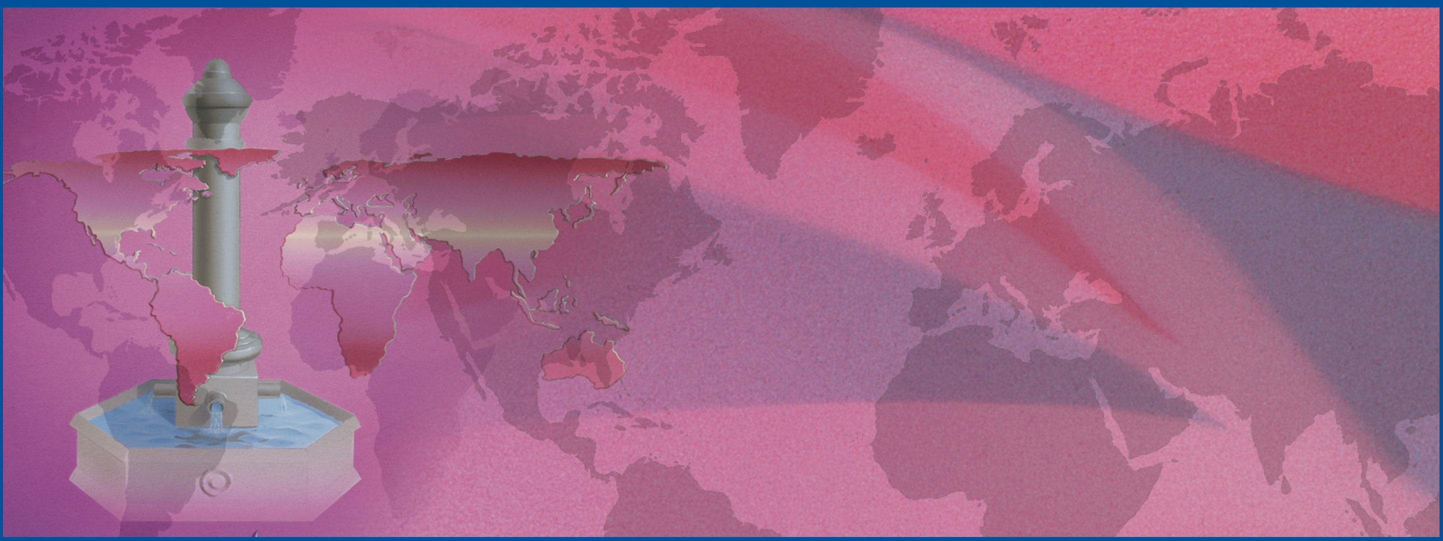
Allianz
Global Investors

The Brunner Investment Trust PLC

Report and Accounts for the year ended 30 November 2005



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 in 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	2005	2004	% change
Available for Ordinary Dividend	£4,729,932	£4,544,912	+4.1%
Earnings per Ordinary Share	9.21p	8.43p	+9.3%
Dividends per Ordinary Share	8.80p	8.10p	+8.6%
Retail Price Index	193.6	189.0	2.4%

Assets	2005	2004	% change
Total Net Assets	£223,551,041	£191,266,510	+16.9%
Share Price	364.0p	288.5p	+26.2%
Net Asset Value per Ordinary Share	446.5p	364.1p	+22.6%
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 2005 the benchmark index (60% FTSE All-Share Index, 10.1% and 40% FTSE World Index, ex-UK in sterling 9.1%) increased by 19.2%.

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.

Performance relative to benchmark

Increase in benchmark**	19.2%
Net portfolio return (excluding cash & gilts)	22.1%
Relative performance	2.9%

Portfolio Performance

	Asset Allocation	Stock Selection	Sub Total	Return	Index
UK	0.5%	0.5%	1.0%	17.9%	16.9%
Overseas	1.6%	4.2%	5.8%	28.4%	22.7%
Cash & Gilt	n/a	n/a	n/a		

Reconciliation of benchmark performance to movement in NAV

Increase in benchmark**		19.2%
Relative performance		2.9%
Other factors -		
Management fee and finance costs***	-2.1%	
Retained revenue	0.2%	
Impact of repurchasing shares	1.2%	
Capital impact of gearing	1.1%	
Other	0.1%	
		0.5%
Movement in NAV per share		22.6%

* 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.

*** Net of attributable tax credit.

Chairman’s Statement

I am pleased to report another year of strong returns, continuing the recovery seen in markets from their low point in March 2003. Not only have markets rallied significantly, but out fund managers have outperformed the benchmark index by 3.4% and our discount has narrowed. Your Trust’s net asset value per share increased by 22.6% over the year, compared to a return on our benchmark index of 19.2%, and the share price has increased by 26.2% to 364p.

It has also been a good year for earnings. Having rebuilt their balance sheets in recent years and in response to a renewed shareholder emphasis on income, companies have focused on increasing dividend payouts, often in preference to increasing capital expenditure. Against this background our dividend has increased from 8.1p to 8.8p over the year, well above the current rate of inflation.

Markets were strong despite some major negatives, which might ordinarily have dampened investor enthusiasm – among them further strength in oil prices, successive interest rate hikes in the United States and continuing lacklustre growth in continental Europe. However the feared slowdown in China failed to materialise and equity markets have been buoyed by higher earnings as companies have restructured to improve margins, and by strong mergers and acquisitions activity. Very strong returns from the resources sector, as demand from China in particular has pushed metal and oil prices to multi year highs, have also played their part.

Our portfolio managers divide the assets of the company into two portfolios, one focusing on the UK and the other on overseas markets.

You may remember that we reduced the number of holdings in the UK portfolio substantially at the end of May 2004 and I am pleased to report that the good performance since the adoption of this new focused policy has continued into the financial year under review. The key factors behind this improved performance were: maintaining an overweight position in the resources sectors, avoiding retail stocks heavily exposed to the UK consumer and maintaining our emphasis on higher quality growth companies. Unlike some previous take-over cycles, acquisition targets have tended to be in well- financed, high quality companies with strong products. Over the year we benefited from the takeovers of Allied Domecq and BPB by the larger French companies Pernod Ricard and Saint-Gobain, respectively.

A similar exercise of reducing the number of holdings in our overseas portfolio in the summer has also been beneficial. This portfolio is constructed in the first instance by identifying companies which are attractive on a global basis, and not by allocating investment according to geographic regions. We found fewer companies that met our criteria in the United States this year and many more in Japan where the prospects for a wider range of Japanese companies look significantly better as economic reform and the long awaited recovery finally seem likely to materialise.

Your Board actively monitors the discount to net asset value. Accordingly we have continued our policy of share buy backs: during the year under review we purchased 2,443,578 shares, or 4.7% of the Trust’s issued share capital at the start of the financial year, for cancellation. This policy has had the benefit of enhancing our net asset value per share over the year. It is also pleasing to note that the discount, valuing our long term debt at its market value, has narrowed and, at the time of writing, is 9.9% on this basis.

In a period when a number of generalist investment trusts have chosen to adopt absolute return objectives or specialise in specific industrial sectors or geographic regions, your Board continues to believe that an internationally diversified investment trust with an emphasis on growth companies offers an attractive long term investment vehicle for a range of investors. It is a formula that has stood the test of time well.

Looking ahead, the economic outlook appears to be mixed. In the United States, consumer expenditure remains vulnerable to a faltering housing market and an end to the extremely low interest rate environment we have seen in recent years. In the Far East, on the other hand, momentum behind Japanese economic recovery now looks well established and, despite a number of problems, it seems unlikely that China will suffer a major slowdown in the near future. The ability of the global economy to withstand a significant slowdown in US consumer expenditure, if one materialises, remains untested however.

In general, even if growth slows, companies world-wide seem well positioned to deliver further growth in profits, albeit at lower rates than in previous years. In the absence therefore of any major shocks to the world economy, equity markets should make further progress this year.

Keith Percy
Chairman
22 February 2006

Historical Record

Years ended 30 November
Revenue and Capital

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Gross revenue (£000s)	8,018	7,586	6,833‡	6,679	7,254	7,495	7,232	7,327	7,163	7,365
Earnings per share	6.98p	6.37p	6.40p	6.91p	8.01p	8.00p	8.16p	8.65p	8.43p	9.21p
Dividend per share (net)	6.30p*	6.50p	6.70p#	6.90p	7.10p	7.30p	7.50p	7.80p	8.10p	8.80p
Tax credit per share	1.575p*	1.625p	1.15p	0.77p	0.79p	0.81p	0.83p	0.87p	0.90p	0.98p
Total dividend	7.875p*	8.125p	7.85p	7.67p	7.89p	8.11p	8.33p	8.67p	9.00p	9.78p
Total net assets (£000s)	210,274	227,400	252,307	342,148	326,102	254,055	189,375	189,656	191,267	223.551
Assets attributable to										
Ordinary Capital (£000s)	209,824	226,950	251,857	341,698	325,652	253,605	188,925	189,206	190,817	223,101
Net Asset Value per Ordinary Share	327.9p	354.6p	393.5p	560.7p	540.2p	424.3p	329.0p	343.1p	364.1p	446.5p
Net Asset Value (Debt at market value)~	–	–	–	–	–	–	–	–	336.2p	412.7p
Share price	284.5p	310.0p	310.0p	467.5p	497.0p	376.5p	262.5p	262.5p	288.5p	364.0p
Discount (%)	13	13	21	17	8	11	20	23	21	18
Discount (Debt at market value)	–	–	–	–	–	–	–	–	14	12

Notes

* 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.

~ Calculated from 2004 and announced since then in accordance with AITC guidelines.

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 2005 were 363.75p to 364.25p.

Geographical Disposition

	Percentage of Invested Funds									
	1996	1997	1998	1999	2000	2001	2002*	2003*	2004*	2005*
United Kingdom	53.7	64.2	63.1	59.9	68.6	63.7	58.1	56.7	57.3	59.3
Europe	11.5	7.8	16.5	10.0	7.2	9.2	9.3	11.0	12.4	13.6
Americas	13.1	13.0	13.9	17.0	18.4	19.6	21.7	23.0	20.2	17.2
Japan	4.4	4.9	2.6	8.2	3.2	3.4	3.6	4.1	5.8	5.2
Pacific Basin	14.2	7.6	2.5	3.3	1.4	2.7	5.1	4.9	4.3	4.7
Other Countries	3.1	2.5	1.4	1.6	1.2	1.4	2.2	0.3	0.0	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 £25,072,500 (2004 – £25,035,000).

Directors, Managers & Advisers

Directors

All Directors are non-executive.

KE Percy (Chairman)†
(Born January 1945) joined the Board on 1 January 2004. He is Chairman 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.

VP Bazalgette MA*
(Born May 1951) joined the Board on 1 January 2004. He is a Director of Henderson High Income Trust 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.

BCR Siddons FCA
(Born May 1945) joined the Board in February 1991. He was previously 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 Chairman of Kleinwort Benson Investment Trusts, a Director of Dresdner RCM Global Investors (UK) Ltd, Deputy Chairman of the AITC and a member of the Takeover Panel. 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 a 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.
† Independent on appointment as Chairman

Registered Number

226323

The Managers

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 2005 had combined assets of £485 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 it had £1.25 billion assets under management in a range of investment trusts as at 31 December 2005.

Fund Manager
RCM (UK) Limited,
155 Bishopsgate
London EC2M 3AD
represented by Mark Lovett (UK Portfolio) and
Lucy MacDonald (Overseas Portfolio).

Secretary and Registered Office
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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

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Northside House,
69 Tweedy Road,
Bromley,
Kent BR1 3WA

Bankers
HSBC Bank plc
HBOS plc

Stockbrokers
UBS

Solicitors
Herbert Smith LLP

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 under the headings 'Investment Trusts' and 'Investment Companies', respectively. 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 2005 were 363.75p – 364.25p.

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

Share Plan

The Allianz Global Investors Investment Trust Share Plan 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 plan 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, or alternatively, please use the enclosed FREEPOST card to request any literature you may require.

Website

Further information about The Brunner Investment Trust PLC, including monthly factsheets, daily share price and performance, is available on the Managers' website: www.allianzglobalinvestors.co.uk, which can also be reached via www.brunner.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.

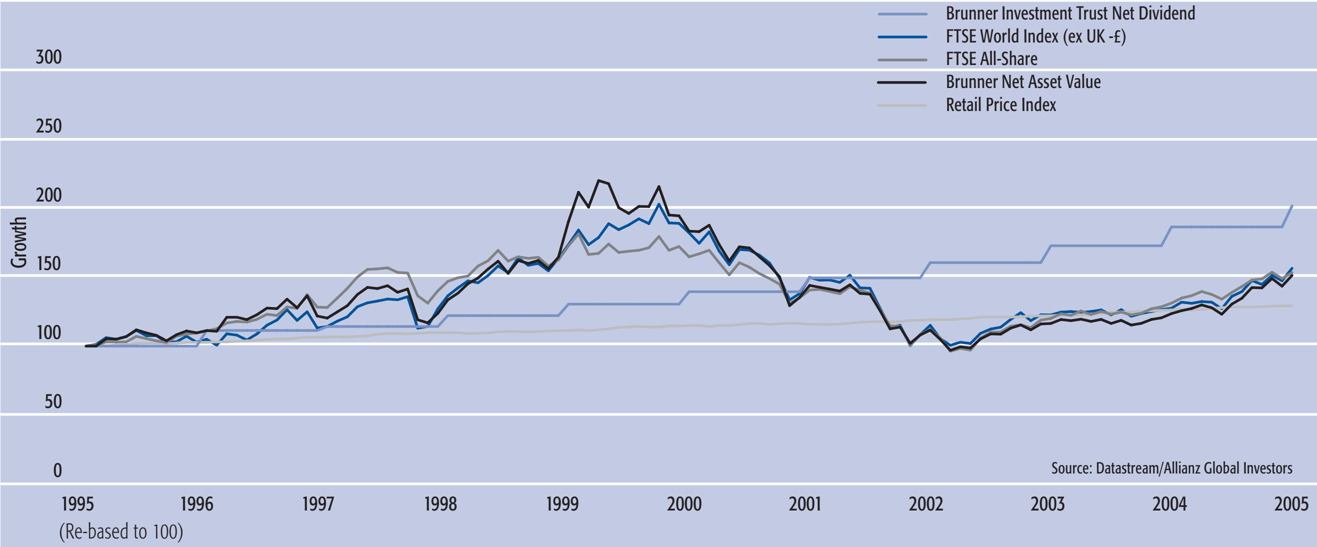
Preference Dividends
Payable half-yearly 30 June and 31 December.

Shareholder Enquiries

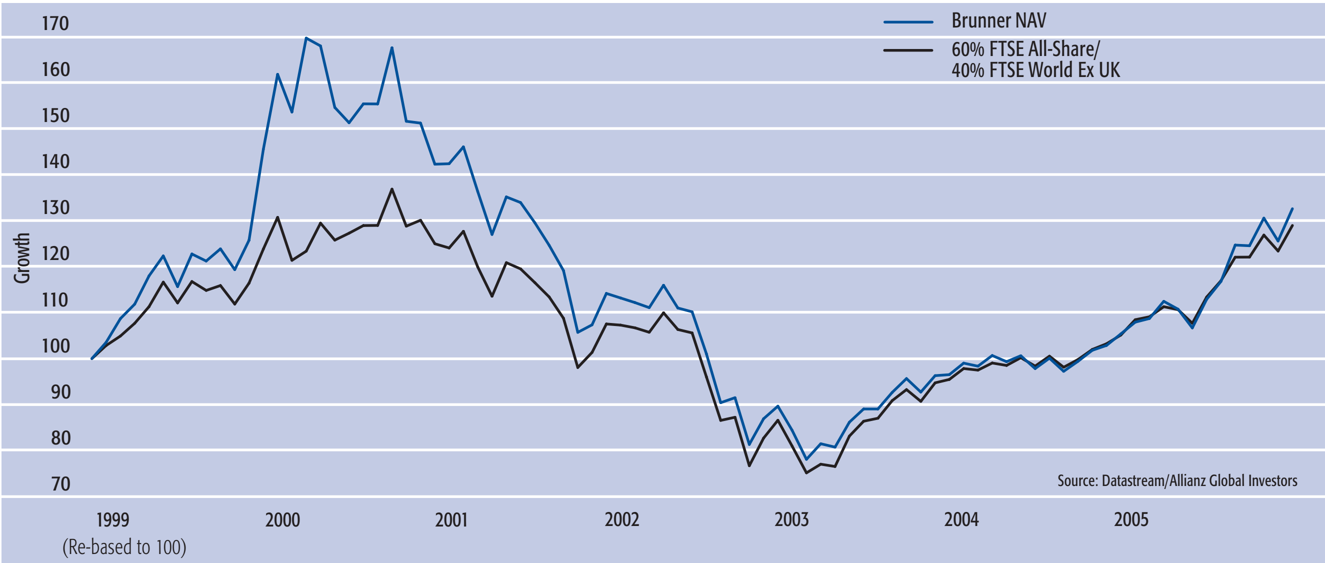
Capita Registrars are the Company's Registrars and maintain the share register. In the event of queries regarding their holdings of shares, lost certificates, dividend cheques, registered details, etc., shareholders should contact them on 0870 162 3100 or 0044 20 8639 2157 if calling from overseas. Changes 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

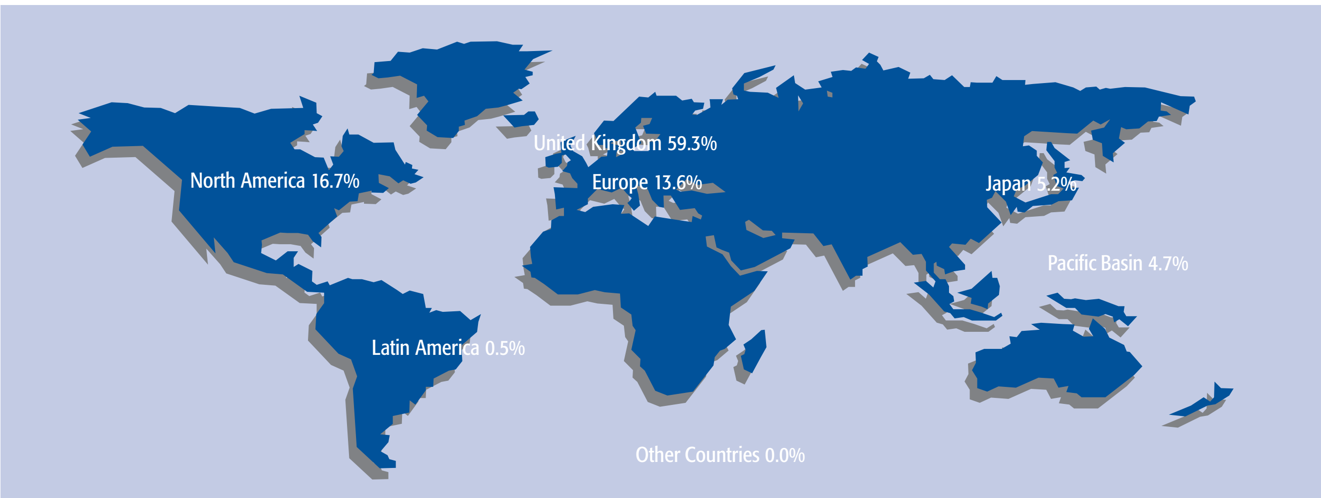
10 year record 1995-2005



Performance against benchmark since adoption of a composite benchmark in November 1998



Geographical Disposition at 30 November 2005



Thirty Largest Investments

	Valuation 30 November 2005 £	% of Invested Funds	Principal Activities
Treasury Stock 4.5% 07/03/2007	25,072,500	9.63	UK Government Bond
BP	11,419,578	4.39	Oil and Gas
HSBC Holdings	9,799,841	3.76	Banking
GlaxoSmithKline	9,496,769	3.65	Pharmaceuticals
Royal Dutch Shell 'B' shares	8,226,637	3.16	Oil and Gas
Barclays	6,347,603	2.44	Banking
Royal Bank of Scotland Group	5,415,396	2.08	Banking
Carnival	3,948,969	1.52	Leisure and Hotels
Rio Tinto	3,795,448	1.46	Mining
Sage Group	3,792,825	1.46	Software and Computer Services
Spectris	3,728,807	1.43	Electronic and Electrical Equipment
Astrazeneca	3,710,039	1.42	Pharmaceuticals
Cobham	3,646,430	1.40	Aerospace and Defence
BAE Systems	3,496,980	1.34	Aerospace and Defence
GUS	3,446,016	1.32	General Retailers
Informa	3,280,657	1.26	Media and Entertainment
Prudential	3,206,280	1.23	Life Assurance
Reuters Group	3,128,374	1.20	Media and Entertainment
BG Group	3,068,216	1.18	Oil and Gas
Standard Chartered Bank	3,016,965	1.16	Banking
Reckitt Benckiser	2,828,617	1.09	Personal Care and Household Products
Altria Group	2,797,542	1.07	Tobacco
BHP Billiton	2,777,133	1.07	Mining
Diageo	2,732,903	1.05	Beverages
Caremark RX	2,684,730	1.03	Health
Orix	2,678,992	1.03	Speciality and Other Finance
Noble	2,652,878	1.02	Oil and Gas
Intercontinental Hotels	2,478,610	0.95	Leisure and Hotels
Yahoo!	2,469,040	0.95	Software and Computer Services
Atlas	2,437,302	0.94	Engineering and Machinery
	£147,582,077	56.69	% of Total Invested Funds

Investment Managers' Review

United Kingdom

The UK equity market ended the financial year with the FTSE All-Share Index up 21%. The driving forces have been good company results, further takeover activity and - towards the end of the year- a growing belief that UK interest rates would see further modest cuts in 2006. Although oil prices have remained high and growth forecasts have been reduced, companies have coped well and in most cases earnings and free cash flow are ahead of where they were a year ago.

Our strategy of selecting quality growth stocks - those with healthy balance sheets, increasing free cash flow and strong managements - has begun to yield returns this year, with the UK portfolio outperforming its benchmark, the FTSE All-Share Index.

Following the steps taken in 2004, the portfolio remains focused on around 40 companies, but it is encouraging to note that the outperformance has been achieved from a relatively wide range of holdings. The key positive contributors have been: BPB, the plasterboard manufacturer, which increased 73.1% before being taken over; BG Group, the oil and gas company which was up 50.1%; Spectris, an electrical engineer which increased 56.8%; and Rio Tinto, the global miner which was up 56.4%.

In terms of sectors, mining was the top performer in 2005. Over the last 18 months commodity prices have seen a steady appreciation as supply shortages and excess demand have created an increasingly tight market. In particular copper, a significant proportion of BHP and Rio Tinto's earnings, saw record highs towards the end of the year. We have taken advantage of this trend by investing in what we see as the highest quality and best run companies, BHP Billiton, Rio Tinto and Xstrata. These firms are among the largest and most diversified in the world and are key beneficiaries of the current market environment.

Increased corporate activity boosted returns in the year. While we do not specifically target takeover candidates, our process has tended to focus on companies which have had similar attributes to those favoured by the corporate acquirers this year, in particular strong cash generation and growing sales. As a consequence, two of the Trust's holdings, BPB and Allied Domecq, have been taken over.

BPB is the UK's leading producer of plasterboard and was originally purchased as a long term investment in what we believed to be one of the best managed and strongest companies in the UK mid-cap arena. Towards the latter part of the year BPB received a takeover approach from rival company Saint Gobain which in our view offered an attractive premium over its fair value. A similar story applied to Allied Domecq, the UK drinks producer, where again a significant premium over the current market value was offered by rival company Pernod. Prior to takeover BPB returned 73.1% and Allied Domecq 34.3%

Another significant contributor to performance has been exposure to the oil sector. Over the course of the year oil prices have risen dramatically from below $40 to the current price of above $60 a barrel. The obvious beneficiaries of this have been the oil producers, which in the Trust's case have been focused on BG Group, which returned 50.1% for the year.

In terms of future strategy, the portfolio remains positioned for continuing global growth, albeit at a slower rate than last year. We believe the Bank of England is likely to lower interest rates some time in 2006 which should help support consumer spending and economic growth. Growth stocks should continue their return to favour and quality companies, as defined by growing revenues, strong cash returns and robust balance sheets, are attractively valued.

Investment Managers' Review

United Kingdom Listed Equity Holdings
at 30 November 2005

	Value (£)	Principal Activities
BP	11,419,578	Oil and Gas
HSBC Holdings	9,799,841	Banking
GlaxoSmithKline	9,496,769	Pharmaceuticals
Royal Dutch Shell 'B' shares	8,226,637	Oil and Gas
Barclays	6,347,603	Banking
Royal Bank of Scotland Group	5,415,396	Banking
Carnival	3,948,969	Leisure and Hotels
Rio Tinto	3,795,448	Mining
Sage Group	3,792,825	Software and Computer Services
Spectris	3,728,807	Electronic and Electrical Equipment
Astrazeneca	3,710,039	Pharmaceuticals
Cobham	3,646,430	Aerospace and Defence
BAE Systems	3,496,980	Aerospace and Defence
GUS	3,446,016	General Retailers
Informa	3,280,657	Media and Entertainment
Prudential	3,206,280	Life Assurance
Reuters Group	3,128,374	Media and Entertainment
BG Group	3,068,216	Oil and Gas
Standard Chartered Bank	3,016,965	Banking
Reckitt Benckiser	2,828,617	Personal Care and Household Products
BHP Billiton*	2,777,133	Mining
Diageo	2,732,903	Beverages
Intercontinental Hotels Group	2,478,610	Leisure and Hotels
ITV	2,152,622	Media and Entertainment
BAA	2,107,017	Transport
International Power	2,057,430	Electricity
Legal & General Group	2,019,366	Life Assurance
National Grid	2,003,291	Multi-Utilities
Man Group	1,998,195	Speciality and Other Finance
Burberry Group	1,986,330	General Retailers
Imperial Chemical Industries	1,941,440	Chemicals
BBA Group	1,809,988	Transport
Land Securities Group	1,743,048	Real Estate

Investment Managers' Review

United Kingdom Listed Equity Holdings (continued)
at 30 November 2005

	Value (£)	Principal Activities
Minerva	1,707,144	Real Estate
Laird Group	1,492,626	Electronic and Electrical Equipment
Northern Rock	1,398,286	Banking
BOC Group	1,391,786	Chemicals
Liberty International	1,349,520	Real Estate
Isoft Group	1,297,366	Software and Computer Services
Mytravel Group	1,197,325	Leisure and Hotels
Next	1,181,832	General Retailers
Schroders	694,884	Speciality and Other Finance
Petrofac	320,725	Oil and Gas
	£138,639,314	53.25% of Total Invested Funds

* A separate holding of this stock is listed under Pacific Basin Listed Equity Holdings on page 15.

United Kingdom Unlisted Equity Holdings
at 30 November 2005

	Value (£)	Principal Activities
Kleinwort Benson Equity Partners	806,849	Venture Partnership
First Debenture Finance	23,059	Financial Services
Fintrust Debenture	4,486	Financial Services
	£834,394	0.32% of Total Invested Funds

United Kingdom Fixed Interest Holdings
at 30 November 2005

	Value (£)	Principal Activities
Treasury Stock 4.5% 07/03/2007	25,072,500	Gilt
	£25,072,500	9.63% of Total Invested Funds

Investment Managers' Review

International Equities

The Trust's financial year ended with strong returns in November, completing a particularly good year for many global equity markets with returns of over 30% in Japan and around 20% in many of the major European indices. The US, although providing positive returns, was the poorest performer relative to the other major markets. The Trust's own performance was positive relative to our benchmark, with the new more focused approach enhancing returns.

The US market struggled in 2005, due to rising interest rates, a stronger dollar and concern about the outlook for economic activity and inflation. Sharply higher fuel costs, exacerbated by an unusually disruptive hurricane season, added to the uncertainty. There has been some evidence of softening economic indicators, particularly consumption and housing data. Because of this, we have maintained our belief that the outlook for US equities is less attractive than other areas, though this view is less pronounced than a year ago given the reduced valuation premium and the prospect of an end to interest rate hikes during 2006. During this period overseas stock selection has been heavily biased away from US companies where we have been significantly underweight.

Overall we have seen global economic growth remain robust, with some of this filtering through to the Eurozone economy, where the majority of data releases show a slowly improving picture. The region's growth expectations have continued to be revised up with the consensus now standing at around 2%. Whilst this is below the global average, it would represent the best year since 2000. More significantly for a global equity portfolio, the gap between Eurozone and US economic growth is slowly closing. Coupled with new growth opportunities in Eastern Europe, valuation upside, significant corporate restructuring and continued control on unit labour cost growth, this provides continued support for a positive stance on European equities, albeit again a less pronounced view than a year ago.

Asia provided some solid returns during 2005 with holdings in China Mobile, Mizuho Financial and Mitsubishi Estates all contributing to performance. Korea was the star performer, where we have holdings in Samsung Electronics and Shinhan Financial. The notable laggard was Hong Kong which, due to the impact of increasing interest rates (arising from its currency's link to the US Dollar) provided a relatively disappointing total return for the year.

Despite the unreliability of Chinese economic statistics, the recent positive data revisions, signalling a stronger Chinese economy, have for the moment reduced concerns on the sustainability of Chinese growth. This is an area which we have monitored closely over the year with the portfolio maintaining exposure via the commodity stocks such as BHP Billiton, in addition to more domestic names such as China Mobile. For the time being our view remains that a near term slowdown is unlikely.

Japan has been the rising star for the portfolio this year with strong contributions coming from a number of the holdings in the financial sector. Specifically Orix Corporation, a large diversified Japanese financial services group, was up over 80% for the year. The company provides services to both corporate and retail customers with activities including leasing, corporate finance, investment and retail banking. The business has been well positioned, as financial companies have sought to leverage improvements in economic growth. Its exposure to the Japanese property market through real estate-related finance and development has made it a one of the country's top performers.

Outside Japan, the top contributor to performance was Apple, the manufacturer of personal computers and portable music players. The company has continued to delivered strong results relative to expectations. Sales of iPods and iPod Nanos have been strong, with innovative product developments expected in 2006, possibly to include the addition of feature films to the video iPod. The business has also begun to focus attention on gaining market share in the growth market of China. The shares more than doubled in the period under review.

Looking ahead, we maintain our belief that most of the major equity markets are fairly valued from an earnings perspective, and certainly cheap relative to bonds. With the dispersion of P/E's across global equities close to 16 year lows, the medium term growth stocks in particular appear undervalued and quality companies, as defined by strong cash returns and robust balance sheets, remain attractive.

We continue to favour Asia, Europe and Emerging Markets on valuation grounds.

Investment Managers' Review

North America Listed Equity Holdings
at 30 November 2005

	Value (£)	Principal Activities
Altria Group	2,797,542	Tobacco
Caremark RX	2,684,730	Health
Noble	2,652,878	Oil and Gas
Yahoo!	2,469,040	Software and Computer Services
Goldman Sachs Group	2,123,994	Speciality and Other Finance
Apple Computer Company	2,049,807	Information Technology Hardware
Schlumberger	1,980,441	Oil and Gas
United Technologies	1,897,966	Aerospace and Defence
CIT Group	1,641,990	Speciality and Other Finance
Everest	1,590,790	Insurance
General Electric	1,560,120	Diversified Industrial
Canadian Natural Resources	1,515,938	Oil and Gas
United Health Group	1,497,383	Health
Caterpillar	1,475,505	Engineering and Machinery
Zions Bancorp	1,416,189	Banking
Arch Coal	1,188,261	Mining
Microsoft	1,055,756	Software and Computer Services
Broadcom	1,030,680	Information Technology Hardware
Avaya	978,457	Information Technology Hardware
Valero Energy	967,790	Oil and Gas
Wyeth	950,981	Pharmaceuticals
Amgen	944,745	Pharmaceuticals
Ebay	937,426	General Retailers
Cigna	891,601	Life Assurance
Procter & Gamble	867,744	Personal Care and Household Products
	£39,167,754	15.04% of Total Invested Funds

Investment Managers' Review

Continental Europe Listed Equity Holdings
at 30 November 2005

	Value (£)	Principal Activities
Atlas	2,437,302	Engineering and Machinery (Sweden)
Unicredito Italiano	1,945,965	Banking (Italian)
E.On	1,938,189	Other Utilities (German)
Roche Holdings	1,924,081	Pharmaceuticals (Switzerland)
Ing Groep	1,759,149	Insurance (Netherlands)
Vivendi Universal	1,729,281	Media and Entertainment (France)
UBS	1,689,223	Banking (Switzerland)
Novartis	1,621,400	Pharmaceuticals (Switzerland)
Bayer	1,568,773	Chemicals (German)
LVMH Moet Hennessy	1,528,934	Household Goods and Textiles (France)
SAP	1,472,105	Software and Computer Services (German)
Nobel Biocare	1,373,486	Health (Switzerland)
Syngenta	1,320,367	Chemicals (Switzerland)
Union Fenosa	1,305,926	Electricity (Spain)
Suez	1,271,159	Multi-Utilities (France)
BNP Paribas	1,133,337	Banking (France)
Statoil	1,121,992	Oil and Gas (Norway)
Vinci	1,038,849	Construction and Building Materials (France)
Banco Bilbao Vizcaya Argentaria	1,019,960	Banking (Spain)
Numico (Koninklijke)	1,014,714	Food Producers and Processors (Netherlands)
Nokia	927,008	Information Technology Hardware (Finland)
Merck	867,182	Pharmaceuticals (German)
	£32,008,382	12.29% of Total Invested Funds

Investment Managers' Review

Japan Listed Equity Holdings
at 30 November 2005

	Value (£)	Principal Activities
Orix	2,678,992	Speciality and Other Finance
Takeda Pharmaceutical	2,189,760	Pharmaceuticals
Mizuho Financial Group	2,087,529	Banking
Mitsubishi Estate	1,876,977	Real Estate
Kddi	1,277,917	Telecommunications
Hoya	1,199,683	Electronic and Electrical Equipment
Komatsu	1,028,937	Engineering and Machinery
	£12,339,795	4.74% of Total Invested Funds

Pacific Basin Listed Equity Holdings
at 30 November 2005

	Value (£)	Principal Activities
AMP	1,965,672	Life Assurance (Australia)
China Mobile	1,789,366	Telecommunications (Hong Kong)
BHP Billiton*	1,378,389	Mining (Australia)
Sun Hung Kai Properties	1,377,613	Real Estate (Hong Kong)
Hong Kong Exchanges & Clearing	1,335,124	Speciality and Other Finance (Hong Kong)
Shinhan Financial Group	1,297,273	Banking (Korea)
State Bank of India	998,124	Banking (India)
Samsung Electronics	976,042	Electronic and Electrical Equipment (Korea)
	£11,117,603	4.27% of Total Invested Funds

* Also held as a UK stock, see page 11.

Investment Managers' Review

Latin America Listed Equity Holdings
at 30 November 2005

	Value (£)	Principal Activities
Petrol Brasileiros	1,203,681	Oil and Gas
	£1,203,681	0.46% of Total Invested Funds

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. For the purposes of the FRS 13 numerical disclosure, short term debtors and creditors are exempt (except for currency disclosures). 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 £41.3 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. The Board discontinued stocklending in the previous accounting period.

Distribution of Invested Funds

at 30 November 2005

Invested Funds – £235,310,923 (2004 – £203,309,838)
excluding Treasury Stock 4.5% 2007 – £25,072,500 (2004 – £25,035,000)
Percentage of valuation

	United Kingdom	North America	Other Countries	2005 Total	60% All-Share 40% World Index 2005 Benchmark Sector Weighting*	2004 Total
	%	%	%	%	%	%
Resources						
Mining	2.79	0.50	0.59	3.88	3.57	4.13
Oil & Gas	9.79	3.02	1.00	13.81	13.46	10.35
	12.58	3.52	1.59	17.69	17.03	14.48
Basic Industries						
Chemicals	1.42	–	1.23	2.65	1.44	1.77
Construction & Building Materials	–	–	0.44	0.44	2.14	1.74
Steel & Other Metals	–	–	–	–	0.53	1.13
Forestry & Paper	–	–	–	–	0.21	–
	1.42	–	1.67	3.09	4.32	4.64
General Industrials						
Aerospace & Defence	3.04	0.81	–	3.85	1.53	2.37
Diversified Industries	–	0.66	–	0.66	1.28	1.87
Electronic & Electrical Equipment	2.22	–	0.92	3.14	1.19	4.16
Engineering & Machinery	–	0.63	1.47	2.10	1.10	0.91
	5.26	2.10	2.39	9.75	5.10	9.31
Cyclical Consumer Goods						
Automobiles	–	–	–	–	1.13	0.41
Household Goods & Textiles	–	–	0.65	0.65	0.58	0.66
	–	–	0.65	0.65	1.71	1.07
Non-Cyclical Consumer Goods						
Beverages	1.16	–	–	1.16	2.11	4.05
Food Products & Processing	–	–	0.43	0.43	2.13	0.59
Health	–	1.78	0.58	2.36	1.47	1.06
Personal & Household Products	1.20	0.37	–	1.57	1.15	0.69
Pharmaceuticals	5.61	0.81	2.81	9.23	7.53	5.60
Tobacco	–	1.19	–	1.19	1.74	–
	7.97	4.15	3.82	15.94	16.13	11.99
Cyclical Services						
General Retailers	2.81	0.40	–	3.21	3.14	3.20
Leisure, Entertainment & Hotels	3.24	–	–	3.24	1.89	2.74
Media & Entertainment	3.64	–	0.73	4.37	3.35	4.93
Support Services	–	–	–	–	2.19	0.27
Transport	1.66	–	–	1.66	1.77	3.11
	11.35	0.40	0.73	12.48	12.34	14.25
Non-Cyclical Services						
Food & Drug	–	–	–	–	1.65	1.40
Telecom Services	–	–	1.30	1.30	6.10	4.16
	–	–	1.30	1.30	7.75	5.56
Utilities						
Electricity	0.88	–	0.55	1.43	2.07	0.65
Multi-Utilities	0.85	–	0.54	1.39	1.93	–
Other Utilities	–	–	0.82	0.82	–	–
Water	–	–	–	–	–	1.28
	1.73	–	1.91	3.64	4.00	1.93

Distribution of Invested Funds

at 30 November 2005

Invested Funds – £235,310,923 (2004 – £203,309,838)
excluding Treasury Stock 4.5% 2007 – £25,072,500 (2004 – £25,035,000)
Percentage of valuation

	United Kingdom	North America	Other Countries	2005 Total	60% All-Share 40% World Index 2005 Benchmark Sector Weighting*	2004 Total
	%	%	%	%	%	%
Financials						
Banks	11.04	0.60	4.32	15.96	15.71	17.67
Insurance	–	0.68	0.75	1.43	2.11	1.54
Life Assurance	2.22	0.38	0.84	3.44	2.37	2.50
Real Estate	2.04	–	1.38	3.42	1.84	2.59
Speciality & Other Finance	1.16	1.60	1.71	4.47	2.81	5.06
Investment Companies	–	–	–	–	1.68	–
	16.46	3.26	9.00	28.72	26.52	29.36
Information Technology						
Information Technology Hardware	–	1.72	0.39	2.11	3.02	2.35
Software & Computer Services	2.16	1.50	0.63	4.29	2.08	4.63
	2.16	3.22	1.02	6.40	5.10	6.98
Unquoted	0.34	–	–	0.34	–	0.43
Total	59.27	16.65	24.08	100	100	100

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 2005

	Note	2005 £ Revenue	2005 £ Capital	2005 £ Total	2004 £ Revenue	2004 £ Capital	2004 £ Total
Net gains on investments	8	–	43,599,455	43,599,455	–	12,432,586	12,432,586
Income	1	7,364,984	–	7,364,984	7,163,167	–	7,163,167
Investment management fee	2	(409,637)	(955,820)	(1,365,457)	(383,952)	(895,888)	(1,279,840)
Expenses of administration	3	(300,867)	(16,008)	(316,875)	(274,395)	–	(274,395)
Net return before finance costs and taxation		6,654,480	42,627,627	49,282,107	6,504,820	11,536,698	18,041,518
Finance costs of borrowings	4	(1,396,246)	(3,203,425)	(4,599,671)	(1,379,340)	(3,207,797)	(4,587,137)
Return on ordinary activities before taxation		5,258,234	39,424,202	44,682,436	5,125,480	8,328,901	13,454,381
Taxation	5	(505,802)	288,453	(217,349)	(558,068)	382,052	(176,016)
Return on ordinary activities after taxation for the financial year		4,752,432	39,712,655	44,465,087	4,567,412	8,710,953	13,278,365
Dividends on Preference Stock	11	(22,500)	–	(22,500)	(22,500)	–	(22,500)
Return attributable to Ordinary Shareholders		4,729,932	39,712,655	44,442,587	4,544,912	8,710,953	13,255,865
Dividends on Ordinary Shares	6	(4,407,796)	–	(4,407,796)	(4,252,915)	–	(4,252,915)
Transfer to reserves		322,136	39,712,655	40,034,791	291,997	8,710,953	9,002,950
Return per Ordinary Share - basic and diluted	7	9.21p	77.36p	86.57p	8.43p	16.16p	24.59p

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 no operations were discontinued.

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

Balance Sheet

as at 30 November 2005

	Note	2005 £	2005 £	2004 £
Fixed Assets				
Investments	8, 9		260,383,423	228,344,838
Current Assets				
Debtors	10	4,102,531		2,884,601
Cash at bank	10	16,251,406		19,040,532
		20,353,937		21,925,133
Creditors: Amounts falling due within one year	10	(5,489,050)		(7,241,765)
Net Current Assets			14,864,887	14,683,368
Total Assets less Current Liabilities			275,248,310	243,028,206
Creditors: Amounts falling due after more than one year	10		(51,697,269)	(51,761,696)
Total Net Assets			223,551,041	191,266,510
Capital and Reserves				
Called up Share Capital: Ordinary	11		12,490,709	13,101,604
Preference	11		450,000	450,000
Capital Redemption Reserve	12		3,509,291	2,898,396
Capital Reserves: Realised	14	164,054,890		159,387,408
Unrealised	14	35,225,673		7,930,760
			199,280,563	167,318,168
Revenue Reserve	13		7,820,478	7,498,342
Shareholders' Funds	16		223,551,041	191,266,510
Analysis of Shareholders' Funds				
Equity interests			223,101,041	190,816,510
Non-equity interests	11		450,000	450,000
			223,551,041	191,266,510

Approved by the Board of Directors on 22 February 2006 and signed on its behalf by:

K E Percy
WR Worsley

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

Cash Flow Statement

for the year ended 30 November 2005

	Note	2005 £	2005 £	2004 £
Net cash inflow from operating activities	18		6,037,113	5,800,942
Servicing of finance				
Interest paid		(4,663,861)		(4,651,370)
Dividends paid on Preference Stock		(22,500)		(22,500)
Net cash outflow on servicing of finance			(4,686,361)	(4,673,870)
Financial investment				
Purchase of fixed asset investments		(181,836,177)		(179,060,814)
Sale of fixed asset investments		189,666,983		183,148,154
Net cash inflow from financial investment			7,830,806	4,087,340
Equity dividends paid			(4,220,424)	(4,268,398)
Net cash inflow before financing			4,961,134	946,014
Financing				
Repurchase of Ordinary Shares for cancellation			(7,750,260)	(7,391,973)
Decrease in cash	19		(2,789,126)	(6,445,959)

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

Statement of Accounting Policies

for the year ended 30 November 2005

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 is 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. Deferred tax assets are only recognised to the extent it is considered more probable than not that they will be recovered.

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 directly to Capital Reserves.

Notes to the Accounts

for the year ended 30 November 2005

1. Income

	2005 £	2005 £	2004 £
Income from investments*			
Franked income:			
Dividends from UK equity securities		3,691,871	3,453,500
Unfranked income:			
Dividends from overseas equity securities	1,748,784		1,508,628
Interest from UK fixed income securities	1,125,000		1,155,072
		2,873,784	2,663,700
		6,565,655	6,117,200
Other income:			
Deposit interest	794,552		1,045,138
Underwriting commission	4,777		829
		799,329	1,045,967
Total income		7,364,984	7,163,167

*All dividend income is derived from listed investments.

2. Investment Management Fee

	2005 £ Revenue	2005 £ Capital	2005 £ Total	2004 £ Revenue	2004 £ Capital	2004 £ Total
Investment management fee	409,637	955,820	1,365,457	383,952	895,888	1,279,840

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 VAT of £203,366 (2004 – £190,614) part of which is recoverable.

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 six months' notice after 31 August 2006 (2004: twelve months' notice).

Notes to the Accounts

for the year ended 30 November 2005

3. Expenses of Administration

	2005 £	2004 £
Directors' fees	80,050	92,436
Auditors' remuneration (includes £5,706 in respect of non-audit services, 2004 - £nil)	22,056	10,854
Custody fees	29,846	12,264
Registrars' fees	18,450	15,411
AITC fees	30,344	31,379
Share Plan costs	112,133	62,613
Printing and postage	12,552	15,694
Directors' and Officers' liability insurance	30,478	25,673
Professional and advisory fees	37,028	47,102
Other	25,710	59,133
VAT recovered	(97,780)	(98,164)
	300,867	274,395

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

(ii) Between 1 December 2004 and 30 November 2005 Directors' fees were paid at the rate of £15,000 per annum and the Chairman was paid at the rate of £25,000 per annum (see Directors' Remuneration Report on page 41).

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

4. Finance Costs of Borrowings

	2005 £ Revenue	2005 £ Capital	2005 £ Total	2004 £ Revenue	2004 £ Capital	2004 £ Total
On Stepped Rate Interest Loan repayable after more than five years	634,358	1,480,169	2,114,527	635,616	1,483,103	2,118,719
On Fixed Rate Interest Loan repayable after more than five years	738,538	1,723,256	2,461,794	739,154	1,724,694	2,463,848
On Sterling overdraft	23,350	–	23,350	4,570	–	4,570
	1,396,246	3,203,425	4,599,671	1,379,340	3,207,797	4,587,137

Notes to the Accounts

for the year ended 30 November 2005

5. Taxation

	2005 £ Revenue	2005 £ Capital	2005 £ Total	2004 £ Revenue	2004 £ Capital	2004 £ Total
Corporation tax at 30%	288,453	(288,453)	–	382,052	(382,052)	–
Overseas tax	217,349	–	217,349	176,016	–	176,016
Current tax charge	505,802	(288,453)	217,349	558,068	(382,052)	176,016
Reconciliation of current tax charge:						
Return on ordinary activities before taxation	5,258,234	39,424,202	44,682,436	5,125,480	8,328,901	13,454,381
Tax on return on ordinary activities at 30%	1,577,470	11,827,261	13,404,731	1,537,644	2,498,670	4,036,314
Reconciling factors:						
Non taxable income	(1,107,561)	–	(1,107,561)	(1,036,050)	–	(1,036,050)
Non taxable capital gains	–	(13,079,837)	(13,079,837)	–	(3,689,869)	(3,689,869)
Disallowable expenses	40,967	21,898	62,865	25,369	15,366	40,735
Excess of allowable expenses over taxable income	(449,509)	1,230,678	781,169	(473,351)	1,175,833	702,482
Accrued income taxable in other periods	5,946	–	5,946	(982)	–	(982)
Overseas tax suffered	217,349	–	217,349	176,016	–	176,016
UK tax relief on overseas tax expense	(67,313)	–	(67,313)	(52,630)	–	(52,630)
Equalisation adjustment	288,453	(288,453)	–	382,052	(382,052)	–
Current tax charge	505,802	(288,453)	217,349	558,068	(382,052)	176,016

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 £31.6m (2004 – £29.1m). Given the Company's current investment strategy, it is unlikely to generate sufficient UK taxable profits to relieve these expenses.

As at 30 November 2005 there is an unrecognised deferred tax asset, measured at the standard rate of corporation tax of 30%, of £9.5m (2004 – £8.7m). 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

	2005 £	2004 £
Dividends on Ordinary Shares:		
Prior year over accrual	(4,755)	(34,320)
First interim 3.60p paid 25 August 2005 (2004 – 3.50p)	1,814,484	1,876,540
Final proposed 5.20p payable 24 March 2006 (2004 – 4.60p)	2,598,067	2,410,695
	4,407,796	4,252,915

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 2005

7. Return per Ordinary Share

	2005 £ Revenue	2005 £ Capital	2005 £ Total	2004 £ Revenue	2004 £ Capital	2004 £ Total
Return after taxation	4,752,432	39,712,655	44,465,087	4,567,412	8,710,953	13,278,365
Attributable to Preference Stockholders	(22,500)	–	(22,500)	(22,500)	–	(22,500)
Attributable to Ordinary Shareholders	4,729,932	39,712,655	44,442,587	4,544,912	8,710,953	13,255,865
Return per Ordinary Share	9.21p	77.36p	86.57p	8.43p	16.16p	24.59p

The return per Ordinary Share is based on a weighted average number of shares of 51,334,348 (2004 – 53,900,208) Ordinary Shares in issue.
The basic and diluted returns per Ordinary Share are the same.

8. Fixed Asset Investments

	2005 £	2004 £
Listed at market valuation on recognised Stock Exchanges –		
United Kingdom	163,711,814	140,701,647
Abroad	95,837,215	86,776,213
	259,549,029	227,477,860
Unlisted at Directors' valuation –		
United Kingdom	834,394	866,978
Total fixed asset investments	260,383,423	228,344,838
Market value of investments brought forward	228,344,838	219,637,530
Unrealised (gains) losses brought forward	(7,930,760)	8,946,122
Cost of investments held brought forward	220,414,078	228,583,652
Additions at cost	179,878,072	180,845,677
Disposals at cost	(175,134,400)	(189,015,251)
Costs of investments held at 30 November	225,157,750	220,414,078
Unrealised gains at 30 November	35,225,673	7,930,760
Market value of investments held at 30 November	260,383,423	228,344,838
Gains on investments		
Net realised gains (losses) based on historical costs	15,774,109	(4,577,317)
Less: Amounts recognised as unrealised in previous years	(3,499,877)	21,750,315
Net realised gains based on carrying value at previous balance sheet date	12,274,232	17,172,998
Net unrealised gains (losses) arising in the year	30,794,790	(4,873,433)
Net gains on investments before special dividends	43,069,022	12,299,565
Special dividends credited to capital	530,433	133,021
Total net gains on investments	43,599,455	12,432,586

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.

Notes to the Accounts

for the year ended 30 November 2005

9. Investments in Other Companies

The Company held more than 10% of the share capital of the following companies at 30 November 2005 –

Company	Class of Shares Held	%
First Debenture Finance PLC ('FDF')	'A' Shares	39.2
First Debenture Finance PLC	'B' Shares	34.1
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

	2005 £	2004 £
Debtors –		
Sales for future settlement	3,178,532	1,937,006
Other debtors	923,999	947,595
	4,102,531	2,884,601
Cash at bank –		
Current account	3,281,133	3,779,121
Deposit account	12,970,273	15,261,411
	16,251,406	19,040,532
Creditors: Amounts falling due within one year –		
Purchases for future settlement	1,500,188	3,458,293
Other creditors (see (iii) below)	1,379,545	1,361,527
Dividend on Preference Stock	11,250	11,250
Proposed dividend on Ordinary Shares	2,598,067	2,410,695
	5,489,050	7,241,765
Creditors: Amounts falling due after more than one year –		
Stepped Rate Interest Loan (payable after more than five years – see (i) below)	18,993,524	18,913,396
Fixed Rate Interest Loan (payable after more than five years – see (ii) below)	32,703,745	32,848,300
	51,697,269	51,761,696

(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 2005

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 2005, the unamortised premium included within the Fixed Rate Interest Loan balance of greater than one year amounted to £4,764,281 (2004 – £4,910,113).

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 £836,351 (2004 – £836,113) and £78,712 (2004 – £78,713) payable to FDF and to Fintrust respectively.

11. Share Capital

		2005 £	2004 £
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
49,962,838	Ordinary Shares of 25p (2004 – 52,406,416)	12,490,709	13,101,604
		12,940,709	13,551,604

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 24 March 2005 to allot relevant securities, in accordance with Section 80 of the Companies Act 1985, up to a maximum of 13,838,584 Ordinary Shares of 25p each. This authority expires on 24 May 2006 and accordingly a renewed authority will be sought at the Annual General Meeting on 23 March 2006.

During the year 2,443,578 Ordinary Shares were purchased by the Company and cancelled. The aggregate purchase price of these shares, amounting to £7,750,260 was charged to the Realised Capital Reserve (see Note 14). A further 424,500 Ordinary Shares have been repurchased for cancellation since the year end at a cost of £1,627,950.

Notes to the Accounts

for the year ended 30 November 2005

12. Capital Redemption Reserve

	£
Balance at 1 December 2004	2,898,396
Movement in the year	610,895
Balance at 30 November 2005	3,509,291

The balance on this account was increased by the transfer of £610,895 in respect of 2,443,578 Ordinary Shares purchased by the Company and cancelled.

13. Revenue Reserve

	£
Balance at 1 December 2004	7,498,342
Profit for the year	322,136
Balance at 30 November 2005	7,820,478

14. Capital Reserves

	Realised £	Unrealised £	Total £
Balance at 1 December 2004	159,387,408	7,930,760	167,318,168
Net gain on realisation of investments	12,804,665	–	12,804,665
Increase in unrealised appreciation	–	30,794,790	30,794,790
Transfer on disposal of investments	3,499,877	(3,499,877)	–
Purchase of Ordinary Shares for cancellation	(7,750,260)	–	(7,750,260)
Investment management fee	(955,820)	–	(955,820)
Finance costs of borrowings	(3,203,425)	–	(3,203,425)
Other capital expenses	(16,008)	–	(16,008)
Attributable taxation in respect of management fee and finance costs	288,453	–	288,453
Balance at 30 November 2005	164,054,890	35,225,673	199,280,563

Notes to the Accounts

for the year ended 30 November 2005

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 2005	2004
Ordinary Shares of 25p	446.5p	364.1p
5% Cumulative Preference Stock Units of £1	£1	£1

	Net Asset Values attributable 2005	2004
Ordinary Shares of 25p	£223,101,041	£190,816,510
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 2004	190,816,510	450,000	191,266,510
Total recognised gains for the year	44,442,587	22,500	44,465,087
Dividends appropriated in the year	(4,407,796)	(22,500)	(4,430,296)
Repurchase of Ordinary Shares for cancellation	(7,750,260)	-	(7,750,260)
Total net assets attributable at 30 November 2005	223,101,041	450,000	223,551,041

The Net Asset Value per Ordinary Share is based on 49,962,838 (2004 – 52,406,416) Ordinary Shares in issue at the year end.

16. Reconciliation of Movements in Shareholders' Funds

	2005 £	2004 £
Distributable Reserves		
Revenue profit available for distribution	4,752,432	4,567,412
Dividends	(4,430,296)	(4,275,415)
Transfer to distributable reserves	322,136	291,997
Other Reserves		
Recognised net capital gains transferred to non-distributable reserves	39,712,655	8,710,953
Purchase of Ordinary Shares for cancellation	(7,750,260)	(7,391,973)
	31,962,395	1,318,980
Net increase in Shareholders' Funds	32,284,531	1,610,977
Opening Shareholders' Funds	191,266,510	189,655,533
Closing Shareholders' Funds	223,551,041	191,266,510

Notes to the Accounts

for the year ended 30 November 2005

17. Contingent Liabilities, Financial Commitments and Guarantees

At 30 November 2005 there were no outstanding contingent liabilities (2004 – 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 £259,593 (2004 – £293,297) 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

	2005 £	2004 £
Net revenue before finance costs and taxation	6,654,480	6,504,820
Less: Management fee charged to capital	(955,820)	(895,888)
Less: Other capital expenses	(16,008)	–
Add: Special dividends credited to capital	530,433	133,021
Less: Overseas tax suffered at source	(217,349)	(176,016)
	5,995,736	5,565,937
Decrease in debtors	23,596	234,096
Increase in creditors	17,781	909
Net cash inflow from operating activities	6,037,113	5,800,942

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

(i) Analysis of Net Debt

	Cash £	Stepped and fixed rate loans £	Net Debt £
At 1 December 2004	19,040,532	(51,761,696)	(32,721,164)
Movement in year	(2,789,126)	64,427	(2,724,699)
At 30 November 2005	16,251,406	(51,697,269)	(35,445,863)

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

	2005 £	2004 £
Net cash outflow	(2,789,126)	(6,445,959)
Decrease in long term loans	64,427	64,227
Movement in net funds	(2,724,699)	(6,381,732)
Net debt brought forward	(32,721,164)	(26,339,432)
Net debt carried forward	(35,445,863)	(32,721,164)

Notes to the Accounts

for the year ended 30 November 2005

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	2005 Fixed rate interest paid £	2005 Floating rate interest paid £	2005 Nil interest paid £	2005 Total £	2004 Fixed rate interest paid £	2004 Floating rate interest paid £	2004 Nil interest paid £	2004 Total £
Financial Assets									
Values directly affected by movements in interest rates:									
Treasury Stock	Sterling	25,072,500	–	–	25,072,500	25,035,000	–	–	25,035,000
Values not directly affected by movements in interest rates:									
Equities	Sterling	–	–	139,473,708	139,473,708	–	–	116,533,625	116,533,625
Equities	Various	–	–	95,837,215	95,837,215	–	–	86,776,213	86,776,213
Cash	Sterling	–	16,251,406	–	16,251,406	–	19,040,532	–	19,040,532
		–	16,251,406	235,310,923	251,562,329	–	19,040,532	203,309,838	222,350,370
Total Financial Assets		25,072,500	16,251,406	235,310,923	276,634,829	25,035,000	19,040,532	203,309,838	247,385,370
Financial Liabilities									
Values directly affected by movements in interest rates:									
Fintrust loan	Sterling	(32,703,745)	–	–	(32,703,745)	(32,848,300)	–	–	(32,848,300)
First Debenture Finance loan	Sterling	(18,993,524)	–	–	(18,993,524)	(18,913,396)	–	–	(18,913,396)
Total Financial Liabilities		(51,697,269)	–	–	(51,697,269)	(51,761,696)	–	–	(51,761,696)
Net Financial (Liabilities) Assets		(26,624,769)	16,251,406	235,310,923	224,937,560	(26,726,696)	19,040,532	203,309,838	195,623,674
Non financial instruments (consisting of short term debtors and creditors)					(1,386,519)				(4,357,164)
Net Assets per balance sheet					223,551,041				191,266,510

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 the previous accounting period.

*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 effective rate is 8.98% (2004 – 8.98%) and the weighted average period to maturity is 15.9 years (2004 – 16.9 years).

Notes to the Accounts

for the year ended 30 November 2005

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.

	2005 Investments £	2005 Current Assets £	2005 Creditors £	2005 Net Currency Exposure £	2004 Investments £	2004 Current Assets £	2004 Creditors £	2004 Net Currency Exposure £
Sterling	164,546,208	17,619,891	(55,686,131)	126,479,968	141,568,625	21,822,168	(59,003,461)	104,387,332
Australian Dollar	3,344,061	–	–	3,344,061	2,688,100	–	–	2,688,100
Canadian Dollar	1,515,938	–	–	1,515,938	3,214,107	3,751	–	3,217,858
Danish Krona	–	–	–	–	–	7	–	7
Euro	20,520,532	464,390	–	20,984,922	21,264,159	20,499	–	21,284,658
Hong Kong Dollar	4,502,103	27,991	–	4,530,094	2,598,574	8,890	–	2,607,464
Israeli Shekel	–	–	–	–	–	1,230	–	1,230
Japanese Yen	12,339,795	31,538	–	12,371,333	11,845,726	15,923	–	11,861,649
Korean Won	1,297,273	–	–	1,297,273	2,243,481	–	–	2,243,481
New Zealand Dollar	–	–	–	–	260,160	–	–	260,160
Norwegian Krona	1,121,992	–	–	1,121,992	–	–	–	–
Swedish Krone	2,437,301	–	–	2,437,301	909,954	–	–	909,954
Swiss Franc	7,928,557	8,311	–	7,936,868	3,063,431	–	–	3,063,431
Taiwan Dollar	–	–	–	–	846,826	–	–	846,826
US Dollar	40,829,663	2,201,816	(1,500,188)	41,531,291	37,841,695	52,665	–	37,894,360
	260,383,423	20,353,937	(57,186,319)	223,551,041	228,344,838	21,925,133	(59,003,461)	191,266,510

(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.*

	2005 £ million Book value	2005 £ million Fair value	2004 £ million Book value	2004 £ million Fair value
Fintrust loan	32.7	40.9	32.8	38.9
First Debenture Finance loan	19.0	27.7	18.9	27.4

The net asset value per Ordinary Share, with the Fintrust and FDF loans at fair value, is 412.7p (2004 – 336.2p).

*The fair value is derived from the closing market value as at 30 November 2005.

(d) Liquidity Profile

The maturity profile of the Company's liabilities at 30 November 2005, 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 2005 the Company had no hedging contracts in place (2004 – 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 2005 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 2005 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 2006

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 Statement

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 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 2005. 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 managers 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 42.

Attendance by the current 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	2	1
VP Bazalgette	6	2	1	2	1
KE Percy	6	2*	1*	2	1
BCR Siddons	5	1*	0	1	0
RKA Wakeling	6	2	1	2	1
WR Worsley	6	2	1	2	1

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

Corporate Governance Statement

Board Committees

Audit Committee

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 role of the Audit Committee is to assist the Board in relation to the reporting of financial information. The Audit Committee is chaired by William Worsley. The committee considers that, collectively, its members have sufficient recent and relevant financial experience to discharge their responsibilities fully. The committee meets at least twice each year and reviews the annual accounts and interim report and considers the Auditors' report on the annual financial statements, the process of the audit and the Auditors' independence and objectivity. It has also considered the non-audit services provided by the Auditors and determined that they have had no impact on the Auditors' independence and objectivity. The Audit Committee reviews the Company's accounting policies and considers their appropriateness. The committee also reviews 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 Managers twice-yearly and receives reports on the internal controls maintained on behalf of the Company and reviews the effectiveness of these controls. The Audit Committee continues to believe that the Company does not require an internal audit function of its own as it delegates its day to day operations to third parties from whom it receives internal controls reports.

Nomination Committee

The Nomination Committee meets at least once each year and makes recommendations on the appointment of new Directors and considers the composition and balance of the Board. The committee is chaired by Keith Percy, the Chairman of the Board. All Directors serve on the Nomination Committee and consider nominations made in accordance with an agreed procedure.

Management Engagement Committee

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 Keith Percy, the Chairman of the Board.

Remuneration Committee

The Remuneration Committee meets at least once each year and consists of the independent non-executives other than the Chairman of the Board and is chaired by Richard Wakeling. The committee determines and agrees with the Board the Company's remuneration policy and determines the remuneration of each Director within the terms of that policy. The Remuneration Committee's report is on page 41.

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 Internal Control Guidance for Directors in the Combined Code published in September 1999 ("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.

Corporate Governance Statement

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. The Managers' 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 FSA rules. The Company, in common with other investment trusts, has no internal audit department, but the effectiveness of the Managers' internal controls is monitored by Allianz Global Investors' internal audit function.

- 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 any 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 the Managers and 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.

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.

Corporate Governance Statement

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 2005.

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 Board is proposing a change to the Company's Articles of Association to enable the Company to grant indemnities to the Directors individually. Details of the proposed change are set out on page 45 and in the Notice of Meeting on page 46. When permitted, the Company will enter into deeds of indemnity with the Directors.

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. In the year under review the Directors were paid at a rate of £15,000 per annum and the Chairman at a rate of £25,000 per annum. With effect from 1 December 2005 the annual fees have been increased to £27,000 for the Chairman, and £16,250 for the Directors, with an additional £1,000 each payable to the Senior Independent Director and the Chairman of the Audit Committee. These increases reflect the uplift in UK national average earnings over the period since the fees were last increased in March 2004.

Directors' Emoluments

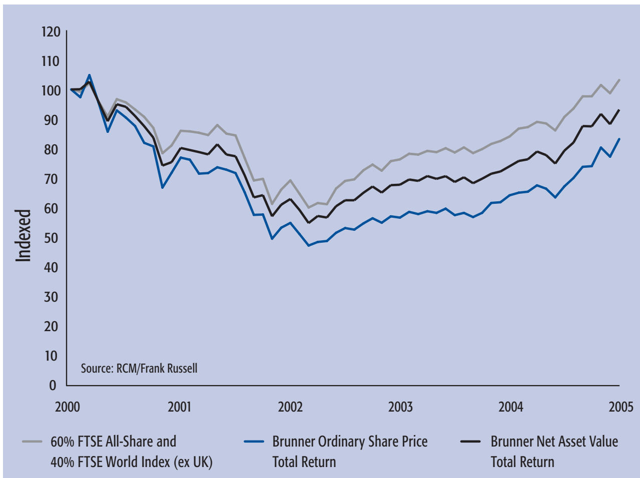
The Directors' Emoluments during the year and in the previous year are as follows:

	Directors' fees 2005 £	Directors' fees 2004 £
KE Percy	21,035	13,084
VP Bazalgette	13,763	13,084
BCR Siddons	13,500	14,333
RKA Wakeling	13,087	14,333
WR Worsley	13,087	14,333
JFH Trott*	5,578	23,269
Totals	80,050	92,436

* Retired 24 March 2005

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), using Mid-Mid Share Prices, Indexed to Sterling 1 December 2000 to 30 November 2005.



By order of the Board
K J Salt
Secretary
22 February 2006

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 2004 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. The Company is not a close company.

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 2005 a total of 2,433,578 Ordinary Shares of 25p each (nominal value £610,895) 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 £7,750,260.

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 gains based on historical costs of £15,774,109 (2004 – £4,577,317 losses). Provisions contained in the Finance Act 1980 exempt approved Investment Trusts from corporation tax on their chargeable gains. Invested funds at 30 November 2005 had a value of £260,383,423 (2004 – £228,344,838) before deducting net liabilities of £36,832,382 (2004 – £37,078,328).

Net Asset Value

The Net Asset Value of the Ordinary Shares of 25p at the year end was 446.5p, as compared with a value of 364.1p at 30 November 2004.

Donations and Subscriptions

No donations or subscriptions of a political or charitable nature were made during the year (2004 – 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 in sterling) 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.

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 six months' notice at any time after 31 August 2006 (2004: 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.

Directors' Report

Revenue

	2005 £	2005 £
Gross income for the year amounted to		7,364,984
from which had to be deducted:		
Expenses of administration	(710,504)	
Finance costs of borrowings	(1,396,246)	
		(2,106,750)
leaving an amount subject to taxation of		5,258,234
Taxation absorbed		(505,802)
and there remained a balance available of		4,752,432
from which has been deducted the dividend on £450,000 Preference Stock		(22,500)
leaving available for distribution to the Ordinary Shareholders		4,729,932

Dividends

Provisions have been made for dividends on the Ordinary Shares of 25p as follows:		
Prior year over accrual	4,755	
Interim 3.60p per Ordinary Share paid 25 August 2005	(1,814,484)	
Final proposed 5.20p per Ordinary Share payable 24 March 2006	(2,598,067)	
		(4,407,796)
thus leaving to be transferred to Revenue Reserve		322,136

The Board declared an interim dividend of 3.60p per Ordinary Share which was paid on 25 August 2005. The Board recommends a final dividend for the year ended 30 November 2005 of 5.20p, payable on 24 March 2006, making a total distribution for the year of 8.80p per Ordinary Share. The next interim dividend payment is expected to be made in August 2006.

Substantial Shareholdings

As at 10 February 2006, 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 12.56%); HLJ Brunner (beneficial 6.52% – as trustee 5.18%); TBH Brunner (beneficial 1.58% – as trustee 6.53%); JHK Brunner (beneficial 3.84% – as trustee 2.00%); AXA Group (including Compagnie UAP and Sun Life Investment Management Ltd) (16.19%); Prudential plc (4.74%).

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 2,324,244 Ordinary Shares (4.44%) 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 2006.

Shareholder Type	Number of Holders	%	Ordinary Shareholding shares	%
Private holders*	1,053	60.6	17,363,384	34.9
Nominees	610	35.0	29,466,938	59.2
Limited Companies	38	2.2	467,235	0.9
Investment Trusts	6	0.3	51,576	0.1
Banks and Bank Nominees	5	0.3	9,500	0.0
Insurance Companies	3	0.2	2,045,266	4.1
Other holders	24	1.4	381,939	0.8
	1,739	100.0	49,785,838	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, and it acknowledges that he also serves as a director on the Board of another investment trust managed by RCM (UK) Ltd, but is of the view that his ability to serve the Company has not been compromised as a result and that his knowledge and experience adds significantly to the strength of the Board. R K A Wakeling, the Senior Independent Director and Chairman of the Remuneration Committee, 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 Wakeling 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 2005 are set out below.

Ordinary Shares of 25p

	2005 Beneficial	2005 As Trustee	2004 Beneficial	2004 As Trustee
KE Percy	4,000	–	4,000	–
VP Bazalgette	4,000	–	4,000	–
BCR Siddons	4,629	–	4,629	–
RKA Wakeling	9,023	–	9,023	–
WR Worsley	110,000	482,500	110,000	497,400

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.

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 24 March 2005. The current authority will expire on 24 May 2006.

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 2007. 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 Share Plan, 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 29.05% 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 34.17% of the reduced Ordinary Share capital of the Company.

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 £164 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.

Directors' Report

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 7,425,796 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 23 March 2006.

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 2007 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.

Amendment of the Company's Articles of Association

The Articles of Association form the contract between the shareholders and the Company, and contain various detailed provisions as to how the Company's affairs will be managed, in effect amounting to the Company's constitution. The Articles were last amended in 1999, and certain changes to the Articles are now required to allow the Company to take advantage of new legislation enabling it to provide enhanced indemnities to its directors.

The Companies (Audit, Investigations and Community Enterprise) Act (the "Act") received Royal Assent on 28 October 2004. Amongst other things, the Act relaxed the existing prohibition in section 310 of the Companies Act 1985 on companies indemnifying their directors against costs and liabilities. The section 310 prohibition on indemnities no longer applies to directors and other officers of the company and will only apply to the company's auditors. The more relaxed prohibition on companies indemnifying their directors is set out in new sections 309A to 309C of the Companies Act 1985 and the provisions allowing companies to fund the defence of proceedings against a director are set out in new section 337A of the Companies Act. The prohibition, in section 310, on companies indemnifying their company secretary and other managers has been removed completely. The proposed new article 145 is a general, permissive article, allowing the company to indemnify directors subject to the provisions of the Companies Act 1985 (as amended by the Act). The article refers generally to the granting of indemnities and does not contain any limits on the power of the company to grant indemnities but the company must comply with the limits in sections 309A-C of the Companies Act 1985. The new article will require the right of any director to an indemnity, and the extent of such an indemnity, to be dealt with in a contractual arrangement to be entered into between the company and the relevant director. All such arrangements will be subject to board review and will be disclosed in the annual Directors' Remuneration Report.

This resolution (which is to be proposed as a special resolution, requiring support from 75% of the votes cast) would have the effect of deleting the existing Article 145 from the Company's Articles of Association and inserting a new Article 145. Copies of the Company's current and the proposed amended Articles of Association of the Company are available for inspection during normal business hours at the registered office of the Company until the date of the AGM. Copies will be available at the AGM meeting venue on the morning of the meeting from 11.00 am until its conclusion.

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
K J Salt
Secretary 22 February 2006

Notice of Meeting

Notice is hereby given that the Seventy-Eighth Annual General Meeting of **The Brunner Investment Trust PLC** will be held at **100 Liverpool Street, London EC2M 2PP**, on 23 March 2006 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 2005 with the Auditors' Report thereon.

2 To declare a final dividend of 5.20p per Ordinary Share.

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

4 To re-elect Mr RKA Wakeling 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, 10 and 11 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 £4,128,194 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 23 May 2007 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 £619,229 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 23 May 2007, 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 7,425,796;

(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 2007 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.

11 That the Articles of Association of the Company be amended by deleting the existing Article 145 and replacing it with the following wording:

"Subject to the provisions of the Statutes, the Company may indemnify any person who is or was a director, directly or indirectly (including by funding any expenditure incurred or to be incurred by him), against any loss or liability, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or otherwise, in relation to the Company or any associated company.

For the purposes of this article no person appointed or employed by the Company as an auditor is an officer of the Company, and "associated company" has the same meaning as in section 309A of the Statutes."

155 Bishopsgate,
London EC2M 3AD
22 February 2006

By Order of the Board
K J Salt
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 Share Plan 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 Share Plan ('Share Plan 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 D note 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 Share Plan Investors

The Ordinary Shares held on your behalf in the Share Plan are registered in the name of the Plan Nominee Company. If you complete parts A and C of the form of proxy you will be deemed to have instructed the Plan 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 Share Plan 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 Share Plan, 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 23 March 2006 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 RKA Wakeling 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	☐	☐	☐
11	To amend the Articles of Association	☐	☐	☐

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

D Share Plan 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

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