

**Manchester & London
Investment Trust plc**
REPORT AND ACCOUNTS 2010

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31st July 2010



Manchester & London Investment Trust plc
Registered in England No. 01009550



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



Financial Summary

Total Return

	Year to 31st July 2010	Year to 31st July 2009	Percentage increase
Total Return (£'000)	13,151	645	1,938.9
Return per 25p ordinary share – fully diluted	71.8p	4.4p	1,531.8
Total Revenue Return per 25p ordinary share	10.6p	10.5p	1.0
Cash dividend per 25p ordinary share	11.5p	10.5p	9.5

Capital

	At 31st July 2010	At 31st July 2009	Percentage increase
Net assets attributable to Equity Shareholders (£'000)	85,203	57,495	48.2
Net asset value per 25p ordinary share – fully diluted	379.4p	328.4p	15.5
FTSE All-Share Index	2,715.4	2,353.5	15.4
Outperformance versus FTSE All-Share Index			0.1

Total Expense Ratio

	Year to 31st July 2010	Year to 31st July 2009
Total expenses as a percentage of average shareholders' funds	1.23%	1.52%

Total Expense Ratio has excluded significant non-recurring items.

Financial Calendar

Year ended:	31 st July 2010
Results announced:	29 th October 2010
Report and Accounts made available to Shareholders:	3 rd November 2010
Annual General Meeting to be held in Manchester:	25 th November 2010
Expected final dividend payment:	30 th November 2010



Directors

**** P H A Stanley** (77) joined the Board in November 1997 and was appointed Chairman in November 2000. Mr Stanley was Chairman of BWD Securities plc (1995-2000) and has extensive experience in Stock Market related matters.

B S Sheppard (76) is a founder Director of Manchester & London Investment Trust plc and was Chairman until November 2000.

**** D Harris** (60) was appointed to the board on 26th May 2009 following the acquisition of OSP Limited (formerly Osprey Smaller Companies Income Fund Limited). Mr Harris is the Chief Executive of InvaTrust Consultancy and is a previous winner of the award "Best Investment Adviser in the United Kingdom".

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

Advisers & Administration

Registered Office

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Arthur House
Chorlton Street
Manchester M1 3FH
Tel: 0161 228 1709
Fax: 0161 228 2510

Company Broker and Sponsor

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Mayfair
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Country of Incorporation

Registered in England & Wales
Number: 01009550

Registrar

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Bristol BS99 7NH
Tel: 0870 702 0003
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Company website

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Investment Manager

Midas Investment Management Limited
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Bank

National Westminster Bank Plc
11 Spring Gardens
Manchester M60 2DB

Secretary

P Thomas
2nd Floor
Arthur House
Chorlton Street
Manchester M1 3FH

Auditor

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



Chairman's Statement

Results for the year ended 31st July 2010

Since writing to shareholders on 12th March 2010 (covering the period from the 15th October 2009), the FTSE All-Share Index has rallied from the low point of 2,485.7 (30th June 2010) and has now reached a current level of over 2,900 (see chart).

This is a powerful rally, driven by a resumption of growth in the developing economies and a number of the better positioned developed economies. Global growth shares have performed among the best and this has been beneficial for our portfolio.

Since our interim results announcement, the market outlook has changed from believing we were within a fast snap back 'V' shaped recovery to acceptance that we may actually be at the beginning of a period of low growth for the developing economies. The wild volatility of financial markets reflects the other possibilities that the developed economies may be entering the early stages of a double dip recession or even a period of inflation. Basically it is very hard to fathom, although it does appear likely that the overriding direction of future global flows of funds looks ever more likely to be from West to East as the western consumer deleverages. Hence, it does appear that global growth stocks are now being rewarded in excess of any UK centric cyclical stock revaluation and we hope that this will reap further rewards for our portfolio in the future. We would again highlight the geographical spread of the fund shown in the pie chart in our monthly factsheets. We continue to believe that the best position in equities is to be invested in cash generative, liquid and global blue chips. Also, it is still our preference to avoid investing in companies which we believe are over-exposed to the UK economy as in our view the prospects for economic growth in the UK, Europe and the US remain weak.

Other areas which remain of interest to us are possible takeover candidates or special situations, with our investment in SSL International plc being a good example, following its acquisition by Reckitt Benckiser Group plc. Stocks such as PZ Cussons plc, Burberry Group plc, BG Group plc and Xstrata plc are regularly tipped by the financial press as takeover candidates.

We remain positive on equities but continue to remain cautious with regard to the prospects for shorter term market movements.

Our net asset per share increased during the year by 15.5 per cent which is a movement in line with the FTSE All-Share which increased by 15.4 per cent.

The Directors have now declared a Final Dividend of 6.5p making a total of 11.5p per share for the year, an increase of 9.5 per cent for the year. This total payment compares with the Total Revenue Return per Ordinary Share for the year of 10.6p. The company has carried forward distributable reserves of £27m representing over £1 per share which puts us in a strong position to pursue a flexible distribution policy, should the Directors believe this to be in shareholders' best interest.





Chairman's Statement (continued)

Acquisition

Towards the end of the last financial year, following on from our acquisition of Osprey Smaller Companies Income Fund Ltd in 2009, we completed a further acquisition, being the 100 per cent acquisition of Stakeholders' Momentum Investment Trust plc ("SMIT") which has now become an investment subsidiary. This further acquisition has helped to grow our net assets by 48.2 per cent for the year to 31st July 2010 and increase the Company's portfolio spread as we liquidated some SMIT holdings but have retained an interest in several that we feel have good prospects for growth.

The acquisition of SMIT has also seen us move into the FTSE All-Share and FTSE SmallCap indices. We would like to take this opportunity to welcome all shareholders who have joined the share register following the acquisition.

Annual General Meeting

I look forward to welcoming shareholders to our thirty eighth Annual General Meeting to be held in the Lancaster Suite, The Midland Hotel, Peter Street, Manchester M60 2DS, at 12.45pm on Thursday 25th November 2010.

P H A Stanley
Chairman



Portfolio Investments

As at 31st July 2010

Listed investments	Sector	Valuation £'000	% of Portfolio
PZ Cussons plc	Personal Goods	15,559	18.4
SSL International plc*	Household Goods	7,134	8.5
Standard Chartered plc	Banking	6,438	7.6
Rio Tinto plc	Mining	6,172	7.3
Vedanta Resources plc	Mining	4,552	5.4
BG Group plc	Oil & Gas Producers	4,352	5.2
Weir Group plc	Oil Services	3,870	4.6
Diageo plc	Beverages	3,741	4.4
Charter International plc*	Industrial Engineering	3,581	4.2
Syngenta AG	Pharmaceutical and Biotechnical	3,378	4.0
BP plc	Oil & Gas Producers	2,922	3.5
Tesco plc	Food & Drug Retailers	2,834	3.4
Xstrata plc	Mining	2,613	3.1
Unilever plc	Food Producers	2,505	3.0
Burberry Group plc	Personal Goods	2,365	2.8
Aberdeen Asset Management plc	Financial Services	2,347	2.8
Essar Energy plc	Oil & Gas Producers	2,224	2.6
Jardine Matheson Holdings Ltd	General Industrials	2,131	2.5
Britvic plc	Beverages	2,109	2.5
Afren plc	Oil & Gas Producers	1,494	1.8
ElI plc*	General Financial	805	1.0
Rapid Realisations Fund Limited	General Financial	696	0.8
Property Recycling plc	Real Estates Investment & Services	502	0.6
Listed investments		84,324	100.0
Unlisted at Directors' valuation		19	0.0
Total investments		84,343	100.0

*Holding has now been disposed.

All investments listed above are equity shares (unless otherwise stated), denominated in Sterling (save for Syngenta which is denominated in CHF and Jardine Matheson Holdings and ElI in USD), which have been issued by companies registered in England (save for Syngenta, Jardine Matheson Holdings, Charter International and ElI which are registered in Switzerland, Bermuda, Jersey and the Isle of Man respectively).



Portfolio Sector Analysis

As at 31st July 2010

Sector	% of Portfolio
Personal Goods	21.2
Mining	15.8
Oil & Gas Producers	13.1
Household Goods	8.5
Banking	7.6
Beverages	6.9
Oil Services	4.6
Industrial Engineering	4.2
Pharmaceutical & Biotechnical	4.0
Food & Drug Retailers	3.4
Food Producers	3.0
Financial Services	2.8
General Financial	2.5
General Industrial	1.8
Real Estates Investment & Services	0.6
Unlisted Investments	0.0
	<hr/> 100.0 <hr/>



Investment Objective and Policy

Investment objective

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

Investment policy

Asset allocation and risk diversification

The Company's investment objective is sought to be achieved through a policy of actively investing in a diversified portfolio, comprising UK and overseas equities and fixed interest securities. The Company seeks to invest in companies whose shares are admitted to trading on a regulated market. However, it may invest in a small number of equities and fixed interest securities of companies whose capital is not admitted to trading on a regulated market. Investment in overseas equities is utilised by the Company to increase the risk diversification of the Company's portfolio and to reduce dependence on the UK economy in addressing the growth and income elements of the Company's investment objective. There are no maximum exposure limits to any one particular classification of equity or fixed interest security. The Company's investments are not limited to any one industry sector and its current investment portfolio is spread across a range of sectors. The Company has no specific criteria regarding market capitalisation or credit ratings in respect of investee companies.

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

Exposure to investments may also be achieved through the use of specialist collective investment schemes and products, such as other investment trusts or exchange traded funds, where specialised management skills are necessary or where it would be uneconomic for the Company to invest directly. However, the Company will not invest more than 10 per cent, in aggregate, of the value of its gross assets at the time the investment in other listed investment trusts or listed investment companies, provided that this restriction does not apply to investment in investment trusts or investment companies which themselves have stated investment policies to invest no more than 15 per cent of their gross assets in other listed investment trusts or listed investment companies.

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

The Company may invest in derivatives, money market instruments and currency instruments including contracts for differences, futures, forwards and options. These investments may be used for hedging positions against movements in, for example, equity markets, currencies and interest rates. In addition, these instruments will only be used for efficient portfolio management purposes. For the avoidance of doubt, the use of such instruments to engage in trading transactions is strictly against the Company's investment policy. Any trading transactions will be carried out through dealing subsidiaries of the Company. The Company would not maintain derivative positions should the total underlying exposure of these positions exceed one times adjusted total capital and reserves.

Gearing

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



Investment Objective and Policy (continued)

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

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

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

Benchmark Index

Performance is measured against the FTSE All-Share Index. The Company sources index and price data from Proquote International, which is a division of the London Stock Exchange plc.



Investment Manager's Review

We started the accounting year with cash and cash equivalents representing 8.3 per cent of net assets and, having invested the majority, have remained reasonably fully invested throughout the year, with cash and cash equivalents representing 2.4 per cent as at 31st July 2010.

The central banks of the deficit countries are deflating their currencies and encouraging inflation to diminish the scale of the mountainous debt levels that the trade deficit nations have built up and to increase employment through increased exports. In our view, the only way to improve the real competitiveness of the trade deficit countries is painful supply side restructurings but this is way too painful for the politicians to consider and the electorate to bear. This is why the “smart money” is bidding gold higher and higher. We have thought about the positioning of the portfolio in an era of inflation and we believe that the exposure to the food retailing, mining, oil and agrochemical sectors may well benefit from this scenario which represents over 40.9 per cent of the portfolio. We are concerned regarding the effects of inflation upon our consumer goods stocks which represent 21.2 per cent of the portfolio but we feel that potentially inflation may help the demand for PZ Cussons’ African products and Burberry’s international fashion portfolio.

We have often maintained that we use four strategies in the formation of the composition of the portfolio being Growth; Value; Event Driven and Special Situation scenarios. We would say that apart from the investment in BP we consider all our other positions as Growth stocks. We continue to believe that the oil sector is undervalued and more acutely so after the Macondo disaster. The portfolio remains underweight in this sector and this is an area that may well change in the short to medium term. We believe that BP is an interesting risk adjusted Special Situation which is painful to hold due to the uncertainty and volatility but has the prospects of attractive potential capital gains. We believe over fifty per cent of the portfolio has the potential to become an Event Driven Situation over the next five years. In particular, we would highlight PZ Cussons, Burberry, Afren, Standard Chartered, Britvic and BG Group as often mentioned takeover targets. We remain overweight in the consumer goods sector by 19.7 per cent and we are attracted to short working cycle cash based businesses that are understandable. We remain underweight in Banks, Financials and Insurance by 8.5 per cent which we feel are leveraged sectors which, unless the portfolio is receiving the benefits of international growth, are not worth bearing the risk at this point in the economic cycle.

Reckitt Benckiser’s offer for SSL provided attractive returns for the portfolio during the year. However, this is not the only deal within the sector. Unilever has been on the acquisition trail, recently acquiring Alberto-Culver, the maker of VO5 hair products, for \$3.7 billion, a year after its purchase of Sara Lee Corp’s personal care division for \$1.72 billion. In addition, Procter and Gamble’s CEO Robert McDonald recently commented that he would be interested in buying Beiersdorf, the maker of Nivea skin cream. The personal healthcare sector appears to be in consolidation mode as the major companies such as Unilever, Procter and Gamble and Johnson & Johnson strive to obtain emerging market growth to combat the falling sales in the developed economies. In our view (and judging from the movement in its share price over the year, the market’s opinion as well) this very much puts PZ Cussons in the sights of its larger rivals.

Looking forward, we believe that the Asian economies will continue to be the driving force for growth, with the US and Europe remaining relatively stagnant. Our strategy continues to remain focused on global blue chips which are cash generative and liquid and we favour growth stocks with good international exposure over UK/EU centric value stocks.

Energy demand and personal consumption plays a large part in any growing economy. India, a growing BRIC country, is vastly short of reliable power and we have invested in Essar Energy to gain exposure to this growth.

The mining stocks within the portfolio have had a volatile year. Whilst the sector had a strong run towards April 2010, it was hit with a double dose of bad news. The proposed Australian mining tax combined with Chinese policy tightening scared the markets, leading to a sharp correction in the sector, almost halving the value of mining stocks. However, since our year end, the proposed Australian mining tax has been watered down and the Chinese growth story is still well on track, which has seen the commodity indices rise.

Our portfolio should take advantage of the changing consumer profile within developing markets through our investments in Tesco, Diageo and Burberry, targeting not only the basic demand for food but also the desire and attraction of western luxury products.



Investment Manager's Review (continued)

During the period we have taken the opportunity to visit the global operations of some of our holdings including PZ Cussons, Tesco, Burberry and, post year-end, Essar Energy.

In relation to Special Situations, we are always looking for new ideas and themes and the sectors that we believe are the most ripe for consolidation, are personal healthcare, oil services, engineering, luxury goods and certain energy plays. We have positioned the portfolio on these lines and will continue to monitor and look for other suitable opportunities.

Market conditions are highly volatile with unclear direction which means that it is extremely hard to manage any form of trading activity as, contrary to what the press and CFD providers' adverts say, a lack of direction and volatility is difficult to trade.

Investment Manager
Midas Investment Management Ltd



Principal Portfolio Holdings

PZ Cussons plc ("PZ Cussons")

PZ Cussons manufactures and distributes cleansing fluids, soaps, detergents, and health & beauty products through their 30 plus brands which include Imperial Leather, Carex, Cussons Baby and Morning Fresh. The company operates from the UK, Africa, Asia, United Arab Emirates, Central Europe and Australia. Other products marketed include electrical goods via a joint venture with the Chinese group Haier, as well as food and nutrition through Nutricima, a joint venture with Glanbia. PZ Cussons is positioning itself as an attractive distributor of personal goods into specific markets across the developing world.

Year-to-date, the company's main markets in Nigeria and the UK are performing as expected and the brand portfolio has been complemented by the recent acquisition of St Tropez Holdings Ltd. In Nigeria, the upgrade of manufacturing facilities and the supply chain are on track and the new national distribution centre is now open. PZ Cussons has a five year compound earnings per share ("EPS") growth rate of 12.3 per cent.

SSL International plc ("SSL")

An offer was made for SSL by Reckitt Benckiser Group plc in July 2010 and the holding has now been disposed of.

Standard Chartered plc ("Standard Chartered")

Standard Chartered is engaged in consumer and wholesale banking globally and has a strong focus on the Asia-Pacific, Middle East and African regions which provide approximately 90 per cent of the group's profit. The bank has been a consistently excellent performer and since 2002 had delivered seven successive years of record operating income and profits, with a five year compound EPS growth rate of 8.2 per cent. As capital continues to flow from West to East, we would expect Asian financial stocks to benefit.

Rio Tinto plc ("Rio Tinto")

In order for Asia to maintain its GDP growth rate and urbanisation programme, there is a need for the quality iron ore and copper that Rio Tinto produces. Although China can domestically produce iron ore, it is of a lower grade and is difficult to transport around the country.

The company trades on an EV/EBITDA (enterprise value/earnings before interest, tax, depreciation and amortisation) of 5 times in comparison to its historic multiple of nearer 10 times. Rio Tinto has a five year compounded EPS growth rate of 5 per cent.

Vedanta Resources plc ("Vedanta")

Vedanta is India's largest metals and mining company, primarily engaged in copper, zinc, and aluminium, and is well positioned to take advantage of the significant growth in industrial production and investment in infrastructure in India. Vedanta has a five year compound EPS growth rate of 9 per cent.

BG Group plc ("BG")

BG is engaged in exploration, development and production of Natural Gas and Oil. The Group has operations in Australia, Brazil and the United States amongst others.

Part of BG's operations are situated in the exciting Santos Basin which is located offshore Brazil and has been the source of the most recent billion barrel finds. The Santos Basin has benefitted recently from increased media exposure with China's Sinopec paying a full price to buy assets from Repsol. BG has a five year compound EPS growth rate of 12 per cent.



Principal Portfolio Holdings (continued)

Weir Group plc (“Weir”)

Weir is a global leader in the manufacture of specialised pumps and has operations in the Americas, Australia, Europe, China, India, Africa and the Middle East.

The Minerals division, which manufactures and supplies slurry pump equipment for the global mining industry, accounts for approximately 60 per cent of revenues. The mining capital expenditure cycle is expected to continue to strengthen for the next few years as the developing nations continue to urbanise and Weir is well positioned to take advantage of this. Weir has an attractive five year compound EPS growth rate of 19 per cent.

Diageo plc (“Diageo”)

Diageo produces and distributes a collection of branded premium spirits, beer and wine on a global basis including mega brands Smirnoff, Johnnie Walker, Captain Morgan, J&B and Guinness. As the emerging economies become more developed it is expected that the local populations will seek the luxuries of the western world, such as premium spirits. Diageo has a five year compounded EPS growth rate of 8 per cent and a dividend yield of 3.2 per cent.

Charter International plc (“Charter”)

This holding has been disposed of post year end.

Syngenta AG (“Syngenta”)

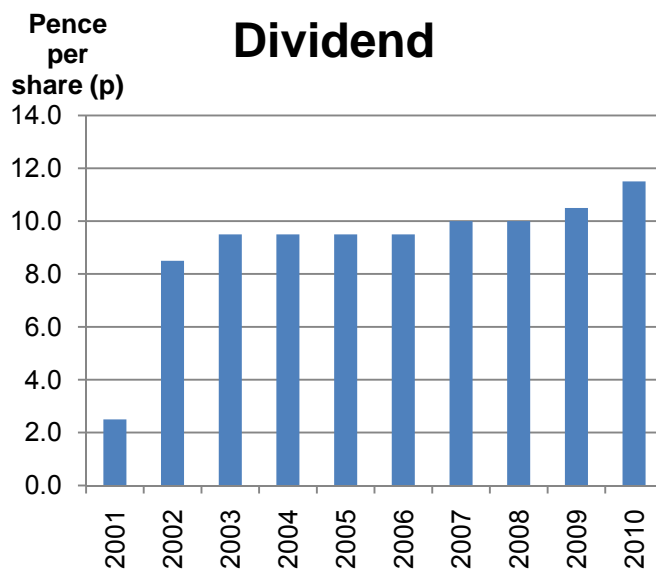
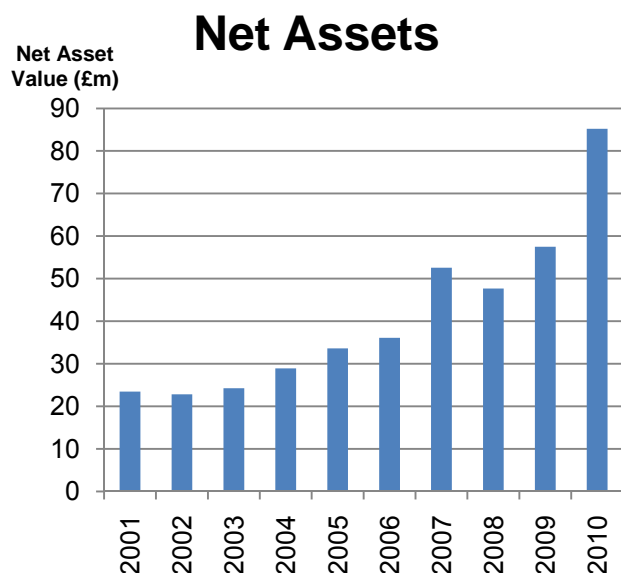
Syngenta is a global agri-science business engaged in crop protection and seeds. Urbanisation and changing dietary preferences across the middle classes of the developing nations is forcing the agricultural industry to increase yields. Syngenta has a five year compounded EPS growth rate of 17 per cent.



Investment Record of the Last Ten Years

Year ended	Total Return £'000	Return per ordinary share		Dividend per ordinary share p	Total assets Less Liabilities £'000	Net Asset Value per 25p share	
		Basic p	Fully diluted p			Basic p	Fully diluted p
31 July 2001	(3,620)	(48.27)	(34.00)	2.50	23,455	312.73	230.41
31 July 2002	(295)	(3.93)	(2.27)	8.50	22,800	304.00	224.16
31 July 2003	2,384	31.79	23.30	9.50	24,238	323.17	237.89
31 July 2004	5,512	73.49	53.15	9.50	28,901	385.35	282.39
31 July 2005	5,426	72.35	52.33	9.50	33,611	448.15	327.34
31 July 2006	3,206	42.75	31.14	9.50	36,107	481.43	351.17
31 July 2007	5,799	41.58	41.58	10.00	52,554	376.80	376.80
31 July 2008	(3,490)	(25.02)	(25.02)	10.00	47,669	341.80	341.80
31 July 2009	645	4.43	4.43	10.50	57,495	328.44	328.44
31 July 2010	13,151	71.75	71.75	11.50	85,203	379.40	379.40

In 2006, the Company adopted International Financial Reporting Standards ("IFRS"). As a result, the data has been restated to reflect the change to IFRS. It is not practical to restate 2003 and prior periods for the effect of transaction costs on total return.



In the period from 1981 to 2000, total assets less liabilities increased from £241,000 to £27,269,000. Net Assets per share increased from 24.1p to 363.59p.



Report of the Directors

The Directors present their report and financial statements for the year ended 31st July 2010.

The Chairman's Statement on pages 6 and 7 forms part of the report of the Directors.

Business Review

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

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

Status

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

The Company is also governed by the Listing Rules and Disclosure and Transparency Rules of the Financial Services Authority and the Corporation Tax Act.

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

Principal activities

The Company carries on business as an Investment Company. A review of investment activities for the year ended 31st July 2010 and the outlook for the coming year is given by the Investment Manager on page 12. During the year, two subsidiary companies (Manchester & London Securities Limited and Saintclose Limited) which previously carried on business as investment dealing companies, which at times had traded in derivatives, including options and futures, became dormant. The Company's subsidiary OSP Limited (formerly Osprey Smaller Companies Income Fund Limited) ("OSP") carries on business as an investment dealing company which at times trades in derivatives, including options and futures.

The Company acquired Stakeholders' Momentum Investment Trust plc ("SMIT") on 21st May 2010. SMIT was delisted from the London Stock Exchange on 22nd June 2010 and the company renamed as Stakeholders' Momentum Investment Limited.

OSP, a company incorporated in Guernsey, is the sole branch outside the United Kingdom.

Performance and key performance indicators

The key measures by which the Board judges the success of the Company, are the share price, the net asset value per share and the total expense ratio.

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



Report of the Directors (continued)

Total net assets at 31st July 2010 amounted to £85,203,000 compared with £57,495,000 at 31st July 2009, an increase of 48.2 per cent due to the acquisition of SMIT, whilst the fully diluted net asset value per ordinary share increased from 328.4p to 379.4p. This increase of 15.5 per cent compared with an increase over the period of 15.4 per cent by the FTSE All-Share Index, equated to an outperformance by the Company of 0.1 per cent.

Group net revenue after taxation for the year was £1,949,000, an increase of 27.4 per cent.

The share price during the period under review has been quoted at discounts to net asset value of 4 to 18 per cent which the Directors consider to be satisfactory in the context of the discounts applicable to other investment trusts and was achieved without using the Company's powers to acquire its own shares in the market.

Total expense ratio, which is set out on page 4 is a measure of the total expenses (including those charged to capital) expressed as a percentage of the average shareholders' funds over the year. The Board regularly reviews the total expense ratio and monitors Group expenses.

Principal risks and uncertainties associated with the Company

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

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

- the company may be undergoing significant change. Such businesses are usually exposed to greater risks than those not undergoing such change;
- they may have less mature businesses, a more restricted depth of management and accordingly a higher risk profile;
- the quality of the investment's management may have been overestimated;
- the market value of, and income derived from, such shares can fluctuate; and
- there may not be a liquid market for their shares. The fact that a share is traded on a market does not guarantee its liquidity. Accordingly, such shares may be difficult to realise at quoted market prices.

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

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

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

The market capitalisation of the Company may make the market of the ordinary shares less liquid than would be the case for a larger company.

The Company's policy of charging 65 per cent of the Company's investment advisory fees to the Company's capital account may result in the diminution of the asset value of the Company.



Report of the Directors (continued)

Whilst the use of borrowings by the Company should enhance the net asset value of the ordinary shares when the value of the Company's underlying assets is rising, it will have the opposite effect when the underlying asset value is falling.

Furthermore, should any fall in the underlying assets value result in the Company breaching the financial covenants applicable to the borrowings, the Company may be required to repay such borrowing in whole or in part together with any attendant costs. In order to repay such borrowings, the Company may have to sell assets at less than their quoted market values. A positive net asset value for the ordinary shares will be dependent upon the Company's assets being sufficient to meet any debt.

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

Risk management

The principal risks and the Company's policies for managing these risks and the policies and practices with regards to financial investments are summarised in note 19 to the financial statements. The Company manages the risks inherent in portfolio management by investing in approximately 20 to 40 securities of companies operating in a range of industrial sectors and varying the extent of cash holdings or gearing in relation to the Investment Manager's assessment of overall market conditions.

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

The Board reviews the internal control procedures of its third party service providers and further details including the Board's risk assessments are detailed in the "Internal Financial Control" under Corporate Governance.

Investment objective and policy

The Company's investment objective and policy is stated on page 10 and has not changed during the year under review, apart from the aforementioned acquisition of SMIT.

Management

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

Future development

The Company continues to look for strategies to increase shareholders' returns including the dividend and to increase the liquidity of its shares. A commentary on the trends and factors likely to affect the future development, performance and position of the Company, which include market sentiment and the effectiveness of government intervention, is set out in the Chairman's Statement and is released monthly in a fund factsheet published via the Company's website.



Report of the Directors (continued)

Results

The Group's profit for the year, after taxation, amounted to £13,151,000 (2009: £645,000).

In the previous year, the Company acquired OSP Limited (Formerly Osprey Smaller Companies Income Fund Limited). Within the documents published on 5th May 2009 in connection with the offer, the Company included some unaudited financial information comprising some estimates relating to cost savings resulting from that acquisition.

The anticipated cost savings due to the merger of Manchester & London Investment Trust Plc ("MLIT") and OSP were estimated to be £351,000.

The Directors are pleased to announce total cost savings of £447,000 were made following the merger, with the further cost savings of £96,000 as a result of reduction to both investment management and administration costs.

During this year, the Company acquired Stakeholders' Momentum Investment Trust plc.

Following the merger of MLIT and SMIT, the Directors are pleased to announce that the estimated deal costs of the merger of £800,000 were reduced to £642,000, a total saving of £158,000. These savings include reductions in accountants', legal and registrars' fees of £70,000.

Within the documents published on 28th April 2010 in connection with the offer for SMIT, the Company included some unaudited financial information comprising some estimates relating to cost savings resulting from that acquisition. The Listing Rules require the Company to reproduce such unaudited financial information in their next annual report and, if the difference between the unaudited financial information and the actual information is over 10 per cent, to provide an explanation for the difference. The relevant information is set out below and no difference of 10 percent or more arose in relation to the statement in the first paragraph below. However, as the acquisition was only finalised on 28th July 2010 and some of the anticipated savings could not be realised until after the amalgamation of the portfolios on 31st July 2010, it is not practicable to measure the percentage of annual savings achieved in relation to the period remaining prior to the end of the financial year on 31st July 2010. Accordingly, the 2011 annual report will include an explanation if the audited financial information for the year ended 31st July 2011 results in a difference of over 10 per cent.

"Since its appointment as investment manager on 4 December 2009, Midas and the SMIT Board have taken steps to cut SMIT's annual costs by approximately £500,000.

The MLIT Directors also anticipate that the merger of SMIT with MLIT will lead to further annual cost savings of approximately £385,000. The anticipated savings include a £275,000 reduction in investment management, company secretarial, registrar, administration and other fees. Furthermore, the annual costs of maintaining SMIT's independent board and listed status which amount to approximately £110,000 are intended to be saved as a result of the Enlarged Group having a single quoted holding company.

MLIT estimates that termination costs of up to £132,000 will be incurred to cancel various contracts for investment management, administrative and other services in order to achieve these savings."

Ordinary dividends

An interim dividend of 5.0p per ordinary share was paid on 30th April 2010 (2009: 4.5p) and the Directors are recommending a final dividend of 6.5p per ordinary share (2009: 6.0p), a total for the year of 11.5p per ordinary share (2009: 10.5p).

Subject to shareholders' approval at the Annual General Meeting, the final dividend will be paid on 30th November 2010 to shareholders registered on 12th November 2010. The shares will be declared ex-dividend on 10th November 2010.



Report of the Directors (continued)

Share valuations

On 31st July 2010, the middle market quotation and the net asset value per ordinary 25p share were 321.0p and 379.4p, respectively. This indicates that the discount on the Company's shares was 18.1 per cent. This is not uncommon as the share prices of closed-end funds are often traded at a discount to their net asset values and this discount has narrowed somewhat since the year end.

Subsequent events

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

Corporate Governance

Application of Association of Investment Companies Code Principles

The Directors attach great importance to ensuring that the Company operates to high ethical and compliance standards. Accordingly, the Board has put in place a framework for Corporate Governance which it believes appropriate for an investment trust and which seeks to observe the principles set out in the Code of Corporate Governance, as published by the Association of Investment Companies (the "AIC Code"), established specifically for investment trust companies and endorsed by the Financial Reporting Council ("FRC") in February 2009. By following the Code, the Company continues to meet its obligations in relation to the FRC's Combined Code on Corporate Governance. The AIC Code provides a guide to best practice in certain areas of governance where the specific characteristics of investment trusts suggest that alternative approaches to those set out in the Combined Code may be preferable.

The Board considers that the Company has complied with the provisions set out in the Combined Code throughout the year to 31st July 2010 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 currently comprises three non-executive Directors, two of whom are considered to be independent of the Company's Investment Manager. Mr B S Sheppard is a former Director of Midas Investment Management Ltd and, accordingly, offers himself for re-election annually. As the Board is composed entirely of non-executive Directors and executive responsibility for investment management has been delegated to the Company's Investment Manager there is no Chief Executive Officer. The senior independent Director is Mr P H A Stanley.

The Board regularly reviews the independence of its members and considers Mr P H A Stanley and Mr D Harris to be independent in character and judgement within the meaning set out in the Code, having examined each Director against the independence criteria described in the Code.

All 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 three years without having offered himself for re-election.

The Board has established both a nominations and a remuneration committee, comprising the entire Board. The nominations committee is responsible for considering the appointment of new directors, agents and advisers, and evaluating the overall composition of the Board from time to time, taking into account the existing balance of skills and knowledge. Mr B S Sheppard being the only non-independent director of the board is not included in any decisions when appointing any new independent director. There are procedures for a new Director to receive



Report of the Directors (continued)

Corporate Governance (continued)

relevant information on the Company together with appropriate induction. The remuneration committee is responsible for considering all material elements of remuneration policy which is set out in the Directors' Remuneration Report on page 30. Mr P H A Stanley is Chairman of both committees.

It is the responsibility of the full Board to ensure that there is effective stewardship of the Company's affairs and that the Company meets its obligations to shareholders. Strategic issues and all operational matters of a material nature are determined by the Board and in order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. The Board meets regularly and at each meeting reviews investment performance and financial results and monitors compliance with the Company's objectives.

A management engagement committee has been established, comprising of Mr P H A Stanley (Chairman of the committee) and Mr D Harris. This management engagement committee is responsible for ensuring that the Investment Manager of the Company complies with the terms of the management agreement entered into with the Company, and that the provisions of the management agreement follow industry practice and remain competitive and in the best interests of shareholders. Being a former director of the Investment Manager, Mr B S Sheppard is excluded from being a member of the management engagement committee which is in accordance with the AIC Code and NAPF Investment Trust policy guidelines. The Directors maintain 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 Board also ensures that all Directors continually update the skills and knowledge required to fulfil their role both on the Board and on Board committees. The Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that established Board procedures and applicable rules and regulations are complied with. The performance of individual Directors is evaluated on a regular basis by the Board as a whole.

The Audit Committee, which consists of the entire board and is chaired by Mr D Harris, 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. The Committee regularly monitors and reviews the auditor's independence (including the provision of non-audit services), objectivity and effectiveness. The Audit Committee is also responsible to the Board for making recommendations in relation to the appointment of the external auditor. Details of the membership are set out on page 5 and the committee members are regarded as having recent and relevant financial experience. The Audit Committee has direct access to the external auditor and they are invited to attend the Board Meeting at which the Annual Reports and Financial Statements are approved. All reports received from the auditor are given full consideration.

The Audit Committee has considered the need for an internal audit function and has recommended that, in view of the size of the Company and the internal controls in place, this is not necessary at present.

**Report of the Directors (continued)****Corporate Governance (continued)****Directors meetings**

Attendance and frequency details of Board and Committee meetings held during the year are as follows:

	Board Meetings	Nomination Committee	Remuneration Committee	Management Committee	Audit Committee	Board Committee
Number of meetings during the year	9	1	1	1	1	3
P H A Stanley	8	1	1	1	1	3
B S Sheppard	9	1	1	N/A	1	3
D Harris	9	1	1	1	1	3

Membership summary:

P H A Stanley	•	•	•	•
B S Sheppard	• ¹	•	•	•
D Harris	•	•	•	•

¹Mr B S Sheppard being the only non-independent Director of the board is not included in any decisions when appointing any new independent director.

Accountability and audit

The Directors' Statement of Responsibilities in respect of the financial statements is set out on page 29. The Report of the Independent Auditor is on pages 31 to 32.

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 is in accordance with the FRC guidance 'Internal Control: Revised Guidance for Directors on the Combined Code'. The process was fully in place throughout the year and up to the date of approval of the financial statements.

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 mis-statement or loss. The Board recognises its 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 and 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.



Report of the Directors (continued)

Corporate Governance (continued)

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

- Investment management is provided by Midas. The Board is responsible for setting the overall investment policy and monitors the activity of the Investment Manager at regular Board meetings. The Investment Manager provides reports at these meetings, which cover investment performance and compliance issues.
- Midas is responsible for the provision of administration duties. It also reports to the Board on risk control issues for the Company as a whole.
- Custody of assets is undertaken by Pershing Securities Ltd.
- The duties of investment management and custody of assets are segregated. The procedures of the individual parties are designed to complement one another.
- The non-executive Directors of the Company clearly define the duties and responsibilities of their agents and advisers in terms of their contracts. The appointment of agents and advisers is conducted by the Nominations Committee after consideration of the quality of the parties involved and the Board monitors their ongoing performance and contractual arrangements.
- Mandates for authorisation of investment transactions and expenses payments are set by the Board.
- The Board reviews in detail the financial information produced by the Investment Manager and Company Secretary on a regular basis.

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

Investment Manager

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

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

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.

Capital Structure

The Company's capital structure is summarised in notes 15 and 16 to the financial statements.



Report of the Directors (continued)

Transfer of Securities

There are:

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

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.

Relations with shareholders

Communications with shareholders are given a high priority, with information provided regularly in interim and annual accounts. The information contained therein is supplemented by regular net asset value announcements and a monthly fact sheet available on the Company's website. In addition, any issues of concern can be addressed to the Board by any shareholder.

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

Social, Environmental and Ethical Policy

The Company does not have a formal Social, Environmental and Ethical Policy ("SEE"). However, the Company recognises its obligations to all those with whom it has dealings. Its reputation, trust and confidence of those with whom it deals are amongst its most vital resources.

Substantial holdings in the Company

At 27th October 2010, the Company had been notified of the following beneficial interests of 3 per cent and over in the Company's ordinary share capital carrying unrestricted voting rights:

	Number	%
Pershing Nominees Ltd	7,556,766*	33.7
Manchester & Metropolitan Investment Limited	4,656,260	20.7
Vidacos Nominees Ltd	1,055,808	4.7
Rathbone Nominees Ltd	1,034,439	4.6
N W Brown Nominees Ltd	899,525	4.0

** This holding includes 6,641,254 (29.6%) shares of which Manchester & Metropolitan Investment Limited is the beneficial owner.*

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

**Report of the Directors (continued)****Directors**

The members of the Board who served during the year to 31st July 2010, together with their biographical details, are listed on page 5.

Mr P H A Stanley, in accordance with the recommendation of the AIC Corporate Code of Governance regarding directors with service in excess of 9 years, retires and being eligible, offers himself for re-election.

Mr B S Sheppard is a former director of the Company's Investment Manager. In accordance with the Listing Rules of the UK Listing Authority of the Financial Services Authority, he retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Mr D Harris, who was elected to the Board in October 2009 will remain on the Board and does not offer himself for re-election, which is in accordance with the AIC recommended Code.

Directors' interests

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

	31st July 2010	31st July 2009
	Ordinary shares of	Ordinary shares of 25p
	25p	
Beneficial interests		
Mr P H A Stanley (Chairman)	8,250	6,250
Mr B S Sheppard	-	-
Mr D Harris	-	-
Non-beneficial interests		
Mr B S Sheppard	243,117	4,430

No other changes in the above interests occurred between 31st July 2010 and 28th October 2010.

The interests of Mr B S Sheppard in the ultimate holding company Manchester & Metropolitan Investment Limited are detailed in the financial statements and report of that company.

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 and 20 to the financial statements.

Supplier terms

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

The Group had trade payables of £127,000 (2009: £122,000) at the year end. Trade payables are settled by the due date for payment. Payables in respect of investment purchases are settled in accordance with Stock Exchange regulations.

Own shares acquired

The Company is authorised to purchase its own shares and any such transactions are detailed in note 16 to the financial statements.



Report of the Directors (continued)

Explanation of the Annual General Meeting Special Resolutions

The resolutions stated below are important and require your immediate attention. If you are in any doubt as to what action you should take, you should consult an appropriate independent adviser.

If you have sold or otherwise transferred all of your shares in Manchester & London Investment Trust plc ("MLIT") you should pass this document to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The notice for the thirty eighth Annual General Meeting of the Company can be found on pages 53 to 55. There are three items of special business to be considered:

- to seek a renewal of the authority of the Company to issue shares;
- to seek a renewal of the authority to authorise the Directors to allot new shares for cash without offering them first to shareholders in proportion to their existing holdings of shares; and
- to seek a renewal of the authority of the Company to purchase its own shares.

Resolution 7 Authority to issue shares

Resolution 7, which will be put as a special resolution would, if passed, permit the Company to allot up to 11,228,543 ordinary shares, which is an authority to allot up to approximately 50 per cent of the total ordinary share capital in issue at the date of this report.

The Directors consider it to be in the Company's best interests that they would have the authority to be able to issue new ordinary shares as consideration should investment opportunities arise. The power to allot shares would only be used by the Directors if they believe that to do so would be advantageous to the Company.

The Directors have no present intention of using the authority. Shareholders should note that UK Listing Rules require that the issue of further shares at a price which is at a discount to the net asset value per share would require a further approval from shareholders.

Resolution 8 Authority to issue shares

Resolution 8, which will be put as a special resolution would, if passed, permit the Directors to allot up to 1,122,854 of such shares (a nominal amount of £280,714) for cash without offering them first to shareholders in proportion to their existing holdings of shares ("Section 561 Authority") which would be an authority for up to 5 per cent of the total ordinary share capital in issue at the date of this report.

The proposed level of Section 561 Authority is within Investor Protection Committee guidelines. The Section 561 Authority would also permit the Directors to sell treasury shares for cash without first offering them to existing shareholders in proportion to their holding.

The power to allot shares for cash on a non pre-emptive basis would only be used by the Directors if they believe that to do so would be advantageous to the Company. The Directors have no present intention of using the authority.

The authority contained in resolution 8 will continue, if granted, until the next Annual General Meeting of the Company after the passing of this resolution or for 15 months, whichever is the sooner, when the Directors intend seeking further renewal of the authority.



Report of the Directors (continued)

Resolution 9 Renewal of authority for the Company to purchase its own shares

The Directors are seeking shareholders' authority to be able to purchase up to 3,366,317 of the Company's own ordinary shares (representing 14.99 per cent of the issued ordinary share capital at the date of this report) in the market at a minimum price of 25p and a maximum price (exclusive of expenses) of the higher of: 5 per cent above the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange daily official list) for the 5 business days before the relevant purchase was made and; the price of the last independent trade and the highest current independent bid for an ordinary share on the London Stock Exchange prior to the purchase.

This authority will, if granted, expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or 15 months from the date of this resolution, whichever is earlier.

The Directors would use this authority with the objective of enhancing shareholder value. Purchases would only be made, within guidelines established from time to time by the Board, through the market for cash at prices below the prevailing net asset value per ordinary share. The main purpose of any share buy-back would be to enhance the net asset value of the remaining ordinary shares, but purchases would also provide liquidity for shareholders wishing to sell their ordinary shares.

The Directors' current intention would be to hold any bought back shares in treasury. If the Company subsequently wished to sell such treasury shares for cash, special resolution number 8 would permit the disapplication of pre-emption rights on such shares up to the limits referred to in that resolution. Last year, no use was made of this authority.

The Directors consider that it would be advantageous to shareholders that they have the authority to make such purchases as and when they consider the timing to be favourable. However, use of this authority, if given, would depend upon market conditions and the Board's judgement as to its likely effectiveness in increasing net asset value per share and/or reducing the discount.

It is proposed that any purchase of ordinary shares would be funded from the Company's own cash resources or, if appropriate, from short term borrowings.

Directors' responsibilities in relation to the Company's Auditor

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken steps that ought to have been taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

29th October 2010

By Order of the Board
P Thomas
Secretary



Directors' Responsibilities in Relation to the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, the Directors Remuneration Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union. Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company and the Group and of the profit or loss of the Company and Group for that period.

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 that the Group and Parent Company financial statements have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IASB Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

To the best of the knowledge of each of the Directors, whose names are set out on page 5:

- (a) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- (b) the Directors' Report includes a fair review of the development and performance of the fund and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Each of the Directors accepts responsibility accordingly.

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

29th October 2010



Directors' Remuneration Report

This report has been prepared by the Board in accordance with the requirements of the Companies Act 2006 in respect of the year ended 31st July 2010. 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 Auditor to audit certain information set out in this report. Where information has been audited it is indicated as such. The Auditor's opinion is included in their report on pages 31 to 32.

Remuneration policy

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

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

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

Terms of Directors' Appointment

All Directors hold service contracts with the Company requiring six months' notice of termination (under normal circumstances).

There are no agreements between the Company and its Directors concerning compensation for loss of office.

Directors' emoluments for the year (audited)

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

	Fees 2010 £	Fees 2009 £
P H A Stanley (Chairman)	15,000	15,000
B S Sheppard	12,000	12,000
M J Wilbraham	-	12,000
D Harris	12,000	2,203
	<u>39,000</u>	<u>41,203</u>

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 29th October 2010 and signed on its behalf by:

P H A Stanley
Chairman



Independent Auditor's Report To The Members of Manchester & London Investment Trust plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Manchester & London Investment Trust plc for the year ended 31st July 2010 on pages 33 to 52. The financial reporting framework that has been applied is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union. 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 Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this Report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors responsibility statement, the Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and Parent financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with applicable law and International Standards on Auditing (UK and Ireland).

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 2006 and, as regards the Group financial information, Article 4 of the IASB Regulation. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 regarding Directors' remuneration and other transactions are not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the 2008 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Financial Summary, Chairman's Statement, Portfolio Investments, Investment Objective and Policy, Investment Manager's Review, Record of the last Ten Years, Report of the Directors, the unaudited part of the Director's Remuneration Report, Corporate Governance and the other information contained on pages 53 to 57. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 and the part of the Directors' Remuneration Report to be audited are free from material mis-statement, whether caused by fraud or other irregularity or error. This includes an assessment of:

- the accounting policies are appropriate to the Group's and Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of the significant accounting estimates made by the Directors.; and
- the overall presentation of the financial statements;



Independent Auditor's Report To The Members of Manchester & London Investment Trust plc (continued)

Opinion

In our opinion the financial statements:

- give a true and fair view, of the state of the Group's affairs as at 31st July 2010 and of its profit for the year then ended;
- give a true and fair view, of the state of the Parent Company's affairs as at 31st July 2010 and of its profit for the year ended;
- the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

- In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 2006 and Article 4 of the IAS Regulation.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements and the Directors' Report in accordance with the small companies regime.

Under the Listing Rules we are required to review:

- the Director's Statement contained within the Directors' Report in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance within the nine provisions of the Combined Code specified for our review.

Philip Whiteway (Senior Statutory Auditor)

For and on behalf of
CLB Coopers
Statutory Auditor
Manchester

29th October 2010



Consolidated Statement of Comprehensive Income

For the year ended 31st July 2010

	Note	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000	Restated 2009 Revenue £'000	Restated 2009 Capital £'000	Restated 2009 Total £'000
Gains/(losses)							
Gains/(losses) on investments at fair value through profit and loss	10	-	11,384	11,384	-	(376)	(376)
Trading income	2	706	-	706	281	-	281
Investment income	2	1,392	-	1,392	1,556	-	1,556
Gross return/(loss)		2,098	11,384	13,482	1,837	(376)	1,461
Expenses							
Investment management fee	3	(123)	(229)	(352)	(79)	(147)	(226)
Cost of investment transactions		-	(291)	(291)	-	(362)	(362)
Other operating expenses	4	(20)	338	318	(207)	-	(207)
Total expenses		(143)	(182)	(325)	(286)	(509)	(795)
Return before finance costs and tax		1,955	11,202	13,157	1,551	(885)	666
Finance costs	6	(6)	-	(6)	(5)	-	(5)
Return on ordinary activities before tax		1,949	11,202	13,151	1,546	(885)	661
Tax expense	7	-	-	-	(16)	-	(16)
Return on ordinary activities after tax		1,949	11,202	13,151	1,530	(885)	645
Earnings/(loss) per ordinary share (pence)							
Basic	9	10.63	61.12	71.75	10.51	(6.08)	4.43
Fully diluted	9	10.63	61.12	71.75	10.51	(6.08)	4.43

The total column of this statement represents the Income Statement of the Group 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.

The notes on pages 38 to 52 form part of these financial statements.



Statement of Changes in Equity

For the year ended 31st July 2010

Group

	Share capital £'000	Share premium £'000	Own shares £'000	Other reserves £'000	Capital reserve (unrealised) £'000	Capital reserve (realised) £'000	Retained earnings £'000	Total £'000
Balance at 1st August 2008	3,487	9,921	-	(79)	6,684	24,035	3,621	47,669
Changes in equity for 2009								
Profit for the year	-	-	-	-	-	-	645	645
Transfer of capital profits	-	-	-	-	954	(1,839)	885	-
Ordinary dividend paid (note 8)	-	-	-	-	-	-	(1,674)	(1,674)
Issue of share capital	889	9,966	-	-	-	-	-	10,855
Balance at 31st July 2009 (Restated)	4,376	19,887	-	(79)	7,638	22,196	3,477	57,495
Changes in equity for 2010								
Profit for the year	-	-	-	-	-	-	13,151	13,151
Transfer of capital profits	-	-	-	-	9,642	1,560	(11,202)	-
Ordinary dividend paid (note 8)	-	-	-	-	-	-	(1,926)	(1,926)
Issue of share capital	1,238	15,245	-	-	-	-	-	16,483
Balance at 31st July 2010	5,614	35,132	-	(79)	17,280	23,756	3,500	85,203

Company

	Share capital £'000	Share premium £'000	Own shares £'000	Other reserves £'000	Capital reserve (unrealised) £'000	Capital reserve (realised) £'000	Retained earnings £'000	Total £'000
Balance at 1st August 2008	3,487	9,921	-	(79)	6,684	370	27,259	47,642
Changes in equity for 2009								
Profit for the year	-	-	-	-	-	-	643	643
Transfer of capital profits	-	-	-	-	972	(1,800)	828	-
Ordinary dividend paid (note 8)	-	-	-	-	-	-	(1,674)	(1,674)
Issue of share capital	889	10,129	-	-	-	-	-	11,018
Balance at 31st July 2009 (Restated)	4,376	20,050	-	(79)	7,656	(1,430)	27,056	57,629
Changes in equity for 2010								
Profit for the year	-	-	-	-	-	-	13,187	13,187
Transfer of capital profits	-	-	-	-	9,085	2,251	(11,336)	-
Ordinary dividend paid (note 8)	-	-	-	-	-	-	(1,926)	(1,926)
Issue of share capital	1,238	15,245	-	-	-	-	-	16,483
Balance at 31st July 2010	5,614	35,295	-	(79)	16,741	821	26,981	85,373

The notes on pages 38 to 52 form part of these financial statements.



Consolidated Statement of Financial Position

At 31st July 2010

	Note	2010		Restated 2009	
		£'000	£'000	£'000	£'000
Non-current assets					
Investments at fair value through profit or loss	10		84,343		51,924
Current assets					
Trade and other receivables	12	340		411	
Derivative financial instruments	19	4,394		4,571	
Cash and cash equivalents		2,029		4,747	
			6,763		9,729
Gross Assets			91,106		61,653
Current liabilities					
Trade and other payables	13		(319)		(290)
Provisions	14		(1,416)		-
Derivative financial instruments	19		(4,168)		(3,868)
Net assets			85,203		57,495
Equity attributable to equity holders					
Ordinary share capital	15		5,614		4,376
Share premium			35,132		19,887
Own shares	16		-		-
Other reserves					
Capital reserve – realised			23,756		22,196
Capital reserve – unrealised			17,280		7,638
Goodwill reserve			(79)		(79)
Retained earnings			3,500		3,477
Total equity			85,203		57,495
Net asset value per share					
Ordinary shares – basic	17		379.4p		328.4p
Ordinary shares – fully diluted	17		379.4p		328.4p

The financial statements on pages 33 to 52 were approved by the Board of Directors on 29th October 2010 and are signed on their behalf by:

P H A Stanley (Chairman)
B S Sheppard
Directors

The notes on pages 38 to 52 form part of these financial statements.

**Company Statement of Financial Position***At 31st July 2010*

	Note	2010		Restated 2009	
		£'000	£'000	£'000	£'000
Non-current assets					
Investments at fair value through profit or loss	10		82,340		51,924
Subsidiary undertakings	11		2,180		1,286
			<u>84,520</u>		<u>53,210</u>
Current assets					
Trade and other receivables	12		379		902
Derivative financial instruments	19		2,317		3,676
Cash and cash equivalents			<u>1,009</u>		<u>3,083</u>
			3,705		7,661
Gross Assets			88,225		60,871
Current liabilities					
Trade and other payables	13		(673)		(211)
Derivative financial instruments	19		<u>(2,179)</u>		<u>(3,031)</u>
Net assets			85,373		57,629
Equity attributable to equity holders					
Ordinary share capital	15		5,614		4,376
Share premium			35,295		20,050
Own shares	16		-		-
Other reserves					
Capital reserve – realised			821		(1,430)
Capital reserve – unrealised			16,741		7,656
Goodwill reserve			(79)		(79)
Retained earnings			<u>26,981</u>		<u>27,056</u>
Total equity			85,373		57,629

The financial statements on pages 33 to 52 were approved by the Board of Directors 29th October 2010 and are signed on their behalf by:

P H A Stanley (Chairman)
B S Sheppard
Directors

The notes on pages 38 to 52 form part of these financial statements.

**Consolidated Statement of Cash Flows***For the year ended 31st July 2010*

	2010 £'000	Restated 2009 £'000
Cash flows from operating activities		
Profit before taxation	13,151	645
(Profit)/losses on investments	(12,453)	376
Decrease in receivables	201	504
Increase in payables	(726)	(160)
Decrease/(increase) in derivative financial instruments	477	(703)
Net cash inflow from operating activities	<u>650</u>	<u>662</u>
Cash flows from investing activities		
Purchase of investments	(61,830)	(85,763)
Sale of investments	60,967	74,340
Returns on covered calls	-	1,267
Net cash acquired on acquisition of subsidiary (see note 18)	345	552
Subsidiary acquisition costs	(924)	(473)
Net cash outflow from investing activities	<u>(1,442)</u>	<u>(10,077)</u>
Cash flows from financing activities		
Equity dividends paid	(1,926)	(1,674)
Net cash outflow from financing activities	<u>(1,926)</u>	<u>(1,674)</u>
Net (decrease)/increase in cash and cash equivalents	(2,718)	(11,089)
Cash and cash equivalents at beginning of year	4,747	15,836
Cash and cash equivalents at end of year	<u>2,029</u>	<u>4,747</u>

The notes on pages 38 to 52 form part of these financial statements.



Notes Forming Part of the Financial Statements

For the year ended 31st July 2010

1. Accounting policies

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

Manchester & London Investment Trust plc is a public limited company, which is listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31st July 2010 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

a) Basis of preparation and statement of compliance

In accordance with European Union regulations, these financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB"), as adopted for use in the EU effective at 31st July 2010.

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

Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts revised by the Association of Investment Companies ("AIC") 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.

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

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31st July each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group balances are eliminated on consolidation.

As permitted by Section 408 of the Companies Act 2006, the parent Company's statement of comprehensive income has not been included in these financial statements. The parent Company's profit after tax for the year was £13,187,000 (2009: £643,000).

The results of subsidiaries or businesses acquired or disposed of during the year are included in the consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal as appropriate.

c) Presentation of income statement

In order to reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the 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 certain requirements set out in Section 1162 Corporation Tax Act 2010.



Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2010

d) Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings, representing any excess of the fair value of the consideration given over the fair value of the verifiable assets and liabilities acquired, is capitalised and reviewed annually for impairment.

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

e) Valuation of investments

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

After initial recognition, investments, which are classified as at fair value through profit or loss, are measured at fair value. Gains or losses on investments designated as at fair value through profit or loss are recognised as a capital item, and material transaction costs on acquisition or disposal of investments are expensed and included in the capital column of the statement of comprehensive income. For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

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.

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

f) Revenue recognition

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

Trading income includes gains and losses on the trading of options and futures in financial markets, net of commissions expensed. Open positions are carried at fair value and gains and losses arising on this valuation are recognised in revenue as well as gains and losses realised on positions that have closed.

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

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

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

Income from Contracts for Differences is recognised at fair value through profit or loss.

g) Expenses

All expenses are accounted for on the accruals basis. In respect of the analysis between revenue and capital items presented within the income statement, all expenses have been presented as revenue items except as follows:

- material transaction costs which are incurred on the purchase or sale of an investment designated as fair value through profit or loss are expensed and included in the capital column of the statement of comprehensive income; and

**Notes Forming Part of the Financial Statements (continued)***For the year ended 31st July 2010***g) Expenses (continued)**

- expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect, the investment management charge and related costs have been allocated 35 per cent (2009: 35 per cent) to revenue and 65 per cent (2009: 65 per cent) to capital reserve-realised in order to reflect the Directors' long-term view of the nature of the expected investment returns.

h) Finance costs

Finance costs are accrued at the effective interest rate.

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%

i) Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

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

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

j) Dividends payable to shareholders

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

k) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank, short-term deposits with an original maturity of three months or less and cash held in highly liquid investment accounts.

**Notes Forming Part of the Financial Statements (continued)***For the year ended 31st July 2010***l) Capital reserve**

Capital reserve - realised

The following are accounted for in this reserve:

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

Capital reserve - unrealised

The following are accounted for in this reserve:

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

m) Foreign currencies

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

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

n) Financial instruments and derivatives used for trading purposes

Derivatives entered into for trading purposes include futures, options and a combination of these. Derivatives used for trading purposes are measured at fair value and any gains or losses are included in the statement of comprehensive income through profit or loss. Fair values are based on quoted market prices in active market.

o) Contracts for Differences

Contracts for Differences are valued with reference to the investment's underlying bid price at the end of the reporting period and are held at fair value through profit or loss.

p) New standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations with an effective date of adoption after the date of these financial statements:

Accounting Standards	Effective date
IFRS 1 First time adoption of International Financial Reporting Standards	1 st July 2010
IFRS 2 Share Based Payments	1 st January 2010
IFRS 3 Business Combinations	1 st July 2010
IFRS 5 Non-Current Assets Held For Sale and Discontinued Operations	1 st January 2010
IFRS 7 Financial Instruments : Disclosures	1 st January 2011
IFRS 8 Operating Segments	1 st January 2010
IAS 1 Presentation of Financial Statements	1 st January 2010
IAS 7 Statement of Cash Flows	1 st January 2010
IAS 17 Leases	1 st January 2010
IAS 24 Related Party Disclosures	1 st January 2011
IAS 27 Consolidated and Separate Financial Statements	1 st February 2010
IAS 32 Financial Instruments: Presentation	1 st January 2011
IAS 34 Interim Financial Reporting	1 st January 2010

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



Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2010

2. Income

	2010 £'000	2009 £'000
Trading income	706	281
Income from investments		
UK dividends	1,338	1,393
Other income		
Deposit interest	54	163
Investment income	1,392	1,556
Total income	2,098	1,837
Total income comprises		
Trading income	706	281
Dividends	1,338	1,393
Interest	54	163
	2,098	1,837
Income from investments		
Listed	1,338	1,393
	1,338	1,393

3. Investment management fee

	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000
Investment management fee	123	229	352	79	147	226

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

The investment management fee is chargeable 35 per cent to revenue and 65 per cent to capital.

**Notes Forming Part of the Financial Statements (continued)***For the year ended 31st July 2010***4. Other operating expenses**

	2010 £'000	2009 £'000
Directors' fees	68	65
Staff costs (note 5)	-	-
Auditors' remuneration	(1)	23
Registrar fees	(20)	7
Exchange rate variances	20	(7)
Other expenses	(47)	119
	<u>20</u>	<u>207</u>
 Directors' fees – Group	 29	 24
Directors' fees – Company	39	41
	<u>68</u>	<u>65</u>
 Fees payable to the company's auditor for the audit of the parent company and consolidated financial statements	 23	 18
Fees payable to the company's auditor for other services :		
• the audit of the company's subsidiaries pursuant to legislation*	(24)	5
	(1)	23
• services relating to corporate finance transactions	-	17
	<u>(1)</u>	<u>40</u>

*During the year, the Company acquired Stakeholders' Momentum Investment Trust Plc ("SMIT"). The Statement of Financial Position of SMIT at the date of acquisition included an accrual for audit fees, which was over and above those accrued at the end of the reporting period.

Other operating expenses include irrecoverable VAT where appropriate.

5. Staff numbers and costs

Excluding Directors, the Group employs no members of staff.

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

	2010 £'000	2009 £'000
P H A Stanley (Chairman)	<u>15</u>	<u>15</u>

6. Finance costs

	2010 £'000	2009 £'000
Interest paid	<u>6</u>	<u>5</u>

**Notes Forming Part of the Financial Statements (continued)***For the year ended 31st July 2010***7. Taxation**

	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000	Restated 2009 Revenue £'000	Restated 2009 Capital £'000	Restated 2009 Total £'000
Current UK corporation tax	-	-	-	19	(12)	7
Adjustment for under provision in prior years	-	-	-	9	-	9
Current UK corporation tax	-	-	-	28	(12)	16

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

Profit/(loss) before tax	1,949	11,202	13,151	1,546	(885)	661
Tax at the UK corporation tax rate of 28% (2009: 28%)	546	3,137	3,683	433	(249)	184
Tax effect of non-taxable UK dividends/unrealised profits	(471)	-	(471)	(362)	-	(362)
Income not subject to UK corporation tax	(180)	(5)	(185)	(14)	-	(14)
Disallowed management expenses	405	97	502	(1)	-	(1)
Unrelieved capital losses	-	-	-	-	196	196
Brought forward management expenses utilised during the period	(171)	64	(107)	-	-	-
Gains and losses on investments that are not taxable	-	(3,857)	(3,857)	-	-	-
Excess management expenses	138	49	187	(41)	41	-
Taxable overseas dividend eliminated on consolidation	-	-	-	12	-	12
Impairment	140	-	140	-	-	-
Relief for losses on capital account	(37)	37	-	9	-	9
Reserves adjustment	(370)	478	108	(8)	-	(8)
Current year tax charge	-	-	-	28	(12)	16

The Company's taxable income exceeded its management expenses, which include the capital and revenue elements of the management fee. The Company has surplus management expenses at 31st July 2010 of £2,324,000 (2009: £2,337,000).

At 31st July 2010 there is an unrecognised deferred tax asset, measured at the standard rate of 28 per cent, of £651,000 (2009: £654,000). This deferred tax asset relates to surplus management expenses. It is unlikely that the Group will generate sufficient taxable profits in the future to recover these amounts and therefore the asset has not been recognised in the year, or prior years.

As at 31st July 2010 the Company has unrelieved capital losses of £9,330,000 (2009: £8,674,000). There is therefore, a related unrecognised deferred tax asset, measured at the standard rate of 28 per cent, of £2,612,000 (2009: £2,429,000). These capital losses can only be utilised to the extent that the Company does not qualify as an investment trust in the future and, as such, the asset has not been recognised.

**Notes Forming Part of the Financial Statements (continued)***For the year ended 31st July 2010***8. Dividends**

	2010 £'000	2009 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 st July 2009 of 6p (2008: 7.5p) per share	1,051	1,046
Interim dividend for the year ended 31 st July 2010 of 5p (2009: 4.5p) per share	<u>875</u>	<u>628</u>
	<u>1,926</u>	<u>1,674</u>

A final dividend in respect of 2010 of 6.5p per share which, together with the interim dividend, amounts to a total dividend of £1,460,000, is to be proposed at the Annual General Meeting on 25th November 2010 and has not been included as a liability in these financial statements in accordance with IFRS.

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

	2010 £'000	2009 £'000
Interim dividend for the year ended 31 st July 2010 of 5p (2009: 4.5p) per share	875	628
Proposed final dividend for the year ended 31 st July 2010 of 6.5p (2009: 6p) per share	<u>1,460</u>	<u>1,074</u>
	<u>2,335</u>	<u>1,702</u>

9. Return per ordinary share

The calculation of the basic and fully diluted earnings per ordinary share is based on the following:

	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000
Return:						
Basic and fully diluted	<u>1,949</u>	<u>11,202</u>	<u>13,151</u>	<u>1,530</u>	<u>(885)</u>	<u>645</u>

Basic revenue, capital and total return per ordinary share is based on the net revenue, capital and total return for the period and on the weighted average number of ordinary shares in issue of 18,328,238 (2009: 14,562,431).



Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2010

10. Investments at fair value through profit or loss

	Group			Company		
	2010 £'000	2009 £'000		2010 £'000	2009 £'000	
Investments as below	84,343	51,924		82,340	51,924	
	Group Listed £'000	Group Unlisted £'000	Group Total £'000	Company Listed £'000	Company Unlisted £'000	Company Total £'000
Opening cost at 1 st August 2009	44,214	72	44,286	44,214	72	44,286
Opening unrealised appreciation at 1 st August 2009	7,608	30	7,638	7,608	30	7,638
Opening fair value at 1 st August 2009	51,822	102	51,924	51,822	102	51,924
Purchases at cost	80,931	-	80,931	57,924	-	57,924
Sales proceeds	(60,963)	(4)	(60,967)	(56,944)	(4)	(56,948)
Capital Dividend	-	-	-	19,267	-	19,267
Realised gains on sales	2,855	(42)	2,813	1,113	(42)	1,071
Increase/(Decrease) in unrealised appreciation	9,679	(37)	9,642	9,139	(37)	9,102
Closing fair value at 31 st July 2010	84,324	19	84,343	82,321	19	82,340
Closing cost at 31 st July 2010	67,038	25	67,063	65,574	25	65,599
Closing unrealised appreciation at 31 st July 2010	17,286	(6)	17,280	16,747	(6)	16,741
Closing fair value at 31 st July 2010	84,324	19	84,343	82,321	19	82,340
	Group			Company		
	2010 £'000	2009 £'000		2010 £'000	2009 £'000	
Realised (loss)/gains on disposals	2,813	(2,597)		1,071	(2,657)	
Increase/(decrease) in unrealised appreciation	9,642	954		9,083	954	
Return on covered calls	(1,071)	1,267		(1,071)	1,267	
	11,384	(376)		9,083	(436)	

11. Subsidiary undertakings

	Company	
	2010 £'000	2009 £'000
Shares at fair value	2,180	1,286

In the opinion of the Directors, there is no material difference between the cost and fair value of these investments.



Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2010

Subsidiary undertakings (continued)

The company has investments in the following subsidiary undertakings:

Name of undertaking	Principal Activity	Country of incorporation and operation	% of shares held	
			Ordinary shares	Preference shares
OSP Limited	Trading company	Guernsey	100	-
Stakeholders' Momentum Investment Ltd	Investment company	England	100	-
Manchester & London Securities Limited	Dormant	England	100	-
Saintclose Limited	Dormant	England	100	-
Beacontree Plaza Limited	Dormant	England	100	100
Beaconbranch Limited	Dormant	England	100	-
Darethrift Limited	Dormant	England	100	-
Fileglow Limited	Dormant	England	100	-
Zealgate Limited	Dormant	England	100	-

All these subsidiary undertakings are included in the consolidation.

Beaconbranch Limited is 100 per cent owned by Beacontree Plaza Limited.

Stakeholders' Momentum Investment Ltd ("SMIT") was acquired on 21st May 2010 and OSP Limited acquired on 26th May 2009. The acquisition of SMIT is disclosed under business combinations note 18.

12. Trade and other receivables

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Receivables from subsidiary undertakings	-	-	256	375
Investment debtor	41	41	41	41
Prepayments	14	12	13	12
Other receivables	285	358	69	474
	<u>340</u>	<u>411</u>	<u>379</u>	<u>902</u>

13. Trade and other payables

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Payables to subsidiary undertakings	-	-	479	91
Trade payables and accruals	319	287	194	118
Other payables	-	2	-	2
Corporation tax	-	1	-	-
	<u>319</u>	<u>290</u>	<u>673</u>	<u>211</u>



Notes Forming Part of the Financial Statements (continued)

For the year ended 31st July 2010

14. Provisions

	2010 £'000	2009 £'000
Balance as at 1 st August 2009	-	-
Provided in the year	1,416	-
Balance as at 31 st July 2010	1,416	-

At the date of acquisition, Stakeholders' Momentum Investment Trust Plc had a provision of £1,499,000 for potential litigation claims. At the 31st July 2010, the provision was estimated at £1,416,000.

Further details are disclosed in note 18.

15. Share Capital

Ordinary share capital	No. ('000)	2010 £'000	No. ('000)	2009 £'000
Authorised				
Ordinary shares of 25p each	28,000	7,000	28,000	7,000
Non-voting Convertible Preference shares of £1 each	1,000	1,000	1,000	1,000
Ordinary shares of 25p each issued and fully paid				
Balance as at 1 st August	17,505	4,376	13,946	3,487
Issue of shares	4,952	1,238	3,559	889
Balance as at 31 st July	22,457	5,614	17,505	4,376

There were no issued non-convertible preference shares in issue during the years to 31st July 2010 and 2009.

On 21st May 2010 the offer by the Company for Stakeholders' Momentum Investment Trust Plc was declared wholly unconditional leading to the issue of 4,952,131 ordinary 25p shares at an issue price £3.41 each as consideration over the period until 28th July 2010 when the remaining shares held by third parties were compulsorily acquired. Details of the acquisition are stated in note 18.

16. Own shares

Following the acquisition of Stakeholders' Momentum Investment Trust Plc, the Company was issued shares in itself as a result of SMIT shareholders' entitlements to partial shares.

At 31st July 2010, the Company held 52 shares at a book value of £177. These shares were disposed of following the year end.

17. Net asset value per share

	Net asset value per share		Net assets Attributable	
	2010 p	2009 p	2010 £'000	2009 £'000
Ordinary shares: basic and fully diluted	379.4	328.4	85,203	57,495

The basic net asset value per ordinary share is based on net assets at the year end and 22,457,086 (2009: 17,504,955) ordinary shares in issue, adjusted for any shares held in treasury.

**Notes Forming Part of the Financial Statements (continued)***For the year ended 31st July 2010***18. Business combinations**

On 21st May 2010 the Company acquired control of Stakeholders' Momentum Investment Trust Plc ("SMIT"), and subsequently acquired the remaining shares over the period until 28th July 2010. The Company acquired the whole of the issued share capital of SMIT comprising 5,818,645 ordinary 25p shares for £17,263,940. This was funded by the issue of 4,952,131 ordinary 25p shares at an issue price of £3.41 each totalling £16,886,767, and cash payment of £377,173.

The Board believes that the proposed merger will result in the Enlarged Group enjoying an increased scale which in turn should lead to the following benefits:

- a larger net asset base for the Enlarged Group which may provide more liquidity in MLIT Shares under normal market circumstances;
- while the terms of the Offer provide for the issue of new MLIT Shares in exchange for SMIT Shares valued at 100 per cent of Formula Asset Value ("FAV") under the Basic Offer, the Cash Alternative Offer is at a discount to FAV. To the extent that any SMIT Shareholders elect to receive the Cash Alternative Offer, there would be an enhancement in net asset value per MLIT Share (after providing for the costs of the Offer);
- costs reductions across the Enlarged Group of approximately £385,000 per annum through economies of scale and having one quoted holding company rather than two; and
- the potential utilisation of SMIT as an investment subsidiary of MLIT which may allow for the utilisation of brought forward surplus management expenses and non trade deficits in SMIT against investment income.

The net assets of the acquired company were as follows:

	2010
	£'000
Non-current assets	
Investment at fair value	19,103
Current assets	
Trade and other receivables	130
Cash and cash equivalents	345
Current liabilities	
Trade and other payables	(672)
Provisions	(1,499)
Net assets acquired	<u>17,407</u>
Net cash acquired on acquisition was:	
	£'000
Cash and cash equivalents	345
	<u>345</u>

The net assets used to determine the fair value were considered equal to the open market value.

At the date of acquisition and at 31st July 2010, SMIT was involved in legal disputes with Unicorn Asset Management Limited and Knox D'Arcy Asset Management Limited, who were both previous investment managers to SMIT. The aggregate of these claims was £711,125 at 31st July 2010, with potential associated legal costs amounting to £705,000. SMIT disputes these claims and has received legal advice that the claims would be unlikely to succeed. However, the quantum and date of any resolution cannot be measured with absolute certainty.

On 31st July 2010 the Company completed the transfer of selected assets from SMIT. This was funded through a capital distribution of £3.31 per ordinary 25p shares declared and paid to the Company on 31st July 2010.

**Notes Forming Part of the Financial Statements (continued)***For the year ended 31st July 2010***Business combinations (continued)**

	£'000
Non-current assets	
Investment at fair value through the profit or loss	19,267
Immediately following the asset transfer the Company recognised the following:	
	£'000
Non-current assets	
Investments at fair value through the profit or loss	19,267
	£'000
The results if SMIT had been acquired on 1st August 2009:	
Revenue for the 13 month period ended 31 st July 2010	5,777
Profit for the 13 month period ended 31 st July 2010	3,183
The result of SMIT from the date of acquisition	
Revenue for the period 26 th May 2009 to 31 st July 2009	2,391
Profit for the period 26 th May 2009 to 31 st July 2009	2,933

19. Derivatives and other 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 10, the Company holds derivatives and other financial instruments. All derivative transactions and financial instruments are included in the balance sheet at fair value and comprise securities, cash balances, trade receivables and trade payables arising directly from financial operations.

The main risks arising from the Group's investment strategy is market price risk. There is also exposure to liquidity risk, interest rate risk and currency 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 positions 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 2010 are shown in the 'Portfolio Investments' table on page 8.

If the price of these investments and the derivative financial instruments had increased by 3 per cent at the reporting date with all other variables remaining constant, the capital return in the income statement and the net assets attributable to equity holders of the Company would increase by £2,662,000.

A 3 per cent decrease in share prices would have resulted in an equal and opposite effect of £2,662,000, on the basis that all other variables remain constant.

**Notes Forming Part of the Financial Statements (continued)***For the year ended 31st July 2010***Derivatives and other financial instruments (continued)**

At the year end the Group's assets exposed to market price risk were as follows:

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Non-current assets				
Investments at fair value through profit and loss	84,343	51,924	82,340	51,924
Current assets				
Derivative financial instruments	4,394	4,571	2,317	3,676
	<u>88,737</u>	<u>56,495</u>	<u>84,657</u>	<u>55,600</u>

During the year the Company transacted in CFDs and covered calls, and its subsidiaries traded in various derivatives investments. As at the year end, there were no open positions in options which were not call positions sold against underlying holdings.

The position held in CFDs as at the year end is as follows:

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Current assets				
Derivative financial instruments	4,394	4,571	2,317	3,676
Current liabilities				
Derivative financial liabilities	(4,168)	(3,868)	(2,179)	(3,031)
	<u>226</u>	<u>703</u>	<u>138</u>	<u>645</u>

Interest rate risk

The Group is not subject to a material level of interest rate risk as there were no interest bearing borrowings for an extended period of time throughout the year.

At 31st July 2010, there are no fixed rate borrowings within the Group.

Liquidity risk

The Directors have minimised liquidity risk by investing in a portfolio of quoted companies that are readily realisable.

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

As at 31st July 2010 the financial liabilities comprised:

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Balance due to brokers	4,168	3,868	2,179	3,031
Provisions	1,416	-	-	-
Trade creditors and accruals	319	290	194	118
	<u>5,903</u>	<u>4,158</u>	<u>2,373</u>	<u>3,149</u>

All the above liabilities are stated at fair value and are due within 1 month.

**Notes Forming Part of the Financial Statements (continued)***For the year ended 31st July 2010***Derivatives and other financial instruments (continued)**

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

Currency rate risk

At 31st July 2010, all the Group's financial instruments were mainly denominated in sterling and so there was no significant currency risk. Only Jardine Matheson stock and EIH plc stock with market values of £2,131,000 and £805,000 respectively, are denominated in US Dollars, and only Syngenta stock with a market value of £3,378,000 is denominated in Swiss Francs.

The combined value represents 7.5 per cent of the Group's portfolio.

The Group manages currency rate risk through maintenance of foreign currency accounts, enabling the Group to translate balances as and when exchange rates are favourable to the Group.

20. Related party transactions

The Investment Manager of the Company is Midas Investment Management Limited ("Midas"), a company controlled by Mr B S Sheppard and his immediate family. Midas receives a quarterly investment management fee for these services which in the year under review amounted to a total of £352,000 (2009: £226,000) excluding VAT, together with a corporate fee for acting as financial adviser amounting to £30,000 (2009: £30,000) excluding VAT and commission fees of £259,000 (2009: £217,000). The balance owing at 31 July 2010 was £109,000 (2009: £58,000).

On 31st July 2010 the Company transferred stock to the value of £19,267,000 from Stakeholders' Momentum Investment Ltd, its subsidiary acquired on the 21st May 2010. The transfer was completed through a dividend in specie.

21. Ultimate control

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

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

22. Prior period adjustment

Intangible Assets, Share Premium, Accruals and Operating Expenses have been restated in the prior period.

	Group £'000	Company £'000
Intangible Assets	(25)	(25)
Share Premium	163	-
Accruals	(115)	-
Operating Expenses	(23)	25

These adjustments have been made due to a prior period in OSP Limited, a subsidiary, with regard to costs attributable to its acquisition.



Notice of Annual General Meeting

Notice is hereby given that the thirty eighth Annual General Meeting of Manchester & London Investment Trust plc will be held at The Midland Hotel, Peter Street, Manchester M60 2DS, on Thursday, 25th November 2010 at 12.45pm for the following purposes:

Ordinary Business

1. To adopt the Annual Report and Financial Statements for the year ended 31st July 2010.
2. To approve the Directors' Remuneration Report.
3. To declare a dividend of 6.5 pence per ordinary share.
4. To re-elect Mr P H A Stanley as a Director of the Company.
5. To re-elect Mr B S Sheppard as a Director of the Company.
6. To re-appoint CLB Coopers as Auditor and to authorise the Directors to determine their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions all of which will be proposed as special resolutions.

7. That the Company be authorised, in accordance with section 501 of the Companies Act 2006, to allot up to 11,228,543 ordinary shares. The authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or 15 months from the date of this resolution, whichever is earlier unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution.
8. That for the purposes of Article 5.2 of the Company's Articles of Association, the Section 561 amount shall be a nominal amount of £280,714 and the prescribed period shall be from the date of passing of this resolution to the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date of this resolution, whichever is earlier.
9. That the Company be and is hereby generally and unconditionally authorised, in accordance with section 701 of the Companies Act 2006 ("the Act"), to make market purchases (within the meaning of section 693 of the Act) of Ordinary shares of 25p each in the capital of the Company ("Ordinary shares") on such terms and in such manner as the Directors may from time to time determine provided that:
 - a) the maximum number of Ordinary shares hereby authorised to be purchased shall be 3,366,317;
 - b) the minimum price which may be paid for an Ordinary share is 25p;
 - c) the maximum price which may be paid for an Ordinary share (exclusive of expenses) is an amount equal to the higher of:
 - i. 105 per cent of the average of the middle market quotation for an Ordinary share (as derived from the London Stock Exchange Daily Official List) for the 5 business days immediately preceding the date on which the Ordinary share is contracted to be purchased; and
 - ii. the price of the last independent trade and the highest current independent bid for an Ordinary Share on the London Stock Exchange prior to the purchase;
 - d) the minimum and maximum prices for an Ordinary share referred to in sub-paragraphs (b) and (c) of this resolution are, in each case, exclusive of any expenses payable by the Company;
 - e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or 15 months from the date of this resolution, whichever is earlier unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; and
 - f) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiry of such authority.



Notice of Annual General Meeting (continued)

Registered Office
2nd Floor
Arthur House
Chorlton Street
Manchester
M1 3FH

By Order of the Board
P Thomas
Secretary

28th October 2010

Notes:

- (i) *Only those members registered on the Company's register of members at 6.00 p.m. on 23rd November 2010 are entitled to attend and vote at the Annual General Meeting (and if the Annual General Meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting). A member entitled to attend and vote at the Annual General Meeting convened by the above Notice is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend and speak and vote in his place. A proxy need not be a member of the Company. If no voting instructions are given, your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any matter which is put before the Annual General Meeting.*
- (ii) *Information regarding the Annual General Meeting, including the information required by section 311A of the Companies Act 2006, is available from www.manchesterandlondon.co.uk.*
- (iii) *To appoint a proxy you may use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be completed and returned in accordance with the instructions printed thereon to Manchester & London Investment Trust plc at 2nd Floor, Arthur House, Chorlton Street Manchester, M1 3FH, or delivered by post or by hand (during business hours only) as soon as possible and in any event by not later than 12.45 p.m. on 23rd November 2010.*
- (iv) *Completion of the Form of Proxy will not prevent you from attending and voting in person.*
- (v) *Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "Nominated Person") should note that the provisions in Notes (i) to (iv) above concerning the appointment of a proxy or proxies to attend the Annual General Meeting in place of a member, do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the Annual General Meeting.*
- (vi) *Nominated persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.*
- (vii) *Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only Shareholders registered in the register of members of the Company by not later than 6.00 p.m. two days prior to the time fixed for the Annual General Meeting shall be entitled to attend and vote at the Annual General Meeting in respect of the number of Shares registered in their name at such time. If the Annual General Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Annual General Meeting is 6.00 p.m. two days prior to the time of the adjournment. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.*



Notice of Annual General Meeting (continued)

- (viii) *In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.*
- (ix) *If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding 3 per cent or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.*
- (x) *Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the Meeting, unless: (i) answering the question would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.*
- (xi) *As at 28th October 2010, being the last business day prior to the printing of this Notice, the Company's issued capital consisted of 22,457,086 Ordinary Shares carrying one vote each. Therefore, the total voting rights in the Company as at 28th October 2010 are 22,457,086.*
- (xii) *The Articles of Association are available for inspection at the registered office of the Company, 2nd Floor, Arthur House, Chorlton Street, Manchester, M1 3FH, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Meeting and will be available for inspection at the place of the Meeting for at least 15 minutes prior to and during the Meeting.*
- (xiii) *The Register of Directors' interests kept by the Company in accordance with Section 325 of the Companies Act 2006 will be available for inspection at the Annual General Meeting.*
- (xiv) *Copies of Directors' service contracts will be available for inspection at the Registered Office of the Company during normal business hours until Tuesday 23rd November 2010 and at The Midland, Peter Street, Manchester M60 2DS, from 12.30pm on Thursday 25th November 2010 until the conclusion of the meeting.*



Shareholders Notes

**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 The Midland Hotel, Peter Street, Manchester M60 2DS, on 25th November 2010 and at any adjournment thereof.

* If you wish to appoint as proxy any person other than the Chairman of the Meeting, please delete Chairman of the 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.

Ordinary Resolutions	For	Against	Withheld
1. To adopt the Report and Accounts for the year ended 31 st July 2010.			
2. To approve the Directors' Remuneration Report.			
3. To declare a Dividend of 6.5 pence per Ordinary share.			
4. To re-elect Mr P H A Stanley as a Director of the Company.			
5. To re-elect Mr B S Sheppard as a Director of the Company.			
6. To reappoint CLB Coopers as Auditor and to authorise the Directors to determine their remuneration.			
Special Resolutions			
7. To grant authority to issue 11,228,543 ordinary shares.			
8. To grant authority to issue up to 1,122,854 shares for cash on a non pre-emptive basis.			
9. To renew the authority to acquire up to 14.99 per cent of the issued Ordinary shares.			

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 _____ 2010

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.
- (5) A vote withheld is not a vote in law and will not count in the proportion of the vote for or against the resolution.
- (6) Completion and return of the proxy will not preclude you from attending and voting in person at the Annual General Meeting should you subsequently decide to do so.

2nd FOLD

BUSINESS REPLY SERVICE
Licence No. MR 7433

1



1st FOLD

Manchester & London Investment Trust plc
2nd Floor
Arthur House
Chorlton Street
Manchester
M1 3FH

3rd FOLD AND TUCK IN



Shareholder Benefits

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

Centre Court

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

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 Debentures 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.

Ways of Investing in Manchester & London Investment Trust plc

The shares of Manchester & London Investment Trust plc ("MLIT" or "the Company") are listed on the Official List and traded on the London Stock Exchange. Private investors can buy or sell shares by placing an order either directly with a stockbroker or through an Independent Financial Adviser. Alternatively, investments can be made through the Company's Share Savings Plan or the MLIT Individual Savings Account ("ISA").

1. THE MLIT INVESTMENT PLAN

MLIT operates a zero-charge Savings Plan and all cash (whether from subscriptions or dividends) is reinvested in the Company's shares on the earliest dealing day. Investors have the option of making a lump sum payment to the Plan or regular payments, on a monthly or quarterly basis, whichever is preferred. The Plan can be held jointly or be set up for the benefit of children and there is no upper limit on the amount which can be invested.

2. THE MLIT ISA

Like the Savings Plan, the MLIT zero-charge ISA consists solely of MLIT shares and all cash (whether from subscriptions or dividends) is reinvested in the Company's shares on the earliest dealing day. There are no commissions or annual administration charges on the ISA. Subscriptions may be made either by lump sum or by monthly payments. The current lump sum minimum payment is £1,500 with the maximum subscription per year of £10,200.

3. THE TRANSFER OF OTHER ISAs INTO THE MLIT ISA

Equity ISAs and cash ISAs which are currently held by other managers may be transferred into an MLIT ISA free of charge. The costs of selling the existing holdings and purchasing the MLIT shares will also be free of charge.

DISPOSAL OF OTHER SHAREHOLDINGS

MLIT offers a facility whereby holders may sell any of their existing shares without incurring any stockbroking costs as long as the full proceeds are reinvested into MLIT shares. The purchases will also be undertaken free of commission.

Please contact Midas on 0161 228 1709 should you require further details on these savings plans and for our full terms and conditions.



Shareholders Notes