

RIGHTS AND ISSUES INVESTMENT TRUST P.L.C.

FINAL REPORT AND ACCOUNTS 2002

COMPANY NUMBER 00736898



**PLEASE NOTE THAT PAGE 3 (NOTICE OF MEETING) HAS NOT
BEEN FILED
AND PAGE8 (5 YEAR CUMULATIVE PERFORMANCE GRAPH)
HAVE BEEN REPLACED BY PAGE 8A
AS THESE ITEMS WERE UNACCEPTED FOR FILING BY
COMPANIES HOUSE.**

CAPITAL STRUCTURE

CAPITAL	INCOME	PREFERENCE
<p>ISSUE 1,640,000 shares of 25p each.</p>	<p>ISSUE 2,460,000 shares of 25p each.</p>	<p>ISSUE 200,000 shares of £1 each.</p>
<p>INCOME ENTITLEMENT A supplementary dividend payment of 2.75% net on the capital reserves in complete units of £160,000 in excess of £382,536 and 1/31st of the distribution of all profits after the payment of preference and supplementary capital dividends by way of dividend.</p>	<p>INCOME ENTITLEMENT 30/31st of the distribution of all profits after the payment of preference and supplementary capital dividends by way of dividend.</p>	<p>INCOME ENTITLEMENT A dividend payment of 5.5p net per share on 2nd January.</p>
<p>CAPITAL ENTITLEMENT 42.2278p per share and 75% of the surplus assets on liquidation.</p>	<p>CAPITAL ENTITLEMENT 29.0650p per share and 25% of the surplus assets on liquidation.</p>	<p>CAPITAL ENTITLEMENT Repayment at par on liquidation.</p>
<p>VOTING One and a half votes per share on ordinary business and ten votes on a motion to liquidate.</p>	<p>VOTING One vote per share.</p>	<p>VOTING No vote normally for ordinary business and one vote per share on a motion to liquidate.</p>
<p>PRICE (at 31st December, 2002): 1410p.</p>	<p>PRICE (at 31st December, 2002): 500p.</p>	
<p>GROSS YIELD 3.80%.</p>	<p>GROSS YIELD 7.30%.</p>	
<p>DISCOUNT 14.10%.</p>	<p>PREMIUM 19.90%.</p>	
<p>DESCRIPTION Capital shares are of interest to capital orientated investors wishing some income.</p>	<p>DESCRIPTION Income shares are of interest to income orientated investors wishing some participation in capital growth.</p>	<p>DESCRIPTION Preference shares provide an element of gearing to the other classes.</p>

THE TRUST MAY BE LIQUIDATED AT ANY TIME, BUT THE BOARD OF DIRECTORS HAVE INDICATED THAT IT IS NOT THEIR PRESENT INTENTION TO DO SO PRIOR TO 25TH JULY, 2006.

Note: The above is a summary of rights. For full information shareholders should refer to the Articles of Association.

RECENT RECORD

Year to 31st December	Net asset value per Capital Share	Net asset value per Capital Share (Index 1984 = 100)	Net dividend per Capital Share	Net asset value per Income share	Net dividend per Income Share	FT All Share index	FT All Share Index (Rebased 1984 = 100)
1984	116.2p	100	2.0275p	48.5p	3.8p	592.94	100
1985	138.5p	119	2.0375p	53.0p	4.0p	681.88	115
1986	191.3p	165	2.3125p	64.0p	4.25p	835.48	141
1987	266.3p	229	2.8550p	80.6p	4.6p	870.22	147
1988	333.7p	287	3.9450p	96.3p	5.4p	926.59	156
1989	392.7p	338	5.5750p	109.9p	6.5p	1204.70	203
1990	301.7p	260	6.9375p	90.3p	7.5p	1032.60	174
1991	357.8p	308	8.1805p	102.2p	8.0p	1187.70	200
1992	392.5p	338	8.4638p	109.4p	8.3p	1363.79	230
1993	545.7p	470	9.0204p	144.9p	8.7p	1682.17	284
1994	583.2p	502	10.6651p	154.1p	9.4p	1521.44	257
1995	699.8p	602	12.0616p	182.7p	10.5p	1802.56	304
1996	780.1p	671	13.2598p	204.8p	13.0p	2013.66	340
1997	1074.6p	925	15.4378p†	274.9p	19.0p†	2411.00	407
1998	1199.9p	1033	23.4990p	304.3p	19.25p	2673.92	451
1999	1590.9p	1369	28.7591p	396.3p	22.5p	3242.06	547
2000	1895.4p	1631	31.3238p	467.9p	25.5p	2983.81	503
2001	1858.4p	1599	41.2323p	465.8p	30.5p	2523.88	426
2002	1640.6p	1412	48.6012p	417.1p	33.0p	1893.7	319

† = includes special dividend

DIRECTORS AND ADVISERS

DIRECTORS

S. H. J. A. KNOTT *Chairman*
P. M. ALLEN
B. A. BEVERLEY
D. M. BRAMWELL
S. J. B. KNOTT
J. D. ROBERTSHAW *F.C.A*

REGISTERED OFFICE

No. 1 Poultry
London EC2R 8JR
Company registration number 736898.
Registered in England

MANAGERS AND SECRETARIES

DISCRETIONARY UNIT FUND MANAGERS LTD
No. 1 Poultry
London EC2R 8JR

SOLICITORS

EVERSHEDS
Senator House
85 Queen Victoria Street
London EC4V 4JL

AUDITORS

HOPE AGAR
Epworth House
25 City Road
London EC1Y 1AR

REGISTRARS

NORTHERN REGISTRARS LTD
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

BROKERS

ARBUTHNOT SECURITIES LTD
Old Mutual Place
2 Lambeth Hill
London EC4V 4GG

BANKERS

CLYDESDALE BANK PLC
30 St. Vincent Place
Glasgow
G1 2HL

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HOUSE.**

CHAIRMAN'S STATEMENT

The UK equity market fell for the third successive year in 2002. There was no shelter from the raging bear market with all indices registering significant declines. The FTSE All-Share index lost 25.0% while the FTSE Small Cap index decreased by 28.7% and FTSE Fledgling index declined by 17.8%.

This severe fall has triggered a major shift in investor psychology to wholesale pessimism. The Trust's value-based strategy again provided some but not complete protection from the full ravages of the equity market. The net asset value of the capital shares fell from 1858.4p to 1640.6p and that of the income shares from 465.8p to 417.1p. These falls of 11.7% and 10.5% respectively comfortably outperformed the FTSE All-Share index by over 13%.

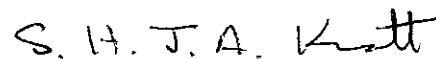
Your Directors have decided to increase the dividend to 33.0p per income share and 1.65p per capital share for 2002. The 8% rise again exceeds the prevailing rate of inflation and was achieved against a steadily deteriorating income background. Indeed, during the latter half of the year income growth has gone into reverse and there has been an overall fall in the level of UK equity distributions. For this reason, future increases in the income dividend are likely to be far more modest. Fortunately, the Trust has robust dividend reserves and is therefore far better placed than most of its peers.

The supplementary capital dividend of 46.9512p per capital share was paid on 2nd January 2003 and, barring unforeseen circumstances, the supplementary capital dividend for the current year will be 49.0976p per capital share payable on 2nd January 2004. This 5% increase reflects the medium-term capital progress of the Trust.

The conduct of a number of Split-Level Investment Trusts has justifiably received enormous public criticism and brought disrepute to the whole of the Investment Trust sector. The effective meltdown of so many Trusts resembles the proverbial snake consuming its own tail. The lessons are clear: Investment strategies should not be governed by capital structures and gearing, whether overt or covert, is a sword which cuts both ways. Your Trust has always had a clear and coherent investment strategy and the success of this can be judged over the last two decades.

During the year, David Bramwell joined the Board and his industrial experience is a valuable addition.

The opening weeks of the new year has seen a further setback in the UK equity market with international uncertainties again undermining confidence. Experience would however suggest that we are fast approaching the nadir of the current stock market cycle. In any event, difficult equity markets always produce value opportunities which your Trust will continue to explore.



S. H. J. A. KNOTT
Chairman

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their fortieth Annual Report, together with audited accounts in respect of the year ended 31st December, 2002.

PRINCIPAL ACTIVITIES AND INVESTMENT TRUST STATUS

The Company is an investment trust and has two subsidiary undertakings, as referred to in note 12.

The Company has been approved by the Inland Revenue as an investment trust for all accounting periods up to 31st December, 2001. Since that date, the Company has directed its affairs so as to be able to continue to qualify for approval as an investment trust, although, with the introduction of corporation tax self-assessment for companies, formal approval from the Inland Revenue may not in future be received within the same timescale as previously.

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

REVIEW OF THE BUSINESS

It is the policy of the Directors that the funds of the Company shall be managed in a manner which balances the interests of the income and capital shareholders.

The movement in the dividend equalisation reserve is shown in note 17 to the accounts.

The Capital Shareholders' supplementary dividend, subject to unforeseen circumstances, for the current year payable on 2nd January, 2004, will be 49.0976p net per Capital Share.

RESULTS AND DIVIDENDS

	£	£
The Net Revenue of the Company and its Subsidiary undertakings after deducting all expenses and taxation amounted to		1,611,049
The dividends paid and proposed were:		
paid on 2nd January, 2003 to Preference Shareholders 5.5p	11,000	
paid on 2nd January, 2003 to Capital Shareholders 46.9512p	770,000	
paid on 30th September, 2002 to Income Shareholders 10.0p	246,000	
To be despatched on 31st March, 2003 to Shareholders registered on 28th February, 2003 are:		
23.0p on Income Shares	565,800	
1.65p on Capital Shares	27,060	
		(1,619,860)
Dividend Equalisation Reserve brought forward		851,772
Dividend Equalisation Reserve carried forward		842,961

DIRECTORS

The Directors who served during the year and their interests in the shares of the Company were as follows:

	Capital		Income	
	31st December, 2002	31st December, 2001	31st December, 2002	31st December 2001
S. H. J. A. Knott	225,670	225,670	203,505	51,005
P. M. Allen	2,500	2,500	2,500	–
B. A. Beverley	17,500	17,500	32,500	12,500
D. M. Bramwell (<i>appointed 06.08.2003</i>)	–	–	10,000	–
S. J. B. Knott	25,000	25,000	5,000	5,000
J. D. Robertshaw	15,000	15,000	–	–
J. V. Woollam (<i>retired 12.03.2002</i>)	–	18,500	–	8,000

No changes in the Directors' interests shown above have occurred since 31st December, 2002.

D. M. Bramwell retires, having been appointed in the year. S. J. B. Knott retires by rotation in accordance with Article 107. Both being eligible, offer themselves for re-election.

No Director offering himself for re-election has a service contract.

REPORT OF THE DIRECTORS continued**SUBSTANTIAL SHAREHOLDINGS**

The Company has been notified of the undermentioned shareholdings which are in excess of 3% of the respective classes of the issued share capital of the Company at 18th February, 2003.

	Capital Shares	Income Shares	Preference Shares
J. Barr Esq	70,040	96,829	-
Bank of Scotland Branch Nominees	57,500	-	-
Barclays Capital Nominees	-	-	22,255
Commercial Union Plc	-	-	65,376
Goy Harris Cartwright & Co. Ltd	-	249,000	-
Discretionary Unit Fund	115,000	-	-
Exeter Selective Assets Investment Trust	65,000	112,800	-
Exeter Capital Growth Fund	132,500	-	-
Hill & Smith Pension Scheme Trustees	75,000	-	-
Morris & Co. Trust Fund Ltd	100,000	-	-
L. W. & B. I. Potter	-	125,000	-
Provincial Insurance Company Ltd	-	-	64,805

Additionally, Old Mutual PLC and its clients are interested in 26.04% of the Capital shares and 17.88% of the Income shares. This information may include holdings listed above.

The Directors are not aware of any other holdings amounting to 3% or more of any class of the issued share capital of the Company.

GENERAL

The Company and its affairs are administered on an agreed cost sharing basis by Discretionary Unit Fund Managers Ltd.

No charitable or political contributions have been made during the year.

It is the Company's payment policy to ensure settlement of suppliers' services in accordance with the stated terms.

In accordance with Section 384 of the Companies Act 1985, a resolution proposing the reappointment of Hope Agar as auditors of the Company will be put to the Annual General Meeting.

M. D. Chavelli
For Discretionary Unit Fund
Managers Ltd.

By Order of the Board,

DISCRETIONARY UNIT FUND MANAGERS LIMITED

Secretaries

18th February, 2003

CORPORATE GOVERNANCE AND DIRECTORS' REMUNERATION

Significant matters relating to the governance of the Trust, including those in relation to the recommendations of the Combined Code are noted below.

THE BOARD OF DIRECTORS

The Board of Directors, which includes five non-executive directors, meets about six times a year to review the affairs of the Trust. Directors may take independent legal, accounting or other professional advice at the expense of the Trust in the furtherance of their duties. The Company Secretary's advice and services are available to all Board members.

PRINCIPLES OF GOOD GOVERNANCE

Full consideration has been given by the Board to the Principles of Good Governance as set out in the Combined Code annexed to the Listing Rules. In so far as they are applicable to a smaller self-managed investment trust, the Directors believe that they comply with the principles.

REPORTING AND CONTROLS

The Board is fully aware of its duty to present a balanced and understandable assessment of the Trust's position. It acknowledges its responsibility for the Trust's system of internal financial controls and their effectiveness. Your board meets regularly and reviews performance against approved plans and forecasts. In addition the day to day administration and accounting functions are carried out by the Company Secretary who reports regularly to the Board.

As part of the system of internal control, there is a process to identify, evaluate and manage the significant risks faced by the Trust. This has been reviewed by the Board and is in accordance with the guidelines issued. The system of risk analysis adopted by the Board is designed to manage rather than eliminate the risk of failure to achieve the investment objectives of the Trust. It must be stressed that undertaking an acceptable degree of controlled risk is always necessary in the conduct of any investment trust if above average performance is to be achieved. For this reason, the process can only provide reasonable and not absolute assurance against material misstatement or loss.

After reviewing the Trust's budget for 2003 and its medium-term plans, the Directors have reasonable expectation that the Trust has adequate resources to continue its operations for the foreseeable future. Therefore, they adopt the going concern basis in preparing the accounts.

THE CODE OF BEST PRACTICE

The Trust complies with the appropriate recommendations of the above code but does not comply with the following paragraphs:

A.5.1.

The Board believes that for a company of this sort the establishment of a nomination committee is not necessary and the Board can adequately carry out any duties required in this area.

B.1.1 to B.2.6 (DIRECTORS' REMUNERATION)

The Board considers that shareholders suffer no disadvantage by it not complying with these aspects of the Code. Directors' salaries are only infrequently reviewed, reflecting its Investment Trust status. There are no bonus, share option, pension or profit related payment arrangements with any of the Directors, other than those disclosed below. In the light of this and the modest nature of Directors' remuneration, the Board sees no need for either a Remuneration Committee or further consideration in respect of Executive Directors' remuneration.

D.3.1 & D.3.2.

The Board believes that for a company of this sort the establishment of an audit committee is not necessary as its duties required can be adequately carried out by the Board.

DIRECTORS' DETAILS

	Fees and Salaries	
	2002 £	2001 £
S. H. J. A. KNOTT <i>Chairman</i> , aged 71 years He was a Director of a number of PLCs	10,000	11,313
P. M. ALLEN <i>Non-executive</i> , aged 62 years He was a Director of Mercury Grosvenor Trust PLC	4,000	4,000
B. A. BEVERLEY <i>Non-executive</i> , aged 67 years He was a Director of Greig Middleton & Co. Limited	4,000	4,000
D. M. BRAMWELL <i>Senior Independent</i> , aged 55 years He was Chief Executive of Peterhouse Group PLC	4,700	—
S. J. B. KNOTT <i>Executive</i> , aged 44 years He is investment manager.	85,000	80,000
J. D. ROBERTSHAW <i>Non-executive</i> , aged 74 years He was Deputy Chairman of Alvis Plc	9,000	9,000
J. V. WOOLLAM <i>Non-executive</i> , aged 75 years (<i>Retired 12.03.2002</i>) He has had a long career in the City and previously was Chairman of The Tor Investment Trust Plc	4,000	4,000

CORPORATE GOVERNANCE AND DIRECTORS' REMUNERATION continued**THE DIRECTORS' REMUNERATION REPORT**

The Trust does not have a remuneration committee.

THE TRUST'S POLICY ON DIRECTORS' REMUNERATION

There are no service contracts in respect of any Director. There are therefore no share options, long term investment schemes, pension, or profit related pay arrangements with any of the Directors. In the light of this and the modest nature of Directors' remuneration the Board considers that it currently is not necessary to have a remuneration policy

5 YEAR CUMULATIVE PERFORMANCE GRAPH

**(5 YEAR CUMULATIVE PERFORMANCE GRAPH)
HAS BEEN REPLACED BY PAGE 8A**

DIRECTORS' EMOLUMENTS (AUDITED)

	S. H. J. A. Knott	P. M. Allen	B. A. Beverley	D. M. Bramwell	S. J. B. Knott	J. D. Robertshaw	J. V. Woollam
Emoluments and Compensation							
Salary and fees	10,000	4,000	4,000	4,700	75,000	9,000	–
Bonus	–	–	–	–	10,000	–	–
Ex gratia	–	–	–	–	–	–	4,000
Non-cash benefits	–	–	–	–	–	–	–
Total 2002	10,000	4,000	4,000	4,700	85,000	9,000	4,000
Total 2001	11,313	4,000	4,000	–	80,000	9,000	4,000
Share Options	–	–	–	–	–	–	–
Long term incentive schemes	–	–	–	–	–	–	–
Excess retirement benefits of past and current Directors	–	–	–	–	–	–	–
Compensation of past Directors	–	–	–	–	–	–	–
Sums paid to third parties in respect of Directors' services	–	–	–	–	–	–	–

S. H. J. A. Knott, Director

S. J. B. Knott, Director

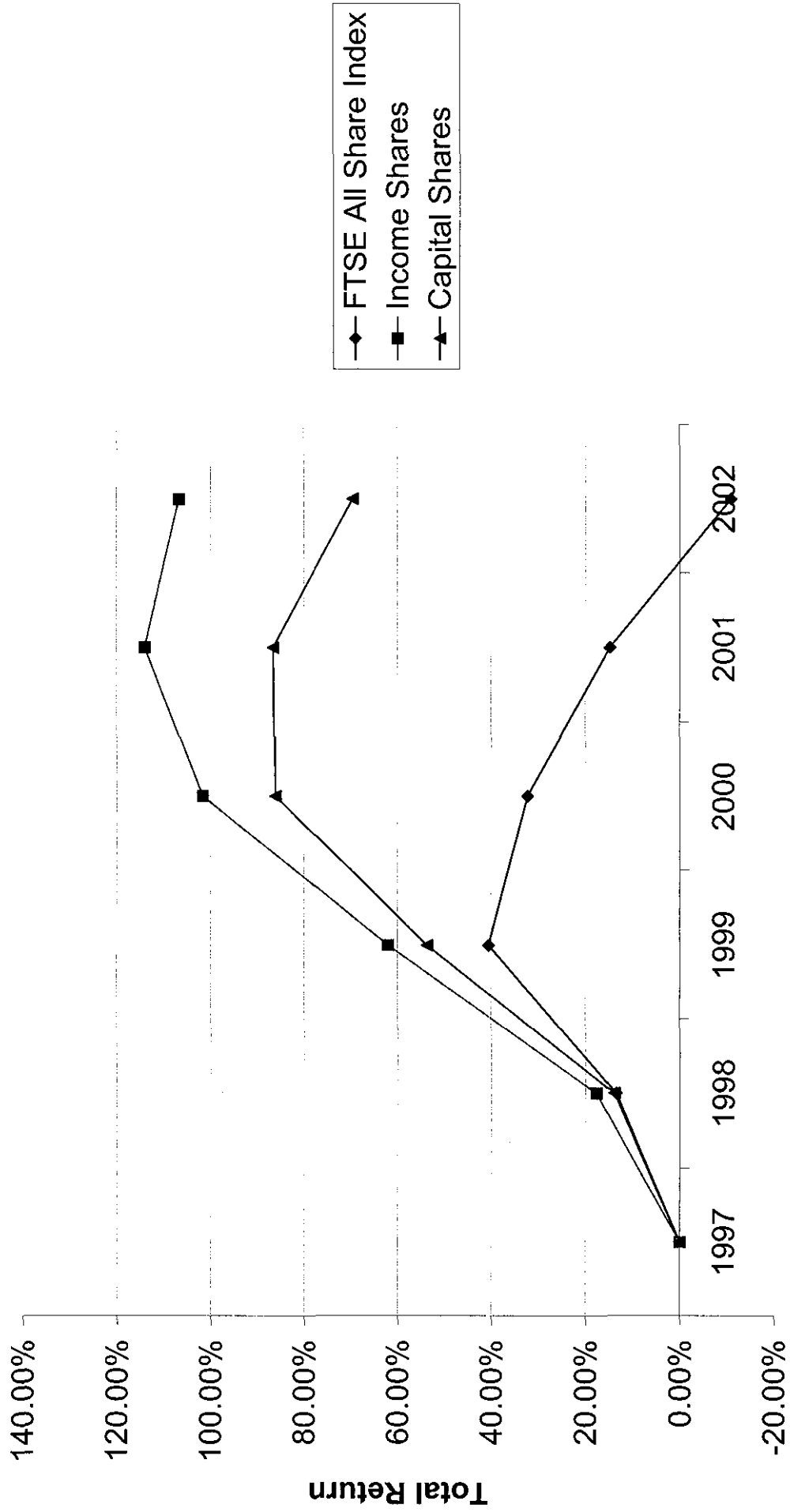
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare Accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those Accounts the Directors are required to:

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

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

5 Year Cumulative Performance Graph



INDEPENDENT AUDITORS' REPORT

To the Shareholders of Rights and Issues Investment Trust PLC

We have audited the financial statements of Rights and Issues Investment Trust plc for the year ended 31st December, 2002 on pages 10 to 21. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31st December, 2002 and of the Group's return for the year then ended; and the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.



HOPE AGAR
Registered auditors
18th February, 2003

25 City Road
London
EC1Y 1AR

CONSOLIDATED STATEMENT OF TOTAL RETURN

(incorporating the revenue account*)

Notes	Year ended 31st December, 2002			Year ended 31st December, 2001			
	Revenue	Capital	Total	Revenue	Capital	Total	
	£	£	£	£	£	£	
Gains/(losses) on investments	10	57,739	(4,761,400)	(4,703,661)	5,793	(815,704)	(809,911)
Income	2	1,968,846	-	1,968,846	1,956,282	-	1,956,282
Investment management fee		-	-	-	-	-	-
Other expenses	3	402,428	-	402,428	340,386	-	340,386
Net return before finance costs and taxation		1,624,157	(4,761,400)	(3,137,243)	1,621,689	(815,704)	805,985
Interest payable and similar charges		16,248	-	16,248	-	-	-
Return on ordinary activities before tax		1,607,909	(4,761,400)	(3,153,491)	1,621,689	(815,704)	805,985
Tax on ordinary activities	5	(3,140)	-	(3,140)	26,725	-	26,725
Return on ordinary activities after tax for the financial year		1,611,049	(4,761,400)	(3,150,351)	1,594,964	(815,704)	779,260
Dividends and other appropriations in respect of non-equity shares	6	11,000	-	11,000	11,000	-	11,000
Return attributable to equity shareholders		1,600,049	(4,761,400)	(3,161,351)	1,583,964	(815,704)	768,260
Dividends in respect of equity shares	6	1,608,860	-	1,608,860	1,426,510	-	1,426,510
Transfer to reserves after aggregate dividends paid and payable of £1,619,860 (2001: £1,437,510)		(8,811)	(4,761,400)	(4,770,211)	157,454	(815,704)	(658,250)
Return per income share (p)	7	32.7	(48.4)	(15.7)	36.7	(8.3)	28.4
Return per capital share (p)	7	48.6	(217.8)	(169.2)	41.5	(37.3)	4.2

* The revenue columns of this statement is the profit and loss account of the Group. All revenue and capital items in the above statement derive from continuing operations.

The notes on pages 13 to 21 form part of these accounts.

BALANCE SHEETS

as at 31st December, 2002

	Notes	Company		Group	
		2002 £	2001 £	2002 £	2001 £
Fixed assets					
Intangible assets	8	-	-	74,506	83,821
Investments	10	39,335,766	37,958,087	38,904,294	37,526,615
Current assets					
Debtors	14	334,363	193,875	236,114	100,516
Investments		-	-	141,923	73,007
Cash at bank and in hand		-	4,692,029	367,832	5,027,070
		334,363	4,885,904	745,869	5,200,593
Creditors: amounts falling due within one year					
	15	2,192,210	605,176	2,358,531	674,680
Net current (liabilities)/assets		(1,857,847)	4,280,728	(1,612,662)	4,525,913
Total assets less current liabilities		37,477,919	42,238,815	37,366,138	42,136,349
Capital and reserves					
Called up share capital	16	1,225,000	1,225,000	1,225,000	1,225,000
Share premium account	17	225,326	225,326	225,326	225,326
Capital reserve	17	29,518,993	28,158,252	29,518,993	28,158,252
Other reserves:					
Revaluation reserve	17	5,553,858	11,675,999	5,553,858	11,675,999
Dividend equalisation reserve	17	954,742	954,238	842,961	851,772
Total shareholders' funds	19	37,477,919	42,238,815	37,366,138	42,136,349
Net asset value per share					
Income shares	18			417-1p	465-8p
Capital shares				1640-6p	1858-4p

These accounts were approved by the Board of Directors on 18th February, 2003.

S. H. J. A Knott, Director

S. J. B. Knott, Director

S. H. J. A. Knott

The notes on pages 13 to 21 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December, 2002

	Notes	Group	
		2002 £	2001 £
Operating activities			
Investment income (net)		1,606,761	1,475,142
Interest received		75,288	247,298
Subsidiary Fee income		234,358	213,061
Underwriting commission		–	–
Cash payments		(353,221)	(441,366)
Investment dealing		57,739	5,793
Net cash inflow from operating activities	21	1,620,925	1,499,928
Servicing of finance			
Interest paid		16,248	–
Dividends paid on cumulative preference shares		11,000	11,000
Dividends paid on income shares		799,500	651,900
Dividends paid on capital shares		795,010	672,110
Net cash outflow from servicing of finance		1,621,758	1,335,010
Taxation			
Tax paid		(23,876)	(23,000)
Investing activities			
Purchase of investments		(9,777,160)	(6,153,354)
Disposal of investments		3,638,081	7,538,234
Disposal of current investments		(68,916)	186,034
Net cash inflow from investing activities		(6,207,995)	1,570,914
Increase in cash and cash equivalents	20	(6,232,704)	1,712,832

The notes on pages 13 to 21 form part of these accounts.

NOTES TO THE ACCOUNTS

for the year ended 31st December, 2002

1. ACCOUNTING POLICIES

Basis of Accounting

The accounts have been prepared in accordance with the historical cost convention as modified by the revaluation of certain investments. The accounts are prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies".

Basis of Consolidation

The Group accounts include the accounts of the Company and all its subsidiary undertakings drawn up to 31st December each year, from the effective date of acquisition. No revenue account is presented for Rights and Issues Investment Trust PLC, as provided by S230 of the Companies Act 1985.

Investments

Listed investments are stated at middle market value.

Unlisted investments are valued by the Directors applying the principles recommended by the British Venture Capital Association.

Current asset investments are valued at market value at the Balance Sheet date.

Net profits less losses on realisation of investments and provisions for any permanent diminution in value are transferred to the Capital Reserve and are not reflected in the Revenue Account.

Unrealised surpluses or deficits arising from changes in market value of investments are taken to the Revaluation Reserve.

Where any listed investment is acquired by another listed company, any resulting new listed investment is treated as substituting for the previous listed investment. Therefore any surplus or deficit arising in this situation is taken to the revaluation reserve.

Income

Dividend income is included in the accounts on the ex-dividend date. All other income is included on an accruals basis.

Goodwill

Goodwill represents the excess of cost of acquisition over the fair value of the separable net assets of businesses acquired.

Goodwill is amortised in equal annual instalments through the revenue account over the Directors' estimate of its useful life of 20 years.

Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment.
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

Taxation

The charge for taxation is based on the net revenue for the year. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

NOTES TO THE ACCOUNTS continued

for the year ended 31st December, 2002

2. INCOME

	Group	
	2002	2001
	£	£
Income from investments		
Franked investment income	1,659,199	1,495,923
UK unfranked investment income	-	-
Other	-	-
	<u>1,659,199</u>	<u>1,495,923</u>
Other income		
Deposit interest	75,288	247,298
Underwriting commission	-	-
Stock lending fees	-	-
Other	234,358	213,061
	<u>309,646</u>	<u>460,359</u>
Total income	<u>1,968,845</u>	<u>1,956,282</u>
Total income comprises:		
Dividends	1,659,199	1,495,923
Interest	75,288	247,298
Other income	234,358	213,061
	<u>1,968,845</u>	<u>1,956,282</u>
Income from investments		
Listed UK	1,614,198	1,469,520
Unlisted	45,001	26,403
	<u>1,659,199</u>	<u>1,495,923</u>

3. OTHER EXPENSES

	2002	2001
	£	£
Staff costs (note 4)	228,400	209,276
Auditors remuneration		
- Audit	11,550	11,320
- Other services to the company and its subsidiaries	2,675	2,580
Goodwill amortisation	9,315	9,315
Operating leases - other	-	15,600
Other	150,468	92,295
	<u>402,408</u>	<u>340,386</u>

4. STAFF COSTS

	2002	2001
	£	£
Wages and salaries	204,007	183,305
Social security costs	16,833	18,055
Pensions	7,560	7,916
	<u>228,400</u>	<u>209,276</u>

	Number	Number
The average number of staff employed by the group was	3	3
Directors' emoluments (see page 7):	£	£
Fees and salaries	116,700	112,313
Ex Gratia payments	4,000	-
	<u>120,700</u>	<u>112,313</u>

5. TAX ON ORDINARY ACTIVITIES

	2002 £	2001 £
UK Corporation Tax at 20% (2001: 20%)	(3,140)	26,725
Profit/(loss) on ordinary activities before taxation	1,607,909	1,621,689
Tax on profit/(loss) on ordinary activities at standard rate	321,582	324,338
Factors affecting the recovery/charge for the year:		
Expenses not taxed	1,863	1,863
Income not taxable	(331,840)	(299,185)
Adjustment to prior year	(1,000)	(291)
Unutilised losses carried forward	6,255	-
	(3,140)	26,725

6. DIVIDENDS AND OTHER APPROPRIATIONS

	2002 p	2001 p	2002 £	2001 £
Dividends on equity shares:				
Income				
Interim paid	10-00	8-00	246,000	196,800
Final proposed	23-00	22-50	565,800	553,500
	33-00	30-50		
Capital				
Supplementary paid	46-9512	39-7073	770,000	651,200
Final proposed	1-6500	1-5250	27,060	25,010
	48-6012	41-2323	1,608,860	1,426,510
Dividends on non-equity shares:				
Cumulative preference	5-5%	5-5%	11,000	11,000

The Articles provide for a Supplementary Dividend to Capital Shareholders to be paid not only in respect of future potential Preference Share issues which are not made, but also the 14,640,000 Preference Shares which could have been issued following the increases in the Capital Reserve revealed by the accounts since 1981.

7. RETURN PER SHARE

	2002			2001		
	Income £	Capital £	Total £	Income £	Capital £	Total £
Return attributable to equity shareholders:						
Revenue return	803,274	796,775	1,600,049	902,675	681,289	1,583,964
Capital return	(1,190,350)	(3,571,050)	(4,761,400)	(203,926)	(611,778)	(815,704)
	(387,076)	(2,774,275)	(3,161,351)	698,749	69,511	768,260
	p	p		p	p	
Revenue return	32-7	48-6		36-7	41-5	
Capital return	(48-4)	(217-8)		(8-3)	(37-3)	
	(15-7)	(169-2)		28-4	4-2	

NOTES TO THE ACCOUNTS continued

for the year ended 31st December, 2002

8. INTANGIBLE ASSETS

	2002	2001
	£	£
Group		
Goodwill:		
Cost:		
At beginning and end of the year	186,286	186,286
Amortisation:		
At 1st January, 2002	102,465	93,150
Provided during the year	9,315	9,315
At 31st December, 2002	111,780	102,465
Net Book Value		
At 31st December, 2002	74,506	83,821
At 31st December, 2001	83,821	93,136

9. INVESTMENTS**Analysis of the investments**

The number of companies or institutions in which equities, convertibles or fixed interest securities were held was 52 (2001: 45).

	2002		2001	
	£	%	£	%
EQUITY GROUPS				
Basic Industries				
Chemicals	4,321,525	11.11	2,399,750	6.39
Construction and Building Materials	2,403,500	6.18	1,665,000	4.44
Forestry and Paper	50,000	0.13	152,500	0.41
General Industrials				
Electronic and Electrical Equipment	1,864,687	4.79	2,407,500	6.42
Engineering and Machinery	9,240,923	23.76	9,203,901	24.53
Cyclical Consumer Goods				
Household Goods and Textiles	1,564,500	4.02	1,470,000	3.92
Non-Cyclical Consumer Goods				
Beverages	747,000	1.92	756,000	2.01
Health	797,500	2.05	116,250	0.31
Personal Care and House Products	694,125	1.78	91,875	0.24
Cyclical Services				
Distributors	0	0.00	365,500	0.97
General Retailers	439,950	1.13	0	0.00
Restaurants, Pubs and Breweries	2,605,325	6.70	2,302,812	6.14
Support Services	5,928,500	15.24	6,652,845	17.73
Transport	73,888	0.19	67,222	0.18
Non-Cyclical Services				
Food and Drug Retailers	642,750	1.65	495,000	1.32
Information Technology				
Information Technology Hardware	650,000	1.67	593,750	1.58
Software and Computer Services	635,500	1.63	37,500	0.10
Financials				
Banks	4,720,246	12.13	6,311,460	16.82
Investment Companies				
Real Estate	994,375	2.56	1,864,750	4.97
FIXED INTEREST				
Preference	530,000	1.36	573,000	1.53
Total UK	38,904,294	100.00	37,526,615	100.00

10. INVESTMENTS

	Company		Group	
	2002 £	2001 £	2002 £	2001 £
Investments listed on a recognised investment exchange				
Total listed investments	38,243,532	37,097,054	38,243,532	37,097,054
Unlisted investments	660,762	429,561	660,762	429,561
Subsidiary undertakings (note 12)	431,472	431,472	-	-
Other investments	-	-	-	-
	39,335,766	37,958,087	38,904,294	37,526,615
		Listed	Unlisted	Total
Group:				
Opening book cost		25,342,918	850,800	26,193,718
Opening unrealised appreciation		11,754,136	(78,137)	11,675,999
Opening provision against impairments in value		-	343,102	343,102
Opening valuation		37,097,054	429,561	37,526,615
Movements in the year				
Purchases at cost		9,166,872	610,288	9,777,160
Sales – proceeds		3,638,081	-	3,638,081
– realised gains on sales		1,360,741	-	1,360,741
Permanent impairment in value of investments		-	-	-
Increase in unrealised appreciation		(5,743,054)	(379,087)	(6,122,141)
Closing valuation		38,243,532	660,762	38,904,294
Closing book cost		32,232,450	1,461,088	33,693,538
Closing unrealised appreciation		6,011,082	(457,224)	5,553,858
Closing provision against impairments in value		-	343,102	343,102
		38,243,532	660,762	38,904,294
Realised gains/(losses) on sales		1,360,741	-	1,360,741
Increase/(decrease) in unrealised appreciation		(5,743,054)	(379,087)	(6,122,141)
Gains/(losses) on investments		(4,382,313)	(379,087)	(4,761,400)

11. UNQUOTED INVESTMENTS

During the year, the Company revalued the following investments to a material extent:

Investment	Cost £	Carrying	Carrying	Amount of revaluation £
		value at 31/12/02 £	value at 31/12/01 £	
Honeycombe Leisure Plc	844,599	569,075	392,062	(197,387)

NOTES TO THE ACCOUNTS continued

for the year ended 31st December, 2002

12. SUBSIDIARY UNDERTAKINGS

The Company had investments in the following subsidiary undertakings:

Name	Principal activity	Country of incorporation and operation	Description of shares held	Proportion of nominal value of issued shares and voting rights held
Rights Securities Ltd.	Investment dealing	England	Ordinary	100%
Discretionary Unit Fund Managers Ltd.	Fund management and secretarial services	England	Ordinary	100%

13. SIGNIFICANT INTERESTS

The Company had investments in the following undertakings exceeding 10% of the nominal value of the allotted shares:

Name	Principal activity	Country of incorporation and operation	Description of shares held	Percentage held by Company and Group	Aggregate capital and reserves £	Profit/(loss) after tax for year £
Chamberlin & Hill Plc	Manufacture of iron castings, electrical conduit fittings, electrical switch gear and door, gate and window furniture	England	Ordinary	13.7%	13,829,000	1,748,000

In addition to the above, the Company or Group has a holding of 3% or more that is material in the context of the financial statements in the following investments:

Name	Percentage held by Company and Group
Colefax Group PLC	10.1%
Dataflex PLC	7.2%
Dyson PLC	3.2%
Eleco Holdings PLC	7.1%
Honeycombe PLC	4.4%
Howle Holdings PLC	4.9%
LPA Industries PLC	4.2%
Merrydown PLC	8.0%
Multi Group PLC	9.9%
Syltone PLC	6.5%
Thorpe F.W. PLC	4.2%
Titon Holdings PLC	9.1%
UCM Group PLC	7.7%
Wellington Holdings PLC	8.5%
White Young Green PLC	3.9%

14. DEBTORS

	Company		Group	
	2002 £	2001 £	2002 £	2001 £
Amounts due from brokers	-	-	-	-
Trade debtors	-	-	-	-
Due from subsidiary undertakings	16,745	-	-	-
Corporation tax	-	-	-	-
Prepayments and accrued income	317,618	193,875	236,114	100,516
Other debtors	-	-	-	-
	334,363	193,875	236,114	100,516

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Company		Group	
	2002 £	2001 £	2002 £	2001 £
Bank overdraft	1,573,466	–	1,573,466	–
Amounts due to brokers	–	–	–	–
Trade creditors	–	–	–	–
Due to subsidiary undertakings	–	3,475	–	–
UK corporation tax payable	–	2,140	1,020	28,036
Accruals	25,884	21,051	191,185	68,134
Proposed dividends	592,860	578,510	592,860	578,510
	2,192,210	605,176	2,358,531	674,680

16. SHARE CAPITAL

	2002 £	2001 £
Authorised		
200,000 5.5% (Net) Cumulative Preference Shares of £1 each	200,000	200,000
2,400,000 Capital Shares of 25p each	600,000	600,000
3,600,000 Income Shares of 25p each	900,000	900,000
	1,700,000	1,700,000
Allotted, Called Up and Fully Paid		
200,000 5.5% (Net) Cumulative Preference Shares of £1 each	200,000	200,000
1,640,000 Capital Shares of 25p each	410,000	410,000
2,460,000 Income Shares of 25p each	615,000	615,000
	1,225,000	1,225,000

17. RESERVES

	Share premium account £	Capital reserve- realised £	Revaluation reserve- unrealised £	Dividend equalisation reserve £
Company				
Beginning of year	225,326	28,158,252	11,675,999	954,238
Net gain/(loss) on realisation of investments	–	1,360,741	–	–
Permanent impairments in value of investments	–	–	–	–
Increase/(decrease) in unrealised appreciation	–	–	(6,122,141)	–
Retained net revenue for the year	–	–	–	504
End of year	225,326	29,518,993	5,553,858	954,742
Group				
Beginning of year	225,326	28,158,252	11,675,999	851,772
Net gain/(loss) on realisation of investments	–	1,360,741	–	–
Permanent impairments in value of investments	–	–	–	–
Increase/(decrease) in unrealised appreciation	–	–	(6,122,141)	–
Retained net revenue for the year	–	–	–	(8,811)
End of year	225,326	29,518,993	5,553,858	842,961

The revenue return attributable to shareholders includes £1,617,224 (2001: £1,604,279) which has been dealt with in the Accounts of the Company.

NOTES TO THE ACCOUNTS continued

for the year ended 31st December, 2002

18. NET ASSET VALUE PER SHARE

The net asset value per share and the net asset values attributable to each class of share calculated in accordance with the Articles of Association were as follows:

	Net asset value per share attributable		Net asset value attributable	
	2002	2001	2002	2001
	p	p	£	£
Preference shares	100	100	200,000	200,000
Income shares	417.1	465.8	10,259,680	11,458,556
Capital shares	1640.6	1858.4	26,906,458	30,477,793
			37,366,138	42,136,349

The movements during the year attributable to each class of share were as follows:

	Preference shares	Income shares	Capital shares	Total
	£	£	£	£
Total net assets attributable at beginning of year	200,000	11,458,556	30,477,793	42,136,349
Total recognised gains/(losses) for the year	–	(1,190,350)	(3,571,050)	(4,761,400)
Transfer to reserves	–	(8,526)	(285)	(8,811)
Total net assets attributable at end of year	<u>200,000</u>	<u>10,259,680</u>	<u>26,906,458</u>	<u>37,366,138</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001
	£	£
Opening shareholders' funds	42,136,349	42,794,599
Total recognised gains and losses before dividends	(3,150,351)	779,260
Dividends	(1,619,860)	(1,437,510)
Closing shareholders' funds	37,366,138	42,136,349

20. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	2002	2001
	£	£
Balance at 1st January, 2002	5,027,070	3,314,238
Net Cash Inflow/(Outflow)	(6,232,704)	1,712,832
Balance at 31st December, 2002	(1,205,634)	5,027,070

Analysis of balances:

	2002	2001
	£	£
Balance at Bankers and Deposits on Call	367,832	5,027,070
Bank Overdrafts	(1,573,466)	–
	(1,205,634)	5,027,070

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

	2002	2001
	£	£
Net revenue before finance costs and taxation	1,624,156	1,621,689
Amortisation of goodwill	9,315	9,315
Accrued income	(52,438)	(20,781)
Other creditors	123,052	(104,965)
Other debtors	(83,160)	(5,330)
Investment income tax	–	–
Net cash inflow	1,620,925	1,499,928

22. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise:

- Equity shares. These are held in accordance with the Company's investment objectives and policies.
- Bank loans for which the main purpose is to raise finance for the Company's operations.
- Short-term debtors, creditors and cash amounts arising directly from its operations.

As an investment trust, the Company invests in securities for the long-term. Accordingly it is, and has been, throughout the year under review, the Company's policy that no short-term trading in investments or other financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments is market price risk. The Board's policy for managing these risks is summarised below. These policies have remained unchanged since the beginning of the year to which these financial statements relate.

Market price risk

Market risk arises 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.

The Board meets at least quarterly to consider the asset allocation of the portfolio in order to minimise the risk associated with industry sectors. The fund manager has responsibility for monitoring the existing portfolio selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks meet an acceptable risk-reward profile

Interest rate risk profile of financial assets and financial liabilities

The majority of the Company's financial assets are equity shares or other investments which neither pay interest nor have a maturity date.

Liabilities

There were no long-term liabilities at the year end.

Fair value of financial instruments

Financial assets and liabilities are included in the balance sheet at values which represent fair values without exception.

APPENDIX

Details of the principal investments are given below by market value

	Holdings		Market Value	
	2002	2001	2002	2001
			£	£
UK Investments				
HBOS PLC	550,000	550,000	3,569,500	4,378,000
RPS Group PLC	2,700,000	2,700,000	3,037,500	3,888,000
Enterprise Inns PLC	350,000	300,000	1,996,750	1,872,000
Dyson PLC	925,000	–	1,882,375	–
UCM Group PLC	1,850,000	1,850,000	1,766,750	1,803,750
Chamberlin & Hill PLC	1,000,000	1,000,000	1,705,000	1,675,000
Syltone PLC	1,650,000	1,650,000	1,617,000	1,584,000
Colefax Group PLC	2,100,000	2,100,000	1,564,500	1,470,000
Wellington Holdings PLC	2,000,000	1,485,000	1,460,000	1,410,750
White Young Green PLC	1,100,000	475,000	1,270,500	919,125
Lloyds TSB Group PLC	259,177	259,177	1,150,746	1,933,460
Hill & Smith Holdings PLC	1,327,200	1,327,200	1,114,848	882,588
Titon Holdings PLC	1,000,000	1,000,000	950,000	1,020,000
VP PLC	1,000,000	1,000,000	940,000	930,000
Castings PLC	500,000	500,000	822,500	750,000
Eleco Holdings PLC	3,075,000	3,075,000	814,875	638,063
Merrydown PLC	1,800,000	1,800,000	747,000	756,000
Amersham PLC	125,000	–	694,375	–
Domino Printing Sciences PLC	500,000	500,000	662,500	582,500
Dataflex PLC	5,000,000	2,500,000	650,000	593,750

Unless otherwise specified, the actual holdings are, in each case, of ordinary shares or stock units and of the nominal value for which listing has been granted.



FORM OF PROXY**ANNUAL GENERAL MEETING**

We _____
(USE BLOCK CAPITALS)

of _____

being the holder(s) of Capital/Income/Both Classes (delete as applicable) shares in the above-named Company, hereby appoint the Chairman of the Meeting, or the undermentioned person, who need not be a member of the Company,

* _____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 20th March, 2003.

	FOR	AGAINST
RESOLUTION No. 1		
RESOLUTION No. 2		
RESOLUTION No. 3		
RESOLUTION No. 4		

If you wish to indicate how you desire your proxy to vote please insert "X" in the appropriate spaces. In the absence of directions the proxy will vote or abstain at his discretion.

SIGNED this _____ day of _____ 2003

Signature(s) _____

Notes:

- (1) To be effective this form of proxy and the power of attorney or other authority (if any) under which it is signed must be deposited with the registrars of the Company, Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0JQ, not later than 48 hours before the time appointed for the meeting.
 - (2) In the case of joint holders, the votes of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
 - (3) In the case of a corporation, the form should be executed either under its common seal or, if none, under the hand of an officer or attorney duly authorised in writing.
- * If you wish to appoint a proxy other than the above named, please delete the words "the Chairman of the Meeting" and insert the name of your proxy.



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2



First Fold

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