Allianz Global Investors

The Brunner Investment Trust PLC

Report and Accounts for the year ended 30 November 2006

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 Companies.

Category: Global Growth

Key Facts

Investment Objective and Benchmark

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

Strategy

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

Financial Highlights

Revenue	2006	2005	% change
Available for Ordinary Dividend	£5,278,723	£4,729,932	11.6
Earnings per Ordinary Share	10.73p	9.21p	16.5
Dividends per Ordinary Share	9.70p	8.80p	10.2
Retail Price Index	201.1	193.6	3.9

Assets	2006	2005	% change
Total Net Assets	£241,106,442	£225,699,108*	6.8
Share Price	408.0p	364.0p	12.1
Net Asset Value per Ordinary Share	495.7p	451.7p*	9.7
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 2006 the benchmark index (60% FTSE All-Share Index, 10.1% and 40% FTSE World Index, ex-UK in sterling 9.1%) increased by 9.8%.

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***	9.8%
Net portfolio return (excluding cash & gilts)	10.5%
Relative performance	0.7%

Portfolio Performance

	Asset Allocation	Stock Selection	Sub Total	Return	Index
UK	0.0%	(1.5)%	(1.5)%	12.3%	13.8%
Overseas	0.4%	3.6%	4.0%	8.1%	4.0%
Cash & Gilt	n/a	n/a	n/a		

Reconciliation of benchmark performance to movement in NAV

Increase in benchmark***		9.8%
Relative performance		0.7%
Other factors -		
Management fee and finance costs****	(2.0)%	
Retained revenue	0.3%	
Impact of repurchasing shares	0.5%	
Capital impact of gearing	0.5%	
Other	(0.1)%	
		(0.8)%
Movement in NAV per share		9.7%

* Figures are restated in accordance with Financial Reporting Standards 21 'Events after the Balance Sheet Date', 25 'Financial Instruments: Disclosure and Presentation' and 26 'Financial Instruments: Measurement'.

** 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

The financial year has seen good returns from most world equity markets although not on the scale of the previous year. Our net asset value per share increased 9.7%, close to the composite benchmark return of 9.8%. Over the last two years, during which we have adopted a more focused approach to our stock selection, the cumulative return has been 34.6% compared to the benchmark return of 30.9%.

Our earnings have increased substantially this year, supported by good dividend increases across the board and a number of special dividends arising from our investments in the resources and mining sector, where trading has been exceptionally strong in 2006. As a consequence, we are proposing an increase in our total dividend for the year from 8.8p to 9.7p p, a rise of 10.2%. The proposed final dividend of 5.7p will be payable on 23 March 2007 to shareholders on the register at the close of business on 23 February 2007.

It has also been a volatile period for equities. In the early summer we saw significant weakness in markets when, for the first time in many years, concerns emerged that the relatively benign inflationary environment we have enjoyed in the last decade might be about to end. In the event, a sharp setback in the oil price and a more subdued outlook for US growth have combined with more reassuring US inflation figures to calm nerves.

A key driver of world equity markets has been the continuing merger and acquisition activity. With interest rates still relatively low compared to the cash return on investment available from equities, the financial attractions of debt financed deals have remained persuasive. Although some of the largest transactions have been in the US, in the private hospital and real estate sectors, this period also saw the takeover of a number of well established UK businesses including P&O, British Airports Authority and BOC. The European utilities sector has also seen widespread corporate activity this year.

In most cases, earnings growth has exceeded the capital return on stock markets in 2006 so that, although in absolute terms shares have made good progress, valuations relative to underlying earnings remain attractive.

The economic outlook will, to a large degree, be determined by how the current downturn in US housing impacts on consumer expenditure. Although it remains too early to be certain, our Managers believe that the current slowdown in the US will not develop into a full blown recession. Elsewhere, the picture looks brighter, with the prospect of better economic growth in Germany and Japan after many years of subdued activity. Indeed, a more balanced profile to world economic activity, with less reliance on the US consumer, should be a positive long term feature. Coupled with continuing progress in China, the outlook for economic growth overall in 2007 currently appears reasonable.

The prospect of further interest rate rises in Europe, Japan and the UK may dampen enthusiasm for stock markets in the short term, however, and the potential for currency instability to disrupt world trade remains. In addition, the increasing levels of bank borrowings now evident in private equity transactions, and among consumers in the Anglo Saxon economies, mean that any unforeseen shocks to the system will make markets and economies more vulnerable as a consequence.

We have maintained our active approach to buy backs and have purchased 1,326,000 shares for cancellation during the course of the financial year and a further 317,677 since the year end. Our objective remains to achieve a further reduction in the share price discount to Net Asset Value, and buy backs have again modestly enhanced returns over the last twelve months.

The Board will recommend to shareholders that the Company takes renewed powers to buy back its Ordinary Shares. Full details are set out in the Notice of Meeting on page 53.

The Annual General Meeting of the Company will be held on Tuesday 22 March 2007 at 12.00 noon and we look forward to meeting those shareholders who are able to attend.

Keith Percy
Chairman
20 February 2007

Historical Record

Years ended 30 November

Revenue and Capital

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Gross revenue (£000s)	7,586	6,833‡	6,679	7,254	7,495	7,232	7,327	7,163	7,365	8,023
Earnings per share	6.37p	6.40p	6.91p	8.01p	8.00p	8.16p	8.65p	8.43p	9.21p	10.73p
Dividend per share (net)	6.50p	6.70p#	6.90p	7.10p	7.30p	7.50p	7.80p	8.10p	8.80p	9.70p
Tax credit per share	1.625p	1.15p	0.77p	0.79p	0.81p	0.83p	0.87p	0.90p	0.98p	1.08p
Total dividend	8.125p	7.85p	7.67p	7.89p	8.11p	8.33p	8.67p	9.00p	9.78p	10.78p
Total net assets (£000s)	227,400	252,307	342,148	326,102	254,055	189,375	189,656	191,267	225,699*	241,106
Assets attributable to										
Ordinary Capital (£000s)	226,950	251,857	341,698	325,652	253,605	188,925	189,206	190,817	225,699*	241,106
Net Asset Value per Ordinary Share	354.6p	393.5p	560.7p	540.2p	424.3p	329.0p	343.1p	364.1p	451.7p*	495.7p
Net Asset Value (Debt at market value)~	–	–	–	–	–	–	–	336.2p	418.1p*	466.1p
Share price	310.0p	310.0p	467.5p	497.0p	376.5p	262.5p	262.5p	288.5p	364.0p	408.0p
Discount (%)	13	21	17	8	11	20	23	21	19*	18
Discount (Debt at market value)	–	–	–	–	–	–	–	14	13*	12

Notes

‡ 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 AIC guidelines.

* Figures are restated in accordance with Financial Reporting Standards 21 'Events after the Balance Sheet Date', 25 'Financial Instruments: Disclosure and Presentation' and 26 'Financial Instruments: Measurement'. Years prior to 2005 have not been restated.

The share prices quoted in the London Stock Exchange Daily Official List for 30 November 2006 were 407.75p to 408.25p.

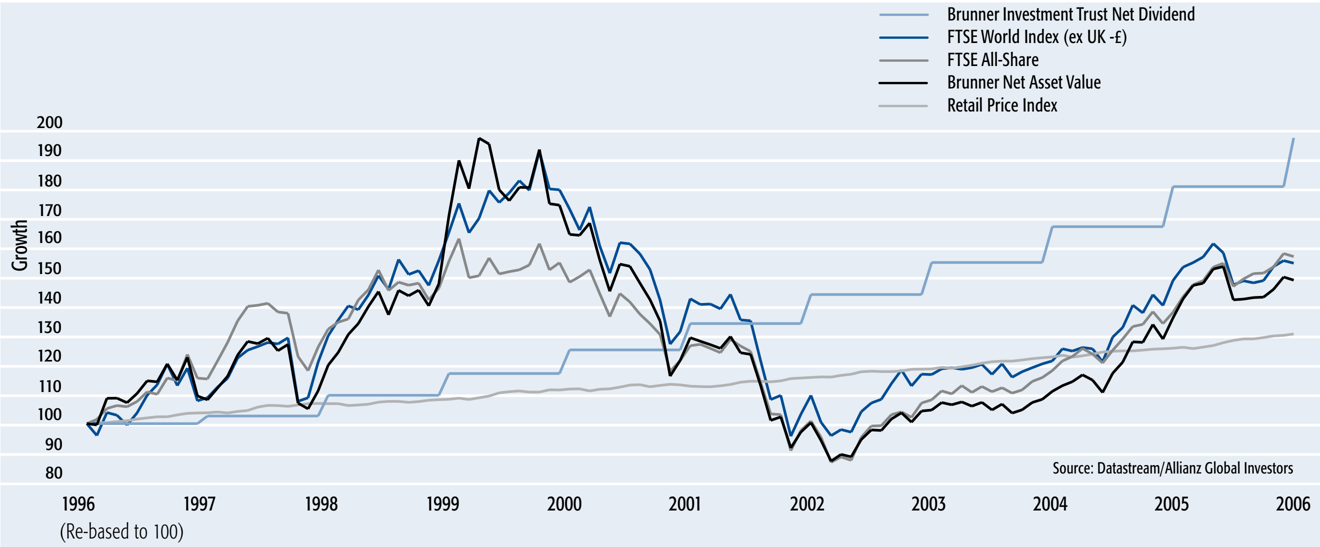
Geographical Disposition

	Percentage of Invested Funds									
	1997	1998	1999	2000	2001	2002*	2003*	2004*	2005*	2006*
United Kingdom	64.2	63.1	59.9	68.6	63.7	58.1	56.7	57.3	59.3	59.5
Europe	7.8	16.5	10.0	7.2	9.2	9.3	11.0	12.4	13.6	12.6
Americas	13.0	13.9	17.0	18.4	19.6	21.7	23.0	20.2	17.2	18.6
Japan	4.9	2.6	8.2	3.2	3.4	3.6	4.1	5.8	5.2	4.2
Pacific Basin	7.6	2.5	3.3	1.4	2.7	5.1	4.9	4.3	4.7	4.7
Other Countries	2.5	1.4	1.6	1.2	1.4	2.2	0.3	0.0	0.0	0.4
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

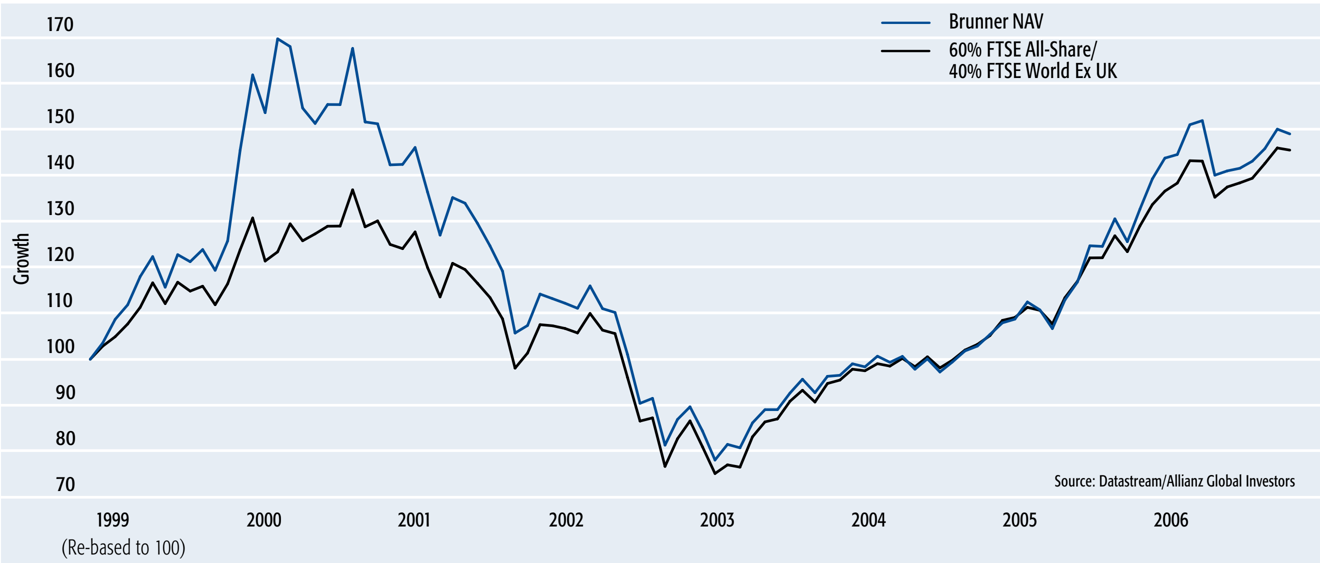
*Excludes Treasury Stock to the value of £24,960,750 (2005 – £25,072,500).

Performance Graphs

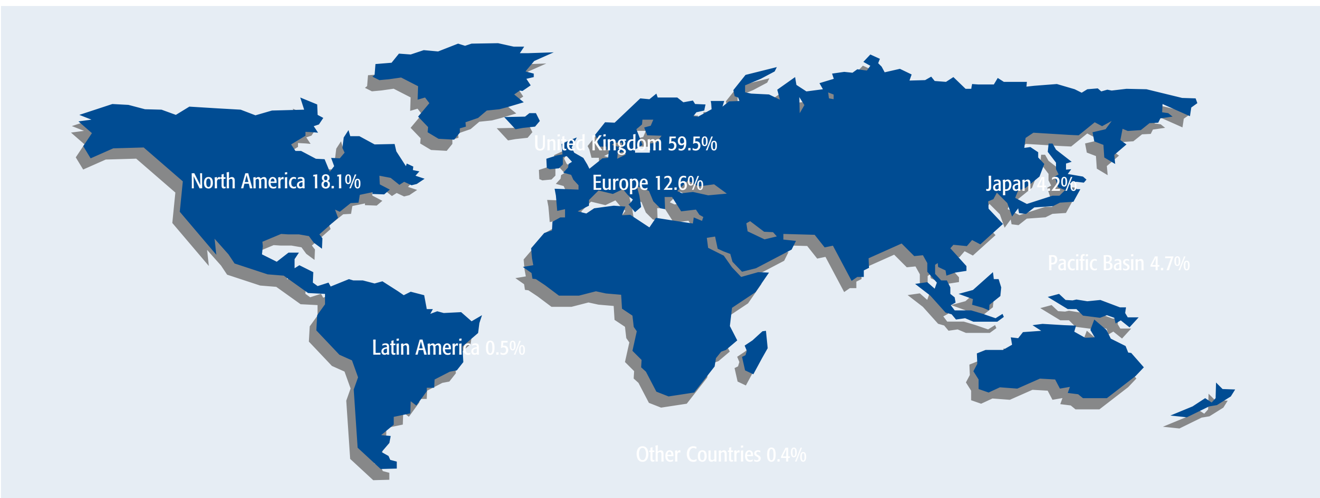
10 year record 1996-2006



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



Geographical Disposition at 30 November 2006



Thirty Largest Investments

	Valuation 30 November 2006 £	% of Invested Funds	Principal Activities
Treasury Stock 4.5% 07/03/2007	24,960,750	8.95	Gilt
Royal Dutch Shell 'B' Shares	10,532,873	3.78	Oil and Gas Producers
BP	10,326,645	3.70	Oil and Gas Producers
GlaxoSmithKline	7,705,320	2.76	Pharmaceuticals & Biotechnology
BHP Billiton	6,938,273	2.49	Mining
Barclays	5,879,527	2.11	Banking
HBOS	5,755,887	2.06	Banking
Vodafone Group	5,420,360	1.94	Mobile Telecommunications
Rio Tinto	4,804,688	1.72	Mining
Xstrata	4,610,707	1.65	Mining
Informa	4,610,487	1.65	Media
BG Group	4,438,298	1.59	Oil and Gas Producers
Sage Group	4,174,351	1.50	Software & Computer Services
BAE Systems	3,993,967	1.43	Aerospace & Defence
Cobham	3,896,487	1.40	Aerospace & Defence
HSBC Holdings	3,559,560	1.28	Banking
Reuters Group	3,529,047	1.27	Media
Standard Chartered Bank	3,348,405	1.20	Banking
AstraZeneca	3,306,448	1.19	Pharmaceuticals & Biotechnology
International Power	3,180,013	1.14	Electricity
Spectris	3,165,488	1.14	Electronic & Electrical Equipment
Burberry Group	3,132,383	1.12	Personal Goods
Legal & General	2,825,172	1.01	Life Insurance
Intercontinental Hotels	2,817,407	1.01	Travel & Leisure
Man Group	2,815,873	1.01	General Financial
Reed Elsevier	2,796,680	1.00	Media
Smiths Group	2,714,920	0.97	Aerospace & Defence
Unicredito Italiano	2,657,826	0.95	Banking
Walt Disney	2,482,619	0.89	Media
Microsoft	2,438,124	0.87	Software & Computer Services
	£152,818,585	54.78	% of Total Invested Funds

Investment Managers' Review

United Kingdom

In many respects, 2006 saw a continuation of the themes which drove the UK market in the previous financial year: growth in company earnings helped by expanding profit margins; outperformance of small and medium-sized companies; and a very high level of merger and acquisition activity, both from companies themselves and from the increasing participation of private equity and infrastructure funds.

However, the steady expansion of economic activity since the early part of the decade has brought new concerns. These surfaced in May as investors globally worried that central banks had failed to act early enough to rein in accelerating inflation. Although these fears subsided as oil and many of the base metals declined in price in the second half, more recent data in the UK has illustrated an uncomfortably high level of price increases in many areas of the economy.

UK consumer activity has remained buoyant over the period, supported by the domestic housing market which remains well underpinned by strong demand and, to date, limited supply. Most surveys indicate that house prices rose by more than 10% in 2006. Rising house prices, continuing high levels of employment and relatively low nominal interest rates have sustained UK consumer spending with much of the growth fuelled by increasing levels of consumer debt.

Much of the UK market remains heavily exposed to global trends. Our belief that the rapid growth in demand for resources from the developing world will continue has encouraged us to maintain exposure to the major UK-listed resource companies. Although base metal prices have fallen back in recent months, the cash flow arising from companies in the resource sector remains very strong and should support distributions to shareholders or further corporate activity. Sentiment wavered during the year according to perceptions of the length of the commodity cycle, which has not helped our performance recently. We remain convinced, however, that the best UK-listed resource concerns are attractive medium-term investments.

We participated in a number of the high-profile takeovers this year including the acquisition of British Airports Authority by Ferrovial, the Spanish construction company, and BOC by the German gas company, Linde. Since the year end, the purchase of Smiths Group's aerospace division by General Electric has also boosted the former's share price.

The strongest performers in the UK portfolio have included a number of special situations. Informa, the trade publishing group, has developed an enviable niche in specialist trade publications and conferences, and was subject to a takeover approach from a private equity concern during the year. In the event, the bid was rejected as inadequate but it helped to highlight the positive growth attributes of the company. Burberry Group, the fashion retailer, produced a return of 47% during the period, as its well-targeted marketing and a strong demand for luxury goods worldwide have helped boost profits. Man Group, the hedge fund manager, has been a major beneficiary of the growing institutional demand for absolute return products and hedge funds as investor interest capital preservation has increased following the volatility in equity markets earlier in the decade.

Carnival, the cruise operator, was a less successful investment, disappointing shareholders with a succession of profits warnings, partly attributable to the rising oil price. We remain cautious on the prospects of the company and sold the holding during the year.

On a more positive note, increasing institutional demand for commercial property and anticipation of the benefits of Real Estate Investment Trusts were behind the very strong performance of commercial property shares in 2006. The holding in Minerva, with its high-profile City of London office development, benefited from these trends.

Looking ahead, we will continue to monitor closely how inflationary trends in the UK develop. The Bank of England's Monetary Policy Committee appears to have some concerns that domestic demand is too strong and that there is risk that the economy's long-term trend growth rate may be reducing. Productivity gains will be harder to come by as the UK's service sector-dominated economy replaces manufacturing activity and unless immigration continues at high rate, the boost to growth seen from growing employment rates in the last decade may well subside. A more hawkish stance from the Bank of England, increasing interest rates to ward off inflation, may well take some of the current froth out of corporate activity and the property sector. However, with valuations remaining reasonable by historic standards, and in the absence of major shocks to company profits growth UK equities should be reasonably well supported.

Investment Managers' Review

United Kingdom Listed Equity Holdings
at 30 November 2006

	Value (£)	Principal Activities
Royal Dutch Shell 'B' shares	10,532,873	Oil & Gas Producers
BP	10,326,645	Oil & Gas Producers
GlaxoSmithKline	7,705,320	Pharmaceuticals & Biotechnology
Barclays	5,879,527	Banking
HBOS	5,755,887	Banking
Vodafone Group	5,420,360	Mobile Telecommunications
BHP Billiton*	5,350,732	Mining
Rio Tinto	4,804,688	Mining
Xstrata	4,610,707	Mining
Informa	4,610,487	Media
BG Group	4,438,298	Oil & Gas Producers
Sage Group	4,174,351	Software & Computer Services
BAE Systems	3,993,967	Aerospace & Defence
Cobham	3,896,487	Aerospace & Defence
HSBC Holdings	3,559,560	Banking
Reuters Group	3,529,047	Media
Standard Chartered Bank	3,348,405	Banking
AstraZeneca	3,306,448	Pharmaceuticals & Biotechnology
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Spectris	3,165,488	Electronic & Electrical Equipment
Burberry Group	3,132,383	Personal Goods
Legal & General	2,825,172	Life Insurance
Intercontinental Hotels Group	2,817,407	Travel & Leisure
Man Group	2,815,873	General Financial
Reed Elsevier+	2,796,680	Media
Smiths Group	2,714,920	Aerospace & Defence
Reckitt Benckiser	2,392,078	Household Goods
Diageo	2,313,120	Beverages
Land Securities	2,031,500	Real Estate
Resolution	1,966,950	Life Insurance
Liberty International	1,788,330	Real Estate
Collins Stewart Tullow	1,655,844	General Financial
Anglo American	1,629,090	Mining

Investment Managers' Review

United Kingdom Listed Equity Holdings (continued)
at 30 November 2006

	Value (£)	Principal Activities
Aberdeen Asset Management	1,556,442	General Financial
Sabmiller	1,539,900	Beverages
Aviva	1,518,910	Life Insurance
Cadbury Schweppes	1,490,550	Food Producers
Experian Group	1,400,364	Support Services
Prudential	1,388,701	Life Insurance
Minerva	1,251,474	Real Estate
Home Retail Group	1,242,643	General Retailers
Scottish & Southern Energy	1,105,800	Electricity
Laird Group	1,099,417	Electronic & Electrical Equipment
Ashmore Group	1,067,228	Support Services
Plaza Centres	1,055,488	Real Estate
SThree	934,960	Support Services
Daily Mail & General	909,176	Media
First Choice Holidays	376,472	Travel & Leisure
	£150,406,162	53.92% of Total Invested Funds

* A separate holding of this stock is listed under Pacific Basin Listed Equity Holdings on page 14.
+ A separate holding of this stock is listed under Continental Europe Listed Equity Holdings on page 13.

United Kingdom Unlisted Equity Holdings
at 30 November 2006

	Value (£)	Principal Activities
August Equity Partners	571,043	Venture Partnership
First Debenture Finance	23,893	Financial Services
Fintrust Debenture	4,338	Financial Services
	£599,274	0.21% of Total Invested Funds

United Kingdom Fixed Interest Holdings
at 30 November 2006

	Value (£)	Principal Activities
Treasury Stock 4.5% 07/03/2007	24,960,750	Gilt
	£24,960,750	8.95% of Total Invested Funds

Investment Managers' Review

International Equities

Equity markets performed well over the Trust's financial year, although the returns in Sterling were muted. In the US the Dow Jones reached uncharted territory, amassing 13 record-high closes over 22 trading days (in October), whilst in Europe, markets topped five year highs, led by strong gains in Norway and Spain. Asia also saw solid gains, although performance was more muted in Japan and Korea where North Korea's nuclear test weighed on sentiment late in the period. Generally, however, the market environment was well supported by solid earnings growth and equity valuations which remained attractive.

Investor sentiment over the 12 month period was largely focused on the US and, in particular, inflation and housing data releases. Specifically there was a period of heightened volatility within markets through May and June with initial weakness triggered by adverse US inflation data. A series of global sell-offs then became self sustaining as investors reflected on concerns that perhaps inflation was more of a threat than had previously been recognised, thereby posing a threat to the outlook for global growth.

US interest rates were subsequently raised to 5.25%, but were then maintained at this level from July onwards, as the US Federal Reserve noted that inflation risks would 'moderate over time', as well as downplaying concerns that a slowing housing market could jeopardise the region's five year economic expansion and spill over into the rest of the economy. On a positive note, whilst the 2006 Thanksgiving holiday period kicked off with Wal-Mart reporting its worst monthly performance in ten years for November, US consumers demonstrated their resilience by spending around $9 billion on the day after Thanksgiving ('Black Friday'), a 6% improvement on the same period in 2005.

The US dollar, however, depreciated against most major currencies as markets anticipated the possibility of lower US interest rates in early 2007 in response to the housing slowdown. Comments from China's central bank in early November further weakened the currency's standing, as the bank reaffirmed its commitment to diversify its $1 trillion of foreign exchange reserves into other currencies. Indeed, the main focus of investor attention in Asia over the period fell on China's trade surplus which grew to almost $24 billion as import growth slumped. The surplus is viewed by many commentators as one of China's biggest problems, straining trade ties with the US and flooding the world's fourth biggest economy with cash.

Outside the US the phase of incremental tightening of interest rates continued. This was especially the case in Europe, amid concerns that the fastest economic expansion in 6 years could fuel wage demands and lead to more persistent inflation in the economy of the dozen euro nations. The European Central Bank (ECB) raised interest rates for the fifth time in ten months in October, to 3.25%, even after a fall back in oil prices pushed inflation below its 2% limit for the first time in 20 months.

In Japan, the Bank of Japan also raised interest rates for the first time in almost six years, taking its benchmark interest rate to 0.25%, whilst in September, Shinzo Abe won the LDP party's presidential poll to become the successor to Prime Minister Koizumi, promising to carry through structural reform.

Given this market environment and economic backdrop, performance within the portfolio came from a diversified selection of stocks, as we continued to identify and invest in attractive opportunities across the world. Individual holdings in Asia delivered strong returns, in particular from companies which were the beneficiaries of growth in China. This is a theme which has added value for the portfolio through holdings including China Life Insurance and China Mobile.

China Life is the leading provider in the rapidly growing life insurance market in China and has benefited from strong regular premium growth for its insurance policies and business margins which are expected to remain strong. The business is also run by a highly regarded management team.

As a domestic telecom company, China Mobile has the supply constrained characteristics we are attracted to in the Chinese region and has been well positioned to benefit from 3G entry and migration. The business also benefits from strong shareholder focused management who have historically delivered growth objectives on target and beaten market expectations from an operational perspective.

In Europe the best active contributor to performance over the period came from the portfolio's holding in Atlas Copco, a global industrial group of companies headquartered in Sweden. The group manufactures products in 19 countries, and is a world leader in compressors, generators, construction and mining equipment. The business is well exposed to emerging market growth, and a prime beneficiary of strong demand for compressor products from China, as well as recovering demand across Europe.

In terms of new purchases for the portfolio during the period, we initiated a position in Fresenius AG, which owns a 37% voting stake in Fresenius Medical Care, the world's largest integrated provider of dialysis products and services for individuals with chronic kidney failure. The business has benefited during 2006 from continued margin improvement and strong cost control by a

Investment Managers' Review

well regarded management team whose acquisition of the Renal Care Group (RCG) has also positioned the business as the leader in dialysis services in the US.

We also purchased Nintendo for the portfolio. The business is a leading player in the development of interactive entertainment, manufacturing and marketing hardware and software for its home video game systems. RCM Grassroots Research surveys confirmed the strength in sales for the DS and DS Lite across Asia, Europe and the US whilst the launch of the new Wii product, rivalling the next generation Playstation 3 and Xbox 360 has been eagerly awaited for some time and is expected to help broaden the gaming population, providing plenty of scope for further earnings growth.

Positions which we sold over the period included Yahoo, as delays to the introduction of a new search platform impacted sentiment negatively. We also sold Broadcom, the semiconductor company, on concerns surrounding earnings visibility, the possibility of senior management changes and the highly cautious tone of investor management meetings.

Overall, we remain positive on the outlook for global equity markets, in spite of their recent strong run. We continue to believe that the market environment remains favourable for growth oriented stocks and that quality companies, as defined by strong cash returns and robust balance sheets, will continue to look attractive. Within the portfolio we maintain our preference for investment opportunities, on a stock-by-stock basis, with particular emphasis in Asia, Europe and emerging markets on valuation grounds. We believe we remain in an environment where a conviction in bottom-up stock selection, focusing on strong company fundamentals will deliver long term out-performance and that equities have the opportunity to deliver another positive year for investors in 2007.

Investment Managers' Review

North America Listed Equity Holdings
at 30 November 2006

	Value (£)	Principal Activities
Walt Disney	2,482,619	Media
Microsoft	2,438,124	Software & Computer Services
Exxon Mobil	2,372,210	Oil & Gas Producers
AT&T	2,225,367	Fixed Line Telecommunications
Wyeth	2,204,140	Pharmaceuticals & Biotechnology
Apple Computer Company	2,173,283	Technology Hardware & Equipment
Goldman Sachs Group	2,147,495	General Financial
Cooper Industries	2,122,831	Electronic & Electrical Equipment
Altria Group	2,067,545	Tobacco
Exelon Corp	2,055,898	Electricity
Procter & Gamble	1,891,379	Household Goods
Polo Ralph Lauren	1,830,172	Personal Goods
Cisco Systems	1,733,349	Technology Hardware & Equipment
Shoppers Drug Mart	1,723,993	Food & Drug Retailers
Utd Technologies	1,705,663	Aerospace & Defence
Teck Cominco	1,501,824	Industrial Metals
Wellpoint	1,569,566	Health Care Equipment & Services
Honeywell	1,557,943	General Industrials
Zions Bancorp	1,523,433	Banking
Weatherford International	1,440,429	Oil Equipment, Services & Distribution
Merck	1,487,943	Pharmaceuticals & Biotechnology
Noble Corporation	1,280,645	Oil Equipment, Services & Distribution
Pepsico	1,190,883	Beverages
Hewlett Packard	1,123,132	Technology Hardware & Equipment
CIT Group	1,113,178	General Financial
Canadian Natural Resources	1,029,426	Oil & Gas Producers
	£45,992,470	16.49% of Total Invested Funds

Investment Managers' Review

Continental Europe Listed Equity Holdings
at 30 November 2006

	Value (£)	Principal Activities
Unicredito Italiano	2,657,826	Banking (Italy)
Fresenius	2,315,320	Health Care Equipment & Services (Germany)
Bank of Ireland	2,170,609	Banking (Ireland)
CRH	2,129,072	Construction & Materials (Ireland)
Ing Groep	2,085,097	Life Insurance (Netherlands)
BNP Paribas	2,051,046	Banking (France)
Novartis	1,915,932	Pharmaceuticals & Biotechnology (Switzerland)
LVMH Moet Hennessy	1,909,133	Personal Goods (France)
Vinci	1,894,531	Construction & Materials (France)
Syngenta	1,707,774	Chemicals (Switzerland)
Fortum Oyj	1,655,362	Electricity (Finland)
Porsche	1,554,309	Automobiles & Parts (Germany)
UBS	1,520,326	Banking (Switzerland)
Skandinaviska Enskilda Banken	1,264,932	Banking (Sweden)
SAP	1,184,680	Software & Computer Services (Germany)
E.On	1,180,369	Gas, Water & Multiutilities (Germany)
Continental	1,146,236	Automobiles & Parts (Germany)
Reed Elsevier+	1,008,119	Media (Netherlands)
Endesa	738,715	Electricity (Spain)
	£32,089,388	11.50% of Total Invested Funds

+ Also held as a UK stock, see page 8.

Investment Managers' Review

Japan Listed Equity Holdings
at 30 November 2006

	Value (£)	Principal Activities
Toyota Motor	2,166,175	Automobiles & Parts
Canon	1,737,663	Technology Hardware & Equipment
Nintendo	1,698,467	Leisure Goods
Takeda Pharmaceutical	1,565,175	Pharmaceuticals & Biotechnology
Mizuho Financial Group	1,363,205	Banking
Mitsubishi Estate	1,232,004	Real Estate
East Japan Railway	807,225	Travel & Leisure
	£10,569,914	3.79% of Total Invested Funds

Pacific Basin Listed Equity Holdings
at 30 November 2006

	Value (£)	Principal Activities
China Mobile	2,413,996	Mobile Telecomunications (Hong Kong)
Hong Kong Exchange	1,799,722	General Financial (Hong Kong)
Petrochina	1,728,408	Oil & Gas Producers (Hong Kong)
China Life Insurance	1,724,440	Life Insurance (Hong Kong)
AMP	1,660,429	General Financial (Australia)
BHP Billiton*	1,587,541	Mining (Australia)
DBS Group Holdings	1,096,588	Banking (Singapore)
	£12,011,124	4.31% of Total Invested Funds

* Also held as a UK stock, see page 8.

Investment Managers' Review

Latin America Listed Equity Holdings
at 30 November 2006

	Value (£)	Principal Activities
BCO Itau	1,240,295	Banking
	£1,240,295	0.44% of Total Invested Funds

Russian Listed Equity Holdings
at 30 November 2006

	Value (£)	Principal Activities
Gazprom ~	505,011	Oil and Gas Producers
Gazprom #	578,538	Oil and Gas Producers
	£1,083,549	0.39% of Total Invested Funds

~ Listed on the Nasdaq
# Listed on the London Stock Exchange

Financial Risk Management

The Company is exposed to financial risk through its financial assets and financial liabilities. The most important components of its financial risk are market price risk, liquidity risk, interest rate risk, foreign currency risk and credit risk. The risk profile and the policies adopted to manage risk did not change materially during either the current or previous year.

The narrative below explains the different types of risks the Company may face. Numerical disclosures are listed in Note 19 to the Accounts.

This information is given so that investors in the Company can decide for themselves whether their investment is high or low risk. It allows them to assess what kind of impact the use of financial instruments (investments, cash/overdraft and borrowings) will have on the performance of the entity. Short term debtors and creditors are not considered to be financial instruments. They have been included at the bottom of the numerical disclosure in Note 19(a) merely to enable users of the Accounts to reconcile the summary provided to total net assets per the balance sheet.

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 will be undertaken.

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

Liquidity risk relates to the capacity to meet liabilities.

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

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

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 £39.9 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

Foreign currency risk is the risk of movement in the value of overseas financial instruments as a result of fluctuations in exchange rates.

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

Credit risk is the risk of default by the counterparty.

The Company only buys and sells investments through brokers which are considered to be approved counterparties, thus minimising the risk of default.

The Company mainly holds equities and so has minimal exposure to credit risk.

Distribution of Invested Funds

at 30 November 2006

Invested Funds – £253,992,176 (2005 – £235,310,923)
excluding Treasury Stock 4.5% 2007 – £24,960,750 (2005 – £25,072,500)
Percentage of valuation

	United Kingdom	North America	Other Countries	2006 Total	60% All-Share 40% World Index 2006 Benchmark Sector Weighting*	2005 Total
	%	%	%	%	%	%
Oil & Gas						
Oil & Gas Producers	9.96	1.33	1.10	12.39	11.52	11.69
Oil Equipment, Services and Distribution	-	1.07	-	1.07	0.67	2.11
	9.96	2.40	1.10	13.46	12.19	13.80
Basic Materials						
Chemicals	-	-	0.67	0.67	1.26	2.65
Forestry & Paper	-	-	-	-	0.12	-
Industrial Metals	-	0.59	-	0.59	0.81	-
Mining	6.46	-	0.63	7.09	4.30	3.88
	6.46	0.59	1.30	8.35	6.49	6.53
Industrials						
Aerospace & Defence	4.17	0.67	-	4.84	1.56	3.85
Construction & Materials	-	-	1.59	1.59	1.03	0.44
Electronic & Electrical Equipment	1.68	0.84	-	2.52	0.92	3.14
General Industrials	-	0.61	-	0.61	1.38	0.66
Industrial Engineering	-	-	-	-	1.02	2.11
Industrial Transportation	-	-	-	-	0.79	1.67
Support Services	1.34	-	-	1.34	2.46	-
	7.19	2.12	1.59	10.90	9.16	11.87
Consumer Goods						
Automobiles & Parts	-	-	1.91	1.91	1.08	-
Beverages	1.52	0.47	-	1.99	2.11	1.16
Food Producers	0.59	-	-	0.59	2.11	0.43
Household Goods	0.94	0.74	-	1.68	1.80	1.57
Leisure Goods	-	-	0.67	0.67	0.47	-
Personal Goods	1.23	0.72	0.75	2.70	0.68	1.49
Tobacco	-	0.81	-	0.81	1.76	1.19
	4.28	2.74	3.33	10.35	10.01	5.84
Healthcare						
Healthcare Equipment & Services	-	0.62	0.91	1.53	1.15	2.74
Pharmaceuticals & Biotechnology	4.33	1.46	1.37	7.16	6.87	9.23
	4.33	2.08	2.28	8.69	8.02	11.97
Consumer Services						
Food & Drug Retailers	-	0.68	-	0.68	2.28	-
General Retailers	0.49	-	-	0.49	2.95	2.36
Media	4.67	0.98	0.40	6.05	3.21	4.36
Travel & Leisure	1.26	-	0.32	1.58	2.71	3.24
	6.42	1.66	0.72	8.80	11.15	9.96
Telecommunications						
Fixed Line Telecommunications	-	0.88	-	0.88	2.22	-
Mobile Telecommunications	2.13	-	0.95	3.08	3.00	1.30
	2.13	0.88	0.95	3.96	5.22	1.30
Utilities						
Electricity	1.69	0.81	0.94	3.44	2.31	1.43
Gas, Water & Multiutilities	-	-	0.46	0.46	2.18	2.21
	1.69	0.81	1.40	3.90	4.49	3.64

Distribution of Invested Funds

at 30 November 2006

Invested Funds – £253,992,176 (2005 – £235,310,923)
excluding Treasury Stock 4.5% 2007 – £24,960,750 (2005 – £25,072,500)
Percentage of valuation

	United Kingdom	North America	Other Countries	2006 Total	60% All-Share 40% World Index 2005 Benchmark Sector Weighting*	2005 Total
	%	%	%	%	%	%
Financials						
Banks	7.30	0.60	5.27	13.17	16.17	17.55
General Financial	2.37	1.29	1.36	5.02	3.16	3.70
Equity Investment Instruments	-	-	-	-	1.47	-
Non-Life Insurance	-	-	-	-	2.10	0.68
Life Insurance	3.03	-	1.50	4.53	3.06	2.97
Real Estate	2.41	-	0.49	2.90	2.52	3.43
	15.11	1.89	8.62	25.62	28.49	28.33
Information Technology						
Software & Computer Services	1.64	0.96	0.47	3.07	1.90	4.29
Technology Hardware & Equipment	-	1.98	0.68	2.66	2.89	2.13
	1.64	2.94	1.15	5.73	4.79	6.42
Unquoted	0.24	-	-	0.24	-	0.34
	0.24	-	-	0.24	-	0.34
Total	59.45	18.11	22.44	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.

Directors, Manager, Advisers & Contact Details

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, JPMorgan Fleming Japanese Investment Trust plc and Henderson Smaller Companies 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 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 Association of Investment Companies 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 Manager

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 2006 had combined assets of £651.7 billion under management. Through its predecessors, Allianz Global Investors has a heritage of investment trust management expertise in the UK reaching back to the nineteenth century and it had £1.3 billion assets under management in a range of investment trusts as at 31 December 2006.

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

Secretary and Registered Office
Kirsten Salt BA(Hons) ACIS
155 Bishopsgate
London EC2M 3AD
Telephone: 020 7859 9000

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

Auditors
Deloitte & Touche LLP
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

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 Manager's website: www.allianzglobalinvestors.co.uk.

Share Prices

The share prices quoted in the London Stock Exchange Daily Official List for 30 November 2006 were 407.75p – 408.25p.

For CGT indexation purposes, 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 Manager's 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 Manager's 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 Manager's 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 Companies (AIC)

The Company is a member of the AIC, 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 AIC, 9th Floor, 24 Chiswell Street, London EC1Y 4YY, or at www.aic.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 7065 1513.

Directors' Report

The Business Review is addressed only to shareholders as a body, and no liability can be admitted by the Directors to any other parties in connection therewith. The purpose of the Business Review is limited to its statutory purpose, that is, to assist shareholders in assessing the Company's strategies and the potential for these strategies to succeed. Any forward-looking statements contained in the Business Review reflect the knowledge and information available to the Directors at the date the Business Review was prepared. The Business Review will not be updated during the next financial year, but any forward-looking statements contained in the Business Review will be considered in the preparation of the next Business Review.

Business Review

Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue & Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30 November 2005. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify. The Company will continue to seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year. The Company is not a close company for taxation purposes.

Regulatory Environment

The Company is listed on the London Stock Exchange and is subject to UK company law, financial reporting standards, listing rules, tax law and its own Articles of Association. In addition to annual and interim accounts published under these rules, the Company announces net asset values per share on a daily basis for the information of investors. It provides more detailed information on a monthly basis to the Association of Investment Companies, of which the Company is a member, in order for brokers and investors to compare its performance with its peer group. The Board of Directors is charged with ensuring that the Company complies with its own objectives as well as these rules. The Board has appointed RCM (UK) Limited to carry out investment management, accounting, secretarial and administration services on behalf of the Company. The Company has no employees or premises of its own.

Investment Objective and Policies

The Company's objective is to achieve a total return higher than that of the benchmark index of 60% FTSE All-Share and 40% FTSE World Index (ex-UK sterling adjusted) over the long term. The objective is to be achieved by investment in UK and international securities and by using appropriate gearing to enhance returns. This strategy is designed to meet the requirements of those seeking a single investment in a diversified and professionally managed portfolio.

Performance

In the year to 30 November 2006 the Company produced an NAV capital return to shareholders of 9.7%. This compares with the return on the Company's benchmark index of 9.8%. In the previous year the NAV return was 22.6% and the benchmark index was 19.2%. At 30 November 2006 the value of the Company's investment portfolio was £279 m. The Investment Managers' review on pages 7 to 15 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Key Performance Indicators ("KPIs")

The Board uses certain financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

Performance against the benchmark index

This is the most important KPI by which performance is judged.

Performance against the Company's peers

The principal objective is to achieve a total return higher than that of the benchmark index of 60% FTSE All-Share and 40% FTSE World Index (ex-UK sterling adjusted) over the long term. However the Board also monitors the performance relative to a broad range of competitor investment trusts.

Performance Attribution

The performance attribution is reviewed at each Board Meeting and enables the Directors to consider how the Company achieved its performance relative to the benchmark index and to see the impact on the Company's relative performance of factors including geographical, stock and sector allocation. The analysis for the year ended 30 November 2006 is given in the explanation of the movement in net asset value per ordinary share on page 2.

Dividend Distribution

The Board has a policy of paying a progressive dividend each year, taking into account inflation and subject to general earnings growth and dividends received in the portfolio. Dividends paid in the past ten years are set out in the Historical Record table on page 4.

Discount to net asset value ("NAV")

The Board has a share buy back programme which has a role to play in minimising the volatility of movements in the discount and in enhancing the NAV for existing shareholders as shares are bought back at a discount. In the year to 30 November 2006 the shares traded between a discount of -14.3% and -8.82% with debt at fair value.

Total expense ratio ("TER")

The most significant expense for the Company is the cost of the management fee and the costs of interest on the

Directors' Report

Company's borrowings. Other expenses include the costs of investment transactions, directors' fees and insurance, professional advice and regulatory fees and the costs of production of the reports to shareholders. The TER is calculated by dividing operating expenses by total assets less current liabilities, that is, the Company's management fee and all other operating expenses (including tax relief, where allowable, but excluding interest payments) as a percentage of average assets over the year. The TER for the year ended 30 November 2006 was 0.6% (2005 0.6 %).

Share Capital

Details of the Company's share capital are set out in Note 11 on page 45. Further to resolutions passed on 24 March 2005 and 23 March 2006 the Company purchased 1,326,000 ordinary shares for cancellation, representing 2.65% of the Company's share capital at the beginning of the financial year.

A resolution to renew the authority to purchase shares for cancellation is to be put to shareholders at the forthcoming Annual General Meeting and the full text is set out in the Notice of Meeting on page 53.

Principal Risks and Uncertainties

With the assistance of the Managers the Board has drawn up a risk matrix which identifies the key risks to the Company. These key risks fall broadly under the following categories:

Investment Activity and Strategy

An inappropriate investment strategy, e.g., asset allocation or the level of gearing, may lead to under-performance against the Company's benchmark index and peer group companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and on which the Board receives reports. RCM (UK) Limited ("RCM (UK)") provides the Directors with management information including performance data and reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the investment managers, who attend all board meetings, and reviews data which show risk factors and how they affect the portfolio. The investment managers employ the Company's gearing tactically within a strategic range set by the Board. The Board holds periodic meetings devoted to strategy.

Portfolio and Market

Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines that are monitored and reported on by RCM (UK). The Board monitors the implementation and results of the investment process with the investment managers.

Accounting, Legal and Regulatory

In order to qualify as an investment trust the Company must comply with Section 842 of the Income and Corporation Taxes Act 1988 ("Section 842"), and details are given above under the heading Competitive and Regulatory Environment. A breach of Section 842 could result in the Company losing investment trust status and, as a consequence, gains in the Company's portfolio would be subject to Capital Gains Tax. The Section 842 criteria are monitored by RCM (UK) and results are reported to the Board at each Board Meeting. The Company must comply with the provisions of the Companies Act 1985, and the Companies Act 2006 as it becomes enacted ("Companies Acts"), and, as the Company's shares are listed on the London Stock Exchange, the Company must comply with the UK Listing Authority's Listing Rules and Disclosure Rules ("UKLA Rules"). A breach of the Companies Acts could result in the Company and/ or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Rules could result in the suspension of the Company's shares which would in turn lead to a breach of Section 842. The Board relies on its company secretary and its professional advisers to ensure compliance with the Companies Acts and UKLA Rules.

Corporate Governance and Shareholder Relations

Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance Statement beginning on page 28.

Operational

Disruption to, or failure of, RCM (UK)'s accounting, dealing or payment systems or the custodian's records may prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by RCM (UK) and other suppliers and the key elements designed to prevent effective internal control are included within the Internal Control section of the Corporate Governance Statement on page 29.

Financial

The financial risks to the Company are disclosed in Note 19 on page 49.

Future Development

The future development of the Company is dependent on the success of the Company's investment strategy against the economic environment and market developments. The investment managers discuss their view of the outlook for the Company's portfolio in their reports on pages 7 and 10.

Directors' Report

Status

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 2005 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 2006 a total of 1,326,000 Ordinary Shares of 25p each (nominal value £331,500) were repurchased and cancelled as part of the share buy back programme that was approved last year and in 2005. The consideration paid, including attributable expenses, amounted to £5,256,227.

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 Manager 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 £19,879,302 (2005 - £15,774,109). Provisions contained in the Finance Act 1980 exempt approved Investment Trusts from corporation tax on their chargeable gains. Invested funds at 30 November 2006 had a value of £278,952,926 (2005 - £260,383,423) before deducting net liabilities of £37,846,484 (2005 - £34,684,315 (restated)).

Net Asset Value

The Net Asset Value of the Ordinary Shares of 25p at the year end was 495.7p, as compared with a value of 451.7p (restated) at 30 November 2005.

Donations and Subscriptions

No donations or subscriptions of a political or charitable nature were made during the year (2005 – 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 17 and 18 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 5 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.

Auditors

During the course of the year BDO Stoy Hayward LLP resigned as auditors and Deloitte & Touche LLP were appointed to fill the vacancy. This change followed a review by the Board of audit services brought about by the end of the five year tenure of the audit partner at BDO Stoy Hayward. In accordance with the Companies Act 1985 special notice has been received of the intention to propose a resolution to re-appoint Deloitte & Touche LLP as Auditors at the Annual General Meeting. A resolution authorising the Directors to determine their remuneration will also be proposed at the Annual General Meeting.

Each of the Directors at the date of approval of this report confirms that:

1. so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
2. the Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

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 Manager. The contract can be terminated with six months' notice.

The Manager's performance under the contract and the contract terms are reviewed at least annually by the Management

Directors' Report

Engagement Committee. This committee consists of the Directors not previously employed by the management company. During the year, the committee met with the Manager 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 Manager's 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 Manager is in the best interests of shareholders as a whole.

Revenue

	2006 £	2006 £
Gross income for the year amounted to		8,023,362
from which had to be deducted:		
Expenses of administration	(787,640)	
Finance costs of borrowings	(1,508,600)	
		(2,296,240)
leaving an amount subject to taxation of		5,727,122
Taxation absorbed		(448,399)
leaving available for distribution to the Ordinary Shareholders		5,278,723
Dividends		
Prior year over accrual	22,073	
Interim 4.00p per Ordinary Share paid 24 August 2006	(1,956,162)	
Final proposed 5.70p per Ordinary Share payable 23 March 2007	(2,772,300)	
Uncollected dividends from prior years	(55)	
		(4,706,444)
thus leaving to be transferred to Revenue Reserve		572,279

The Board declared an interim dividend of 4.0p per Ordinary Share which was paid on 24 August 2006. The Board recommends a final dividend for the year ended 30 November 2006 of 5.7p, payable on 23 March 2007, making a total distribution for the year of 9.7p per Ordinary Share. The next interim dividend payment is expected to be made in August 2007.

Substantial Shareholdings

As at 8 February 2007, 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 12.71%); HLJ Brunner (beneficial 6.68% – as trustee 5.35%); TBH Brunner (beneficial 1.61% – as trustee 5.28%); JHK Brunner (beneficial 3.52% – as trustee 1.90%); AXA Group (including Compagnie UAP; Sun Life Investment Management Ltd) (17.65%); M & G Investment Management (4.93%) and Legal & General (3.11%).

Mr CE Wilkinson acts as a co-trustee with Mr TBH Brunner in respect of 1,759,058 Ordinary Shares (3.36%), 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 7 February 2007.

Shareholder Type	Number of Holders	%	Ordinary Shareholding shares	%
Private holders*	962	59.5	16,381,052	34.0
Nominees	591	36.5	29,176,064	60.3
Limited Companies	33	2.0	293,909	0.6
Investment Trusts	5	0.3	50,401	0.1
Banks and Bank Nominees	8	0.5	2,354,444	4.9
Insurance Companies	3	0.2	9,500	0.0
Other holders	15	1.0	53,791	0.1
	1,617	100.0	48,319,161	100.0

*Includes PEP, ISA and Savings Plan 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 his former connection with the Manager but is of the view that his ability to serve the Company has not been compromised as a consequence of these factors and that his knowledge and experience adds significantly to the strength of the Board. Vivian Bazalgette and Keith Percy, the Chairman of the Board, retire by rotation in accordance with the Articles of Association and, having the full support of the Board, each offers himself for re-election.

The Chairman has confirmed that the performances of Mr Siddons and Mr Bazalgette have been subject to a formal evaluation during the year, and that each continues to be effective and to demonstrate commitment to his role. The Senior Independent Director, Richard Wakeling confirms that the Chairman was formally evaluated in the year and that the Directors are unanimous in supporting his re-election.

Biographical details of the Directors are on page 19. The present Directors and their interests in the share capital of the Company as at 30 November 2006 are set out below.

Ordinary Shares of 25p

	2006 Beneficial	2006 As Trustee	2005 Beneficial	2005 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	475,600	110,000	482,500

Since the year end William Worsley's non-beneficial interest has been reduced to 467,900 shares.

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 23 March 2006. The current authority will expire on 23 May 2007.

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 2008. Accordingly resolutions 9 and 10 as set out in the Notice of Meeting on page 53 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 plan. 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

Under Rule 9 of the City Code on Takeovers and Mergers (the "Code") when (i) a person acquires an interest in shares which (taken together with shares in which he and persons acting in concert (as defined in the Code) with him are interested) carry 30 per cent. or more of the voting rights of a company subject to the Code, or (ii) any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company subject to the Code, but does not hold shares carrying more than 50 per cent. of the voting rights of the company, and such person, or any persons acting in concert with him, acquires an interest in any shares which increase the percentage of shares carrying voting rights in which he is interested, then in either case, that person together with the persons acting in concert with him, is normally required to extend offers in cash, at the highest price paid by him (or any persons acting in concert with him) for shares in the company within the preceding 12 months, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights.

Rule 37 of the Code states that when a company redeems or purchases its own voting shares, any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purposes of Rule 9. However, Note 1 to Rule 37 states that a person who comes to exceed the limits in Rule 9.1 in consequence of a company's redemption or purchase of its own shares will not normally incur an obligation to make a mandatory offer unless that person is a director, or the relationship of the person with any one or more of the directors is such that the person is, or is presumed to be, acting in concert with any of the directors. A person who has appointed a representative to the board of the company, and investment managers of investment trusts, will be treated for these purposes as a director.

Mr TBH Brunner and members of his immediate family, (the 'Connected Parties') are treated as acting in concert for the purposes of the Code. The Connected Parties currently hold 27.32% of the Ordinary Share Capital of the Company. If the proposed buy back authority were to be used in full, the repurchase of Ordinary Shares could result in the Connected Parties holding 31.60% of the reduced Ordinary Share Capital of the Company (assuming that the Connected Parties did not sell any Ordinary Shares in connection with the exercise of the buy back authority).

Directors' Report

The Board is of the view that none of the Connected Parties is acting in concert with any of the current Directors and that consequently, pursuant to Note 1 of Rule 37 of the Code, there would be no obligation under Rule 9 of the Code for a general offer to be made to shareholders if the proposed buy back authority were to be used and the shareholdings of the Connected Parties increased accordingly. If the Connected Parties are interested in 30.00% or more of the Ordinary Share Capital of the Company following the exercise of the share buy back authority, such Connected Parties will not be able to acquire further interests in Ordinary Shares without triggering an obligation to make an offer pursuant to Rule 9 of the Code.

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 11 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 enhances net asset value for the remaining shareholders. It is therefore intended that purchases will 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 £175 million). The rules of the UK Listing Authority limit the price which may be paid by the Company to 105% of the average middle-market quotation for an Ordinary Share on the 5 business days immediately preceding the date of the relevant purchase. The minimum price to be paid will be 25p per Ordinary Share (being the nominal value). Additionally, the Board believes that the Company's ability to purchase its own shares should create additional demand for the Ordinary Shares in the market and that this increase in liquidity should assist shareholders wishing to sell their Ordinary Shares. Overall this share buy back proposal should help to reduce the discount to net asset value at which the Company's shares currently trade.

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

The current authority which permits the Company to purchase up to 14.99% of the Ordinary Shares, expires at the conclusion of the forthcoming Annual General Meeting. The Board believes that the Company should continue to have authority to make market purchases of its own Ordinary Shares for cancellation. The Board is therefore seeking to renew its power to make market purchases of Ordinary Shares for cancellation. Accordingly, a Special Resolution to authorise the Company to make market purchases of up to 14.99% of the Company's issued Ordinary Share capital will be proposed. The authority to make market purchases of up to 14.99% of the Company's issued Ordinary Share capital is equivalent to 7,243,042 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 22 March 2007.

The authority will last until the Annual General Meeting of the Company to be held in 2008 or the expiry of 18 months from the date of the passing of this resolution, whichever is the earlier. The authority will be subject to renewal by shareholders at subsequent annual general meetings.

Additional Information

The Directors unanimously recommend shareholders to vote in favour of resolution 11 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 19 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 20 February 2007

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing these 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.

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

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 AIC Code of Corporate Governance was issued by the Association of Investment 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 2006. Much of this statement describes how the relevant principles of governance are applied to the Company.

The Board

The Board currently consists of five non-executive Directors, four of whom are independent of the Company's investment manager. Their biographies, on page 19, 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 25.

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. 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 23.

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	3	1	2	1
VP Bazalgette	6	3	1	2	1
KE Percy	6	3*	1*	2	1
BCR Siddons	5	2*	1*	2	1*
RKA Wakeling	6	3	1	2	1
WR Worsley	6	3	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 Manager 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 Manager's performance. It has defined terms of reference and consists of the non-executive Directors not formerly employed by the Manager. 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 including, since 1 December 2006, following the implementation of the Combined Code 2006, Keith Percy, Chairman of the Board. The committee 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 Directors' Remuneration Report is on page 31.

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.

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 Manager, 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 Manager a formal report which details any known internal controls failures, including those that are not directly the responsibility of the Manager. 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.

Corporate Governance Statement

- The appointment of RCM (UK) Limited ('RCM') as the Manager provides investment management, accounting and company secretarial services to the Company. The Manager therefore maintains 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 Manager. The Manager's 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 Manager's 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 Manager's and Custodian's systems of controls and approves the appointment of any sub-custodians. The Audit Committee also receives reports from the Manager's and Custodian's internal auditors, compliance department and independent auditors.

- The Board reviews the Internal Control reports of the Manager 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 Manager provides certain services, including internal audit services, to the Company. Consequently, the Company does not have its own internal audit function.

Relations with Shareholders

The Board strongly believes that the Annual General Meeting should be an event which private shareholders are encouraged to attend. The Annual General Meeting is attended by the Chairman of the Board, the respective Chairmen of the Board's Committees and the Manager. 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 Manager meets with institutional shareholders on a regular basis and reports 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 27 and a statement of going concern is on page 23.

The Independent Auditors' Report can be found on page 32.

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 Manager.

The Manager uses 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 2006.

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 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. Following the approval of the proposal at last year's Annual General Meeting a change to the Company's Articles of Association to enable the Company to grant indemnities to the Directors individually, deeds of indemnity have been entered into with the Directors.

The performance graph below 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, excluding the performance graph, 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 £16,250 per annum and the Chairman at a rate of £27,000 per annum, with an additional £1,000 each payable to the Senior Independent Director and the Chairman of the Audit Committee. The Directors' fees were reviewed in January 2007 and it was agreed that the fees would remain the same for the current year.

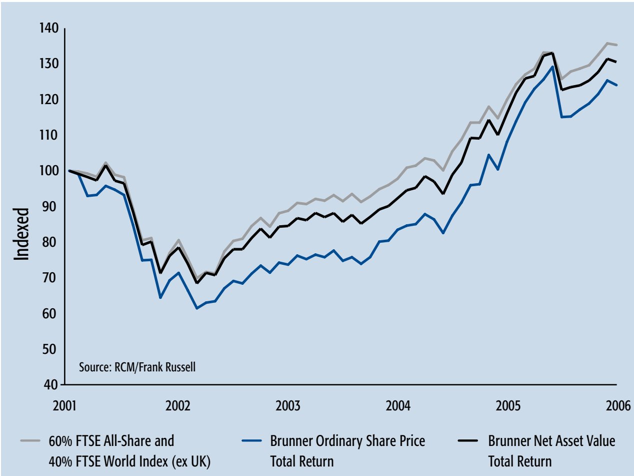
Directors' Emoluments

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

	Directors' fees 2006 £	Directors' fees 2005 £
KE Percy	27,000	21,035
VP Bazalgette	16,250	13,763
BCR Siddons	16,250	13,500
RKA Wakeling	17,250	13,087
WR Worsley	17,250	13,087
Totals	94,000	80,050

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 2001 to 30 November 2006.



By order of the Board
K J Salt
Secretary
20 February 2007

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 2006 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement, the Statement of Accounting Policies and the related notes 1 to 20 These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

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 (United Kingdom Generally Accepted Accounting Practice) 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 and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the table of contents and consider whether it is consistent with the audited financial statements. 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 further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 November 2006 and of its return for the year then ended;
- 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; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London , United Kingdom

20 February 2007

Income Statement

for the year ended 30 November 2006

	Note	2006 £ Revenue	2006 £ Capital	2006 £ Total Return	2005 £ Revenue (restated)	2005 £ Capital (restated)	2005 £ Total Return (restated)
Net gains on investments at fair value	8	-	24,248,457	24,248,457	-	43,599,455	43,599,455
Net losses on foreign currency		-	(2,043)	(2,043)	-	-	-
Income	1	8,023,362	-	8,023,362	7,364,984	-	7,364,984
Investment management fee	2	(464,002)	(1,082,672)	(1,546,674)	(409,637)	(955,820)	(1,365,457)
Expenses of administration	3	(323,638)	(16,382)	(340,020)	(300,867)	(16,008)	(316,875)
Net return before finance costs and taxation		7,235,722	23,147,360	30,383,082	6,654,480	42,627,627	49,282,107
Finance costs: interest payable and similar charges	4	(1,508,600)	(3,276,698)	(4,785,298)	(1,418,746)	(3,203,425)	(4,622,171)
Return on ordinary activities before taxation		5,727,122	19,870,662	25,597,784	5,235,734	39,424,202	44,659,936
Taxation	5	(448,399)	262,297	(186,102)	(505,802)	288,453	(217,349)
Return attributable to Ordinary Shareholders		5,278,723	20,132,959	25,411,682	4,729,932	39,712,655	44,442,587
Return per Ordinary Share (basic and diluted)	7	10.73p	40.95p	51.68p	9.21p	77.36p	86.57p

Dividends in respect of the financial year ended 30 November 2006 total 9.70p (2005 - 8.80p), amounting to £4,728,462 (2005 - £4,412,551). Details are set out in Note 6.

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

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

The Notes on pages 37 to 52 form part of these Accounts.

Reconciliation of Movement in Shareholders' Funds

for the year ended 30 November 2006

	Note	Called up Share Capital £	Preference Share Capital £	Capital Redemption Reserve £	Capital Reserve Realised £	Capital Reserve Unrealised £	Revenue Reserve £	Total £
Net Assets at 30 November 2004 as previously stated		13,101,604	450,000	2,898,396	159,387,408	7,930,760	7,498,342	191,266,510
Reclassification of 5% Cumulative Preference Stock as a long term creditor		-	(450,000)	-	-	-	-	(450,000)
Dividends on Ordinary Shares not recognised as a current liability		-	-	-	-	-	2,410,695	2,410,695
Net Assets at 30 November 2004 (restated)		13,101,604	-	2,898,396	159,387,408	7,930,760	9,909,037	193,227,205
Revenue Return		-	-	-	-	-	4,729,932	4,729,932
Shares repurchased during the year		(610,895)	-	610,895	(7,750,260)	-	-	(7,750,260)
Dividends on Ordinary Shares	6	-	-	-	-	-	(4,220,424)	(4,220,424)
Capital Return		-	-	-	12,417,742	27,294,913	-	39,712,655
Net Assets at 30 November 2005 (restated)		12,490,709	-	3,509,291	164,054,890	35,225,673	10,418,545	225,699,108
Net Assets at 30 November 2005 as previously stated		12,490,709	450,000	3,509,291	164,054,890	35,225,673	7,820,478	223,551,041
Reclassification of 5% Cumulative Preference Stock as a long term creditor		-	(450,000)	-	-	-	-	(450,000)
Dividends on Ordinary Shares not recognised as a current liability		-	-	-	-	-	2,598,067	2,598,067
Net Assets at 30 November 2005 (restated)		12,490,709	-	3,509,291	164,054,890	35,225,673	10,418,545	225,699,108
Adjustment to record investments at bid value		-	-	-	-	(215,910)	-	(215,910)
Revenue Return		-	-	-	-	-	5,278,723	5,278,723
Shares repurchased during the year		(331,500)	-	331,500	(5,256,227)	-	-	(5,256,227)
Dividends on Ordinary Shares	6	-	-	-	-	-	(4,532,211)	(4,532,211)
Capital Return		-	-	-	16,244,197	3,888,762	-	20,132,959
Net Assets at 30 November 2006		12,159,209	-	3,840,791	175,042,860	38,898,525	11,165,057	241,106,442

The Notes on pages 37 to 52 form part of these Accounts.

Balance Sheet

as at 30 November 2006

	Note	2006 £	2006 £	2005 £ (restated)
Fixed Assets				
Investments held at fair value through profit or loss	8		278,952,926	260,383,423
Current Assets				
Debtors	10	3,937,204		4,102,531
Cash at bank	10	14,974,573		16,251,406
		18,911,777		20,353,937
Creditors - Amounts falling due within one year	10	(4,567,832)		(2,890,983)
Net Current Assets			14,343,945	17,462,954
Total Assets less Current Liabilities			293,296,871	277,846,377
Creditors - Amounts falling due after more than one year	10		(52,190,429)	(52,147,269)
Total Net Assets			241,106,442	225,699,108
Capital and Reserves				
Called up Share Capital	11		12,159,209	12,490,709
Capital Redemption Reserve	12		3,840,791	3,509,291
Capital Reserves: Realised	13	175,042,860		164,054,890
Unrealised	13	38,898,525		35,225,673
			213,941,385	199,280,563
Revenue Reserve	14		11,165,057	10,418,545
Equity Shareholders' Funds	15		241,106,442	225,699,108
Net Asset Value per Ordinary Share	15		495.7p	451.7p

Approved by the Board of Directors on 20 February 2007 and signed on its behalf by:

K E Percy
WR Worsley

The Notes on pages 37 to 52 form part of these Accounts.

Cash Flow Statement

for the year ended 30 November 2006

	Note	2006 £	2006 £	2005 £
Net cash inflow from operating activities	17		6,505,716	6,037,113
Servicing of finance				
Interest paid		(4,719,620)		(4,663,861)
Dividends paid on Preference Stock		(22,500)		(22,500)
Net cash outflow from servicing of finance			(4,742,120)	(4,686,361)
Financial investment				
Purchase of fixed asset investments		(154,030,814)		(181,836,177)
Sale of fixed asset investments		160,776,633		189,666,983
Net cash inflow from financial investments			6,745,819	7,830,806
Equity dividends paid			(4,532,211)	(4,220,424)
Net cash inflow before financing			3,977,204	4,961,134
Financing				
Repurchase of Ordinary Shares for cancellation			(5,254,037)	(7,750,260)
Decrease in cash	18		(1,276,833)	(2,789,126)

The Notes on pages 37 to 52 form part of these Accounts.

Statement of Accounting Policies

for the year ended 30 November 2006

1. The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments, and in accordance with United Kingdom law, United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice - 'Financial Statements of Investment Trust Companies' (SORP) issued December 2005 by the Association of Investment Companies (formerly the Association of Investment Trust Companies).

   The Company has adopted certain new accounting policies in the year due to the issue of new Financial Reporting Standards (FRSs). Further details can be found on this and the following page as well as Note 20, which summarises all restatements and prior year adjustments.

   The SORP and changes to the Listing Rules have also given rise to some changes in the presentation. The Statement of Total Return is now called the Income Statement and the total column, as opposed to the revenue column, is now the profit and loss account of the Company. There is a new primary statement, the Reconciliation of Movements in Shareholders' Funds.

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. Income from convertible securities having an element of equity is recognised on an accruals basis. Interest receivable on non-equity shares is recognised on an accruals basis.

   Special dividends are recognised on an ex-dividend basis and treated as a capital or revenue item depending on the facts and circumstances of each dividend.

   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.

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

3. Investment management fee and administrative expenses - The investment management fee is calculated on the basis set out in Note 2 to the accounts 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. Other administrative expenses are charged in full to revenue, except handling charges which are charged to capital.

4. Valuation - Investments are designated as held at fair value through profit or loss in accordance with FRS 26 'Financial Instruments: Measurement'. Listed investments are valued at bid market prices. This represents a change in accounting policy, however in accordance with the exemption conferred by paragraph 108D of FRS 26, comparatives have not been restated. In prior periods listed investments were valued at mid market prices. As a consequence, the adoption of bid prices on 1st December 2005 decreased the value of investments by £215,910, as shown in Note 8.

   Those investments listed abroad have been valued at closing or bid 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 book value and book cost. Net gains or losses arising on realisation of investments are taken directly to the realised Capital Reserve.

5. Finance costs - In accordance with Financial Reporting Standard 25 'Financial Instruments: Disclosure and Presentation' and FRS 26 'Financial Instruments: Measurement', 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 Board's investment policy and prospective capital and income growth.

   Dividends payable on the 5% Cumulative Preference Stock are classified as an interest expense and are charged in full to revenue.

Statement of Accounting Policies

for the year ended 30 November 2006

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 on the marginal method and the Company's effective rate of tax for the accounting period.

   A deferred tax asset is recognised when it is more likely than not that the asset will be recoverable. Deferred tax is measured on a non-discounted basis at the rate of Corporation tax that is expected to apply when the timing differences are expected to reverse.

7. Shares repurchased and subsequently cancelled - Share Capital is reduced by the nominal value of the shares repurchased, and the Capital Redemption Reserve is correspondingly increased in accordance with Section 170 Companies Act 1985. The full cost of the repurchase is charged to the Realised Capital Reserve.

8. Dividends - In accordance with FRS 21 'Events after the Balance Sheet Date', the final dividend payable on Ordinary Shares is recognised as a liability when approved by shareholders. Interim dividends are recognised only when paid. This is a change of accounting policy and results in a restatement of prior year creditors and a consequential increase in the prior year net asset value.

9. Foreign Currency - In accordance with FRS 23 'The effect of changes in Foreign Currency Exchange Rates', the Company is required to nominate a functional currency, being the currency in which the Company predominately operates. The functional and reporting currency is pounds sterling, reflecting the primary economic environment in which the Company operates. 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. Profit and losses on foreign currencies held, whether realised or unrealised, are taken directly to Capital Reserves.

10. Preference Stock - Following the introduction of FRS 25 'Financial Instruments: Disclosure and Presentation' the 5% Cumulative Preference Stock is now classified as a liability, as the rights of the stockholders to receive dividend payments are not calculated by reference to the Company's profits. This is a change of accounting policy and prior year net assets have been restated accordingly as shown in Note 20.

Notes to the Accounts

for the year ended 30 November 2006

1. Income

	2006 £	2006 £	2005 £
Income from investments*			
Franked income:			
Dividends from UK investments		4,451,358	3,691,871
Unfranked income:			
Dividends from overseas investments	1,685,485		1,748,784
Interest from UK fixed income investments	1,125,000		1,125,000
		2,810,485	2,873,784
		7,261,843	6,565,655
Other income:			
Deposit interest	742,639		794,552
Underwriting commission	18,880		4,777
		761,519	799,329
Total income		8,023,362	7,364,984

*All dividend income is derived from listed investments.

2. Investment Management Fee

	2006 £ Revenue	2006 £ Capital	2006 £ Total	2005 £ Revenue	2005 £ Capital	2005 £ Total
Investment management fee	464,002	1,082,672	1,546,674	409,637	955,820	1,365,457

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 £230,356 (2005 - £203,366) 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.

Notes to the Accounts

for the year ended 30 November 2006

3. Expenses of Administration

	2006 £	2005 £
Directors' fees	107,745	80,050
Auditors' remuneration (includes nil expenses in respect of non-audit services, 2005 - £5,706)	26,032	22,056
Custody fees	30,794	29,846
Registrars' fees	17,909	18,450
Association of Investment Companies' fees	29,642	30,344
Share Plan marketing costs	152,523	112,133
Printing and postage	7,065	12,552
Directors' and Officers' liability insurance	22,291	30,478
Professional and advisory fees	19,211	37,028
Other	30,080	25,710
VAT recovered	(119,654)	(97,780)
	323,638	300,867

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

(ii) Between 1 December 2005 and 30 November 2006 Directors' fees were paid at the rate of £16,250 per annum, with an additional £1,000 each payable to the Senior Independent Director and the Chairman of the Audit Committee, and the Chairman was paid at the rate of £27,000 per annum (see Directors' Remuneration Report on page 31.)

(iii) Included in Directors' fees is £13,745 relating to prior years.

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

(v) Handling charges of £16,382 were charged to capital (2005 - £16,008).

4. Finance Costs: Interest Payable and Similar Charges

	2006 £ Revenue	2006 £ Capital	2006 £ Total	2005 £ Revenue (restated)	2005 £ Capital	2005 £ Total (restated)
On Stepped Rate Interest Loan repayable after more than five years	670,149	1,563,682	2,233,831	634,358	1,480,169	2,114,527
On Fixed Rate Interest Loan repayable after more than five years	734,150	1,713,016	2,447,166	738,538	1,723,256	2,461,794
On 5% Cumulative Preference Stock repayable after more than five years	22,500	-	22,500	22,500	-	22,500
On Sterling overdraft	81,801	-	81,801	23,350	-	23,350
	1,508,600	3,276,698	4,785,298	1,418,746	3,203,425	4,622,171

Notes to the Accounts

for the year ended 30 November 2006

5. Taxation

	2006 £ Revenue	2006 £ Capital	2006 £ Total	2005 £ Revenue (restated)	2005 £ Capital (restated)	2005 £ Total (restated)
a) Analysis of tax charge for the year:						
Corporation tax	448,399	(262,297)	186,102	505,802	(288,453)	217,349
Double taxation relief	(186,102)	-	(186,102)	(217,349)	-	(217,349)
Current tax charge on ordinary activites	262,297	(262,297)	-	288,453	(288,453)	-
Overseas taxation	186,102	-	186,102	217,349	-	217,349
Tax charge on ordinary activities	448,399	(262,297)	186,102	505,802	(288,453)	217,349
b) Factors affecting the current tax charge for the year:						
Return on ordinary activities before taxation	5,727,122	19,870,662	25,597,784	5,235,734	39,424,202	44,659,936
Taxation on the return on ordinary activities at the standard rate of Corporation tax in the UK of 30%	1,718,137	5,961,199	7,679,336	1,570,720	11,827,261	13,397,981
Effects of:						
Non taxable income	(1,335,407)	-	(1,335,407)	(1,107,561)	-	(1,107,561)
Non taxable capital gains	-	(7,273,925)	(7,273,925)	-	(13,079,837)	(13,079,837)
Disallowable expenses	70,304	46,441	116,745	47,717	21,898	69,615
Overseas tax suffered	186,102	-	186,102	217,349	-	217,349
UK tax relief on overseas tax expense	-	-	-	(67,313)	-	(67,313)
Excess of allowable expenses over taxable income	(443,856)	1,266,285	822,429	(449,509)	1,230,678	781,169
Accrued income taxable in other periods	(9,178)	-	(9,178)	5,946	-	5,946
Allocation of tax relief on expenses	262,297	(262,297)	-	288,453	(288,453)	-
Current tax charge	448,399	(262,297)	186,102	505,802	(288,453)	217,349

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 £34.1m (2005 - £31.6m) and eligible unrelieved foreign tax of £0.4 million (2005 - Nil). Given the Company's current investment strategy, it is unlikely to generate sufficient UK taxable profits to relieve these expenses.

As at 30 November 2006 there is an unrecognised deferred tax asset, measured at the standard rate of corporation tax of 30%, of £10.6m (2005 - £9.5m). The 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.

Due to the Company's status as an approved investment trust and the intention to continue meeting the conditions required to obtain approval in the forseable future, the Company has not provided deferred tax on any capital gains and losses arising on the disposal of investments.

Notes to the Accounts

for the year ended 30 November 2006

6. Dividends on Ordinary Shares

	2006 £	2005 £ (restated)
Dividends paid on Ordinary Shares:		
Final - 5.20p paid 24 March 2006 (2005 - 4.60p)	2,575,994	2,405,940
Interim - 4.00p paid 24 August 2006 (2005 - 3.60p)	1,956,162	1,814,484
Uncollected dividend from prior years (2005 - nil)	55	-
	4,532,211	4,220,424

The dividend payments above are after adjusting for dividends proposed but not paid due to share buy backs.

Dividends payable at the year end are not recognised as a liability under FRS 21 'Events after Balance Sheet Date' (see page 38 - Statement of Accounting Policies). Details of these dividends are set out below.

	2006 £	2005 £
Final dividend - 5.70p payable 23 March 2007 (2006 - 5.20p)	2,772,300	2,598,067

The proposed 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 numbers of shares in issue on the record date and will reflect any purchases and cancellations of shares by the Company settled subsequent to the year end.

Ordinary dividends paid by the Company carry a tax credit at a rate of 10%. The credit discharges the tax liability of shareholders subject to income tax at less than the higher rate. Shareholders liable to pay tax at the higher rate will have further tax to pay.

7. Return per Ordinary Share

	2006 £ Revenue	2006 £ Capital	2006 £ Total	2005 £ Revenue (restated)	2005 £ Capital	2005 £ Total (restated)
Return attributable to Ordinary Shareholders	5,278,723	20,132,959	25,411,682	4,729,932	39,712,655	44,442,587
Return per Ordinary Share	10.73p	40.95p	51.68p	9.21p	77.36p	86.57p

The return per Ordinary Share is based on a weighted average number of shares of 49,167,696 (2005 - 51,334,348) Ordinary Shares in issue. The basic and diluted returns per Ordinary Share are the same.

Notes to the Accounts

for the year ended 30 November 2006

8. Fixed Asset Investments

	2006 £	2005 £
Listed at market valuation on recognised Stock Exchanges –		
United Kingdom	175,366,912	163,711,814
Abroad	102,986,740	95,837,215
	278,353,652	259,549,029
Unlisted at Directors' valuation –		
United Kingdom	599,274	834,394
Total fixed asset investments	278,952,926	260,383,423
Market value of investments brought forward	260,383,423	228,344,838
Unrealised gains brought forward	(35,009,763)	(7,930,760)
Adjustment to record listed investments at bid value	(215,910)	-
Cost of investments held brought forward	225,157,750	220,414,078
Additions at cost	155,624,181	179,878,072
Disposals at cost	(140,729,573)	(175,134,400)
Costs of investments held at 30 November	240,052,358	225,157,750
Unrealised gains at 30 November	38,900,568	35,225,673
Market value of investments held at 30 November	278,952,926	260,383,423
Gains on investments		
Net realised gains based on historical costs	19,879,302	15,774,109
Less: Amounts recognised as unrealised in previous years	(16,979,068)	(3,499,877)
Net realised gains based on carrying value at previous balance sheet date	2,900,234	12,274,232
Net unrealised gains arising in the year	20,869,873	30,794,790
Net gains on investments before special dividends	23,770,107	43,069,022
Special dividends credited to capital	478,350	530,433
Total net gains on investments	24,248,457	43,599,455

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

Included in the cost of investments are transaction costs on purchases of £511,656 (2005 - £613,127) and transaction costs on sales of £256,132 (2005 - £339,776).

Notes to the Accounts

for the year ended 30 November 2006

9. Investments in Other Companies

The Company held more than 10% of the share capital of the following companies at 30 November 2006 –

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

	2006 £	2005 £ (restated)
Debtors –		
Sales for future settlement	3,010,774	3,178,532
Other debtors	926,430	923,999
	3,937,204	4,102,531
Cash at bank –		
Current account	1,392,113	3,281,133
Deposit account	13,582,460	12,970,273
	14,974,573	16,251,406
Creditors: Amounts falling due within one year -		
Purchases for future settlement	3,093,555	1,500,188
Stamp duty payable	2,190	-
Interest Payable (see (iv) below)	915,081	915,063
Other creditors	545,756	464,482
Dividend on 5% Cumulative Preference Stock	11,250	11,250
	4,567,832	2,890,983
Creditors: Amounts falling due after more than one year –		
Stepped Rate Interest Loan (payable after more than five years - see (i) below)	19,189,869	18,993,524
Fixed Rate Interest Loan (payable after more than five years - see (ii) below)	32,550,560	32,703,745
5% Cumulative Preference Stock (payable after more than five years see (iii) below)	450,000	450,000
	52,190,429	52,147,269

(i) The Stepped Rate Interest Loan includes adjustable Stepped Rate Interest Loan Notes of £2,977,442 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 ('FDF').

Notes to the Accounts

for the year ended 30 November 2006

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 generally or 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, issued in 1993, is repayable by 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 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 of 2018 of FDF.

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

Following the liquidation of Kleinwort Overseas Investment Trust ('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 of £15,000,000. In order that the finance costs on this additonal 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 2006, the unamortised premium included within the Fixed Rate Interest Loan balance of greater than one year amounted to £4,609,699 (2005 - £4,764,281).

(iii) The 5% Cumulative Preference Stock is recognised as a creditor due after more than one year under the provisions of FRS25 ' Financial Instruments: Disclosure and Presentation'. The right of the Stock to receive payments is 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. Dividends on the Preference stock are payable half yearly on 30 June and 31 December.

(iv) Included within interest payable are £836,351 (2005 - £836,351) and £78,712 (2005 - £78,712) payable to FDF and to Fintrust respectively.

11. Share Capital

		2006 £	2005 £
Authorised			
66,200,000	Ordinary Shares of 25p	16,550,000	16,550,000
Allotted and fully paid			
48,636,838	Ordinary Shares of 25p (2005 – 49,962,838)	12,159,209	12,490,709

The directors are authorised by an ordinary resolution passed on 23 March 2006 to allot relevant securities, in accordance with Section 80 of the Companies Act 1985, up to a maximum of 16,512,776 Ordinary Shares 25p each. This authority expires on 23 May 2007 and accordingly a renewed authority will be sought a the Annual General Meeting on 22 March 2007.

During the year 1,326,000 Ordinary Shares were repurchased by the Company and cancelled. The aggregate purchase price of these shares, amounting to £5,256,227 was charged to the Realised Capital Reserve (see Note 13). A further 317,677 ordinary shares have been repurchased for cancellation since the year end at a cost of £1,343,199.

Notes to the Accounts

for the year ended 30 November 2006

12. Capital Redemption Reserve

	£
Balance at 1 December 2005	3,509,291
Movement in the year	331,500
Balance at 30 November 2006	3,840,791

The balance on this account was increased by the transfer of £331,500 in respect of 1,326,000 Ordinary Shares purchased by the Company and cancelled.

13. Capital Reserves

	Realised £	Unrealised £	Total £
Balance at 1 December 2005	164,054,890	35,225,673	199,280,563
Adjustment from mid market to bid prices	-	(215,910)	(215,910)
Adjusted opening balance	164,054,890	35,009,763	199,064,653
Net gains on realisation of investments	2,900,234	-	2,900,234
Special dividends	478,350	-	478,350
Transfer on disposal of investments	16,979,068	(16,979,068)	-
Net unrealised gains arising in year	-	20,869,873	20,869,873
Net losses on foreign currency	-	(2,043)	(2,043)
Purchase of Ordinary Shares for cancellation	(5,256,227)	-	(5,256,227)
Investment management fee	(1,082,672)	-	(1,082,672)
Finance costs of borrowings	(3,276,698)	-	(3,276,698)
Attributable taxation in respect of management fee and finance costs	262,297	-	262,297
Other capital expenses	(16,382)	-	(16,382)
Balance at 30 November 2006	175,042,860	38,898,525	213,941,385

14. Revenue Reserve

	£ (restated)
Balance at 1 December 2005 (restated)	10,418,545
Dividends appropriated in the year	(4,532,211)
Revenue retained for the year	5,278,723
Balance at 30 November 2006	11,165,057

Notes to the Accounts

for the year ended 30 November 2006

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	
	2006	2005 (restated)
Ordinary Shares of 25p	495.7p	451.7p

	Net Asset Values attributable	
	2006	2005 (restated)
Ordinary Shares of 25p	£241,106,442	£225,699,108

The Net Asset Value per Ordinary Share is based on 48,636,838 Ordinary Shares in issue at the year end (2005 - 49,962,838).

16. Contingent Liabilities, Financial Commitments and Guarantees

At 30 November 2006 there were no outstanding contingent liabilities (2005 - 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 £346,748 (2005 - £259,593) 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 44 'Current Assets and Creditors'.

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

	2006 £	2005 £ (restated)
Total return before taxation	25,597,784	44,659,936
Less: Net gains on investments at fair value	(24,248,457)	(43,599,455)
Add: Finance costs: Interest payable and similar charges	4,785,298	4,622,171
Add: Special dividends credited to capital	478,350	530,433
Less: Overseas tax suffered	(186,102)	(217,349)
	6,426,873	5,995,736
(Increase) Decrease in debtors	(2,431)	23,596
Increase in creditors	81,274	17,781
Net cash inflow from operating activities	6,505,716	6,037,113

Notes to the Accounts

for the year ended 30 November 2006

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

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

	2006 £	2005 £ (restated)
Net cash outflow	(1,276,833)	(2,789,126)
(Increase) Decrease in long term loans	(43,160)	64,427
Movement in net funds	(1,319,993)	(2,724,699)
Net debt brought forward	(35,895,863)	(33,171,164)
Net debt carried forward	(37,215,856)	(35,895,863)

(ii) Analysis of changes in net debt

	Cash £	Stepped and fixed rate loans £ (restated)	Net Debt £
Balance at 1 December 2005	16,251,406	(52,147,269)	(35,895,863)
Movement in year	(1,276,833)	(43,160)	(1,319,993)
Balance at 30 November 2006	14,974,573	(52,190,429)	(37,215,856)

Notes to the Accounts

for the year ended 30 November 2006

19. Financial Risk Management

The note below should be read in conjunction with the Financial Risk Management statements of the Company detailed on page 16.

(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	2006 Fixed rate interest paid £	2006 Floating rate interest paid £	2006 Nil interest paid £	2006 Total £	2005 Fixed rate interest paid £ (restated)	2005 Floating rate interest paid £ (restated)	2005 Nil interest paid £ (restated)	2005 Total £ (restated)
Financial Assets									
Values directly affected by movements in interest rates:									
Treasury Stock	Sterling	24,960,750	-	-	24,960,750	25,072,500	–	–	25,072,500
Values not directly affected by movements in interest rates:									
Equities	Sterling	-	-	151,005,436	151,005,436	–	–	139,473,708	139,473,708
Equities	Various	-	-	102,986,740	102,986,740	–	–	95,837,215	95,837,215
Cash	Sterling	-	14,974,573	-	14,974,573	–	16,251,406	–	16,251,406
		-	14,974,573	253,992,176	268,966,749	–	16,251,406	235,310,923	251,562,329
Total Financial Assets		24,960,750	14,974,573	253,992,176	293,927,499	25,072,500	16,251,406	235,310,923	276,634,829
Financial Liabilities									
Values directly affected by movements in interest rates:									
5% Cumulative Preference Stock	Sterling	(450,000)	–	–	(450,000)	(450,000)	–	–	(450,000)
Fintrust loan	Sterling	(32,550,560)	–	–	(32,550,560)	(32,703,745)	–	–	(32,703,745)
First Debenture Finance loan	Sterling	(19,189,869)	–	–	(19,189,869)	(18,993,524)	–	–	(18,993,524)
Total Financial Liabilities		(52,190,429)	–	–	(52,190,429)	(52,147,269)	–	–	(52,147,269)
Net Financial (Liabilities) Assets		(27,229,679)	14,974,573	253,992,176	241,737,070	(27,074,769)	16,251,406	235,310,923	224,487,560
Non financial instruments (consisting of short term debtors and creditors)					(630,628)				1,211,548
Net Assets per balance sheet					241,106,442				225,699,108

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*
5% Cumulative Preference Stock	n/a	450,000	5.00%	n/a
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 26 'Financial Instruments: Measurement', as detailed in the Accounting Policies and Note 10 'Current Assets and Creditors'.

The weighted average effective rate of the Company's fixed interest bearing liabilities (excluding the 5% Cumulative Preference Stock) is 8.98% (2005 - 8.98%) and the weighted average period to maturity is 14.9 years (2005 - 15.9 years).

Notes to the Accounts

for the year ended 30 November 2006

19. Financial Risk Management (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.

	2006 Investments £	2006 Current Assets £	2006 Creditors £	2006 Net Currency Exposure £	2005 Investments £	2005 Current Assets £	2005 Creditors £ (restated)	2005 Net Currency Exposure £ (restated)
Sterling	175,966,186	17,877,704	(56,042,346)	137,801,544	164,546,208	17,619,891	(53,538,064)	128,628,035
Australian Dollar	3,247,970	75,393	-	3,323,363	3,344,061	-	-	3,344,061
Canadian Dollar	4,255,243	-	(205,599)	4,049,644	1,515,938	-	-	1,515,938
Euro	25,680,424	852,952	-	26,533,376	20,520,532	464,390	-	20,984,922
Hong Kong Dollar	7,666,566	-	-	7,666,566	4,502,103	27,991	-	4,530,094
Japanese Yen	10,569,914	21,360	-	10,591,274	12,339,795	31,538	-	12,371,333
Korean Won	-	-	-	-	1,297,273	-	-	1,297,273
Norwegian Krona	-	-	-	-	1,121,992	-	-	1,121,992
Singapore Dollar	1,096,588	8	-	1,096,596	-	-	-	-
Swedish Krone	1,264,932	-	-	1,264,932	2,437,301	-	-	2,437,301
Swiss Franc	5,144,032	21,236	-	5,165,268	7,928,557	8,311	-	7,936,868
US Dollar	44,061,071	63,124	(510,316)	43,613,879	40,829,663	2,201,816	(1,500,188)	41,531,291
Total Financial Assets	278,952,926	18,911,777	(56,758,261)	241,106,442	260,383,423	20,353,937	(55,038,252)	225,699,108

(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.*

	2006 £ million Book value	2006 £ million Fair value	2005 £ million Book value (restated)	2005 £ million Fair value (restated)
5% Cumulative Preference Stock	0.5	0.4	0.5	0.4
Fintrust loan	32.6	39.7	32.7	40.9
First Debenture Finance loan	19.2	27.4	19.0	27.7

The net asset value per Ordinary Share, with the Fintrust and FDF loans at fair value, is 466.1p (2005 - 418.1p (restated))

*The fair value has been derived from the closing market value as at 30 November 2006 and 30 November 2005.

(d) Liquidity Profile

The maturity profile of the Company's liabilities at 30 November 2006 , being the borrowings from Fintrust, FDF and 5% Cumulative Preference Stock, is detailed in Note 10 'Current Assets and Creditors'.

(e) Hedging Instruments

At 30 November 2006 the Company did not have any hedging arrangements in place (2005 - Nil).

Notes to the Accounts

for the year ended 30 November 2006

20. Restatement of Opening Balances

	As previously stated 30 November 2004 £	Adjustment £	Restated 30 November 2004 £
Fixed Assets Investments	228,344,838	-	228,344,838
Net Current Assets	14,683,368	2,410,695 [1]	17,094,063
Total Assets less Current Liabilities	243,028,206	2,410,695	245,438,901
Less: Creditors - amounts falling due after more than one year	(51,761,696)	(450,000)[2]	(52,211,696)
Total Net Assets	191,266,510	1,960,695	193,227,205
Capital and Reserves			
Called up Share Capital: Ordinary	13,101,604	-	13,101,604
Preference	450,000	(450,000)[2]	-
Capital Redemption Reserve	2,898,396	-	2,898,396
Capital Reserves: Realised	159,387,408	-	159,387,408
Unrealised	7,930,760	-	7,930,760
Revenue Reserve	7,498,342	2,410,695 [1]	9,909,037
Shareholders' Funds	191,266,510	1,960,695	193,227,205
Net asset value per Ordinary share	364.1p	4.6p	368.7p

1 Represents the effect of not recognising the final dividend (FRS 21 'Events after the Balance Sheet Date').

2 Represents the effect of recognising the 5% Cumulative Preference Stock holding as a creditor due after more than one year and not non-equity Shareholder funds (FRS 25 'Financial Instruments: Disclosure and Presentation').

Notes to the Accounts

for the year ended 30 November 2006

20. Restatement of Opening Balances (continued)

	As previously stated 30 November 2005 £	Adjustment £	Restated 30 November 2005 £
Fixed Assets Investments	260,383,423	-	260,383,423
Net Current Assets	14,864,887	2,598,067 [1]	17,462,954
Total Assets less Current Liabilities	275,248,310	2,598,067	277,846,377
Less: Creditors - amounts falling due after more than one year	(51,697,269)	(450,000) [2]	(52,147,269)
Total Net Assets	223,551,041	2,148,067	225,699,108
Capital and Reserves			
Called up Share Capital: Ordinary	12,490,709	-	12,490,709
Preference	450,000	(450,000) [2]	-
Capital Redemption Reserve	3,509,291	-	3,509,291
Capital Reserves: Realised	164,054,890	-	164,054,890
Unrealised	35,225,673	-	35,225,673
Revenue Reserve	7,820,478	2,598,067 [1]	10,418,545
Shareholders' Funds	223,551,041	2,148,067	225,699,108
Net asset value per Ordinary share	446.5p	5.2p	451.7p

1 Represents the effect of not recognising the final dividend (FRS 21 'Events after the Balance Sheet Date').

2 Represents the effect of recognising the 5% Cumulative Preference Stock holding as a creditor due after more than one year and not non-equity Shareholder funds (FRS 25 'Financial Instruments: Disclosure and Presentation').

Notice of Meeting

Notice is hereby given that the Seventy-Nineth Annual General Meeting of The Brunner Investment Trust PLC will be held at 100 Liverpool Street, London EC2M 2PP, on 22 March 2007 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 2006 with the Auditors' Report thereon.

2 To declare a final dividend of 5.70p per Ordinary Share.

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

4 To re-elect Mr V P Bazalgette as a Director.

5 To re-elect Mr K E Percy as a Director.

6 To approve the Directors' Remuneration Report.

7 To consider and, if thought fit, pass the following resolution, special notice having been received of the intention to propose the following as an ordinary resolution:
That Deloitte & Touche LLP be and they are hereby re-appointed as the Auditors of the Company.

8 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 9 will be proposed as an Ordinary Resolution and Resolutions 10 and 11 will be proposed as Special Resolutions:

9 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 £4,026,596 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 22 May 2008 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.

10 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 9 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 £603,989 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 22 May 2008, 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.

11 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 7,243,042

(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 2008 or, if earlier, on the expiry of 18 months from the passing of this resolution, unless such authority is renewed prior to such time;

(v) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract; and

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

155 Bishopsgate, London EC2M 3AD	By Order of the Board K J Salt
20 February 2007	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.

Annual General Meeting Venue

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 22 March 2007 and at any adjournment.

C Ordinary Business

		For	Against	Withheld
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 V P Bazalgette as a Director	☐	☐	☐
5	To re-elect Mr K E Percy as a Director	☐	☐	☐
6	To approve the Directors' Remuneration Report	☐	☐	☐
7	To re-appoint Deloitte & Touche LLP as Auditors	☐	☐	☐
8	To authorise the Directors to determine the remuneration of the Auditors	☐	☐	☐
	Special Business			
9	To authorise the Directors to allot Shares	☐	☐	☐
	Special Resolutions			
10	To disapply pre-emption rights	☐	☐	☐
11	To authorise the Company to make market purchases of Ordinary Shares	☐	☐	☐

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 . . . .

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