Company Registration Number

1009550

Report & Accounts 2003

For the year ended 31st July 2003

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COMPANIES HOUSE 23/12/03

Manchester & London Investment Trust plc

Contents

Financial Summary

Total return

	Year to 31st July 2003	Year to 31st July 2002	Percentage increase
Total return (£'000)	2,441	(238)	1,126
Return per 25p Ordinary share – Fully diluted	23.30p	(2.27p)	1,126
Cash dividend per 25p Ordinary share	9.50p	8.50p	12

Capital

	At 31st July 2003	At 31st July 2002	Percentage increase (decrease)
Net assets attributable to Equity Shareholders (£'000)	24,106	22,435	7.45
Net asset value per 25p Ordinary share – Fully diluted	237.2p	221.2p	7.23
Financial Times Actuaries All-Share Index	2,045.8	2,050.8	(0.24)

Financial Calendar

Year ended	:	**31st July 2003**
Results announced	:	**1st October 2003**
Report and Accounts posted to Shareholders	:	**24th October 2003**
Annual General Meeting held in Manchester	:	**20th November 2003**
Dividend Warrants posted	:	**4th February 2004**

Directors

** **P H A Stanley FCA** (70) joined the Board in November 1997 and was appointed Chairman in November 2000. He was Chairman of BWD Securities PLC (1995-2000) and has extensive experience in Stock Market related matters.

B S Sheppard (69) He is a founder Director of Manchester & London Investment Trust plc and was Chairman until November 1997. He is a Director of Midas Investment Management Limited who act as the Company's investment manager.

* **M J Wilbraham** (72) He is a founder Director of Manchester & London Investment Trust plc. He is a member of the Securities Institute and has experience as a Board member of a number of public and private companies. He is Chairman of Midas Investment Management Limited.

** **J R L Lee DL FCA** (61) joined the Board in October 2000. He was formerly MP for Pendle and a Government minister between 1983 and 1989. He has experience as a Board member of a number of public and private companies.

** *Independent Director and Member of the Audit Committee*
* *Member of the Audit Committee*

Advisors & Administration

Registered Office
2nd Floor, Arthur House, Chorlton Street,
Manchester M1 3FH
Tel 0161 228 1709 Fax 0161 228 2510
Registered in England & Wales
Number 1009550

Secretary
G E Allman FCA
2nd Floor, Arthur House, Chorlton Street,
Manchester M1 3FH

Investment Manager
Midas Investment Management Limited
2nd Floor, Arthur House, Chorlton Street,
Manchester M1 3FH

Auditors
CLB
Century House, 11 St Peter's Square,
Manchester M2 3DN

Registrars
Gall & Eke Registrars Limited
2nd Floor, Arthur House, Chorlton Street,
Manchester M1 3FH
Tel 0161 228 1709 Fax 0161 228 2510

Bankers
National Westminster Bank PLC
100 Barbirolli Square,
Manchester M60 2FT

Singer & Friedlander Limited
21 New Street, Bishopsgate,
London EC2M 4HR

Chairman's Statement

My Interim Statement in February this year very nearly coincided with the nadir of the 2000/03 bear market which was principally caused by the collapse of grossly overvalued technology stocks, forced selling by insurance companies and the adverse effect of FRS 17 on corporate pension funds. The year under review has, therefore, been a roller coaster with the first half recording a further decline in the net asset value which has been more than recovered in the second half; over the year as a whole the gain has been 7.23% which compares with a 0.24% decrease in the FTSE All-Share Index. This is a creditable performance, taking into account our cautionary stance reflected by the cash position amounting to 62% of net assets at the interim stage, which has been reduced to 21% at the year end after adjusting for the repayment of the £5.4m interest free loan from our parent company.

The projected income for the current year is expected to be similar to the year under review, as the benefit of the interest free loan (now repaid) was substantially negated by the fact that our holding of Andrews Sykes did not generate any income. As reported at the interim stage, however, the Andrews Sykes investment contributed substantially to our performance throughout the latter part of the bear market.

We have adhered to our investment policy during the last twelve months by maintaining substantial cash balances during the storm and investing mainly in sound income producing stocks when the clouds started lifting. Interest rates have now fallen to the lowest level for nearly 50 years. We continue to believe that sound income stocks should not only produce a reasonable return for shareholders but also create some capital growth as investors move out of cash deposits, which now offer very low returns. Interest rates now appear to be at or near their low point and we are mindful that the long decline could soon reverse itself.

Six months ago the major worry seemed to be the threat of deflation; hence the substantial fall in interest rates during the last three years. Recently, however, there has been a subtle change in attitudes as inflation creeps back into the system, particularly the service sector. Government borrowing and consumer spending are the driving forces of the putative recovery in Western economies but one must question whether this formula is sustainable. Currency pressures and global trade patterns are moving into uncharted territory and the jury is still undecided whether deflation or inflation is becoming the main economic threat.

We are proposing a final dividend of 7p, making a total of 9.5p for the year, thus enabling the Company to comply with the Inland Revenue distribution requirements. Although the Directors intend that the record date for the final dividend will be 17th October 2003, they also intend to recommend that the dividend on the ordinary shares be declared and that payment be made on 4th February 2004. This is because once the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 come into force in December this year and the consequent amendments to the Listing Rules have been finalised, your Board wishes to explore the possibility of enabling shareholders to have the option of receiving existing issued shares (which have been bought in the market into treasury) in lieu of dividends should they wish to do so including, if possible, in lieu of this year's final dividend. If this proves feasible, an Extraordinary General Meeting will be convened in the new year and shareholders will receive a circular setting out full details of the proposals, seeking their approval for the relevant authorities and to amend the Articles of Association as required.

The Annual General Meeting is to be held at 45 Spring Gardens, Manchester M2 2BG, at 12.45pm on Thursday 20th November 2003, after which the results of the draw for Wimbledon tickets will be announced.

P H A Stanley F C A
Chairman
1st October 2003

Portfolio Investments

as at 31st July 2003

	Valuation £'000	% of Net assets	Sector
UK Listed including OFEX			
PZ Cussons Ordinary & 'A' Ordinary 10p	3,662	14.7	Personal Care & Household Products
T D G Ordinary 1p	3,638	14.6	Transport
Parkman Group Ordinary 1p	2,955	11.9	Support Services
BAE SYSTEMS Ordinary 2.5p	2,314	9.3	Aerospace & Defence
Woolworths Group Ordinary 12$\frac{1}{2}$p	2,000	8.0	General Retailers
Pilkington Ordinary 50p	1,830	7.4	Construction & Building Materials
Scottish & Newcastle Ordinary 20p	1,478	6.0	Beverages
Wiggins Group Ordinary 1p	867	3.5	Construction & Building Materials
Scapa Group Ordinary 41$\frac{2}{3}$p	510	2.1	Chemicals
Singer & Friedlander Group Ordinary 12p	209	0.8	Speciality & Other Finance
LitComp Ordinary 1p	206	0.8	OFEX
Nichols Ordinary 10p	47	0.2	Beverages
	19,716	79.3	
Unlisted at Directors valuation	377	1.5	
Total investments	20,093	80.8	
Net current assets	4,757	19.2	
Total net assets	24,850	100.0	

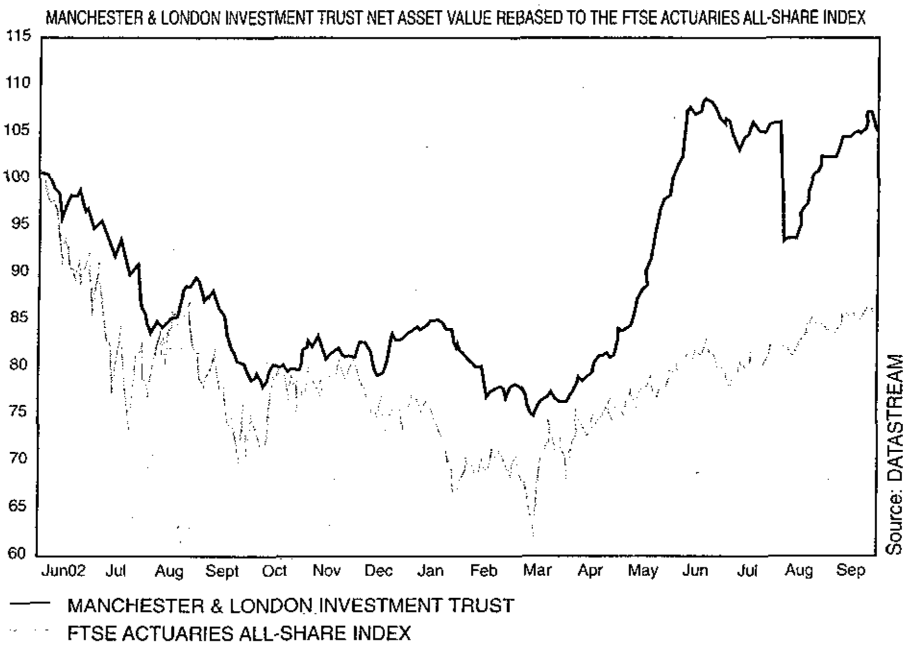
Unlisted investments include Cedar Limited, a supplier of computer software and related services, valued by the Directors at £300,000.

Investment Objective and Policy

The principal investment objective is to achieve capital appreciation, together with a reasonable level of income which can be expected to emanate from successful growth companies.

In pursuit of its objective, the Company will not confine itself to any particular sector of the stock market, either in the UK or overseas. This gives greater freedom of choice in the search for investments which may achieve above average growth, and also means the Portfolio could become substantially liquid if the Manager takes an unfavourable view of the outlook for the markets.

Investment Manager's Review



The abrupt turnaround in the London Stock Market in March was attributed to a cessation of forced selling by UK insurance companies and pension funds. The strength and duration of the rally can no longer be described as a rally in a bear market but equally, can it really be described as the first stage of a new bull market?

Not surprisingly, opinions are divided. The optimists argue that whilst a bounce from the depths plumbed in March was overdue, the recovery is not only sustainable but capable of further extension. They ignore the ballooning deficits (both trade and budget) and the high and increasing level of consumer debt, pointing to an economic recovery notwithstanding the fact that approximately 50% of UK employment is now government financed. They seem oblivious to the fact that historically, deficits and the prospects of higher interest rates do not go hand in hand with surging stock markets. They argue (correctly) that the UK is now a service economy, that Chinese and Far Eastern imports are keeping prices down and that the rise in house prices is providing safe security to at least the sector of society which is indulging in equity withdrawal. They argue that the outlook for profits is improving and we now have the ingredients for a new bull market.

On the other hand, the sceptics point to statistical evidence (subject to review) that the prospect of rising interest rates, coupled with increased levels of taxation, will bring the consumer boom to a grinding halt.

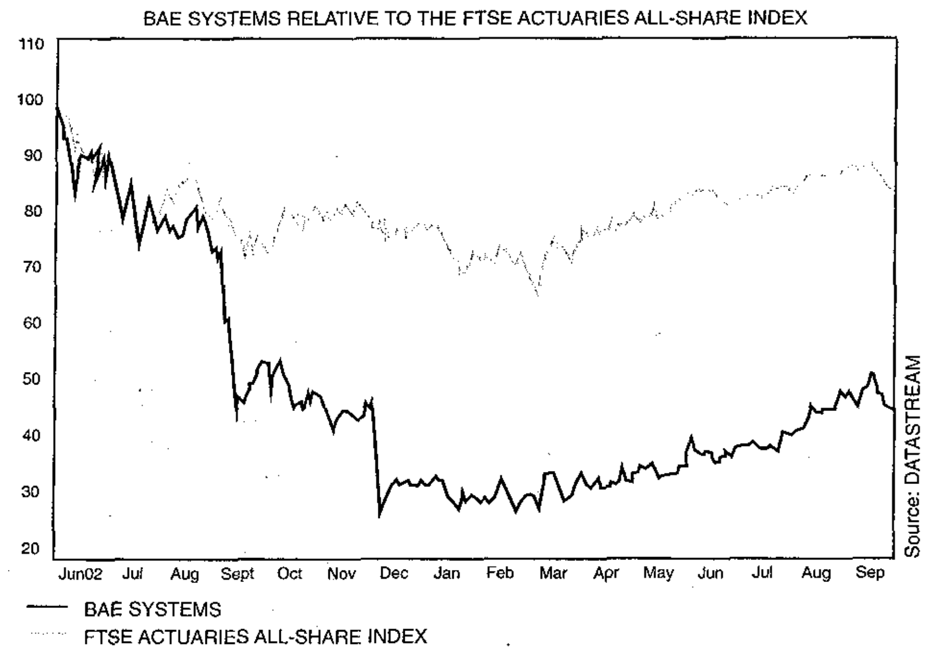
A sharp reversal in house prices would compound the discomfort and cause a prolonged period of retrenchment by borrowers.

As usual, both the arguments are plausible and the truth is probably somewhere in between. It is nevertheless likely that even if the economy does hold up, credit will become tighter and more expensive. Whilst we do not envisage a severe relapse in share prices, a substantial advance from current levels seems unlikely.

Unless, of course, the inflation genie has escaped from the bottle. It is unspoken US policy to encourage a decline in the dollar, but this can only be achieved by a matching appreciation in other currencies, and we must therefore ask ourselves where a dollar decline will be reflected. Ignoring gold and precious metals, the only seriously liquid currencies are the Euro, Yen and Sterling but governments will be understandably reluctant to see their economies squeezed by an appreciating currency. Already, the principal EU countries are abandoning their allegiance to the stability and growth pact by adopting a beggar-my-neighbour policy and playing the same game as the Americans (and to a lesser extent, the UK). We are unsure where this leads us, other than that there is without doubt a rapidly expanding global increase in the money supply.

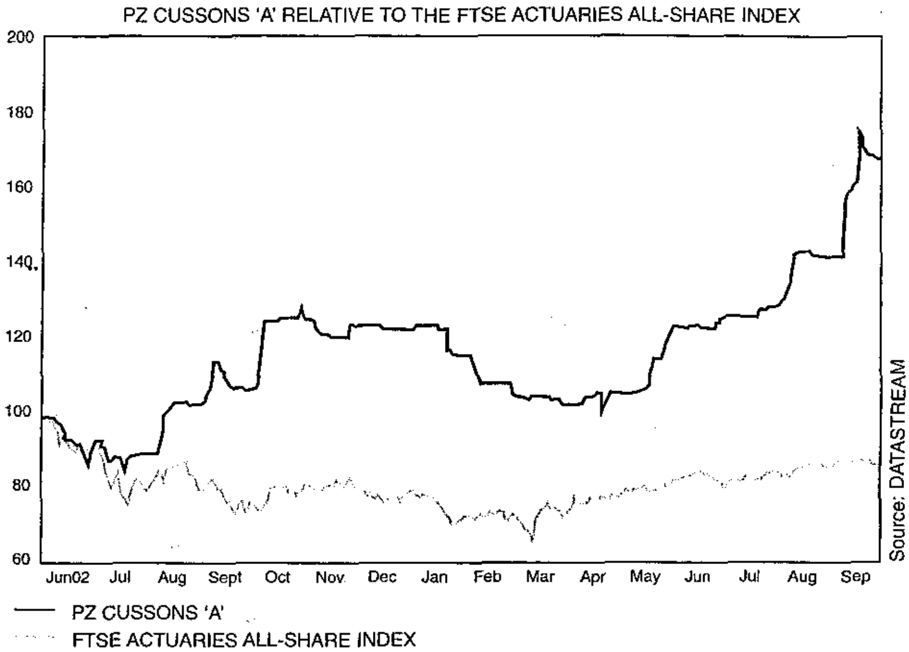
Under the circumstances, we have reduced liquidity by acquiring holdings in seemingly low risk investments offering a reasonable yield and the possibility of corporate action. Although the performance of the portfolio has not been spectacular, we are pleased to report that in the year to July 2003, Manchester & London Investment Trust was the 3rd best performing UK Growth Investment Trust (Standard and Poors).

Principal Portfolio Holdings

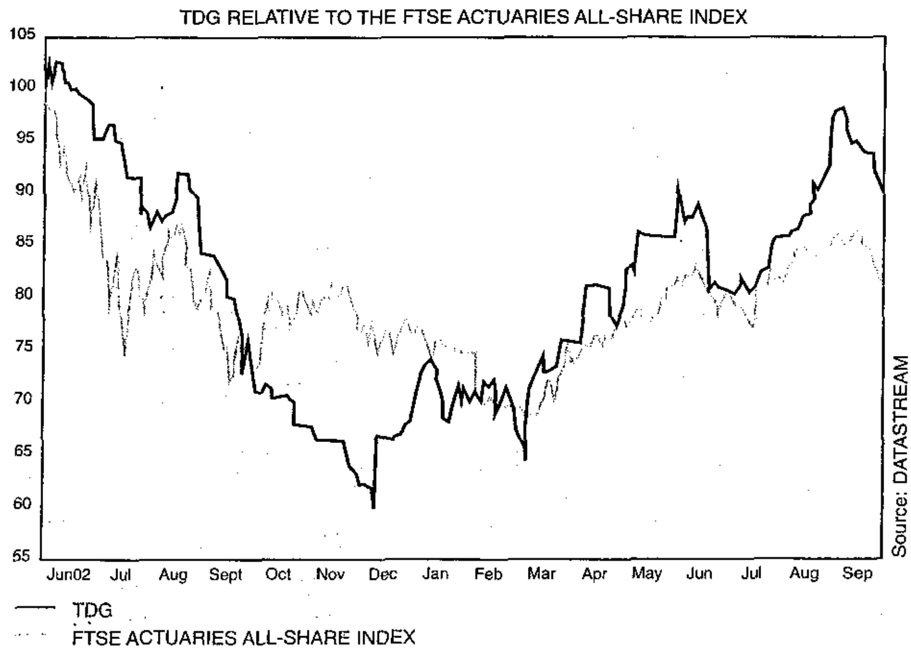


BAE SYSTEMS again did not fail to disappoint with poor results for the year to December 2002. The share price started to weaken in September 2002 when our total holding was sold, thus avoiding a sharp fall in the share price. In December 2002 we repurchased 1.5m shares despite the continuing wrangle with the M.O.D. concerning fixed price contracts, taking the view that the Government would become more flexible. The elevation of Mike Turner to the role of chief executive seems to have achieved a return of confidence in the company which is increasingly mentioned as a likely partner for a merger with one of the US defence giants. The company's 20% stake in Airbus, however, would seem to link the company more closely with EADS, the European defence group, which owns the balance, and the UK Government's recent endorsement of a European military capability independent of NATO, increases the prospects of corporate action at some stage.

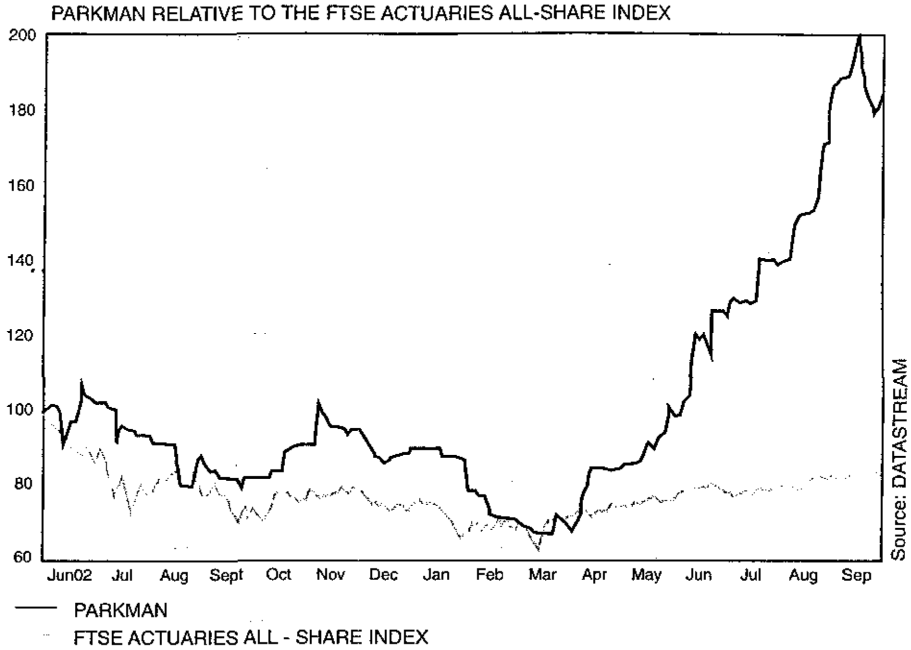
PZ CUSSONS, the international soap products group with the Imperial Leather and the Original Source brand names, continues to make excellent progress with a further 10% growth in profits and dividends during the year ended 31st May 2003. The company's principal trading areas are the UK, Europe, Africa, Indonesia and Asia, with developing businesses in Greece, Poland and China. Net cash balances and current asset investments represent 16% of the current market capitalisation, and earnings per share are enhanced by the continuing share buy back programme. The shares have performed well during the financial year under review, showing an appreciation of 30% and currently represent our largest investment.



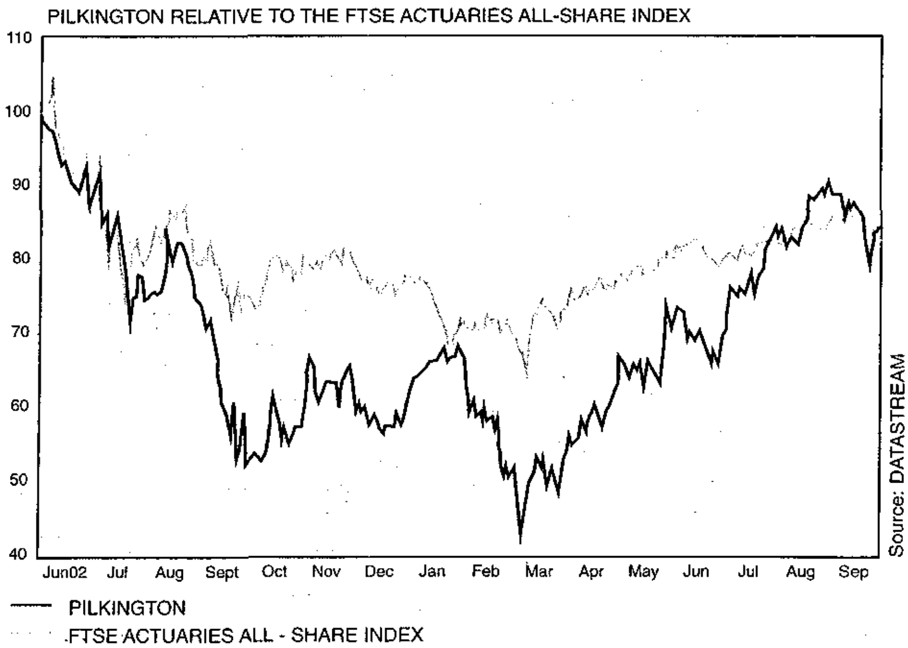
TDG has now completed its reorganisation programme implemented by David Garman when he became chief executive in April 1999, but whether this will herald a more rapid growth in profits remains to be seen. During this period the investment has produced a satisfactory yield of over 6% and the current value of our investment is close to cost. Nevertheless, so far it has not produced the growth in value which was anticipated, and the current year should indicate whether the company can grow its turnover by increasing its sales at the expense of competitors. If the dollar weakens (as anticipated) the Euro is likely to strengthen which will not be helpful. In the meantime, the loss making French subsidiary has been closed which will increase growth, profitability and liquidity, but at the expense of the Pan-European concept.



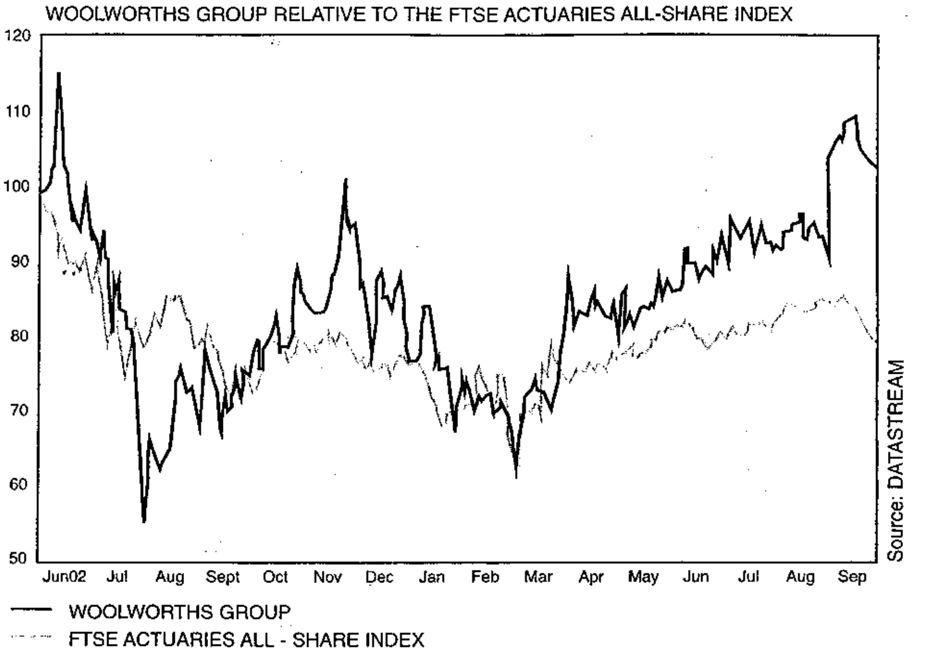
PARKMAN is a services business specialising in a number of markets, in particular, highways, rail, property and housing, environment, water and defence. The company works extensively with national, regional and local government, privatised utilities, rail infrastructure operations, and education authorities, providing a wide range of technical and managerial expertise. The bulk of our holding was purchased in July 2001 when the company obtained a listing, since when we have sold one third of our shares. Parkman has recently merged with Mouchel, a company operating in similar fields, thereby strengthening its outsourcing presence.



Our investment in **PILKINGTON** was made on the grounds that the attractive yield, coupled with recovery prospects based on an active policy of cost cutting, would produce some capital growth as interest rates continued to fall. So far this policy has not been successful, but the recent trading statement was encouraging, particularly with regard to an increasingly positive cash flow, the lack of which has been a source of worry during the last few years. The company is one of the most innovative manufacturers and, providing the cost cutting programme continues, the shares could achieve a gradual re-rating.



WOOLWORTHS GROUP was hived off from Kingfisher in August 2001 in surprisingly poor shape considering the rating accorded to its then parent company. Despite the dull record of poor stock control, lack of investment in the stores and a higher than average shrinkage rate for a retail company, new management promised a brighter future. This has taken some time to start showing through but the recent interim statement contained positive signs. With annual turnover in excess of £2.5bn from over 820 stores, we believe that the shares could achieve a gradual re-rating. Providing the management can excel itself during the all important Christmas trade, we are optimistic that the shares have further potential.



Outlook

It is always dangerous to argue with the market and, whilst we remain nervous, we are inclined to the view that there is unlikely to be a major setback in share prices in the near future, and have accordingly reduced our liquidity to approximately 21% of net assets and are actively seeking to reduce this further during the next few months as and when suitable opportunities occur.

Investment Record of the Last Nine Years

	Total Return	Return per ordinary share		Dividend per ordinary share	Total Assets less liabilities	Net Asset value per 25p share	
		Basic	Fully diluted			Basic	Fully diluted
	£'000	p	p	p	£'000	p	p
Year ended 31st July 1995*	4,189	49.16	35.18	1.27	13,005	173.40	124.12
Year ended 31st July 1996*	7,595	102.11	73.09	1.33	20,488	273.17	195.54
Period from 1st August 1996 to 8th December 1997*	13,981	187.54	134.36	1.33	34,454	449.46	328.83
Period from 9th December 1997 to 31st July 1998*	4,133	48.66	35.19	1.50	37,992	496.64	362.60
Year ended 31st July 1999*	(9,686)	(129.90)	(92.44)	1.50	28,136	365.23	268.53
Year ended 31st July 2000	(10)	(0.89)	(0.09)	2.00	27,919	362.33	266.46
Year ended 31st July 2001	(3,563)	(48.27)	(34.00)	2.50	24,112	311.57	230.13
Year ended 31st July 2002	(238)	(3.93)	(2.27)	8.50	23,179	299.13	221.22
Year ended 31st July 2003	**2,441**	**31.79**	**23.30**	**9.50**	**24,850**	**321.41**	**237.17**

* As restated.

The figures previously published for the period December 1981 to July 1994 were prepared in a format which substantially differs from the Statement of Recommended Practice "Financial Statements of Investment Trust Companies". In that period total assets less liabilities increased from £241,000 to £9,019,000. Net assets per 50p share increased from 24.1p to 900.3p. It is not practical to restate the figures for that period.

Report of the Directors

The Directors present their report and financial statements for the year ended 31st July 2003.

Principal Activities and Business Review

A review of the business is included in the Chairman's Statement on page 6 and the Investment Manager's Review on pages 8 to 12.

Status

The Company carries on business as an investment trust. The last accounting period for which the Company was treated as approved by the Inland Revenue as an investment trust was for the year ended 31st July 2002.

In the opinion of the Directors the Company has conducted its affairs so as to enable it to qualify under Section 842 of the Income and Corporation Taxes Act 1988 in respect of the year ended 31st July 2003. Approval of investment trust status is granted retrospectively for each accounting period. Formal confirmation of approval by the Inland Revenue will shortly be sought for the year ended 31st July 2003.

The Company is an investment company as defined by Section 266 of the Companies Act 1985.

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

Individual Savings Accounts

The Company's ordinary shares meet the requirements for inclusion as an investment within an Individual Savings Account (ISA).

Revenue and Dividends	**£'000**
Net revenue for the year after taxation	862
Dividends:	
Preference	(57)
Ordinary - Interim dividend paid of 2.5p per share	(188)
Ordinary - Proposed dividend of 7.0p per share	(525)
Transfer to reserves	92

Subject to approval at the Annual General Meeting the proposed final dividend of 7.0p per ordinary share will be payable on 4th February 2004 to shareholders registered on 17th October 2003.

Share Valuations

On 31st July 2003, the middle market quotation and the net asset value per 25p ordinary share were respectively 212.5p and 321.4p basic (237.2p diluted).

Substantial holdings in the Company

At 1st October 2003, the Company had been notified of the following holdings of 3 per cent and over of the Company's capital carrying unrestricted voting rights.

	Ordinary shares	
	Number	**%**
Manchester & Metropolitan Investment Limited	4,656,260	62.08
B L Davis	370,000	4.93

Manchester & Metropolitan Investment Limited is controlled by Mr B S Sheppard and his family.

Report of the Directors *(continued)*

Directors

The present members of the Board are listed on page 5 and they all served throughout the financial year under review.

Mr J R L Lee retires by rotation in accordance with the Articles of Association and, being eligible, offers himself for re-election.

Mr Lee has a service contract with the Company requiring six months notice of termination.

Directors' Interests

The interests of the Directors in the ordinary shares of the Company are:

	31st July 2003 Ordinary shares of 25p	31st July 2002 Ordinary shares of 25p
Beneficial Interests		
P H A Stanley FCA	6,250	6,250
B S Sheppard	-	-
M J Wilbraham	10,500	10,500
J R L Lee DL FCA	1,000	1,000
Non-beneficial Interests		
B S Sheppard	4,430	4,430

No changes in the above interests occurred between 31st July 2003 and 1st October 2003.

Disclosable Interests

Details of contracts of significance during the year in which Mr B S Sheppard had a material interest are disclosed in Notes 3, 21 and 22 to the financial statements.

All of the preference shares in issue are held by Manchester & Metropolitan Investment Limited.

Management

Details of the Company's management agreement with Midas Investment Management Limited ("the Investment Manager") are contained in note 22 to the financial statements.

Creditor Payment Policy

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

The Company had no trade creditors at the year end. Creditors in respect of investment purchases are settled in accordance with Stock Exchange regulations.

Management of financial risk

The major financial risks faced by the Group are market price risk and interest rate risk.

The management of these risks by the Board is explained in note 20 to the financial statements.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution is to be proposed at the Annual General Meeting for the re-appointment of CLB as independent auditors of the Company and to authorise the Directors to determine their remuneration.

By Order of the Board

G E Allman

Secretary

1st October 2003

Corporate Governance

The Board has put in place a framework for corporate governance which it believes is appropriate for an investment trust and which enables it to comply with the Principles of Good Governance and the Code of Best Practice ("the Combined Code") prepared by the Committee on Corporate Governance, published in June 1998.

The Board considers that the Company has complied with the provisions set out in Section 1 of the Combined Code throughout the year to 31st July 2003 except as referred to below. The following statement describes how the Company has applied the relevant principles of Corporate Governance.

The Board and Committees

The Board regularly reviews the independence of its members and currently comprises four non-executive directors, half of whom are independent of the Company's investment manager.

Mr J R L Lee is the senior independent Director of the Company. There is no Chief Executive position within the Company. The Board believes that, as all the Directors are non-executive and half their number are independent of the manager, such an appointment is unnecessary. All of the Directors of the Company are resident in the UK and their biographical details on page 5 of this report demonstrate the wide range of skills and experience that they bring to the Board. Non-executive Directors are not appointed for a specific term, as the Board believes that long service does not detract from their independence and that a detailed knowledge of the business has a beneficial impact on the running of the Company. All Directors are subject to re-election by rotation, one-third of their number each year, and their re-election is subject to shareholders' approval. All Non-executive Directors stand for election at the Annual General Meeting following their appointment. No Director has been in office for more than than three years without having offered himself for re-election.

Due to the small size of the Board there is no Nominations Committee. Any new appointees to the Board are given a preliminary briefing on the workings of the Company by the Chairman, and other appropriate persons.

As all the Directors are non-executive, the Company is not required to comply with principles B.1 to B.3 of the Combined Code relating to directors' remuneration. The Directors' Remuneration Report is set out on page 18.

It is the responsibility of the full Board to ensure that there is effective stewardship of the Company's affairs. Strategic issues and all operational matters of a material nature are determined by the Board and in order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. The Board meets regularly and at each meeting reviews investment performance and financial results and monitors compliance with the Company's objectives. The Board also maintains regular contact with the Investment Manager. The Board has established a procedure whereby Directors, in the furtherance of their duties, may take independent professional advice at the expense of the Company. The Directors also have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that established Board procedures and applicable rules and regulations are complied with.

The Audit Committee has specific terms of reference, its primary role is to review the accounting policies and the contents of the annual report, the adequacy and scope of the external audit and compliance with regulatory and financial reporting requirements. Details of the membership are set out on page 5. The Committee has direct access to the external auditors, CLB, and fully considers reports received from them.

Accountability and Audit

The Directors' Statement of Responsibilities in respect of the accounts and a Statement of Going Concern are on page 17. The Independent Auditors' Report is on page 19.

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

Internal Financial Control

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process is subject to regular review by the Board and accords with the Internal Control guidance for Directors in the Combined Code published in September 1999 ("the Turnbull guidance"). The process was fully in place throughout the year and up to the date of approval of the financial statements.

Corporate Governance *(continued)*

Internal Financial Control *(continued)*

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

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

The Board has contractually delegated responsibility for management of the investment portfolio and the provision of accounting services to external agencies. This is after full and proper consideration by the Board of the quality and cost of services offered including the financial control systems in operation insofar as they relate to the affairs of the Company. As such the Board believes that there is no necessity for an internal audit function. This matter is subject to regular review.

Exercise of Voting Powers

The Company has approved a Corporate Governance voting policy which, in summary, is based on the governance recommendations of the Combined Code with the intention of voting in accordance with best practice whilst maintaining a primary focus on financial returns.

Going Concern

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

Investor Relations

Communications with shareholders are given a high priority, with information provided regularly in interim and annual accounts, and any issues of concern can be addressed to the Board by any shareholder. All shareholders are encouraged to attend the Annual General Meeting, where they are given an opportunity to question the Chairman and the Board.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year and of the revenue and cash flows of the Group for the year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985, which applies for the first time this financial year. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

Company law requires the Company's auditors to audit certain information set out in this report. Where information has been audited it is indicated as such. The auditors' opinion is included in their report on page 19.

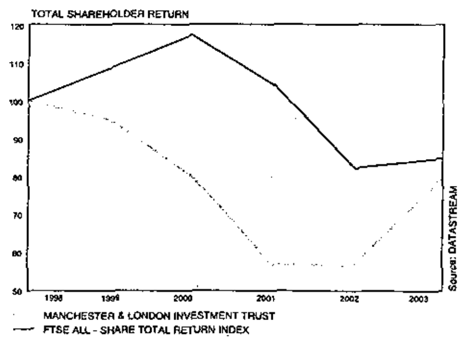
Remuneration Committee
The Board consists of four Directors all of whom are non-executive. There is no separate remuneration committee and the Board as a whole determines the levels of Directors' fees.

Policy on Directors' fees
The Company's Articles of Association limit the aggregate fees payable to the Directors to a total of £200,000 per annum. Subject to this overall limit it is the Board's policy that the remuneration of Directors should be set at a level that is commensurate with the duties and responsibilities of the role. The Board also takes into account remuneration levels elsewhere in the investment trust industry and all other relevant information when considering Directors' fees and as a matter of good practice Directors' fees are reviewed annually. It is intended that this policy will continue for the foreseeable future.

Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors' Service Contracts
All Directors hold service contracts with the Company requiring six months notice of termination.

Company Performance
The graph (right) compares the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total return on the FTSE All-Share Index. This index was chosen for comparison purposes as it is the benchmark used to measure the Company's investment performance.



Directors' Emoluments for the year (audited)
The Directors who served during the year received the following emoluments in the form of fees:

	Fees 2003 £	Fees 2002 £
P H A Stanley (Chairman)	12,000	12,000
B S Sheppard	10,000	10,000
M J Wilbraham	10,000	10,000
J R L Lee	10,000	10,000
	42,000	42,000

Approval
The Directors' Remuneration Report on page 18 was approved by the Board of Directors on 1st October 2003 and signed on its behalf by

P H A Stanley F C A
Chairman

Independent Auditors' Report

To the Members of Manchester & London Investment Trust plc

We have audited the financial statements which comprise the statement of total return, the balance sheets, the cash flow statement and the related notes 1 to 23. These financial statements have been prepared on the basis of the accounting policies set out on pages 24 and 25. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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
The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and 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, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority. 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 Report of the Directors 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 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, 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 Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

The other information comprises only the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement and the Investment Manager's Review.

Basis of audit opinion
We conducted our audit in accordance with 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 irregulatory 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 affairs of the Company and the Group at 31st July 2003 and of the net revenue 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.

CLB CLB

Chartered Accountants and Registered Auditors
Manchester
1st October 2003

Consolidated Statement of Total Return (incorporating the revenue account)

For the year ended 31st July 2003

	Note	2003 Revenue £'000	2003 Capital £'000	2003 Total £'000	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000
Gains (losses) on investments	9	-	1,651	1,651	-	(1,295)	(1,295)
Income	2	1,125	-	1,125	1,018	370	1,388
Investment management fee	3	(55)	(102)	(157)	(55)	(102)	(157)
Other expenses	4	(178)	-	(178)	(174)	-	(174)
Return on ordinary activities before taxation		892	1,549	2,441	789	(1,027)	(238)
Taxation on ordinary activities	6	(30)	30	-	(11)	11	-
Return on ordinary activities after taxation		862	1,579	2,441	778	(1,016)	(238)
Dividends in respect of non-equity shares	7	(57)	-	(57)	(57)	-	(57)
Return attributable to equity shareholders		805	1,579	2,384	721	(1,016)	(295)
Dividends in respect of equity shares	7	(713)	-	(713)	(638)	-	(638)
Transfer to (from) reserves		**92**	**1,579**	**1,671**	83	(1,016)	(933)
Return per ordinary share (pence)							
Basic	8	**10.73**	**21.06**	**31.79**	9.61	(13.54)	(3.93)
Fully diluted	8	**8.23**	**15.07**	**23.30**	7.43	(9.70)	(2.27)

The revenue column of this statement is the consolidated profit and loss account of the Group.

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

The notes on pages 24 to 35 form part of these financial statements.

Consolidated Balance Sheet

At 31st July 2003

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Fixed Assets					
Investments	9		20,093		28,378
Current Assets					
Debtors	11	170		714	
Cash and short term deposits		10,701		408	
		10,871		1,122	
Creditors					
Amounts falling due within one year	12	(6,114)		(908)	
Net Current Assets			4,757		214
Total assets less current liabilities			24,850		28,592
Creditors					
Amounts falling due after more than one year	12		-		(5,413)
Net Assets			**24,850**		**23,179**
Capital and Reserves					
Called-up Share Capital	13		2,619		2,619
Other reserves					
Capital reserve - realised	14		19,115		16,570
Capital reserve - unrealised	14		589		1,555
Goodwill reserve	14		(79)		(79)
Revenue reserve	15		2,606		2,514
Total shareholders' funds	16		**24,850**		**23,179**
Equity interests - Ordinary shares			24,106		22,435
Non-equity interests - Preference shares			744		744
			24,850		**23,179**
Net Asset Value per share					
Ordinary shares - basic	17		**321.4p**		**299.1p**
Ordinary shares - fully diluted	17		**237.2p**		**221.2p**

The financial statements on pages 20 to 35 were approved by the Board of Directors on 1st October 2003 and are signed on their behalf by:

P H A Stanley
B S Sheppard
Directors

The notes on pages 24 to 35 form part of these financial statements.

Company Balance Sheet

At 31st July 2003

		2003		2002	
	Note	**£'000**	**£'000**	**£'000**	**£'000**
Fixed Assets					
Investments	9		20,093		28,378
Subsidiary undertakings	10		17		17
			20,110		28,395
Current Assets					
Debtors	11	170		714	
Cash and short term deposits		10,701		408	
		10,871		1,122	
Creditors					
Amounts falling due within one year	12	(6,131)		(925)	
Net Current Assets			4,740		197
Total assets less current liabilities			24,850		28,592
Creditors					
Amounts falling due after more than one year	12		-		(5,413)
Net Assets			**24,850**		**23,179**
Capital and Reserves					
Called-up Share Capital	13		2,619		2,619
Other reserves					
Capital reserve - realised	14		(4,550)		(4,685)
Capital reserve - unrealised	14		589		(855)
Goodwill reserve	14		(79)		(79)
Revenue reserve	15		26,271		26,179
Total shareholders' funds			**24,850**		**23,179**
Equity interests – Ordinary shares			24,106		22,435
Non-equity interests – Preference shares			744		744
			24,850		**23,179**

The financial statements on pages 20 to 35 were approved by the Board of Directors on 1st October 2003 and are signed on their behalf by:

P H A Stanley
B S Sheppard
Directors

The notes on pages 24 to 35 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31st July 2003

	Note	2003		2002	
		£'000	£'000	£'000	£'000
Operating activities					
Net dividends and interest received from investments		1,288		641	
Other income		274		282	
Investment management fees paid		(150)		(152)	
Other cash payments		(175)		(190)	
Net cash inflow from operating activities	18		1,237		581
Servicing of finance					
Preference dividend paid		(57)		(57)	
Net cash outflow from servicing of finance			(57)		(57)
Financial investment					
Purchase of investments		(16,263)		(15,937)	
Sale of investments		26,014		6,220	
Net cash inflow (outflow) from financial investment			9,751		(9,717)
Equity dividends paid			(638)		(330)
Increase (decrease) in cash			**10,293**		**(9,523)**
Reconciliation of net cash flow to movement in net funds					
Increase (decrease) in cash in year			10,293		(9,523)
Net funds at beginning of year			408		9,931
Net funds at end of year	19		**10,701**		**408**

Notes Forming Part of the Financial Statements

For the year ended 31st July 2003

1 Accounting Policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below:

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments. The financial statements have been prepared in accordance with applicable Accounting Standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies."

b) Basis of consolidation

The consolidated statement of total return and balance sheet include the financial statements of the Company and its subsidiary undertakings made up for the year ended 31st July 2003.

A separate revenue account for the Parent Company is not presented as provided by Section 230 of the Companies Act 1985.

c) Intangible assets - goodwill

Goodwill including negative goodwill arising on the acquisition of subsidiary undertakings, representing any excess or discount of the fair value of the consideration given over the fair value of the verifiable assets and liabilities acquired, is capitalised and amortised on a straight line basis over its useful economic life, which is taken to be a maximum of five years. Provision is made for any impairment.

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

d) Valuation of investments

Listed investments are valued at middle market prices. Where trading in the securities of a company is suspended, the investment is valued at the market price when suspended where this accords with the Directors' estimate of fair value.

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

Realised gains or losses on the disposal of investments and permanent impairments in the value of investments are taken to capital reserve-realised, and unrealised gains or losses on the revaluation of investments are taken to capital reserve-unrealised.

e) Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Group's right to receive payment is established. Special dividends representing a return of capital are credited to capital reserves.

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

Where the Group has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend is recognised as income, any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.

In accordance with FRS 16 dividend income is accounted for net of any related tax credit.

Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2003

1 Accounting policies (continued)

f) 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.
- expenses are charged to capital reserve-realised where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the investment management fees have been allocated 65% to capital reserve-realised and 35% to revenue account, in line with the Directors' expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Group.

g) Finance costs

Finance costs, including dividends and other finance costs of non-equity shares, are accounted for on an accruals basis. Finance costs of debt, insofar as they relate to the financing of the Group's investments or to financing activities aimed at maintaining or enhancing the value of the Group's investments, are allocated in line with the Directors' expected long-term split of returns, in the form of capital gains and income, attributable to the Group's investment portfolio as follows:

	Capital reserve-realised	Revenue
Equity portfolio	65%	35%
Fixed interest portfolio	20%	80%

h) Taxation

The tax effect of different items of income and expenditure is allocated between capital and revenue on the same basis as the particular items to which it relates.

Deferred tax is provided in accordance with FRS 19 on all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are only recognised to the extent that they are considered to be recoverable.

i) Capital Reserve

Capital reserve - realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments.
- expenses and finance costs, together with the related taxation effect, are charged to this reserve in accordance with the above policies.

Capital reserve - unrealised

The following are accounted for in this reserve:

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

Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2003

	2003 £'000	2002 £'000
2 Income		
Income from investments		
UK dividends	750	693
Government securities	83	64
	833	757
Other income		
Deposit interest	292	261
Total income	1,125	1,018
Total income comprises		
Dividends	750	693
Interest	375	325
	1,125	1,018
Income from investments		
Listed UK	833	757
Unlisted	-	-
	833	757

In addition, during the year ended 31st July 2002, the company received capital dividends amounting to £370,000.

3 Investment management fee (see notes 21 and 22)

	2003 Revenue £'000	2003 Capital £'000	2003 Total £'000	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000
Investment management fee	47	87	134	51	94	145
Irrecoverable VAT thereon	8	15	23	4	8	12
	55	102	157	55	102	157

Midas Investment Management Limited provides investment services to the company for a quarterly fee of 0.105% on the total portfolio value including cash and short term deposits.

Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2003

	2003 £'000	2002 £'000
4 Other expenses		
Directors' fees	42	42
Staff costs (Note 5)	25	28
Auditors' remuneration for		
- audit	21	22
- other services for the group	5	4
Registrar fees	10	6
Other expenses	75	72
	178	174

	2003 £'000	2002 £'000
5 Staff costs		
Wages and salaries	20	25
Social security costs	5	3
	25	28

The Directors and Company Secretary were the only employees of the Company.

Included in Directors' fees above are the emoluments paid to the Chairman as follows:

	£	£
P H A Stanley	12,000	12,000

Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2003

6 Taxation on ordinary activities

Reconciliation of current charge

	2003			2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return on ordinary activities before taxation	**892**	**1,549**	**2,441**	789	(1,027)	(238)
Tax on return on ordinary activities at 30% (2002 30%)	**267**	**465**	**732**	237	(308)	(71)
Reconciling factors:						
Non taxable income	**(225)**	**-**	**(225)**	(208)	-	(208)
Non taxable capital dividends	**-**	**-**	**-**	-	111	111
Non taxable capital gains	**-**	**(495)**	**(495)**	-	155	155
Disallowable expenses	**-**	**-**	**-**	1	-	1
Prior year losses	**(12)**	**-**	**(12)**	(63)	-	(63)
Excess of allowable expenses over taxable income	**-**	**-**	**-**	44	31	75
Current year tax charge	**30**	**(30)**	**-**	11	(11)	-

The Company's taxable income is exceeded by its management expenses, which include the capital and revenue elements of the management fee. The Company has surplus management expenses carried forward of £1,388,000 (2002 £1,427,000).

As at 31st July 2003 there is an unrecognised deferred tax asset, measured at the standard rate of 30%, of £416,000 (2002 £428,000). This deferred tax asset relates to prior year unutilised expenses. It is considered uncertain that there will be sufficient taxable profits in the future against which the deferred tax asset can be offset and thus the asset has not been recognised.

Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2003

	2003 £'000	2002 £'000
7 Dividends and other appropriations		
Dividends on non-equity shares:		
7.6% cumulative preference shares	57	57
Dividends on equity shares:		
Ordinary interim paid	188	188
Ordinary final proposed	525	450
	713	638
The dividends per share are:		
Interim dividend per ordinary share paid	2.5p	2.5p
Final dividend per ordinary share proposed	7.0p	6.0p

8 Return per ordinary share

Basic revenue return

Revenue return per ordinary share is based on the consolidated revenue return attributable to equity shareholders of £805,000 (2002 £721,000).

Basic capital return

Capital return per ordinary share is based on the consolidated capital return attributable to equity shareholders of £1,579,000 (2002 (£1,016,000)).

The revenue and capital return are both based on 7,500,000 ordinary shares, being the number of shares of the company in issue at the 31st July 2003.

Fully diluted return

The fully diluted returns per ordinary share have been calculated on the assumption that the 744,420 preference shares in issue on 31st July 2003 are converted into four ordinary shares in respect of each preference share creating a further 2,977,680 ordinary shares.

Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2003

9 Fixed Asset Investments

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Investments as below	20,093	28,378	20,093	28,378
Subsidiary undertakings (Note 10)	-	-	17	17
	20,093	28,378	20,110	28,395

	Group UK Listed £'000	Group Unlisted £'000	Group Total £'000	Company UK Listed £'000	Company Unlisted £'000	Company Total £'000
At 31st July 2002						
Opening book cost	26,757	66	26,823	29,168	82	29,250
Opening unrealised appreciation (depreciation)	1,542	13	1,555	(869)	14	(855)
Opening valuation	28,299	79	28,378	28,299	96	28,395
Movements in the year:						
Purchases at cost	15,726	510	16,236	15,726	510	16,236
Transfer	-	-	-	(1)	1	-
Sales - proceeds	(26,172)	-	(26,172)	(26,172)	-	(26,172)
- realised gains on sales	2,617	-	2,617	207	-	207
(Decrease) increase in unrealised appreciation	(754)	(212)	(966)	1,657	(213)	1,444
Closing valuation	19,716	377	20,093	19,716	394	20,110
Closing book cost	18,928	576	19,504	18,928	593	19,521
Closing unrealised appreciation (depreciation)	788	(199)	589	788	(199)	589
At 31st July 2003	19,716	377	20,093	19,716	394	20,110

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Realised gains (losses) on disposals	2,617	(22)	207	78
(Decrease) increase in unrealised appreciation	(966)	(1,273)	1,444	(1,373)
Gains (losses) on investments	1,651	(1,295)	1,651	(1,295)

Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2003

10 Subsidiary undertakings

	Company 2003 £'000	Company 2002 £'000
Shares at cost	17	17

The Company has investments in the following subsidiary undertakings:

Name of undertaking	Principal Activity	Country of incorporation and operation	% of shares held ordinary shares	% of shares held preference shares
Beacontree Plaza Limited	Investment holding company	England	100	100
Saintclose Limited	Dormant	England	100	-
Beaconbranch Limited	Dormant	England	100	-
Darethrift Limited	Dormant	England	100	-
Fileglow Limited	Dormant	England	100	-
Zealgate Limited	Dormant	England	100	-
Manchester & London Securities Limited	Dormant	England	100	-

All of these subsidiary undertakings are included in the consolidation.

11 Debtors

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Investment debtor	53	41	53	41
Other debtors	90	481	90	481
Prepayments and accrued income	27	192	27	192
	170	714	170	714

Included within investment debtors is an amount of £41,000 (2002 £nil) which is due in more than one year.

Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2003

12 Creditors - Amounts falling due within one year

	Group		Company	
	2003	**2002**	**2003**	**2002**
	£'000	**£'000**	**£'000**	**£'000**
Unsecured Interest Free Loan Note in favour of holding company	5,413	-	5,413	-
Amount due to subsidiary undertakings	-	-	17	17
Proposed dividend	525	450	525	450
Investment creditor	-	82	-	82
Other creditors and accruals	176	376	176	376
	6,114	908	6,131	925

Creditors - Amounts falling due after more than one year

Unsecured Interest Free Loan Note in favour of holding company	-	5,413	-	5,413

The loan from the holding company, Manchester & Metropolitan Investment Limited, is due for repayment on 1st August 2003.

13 Share Capital

	2003	**2002**
Authorised:	**£'000**	**£'000**
16,000,000 Ordinary shares of 25p each	4,000	4,000
1,000,000 Preference shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
7,500,000 Ordinary shares of 25p each	1,875	1,875
744,420 Preference shares of £1 each	744	744
	2,619	2,619

The preference shares carry the right to a fixed cumulative preferential dividend at the rate of 7.6% p.a. payable half-yearly in arrears, on 15th January and 15th July. The dividend rights are cumulative.

The preference shares rank ahead of the ordinary shares on a winding-up in respect of both repayment of capital and arrears of dividend but do not carry any further rights to participate in profits or assets.

Holders of preference shares do not have the right to attend and vote at any general meeting unless the dividend is more than six months in arrears, or the business of the meeting includes a resolution for the winding-up of the Company, in which event each holder will be entitled to one vote on a show of hands or four votes per share on a poll.

The preference shares are converted automatically into ordinary shares on the basis of four ordinary shares for each preference share on 19th September 2007 or earlier on the occurrence of certain events as provided for in the Company's Articles of Association.

In the event that the Company makes any adjustment to the ordinary share capital, the ordinary shares arising on conversion will represent the same percentage of the enlarged issued share capital as would have been the case prior to the adjustment.

Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2003

14 Other Reserves

	Group £'000	Company £'000
At 31st July 2002	18,046	(5,619)
Gains on realisation of investments	2,617	207
(Decrease) increase in net unrealised appreciation of investments	(966)	1,444
Costs charged to capital	(102)	(102)
Attributable taxation in respect of management fee	30	30
At 31st July 2003	19,625	(4,040)
Represented by:		
Capital reserve – realised	19,115	(4,550)
Capital reserve – unrealised	589	589
Goodwill reserve	(79)	(79)
At 31st July 2003	19,625	(4,040)

15 Revenue Reserve

At 31st July 2002	2,514	26,179
Retained net revenue	92	92
At 31st July 2003	2,606	26,271

16 Reconciliation of movements in shareholders' funds

	Group	
	2003 £'000	2002 £'000
Opening shareholders' funds	23,179	24,112
Movements during the year:		
Total recognised gains and (losses)	2,441	(238)
Dividends appropriated	(770)	(695)
Closing shareholders' funds	24,850	23,179

17 Net asset value per share

Basic net asset value per share is based on equity shareholders' funds of £24,106,000 (2002 £22,435,000) and on 7,500,000 ordinary shares, being the number of shares in issue on 31st July 2003.

Fully diluted net asset value per share is based on equity shareholders' funds of £24,850,000 (2002 £23,179,000) and on 10,477,680 ordinary shares, assuming that the 744,420 preference shares in issue on 31st July 2003 are converted into four ordinary shares in respect of each preference share creating a further 2,977,680 ordinary shares.

Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2003

18 Reconciliation of net revenue before finance costs to net cash inflow from operating activities

	2003 £'000	2002 £'000
Net revenue return before taxation	892	789
Investment management fee charged to capital	(102)	(102)
Capital dividends	-	370
Decrease (increase) in other debtors and prepayments	437	(462)
Increase (decrease) in accruals	10	(14)
Net cash inflow from operating activities	1,237	581

19 Analysis of changes in net funds

	31st July 2002 £'000	Cash flows £'000	31st July 2003 £'000
Cash at bank	408	10,293	10,701

20 Financial Instruments

In order to manage its portfolio efficiently and to enable the investment manager to pursue the investment objectives as set out on page 8 the company holds financial instruments. All financial instruments are included in the balance sheet at fair value and comprise securities, cash and loan balances, debtors and creditors arising directly from financial operations. The Group also has the ability to enter into derivative transactions. No such transactions were entered into during the year.

The main risk arising from the Group's financial instuments is market price risk. There is also exposure to interest rate risk. The Board regularly reviews and agrees policies for managing these risks as summarised below:

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Group might suffer through holding market postions in the face of price movements. The investment manager actively monitors market prices throughout the year and reports to the Board which meets regularly to review investment strategy.

Details of the investments held at 31st July 2003 are shown in the 'Portfolio Investments' table on page 7.

Interest rate risk

The Group has financial assets comprising cash and short term deposits which are subject to the prevailing floating market interest rates.

There are no fixed rate borrowings at 31st July 2003.

As all of the Group's financial instruments are denominated in sterling, there is no currency risk.

At 31st July 2003 the Group had an undrawn committed bank borrowing facility amounting to £5,000,000 (2002 £5,000,000) expiring within one year.

The Company has issued 7.6% cumulative prefererence shares, the details of which are shown in note 13. The fair value of these at 31st July 2003 is not materially different to their book value.

Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2003

21 Related Party Transactions

i) The investment manager of the Company is Midas Investment Management Limited, a company controlled by Mr B S Sheppard. Midas Investment Management Limited receives a quarterly investment management fee for these services which in the year under review amounted to a total of £121,485 (2002 £74,107) excluding VAT, together with a corporate fee for brokerage services amounting to £4,460 (2002 £nil) excluding VAT. The balance owing at 31st July 2003 was £38,325 (2002 £30,527).

ii) On 1st August 2002, the Company acquired 10,000,000 ordinary shares of 5p each in Cedar Limited from Manchester & Metropolitan Investment Limited, a company controlled by Mr B S Sheppard and his family. The consideration amounted to £507,500 and this acquisition represented 1.09% of the Cedar issued ordinary share capital. There were no balances owing in respect of this transaction at 31st July 2003.

22 Material contracts

The Company has a management agreement with Midas Investment Management Limited (the Investment Manager) under which the Investment Manager will manage the Company's portfolio in accordance with the investment policy determined by the Board. This agreement has a termination period of three months. Fees are paid quarterly in arrears based upon a formula relating to the portfolio valuation at each quarter date.

23 Ultimate Control

The holding company throughout the year and the previous year was Manchester & Metropolitan Investment Limited, a company incorporated in England. This company was controlled throughout the year and the previous year by Mr B S Sheppard and his family.

Notice of Meeting

Notice is hereby given that the Thirty-first Annual General Meeting of Manchester & London Investment Trust plc will be held at 45 Spring Gardens, Manchester M2 2BG, on Thursday 20th November 2003, at 12.45pm for the following purposes:

1. To adopt the Directors' Report and Statement of Accounts for the year ended 31st July 2003.
2. To approve the Directors' Remuneration Report.
3. To declare a Dividend.
4. To re-elect Mr J R L Lee as a Director of the Company.
5. To consider the following resolution, special notice having been received of the intention to propose the resolution as an ordinary resolution:
   "To re-elect Mr P H A Stanley, who has attained the age of 70, as a Director of the Company".
6. To re-appoint CLB as Auditors and to authorise the Directors to determine their remuneration.
7. To transact any other business.

1st October 2003

Registered Office

2nd Floor
Arthur House
Chorlton Street
Manchester M1 3FH

By Order of the Board

G E Allman
Secretary

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member.
2. The Register of Directors' interests kept by the Company in accordance with Section 325 of the Companies Act 1985 will be available for inspection at the Annual General Meeting.
3. Copies of Directors' Service Contracts will be available for inspection at the Registered Office of the Company during normal business hours until Wednesday 19th November 2003 and at 45 Spring Gardens, Manchester M2 2BG, from 12.30pm on Thursday 20th November 2003 until the conclusion of the meeting.

Form of Proxy

(BLOCK LETTERS PLEASE)

I/We

of

being (a) member(s) of the above named Company, hereby appoint the Chairman of the Meeting*.

as my/our proxy to attend and vote for me / us on my / our behalf at the Annual General Meeting of the Company to be held at 45 Spring Gardens, Manchester M2 2BG, on the 20th Day of November 2003 at 12.45pm and at any adjournment thereof.

*If you wish to appoint as proxy any person other than the Chairman of the Meeting, delete Chairman of Meeting and insert the name and address of the person you wish to appoint as proxy in the space provided.

I/We direct my/our proxy to vote as follows at the Annual General Meeting.

Resolutions	**For**	**Against**
1. To adopt the Report and Accounts for the year ended 31st July 2003.		
2. To approve the Directors' Remuneration Report.		
3. To declare a Dividend.		
4. To re-elect Mr J R L Lee as a Director of the Company.		
5. To re-elect Mr P H A Stanley, who has attained the age of 70, as a Director of the Company.		
6. To re-appoint CLB as Auditors and to authorise the Directors to determine their remuneration.		
7. To transact any other business.		

Please indicate with an 'X' in the appropriate spaces how you wish your votes to be cast. Unless instructed, the proxy will vote or abstain from voting at his/her discretion.

Dated this day of 2003

Signature

Notes:

(1) This proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the registered office of the company not less than 48 hours before the time for the meeting.

(2) In the case of a corporation, the proxy must be under its common seal if any, or if none, under the hand of an attorney or an officer of the corporation duly authorised in that behalf.

(3) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding.

(4) A proxy need not be a member of the company.

Shareholder Benefits

All shareholders with 2,500 shares (excluding the officers of the Company) are qualified to participate in a draw undertaken by the Directors before the Annual General Meeting in respect of The All England Lawn Tennis Ground Ltd Debentures listed below. The investment policy of the Company may result in some or all of the Debentures being sold in which event the benefits would cease.

The All England Lawn Tennis Ground Ltd.

Centre Court

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

No. 1 Court

The Company owns two Debentures entitling it to two No. 1 Court seats (together with two badges admitting entry to the No. 1 Court Debenture Holders' Lounge) for the ten days play of the Championships. There will be ten draws, each draw entitling the successful shareholder to one pair of adjacent seats for one day's play.

Shareholder Notes