Code enables the Company to meet its obligations in relation to the provisions of the FRC's Code of Corporate Governance, insofar as they relate to the Company's business. The Board considers that in the course of the year, and up to the date of this report, the Company has complied with the AIC Code. Set out below is how the Company applied the principles of the AIC Code.

All Directors on the Board of the Company are non-executive and the Company's day-to-day responsibilities are delegated to third party service providers.

##### **Board responsibilities**

The Board is responsible for determining the strategic direction of the Company. It meets at least four times a year to review the performance of the Company's investments, the financial position of the Company, its performance in relation to the investment objective and all other important issues to ensure that the Company's affairs are managed within a framework of prudent and effective controls. Whilst certain responsibilities are delegated, a schedule of matters specifically reserved for its decision has been adopted by the Board.

Responsibilities are clearly defined and allocated between the Chairman, the Board, the Investment Manager and a number of third party service providers.

No one individual has unfettered powers of decision.

The Chairman, Malcolm Scott, is independent of the Investment Manager. The Chairman leads the Board and ensures its effectiveness on all aspects of its operation

## Directors and Corporate Governance (continued)

### Directors' Report (continued)

ensuring that each Director receives accurate, timely and clear information enabling them to perform effectively as a Board. The Company Secretary liaises with the Chairman prior to each meeting to agree agenda, content and papers to be submitted to Board and Committee meetings. In addition, the Chairman is responsible for ensuring there is effective communication with shareholders.

The Board has set the parameters within which the Investment Manager operates and these are set out in the Investment Management Agreement and in Board minutes. Representatives of the Investment Manager attend each Board meeting enabling the Directors to discuss its activities in managing the Company.

The Board has formalised arrangements under which Directors, in furtherance of their duties, may take independent professional advice at the Company's expense. The Directors have access to the advice and services of the Company Secretary, through its appointed representatives, who are responsible to the Board for ensuring that proper procedures are followed and that applicable rules and regulations are complied with.

The appointment and removal of the Company Secretary is a matter for the Board as a whole.

### Board composition

The Board comprises five Directors, all of whom are non-executive. The names of the Directors, together with their biographical details, are set out on page 16 of this report.

The Board considers that all the Directors are independent of the Investment Manager and comply with the criteria for independence as set out in the AIC Code. Each of the Directors is deemed to be independent in character and judgement. The Nomination Committee meets annually to consider matters of independence.

Upon the appointment of Malcolm Scott as Chairman of the Company at the AGM held on 2 November 2016, Russell Napier was appointed the Company's Senior Independent Director. This position is reviewed annually.

### Appointment of Directors and performance evaluation

Directors are appointed subject to the provisions of the Act and the Company's Articles. All Directors are subject to election by shareholders at the first AGM following their appointment and thereafter will be subject to re-election no later than the third AGM following the meeting at which they were last elected or re-elected, subject to not having served for more than nine years, after which they will be subject to annual re-election. Malcolm Scott, Harry Morgan, Russell Napier and Alan Scott shall each stand for re-election at the 2018 AGM.

The Directors of the Company have not been appointed subject to a service contract. The terms and conditions of their appointments are set out in letters of appointment, which are available for inspection at the registered office of the Company and at the AGM.

The Board, led by the Nomination Committee, conducts an annual review of its performance and that of its Committees, the Chairman and individual Directors. This review is based on a process of appraisal by interview, with the evaluation of the performance of the Chairman being undertaken by the other Directors, led by the Senior Independent Director.

Following a formal performance evaluation, and in the case of Malcolm Scott and Russell Napier, notwithstanding their length of service, having each served on the Board for more than nine years, the Board has concluded that all Directors continue to demonstrate independence of character and judgement and their skills and experience enhance the collective strength of the Board. The Board believes that none of the other commitments of the Directors, as set out on page 16 of this report, interfere with the discharge of their duties to the Company and the Board is satisfied that they are capable of devoting sufficient time to the Company. The Board is also satisfied that it continues to have an appropriate balance of skills and experience and therefore supports the resolution to re-elect each Director standing for re-election at the forthcoming AGM.

| Director       | Date of appointment | Due for re-election/ election |
|----------------|---------------------|-------------------------------|
| Malcolm Scott  | 12 February 1990    | AGM 2018                      |
| David Kidd     | 8 November 2016     | AGM 2020                      |
| Harry Morgan   | 21 May 2012         | AGM 2018                      |
| Russell Napier | 10 August 2009      | AGM 2018                      |
| Alan Scott     | 21 May 2012         | AGM 2018                      |

### Board committees

In order to enable the Directors to discharge their duties, two Board Committees, each with written terms of reference, have been established. As the Board is currently comprised of five independent non-executive Directors, all Directors are members of each Committee. Attendance at meetings of the Committees is restricted to members and persons expressly invited to attend. Copies of the terms of reference for the Board Committees are available from the Company Secretary and on the Company's website at [midwynd.co.uk](http://midwynd.co.uk). The Chairman of the Board acts as Chairman for the Nomination Committee and the Audit Committee is chaired by Russell Napier.

The Company Secretary acts as the Secretary to each Committee.

As all the Directors are non-executive there is no requirement for a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits as set out in the Articles and in accordance with the Remuneration Policy approved by shareholders. The Company's Remuneration Policy is set out on page 23 of this report.

As all the Directors are independent of the Investment Manager, there is no requirement to establish a separate Management Engagement Committee. The Board as a whole reviews the terms of appointment and performance of the Company's third party service providers, including the Investment Manager but excluding the Auditor, who is reviewed by the Audit Committee.

### Audit Committee

The responsibilities of the Audit Committee are disclosed in the Report of the Audit Committee on page 26 of this report.

### Nomination Committee

The Nomination Committee meets at least annually.

It is responsible for ensuring that the Board has an appropriate balance of skills and experience to carry out its duties, for identifying and nominating to the Board new Directors and for proposing that existing Directors be re-elected. The Committee undertakes an annual performance evaluation of the Board, led by the Chairman. On those occasions when the Committee is reviewing the Chairman, or considering his successor, the Nomination Committee will normally be chaired by the Senior Independent Director.

As detailed in the Strategic Report on page 14, the Board supports the principles of diversity in the boardroom, and considers this in seeking to ensure that the overall balance of skills and knowledge that the Board has remains appropriate so that it can continue to operate effectively.

### Board and Committee Meetings

The following table sets out the Directors' attendance at the Board and Committee meetings held during the year.

|                    | Board | Audit Committee | Nomination Committee |
|--------------------|-------|-----------------|----------------------|
| Number of meetings | 5     | 2               | 1                    |
| Malcolm Scott      | 5/5   | 2/2             | 1/1                  |
| David Kidd         | 5/5   | 2/2             | 1/1                  |
| Harry Morgan       | 5/5   | 2/2             | 1/1                  |
| Russell Napier     | 5/5   | 2/2             | 1/1                  |
| Alan Scott         | 5/5   | 2/2             | 1/1                  |

### Directors' tenure

Directors do not serve on the Board for a specified period of time. Each Director will be subject to the election/re-election provisions as set out in the Company's Articles, which provide that a Director appointed during the year is required to retire and seek election by shareholders at the first annual general meeting following their appointment. Directors are required to submit themselves for re-election at least once every three years and Directors who have served for more than nine years will be subject to an annual re-election, providing that the Nomination Committee and the Board remain satisfied that the

relevant Director's continuing appointment and independence is not impaired by his length of service. The Board does not consider that the length of time served by a Director is as important as the contribution to the running of the Company, or that it necessarily impairs his independence. Each situation will be rigorously reviewed on a case-by-case basis to ensure that a Director's independence is maintained and that the continuing appointment is in the best interests of the Company.

### Induction and training

On appointment, Directors are provided with an induction which is tailored to the particular circumstances of the appointee. Regular updates are provided on changes in regulatory requirements that could affect the Company. The Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trusts and receive other training as necessary.

### Relations with shareholders

The Board considers communication with shareholders an important function and Directors are always available to respond to shareholder queries. The Board aims to ensure that shareholders are kept fully informed of developments in the Company's business through the Annual and Half-Yearly Financial Reports, as well as the daily announcement of the net asset value of the Company's ordinary shares to the London Stock Exchange. The Investment Manager produces a monthly factsheet which can be found on the Company's website at [midwynd.co.uk](http://midwynd.co.uk), along with other information on the Company. The Investment Manager meets with the major shareholders of the Company on a periodic basis.

All shareholders are encouraged to attend and vote at the AGM, during which the Board and Investment Manager will be available to discuss issues affecting the Company. Details of shareholder voting are declared at every AGM and are available on the Company's website as soon as practicable following the close of the meeting. All Directors intend to attend this year's AGM, details of which are set out in the Notice of Meeting on pages 48 to 52 of this report.

### UK Stewardship Code

Artemis has endorsed the UK Stewardship Code. This sets out the responsibilities of institutional investors in relation to the companies in which they invest and a copy of this can be found on the Investment Manager's website at [artemis.co.uk](http://artemis.co.uk).

### Voting policy

The Board has given the Investment Manager discretion to exercise the Company's voting rights and the Investment Manager, so far as is practicable, will exercise them in respect of resolutions proposed by investee companies. The Investment Manager's voting for its clients is summarised on its website at [artemisfunds.com](http://artemisfunds.com).

## Directors and Corporate Governance (continued)

### Directors' Report (continued)

#### Bribery Act 2010

The Company is committed to carrying out business fairly, honestly and openly. The Investment Manager has established policies and procedures to prevent bribery.

#### Conflicts of interest

The Board has put in place procedures to deal with conflicts and potential conflicts of interest and considers that these have operated effectively throughout the year. The Board also confirms that its procedures for the approval of conflicts and potential conflicts of interest have been followed by the Directors during the year under review.

#### Internal controls and management of risk

The Board recognises its responsibility for the implementation, review and maintenance of effective systems of internal control to manage the risks to which the Company is exposed as well as ensuring that a sound system of internal control is maintained to safeguard the Company's assets and shareholders' interests. As the majority of the Company's systems are maintained on behalf of the Company by third party service providers under contract, the Board fulfils its obligations by requiring these service providers to report and provide assurances on their systems of internal control, which are designed to manage, rather than eliminate, risks. In light of the Board's reliance on these systems and the reports thereon, the Board can only provide reasonable and not absolute assurance against material misstatement or loss. The Board does, however, ensure that these service providers are employed subject to clearly defined contracts.

Both the Investment Manager and the Administrator have established internal control frameworks to provide reasonable assurances as to the effectiveness of the internal control systems operated on behalf of their clients. The Investment Manager reports to the Board on a regular basis with regard to the operation of its internal controls and risk management within its operations in so far as it impacts the Company. In addition, the Investment Manager reports quarterly to the Board on compliance with the terms of its delegated authorities under the Investment Management Agreement and other restrictions determined by the Board.

The Administrator and Depositary also report on a quarterly basis any breaches of law and regulation and any operational errors. This enables the Board to address any issues with regard to the management of the Company as and when they arise and to identify any known internal control failures.

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

- The Board, through the Audit Committee, has carried out and documented a risk and control assessment, which will be kept under ongoing, and at least a six monthly, review.

- Investment management, accounting and custody of assets are segregated. The procedures of the individual parties carrying out these functions are designed to complement each other.
- Investment management and company secretarial services are provided by Artemis. The Board is responsible for setting the overall investment policy and monitoring the actions of the Investment Manager. The Board reviews information produced by the Investment Manager in detail on a regular basis.
- Administration services are provided by J.P. Morgan Europe Limited. The Administrator reports to the Board on a quarterly basis and ad hoc as appropriate. In addition, the Board receives the Administrator's semi-annual report on its internal controls.
- The Board is aware of the whistleblowing procedures of Artemis and the Administrator, which are considered satisfactory.
- Safekeeping of the Company's assets is undertaken by J.P. Morgan Chase Bank N.A..
- Oversight of certain administrative and custodial procedures is undertaken by the Company's Depositary, J.P. Morgan Europe Limited. The Board reviews any exceptional items raised by the Depositary on a quarterly basis.
- The Board defines the duties and responsibilities of the Company's agents and advisers in the terms of their contracts. The appointment of agents and advisers is conducted by the Board after consideration of the quality of parties involved; their ongoing performance and contractual arrangements are monitored to ensure that they remain effective.
- Mandates for authorisation of investment transactions and expense payments are approved by the Board.

By the procedures set out above, the Directors have reviewed the effectiveness of the Company's internal controls throughout the year under review and up to the date of this report.

Further information on the risks and the management of them is set out in the Strategic Report on pages 13 and 14 and note 20 of the notes to the financial statements. The glossary on page 55 contains information which should be read in conjunction with this section.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and the information provided to shareholders is sufficient to allow them to assess the Company's performance, business model and strategy.

By order of the Board.

**Artemis Fund Managers Limited**  
**Company Secretary**  
6 September 2018

## Directors' Remuneration Policy and Report

### Directors' Remuneration Policy

In accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations') the remuneration policy of the Company was approved by shareholders at the annual general meeting held on Monday 6 November 2017 and is required to be approved by shareholders at the AGM in 2020.

The Company's remuneration policy is that fees payable to Directors are commensurate with the amount of time Directors are expected to spend on the Company's affairs, whilst seeking to ensure that fees are set at an appropriate level so as to enable candidates of a sufficient calibre to be recruited. The Company's Articles state the maximum aggregate amount of fees that can be paid to Directors in any year. This is currently set at £125,000 per annum and shareholder approval is required for any changes to this. The Board reviews and sets the level of Directors' fees annually, or at the time of the appointment of a new director, as provided for in the Directors' letters of appointment. The review considers a range of external information, including peer group comparisons, relevant independent research and any comments received from shareholders.

Each Director is entitled to a base fee. The Chairman of the Board is paid a higher fee than the other Directors, to reflect the additional work required to be carried out in this role. The Chairman of the Audit Committee receives an additional fee to reflect the additional responsibilities and work associated with the role.

No Director is entitled to any benefits in kind, share options, annual bonuses, long-term incentives, pensions or other retirement benefits or compensation for loss of office.

Directors are appointed with no fixed notice periods and are not entitled to any extra payments on resignation. It is also considered appropriate that no aspect of Directors' remuneration is performance-related in light of the Directors' non-executive status.

Directors are able to claim expenses that are incurred in respect of duties undertaken in connection with the management of the Company.

New Directors will be remunerated in accordance with this policy and will not be entitled to any payments from the Company in respect of remuneration arrangements in place with any other employers which are terminated upon appointment as a Director of the Company.

### Directors' Remuneration Report

The Directors are pleased to present the Company's remuneration report for the year ended 30 June 2018, produced in accordance with the Regulations. The Company's Auditor is required to audit certain information contained within this report and, where information set out below has been audited, it is clearly indicated. The Auditor's opinion is included in the Independent Auditor's Report which can be found on pages 28 to 30.

### The Board

During the year ended 30 June 2018, the Board consisted solely of non-executive Directors who determine their remuneration as a whole. Accordingly, a separate Remuneration Committee has not been established. The Directors' fees were last changed for the year ended 30 June 2018. After consideration at a meeting of the Board on 9 May 2018 it was agreed that the Directors' remuneration should remain unchanged for the year to 30 June 2019.

The Board has not relied upon the advice or services of any external party to assist in making its remuneration decisions, although the Directors carry out reviews from time to time of the fees paid to directors of other investment trusts.

The Directors do not have a contract of service with the Company but are instead appointed by letters of appointment. A Director may resign from the Board at any time; there are no fixed notice periods or any entitlement to compensation for loss of office.

### Directors' fees (audited)

The Directors who served during the year to 30 June 2018 received the following emoluments.

| Director                   | Year ended<br>30 June<br>2018 | Year ended<br>30 June<br>2017 |
|----------------------------|-------------------------------|-------------------------------|
| Malcolm Scott              | £27,500                       | £19,880                       |
| David Kidd <sup>1</sup>    | £20,000                       | £9,696                        |
| Harry Morgan               | £20,000                       | £16,000                       |
| Russell Napier             | £24,000                       | £18,000                       |
| Alan Scott                 | £20,000                       | £16,000                       |
| Richard Burns <sup>2</sup> | —                             | £7,772                        |
|                            | <b>£111,500</b>               | <b>£87,348</b>                |

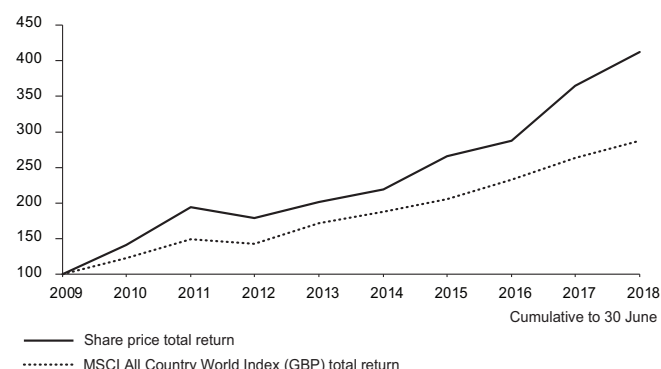
<sup>1</sup> Appointed 8 November 2016.

<sup>2</sup> Retired 8 November 2016.

## Directors and Corporate Governance (continued)

### Directors' Remuneration Policy and Report (continued)

#### Performance graph



The performance graph above sets out the Company's share price total return from 1 July 2009, compared to the total return of a notional investment in the MSCI All Country World Index (GBP).

#### Statement of voting at the last annual general meeting

The following table sets out the votes received at the last annual general meeting of shareholders, held on 7 November 2017, in respect of the approval of the Directors' Remuneration Report:

| Votes cast for |       | Votes cast against |      | Total votes cast | Number of votes withheld |
|----------------|-------|--------------------|------|------------------|--------------------------|
| Number         | %     | Number             | %    |                  |                          |
| 8,750,664      | 99.48 | 45,805             | 0.52 | 8,796,469        | 15,900                   |

The table below compares the remuneration paid to Directors to distributions made to Shareholders during the current and prior years.

|                                           | 2018    | 2017      |
|-------------------------------------------|---------|-----------|
| Directors' fees                           | 111,500 | 87,348    |
| Distributions to Shareholders – dividends | 731,000 | 2,295,000 |

#### Directors' interests

The interests of the Directors and their connected persons in the ordinary shares of the Company at the beginning and end of the financial year were as follows:

| Director       | Nature of Interest | Holding as at 30 June 2018 | Holding as at 30 June 2017 |
|----------------|--------------------|----------------------------|----------------------------|
| David Kidd     | Beneficial         | 17,500                     | 10,000                     |
| Harry Morgan   | Beneficial         | 13,575                     | 13,523                     |
| Russell Napier | Beneficial         | 159,925                    | 199,325                    |
| Alan Scott     | Beneficial         | 150,000                    | 150,000                    |
|                | Beneficial trustee | 138,850                    | 140,000                    |
| Malcolm Scott  | Beneficial         | 581,690                    | 581,690                    |
|                | Beneficial trustee | 250,000                    | 250,000                    |

On 5 July 2018 Russell Napier disposed of 24,000 shares. At no time during the year did any Director hold a material amount in any contract, arrangement or transaction with the Company.

On behalf of the Board and in accordance with the Regulations, I confirm that the Directors' Remuneration Report for the year ended 30 June 2018 summarises the review undertaken and the decisions made regarding the fees paid to the Board.

#### Malcolm Scott

Chairman

6 September 2018

## Statement of Directors' Responsibilities in respect of the Annual Financial Report and the Financial Statements

### Management Report

Listed companies are required by the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (the 'Rules') to include a management report in their annual financial statements. The information required to be in the management report for the purpose of the Rules is included in the Strategic Report (pages 4 to 15). Therefore no separate management report has been included.

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Financial Report and the 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 they are required to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 affairs of the Company and of the profit or loss of the Company for that period. In preparing each of the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

The financial statements are published on a website, [midwynd.co.uk](http://midwynd.co.uk), maintained by the Company's Investment Manager, Artemis Fund Managers Limited. Responsibility for the maintenance and integrity of the corporate and financial information relating to the Company on this website has been delegated to the Investment Manager by the Directors. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- (a) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities and financial position of the Company as at 30 June 2018 and of the profit for the year then ended; and
- (b) the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board.

**Malcolm Scott**  
**Chairman**

6 September 2018

### Audit Information

#### Report of the Audit Committee

##### Roles and responsibilities

The main responsibilities of the Audit Committee include monitoring the integrity of the Company's financial statements, the appropriateness of its accounting policies, reviewing the internal control systems and the risks to which the Company is exposed. It is also responsible for making recommendations to the Board regarding the appointment and independence of the Auditor, the objectivity and effectiveness of the audit process, monitoring the non-audit services provided to the Company by its Auditor and approving the financial statements and confirming to the Board that they are fair, balanced and understandable.

The Audit Committee also provides a forum through which the Company's Auditor reports to the Board.

##### Composition and meetings

All Directors are members of the Audit Committee and are considered to have relevant and recent financial and investment experience as a result of their employment in financial services and other industries. It meets at least twice per year and representatives from the Investment Manager and the Administrator may be invited to attend the meetings of the Audit Committee to report on issues as required.

The Audit Committee meets with the Audit Partner responsible for the Company's audit at least twice each year to discuss any matters arising from the audit.

##### Internal audit and controls

The Company does not have an internal audit function as most of its day-to-day operations are delegated to third parties. Both the Investment Manager and the Administrator have established internal control frameworks to provide reasonable assurance as to the effectiveness of the internal controls operated on behalf of their clients. Both third parties report to the Board, on a quarterly basis, any operational errors or breaches of law or regulation.

The Audit Committee considers annually whether there is a need for an internal audit function, and has agreed that it remains appropriate for the Company to rely on the internal controls that exist within its third party service providers.

As part of the Board's review of internal controls, the Audit Committee carries out and documents a risk and control assessment, which is kept under ongoing, and at least a six monthly, review. The Audit Committee reports its findings and recommendations to the Board.

##### Appointment and remuneration of Auditor

Scott-Moncrieff was appointed as Auditor to the Company on 10 June 2002. No tender for the audit of the Company has been undertaken since this date although under new

regulations a tender will need to be undertaken ahead of the year ending 30 June 2024. Scott-Moncrieff will not be able to participate in this.

The fees paid to Scott-Moncrieff in respect of audit services are disclosed in note 5 of the notes to the financial statements. As part of its review of the continuing appointment of the Auditor ahead of making a recommendation to the Board, the Audit Committee considered the quality of service provided by, and the effectiveness of, the Auditor, the length of tenure of the audit firm, its fees and independence from the Investment Manager, along with any matters raised during the audit.

As noted in the Directors' Report on page 19, Scott-Moncrieff has expressed its willingness to continue in office as independent Auditor. After careful consideration of the services provided during the year and a review of its effectiveness, the Audit Committee recommended to the Board that Scott-Moncrieff should be re-appointed as Auditor. Accordingly, a resolution will be proposed at the forthcoming AGM for its re-appointment and to authorise the Directors to agree its remuneration.

##### Audit for the year ended 30 June 2018

As part of the planning for the annual audit, the Audit Committee reviewed the audit plan produced by the Auditor, which highlighted the level of materiality applied by the Auditor, its key perceived audit risks and the scope of the audit.

Following this review, the Audit Committee considered the main risks that arise in relation to the financial statements to be the valuation of investments, revenue recognition, misappropriation of Company assets, and compliance with the revised UK Generally Accepted Accounting Practice.

As part of the annual audit, the Auditor has agreed the valuation of all listed investments in the portfolio to independent pricing providers, and for unquoted investments, reviewed the valuation bases with the Investment Manager, considering recent transactions, underlying investee operating performance and capital structures to assess the appropriateness of the valuations.

The Auditor has validated the existence of all the securities held by the Company to the records of the Custodian. The Auditor has specific tests it uses as part of its review of the financial statements to provide assurance that the figures in the financial statements, including the revenue of the Company, are complete and accurate.

The Audit Committee met with the Audit Partner responsible for the Company's audit at the Audit Committee meeting held on 29 August 2018 to discuss any matters arising from the annual audit. The Auditor reported that there were no significant matters to be

reported and an unqualified audit opinion on the financial statements has been provided on page 28.

#### **Audited information**

The Directors who held office at the date of approval of this Annual Report and Accounts 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 all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

The Audit Committee considers that the Annual Financial Report, taken as a whole, is fair, balanced and understandable and the information provided to shareholders is sufficient to allow them to assess the Company's performance, business model and strategy.

#### **Non-audit services**

The Audit Committee has established a policy for the provision of non-audit services to the Company which prohibits the provision of certain services by the Auditor which the Audit Committee believes would compromise auditor independence. This includes the provision of tax advice or services in relation to the maintenance of the accounting records of the Company. All other non-audit services are permitted subject to the fees earned by the Auditor being no higher than 70% of the average audit fee for the last three years and where auditor knowledge would be advantageous in carrying out the service.

PricewaterhouseCoopers LLP acts as tax adviser for the Company and assists in the preparation and submission of the Company's annual tax returns to HM Revenue & Customs. The engagement has been approved by the Audit Committee.

By order of the Board.

#### **Russell Napier**

Chairman of the Audit Committee  
6 September 2018

### Audit Information (continued)

#### Independent Auditor's Report to the shareholders of Mid Wynd International Investment Trust PLC

##### Opinion

We have audited the financial statements of Mid Wynd International Investment Trust PLC for the year ended 30 June 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of its returns for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to listed public interest entities, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

##### Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to in relation to:

- the disclosure in the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the Directors confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those

that would threaten its business model, future performance, solvency or liquidity;

- the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- Whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- The Directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

##### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following risks that we believe have the greatest impact on the audit strategy:

- investment portfolio valuation;
- revenue recognition;
- misappropriation of Company assets; and
- statutory financial statements disclosure requirements.

##### Our application of materiality

We apply the concept of materiality in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the

financial statements are free from material misstatement we define materiality as the level of error that would change the opinion of the reader of the financial statements. When establishing our overall audit strategy, we determined the level of uncorrected misstatements that would be material for the financial statements as a whole to be £1,836,000, which is 1% of net assets (net assets being a key performance indicator for investors in the Company). Materiality for revenue transactions was determined to be £27,000, as we believe readers of the financial statements will be more sensitive to variances in the revenue account.

We agreed with the Audit Committee that we would report to them misstatements in excess of 5% of materiality, as well as differences below that threshold that we believe warranted reporting on qualitative grounds.

#### **An overview of the scope of our audit**

We scoped our audit in order to address the assessed risks of material misstatement as follows:

#### **Investment portfolio valuation**

The holdings of all investments were reconciled to the custodian report. All year end valuations were agreed to appropriate external sources.

#### **Revenue recognition**

The income recorded for a sample of securities was checked to appropriate external sources. We paid particular attention to any “special dividends” and their accounting treatment. A sample of investment disposals was agreed to contract notes to ensure these were recorded correctly.

#### **Misappropriation of Company assets**

We reviewed the accounting records for any significant transactions that were outside the normal course of business and agreed these to appropriate evidence.

#### **Statutory financial statements disclosure requirements**

We performed a detailed review of the financial statements and completed a disclosure checklist to ensure the financial statements comply with current disclosure requirements.

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, the part of the Directors’ remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- 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 strategic report and the Directors’ report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors’ report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors’ remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Audit Information (continued)

### Independent Auditor's Report to the shareholders of Mid Wynd International Investment Trust PLC (continued)

#### Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 19, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Other matters which we are required to address

We were appointed by the Company Directors on 10 June 2002. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 15 years. The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company and its controlled undertakings in conducting our audit. Our audit opinion is consistent with the additional report to the audit committee.

#### Use of our report

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.

#### Gareth Magee (Senior Statutory Auditor)

for and on behalf of Scott-Moncrieff, Statutory Auditor  
Exchange Place 3  
Semple Street  
Edinburgh EH3 8BL

6 September 2018

## Financial Statements

### Statement of Comprehensive Income

For the year ended 30 June

|                                                          | Notes    | 2018<br>Revenue<br>£'000 | 2018<br>Capital<br>£'000 | 2018<br>Total<br>£'000 | 2017<br>Revenue<br>£'000 | 2017<br>Capital<br>£'000 | 2017<br>Total<br>£'000 |
|----------------------------------------------------------|----------|--------------------------|--------------------------|------------------------|--------------------------|--------------------------|------------------------|
| Gains on investments                                     | 10       | –                        | 15,885                   | 15,885                 | –                        | 22,932                   | 22,932                 |
| Currency gains/(losses)                                  | 15       | –                        | 384                      | 384                    | –                        | (496)                    | (496)                  |
| Income                                                   | 3        | 3,144                    | –                        | 3,144                  | 2,230                    | –                        | 2,230                  |
| Investment management fee                                | 4        | (200)                    | (600)                    | (800)                  | (160)                    | (480)                    | (640)                  |
| Other expenses                                           | 5        | (254)                    | (14)                     | (268)                  | (195)                    | (12)                     | (207)                  |
| <b>Net return before finance costs and taxation</b>      |          | <b>2,690</b>             | <b>15,655</b>            | <b>18,345</b>          | <b>1,875</b>             | <b>21,944</b>            | <b>23,819</b>          |
| Finance costs of borrowings                              | 6        | (36)                     | (109)                    | (145)                  | (29)                     | (89)                     | (118)                  |
| <b>Net return on ordinary activities before taxation</b> |          | <b>2,654</b>             | <b>15,546</b>            | <b>18,200</b>          | <b>1,846</b>             | <b>21,855</b>            | <b>23,701</b>          |
| Taxation on ordinary activities                          | 7        | (253)                    | –                        | (253)                  | (193)                    | –                        | (193)                  |
| <b>Net return on ordinary activities after taxation</b>  |          | <b>2,401</b>             | <b>15,546</b>            | <b>17,947</b>          | <b>1,653</b>             | <b>21,855</b>            | <b>23,508</b>          |
| <b>Net return per ordinary share</b>                     | <b>9</b> | <b>7.14p</b>             | <b>46.20p</b>            | <b>53.34p</b>          | <b>5.41p</b>             | <b>71.56p</b>            | <b>76.97p</b>          |

The total column of this statement is the profit and loss account of the Company.

All revenue and capital items in this statement derive from continuing operations. No operations were acquired or discontinued during the year.

The net return for the year disclosed above represents the Company's total comprehensive income.

**The accompanying notes on pages 35 to 47 are an integral part of the financial statements.**

## Financial Statements (continued)

Statement of Financial Position

As at 30 June

|                                                       | Notes     | 2018<br>£'000 | 2018<br>£'000  | 2017<br>£'000 | 2017<br>£'000  |
|-------------------------------------------------------|-----------|---------------|----------------|---------------|----------------|
| <b>Non-current assets</b>                             |           |               |                |               |                |
| Investments held at fair value through profit or loss | 10        |               | 179,699        |               | 142,655        |
| <b>Current assets</b>                                 |           |               |                |               |                |
| Debtors                                               | 11        | 772           |                | 900           |                |
| Cash and cash equivalents                             | 12        | 9,350         |                | 3,819         |                |
|                                                       |           | 10,122        |                | 4,719         |                |
| <b>Creditors</b>                                      |           |               |                |               |                |
| Amounts falling due within one year                   | 13        | (6,284)       |                | (4,316)       |                |
| <b>Net current assets</b>                             |           |               | <b>3,838</b>   |               | <b>403</b>     |
| <b>Total net assets</b>                               |           |               | <b>183,537</b> |               | <b>143,058</b> |
| <b>Capital and reserves</b>                           |           |               |                |               |                |
| Called up share capital                               | 14        |               | 1,861          |               | 1,627          |
| Capital redemption reserve                            | 15        |               | 16             |               | 16             |
| Share premium                                         | 15        |               | 52,173         |               | 29,144         |
| Capital reserve                                       | 15        |               | 126,361        |               | 110,815        |
| Revenue reserve                                       | 15        |               | 3,126          |               | 1,456          |
| <b>Shareholders' funds</b>                            |           |               | <b>183,537</b> |               | <b>143,058</b> |
| <b>Net asset value per ordinary share</b>             | <b>16</b> |               | <b>493.23p</b> |               | <b>439.75p</b> |

These financial statements were approved by the Board of Directors and signed on its behalf on 6 September 2018.

**Malcolm Scott**

Chairman

The accompanying notes on pages 35 to 47 are an integral part of the financial statements.

## Statement of Changes in Equity

For the year ended 30 June 2018

|                                                        | Share<br>capital<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Share<br>premium<br>£'000 | Capital<br>reserve<br>£'000 | Revenue<br>reserve<br>£'000 | Shareholders'<br>funds<br>£'000 |
|--------------------------------------------------------|---------------------------|-------------------------------------------|---------------------------|-----------------------------|-----------------------------|---------------------------------|
| Shareholders' funds at 1 July 2017                     | 1,627                     | 16                                        | 29,144                    | 110,815                     | 1,456                       | 143,058                         |
| Net return on ordinary activities<br>after taxation    | –                         | –                                         | –                         | 15,546                      | 2,401                       | 17,947                          |
| Issue of new shares                                    | 234                       | –                                         | 23,039                    | –                           | –                           | 23,273                          |
| Expenses related to placing and issue of<br>new shares | –                         | –                                         | (10)                      | –                           | –                           | (10)                            |
| Dividends paid                                         | –                         | –                                         | –                         | –                           | (731)                       | (731)                           |
| <b>Shareholders' funds at 30 June 2018</b>             | <b>1,861</b>              | <b>16</b>                                 | <b>52,173</b>             | <b>126,361</b>              | <b>3,126</b>                | <b>183,537</b>                  |

For the year ended 30 June 2017

|                                                                       | Share<br>capital<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Share<br>premium<br>£'000 | Capital<br>reserve<br>£'000 | Revenue<br>reserve<br>£'000 | Shareholders'<br>funds<br>£'000 |
|-----------------------------------------------------------------------|---------------------------|-------------------------------------------|---------------------------|-----------------------------|-----------------------------|---------------------------------|
| Shareholders' funds at 1 July 2016                                    | 1,456                     | 16                                        | 15,205                    | 88,851                      | 2,098                       | 107,626                         |
| Net return on ordinary activities<br>after taxation                   | –                         | –                                         | –                         | 21,855                      | 1,653                       | 23,508                          |
| Issue of new shares                                                   | 171                       | –                                         | 14,313                    | –                           | –                           | 14,484                          |
| Transfer of prior year expenses related to issue<br>of the prospectus | –                         | –                                         | (109)                     | 109                         | –                           | –                               |
| Expenses related to listing of shares                                 | –                         | –                                         | (23)                      | –                           | –                           | (23)                            |
| Expenses related to placing and issue of<br>new shares                | –                         | –                                         | (242)                     | –                           | –                           | (242)                           |
| Dividends paid                                                        | –                         | –                                         | –                         | –                           | (2,295)                     | (2,295)                         |
| <b>Shareholders' funds at 30 June 2017</b>                            | <b>1,627</b>              | <b>16</b>                                 | <b>29,144</b>             | <b>110,815</b>              | <b>1,456</b>                | <b>143,058</b>                  |

The accompanying notes on pages 35 to 47 are an integral part of the financial statements.

## Financial Statements (continued)

### Statement of Cash Flows

For the year ended 30 June

|                                                             | Notes | 2018<br>£'000 | 2018<br>£'000   | 2017<br>£'000 | 2017<br>£'000   |
|-------------------------------------------------------------|-------|---------------|-----------------|---------------|-----------------|
| <b>Cash used in operations</b>                              | 17    |               | <b>1,610</b>    |               | <b>1,494</b>    |
| Interest received                                           | 3     | 39            |                 | 32            |                 |
| Interest paid                                               | 6     | (144)         |                 | (118)         |                 |
| <b>Net cash generated from operating activities</b>         |       |               | <b>(105)</b>    |               | <b>(86)</b>     |
| <b>Cash flow from investing activities</b>                  |       |               |                 |               |                 |
| Purchase of investments                                     |       | (192,944)     |                 | (188,105)     |                 |
| Sale of investments                                         |       | 174,063       |                 | 176,013       |                 |
| Realised currency gains/(losses)                            |       | 146           |                 | (250)         |                 |
| <b>Net cash used in investing activities</b>                |       |               | <b>(18,735)</b> |               | <b>(12,342)</b> |
| <b>Cash flow from financing activities</b>                  |       |               |                 |               |                 |
| Issue of new shares                                         |       | 22,898        |                 | 14,484        |                 |
| Expenses related to issue of the prospectus                 |       | (230)         |                 | (5)           |                 |
| Expenses related to listing of shares                       |       | –             |                 | (23)          |                 |
| Dividends paid                                              | 8     | (731)         |                 | (2,295)       |                 |
| Net drawdown/(repayment) of credit facility                 |       | 808           |                 | (1,835)       |                 |
| Credit facility renewal fee                                 |       | (7)           |                 | –             |                 |
| <b>Net cash generated from financing activities</b>         |       |               | <b>22,738</b>   |               | <b>10,326</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |       |               | <b>5,508</b>    |               | <b>(608)</b>    |
| <b>Cash and cash equivalents at start of the year</b>       |       |               | <b>3,819</b>    |               | <b>4,427</b>    |
| Increase/(decrease) in cash in the year                     |       |               | 5,508           |               | (608)           |
| Unrealised currency gains on cash and cash equivalents      |       |               | 23              |               | –               |
| <b>Cash and cash equivalents at end of the year</b>         |       |               | <b>9,350</b>    |               | <b>3,819</b>    |

The accompanying notes on pages 35 to 47 are an integral part of the financial statements.

## Notes to the Financial Statements

### 1. General information

Mid Wynd International Investment Trust PLC is an investment trust company domiciled in the United Kingdom and incorporated in Scotland. The address of its registered office is 42 Melville Street, Edinburgh, Midlothian, EH3 7HA. The ordinary shares of the Company are premium listed on the London Stock Exchange. The Company's registered number is SCO42651.

### 2. Accounting policies

#### (a) Basis of accounting

The financial statements are prepared on a going concern basis under the historical cost convention modified to include the revaluation of investments. The financial statements have been prepared in accordance with the Companies Act 2006, applicable United Kingdom accounting standards, including Financial Reporting Standard ('FRS') 102, and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued in November 2014 and updated in February 2018 by the Association of Investment Companies (the 'AIC').

In order to better reflect the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the profit and loss account between items of a revenue and capital nature has been presented in the Statement of Comprehensive Income.

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when it becomes a party to the contractual provisions of the instrument.

No significant estimates or judgements have been made in the preparation of the financial statements.

The Directors consider the Company's functional currency to be Sterling as

the Company's shareholders are predominantly based in the UK and the Company is subject to the UK's regulatory environment.

#### (b) Investments

Purchases and sales of investments are accounted for on a trade date basis. Investments are designated as held at fair value through profit or loss on initial recognition and are measured at subsequent reporting dates at fair value. The fair value of listed investments is bid value or last traded prices for holdings on certain recognised overseas exchanges. The fair value of unquoted investments uses valuation techniques, determined by the Directors, based upon latest dealing prices, stockbroker valuations, net asset values and other information, as appropriate, and with reference to the valuation guidelines issued by the International Private Equity and Venture Capital Valuation Board.

#### (c) Derivatives

The Company may use derivatives for the purpose of efficient portfolio management (including reducing, transferring or eliminating risk in its investments and protection against currency risk) and to achieve capital growth. Such instruments are recognised on the date of the contract that creates the Company's obligation to pay or receive cash flows and are measured as financial assets or liabilities at fair value at subsequent reporting dates, while the relevant contracts remain open. The fair value is determined by reference to the open market value of the contract. Where the investment rationale for the use of derivatives is to hedge specific risks pertaining to the Company's portfolio composition, hedge accounting will only be adopted where the derivative instrument relates specifically to a single item, or group of items, of equal and opposite financial exposure, and where the

derivative instrument has been explicitly designated as a hedge of such item(s) at the date of initial recognition. In all other circumstances changes in the fair value of derivative instruments are recognised immediately in the Statement of Comprehensive Income as capital or revenue as appropriate.

#### (d) Financial instruments

In addition to the investment transactions described above, the Company enters into basic financial instruments that result in recognition of other financial assets and liabilities, such as sales and purchases for subsequent settlement, investment income due but not received and other debtors and other creditors. These financial instruments are receivable and payable and are stated at cost less impairment.

#### (e) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

#### (f) Income

Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Unfranked investment income includes the taxes deducted at source. Franked investment income is stated net of tax credits. If scrip is taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue account. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as capital. Interest from fixed interest securities is recognised on an effective interest rate basis. Interest receivable on deposits are recognised on an accruals basis.

## Financial Statements (continued)

### Notes to the Financial Statements (continued)

#### 2. Accounting policies (continued)

##### (g) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue reserve except where they relate directly to the acquisition or disposal of an investment, in which case they are added to the cost of the investment or deducted from the sale proceeds, and where they are connected with the maintenance or enhancement of the value of investments are charged to the capital reserve. Management fees are accounted for on an accruals basis and allocated 25% to the revenue reserve and 75% to the capital reserve. Costs arising from the filing of claims to reclaim tax on overseas dividends have been deducted from the revenue reserve.

##### (h) Finance costs

Loan interest is accounted for on an accruals basis and has been allocated 25% to the revenue reserve and 75% to the capital reserve.

##### (i) Deferred taxation

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

##### (j) Foreign currencies

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

##### (k) Capital reserve

Gains and losses on sales of investments, exchange differences of a capital nature and the amount by which the fair value of assets and liabilities differs from their book value are dealt with in this reserve. 75% of investment management fees and finance costs together with any associated tax relief are allocated to the capital reserve in accordance with the Company's objective of combining capital and income growth. Purchases of the Company's own shares that are held in treasury are also funded from this reserve. When shares are reissued from treasury an amount equal to the weighted average purchase price paid for the shares is recognised in this reserve with any excess over this price recognised in share premium.

##### (l) Segmental reporting

The Company has only one material segment of business being that of an investment trust company.

### 3. Income

|                                                                                 | 2018<br>£'000 | 2017<br>£'000 |
|---------------------------------------------------------------------------------|---------------|---------------|
| <b>Income from investments</b>                                                  |               |               |
| Overseas dividends                                                              | 2,767         | 1,935         |
| UK dividends                                                                    | 290           | 208           |
| Property income distribution                                                    | 48            | 55            |
|                                                                                 | <b>3,105</b>  | <b>2,198</b>  |
| <b>Other income</b>                                                             |               |               |
| Bank interest                                                                   | 39            | 32            |
| <b>Total income</b>                                                             | <b>3,144</b>  | <b>2,230</b>  |
| <b>Total income comprises:</b>                                                  |               |               |
| Dividends from financial assets designated at fair value through profit or loss | 3,105         | 2,198         |
| Other income                                                                    | 39            | 32            |
| <b>Total income</b>                                                             | <b>3,144</b>  | <b>2,230</b>  |

#### 4. Investment management fee

|                           | 2018<br>Revenue<br>£'000 | 2018<br>Capital<br>£'000 | 2018<br>Total<br>£'000 | 2017<br>Revenue<br>£'000 | 2017<br>Capital<br>£'000 | 2017<br>Total<br>£'000 |
|---------------------------|--------------------------|--------------------------|------------------------|--------------------------|--------------------------|------------------------|
| Investment management fee | 200                      | 600                      | 800                    | 160                      | 480                      | 640                    |

Details of the investment management fee are set out in the Directors' Report on page 17. As at 30 June 2018, £218,000 (2017: £173,000) was outstanding in respect of amounts due to the Investment Manager.

#### 5. Other expenses

|                                        | 2018<br>Revenue<br>£'000 | 2018<br>Capital<br>£'000 | 2018<br>Total<br>£'000 | 2017<br>Revenue<br>£'000 | 2017<br>Capital<br>£'000 | 2017<br>Total<br>£'000 |
|----------------------------------------|--------------------------|--------------------------|------------------------|--------------------------|--------------------------|------------------------|
| Directors' remuneration                | 112                      | –                        | 112                    | 87                       | –                        | 87                     |
| Depositary fees                        | 24                       | –                        | 24                     | 19                       | –                        | 19                     |
| Custody fees                           | 18                       | 5                        | 23                     | 11                       | 4                        | 15                     |
| Registrar fees                         | 20                       | –                        | 20                     | 19                       | –                        | 19                     |
| Printing fees                          | 15                       | –                        | 15                     | 13                       | –                        | 13                     |
| Auditor's remuneration (excluding VAT) | 13                       | –                        | 13                     | 13                       | –                        | 13                     |
| Stock exchange fees                    | 12                       | –                        | 12                     | 11                       | –                        | 11                     |
| Directors' and officers' insurance     | 6                        | –                        | 6                      | 6                        | –                        | 6                      |
| Other expenses                         | 34                       | 9                        | 43                     | 16                       | 8                        | 24                     |
| <b>Total expenses</b>                  | <b>254</b>               | <b>14</b>                | <b>268</b>             | <b>195</b>               | <b>12</b>                | <b>207</b>             |

#### 6. Finance costs of borrowings

|                            | 2018<br>Revenue<br>£'000 | 2018<br>Capital<br>£'000 | 2018<br>Total<br>£'000 | 2017<br>Revenue<br>£'000 | 2017<br>Capital<br>£'000 | 2017<br>Total<br>£'000 |
|----------------------------|--------------------------|--------------------------|------------------------|--------------------------|--------------------------|------------------------|
| Loan interest              | 26                       | 79                       | 105                    | 24                       | 72                       | 96                     |
| Loan non-utilisation fee   | 9                        | 27                       | 36                     | 5                        | 15                       | 20                     |
| Bank overdraft interest    | 1                        | 2                        | 3                      | –                        | 2                        | 2                      |
| Loan arrangement fees      | –                        | 1                        | 1                      | –                        | –                        | –                      |
| <b>Total finance costs</b> | <b>36</b>                | <b>109</b>               | <b>145</b>             | <b>29</b>                | <b>89</b>                | <b>118</b>             |

#### 7. Taxation on ordinary activities

|                   | 2018<br>Revenue<br>£'000 | 2018<br>Capital<br>£'000 | 2018<br>Total<br>£'000 | 2017<br>Revenue<br>£'000 | 2017<br>Capital<br>£'000 | 2017<br>Total<br>£'000 |
|-------------------|--------------------------|--------------------------|------------------------|--------------------------|--------------------------|------------------------|
| Overseas taxation | 253                      | –                        | 253                    | 193                      | –                        | 193                    |
| <b>Total tax</b>  | <b>253</b>               | <b>–</b>                 | <b>253</b>             | <b>193</b>               | <b>–</b>                 | <b>193</b>             |

## Financial Statements (continued)

### Notes to the Financial Statements (continued)

#### 7. Taxation on ordinary activities (continued)

The tax charge for the year is lower than the average standard rate of corporation tax in the UK (19.00%). The differences are explained below:

|                                                                                                                                 | 2018<br>£'000 | 2017<br>£'000 |
|---------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Net return on ordinary activities before taxation                                                                               | 18,200        | 23,701        |
| Net return on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 19.00% (2017: 19.75%) | 3,458         | 4,681         |
| Effects of:                                                                                                                     |               |               |
| Overseas tax – non offsettable                                                                                                  | 253           | 193           |
| Taxable losses in the year not utilised                                                                                         | 176           | 174           |
| Double taxation relief expensed                                                                                                 | (4)           | (22)          |
| Income not taxable (UK dividends)                                                                                               | (55)          | (52)          |
| Income not taxable (overseas dividends)                                                                                         | (484)         | (350)         |
| Capital returns not taxable                                                                                                     | (3,091)       | (4,431)       |
| <b>Current tax charge for the year</b>                                                                                          | <b>253</b>    | <b>193</b>    |

#### Factors that may affect future tax charges

At 30 June 2018 the Company had a potential deferred tax asset of £786,000 (2017: £629,000) in respect of taxable losses which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been recognised on these losses as it is considered unlikely that the Company will make suitable taxable revenue profits in excess of deductible expenses in future periods. Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

#### 8. Dividends paid and proposed

|                                                         | 2018         | 2017         | 2018<br>£'000 | 2017<br>£'000 |
|---------------------------------------------------------|--------------|--------------|---------------|---------------|
| <b>Amounts recognised as distributions in the year:</b> |              |              |               |               |
| Previous year's final dividend                          | 0.38p        | 2.85p        | 124           | 857           |
| First interim dividend                                  | 1.80p        | 1.70p        | 607           | 526           |
| Second interim dividend                                 | –            | 2.92p        | –             | 912           |
| <b>Total dividends</b>                                  | <b>2.18p</b> | <b>7.47p</b> | <b>731</b>    | <b>2,295</b>  |

Set out below are the total dividends paid and payable in respect of the financial year, which is the basis on which the requirements of section 1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £2,401,000 (2017: £1,653,000).

|                                                           | 2018         | 2017         | 2018<br>£'000 | 2017<br>£'000 |
|-----------------------------------------------------------|--------------|--------------|---------------|---------------|
| <b>Dividends paid and payable in respect of the year:</b> |              |              |               |               |
| First interim dividend                                    | 1.80p        | 1.70p        | 607           | 526           |
| Second interim dividend                                   | –            | 2.92p        | –             | 912           |
| Proposed final dividend                                   | 3.75p        | 0.38p        | 1,395         | 124           |
| <b>Total dividends</b>                                    | <b>5.55p</b> | <b>5.00p</b> | <b>2,002</b>  | <b>1,562</b>  |

## 9 Net return per ordinary share

|                                                  | 2018<br>Revenue | 2018<br>Capital | 2018<br>Total | 2017<br>Revenue | 2017<br>Capital | 2017<br>Total |
|--------------------------------------------------|-----------------|-----------------|---------------|-----------------|-----------------|---------------|
| Net return on ordinary activities after taxation | 7.14p           | 46.20p          | 53.34p        | 5.41p           | 71.56p          | 76.97p        |

Revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation for the financial year of £2,401,000 (2017: £1,653,000), and on 33,647,608 (2017: 30,542,647) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during the year.

Capital return per ordinary share is based on the net capital return on ordinary activities after taxation for the financial year of £15,546,000 (2017: £21,855,000), and on 33,647,608 (2017: 30,542,647) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during the year.

## 10. Fixed assets – investments

Investments in securities are financial assets designated at fair value through profit or loss on initial recognition in accordance with FRS 102. The following tables provide an analysis of these investments based on the fair value hierarchy as described below which reflects the reliability and significance of the information used to measure their fair value.

The levels are determined by the lowest (that is the least reliable or least independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

**Level 1** – investments with unadjusted quoted prices in an active market;

**Level 2** – investments whose fair value is based on inputs other than quoted prices that are either directly or indirectly observable;

**Level 3** – investments whose fair value is based on inputs that are unobservable (i.e. for which market data is unavailable).

|                                              | Year ended<br>30 June<br>2018<br>£'000 | Year ended<br>30 June<br>2017<br>£'000 |
|----------------------------------------------|----------------------------------------|----------------------------------------|
| Quoted (Level 1)                             | 179,699                                | 142,575                                |
| Forward foreign exchange contracts (Level 2) | –                                      | 80                                     |
| Unquoted (Level 3)                           | –                                      | –                                      |
| <b>Total financial asset investments</b>     | <b>179,699</b>                         | <b>142,655</b>                         |

## Financial Statements (continued)

### Notes to the Financial Statements (continued)

#### 10. Fixed assets – investments (continued)

|                                              | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|----------------------------------------------|------------------|------------------|------------------|----------------|
| Opening book cost                            | 122,548          | –                | 418              | 122,966        |
| Fair value adjustment at 30 June 2017        | 20,027           | 80               | (418)            | 19,689         |
| Valuation at 30 June 2017                    | 142,575          | 80               | –                | 142,655        |
| Purchases at cost                            | 194,471          | –                | –                | 194,471        |
| Disposals - proceeds                         | (173,350)        | 38               | –                | (173,312)      |
| - realised gains/(losses)                    | 15,359           | (38)             | –                | 15,321         |
| Increase/(decrease) in fair value adjustment | 644              | (80)             | –                | 564            |
| <b>Valuation as at 30 June 2018</b>          | <b>179,699</b>   | <b>–</b>         | <b>–</b>         | <b>179,699</b> |
| Book cost at 30 June 2018                    | 159,028          | –                | 418              | 159,446        |
| Fair value adjustment                        | 20,671           | –                | (418)            | 20,253         |
| <b>Valuation as at 30 June 2018</b>          | <b>179,699</b>   | <b>–</b>         | <b>–</b>         | <b>179,699</b> |

The purchases and sales proceeds figures above include transaction costs of £162,000 on purchases (2017: £177,000) and £99,000 on sales (2017: £95,000), making a total of £261,000 (2017: £272,000).

The gains and losses included in the above table have all been recognised in the Statement of Comprehensive Income on page 31. The Company believes that other reasonably possible alternative valuations for its Level 3 holdings would not be significantly different from those included in the financial statements.

#### 11. Debtors

|                                                                | 2018<br>£'000 | 2017<br>£'000 |
|----------------------------------------------------------------|---------------|---------------|
| Issue of Company's own shares awaiting settlement              | 375           | –             |
| Sales for subsequent settlement                                | –             | 751           |
| Income accrued (net of irrecoverable overseas withholding tax) | 321           | 110           |
| Other debtors and prepayments                                  | 76            | 39            |
| <b>Total debtors</b>                                           | <b>772</b>    | <b>900</b>    |

None of the above debtors are financial assets designated at fair value through profit or loss. The carrying amount of the debtors is a reasonable approximation of fair value.

#### 12. Cash and bank balances

|                                                                                           | 2018<br>£'000 | 2017<br>£'000 |
|-------------------------------------------------------------------------------------------|---------------|---------------|
| Amounts held in JPMorgan Liquidity Funds – US Dollar Liquidity Fund (Institutional dist.) | 6,757         | 3,373         |
| Amounts held in JPMorgan Liquidity Funds – Sterling Liquidity Fund (Institutional dist.)  | 2,587         | 446           |
| Cash and bank balances                                                                    | 6             | –             |
|                                                                                           | <b>9,350</b>  | <b>3,819</b>  |

### 13. Creditors – amounts falling due within one year

|                                     | 2018<br>£'000 | 2017<br>£'000 |
|-------------------------------------|---------------|---------------|
| Bank loans                          | 4,442         | 3,849         |
| Purchases for subsequent settlement | 1,527         | –             |
| Other creditors and accruals        | 315           | 467           |
| <b>Total creditors</b>              | <b>6,284</b>  | <b>4,316</b>  |

### 14. Called up share capital

|                                                                    | 2018<br>Number    | 2018<br>£'000 | 2017<br>Number    | 2017<br>£'000 |
|--------------------------------------------------------------------|-------------------|---------------|-------------------|---------------|
| Allotted, called up and fully paid ordinary shares of 5 pence each | 37,211,416        | 1,861         | 32,531,416        | 1,627         |
| <b>Total</b>                                                       | <b>37,211,416</b> | <b>1,861</b>  | <b>32,531,416</b> | <b>1,627</b>  |

No shares were bought back in the year (2017: nil).

The Company allotted 4,680,000 (2017: 3,419,580) new ordinary shares for proceeds of £23,273,000 (2017: £14,484,000) during the year ended 30 June 2018.

### 15. Capital and reserves

|                                                         | Share<br>capital<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Share<br>premium<br>£'000 | Capital<br>reserve<br>£'000 | Revenue<br>reserve<br>£'000 | Shareholders'<br>funds<br>£'000 |
|---------------------------------------------------------|---------------------------|-------------------------------------------|---------------------------|-----------------------------|-----------------------------|---------------------------------|
| At 1 July 2017                                          | 1,627                     | 16                                        | 29,144                    | 110,815                     | 1,456                       | 143,058                         |
| Gains on sales of investments                           | –                         | –                                         | –                         | 15,321                      | –                           | 15,321                          |
| Currency gains on bank loans                            | –                         | –                                         | –                         | 215                         | –                           | 215                             |
| Finance costs of borrowings                             | –                         | –                                         | –                         | (109)                       | –                           | (109)                           |
| Other currency gains                                    | –                         | –                                         | –                         | 169                         | –                           | 169                             |
| Expenses charged to capital                             | –                         | –                                         | –                         | (614)                       | –                           | (614)                           |
| Issue of new shares                                     | 234                       | –                                         | 23,039                    | –                           | –                           | 23,273                          |
| Expenses relating to placing and<br>issue of new shares | –                         | –                                         | (10)                      | –                           | –                           | (10)                            |
| Changes in unrealised gains/(losses)                    | –                         | –                                         | –                         | 564                         | –                           | 564                             |
| Revenue return on ordinary activities<br>after taxation | –                         | –                                         | –                         | –                           | 2,401                       | 2,401                           |
| Dividends paid                                          | –                         | –                                         | –                         | –                           | (731)                       | (731)                           |
| <b>At 30 June 2018</b>                                  | <b>1,861</b>              | <b>16</b>                                 | <b>52,173</b>             | <b>126,361</b>              | <b>3,126</b>                | <b>183,537</b>                  |

The capital reserve includes unrealised gains on fixed asset investments of £20,253,000 (2017: £19,689,000) as disclosed in note 10.

The capital reserve and the revenue reserve are distributable by way of dividend.

### 16. Net asset value per ordinary share

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

|                 | 2018<br>Net asset<br>value | 2018<br>Net assets<br>£'000 | 2017<br>Net asset<br>value | 2017<br>Net assets<br>£'000 |
|-----------------|----------------------------|-----------------------------|----------------------------|-----------------------------|
| Ordinary shares | 493.23p                    | 183,537                     | 439.75p                    | 143,058                     |

## Financial Statements (continued)

Notes to the Financial Statements (continued)

### 16. Net asset value per ordinary share (continued)

During the year the movements in the assets attributable to the ordinary shares were as follows:

|                                                     | 2018<br>£'000  | 2017<br>£'000  |
|-----------------------------------------------------|----------------|----------------|
| Total net assets at 1 July                          | 143,058        | 107,626        |
| Total recognised gains for the year                 | 17,947         | 23,508         |
| Issue of new shares                                 | 23,273         | 14,484         |
| Expenses related to listing of shares               | –              | (23)           |
| Expenses related to placing and issue of new shares | (10)           | (242)          |
| Dividends paid                                      | (731)          | (2,295)        |
| <b>Total net assets at 30 June</b>                  | <b>183,537</b> | <b>143,058</b> |

Net asset value per ordinary share is based on net assets as shown above and on 37,211,416 (2017: 32,531,416) ordinary shares, being the number of ordinary shares in issue at the year end.

### 17. Reconciliation of net return before finance costs and taxation to cash used in operations

|                                                      | 2018<br>£'000 | 2017<br>£'000 |
|------------------------------------------------------|---------------|---------------|
| Net return before finance costs and taxation         | 18,345        | 23,819        |
| Gains on investments                                 | (15,885)      | (22,932)      |
| Currency (gains)/losses                              | (384)         | 496           |
| (Increase)/decrease in accrued income                | (211)         | 279           |
| Interest received                                    | (39)          | (32)          |
| (Increase)/decrease in other debtors and prepayments | (31)          | 41            |
| Increase in creditors                                | 68            | 16            |
| Overseas tax suffered                                | (253)         | (193)         |
| <b>Cash used in operations</b>                       | <b>1,610</b>  | <b>1,494</b>  |

### 18. Contingent liabilities, guarantees and financial commitments

At 30 June 2018 and 30 June 2017 the Company had no contingent liabilities, guarantees or financial commitments.

### 19. Transactions with the Investment Manager and related parties

The amounts paid to the Investment Manager and amounts outstanding at the year end are disclosed in note 4. The existence of an independent Board of Directors demonstrates that the Company is free to pursue its own financial and operating policies and therefore the Investment Manager is not considered to be a related party.

### 20. Financial Instruments

As an investment trust, the Company invests in equities and makes other investments so as to meet its investment objective of achieving capital and income growth by investing on a worldwide basis. In pursuing its investment objective, the Company is exposed to various types of risk that are associated with the financial instruments and markets in which it invests.

These risks are categorised here as market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Board monitors closely the Company's exposure to these risks but does so in order to reduce the likelihood of a permanent loss of capital rather than to minimise the short-term volatility.

The Company may enter into derivative transactions as explained in the investment policy on page 12. In the period under review the Company entered into a number of forward foreign exchange contracts. At the year end there were no open positions (2017: one open position). Further details can be found in note 10.

## Market risk

The fair value or future cash flows of a financial instrument or other investment held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. The Board reviews and agrees policies for managing these risks and the Company's Investment Manager assesses the exposure to market risk when making individual investment decisions and monitors the overall level of market risk across the investment portfolio on an ongoing basis. Details of the Company's investment portfolio are shown in note 10 and on pages 9 and 10.

### (i) Currency risk

Certain of the Company's assets, liabilities and income are denominated in currencies other than Sterling (the Company's functional currency and that in which it reports its results). Consequently, movements in exchange rates may affect the Sterling value of those items.

The Investment Manager monitors the Company's exposure to foreign currencies and reports to the Board on a regular basis. The Investment Manager assesses the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. However, the country in which a company is listed is not necessarily where it earns its profits. The movement in exchange rates on overseas earnings may have a more significant impact upon a company's valuation than a simple translation of the currency in which the company is quoted.

Foreign currency borrowings may limit the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments.

| At 30 June 2018                        | Investments<br>£'000 | Forward<br>foreign<br>exchange<br>contracts<br>£'000 | Cash and<br>cash<br>equivalents<br>£'000 | Bank<br>loan<br>£'000 | Other<br>debtors and<br>creditors<br>£'000 | Net<br>exposure<br>£'000 |
|----------------------------------------|----------------------|------------------------------------------------------|------------------------------------------|-----------------------|--------------------------------------------|--------------------------|
| US dollar                              | 89,907               | —                                                    | 6,757                                    | (2,727)               | (1,498)                                    | 92,439                   |
| Euro                                   | 32,109               | —                                                    | —                                        | (1,061)               | 49                                         | 31,097                   |
| Japanese yen                           | 20,267               | —                                                    | —                                        | (654)                 | —                                          | 19,613                   |
| Hong Kong dollar                       | 13,121               | —                                                    | 6                                        | —                     | 60                                         | 13,187                   |
| Swedish krona                          | 5,881                | —                                                    | —                                        | —                     | —                                          | 5,881                    |
| Korean won                             | 3,392                | —                                                    | —                                        | —                     | 17                                         | 3,409                    |
| Singapore dollar                       | 1,961                | —                                                    | —                                        | —                     | —                                          | 1,961                    |
| Australian dollar                      | 1,792                | —                                                    | —                                        | —                     | 39                                         | 1,831                    |
| Swiss franc                            | 1,730                | —                                                    | —                                        | —                     | —                                          | 1,730                    |
| Thai baht                              | 1,528                | —                                                    | —                                        | —                     | —                                          | 1,528                    |
| Indian rupee                           | 1,110                | —                                                    | —                                        | —                     | 10                                         | 1,120                    |
| Brazilian real                         | —                    | —                                                    | —                                        | —                     | 11                                         | 11                       |
| Norwegian krone                        | —                    | —                                                    | —                                        | —                     | 6                                          | 6                        |
| Danish krone                           | —                    | —                                                    | —                                        | —                     | 3                                          | 3                        |
| <b>Total exposure to currency risk</b> | <b>172,798</b>       | <b>—</b>                                             | <b>6,763</b>                             | <b>(4,442)</b>        | <b>(1,303)</b>                             | <b>173,816</b>           |
| Sterling                               | 6,901                | —                                                    | 2,587                                    | —                     | 233                                        | 9,721                    |
| <b>Total</b>                           | <b>179,699</b>       | <b>—</b>                                             | <b>9,350</b>                             | <b>(4,442)</b>        | <b>(1,070)</b>                             | <b>183,537</b>           |

## Financial Statements (continued)

Notes to the Financial Statements (continued)

20. Financial instruments (continued)

**Market risk (continued)**

**(i) Currency risk (continued)**

| At 30 June 2017                        | Investments<br>£'000 | Forward<br>foreign<br>exchange<br>contracts<br>£'000 | Cash and<br>cash<br>equivalents<br>£'000 | Bank<br>loan<br>£'000 | Other<br>debtors and<br>creditors<br>£'000 | Net<br>exposure<br>£'000 |
|----------------------------------------|----------------------|------------------------------------------------------|------------------------------------------|-----------------------|--------------------------------------------|--------------------------|
| US dollar                              | 78,006               | 3,188                                                | 3,372                                    | (3,849)               | 811                                        | 81,528                   |
| Euro                                   | 19,400               | —                                                    | —                                        | —                     | 17                                         | 19,417                   |
| Hong Kong dollar                       | 15,213               | —                                                    | —                                        | —                     | 22                                         | 15,235                   |
| Japanese yen                           | 9,083                | (3,108)                                              | —                                        | —                     | 7                                          | 5,982                    |
| Swiss franc                            | 4,890                | —                                                    | —                                        | —                     | —                                          | 4,890                    |
| Australian dollar                      | 2,960                | —                                                    | —                                        | —                     | 21                                         | 2,981                    |
| Korean won                             | 1,844                | —                                                    | —                                        | —                     | —                                          | 1,844                    |
| Indian rupee                           | 1,665                | —                                                    | —                                        | —                     | —                                          | 1,665                    |
| Singapore dollar                       | 1,650                | —                                                    | —                                        | —                     | —                                          | 1,650                    |
| Thai baht                              | 1,548                | —                                                    | —                                        | —                     | —                                          | 1,548                    |
| Kenyan shilling                        | 321                  | —                                                    | —                                        | —                     | —                                          | 321                      |
| Norwegian krone                        | —                    | —                                                    | —                                        | —                     | 5                                          | 5                        |
| Danish krone                           | —                    | —                                                    | —                                        | —                     | 3                                          | 3                        |
| <b>Total exposure to currency risk</b> | <b>136,580</b>       | <b>80</b>                                            | <b>3,372</b>                             | <b>(3,849)</b>        | <b>886</b>                                 | <b>137,069</b>           |
| Sterling                               | 5,995                | —                                                    | 447                                      | —                     | (453)                                      | 5,989                    |
| <b>Total</b>                           | <b>142,575</b>       | <b>80</b>                                            | <b>3,819</b>                             | <b>(3,849)</b>        | <b>433</b>                                 | <b>143,058</b>           |

### Currency risk sensitivity

At 30 June 2018, if Sterling had strengthened by 5% in relation to all currencies, with all other variables held constant, total net assets and total return on ordinary activities would have decreased by the amounts shown below.

A 5% weakening of Sterling against all currencies, with all other variables held constant, would have had an equal but opposite effect on the amounts included in the financial statements. The analysis is performed on the same basis as for 2017.

|                   | 2018<br>£'000 | 2017<br>£'000 |
|-------------------|---------------|---------------|
| US dollar         | 4,622         | 4,076         |
| Euro              | 1,555         | 971           |
| Japanese yen      | 981           | 299           |
| Hong Kong dollar  | 659           | 762           |
| Swedish krona     | 294           | —             |
| Korean won        | 170           | 92            |
| Singapore dollar  | 98            | 83            |
| Australian dollar | 92            | 149           |
| Swiss franc       | 87            | 245           |
| Thai baht         | 76            | 77            |
| Indian rupee      | 56            | 83            |
| Brazilian real    | 1             | —             |
| Norwegian krone   | —             | —             |
| Danish krone      | —             | —             |
| Kenyan shilling   | —             | 16            |
|                   | <b>8,691</b>  | <b>6,853</b>  |

## (ii) Interest rate risk

Interest rate movements may affect directly:

- the fair value of the investments in fixed interest rate securities;
- the level of income receivable on cash deposits; and
- the interest payable on the value of the Company's borrowings.

Interest rate movements may also impact the market value of the Company's investments outwith fixed income securities. The effect of interest rate movements upon the earnings of a company may have a significant impact upon the valuation of that company's equity. The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and when entering into borrowing agreements.

The Board reviews on a regular basis the amount of investments in cash and fixed income securities and the income receivable on cash deposits, floating rate notes and other similar investments.

The interest rate risk profile of the Company's financial assets and liabilities at 30 June 2018 and 30 June 2017 is shown below.

### *Financial assets*

The Company's cash balances are maintained in US Dollar and Sterling Liquidity Funds. The interest received is determined by the interest rate in the relevant country of the currency.

### *Financial liabilities*

The interest rate risk profile of the Company's bank loan is shown below.

### *Interest rate exposure*

|                       | 2018<br>£'000 | 2017<br>£'000 |
|-----------------------|---------------|---------------|
| US dollar             | 2,727         | 3,849         |
| Euro                  | 1,061         | —             |
| Japanese yen          | 654           | —             |
| <b>Total exposure</b> | <b>4,442</b>  | <b>3,849</b>  |

The Company had a three-year US\$16 million revolving credit facility with Scotiabank (Ireland) Limited which matured on 19 February 2018.

At the prior year end US\$5.0 million (£3.8 million) was drawn down. Interest was charged at variable rates equivalent to 0.9% over the US dollar LIBOR. The interest rate as at 30 June 2017 was 2.11611%.

In February 2018 the Company entered into a new agreement with Scotiabank (Ireland) Designated Activity Company for a US\$30 million multi-currency facility on revised terms to February 2021.

The Company pays interest separately on each currency drawn down. Interest is charged on each currency at variable rates equivalent to 1.05% over the relevant currency LIBOR i.e. Sterling, US dollar and Japanese yen, and the Euro interbank offered rate (EURIBOR) is used for Euro.

US\$3.6 million (£2.7 million) was drawn down at 30 June 2018. Interest is charged at variable rates equivalent to 1.05% over the US dollar LIBOR. The interest rate as at 30 June 2018 was 3.13788%.

€1.2 million (£1.1 million) was drawn down at 30 June 2018. Interest is charged at variable rates equivalent to 1.05% over EURIBOR. The interest rate as at 30 June 2018 was 1.05%.

¥95.6 million (£0.7 million) was drawn down at 30 June 2018. Interest is charged at variable rates equivalent to 1.05% over Japanese yen LIBOR. The interest rate as at 30 June 2018 was 1.05%.

## Financial Statements (continued)

### Notes to the Financial Statements (continued)

#### 20. Financial instruments (continued)

##### **Market risk (continued)**

##### **(ii) Interest rate risk (continued)**

The main covenants relating to the revolving credit facility are:

- (i) Total borrowings shall not exceed 33.33% (2017: 33.33%) of the Company's investment portfolio.
- (ii) The Company's minimum net asset value shall be £77 million (2017: £32 million).

##### *Interest rate risk sensitivity*

As the majority of the Company's financial assets are non-interest bearing and the loan can be repaid within the next 12 months the exposure to fair value interest rate fluctuations is limited.

##### **(iii) Other price risk**

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets.

The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. The Board meets regularly and at each meeting reviews investment performance, the investment portfolio and the rationale for the current investment positioning to ensure consistency with the Company's objectives and investment policies. The portfolio does not seek to reproduce the index. Investments are selected based upon the merit of individual companies and therefore performance may well diverge from short term fluctuations in the comparative index.

##### **Other price risk sensitivity**

Investments are valued at bid prices which equate to their fair value. A full list of the Company's investments is given on pages 9 to 10. In addition, an analysis of the investment portfolio by geographical split is given on page 11. A 5% increase in quoted valuations at 30 June 2018 would have increased total assets, and the total return on ordinary activities after taxation by £8,985,000 (2017: £7,129,000). A decrease of 5% would have had an equal but opposite effect.

##### **Liquidity risk**

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Alternative Investment Fund Manager ('AIFM') has a liquidity management policy for the Company which is intended to ensure that the Company's investment portfolio maintains a level of liquidity which is appropriate to the Company's expected outflows, which include share buy backs, dividends and operational expenses. This policy involves an assessment of the prices or values at which it expects to be able to liquidate its assets over varying hypothetical periods in varying market conditions, taking into account the sensitivity of particular assets to particular market risks and other relevant factors. This requires the AIFM to identify and monitor investment in asset classes which are considered to be relatively illiquid. Illiquid assets of the Company are likely to include investments in unquoted companies. The quoted companies in the portfolio are generally deemed to be liquid but from time to time, however, liquidity in these holdings may be affected by wider economic events. The Company's portfolio is monitored on an ongoing basis to ensure that it is adequately diversified and liquid. The AIFM's liquidity management policy is reviewed on at least an annual basis and updated, as required.

There have been no material changes to the liquidity management systems and procedures during the year. In addition, none of the Company's assets are subject to special arrangements arising from their illiquid nature.

The Company has the power to enter into borrowings, which gives it access to additional funding when required.

##### **Credit and counterparty risk**

This is the risk that a failure of a counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

This risk is managed as follows:

- The Company's quoted investments and cash are held on its behalf by J.P. Morgan Chase Bank N.A. the Company's Custodian and Banker. Bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to securities held by the Custodian to be delayed. The Investment Manager monitors the Company's risk by reviewing the Custodian's internal control reports and reporting on their findings to the Board.

- Investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Investment Manager. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's Custodian ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed.
- Transactions involving derivatives, and other arrangements wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest, are subject to rigorous assessment by the Investment Manager of the creditworthiness of that counterparty.

#### **Fair value of financial assets and financial liabilities**

The Directors are of the opinion that the financial assets and liabilities of the Company are stated at fair value in the balance sheet.

#### **Capital management**

The capital of the Company is its share capital and reserves as set out in notes 14 and 15 together with its borrowings (see note 13). The objective of the Company is to achieve capital and income growth by investing on a worldwide basis. The Company's investment policy is set out in page 12. In pursuit of the Company's objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern and details of the related risks and how they are managed are set out on pages 13, 14 and 22. The Company has the ability to issue and buy back its shares (see pages 18 and 19) and changes to the share capital during the year are set out in notes 14 to 16. The Company does not have any externally imposed capital requirements.

## Shareholder information

### Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Mid Wynd International Investment Trust PLC will be held at 42 Melville Street, Edinburgh, Midlothian EH3 7HA on Tuesday, 6 November 2018 at 12.00 noon (the 'Meeting') for the following purposes:

#### Ordinary Business

To consider and, if thought fit, pass Resolutions 1 to 10 (inclusive) which will be proposed as ordinary resolutions:

1. To receive and adopt the Annual Financial Report of the Company for the year ended 30 June 2018 together with the Report of the Directors.
2. To approve the Directors' Remuneration Report for the year ended 30 June 2018.
3. To approve a final dividend of 3.75 pence per ordinary share for the year ended 30 June 2018.
4. To re-elect Malcolm Scott as a Director of the Company.
5. To re-elect Harry Morgan as a Director of the Company.
6. To re-elect Russell Napier as a Director of the Company.
7. To re-elect Alan Scott as a Director of the Company.
8. To re-appoint Scott-Moncrieff as Independent Auditor of the Company to hold office from the conclusion of the Meeting until the conclusion of the next meeting at which the financial statements are laid before the Company.
9. To authorise the Directors to determine the remuneration of the Independent Auditor.
10. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot new shares in the Company and to grant rights to subscribe for, or to convert any security into, ordinary shares in the Company (such shares and rights together being 'Securities') up to an aggregate nominal value of £630,393, being equal to approximately 33.3% of the Company's issued share capital (excluding treasury shares) as at 6 September 2018, to such persons and on such terms as the Directors may determine, such authority to expire at the conclusion of the next annual general meeting of the Company held after the passing of this resolution, unless previously revoked, varied or extended by the Company in a general meeting, save that the

Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

#### Special Business

To consider and, if thought fit, to pass Resolutions 11, 12 and 13 which will be proposed as special resolutions:

11. That, subject to the passing of Resolution 10 above (the 'Section 551 Resolution'), and in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to Sections 570 and 573 of the Act, to allot equity securities (as defined in Section 560(1) of the Act), for cash pursuant to the authority given by the Section 551 Resolution or by way of a sale of treasury shares (as defined in Section 560(3) of the Act), in each case as if Section 561(1) of the Act did not apply to any such allotment of equity securities or sale of treasury shares, provided that this power:
  - (a) shall be limited to the allotment of equity securities or sale of treasury shares in connection with an offer of such securities to the holders of shares in the capital of the Company in proportion (as nearly as may be) to their respective holdings of such shares but subject to such exclusions, limits or restrictions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates or any legal, regulatory or practical problems in or under the laws of any territory, or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever; or
  - (b) shall be limited to the allotment of equity securities or sale of treasury shares (otherwise than pursuant to sub-paragraph (a) of this resolution) up to an aggregate nominal value of £283,961 being approximately 15% of the nominal value of the issued share capital of the Company as at 6 September 2018; and
  - (c) expires at the conclusion of the next annual general meeting of the Company held after the passing of this resolution, save that the Company may, before such expiry, make an offer or enter into an agreement which would or

might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

12. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised pursuant to Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of any of its ordinary shares in the capital of the Company in such manner and upon such terms as the Directors of the Company may from time to time determine, provided that:

- (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 5,675,426, or, if less, the number representing approximately 14.99% of the issued ordinary share capital of the Company (excluding treasury shares) as at the date on which this resolution is passed;
- (b) the minimum price which may be paid for any ordinary share is the nominal value thereof;
- (c) the maximum price which may be paid for any ordinary share shall not be more than the higher of:
  - (i) 5% above the average of the middle market quotations for an ordinary share (as derived from the Daily Official List of the London Stock Exchange) over the five business days immediately preceding the date of purchase; and

- (ii) the higher of the price of the last independent trade in ordinary shares and the highest current independent bid for such shares on the London Stock Exchange; and

- (d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company held after the passing of this resolution, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

13. That a general meeting of the Company other than an annual general meeting may be called on not less than 14 clear days' notice provided that this authority shall expire at the conclusion of the next annual general meeting of the Company.

By order of the Board.

**Artemis Fund Managers Limited**

Company Secretary  
6 September 2018

Registered Office:  
42 Melville Street  
Edinburgh, Midlothian, EH3 7HA

## Shareholder information (continued)

### Notice of Annual General Meeting (continued)

#### Notes

1. Attending the Meeting in person

If you wish to attend the Meeting in person, you should arrive at the venue for the Meeting in good time to allow your attendance to be registered. It is advisable to have some form of identification with you as you may be asked to provide evidence of your identity prior to being admitted to the Meeting.

2. Appointment of proxies

Members are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the Meeting. A proxy need not be a member of the Company but must attend the Meeting to represent a member. To be validly appointed a proxy must be appointed using the procedures set out in these notes and in the notes to the accompanying proxy form.

If members wish their proxy to speak on their behalf at the Meeting, members will need to appoint their own choice of proxy (not the chairman of the Meeting) and give their instructions directly to them.

Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). If a member wishes to appoint more than one proxy, they should contact Computershare on 0370 707 1186 (calls to this number are charged at 2 pence per minute plus network extras. Lines are open from 8.30am to 5.30pm, Monday to Friday).

A member may instruct their proxy to abstain from voting on any resolution to be considered at the Meeting by marking the "vote withheld" option when appointing their proxy. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "for" or "against" the resolution.

The appointment of a proxy will not prevent a member from attending the Meeting and voting in person if he or she wishes.

A person who is not a member of the Company but who has been nominated by a member to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these notes and should read note 8 below.

3. Appointment of a proxy using a proxy form

A proxy form for use in connection with the Meeting is enclosed. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is

signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand by the Registrar at Computershare Investor Services PLC, The Pavilions, Bristol BS99 6ZY or [eproxyappointment.com](http://eproxyappointment.com) no later than 48 hours (excluding non working days) before the time of the Meeting or any adjournment of that meeting.

If you do not have a proxy form and believe that you should have one, or you require additional proxy forms, please contact the Registrar on 0370 707 1186 (calls to this number are charged at 2 pence per minute plus network extras. Lines are open from 8.30am to 5.30pm, Monday to Friday).

4. Appointment of a proxy through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the following website:

[euroclear.com/CREST](http://euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must in order to be valid be transmitted so as to be received by the Registrar (ID 3RA50) no later than 48 hours (excluding non working days) before the time of the Meeting or any adjournment of that meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in

relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

5. Appointment of proxy by joint holders

In the case of joint holders, where more than one of the joint holders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

6. Corporate representatives

Any corporation which is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).

7. Entitlement to attend and vote

To be entitled to attend and vote at the Meeting (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 6.00pm on 2 November 2018 (or, if the Meeting is adjourned, at 6.00pm two working days prior to the adjourned meeting).

Changes to the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the Meeting.

8. Nominated persons

Any person to whom this notice is sent who is a person nominated under Section 146 of the Act to enjoy information rights (a 'Nominated Person') may,

under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

9. Forms of proxy

A personalised form of proxy will be sent to each registered shareholder with the Annual Financial Report and instructions on how to vote will be contained therein.

10. Website giving information regarding the Meeting

Information regarding the Meeting, including information required by Section 311A of the Act, and a copy of this notice of Meeting is available on the website: [midwynd.co.uk](http://midwynd.co.uk).

11. Voting rights

As at 6 September 2018 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 37,861,416 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 6 September 2018 were 37,861,416 votes.

12. Notification of shareholdings

Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the General Meeting as his proxy will need to ensure that they both comply with their respective disclosure obligations under the UK Disclosure Rules and Transparency Rules.

If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes of those proxies are cast, and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's ordinary shares already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Rules and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Rules and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.

## Shareholder information (continued)

### Notice of Annual General Meeting (continued)

13. Members' right to require circulation of resolution to be proposed at the Meeting

Members meeting the threshold requirements set out in the Act have the right to: (a) require the Company to give notice of any resolution which can properly be, and is to be, moved at the Meeting pursuant to Section 338 of the Act; and/or (b) include a matter in the business to be dealt with at the meeting, pursuant to Section 338A of the Act.

14. Further questions and communication

Under Section 319A of the Act, the Company must cause to be answered any question relating to the business being dealt with at the Meeting put by a member attending the Meeting unless answering the question would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information, or the answer has already been given on a website in the form of an answer to a question, or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Members who have any queries about the Meeting should contact the Company Secretarial Department by writing to Artemis Fund Managers Limited, 42 Melville Street, Edinburgh, Midlothian EH3 7HA.

Members may not use any electronic address provided in this notice or in any related documents (including the accompanying proxy form) to communicate with the Company for any purpose other than those expressly stated.

15. Documents available for inspection

The following documents will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) from the date of this notice until the conclusion of the Meeting:

- 15.1. a statement of all transactions of each Director and of their family interests in the share capital of the Company; and

- 15.2. copies of the Directors' letters of appointment.

No Director has a service contract with the Company.

16. Directors' biographies

The biographies of the Directors standing for re-election or election are set out on page 16 of the Company's Annual Financial Report for the year ended 30 June 2018.

17. Announcement of results

As soon as practicable following the Meeting, the results of the voting at the Meeting will be announced via a Regulatory Information Service and the number of votes cast for and against and the number of votes withheld in respect of each resolution will be placed on the website: [midwynd.co.uk](http://midwynd.co.uk).

18. Audit concerns

Members should note that it is possible that, pursuant to requests made by members of the Company under Section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's financial statements (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements were laid in accordance with Section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required under Section 527 of the Act to publish on a website.

## General information

### Buying shares in the Company

The Company's ordinary shares are traded on the London Stock Exchange and can be bought or sold through a stockbroker, a financial advisor or via an investment platform. Find out more at [midwynd.co.uk](http://midwynd.co.uk).

### Company numbers:

London Stock Exchange (SEDOL) number: B6VTTK0

ISIN number: GB00B6VTTK07

Ticker: MWY

Reuters code: MIDW.L

Bloomberg code: MWY:LN

LEI: 549300D32517C2M3A561

GIIN: PIK2NS.00003.SF.826

### Capital Gains Tax

For Capital Gains Tax indexation purposes, the market value of an ordinary share in the Company as at 31 March 1982 was 52 pence. The equivalent price, adjusted for the five for one share split in October 2011, is 10.4 pence.

### Share register enquiries

Computershare maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrar on 0370 707 1186. This helpline also offers an automated self-service functionality (available 24 hours a day, 7 days a week) which allows you to:

- hear the latest share price;
- confirm your current share holding balance;
- confirm your payment history; and
- order Change of Address forms, Dividend Bank Mandates and Stock Transfer forms.

By quoting the reference number on your share certificate you can also check your holding on the Registrar's website at [investorcentre.co.uk](http://investorcentre.co.uk).

It also offers a free, secure share management website service which allows you to:

- view your share portfolio and see the latest market price of your shares;
- calculate the total market price of each shareholding;
- view price histories and trading graphs;
- update bank mandates and change address details;
- use online dealing services; and
- pay dividends directly into your overseas bank account in your chosen local currency.

To take advantage of this service, please log in at [investorcentre.co.uk](http://investorcentre.co.uk). You will need your Shareholder Reference Number and Company Code to do this (this

information can be found on the last dividend confirmation or your share certificate).

### Dividend Reinvestment Plan

Computershare provides a Dividend Reinvestment Plan which can be used to buy additional shares instead of receiving your dividend via cheque or into your bank account. For further information log in to [investorcentre.co.uk](http://investorcentre.co.uk) and follow the instructions or telephone 0370 707 1694.

### Electronic proxy voting

If you hold stock in your own name you can choose to vote by returning proxies electronically at [eproxyappointment.com](http://eproxyappointment.com). If you have any questions about this service please contact Computershare on 0370 707 1186.

### Financial advisers and retail investors

The Company currently conducts its affairs so that the shares in issue can be recommended by Financial Advisers to ordinary retail investors in accordance with the Financial Conduct Authority's ('FCA's') rules in relation to non-mainstream investment products and intends to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

### Further information on the Company

The Company's net asset value is calculated daily and released to the London Stock Exchange. The share prices are listed in the Financial Times and also on the TrustNet website ([trustnet.com](http://trustnet.com)). Up-to-date information can be found on the Company's website ([midwynd.co.uk](http://midwynd.co.uk)), including a factsheet which is updated monthly. Shareholders can also contact the Chairman to express any views on the Company or to raise any questions they have using the e-mail address: [midwyndchairman@artemisfunds.com](mailto:midwyndchairman@artemisfunds.com).

### AIFMD disclosures

A number of disclosures are required to be made under the AIFMD as follows:

- Information in relation to the leverage of the Company is provided in the Strategic Report on page 15.
- Details of the Company's principal risks and their management are provided in the Strategic Report on pages 13 and 14.
- Details of the monitoring undertaken of the liquidity of the portfolio is provided in note 20 in the notes to the financial statements.

### Shareholder information (continued)

#### General information (continued)

- The Investment Manager is not able to enter into any stocklending agreements; to borrow money against the security of the Company's investments; nor create any charges over any of the Company's investments, unless prior approval has been received from the Board.
- Details of the Company's strategy and policies, administration arrangements and risk management and monitoring, required to be made available to investors in the Company before they invest, are available at [midwynd.co.uk](http://midwynd.co.uk).

Any material changes to this information is required to be reported in the Company's Annual Financial Report.

There have been no material changes from the prior year to the information above which requires disclosure to shareholders.

#### Remuneration

Artemis operates its remuneration policies and practices at a group level which includes both Artemis Investment Management LLP and its subsidiary Artemis Fund Managers Limited (AFML). Details of the group remuneration policies are available on Artemis' website [artemisfunds.com](http://artemisfunds.com).

No staff are employed by AFML directly but are employed and paid by other entities of Artemis. Artemis has apportioned the total amount of remuneration paid to all 171 Artemis partners and staff in respect of AFML's duties performed based on the number of funds. It has estimated that the total amount of remuneration paid in respect of duties for the Company for the year ended 31 December 2017 is £1,254,507, of which £327,834 is fixed remuneration and £926,673 is variable remuneration.

The aggregate amount of remuneration paid to Identified Staff that is attributable to duties for the Company for the year ended 31 December 2017 is £307,248. Identified Staff are those senior individuals whose managerial responsibilities or professional activities could influence, and have a material impact on, the overall risk profile of each regulated entity and the funds it manages. The AFML Code staff are the members of Artemis' Management and Executive Committees, certain fund managers, the General Counsel, the Head of Compliance and the Head of Risk. This includes certain individuals who are partners in Artemis Investment Management LLP.

#### Common Reporting Standard

The Organisation for Economic Co-operation and Development's Common Reporting Standard for Automatic Exchange of Financial Account Information (the 'Common Reporting Standard') requires the Company to provide information annually to HM Revenue & Customs ("HMRC") on the tax residencies of those certificated shareholders that are tax resident in countries out with the UK that have signed up to the Common Reporting Standard.

All new shareholders, excluding those whose shares are held in CREST, will be sent a certification form by the Registrar to complete. Existing shareholders may also be contacted by the Registrar should any extra information be needed to correctly determine their tax residence.

Failure to provide this information may result in the holding being reported to HMRC.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders; [gov.uk/government/publications/exchangeofinformationaccount-holders](http://gov.uk/government/publications/exchangeofinformationaccount-holders).

#### Data protection

The Company is committed to ensuring the protection of any personal data provided to them.

Further details of the Company's privacy policy can be found on the Company's website at [midwynd.co.uk](http://midwynd.co.uk).

#### Reporting calendar

##### Year End

30 June

##### Results Announced

Interim: February

Annual: September

##### Dividends Payable

April and November

##### Annual General Meeting

November

## Glossary

### Discount/Premium

If the share price of an investment trust is lower than the net asset value per share, the shares are said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the net asset value per share and is usually expressed as a percentage of the net asset value per share. If the share price is higher than the net asset value per share, the shares are said to be trading at a premium.

### Gearing

Gearing is the process whereby changes in the total assets of a company have an exaggerated effect on the net assets of that company's ordinary shares due to the use of borrowings.

The Company's position is set out below:

|                           | As at<br>30 June<br>2018 | As at<br>30 June<br>2017 |
|---------------------------|--------------------------|--------------------------|
| Total assets              | 189,821                  | 147,374                  |
| Cash and cash equivalents | (9,350)                  | (3,819)                  |
| Net assets                | 180,471                  | 143,555                  |
|                           | 183,537                  | 143,058                  |
| (Net cash)/gearing        | 1.7%                     | (0.3)%                   |

### Leverage

Leverage is defined in the AIFMD as any method by which an AIFM increases the exposure of an Alternative Investment Fund it manages, whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means.

There are two measures of calculating leverage:

- the gross method, which does not reduce exposure for hedging; and
- the commitment method, which reduces exposure for hedging.

### Net asset value

Net asset value represents the total value of the Company's assets less the total value of its liabilities, and is normally expressed on a per share basis.

### Alternative Investment Fund Managers Directive (AIFMD)

Is a European Union directive that applies to certain types of investment funds, including investment companies.

### Alternative Investment Fund Manager (AIFM)

Is an entity that provides certain investment services, including portfolio and risk management services. For the Company, Artemis Fund Managers Limited is the AIFM.

### Administrator

Is an entity that provides certain services to support the operation of an investment fund or investment company. These services include, amongst other things, settling investment transactions, maintaining accounting books and records and calculating daily net asset values. For the Company, J.P. Morgan Europe Limited is the administrator.

### Banker and Custodian

Is a bank that is responsible for holding an investment fund's or investment company's assets and securities and maintaining their bank accounts. For the Company, J.P. Morgan Chase Bank N.A. is the banker and custodian.

### Depository

Is a financial institution that provides certain fiduciary services to investment funds or investment companies. The AIFMD requires that investment funds and investment companies have a depository appointed to safe-keep their assets and oversee their affairs to ensure that they comply with obligations in relevant laws and constitutional documents. For the Company, J.P. Morgan Europe Limited is the depository.

### Ongoing charges

Total expenses (excluding finance costs, performance fees and taxation) incurred by the Company as a percentage of average net asset values.

|                           | As at<br>30 June<br>2018 | As at<br>30 June<br>2017 |
|---------------------------|--------------------------|--------------------------|
| Investment management fee | 800                      | 640                      |
| Other expenses            | 268                      | 207                      |
| Total expenses            | 1,068                    | 847                      |
| Average net assets        | 159,658                  | 127,062                  |
| Ongoing charges           | 0.7%                     | 0.7%                     |

### Total return

The total return on an investment is made up of capital appreciation (or depreciation) and any income paid out (which is deemed to be reinvested) by the investment. Measured over a set period, it is expressed as a percentage of the value of the investment at the start of the period.

## Shareholder information (continued)

Glossary (continued)

### Net asset value total return for the year ended 30 June

|                                      | 2018   | 2017   |
|--------------------------------------|--------|--------|
| Opening net asset value              | 439.75 | 369.70 |
| Closing net asset value              | 493.23 | 439.75 |
| Dividends paid during financial year | 2.18   | 7.47   |
|                                      | 12.7%  | 21.0%  |

### Share price total return for the year ended 30 June

|                                      | 2018   | 2017   |
|--------------------------------------|--------|--------|
| Opening share price                  | 441.00 | 352.00 |
| Closing share price                  | 498.00 | 441.00 |
| Dividends paid during financial year | 2.18   | 7.47   |
|                                      | 13.4%  | 27.5%  |

The total returns percentages assumes that dividends paid out by the Company are re-invested into shares at the value on the ex-dividend date and so the figure will be slightly different to the arithmetic calculation.

## Investment Manager, Company Secretary and Advisers

### Registered office

42 Melville Street  
Edinburgh, Midlothian EH3 7HA

Website: [midwynd.co.uk](http://midwynd.co.uk)

### Investment Manager, Alternative Investment Fund Manager and Company Secretary

Artemis Fund Managers Limited  
Cassini House  
57 St James's Street  
London SW1A 1LD

Authorised and regulated by the Financial Conduct Authority, 12 Endeavour Square, London, E20 1JN

Tel: 0800 092 2051

Email: [investor.support@artemisfunds.com](mailto:investor.support@artemisfunds.com)

Website: [artemisfunds.com](http://artemisfunds.com)

### Registrar

Computershare Investor Services PLC  
The Pavillions  
Bridgwater Road  
Bristol BS99 6ZZ  
Tel: 0370 707 1186

Calls to the number cost 2 pence per minute plus network extras. Lines are open from 8.30am to 5.30pm, Monday to Friday.

Website: [investorcentre.co.uk](http://investorcentre.co.uk)

### Administrator

J.P. Morgan Europe Limited  
25 Bank Street  
Canary Wharf  
London E14 5JP

### Depository

J.P. Morgan Europe Limited  
25 Bank Street  
Canary Wharf  
London E14 5JP

### Banker & Custodian

J.P. Morgan Chase Bank N.A.  
25 Bank Street  
Canary Wharf  
London E14 5JP

### Independent Auditor

Scott-Moncrieff  
Exchange Place 3  
Semple Street  
Edinburgh EH3 8BL

### Broker

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25 Bank Street  
Canary Wharf  
London E14 5JP

### Solicitors

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16 Charlotte Square  
Edinburgh EH2 4DF

### Tax adviser

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Atria One  
144 Morrison Street  
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