

**RIGHTS
AND
ISSUES
INVESTMENT
TRUST
P.L.C.**

FINAL
REPORT
AND
ACCOUNTS
2009

A SELF MANAGED INVESTMENT TRUST

47

CAPITAL STRUCTURE

CAPITAL	INCOME	PREFERENCE
<p>ISSUE 1,640,000 shares of 25p each.</p>	<p>ISSUE 2,460,000 shares of 25p each.</p>	<p>ISSUE 200,000 shares of £1 each.</p>
<p>INCOME ENTITLEMENT A supplementary dividend payment of 2.75% net on the capital reserves in complete units of £160,000 in excess of £382,536 and 1/31st of the distribution of all profits after the payment of preference and supplementary capital dividends by way of dividend.</p>	<p>INCOME ENTITLEMENT 30/31st of the distribution of all profits after the payment of preference and supplementary capital dividends by way of dividend.</p>	<p>INCOME ENTITLEMENT A dividend payment of 5.5p net per share on 2nd January.</p>
<p>CAPITAL ENTITLEMENT 42.2278p per share and 75% of the surplus assets on liquidation.</p>	<p>CAPITAL ENTITLEMENT 29.0650p per share and 25% of the surplus assets on liquidation.</p>	<p>CAPITAL ENTITLEMENT Repayment at par on liquidation.</p>
<p>VOTING One and a half votes per share on ordinary business and ten votes on a motion to liquidate.</p>	<p>VOTING One vote per share.</p>	<p>VOTING No vote normally for ordinary business and one vote per share on a motion to liquidate.</p>
<p>PRICE (at 31st December, 2009): 1695.0p.</p>	<p>PRICE (at 31st December, 2009): 432.5p.</p>	
<p>GROSS YIELD 4.6%.</p>	<p>GROSS YIELD 6.6%.</p>	
<p>DISCOUNT 21.5%.</p>	<p>DISCOUNT 21.3%.</p>	
<p>DESCRIPTION Capital shares are of interest to capital orientated investors wishing some income.</p>	<p>DESCRIPTION Income shares are of interest to income orientated investors wishing some participation in capital growth.</p>	<p>DESCRIPTION Preference shares provide an element of gearing to the other classes.</p>

THE TRUST MAY BE LIQUIDATED AT ANY TIME, BUT THE BOARD OF DIRECTORS HAVE INDICATED THAT IT IS NOT THEIR PRESENT INTENTION TO DO SO PRIOR TO 25TH JULY, 2011.

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

RECENT RECORD

Year to 31st December	Net asset value per Capital Share	Net asset value per Capital Share (Index 1984 = 100)	Net dividend per Capital Share	Net asset value per Income share	Net dividend per Income Share	FT All Share Index	FT All Share Index (Rebased 1984 = 100)
1989	392.7p	338	5.5750p	109.9p	6.5p	1204.70	203
1990	301.7p	260	6.9375p	90.3p	7.5p	1032.60	174
1991	357.8p	308	8.1805p	102.2p	8.0p	1187.70	200
1992	392.5p	338	8.4638p	109.4p	8.3p	1363.79	230
1993	545.7p	470	9.0204p	144.9p	8.7p	1682.17	284
1994	583.2p	502	10.6651p	154.1p	9.4p	1521.44	257
1995	699.8p	602	12.0616p	182.7p	10.5p	1802.56	304
1996	780.1p	671	13.2598p	204.8p	13.0p	2013.66	340
1997	1074.6p	925	15.4378p†	274.9p	19.0p†	2411.00	407
1998	1199.9p	1033	23.4990p	304.3p	19.25p	2673.92	451
1999	1590.9p	1369	28.7591p	396.3p	22.5p	3242.06	547
2000	1895.4p	1631	31.3238p	467.9p	25.5p	2983.81	503
2001	1858.4p	1599	41.2323p	465.8p	30.5p	2523.88	426
2002	1640.6p	1412	48.6012p	417.1p	33.0p	1893.70	319
2003	2194.5p	1889	50.8226p	542.9p	34.5p	2207.40	372
2004	2573.1p	2214	50.9226p	633.3p	36.5p	2410.80	407
2005	2928.1p	2520	58.0982p	751.8p	40.5p	2847.00	480
2006	3669.8p	3158	68.1750p	920.3p	43.5p	3221.40	543
2007	3342.1p	2876	70.9829p	851.4p	46.0p	3286.70	554
2008	1643.3p	1414	70.3329p	459.0p	33.0p	2209.29	373
2009	2158.5p	1858	69.9579p	549.3p	25.5p	2760.80	466

† = includes special dividend

DIRECTORS AND ADVISERS

DIRECTORS

S. H. J. A. KNOTT *Chairman*

B. A. BEVERLEY

D. M. BRAMWELL

S. J. B. KNOTT

REGISTERED OFFICE

No. 1 Poultry
London EC2R 8JR

Company registration number 736898
Registered in England

MANAGERS AND SECRETARIES

DISCRETIONARY UNIT FUND MANAGERS LTD

No. 1 Poultry
London EC2R 8JR

SOLICITORS

EVERSHEDS
Senator House
85 Queen Victoria Street
London EC4V 4JL

AUDITORS

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

REGISTRARS

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

BROKERS

ARBUTHNOT SECURITIES LTD
20 Ropemaker Street
London EC2Y 9HR

BANKERS

HSBC BANK PLC
Poultry and Princes Street
London EC2P 2BX

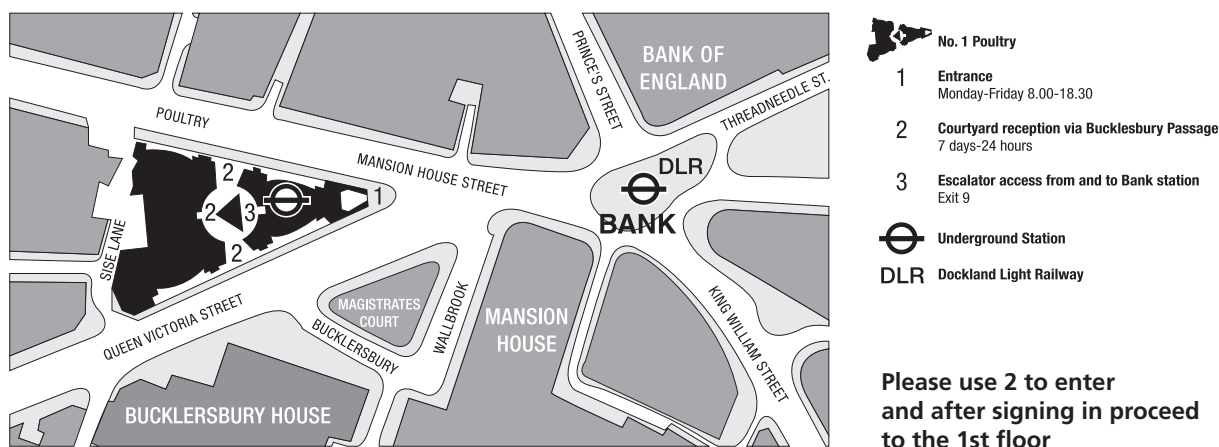
NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the FORTY SEVENTH ANNUAL GENERAL MEETING of the members of RIGHTS AND ISSUES INVESTMENT TRUST PUBLIC LIMITED COMPANY will be held at No. 1 Poultry, London EC2R 8JR, on 25th March, 2010, at 12 noon, for the following purposes:

1. To adopt the Directors' report, Directors' remuneration report and accounts for the year ended 31st December, 2009 and declare dividends.
2. To re-elect B. A. Beverley as a Director.
3. To re-elect S. J. B. Knott as a Director.
4. To re-elect D. Bramwell as a Director.
5. To re-elect S. H. J. A. Knott as a Director.
6. To reappoint Auditors and authorise the Directors to fix their remuneration.
7. To transact any other business at the Annual General Meeting.

By Order of the Board,
DISCRETIONARY UNIT FUND MANAGERS LIMITED
Secretaries

23rd February, 2010



A member of the Company who is entitled to attend and vote may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

To appoint more than one proxy, additional proxy forms may be obtained by contacting the registrars. Please indicate in the box under the resolution the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instructions are one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's agent, Capita Registrars (whose CREST ID is RA10) by the specified latest time(s) for receipt of proxy appointments. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

A register showing the transactions of each Director and so far as he is aware the transactions of his family in the Company's Income, Capital and Preference Shares will be available for inspection at the offices of the Secretaries, No. 1 Poultry, London EC2R 8JR, during normal business hours every weekday except Saturdays, from the above date to the day preceding that of the Annual General Meeting. It will also be available for inspection at the place of the meeting for 15 minutes prior to the Annual General Meeting and during the meeting. There are no contracts of service existing between the Company and any of the Directors.

CHAIRMAN'S STATEMENT

The UK economy shrank by 4.8% in 2009, its largest annual fall since the Great Depression. This had a substantial impact on UK smaller companies and, in particular, on those that were either heavily geared or exposed to the capital goods cycle.

Given the economic woe, it may appear surprising that the UK stock market staged a significant recovery during the year. As always it is anticipation that counts and the events of 2009 had already been discounted. This explains the 25.0% rise in the FTSE All-Share index and the even larger rises in small cap indices.

Your Trust has had a mixed year with the majority of investments recouping their previous falls but there were also casualties. The net asset value of the capital shares rose from 1643.3p to 2158.5p and that of the income shares from 459.0p to 549.3p. This represents an increase of 31.4% and 19.7% respectively.

Discretionary Unit Fund Managers experienced a modest improvement with pre-tax profits of just under £150,000. It benefited in the year from the stock market rise and therefore enjoyed some stock profits which are unlikely to be repeated in the current year.

With the fall in contribution from Discretionary Unit Fund Managers in the last two years and the dramatic decline in investment income this year, Your Directors feel it prudent to reduce further the level of dividend to 25.5p per income share and 1.275p per capital share. There is now a greater emphasis within the investment portfolio on income generation and it is hoped that this level of distribution will be covered within a few years. In the meantime, Your Trust is able to draw upon the substantial dividend reserves built up over the years. Additionally, the supplementary capital dividend of 68.6829p per capital share was paid on 2nd January, 2010 and, barring unforeseen circumstances, will be maintained at 68.6829p per capital share payable on 2nd January, 2011.

The prospects for 2010 are difficult to fathom. Weak sterling is helping the recovery in exports but the outlook for public expenditure after the forthcoming General Election is dire. The performance of many smaller companies in the recent adverse conditions has been encouraging and demonstrates the virtues of investment in this area.

S. H. J. A. KNOTT

Chairman

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their forty-seventh Annual Report, together with audited accounts in respect of the year ended 31st December, 2009.

BUSINESS REVIEW

INTRODUCTION

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

BUSINESS OF THE COMPANY

The Company is an investment trust and was approved by HM Revenues & Customs as an investment trust in accordance with Section 842 of the Incomes & Corporations Taxes Act 1988 ("S842 ICTA") for the year ended 31st December 2008. Since that date, the Company has conducted its affairs so that it should continue to qualify.

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

A review of the business is included in the Chairman's statement. The results are shown on page 13 and the dividends are disclosed in note 6 on page 19.

INVESTMENT POLICY

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

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

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

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

PERFORMANCE

Group assets have increased from £38,442,095 to £49,111,143 and at 31st December 2009, the net assets values of the income and capital shares were 549.3p and 2158.5p respectively. Further commentary on the Groups performance is given in the Chairman's statement.

KEY PERFORMANCE INDICATORS

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

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

Dividends per income share

Total Expense Ratio

Shareholders funds capital return

In reviewing the performance of the Company, the Board monitors shareholders funds in relation to the FTSE All-Share Index. During the year shareholders funds increased by 27.8% compared with 25.0% by the FTSE All-Share Index. Over the five years shareholders funds fell by 15.3% compared with a rise of 14.5% by the FTSE All-Share Index.

Dividends per income share

The total dividend per income share was 25.5p.

Total Expense Ratio ("TER")

The TER shows the efficiency of control of management costs. The TER for the year ended 31st December 2009 was 0.63%.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks facing the Company are financial and regulatory.

REPORT OF THE DIRECTORS continued*Financial risks*

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

Regulatory and other risks

It is necessary to abide by S842 ICTA to maintain investment trust status. This is achieved by the consistent investment policy and is monitored by the Board.

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

FUTURE DEVELOPMENTS

This is considered further in the Chairman's Statement.

ENVIRONMENTAL, SOCIAL AND COMMUNITY ISSUES

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

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

EMPLOYEES

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

DIRECTORS

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

	Capital		Income	
	31st December, 2009	31st December, 2008	31st December, 2009	31st December, 2008
S. H. J. A. Knott	225,670	225,670	203,505	203,505
B. A. Beverley	17,500	17,500	32,500	32,500
D. M. Bramwell	–	–	20,000	20,000
S. J. B. Knott	25,000	25,000	5,000	5,000

No changes in the Directors' interests shown above have occurred since 31st December, 2009.

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

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

SUBSTANTIAL SHAREHOLDINGS

The Company has been notified of the undermentioned shareholdings which are in excess of 3% of the respective classes of the issued share capital of the Company at 23rd February, 2010.

	Capital Shares	Income Shares	Preference Shares
V. M. Barr	72,540	96,829	–
N. W. Brown Nominees	86,698	–	–
Dartmoor Investment Trust	–	150,500	–
Discretionary Unit Fund	150,000	–	–
Giltspur Nominees	–	86,441	–
Barclays Plc	53,900	123,602	–
HSBC Global Custody Nominees (UK)	100,000	–	–
L.W. & B.I. Potter	–	145,000	–
Rulegale Nominees	–	–	67,934
Taylor Young Investment Management (Ltd)	156,900	331,090	–

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

GENERAL

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

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

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

In accordance with Section 489 of the Companies Act 2006, a resolution proposing the reappointment of Begbies Chettle Agar as auditors of the Company will be put to the Annual General Meeting.

23rd February, 2010

By Order of the Board,
DISCRETIONARY UNIT FUND MANAGERS LIMITED
Secretaries

CORPORATE GOVERNANCE AND DIRECTORS' REMUNERATION

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

THE BOARD OF DIRECTORS

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

PRINCIPLES OF GOOD GOVERNANCE

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

SCHEME OF DELEGATION

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

REPORTING AND CONTROLS

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

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

After reviewing the Trust's budget for 2010 and its medium-term plans, the Directors have reasonable expectation that the Trust has adequate resources to continue its operations for the foreseeable future. Therefore, they adopt the going concern basis in preparing the accounts.

RELATIONSHIP WITH SHAREHOLDERS

The Investment Director maintains a regular dialogue with major shareholders.

THE CODE OF BEST PRACTICE

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

A.1.2

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

A.4.6

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

A.6.1 & A.7.2

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

B.1.1 to B.2.4 (DIRECTORS' REMUNERATION)

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

C.3.1 to C.3.7

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

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

DIRECTORS' DETAILS

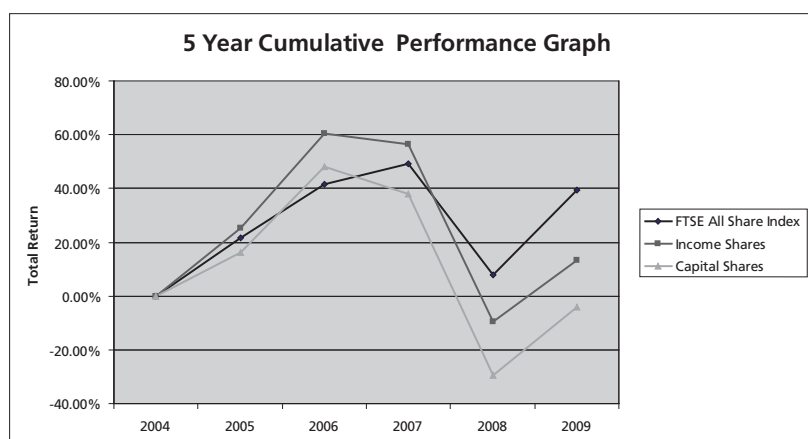
	Fees and Salaries	
	2009	2008
	£	£
S. H. J. A. KNOTT <i>Chairman</i> , aged 78 years He was a Director of a number of PLCs	14,000	14,000
B. A. BEVERLEY <i>Non-executive</i> , aged 74 years He was a Director of Greig Middleton & Co. Limited	8,000	8,000
D. M. BRAMWELL <i>Deputy Chairman and Senior Independent</i> , aged 62 years He is Chairman of Intelek PLC	13,800	14,100
S. J. B. KNOTT <i>Executive</i> , aged 51 years He is investment manager	100,000	140,000

THE DIRECTORS' REMUNERATION REPORT

The Trust does not have a remuneration committee.

THE TRUST'S POLICY ON DIRECTORS' REMUNERATION

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



The FTSE All Share Index has been used as the appropriate index as this is our benchmark index

DIRECTORS' EMOLUMENTS (AUDITED)

	S. H. J. A. Knott	B. A. Beverley	D. M. Bramwell	S. J. B. Knott
Emoluments and Compensation				
Salary and fees	14,000	8,000	13,800	100,000
Bonus				
Ex gratia				
Non-cash benefits				
Total 2009	14,000	8,000	13,800	100,000
Total 2008	14,000	8,000	14,100	140,000
Share Options	-	-	-	-
Long term incentive schemes	-	-	-	-
Excess retirement benefits of past and current Directors	-	-	-	-
Compensation of past Directors	-	-	-	-
Sums paid to third parties in respect of Directors' services	-	-	-	-

S. H. J. A. Knott, Director

S. J. B. Knott, Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are required to prepare the accounts for each financial year which present fairly the financial position of the Group and the financial performance and cashflows of the Company and the Group for that period. In preparing those Accounts the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance;
- state that the Company has complied with IFRS subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Accounts comply with the Companies Act 2006 and Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

The directors confirm that to the best of their knowledge that:

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

INDEPENDENT AUDITORS' REPORT

To the Members of Rights and Issues Investment Trust PLC

We have audited the financial statements of Rights and Issues Investment Trust PLC for the year ended 31st December which comprise the Group Income Statement, the Group and Parent Balance Sheets, the Group and Parent Statements of Changes in Equity, the Group and Parent Cash Flow Statements and the related notes. The reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards to the parent company's financial statements, as applied in accordance with provisions of the Companies Act 2006.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the Directors are responsible for preparing the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group and parent Company's affairs as at 31st December 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the Companies Act 2006 and as regards the group financial statements, Article 4 of IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 8 and 9 with respect to internal control and management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 8, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 8 and 9 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

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

25 City Road
London
23rd February 2010

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December, 2009

Notes	Year ended 31st December, 2009			Year ended 31st December, 2008		
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Investment income	1,337,008	-	1,337,008	2,190,628	-	2,190,628
Other operating income	238,092	-	238,092	601,994	-	601,994
Total income	1,575,100	-	1,575,100	2,792,622	-	2,792,622
Gains/(Losses) on fair value through profit or loss assets	88,079	11,299,776	11,387,855	(316,824)	(37,130,786)	(37,447,610)
	1,663,179	11,299,776	12,962,955	2,475,798	(37,130,786)	(34,654,988)
Expenses						
Investment management fee	-	-	-	-	-	-
Other expenses	502,147	-	502,147	540,400	-	540,400
	502,147	-	502,147	540,400	-	540,400
Profit before tax	1,161,032	11,299,776	12,460,808	1,935,398	(37,130,786)	(35,195,388)
Tax	-	-	-	1,561	-	1,561
Profit for the period	1,161,032	11,299,776	12,460,808	1,936,959	(37,130,786)	(35,193,827)
Earnings per share						
Return per income share (p)	0.9p	114.8p	115.7p	31.5p	(377.4)p	(345.9)p
Return per capital share (p)	68.7p	516.8p	585.5p	70.3p	(1698.1)p	(1627.8)p

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

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

CONSOLIDATED BALANCE SHEET

as at 31st December, 2009

	Notes	Company		Group	
		2009 £	2008 £	2009 £	2008 £
Non-current assets					
Goodwill	8	-	-	65,191	65,191
Investments – Fair value through profit or loss	10	44,425,529	35,413,748	43,994,057	34,982,276
		44,425,529	35,413,748	44,059,248	35,047,467
Current assets					
Trading investments		-	-	498,578	419,606
Trade and other receivables	14	238,011	188,136	244,640	211,553
Current tax receivable		29,291	1,648	-	-
Amounts due from group undertakings		949,329	800,849	-	-
Cash and cash equivalents		3,630,674	2,202,487	4,470,403	3,031,234
		4,847,305	3,193,120	5,213,621	3,662,393
Total assets		49,272,834	38,606,868	49,272,869	38,709,860
Current liabilities					
Trade and other payables	15	40,595	43,677	161,726	267,765
Current tax payable		-	-	-	-
		40,595	43,677	161,726	267,765
Total assets less current liabilities		49,232,239	38,563,191	49,111,143	38,442,095
Net assets		49,232,239	38,563,191	49,111,143	38,442,095
Equity					
Called up share capital	16	1,225,000	1,225,000	1,225,000	1,225,000
Share premium account	17	225,326	225,326	225,326	225,326
Retained reserves:					
Capital reserve	17	37,150,280	40,751,585	37,150,280	40,751,585
Revaluation reserve	17	9,217,143	(5,683,938)	9,217,143	(5,683,938)
Dividend equalisation reserve	17	1,414,490	2,045,218	1,293,394	1,924,122
Total equity		49,232,239	38,563,191	49,111,143	38,442,095
Net asset value per share					
Income shares				549.3p	459.0p
Capital shares				2158.5p	1643.3p

The financial statements were approved by the board and authorised for issue on 23rd February 2010. They were signed on its behalf by:

S. H. J. A. Knott, Director

S. J. B. Knott, Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December, 2009

	Share capital £	Share premium account £	Capital reserve £	Revaluation reserve £	Dividend equalisation reserve £	Total £
Balance at 31st December, 2007	1,225,000	225,326	40,668,355	31,530,078	2,306,183	75,954,942
Changes in equity for 2008						
(Loss)/Profit for the period	–	–	83,230	(37,214,016)	1,936,959	(35,193,827)
Total recognised income and expense	1,225,000	225,326	40,751,585	(5,683,938)	4,243,142	40,761,115
Dividends	–	–	–	–	(2,319,020)	(2,319,020)
Balance at 31st December, 2008	1,225,000	225,326	40,751,585	(5,683,938)	1,924,122	38,442,095
Changes in equity for 2009						
Profit/(Loss) for the period	–	–	(3,601,305)	14,901,081	1,161,032	12,460,808
Total recognised income and expense	1,225,000	225,326	37,150,280	9,217,143	3,085,154	50,902,903
Dividends	–	–	–	–	(1,791,760)	(1,791,760)
Balance at 31st December, 2009	1,225,000	225,326	37,150,280	9,217,143	1,293,394	49,111,143

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December, 2009

	Share capital £	Share premium account £	Capital reserve £	Revaluation reserve £	Dividend equalisation reserve £	Total £
Balance at 31st December, 2007	1,225,000	225,326	40,668,355	31,530,078	2,427,279	76,076,038
Changes in equity for 2008						
Profit for the period	–	–	83,230	(37,214,016)	1,936,959	(35,193,827)
Total recognised income and expense	1,225,000	225,326	40,751,585	(5,683,938)	4,364,238	40,882,211
Dividends	–	–	–	–	(2,319,020)	(2,319,020)
Balance at 31st December, 2008	1,225,000	225,326	40,751,585	(5,683,938)	2,045,218	38,563,191
Changes in equity for 2009						
Profit for the period	–	–	(3,601,305)	14,901,081	1,161,032	12,460,808
Total recognised income and expense	1,225,000	225,326	37,150,280	9,217,143	3,206,250	51,023,999
Dividends	–	–	–	–	(1,791,760)	(1,791,760)
Balance at 31st December, 2009	1,225,000	225,326	37,150,280	9,217,143	1,414,490	49,232,239

CASH FLOW STATEMENT

for the year ended 31st December, 2009

	Company		Group	
	2009	2008	2009	2008
Notes	£	£	£	£
Cashflows from operating activities				
(Loss)/Profit before tax	12,431,517	(35,195,475)	12,460,808	(35,195,388)
Adjustments for:				
Losses/(Gains) on investments	(11,299,776)	37,130,786	(11,299,776)	37,130,786
Purchases of investments	(5,202,296)	(953,318)	(5,202,296)	(953,318)
Proceeds on disposal of investments	19 7,490,291	768,589	7,490,291	768,589
Movement in trading investments	19 -	-	(78,972)	200,191
Operating cash flows before movements in working capital	3,419,736	1,750,582	3,370,055	1,950,860
Decrease/(increase) in receivables	(198,355)	(134,705)	(33,087)	101,527
Increase/(decrease) in payables	(3,082)	5	(106,039)	(309,165)
Net cash from operating activities before income taxes	3,218,299	1,615,882	3,230,929	1,743,222
Income taxes received/(paid)	1,648	70,000	-	(85,252)
Net cash from operating activities	3,219,947	1,685,882	3,230,929	1,657,970
Cash flows from financing activities				
Dividends paid	(1,791,760)	(2,319,020)	(1,791,760)	(2,319,020)
Net cash (used in)/from financing activities	(1,791,760)	(2,319,020)	(1,791,760)	(2,319,020)
Net increase/(decrease) in cash and cash equivalents	1,428,187	(633,138)	1,439,169	(661,050)
Cash and cash equivalents at beginning of year	2,202,487	2,835,625	3,031,234	3,692,284
Cash and cash equivalents at end of year	3,630,674	2,202,487	4,470,403	3,031,234

NOTES TO THE ACCOUNTS

for the year ended 31st December, 2009

1. ACCOUNTING POLICIES

Basis of Accounting

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

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

Basis of Consolidation

The Group accounts include the accounts of the Company and all its subsidiary undertakings drawn up to 31st December, each year, from the effective date of acquisition. No revenue account is presented for Rights and Issues Investment Trust PLC, as provided by S408 of the Companies Act 2006.

Presentation of income statement

In order to better reflect the activities of an investment trust company and in accordance with the guidance issued by the AITC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. In accordance with the Company's status as a UK investment company under section 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend. Additionally, the net revenue is the measure the Directors believe appropriate in assessing the group's compliance with the certain requirements set out in Section 842 Income and Corporation Taxes Act 1988.

Income

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

Expenses

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

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

Taxation

The charge for taxation is based on the net revenue for the year. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Investment trusts which have approval under Section 842 Income and Corporation Taxes Act 1988 are not liable for taxation on capital gains.

Investments

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

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

Trading investments are valued at fair value.

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

Goodwill

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

NOTES TO THE ACCOUNTS continued

for the year ended 31st December, 2009

2. INCOME

	Group	
	2009	2008
	£	£
Income from investments		
Franked investment income	1,337,008	2,190,628
UK unfranked investment income	-	-
Foreign income dividends	-	-
Scrip dividends	-	-
Income from group undertakings	-	-
Other	-	-
	1,337,008	2,190,628
Other operating income		
Deposit interest	4,497	148,463
Underwriting commission	-	-
Stock lending fees	-	-
Other	233,595	453,531
	238,092	601,994
Total income	1,575,100	2,792,622
Total income comprises:		
Dividends	1,337,008	2,190,628
Interest	4,497	148,463
Other income	233,595	453,531
	1,575,100	2,792,622
Income from investments		
Listed UK	1,035,003	1,684,076
Unlisted	302,005	506,552
	1,337,008	2,190,628

3. OTHER EXPENSES

	2009	2008
	£	£
Staff costs (note 4)	307,116	334,559
Auditors remuneration		
– Audit	14,450	14,450
– Other services to the company and its subsidiaries	3,350	3,350
Goodwill amortisation	-	-
Operating Leases – other	-	-
Other	177,231	188,041
	502,147	540,400

4. STAFF COSTS

	2009	2008
	£	£
Wages and salaries	267,954	293,187
Social security costs	26,762	28,972
Pensions	12,400	12,400
	307,116	334,559
	Number	Number
The average number of staff employed by the group was	3	3
Directors' emoluments	135,800	176,100
Ex Gratia payments	-	8,000
	135,800	184,100

5. TAX ON ORDINARY ACTIVITIES

	2009	2008
	£	£
UK Corporation Tax at 28% (2008: 20.75%)	-	-
Adjustments to prior years	-	(1,561)
	<u>-</u>	<u>(1,561)</u>
Profit before tax	1,161,032	1,935,398
Tax on profit at standard rate	325,089	401,595
Factors affecting the recovery/charge for the year:		
Expenses not taxed	1,401	2,075
Income not taxable	(374,362)	(454,567)
Adjustment to prior year	-	(1,561)
Unutilised losses carried forward	57,254	50,897
Marginal relief	(9,382)	-
Losses utilised in period	-	-
	<u>-</u>	<u>(1,561)</u>

6. DIVIDENDS AND OTHER APPROPRIATIONS

Amounts recognised as distributions to equity holders in the period:

	2009	2008	2009	2008
	p	p	£	£
Income				
Final dividend for the year ended 31st December, 2008	17.00	30.50	418,200	750,300
Interim dividend for the year ended 31st December, 2009	8.50	16.00	209,100	393,600
Capital				
Final dividend for the year ended 31st December, 2008	1.6500	2.3000	27,060	37,720
Supp cap dividend for the year ended 31st December, 2009	68.6829	68.6829	1,126,400	1,126,400
			<u>1,780,760</u>	<u>2,308,020</u>
Dividends on non-equity shares:				
Cumulative preference	5.5%	5.5%	11,000	11,000

The Articles provide for a supplementary Dividend to Capital Shareholders to be paid not only in respect of future potential Preference Share issues which are not made, but also the 20,480,000 Preference Shares which could have been issued following the increases in the Capital Reserve revealed by the accounts since 1981.

	2009	2008	2009	2008
	p	p	£	£
Income				
Proposed final dividend for the year ended 31st December, 2009	17.00	17.00	418,200	418,200
Capital				
Proposed final dividend for the year ended 31st December, 2009	1.2750	1.6500	20,910	27,060

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

NOTES TO THE ACCOUNTS continued

for the year ended 31st December, 2009

6. DIVIDENDS AND OTHER APPROPRIATIONS (continued)

We also set out below the total dividend payable in respect of the financial year, which is the basis on which the requirements of Section 842 Income and Corporation Taxes Act 1988 are considered.

	2009 p	2008 p	2009 £	2008 £
Dividends on equity shares				
Income				
Interim dividend for the year ended 31st December, 2009	8.50	16.00	209,100	393,600
Proposed final dividend for the year ended 31st December, 2009	17.00	17.00	418,200	418,200
	<u>25.50</u>	<u>33.00</u>		
Capital				
Supp cap dividend for the year ended 31st December, 2009	68.6829	68.6829	1,126,400	1,126,400
Proposed final dividend for the year ended 31st December, 2009	1.2750	1.6500	20,910	27,060
	<u>69.9579</u>	<u>70.3329</u>	<u>1,774,610</u>	<u>1,965,260</u>

7. RETURN PER SHARE

	2009			2008		
	Income £	Capital £	Total £	Income £	Capital £	Total £
Return attributable to equity shareholders:						
Revenue return	22,870	1,127,162	1,150,032	773,767	1,152,192	1,925,959
Capital return	2,824,944	8,474,832	11,299,776	(9,282,697)	(27,848,089)	(37,130,786)
	<u>2,847,814</u>	<u>9,601,994</u>	<u>12,449,808</u>	<u>(8,508,930)</u>	<u>(26,695,897)</u>	<u>(35,204,827)</u>
	p	p		p	p	
Revenue return	0.9	68.7		31.5	70.3	
Capital return	114.8	516.8		(377.4)	(1,698.1)	
	<u>115.7</u>	<u>585.5</u>		<u>(345.9)</u>	<u>(1,627.8)</u>	

8. GOODWILL

	2009 £	2008 £
Cost		
At beginning and end of the year	65,191	65,191
Impairment losses		
At beginning and end of year	–	–
Net Book Value		
At 31st December, 2009	65,191	65,191
At 31st December, 2008	65,191	65,191

9. INVESTMENTS**Analysis of the investments**

The number of companies or institutions in which equities, convertibles or fixed interest securities were held was 36 (2008: 37).

	2009		2008	
	£	%	£	%
EQUITY GROUPS				
Basic Materials				
Chemicals	3,391,650	7.71	1,178,350	3.37
Industrials				
Construction & Materials	1,440,700	3.28	1,238,300	3.54
General Industrials	2,671,145	6.07	1,011,000	2.89
Electronic & Elec Equip	1,646,500	3.74	1,276,905	3.65
Industrial Engineering	8,344,729	18.97	5,248,976	15.00
Support Services	15,491,700	35.21	10,784,083	30.83
Health Care				
Health Care Equipment & Servs	-	-	2,175,000	6.22
CONSUMER SERVICES				
Technology				
Software & Computer Services	907,200	2.06	816,000	2.34
Financials				
Banks	271,636	0.62	371,726	1.06
Non Life Insurance	-	-	-	-
Real Estate	149,750	0.34	385,686	1.10
FIXED INTEREST				
Preference	492,000	1.12	432,000	1.23
AIM	9,187,047	20.88	10,064,250	28.77
Unquoted	-	-	-	-
Total UK	43,994,057	100.00	34,982,276	100.00

12. SUBSIDIARY UNDERTAKINGS

The Company had investments in the following subsidiary undertakings:

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

13. SIGNIFICANT INTERESTS

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

Name	
Chamberlin	13.4%
Colefax Group	14.2%
Dyson	3.0%
Eleco Holdings	5.1%
Intelek	14.3%
LPA Industries	3.7%
Macfarlane Group	5.8%
Scapa Group	7.2%
Thorpe F.W.	3.9%
Titon Holdings	12.0%
Treatt	5.4%

14. TRADE AND OTHER RECEIVABLES

	Company		Group	
	2009	2008	2009	2008
	£	£	£	£
Amounts due from brokers	-	-	-	-
Trade debtors	-	-	-	-
Corporation tax	29,291	1,648	-	-
Prepayments and accrued income	238,011	188,136	244,640	207,424
Other debtors	-	-	-	4,129
	267,302	189,784	244,640	211,553

NOTES TO THE ACCOUNTS continued

for the year ended 31st December, 2009

15. TRADE AND OTHER PAYABLES

	Company		Group	
	2009 £	2008 £	2009 £	2008 £
Bank overdraft	-	-	-	-
Amounts due to brokers	-	-	-	-
Trade payables	-	-	-	173,457
Accruals	40,595	43,677	161,726	94,308
	40,595	43,677	161,726	267,765

16. SHARE CAPITAL

	2009 £	2008 £
Authorised		
200,000 5.5% (Net) Cumulative Preference Shares of £1 each	200,000	200,000
2,400,000 Capital Shares of 25p each	600,000	600,000
3,600,000 Income Shares of 25p each	900,000	900,000
	1,700,000	1,700,000
Allotted, Called Up and Fully Paid		
200,000 5.5% (Net) Cumulative Preference Shares of £1 each	200,000	200,000
1,640,000 Capital Shares of 25p each	410,000	410,000
2,460,000 Income Shares of 25p each	615,000	615,000
	1,225,000	1,225,000

17. RESERVES

	Share premium account £	Capital reserve £	Revaluation reserve £	Dividend equalisation reserve £
Group				
Beginning of year	225,326	40,751,585	(5,683,938)	1,924,122
Net gain/(loss) on realisation of investments	-	(3,601,305)	-	-
Permanent impairments in value of investments	-	-	-	-
Increase/(decrease) in unrealised appreciation	-	-	14,901,081	-
Retained net revenue for the year	-	-	-	(630,728)
End of year	225,326	37,150,280	9,217,143	1,293,394
Company				
Beginning of year	225,326	40,751,585	(5,683,938)	2,045,218
Net gain/(loss) on realisation of investments	-	(3,601,305)	-	-
Permanent impairments in value of investments	-	-	-	-
Increase/(decrease) in unrealised appreciation	-	-	14,901,081	-
Retained net revenue for the year	-	-	-	(630,728)
End of year	225,326	37,150,280	9,217,143	1,414,490

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

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

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

18. NET ASSET VALUE PER SHARE

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

	Net asset value Per share attributable		Net asset value attributable	
	2009 p	2008 p	2009 £	2008 £
Preference shares	100	100	200,000	200,000
Income shares	549.3	459.0	13,512,479	11,291,965
Capital shares	2158.5	1643.3	35,398,664	26,950,130
			49,111,143	38,442,095

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

	Preference shares	Income shares	Capital shares	Total
Total net assets attributable at beginning of year	200,000	11,291,965	26,950,130	38,442,095
Total recognised gains/(losses) for the year	-	2,824,944	8,474,832	11,299,776
Transfer to reserves	-	(604,430)	(26,298)	(630,728)
Total new assets attributable at end of year	200,000	13,512,479	35,398,664	49,111,143
No of shares in issue	200,000	2,460,000	1,640,000	

19. NOTES TO THE CASHFLOW STATEMENT

Cash and cash equivalent comprises of cash at bank.

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

	Company		Group	
	2009 £	2008 £	2009 £	2008 £
Proceeds on disposal of fair value through profit or loss investments	7,490,291	768,589	7,490,291	768,589
Purchases of fair value through profit or loss investments	5,202,296	953,318	5,202,296	953,318

20. RELATED PARTY TRANSACTIONS**Group**

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

Company

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

The management fee for the year amounted to £233,595 (2008: £453,531) and the amount owed to the company at the year end was £0 (2008: £2,698).

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

	2009 £	2008 £
Rent recharged	29,032	26,809
Dividends received	117,800	11,874
	146,832	38,683
Amounts owed by subsidiary undertaking	949,329	800,849

NOTES TO THE ACCOUNTS continued

for the year ended 31st December, 2009

21. FINANCIAL ASSETS AND LIABILITIES

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

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

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

Market price risk

Market risk arises from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

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

Liquidity

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

Financial assets and liabilities

All assets and liabilities are included at fair value.

The Group's financial assets and liabilities comprise:

	2009			2008		
	Interest bearing £	Non-interest bearing £	Total £	Interest bearing £	Non-interest bearing £	Total £
Equity investments	-	43,994,057	43,994,057	-	34,982,276	34,982,276
Cash at bank	4,470,403	-	4,470,403	3,031,234	-	3,031,234
Trading investments	-	498,578	498,578	-	419,606	419,606
Short term debtors	-	244,640	244,640	-	211,553	211,553
Short term creditors	-	(161,726)	(161,726)	-	(267,765)	(267,765)
	4,470,403	44,575,549	49,045,952	3,031,234	35,345,670	38,376,904

APPENDIX

Details of the principal investments are given below by market value

	Holdings		Market Value	
	2009	2008	2009 £	2008 £
UK Investments				
RPS Group	2,700,000	2,700,000	5,848,200	3,780,000
Hill & Smith Holdings	1,673,038	1,673,038	5,688,329	3,346,076
Brammer	2,700,000	1,000,000	3,240,000	1,030,000
Thorpe F.W.	455,000	500,000	2,775,500	2,350,000
Colefax Group	2,100,000	2,100,000	2,247,000	1,932,000
Diploma	1,250,000	–	2,200,000	–
Scapa Group	10,425,000	10,425,000	1,876,500	1,668,000
Intelek	12,500,000	12,500,000	1,812,500	2,031,250
VP	1,000,000	1,000,000	1,730,000	1,230,000
Domino Printing Sciences	500,000	500,000	1,646,500	1,015,000
Spirax Sarco Eng	130,000	130,000	1,609,400	1,180,400
Treatt	555,000	555,000	1,515,150	1,093,350
RPC Group	600,000	600,000	1,404,000	1,011,000
Macfarlane Group	6,669,184	–	1,267,145	–
Eleco Holdings	3,075,000	3,075,000	1,168,500	1,230,000
BSS Group	400,000	400,000	960,000	1,000,000
Low & Bonar	3,000,000	3,000,000	960,000	960,000
LogicaCMG	800,000	1,200,000	907,200	816,000
Vitec Group	200,000	200,000	772,000	466,000
Castings	400,000	400,000	712,000	580,000

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



