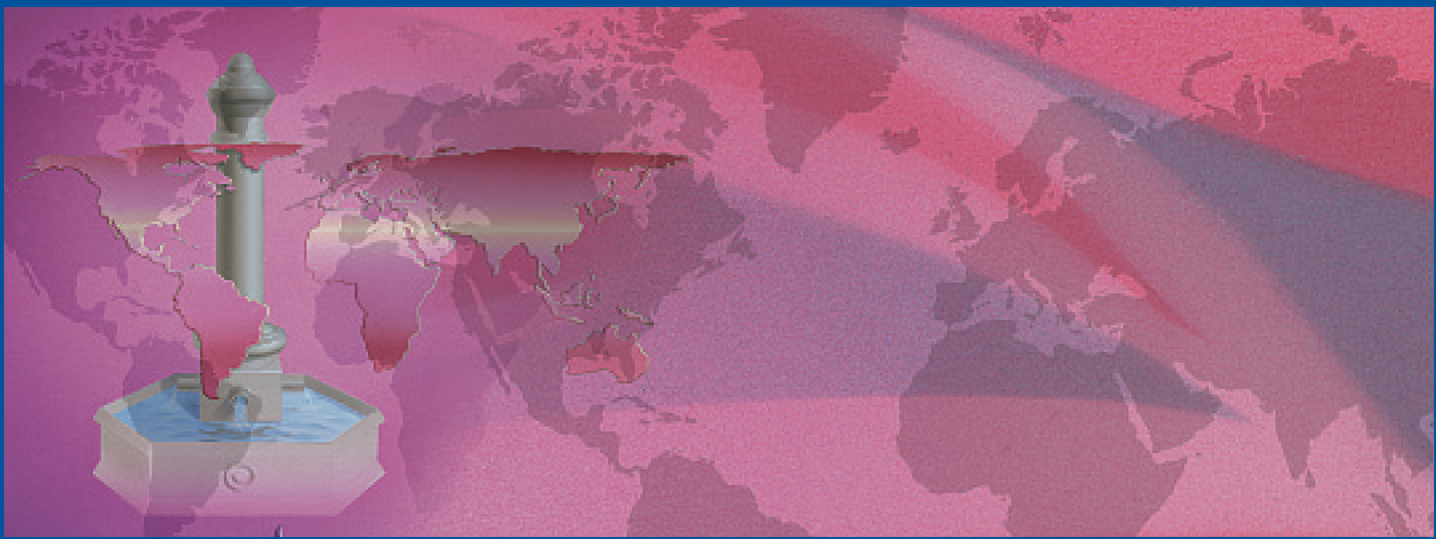
Allianz
Global Investors

The Brunner Investment Trust PLC

Report and Accounts for the year ended 30 November 2004



Contents

The illustration on the cover of this report features a fountain (Brunnen in German) from the Arms of the Brunner family, which derives from Switzerland. The great, great, great grandfather of WR Worsley, a Director of The Brunner Investment Trust, was born in Canton Zürich and migrated to Lancashire in 1832. His son, Sir John T. Brunner, Bart, was the co-founder of Brunner, Mond & Co, the largest of the four companies which came together to form ICI in 1926. The family's interest in ICI was used in the following year to establish The Brunner Investment Trust PLC.

A member of The Association of Investment Trust Companies.

Category: Global Growth

Key Facts

Investment Objective

The Company's objective is to achieve a total return higher than that of the benchmark index of 60% FTSE All Share and 40% FTSE World Index (ex-UK Sterling adjusted) over the long term.

Strategy

This objective will be achieved by investing in UK and international securities and by using appropriate gearing to enhance returns. The strategy is designed to meet the requirements of those seeking a single investment in a diversified and professionally managed portfolio.

Highlights of the Year

Revenue	2004	2003	% change
Available for Ordinary Dividend	£4,544,912	£4,893,436	−7.1%
Earnings per Ordinary Share	8.43p	8.65p	−2.5%
Dividends per Ordinary Share	8.10p	7.80p	+3.8%
Retail Price Index	189.0	182.7	+3.4%

Assets	2004	2003	% change
Total Net Assets	£191,266,510	£189,655,533	+0.8%
Share Price	288.5p	262.5p	+9.9%
Net Asset Value per Ordinary Share	364.1p	343.1p	+6.1%
Expenses Ratio*	0.6%	0.6%	n/a

Explanation of the movement in Net Asset Value per Ordinary Share

Over the year to 30 November 2004 the benchmark index (60% FTSE All-Share Index, 9.30% and 40% FTSE World Index, ex UK in sterling 4.00%) increased by 7.19%.

Other factors accounting for the remainder of the difference between the opening and closing net asset value per share include the proportions of management fee and finance costs charged to capital and the retained revenue and positive impact of repurchasing Ordinary Shares, as set out below.

Portfolio performance

Performance of portfolio benchmark**		7.2%
Performance of equity portfolio against benchmark		
Due to stock selection	−0.7%	
Due to sector selection	0.1%	
		−0.6%
Effect of gearing on portfolio		0.1%
		6.7%

Other factors

Retained revenue	0.2%	
Management fee charged to capital	−0.4%	
Finance costs of debentures charged to capital	−1.6%	
Impact of purchasing Ordinary Shares for cancellation	1.2%	
		−0.6%
		6.1%

*The expenses ratio is calculated by dividing operating expenses by total assets less current liabilities.

**The movement in the benchmark index over the year is calculated on a capital basis. The constituent indices are based on capital index returns re-balanced on a monthly basis.

Chairman's Statement

I am pleased to be able to report that some further progress was made during the year in regaining the ground lost in equity markets between 2000 and 2003. For the year as a whole, the capital return of the Trust of 6.1% compared with a benchmark index return of 7.2%, reflecting the underperformance in the first half of the year which I discussed in my interim statement. In the second half of the year, the net asset value of a Brunner share rose by 6.1% as opposed to a return of 5.6% on the benchmark. In my interim statement I mentioned that the Board had agreed with the Managers that they should follow a more focused policy with regard to UK stock selection, with the aim of improving investment performance. The target was at least to offset the drag relative to the benchmark caused by the high cost of the debenture. This new approach started on 31 May and I am pleased to say that the aim was achieved. Of course it is too early to say whether the new approach will prove successful over the long term but we have made a satisfactory start.

The graph on page 7 shows the longer term performance since 1998, when the benchmark was first set. You will see that performance over the six year period is in line with the benchmark.

The Board is proposing a final dividend of 4.6p per share making a total distribution of 8.1p per share for the year ended 30 November 2004, an increase of 3.8%. In making this proposal we have, on the one hand, considered the negative impact on future revenue of investing a higher proportion of our gearing in equities rather than in gilts or cash, and, on the other, the positive impact of the improved recent trend in dividend payments. At last, companies do seem to be recognising the importance to investors of rising income and they have seen a sufficient strengthening of their balance sheets to enable them to pay out an increased amount in dividends.

I am pleased that the movement towards lower discounts in the investment trust industry as a whole, together with Brunner's recent improvement in performance, have led to a small fall in our discount from approximately 23% when I wrote last year's statement to 22% today. The fair value adjusted discount valuing our debentures at market value has come down from 19% to 16% today. I am very well aware that these discounts remain higher than many of our peers but I look forward to a narrowing of the gap, provided the recent improvement in performance can be sustained.

The Board continues to keep the Trust's capital structure under close review. We have noted that the action taken by those trusts with high coupon debentures as part of their capital structure has varied from trust to trust. Some have decided to repay their debentures at significant premiums to par. Others, like ourselves, take the view that the premiums that have to be paid are currently too high and the 'hit' to shareholders too great, were this approach to be adopted. As I have commented before, the market value of the debenture liability will reduce as the debentures approach their repayment value on maturity. However, our views are not set in stone and if the debentures could be bought back at reasonable levels, the Board would certainly consider that option. Meanwhile, the gearing remains available to invest in equity markets as opportunities occur.

Looking to the future, I believe that we can look forward to a further year of moderate global economic growth combined with a low rate of inflation. Better economic management in a number of emerging markets has improved the outlook for world economic stability. However, the reverse side of the improvement in the position of emerging markets has been a sharp deterioration in the fiscal and trade positions of many developed countries, particularly the United States but also including the United Kingdom. The weakening of the dollar is a reflection of this and it is important that the Bush administration addresses the situation as a matter of urgency. This could lead to lower US economic growth. With lower growth also likely in Europe, particularly if the euro strengthens further, the running will have to be taken over by the creditor nations in the Far East. Fortunately, countries such as China and India have now grown sufficiently for domestic demand to start taking over from exports as the driver of growth. It would have been difficult to envisage even ten years ago that the developing world could now be the supplier of capital to the developed world rather than the other way round. This flow of capital has largely been used to help maintain a high level of consumption in the developed world. However, we believe that this position cannot continue indefinitely and, accordingly, it may be necessary to change the geographical distribution of our investments. We continue to watch the position carefully.

I would like to end on a personal note. I will be retiring from the Board at the conclusion of the AGM, having been involved with the Trust in one capacity or other for over 30 years. I will be succeeded as Chairman by Keith Percy, whose knowledge and experience in the investment management world will be of great benefit to the Trust. During my time with the Trust I have witnessed the very good years during the 1980s and 1990s, as well as the difficult years at the beginning of this century. I do not expect returns of the size we saw between 1975 and 2000 to be repeated, but valuations are at sensible levels again and it should therefore be possible for well managed companies to provide satisfactory returns to investors from current levels. I am confident that Brunner's new focused approach will stand it in good stead.

John Trott
Chairman
22 February 2005

Historical Record

Years ended 30 November

Revenue and Capital

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Gross revenue (£000s)	7,222†	8,018	7,586	6,833‡	6,679	7,254	7,495	7,232	7,327	7,163
Earnings per share	6.25p†	6.98p	6.37p	6.40p	6.91p	8.01p	8.00p	8.16p	8.65p	8.43p
Dividend per share (net)	5.90p	6.30p*	6.50p	6.70p#	6.90p	7.10p	7.30p	7.50p	7.80p	8.10p
Tax credit per share	1.475p	1.575p*	1.625p	1.15p	0.77p	0.79p	0.81p	0.83p	0.87p	0.90p
Total dividend	7.375p	7.875p*	8.125p	7.85p	7.67p	7.89p	8.11p	8.33p	8.67p	9.00p
Total net assets (£000s)	189,153†	210,274	227,400	252,307	342,148	326,102	254,055	189,375	189,656	191,267
Assets attributable to										
Ordinary Capital (£000s)	188,703†	209,824	226,950	251,857	341,698	325,652	253,605	188,925	189,206	190,817
Net Asset Value per Ordinary Share	294.8p†	327.9p	354.6p	393.5p	560.7p	540.2p	424.3p	329.0p	343.1p	364.1p
Share price	294.0p	284.5p	310.0p	310.0p	467.5p	497.0p	376.5p	262.5p	262.5p	288.5p
Discount (%)	15	13	13	21	17	8	11	20	23	21

Notes

† Restated to reflect the change in accounting policy for (i) recognition of dividend and fixed interest income, and (ii) the allocation of management fees and taxation between capital and revenue, resulting from the adoption of the Statement of Recommended Practice for the financial statements of investment trust companies.

* The dividend payment in 1996 excludes a special non-recurring dividend of 1.80p net or 2.25p gross.

‡ Restated to reflect income from UK dividends being recorded net of any tax credit in accordance with FRS 16.

Includes a Foreign Income Dividend of 2.11p.

The share price, after adjustment for bonus issues, was 37.25p at 31 March 1982.

The share prices quoted in the London Stock Exchange Daily Official List for 30 November 2004 were 288.25p to 288.75p.

Geographical Disposition

	Percentage of Invested Funds									
	1995	1996	1997	1998	1999	2000	2001	2002*	2003*	2004*
United Kingdom	55.0	53.7	64.2	63.1	59.9	68.6	63.7	58.1	56.7	57.3
Europe	10.3	11.5	7.8	16.5	10.0	7.2	9.2	9.3	11.0	12.4
Americas	14.0	13.1	13.0	13.9	17.0	18.4	19.6	21.7	23.0	20.2
Japan	2.5	4.4	4.9	2.6	8.2	3.2	3.4	3.6	4.1	5.8
Pacific Basin	14.0	14.2	7.6	2.5	3.3	1.4	2.7	5.1	4.9	4.3
Other Countries	4.2	3.1	2.5	1.4	1.6	1.2	1.4	2.2	0.3	0.0
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Excludes Treasury Stock to the value of £25,035,000 (2003 – £25,130,000).

Directors, Managers & Advisers

Directors

All Directors are non-executive.

JFH Trott BA (Chairman)*

(Born January 1938) joined the Board in December 1977 and was appointed Chairman in March 1998. He is Chairman of Murray International Trust. He was previously Chairman of Standard Life Assurance Company.

VP Bazalgette*

(Born May 1951) joined the Board on 1 January 2004. He is a Director of Henderson High Income Trust PLC and Henderson High Income Trust Securities PLC. He retired as Chief Investment Officer of M & G Investment Management in September 2002 and was formerly a Director of Gartmore Investment Management plc.

KE Percy*

(Born January 1945) joined the Board on 1 January 2004. He is Chairman and Chief Executive of SG Asset Management UK. He is also a Director of Deutsche Equity Income Trust plc and JPMorgan Fleming Japanese Investment Trust plc. He was previously Chief Executive of Morgan Grenfell Asset Management.

BCR Siddons FCA

(Born May 1945) joined the Board in February 1991. He was formerly Chairman of Liverpool Victoria Portfolio Managers Ltd and is a Director of Allianz Dresdner Income Growth Investment Trust PLC, Kleinwort Capital Trust plc and First Debenture Finance PLC. He was formerly a Director of Kleinwort Benson Investment Management Ltd and Dresdner RCM Global Investors (UK) Ltd. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

RKA Wakeling MA, Barrister, FCT (Senior Independent Director and Remuneration Committee Chairman)*

(Born November 1946) joined the Board in July 2000. He is Chairman of Polar Capital Technology Trust PLC. He was formerly Chief Executive of Johnson Matthey PLC and non-executive Director of LogicaCMG PLC.

WR Worsley FRICS (Audit Committee Chairman)*

(Born September 1956) joined the Board in January 2000. He is a Chartered Surveyor and is Chairman of the Scarborough Building Society.

*Independent of the Managers.

Registered Number

226323

The Managers

On 30 January 2004 Allianz Dresdner Asset Management (UK) Limited, Allianz Group's regulated UK fund management company, re-registered as RCM (UK) Limited.

Allianz Global Investors is the marketing name of RCM (UK) Limited, which is authorised and regulated by the Financial Services Authority.

Allianz Global Investors is one of the largest fund managers in Europe and as at 30 September 2004 had combined assets of £734 billion under management. Through its predecessors, Allianz Global Investors has a heritage of investment trust management expertise in the UK stretching back to the nineteenth century and had £1.09 billion assets under management in a range of investment trusts as at 31 December 2004.

Fund Manager

RCM (UK) Limited, represented by Mark Lovett and Nersen Pillay.

Secretary, Deputy Secretary and Registered Office

Kirsten Salt BA(Hons) ACIS
Peter Ingram FCIS
155 Bishopsgate
London EC2M 3AD
Telephone: 020 7859 9000

Registrars and Transfer Office

Capita Registrars
The Registry
34 Beckenham Road
Beckenham, Kent BR3 4TU
Telephone: 0870 162 3100
Email: ssd@capitaregistrars.com

Auditors

BDO Stoy Hayward LLP
Northside House, 69 Tweedy Road, Bromley, Kent BR1 3WA

Bankers

HSBC Bank plc
Kleinwort Benson Limited

Stockbroker

UBS Warburg

Legal Adviser

Herbert Smith

Investor Information

Market and Portfolio Information

The Company's Ordinary Shares are listed on the London Stock Exchange. The market price range, gross yield and net asset value are shown daily in the Financial Times and The Daily Telegraph. The net asset value of the Ordinary Shares is calculated daily and published on the London Stock Exchange Regulatory News Service. The geographical spread of investments and ten largest holdings are published monthly on the London Stock Exchange Regulatory News Service. They are also available to any enquirer of Allianz Global Investors, either on 0800 317 573 or via the Managers' website: www.allianzglobalinvestors.co.uk.

Share Prices

The share prices quoted in the London Stock Exchange Daily Official List for 30 November 2004 were 288.25p – 288.75p.

The share price, after adjustment for bonus issues, was 37.25p at 31 March 1982.

Savings Scheme

The Allianz Global Investors Investment Trust Savings Scheme provides a convenient and economical way for shareholders to increase their existing holdings. Investments can be in the form of a regular monthly contribution, an individual lump sum or a combination of the two. There are arrangements for the reinvestment of dividends, and for selling and switching. Full details of the scheme are available from Allianz Global Investors, either via Investor Services on 0800 317 573 or the Managers' website: www.allianzglobalinvestors.co.uk.

Investment Trust Maxi ISA and PEP Transfer

Shareholders can invest in the shares of the Company through the Allianz Global Investors Investment Trust Maxi ISA and PEP Transfer. Full details are available from Allianz Global Investors, either via Investor Services on 0800 317 573 or the Managers' website: www.allianzglobalinvestors.co.uk.

Website

Further information about The Brunner Investment Trust PLC is available on the Managers' website: www.allianzglobalinvestors.co.uk.

Payment of Dividends Direct to Bank Accounts

Cash dividends will be sent by cheque to first-named shareholders at their registered address together with a tax voucher. Dividends may be paid directly into shareholders' bank accounts. Details of how this may be arranged can be obtained from the Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Dividends mandated in this way are paid via BACS (Bankers' Automated Clearing Services). Tax vouchers will then be sent directly to shareholders at their registered address unless other instructions have been given.

Association of Investment Trust Companies (AITC)

The Company is a member of the AITC, the trade body of the investment trust industry, which provides a range of literature including fact sheets and a monthly statistical service. Copies of these publications can be obtained from the AITC, 9th Floor, 24 Chiswell Street, London EC1Y 4YY, or at www.aitc.co.uk.

Category: Global Growth.

Financial Calendar

Results

Half-year announced July.
Full-year announced late January/early February.
Report and Accounts posted to shareholders February/March.
Annual General Meeting held March.

Ordinary Dividends

Interim usually paid August/early September.
Final usually paid late March.

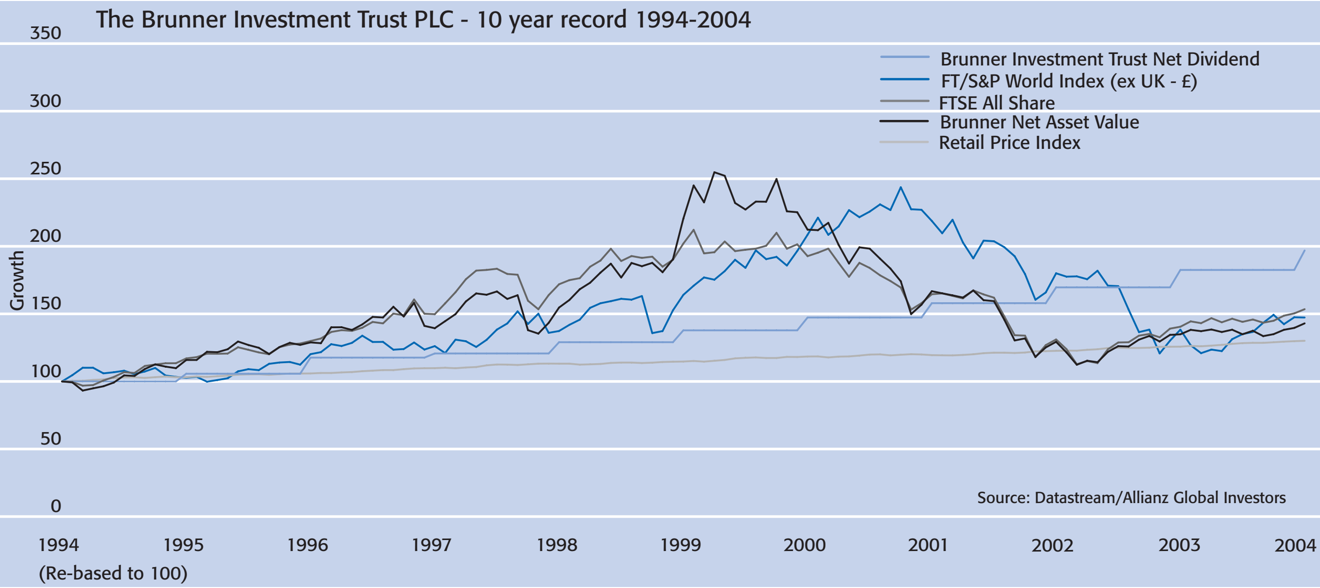
Preference Dividends

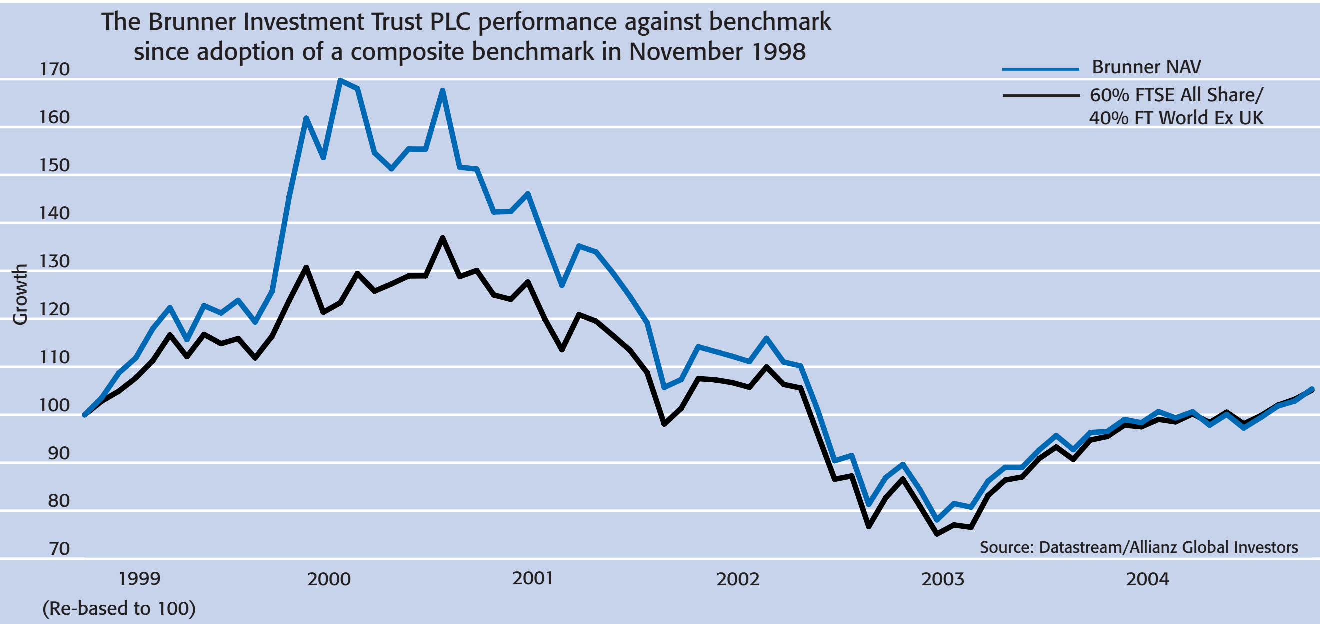
Payable half-yearly 30 June and 31 December.

Shareholder Enquiries

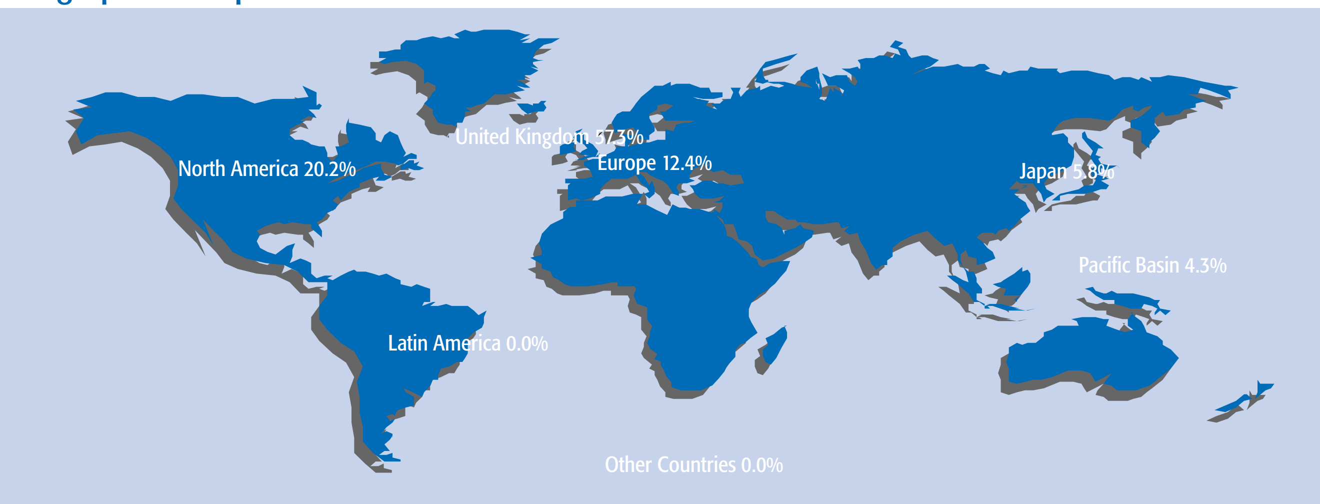
Capita Registrars are the Company's Registrars and maintain the share register. In the event of queries regarding their holdings of shares, lost certificates, dividend cheques, registered details, etc., shareholders should contact them on 0870 162 3100 or 0044 20 8639 2157 if calling from overseas. Changes of name and address must be notified to the Registrars in writing. Any general enquiries about the Company should be directed to the Company Secretary, The Brunner Investment Trust PLC, 155 Bishopsgate, London EC2M 3AD. Telephone 020 7859 9000.

Performance Graphs





Geographical Disposition at 30 November 2004



Thirty Largest Investments

	Valuation 30 November 2004 £	% of Invested Funds	Principal Activities
Treasury Stock 4.5% 07/03/2007	25,035,000	10.97	Gilt
BP	13,746,618	6.02	Integrated Oil and Gas
HSBC Holdings	8,645,230	3.79	Banking and Financial Services
Vodafone Group	6,944,756	3.04	Telecommunications
Royal Bank of Scotland	6,619,171	2.90	Banking and Financial Services
Barclays	5,207,344	2.28	Banking and Financial Services
GlaxoSmithKline	5,168,600	2.26	Manufacture of Pharmceuticals
BHP Billiton	4,240,548	1.86	Mining Metals and Minerals
Standard Chartered	3,740,603	1.64	Banking and Financial Services
WPP	3,404,021	1.49	Media and Entertainment
Allied Domecq	3,089,447	1.35	Beverages
GUS	3,080,850	1.35	Retailing
Diageo	2,917,020	1.28	Beverages
Cobham	2,905,630	1.27	Aerospace and Defence
Sage Group	2,887,473	1.26	Software and Computer Services
United Business Media	2,848,025	1.25	Media and Entertainment
Tesco	2,841,939	1.24	Food and Drug Retailing
Prudential	2,822,926	1.24	Life Assurance
Carnival	2,631,600	1.15	Transport
BPB	2,475,818	1.08	Construction and Building
Rio Tinto	2,279,019	1.00	Mining Metals and Minerals
Legal & General	2,269,819	0.99	Life Assurance
United Utilities	2,256,003	0.99	Water
Spectris Group	2,242,485	0.98	Electronic and Electrical Equipment
General Electric	2,086,322	0.91	Diversified Industrial
T&F Informa	2,033,000	0.89	Media and Entertainment
BHP Billiton	1,872,466	0.82	Mining Metals and Minerals (Australia)
Johnson Matthey	1,776,097	0.78	Chemicals
BAA	1,767,487	0.77	Transport
ExxonMobil	1,757,927	0.77	Integrated Oil and Gas
	£131,593,244	57.62	% of Total Invested Funds

Investment Managers' Review

United Kingdom

UK economic activity – with growth likely to have been over 3% in 2004 – remained at a healthy level, helped by buoyant consumer and Government expenditure. In stock market terms, the cumulative impact of five quarter point interest rate hikes acted to dampen investor sentiment for much of the period, although in the final months of the financial year markets moved usefully higher.

House price inflation remained remarkably resilient in the face of rising interest rates, to the extent that the Bank of England resorted to a more vocal intervention in the debate – warning that house price inflation was unsustainable in the longer term. It appears that this tactic, alongside the cumulative impact of rising interest rates, has at last had the desired impact of slowing the market. One unknown, however, is the extent to which consumer expenditure may be impacted by a decline in nominal house prices.

In this environment we have maintained a preference for companies exposed to capital spending as opposed to those relying on consumer expenditure. Within the banking sector we have also placed greater emphasis on international banking, and those exposed to the corporate sector, rather than the mortgage banks. Within the retail sector we have avoided the more volatile high street fashion retailers and the portfolio holds **GUS** and **Burberry**, and **Tesco** within the food retailing sector.

Within the oil sector we have favoured **BP** over **Shell**, where concern over the company's reserve position has dominated trading in the shares for much of the year. We also favour the mining sector as an effective way to capitalise on continuing global economic growth, in particular in China. Our favoured stocks in this sector are **Rio Tinto** and **BHP Billiton**.

For UK companies, 2004 has seen a further rebuilding of balance sheets. This has helped the rating of corporate bonds and has also prompted a new emphasis on dividends, as a number of companies with low payout ratios, such as **Vodafone Group**, have chosen to distribute surplus cash generated through their operations.

There has also been a pick-up in mergers and acquisitions activity, with the most high profile contest being the battle over **Marks & Spencer**, in which the incumbent board succeeded in seeing off an indicative, conditional, offer from Philip Green. A number of smaller retailers, including **New Look**, were also taken private during the year.

In the insurance sector, the leading life companies have continued to realign their portfolios to ensure they are compliant with new regulatory capital requirements. There has been increasing polarisation between companies looking to expand through raising new capital – such as **Prudential**, which we hold – and those looking to sell off their, already closed, life and pensions books, such as **Royal & SunAlliance** and **HHG**, often to unquoted financial enterprises.

The UK commercial property market has seen significant investor interest from overseas buyers, and some UK institutions. Although rental growth has been subdued in much of the office market, and in particular the City of London, valuation yields have been forced downwards by investor interest. We are overweight in this sector through our holdings in **Slough Estates** and **Minerva**. In the pharmaceutical sector a succession of high profile disclosures on the side-effects of leading drugs has undermined confidence in the existing products and drug pipelines of leading companies. Thankfully, our principal holding in this sector – **GlaxoSmithKline** – has been less affected than its main rival, **Astra Zeneca**, by this trend.

During the course of the year, the Managers and the Board discussed the merits of introducing a more focused UK portfolio for the Company. Over the past ten years the UK equity market has become even more concentrated in a small number of large companies, such that once **Shell** is fully weighted in the FTSE 100 Index later this year, the top 20 holdings will account for approximately 60% of that index. By market capitalisation therefore, the UK market has become increasingly concentrated in banking, oil and gas, telecoms and pharmaceutical shares. Whereas in the 1990s a well diversified portfolio benchmarked against the principal UK indices (the FTSE 100 and FTSE Allshare) was a popular approach, investors are now keener to see fund managers back their convictions with more concentrated portfolio holdings, with less emphasis on matching the underlying sector weightings of the index. At the end of May 2004, as set out in the Interim Report, the UK equity portfolio was reduced in size to a portfolio of around 40 holdings, which represented the Managers' highest conviction investments. However, when taken together with the global overseas portfolio, the Company's overall investment approach remains well diversified, both by sector and geographic region.

Looking forward, UK companies are reasonably rated by historic standards and, with the prospect of another year of real dividend growth next year, UK equities should post further gains.

Investment Managers' Review

United Kingdom Listed Equity Holdings
at 30 November 2004

	Value (£)	Principal Activities
BP	13,746,618	Integrated Oil and Gas
HSBC Holdings	8,645,230	Banking and Financial Services
Vodafone Group	6,944,756	Telecommunications
Royal Bank of Scotland	6,619,171	Banking and Financial Services
Barclays	5,207,344	Banking and Financial Services
GlaxoSmithKline	5,168,600	Manufacture of Pharmaceuticals
BHP Billiton	4,240,548	Mining Metals and Minerals
Standard Chartered	3,740,603	Banking and Financial Services
WPP	3,404,021	Media and Entertainment
Allied Domecq	3,089,447	Beverages
GUS	3,080,850	Retailing
Diageo	2,917,020	Beverages
Cobham	2,905,630	Aerospace and Defence
Sage Group	2,887,473	Software and Computer Services
United Business Media	2,848,025	Media and Entertainment
Tesco	2,841,939	Food and Drug Retailing
Prudential	2,822,926	Life Assurance
Carnival	2,631,600	Transport
BPB	2,475,818	Construction and Building
Rio Tinto	2,279,019	Mining Metals and Minerals
Legal & General	2,269,819	Life Assurance
United Utilities	2,256,003	Water
Spectris Group	2,242,485	Electronic and Electrical Equipment
T&F Informa	2,033,000	Media and Entertainment
Johnson Matthey	1,776,097	Chemicals
BAA	1,767,487	Transport
Slough Estates	1,744,596	Real Estate
Burberry	1,734,120	Leisure Entertainment and Hotels
Minerva	1,620,848	Real Estate
ICAP	1,578,418	Financial Services
BBA	1,298,697	Engineering and Machinery
Man Group	1,230,099	Financial Services
Isoft Group	1,065,295	Software and Computer Services

Investment Managers' Review

United Kingdom Listed Equity Holdings (continued)
at 30 November 2004

	Value (£)	Principal Activities
InterContinental Hotels	1,007,082	Leisure Entertainment and Hotels
Mersey Docks & Harbour	869,411	Transport
Tate & Lyle	626,619	Food Products and Processing
Premier Foods	582,624	Food Products and Processing
Tomkins	552,111	Engineering and Machinery
Serco Group	540,339	Financial Services
United Utilities 'A'	346,628	Water
First Debenture Finance	23,893	Financial Services
Fintrust Debenture	4,338	Financial Services
	£115,666,647	50.66% of Total Invested Funds

United Kingdom Unlisted Equity Holdings
at 30 November 2004

	Value (£)	Principal Activities
Kleinwort Benson Equity Partners	866,978	Venture Partnership
	£866,978	0.38% of Total Invested Funds

United Kingdom Fixed Interest Holdings
at 30 November 2004

	Value (£)	Principal Activities
Treasury Stock 4.5% 07/03/2007	25,035,000	
	£25,035,000	10.96% of Total Invested Funds

Investment Managers' Review

Global Equity Markets

Global equity markets initially struggled to make progress in 2004 as investors remained unconvinced about the strength of US economic recovery. As the engine for world economic activity, and in particular the exporting sectors of Europe and Japan, the progress of American consumer expenditure also determines the outlook for activity globally.

Investor scepticism early in the year focused on the apparently slow pick-up in US employment levels. Observers believed that unless there was a sustainable increase in employment in the United States, economic growth was unlikely to return to its long term trend. Following the slow-down in recent years an unprecedented degree of stimulus has been applied to promoting economic recovery, largely through tax concessions and extremely low interest rates. In the event, it became clear that towards the end of the year the economy was indeed growing at a reasonable rate, and that the successive interest rate rises implemented by the Federal Reserve, starting the process of bringing interest rates back to more normal levels, had been justified.

Aside from this steady tightening of US interest rate policy, two other themes dominated the period: rising oil prices and the falling dollar. Commodity prices generally showed significant further strength in 2004 as demand from developing countries, and in particular China, squeezed prices higher. Continuing uncertainty about possible disruptions to supply, in particular in Venezuela and Iraq, combined with some speculative activity to push oil prices to record highs of US$56 a barrel in October. Although, in real terms, most commodities remain below previous cyclical peaks, the impact on manufacturing profitability, and to a lesser extent inflation, will remain a theme in the forthcoming year.

As the year closed, investor attention again focused on the sustainability of the massive US current account deficit, which remains at over 5% of GDP. To date, overseas institutions and in particular the Asian central banks, have been happy to finance the United States' deficit through purchasing US Dollar assets (in the form of Treasury Bills), and in doing so helping align their currencies with the US Dollar. However, investor concern over the long term sustainability of this policy finally drove the Dollar lower against, in particular, the Euro in recent months. The weakness of the Dollar is likely to have an adverse impact on European manufacturing activity in 2005.

Against this background we have maintained our focus on quality companies where we believe long term earnings growth is achievable. Companies with strong products, sustainable market shares and good margins are, we believe, likely to prove better investments in the current environment, as many of the major global imbalances unwind. However, in the short run, this emphasis on growth has not been rewarded and the market has favoured more volatile cyclical plays. However, the valuation differential between those companies growing strongly and the so-called 'value' plays has narrowed considerably. We believe the unusually strong performance of lower quality companies has now come to an end, which should favour the relative performance of the Company's portfolio.

In this environment we have favoured the likely beneficiaries of a pick-up in corporate spending (**General Electric** in the US, **Siemens** and **SAP** in Germany, and **Hoya** in Japan). We also favour the Energy sector (through stocks such as **ExxonMobil** and **ENI**) as a route to participate in the continuing growth in emerging market economies.

One consequence of these sector views is that we have remained underweight in the US market for most of 2004, and have preferred Far Eastern and European markets, and in the latter case currency movements have benefited performance. In Japan it appears that there is at last the prospect of a sustainable recovery with some evidence emerging during the year, albeit inconclusive, of a return in consumer confidence and spending growth. The economy remains reliant on export growth, however, and in particular a continuation of Chinese demand. To date, despite fears of an abrupt slowdown, the Chinese authorities appear to have achieved a modest slowdown in growth without provoking a 'hard landing' – a more abrupt slowdown.

Looking forward, the performance of global equity markets in part depends on the stability of the US Dollar. Although a disorderly and precipitous decline, brought about by a withdrawal of Asian Central bank buying is a possibility, it is not our central expectation. A further gradual increase in US interest rates should provide support to the currency as the year progresses. It would also be helpful if US corporate spending were to accelerate, and European and Japanese consumer expenditure were to pick up. However, markets are not expensively rated by historic standards and should respond positively to further growth in earnings and dividends.

Investment Managers' Review

North America Listed Equity Holdings
at 30 November 2004

	Value (£)	Principal Activities
General Electric	2,086,322	Diversified Industrial
Exxon Mobil	1,757,927	Oil and Gas
Friedman Billings	1,746,171	Financial Institutions and Services
Pfiizer	1,583,816	Pharmaceuticals
Alcan Aluminium	1,449,121	Steel and Other Metals
Microsoft	1,353,979	Software and Computer Services
Citigroup	1,338,657	Banking
Goldman Sachs	1,277,386	Financial Institutions and Services
Caremark	1,258,684	Health
Schlumberger	1,229,168	Oil and Gas
Biogen Idec	1,115,397	Pharmaceuticals
Amer International	1,067,157	Insurance
Fedex	1,064,346	Transport
Dow Chemical	1,050,853	Chemicals
United Technologies	1,046,449	Aerospace and Defence
Everest	969,600	Insurance
CIT Group	939,315	Financial Institutions and Services
Canadian Natural Resources	927,005	Oil and Gas
McDonalds	900,409	Leisure Entertainment and Hotels
Wellpoint	895,351	Health
International Business Machines	892,406	Information Technology Hardware
Symantec	886,053	Software and Computer Services
Tyco	868,075	Diversified Industrial
Honeywell International	866,846	Aerospace and Defence
Accenture	864,607	Software and Computer Services
Cendant	863,203	Leisure Entertainment and Hotels
Johnson & Johnson	862,162	Pharmaceuticals
Penney	855,197	Retailing

Investment Managers' Review

North America Listed Equity Holdings (continued)
at 30 November 2004

	Value (£)	Principal Activities
American Express	851,100	Financial Institutions and Services
Occidental Petroleum	846,405	Oil and Gas
Bank of America	842,010	Banking
Inco	837,981	Steel and Other Metals
Wal-Mart Stores	829,413	Retailing
Xerox	828,715	Information Technology Hardware
Procter & Gamble	808,867	Health and Personal Care
Monsanto	779,787	Chemicals
Verizon Communications	642,770	Telecommunications
Corning	621,369	Information Technology Hardware
Avon Products	600,794	Health and Personal Care
PepsiCo	550,929	Beverages
	£41,055,802	17.98% of Total Invested Funds

Continental Europe Listed Equity Holdings
at 30 November 2004

	Value (£)	Principal Activities
SAP	1,710,396	Software and Computer Services (Germany)
Inbev	1,694,397	Beverages (Belgium)
UBS	1,334,979	Banking (Switzerland)
Puma	1,332,425	Household Goods and Textiles (Germany)
Total	1,275,087	Oil and Gas (France)
ENI	1,260,287	Oil and Gas (Italy)
Erste Bank	1,139,449	Banking (Austria)
ING Groep	1,094,094	Insurance and banking (Netherlands)
Enel	1,069,296	Electricity (Italy)
Vinci	1,061,544	Construction and Building (France)
Adidas-Salomon	1,054,267	Leisure Entertainment and Hotels (Germany)
Roche Holdings	1,029,923	Pharmaceuticals (Switzerland)

Investment Managers' Review

Continental Europe Listed Equity Holdings (continued)
at 30 November 2004

	Value (£)	Principal Activities
Schering	928,827	Pharmaceuticals (Germany)
Vivendi Universal	913,520	Media and Entertainment (France)
Ericsson	909,954	Information Technology Hardware (Sweden)
BNP Paribas	898,866	Banking (France)
National Bank of Greece	889,189	Banking (Greece)
Alcatel	866,333	Information Technology Hardware (France)
BCO Bilbao Vizcaya Argentaria	857,839	Banking (Spain)
Telecom Italia	853,259	Telecommunications (Italy)
Suez	851,261	Diversified Industrial (France)
BMW	840,348	Automobiles (Germany)
Credit Suisse	698,529	Banking (Switzerland)
ASML	673,475	Information Technology Hardware (Netherlands)
	£25,237,544	11.05% of Total Invested Funds

Japan Listed Equity Holdings
at 30 November 2004

	Value (£)	Principal Activities
Rakuten	1,736,950	Retailing
Hoya	1,298,451	Electrical Equipment
Mitsubishi Estate	1,233,227	Real Estate
Mizuho Financial	1,119,472	Banking
Sankyo Seiki	923,190	Electrical Equipment
Canon	840,337	Electrical Equipment
Sumitomo Mitsui Financial	822,372	Banking
Nomura	795,327	Banking
Orix	733,361	Financial Services
Takeda Chemical	695,293	Pharmaceuticals
OBIC	649,052	Software and Computer Services
Fanuc	589,030	Electrical Equipment
Shinsei Bank	409,664	Banking
	£11,845,726	5.19% of Total Invested Funds

Investment Managers' Review

Pacific Basin Listed Equity Holdings
at 30 November 2004

	Value (£)	Principal Activities
BHP Billiton	1,872,466	Mining (Australia)
Samsung Electronic	1,726,654	Electronics and Electrical Equipment (Korea)
HSBC Holdings	855,426	Banking (Hong Kong)
Taiwan Semiconduct	846,826	Electronics and Electrical Equipment (Taiwan)
Hong Kong Exchange	838,908	Financial Institutions and Services (Hong Kong)
News Corporation	815,634	Media (Australia)
Sun Hung Kai Properties	647,581	Real Estate (Hong Kong)
Hana Bank	516,827	Banking (Korea)
New Zealand Investment Trust#	260,160	Investment Trust
Huadian Power International 'H'	256,659	Utilities (Hong Kong)
	£8,637,141	3.78% of Total Invested Funds

#Traded on London Stock Exchange

Risk Review

Financial Reporting Standard 13 (FRS 13) – Derivatives and Other Financial Instruments: Disclosure

FRS 13 requires entities to disclose narrative and numerical information about the financial instruments that they use.

The purpose of these disclosures is to provide enough information to investors to enable them to make their own decisions about the risk profile of the entity in which they have invested, and to assess for themselves the impact of the use of financial instruments (investments, cash/overdraft and borrowings) on the performance of the entity. Short term debtors and creditors are not considered to be financial instruments. They have been included at the bottom of the numerical disclosure in Note 20(a) merely to enable users of the accounts to reconcile the summary provided to total net assets per the balance sheet.

These disclosures are in line with the requirements of FRS 13. 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 are market price risk, liquidity risk, interest rate risk and foreign currency risk.

The overall risk profile of the Company and the policies adopted to manage risk have not changed from the prior year.

Market price risk

Market price risk arises mainly from the 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 regularly to consider the asset allocation of the portfolio, in order to minimise the risk associated with particular countries or industry sectors. Dedicated fund managers have responsibility for monitoring the existing portfolio selection in accordance with the Company's investment objectives and seek to ensure that individual stocks meet an acceptable risk reward profile.

Liquidity risk

The Company's assets comprise mainly realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility can be achieved through the use of overdraft facilities, where necessary.

Interest rate risk

The Company invests predominantly in equities, the values of which are not directly affected by changes in prevailing market interest rates.

The Company also holds £44.1 million of cash and short gilts, which effectively offset the impact of gearing.

The Company finances its operations through a mixture of share capital, retained earnings and long term borrowings.

Foreign currency risk

The income and capital value of the Company's investments can be affected by exchange rate movements, as some of the Company's assets and income are denominated in currencies other than Sterling. The exposure to currency movements is a structural feature of the Company's portfolio and, when appropriate, the fund managers will hedge currency risk.

Credit risk

There was no stocklending activity in the year and the Board has decided to discontinue stocklending.

Distribution of Invested Funds

at 30 November 2004

Invested Funds – £203,309,838 (2003 – £194,507,530)
excluding Treasury Stock 4.5% 2007 – £25,035,000 (2003 – £25,130,000)
Percentage of valuation

	United Kingdom	North America	Other Countries	2004 Total	60% All Share 40% World Index 2004 Benchmark Sector Weighting*	2003 Total
	%	%	%	%	%	%
Resources						
Mining	3.21	–	0.92	4.13	2.93	2.66
Oil & Gas	6.76	2.34	1.25	10.35	10.71	9.70
	9.97	2.34	2.17	14.48	13.64	12.36
Basic Industries						
Chemicals	0.87	0.90	–	1.77	1.44	1.24
Construction & Building Materials	1.22	–	0.52	1.74	2.10	1.78
Forestry & Paper	–	–	–	–	0.27	–
Steel & Other Metals	–	1.13	–	1.13	0.51	–
	2.09	2.03	0.52	4.64	4.32	3.02
General Industrials						
Aerospace & Defence	1.43	0.94	–	2.37	1.40	1.78
Diversified Industries	–	1.45	0.42	1.87	1.38	1.00
Electronic & Electrical Equipment	1.10	–	3.06	4.16	1.20	3.52
Engineering & Machinery	0.91	–	–	0.91	1.10	0.77
	3.44	2.39	3.48	9.31	5.08	7.07
Cyclical Consumer Goods						
Automobiles	–	–	0.41	0.41	1.12	1.29
Household Goods & Textiles	–	–	0.66	0.66	0.57	1.46
	–	–	1.07	1.07	1.69	2.75
Non-Cyclical Consumer Goods						
Beverages	2.95	0.27	0.83	4.05	2.46	3.38
Food Products & Processing	0.59	–	–	0.59	2.25	2.17
Health	–	1.06	–	1.06	1.35	2.41
Personal & Household Products	–	0.69	–	0.69	1.21	–
Pharmaceuticals	2.54	1.75	1.31	5.60	7.46	8.06
Tobacco	–	–	–	–	1.60	–
	6.08	3.77	2.14	11.99	16.33	16.02
Cyclical Services						
General Retailers	1.52	0.83	0.85	3.20	3.62	0.85
Leisure, Entertainment & Hotels	1.35	0.87	0.52	2.74	2.00	4.49
Media & Photography	4.08	–	0.85	4.93	3.94	4.15
Support Services	0.27	–	–	0.27	2.30	0.90
Transport	2.59	0.52	–	3.11	1.70	1.99
	9.81	2.22	2.22	14.25	13.56	12.38
Non-Cyclical Services						
Food & Drug	1.40	–	–	1.40	1.91	1.03
Telecom Services	3.42	0.32	0.42	4.16	7.49	7.69
	4.82	0.32	0.42	5.56	9.40	8.72
Utilities						
Electricity	–	–	0.65	0.65	1.88	1.42
Gas Distribution	–	–	–	–	0.64	1.13
Water	1.28	–	–	1.28	0.56	1.36
Multi-Utilities	–	–	–	–	0.90	–
	1.28	–	0.65	1.93	3.98	3.91

Distribution of Invested Funds

at 30 November 2004

Invested Funds – £203,309,838 (2003 – £194,507,530)
excluding Treasury Stock 4.5% 2007 – £25,035,000 (2003 – £25,130,000)
Percentage of valuation

	United Kingdom	North America	Other Countries	2004 Total	60% All Share 40% World Index 2004 Benchmark Sector Weighting*	2003 Total
	%	%	%	%	%	%
Financials						
Banks	11.91	1.07	4.69	**17.67**	**16.73**	**18.88**
Insurance	–	1.00	0.54	**1.54**	**1.89**	**2.05**
Life Assurance	2.50	–	–	**2.50**	**2.14**	**1.74**
Investment Companies	–	–	–	**–**	**1.60**	**0.97**
Real Estate	1.66	–	0.93	**2.59**	**1.72**	**0.74**
Speciality & Other Finance	1.40	2.37	1.29	**5.06**	**2.77**	**3.59**
	17.47	**4.44**	**7.45**	**29.36**	**26.85**	**27.97**
Information Technology						
Information Technology Hardware	–	1.15	1.20	**2.35**	**3.00**	**2.44**
Software & Computer Services	1.94	1.53	1.16	**4.63**	**2.15**	**2.91**
	1.94	**2.68**	**2.36**	**6.98**	**5.15**	**5.35**
Unquoted	**0.43**	**–**	**–**	**0.43**	**–**	**0.45**
Total	**57.33**	**20.19**	**22.48**	**100.00**	**100.00**	**100.00**

The above groupings are based on the FT-Actuaries Share Indices.

*In order to enable fairer comparison against the benchmark, the Treasury Stock 4.5% 2007 has been excluded from the above table.

Statement of Total Return

for the year ended 30 November 2004

	Note	2004 £ Revenue	2004 £ Capital	2004 £ Total	2003 £ Revenue	2003 £ Capital	2003 £ Total
Net gains on investments	8	–	12,432,586	12,432,586	–	9,141,433	9,141,433
Income	1	7,163,167	–	7,163,167	7,326,590	–	7,326,590
Investment management fee	2	(383,952)	(895,888)	(1,279,840)	(368,948)	(860,879)	(1,229,827)
Expenses of administration	3	(274,395)	–	(274,395)	(171,395)	–	(171,395)
Net return before finance costs and taxation		6,504,820	11,536,698	18,041,518	6,786,247	8,280,554	15,066,801
Finance costs of borrowings	4	(1,379,340)	(3,207,797)	(4,587,137)	(1,347,875)	(3,138,799)	(4,486,674)
Return on ordinary activities before taxation		5,125,480	8,328,901	13,454,381	5,438,372	5,141,755	10,580,127
Taxation	5	(558,068)	382,052	(176,016)	(522,436)	376,340	(146,096)
Return on ordinary activities after taxation for the financial year		4,567,412	8,710,953	13,278,365	4,915,936	5,518,095	10,434,031
Dividends on Preference Stock	11	(22,500)	–	(22,500)	(22,500)	–	(22,500)
Return attributable to Ordinary Shareholders		4,544,912	8,710,953	13,255,865	4,893,436	5,518,095	10,411,531
Dividends on Ordinary Shares	6	(4,252,915)	–	(4,252,915)	(4,349,673)	–	(4,349,673)
Transfer to reserves		291,997	8,710,953	9,002,950	543,763	5,518,095	6,061,858
Return per Ordinary Share	7	8.43p	16.16p	24.59p	8.65p	9.75p	18.40p

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

All revenues and capital items in the above statement derive from continuing operations. There were no gains or losses in the year, other than those above. In the year, no operations were acquired and, with the exception of the Company's stocklending activity, no operations were discontinued.

The Notes on pages 23 to 34 form part of these Accounts.

Balance Sheet

as at 30 November 2004

	Note	2004 £	2004 £	2003 £
Fixed Assets				
Investments	8, 9		228,344,838	219,637,530
Current Assets				
Debtors	10	2,884,601		1,828,917
Cash at bank	10	19,040,532		25,486,491
		21,925,133		27,315,408
Creditors: Amounts falling due within one year	10	(7,241,765)		(5,471,482)
Net Current Assets			14,683,368	21,843,926
Total Assets less Current Liabilities			243,028,206	241,481,456
Creditors: Amounts falling due after more than one year	10		(51,761,696)	(51,825,923)
Total Net Assets			191,266,510	189,655,533
Capital and Reserves				
Called up Share Capital: Ordinary	11		13,101,604	13,785,104
Preference	11		450,000	450,000
Capital Redemption Reserve	12		2,898,396	2,214,896
Capital Reserves: Realised	14	159,387,408		174,945,310
Unrealised	14	7,930,760		(8,946,122)
			167,318,168	165,999,188
Revenue Reserve	13		7,498,342	7,206,345
Shareholders' Funds	16		191,266,510	189,655,533
Analysis of Shareholders' Funds				
Equity interests			190,816,510	189,205,533
Non-equity interests	11		450,000	450,000
			191,266,510	189,655,533

Approved by the Board of Directors on 22 February 2005 and signed on its behalf by:

JFH Trott
WR Worsley

The Notes on pages 23 to 34 form part of these Accounts.

Cash Flow Statement

for the year ended 30 November 2004

	Note	2004 £	2004 £	2003 £
Net cash inflow from operating activities	18		5,800,942	5,741,387
Servicing of finance				
Interest paid		(4,651,370)		(4,383,834)
Dividends paid on Preference Stock		(22,500)		(22,500)
Net cash outflow on servicing of finance			(4,673,870)	(4,406,334)
Financial investment				
Purchase of fixed asset investments		(179,060,814)		(152,141,473)
Sale of fixed asset investments		183,148,154		160,387,386
Net cash inflow from financial investment			4,087,340	8,245,913
Equity dividends paid			(4,268,398)	(4,335,656)
Net cash inflow before financing			946,014	5,245,310
Financing				
Repurchase of Ordinary Shares for cancellation		(7,391,973)		(5,779,819)
Decrease in short term loan		–		(907,212)
Net cash outflow from financing			(7,391,973)	(6,687,031)
Decrease in cash	19		(6,445,959)	(1,441,721)

The Notes on pages 23 to 34 form part of these Accounts.

Statement of Accounting Policies

for the year ended 30 November 2004

1. The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments. The financial statements have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial statements of investment trust companies' issued by the Association of Investment Trust Companies in January 2003.

2. Revenue – Dividends on equity shares are accounted for on an ex-dividend basis. UK dividends are shown net of tax credits and foreign dividends are grossed up at the appropriate rate of withholding tax.

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

   Returns on fixed interest investments are recognised on an accruals basis.

   Deposit interest receivable and stocklending fees are accounted for on an accruals basis. Underwriting commission is recognised when the issue underwritten closes.

3. Investment management fee – The investment management fee is calculated on the basis set out in Note 2 and is charged to capital and revenue in the ratio 70:30 to reflect the Company's investment policy and prospective capital and income growth.

4. Valuation – Investments listed in the United Kingdom have been valued at middle market prices. Those listed abroad have been valued at closing or middle market prices as available. Unlisted investments are valued by the Directors based upon the latest dealing prices, stockbrokers' valuations, net asset values, earnings and other known accounting information in accordance with the principles set out by the British Venture Capital Association. An unrealised Capital Reserve has been established to reflect differences between value and book cost.

   Net gains or losses arising on realisations of investments are taken directly to the realised Capital Reserve.

5. Finance costs – In accordance with Financial Reporting Standard 4 'Capital Instruments', long term borrowings are stated as the amount of net proceeds immediately after issue plus the appropriate accrued finance costs at the balance sheet date. The finance costs of such borrowings, being the difference between the net proceeds of a borrowing and the total payments that may be required in respect of that borrowing, are allocated to periods over the term of the debt at a constant rate on the carrying amount. Finance costs on long term borrowings are charged to capital and revenue in the ratio 70:30 to reflect the Company's investment policy and prospective capital and income growth.

6. Taxation – Where expenses are allocated between capital and revenue, any tax relief obtained in respect of those expenses is allocated between capital and revenue, using the marginal method and the Company's effective rate of tax for the accounting period.

   Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date. Where deferred tax assets are likely to be considered irrecoverable, no provision is made.

7. Foreign currency – Transactions in foreign currencies are translated into sterling at the rates of exchange ruling on the date of the transaction. Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Profits and losses on foreign currencies held, whether realised or unrealised, are taken direct to Capital Reserves.

Notes to the Accounts

for the year ended 30 November 2004

1. Income

	2004 £	2004 £	2003 £
Income from investments*			
Franked income:			
Dividends from UK equity securities		3,453,500	3,701,149
Unfranked income:			
Dividends from overseas equity securities	1,508,628		1,544,351
Interest from UK fixed income securities	1,155,072		1,250,000
		2,663,700	2,794,351
		6,117,200	6,495,500
Other income:			
Deposit interest	1,045,138		830,749
Underwriting commission	829		–
Stocklending fees	–		341
		1,045,967	831,090
Total income		7,163,167	7,326,590

*All dividend income is derived from listed investments.

2. Investment Management Fee

	2004 £ Revenue	2004 £ Capital	2004 £ Total	2003 £ Revenue	2003 £ Capital	2003 £ Total
Investment management fee	383,952	895,888	1,279,840	368,948	860,879	1,229,827

The Company's investment managers are RCM (UK) Limited ('RCM'). The contract provides for a management fee based on 0.45% per annum of the value of the assets after deduction of current liabilities, short term loans under one year and other funds managed by RCM. The amounts stated include partially recoverable VAT of £190,614 (2003 – £183,166).

The provision of investment management services and company administrative and secretarial services by RCM under the Management and Administration Agreement may be terminated by either the Company or the Managers on not less than 12 months' notice.

Notes to the Accounts

for the year ended 30 November 2004

3. Expenses of Administration

	2004 £	2003 £
Directors' fees	92,436	53,354
Auditors' remuneration	10,854	12,167
Other administrative expenses (see (iv) below)	269,269	225,012
VAT recovered	(98,164)	(119,138)
	274,395	171,395

(i) The above expenses include value added tax where applicable.

(ii) There were no fees payable to the Auditors in respect of non-audit services (2003 – £nil).

(iii) Between 1 December 2003 and 25 March 2004 Directors' fees were paid at the rate of £11,000 (2003 – £11,000) per annum with an additional sum of £4,000 (2003 – £4,000) per annum paid to the Chairman. Between 26 March 2004 and 30 November 2004 Directors' fees were paid at the rate of £15,000 per annum with an additional sum of £10,000 per annum paid to the Chairman (see Directors' Remuneration Report on page 40). Directors' emoluments amounted to £95,025 (2003 – £62,854) which comprises the fees of £92,436 (2003 – £53,354) and an amount of £2,589 (2003 – £9,500) in respect of Mr SRT White, an Alternative Director who ceased to hold office during the year, which are the emoluments he received from the Managers which relate to the management of the Company. Company law requires those emoluments to be disclosed even though the Company does not pay them.

(iv) Included within other administrative expenses are Savings Scheme costs of £62,613 (2003 – £62,371).

(v) The Company had no employees during the year.

4. Finance Costs of Borrowings

	2004 £ Revenue	2004 £ Capital	2004 £ Total	2003 £ Revenue	2003 £ Capital	2003 £ Total
On Stepped Rate Interest Loan repayable after more than five years	635,616	1,483,103	2,118,719	604,435	1,410,349	2,014,784
On Fixed Rate Interest Loan repayable after more than five years	739,154	1,724,694	2,463,848	740,764	1,728,450	2,469,214
On Sterling overdraft	4,570	–	4,570	2,676	–	2,676
	1,379,340	3,207,797	4,587,137	1,347,875	3,138,799	4,486,674

Notes to the Accounts

for the year ended 30 November 2004

5. Taxation

	2004 £ Revenue	2004 £ Capital	2004 £ Total	2003 £ Revenue	2003 £ Capital	2003 £ Total
Corporation tax at 30%	382,052	(382,052)	–	376,340	(376,340)	–
Overseas tax	176,016	–	176,016	146,096	–	146,096
Current tax charge	558,068	(382,052)	176,016	522,436	(376,340)	146,096
Reconciliation of current tax charge:						
Return on ordinary activities before taxation	5,125,480	8,328,901	13,454,381	5,438,372	5,141,755	10,580,127
Tax on return on ordinary activities at 30%	1,537,644	2,498,670	4,036,314	1,631,512	1,542,526	3,174,038
Reconciling factors:						
Non taxable income	(1,036,050)	–	(1,036,050)	(1,110,345)	–	(1,110,345)
Non taxable capital (gains) losses	–	(3,689,869)	(3,689,869)	–	(2,742,430)	(2,742,430)
Disallowable expenses	25,369	15,366	40,735	29,420	15,344	44,764
Allowable expenses charged to capital	–	1,175,833	1,175,833	–	1,184,560	1,184,560
Excess of taxable income over allowable expenses	(473,351)	–	(473,351)	(505,014)	–	(505,014)
Accrued income taxable in other periods	(982)	–	(982)	(1,550)	–	(1,550)
Overseas tax suffered	176,016	–	176,016	146,096	–	146,096
UK tax relief on overseas tax expense	(52,630)	–	(52,630)	(44,023)	–	(44,023)
Equalisation adjustment	382,052	(382,052)	–	376,340	(376,340)	–
Current tax charge	558,068	(382,052)	176,016	522,436	(376,340)	146,096

The Company's taxable income is exceeded by its tax allowable expenses, which include both revenue and capital elements of the management fee and finance costs. The Company has surplus expenses carried forward of £29.1m (2003 – £26.7m). Given the Company's current investment strategy, it is unlikely to generate sufficient UK taxable profits to relieve these expenses.

As at 30 November 2004 there is an unrecognised deferred tax asset, measured at the standard rate of corporation tax of 30%, of £8.7m (2003 – £8.0m). This deferred tax asset relates to the current and prior year unutilised expenses. It is considered uncertain that there will be a tax liability in the future against which the deferred asset can be offset. Therefore the asset has not been recognised.

6. Dividends on Ordinary Shares

	2004 £	2003 £
Dividends on Ordinary Shares:		
Prior year over accrual	(34,320)	(1,259)
First interim 3.50p paid 27 August 2004 (2003 – 3.40p)	1,876,540	1,924,754
Final proposed 4.60p payable 29 March 2005 (2003 – 4.40p)	2,410,695	2,426,178
	4,252,915	4,349,673

The final dividend accrued is based on the number of shares in issue at the year end. However, the dividend payable will be based on the number of shares in issue on the record date and will reflect any purchases and cancellations of shares by the Company settled since the year end.

Notes to the Accounts

for the year ended 30 November 2004

7. Return per Ordinary Share

	2004 £ Revenue	2004 £ Capital	2004 £ Total	2003 £ Revenue	2003 £ Capital	2003 £ Total
Return after taxation	4,567,412	8,710,953	13,278,365	4,915,936	5,518,095	10,434,031
Attributable to Preference Stockholders	(22,500)	–	(22,500)	(22,500)	–	(22,500)
Attributable to Ordinary Shareholders	4,544,912	8,710,953	13,255,865	4,893,436	5,518,095	10,411,531
Return per Ordinary Share	8.43p	16.16p	24.59p	8.65p	9.75p	18.40p

The return per Ordinary Share is based on a weighted average number of shares of 53,900,208 (2003 – 56,578,783) Ordinary Shares in issue.
The basic and diluted returns per Ordinary Share are the same.

8. Fixed Asset Investments

	2004 £	2003 £
Listed at market valuation on recognised Stock Exchanges –		
United Kingdom	140,701,647	134,641,442
Abroad	86,776,213	84,117,368
	227,477,860	218,758,810
Unlisted at Directors' valuation –		
United Kingdom	866,978	878,720
Total fixed asset investments	228,344,838	219,637,530
Market value of investments brought forward	219,637,530	218,572,416
Unrealised losses brought forward	8,946,122	23,665,130
Cost of investments held brought forward	228,583,652	242,237,546
Additions at cost	180,845,677	151,517,547
Disposals at cost	(189,015,251)	(165,171,441)
Costs of investments held at 30 November	220,414,078	228,583,652
Unrealised gains (losses) at 30 November	7,930,760	(8,946,122)
Market value of investments held at 30 November	228,344,838	219,637,530
Gains on investments		
Net realised losses based on historical costs	(4,577,317)	(5,599,571)
Less: Amounts recognised as unrealised in previous years	21,750,315	6,696,675
Net realised gains based on carrying value at previous balance sheet date	17,172,998	1,097,104
Net unrealised (losses) gains arising in the year	(4,873,433)	8,022,333
Net gains on investments before special dividends	12,299,565	9,119,437
Special dividends credited to capital	133,021	21,996
Total net gains on investments	12,432,586	9,141,433

The Board considers that the Company's unlisted investment is not material to the financial statements. No material disposals of unlisted investments took place during the year.

Stocklending

Maximum aggregate value of securities on loan during the year	–	6,000,000
Fee income from stocklending during the year	–	341

There was no stocklending activity in the year. During the year, the Company decided to discontinue stocklending activity.

Notes to the Accounts

for the year ended 30 November 2004

9. Investments in Other Companies

The Company held more than 10% of the share capital of the following companies at 30 November 2004 –

Company	Class of Shares Held	%
First Debenture Finance PLC ('FDF')	'A' Shares	39.2
First Debenture Finance PLC	'B' Shares	34.2
First Debenture Finance PLC	'C' Shares	47.7
First Debenture Finance PLC	'D' Shares	28.5
Fintrust Debenture PLC ('Fintrust')	Ordinary Shares	50.0

These companies are incorporated in Great Britain and registered in England and Wales.

In the opinion of the Directors, the Company is not in a position to exert significant influence over these companies. FDF and Fintrust are lenders of the Company's Stepped Rate Interest Loan and Fixed Rate Interest Loan, as detailed in Notes 10(i) and (ii) respectively. The finance costs of these borrowings and outstanding balances at the year end are shown in Notes 4 and 10 respectively. There were no other transactions between the Company, FDF and Fintrust.

10. Current Assets and Creditors

	2004 £	2003 £
Debtors –		
Sales for future settlement	1,937,006	647,226
Other debtors	947,595	1,181,691
	2,884,601	1,828,917
Cash at bank –		
Current account	3,779,121	109,931
Deposit account	15,261,411	25,376,560
	19,040,532	25,486,491
Creditors: Amounts falling due within one year –		
Purchases for future settlement	3,458,293	1,673,430
Other creditors (see (iii) below)	1,361,527	1,360,624
Dividend on Preference Stock	11,250	11,250
Proposed dividend on Ordinary Shares	2,410,695	2,426,178
	7,241,765	5,471,482
Creditors: Amounts falling due after more than one year –		
Stepped Rate Interest Loan (payable after more than five years – see (i) below)	18,913,396	18,841,390
Fixed Rate Interest Loan (payable after more than five years – see (ii) below)	32,848,300	32,984,533
	51,761,696	51,825,923

(i) The Stepped Rate Interest Loan comprises adjustable Stepped Rate Interest Loan Notes of £2,997,442 and Stepped Rate Interest Bonds of £11,909,766 issued at 97.4% and repayable in 2018 inclusive of a premium of £3,315,831 but exclusive of any redemption expenses. Interest, payable on the Bonds in July and January, was at an initial rate of 8.35% per annum increasing annually by 5.0% compound until January 1998. Thereafter it became payable at 13.6% per annum until maturity on 2 January 2018. Interest on the Loan Notes is variable in accordance with the terms of the agreement with the lender, First Debenture Finance PLC ('FDF').

Notes to the Accounts

for the year ended 30 November 2004

10. Current Assets and Creditors (continued)

The Company has guaranteed the repayment of £18,191,669 being its proportionate share (34.85%) of the required amount to enable FDF to meet all of its liabilities to repay principal and interest on its £52.2m 11.125% Severally Guaranteed Debenture Stock 2018. There is a floating charge on all the Company's present and future assets to secure this obligation. The Company has also agreed to meet its proportionate share of any expenses incurred by FDF, including any tax liability which may accrue to FDF as a result of the redemption or earlier transfer of the Stepped Rate Loan Notes and Bonds held by FDF.

(ii) The Fixed Rate Interest Loan of £28,000,000 is due to Fintrust Debenture PLC ('Fintrust'). This loan is repayable in 2023 and carries interest at the rate of 9.25125% per annum on the principal amount payable in arrears by equal half yearly instalments in May and November each year. As security for this loan, the Company has granted a floating charge over all its undertakings, property and assets in favour of the lender. The charge ranks pari passu with the floating charge created by the Company to secure its obligations to the 11.125% Severally Guaranteed Stock 2018 of FDF.

Following the liquidation of Kleinwort Overseas Investment Trust plc ('KOIT') in March 1998, the Company assumed £13,000,000 of its obligations to Fintrust. Both the interest cost and repayment terms of this additional borrowing are identical to the Company's existing loan. In order that the finance costs on this additional borrowing be comparable to existing market rates at that time, the Company also received a premium payment from KOIT of £5,727,111. This premium is being amortised over the remaining life of the loan in accordance with FRS 4, as set out in the Accounting Policies. At 30 November 2004, the unamortised premium included within the Fixed Rate Interest Loan balance of greater than one year amounted to £4,910,113 (2003 – £5,047,513).

The original loan from Fintrust is stated at net proceeds (being the principal amount of £15,000,000 less issue costs of £70,526) plus accrued finance costs.

(iii) Included within other creditors are £836,113 (2003 – £836,351) and £78,713 (2003 – £78,481) payable to FDF and to Fintrust respectively.

11. Share Capital

		2004 £	2003 £
Authorised			
450,000	5% Cumulative Preference Stock Units of £1	450,000	450,000
66,200,000	Ordinary Shares of 25p	16,550,000	16,550,000
		17,000,000	17,000,000
Allotted and fully paid			
450,000	5% Cumulative Preference Stock Units of £1	450,000	450,000
52,406,416	Ordinary Shares of 25p (2003 – 55,140,416)	13,101,604	13,785,104
		13,551,604	14,235,104

The Cumulative Preference Stock Units have been classified as non-equity interests in shareholders' funds under the provisions of FRS 4. The rights of the Stock to receive payments are not calculated by reference to the Company's profits and, in the event of a return of capital, are limited to a specific amount, being £450,000. In addition the Stock only has rights to vote in certain circumstances. Following the abolition of advance corporation tax in April 1999, the rate of the Company's Preference Coupon reverted to 5% from 3.5% plus tax credit.

Dividends on the Preference Stock are payable half yearly on 30 June and 31 December.

The Directors are authorised by an ordinary resolution passed on 25 March 2004 to allot relevant securities, in accordance with Section 80 of the Companies Act 1985, up to a maximum of 11,839,584 Ordinary Shares of 25p each. This authority expires on 25 May 2005 and accordingly a renewed authority will be sought at the Annual General Meeting on 24 March 2005.

During the year 2,734,000 Ordinary Shares were purchased by the Company and cancelled. The aggregate purchase price of these shares, amounting to £7,391,973 was charged to the Realised Capital Reserve (see Note 14). A further 70,000 Ordinary Shares have been repurchased for cancellation since the year end at a cost of £203,768.

Notes to the Accounts

for the year ended 30 November 2004

12. Capital Redemption Reserve

	£
Balance at 1 December 2003	2,214,896
Movement in the year	683,500
Balance at 30 November 2004	2,898,396

The balance on this account was increased by the transfer of £683,500 in respect of 2,734,000 Ordinary Shares purchased by the Company and cancelled.

13. Revenue Reserve

	£
Balance at 1 December 2003	7,206,345
Profit for the year	291,997
Balance at 30 November 2004	7,498,342

14. Capital Reserves

	Realised £	Unrealised £	Total £
Balance at 1 December 2003	174,945,310	(8,946,122)	165,999,188
Net gain on realisation of investments	17,306,019	–	17,306,019
Increase in unrealised appreciation	–	(4,873,433)	(4,873,433)
Transfer on disposal of investments	(21,750,315)	21,750,315	–
Purchase of Ordinary Shares for cancellation	(7,391,973)	–	(7,391,973)
Investment management fee	(895,888)	–	(895,888)
Finance costs of borrowings	(3,207,797)	–	(3,207,797)
Attributable taxation in respect of management fee and finance costs	382,052	–	382,052
Balance at 30 November 2004	159,387,408	7,930,760	167,318,168

Notes to the Accounts

for the year ended 30 November 2004

15. Net Asset Value per Share

The Net Asset Value per Share (which equals the net asset values attributable to each class of share at the year end calculated in accordance with the Articles of Association) was as follows:

	Net Asset Value per Share attributable 2004	2003
Ordinary Shares of 25p	364.1p	343.1p
5% Cumulative Preference Stock Units of £1	£1	£1

	Net Asset Values attributable 2004	2003
Ordinary Shares of 25p	£190,816,510	£189,205,533
5% Cumulative Preference Stock Units of £1	£450,000	£450,000

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

	Ordinary Shares £	Cumulative Preference Stock £	Total £
Total net assets attributable at 1 December 2003	189,205,533	450,000	189,655,533
Total recognised gains for the year	13,255,865	22,500	13,278,365
Dividends appropriated in the year	(4,252,915)	(22,500)	(4,275,415)
Repurchase of Ordinary Shares for cancellation	(7,391,973)	–	(7,391,973)
Total net assets attributable at 30 November 2004	190,816,510	450,000	191,266,510

The Net Asset Value per Ordinary Share is based on 52,406,416 (2003 – 55,140,416) Ordinary Shares in issue at the year end.

16. Reconciliation of Movements in Shareholders' Funds

	2004 £	2003 £
Distributable Reserves		
Revenue profit available for distribution	4,567,412	4,915,936
Dividends	(4,275,415)	(4,372,173)
Transfer to distributable reserves	291,997	543,763
Other Reserves		
Recognised net capital gains transferred to non-distributable reserves	8,710,953	5,518,095
Purchase of Ordinary Shares for cancellation	(7,391,973)	(5,781,151)
	1,318,980	(263,056)
Net increase in Shareholders' Funds	1,610,977	280,707
Opening Shareholders' Funds	189,655,533	189,374,826
Closing Shareholders' Funds	191,266,510	189,655,533

Notes to the Accounts

for the year ended 30 November 2004

17. Contingent Liabilities, Financial Commitments and Guarantees

At 30 November 2004 there were no outstanding contingent liabilities (2003 – nil) in respect of underwriting commitments and calls on partly paid investments. The Company has committed to an investment of £3.0m in Kleinwort Benson Equity Partners of which £293,297 (2003 – £426,738) remained outstanding at the year end.

Details of the guarantee provided by the Company as part of the terms of the Stepped Rate Loan are provided in Note 10(i) on page 28 'Current Assets and Creditors'.

18. Reconciliation of Operating Revenue before Taxation to Net Cash Inflow from Operating Activities

	2004 £	2003 £
Net revenue before finance costs and taxation	6,504,820	6,786,247
Less: Management fee charged to capital	(895,888)	(860,879)
Add: Special dividends credited to capital	133,021	21,996
Less: Overseas tax suffered at source	(176,016)	(146,096)
	5,565,937	5,801,268
Decrease (increase) in debtors	234,096	(54,860)
Increase (decrease) in creditors	909	(5,021)
Net cash inflow from operating activities	5,800,942	5,741,387

19. Reconciliation of Net Cash Flow to Movement in Net Debt

(i) Analysis of Net Debt

	Cash £	Short term loan £	Stepped and fixed rate loans £	Net Debt £
At 1 December 2003	25,486,491	–	(51,825,923)	(26,339,432)
Movement in year	(6,445,959)	–	64,227	(6,381,732)
At 30 November 2004	19,040,532	–	(51,761,696)	(32,721,164)

(ii) Reconciliation of net cash flow to movement in net debt

	2004 £	2003 £
Net cash outflow	(6,445,959)	(1,441,721)
Decrease in short term loan	–	907,212
Decrease in long term loans	64,227	64,200
Movement in net funds	(6,381,732)	(470,309)
Net debt brought forward	(26,339,432)	(25,869,123)
Net debt carried forward	(32,721,164)	(26,339,432)

Notes to the Accounts

for the year ended 30 November 2004

20. Financial Reporting Standard 13 – Derivatives and Other Financial Instruments: Disclosures

The note below should be read in conjunction with the Risk Review of the Company detailed on page 17.

(a) Interest Rate Risk Profile

The tables below summarise in Sterling terms the assets and liabilities whose values are affected by changes in interest rates, together with the weighted average rates and periods for fixed interest bearing instruments.

	Currency	2004 Fixed rate interest paid £	2004 Floating rate interest paid £	2004 Nil interest paid £	2004 Total £	2003 Fixed rate interest paid £	2003 Floating rate interest paid £	2003 Nil interest paid £	2003 Total £
Financial Assets									
Values directly affected by movements in interest rates:									
Treasury Stock	Sterling	25,035,000	–	–	25,035,000	25,130,000	–	–	25,130,000
Values not directly affected by movements in interest rates:									
Equities	Sterling	–	–	116,533,625	116,533,625	–	–	110,390,162	110,390,162
Equities	Various	–	–	86,776,213	86,776,213	–	–	84,117,368	84,117,368
Cash	Sterling	–	19,040,532	–	19,040,532	–	25,486,491	–	25,486,491
		–	19,040,532	203,309,838	222,350,370	–	25,486,491	194,507,530	219,994,021
Total Financial Assets		25,035,000	19,040,532	203,309,838	247,385,370	25,130,000	25,486,491	194,507,530	245,124,021
Financial Liabilities									
Values directly affected by movements in interest rates:									
Fintrust loan	Sterling	(32,848,300)	–	–	(32,848,300)	(32,984,533)	–	–	(32,984,533)
First Debenture Finance loan	Sterling	(18,913,396)	–	–	(18,913,396)	(18,841,390)	–	–	(18,841,390)
Total Financial Liabilities		(51,761,696)	–	–	(51,761,696)	(51,825,923)	–	–	(51,825,923)
Net Financial (Liabilities) Assets		(26,726,696)	19,040,532	203,309,838	195,623,674	(26,695,923)	25,486,491	194,507,530	193,298,098
Non financial instruments (consisting of short term debtors and creditors)					(4,357,164)				(3,642,565)
Net Assets per balance sheet					191,266,510				189,655,533

In addition to the above, the Company had in issue £450,000 Cumulative Preference Stock Units. Interest is payable on these Sterling financial liabilities at the fixed rate of 5% per annum.

The Treasury Stock attracts interest at 4.5% per annum and is redeemable on 7 March 2007. Interest on floating rate financial assets is based on overnight money market rates.

The fixed rate interest bearing liabilities bear the following coupon and effective rates:

	Maturity date	Amount borrowed £	Coupon rate	Effective rate since inceptions*
First Debenture Finance PLC ('FDF') – Bonds	2/1/2018	11,909,766	13.60%	11.27%
First Debenture Finance PLC – Notes	2/1/2018	2,977,442	13.60%	11.27%
Fintrust Debenture PLC ('Fintrust') – Original loan	20/11/2023	15,000,000	9.25125%	9.30%
Fintrust Debenture PLC – New loan	20/11/2023	13,000,000	9.25125%	6.00%

The details in respect of the above loans have remained unchanged since 2002.

*The effective rates are calculated in accordance with FRS 4 as detailed in the Accounting Policies and in Note 10 'Current Assets and Creditors'.

The weighted average coupon rate is 10.76% (2003 – 10.76%) and the weighted average period to maturity is 16.9 years (2003 – 17.9 years).

Notes to the Accounts

for the year ended 30 November 2004

20. Financial Reporting Standard 13 – Derivatives and Other Financial Instruments: Disclosures (continued)

(b) Currency Risk Profile

A portion of the assets and liabilities of the Company are denominated in currencies other than Sterling, with the effect that the total net assets and total return can be affected by currency movements.

	2004 Investments £	2004 Current Assets £	2004 Creditors £	2004 Net Currency Exposure £	2003 Investments £	2003 Current Assets £	2003 Creditors £	2003 Net Currency Exposure £
Sterling	141,568,625	21,822,168	(59,003,461)	104,387,332	135,520,162	27,197,258	(57,297,405)	105,420,015
US Dollar	37,841,695	52,665	–	37,894,360	43,875,134	54,041	–	43,929,175
Euro	21,264,159	20,499	–	21,284,658	15,884,223	16,940	–	15,901,163
Japanese Yen	11,845,726	15,923	–	11,861,649	8,029,603	20,011	–	8,049,614
Canadian Dollar	3,214,107	3,751	–	3,217,858	790,374	–	–	790,374
Swiss Franc	3,063,431	–	–	3,063,431	4,142,999	11,807	–	4,154,806
Australian Dollar	2,688,100	–	–	2,688,100	3,239,421	14,799	–	3,254,220
Hong Kong Dollar	2,598,574	8,890	–	2,607,464	3,496,393	–	–	3,496,393
Korean Won	2,243,481	–	–	2,243,481	662,093	–	–	662,093
Swedish Krone	909,954	–	–	909,954	–	–	–	–
Taiwan Dollar	846,826	–	–	846,826	1,453,035	–	–	1,453,035
New Zealand Dollar	260,160	–	–	260,160	628,425	–	–	628,425
Israeli Shekel	–	1,230	–	1,230	518,088	552	–	518,640
Danish Krona	–	7	–	7	1,397,580	–	–	1,397,580
	228,344,838	21,925,133	(59,003,461)	191,266,510	219,637,530	27,315,408	(57,297,405)	189,655,533

(c) Fair Value Disclosure

With the exception of the amounts due to Fintrust and FDF shown below, all other financial assets and financial liabilities of the Company are held at fair value.*

	2004 £ million Book value	2004 £ million Fair value	2003 £ million Book value	2003 £ million Fair value
Fintrust loan	32.8	38.9	33.0	36.7
First Debenture Finance loan	18.9	27.4	18.8	25.8

The net asset value per Ordinary Share, with the Fintrust and FDF loans at fair value, is 336.2p (2003 – 323.8p).

*The fair value is derived from the closing market value as at 30 November 2004.

(d) Liquidity Profile

The maturity profile of the Company's liabilities at 30 November 2004, being the borrowings from Fintrust, FDF, and the short term loan, is detailed in Note 10 'Current Assets and Creditors'.

(e) Hedging Instruments

At 30 November 2004 the Company had no hedging contracts in place (2003 – nil).

Independent Auditors' Report

Independent Auditors' Report to the Shareholders of The Brunner Investment Trust PLC

We have audited the financial statements of The Brunner Investment Trust PLC for the year ended 30 November 2004 on pages 20 to 34 which have been prepared under the accounting policies set out on page 23. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC 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 Company'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. This other information comprises only those sections set out in the table of contents, including the Chairman's Statement, the Investment Managers' Review, the Distribution of Invested Funds, the Directors' Report and the Statement of Corporate Governance and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely upon this report unless such a person is a person entitled to rely upon this report by virtue of the Companies Act 1985 or has been expressly authorised to do so by our written consent. Save as above, we do not accept responsibility for this report to any person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 November 2004 and of its revenues and cash flows for the year then ended and the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Northside House
69 Tweedy Road
Bromley
Kent BR1 3WA

22 February 2005

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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 whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements 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 enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Corporate Governance

The Board has put in place a framework for corporate governance which it believes is appropriate for an investment trust company and which enables the Company to comply with the Combined Code on Corporate Governance ('the Combined Code').

In addition, the AITC Code of Corporate Governance was issued by the Association of Investment Trust Companies in July 2003. The Board has reviewed and applied the additional requirements of both documents except where stated otherwise.

The Board considers that the Company has complied with the applicable provisions contained within Section 1 of the Combined Code throughout the accounting period to 30 November 2004. Much of this statement describes how the relevant principles of governance are applied to the Company.

The Board

The Board currently consists of six non-executive Directors, five of whom are independent of the Company's investment manager. Their biographies, on page 5, demonstrate a breadth of investment, industrial, commercial and professional experience.

The Chairman of the Company is a non-executive Director and Mr RKA Wakeling has been appointed as the Senior Independent Director. The Board believes that length of service does not diminish the contribution from an investment trust Director and that a Director's experience and extensive knowledge of the Company is of positive benefit to the Board.

In accordance with the Articles of Association new Directors stand for election at the first Annual General Meeting following their appointment. Each Director is required to seek re-election at least every three years and annually after nine years' service. The names of the Directors retiring by rotation at this year's Annual General Meeting are given on page 44.

The Board meets at least six times a year and convenes ad hoc meetings as and when required. Between meetings, regular contact with the investment manager is maintained. Matters specifically reserved for decision by the full Board have been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. The Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed and that the Company complies with applicable rules and regulations.

When a new Director is appointed there is an induction process carried out by the investment manager. Directors are provided, on a regular basis, with key information on the Company's regulatory and statutory requirements and internal financial controls. Changes affecting Directors' responsibilities are advised to the Board as they arise.

During the year, the effectiveness of the Board was assessed through interviews conducted by the Chairman with each Director. In addition, the performance of the Directors was evaluated through the completion of a questionnaire by each Director, followed by a discussion with the Chairman. The Chairman's own performance was evaluated by the other Directors, who met under the chairmanship of Mr Wakeling. The results of the effectiveness assessment and performance evaluation have been presented to the Nomination Committee.

The effectiveness assessment determined that the balance of the Board was satisfactory.

The Board has contractually delegated to the investment manager the management of the investment portfolio, and the day to day accounting and company secretarial requirements. This contract was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the financial control systems in operation, in so far as they relate to the affairs of the Company. The Board receives and considers reports regularly from the investment manager and ad hoc reports and information are supplied to the Board as required. The Board's statement on its review of the management contract appears on page 44.

Attendance by Directors at formal Board and committee meetings during the year was as follows:

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Management Engagement Committee
No. of meetings	6	2	1	1	1
JFH Trott	6	2*	1*	1	1
VP Bazalgette†	6	2	1	0	1
KE Percy†	4	2	1	0	1
BCR Siddons	6	2*	1*	1	1
RKA Wakeling	6	2	1	1	1
WR Worsley	6	2	1	1	1

*Invited to attend meetings, although not a committee member.

†Appointed 1 January 2004.

Corporate Governance

Board Committees

The Audit Committee consists of all of the independent non-executive Directors, with the exception of the Chairman, and has defined terms of reference and duties. The Audit Committee is chaired by William Worsley. This committee meets at least twice each year and reviews the annual accounts and interim report and the terms of appointment of the Auditors, together with their remuneration as well as any non-audit services provided by the Auditors. It meets representatives of the investment manager and receives reports on the internal controls maintained on behalf of the Company and reviews the effectiveness of these controls.

The Nomination Committee meets at least once each year and makes recommendations on the appointment of new Directors. The Committee is chaired by John Trott, the Chairman of the Board. All Directors serve on the Committee and consider nominations made in accordance with an agreed procedure, which in the appointment of two non-executive Directors in January 2004, involved the use of external search consultants to compile a shortlist of candidates, each of whom was interviewed by the whole Board.

The Management Engagement Committee meets at least once each year to review the Management Agreement and the Managers' performance. It has defined terms of reference and consists of the non-executive Directors not employed by the Managers in the past five years. It is chaired by John Trott, the Chairman of the Board.

The Remuneration Committee meets at least once each year and consists of the independent non-executives other than the Chairman of the Board. The Committee is chaired by Richard Wakeling.

The Terms of Reference for each of the Committees may be viewed by shareholders on request.

Internal Control

The Directors have overall responsibility for the Company's system of internal control. Whilst acknowledging their responsibility for the system of internal control, the Directors are aware that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process is subject to review by the Board and accords with the Turnbull guidance. The process has been fully in place throughout the year under review and up to the date of the signing of this Report and Accounts.

The key elements of the procedures that the Directors have established and which are designed to provide effective internal control are as follows:

- The Board, assisted by the Managers, undertook a full review of the Company's business risks and these are analysed and recorded in a risk matrix. Every six months, the Board receives from the Managers a formal report which details any known internal controls failures, including those that are not directly the responsibility of the Managers. The Board continues to check that good systems of internal control and risk management are embedded in the operations and culture of the Company and its key suppliers.
- The appointment of RCM (UK) Limited ('RCM') as the Managers provides investment management, accounting and company secretarial services to the Company. The Managers therefore maintain the internal controls associated with the day to day operation of the Company. These responsibilities are included in the Management Agreement between the Company and the Managers whose system of internal control includes organisation arrangements with clearly defined lines of responsibility and delegated authority as well as control procedures and systems which are regularly evaluated by management and monitored by its internal audit department. RCM is authorised and regulated by the Financial Services Authority ('FSA') and its compliance department regularly monitors compliance with the FSA's rules.
- There is a regular review by the Board of asset allocation and any risk implications. There is also regular and comprehensive review by the Board of management accounting information including revenue and expenditure projections, actual revenue against projections, and performance comparisons.
- Authorisation and exposure limits are set and maintained by the Board.
- The Audit Committee assesses the Managers' and Custodian's systems of controls and approves the appointment of sub-custodians. The Audit Committee also receives reports from the Managers' and Custodian's internal auditors, compliance department and independent auditors.
- The Board reviews the Internal Control reports of third party service providers, including those of the Company's Registrars, Capita Registrars, and Custodian, HSBC Bank plc.

The Board has undertaken a full review of the aspects covered by the Turnbull guidance and believes that there is an effective framework substantially in place to meet the requirements of the Combined Code.

Corporate Governance

The Directors confirm that the Audit Committee has reviewed the effectiveness of the system of internal control, which it has found to be appropriate.

As set out elsewhere in this report, the Managers provide certain services, including internal audit services, to the Company. Consequently, the Company does not have its own internal audit function.

Relations with Shareholders

The Board strongly believes that the Annual General Meeting should be an event which private shareholders are encouraged to attend. The Annual General Meeting is attended by the Chairman of the Board, the respective Chairmen of the Board's Committees and the Managers. The number of proxy votes cast in respect of each resolution will be made available at the Annual General Meeting.

All correspondence received from shareholders is circulated to Directors and discussed by them.

The Managers meet with institutional shareholders on a regular basis and report to the Board on matters raised at these meetings.

The Notice of Meeting sets out the business of the Annual General Meeting and special resolutions are explained more fully in the Directors' Report. Separate resolutions are proposed for each substantive issue.

Shareholders who wish to communicate directly with the Chairman or other Directors may write care of the Company Secretary at 155 Bishopsgate, London EC2M 3AD.

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the accounts is on page 36 and a statement of going concern is on page 42.

The Independent Auditors' Report can be found on page 35.

Exercise of Voting Powers

The Company's investments are held in a nominee name. The Board has delegated discretion to discharge its responsibilities in respect of investments, including the exercise of voting powers on its behalf, to the Managers.

The Managers use a proxy voting service which casts votes in accordance with the guidelines of the National Association of Pension Funds ('NAPF') research material, unless its clients request a specific policy to be voted by its fund managers.

Where Directors hold directorships on the boards of companies in which the Company is invested, they do not participate in decisions made concerning those investments.

Directors' Remuneration Report

This report is submitted in accordance with the Directors' Remuneration Report Regulations 2002 for the year ended 30 November 2004.

The Board

The Board of Directors is composed solely of non-executive Directors. The determination of the Directors' fees is a matter dealt with by the Board, guided by the recommendations of the Remuneration Committee. The Remuneration Committee is made up of the independent Directors, other than the Chairman of the Board, and is chaired by Richard Wakeling.

Policy on Directors' Remuneration

Directors meet at least six times each year. The Audit Committee meets twice each year and the other board committees meet at least once each year.

Directors offer themselves for retirement at least once every three years and annually after nine years. No Director has a service contract with the Company. The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears. There are no long term incentive schemes and fees are not related to the individual Director's performance, nor to the performance of the Board as a whole.

The Company's Articles of Association currently limit the aggregate fees payable to the Board of Directors to a total of £125,000 per annum. Subject to this overall limit, it is the Board's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive Directors in the investment trust industry generally, the role that individual Directors fulfil, and the time committed to the Company's affairs. The Board believes that levels of remuneration should be sufficient to attract and retain non-executive Directors to oversee the Company.

Directors' and Officers' Liability insurance cover is held by the Company.

The performance graph on the next page measures the Company's share price and net asset value performance against the benchmark index: 60% FTSE All Share and 40% FTSE World Index (ex-UK Sterling adjusted). An explanation of the Company's performance is given in the Chairman's Statement and the Investment Managers' Review.

The following disclosures on Directors' remuneration have been audited as required by Part 3 of Schedule 7A of the Companies Act 1985.

Remuneration

The policy is to review Directors' fee rates from time to time, but reviews will not necessarily result in a change to the rates. Prior to the year ended 30 November 2004, the last review resulting in an increase was in 2000. Increasingly since then, and most particularly in the past year, the role of non-executive Directors has become more onerous, involving greater time commitment and a higher degree of responsibility against a more demanding regulatory environment. In 2003 the Board conducted its own research into fees paid within the investment trust industry and the Company's peer group. The weight of evidence supported an increase and with effect from 25 March 2004 the Company raised the annual fee for each Director from £11,000 to £15,000 and for the Chairman from £15,000 to £25,000, to reflect market levels in the Company's investment trust sector and the increased volume of work of investment trust Directors.

Directors' Emoluments

The payments receivable during the year and in the previous year are as follows:

	Directors' fees 2004 £	Directors' fees 2003 £
JFH Trott	23,269	15,000
VP Bazalgette*	13,084	–
JS Flemming†	–	5,354
KE Percy*	13,084	–
BCR Siddons	14,333	11,000
RKA Wakeling	14,333	11,000
WR Worsley	14,333	11,000
Totals	92,436	53,354

*Appointed 1 January 2004.
†Resigned 22 May 2003.

By order of the Board
PWI Ingram
Deputy Secretary
22 February 2005

Directors' Remuneration Report

Performance Graph

The graph below measures the Company's share price and net asset value performance against its benchmark index of 60% FTSE All Share and 40% FTSE World Index (ex-UK Sterling adjusted).

Directors' Report

Status and Principal Activity

The Company operates as an approved investment trust within the meaning of Section 842 of the Income and Corporation Taxes Act 1988, confirmation of which has been granted by the Inland Revenue for the year ended 30 November 2003 and is expected to be granted for the accounting year now under review. The Company is an Investment Company within the meaning of Part VIII of the Companies Act 1985.

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.

Share Capital

During the year to 30 November 2004 a total of 2,734,000 Ordinary Shares of 25p each (nominal value £683,500) were repurchased and cancelled as part of the share buy back programme that was approved last year. The consideration paid, including attributable expenses, amounted to £7,391,973.

Payment Policy

It is the Company's payment policy for the forthcoming financial year to obtain the best terms for all business and therefore there is no consistent policy as to the terms used. In general, the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by these terms. The Company had no trade creditors at the year end.

Environmental Policy

The Board has instructed the Managers to take into account the impact of environmental policies on the investment prospects of the Company's underlying investments.

Invested Funds

Sales of investments during the year resulted in net losses based on historical costs of £4,595,814 (2003 – £5,599,571). Provisions contained in the Finance Act 1980 exempt approved Investment Trusts from corporation tax on their chargeable gains. Invested funds at 30 November 2004 had a value of £228,344,838 (2003 – £219,637,530) before deducting net liabilities of £37,078,328 (2003 – £29,981,997).

Net Asset Value

The Net Asset Value of the Ordinary Shares of 25p at the year end was 364.1p, as compared with a value of 343.1p at 30 November 2003.

Donations and Subscriptions

No donations or subscriptions of a political or charitable nature were made during the year (2003 – nil).

Historical Record

There is included in the Investment Managers' Review a schedule of the Company's thirty largest investments. The distribution of invested funds is shown on pages 18 and 19 and the historical record of the Company's revenue, capital and invested funds over the past ten years is shown on page 4. A graph is included on page 7 showing the performance over the past ten years of the Net Asset Value of the Company's Ordinary Shares against the FTSE All Share Index and the FTSE World Index (ex UK Sterling adjusted) and also the growth in ordinary distributions made by the Company, together with the Retail Price Index over the same period.

Business Review

A review of the Company's activities is given in the Chairman's Statement on page 3 and in the Investment Managers' Review on pages 9 to 16.

Auditors

In accordance with the Companies Act 1985 a resolution to re-appoint BDO Stoy Hayward LLP as Auditors will be proposed at the Annual General Meeting, together with a resolution authorising the Directors to determine their remuneration.

Directors' Report

Revenue

	2004 £	2004 £
Gross income for the year amounted to		7,163,167
from which had to be deducted:		
Expenses of administration	(658,347)	
Finance costs of borrowings	(1,379,340)	
		(2,037,687)
leaving an amount subject to taxation of		5,125,480
Taxation absorbed		(558,068)
and there remained a balance available of		4,567,412
from which has been deducted the dividend on £450,000 Preference Stock		(22,500)
leaving available for distribution to the Ordinary Shareholders		4,544,912

Dividends

Provisions have been made for dividends on the Ordinary Shares of 25p as follows:

Prior year over accrual	34,320	
Interim 3.50p per Ordinary Share paid 27 August 2004	(1,876,540)	
Final proposed 4.60p per Ordinary Share payable 29 March 2005	(2,410,695)	
		(4,252,915)
thus leaving to be transferred to Revenue Reserve		291,997

The Board declared an interim dividend of 3.50p per Ordinary Share which was paid on 27 August 2004. The Board recommends a final dividend for the year ended 30 November 2004 of 4.60p, payable on 29 March 2005, making a total distribution for the year of 8.10p per Ordinary Share. The next interim dividend payment is expected to be made in August 2005.

Substantial Shareholdings

As at 11 February 2005, the last practicable date prior to printing this report, the Company has been advised of the following holding in excess of 3% of the issued Ordinary Share capital: CE Wilkinson (as trustee 11.82%); HLJ Brunner (beneficial 6.92% – as trustee 4.95%); TBH Brunner (beneficial 1.58% – as trustee 6.18%); JHK Brunner (beneficial 4.08% – as trustee 2.75%); AXA Group (including Compagnie UAP and Sun Life Investment Management Ltd) (16.00%); Prudential plc (4.29%).

Mr CE Wilkinson acts as a co-trustee with Mr TBH Brunner in respect of 1,840,058 Ordinary Shares (3.51%), which form part of Mr TBH Brunner's trustee holding. Mr CE Wilkinson also acts as co-trustee with Mr HLJ Brunner in respect of 2,635,207 Ordinary Shares (5.03%) which form part of Mr HLJ Brunner's trustee holdings.

Analysis of Share Register

Based on an analysis of the Ordinary Share register at 1 February 2005.

Shareholder Type	Number of Holders	%	Ordinary Shareholding shares	%
Private holders*	9,265	64.2	24,276,865	23.8
Nominees	4,525	31.3	72,266,469	70.8
Limited Companies	227	1.6	2,768,558	2.7
Investment Trusts	164	1.1	1,029,223	1.0
Insurance Companies	26	0.2	400,224	0.4
Banks and Bank Nominees	10	0.1	391,916	0.4
Pension Funds	9	0.1	89,585	0.1
Other holders	207	1.4	881,096	0.8
	14,433	100.0	102,103,936	100.0

*Includes PEP, ISA and Savings Scheme Nominees.

Included in 'Nominees' are holdings on behalf of a significant number of private investors.

Directors' Report

Directors

BCR Siddons, having held office for more than nine years, is subject to annual re-election under the provisions of the Combined Code, and accordingly retires by rotation and offers himself for re-election. The Board does not consider Mr Siddons to be independent, because of his length of service, but is of the view that his ability to serve the Company has not been compromised as a result and that his experience adds significantly to the strength of the Board. WR Worsley retires by rotation in accordance with the Articles of Association and, having the full support of the Board, offers himself for re-election.

The Chairman has confirmed that the performances of Mr Siddons and Mr Worsley have been subject to a formal evaluation during the year, and that each continues to be effective and to demonstrate commitment to his role.

Biographical details of the Directors are on page 5. The present Directors and their interests in the share capital of the Company as at 30 November 2004 are set out below.

Ordinary Shares of 25p

	2004 Beneficial	2004 As Trustee	2003 Beneficial*	2003 As Trustee*
JFH Trott	156,638	13,290	136,638	13,290
VP Bazalgette	4,000	–	–	–
KE Percy	4,000	–	–	–
BCR Siddons	4,629	–	4,629	–
RKA Wakeling	9,023	–	9,023	–
WR Worsley	110,000	497,400	110,000	613,900

*Or at date of appointment, if later.

Since the year end, Mr Worsley has reduced his holdings, so that the totals are now 110,000 beneficial and 492,500 as Trustee.

No contracts of significance in which Directors are deemed to have been interested have subsisted during the year under review.

Contracts of service are not entered into with the Directors, who hold office in accordance with the Articles of Association.

Management Contract and Management Fee

The management contract provides for a management fee based on 0.45% per annum of the value of the Company's assets after deduction of current liabilities, short term loans under one year and any other funds managed by the Managers. The contract can be terminated with twelve months' notice.

The Managers' performance under the contract and the contract terms are reviewed at least annually by the Management Engagement Committee. This committee consists of the Directors not employed by the management company in the past five years. During the year, the committee met the Managers to review the current investment framework, including the Trust's objectives and benchmark; level of gearing; sector and geographical portfolio weightings; parameters for the portfolio and future outlook. The committee also reviewed the Managers' investment process and considered the investment management performance over various time periods. The committee also considered the level of the management fee, which it found to be appropriate. The committee was satisfied with its review and believes that the continuing appointment of the Managers is in the best interests of shareholders as a whole.

Allotment of new shares

A resolution authorising the Directors to allot new share capital for cash was passed at the Annual General Meeting of the Company on 25 March 2004. The current authority will expire on 25 May 2005.

Approval is therefore sought for the renewal of this authority and for the granting of an authority to allot shares other than on a pro rata basis to existing shareholders until the conclusion of the Annual General Meeting in 2006. Accordingly resolutions 8 and 9 as set out in the Notice of Meeting on page 46 will be proposed as an Ordinary Resolution and a Special Resolution respectively.

Whilst it is appreciated that allotments under these authorities will normally be to the Allianz Global Investors Investment Trust Savings Scheme, the resolutions allow for allotments of new shares at the discretion of the Directors and is not limited only to this scheme. The Directors confirm that no allotments of new shares will be made unless the lowest market offer price of the Ordinary Shares is at least at a premium to net asset value.

Takeover Code Requirements

Mr TBH Brunner and members of his immediate family, (the 'Connected Parties') are treated as acting in concert for the purposes of the City Code on Takeovers and Mergers (the 'Code'). The Connected Parties currently hold 29.48% of the Ordinary Share capital of the Company. If the proposed buy back were to be used in full, the repurchase of Ordinary Shares could result in the Connected Parties holding 34.67% of the reduced Ordinary Share capital of the Company.

Directors' Report

The Board is of the view that none of the Connected Parties is acting in concert with any of the current Directors and that consequently, pursuant to Note 1 of Rule 37 of the Code, there would be no obligation under Rule 9 of the Code for a general offer to be made to shareholders if the proposed buy back authority were to be used and the shareholdings of the Connected Parties increased accordingly.

Continuation of share buy back programme

As referred to in the Chairman's statement, the Board is proposing the renewal of the Company's authority to purchase Ordinary Shares in the market for cancellation and, accordingly, resolution 10 will be proposed as a Special Resolution at the AGM. The Board believes that such purchases in the market at appropriate times and prices may be a suitable method of enhancing shareholder value. The Company would make either a single purchase or a series of purchases, when market conditions are suitable, with the aim of maximising the benefits to shareholders and within guidelines set from time to time by the Board.

Where purchases are made at prices below the prevailing net asset value of the Ordinary Shares, this will enhance net asset value for the remaining shareholders. It is therefore intended that purchases would only be made at prices below net asset value, with the purchases to be funded from the realised capital profits of the Company (which are currently in excess of £159 million). The rules of the UK Listing Authority limit the price which may be paid by the Company to 105% of the average middle-market quotation for an Ordinary Share on the 5 business days immediately preceding the date of the relevant purchase. The minimum price to be paid will be 25p per Ordinary Share (being the nominal value). Additionally, the Board believes that the Company's ability to purchase its own shares should create additional demand for the Ordinary Shares in the market and that this increase in liquidity should assist shareholders wishing to sell their Ordinary Shares. Overall this share buy back proposal should help to reduce the discount to net asset value at which the Company's shares currently trade.

The Company's Articles of Association permit the Company to redeem or purchase its own shares out of capital profits. Under the Financial Services Authority Listing Rules, a company is permitted to purchase up to 14.99% of its equity share capital through market purchases pursuant to a general authority granted by shareholders in general meeting.

The current authority which permits the Company to purchase up to 14.99% of the Ordinary Shares, expires at the conclusion of the forthcoming Annual General Meeting. The Board believes that the Company should continue to have authority to make market purchases of its own Ordinary Shares for cancellation. The Board is therefore seeking to renew its power to make market purchases of Ordinary Shares for cancellation. Accordingly, a Special Resolution to authorise the Company to make market purchases of up to 14.99% of the Company's issued Ordinary Share capital will be proposed. The authority to make market purchases of up to 14.99% of the Company's issued Ordinary Share capital is equivalent to 7,848,976 Ordinary Shares provided there is no change in the issued share capital between the date of this Report and the Annual General Meeting to be held on 24 March 2005.

Any purchase of shares would only be made at a discount to the prevailing Net Asset Value and hence would enhance the Net Asset Value of the remaining shares. The Company would also be better positioned to address any imbalance between supply and demand for its shares. The Board considers that it will be most advantageous to shareholders for the Company to be able to make such purchases as and when it considers the timing to be most favourable and therefore does not propose to set a timetable for making any such purchases. Purchases of shares would be made at the discretion of the Board and within the guidelines set from time to time by the Board in the light of prevailing market conditions.

The authority will last until the Annual General Meeting of the Company to be held in 2006 or the expiry of 18 months from the date of the passing of this resolution, whichever is the earlier. The authority will be subject to renewal by shareholders at subsequent annual general meetings.

Additional Information

The Directors unanimously recommend shareholders to vote in favour of resolution 10 to be proposed at the Annual General Meeting in relation to the renewed authority for the repurchase of shares as they intend to do in respect of their respective holdings of Ordinary Shares.

The Directors, whose names are set out on page 5 of this document, accept responsibility for the information contained in the sections of this report headed 'Continuation of share buy back programme', 'Takeover Code Requirements' and 'Substantial Shareholdings' and this section and, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in these sections is in accordance with the facts and does not omit anything that is likely to affect the import of such information.

By Order of the Board
PWI Ingram
Deputy Secretary

22 February 2005

Notice of Meeting

Notice is hereby given that the Seventy-Seventh Annual General Meeting of **The Brunner Investment Trust PLC** will be held at **100 Liverpool Street, London EC2M 2PP**, on 24 March 2005 at 12.00 noon to transact the following business:

Ordinary Business

1 To receive and adopt the Report of the Directors and the Accounts for the year ended 30 November 2004 with the Auditors' Report thereon.

2 To declare a final dividend of 4.60p per Ordinary Share.

3 To re-elect Mr BCR Siddons as a Director.

4 To re-elect Mr WR Worsley as a Director.

5 To approve the Directors' Remuneration Report.

6 To re-appoint BDO Stoy Hayward LLP as Auditors.

7 To authorise the Directors to determine the remuneration of the Auditors.

Special Business

To consider and, if thought fit, pass the following Resolutions of which Resolution 8 will be proposed as an Ordinary Resolution and Resolutions 9 and 10 will be proposed as Special Resolutions:

8 That the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 to allot relevant securities (within the meaning of Section 80(2) of that Act) provided that this power shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £3,459,646 and shall expire at the conclusion of the next Annual General Meeting of the Company held after the meeting at which this Resolution is passed or 24 May 2006 if earlier, save that the Directors may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

9 That the Directors be and are hereby empowered, pursuant to Section 95 of the Companies Act 1985, to allot equity securities (as defined in Section 94 of that Act) pursuant to the authority conferred by Resolution 8 above as if Section 89 of that Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash of an aggregate maximum nominal amount of £654,517.50 and shall expire at the conclusion of the next Annual General Meeting of the Company held after the meeting at which this Resolution is passed or 24 May 2006, if earlier, save that the Directors may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired.

10 That the Company be and is hereby generally and unconditionally authorised in accordance with section 166 of the Companies Act 1985 (the 'Act') to make market purchases (within the meaning of section 163 of the Act) of Ordinary Shares of 25p each in the capital of the Company ('Ordinary Shares'), provided that:

(i) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 7,848,976;

(ii) the minimum price which may be paid for an Ordinary Share is 25p;

(iii) the maximum price which may be paid for an Ordinary Share is an amount equal to 105 per cent of the average of the middle market quotations for an Ordinary Share taken from the London Stock Exchange Official List for the 5 business days immediately preceding the day on which the Ordinary Share is purchased or such other amount as may be specified by the London Stock Exchange from time to time;

(iv) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2006 or, if earlier, on the expiry of 18 months from the passing of this resolution, unless such authority is renewed prior to such time;

(v) 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 executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract; and

(vi) any Ordinary Shares so purchased shall be cancelled.

155 Bishopsgate,
London EC2M 3AD
22 February 2005

By Order of the Board
PWI Ingram
Deputy Secretary

Notes: Members entitled to attend and vote at this Meeting may appoint one or more proxies to attend and, on a poll, vote in their stead. The proxy need not be a Member of the Company. Proxies must reach the office of the Registrars at least 48 hours before the Meeting. A form of proxy is provided with the Annual Report. Completion of the form of proxy will not prevent a Member from attending the Meeting and voting in person.

Contracts of service are not entered into with the Directors, who hold office in accordance with the Articles of Association.

Form of Proxy and Voting Direction Form

for Savings Scheme Investors – see D below
for PEP and/or ISA Investors – see E below

Notes on how to complete the proxy form

If you are a registered Ordinary Shareholder and you are unable to attend the Meeting or you are an investor through the Allianz Global Investors Investment Trust Savings Scheme ('Savings Scheme Investors') and/or Allianz Global Investors Investment Trust PEP and/or ISA ('PEP and/or ISA Investors') you may appoint a proxy to attend and, on a poll, to vote on your behalf.

A How to sign the form

(i) Please print your name and address in the space provided and sign and date the form.

(ii) If someone else signs the form on your behalf, the authority entitling them to do so, or a certified copy of it, must accompany the form.

(iii) In the case of a corporation, this form must be executed either under its common seal or be signed on its behalf by an attorney or duly authorised officer of the corporation.

(iv) In the case of joint holders, the signature of the first-named on the Register of Members, in respect of the joint holding, shall be accepted to the exclusion of the other joint holders.

B Appointing a proxy

If you wish to appoint someone other than the Chairman as your proxy please cross out the words 'the Chairman of the Meeting', initial the deletion, and insert the name and address of your proxy. A proxy need not be a member of the Company, but must attend the Meeting in order to represent you.

C Telling your proxy how to vote

Tick the appropriate box indicating how your proxy should vote on the Resolutions. If you do not give instructions, your proxy or relevant Administrator/Manager (see note D and E below) will vote or abstain at their discretion. They will also vote or abstain at their discretion on any other business which may lawfully be put before the Meeting.

D Savings Scheme Investors

The Ordinary Shares held on your behalf in the Savings Scheme are registered in the name of the Scheme Nominee Company. If you complete parts A and C of the form of proxy you will be deemed to have instructed the Scheme Administrator to vote as indicated in part C in respect of all such Ordinary Shares. You will also be deemed to have appointed the Chairman of the Meeting or, if you complete part B, the person named there, as your proxy in respect of any Ordinary Shares registered in your name.

E PEP and/or ISA Investors

The Ordinary Shares held on your behalf in the PEP and/or ISA are registered in the name of the Plan/Account Nominee Company. If you complete parts A and C of the form of proxy you will be deemed to have instructed the Plan/Account Manager to vote as indicated in part C in respect of all such Ordinary Shares. You will also be deemed to have appointed the Chairman of the Meeting or, if you completed part B , the person named there, as your proxy in respect of any Ordinary Shares registered in your name.

Returning the form

The form must reach the office of the Registrars of the Company no later than 48 hours before the time of the Meeting, 96 hours in the case of Savings Scheme investors and PEP and/or ISA Investors. If you are a registered Ordinary Shareholder and you subsequently decide to attend the Meeting you may do so.

Attendance at the AGM

Please indicate above if you wish to attend the Annual General Meeting. This will facilitate the Company's planning of the AGM in general, and in respect of Scheme, PEP and ISA Investors, enable the relevant Nominee Company to send a Letter of Representation, for you to bring to the Meeting.

A Shareholders' name and address

Title and Surname ....

Forenames ....

Address ....

....

..............................Postcode ....

B Appointment of Proxy

I/We, the undersigned, being (a) member(s) of the above-named Company hereby appoint the Chairman of the Meeting or

Title and Surname (of your chosen proxy) ....

Forenames ....

Address ....

....

..............................Postcode ....

as my/our proxy to attend and vote for me/us and on my/our behalf as directed below at the Annual General Meeting of the Company to be held on 24 March 2005 and at any adjournment.

C Ordinary Business

		For	Against	Abstain
1	To receive and adopt the report and accounts	☐	☐	☐
2	To declare a final dividend	☐	☐	☐
3	To re-elect Mr BCR Siddons as a Director	☐	☐	☐
4	To re-elect Mr WR Worsley as a Director	☐	☐	☐
5	To approve the Directors' Remuneration Report	☐	☐	☐
6	To re-appoint BDO Stoy Hayward as Auditors	☐	☐	☐
7	To authorise the Directors to determine the remuneration of the Auditors	☐	☐	☐
	Special Business			
8	To authorise the Directors to allot Shares	☐	☐	☐
	Special Resolutions			
9	To disapply pre-emption rights	☐	☐	☐
10	To authorise the Company to make market purchases of Ordinary Shares	☐	☐	☐

I/We wish to attend the AGM (all shareholders) ☐ Yes ☐ No

D Saving Schemes Investors only *(please tick)* ☐

E PEP and/or ISA Investors only *(please tick)* ☐

Signature ....

Date ....

Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No. MB 122

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Capita Registrars (proxies)
PO Box 25
BECKENHAM
Kent
BR3 4BR

First fold

Second fold

Allianz Global Investors
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Fax 020 7638 3508
www.allianzglobalinvestors.co.uk