

RIGHTS AND ISSUES INVESTMENT TRUST P.L.C.

FINAL REPORT AND ACCOUNTS 2010

COMPANY NUMBER 00736898

A SELF MANAGED INVESTMENT TRUST

WEDNESDAY



A63 *AH9IIT92* 13/04/2011 60
COMPANIES HOUSE

**PLEASE NOTE THAT PAGE 3 (NOTICE OF MEETING) HAS NOT
BEEN FILED
AND PAGE 9 (5 YEAR CUMULATIVE PERFORMANCE GRAPH)
HAVE BEEN REPLACED BY PAGE 9A
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, 2010) 2075 0p</p>	<p>PRICE (at 31st December, 2010): 605 0p</p>	
<p>GROSS YIELD 3.7%</p>	<p>GROSS YIELD 4.7%</p>	
<p>DISCOUNT 33.2%</p>	<p>DISCOUNT 19.6%</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, 2016

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)
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 70	319
2003	2194 5p	1889	50 8226p	542 9p	34 5p	2207 40	372
2004	2573 1p	2214	50 9226p	633 3p	36 5p	2410 80	407
2005	2928 1p	2520	58 0982p	751 8p	40 5p	2847 00	480
2006	3669 8p	3158	68 1750p	920 3p	43 5p	3221 40	543
2007	3342 1p	2876	70 9829p	851 4p	46 0p	3286 70	554
2008	1643 3p	1414	70 3329p	459 0p	33 0p	2209 29	373
2009	2158 5p	1858	69 9579p	549 3p	25 5p	2760 80	466
2010	3105 7p	2673	69 9579p	752 9p	25 5p	3094 41	522

† = includes special dividend

DIRECTORS AND ADVISERS

DIRECTORS

D M BRAMWELL *Chairman*
B A BEVERLEY
S H J A KNOTT
S J B KNOTT

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

BEGBIES CHETTLE AGAR
Epworth House
25 City Road
London EC1Y 1AR

REGISTRARS

CAPITA REGISTRARS LTD
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

BROKERS

ARBUTHNOT SECURITIES LTD
20 Ropemaker Street
London EC2Y 9HR

BANKERS

HSBC BANK PLC
Poultry and Princes Street
London EC2P 2BX

CHAIRMAN'S STATEMENT

After the rapid contraction of 2008-9 the UK economy managed to pull out of recession in 2010. More importantly, strong growth in the world economy has led to a resurgence in international trade benefiting export-orientated companies.

The stock market had a quieter year with a rise of 12.1% in the FTSE All-share Index with a slightly better performance by smaller cap indices.

Your Trust experienced a strong finish to the year. The net asset value of capital shares rose from 2158.5p to 3105.7p and that of the income shares from 549.3p to 752.9p. These are increases of 43.9% and 37.1% respectively.

Discretionary Unit Fund Managers achieved modest progress with pre-tax profits of over £200,000. Again there was a major contribution from stock profits which will not necessarily be repeated.

After the difficult circumstances of the last two years, your Directors have been able to maintain dividends at 25.5p per income share and 1.275p per capital share. Additionally, the supplementary capital dividend of 68.6829p per capital share was paid on 2nd January 2011 and barring unforeseen circumstances will be maintained at 68.6829p per capital share payable on 2nd January, 2012.

In accordance with the established practice, your Directors have reviewed the performance of the Trust over the last five years. The performance of shareholders funds shows a rise of 4.4% compared with a rise of 8.7% by the FTSE All-share index. In addition, the dividend of the income shares has not matched inflation. For the first time the Trust has not met its criteria during a five year period but the circumstances of the world banking crisis fully explains why this happened. Taking this into account as well as the long-term performance of the Trust your Directors therefore recommend that the life of the Trust should be extended by a further five years. It is also intended to modify the income criterion to maintain the income dividend over the period. This change reflects recent experience and the unique income demands of the respective class rights of the Trust.

Lastly, this is my first statement as Chairman and I would like to thank my predecessor, Simon Knott for his contribution over the last three decades. During his time as chairman, shareholders funds rose from £3m to £70m and the Trust is in a strong position to meet the challenges of the future.

D. M. BRAMWELL

Chairman

A handwritten signature in black ink, appearing to read 'D. M. Bramwell', with a horizontal line underneath it.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their forty-eighth Annual Report, together with audited accounts in respect of the year ended 31st December, 2010

BUSINESS REVIEW

INTRODUCTION

This business review forms part of the Directors Report. Its purpose is to provide a balanced and comprehensive review of the Company's development and performance during the year and its position at the year end. The review also details the principal risks and uncertainties faced by the Company and its key performance indicators.

BUSINESS OF THE COMPANY

The Company is an investment trust and was approved by HM Revenues & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 ('S1158 CTA') for the year ended 31st December 2009. Since that date, the Company has conducted its affairs so that it should continue to qualify.

The Company's principal business activity is the management of an investment trust. The Company has one active subsidiary whose principal activity is unit trust management and one dormant subsidiary.

A review of the business is included in the Chairman's statement. The results are shown on page 12 and the dividends are disclosed in note 6 on page 18.

INVESTMENT POLICY

The Trust invests in equities with an emphasis on smaller companies. UK smaller companies will normally constitute at least 80% of the investment portfolio. UK smaller companies include both listed securities and those quoted on the Alternative Investment Market ("AIM").

The investment portfolio will normally lie in the range of 80% to 120% of shareholders funds and therefore gearing will normally be between -20% and +20%.

There is a rigorous process of risk analysis at the level of the individual investment based on the characteristics of the investee company. This controls the overall risk profile of the investment portfolio allowing a higher level of concentration in the investment portfolio.

The investment portfolio is then managed on a medium-term basis with a low level of turnover of investments. This minimises transaction costs and ensures a medium-term consistency of the investment approach.

PERFORMANCE

Group assets have increased from £49,111,143 to £69,654,369 and at 31st December, 2010, the net assets values of the income and capital shares were 752.9p and 3105.7p respectively. Further commentary on the Groups performance is given in the Chairman's statement.

KEY PERFORMANCE INDICATORS

The key performance indicators ('KPIs') used by the Company are:

Shareholders funds capital return compared to the FTSE All-Share Index

Dividends per income share

Total Expense Ratio

Shareholders funds capital return

In reviewing the performance of the Company, the Board monitors shareholders funds in relation to the FTSE All-Share Index. During the year shareholders funds increased by 41.8% compared with 12.1% by the FTSE All-Share Index. Over the five years shareholders funds rose by 4.4% compared with a rise of 8.7% by the FTSE All-Share Index.

Dividends per income share

The total dividend per income share was 25.5p.

Total Expense Ratio (TER)

The TER shows the efficiency of control of management costs. The TER for the year ended 31st December 2010 was 0.49%.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks facing the Company are financial and regulatory.

REPORT OF THE DIRECTORS continued*Financial risks*

An investment trust manages a portfolio of financial assets and so is exposed to a range of financial risks. The prime risk is that of market price. There are subsidiary risks concerning concentration and gearing. The Board considers the adoption of these risks to be central to the successful performance of an investment trust in the long term.

Regulatory and other risks

It is necessary to abide by S1158 CTA to maintain investment trust status. This is achieved by the consistent investment policy and is monitored by the Board.

The Company's assets are protected by the use of an independent custodian, HSBC.

FUTURE DEVELOPMENTS

This is considered further in the Chairman's Statement.

ENVIRONMENTAL, SOCIAL AND COMMUNITY ISSUES

As an investment trust, the Company has a limited impact on either environment or social and community issues. All printed material, wherever possible, is on recycled material. The investment manager attempts to minimise his carbon footprint.

Of more importance is the conduct of the companies in the investment portfolio. The Company does not invest in companies which have significant adverse effect on the global environment and encourages those companies in which it has an investment to pursue responsible environmental policies.

EMPLOYEES

With only three employees, it is not necessary to have detailed employee policies.

DIRECTORS

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

	Capital		Income	
	31st December, 2010	31st December, 2009	31st December, 2010	31st December, 2009
S H J A Knott	255,670	225,670	203,505	203,505
B A Beverley	17,500	17,500	32,500	32,500
D M Bramwell	-	-	20,000	20,000
S J B Knott	25,000	25,000	5,000	5,000

No changes in the Directors' interests shown above have occurred since 31st December, 2010.

B A Beverley, D M Bramwell, S J B Knott and S H J A Knott are retiring. All being eligible, offer themselves for re-election.

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

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each director at the date of approval of this report is aware:

- there is no relevant audit information of which the company's auditors are unaware and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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 22nd February, 2011:

	Capital Shares	Income Shares	Preference Shares
N W Brown Nominees	86,698	-	-
Discretionary Unit Fund	120,000	-	-
HSBC Global Custody Nominees (UK)	100,000	-	-
Harewood Nominees	188,500	-	-
Dartmoor Investment Trust	-	150,500	-
Giltspur Nominees	-	86,441	-
L W & B I Potter	-	145,000	-
Rulegale Nominees	-	-	67,934
V M Barr	72,540	96,829	-
Barclays Plc	53,900	123,602	-
Additionally Taylor Young Investment Management (Ltd) hold	130,820	259,875	-

This 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.

SECTION 992 COMPANIES ACT 2006 DISCLOSURES

Details of the Company's capital structure and voting rights in the shares are given on the inside cover of this report

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 489 of the Companies Act 2006 a resolution proposing the reappointment of Begbies Chettle Agar as auditors of the Company will be put to the Annual General Meeting

CORPORATE GOVERNANCE

Significant matters relating to the governance of the Trust, including those in relation to the recommendations of the Combined Code 2008 are noted below

The Board of Directors

The Board of Directors, which includes two 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.

Scheme of delegation

The Board delegates all investment matters to the Investment Director but reserves to itself all decisions concerning unquoted investments.

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, which has been in place during the year under review and upto the date of approval of the accounts. 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 2011 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.

Relationship with shareholders

The Investment Director maintains a regular dialogue with major shareholders.

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 1 2

The Board sees no useful purpose in publishing the individual attendances by Directors.

A 4 6

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.

REPORT OF THE DIRECTORS continued

A 61 & A 72

The Board do not believe that there is a need for a formal performance review process of either itself or individual non-executive Directors as this does not recognise the special characteristics of a self-managed investment trust. Instead the Board takes joint responsibility for the stewardship and performance of the Trust and undertakes every five years a rigorous review of the Trust's performance against its benchmarks. All non-executive directors who have served for more than nine years submit themselves to annual re-election.

B 11 to B 24 (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. 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.

C 31 to C 37

The Board sees no need for an internal audit function in the light of the size of the organisation and the clear segregation of investment management and control of the assets.

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

D M BRAMWELL *Chairman and Senior Independent*, aged 63 years

He is Chairman of Hi Wave Technologies PLC.

S H J A KNOTT *Non-executive*, aged 79 years


He was a Director of a number of PLCs.

B A BEVERLEY *Non-executive*, aged 75 years

He was a Director of Greig Middleton & Co Limited.

S J B KNOTT *Executive*, aged 52 years

He is investment manager.



For DUFM Ltd.

By Order of the Board
DISCRETIONARY UNIT FUND MANAGERS LIMITED
Secretaries

22nd February 2011

THE DIRECTORS' REMUNERATION REPORT

The Trust does not have a remuneration committee

THE TRUST'S POLICY ON DIRECTORS' REMUNERATION

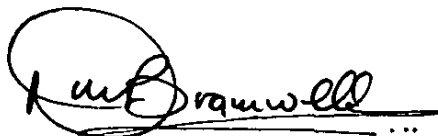
There are no service contracts in respect of any Director. There are therefore no share options, long term investment schemes, pension, or profit related pay arrangements with any of the Directors. In the light of this and the modest nature of Directors' remuneration the Board considers that it currently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

**(5 YEAR CUMULATIVE PERFORMANCE GRAPH)
HAVE BEEN REPLACED BY PAGE 9A**

DIRECTORS' EMOLUMENTS (AUDITED)

	S H J A. Knott	F A. Beverley	D M Bramwell	S. J B. Knott
Emoluments and Compensation				
Salary and fees	14,000	8,000	14,025	100,000
Bonus	-	-	-	10,000
Ex gratia	-	-	-	-
Non-cash benefits	-	-	-	-
Total 2010	14,000	8,000	14,025	110,000
Total 2009	14,000	8,000	13,800	100,000
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	-	-	-	-

D. M. Bramwell, Director
S. J. B. Knott, Director





22nd February, 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and accounts in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union

The Directors are required to prepare the accounts for each financial year which present fairly the financial position of the Group and the financial performance and cashflows of the Company and 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,
- present information including accounting policies in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance,
- state that the Company has complied with IFRS subject to any material departures disclosed and explained in the accounts, and
- 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 keeping 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 2006 and Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm that to the best of their knowledge that

- the accounts prepared in accordance with applicable accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and
- the annual report includes a fair review of the development and performance of the business and the position of the company together with a description of the principal risks and uncertainties that they face.

D. M. Bramwell, Director

S J B Knott, Director

22nd February 2011



INDEPENDENT AUDITORS' REPORT

To the Members 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, 2010 which comprise the Group Income Statement the Group and Parent Balance Sheets, the Group and Parent Statements of Changes in Equity the Group and Parent Cash Flow Statements and the related notes. The reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards to the parent company's financial statements, as applied in accordance with provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the Directors are responsible for preparing the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group and parent Company's affairs as at 31st December 2010 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the Companies Act 2006 and as regards the group financial statements, Article 4 of IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

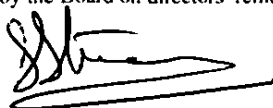
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or
- the parent Company's financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records or returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement set out on page 7 in relation to going concern,
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review, and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Jeremy Staines (Senior Statutory Auditor)
For and on behalf of Begbies Chettle Agar
Chartered Accountants and Statutory Auditors



25 City Road
London
22nd February 2011

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December 2010

	Notes	Year ended 31st December 2010			Year ended 31st December 2009		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Investment income	2	1,724,112	-	1,724,112	1 337 008	-	1 337 008
Other operating income	2	256,115	-	256,115	238 092	-	238 092
Total income		1,980,227	-	1,980,227	1,575 100	-	1,575,100
Gains/(Losses) on fair value through profit or loss assets	10	159,456	20,721,113	20,880,569	88 079	11,299,776	11,387,855
		2,139,683	20,721,113	22,860,796	1 663,179	11,299,776	12,962,955
Expenses							
Investment management fee		-	-	-	-	-	-
Other expenses	3	531,960	-	531,960	502,147	-	502 147
		531,960	-	531,960	502,147	-	502,147
Profit before tax		1,607,723	20,721,113	22,328,836	1,161,032	11,299,776	12 460,808
Tax	5	-	-	-	-	-	-
Profit for the period		1,607,723	20,721,113	22,328,836	1 161 032	11 299 776	12 460 808
Earnings per share							
Return per income share (p)	7	18.5p	210 6p	229 1p	0 9p	114 8p	115 7p
Return per capital share (p)	7	69.6p	947 6p	1017 2p	68 7p	516 8p	585 5p

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of the parent company. There are no minority interests.

CONSOLIDATED BALANCE SHEET

as at 31st December, 2010

	Notes	Company		Group	
		2010 £	2009 £	2010 £	2009 £
Non-current assets					
Goodwill	8	-	-	65,191	65 191
Investments – Fair value through profit or loss	10	62,861,280	44 425,529	62,429,808	43 994 057
		62,861,280	44,425 529	62,494,999	44,059,248
Current assets					
Trading investments		-	-	650,233	498,578
Trade and other receivables	14	310,904	238,011	400,967	244,640
Current tax receivable		49,610	29,291	-	-
Amounts due from group undertakings		1,191,706	949,329	-	-
Cash and cash equivalents		5,433,124	3 630 674	6,386,189	4 470 403
		6,985,344	4,847 305	7,437,389	5 213,621
Total assets		69,846,624	49 272 834	69,932,388	49,272,869
Current liabilities					
Trade and other payables	15	71,159	40 595	278,019	161 726
Current tax payable		-	-	-	-
		71,159	40 595	278,019	161,726
Total assets less current liabilities		69,775,465	49 232 239	69,654,369	49,111,143
Net assets		69,775,465	49 232 239	69,654,369	49 111 143
Equity					
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
Retained reserves					
Capital reserve	17	39,952,082	37,150,280	39,952,082	37,150,280
Revaluation reserve	17	27,136,454	9,217,143	27,136,454	9,217,143
Dividend equalisation reserve	17	1,236,603	1,414,490	1,115,507	1,293,394
Total equity		69,775,465	49 232,239	69,654,369	49,111,143
Net asset value per share					
Income shares				752 9p	549 3p
Capital shares				3105.7p	2158 5p

The financial statements were approved by the board and authorised for issue on 22nd February 2011. They were signed on its behalf by

D. M. Bramwell, Director

S. J. B. Knott, Director




Company Registration Number 736898

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December, 2010

	Share capital £	Share premium account £	Capital reserve £	Revaluation reserve £	Dividend equalisation reserve £	Total £
Balance at 31st December, 2008	1 225,000	225 326	40 751 585	(5 683 938)	1 924,122	38 442,095
Changes in equity for 2009						
Profit/(Loss) for the period	–	–	(3,601,305)	14,901,081	1,161 032	12 460 808
Total recognised income and expense	1 225 000	225 326	37 150 280	9,217 143	3,085,154	50 902 903
Dividends	–	–	–	–	(1,791,760)	(1 791 760)
Balance at 31st December, 2009	1 225 000	225,326	37 150 280	9 217 143	1,293,394	49 111,143
Changes in equity for 2010						
Profit/(Loss) for the period	–	–	2 801,802	17 919 311	1 607,723	22 328,836
Total recognised income and expense	1,225 000	225,326	39 952 082	27 136,454	2,901,117	71,439 979
Dividends	–	–	–	–	(1,785,610)	(1,785,610)
Balance at 31st December, 2010	1,225,000	225,326	39,952,082	27,136,454	1,115,507	69,654,369

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December, 2010

	Share capital £	Share premium account £	Capital reserve £	Revaluation reserve £	Dividend equalisation reserve £	Total £
Balance at 31st December, 2008	1,225 000	225,326	40,751,585	(5,683,938)	2,045,218	38 563,191
Changes in equity for 2009						
Profit for the period	–	–	(3,601 305)	14,901,081	1,161,032	12,460 808
Total recognised income and expense	1 225 000	225 326	37,150,280	9,217,143	3 206,250	51 023 999
Dividends	–	–	–	–	(1,791 760)	(1 791 760)
Balance at 31st December, 2009	1 225 000	225 326	37 150 280	9,217,143	1,414,490	49 232 239
Changes in equity for 2010						
Profit for the period	–	–	2,801,802	17,919 311	1,607,723	22,328 836
Total recognised income and expense	1 225 000	225,326	39,952,082	27,136,454	3,022,213	71 561 075
Dividends	–	–	–	–	(1,785,610)	(1 785 610)
Balance at 31st December, 2010	1,225,000	225,326	39,952,082	27,136,454	1,236,603	69,775,465

CASH FLOW STATEMENT

for the year ended 31st December 2010

	Company		Group	
	2010 £	2009 £	2010 £	2009 £
Cashflows from operating activities				
(Loss)/Profit before tax	22,279,226	12,431,517	22,328,836	12,460,808
Adjustments for				
Losses/(Gains) on investments	(20,721,113)	(11,299,776)	(20,721,113)	(11,299,776)
Purchases of investments	(5,426,717)	(5,202,296)	(5,426,717)	(5,202,296)
Proceeds on disposal of investments	19 7,712,079	7,490,291	7,712,079	7,490,291
Movement in trading investments	19 -	-	(151,655)	(78,972)
Operating cash flows before movements in working capital	3,843,475	3,419,736	3,741,430	3,370,055
Decrease/(increase) in receivables	(315,270)	(198,355)	(156,327)	(33,087)
Increase/(decrease) in payables	30,564	(3,082)	116,293	(106,039)
Net cash from operating activities before income taxes	3,558,769	3,218,299	3,701,396	3,230,929
Income taxes received/(paid)	29,291	1,648	-	-
Net cash from operating activities	3,588,060	3,219,947	3,701,396	3,230,929
Cash flows from financing activities				
Dividends paid	(1,785,610)	(1,791,760)	(1,785,610)	(1,791,760)
Net cash (used in)/from financing activities	(1,785,610)	(1,791,760)	(1,785,610)	(1,791,760)
Net increase/(decrease) in cash and cash equivalents	1,802,450	1,428,187	1,915,786	1,439,169
Cash and cash equivalents at beginning of year	3,630,674	2,202,487	4,470,403	3,031,234
Cash and cash equivalents at end of year	5,433,124	3,630,674	6,386,189	4,470,403

NOTES TO THE ACCOUNTS

for the year ended 31st December 2010

1 ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the group have been prepared in accordance with the International Financial Reporting Standards (IFRS) which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee (IASC) that remain in effect and to the extent that they have been adopted by the European Union

The financial statements have been prepared on a historical cost basis except for the revaluation of certain investments. The principle accounting policies are set out below. Where presentational guidance set out in the Statement of Recommended Practice (SORP) for investment trusts (AITC) issued in January 2009 is consistent with the requirements of IFRS the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

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 S408 of the Companies Act 2006.

Presentation of income statement

In order to better reflect the activities of an investment trust company and in accordance with the guidance issued by the AITC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. In accordance with the Company's status as a UK investment company under section 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend. Additionally, the net revenue is the measure the Directors believe appropriate in assessing the group's compliance with the certain requirements set out in S1158 CTA.

Income

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

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. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Investment trusts which have approval under S1158 CTA are not liable for taxation on capital gains.

Investments

Investments are classified as fair value through profit or loss. As the entity's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, listed equities are designated as fair value through profit or loss on initial recognition.

Financial assets designated as at fair value through profit or loss are measured at subsequent reporting dates at fair value, which is the quoted bid price for investments traded in active markets. Where investments are designated upon initial recognition as fair value through profit or loss, gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item.

Trading investments are valued at fair value.

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

Goodwill

Goodwill represents the excess of cost of acquisition over the fair value of the separable net assets of business acquired. Goodwill is not amortised but an annual impairment review is carried out.

2 INCOME

	Group	
	2010	2009
	£	£
Income from investments		
Franked investment income	1,724,112	1,337,008
UK unfranked investment income	-	-
Foreign income dividends	-	-
Scrap dividends	-	-
Income from group undertakings	-	-
Other	-	-
	<u>1,724,112</u>	<u>1,337,008</u>
Other operating income		
Deposit interest	1,556	4,497
Underwriting commission	-	-
Stock lending fees	-	-
Other	254,559	233,595
	<u>256,115</u>	<u>238,092</u>
Total income	<u>1,980,227</u>	<u>1,575,100</u>
Total income comprises		
Dividends	1,724,112	1,337,008
Interest	1,556	4,497
Other income	254,559	233,595
	<u>1,980,227</u>	<u>1,575,100</u>
Income from investments		
Listed UK	1,632,717	1,035,003
Unlisted	91,395	302,005
	<u>1,724,112</u>	<u>1,337,008</u>

3 OTHER EXPENSES

	2010	2009
	£	£
Staff costs (note 4)	321,483	307,116
Auditors remuneration		
– Audit	13,500	14,450
– Other services to the company and its subsidiaries	2,800	3,350
Goodwill amortisation	-	-
Operating Leases – other	-	-
Other	194,177	177,231
	<u>531,960</u>	<u>502,147</u>

4. STAFF COSTS

	2010	2009
	£	£
Wages and salaries	279,434	267,954
Social security costs	29,649	26,762
Pensions	12,400	12,400
	<u>321,483</u>	<u>307,116</u>
	Number	Number
The average number of staff employed by the group was	3	3
Directors' emoluments	146,025	135,800
Ex Gratia payments	-	-
	<u>146,025</u>	<u>135,800</u>

NOTES TO THE ACCOUNTS continued

for the year ended 31st December 2010

5. TAX ON ORDINARY ACTIVITIES

	2010 £	2009 £
UK Corporation Tax at 28% (2009 28%)	-	-
Adjustments to prior years	-	-
	-	-
Profit before tax	1,607,723	1,161,032
Tax on profit at standard rate	450,162	325,089
Factors affecting the recovery/charge for the year		
Expenses not taxed	(4,200)	1,401
Income not taxable	(482,751)	(374,362)
Adjustment to prior year	-	-
Unutilised losses carried forward	45,633	57,254
Marginal relief	(8,844)	(9,382)
Losses utilised in period	-	-
	-	-

6. DIVIDENDS AND OTHER APPROPRIATIONS

Amounts recognised as distributions to equity holders in the period

	2010 p	2009 p	2010 £	2009 £
Income				
Final dividend for the year ended 31st December 2009	17.00	17.00	418,200	418,200
Interim dividend for the year ended 31st December, 2010	8.50	8.50	209,100	209,100
Capital				
Final dividend for the year ended 31st December 2009	1,2750	1,6500	20,910	27,060
Supp cap dividend for the year ended 31st December 2010	68,6829	68,6829	1,126,400	1,126,400
			1,774,610	1,780,760
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 20,480,000 Preference Shares which could have been issued following the increases in the Capital Reserve revealed by the accounts since 1981

	2010 p	2009 p	2010 £	2009 £
Income				
Proposed final dividend for the year ended 31st December 2010	17.00	17.00	418,200	418,200
Capital				
Proposed final dividend for the year ended 31st December 2010	1,2750	1,2750	20,910	20,910

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements

6. DIVIDENDS AND OTHER APPROPRIATIONS (continued)

We also set out below the total dividend payable in respect of the financial year, which is the basis on which the requirements of S1158 CTA are considered

	2010 p	2009 p	2010 £	2009 £
Dividends on equity shares				
Income				
Interim dividend for the year ended 31st December, 2010	8.50	8.50	209,100	209,100
Proposed final dividend for the year ended 31st December 2010	17.00	17.00	418,200	418,200
	<u>25.50</u>	<u>25.50</u>		
Capital				
Supp cap dividend for the year ended 31st December, 2010	68,6829	68,6829	1,126,400	1,126,400
Proposed final dividend for the year ended 31st December, 2010	1,2750	1,2750	20,910	20,910
	<u>69,9579</u>	<u>69,9579</u>	<u>1,774,610</u>	<u>1,774,610</u>

7. RETURN PER SHARE

	2010			2009		
	Income £	Capital £	Total £	Income £	Capital £	Total £
Return attributable to equity shareholders						
Revenue return	455,152	1,141,571	1,596,723	22,870	1,127,162	1,150,032
Capital return	5,180,278	15,540,835	20,721,113	2,824,944	8,474,832	11,299,776
	<u>5,635,430</u>	<u>16,682,406</u>	<u>22,317,836</u>	<u>2,847,814</u>	<u>9,601,994</u>	<u>12,449,808</u>
	p	p		p	p	
Revenue return	18.5	69.6		0.9	68.7	
Capital return	210.6	947.6		114.8	516.8	
	<u>229.1</u>	<u>1017.2</u>		<u>115.7</u>	<u>585.5</u>	

8. GOODWILL

	2010 £	2009 £
Cost		
At beginning and end of the year	65,191	65,191
Impairment losses		
At beginning and end of year	-	-
Net Book Value		
At 31st December 2010	65,191	65,191
At 31st December 2009	<u>65,191</u>	<u>65,191</u>

NOTES TO THE ACCOUNTS continued

for the year ended 31st December 2010

9 INVESTMENTS**Analysis of the investments**

The number of companies or institutions in which equities, convertibles or fixed interest securities were held was 29 (2009 36)

	2010		2009	
	£	%	£	%
EQUITY GROUPS				
Basic Materials				
Chemicals	1,998,000	3.20	3,391,650	7.71
Industrials				
Construction & Materials	2,223,400	3.56	1,440,700	3.28
General Industrials	7,847,755	12.57	2,671,145	6.07
Electronic & Elec Equip	4,459,522	7.14	1,646,500	3.74
Industrial Engineering	8,897,020	14.25	8,344,729	18.97
Support Services	25,067,199	40.15	15,491,700	35.21
Health Care				
Health Care Equipment & Servs	-	-	-	-
CONSUMER SERVICES				
Technology				
Software & Computer Services	1,048,000	1.68	907,200	2.06
Financials				
Banks	355,861	0.57	271,636	0.62
Non Life Insurance	-	-	-	-
Real Estate	97,050	0.16	149,750	0.34
FIXED INTEREST				
Preference	390,000	0.63	492,000	1.12
AIM	10,046,001	16.09	9,187,047	20.88
Unquoted	-	-	-	-
Total UK	62,429,808	100.00	43,994,057	100.00

10. INVESTMENTS

	Company		Group		
	2010 £	2009 £	2010 £	2009 £	
Investments listed on a recognised investment exchange					
Total listed investments	52,383,807	33,449,555	52,383,807	33,449,555	
Unlisted investments	10,046,001	10,544,502	10,046,001	10,544,502	
Subsidiary undertakings (note 12)	431,472	431,472	-	-	
Other investments	-	-	-	-	
	62,861,280	44,425,529	62,429,808	43,994,057	
			Listed	Unlisted	Total
Group					
Opening book cost			26,142,573	8,634,341	34,776,914
Opening unrealised appreciation			7,306,982	1,910,161	9,217,143
Opening provision against impairments in value			-	-	-
Opening valuation			<u>33,449,555</u>	<u>10,544,502</u>	<u>43,994,057</u>
Movements in the year					
From Listed to Unlisted			-	-	-
Purchases at cost			5,426,717	-	5,426,717
Sales – proceeds			1,003,221	6,708,858	7,712,079
– realised gains on sales			(1,848,810)	4,650,612	2,801,802
Permanent impairment in value of investments			-	-	-
Increase in unrealised appreciation			16,359,566	1,559,745	17,919,311
Closing valuation			<u>52,383,807</u>	<u>10,046,001</u>	<u>62,429,808</u>
Closing book cost			28,717,259	6,576,095	35,293,354
Closing unrealised appreciation			23,666,548	3,469,906	27,136,454
Closing provision against impairments in value			-	-	-
			<u>52,383,807</u>	<u>10,046,001</u>	<u>62,429,808</u>
Realised gains/losses on sales			(1,848,810)	4,650,612	2,801,802
Increase/(decrease) in unrealised appreciation			16,359,566	1,559,745	17,919,311
Gains/(losses) on investments			<u>14,510,756</u>	<u>6,210,357</u>	<u>20,721,113</u>

11 UNQUOTED INVESTMENTS

During the year there were no holdings in unquoted investments

NOTES TO THE ACCOUNTS continued

for the year ended 31st December, 2010

12. SUBSIDIARY UNDERTAKINGS

The Company had investments in the following subsidiary undertakings all of which are included in the consolidated financial statements

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 or Group has a holding of 3% or more that is material in the context of the financial statements in the following investments

Name	
Chamberlin	13.4%
Colefax Group	14.3%
Eleco Holdings	5.1%
LPA Industries	3.7%
Macfarlane Group	13.6%
Scapa	7.2%
Titon Holdings Plc	12.0%
Treant Plc	5.4%
VP Group	4.0%

14. TRADE AND OTHER RECEIVABLES

	Company		Group	
	2010 £	2009 £	2010 £	2009 £
Amounts due from brokers	-	-	-	-
Trade debtors	-	-	-	-
Prepayments and accrued income	310,904	238,011	400,967	244,640
Other debtors	-	-	-	-
	310,904	238,011	400,967	244,640

15 TRADE AND OTHER PAYABLES

	Company		Group	
	2010 £	2009 £	2010 £	2009 £
Bank overdraft	-	-	-	-
Amounts due to brokers	-	-	-	-
Trade payables	-	-	-	-
Accruals	71,159	40,595	278,019	161,726
	71,159	40,595	278,019	161,726

16 SHARE CAPITAL

	2010 £	2009 £
Authorised		
200,000 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% (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 £	Revaluation reserve £	Dividend equalisation reserve £
Group				
Beginning of year	225,326	37,150,280	9,217,143	1,293,394
Net gain/(loss) on realisation of investments	-	2,801,802	-	-
Permanent impairments in value of investments	-	-	-	-
Increase/(decrease) in unrealised appreciation	-	-	17,919,311	-
Retained net revenue for the year	-	-	-	(177,887)
End of year	225,326	39,952,082	27,136,454	1,115,507
Company				
Beginning of year	225,326	37,150,280	9,217,143	1,414,490
Net gain/(loss) on realisation of investments	-	2,801,802	-	-
Permanent impairments in value of investments	-	-	-	-
Increase/(decrease) in unrealised appreciation	-	-	17,919,311	-
Retained net revenue for the year	-	-	-	(177,887)
End of year	225,326	39,952,082	27,136,454	1,236,603

The capital reserve represents those realised profits and losses arising on the disposal of investments. The revaluation reserve represents those realised and unrealised profits and losses arising on the revaluation of investments held.

According to guidance issued by the Institute of Chartered Accountants in England and Wales (TECH 01/08) both gains and losses on the realisation of investments and changes in the fair value of investments held that are readily convertible into cash should be treated as realised.

At the year end all of the Company's portfolio was considered to be sufficiently liquid to be regarded as readily convertible into cash. Consequently the capital and revaluation reserves may be treated as realised and therefore distributable. However the Company is precluded by its Articles of Association from distributing such sums as dividends.

NOTES TO THE ACCOUNTS continued

for the year ended 31st December, 2010

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	
	2010 p	2009 p	2010 £	2009 £
Preference shares	100	100	200,000	200,000
Income shares	752.9	549.3	18,520,609	13,512,479
Capital shares	3105.7	2158.5	50,933,760	35,398,664
			69,654,369	49,111,143

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	13,512,479	35,398,664	49,111,143
Total recognised gains/(losses) for the year	-	5,180,278	15,540,835	20,721,113
Transfer to reserves	-	(172,148)	(5,739)	(177,887)
Total new assets attributable at end of year	200,000	18,520,609	50,933,760	69,654,369
No of shares in issue	200,000	2,460,000	1,640,000	

19 NOTES TO THE CASHFLOW STATEMENT

Cash and cash equivalent comprises of cash at bank

Purchases and sales of investments are considered to be operating activities of the company, given its purpose, rather than investing activities. However, the cashflows associated with these activities are presented below

	Company		Group	
	2010 £	2009 £	2010 £	2009 £
Proceeds on disposal of fair value through profit or loss investments	7,712,079	7,490,291	7,712,079	7,490,291
Purchases of fair value through profit or loss investments	5,426,717	5,202,296	5,426,717	5,202,296

20. RELATED PARTY TRANSACTIONS**Group**

Transactions between the company and its subsidiaries which are related parties have been eliminated on consolidation

Company

The Group's subsidiary company Discretionary Unit Fund Managers Limited manages the Discretionary Unit Fund and acts as principal in respect of all transactions of units in the Fund

The management fee for the year amounted to £254,599 (2009: £233,595) and the amount owed to the company at the year end was £0 (2009: £0)

During the year the company had the following transactions with Discretionary Unit Fund Managers, one of its subsidiary undertakings

	2010 £	2009 £
Rent recharged	29,505	29,032
Dividends received	183,581	117,800
	213,086	146,832
Amounts owed by subsidiary undertaking	1,211,706	949,329

21. FINANCIAL ASSETS AND LIABILITIES

The investment policy and objectives of the Company is stated on page 5

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.

Liquidity

All investments are made in quoted securities, which are normally listed on the London Stock Exchange or AIM. Transactions in these securities may be subject to some short term liquidity constraint, in common with other smaller and medium sized listed securities but subject to that they are considered to be reasonably realisable.

Financial assets and liabilities

All assets and liabilities are included at fair value.

The Group's financial assets and liabilities comprise:

	2010			2009		
	Interest bearing	Non-interest bearing	Total	Interest bearing	Non-interest bearing	Total
	£	£	£	£	£	£
Equity investments	-	62,429,808	62,429,808	-	43,994,057	43,994,057
Cash at bank	6,386,189	-	6,386,189	4,470,403	-	4,470,403
Trading investments	-	650,233	650,233	-	498,578	498,578
Short term debtors	-	400,967	400,967	-	244,640	244,640
Short term creditors	-	(278,019)	(278,019)	-	(161,726)	(161,726)
	6,386,189	63,202,989	69,589,178	4,470,403	44,575,549	49,045,952

APPENDIX

Details of the principal investments are given below by market value

	Holdings		Market Value	
	2010	2009	2010 £	2009 £
UK Investments				
Brammer	2,700,000	2,700,000	6,750,000	3,240,000
RPS Group	2,700,000	2,700,000	6,220,800	5,848,200
Macfarlane Group	15,659,184	6,669,184	4,697,755	1,267,145
Hill & Smith Holdings	1,673,038	1,673,038	4,609,220	5,688,329
Coletax Group	2,100,000	2,100,000	4,410,000	2,247,000
VP	1,800,000	1,000,000	4,140,000	1,730,000
Scapa Group	10,425,000	10,425,000	3,857,250	1,876,500
Diploma	1,250,000	1,250,000	3,428,125	2,200,000
Domino Printing Sciences	500,000	500,000	3,250,000	1,646,500
RPC Group	1,000,000	600,000	3,150,000	1,404,000
Spirax Sarco Eng	130,000	130,000	2,514,200	1,609,400
Treatt	550,000	555,000	1,998,000	1,515,150
Low & Bonar	3,000,000	3,000,000	1,515,000	960,000
Electrocomponents	500,000	–	1,329,000	–
Dialight	238,095	238,095	1,209,523	519,047
Vitec Group	200,000	200,000	1,170,000	772,000
Chamberlin	1,000,000	1,000,000	1,120,000	520,000
Travis Perkins	104,320	–	1,093,274	–
Castings	400,000	400,000	1,060,000	712,000
LogicaCMG	800,000	800,000	1,048,000	907,200

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