

# THE MONKS INVESTMENT TRUST PLC

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Half-Yearly Financial Report  
31 October 2014



## Objective

Monks' objective is to invest internationally to achieve capital growth, which takes priority over income and dividends.

## Investment Policy

Monks invests principally in a portfolio of international quoted equities. The Company is prepared to move freely between different markets as opportunities arise. Asset classes other than equities may be purchased from time to time including fixed interest holdings, unquoted securities and derivatives. The equity portfolio may be relatively concentrated for a global fund.

## Principal Risks and Uncertainties

The principal risks facing the Company relate to the Company's investment activities. These risks are market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 21 of the Company's Annual Report and Financial Statements for the year to 30 April 2014. The principal risks and uncertainties have not changed since the publication of the Annual Report and Financial Statements which can be obtained free of charge from Baillie Gifford & Co (see contact details on the back cover of this report) and is available on the Monks' page of the Managers' website: [www.monksinvestmenttrust.co.uk](http://www.monksinvestmenttrust.co.uk). Other risks facing the Company include the following: regulatory risk (that the loss of investment trust status or a breach of applicable legal and regulatory requirements could have adverse financial consequences and cause reputational damage); operational/financial risk (failure of service providers' accounting systems could lead to inaccurate reporting or financial loss); the risk that the discount can widen; and gearing risk (the use of borrowing can magnify the impact of falling markets). Further information can be found on pages 6 and 7 of the Annual Report and Financial Statements.

## Responsibility Statement

We confirm that to the best of our knowledge:

- a) the condensed set of financial statements has been prepared in accordance with the Accounting Standards Board's statement 'Half-Yearly Financial Reports';
- b) the Half-Yearly Management Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7R (indication of important events during the first six months, and their impact on the financial statements, and a description of principal risks and uncertainties for the remaining six months of the year); and
- c) the Half-Yearly Financial Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board  
JGD Ferguson  
Chairman  
2 December 2014

## Summary of Unaudited Results

|  | 31 October<br>2014 | 30 April<br>2014 | % change |
|--|--------------------|------------------|----------|
| Shareholders' funds                                  | £994.4m            | £972.9m          |          |
| Net asset value per share (borrowings at fair value) | 442.6p             | 425.2p           | 4.1      |
| Share price  | 386.0p             | 370.0p           | 4.3      |
| FTSE World Index (in sterling terms)                 |                    |                  | 6.7      |
| Discount (borrowings at fair value)                  | 12.8%              | 13.0%            |          |

|  | Six months to<br>31 Oct 2014 | Six months to<br>31 Oct 2013 | % change |
|--|------------------------------|------------------------------|----------|
| Revenue earnings per share                         | 2.26p                        | 1.99p                        | 13.6     |
| Interim dividend per share (see note 5 on page 12) | 0.50p                        | 0.50p                        | –        |

|  | Six months to<br>31 Oct 2014 | Six months to<br>31 Oct 2013 |
|--|------------------------------|------------------------------|
| <b>Total returns performance*</b>          |                              |                              |
| Net asset value (borrowings at fair value) | 4.9%                         | 9.4%                         |
| Share Price                                | 5.3%                         | 10.0%                        |
| FTSE World Index (in sterling terms)       | 8.0%                         | 6.0%                         |

\* Total returns include the reinvestment of net dividends.

|  | Six months to 31 October 2014 |            | Year to 30 April 2014 |            |
|--|-------------------------------|------------|-----------------------|------------|
| <b>Period's high and low</b>               | <b>High</b>                   | <b>Low</b> | <b>High</b>           | <b>Low</b> |
| Net asset value (borrowings at fair value) | 449.3p                        | 411.6p     | 455.3p                | 392.9p     |
| Share price                                | 388.5p                        | 354.0p     | 404.9p                | 335.5p     |

During the six months to 31 October 2014, the discount (borrowings at fair value) ranged from 11.3% to 15.0% (year to 30 April 2014: 9.0% to 15.9%).

Past performance is not a guide to future performance.

# Half-Yearly Management Report

## Results

Over the six months to 31 October the net asset value total return, with borrowings deducted at fair value, was 4.9% and the share price total return was 5.3%. Both numbers were lower than the 8.0% returned by the FTSE World Index over the same period. Performance was roughly in line with the average return for investment trusts in the AIC global sector, as the median return of trusts in the sector was 4.4% in total return terms and 4.1% in share price terms.

Our relatively high weighting in the UK market and corresponding low weighting in the US, contributed to relative underperformance versus the index, as did our preference for small and medium-sized companies over the very largest ones in the markets. The absence of the heavyweights of the technology-rich US Nasdaq index from our portfolio was particularly painful during this period. That index produced a total return of 19.5% in sterling terms in the six months to the end of October while the more broadly representative US index, the S&P 500 returned 14.2% and the total return for the FTSE All Share in the UK was minus 1.6%.

Earnings per share were 2.26p: this is an increase of 13.6% from the 1.99p for the corresponding period a year ago. The main reason for the increase in earnings was a reduction in borrowing following our repayment of bank loans. This more than offset a reduction in income from fixed income investments arising from disposals. The Company's investment objective makes capital appreciation a higher priority than income or dividends and earnings are volatile, making it hard to predict the outcome for the full year at the interim stage. The Board has declared an interim dividend of 0.50p, to be paid in January 2015.

During the six months there were notable positive developments for a number of companies in the portfolio which resulted in these holdings making positive contributions to performance. Alnylam Pharmaceuticals announced positive clinical trial results, lending support to the investment case based on its innovative approach to tackling hard-to-treat diseases by blocking the action of the genes causing the disease. Our largest holding, IP Group, which commercialises ideas originating in leading universities, announced a significant increase in its net asset value, helped by the listing of a number of portfolio companies. It is now taking its successful UK business model to the United States. Burger King, the US-based fast food chain has a new management team that has been making

operational changes to improve profitability and during the period they announced a deal to take over the Canadian chain, Tim Hortons, providing even more scope for future growth.

Go-Ahead, the UK bus and train franchise group, was awarded the Thameslink rail franchise and resumed dividend growth after posting encouraging results. There was also good news for our UK quantum dot company, Nanoco. Its commercial partner, Dow Chemical, announced that it is to build a new plant to mass-produce Nanoco's quantum dots in South Korea for sale to manufacturers of television and computer screens.

Our US and Emerging Market internet-related businesses such as MercadoLibre, Naspers and Facebook also performed well during the period but our two New Zealand-based companies in this area, TradeMe and Xero, performed poorly owing to concerns about their competitive positions.

Despite some positive news from the exploration company, President Energy, which announced the discovery of oil in Paraguay, this was a bad six months for oil and gas-related companies owing to a sharp fall in the oil price and the imposition of sanctions affecting drilling activity in Russia. Our holdings in Enquest, a UK exploration and production company, the oil drillers Seadrill and North Atlantic Drilling along with the oil service company Petrofac were a notable drag on performance during the period.

## Investment Changes

During the six months to 31 October we sold a net £10.1m of equities and a net £9.2m of bonds. A total of £15.9m was used to repurchase 4.2m shares. Within equities the largest reduction was in the UK and the largest net addition was in Europe followed by North America. The reduction in bonds represents the sale of the balance of our holding in US dollar-denominated Venezuelan government bonds. The distribution of investments by geography is shown in the chart on page 5.

There are no outstanding derivative positions and gearing is managed by holding cash. Effective gearing at the end of October was nil% compared to minus 1% at the end of April.

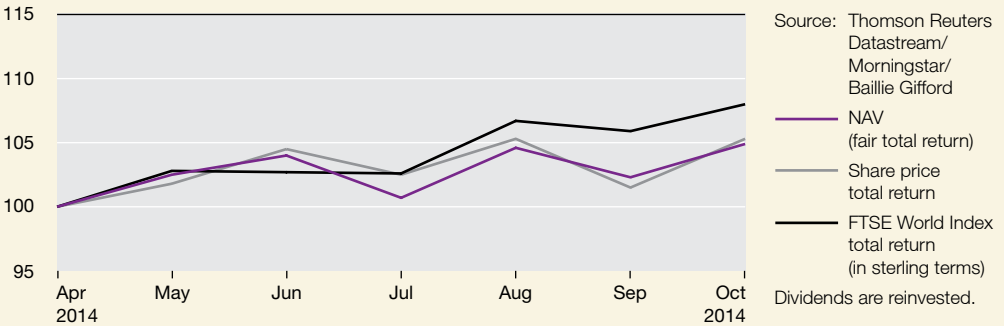
## The Board

Jeremy Tigue joined the Board on 30 September and will stand for election at the AGM next year. He has extensive experience of the management of investment

Past performance is not a guide to future performance.

## Six Month Total Return Performance

(figures plotted on a monthly basis and rebased to 100 at 30 April 2014)



trusts, having stepped down as fund manager of Foreign & Colonial Investment Trust plc earlier this year after seventeen years. He retired from F&C Management on 30 September 2014 after thirty-three years.

## Outlook

Since the onset of the global financial crisis more than five years ago, the investment background has been characterised by low growth, low interest rates and the outright purchase of financial assets by central banks. The combination has been extremely supportive for the prices of both bonds and shares. Extremely low returns on cash have forced savers into either penury or ever riskier forms of investment, and central bank purchases of the safer types of bonds have pushed investors even further towards embracing risk in order to secure returns. The decision of the US Federal Reserve to bring its programme of asset purchases to an end is therefore a potentially important milestone. Its impact may, however, be mitigated by the expansion of Bank of Japan's asset purchase programme and expectations of something similar being attempted by the European Central Bank. The US economy appears healthier than those of many of its trading partners, helped in part by the growth in production of oil and gas from shale. Europe is facing the risk of deflation, the growth of the Chinese economy is slowing, and Japan remains in a fragile condition. Given the weakness of global growth and the deflationary impact of lower energy and other commodity prices it seems unlikely that inflation will become a problem beyond the boundaries of states like Venezuela and so it seems more likely than not that interest rates will stay low for some time.

If the background is likely to remain similar in most important respects to that of the last few years, we have to ask ourselves whether the pattern of relative performance within markets will also be a straightforward extrapolation of the recent past. In particular, we have to ask whether the strong relative performance of US equities will continue and whether the very largest companies in the market will perform better than their smaller counterparts. While this may happen, there are also reasons to believe that the relatively elevated valuations that are prevalent in the US market make companies vulnerable to disappointment and, over the long run, the largest companies in any market rarely prove to be as rewarding as investments in smaller companies with more scope to grow.

We continue to believe that focusing on bottom-up stock selection and being prepared to deviate from the asset allocation suggested by market capitalisation-weighted indices, in order to hold a portfolio of stocks combining good growth prospects with reasonable valuations, will ultimately prove more rewarding in the long term than mimicking a benchmark or attempting to jump onto passing bandwagons.

Taken as a whole, the holdings in our portfolio have grown their earnings more rapidly than the aggregated earnings of the companies in the FTSE World Index, and are forecast to grow their earnings more rapidly and generate a similar return on equity, despite employing less gearing, than the combination of companies making up the index. These are the characteristics of a portfolio which should deliver superior performance over the long term.

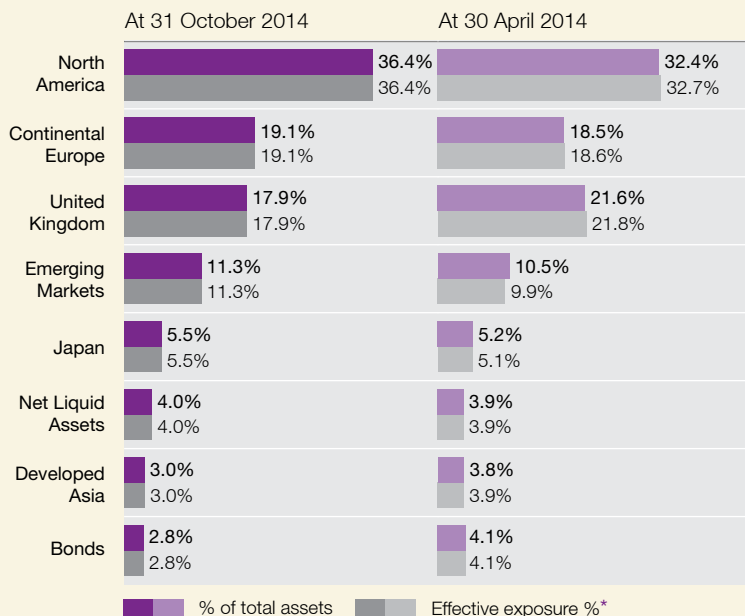
The principal risks and uncertainties facing the Company are set out on the inside front cover of this report.

## Thirty Largest Equity Holdings at 31 October 2014

| Name                                  | Region             | Business  | Value<br>£'000 | % of<br>total<br>assets |
|---------------------------------------|--------------------|---|----------------|-------------------------|
| IP Group                              | United Kingdom     | Intellectual property commercialisation                 | 37,923         | 3.7                     |
| Harley-Davidson                       | North America      | Motorcycle manufacturer                                 | 21,312         | 2.1                     |
| Wellpoint                             | North America      | Healthcare insurer                                      | 21,223         | 2.1                     |
| Taiwan Semiconductor Manufacturing Co | Emerging Markets   | Semiconductor manufacturer                              | 21,164         | 2.0                     |
| The Priceline Group Inc               | North America      | Online travel agent                                     | 20,968         | 2.0                     |
| Alnylam Pharmaceuticals               | North America      | Biotechnology – RNA interference                        | 20,117         | 1.9                     |
| Seek                                  | Developed Asia     | Online recruitment                                      | 19,419         | 1.9                     |
| Sky Deutschland                       | Continental Europe | German pay television services                          | 19,291         | 1.9                     |
| Visa Inc – Class A Shares             | North America      | Global electronic payments network and related services | 18,257         | 1.8                     |
| TripAdvisor                           | North America      | Online travel review platform                           | 18,152         | 1.8                     |
| Burger King Worldwide                 | North America      | Fast food restaurants                                   | 18,097         | 1.8                     |
| Go-Ahead Group                        | United Kingdom     | Bus and rail operator                                   | 17,707         | 1.7                     |
| First Republic Bank                   | North America      | Banking   | 16,929         | 1.6                     |
| DistributionNOW                       | North America      | Oilfield drilling equipment manufacturer                | 16,372         | 1.6                     |
| TD Ameritrade                         | North America      | Online brokerage firm                                   | 15,953         | 1.5                     |
| Novozymes                             | Continental Europe | Enzyme manufacturer                                     | 15,276         | 1.5                     |
| Martin Marietta Materials             | North America      | Cement and aggregates producer                          | 15,197         | 1.5                     |
| Fuchs Petrolub                        | Continental Europe | Speciality industrial and automotive lubricants         | 14,585         | 1.4                     |
| MercadoLibre                          | Emerging Markets   | E-commerce platform                                     | 14,337         | 1.4                     |
| Nanoco Group                          | United Kingdom     | Quantum dot manufacturer                                | 14,141         | 1.4                     |
| Kone                                  | Continental Europe | Elevator manufacture and servicing                      | 14,050         | 1.4                     |
| Novo Nordisk                          | Continental Europe | Pharmaceutical company                                  | 13,961         | 1.3                     |
| Facebook                              | North America      | Social networking website                               | 13,518         | 1.3                     |
| IHS                                   | North America      | Specialist statistics and analytics                     | 13,322         | 1.3                     |
| Tokyo Electron                        | Japan              | Semiconductor production equipment                      | 13,175         | 1.3                     |
| TJX Companies                         | North America      | Apparel and home fashion retailer                       | 13,171         | 1.3                     |
| Shimano                               | Japan              | Bicycle and fishing equipment manufacturer              | 13,046         | 1.3                     |
| Reinet Investments                    | Continental Europe | Rupert family holding company                           | 12,983         | 1.3                     |
| Naspers                               | Emerging Markets   | Media and e-commerce                                    | 12,958         | 1.3                     |
| Geberit                               | Continental Europe | Manufacturer of high-end plumbing products              | 12,539         | 1.2                     |
|                                       |                    |   | <b>509,143</b> | <b>49.6</b>             |

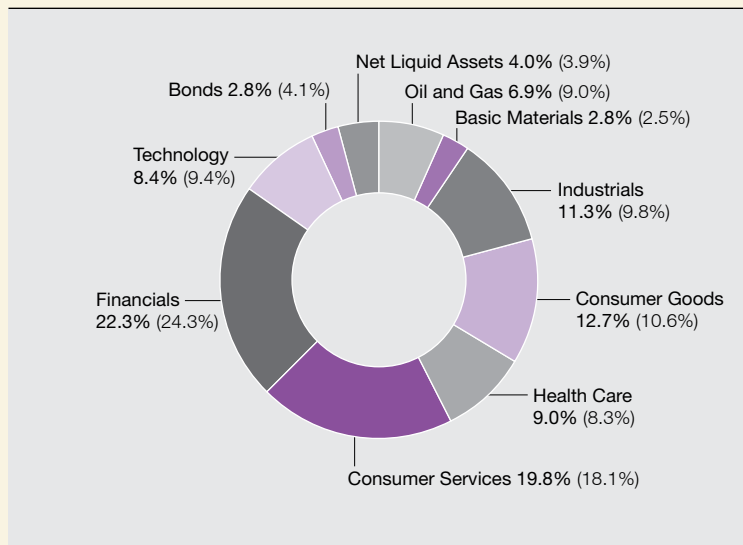
# Distribution of Portfolio

## Geographical Analysis



\* The effective exposure takes into account the exposure of derivative holdings which may differ substantially from their market value. There were no derivative holdings at 31 October 2014.

## Sectoral Analysis at 31 October 2014 (30 April 2014)



## Income Statement (unaudited)

|  | For the six months ended 31 October 2014 |                  |                |
|--|--|------------------|----------------|
|  | Revenue<br>£'000                         | Capital<br>£'000 | Total<br>£'000 |
| Gains on sales of investments  | –  | 30,760           | <b>30,760</b>  |
| Changes in investment holding gains and (losses)                             | –  | 7,291            | <b>7,291</b>   |
| Currency gains/(losses)  | –  | 2,063            | <b>2,063</b>   |
| Income from investments and interest receivable                              | 9,647                                    | –                | <b>9,647</b>   |
| Investment management fee (note 3)   | (2,292)                                  | –                | <b>(2,292)</b> |
| Other administrative expenses  | (516)                                    | –                | <b>(516)</b>   |
| <b>Net return before finance costs and taxation</b>                          | <b>6,839</b>                             | <b>40,114</b>    | <b>46,953</b>  |
| Finance costs of borrowings  | (1,291)                                  | –                | <b>(1,291)</b> |
| <b>Net return on ordinary activities before taxation</b>                     | <b>5,548</b>                             | <b>40,114</b>    | <b>45,662</b>  |
| Tax on ordinary activities   | (433)                                    | –                | <b>(433)</b>   |
| <b>Net return on ordinary activities after taxation</b>                      | <b>5,115</b>                             | <b>40,114</b>    | <b>45,229</b>  |
| <b>Net return per ordinary share</b> (note 4)                                | <b>2.26p</b>                             | <b>17.74p</b>    | <b>20.00p</b>  |
| Note: Dividends per share paid and payable in respect of the period (note 5) | <b>0.50p</b>                             |                  |                |

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

All revenue and capital items in this statement derive from continuing operations.

A Statement of Total Recognised Gains and Losses is not required as all the gains and losses of the Company have been reflected in the above statement.



| For the six months ended 31 October 2013 |                  |                | For the year ended 30 April 2014 |                  |                 |
|--|------------------|----------------|----------------------------------|------------------|-----------------|
| Revenue<br>£'000                         | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000                 | Capital<br>£'000 | Total<br>£'000  |
| –  | 43,784           | <b>43,784</b>  | –                                | 80,404           | <b>80,404</b>   |
| –  | 32,648           | <b>32,648</b>  | –                                | (48,956)         | <b>(48,956)</b> |
| –  | (1,273)          | <b>(1,273)</b> | –                                | (2,799)          | <b>(2,799)</b>  |
| 9,893                                    | –                | <b>9,893</b>   | 21,585                           | –                | <b>21,585</b>   |
| (2,431)                                  | –                | <b>(2,431)</b> | (4,778)                          | –                | <b>(4,778)</b>  |
| (436)                                    | –                | <b>(436)</b>   | (903)                            | –                | <b>(903)</b>    |
| 7,026                                    | 75,159           | <b>82,185</b>  | 15,904                           | 28,649           | <b>44,553</b>   |
| (2,018)                                  | –                | <b>(2,018)</b> | (3,783)                          | –                | <b>(3,783)</b>  |
| 5,008                                    | 75,159           | <b>80,167</b>  | 12,121                           | 28,649           | <b>40,770</b>   |
| (419)                                    | –                | <b>(419)</b>   | (940)                            | –                | <b>(940)</b>    |
| <b>4,589</b>                             | <b>75,159</b>    | <b>79,748</b>  | <b>11,181</b>                    | <b>28,649</b>    | <b>39,830</b>   |
| <b>1.99p</b>                             | <b>32.55p</b>    | <b>34.54p</b>  | <b>4.87p</b>                     | <b>12.49p</b>    | <b>17.36p</b>   |
| <b>0.50p</b>                             |                  |                | <b>3.95p</b>                     |                  |                 |

## Balance Sheet (unaudited)

|  | At 31 October<br>2014<br>£'000 | At 31 October<br>2013<br>£'000 | At 30 April<br>2014<br>£'000 |
|--|--------------------------------|--------------------------------|------------------------------|
| <b>Fixed assets</b>  |                                |                                |                              |
| Investments held at fair value through profit or loss  | 992,513                        | 1,035,266                      | 973,559                      |
| <b>Current assets</b>  |                                |                                |                              |
| Debtors  | 13,618                         | 4,863                          | 2,139                        |
| Investments held at fair value through profit or loss  | –                              | 1,969                          | –                            |
| Cash and deposits  | 47,557                         | 55,013                         | 41,592                       |
|  | 61,175                         | 61,845                         | 43,731                       |
| <b>Creditors</b>   |                                |                                |                              |
| Amounts falling due within one year:   |                                |                                |                              |
| Bank loan  | –                              | (40,000)                       | –                            |
| Other creditors  | (19,564)                       | (2,449)                        | (4,682)                      |
|  | (19,564)                       | (42,449)                       | (4,682)                      |
| <b>Net current assets</b>  | 41,611                         | 19,396                         | 39,049                       |
| <b>Total assets less current liabilities</b>   | 1,034,124                      | 1,054,662                      | 1,012,608                    |
| <b>Creditors</b>   |                                |                                |                              |
| Amounts falling due after more than one year:  |                                |                                |                              |
| Debenture stock (note 6)   | (39,728)                       | (39,696)                       | (39,712)                     |
| <b>Total net assets</b>  | <b>994,396</b>                 | <b>1,014,966</b>               | <b>972,896</b>               |
| <b>Capital and reserves</b>  |                                |                                |                              |
| Called up share capital  | 11,186                         | 11,407                         | 11,394                       |
| Share premium  | 11,100                         | 11,100                         | 11,100                       |
| Capital redemption reserve   | 8,212                          | 7,991                          | 8,004                        |
| Capital reserve  | 919,091                        | 942,403                        | 894,882                      |
| Revenue reserve  | 44,807                         | 42,065                         | 47,516                       |
| <b>Shareholders' funds</b>   | <b>994,396</b>                 | <b>1,014,966</b>               | <b>972,896</b>               |
| <b>Net asset value per ordinary share</b><br>(after deducting borrowings at fair value) (note 6) | <b>442.6p</b>                  | <b>443.0p</b>                  | <b>425.2p</b>                |
| <b>Net asset value per ordinary share</b><br>(after deducting borrowings at par)                 | <b>444.4p</b>                  | <b>444.8p</b>                  | <b>426.8p</b>                |
| <b>Ordinary shares in issue</b> (note 7)   | <b>223,711,859</b>             | <b>228,137,859</b>             | <b>227,887,859</b>           |

## Reconciliation of Movements in Shareholders' Funds (unaudited)

### For the six months ended 31 October 2014

|  | Share capital<br>£'000 | Share premium<br>£'000 | Capital redemption reserve<br>£'000 | Capital reserve*<br>£'000 | Revenue reserve<br>£'000 | Shareholders' funds<br>£'000 |
|--|------------------------|------------------------|-------------------------------------|---------------------------|--------------------------|------------------------------|
| Shareholders' funds at 1 May 2014                | 11,394                 | 11,100                 | 8,004                               | 894,882                   | 47,516                   | <b>972,896</b>               |
| Net return on ordinary activities after taxation | –                      | –                      | –                                   | 40,114                    | 5,115                    | <b>45,229</b>                |
| Shares purchased for cancellation (note 7)       | (208)                  | –                      | 208                                 | (15,905)                  | –                        | <b>(15,905)</b>              |
| Dividends paid during the period (note 5)        | –                      | –                      | –                                   | –                         | (7,824)                  | <b>(7,824)</b>               |
| <b>Shareholders' funds at 31 October 2014</b>    | <b>11,186</b>          | <b>11,100</b>          | <b>8,212</b>                        | <b>919,091</b>            | <b>44,807</b>            | <b>994,396</b>               |

### For the six months ended 31 October 2013

|  | Share capital<br>£'000 | Share premium<br>£'000 | Capital redemption reserve<br>£'000 | Capital reserve*<br>£'000 | Revenue reserve<br>£'000 | Shareholders' funds<br>£'000 |
|--|------------------------|------------------------|-------------------------------------|---------------------------|--------------------------|------------------------------|
| Shareholders' funds at 1 May 2013                | 12,017                 | 11,100                 | 7,381                               | 910,342                   | 45,387                   | <b>986,227</b>               |
| Net return on ordinary activities after taxation | –                      | –                      | –                                   | 75,159                    | 4,589                    | <b>79,748</b>                |
| Shares purchased for cancellation                | (610)                  | –                      | 610                                 | (43,098)                  | –                        | <b>(43,098)</b>              |
| Dividends paid during the period (note 5)        | –                      | –                      | –                                   | –                         | (7,911)                  | <b>(7,911)</b>               |
| <b>Shareholders' funds at 31 October 2013</b>    | <b>11,407</b>          | <b>11,100</b>          | <b>7,991</b>                        | <b>942,403</b>            | <b>42,065</b>            | <b>1,014,966</b>             |

### For the year ended 30 April 2014

|  | Share capital<br>£'000 | Share premium<br>£'000 | Capital redemption reserve<br>£'000 | Capital reserve*<br>£'000 | Revenue reserve<br>£'000 | Shareholders' funds<br>£'000 |
|--|------------------------|------------------------|-------------------------------------|---------------------------|--------------------------|------------------------------|
| Shareholders' funds at 1 May 2013                | 12,017                 | 11,100                 | 7,381                               | 910,342                   | 45,387                   | <b>986,227</b>               |
| Net return on ordinary activities after taxation | –                      | –                      | –                                   | 28,649                    | 11,181                   | <b>39,830</b>                |
| Shares purchased for cancellation                | (623)                  | –                      | 623                                 | (44,109)                  | –                        | <b>(44,109)</b>              |
| Dividends paid during the year (note 5)          | –                      | –                      | –                                   | –                         | (9,052)                  | <b>(9,052)</b>               |
| <b>Shareholders' funds at 30 April 2014</b>      | <b>11,394</b>          | <b>11,100</b>          | <b>8,004</b>                        | <b>894,882</b>            | <b>47,516</b>            | <b>972,896</b>               |

\* The Capital Reserve balance at 31 October 2014 includes investment holding gains on investments of £230,668,000 (31 October 2013 – gains of £304,982,000; 30 April 2014 – gains of £223,377,000).

## Condensed Cash Flow (unaudited)

|  | Six months to<br>31 October<br>2014<br>£'000 | Six months to<br>31 October<br>2013<br>£'000 | Year to<br>30 April<br>2014<br>£'000 |
|--|--|--|--------------------------------------|
| Net cash inflow from operating activities  | 6,524  | 7,681  | 15,903                               |
| Net cash outflow from servicing of finance   | (1,275)                                      | (1,987)                                      | (3,743)                              |
| Total tax paid   | (430)  | (445)  | (955)                                |
| Net cash inflow from financial investment  | 21,001                                       | 71,064                                       | 95,365                               |
| Equity dividends paid  | (7,824)                                      | (7,911)                                      | (9,052)                              |
| <b>Net cash inflow before financing</b>  | <b>17,996</b>                                | <b>68,402</b>                                | <b>97,518</b>                        |
| Shares purchased for cancellation  | (14,094)                                     | (50,707)                                     | (51,718)                             |
| Borrowings repaid  | –  | –  | (40,000)                             |
| <b>Increase in cash</b>  | <b>3,902</b>                                 | <b>17,695</b>                                | <b>5,800</b>                         |
| <b>Reconciliation of net cash flow to movement in net funds/(debt)</b>   |  |  |                                      |
| Increase in cash in the period   | 3,902  | 17,695                                       | 5,800                                |
| Translation difference   | 2,063  | (1,273)                                      | (2,799)                              |
| Net cash outflow from borrowings   | –  | –  | 40,000                               |
| Other non-cash changes   | (16)   | (17)   | (33)                                 |
| <b>Movement in net funds/(debt) in the period</b>  | <b>5,949</b>                                 | <b>16,405</b>                                | <b>42,968</b>                        |
| <b>Net funds/(debt) at start of the period</b>   | <b>1,880</b>                                 | <b>(41,088)</b>                              | <b>(41,088)</b>                      |
| <b>Net funds/(debt) at end of the period</b>   | <b>7,829</b>                                 | <b>(24,683)</b>                              | <b>1,880</b>                         |
| <b>Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities</b> |  |  |                                      |
| Net return before finance costs and taxation   | 46,953                                       | 82,185                                       | 44,553                               |
| Net gains on investments   | (38,051)                                     | (76,432)                                     | (31,448)                             |
| Currency (gains)/losses  | (2,063)                                      | 1,273  | 2,799                                |
| Amortisation of fixed income book cost   | (235)  | (240)  | (974)                                |
| Changes in debtors and creditors   | (80)   | 895  | 973                                  |
| <b>Net cash inflow from operating activities</b>   | <b>6,524</b>                                 | <b>7,681</b>                                 | <b>15,903</b>                        |

## Notes to the Condensed Financial Statements (unaudited)

- 1** The condensed financial statements for the six months to 31 October 2014 comprise the statements set out on pages 6 to 10 together with the related notes on pages 11 and 12. They have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 30 April 2014 and in accordance with the ASB's Statement 'Half-Yearly Financial Reports' and have not been audited or reviewed by the Auditors pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. The Board approves borrowing and gearing limits and reviews regularly the amounts of any borrowing and gearing as well as compliance with borrowing covenants. Accordingly, the Half-Yearly Financial Report has been prepared on the going concern basis as it is the Directors' opinion that the Company will continue in operational existence for the foreseeable future.
- 2** The financial information contained within this Half-Yearly Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 30 April 2014 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditors' Report on those accounts was unqualified and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.
- 3** In order to comply with the Alternative Investment Fund Managers Directive, with effect from 1 July 2014 the Company has terminated its investment management agreement with Baillie Gifford & Co and has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Manager and Company Secretary. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. The notice periods and management fee are unchanged under these new arrangements. The Management Agreement is terminable on not less than six months' notice.

|  | Six months to<br>31 October<br>2014<br>£'000 | Six months to<br>31 October<br>2013<br>£'000 | Year to<br>30 April<br>2014<br>£'000 |
|--|--|--|--------------------------------------|
| <b>4 Net return per ordinary share</b>               |  |  |                                      |
| Revenue return on ordinary activities after taxation | 5,115  | 4,589  | 11,181                               |
| Capital return on ordinary activities after taxation | 40,114                                       | 75,159                                       | 28,649                               |
| <b>Total net return</b>                              | <b>45,229</b>                                | <b>79,748</b>                                | <b>39,830</b>                        |

Net return per ordinary share is based on the above totals of revenue and capital and on 226,115,154 (31 October 2013 – 230,857,673; 30 April 2014 – 229,470,589) ordinary shares, being the weighted average number of ordinary shares in issue during each period.

There are no dilutive or potentially dilutive shares in issue.

## Notes to the Condensed Financial Statements (unaudited)

|   | Six months to<br>31 October<br>2014<br>£'000 | Six months to<br>31 October<br>2013<br>£'000 | Year to<br>30 April<br>2014<br>£'000 |
|---|--|--|--------------------------------------|
| <b>5 Dividends</b>  |  |  |                                      |
| <b>Amounts recognised as distributions in the period:</b>                           |  |  |                                      |
| Previous year's final dividend of 3.45p (2013 – 3.45p),<br>paid 8 August 2014       | 7,824  | 7,911  | 7,911                                |
| Interim dividend for the year ended 30 April 2014<br>of 0.50p, paid 31 January 2014 | –  | –  | 1,141                                |
|   | <b>7,824</b>                                 | <b>7,911</b>                                 | <b>9,052</b>                         |
| <b>Amounts paid and payable in respect of the period:</b>                           |  |  |                                      |
| Adjustment to previous year's final dividend<br>re shares bought back               | (38)   | (380)  | (380)                                |
| Interim dividend for the year ending 30 April 2015<br>of 0.50p (2014 – 0.50p)       | 1,119  | 1,141  | 1,141                                |
| Final dividend (2014 – 3.45p)   | –  | –  | 7,862                                |
|   | <b>1,081</b>                                 | <b>761</b>                                   | <b>8,623</b>                         |

The interim dividend was declared after the period end date and has therefore not been included as a liability in the balance sheet. It is payable on 30 January 2015 to shareholders on the register at the close of business on 9 January 2015. The ex dividend date is 8 January 2015. The Company operates a Dividend Reinvestment Plan and the final date for elections for reinvestment of this dividend is 16 January 2015.

- 6** At 31 October 2014, the Company's borrowings comprised a £40m 6<sup>3</sup>/<sub>8</sub>% debenture stock repayable in 2023. The fair value of borrowings at 31 October 2014 was £44.0m (31 October 2013 – £84.0m; 30 April 2014 – £43.6m).
- 7** During the period under review the Company bought back 4,176,000 ordinary shares with a nominal value of £208,000 for a total consideration of £15,905,000. At 31 October 2014 the Company had the authority to buy back a further 31,642,085 shares.
- 8** Transaction costs on purchases amounted to £141,000 (31 October 2013 – £128,000; 30 April 2014 – £388,000) and transaction costs on sales amounted to £105,000 (31 October 2013 – £205,000; 30 April 2014 – £315,000).

## Further Shareholder Information

Monks' shares are traded on the London Stock Exchange. They can be bought through a stockbroker, by asking a professional adviser to do so, or through the Baillie Gifford savings vehicles.

### Baillie Gifford's Investment Trust Share Plan

You can invest a minimum of £250 or from £30 per month. The plan is designed to be a cost-effective way of saving on a lump sum or regular basis.

### Baillie Gifford's Investment Trust ISA

You can invest in a tax efficient way by investing a minimum of £2,000 or from £100 per month or by transferring an ISA with a value of at least £2,000 from your existing manager.

### Baillie Gifford's Children's Savings Plan

A cost-effective plan tailored especially to meet the requirements to save for children. You can invest a minimum of £100 or from £25 per month.

### Online Management Service

You can also open and manage your Share Plan, Children's Savings Plan\* and/or ISA online, through our secure Online Management Service (OMS) which can be accessed through the Baillie Gifford website at [www.bailliegifford.com/oms](http://www.bailliegifford.com/oms). As well as being able to view the details of your plan online, the service also allows you to:

- obtain current valuations;
- make lump sum investments, except where there is more than one holder;
- sell part or all of your holdings, except where there is more than one holder;
- switch between investment trusts, except where there is more than one holder; and
- update certain personal details e.g. address and telephone number.

\* Please note that a Bare Trust cannot be opened via OMS. A Bare Trust application form must be completed.

The information about the ISA, Share Plan and Children's Savings Plan has been approved by Baillie Gifford Savings Management Limited ("BGSM"). BGSM is the ISA Manager and is the Manager of the Share Plan and Children's Savings Plan. BGSM is wholly owned by Baillie Gifford & Co. Both are authorised and regulated by the Financial Conduct Authority. Baillie Gifford only provides information about its products and does not provide investment advice.

### Risk Warnings

Past performance is not a guide to future performance.

Monks is a listed UK company. The value of its shares and any income from them can fall as well as rise and investors may not get back the amount invested.

Monks invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

Market values for securities which have become difficult to trade may not be readily available, and there can be no assurance that any value assigned to such securities will accurately reflect the price Monks might receive upon their sale.

Monks invests in emerging markets where difficulties in dealing, settlement and custody could arise, resulting in a negative impact on the value of your investment.

Monks invests in corporate bonds which are generally perceived to carry a greater possibility of capital loss than investment in, for example, higher rated UK government bonds. Bonds issued by companies and governments may be adversely affected by changes in interest rates and expectations of inflation.

Monks has borrowed money to make further investments (sometimes known as 'gearing'). The risk is that when this money is repaid by the Company, the value of the investments may not be enough to cover the borrowing and interest costs, and the Company will make a loss. If the Company's investments fall in value, any invested borrowings will increase the amount of this loss. Monks can buy back and cancel its own shares. The risks from borrowing are increased when the Company buys back and cancels its shares.

Monks can make use of derivatives which may impact on its performance.

The aim of Monks is to achieve capital growth. You should not expect a significant, or steady, annual income from the Company.

You should note that tax rates and reliefs may change at any time and their value depends on your circumstances.

The Company is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority.

Details of other risks that apply to investment in these savings vehicles are contained in the product brochures.

Further details of the risks associated with investing in the Company, including how charges are applied, can be found at [www.monksinvestmenttrust.co.uk](http://www.monksinvestmenttrust.co.uk), or by calling Baillie Gifford on 0800 917 2112.

The information and opinions expressed within this half-yearly financial report are subject to change without notice. This information has been issued and approved by Baillie Gifford & Co Limited, the Managers and Secretaries, and does not in any way constitute investment advice.

## Directors

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JGD Ferguson

CC Ferguson  
EM Harley  
DCP McDougall  
KS Sternberg  
JJ Tighe

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## Managers and Secretaries

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## Independent Auditors

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Statutory Auditors  
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## Company Details

[www.monksinvestmenttrust.co.uk](http://www.monksinvestmenttrust.co.uk)  
Company Registration  
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ISIN GB0030517261  
Sedol 3051726  
Ticker MNKS

## Further Information

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