MANCHESTER AND LONDON INVESTMENT TRUST PUBLIC LIMITED COMPANY

Annual Report & Financial Statements
Year Ended 31st July 2016

Manchester & London Investment Trust plc

Registered in England & Wales No. 01009550

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

DIRECTORS AND ADVISERS

Directors

P.H.A. Stanley (Chairman of the Board and Management Engagement Committee), aged 83, joined the Board on 25th November 1997 and was appointed Chairman on 25th November 2000. Mr Stanley was previously a Director at Williams de Broë plc (until 1993) and Chairman of BWD Securities plc (1995-2000).

D. Harris (Chairman of the Audit and Remuneration Committees and Senior Independent Director), aged 66, was appointed to the Board on 29th May 2009 following the acquisition of OSP Limited (formerly Osprey Smaller Companies Income Fund Limited). Mr Harris is also the Chief Executive of InvaTrust Limited.

B. Miller (Chairman of the Nomination Committee), aged 48, was appointed to the Board on 30th August 2013 following the resignation of Mr B. S. Sheppard. Mr Miller is also an Executive Director of Damille Partners Limited and Damille Investments II Limited.

Advisers

Investment Manager
M & L Capital Management Limited
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21 Brompton Square
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Tel: 0207 584 5733
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Auditor
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Ship Canal House
98 King Street
Manchester M2 4WU

Secretary
Capita Company Secretarial Services Limited
The Registry
34 Beckenham Road
Beckenham BR3 4TU

Administrator
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M&M Investment Company plc
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Chorlton Street
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11 Spring Gardens
Manchester M60 2DB

Company Details

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Company website
www.manchesterandlondon.co.uk

Country of Incorporation
Registered in England & Wales
Number: 01009550

STRATEGIC REPORT

The Directors present their Annual Report and Financial Statements for the year ended 31st July 2016.

The Chairman's Statement on page 5 forms part of the Directors' Report.

The purpose of the Strategic Report is to provide an overview of the business of the Company by:

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

Principal Activities

The Company carries on business as an Investment Company. A review of investment activities for the year ended 31st July 2016 and the outlook for the coming year is given by the Investment Manager on pages 6 to 8.

STRATEGIC REPORT (continued)

Financial Summary

Total Return

	Year to 31st July 2016	Year to 31st July 2015	Percentage (decrease)/ Increase
Total return (£'000)	13,424	2,483	440.6
Return per 25p Ordinary Share – fully diluted	62.50p	11.47p	444.9
Total revenue return per 25p Ordinary Share	13.45p	6.00p	124.2
Cash dividend per 25p Ordinary Share	13.36p	6.00p	122.7

Capital

	At 31st July 2016	At 31st July 2015	Percentage (decrease)/ Increase
Net assets attributable to equity shareholders* (£'000)	75,546	63,074	19.8
Net Asset Value per 25p Ordinary Share – fully diluted	350.81p	293.35p	19.6
Benchmark performance - Total Return Basis**	6,879	6,616	4.0
Total Portfolio Return performance versus benchmark adjusting for Shares bought back			17.3

** Net Asset Value as at 31st July 2016 includes a net £102,000 increase in respect of own Shares bought back and resold during the year (2015: £1.1m reduction).*

*** Dow Jones U.K. Total Stock Market Total Return Index (DWGBT).*

Ongoing Charges

	Year to 31st July 2016	Year to 31st July 2015
Ongoing charges as a percentage of average net assets***	0.85%	0.78%

**** Calculated in accordance with AIC guidelines.*

Financial Calendar

Year ended:	31st July 2016
Results announced:	21st October 2016
Report and Accounts made available to shareholders:	21st October 2016
Annual General Meeting to be held in Manchester:	28th November 2016
Expected final dividend payment:	2nd December 2016

STRATEGIC REPORT (continued)

Chairman’s Statement

Results for the year ended 31st July 2016

The portfolio remains focused on larger capitalisation stocks listed in developed markets which are seeking global growth.

The Fund’s portfolio performance for our financial year has been acceptable with an increase in Net Asset Value per Share of 19.8 per cent. The new strategy adopted by the Investment Manager has meant that the outperformance of the Fund against our benchmark for the three years to the 31st July 2016 on a total return basis now stands at 1.3 per cent.

The discount the Shares trade at to their Net Asset Value per Share has widened by 2.2 per cent during the year and was 20.9 per cent at the year end. The other non-performance related potential reasons for the discount, such as the smaller size of the fund and the Sheppard family shareholding, all remain but at least one of these can be rectified in time.

It is also worth noting that the Fund’s volatility for the year was 16.2 per cent which was lower than its benchmark's volatility of 19.9 per cent over the same period.

Dividends

The Company's income is comprised of both (1) dividend income from investments (considered ordinary investment income to be paid as ordinary dividends) and (2) income from trading activity which includes gains and losses on the trading of Shares and equity derivatives, net of commissions, interest and other costs expensed (considered trading income to be paid as special dividends).

The Directors are proposing a final ordinary dividend per share of 1.85 pence and a final special dividend per share of 1.05 pence for the financial year 2016. This means that, on a per share basis, the dividends proposed or paid out in respect of the 2016 financial year total 2.25 pence as ordinary dividends and 11.11 pence as special dividends. On a total ordinary and special basis, these dividends are over 122.7 per cent higher than the total dividends paid in respect of the 2015 financial year and represent a yield of over 4.8 per cent on the share price as at the year end.

This returns the total dividend paid per share back to the levels seen in earlier years, but it should be noted that only the ordinary dividend per share should be considered as anything remotely possible of being a hopefully recurring item.

It is also inevitable that as the portfolio has been repositioned to focus on more forward-looking growth based equities we have seen the dividend income received drop. We do not see this trend reversing in the near future but we have been assured that the Investment Manager is constantly striving to generate as much trading income as possible.

Annual General Meeting

I look forward to welcoming shareholders to our forty-fourth Annual General Meeting, to be held in The Clarendon Room, St. James’s Club, 45 Spring Gardens, Manchester, M2 2BG at 12.30 p.m. on Monday 28th November 2016.

P.H.A. Stanley
Chairman

STRATEGIC REPORT (continued)

Investment Manager's Review

We remain convinced that a portfolio of stocks that are future focused, developed market listed and of a larger capitalisation is the right strategy after a satisfactory year in 2015/16.

The Portfolio

The total return of the underlying portfolio (excluding all costs as calculated by Bloomberg L.P.) in base currency generated a positive total return of 21.9 per cent over the financial year compared with a return of our benchmark of 4.0 per cent.

Total return of the underlying portfolio (excluding all costs as calculated by Bloomberg L.P.) in local currency (the currency the shares are denominated in) generated a positive total return of 11.3 per cent. This means that a material contributor to performance was the decline in the value of Sterling over the year, in particular against the US Dollar.

The portfolio segments can be broken down in contribution to base currency performance terms over the year as follows:

Contribution to performance (based on TR of holdings in base currency)

Technology	12.3%
Consumer Goods	8.2%
Healthcare & Pharmaceuticals	1.9%
Other	(0.5%)
	21.9%

Technology Investments

We remain convinced that over the next decade we will see dramatic growth in the following themes: internet of things, electric vehicles, robotics, cloud computing, internet retailing, wearables and the shared economy. We have continued to focus on investing within this sector in mega capitalisation stocks or via specialist funds. We do not believe the sector is overvalued.

This year was yet again good for "FANG", the market mnemonic for high-growth tech stocks Facebook Inc., Amazon.com Inc, Netflix Inc. and Alphabet Inc. (previously Google Inc.). Our holdings in Amazon.com Inc., Alphabet Inc. and Facebook Inc. contributed 3.1 per cent, 2.8 per cent and 1.6 per cent respectively to performance. These are core holdings and we believe there remains significant runway in all three investment cases.

We also had solid contributions from other core technology holdings: ARM Holdings Plc (which was acquired by SoftBank Group) contributed 0.9 per cent to performance, Microsoft Corp. 0.7 per cent, Paypal Holdings Inc. 0.6 per cent, Apple Inc. 0.3 per cent, Yahoo Inc. (which was largely driven by their stake in Alibaba Group) 0.9 per cent and Syngenta AG 0.6 per cent.

Our fund holdings in the sector also made positive contributions with 0.3 per cent from Scottish Mortgage Investment Trust Plc and 0.7 per cent from Polar Capital Technology Trust Plc.

The only material negative contributors were TomTom NV (-0.4 per cent) and Windeln.de AG (-0.3 per cent); the latter was disposed of during the year.

Consumer Goods Investments

We wrote last year that the biggest worry for this sector is that the brand owner's power is being eroded via the platform power of the commerce gorillas like Amazon and Alibaba. This may lead to consolidation in the sector but from a position of weakness not strength. Our concerns are heightening which, when coupled with historically high valuation multiples in the sector, make us wary of adding exposure.

STRATEGIC REPORT (continued)

Hence, our strategy continues to be to hold the larger, more global players that are targets for consolidation with top class brands like Nivea, Heineken, Dove, Campari etc. and to cover most positions with short call option strategies.

The main positive contributors to performance were Heineken NV, which contributed 2.1 per cent to portfolio performance, Davide Campari-Milano Spa 1.3 per cent, Beiersdorf AG 1.2 per cent and Unilever Plc 1.0 per cent.

The WhiteWave Foods Co (which was acquired by Nestle SA) contributed 0.8 per cent. We also had smaller positive contributions from Pernod Ricard SA, SABMiller Plc and Svenska Cellulosa AB.

The only material negative contributor was Jimmy Choo Plc (-0.4 per cent), which was disposed of during the year.

Healthcare & Pharmaceutical Investments

We remain excited by the prospects for health care over the next decade due to Genomics, Immunology and Biologics. We anticipate strong public service pricing pressures but we anticipate the result will be further consolidation to remove duplicated cost structures. Hence, yet again, our strategy is to hold growth-based, multi-product companies that are potential consolidation targets. Of the three segments detailed herein we believe that the Healthcare sector offers the best prospects in the medium term.

Key positive contributors from the sector included GlaxoSmithKline Plc, which contributed 1.3 per cent to portfolio performance, Baxalta Inc. (which was acquired by Shire Plc) 1.0 per cent, Worldwide Healthcare Trust Plc 0.5 per cent and Smith and Nephew Plc 0.4 per cent.

Negative contributors included Shire Plc (0.7) per cent, Mallinckrodt Plc (0.3) per cent (which was disposed of during the year), AstraZeneca Plc (0.2) per cent and Spire Healthcare Group Plc (0.3) per cent.

Other

Following a couple of negative developments in the sector, most notably at Lending Club and TrustBuddy, discounts on our P2P funds increased although they had no direct exposure to any of the impacted loans which led to a negative contribution to portfolio performance from VPC Speciality Lending Investments Plc of (0.9) per cent and The SME Loan Fund plc of (0.4) per cent.

At various times during the year we had a modest level of short exposure to the energy sector through options, which contributed a positive 0.3 per cent to portfolio performance.

Generating Trading Income

We have detailed in previous years why the AIFMD regulations make it harder for us to generate Trading Income. The consequences of lower Trading Income will most probably lead to lower dividends in future financial periods.

Despite this, our Trading Income for the financial year increased from £971,000 for 2014/15 to £2,808,000 for 2015/16. This is a record performance for Trading Income in the fund’s history.

While generating further Trading Income will remain a key priority for the forthcoming year, the outcome is highly subject to market conditions and cannot in any way be guaranteed or relied upon. It is for this reason that we split out the dividends derived from Trading Income into Special Dividends.

Controlling Costs

Other operating expenses (being all costs excluding direct portfolio costs such as management fee, carry and commission) have increased from £180,000 to £224,000 since our preceding financial year. This increase has been highlighted before and we expect these costs to escalate following the introduction of AIFMD and anticipated further regulation over forthcoming financial years.

The increases in cost have and will be driven by the following factors:

1. The fund has introduced a new portfolio management software system into our accounting systems which we believe will give the Investment Manager and Fund Accountant greater control and analytical ability over the portfolio and provide the Board with greater clarity of the financial position of the fund.

STRATEGIC REPORT (continued)

2. Custody of the vast proportion of all the Company's assets is now provided by JP Morgan and Morgan Stanley.
3. The Company has outsourced its Fund Accounting and Company Secretarial functions to Capita Asset Services Limited; and
4. It is also intended to seek to outsource the AIFM role to an external supplier over the next few years.

It is anticipated that by investing more in future years to make our systems even more robust we can protect shareholders' assets more securely.

Brexit

The Company's portfolio is diversified across a range of multinational holdings and hence any impact of Brexit, whether positive or negative, is likely to be immaterial in US Dollar terms. The portfolio's weighting towards global multinationals means that should Brexit have a positive effect on UK companies it is possible that the portfolio would underperform its benchmark. The Company does hold a material amount of its cash in Sterling so any future weakening of Sterling would reduce the value of this holding in Dollar terms. The Company also holds a material amount of its cash in US Dollar so should Brexit have a positive effect on Sterling in the future it is possible that the portfolio would underperform its benchmark.

Investment Manager

M & L Capital Management Limited

STRATEGIC REPORT (continued)

Equity Exposures and Portfolio Sector Analysis

Equity Exposures (Longs)
As at 31st July 2016

Listed investments*	Sector	Valuation £'000	% of Net Assets
Amazon.com, Inc.[2]	Technology	**4,474**	5.9
AlphaBet Inc.[2]	Technology	**4,390**	5.8
Heineken N.V.[1]	Consumer Goods	**3,851**	5.1
Facebook Inc.[2]	Technology	**3,302**	4.4
GlaxoSmithKline plc	Healthcare & Pharmaceuticals	**3,287**	4.3
Polar Capital Technology Trust plc	Technology	**2,785**	3.7
Smith & Nephew plc	Healthcare & Pharmaceuticals	**2,735**	3.6
Apple Inc.[2]	Technology	**2,694**	3.6
Shire plc	Healthcare & Pharmaceuticals	**2,630**	3.5
Unilever plc	Consumer Goods	**2,562**	3.4
Scottish Mortgage Investment Trust plc	Technology	**2,533**	3.3
Syngenta AG[3]	Technology	**2,484**	3.3
Paypal Holdings Inc.[2]	Technology	**2,470**	3.3
Microsoft Corporation[2]	Technology	**2,463**	3.3
Worldwide Healthcare Trust plc	Healthcare & Pharmaceuticals	**2,412**	3.2
VPC Specialty Lending Investments plc	Alternative Finance Funds	**2,395**	3.2
Yahoo! Inc.[2]	Technology	**2,367**	3.1
Beiersdorf AG[1]	Consumer Goods	**2,271**	3.0
Pernod Ricard SA[1]	Consumer Goods	**2,244**	3.0
The SME Loan Fund plc	Alternative Finance Funds	**2,149**	2.8
salesforce.com, Inc.[2]	Technology	**2,040**	2.7
Davide Campari-Milano S.p.A.[1]	Consumer Goods	**1,950**	2.6
Whitbread plc	Consumer Goods	**1,601**	2.1
Barratt Developments plc	Consumer Goods	**1,050**	1.4
The Berkeley Group Holdings plc	Consumer Goods	**966**	1.3
Spire Healthcare Group plc	Healthcare & Pharmaceuticals	**840**	1.1
easyJet plc	Consumer Goods	**833**	1.1
Other listed investments (each under 1.0%)	Various	**7,635**	10.1
Listed investments		**73,413**	97.2
Unlisted at Directors' valuation		**246**	0.3
Total long positions		**73,659**	97.5
Cash and net current assets		**1,887**	2.5
Net assets		**75,546**	100.0

*(*Including equity swap exposures as detailed in note 19.)*

STRATEGIC REPORT (continued)

All investments listed above are equities (unless otherwise stated), denominated in Sterling (except [1]Euro, [2]USD and [3]Swiss Francs) that have been issued by companies registered in England (save for Amazon.com, Inc., AlphaBet Inc., Heineken N.V., Facebook Inc., Apple Inc., Syngenta AG, Paypal Holdings Inc., Microsoft Corporation, Yahoo! Inc., Beiersdorf AG, Pernod Ricard SA, salesforce.com, Inc. and Davide Campari-Milano S.p.A., which are registered in the USA, the USA, Holland, the USA, the USA, Switzerland, the USA, the USA, the USA, Germany, France, the USA and Italy respectively).

Portfolio Sector Analysis
As at 31st July 2016

Sector	**% of Net Assets**
Technology	45.5
Consumer Goods	23.7
Healthcare & Pharmaceuticals	20.2
Alternative Finance Funds	6.0
Other	1.8
Unlisted Investments	0.3
Cash and net current assets/(liabilities)	2.5
Net assets	**100.0**

STRATEGIC REPORT (continued)

Principal Portfolio Holdings

Amazon.com Inc ("Amazon")

Amazon is best known as one of the world's largest e-commerce and online retail companies. However, it is increasingly becoming a much broader content and services platform for both consumers and businesses. In particular, Amazon Web Services is a leading provider of public cloud computing and may, in our view, be a key growth driver for the stock over the next 5 to 10 years. Amazon is likely to be a core long-term holding.

Alphabet Inc ("Alphabet")

Alphabet is a global technology company that is at the forefront of innovation in internet-based services and future technologies. Current areas of Alphabet's portfolio include online advertising, search, YouTube, cloud computing, Nest and Android operating systems. Future areas of growth for Alphabet may also include Robotics, internet of things, driverless vehicles and Artificial Intelligence.

We see Alphabet as offering compelling value on a sum of the parts basis and possibly becoming a leading player in a number of emerging technologies that could drive growth for years to come. Alphabet is likely to be a core long-term holding.

Heineken NV ("Heineken")

Heineken is a Dutch brewer that produces well-known brands such as Heineken, Amstel & Strongbow. Heineken is inexpensive relative to its peer group with relatively stable growth potential. Though Heineken may not be a particularly willing seller, it could still attract attention in a sector that is likely to be driven by M&A over the next few years.

Facebook Inc. ("Facebook")

Facebook is a social network with over 1bn daily active users. With such a strong reach and high user engagement, we see it potentially taking an increasing share of global advertising spend over the years to come. Beyond this, the Company is building an interesting portfolio of other social media platforms and technologies, such as Oculus Rift VR, which may serve to further strengthen the Facebook ecosystem.

GlaxoSmithKline plc ("GlaxoSmithKline")

GlaxoSmithKline is a global healthcare & pharmaceuticals company. We believe Glaxo has a broad and attractive portfolio and is innovative enough to continue to compete successfully for global healthcare spend, which is in itself expected to grow over the next several years. The company is also inexpensive relative to its risk and growth profile, which is becoming increasingly uncommon in a world where predictable yield is so actively hunted.

Polar Capital Technology Trust plc ("Polar Capital")

Polar Capital is a technology-focused investment trust. The fund trades at a modest discount, but has a strong track record in a sector where superior research resources and focus can be beneficial to returns. They share a similar outlook and philosophy on the sector to us, allowing us to leverage on their superior resources.

Smith & Nephew Plc ("Smith & Nephew")

Smith & Nephew is a global medical devices company. It is an international producer of products used in arthroscopy, advanced wound management, orthopaedic reconstruction, endoscopy, trauma extremities, fixation devices and sports medicine.

Smith & Nephew has reasonably attractive growth prospects over the next 5 years and is frequently mentioned as an M&A target. However, the company's core segments may not be immune to technological disruption in the long run and we would not be sad to see it acquired by a US peer.

Apple Inc ("Apple")

Apple has a history of producing well designed, sleek and desirable consumer products.

STRATEGIC REPORT (continued)

Though the widespread concern is that Apple has now gone ex-growth, the stock in fact appears to be priced for substantial profit declines. While we have been disappointed by the lack of innovation in recent product launches, we believe hardware revenues can at least be stable, while increasing services revenues can drive growth.

Shire plc ("Shire")

Shire is a global specialty biopharmaceutical company focusing on rare diseases, regenerative medicine and specialised conditions. We believe Shire is inexpensive relative to its growth prospects and remains a potential M&A candidate.

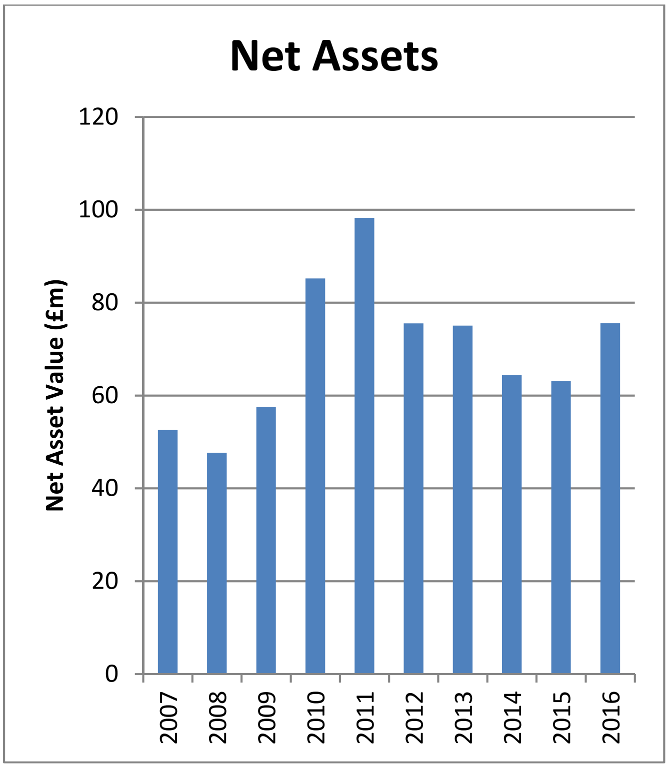
Unilever plc ("Unilever")

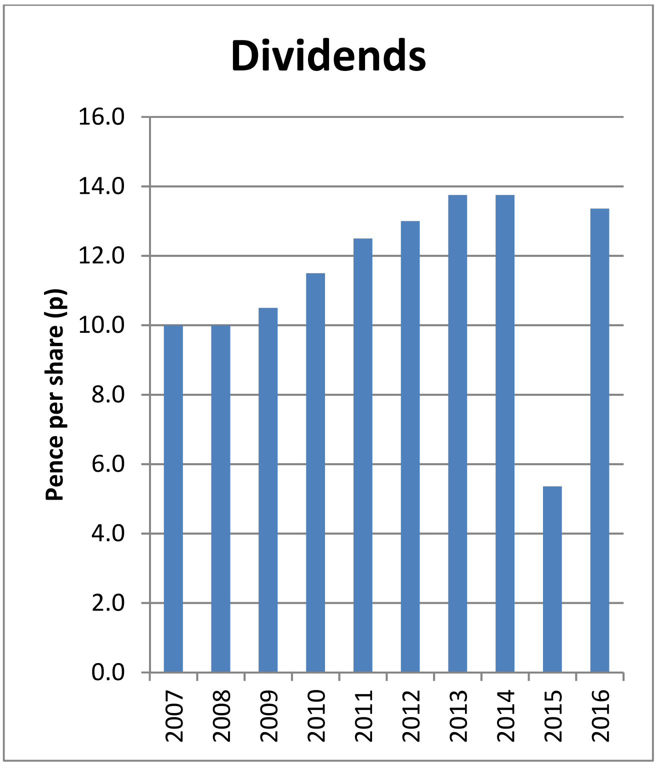
Unilever is a multinational consumer goods company, with recognisable brands in personal goods, household goods and food. Unilever offers a stable returns profile with some growth, and although it is not inexpensive, we would expect further non-core food disposals to drive further multiple expansion.

STRATEGIC REPORT (continued)

Investment Record of the Last Ten Years

Year ended	Total return £'000	Return per Ordinary Share Basic p	Return per Ordinary Share Fully diluted p	Dividend per Ordinary Share p	Total assets less liabilities £'000	Net Asset Value per 25p share Basic p	Net Asset Value per 25p share Fully diluted p
31st July 2007	5,799	41.58	41.58	10.00	52,554	376.80	376.80
31st July 2008	(3,490)	(25.02)	(25.02)	10.00	47,669	341.80	341.80
31st July 2009	645	4.43	4.43	10.50	57,495	328.44	328.44
31st July 2010	13,151	71.75	71.75	11.50	85,203	379.40	379.40
31st July 2011	15,691	69.87	69.87	12.50	98,267	437.60	437.60
31st July 2012	(19,945)	(88.81)	(88.81)	13.00	75,515	336.26	336.26
31st July 2013	2,522	11.23	11.23	13.75	75,050	334.19	334.19
31st July 2014	(6,295)	(28.08)	(28.08)	13.75	64,361	293.20	293.20
31st July 2015	2,483	11.47	11.47	6.00	63,074	293.35	293.35
31st July 2016	**13,424**	**62.50**	**62.50**	**13.36**	**75,546**	**350.81**	**350.81**





In the period from 1981 to 2006, total assets less liabilities increased from £241,000 to £36,107,000. Net Assets per Share increased from 24.1p to 481.4p.

STRATEGIC REPORT (continued)

Corporate Summary

Investment Objective

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

Investment policy

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

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

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

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

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

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

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

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

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

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

STRATEGIC REPORT (continued)

Dividend Policy

The Company may declare dividends as justified by funds available for distribution. The Company will not retain in respect of any accounting period an amount which is greater than 15 per cent of revenue profit in that period.

Capital Structure

The Company's capital structure, including details of the powers of the Company's Directors in relation to the issuing or buying back by the Company of its Shares, of shareholder authority for the purchase by the Company of its own Shares still valid at the period end and of acquisitions of own Shares, is summarised in note 17 to the financial statements.

At the Annual General Meeting held on 30th November 2015, shareholders approved the Board's proposal to authorise the Company to acquire up to 14.99 per cent of its issued share capital as at 31st July 2015.

During the year the Company bought back 51,500 (0.2%) of its Ordinary Shares. Total purchase consideration paid in the year amounted to £134,000. The Company also sold 85,000 (0.4%) of its Ordinary Shares from Treasury for a total consideration of £236,000, generating a surplus of £22,000 which is recognised in the Share Premium account.

Total Assets and Net Asset Value

The Company had total net assets of £75,546,000 and a Net Asset Value of 350.81p per Ordinary Share at 31 July 2016.

Business Model

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

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

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

A review of investment activities for the year ended 31st July 2016 and the outlook for the coming year is given by the Investment Manager on pages 6 to 8.

Principal Risks and Uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. A robust assessment of the principal risks of the Company has been carried out, including those that would threaten its business model, future performance, solvency and liquidity. A summary of the risk management and internal control processes can be found in the Statement of Corporate Governance on pages 30 and 31.

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

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

- the Company may be undergoing significant change, or be exposed to the volatility of emerging or developing markets;
- they may have less mature businesses, a more restricted depth of management and accordingly a higher risk profile;

STRATEGIC REPORT (continued)

- the quality of the investments' management may have been overestimated;
- the market value of, and income derived from, such shares can fluctuate; and
- there may not be a liquid market for their shares. The fact that a share is traded on a market does not guarantee its liquidity. Accordingly, such shares may be difficult to realise at quoted market prices.

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

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

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

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

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

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

Risk Management

The risks with regards to financial instruments, and the Company's policies for management of these risks, are detailed in note 19 to the financial statements - "Risks – Investments, derivatives and other risks". The Company manages the risks inherent in portfolio management by investing in approximately 20 to 40 securities of companies operating in a range of industrial sectors and varying the extent of cash holdings or gearing in relation to the Investment Manager's assessment of overall market conditions.

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

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

Year-End Gearing

By the year end gross long equity exposure represented 97.5 per cent of net assets.

STRATEGIC REPORT (continued)

Key Performance Indicators ("KPIs")

The key measures by which the Board judges the success of the Company are the share price, the Net Asset Value per Share and the ongoing charges measure.

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

Total net assets at 31st July 2016 amounted to £75,546,000 compared with £63,074,000 at 31st July 2015, an increase of 19.8 per cent (net of own share buybacks as disclosed in note 18), whilst the fully diluted Net Asset Value per Ordinary Share increased to 350.8p from 293.4p.

Net revenue return after taxation for the year was £2,889,000 (2015: £1,300,000), an increase of 122.2 per cent.

The share price during the period under review has been quoted at discounts to Net Asset Value of 13.6 to 25.1 per cent.

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

Future Development

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

Management Arrangements

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

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

In the year to 31st July 2016 the total remuneration paid to the entire staff of the Investment Manager was £189,000 (2015: £182,000), payable to an average staff number throughout the year of 2 (2015: 2).

The investment management of MLIT is solely undertaken by Mr M. Sheppard and Mr R. Morgan, to whom a combined total of £189,000 (2015: £182,000) was paid by the Investment Manager during the year.

The Investment Manager was paid no performance fee or carried interest in the Company.

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

The fund requires that the fund manager does not give preferential treatment to any single or class of shareholder. To this end, all Ordinary Shares carry equal voting rights and are traded on a public market, the only exception being that Shares held by the majority investment holding company and its related parties are not included in the annual draw for Wimbledon tickets.

The Company has in place a continuing, written and legally binding relationship agreement with its controlling shareholder, M&M Investment Company plc, and their associates, ensuring compliance with independence provisions set out in LR 6.1.4D.

STRATEGIC REPORT (continued)

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

Alternative Investment Fund Managers Directive

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

Environmental, Human Rights, Employee, Social and Community Issues

The Board consists entirely of non-executive Directors. Day-to-day management of the business is delegated to the Manager. As an investment trust, the Company has no direct impact on the community or the environment, and as such has no environmental, human rights, social or community policies. In carrying out its investment activities and in relationships with suppliers, the Company aims to conduct itself responsibly, ethically and fairly. Further details of our Environmental, Social and Governance policy can be found in the Directors' Report. In addition, details of the Company's Board composition and related gender diversity considerations can be found in the Statement of Corporate Governance.

On behalf of the Board

P.H.A. Stanley
Chairman

21st October 2016

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31st July 2016.

Results

The Company's total comprehensive profit for the year, after taxation, amounted to £13,424,000 (2015: £2,483,000 total comprehensive profit).

After own share buybacks as disclosed in note 17, total net assets at 31st July 2016 amounted to £75,546,000 compared with £63,074,000 at 31st July 2015, whilst the fully diluted Net Asset Value per Ordinary Share increased to 350.8p from 293.4p.

Substantial Shareholdings

At 31st July 2016, the Company had been notified of the following beneficial interests of 3 per cent and over in the Company's Ordinary Share capital carrying unrestricted voting rights:

	Number	**%**
Pershing Nominees Limited	14,998,562*	69.6
The Bank of New York (Nominees) Limited	1,355,546	6.3
Nortrust Nominees Limited	809,137	3.8

**This holding includes 13,553,563 Shares of which M&M Investment Company plc is the beneficial owner. This figure represents 62.9% of the issued share capital of the Company.*

There have been no changes to the substantial shareholdings since this date.

M&M Investment Company plc is controlled by Mr M. Sheppard. Further details of the controlling shareholder can be found in the Strategic Report on page 17.

Restriction on the Transfer of Shares

There are:

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

Dividends

A final ordinary dividend for the year ended 31st July 2015 of 1.70p (2014: 1.98p) and a final special dividend for the year ended 31st July 2015 of 0.25p per share (2014: 1.27p) were paid on 3rd December 2015. An interim ordinary dividend of 0.40p, a first special dividend of 0.46p and a second special dividend of 2.10p per Ordinary Share were paid on 29th April 2016 (2015: 1.50p interim ordinary, 2.30p first special and 0.25p second special). Further to these, a first final special dividend for the year ended 31st July 2016 of 7.50p (2015: nil) was paid on 26th August 2016.

The Directors are recommending a final ordinary dividend of 1.85p per Ordinary Share (2015: 1.70p final ordinary) and a final special dividend of 1.05p per Ordinary Share (2015: 0.25p final special), giving a total for the year of 13.36p per Ordinary Share (2015: 6.00p).

It is our current intention that the final ordinary dividend will be paid on 2nd December 2016 to shareholders registered on 18th November 2016. The Shares will be declared ex-dividend on 17th November 2016.

Share Valuations

On 31st July 2016, the middle market quotation and the Net Asset Value per Ordinary 25p Share were 277.4p and 350.8p, respectively. This indicates that the discount on the Company's Shares was 20.9 per cent. This is not uncommon as the share prices of closed-end funds are often traded at a discount to their Net Asset Values.

DIRECTORS' REPORT (continued)

Events after the Reporting Period

There have been no significant events since the end of the reporting period other than the volatility currently experienced in the stock market.

Going Concern

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

Viability Statement

The Directors have assessed the prospects of the Company over the three year period to the Annual General Meeting in 2019. The Directors consider three years to be a reasonable time horizon to consider the continuing viability of the Company, although they do consider viability for the longer term foreseeable future also.

In their assessment of the viability of the Company, the Directors have considered each of the Company's principal risks and uncertainties as set out in the Strategic Report on pages 15 and 16 and in particular have considered the potential impact of a significant fall in Global equity markets on the value of the Company's investment portfolio overall. The Directors have also considered the Company's income and expenditure projections and the fact that the Company's investments mainly comprise readily realisable securities which could be sold to meet funding requirements if necessary, and on that basis consider that three years is an appropriate time period to assess continuing viability.

In forming their assessment of viability the Directors have also considered:

- the internal processes for monitoring costs;
- expected levels of investment income;
- the performance of the Investment Manager;
- portfolio risk profile;
- liquidity risk;
- gearing limits;
- counterparty exposure; and
- financial controls and procedures operated by the Company.

Based upon these considerations the Directors have concluded that there is 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 the Annual General Meeting in 2019.

Environmental, Social and Governance Policy

As an investment trust, the Company has adopted the environmental, social and governance policy ("ESG") of its Investment Manager. This ESG policy can be found at our Investment Manager's website at www.mlcapman.com/esg/.

In addition, the Company's ethical policy is focused on ensuring that the Company's resources are properly managed and invested within the guidelines approved by the Board.

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

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

DIRECTORS' REPORT (continued)

The Company's ultimate objective however is to maximise investment return for its shareholders. Accordingly, the Board and so the Investment Manager, will seek to favour companies that pursue best practice in governance.

ESG in practice

We have detailed some examples of our ESG policy in practice below:

- We are committed to caring for our environment and ensuring that our carbon footprint is minimised. One of our main policies to achieve this is the encouragement of the use of electronic communication with shareholders, in order to save paper, printing consumables and energy.
- The portfolio holds no exposure to Mining or Oil & Gas Exploration companies.
- The Fund Manager's Investment Team only own cars which are Electric Vehicles.
- The Fund Manager's Investment Team travel to work on public transport and maximise their use of public transport.

Greenhouse Gas Emissions

The Company has 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' Report) Regulations 2013, including those within its underlying portfolio.

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are two disclosures required in relation to Listing Rule 9.8.4, one relating to ultimate control of the Company and the other relating to the agreement with the Investment Manager.

First, as noted in the Strategic Report, the Company has in place, as required by LR 9.2.2AR(2)(a), a continuing, written and legally binding relationship agreement with its controlling shareholder, M&M Investment Company plc, and their associates. The purpose of this agreement is to formally ensure compliance with independence provisions set out in LR 6.1.4D.

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

Second, and as also noted in the Strategic Report, details of the Company's management agreement with M & L Capital Management Limited ("the Investment Manager") are contained in note 3 to the financial statements.

Supplier Terms

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

The Company had trade payables of £198,000 (2015: £156,000) at the year end. Trade payables are settled by the due date for payment. Payables in respect of investment purchases are settled in accordance with Stock Exchange regulations.

Auditor Information

The Directors who held office at the date of approval of the 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 the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

DIRECTORS' REPORT (continued)

Auditor

CLB Coopers has expressed its willingness to continue in office as Auditor of the Company and resolutions for its re-appointment and for the Directors to determine its remuneration will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Notice of Annual General Meeting to be held on 28th November 2016 has been circulated to shareholders in a separate document. Shareholders are being asked to vote on various items of business, including:

Authority to allot Shares
The authority conferred on the Directors at last year's Annual General Meeting to allot Shares or grant rights to subscribe expires at the conclusion of the AGM. If passed, resolution 9 will authorise the Directors to allot the Company's Ordinary Shares up to a maximum nominal amount of £1,616,395, being the whole of the authorised but unissued Ordinary Share Capital of the Company (including 922,622 Shares held in Treasury), which represents approximately 30.02 per cent of the aggregate nominal value of the issued and unconditionally allotted Ordinary Share Capital of the Company as at the close of business on 19th October 2016. The renewal of these powers of allotment is consistent with the guidance issued by The Investment Management Association (IMA) concerning Directors' powers to allot share capital.

The authorities conferred by resolution 9 will expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, fifteen months following the passing of this resolution.

This authority also applies to the allotment or sale of Shares from Treasury described below. Save for any such allotment or sale of Shares from Treasury, the Directors have no present intention of exercising these authorities, but believe that it is in the best interests of the Company to have the authorities available so that the Board has the flexibility to issue securities at short notice and without the need for a general meeting should the Board determine that it is appropriate to do so.

Waiver of pre-emption rights
If the Directors wish to allot new Shares and other equity securities, or sell Treasury Shares, for cash (other than in connection with an employee share scheme), company law requires that these Shares are offered first to shareholders in proportion to their existing holdings.

The Pre-Emption Group's Statement of Principles, as updated in March 2015 ("Statement of Principles"), supports the annual disapplication of pre-emption rights in respect of allotments of Shares and other equity securities and sales of Treasury Shares for cash representing no more than 5 per cent of issued Ordinary Share Capital (exclusive of Treasury Shares), without restriction as to the use of proceeds of these allotments.

Resolution 9, which will be proposed as a special resolution, seeks to renew the Directors' authority to allot Shares for cash in connection with a rights issue or other than pro rata to existing Shareholders. In the case of an issue of Shares other than pro rata to existing Shareholders, the authority will be limited to a nominal amount of £1,616,395, which represents approximately 5 per cent of the issued Shares as at 19th October 2016. If granted, the authority will last until the next AGM of the Company or, if earlier, fifteen months following the passing of the Resolution.

This authority to allot Shares on a non-pre-emptive basis will also apply to the sale, allotment or transfer of Shares held in Treasury.

The Board will comply with the provision of the Statement of Principles that no more than 7.5 per cent of the issued Share capital should be allotted for cash, or transferred from Treasury, on a non-pre-emptive basis during any rolling three-year period. For this purpose the Board will treat net issuance from Treasury after taking account of any purchases into Treasury during such rolling three year period in determining the percentage allotted or transferred.

The Board considers the authority in this resolution to be appropriate in order to allow the Company flexibility to finance business opportunities or to conduct a pre-emptive offer or rights issue without the need to comply with the strict requirements of the statutory pre-emption provisions.

DIRECTORS' REPORT (continued)

Purchase of own Shares
Resolution 12, which will be proposed as a special resolution, seeks to renew the authority granted at last year's AGM and gives the Company authority to buy back its own Shares in the market as permitted by the 2006 Act. The authority limits the number of Ordinary Shares that could be purchased to a maximum of 3,228,009 (representing 14.99% of the issued Ordinary Share Capital of the Company as at the close of business on 19th October 2016). The authority sets minimum and maximum prices. This authority will expire at the conclusion of the next AGM of the Company after the date of the passing of this resolution or, if earlier, fifteen months following the passing of the resolution.

The Directors may exercise the authority to purchase the Company's Ordinary Shares as when the price at which Shares are trading in the market is less than the Company's Net Asset Value per Share.

Any purchases of Shares would be by means of market purchases through the London Stock Exchange. Any Shares purchased pursuant to this authority may either be held as Treasury Shares or cancelled by the Company, as determined by the at the time of purchase. The authority will only be used after careful consideration, taking into account market conditions prevailing at the time, other investment opportunities, appropriate gearing levels and the overall financial position of the Company. As at the close of business on 19th October 2016, the Company held 922,622 Shares in Treasury.

Notice period for general meetings
Under the 2006 Act, the notice period required for all general meetings of the Company is 21 days. AGMs will always be held on at least 21 days' notice but shareholders can approve a shorter notice period for other general meetings, provided this is not less than 14 clear days. Such a notice period provides flexibility and, if approved, will remain effective until the next AGM of the Company. In order to maintain flexibility for the Company, Resolution 13 seeks such approval. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

Full details of the above resolutions are contained in the Notice.

Recommendation
The Directors consider that all the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its members as a whole. The Directors unanimously recommend that shareholders vote in favour of all the resolutions, as they intend to do in respect of their own beneficial holdings.

By Order of the Board:

Capita Company Secretarial Services Limited
Company Secretary

21st October 2016

STATEMENT OF CORPORATE GOVERNANCE

Statement of Compliance

The Board of Manchester & London Investment Trust plc attaches importance to ensuring that the Company operates to high ethical and compliance standards. Accordingly, the Board has put in place a framework for Corporate Governance which it believes appropriate for an investment trust.

In particular, the Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide") published in February 2015. The AIC Code incorporates the principles set out in the UK Corporate Governance Code ("UK Code"), as well as setting out additional principles and recommendations on issues that are of specific reference to investment trusts, thereby providing a guide to best practice in certain areas of governance where the specific characteristics of investment trusts suggest that alternative approaches to those set out in the UK Corporate Governance Code may be preferable. The Board considers that reporting against the principles and recommendations of the AIC Code provides better information to shareholders.

The Financial Reporting Council ("FRC"), the UK's independent regulator for corporate reporting and governance responsible for the UK Code, has endorsed the AIC Code and the AIC Guide. The terms of the FRC's endorsement mean that AIC members who report against the AIC Code and follow the AIC Guide meet fully their Listing Rule obligations in relation to the UK Code.

A copy of the AIC Code and the AIC Guide can be found on the AIC website at www.theaic.co.uk. A copy of the UK Code can be found at www.frc.org.uk.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below.

- The role of the Chief Executive Officer; and
- Executive Directors' remuneration.

The Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

A full portfolio listing is not provided as, in the opinion of the Directors, it is not in the best commercial interests of the Company.

Board of Directors

During the year, and at the date of this report, the Board comprised of three non-executive Directors, two of whom are considered to be independent of the Company's Investment Manager. As the Board is composed entirely of non-executive Directors and executive responsibility for investment management has been delegated to the Company's Investment Manager, there is no Chief Executive Officer.

The Chairman, Mr P.H.A. Stanley, is deemed by his fellow Board members to be independent and to have no conflicting relationships. Mr Stanley is also the Chairman of the Management Engagement Committee. He is also a member of the Audit, Nomination and Remuneration Committees. Mr Stanley considers himself to have sufficient time to commit to the Company's affairs.

Mr David Harris was appointed to the Board of Manchester and London Investment Trust plc following the acquisition of Osprey Smaller Companies Income Fund Limited. He is currently the Senior Independent Director and the Chairman of the Audit and Remuneration Committees. He is also a member of the Management Engagement and Nomination Committees. Mr Harris is also the Chief Executive of InvaTrust Consultancy Limited.

The Board has formalised arrangements under which Directors, in the furtherance of their duties, may take independent professional advice. There were no third party indemnity provisions over the course of the year or since the year end.

No Directors have a contract of service.

STATEMENT OF CORPORATE GOVERNANCE (continued)

Non-executive Directors are not appointed for a specific term, as the Board believes that long service does not detract from their independence and that a detailed knowledge of the business has a beneficial impact on the running of the Company.

The Nomination Committee is responsible for reviewing the mix of diversity, skills, experience and so effectiveness of the Board as well as succession planning for Board. The Company does not have a specific diversity policy, but diversity is one of the factors that would be taken into account when making a new appointment. There is always a balance between the value of succession and experience and the Board considers this on a regular basis. Diversity is considered key to provide a wide range of views with regard to the strategy of the company. The current Board has representatives from three different decades of birth, born from two different continents and with at least two different religious beliefs, and comprises three male Directors. In relation to gender diversity considerations, whilst there are currently no female Directors of the Company, members of the Board are appointed on merit, against objective criteria set by the Board acting as the Nomination Committee.

The appointment of a new Director would be on the basis of a candidate's merits and the skills and experience identified by the Board as being desirable to complement those of the existing Directors.

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

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

The terms and conditions of appointment of the non-executive Directors are available for inspection at the registered office of the Company and at the forthcoming AGM.

Board Operation

The Directors meet at regular Board meetings held at least once a quarter, with additional meetings arranged as necessary. During the year to 31st July 2016, attendance and frequency details of Board and Committee meetings held were as follows:

	Board Meetings	Nomination Committee	Remuneration Committee	Management Committee	Audit Committee
Number of meetings during the year	4	1	1	1	1
P.H.A. Stanley	4	1	1	1	1
D. Harris	4	1	1	1	1
B. Miller	4	1	1	N/A	1

Performance Evaluation

The Board has established a questionnaire-based process for the annual evaluation of the performance of the Board, its Committees and the individual Directors. Following evaluation, the Board concluded that it had the appropriate balance of skills, experience, length of service and knowledge, and all Directors continued to demonstrate commitment to their role.

In addition, the two Directors, led by the Senior Independent Director, also carried out a performance evaluation of the Chairman and concluded that he demonstrates the appropriate balance of skills, experience, length of service, knowledge and commitment to his role.

STATEMENT OF CORPORATE GOVERNANCE (continued)

Directors' Independence

As part of the annual evaluation, the Board reviewed the independent status of each Director and the Board as a whole. In the Board's opinion, two of the three Directors, Mr Stanley and Mr Harris, are considered to be independent of the Manager in both character and judgement for the reasons set out above.

As Mr Miller is a Director of M&L Property & Assets PLC, an investment company which has the same Investment Manager as the Company, he is not deemed to be independent of the Investment Manager (M & L Capital Management Limited). Mr Miller is also registered with the Financial Conduct Authority as a non-salaried representative of Midas Investment Management Limited (a company in the same investment group as M & L Capital Management Limited).

Following completion of the Board's evaluation process, the other Directors are of the opinion that Mr Miller continues to provide effective contributions to the performance of the Board and is committed to his role. As regards his effectiveness, Mr Miller's biographical details set out above demonstrate the experience which he brings to the Board, which is complementary to that of the other Directors.

The Board has also considered the fact that one of the Directors, Mr Stanley, has served on the Board for more than nine years. The Board believes this to be of considerable benefit to the Company and is satisfied that this does not impact Mr Stanley's independent status. The AIC Code recognises that, in the context of an investment company, long service need not compromise independence.

Re-election of Directors

The Board does not have a specific policy on tenure. In accordance with the Company's Articles of Association, all Directors are subject to re-election by rotation, one-third of their number each year, and their re-election is subject to shareholders' approval. All non-executive Directors stand for election at the Annual General Meeting following their appointment. No Director has been in office for more than three years without having offered himself for re-election.

All three Directors will stand for re-election at the forthcoming Annual General Meeting. The Board has considered the re-election of each and recommends their re-election on the basis of their skills, knowledge and continued contribution.

Board Responsibilities and Relationship with the Manager

It is the responsibility of the full Board to ensure that there is effective stewardship of the Company's affairs and that the Company meets its obligations to shareholders. Strategic issues and all operational matters of a material nature are determined by the Board and in order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. Board responsibilities include reviewing the Company's investments, asset allocation, gearing policy, cash management, investment outlook and revenue forecasts.

The Board meets regularly and at each meeting reviews investment performance and financial results and monitors compliance with the Company's objectives. During the period the Board held four meetings. The Board considers that it met sufficiently often to enable the Directors to discharge their duties effectively.

The Board and Committee agendas were shaped to ensure that discussion was focused on the Group's strategic priorities, key monitoring activities, reviews of significant issues and key elements of the portfolio.

The Board ensures that all Directors continually update the skills and knowledge required to fulfil their role both on the Board and on Board Committees. The Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that established Board procedures and applicable rules and regulations are complied with. The performance of individual Directors and of the Committees is evaluated on a regular basis by the Board as a whole.

The Company's day-to-day functions have been subcontracted to a number of service providers, each engaged under separate legal agreements. The management of the Company's assets and investment management activities has been delegated to M & L Capital Management Limited, which has discretion to manage the assets in accordance with the Company's investment objective and policy. The Board has agreed that there is no need to set a formal policy regarding voting and has given the Manager discretionary voting powers.

STATEMENT OF CORPORATE GOVERNANCE (continued)

At each Board meeting the Directors follow a formal agenda, which is circulated in advance by the Secretary. The Secretary, Administrator and Manager regularly provide financial information, together with briefing notes and papers in relation to changes in the Company's economic and financial environment, statutory and regulatory changes and corporate governance best practice.

At each Board meeting a representative from the Manager is in attendance to present verbal and written reporting covering the Company's activities, portfolio and investment performance over the preceding period. Ongoing communication with the Board is maintained between formal meetings.

Committees of the Board

Below is a summary of Committee membership:

	Nomination Committee	Remuneration Committee	Management Committee	Audit Committee
P.H.A. Stanley	●	●	●	●
D. Harris	●	●	●	●
B. Miller	●	●		●

Audit Committee
The Company has appointed an Audit Committee comprising the entire Board and with specific terms of reference. Its primary role is to review the accounting policies and the contents of the Annual Report, the adequacy and scope of the external audit and compliance with regulatory and financial reporting requirements. The Audit Committee regularly monitors and reviews the auditor's independence (including the provision of non-audit services), objectivity and effectiveness. The Audit Committee is also responsible to the Board for making recommendations in relation to the appointment of the external auditor. The Audit Committee has direct access to the external auditor, who is invited to attend the Board Meeting at which the Annual Report and Financial Statements are approved. All reports received from the auditor are given full consideration.

The Audit Committee considered the significant issues of investment valuation and revenue recognition, addressed through regular review of investment valuations and reports prepared by both the Investment Manager and the Administrator.

Mr Harris is Chairman of the Audit Committee.

Management Engagement Committee
The Company has also appointed a Management Engagement Committee comprising Mr Stanley and Mr Harris and with specific terms of reference. The Committee is responsible for ensuring that the Investment Manager of the Company complies with the terms of the management agreement entered into with the Company and that the provisions of the management agreement follow industry practice and remain competitive and in the best interests of shareholders. The Directors maintain regular contact with the Investment Manager.

Mr Stanley is Chairman of the Management Engagement Committee.

Nomination Committee
The Company has also appointed a Nomination Committee comprising the entire Board and with specific terms of reference. The Nomination Committee is responsible for considering the appointment of new Directors, agents and advisers, and evaluating the overall composition of the Board. In considering appointments to the Board these are based on merit. The nomination Committee also takes into account the ongoing requirements of the Company and the need to have within the Board a balance of skills, experience, independence and diversity, including gender and knowledge of the Company. There are procedures for a new Director to receive relevant information on the Company together with appropriate induction.

Mr Miller is Chairman of the Nomination Committee.

STATEMENT OF CORPORATE GOVERNANCE (continued)

Remuneration Committee
The Company has also appointed a Remuneration Committee comprising the entire Board and with specific terms of reference. The Remuneration Committee is responsible for considering all material elements of remuneration policy which is set out in the Directors' Remuneration Report on page 32.

Mr Harris is Chairman of the Remuneration Committee.

The terms of reference of the Audit, Management Engagement, Nomination and Remuneration Committees are available on the Company's website at www.manchesterandlondon.co.uk.

Report from the Audit Committee

Role of the Audit Committee
The primary responsibilities of the Committee are:

- to monitor the integrity of the financial statements of the Group, and review the financial reporting process and the accounting policies of the Company;
- to keep under view the effectiveness of the Group's internal control environment and risk management systems;
- to review annually the need for the Group to have its own internal audit function;
- to make recommendations to the Board in relation to the re-appointment or removal of the external Auditor and to approve its remuneration and terms of engagement;
- to review the effectiveness of the audit process;
- to develop and implement a policy on the supply of non-audit services by the Auditor; and
- to review and monitor the Auditor's independence and objectivity.

Matters considered in the year
The Committee met twice during the financial year to consider the financial statements and to review the internal control systems

The Committee has:

- reviewed the internal controls and risk management systems of the Company and those of its third party service providers;
- reviewed and, where appropriate, updated the Company's principal risks and uncertainties;
- agreed the audit plan with the Auditor, including the principal areas of focus;
- received and discussed with the Auditor its report on the results of the audit; and
- reviewed the Company's financial statements and advised the Board accordingly.

The Committee assesses annually whether it is appropriate to prepare the Company's financial statements on a going concern basis, and makes its recommendations to the Board. The Board's conclusions are set out on page 20.

The Committee considered the latest revisions to the UK Code, including the requirement to include a viability statement in the Annual Report. The statement is set out on page 20.

The Committee considers the internal control systems. The Company relies heavily on third party suppliers. There were no significant matters of concern identified in the Committee's review of the internal control of its third party suppliers.

STATEMENT OF CORPORATE GOVERNANCE (continued)

It is considered that the Company does not require an internal audit function, principally because the Company delegates its day-to-day operations to third parties, which are monitored by the Committee, and provide reports on their operations annually.

Following consideration of the above, and its detailed review, the Committee was of the opinion that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Company's position and performance, business model and strategy and advised the Board accordingly.

Auditor
The rotation of senior statutory auditor takes place at least every five years. The last change to senior statutory auditor was in respect of the 2013 financial year. The Audit Committee considers the process to be effective.

The Audit Committee assessed the independence of the external auditors and concluded CLB Coopers, the Company's auditor, to be independent of the Company.

If the auditor becomes aware of any situation that might potentially compromise their independence, the Board expects the auditor to bring that situation to their attention at the earliest opportunity.

No tender for the audit of the Company has been undertaken. The Audit Committee regularly considers the need to put the audit out to tender, its fees and independence, along with matters raised during each audit. In accordance with the transitional arrangements for the implementation of the European Audit Reforms, the Company would need to conduct an audit tender no later than for the accounting period beginning 1 August 2020.

Audit fees
Details of the audit fee for the year ended 31st July 2016 are set out in note 4 to the financial statements.

Audit services
The Committee reviews the need for non-audit services and authorises such on a case-by-case basis, having consideration to the cost-effectiveness of the services and the independence and objectivity of the Auditor. Non-audit work may be given to the external Auditor unless there is a conflict of interest or someone else is considered to have more relevant experience.

Re-appointment of auditor
Following consideration of the performance of the Auditor, the service provided during the year and a review of its independence and objectivity, the Audit Committee has recommended to the Board the re-appointment of CLB Coopers as Auditor to the Company.

Internal audit
The Administrator, M&M Investment Services, is responsible for the internal audit function and ensuring adequate internal controls are in place.

Accountability and audit
The Directors' Responsibilities Statement in respect of the financial statements is set out on page 35. The Report of the Independent Auditor is on pages 36 to 38.

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

Continuing Appointment of the Manager

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

STATEMENT OF CORPORATE GOVERNANCE (continued)

Exercise of voting powers

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

Internal Control Review

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

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

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

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

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

- Investment management is provided by M & L Capital Management Limited. The Board is responsible for setting the overall investment policy and monitors the activity of the Investment Manager at regular Board meetings. The Investment Manager provides reports at these meetings, which cover investment performance and compliance issues.

- M&M Investment Services was responsible for the provision of administration, internal audit and risk management duties. M&M Investment Services is a standalone unit of M&M Investment Company plc which reports to the Board on risk control issues for the Company as a whole.

- Custody and safekeeping of assets is undertaken by Pershing Securities Limited, Morgan Stanley & Co. International plc and JP Morgan Chase & Co.

- The duties of investment management and custody of assets are segregated. The procedures of the individual parties are designed to complement one another.

- With effect from 1st June 2016 Company Secretarial duties have been outsourced to Capita Company Secretarial Services Limited.

- The Company has also made arrangements to outsource Company Accounting duties beyond the 2016 financial year to Capita Asset Services.

- The non-executive Directors of the Company clearly define the duties and responsibilities of their agents and advisers in terms of their contracts. The appointment of agents and advisers is conducted by the Management Engagement Committee after consideration of the quality of the parties involved and the Board monitors their ongoing performance and contractual arrangements.

STATEMENT OF CORPORATE GOVERNANCE (continued)

- For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market prices at the close of business at the end of the reporting period. The Administrator produces valuation reports independently for the Board based on the Company's valuation policy.

- Liquidity risk is minimised by investing in a portfolio of quoted companies that are readily realisable. The Investment Manager reports to the Board monthly on the liquidity profile of the fund.

- The Board reviews in detail the financial information produced by the Administrator, Investment Manager and Company Secretary on a regular basis.

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

Relations with Shareholders

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

Throughout the period the Investment Manager has also contacted shareholders and private client investment managers who manage shareholdings in the Company. These contacts and any subsequent meetings are reported to the Directors. After each meeting, contact with the Chairman is offered to shareholders should any of their concerns remain unrectified in the meeting with the Investment Manager.

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

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report in accordance with the requirements of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 in respect of the year ended 31st July 2016. An ordinary resolution for the approval of this Report will be put to shareholders at the forthcoming Annual General Meeting.

The law requires the Company's Auditor to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Independent Auditor's Report on pages 36 to 38.

Annual Statement from Chairman

I am pleased to present the Directors' Remuneration Report for the year ended 31st July 2016.

The Board as a whole reviews and sets the level of remuneration payable to each Director annually. Each Director of the Company takes no part in discussions concerning his own remuneration.

Directors' fees at the start of the year ended 31st July 2016 ranged between £15,000 and £18,000. Having reviewed the Directors' fees during the year, the Board decided not to increase Directors' fees.

There is no significant change in the way the current, approved Remuneration Policy will be implemented during the course of the next financial year.

Directors' Emoluments for the Year (audited)

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

	Fees 2016 £	**Fees 2015 £**
Mr P.H.A. Stanley (Chairman)	18,000	18,000
Mr D. Harris	15,000	15,000
Mr B. Miller	15,000	15,000
	48,000	48,000

There were no other payments to past Directors.

Director shareholdings are disclosed in the Directors' Report.

Company Performance

The graph below shows the Company's long-term total return performance (share price return plus dividends paid) compared with the Dow Jones U.K. Total Stock Market Total Return Index (DWGBT) since 26th January 2001.

DIRECTORS' REMUNERATION REPORT (continued)

Relative Importance of Spend on Pay

The table below shows the proportion of the Company's income spent on pay.

	2016	2015	
	£'000	£'000	Change
Dividends paid to ordinary shareholders in respect of the financial year	2,874	1,295	121.93%
Total remuneration paid to Directors	48	48	0%

Directors' Beneficial and Family Interests (audited)

The interests of the current Directors and their families in the voting rights of the Company are set out below:

	As at 31 July 2016	As at 31 July 2015
	No of Ordinary Shares	No of Ordinary Shares
Peter Stanley	**15,050**	15,050
David Harris	**0**	0
Brett Miller	**0**	0

There have been no changes to Directors' share interests between 31st July 2016 and the date of this Report.

Voting at AGM

The Directors' Remuneration Report for the year ended 31 July 2015 and the Directors' Remuneration Policy were approved by shareholders at the Annual General Meetings held on 30 November 2015 and 24 November 2014 respectively. The votes cast were as follows:

Directors' Remuneration Report (2015 AGM)

	Number of votes	% of votes cast
For	15,523,480	99.9
Against	8,114	0.1
At Chairman's discretion	-	-
Total votes cast	15,532,094	100.0
Number of votes withheld	500	-

Directors' Remuneration Policy (2014 AGM)

	Number of votes	% of votes cast
For	14,736,751	99.9
Against	13,780	0.1
At Chairman's discretion	-	-
Total votes cast	14,750,531	100.0
Number of votes withheld	-	-

DIRECTORS’ REMUNERATION REPORT (continued)

Remuneration Policy

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

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

Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. There are no Executive Directors.

Fees for any new Director will be determined by the Board. Any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board. It is the Board’s policy that Directors do not have service contracts, but Directors are provided with letters of appointment as a non-executive Director.

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 21st October 2016 and signed on its behalf by:

P.H.A. Stanley
Chairman

DIRECTORS' RESPONSIBILITIES IN RELATION TO THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Company financial statements in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and Article 4 of the EU IAS Regulation. Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- properly select suitable accounting policies in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable;
- provide additional disclosure when compliance with the specific requirements of IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance;
- state that the Company financial statements have been prepared in accordance with IFRS, subject to any material departures disclosed and explained in the financial statements;
- present fairly the Company financial position, financial performance and cashflows; and
- prepare the financial statements on a 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 show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

To the best of the knowledge of each of the Directors, whose names are set out on page 2:

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

(b) the Annual Report includes a fair review of the development and performance of the fund and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

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

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

21st October 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

We have audited the financial statements of Manchester & London Investment Trust plc for the year ended 31st July 2016 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 35, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 July 2016 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Our assessment of risks of material misstatement

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

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

Our application of materiality

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (continued)

After carrying out risk assessment procedures we applied an overall materiality level for the audit of the financial statements at £1.5m based on 2% of Gross Assets. After consideration of the internal control environment and the complexity of account balances we applied a 62.5% reduction factor in determining performance materiality at £0.9m.

Given the importance of the distinction between revenue and capital for the Company we applied a separate performance materiality for the Statement of Comprehensive Income of £0.8m based on an average benchmark of gross return at 1% and return on ordinary activities before taxation at 10%.

We reported to the Board all differences above £75,000 (Statement of Financial Position) or £35,000 (Statement of Comprehensive Income) identified through our audit procedures.

An overview of the scope of the audit

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

- Reviewing the reconciliation of investment balances to third party custodian statements and subsequent retranslation of foreign currency values;
- Agreeing a sample of investments held at year end to prices from external sources;
- Agreeing revenue entitlement, on a sample basis, to and from underlying accounting records to 3rd party documentation and recalculating foreign currency balances;
- Recalculating a sample of capital gains, both realised and unrealised, of transactions entered into and positions closed during the year; and
- Reviewing the latest ISAE 3402 reports on custodians' internal controls, where available, for reliance placed on the accuracy of reported investment activity and balances.

Opinion 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; and
- 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (continued)

Under the Companies Act 2006 we are required 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 Company 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.

Under the Listing Rules we are required to review:

- the Directors' statement set out on page 20 in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

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

21st October 2016

Statement of Comprehensive Income

For the year ended 31st July 2016

	Note	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Gains							
Gains/(losses) on investments at fair value through profit or loss		-	10,712	10,712	-	1,402	1,402
Trading income	**2**	2,808	-	2,808	971	-	971
Investment income	**2**	897	-	897	1,185	-	1,185
Gross return		3,705	10,712	14,417	2,156	1,402	3,558
Expenses							
Investment management fee	**3**	(334)	-	(334)	(311)	-	(311)
Cost of investment transactions		(223)	-	(223)	(303)	-	(303)
Other operating expenses	**4**	(224)	-	(224)	(180)	-	(180)
Total expenses		(781)	-	(781)	(794)	-	(794)
Return before finance costs and tax		2,924	10,712	13,636	1,362	1,402	2,764
Finance costs	**6**	(35)	(177)	(212)	(62)	(219)	(281)
Return on ordinary activities before tax		2,889	10,535	13,424	1,300	1,183	2,483
Tax expense	**7**	-	-	-	-	-	-
Return on ordinary activities after tax		2,889	10,535	13,424	1,300	1,183	2,483
Earnings per Ordinary Share (pence)							
Basic	**9**	13.45	49.05	62.50	6.00	5.47	11.47
Fully diluted	**9**	13.45	49.05	62.50	6.00	5.47	11.47

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

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

All items in the above statement derive from continuing operations.

The notes on pages 43 to 54 form part of these financial statements.

Statements of Changes in Equity

For the year ended 31st July 2016

	Share capital £'000	Share premium £'000	Treasury Shares £'000	Other reserves £'000	Capital reserve (unrealised) £'000	Capital reserve (realised) £'000	Retained earnings £'000	Total £'000
Balance at 1st August 2014	5,614	35,295	(1,306)	(79)	15,239	(17,463)	27,061	64,361
Changes in equity for 2015								
Total comprehensive loss	-	-	-	-	-	-	2,483	2,483
Buybacks of Ordinary Shares	-	-	(1,089)	-	-	-	-	(1,089)
Transfer of capital	-	-	-	-	(10,088)	11,271	(1,183)	-
Equity dividends paid	-	-	-	-	-	-	(2,681)	(2,681)
Balance at 31st July 2015	5,614	35,295	(2,395)	(79)	5,151	(6,192)	25,680	63,074
Changes in equity for 2016								
Total comprehensive income	-	-	-	-	-	-	13,424	13,424
Buybacks of Ordinary Shares	-	-	(134)	-	-	-	-	(134)
Sale of Ordinary Shares from Treasury	-	22	214	-	-	-	-	236
Transfer of capital	-	-	-	-	4,881	5,654	(10,535)	-
Equity dividends paid	-	-	-	-	-	-	(1,054)	(1,054)
Balance at 31st July 2016	5,614	35,317	(2,315)	(79)	10,032	(538)	27,515	75,546

The notes on pages 43 to 54 form part of these financial statements.

Statement of Financial Position

At 31st July 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Investments at fair value through profit or loss	**10**	38,999	28,040
		38,999	**28,040**
Current assets			
Unrealised derivative assets	**15**	3,269	2,387
Trade and other receivables	**11**	22	24
Cash and cash equivalents	**12**	35,252	34,233
		38,543	36,644
Gross assets		**77,542**	**64,684**
Current liabilities			
Unrealised derivative liabilities	**15**	(1,746)	(1,410)
Trade and other payables	**14**	(250)	(200)
		(1,996)	(1,610)
Net assets		**75,546**	**63,074**
Equity attributable to equity holders			
Ordinary Share Capital	**16**	5,614	5,614
Shares held in Treasury	**17**	(2,315)	(2,395)
Share premium		35,317	35,295
Other reserves			
Capital reserve – realised		(538)	(6,192)
Capital reserve – unrealised		10,032	5,151
Goodwill reserve		(79)	(79)
Retained earnings		27,515	25,680
Total equity		**75,546**	**63,074**

The financial statements on pages 39 to 54 were approved by the Board of Directors and authorised for issue on 21st October 2016 and are signed on their behalf by:

Mr D Harris

Mr P.H.A. Stanley (Chairman)

Directors

Manchester and London Investment Trust Public Limited Company
Company Number: 01009550

The notes on pages 43 to 54 form part of these financial statements.

Statement of Cash Flows

For the year ended 31st July 2016

	2016 £'000	2015 £'000
Cash flow from operating activities		
Return on operating activities before taxation	13,424	2,483
Interest paid	383	54
(Gain)/Loss on investments	(7,941)	1,215
Decrease in receivables	2	76
Increase/(decrease) in payables	50	66
Increase in derivatives	(546)	(1,871)
Net cash generated from/(used in) operating activities	5,372	2,023
Cash flow from investing activities		
Purchases of investments	(39,450)	(47,247)
Sales of investments	36,432	63,656
Net cash generated from investing activities	(3,018)	16,409
Cash flow from financing activities		
Equity dividends paid	(1,054)	(2,681)
Buybacks of Ordinary Shares	(134)	(1,089)
Resale of Ordinary Shares	236	-
Interest paid	(383)	(54)
Net cash used in financing activities	(1,335)	(3,824)
Net increase/(decrease) in cash and cash equivalents	1,019	14,608
Cash and cash equivalents at beginning of year	34,233	19,625
Cash and cash equivalents at end of year	**35,252**	**34,233**

The notes on pages 43 to 54 form part of these financial statements.

Notes Forming Part of the Financial Statements

For the year ended 31st July 2016

1. Accounting policies

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

Manchester & London Investment Trust plc ("MLIT") is a public limited company, which is listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom.

a) Basis of preparation and statement of compliance

In accordance with European Union regulations, these financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB"), as adopted for use in the EU effective at 31st July 2016.

As permitted by section 406(2) of the Companies Act 2006 consolidated accounts have not been prepared as the inclusion of the Company's dormant subsidiaries is not material for the purpose of giving a true and fair view.

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

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

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

b) Presentation of Statement of Comprehensive Income

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

c) Valuation of investments

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

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

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

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

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

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2016

1. Accounting policies (continued)

d) Revenue recognition

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

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

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

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

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

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

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

e) Derivatives

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

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

Equity swap positions are only accounted for as realised when closed. They are not accounted for as realised when a counterparty collateral reset occurs.

f) Expenses

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

g) Finance costs

Finance costs are accrued at the effective interest rate.

h) Taxation

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

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

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2016

1. Accounting policies (continued)

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

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

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

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

i) Dividends payable to shareholders

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

j) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank, short-term deposits with an original maturity of three months or less, cash held in highly liquid investment accounts or cash held as collateral on open equity swap and derivative positions.

k) Reserves

Reserves comprise:

Ordinary Share Capital

Nominal value of total Ordinary Shares issued

Shares held in Treasury

Consideration paid for the purchase of Shares held in Treasury

Share Premium

Excess consideration of price paid for Shares issued over nominal value

Capital Reserve - realised

Gains and losses on the realisation of investments; and

expenses and finance costs, together with the related taxation effect, are charged to this reserve in accordance with the above policies.

Capital Reserve - unrealised

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

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2016

1. Accounting policies (continued)

Goodwill Reserve

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

Retained Earnings

Net income not yet distributed to shareholders

l) Foreign currencies

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

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

m) New standards and significant amendments not applied

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

Accounting Standards		***Effective date***
IFRS 2	Share-based Payment	1st January 2018
IFRS 5	Non-current assets held for sale and discontinued operations	1st January 2016
IFRS 7	Financial Instruments: Disclosures	1st January 2016
IFRS 9	Financial Instruments	1st January 2018
IFRS 10	Consolidated Financial Statements	1st January 2016
IFRS 11	Joint arrangements	1st January 2016
IFRS 12	Disclosure of interests in other entities	1st January 2016
IFRS 14	Regulatory Deferral Accounts	1st January 2016
IFRS 15	Revenue from contracts with customers	1st January 2018
IFRS 16	Leases	1st January 2019
IAS 1	Presentation of Financial Statements	1st January 2016
IAS 7	Statement of Cash Flows	1st January 2017
IAS 12	Income Taxes	1st January 2017
IAS 16	Property, plant and equipment	1st January 2016
IAS 19	Employee benefits	1st January 2016
IAS 27	Separate Financial Statements	1st January 2016
IAS 28	Investments in Associates and Joint Ventures	1st January 2016
IAS 34	Interim Financial Reporting	1st January 2016
IAS 38	Intangible assets	1st January 2016
IAS 41	Agriculture	1st January 2016

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

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2016

2. Income

	2016 £'000	2015 £'000
Total income comprises		
Trading income	2,808	971
Dividends from listed investments	839	1,140
Interest	58	45
	3,705	2,156

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

3. Investment management fee

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Investment management fee	334	-	334	311	-	311

The Investment Manager provides investment services to the Company under a management agreement with a termination period of three months. The annual fee is 0.5 per cent of the total portfolio value including cash and short term deposits, payable quarterly in arrears. The fee is not subject to Value Added Tax ("VAT"). Transactions with the Investment Manager during the year are disclosed in note 20.

The investment management fee is chargeable to revenue.

4. Other operating expenses

	2016 £'000	2015 £'000
Directors' fees	48	48
Auditors' remuneration	25	23
Registrar fees	10	10
Other expenses	141	99
	224	180

Fees payable to the Company's auditor for the audit of the Company financial statements	25	23
Fees payable to the Company's auditor for other services:		
• services relating to taxation	7	7
• other services	3	3
	35	33

Other operating expenses include irrecoverable VAT where appropriate.

5. Staff numbers and costs

Excluding Directors, the Company employs no members of staff.

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

	2016 £'000	2015 £'000
P.H.A. Stanley (Chairman)	18	18

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2016

6. Finance costs

	2016 £'000	2015 £'000
Charged to revenue	35	62
Charged to capital	177	219
	212	281

The finance costs attributable to closed positions defined as trading income are deducted in the calculation of trading income along with commission costs. The split between the commission charged for trading and capital items is not disclosed separately.

7. Taxation

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Current UK corporation tax	-	-	-	-	-	-

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

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Profit/(loss) before tax	2,889	10,535	13,424	1,300	1,183	2,483
Tax at the UK corporation tax rate of 20.00% (2015: 20.67%)	578	2,107	2,685	269	245	514
Tax effect of non-taxable dividends/unrealised profits	(168)	-	(168)	(228)	-	(228)
Income not subject to UK corporation tax	(307)	-	(307)	(17)	-	(17)
Brought forward losses utilised during the period	(115)	-	(115)	(28)	-	(28)
Profits on investment appreciation not taxable	-	(2,142)	(2,142)	-	(290)	(290)
Other non-taxable income less expenses not deductible for tax	7	35	42	-	45	45
Unrelieved tax losses and other deductions arising in the period	5	-	5	4	-	4
Excess management expenses	-	-	-	-	-	-
Current year tax charge	-	-	-	-	-	-

The Company has surplus management expenses at 31st July 2016 of £1,888,000 (2015: £2,372,000).

At 31st July 2016, there is an unrecognised deferred tax asset, measured at the standard rate of 18 per cent, of £340,000 (2015: £490,000). This deferred tax asset relates to surplus management expenses. It is unlikely that the Company will generate sufficient taxable profits in the foreseeable future to recover these amounts and therefore the asset has not been recognised in the year, or in prior years.

As at 31st July 2016, the Company has unrelieved capital losses of £9,330,000 (2015: £9,330,000). There is therefore, a related unrecognised deferred tax asset, measured at the standard rate of 18 per cent, of £1,679,000 (2015: £1,928,000). These capital losses can only be utilised to the extent that the Company does not qualify as an investment trust in the future and, as such, the asset has not been recognised.

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2016

8. Dividends

Amounts recognised as distributions to equity holders in the period:	**2016 £'000**	**2015 £'000**
Final ordinary dividend for the year ended 31st July 2015 of 1.70p (2014: 1.98p) per share	365	431
Interim special dividend for the year ended 31st July 2015 of nil (2014: 5.00p) per share	-	1,098
Final special dividend for the year ended 31st July 2015 of 0.25p (2014: 1.27p) per share	54	276
Interim ordinary dividend for the year ended 31st July 2016 of 0.40p (2015: 1.50p) per share	86	322
First special dividend for the year ended 31st July 2016 of 0.46p (2015: 2.30p) per share	99	500
Second special dividend for the year ended 31st July 2016 of 2.10p (2015: 0.25p) per share	450	54
	1,054	2,681

A first final special dividend was of 7.50p for the financial year 2016 was paid on 26th August 2016. The Directors are proposing a final ordinary dividend of 1.85p and a final special dividend of 1.05p for the financial year 2016. These proposed dividends have been excluded as a liability in these financial statements in accordance with IFRS.

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

	2016 £'000	**2015 £'000**
Interim ordinary dividend for the year ended 31st July 2016 of 0.40p (2015: 1.50p) per share	86	322
Proposed final ordinary dividend for the year ended 31st July 2016 of 1.85p (2015: 1.70p) per share*	398	365
First special dividend for the year ended 31st July 2016 of 0.46p (2015: 2.30p) per share	99	500
Second special dividend for the year ended 31st July 2016 of 2.10p (2015: 0.25p) per share	450	54
First final special dividend for the year ended 31st July 2016 of 7.50p (2015: nil) per share	1,615	-
Proposed final special dividend for the year ended 31 July 2016 of 1.05p (2015: 0.25p) per share*	226	54
	2,874	1,295

*Based on the total Shares eligible to receive dividend as at 21st October 2016.

9. Return per Ordinary Share

The calculation of the basic and fully diluted earnings per Ordinary Share is based on the following:

	2016 Revenue £'000	**2016 Capital £'000**	**2016 Total £'000**	**2015 Revenue £'000**	**2015 Capital £'000**	**2015 Total £'000**
Return:						
Basic and fully diluted	2,889	10,535	13,424	1,300	1,183	2,483

Basic revenue, capital and total return per Ordinary Share is based on the net revenue, capital and total return for the period and on the weighted average number of Ordinary Shares in issue (excluding those Shares held in Treasury per note 17) of 21,477,042 (2015: 21,645,499).

Notes Forming Part of the Financial Statements (continued)
For the year ended 31st July 2016

10. Investments at fair value through profit or loss

	Company 2016 £'000	2015 £'000
Investments as below	38,999	28,040

	Listed £'000	Unlisted £'000	Total £'000
Opening cost at 1st August	24,862	120	24,982
Opening unrealised appreciation at 1st August	2,977	81	3,058
Opening fair value at 1st August	27,839	201	28,040
Purchases at cost	39,414	36	39,450
Sales proceeds	(36,428)	(4)	(36,432)
Realised profit on sales	3,932	(52)	3,880
Increase in unrealised appreciation	3,996	65	4,061
Closing fair value at 31st July	38,753	246	38,999
Closing cost at 31st July	31,780	100	31,880
Closing unrealised appreciation at 31st July	6,973	146	7,119
Closing fair value at 31st July	38,753	246	38,999

11. Trade and other receivables

	Company 2016 £'000	2015 £'000
Dividend receivables	7	-
Other receivables	4	16
Prepayments	11	8
	22	24

12. Cash and cash equivalents

	Company 2016 £'000	2015 £'000
Cash & cash equivalents	35,252	34,233

Cash & cash equivalents include £35.1m (2015: £33.3m) held in investment accounts as collateral against open equity swap and derivative exposures which are detailed in note 19.

13. Securities

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

£29.4m of collateral was held with Morgan Stanley & Co. International plc as at 31st July 2016 (2015: £25.3m).

£47.3m of collateral was held with JP Morgan Chase & Co. as at 31st July 2016 (2015: £36.0m).

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2016

14. Trade and other payables

	Company	
	2016	2015
	£'000	£'000
Trade payables	198	156
Accruals	52	44
	250	200

15. Derivatives

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

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

The net fair value of derivatives at 31st July 2016 was a positive £1,523,000 (2015: positive £977,000). The corresponding gross exposure on equity swaps as at 31st July 2016 was £34,660,000 (2015: £28,761,000). The net marked to market futures and options total value as at 31st July 2016 was negative £647,000 (2015: negative £406,000).

	Company	
	2016	2015
	£'000	£'000
Assets		
Unrealised derivative assets	3,269	2,387
	3,269	2,387
Current liabilities		
Unrealised derivative liabilities	1,746	1,410
	1,746	1,410

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2016

16. Share capital

Ordinary share capital	No. ('000)	2016 £'000	No. ('000)	2015 £'000
Authorised				
Ordinary Shares of 25p each	28,000	7,000	28,000	7,000
Non-voting Convertible Preference Shares of £1 each	1,000	1,000	1,000	1,000
Ordinary Shares of 25p each issued and fully paid				
Balance as at 1st August	22,457	5,614	22,457	5,614
Balance as at 31st July	22,457	5,614	22,457	5,614

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

17. Shares held in Treasury

	No. ('000)	2016 £'000	No. ('000)	2015 £'000
Balance as at 1st August	956	2,395	506	1,306
Shares bought back during year	52	134	450	1,089
Shares sold back during year	(85)	(214)	-	-
Balance as at 31st July	923	2,315	956	2,395

At the annual general meeting held on 30th November 2015, shareholders approved the Board's proposal to authorise the Company to acquire up to 14.99 per cent of its issued share capital as at 31st July 2015.

During the year the Company bought back 51,500 (0.2%) of its Ordinary Shares. Total purchase consideration paid in the year amounted to £134,000. The Company also sold 85,000 (0.4%) of its Ordinary Shares from Treasury for a total consideration of £236,000, generating a surplus of £22,000 which is recognised in the Share Premium account.

18. Net Asset Value per Share

	Net Asset Value per share 2016 p	Net Asset Value per share 2015 p	Net Assets Attributable 2016 £'000	Net Assets Attributable 2015 £'000
Ordinary Shares: basic and fully diluted	350.8	293.4	75,546	63,074

The basic Net Asset Value per Ordinary Share is based on net assets at the year end and 21,534,420 (2015: 21,500,920) Ordinary Shares in issue, adjusted for any Shares held in Treasury.

19. Risks – Investments, derivatives and other risks

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

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

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2016

19. Risks – Investments, derivatives and other risks (continued)

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

Market price risk

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

Details of the long equity exposures held at 31st July 2016 are shown on page 9.

If the price of these investments and equity swaps had increased by 3 per cent at the reporting date with all other variables remaining constant, the capital return in the statement of comprehensive income and the net assets attributable to equity holders of the Company would increase by £2,210,000.

A 3 per cent decrease in share prices would have resulted in an equal and opposite effect of £2,210,000, on the basis that all other variables remain constant.

At the year end the Company's direct equity exposure to market price risk was as follows:

	Company	
	2016	**2015**
	£'000	**£'000**
Equity long exposures		
Investments held in equity form	38,999	28,040
Long exposure held in equity swaps	34,660	28,761
	73,659	56,801

Interest rate risk

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

Liquidity risk

Liquidity risk reflects the risk that the Company will have insufficient funds to meet its financial obligations as they fall due. The Directors have minimised liquidity risk by investing in a portfolio of quoted companies that are readily realisable.

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

As at 31st July 2016 the financial liabilities comprised:

	Company	
	2016	**2015**
	£'000	**£'000**
Unrealised derivative liabilities	1,746	1,410
Trade payables and accruals	250	200
	1,996	1,610

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

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

Notes Forming Part of the Financial Statements (continued)
For the year ended 31st July 2016

19. Risks – Investments, derivatives and other risks (continued)

Currency rate risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The only material foreign currency exposures are Syngenta AG with a market value of £2,484,000, denominated in Swiss Francs; Heineken N.V., Beiersdorf AG, Pernod Ricard SA and Davide Campari-Milano S.p.A., with a market value of £10,316,000, denominated in Euros; and Amazon.com, Inc., Alphabet Inc., Facebook Inc., Apple Inc., Paypal Holdings Inc., Microsoft Corporation, Yahoo! Inc., and Salesforce.com Inc., denominated in US Dollars with a market value of £24,100,000.

In addition, the Company held cash exposure to US Dollars of £12,939,000 at the year end.

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

20. Related party transactions

The Investment Manager of the Company since 17th September 2015 is M & L Capital Management Limited (the former Investment Manager was Midas Investment Management Limited). Both companies are controlled by Mr M Sheppard.

The Investment Manager receives a quarterly investment management fee for these services which in the year under review amounted to a total of £334,000 (2015: £311,000) excluding VAT. The balance owing to the Investment Manager as at 31st July 2016 was £175,000 (2015: £127,000).

Also payable in the year to Midas Investment Management Limited was a corporate fee for acting as financial adviser amounting to £5,000 (2015: £30,000) excluding VAT and commission fees of £5,000 (2015: £16,000) excluding VAT to the Company. The balance owing to Midas Investment Management Limited at 31st July 2016 was £1,000 (2015: £nil).

During the year the Company paid service, administration and secretarial charges totalling £19,000 (2015: £18,000) to its majority shareholder, M&M Investment Company plc. The balance owing to M&M Investment Company plc as at 31st July 2016 was £7,000 (2015: £28,000).

21. Capital management

There are no externally imposed capital requirements. The capital managed is noted in the Statements of Changes in Equity on page 40 and managed in accordance with the Investment Policies and Objectives on page 14.

22. Ultimate control

The holding company and ultimate controlling shareholder throughout the year and the previous year was M&M Investment Company plc, a company incorporated in England and Wales. This company was controlled throughout the year and the previous year by Mr M Sheppard and his immediate family.

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

23. Post balance sheet events

There have been no significant events since the end of the reporting period other than the volatility currently experienced in the stock market.

The financial statements were authorised for issue by the Directors on 21st October 2016. The Directors have the power to amend and reissue the financial statements.

SHAREHOLDER BENEFITS

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

Centre Court

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

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

SHAREHOLDERS' NOTES