



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



**HALF YEARLY FINANCIAL REPORT
2010**



A SELF MANAGED INVESTMENT TRUST

HALF YEARLY MANAGEMENT REPORT

for the six months ended 30th June 2010

CHAIRMAN'S STATEMENT

The strong recovery in the UK equity market following the recession came to an end in the first six months of 2010 as economic concerns returned. In particular, the difficulties of the Euro zone have focused attention on the fragility of public finances. The fall of 7.9% in the FTSE All-Share reflects the change in sentiment.

Despite this weaker background, the net asset value of the capital shares has recovered by a further 8.4% to 2339.3p. Smaller company shares have performed a little better and the Trust has benefitted from a high level of take-over activity including the recent cash offer for Intelek.

The interim dividend of 8.5p per income share has been maintained. The Trust remains on target to re-establish dividend cover by 2013.

The new UK government is now cutting public expenditure and it remains to be seen how this along with the rise in VAT to 20% will impact the fragile UK recovery.

After 27 years, I have decided to step down as Chairman later in 2010. This will therefore be my last report to shareholders and I expect the Trust to continue its good long-term performance in the future.

Simon Knott

Chairman

July 2010

You can view or download copies of the Half Year and Annual reports from our website at www.rightsandissues.co.uk.

They are to be posted to shareholders and are available at the registered office of the Company.

Risks and uncertainties

Cautionary statement

This half yearly report contains forward-looking statements that involve risk and uncertainty. These have been made by the directors in good faith based on the information available to them at the time of their approval of this report. Due to the inherent uncertainties, including stock market risk factor, actual results may differ materially from those expressed or implied by these forward-looking statements.

There are a number of potential risks and uncertainties which could have a material impact on Trust's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. Recent volatility in the stock market and in financial markets has added to uncertainty. The Trust's results continue to be exposed to the risk of market price. Further information on the principal long-term risks and uncertainties of the Trust is included in the latest annual report.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30th June 2010

	Six months ended 30th June 2010		
	Revenue	Capital	Total
	£	£	£
Investment income	782,950	–	782,950
Other operating income	<u>124,433</u>	–	<u>124,433</u>
Total income	907,383	–	907,383
Gains/(Losses) on fair value through profit or loss assets	<u>1,192</u>	<u>3,978,195</u>	<u>3,979,387</u>
	908,575	3,978,195	4,886,770
Expenses			
Investment management fee	–	–	–
Other expenses	<u>253,213</u>	–	<u>253,213</u>
	253,213	–	253,213
Profit before tax	<u>655,362</u>	<u>3,978,195</u>	<u>4,633,557</u>
Tax	–	–	–
Profit for the period	<u><u>655,362</u></u>	<u><u>3,978,195</u></u>	<u><u>4,633,557</u></u>
Earnings per share			
Return per income share (p)	3.4p	40.4p	43.8p
Return per capital share (p)	<u><u>34.5p</u></u>	<u><u>181.9p</u></u>	<u><u>216.4p</u></u>

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRSs. All income is attributable to the equity holders of the parent company and there are no minority interests. All items in the above statement derive from continuing operations.

The interim dividend of 8.5p net (2009: 8.5p net) per income share and amounting to £209,100 (2009: £209,100) is payable on 30th September 2010 to shareholders on the register as at 27th August 2010. The sum accruing by way of dividend to the Capital shareholders will, in view of the small sum involved be included in the final dividend.

Six months ended 30th June 2009			Year ended 31st December 2009		
Revenue	Capital	Total	Revenue	Capital	Total
£	£	£	£	£	£
556,075	–	556,075	1,337,008	–	1,337,008
113,312	–	113,312	238,092	–	238,092
<u>669,387</u>	<u>–</u>	<u>669,387</u>	<u>1,575,100</u>	<u>–</u>	<u>1,575,100</u>
(19,394)	2,370,843	2,351,449	88,079	11,299,776	11,387,855
<u>649,993</u>	<u>2,370,843</u>	<u>3,020,836</u>	<u>1,663,179</u>	<u>11,299,776</u>	<u>12,962,955</u>
–	–	–	–	–	–
240,569	–	240,569	502,147	–	502,147
<u>240,569</u>	<u>–</u>	<u>240,569</u>	<u>502,147</u>	<u>–</u>	<u>502,147</u>
409,424	2,370,843	2,780,267	1,161,032	11,299,776	12,460,808
<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<u>409,424</u>	<u>2,370,843</u>	<u>2,780,267</u>	<u>1,161,032</u>	<u>11,299,776</u>	<u>12,460,808</u>
(6.3)p	24.1p	17.8p	0.9p	114.8p	115.7p
<u>34.0p</u>	<u>108.4p</u>	<u>142.4p</u>	<u>68.7p</u>	<u>516.8p</u>	<u>585.5p</u>

The financial information contained in this Half Yearly Financial Report does not constitute statutory accounts as defined in Sections 434 – 436 of the Companies Act 2006. The information for the six months to 30 June 2010 and 30 June 2009 has not been audited.

The information for the year ended 31 December 2009 has been extracted from the latest published audited accounts which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under Section 498 (2), (3) or (4) of the Companies Act 2006.

The auditors have reviewed the financial information for the six months ended 30 June 2010 pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information and their report is on page 10.

CONSOLIDATED BALANCE SHEET

as at 30th June 2010

	30th June 2010 £	30th June 2009 £	31st December 2009 £
Non-current assets			
Goodwill	65,191	65,191	65,191
Investments – Fair value through profit or loss	51,153,636	37,432,888	43,994,057
	51,218,827	37,498,079	44,059,248
Current Assets			
Trading investments	502,588	318,650	498,578
Trade and other receivables	186,997	262,149	244,640
Amounts due from group undertakings	–	–	–
Cash and cash equivalents	1,775,145	2,876,077	4,470,403
	2,464,730	3,456,876	5,213,621
Total Assets	53,683,557	40,954,955	49,272,869
Current Liabilities			
Trade and other payables	946,667	746,553	161,726
Current tax payable	–	–	–
	946,667	746,553	161,726
Total assets less current liabilities	52,736,890	40,208,402	49,111,143
Net Assets	52,736,890	40,208,402	49,111,143
Equity			
Called up share capital	1,225,000	1,225,000	1,225,000
Share premium account	225,326	225,326	225,326
Retained reserves:			
Capital reserve	37,890,767	40,751,585	37,150,280
Revaluation reserve	12,454,851	(3,313,095)	9,217,143
Dividend equalisation reserve	940,946	1,319,586	1,293,394
Total equity	52,736,890	40,208,402	49,111,143
Net asset value per share			
Income shares	576.13p	459.9p	549.3p
Capital shares	2339.38p	1749.8p	2158.5p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30th June 2010

	Share capital £	Share premium account £	Capital reserve £	Revaluation reserve £	Dividend equalisation reserve £	Total £
For the six months ended June 2009						
Balance at						
31st December 2008	1,225,000	225,326	40,751,585	(5,683,938)	1,924,122	38,442,095
Profit for the period	—	—	—	2,370,843	409,424	2,780,267
Total recognised income and expense	1,225,000	225,326	40,751,585	(3,313,095)	2,333,546	41,222,362
Dividends	—	—	—	—	(1,013,960)	(1,013,960)
Balance at 30th June 2009	<u>1,225,000</u>	<u>225,326</u>	<u>40,751,585</u>	<u>(3,313,095)</u>	<u>1,319,586</u>	<u>40,208,402</u>

	Share capital £	Share premium account £	Capital reserve £	Revaluation reserve £	Dividend equalisation reserve £	Total £
For the six months ended June 2010						
Balance at						
31st December 2009	1,225,000	225,326	37,150,280	9,217,143	1,293,394	49,111,143
Profit for the period	—	—	740,487	3,237,708	655,362	4,633,557
Total recognised income and expense	1,225,000	225,326	37,890,767	12,454,851	1,948,756	53,744,700
Dividends	—	—	—	—	(1,007,810)	(1,007,810)
Balance at 30th June 2009	<u>1,225,000</u>	<u>225,326</u>	<u>37,890,767</u>	<u>12,454,851</u>	<u>940,946</u>	<u>52,736,890</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30th June 2010

	Group 2010 £	Group 2009 £
Cashflows from operating activities		
Profit before tax	4,633,557	2,780,267
Adjustments for:		
(Gains)/losses on investments	(3,978,195)	(2,370,843)
Purchase of investments	(4,101,875)	(79,769)
Proceeds of investments	920,491	–
Movement in trading investments	(4,010)	100,956
Operating cash flows before movements in working capital	(2,530,032)	430,611
Decrease/(increase) in receivables	57,643	(50,596)
Increase/(decrease) in payables	216,241	(89,912)
Net cash from operating activities before income taxes	(2,256,148)	290,103
Income taxes paid	–	–
Net cash from operating activities	(2,256,148)	290,103
Cash flows from financing activities		
Dividends paid	(439,110)	(445,260)
Net cash (used in)/from financing activities	(439,110)	(445,260)
Net increase/(decrease) in cash and cash equivalents	(2,695,258)	(155,157)
Cash and cash equivalents at beginning of year	4,470,403	3,031,234
Cash and cash equivalents at end of period	1,775,145	2,876,077

NOTES TO THE CONDENSED HALF YEARLY FINANCIAL REPORT

for the six months ended 30th June 2009

1. Accounting Standards

The condensed interim financial report has been prepared in accordance with International Financial Reporting Standard (IFRSs), including IAS 34 “Interim financial reporting”. The same accounting policies and methods of computation are followed in the interim financial report as those used in the Company’s latest published annual financial statements.

2. Dividends

	2010	2009
Amounts recognised as distributions to equity holders in the period:		
Income (Paid)		
Final dividend for the year ended 31st December 2009 of 17.0p (2008: 17.0p) per share	418,200	418,200
Capital (Paid)		
Final dividend for the year ended 31st December 2009 of 1.2750p (2008: 1.6500p) per share	20,910	27,060
Capital Supplementary (Accrued)		
Payable 2nd January 2011 of 68.6829p (2010: 68.6829p) per share	563,200	563,200
Dividends on non-equity shares:		
Cumulative preference 5.5% (Accrued)	5,500	5,500
	<u>1,007,810</u>	<u>1,356,300</u>
Income		
Proposed interim dividend for the year ended 31st December 2010 of 8.5p (2009: 8.5p) per share	<u>209,100</u>	<u>209,100</u>

This was approved by the Board on 26th July 2010 and has not been included as a liability at 30th June 2010.

3. Income

	2010	2009
Total income comprises:		
Dividends	782,950	556,075
Interest	600	3,784
Other income	123,833	109,528
	<u>907,383</u>	<u>669,387</u>

4. Related Party Transactions

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

The Company’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. In respect of this its fee for the six months amounted to £123,833 (2009: £109,528) and the amount owed by the Fund at the period end was £4,738 (2009: £2,846).

DIRECTORS' STATEMENT OF RESPONSIBILITY FOR THE HALF YEARLY REPORT

The Directors are responsible preparing the half yearly financial report in accordance with applicable law and regulations.

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim financial reporting"; and
- the half yearly management report includes a fair review of the information required by DTR 4.2.7R and 4.2.8R.

This report was approved on 26th July 2010.

S. H. J. A. Knott

Chairman

APPENDIX

TOP TEN HOLDINGS

Holding	Investment	Value £
2,700,000	RPS Group	5,035,500
1,673,038	Hill & Smith Holdings	4,977,288
12,500,000	Intelek	3,843,750
2,700,000	Brammer	3,726,000
2,100,000	Colefax Group	3,360,000
1,800,000	VP	3,150,000
15,659,184	Macfarlane Group	2,818,653
1,250,000	Diploma	2,787,500
1,000,000	RPC Group	2,570,000
500,000	Domino Printing Sciences	2,264,500

INDEPENDENT REVIEW REPORT TO RIGHTS AND ISSUES INVESTMENT TRUST PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the condensed consolidated income statement, balance sheet, statement of changes in equity, cash flow statement and the related explanatory notes 1 to 4. We have read the other information contained in the half yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

The report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than in an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all

significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Jeremy Staines

For and on behalf Begbies Chettle Agar

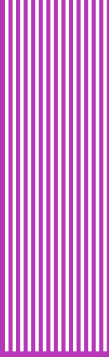
Chartered Accountants

26th July 2010

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S. H. J. A. Knott *Chairman*

B. A. Beverley

D. M. Bramwell

S. J. B. Knott

Secretaries

Discretionary Unit Fund Managers Limited

Bankers

HSBC Bank plc

Auditors

Begbie Chettle Agar

Registrars

Capita Registrars

Registered in England No. 736898

