Allianz
Global Investors

The Brunner Investment Trust PLC

Annual Financial Report for the year ended 30 November 2007

www.brunner.co.uk

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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

Investment Policy

Investment objective

The Trust aims to provide growth in capital value and dividends over the long term through investing in a portfolio of UK and international securities.

Asset Allocation

The majority of the Trust's investments will be in equities.

Risk Diversification

The Trust will aim to achieve a spread of investments, with no single investment representing more than 15% of the underlying assets at the time of acquisition. The Trust will seek to diversify its portfolio into at least five industrial sectors, with no one sector comprising more than 35% of the portfolio.

Gearing

The Trust seeks to enhance returns over the long term through gearing. The Board monitors the level of gearing and makes decisions on appropriate action based on the advice of the manager and the future prospects of the Trust's portfolio. Historically gearing has been in the form of long-term fixed rate debentures. In normal market conditions, it is unlikely that the gearing will exceed 40% of net assets, whilst the Trust's authorised borrowing powers set out in the Company's Articles of Association state that the Company's borrowings may not exceed its called up share capital and reserves.

Benchmark

The current benchmark is a composite of 60% FTSE All-Share and 40% FTSE World Index (ex UK£) and if shareholder approval is given at the Annual General Meeting the benchmark will be a composite of 50% FTSE All-Share and 50% FTSE World Index (ex UK£).

A statement explaining how the assets have been invested to spread risk in accordance with the investment policy is on page 23 under the heading "Investment Activity and Strategy".

Financial Highlights

Revenue	2007	2006	% change
Available for Ordinary Dividend	£6,183,820	£5,278,723	17.1
Earnings per Ordinary Share	12.88p	10.73p	20.0
Dividends per Ordinary Share	10.70p	9.70p	10.3
Retail Price Index	209.7	201.1	4.3
Assets	**2007**	**2006**	**% change**
Total Net Assets	£271,818,789	£241,106,442	12.7
Share Price	464.0p	408.0p	13.7
Net Asset Value per Ordinary Share	573.2p	495.7p	15.6
Expenses Ratio*	0.6%	0.6%	n/a

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

Explanation of the movement in Net Asset Value per Ordinary Share

Over the year to 30 November 2007 the capital return on the benchmark index, 60% FTSE All-Share Index and 40% FTSE World Index (ex UK£), increased by 6.3%.

The increase in the benchmark is composed as follows:

60% FTSE All-Share Index	5.2%
40% FTSE World Index (ex UK£)	8.0%

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**	6.3%
Net portfolio return (excluding cash & gilts)	15.0%
Relative performance	8.7%

Portfolio Performance

	Asset Allocation	Stock Selection	Sub Total	Return	Index
UK	0.5%	4.8%	5.3%	10.4%	5.2%
Overseas	0.0%	13.9%	13.9%	22.0%	8.0%
Cash & Gilt	n/a	n/a	n/a		

Reconciliation of benchmark performance to movement in NAV

Increase in benchmark**		6.3%
Relative performance		8.7%
Other factors -		
Management fee and finance costs***	(1.6)%	
Retained revenue	0.6%	
Impact of repurchasing shares	0.3%	
Capital impact of gearing	0.9%	
Other	0.4%	
		0.6%
Movement in NAV per share		15.6%

** 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.

Figures may not exactly add up due to rounding.

Chairman's Statement

I am pleased to report a year of strong returns, both in absolute terms and relative to the benchmark. During the year, our net asset value per share rose by 15.6% to 573.2p, well ahead of our benchmark index of 6.3%.

Your managers correctly anticipated the most important investment themes in 2007, which was a year characterised by a wide divergence of performance between different industrial sectors.

It has also been a good year for income. Earnings per ordinary share increased by 20.0%, and with a proposed final dividend of 6.30p, total distributions to shareholders will be up 10.3% for the year.

We have maintained our policy of repurchasing shares for cancellation as and when attractive opportunities arise, and during the course of the year 1,211,723 shares were repurchased for cancellation, and a further 110,000 shares have been repurchased since the year end. This policy, as well as enhancing the net asset value per share, has resulted in lower volatility in the share price discount to net assets than would otherwise have been the case.

For some time now your Board has been considering whether to increase the international component of the Trust's benchmark and we are now recommending that shareholders approve the adoption of a new composite benchmark at the forthcoming AGM which comprises 50% FTSE-All Share and 50% FTSE World Index (ex UK£), a change from the current 60:40 split.

Brunner follows a 'bottom-up' investment strategy, meaning that the portfolio is assembled, in the first instance, on the basis of the attractiveness and quality of the underlying companies, and not by reference to their stockmarket listing. Backed by RCM's Grassroots® research process, this investment approach has worked well and the shift to a greater proportion overseas builds on this success. Indeed as capital markets have become increasingly global, the location of a company's stockmarket listing often bears little relation to its principal operations or the geographical source of its sales.

Dividend distributions on many overseas markets have improved markedly in recent years so that the income penalty historically suffered through adopting an overseas investment policy is lower than in the past.

We therefore believe that our proposed new benchmark better reflects these recent trends, builds on the strength of our fund managers and should enhance the potential for shareholder returns in the medium term.

During the course of the year, JP Morgan Claverhouse and the Association of Investment Companies were successful in their case against HM Revenue and Customs and I am pleased to report that VAT is no longer payable on management fees to RCM. An amount of VAT payable in respect of prior years may be recoverable but given that there are a number of different approaches to tackling the issue, the exact amount is not yet possible to quantify.

Additionally, new Listing Rules for closed end investment funds have been drawn up by the UK Listing Authority which require the publication of an investment policy for all closed end investment companies which are listed under Chapter 15 of the Listing Rules.

We have, therefore set out our investment policy and the new benchmarks which are presented on page 2. As we are proposing a change in benchmark, this element of the investment policy is subject to shareholder approval. Therefore, your Board recommends the adoption of Resolution 8 at the forthcoming AGM which is set out on page 60.

The outlook for world markets and economic growth in 2008 is clouded by continuing uncertainty in global credit markets. Until investors are confident that asset writedowns and recapitalisations in the financial sector have peaked, markets are likely to be characterised by further volatility and risk aversion. It now seems clear that the financial crisis has spilled over into economic activity in the major developed economies, with evidence of deteriorating consumer confidence and falling property prices. This may be expected to have some continuing impact on company earnings, particularly if banks react to their problems by significantly restricting credit.

Valuations are now attractive by almost all historical measures. These low valuations will be brought into sharp relief if, as we expect, interest rates are cut to stabilise the financial system and revive economic activity. Although it may be difficult to envisage amid the prevailing uncertainty, stock markets are likely to anticipate brighter prospects as the year progresses, given some stabilisation of the background and so long as corporate profitability is not unduly affected.

The Annual General Meeting of the Company will be held on Thursday 20 March 2008 at 12.00 noon and we look forward to meeting those shareholders who are able to attend.

Keith Percy
Chairman
19 February 2008

Historical Record

Years ended 30 November

Revenue and Capital

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Gross revenue (£000s)	6,833‡	6,679	7,254	7,495	7,232	7,327	7,163	7,365	8,023	8,926
Earnings per share	6.40p	6.91p	8.01p	8.00p	8.16p	8.65p	8.43p	9.21p	10.73p	12.88p
Dividend per share (net)	6.70p#	6.90p	7.10p	7.30p	7.50p	7.80p	8.10p	8.80p	9.70p	10.70p
Tax credit per share	1.15p	0.77p	0.79p	0.81p	0.83p	0.87p	0.90p	0.98p	1.08p	1.19p
Total dividend	7.85p	7.67p	7.89p	8.11p	8.33p	8.67p	9.00p	9.78p	10.78p	11.89p
Total net assets (£000s)	252,307	342,148	326,102	254,055	189,375	189,656	191,267	225,699*	241,106	271,819
Assets attributable to Ordinary Capital (£000s)	251,857	341,698	325,652	253,605	188,925	189,206	190,817	225,699*	241,106	271,819
Net Asset Value per Ordinary Share	393.5p	560.7p	540.2p	424.3p	329.0p	343.1p	364.1p	451.7p*	495.7p	573.2p
Net Asset Value (Debt at market value)~	–	–	–	–	–	–	336.2p	418.1p*	466.1p	550.4p
Share price	310.0p	467.5p	497.0p	376.5p	262.5p	262.5p	288.5p	364.0p	408.0p	464.0p
Discount (%)	21	17	8	11	20	23	21	19*	18	19
Discount (Debt at market value)	–	–	–	–	–	–	14	13*	12	16

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: Recognition and Measurement'. Years prior to 2005 have not been restated.

The share prices quoted in the London Stock Exchange Daily Official List for 30 November 2007 were 463.75p to 464.25p.

Geographical Disposition

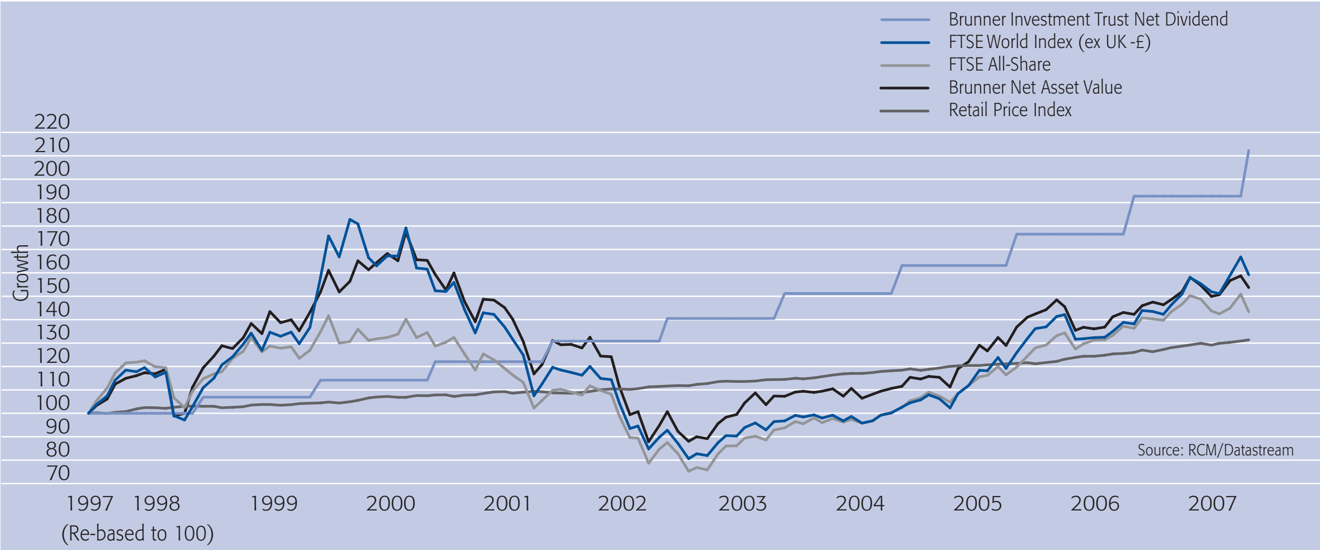
Percentage of Invested Funds

	1998	1999	2000	2001	2002*	2003*	2004*	2005*	2006*	2007*
United Kingdom	63.1	59.9	68.6	63.7	58.1	56.7	57.3	59.3	59.5	60.4
Europe	16.5	10.0	7.2	9.2	9.3	11.0	12.4	13.6	12.6	10.8
Americas	13.9	17.0	18.4	19.6	21.7	23.0	20.2	17.2	18.6	22.0
Japan	2.6	8.2	3.2	3.4	3.6	4.1	5.8	5.2	4.2	3.0
Pacific Basin	2.5	3.3	1.4	2.7	5.1	4.9	4.3	4.7	4.7	3.8
Other Countries	1.4	1.6	1.2	1.4	2.2	0.3	0.0	0.0	0.4	0.0
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

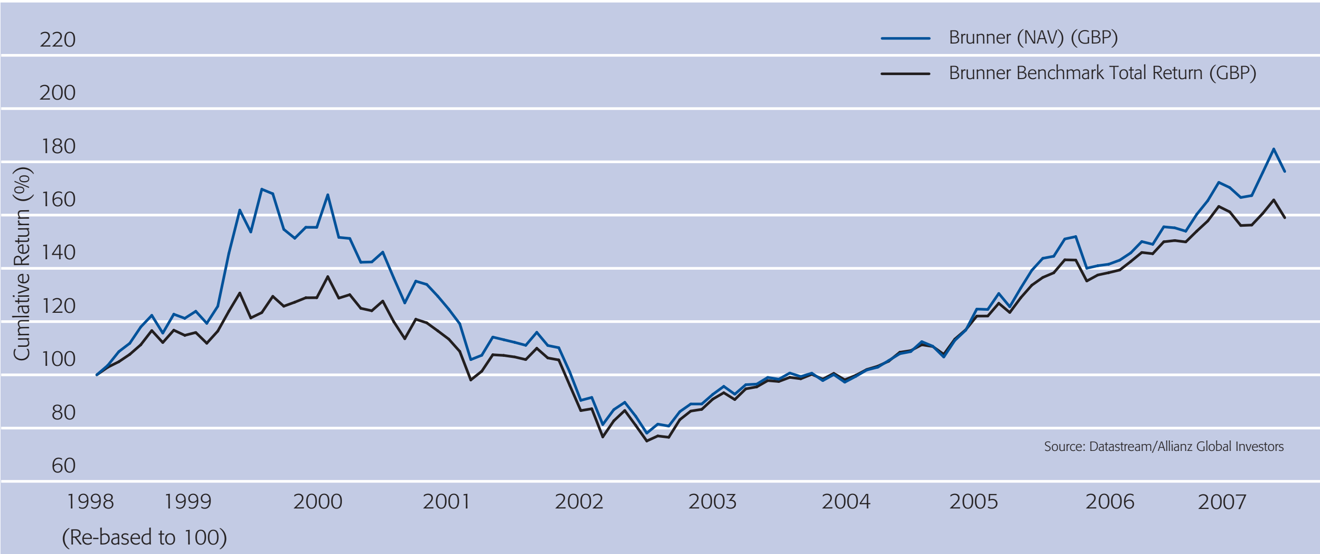
*Excludes Treasury Stock to the value of £19,969,500 (2006 – £24,960,750).

Performance Graphs

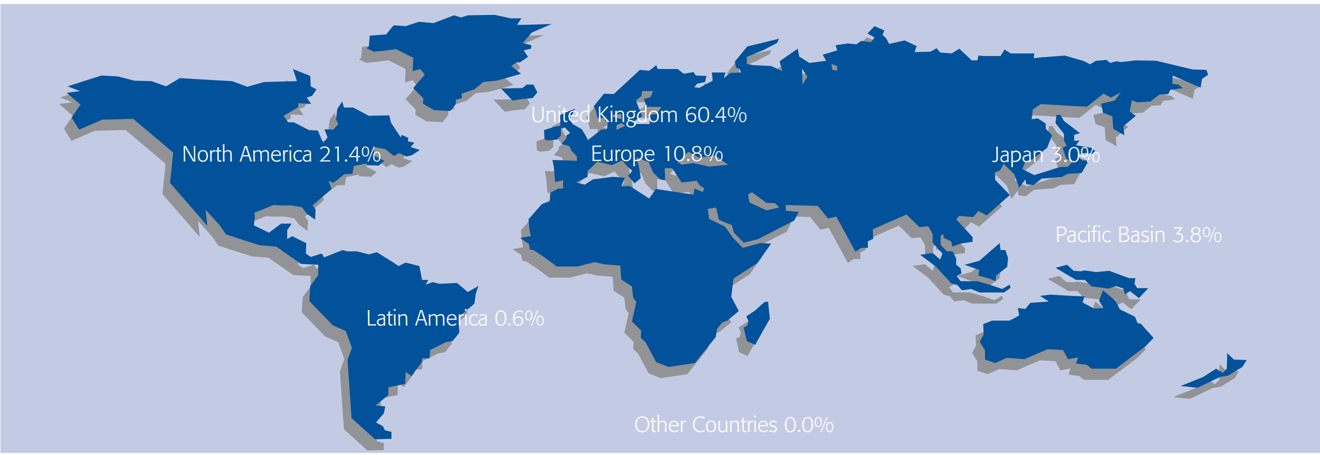
10 year record 1997-2007



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



Geographical Disposition at 30 November 2007



Thirty Largest Investments

at 30 November 2007

	Valuation 30 November 2007 £	% of Invested Funds	Principal Activities
Treasury Stock 5% 07/03/2008	19,969,500	6.51	Gilt
HSBC Holdings	11,610,012	3.79	Banks
BP	10,614,495	3.46	Oil & Gas Producers
Royal Dutch Shell 'B' Shares	10,384,718	3.39	Oil & Gas Producers
Vodafone Group	9,887,324	3.22	Mobile Telecommunications
GlaxoSmithKline	8,080,165	2.63	Pharmaceuticals & Biotechnology
Rio Tinto	7,452,728	2.43	Mining
BG Group	6,594,228	2.15	Oil & Gas Producers
Anglo American	5,513,579	1.80	Mining
Reed Elsevier	5,253,563	1.71	Media
HBOS	5,130,494	1.67	Banks
Xstrata	5,032,116	1.64	Mining
Unilever	4,992,400	1.63	Food Producers
BAE Systems	4,917,164	1.60	Aerospace & Defense
Cobham	4,572,464	1.49	Aerospace & Defense
Barclays	4,550,631	1.48	Banks
Man Group	4,397,675	1.43	General Financial
International Power	4,380,726	1.43	Electricity
Royal Bank of Scotland	4,324,331	1.41	Banks
Aviva	3,778,280	1.23	Life Insurance
Informa	3,623,839	1.18	Media
Exxon Mobil	3,526,414	1.15	Oil & Gas Producers
BHP Billiton	3,336,001	1.09	Mining
Merck & Co	3,106,450	1.01	Pharmaceuticals & Biotechnology
Astrazeneca	3,074,217	1.00	Pharmaceuticals & Biotechnology
AT&T	3,064,717	1.00	Fixed Line Telecommunications
Reckitt Benckiser	3,059,191	1.00	Household Goods
Sabmiller	2,929,840	0.96	Beverages
Vinci	2,839,089	0.93	Construction & Materials
Altria	2,742,943	0.89	Tobacco
	172,739,294	56.31%	of Total Invested Funds

Investment Managers' Review

United Kingdom

Market Review

It has been a volatile year with much greater dispersion of individual share returns than usual. In the main, low-yielding shares which are often also characterised as 'growth shares' performed best. For some time now, we have taken the view that the market would become more discriminating, and that companies whose sales had inherent growth characteristics would be valued more highly than those whose fortunes were closely tied to the economy as a whole, and this is one reason why the shares within our portfolio performed well this year. In addition we also managed to identify many of the stronger performing shares within the growth sectors, and it was encouraging that much of the outperformance in 2007 came from this factor – stock selection – rather than simply selecting the best sectors.

Brunner's Portfolio

Demand for resources and, in particular, base and precious metals, was a strong theme throughout 2007, underpinned by the rapid industrialisation of Asia, particularly China and India. In addition, valuations of quoted mining shares often failed to keep pace with the mining industry's estimation of their underlying value so that merger and acquisition activity added to the strong underlying performance. Our best performing share this year, Rio Tinto, more than doubled during the period, and contributed over 1% to our UK outperformance. Xstrata and BHP Billiton also featured in the top five contributors, along with BG Group and Reuters.

Investors also sought out shares in the defence sector, where demand for better and more modern equipment to support global peace-keeping commitments remained strong. Two of our successful investments in this sector included Cobham and BAE Systems.

In the early part of last year, the prospect of higher inflation and a strong housing market led the Bank of England to raise interest rates. Consumers in the UK were therefore already experiencing higher energy costs, higher mortgage bills and higher taxes, when difficulties in the credit markets emerged and removed the prospect of easily availability finance. The year was also characterised by a marked deterioration in investor confidence following the banking sector liquidity crisis over the summer, which, following a lull, then reappeared towards the end of 2007. Although the immediate trigger for the liquidity crisis was the problems in the US sub-prime mortgage market and the dislocation in one of its principal funding sources – asset-backed commercial paper – its ramifications soon spread much wider. The prospect of significant loan write-offs highlighted the high level of financial engineering in the banking sector overall, which meant that banks needed to conserve cash to enable them to meet commitments on finance vehicles, which they had previously believed to be independent and 'off balance sheet'.

Recent surveys of the housing market and consumer confidence point to a much more cautious mindset in 2008 and house-building, commercial property and retailing shares have been hit hard in this environment. The fund benefited from a low exposure to UK consumer related investments which was reduced further during the year with the sale of holdings in Home Retail Group, Burberry and Experian. We remain concerned that the pressures on the UK consumer's disposable income will take some time to dissipate and we will continue to be highly selective with our investments in this area, with a focus on quality of franchise, stability of earnings and balance sheet strength.

Outlook

It seems inevitable, therefore, that the UK economy will slow significantly in the first half of 2008, with very little room for manoeuvre in terms of UK government spending. We therefore anticipate high levels of volatility as the full effects of the liquidity crisis are revealed in the financial sectors, and consumer-related companies, in particular those related to the housing market, warn of more difficult times in the Spring. The principal policy lever to revive economic activity will be falling interest rates. Valuations look reasonable by historic standards, however, and with the prospect of falling interest rates, and the fact that many selectors are already anticipating very significant bad news, the outlook may look brighter in the second half.

Investment Managers' Review

United Kingdom Listed Equity Holdings
at 30 November 2007

	Value (£)	Principal Activities
HSBC Holdings	11,610,012	Banks
BP	10,614,495	Oil & Gas Producers
Royal Dutch Shell 'B' Shares	10,384,718	Oil & Gas Producers
Vodafone Group	9,887,324	Mobile Telecommunications
GlaxoSmithKline	8,080,165	Pharmaceuticals & Biotechnology
Rio Tinto	7,452,728	Mining
BG Group	6,594,228	Oil & Gas Producers
Anglo American	5,513,579	Mining
HBOS	5,130,494	Banks
Xstrata	5,032,116	Mining
Unilever	4,992,400	Food Producers
BAE Systems	4,917,164	Aerospace & Defence
Cobham	4,572,464	Aerospace & Defence
Barclays	4,550,631	Banks
Man Group	4,397,676	General Financial
International Power	4,380,726	Electricity
Royal Bank of Scotland	4,324,331	Banks
Reed Elsevier+	4,039,200	Media
Aviva	3,778,280	Life Insurance
Informa	3,623,838	Media
AstraZeneca	3,074,217	Pharmaceuticals & Biotechnology
Reckitt Benckiser	3,059,191	Household Goods
Sabmiller	2,929,840	Beverages
Marks & Spencer	2,372,810	General Retailers
Prudential	2,352,660	Life Insurance
Smiths Group	2,128,876	General Industrials
Standard Chartered Bank	2,122,320	Banks
Laird Group	2,059,831	Electronic & Electrical Equipment
Speedy Hire	2,053,069	Support Services
Intercontinental Hotels	2,000,089	Travel & Leisure
Dana Petroleum	1,855,000	Oil & Gas Producers
Compass	1,839,188	Travel & Leisure
Spectris	1,731,364	Electronic & Electrical Equipment
Carillion	1,690,900	Construction & Materials
Intermediate Capital	1,525,830	General Financial
BHP Billiton*	1,518,294	Mining

Investment Managers' Review

United Kingdom Listed Equity Holdings (continued)

at 30 November 2007

	Value (£)	Principal Activities
Sage Group	1,506,776	Software & Computer Services
Plaza Centres	1,470,112	Real Estate
Easyjet	1,458,600	Travel & Leisure
Land Securities	1,439,736	Real Estate
BBA Aviation	1,369,995	Industrial Transportation
International Personal Finance	1,355,725	General Financial
Tullett Prebon	1,328,600	General Financial
Scottish & Southern Energy	1,208,400	Electricity
SThree	814,320	Support Services
Northgate Information Solutions	784,740	Software & Computer Services
Unite Group	707,828	Real Estate
Telecity Group	627,347	Software & Computer Services
Melrose	467,190	Industrial Engineering
Dimension Data	371,836	Software & Computer Services
	173,101,253	56.43% 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 2007

	Value (£)	Principal Activities
August Equity Partners	40,953	Venture Capital Partnership
Fintrust Debenture	4,338	Financial Services
First Debenture Finance	23,893	Financial Services
	69,184	0.02% of Total Invested Funds

United Kingdom Fixed Interest Holdings

at 30 November 2007

	Value (£)	Principal Activities
Treasury Stock 5% 07/03/2008	19,969,500	Gilt
	19,969,500	6.51% of Total Invested Funds

Investment Managers' Review

International Portfolio

Market Review

Global equities again produced strong returns during the Trust's financial year, although given sterling's strength, returns for UK based investors were often less impressive than those generated locally. The latter part of this period will be chiefly remembered for rising volatility, as concerns about the US housing market combined with a liquidity crisis in the banking sector. Nonetheless global equity markets still managed to advance over the financial year with strong performances from the Basic Materials and Oil & Gas sectors as well as from Telecoms and Utilities. For the most part Financial stocks fell during the year, and consumer-related shares also struggled. Globally, growth stocks reversed the previous year's trend and outperformed value shares. Thus, the MSCI Growth Index exceeded the MSCI Value Index by more than 8% (Sterling) over the Trust's financial year.

In terms of regional performances, the Emerging Markets and Asia Pacific ex Japan have been the star performers this year. Japan, on the other hand, has been hit by both the general credit market turmoil and the strength in the Yen as investors unwound 'carry trades' – borrowing in Yen in to exploit the low interest rates in Japan and then investing elsewhere in the world. In particular, exporting stocks have been adversely hit by the currency strength.

Brunner's Portfolio

Throughout the period the portfolio remained diversified across major sectors and regions and we focused on shares where we had strong conviction in the business prospects of the underlying companies. As volatility returned to the market we concentrated even more closely on quality growth stocks, with a large cap bias. With growth stocks performing well against value stocks, this strategy has helped the international portfolio outperform. For the second year running, stocks selected from Asia in particular helped the fund's performance, with Nintendo, China Mobile and Hong Kong Exchange leading the best contributors list.

China Mobile, the leading domestic wireless telecom service provider benefited from continuing market growth and strong management. While competition remains intense, China Mobile continues to perform well by growing its subscriber base. Although 3G licensing looks likely to be postponed until the end of 2008, we anticipate strong growth in data services this year.

Nintendo, a major player in video game consoles, proved our Grassroots Research surveys correct, with outstanding sales growth figures for both its hand-held DS console and the Wii, its interactive console.

The portfolio also benefited from high commodity prices through its holding in BHP Billiton, the world's biggest mining company. BHP Billiton achieved record production levels in nickel amongst similar favourable rises in other base metals, with iron having seen five consecutive hikes in prices already. Demand from China has continued to outstrip global supply, with Chinese steel mills searching hard to secure iron ore supplies. This strength in demand and lack of supply has been reflected both in the prices of the raw commodities and BHP Billiton's share price.

Monsanto, a multinational agricultural and biotech company and the world's leading seed producer, was a new purchase for the portfolio during the period. Monsanto has witnessed accelerated penetration of international markets for all crops and a strengthened competitive lead from ongoing seed share gains. We believe that the company has strong top-line growth prospects, with a stronger distribution and marketing arm than its competitors.

We also increased the Trust's exposure to various utility companies, purchasing positions in Electricité de France, FPL Group and Veolia Environneme over the year. Positions sold over the period include reducing exposure to the US consumer through selling out of Polo Ralph Lauren, while the portfolio also reduced its exposure to the US financial sector by selling its positions in both CIT Group and Zions Bancorporation.

Outlook

Looking forward we expect to see earnings downgrades globally, with the threat of recession in America very much in the forefront of investors' minds in 2008. We also expect further writedowns in the financial sector which will add to market volatility in the short term. Interest rates in the US will continue to fall, although the US Federal Reserve will be treading a difficult path between battling inflation and avoiding a hard landing for the economy. Faced with this challenging macroeconomic backdrop, we continue to focus on growth stocks with strong quality characteristics, and we continue our bias to larger capitalisation stocks.

Investment Managers' Review

North America Listed Equity Holdings

at 30 November 2007

	Value (£)	Principal Activities
Exxon Mobil	3,526,414	Oil & Gas Producers
Merck & Co	3,106,450	Pharmaceuticals & Biotechnology
AT&T	3,064,717	Fixed Line Telecommunications
Altria	2,742,943	Tobacco
Microsoft	2,711,812	Software & Computer Services
L-3 Communications	2,499,567	Aerospace & Defence
Shoppers Drug Mart	2,493,322	Food & Drug Retailers
Hewlett Packard	2,378,981	Technology Hardware & Equipment
Monsanto	2,182,180	Chemicals
Procter & Gamble	2,059,717	Household Goods
Cisco Systems	2,055,259	Technology Hardware & Equipment
Transocean	2,002,701	Oil Equipment, Services & Distribution
Schlumberger	1,922,891	Oil Equipment, Services & Distribution
Google	1,864,648	Software & Computer Services
Prudential Financial	1,856,198	Life Insurance
FPL	1,833,647	Electricity
Pepsico	1,801,968	Beverages
Apple	1,779,990	Technology Hardware & Equipment
Allergan	1,774,224	Pharmaceuticals & Biotechnology
Walt Disney Co.	1,647,423	Media
Adobe Systems	1,486,936	Software & Computer Services
Northern Trust	1,472,810	Banks
Cigna	1,277,504	Health Care Equipment & Services
Goldman Sachs	1,193,717	General Financial
Canadian Natural Resources	1,179,800	Oil & Gas Producers
EMC	1,157,357	Technology Hardware & Equipment
Honeywell	1,128,848	General Industrials
Precision Castpart	1,123,986	Aerospace & Defence
Devon Energy	1,119,891	Oil & Gas Producers
Celgene	1,074,283	Pharmaceuticals & Biotechnology
Citigroup	1,051,579	Banks
Cooper Industries	1,040,842	Electronic & Electrical Equipment
Schering-Plough	934,582	Pharmaceuticals & Biotechnology
Research In Motion	859,479	Technology Hardware & Equipment
	61,406,666	20.02% of Total Invested Funds

Investment Managers' Review

Continental Europe Listed Equity Holdings

at 30 November 2007

	Value (£)	Principal Activities
Vinci	2,839,088	Construction & Materials (France)
Bayer AG	2,178,122	Chemicals (Germany)
Veolia Environneme	2,146,075	Gas, Water & Multiutilities (France)
Fortum Oyj	2,089,025	Electricity (Finland)
Deutsche Boerse	1,758,495	General Financial (Germany)
ABB	1,638,161	Electronic & Electrical Equipment (Switzerland)
Unicredito Italian	1,558,849	Banks (Italy)
ING Groep	1,529,812	Life Insurance (Netherlands)
Deutsche Lufthansa	1,488,445	Travel & Leisure (Germany)
Schneider Electric	1,481,943	Electronic & Electrical Equipment (France)
Umicore	1,341,926	Chemicals (Belgium)
LVMH Moet Hennessy	1,317,242	Personal Goods (France)
Fresenius	1,226,810	Health Care Equipment & Services (Germany)
Reed Elsevier+	1,214,363	Media (Netherlands)
Continental AG	1,172,307	Automobiles & Parts (Germany)
EDF	1,130,809	Electricity (France)
Porsche	1,116,489	Automobiles & Parts (Germany)
Gamesa	1,093,874	Industrial Engineering (Spain)
Skandinaviska Enskilda Banken	983,800	Banks (Sweden)
Stada Arzneimittel	866,963	Pharmaceuticals & Biotechnology (Germany)
UBS	829,789	Banks (Switzerland)
	31,002,387	10.10% of Total Invested Funds

+A separate holding of this stock is listed under United Kingdom Listed Equity Holdings.

Investment Managers' Review

Japan Listed Equity Holdings
at 30 November 2007

	Value (£)	Principal Activities
East Japan Railway	1,801,354	Travel & Leisure
Nintendo	1,477,562	Leisure Goods
Takeda Pharmaceutical	1,460,011	Pharmaceuticals & Biotechnology
Mitsubishi Estate	1,354,271	Real Estate
Canon	1,330,227	Technology Hardware & Equipment
Toyota Motor	1,069,308	Automobiles & Parts
	8,492,733	2.77% of Total Invested Funds

Pacific Basin Listed Equity Holdings
at 30 November 2007

	Value (£)	Principal Activities
DBS Group Holdings	1,979,796	Banks (Singapore)
AMP	1,897,818	General Financial (Australia)
BHP Billiton*	1,817,708	Mining (Australia)
Hong Kong Exchange	1,410,504	General Financial (Hong Kong)
Petrochina	1,379,281	Oil & Gas Producers (Hong Kong)
China Resources Power	1,246,260	Electricity (Hong Kong)
China Mobile	1,177,862	Mobile Telecommunications (Hong Kong)
	10,909,229	3.56% of Total Invested Funds

* A separate holding of this stock is listed under United Kingdom Equity Holdings.

Investment Managers' Review

Latin America Listed Equity Holdings

at 30 November 2007

	Value (£)	Principal Activities
BCO Itau	1,823,001	Banks (Brazil)
	1,823,001	0.59% of Total Invested Funds

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 20 to the Financial Statements.

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 20(a) merely to enable users of the Financial Statements 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 £38.8m 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 2007

Invested Funds — £286,804,453 (2006 — £253,992,176)
excluding Treasury Stock 5% 2008 — £19,969,500 (2006 — £24,960,750)
Percentage of valuation

	United Kingdom %	North America %	Other Countries %	2007 Total %	60% All-Share 40% World Index 2006 Benchmark Sector Weighting*	2006 Total %
Oil & Gas						
Oil & Gas Producers	10.26	2.03	0.48	12.77	12.30	12.39
Oil Equipment, Services and Distribution	–	1.37	–	1.37	0.86	1.07
	10.26	3.40	0.48	14.14	13.16	13.46
Basic Materials						
Chemicals	–	0.76	1.23	1.99	1.57	0.67
Forestry & Paper	–	–	–	–	0.16	–
Industrial Metals	–	–	–	–	0.82	0.59
Mining	6.80	–	0.63	7.43	6.56	7.09
	6.80	0.76	1.86	9.42	9.11	8.35
Industrials						
Aerospace & Defence	3.31	1.26	–	4.57	1.67	4.84
Construction & Materials	0.59	–	0.99	1.58	0.87	1.59
Electronic & Electrical Equipment	1.32	0.36	1.09	2.77	1.05	2.52
General Industrials	0.74	0.39	–	1.13	1.45	0.61
Industrial Engineering	0.16	–	0.38	0.54	1.23	–
Industrial Transportation	0.48	–	–	0.48	0.80	–
Support Services	1.00	–	–	1.00	2.26	1.34
	7.60	2.01	2.46	12.07	9.33	10.90
Consumer Goods						
Automobiles & Parts	–	–	1.17	1.17	1.13	1.91
Beverages	1.02	0.63	–	1.65	2.38	1.99
Food Producers	1.74	–	–	1.74	2.38	0.59
Household Goods	1.07	0.72	–	1.79	1.57	1.68
Leisure Goods	–	–	0.52	0.52	0.52	0.67
Personal Goods	–	–	0.46	0.46	0.71	2.70
Tobacco	–	0.96	–	0.96	1.85	0.81
	3.83	2.31	2.15	8.29	10.54	10.35
Health Care						
Health Care Equipment & Services	–	0.45	0.43	0.88	1.19	1.53
Pharmaceuticals & Biotechnology	3.89	2.40	0.81	7.10	6.10	7.16
	3.89	2.85	1.24	7.98	7.29	8.69
Consumer Services						
Food & Drug Retailers	–	0.87	–	0.87	2.33	0.68
General Retailers	0.83	–	–	0.83	2.33	0.49
Media	2.67	0.57	0.42	3.66	2.86	6.05
Travel & Leisure	1.85	–	1.15	3.00	2.35	1.58
	5.35	1.44	1.57	8.36	9.87	8.80

Distribution of Invested Funds
at 30 November 2007

Invested Funds — £286,804,453 (2006 — £253,992,176)
excluding Treasury Stock 5% 2008 — £19,969,500 (2006 — £24,960,750)
Percentage of valuation

	United Kingdom %	North America %	Other Countries %	2007 Total %	60% All-Share 40% World Index 2006 Benchmark Sector Weighting*	2006 Total %
Telecommunications						
Fixed Line Telecommunications	–	1.07	–	1.07	2.37	0.88
Mobile Telecommunications	3.45	–	0.41	3.86	3.86	3.08
	3.45	1.07	0.41	4.93	6.23	3.96
Utilities						
Electricity	1.95	0.64	1.56	4.15	2.05	3.44
Gas, Water & Multiutilities	–	–	0.75	0.75	2.43	0.46
	1.95	0.64	2.31	4.90	4.48	3.90
Financials						
Banks	9.68	1.52	1.87	13.07	13.76	13.17
General Financial	3.00	0.42	1.77	5.19	3.13	5.02
Equity Investment Instruments	–	–	–	–	1.57	–
Non-Life Insurance	–	–	–	–	1.96	–
Life Insurance	2.14	0.65	0.53	3.32	2.87	4.53
Real Estate	1.26	–	0.47	1.73	2.00	2.90
	16.08	2.59	4.64	23.31	25.29	25.62
Information Technology						
Software & Computer Services	1.15	2.11	–	3.26	1.84	3.07
Technology Hardware & Equipment	–	2.87	0.46	3.33	2.86	2.66
	1.15	4.98	0.46	6.59	4.70	5.73
Unquoted	0.01	–	–	0.01	–	0.24
	0.01	–	–	0.01	–	0.24
Total	60.37	22.05	17.58	100.00	100.00	100.00

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

*In order to enable fairer comparison against the benchmark, the Treasury Stock 5% 2008 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 Non-Executive Director of Standard Life Equity Income Trust plc, JPMorgan Fleming Japanese Investment Trust plc and The 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 Non-Executive Director of Henderson High Income Trust PLC and Perpetual Income and Growth Investment 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 the World and as at 30 September 2007 had combined assets of £541 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 2007.

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: 0207 065 1513
email: kirsten.salt@uk.rcm.com

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
Hill House
1 Little New 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 2007 were 463.75p – 464.25p.

For CGT indexation purposes, the share price, after adjustment for bonus issues, was 37.25p at 31 March 1982.

Share Plan, Investment Trust Maxi ISA and PEP Transfer

Following a strategic review of services provided for Investment Trust investors, Allianz Global Investors as announced that it will no longer act as Share Plan manager or PEP/ISA manager from 29 February 2008. A share plan and ISA will, however, be available from 1 March 2008. Alliance Trust Savings offer a comprehensive range of products and services – including Share Plans, ISAs and PEPs as well as pension products. More importantly, given the scale of their operations, they also have the resources to invest in and maintain more advanced services including online and telephone-based dealing facilities and online valuations. Existing Allianz Global Investors Investment Trust ISA, PEP and Share Plan wrapper investors will have the opportunity to transfer at no cost to ATS. More information is available from the Allianz Global Investors Helpline on 08457 127 128 or from the Manager's website: www.allianzglobalinvestors.co.uk, or after 1 March 2008 from Alliance Trust Savings Customer Services Department on 01382 326323 or e-mail: contact@alliancetrust.co.uk.

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.

Dividend

The Board is recommending a final distribution of 6.30p to be payable on 25 March 2008 to shareholders on the Register of Members at the close of business on 22 February 2008, making a total distribution of 10.70p per share for the year ended 30 November 2007, an increase of 10.3%.

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.

Dividend Reinvestment Plan for Ordinary Shareholders

The Company's registrars, Capita Registrars, are now able to offer a Dividend Reinvestment Plan which offers Ordinary Shareholders the opportunity to use their cash dividend to buy further shares in the Company under a special low-cost dealing arrangement. It is anticipated that Capita Registrars will enclose the Terms and Conditions and a personalised application form with the final dividend payment in March. The first dividend for which Ordinary Shareholders will be able to use the Dividend Reinvestment Plan will be the interim dividend to be paid in August/September 2008.

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.theaic.co.uk.

Category: Global Growth.

Investor Information

Financial Calendar

Results

Half-year announced July.
Full-year announced late January/early February.
Annual Financial Report 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.

Capita Registrars – Share Dealing Services

Capita Registrars, the Company's Registrars, operate an on-line and telephone dealing facility for UK resident shareholders with share certificates. Stamp duty may also be payable on purchases.

Capita Registrars have provided the following details of the current charges for these services:

On-line	Telephone
1% of the value of the deal (Minimum £20, maximum £50)	1.5% of the value of the deal (Minimum £25, maximum £100)

There is no need to pre-register and there are no forms to fill in. The on-line and telephone dealing services allow shareholders to trade "real time" at a known price which will be given to you at the time you give your instruction.

To deal on-line or by telephone you need to supply your surname, shareholder reference number, share certificate, full postcode and your date of birth. Your shareholder reference number can be found on your share certificate where it is shown as an "investor code". Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

For further information on these services please contact: www.capitadeal.com (on-line dealing) or 0871 664 0454 (telephone dealing) (Calls cost 10p per minute plus network extras).

Shareholder Portal

The Company's Registrars, Capita Registrars, are now able to offer shareholders a free on-line service called The Share Portal, enabling shareholders to access a comprehensive range of shareholder related information.

Through The Share Portal, shareholders can:

- View their current and historical shareholding details.
- Obtain an indicative share price and valuation.
- Amend address details.
- View details of dividend payments
- Apply for dividends to be paid directly to a bank or to change existing bank details.

Shareholders can access these services at www.capitaregistrars.com and selecting Share Portal (Shareholders) from the drop down menu, or alternatively via the Portals: Quick Links, and selecting Share Portal.

Shareholders will need to register for a Share Portal Account by completing an on-screen registration form. An email address is required.

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 Capita Registrars 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, kirsten.salt@uk.rcm.com.

CREST Proxy Voting

Shares held in uncertificated form (i.e., in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual.

Directors' Report

The Directors present their Report which incorporates the Business Review and the audited Financial Statements for the year ended 30 November 2007.

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 and Status 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 2006. 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 half yearly financial reports, 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£ adjusted) over the long term. The Board is proposing to change the split between the two parts of the benchmark index to 50% FTSE All-Share and 50% FTSE World Index (ex UK£ adjusted) (see the Chairman's Statement on page 4 and the information about the AGM on pages 26 to 31. 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. At 30 November 2007 the portfolio contained 123 stocks. The Board's Investment Policy is set out in full on page 2.

Performance

In the year to 30 November 2007 the Company produced a NAV capital return to shareholders of 15.6%. This compares with the return on the Company's benchmark index of 6.3%. In the previous year the NAV return was 9.7% and the benchmark index was 9.8%. At 30 November 2007 the value of the Company's investment portfolio was £307m. The Investment Managers' review on pages 8 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£ 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 2007 is given in the

Directors' Report

explanation of the movement in net asset value per ordinary share on page 3.

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 5.

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 2007 the shares traded between a discount of 8.39% and 14.6% 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 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 2007 was 0.6% (2006 0.6%).

Share Capital

Details of the Company's share capital are set out in Note 11 on page 53. Further to resolutions passed on 24 March 2005, 23 March 2006 and 22 March 2007 the Company purchased 1,211,723 ordinary shares for cancellation, representing 2.49% 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 60.

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 Business and Status of the Company. A breach of Section 842 could result in the Company losing investment trust status and, as a consequence, realised chargeable gains in the Company's portfolio would be subject to Corporation 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

Directors' Report

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 33.

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 provide effective internal control are included within the Internal Control section of the Corporate Governance Statement on page 34.

Financial

The financial risks to the Company are disclosed in Note 20 on page 57.

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 Chairman gives his view on the outlook in his statement on page 4 and the investment managers discuss their view of the outlook for the Company's portfolio in their reports on pages 8 and 11.

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 Buy Backs

During the year to 30 November 2007 a total of 1,211,723 Ordinary Shares of 25p each (nominal value £302,931) were repurchased and cancelled as part of the share buy back programme that was approved last year and in 2006 and 2005. The consideration paid, including attributable expenses, amounted to £5,482,974.

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 £29,898,480 (2006 – £19,879,302). Provisions contained in the Finance Act 1980 exempt approved Investment Trusts from corporation tax on their chargeable gains. Invested funds at 30 November 2007 had a value of £306,773,953 (2006 – £278,952,926) before deducting net liabilities of £34,955,164 (2006 – £37,846,484).

Net Asset Value

The Net Asset Value of the Ordinary Shares of 25p at the year end was 573.2p, as compared with a value of 495.7p at 30 November 2006.

Donations and Subscriptions

No donations or subscriptions of a political or charitable nature were made during the year (2006 – 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 5. A graph is included on page 6 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£) and also the growth in ordinary distributions

Directors' Report

made by the Company, together with the Retail Price Index over the same period.

Auditors

A resolution to approve the re-appointment of Deloitte & Touche LLP will be proposed at the Annual General Meeting, together with a resolution authorising the Directors to determine their remuneration.

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 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

	2007 £	2007 £
Gross income for the year amounted to		8,926,323
from which had to be deducted:		
Expenses of administration	(765,141)	
Finance costs of borrowings	(1,380,952)	
		(2,146,093)
leaving an amount subject to taxation of		6,780,230
Taxation absorbed		(596,410)
leaving available for distribution to the Ordinary Shareholders		6,183,820
Dividends in respect of the financial year		
Interim 4.40p per Ordinary Share paid 23 August 2007	(2,101,584)	
Final proposed 6.30p per Ordinary Share payable 25 March 2008	(2,987,782)	
		(5,089,366)
thus leaving to be transferred to Revenue Reserve		1,094,454

The Board declared an interim dividend of 4.40p per Ordinary Share which was paid on 23 August 2007. The Board recommends a final dividend for the year ended 30 November 2007 of 6.30p, payable on 25 March 2008, making a total distribution for the year of 10.70p per Ordinary Share. The next interim dividend payment is expected to be made in August 2008.

Directors' Report

Substantial Share Interests

As at 13 February 2008, the last practicable date prior to printing this report, the Company has been advised of the following interests in the Share capital of the Company: CE Wilkinson (as trustee 12.88%); HLJ Brunner (beneficial 6.73% – as trustee 5.47%); TBH Brunner (beneficial 1.64% – as trustee 5.39%); JHK Brunner (beneficial 3.60% – as trustee 1.94%); AXA Group (18.13%); M & G Investment Management (5.03%); Tatersall Advisory Group Inc (4.48%); and Legal & General (3.18%).

Mr CE Wilkinson acts as a co-trustee with Mr TBH Brunner in respect of 1,759,058 Ordinary Shares (3.72%), 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 (4.91%) which form part of Mr HLJ Brunner's trustee holdings.

Analysis of Share Register

Based on an analysis of the Ordinary Share register at 15 February 2008.

Shareholder Type	Number of Holders	%	Ordinary Shareholding shares	%
Private holders*	947	60.0	15,464,590	32.7
Nominees	564	36.0	29,068,662	61.4
Limited Companies	34	2.1	224,213	0.5
Investment Trusts	5	0.3	48,801	0.1
Banks and Bank Nominees	8	0.5	2.432.660	5.1
Insurance Companies	3	0.2	9,500	0.0
Other holders	17	0.9	66,689	0.2
	1,578	100.0	47,315,115	100.0

*Includes PEP, ISA and Savings Plan Nominees.

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

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.

William Worsley, retires by rotation in accordance with the Articles of Association and, having the full support of the Board, offers himself for re-election.

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

Biographical details of the Directors are on page 19. The present Directors and their interests in the share capital of the Company as at 30 November 2007 are set out below.

Ordinary Shares of 25p

	2007 Beneficial	2007 As Trustee	2006 Beneficial	2006 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	441,900	110,000	475,600

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.

Annual General Meeting

Change of Investment Policy

In his statement on page 4 the Chairman has explained the reasons for the proposed change to the Company's benchmark. Therefore, the Board is proposing as an item of Special Business at the AGM an ordinary resolution to amend and restate the investment objective and benchmark as follows:

"The Company's objective is to achieve a total return higher than that of the benchmark index of 50% FTSE All-Share and 50% FTSE World Index (ex UK£ adjusted) over the long term."

The Company's stated strategy, that is to achieve this objective by investing in UK and international securities and by using appropriate gearing to enhance returns, remains unchanged in all respects.

Directors' Remuneration

As set out in the Directors' Remuneration Report on page 37, the Directors are proposing a change to the maximum

Directors' Report

remuneration payable to all directors from £125,000 to £150,000.

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 22 March 2007. The current authority will expire on 22 May 2008.

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 2009. Accordingly resolutions 11 and 12 as set out in the Notice of Meeting on page 60 will be proposed as an Ordinary Resolution and a Special Resolution respectively.

The Directors do not currently intend to allot shares under these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it would be advantageous to the Company's existing Shareholders to do so. 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% 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% of the voting rights of a company subject to the Code, but does not hold shares carrying more than 50% 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 27.25% 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 31.41% 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).

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 13 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

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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 £197 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 7,092,535 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 20 March 2008.

The authority will last until the Annual General Meeting of the Company to be held in 2009 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.

Summary of Revised Articles of Association to take effect from the date of the Annual General Meeting, conditional on the passing of Resolution 10

1 Articles which duplicate statutory provisions

Provisions in the current Articles which replicate provisions contained in the Companies Act 2006 have generally been amended in the new Articles to bring them into line with the Companies Act 2006. Some examples include provisions concerning the form of resolutions, the variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

2 Form of resolution

The current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

3 Transfer of shares

Under the 2006 Act, a company must either register a transfer or give the transferee notice of, and reasons for, its refusal to register the transfer. Any registration of a transfer or notice of refusal must be made or given as soon as practicable and in any event within two months from the date that the transfer is lodged with the company. The new Articles reflect these requirements.

4 Disclosure of interests

The provisions relating to the disclosure of interests in shares contained in the Companies Act 1985 ("the 1985 Act"), including Section 212 on company investigation powers, were repealed in January 2007. Section 793 and related sections in Part 22 of the 2006 Act, which contain the corresponding company investigation powers previously contained in Section

Directors' Report

212, were brought into force simultaneously. The proposed new Articles reflect the replacement of Section 212 of the 1985 Act with Section 793 of the 2006 Act.

5 Convening extraordinary and annual general meetings

The provisions in the current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular an extraordinary general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

The amended articles also deal with situations where, because of a postal strike or similar situation beyond the control of the Company, a notice of meeting is not received by a shareholder. The amendment will ensure that such failure does not invalidate proceedings at the meeting in question.

6 Quorum

The Articles have been amended to make it clear that two persons who are proxies for the same member or representatives of the same body corporate can constitute a quorum.

7 Attending and speaking at meetings

The new Articles now provide that the chairman of the meeting may permit non-members or persons who are not entitled to exercise the rights of members to attend and, at the chairman's discretion, speak at a general meeting.

8 Polls

The Articles have been amended to clarify that a poll may be demanded before a show of hands, as well as immediately after the result of a show of hands, and to give the directors the right to demand a poll as well as the Chairman of the meeting.

9 Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands as well as a poll, and members may appoint a proxy to exercise all or any of their rights to attend, speak and vote at meetings. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the shareholder and multiple corporate representatives may be appointed. The New Articles reflect all of these new provisions.

10 Receipt of appointments of proxy and termination of proxy authority

The amended Articles provide that proxies for a poll to be taken after the date of a meeting or adjourned meeting must be received not less than 24 hours, or such shorter time as the directors may determine, before the time of the poll. The deadlines for receipt of termination of proxy authority have been brought into line with the deadlines for receipt of proxies. They also permit the directors to specify, in a notice of meeting, that in determining the time for delivery of proxies, no account shall be taken of non-working days.

11 Notices and other communications

The 2006 Act enables companies to communicate with their members by electronic communication to a greater extent than previously permitted. The amended articles will provide the Company with a general power to send or supply any notice, document or information to any member by a variety of methods – in person, by post or in electronic form (such as by email), or by making it available on the Company's website. In addition to any notice, document or information which is specifically required to be sent or supplied under the 2006 Act, the Company will also be able to send any other document or information to members using this variety of methods.

The Articles allow proxies to be sent or supplied in electronic form and, where the Company gives an electronic address in a form of proxy, shareholders may send the appointment of proxy to that electronic address, subject to any conditions or limitations specified in the relevant notice of meeting.

The Company may ask each member for his or her consent to receive communications from the Company via its website. If the member does not respond to the request for consent within 28 days, the Company may take that as consent by the member to receive communications in this way. If the Company sends or supplies any notice, document or information to members by making it available on the Company's website, it must notify each member who has consented (or is deemed to have consented) to receive documents via the website, either by post or by email (if the member has specifically agreed to receive communications in electronic form), that the notice, document or information has been placed on the website.
A member who has consented or is deemed to have consented to receive communications via the website can request a hard copy of any document at any time. Members can also revoke their consent to receive electronic communications at any time.

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In relation to joint holders of shares, the amended Articles provide that the agreement of the first-named holder on the register of members to accept notices, documents or information electronically or via a website shall be binding on the other joint holders. The new Articles would also permit the Company not to send or supply any notice, document or information to a member whose registered address is not in the United Kingdom unless that member gives a non-electronic address in the United Kingdom.

There are new provisions that cater for situations where the provision of corporate information in electronic form or via a website may amount to a breach of securities laws of another jurisdiction. The Company may send hard copies if it needs to restrict the circulation of information in certain circumstances, such as for US securities law reasons.

The proposed articles also deal with notices, documents or information sent by the Company to a member which have been returned undelivered on three consecutive occasions. The member will only be entitled to be sent further communications upon provision of a new postal or electronic address to the Company.

Further proposed provisions are included to deal with the validation of documents in electronic form by members where required by the Articles. In the case of notices of meetings or proxies, any validation requirements must be specified in the notice.

12 Directors' indemnities and loans to fund expenditure

The directors' indemnity provision has been amended to make it clear that the Company may, subject to the provisions of the 2006 Act, indemnify a director of an associated company that is the trustee of an occupational pension scheme, taking advantage of the qualifying pension scheme indemnity provision in the 2006 Act.

13 Conflict of Interest Duties

The Companies Act 2006 sets out directors' general duties. The provisions largely codify the existing law, but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, in some cases, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The Articles have been amended so that they confirm that such interests, offices or employment will not infringe the conflicts duty as codified in the 2006 Act.

The new Articles give the directors authority to approve conflict situations including other directorships held by the company's directors and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate. It is also proposed that the amended Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

It is the board's intention to report annually on the Company's procedures for ensuring that the board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

14 Permitted interests and voting

The provisions which previously deemed certain interests of a director's connected persons to be the interests of the director himself for the purposes of this article have been deleted. There is no requirement in the 2006 Act to include such a provision and the 2006 Act contains a much wider definition of "connected person" of a director. The director and the Company must still take a view each time a matter is being considered as to whether the interests of the director's connected persons mean that the director should be treated as interested for the purposes of this article.

Directors' Report

15 Removal of age limit for directors

The provision requiring a director's age to be disclosed, in a notice of meeting at which that director is to be appointed or reappointed, if that director has attained the age of 70 years or more, has been removed from the new Articles to reflect the repeal of the previous provisions regarding directors over 70 from the Companies Act 1985.

16 The seal

The proposed new Articles provides that instruments (other than share certificates) to which the seal is affixed shall be signed by two authorised persons or by a director in the presence of a witness, whereas previously the requirement was for signature by either the director and secretary or two directors.

Additional Information

The Directors unanimously recommend shareholders to vote in favour of resolution 13 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

19 February 2008

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. The website is maintained by the Company's Manager, RCM (UK) Limited (RCM). The maintenance and integrity of the website maintained by RCM, so far as it relates to the Company, is the responsibility of RCM. Visitors to the website need to be aware that 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 considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders. The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except in relation to the Combined Code provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers these provisions are not relevant to the Company as it is an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

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 26.

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 carrying out 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 25.

Corporate Governance Statement

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

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

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

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 and half yearly financial reports 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-executive directors 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 37.

The Terms of Reference for each of the committees may be viewed by shareholders on request and are published on the Company's website www.brunner.co.uk.

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') which was revised by the FRC in 2005. The process has been fully in place throughout the year under review and up to the date of the signing of this Annual Financial Report.

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,

Corporate Governance Statement

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.

- 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.

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 the special business is 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 financial statements is on page 32 and a statement of going concern is on page 24.

The Independent Auditors' Report can be found on page 39.

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 Board has noted the Manager's statement of its corporate governance aims and objectives, summarised as:

Corporate Governance Statement

> "Our primary corporate aim is to maximise shareholder value through the securing of corporate performance whilst protecting this value through operating within established rules of conformance.
>
> Our primary investment management aim is to meet or exceed our clients' expectations through generating first class returns within the constraint of their risk tolerance.
>
> RCM votes in all markets wherever possible, and strives actively to encourage both improved levels of disclosure among companies and proper voting infrastructure among custodians and agents globally."

In the UK, RCM is a member of the National Association of Pension Funds (NAPF) and the International Corporate Governance Network (ICGN), and abides by these organisations' founding principles. These guidelines also take into account international codes of corporate governance from a number of sources, including Employment Retirement Income Security Act (ERISA) legislation and Department of Labor recommendations in the U.S. where appropriate.

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.

Corporate Social Responsibility

The Board has noted the Manager's views on Social Responsibility that it adheres to in engaging with the underlying investee companies and in exercising its delegated responsibilities in voting. These are that:

> "We believe that good corporate governance includes the management of the company's impacts on society and the environment, as these are increasingly becoming a factor in contributing towards maximising long term shareholder value."

Directors' Remuneration Report

This report is submitted in accordance with the Directors' Remuneration Report Regulations 2002 for the year ended 30 November 2007. An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming Annual General Meeting.

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.

In order that the Board can have the freedom to recruit new directors as part of its succession plans, shareholders are being asked to approve an increase to the limit on the aggregate fees payable to the directors. A new total limit of £150,000 is being proposed in a resolution being put to the Annual General Meeting.

Directors' and Officers' Liability insurance cover is held by the Company. As permitted by the Company's Articles of Association, the Company has granted indemnities to 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£ 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 and since 1 December 2005 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 recently reviewed and, with effect from 1 December 2007, the fees were increased as follows: the Chairman is paid at a rate of £30,000 per annum, the Directors at £18,000 per annum, with an additional £2,000 payable to the Senior Independent Director and the Chairman of the Audit Committee. These increases reflect the uplift in UK national average earnings since the fees were last increased in December 2005.

Directors' Emoluments

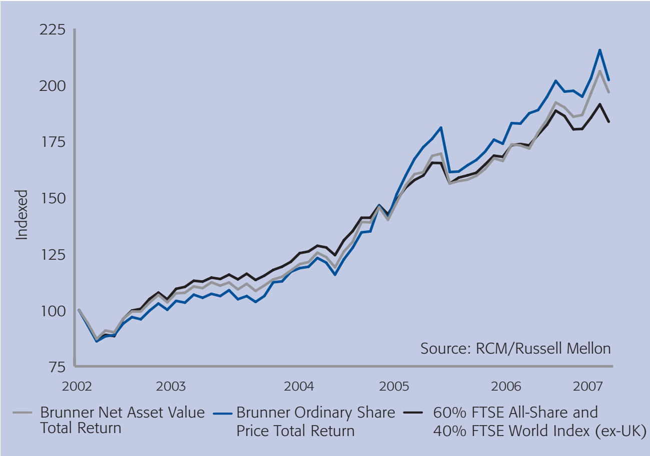
The Directors' Emoluments during the year and in the previous year are as follows:

	Directors' fees	
	2007	2006
	£	£
KE Percy	27,000	27,000
VP Bazalgette	16,250	16,250
BCR Siddons	16,250	16,250
RKA Wakeling	17,250	17,250
WR Worsley	17,250	17,250
Totals	94,000	94,000

Directors' Remuneration Report

Performance Graph

The graph below measures the Company's share price and net asset value performance against the current benchmark index of 60% FTSE All-Share and 40% FTSE World Index (ex UK£ adjusted), using Mid-Mid Share Prices, Indexed to Sterling 1 December 2002 to 30 November 2007.



By Order of the Board
K J Salt
Secretary
19 February 2008

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 2007 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 2006 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.

Independent Auditors' Report

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 2007 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

19 February 2008

Income Statement
for the year ended 30 November 2007

	Note	2007 £ Revenue	2007 £ Capital	2007 £ Total Return	2006 £ Revenue	2006 £ Capital	2006 £ Total Return
Net gains on investments at fair value	8	–	38,714,187	38,714,187	–	24,248,457	24,248,457
Net losses on foreign currency		–	(1,763)	(1,763)	–	(2,043)	(2,043)
Income	1	8,926,323	–	8,926,323	8,023,362	–	8,023,362
Investment management fee	2	(461,439)	(1,076,692)	(1,538,131)	(464,002)	(1,082,672)	(1,546,674)
Administration expenses	3	(303,702)	(12,796)	(316,498)	(323,638)	(16,382)	(340,020)
Net return before finance costs and taxation		8,161,182	37,622,936	45,784,118	7,235,722	23,147,360	30,383,082
Finance costs: interest payable and similar charges	4	(1,380,952)	(3,111,451)	(4,492,403)	(1,508,600)	(3,276,698)	(4,785,298)
Net return on ordinary activities before taxation		6,780,230	34,511,485	41,291,715	5,727,122	19,870,662	25,597,784
Taxation	5	(596,410)	354,715	(241,695)	(448,399)	262,297	(186,102)
Net return attributable to Ordinary Shareholders		6,183,820	34,866,200	41,050,020	5,278,723	20,132,959	25,411,682
Return per Ordinary Share (basic and diluted)	7	12.88p	72.62p	85.50p	10.73p	40.95p	51.68p

Dividends in respect of the financial year ended 30 November 2007 total 10.70p (2006 – 9.70p), amounting to £5,089,366 (2006 – £4,728,462). 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 45 to 59 form an integral part of these Financial Statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 November 2007

	Note	Called up Share Capital £	Capital Redemption Reserve £	Capital Reserve Realised £	Capital Reserve Unrealised £	Revenue Reserve £	Total £
Net Assets at 30 November 2005		12,490,709	3,509,291	164,054,890	35,009,763	10,418,545	225,483,198
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

	Note	Called up Share Capital £	Capital Redemption Reserve £	Capital Reserve Realised £	Capital Reserve Unrealised £	Revenue Reserve £	Total £
Net Assets at 30 November 2006		12,159,209	3,840,791	175,042,860	38,898,525	11,165,057	241,106,442
Revenue Return		–	–	–	–	6,183,820	6,183,820
Shares repurchased during the year		(302,930)	302,930	(5,482,974)	–	–	(5,482,974)
Dividends on Ordinary Shares	6	–	–	–	–	(4,854,699)	(4,854,699)
Capital Return		–	–	27,652,246	7,213,954	–	34,866,200
Net Assets at 30 November 2007		11,856,279	4,143,721	197,212,132	46,112,479	12,494,178	271,818,789

The Notes on pages 45 to 59 form an integral part of these Financial Statements.

Balance Sheet
as at 30 November 2007

	Note	2007 £	2007 £	2006 £
Fixed Assets				
Investments held at fair value through profit or loss	8		306,773,953	278,952,926
Current Assets				
Debtors	10	1,280,219		3,937,204
Cash at bank	10	18,789,610		14,974,573
		20,069,829		18,911,777
Creditors – Amounts falling due within one year	10	(3,035,453)		(4,567,832)
Net Current Assets			17,034,376	14,343,945
Total Assets less Current Liabilities			323,808,329	293,296,871
Creditors – Amounts falling due after more than one year	10		(51,989,540)	(52,190,429)
Total Net Assets			271,818,789	241,106,442
Capital and Reserves				
Called up Share Capital	11		11,856,279	12,159,209
Capital Redemption Reserve	12		4,143,721	3,840,791
Capital Reserves: Realised	13	197,212,132		175,042,860
Unrealised	13	46,112,479		38,898,525
			243,324,611	213,941,385
Revenue Reserve	14		12,494,178	11,165,057
Equity Shareholders' Funds	15		271,818,789	241,106,442
Net Asset Value per Ordinary Share	15		573.2p	495.7p

Approved by the Board of Directors on 19 February 2008 and signed on its behalf by:

K E Percy
W R Worsley

The Notes on pages 45 to 59 form an integral part of these Financial Statements.

Cash Flow Statement
for the year ended 30 November 2007

	Note	2007 £	2007 £	2006 £
Net cash inflow from operating activities	18		8,181,389	6,505,716
Servicing of finance				
Interest paid		(4,671,242)		(4,719,620)
Dividends paid on Preference Stock		(22,500)		(22,500)
Net cash outflow from servicing of finance			(4,693,742)	(4,742,120)
Capital expenditure and financial investment				
Purchase of fixed asset investments		(168,006,314)		(154,030,814)
Sale of fixed asset investments		178,671,631		160,776,633
Net cash inflow from capital expenditure and financial investments			10,665,317	6,745,819
Equity dividends paid			(4,854,699)	(4,532,211)
Net cash inflow before financing			9,298,265	3,977,204
Financing				
Repurchase of Ordinary Shares for cancellation			(5,483,228)	(5,254,037)
Increase (Decrease) in cash	19		3,815,037	(1,276,833)

The Notes on pages 45 to 59 form an integral part of these Financial Statements.

Statement of Accounting Policies
for the year ended 30 November 2007

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.

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 on debt securities is recognised on an effective yield basis which takes account of any discounts or premiums arising on the purchase price, compared to final maturity over the remaining life of the security.

   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 financial statements 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 – As the Company's business is investing in financial assets with a view to profiting from their total return in the form of increases in fair value, financial assets are designated as fair value through profit and loss on initial recognition in accordance with FRS 26 'Financial Instruments: Recognition and Measurement'. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the investments is provided on this basis to the Board of Directors.

   Investments held at fair value through profit or loss are initially recognised at fair value. After initial recognition, these continue to be measured at fair value, which for quoted investments is either the bid price or the last traded price depending on the convention of the exchange on which the investment is listed. Gains or losses on investments are recognised in the capital column of the Income Statement.

   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 International Private Equity and Venture Capital Valuation Guidelines issued in March 2005.

   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.

Statement of Accounting Policies
for the year ended 30 November 2007

5. Finance costs – In accordance with the Financial Reporting Standard 25 'Financial Instruments: Disclosure and Presentation' and FRS 26 'Financial Instruments: Recognition and Measurement', long term borrowings are stated at the amount of net proceeds on issue plus accrued finance costs to date. Finance costs are calculated over the term of the debt on the effective interest rate basis.

   Where debt is issued at a premium, the premium is amortised over the term of the debt on the effective interest rate basis.

   Finance costs net of amortised premiums are charged to capital and revenue in the ratio 70:30 to reflect the Board's investment policy and prospective split of capital and revenue returns.

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

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.

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.

Notes to the Financial Statements
for the year ended 30 November 2007

1. Income

	2007 £	2007 £	2006 £
Income from investments*			
Franked income:			
Equity income from UK investments†		4,945,017	4,451,358
Unfranked income:			
Equity income from overseas investments	2,177,843		1,685,485
Equity income from UK investments	34,977		–
Interest from UK investments	66,286		–
Interest from UK fixed income investments	1,054,527		1,125,000
		3,333,633	2,810,485
		8,278,650	7,261,843
Other income:			
Deposit interest	647,673		742,639
Underwriting commission	–		18,880
		647,673	761,519
Total income		8,926,323	8,023,362

*All dividend income is derived from listed investments.
† Includes special dividends of £76,899 (2006 – £478,350).

2. Investment Management Fee

	2007 £ Revenue	2007 £ Capital	2007 £ Total	2006 £ Revenue	2006 £ Capital	2006 £ Total
Investment management fee	461,439	1,076,692	1,538,131	464,002	1,082,672	1,546,674

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 £121,130 (2006 – £230,356) part of which is recoverable. Due to the ECJ ruling in the VAT case brought by JP Morgan Fleming Claverhouse Trust plc in conjunction with the AIC on the 28 June 2007, VAT has not been charged on management fees since 1 June 2007.

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 Financial Statements

for the year ended 30 November 2007

3. Administration Expenses

	2007 £	2006 £
Directors' fees	94,000	107,745
Auditors' remuneration (includes £5,875 in respect of non-audit tax services, 2006 – £nil)	33,162	26,032
Custody fees	38,125	30,794
Registrars' fees	15,269	17,909
Association of Investment Companies' fees	25,380	29,642
Share Plan marketing costs	143,562	152,523
Printing and postage	9,774	7,065
Directors' and Officers' liability insurance	20,501	22,291
Professional and advisory fees	(8,484)	19,211
Other	27,490	30,080
VAT recovered	(95,077)	(119,654)
	303,702	323,638

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

(ii) Between 1 December 2006 and 30 November 2007 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 37.)

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

(iv) Handling charges of £12,796 were charged to capital (2006 – £16,382).

(v) Auditors remuneration includes VAT of £4,939 (2006 – £3,877).

4. Finance Costs: Interest Payable and Similar Charges

	2007 £ Revenue	2007 £ Capital	2007 £ Total	2006 £ Revenue	2006 £ Capital	2006 £ Total
On Stepped Rate Interest Loan repayable after more than five years	601,593	1,403,717	2,005,310	670,149	1,563,682	2,233,831
On Fixed Rate Interest Loan repayable after more than five years	731,886	1,707,734	2,439,620	734,150	1,713,016	2,447,166
On 5% Cumulative Preference Stock repayable after more than five years	22,500	–	22,500	22,500	–	22,500
On Sterling overdraft	24,973	–	24,973	81,801	–	81,801
	1,380,952	3,111,451	4,492,403	1,508,600	3,276,698	4,785,298

Notes to the Financial Statements
for the year ended 30 November 2007

5. Taxation

	2007 £ Revenue	2007 £ Capital	2007 £ Total	2006 £ Revenue	2006 £ Capital	2006 £ Total
a) Analysis of tax charge for the year:						
Corporation tax	596,410	(354,715)	241,695	448,399	(262,297)	186,102
Double taxation relief	(241,695)	–	(241,695)	(186,102)	–	(186,102)
Current tax charge on ordinary activities	354,715	(354,715)	–	262,297	(262,297)	–
Overseas taxation	241,695	–	241,695	186,102	–	186,102
Tax charge on ordinary activities	596,410	(354,715)	241,695	448,399	(262,297)	186,102
b) Factors affecting the current tax charge for the year:						
Return on ordinary activities before taxation	6,780,230	34,511,485	41,291,715	5,727,122	19,870,662	25,597,784
Taxation on the return on ordinary activities at the standard rate of Corporation tax in the UK of 30%	2,034,069	10,353,446	12,387,515	1,718,137	5,961,199	7,679,336
Effects of:						
Non taxable income	(1,483,505)	–	(1,483,505)	(1,335,407)	–	(1,335,407)
Non taxable capital gains	–	(11,613,727)	(11,613,727)	–	(7,273,925)	(7,273,925)
Disallowable expenses	46,483	(3,944)	42,539	70,304	46,441	116,745
Overseas tax suffered	241,695	–	241,695	186,102	–	186,102
Excess of allowable expenses over taxable income	(593,955)	1,264,225	670,270	(443,856)	1,266,285	822,429
Accrued income taxable in other periods	(3,092)	–	(3,092)	(9,178)	–	(9,178)
Allocation of tax relief on expenses	354,715	(354,715)	–	262,297	(262,297)	–
Current tax charge	596,410	(354,715)	241,695	448,399	(262,297)	186,102

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 £36.3m (2006 – £34.1m) and eligible unrelieved foreign tax of £0.6m (2006 – 0.4m). Given the Company's current investment strategy, it is unlikely to generate sufficient UK taxable profits to relieve these expenses.

As at 30 November 2007 there is an unrecognised deferred tax asset of £10.8m (2006 – £10.6m). The deferred tax asset relates to the unused foreign tax credits and 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 Financial Statements
for the year ended 30 November 2007

6. Dividends on Ordinary Shares

	2007 £	2006 £
Dividends paid on Ordinary Shares:		
Final – 5.70p paid 23 March 2007 (2006 – 5.20p)	2,753,115	2,575,994
Interim – 4.40p paid 23 August 2007 (2006 – 4.00p)	2,101,584	1,956,162
Uncollected dividend from prior years	–	55
	4,854,699	4,532,211

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 46 – Statement of Accounting Policies). Details of these dividends are set out below.

	2007 £	2006 £
Final dividend – 6.30p payable 25 March 2008 (2007 – 5.70p)	2,987,782	2,772,300

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

	2007 £ Revenue	2007 £ Capital	2007 £ Total	2006 £ Revenue	2006 £ Capital	2006 £ Total
Return attributable to Ordinary Shareholders	6,183,820	34,866,200	41,050,020	5,278,723	20,132,959	25,411,682
Return per Ordinary Share	12.88p	72.62p	85.50p	10.73p	40.95p	51.68p

The return per Ordinary Share is based on a weighted average number of shares of 48,010,277 (2006 – 49,167,696) Ordinary Shares in issue. The basic and diluted returns per Ordinary Share are the same.

Notes to the Financial Statements
for the year ended 30 November 2007

8. Fixed Asset Investments

	2007 £	2006 £
Listed at market valuation on recognised Stock Exchanges –		
United Kingdom	193,070,753	175,366,912
Abroad	113,634,016	102,986,740
	306,704,769	278,353,652
Unlisted at Directors' valuation –		
United Kingdom	69,184	599,274
Total fixed asset investments	306,773,953	278,952,926
Market value of investments brought forward	278,952,926	260,383,423
Unrealised gains brought forward	(38,900,568)	(35,225,673)
Cost of investments held brought forward	240,052,358	225,157,750
Additions at cost	166,515,034	155,624,181
Disposals at cost	(145,909,723)	(140,729,573)
Costs of investments held at 30 November	260,657,669	240,052,358
Unrealised gains at 30 November	46,116,284	38,900,568
Market value of investments held at 30 November	306,773,953	278,952,926
Gains on investments		
Net realised gains based on historical costs	29,898,480	19,879,302
Less: Amounts recognised as unrealised in previous years	(19,178,387)	(16,979,068)
Net realised gains based on carrying value at previous balance sheet date	10,720,093	2,900,234
Net unrealised gains arising in the year	26,394,104	20,869,873
Net gains on investments before special dividends	37,114,197	23,770,107
Special dividends credited to capital	1,599,990	478,350
Total net gains on investments	38,714,187	24,248,457

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 £593,260 (2006 – £511,656) and transaction costs on sales of £211,890 (2006 – £256,132).

Notes to the Financial Statements
for the year ended 30 November 2007

9. Investments in Other Companies

The Company held more than 10% of the share capital of the following companies at 30 November 2007 –

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

	2007 £	2006 £
Debtors –		
Sales for future settlement	147,346	3,010,774
Other debtors	1,132,873	926,430
	1,280,219	3,937,204
Cash at bank –		
Current account	14,413,181	1,392,113
Deposit account	4,376,429	13,582,460
	18,789,610	14,974,573
Creditors: Amounts falling due within one year –		
Purchases for future settlement	1,577,250	3,093,555
Stamp duty payable	1,935	2,190
Interest payable (see (iv) below)	914,631	915,081
Other creditors	530,387	545,756
Dividend on 5% Cumulative Preference Stock	11,250	11,250
	3,035,453	4,567,832
Creditors: Amounts falling due after more than one year –		
Stepped Rate Interest Loan (payable after more than five years – see (i) below)	19,151,278	19,189,869
Fixed Rate Interest Loan (payable after more than five years – see (ii) below)	32,388,262	32,550,560
5% Cumulative Preference Stock (payable after more than five years – see (iii) below)	450,000	450,000
	51,989,540	52,190,429

(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 Financial Statements

for the year ended 30 November 2007

10. Current Assets and Creditors (continued)

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

(ii) The Fixed Rate Interest Loan of £28,000,000 is due to Fintrust Debenture PLC ('Fintrust'). This loan, 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 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 additional borrowing be comparable to existing market rates at that time, the Company also received a premium payment from KOIT of £5,727,111. This premium is being amortised over the remaining life of the loan in accordance with FRS 4, as set out in the Accounting Policies. At 30 November 2007, the unamortised premium included within the Fixed Rate Interest Loan balance of greater than one year amounted to £4,445,870 (2006 – £4,609,699).

(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 (2006 – £836,351) and £78,280 (2006 – £78,712) payable to FDF and to Fintrust respectively.

11. Share Capital

		2007 £	2006 £
Authorised			
66,200,000	Ordinary Shares of 25p	16,550,000	16,550,000
Allotted and fully paid			
47,425,115	Ordinary Shares of 25p (2006 – 48,636,838)	11,856,279	12,159,209

The directors are authorised by an ordinary resolution passed on 22 March 2007 to allot relevant securities, in accordance with Section 80 of the Companies Act 1985, up to a maximum of 16,106,384 Ordinary Shares 25p each. This authority expires on 22 May 2008 and accordingly a renewed authority will be sought a the Annual General Meeting on 20 March 2008.

During the year 1,211,723 Ordinary Shares were repurchased by the Company and cancelled. The aggregate purchase price of these shares, amounting to £5,482,974 was charged to the Realised Capital Reserve (see Note 13). A further 110,000 ordinary shares have been repurchased for cancellation since the year end at a cost of £518,020.

Notes to the Financial Statements
for the year ended 30 November 2007

12. Capital Redemption Reserve

	£
Balance at 1 December 2006	3,840,791
Movement in the year	302,930
Balance at 30 November 2007	4,143,721

The balance on this account was increased by the transfer of £302,930 in respect of 1,211,723 Ordinary Shares purchased by the Company and cancelled.

13. Capital Reserves

	Realised £	Unrealised £	Total £
Balance at 1 December 2006	175,042,860	38,898,525	213,941,385
Net gains on realisation of investments	10,720,093	–	10,720,093
Special dividends	1,599,990	–	1,599,990
Transfer on disposal of investments	19,178,387	(19,178,387)	–
Net unrealised gains arising in year	–	26,394,104	26,394,104
Net losses on foreign currency	–	(1,763)	(1,763)
Purchase of Ordinary Shares for cancellation	(5,482,974)	–	(5,482,974)
Investment management fee	(1,076,692)	–	(1,076,692)
Finance costs of borrowings	(3,111,451)	–	(3,111,451)
Attributable taxation in respect of management fee and finance costs	354,715	–	354,715
Other capital expenses	(12,796)	–	(12,796)
Balance at 30 November 2007	197,212,132	46,112,479	243,324,611

14. Revenue Reserve

	£
Balance at 1 December 2006	11,165,057
Dividends appropriated in the year	(4,854,699)
Revenue retained for the year	6,183,820
Balance at 30 November 2007	12,494,178

Notes to the Financial Statements
for the year ended 30 November 2007

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 2007	2006
Ordinary Shares of 25p	573.2p	495.7p

	Net Asset Values attributable 2007	2006
Ordinary Shares of 25p	£271,818,789	£241,106,442

The Net Asset Value per Ordinary Share is based on 47,425,115 Ordinary Shares in issue at the year end (2006 – 48,636,838).

16. Contingent Assets

The Company has a contingent asset at the balance sheet date relating to VAT recoverable. The contingent asset has arisen as a result of the European Court of Justice ruling on 28 June 2007 in the VAT case, brought by JPMorgan Fleming Claverhouse Trust plc in conjunction with the AIC, concerning VAT exemption on management expenses for investment trusts. It is not possible at this time to calculate an accurate monetary estimate of the amount recoverable.

17. Contingent Liabilities, Capital Commitments and Guarantees

At 30 November 2007 there were no outstanding contingent liabilities (2006 – nil) in respect of underwriting commitments and calls on partly paid investments.

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 52 'Current Assets and Creditors'.

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

	2007 £	2006 £
Total return before taxation	41,291,715	25,597,784
Less: Net gains on investments held at fair value	(38,739,212)	(24,248,457)
Add: Finance costs: Interest payable and similar charges	4,492,403	4,785,298
Add: Special dividends credited to capital	1,599,990	478,350
Less: Overseas tax suffered	(241,695)	(186,102)
	8,403,201	6,426,873
Increase in debtors	(206,443)	(2,431)
(Decrease) Increase in creditors	(15,369)	81,274
Net cash inflow from operating activities	8,181,389	6,505,716

Notes to the Financial Statements
for the year ended 30 November 2007

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

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

	2007 £	2006 £
Net cash inflow (outflow)	3,815,037	(1,276,833)
Decrease (Increase) in long term loans	200,889	(43,160)
Movement in net funds	4,015,926	(1,319,993)
Net debt brought forward	(37,215,856)	(35,895,863)
Net debt carried forward	(33,199,930)	(37,215,856)

(ii) Analysis of changes in net debt

	Cash £	Stepped and fixed rate loans £	Net Debt £
Balance at 1 December 2006	14,974,573	(52,190,429)	(37,215,856)
Movement in the year	3,815,037	200,889	4,015,926
Balance at 30 November 2007	18,789,610	(51,989,540)	(33,199,930)

Notes to the Financial Statements

for the year ended 30 November 2007

20. Financial Risk Management

The note below should be read in conjunction with the Risk Review 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	2007 Fixed rate interest paid £	2007 Floating rate interest paid £	2007 Nil interest paid £	2007 Total £	2006 Fixed rate interest paid £	2006 Floating rate interest paid £	2006 Nil interest paid £	2006 Total £
Financial Assets									
Values directly affected by movements in interest rates:									
Treasury Stock	Sterling	19,969,500	–	–	19,969,500	24,960,750	–	–	24,960,750
Values not directly affected by movements in interest rates:									
Equities	Sterling	–	–	173,170,437	173,170,437	–	–	151,005,436	151,005,436
Equities	Various	–	–	113,634,016	113,634,016	–	–	102,986,740	102,986,740
Cash	Sterling	–	18,789,610	–	18,789,610	–	14,974,573	–	14,974,573
		–	18,789,610	286,804,453	305,594,063	–	14,974,573	253,992,176	268,966,749
Total Financial Assets		19,969,500	18,789,610	286,804,453	325,563,563	24,960,750	14,974,573	253,992,176	293,927,499
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	(32,388,262)	–	–	(32,388,262)	(32,550,560)	–	–	(32,550,560)
First Debenture Finance loan	Sterling	(19,151,278)	–	–	(19,151,278)	(19,189,869)	–	–	(19,189,869)
Total Financial Liabilities		(51,989,540)	–	–	(51,989,540)	(52,190,429)	–	–	(52,190,429)
Net Financial (Liabilities) Assets		(32,020,040)	18,789,610	286,804,453	273,574,023	(27,229,679)	14,974,573	253,992,176	241,737,070
Non financial instruments (consisting of short term debtors and creditors)					(1,755,234)				(630,628)
Net Assets per balance sheet					271,818,789				241,106,442

The Treasury Stock attracts interest at 5.0% per annum and is redeemable on 7 March 2008. Interest on floating rate financial assets is based on overnight money market rates.

Notes to the Financial Statements

for the year ended 30 November 2007

20. Financial Risk Management (continued)

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: Recognition and 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% (2006 – 8.98%) and the weighted average period to maturity is 13.9 years (2006 – 14.9 years).

(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.

	2007 Investments £	2007 Current Assets £	2007 Creditors £	2007 Net Currency Exposure £	2006 Investments £	2006 Current Assets £	2006 Creditors £	2006 Net Currency Exposure £
Sterling	193,139,937	19,154,243	(53,447,743)	158,846,437	175,966,186	17,877,704	(56,042,346)	137,801,544
Australian Dollar	3,715,526	–	–	3,715,526	3,247,970	75,393	–	3,323,363
Canadian Dollar	4,532,600	–	–	4,532,600	4,255,243	–	(205,599)	4,049,644
Euro	27,550,637	6,711	–	27,557,348	25,680,424	852,952	–	26,533,376
Hong Kong Dollar	5,213,907	–	–	5,213,907	7,666,566	–	–	7,666,566
Japanese Yen	8,492,733	–	–	8,492,733	10,569,914	21,360	–	10,591,274
Singapore Dollar	1,979,796	–	–	1,979,796	1,096,588	8	–	1,096,596
Swedish Krone	983,800	–	–	983,800	1,264,932	–	–	1,264,932
Swiss Franc	2,467,950	–	–	2,467,950	5,144,032	21,236	–	5,165,268
US Dollar	58,697,067	908,875	(1,577,250)	58,028,692	44,061,071	63,124	(510,316)	43,613,879
Total Net Assets	306,773,953	20,069,829	(55,024,993)	271,818,789	278,952,926	18,911,777	(56,758,261)	241,106,442

Notes to the Financial Statements
for the year ended 30 November 2007

20. Financial Risk Management (continued)

(c) Fair Value Disclosures
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.*

	2007 £ million Book value	2007 £ million Fair value	2006 £ million Book value	2006 £ million Fair value
5% Cumulative Preference Stock	0.5	0.5	0.5	0.4
Fintrust loan	32.4	37.6	32.6	39.7
First Debenture Finance loan	19.3	25.2	19.2	27.4

The net asset value per Ordinary Share, with the Fintrust and FDF loans at fair value, is 550.4p (2006 – 466.1p).

*The fair value has been derived from the closing market value as at 30 November 2007 and 30 November 2006.

(d) Liquidity Profile
The maturity profile of the Company's liabilities at 30 November 2007, 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 2007 the Company did not have any hedging arrangements in place (2006 – Nil).

Notice of Meeting

Notice is hereby given that the Eightieth Annual General Meeting of The Brunner Investment Trust PLC will be held at 100 Liverpool Street, London EC2M 2PP, on 20 March 2008 at 12.00 noon to transact the following business:

Ordinary Business

1 To receive and adopt the Report of the Directors and the Financial Statements for the year ended 30 November 2007 with the Auditors' Report thereon.

2 To declare a final dividend of 6.30p per Ordinary Share.

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

4 To re-elect Mr W R Worsley as a Director.

5 To approve the Directors' Remuneration Report.

6 To re-appoint Deloitte & Touche LLP as the Auditors of the Company.

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

Special Business

To consider and, if thought fit, pass the following Resolutions of which Resolutions 8, 9 and 11 will be proposed as Ordinary Resolutions and Resolutions 10, 12 and 13 will be proposed as Special Resolutions:

8 That the investment policy of the Company be amended so that the Company adopts the benchmark which comprises 50% FTSE All-Share and 50% FTSE World Index (ex UK£).

9 That the maximum total payable as Directors' fees to the directors is £150,000 per annum.

10 That the regulations contained in the printed document produced to the meeting and marked "A" (and for the purposes of identification initialled by the Chairman of the meeting) be hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all existing Articles of Association.

11 That the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 to allot relevant securities (within the meaning of Section 80(2) of that Act) provided that this power shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £3,942,926 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 20 May 2009 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.

12 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 £591,438 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 20 May 2009, 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.

13 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 7,092,535;

(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 2009 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
19 February 2008

By Order of the Board
K J Salt
Secretary

Please see notes opposite

Notice of Meeting

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. Duly completed proxy forms 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 enclosed form of proxy will not preclude a Member from attending the Meeting and voting in person.

In accordance with Section 325 of the Act, the right to appoint proxies does not apply to persons nominated to receive information rights under Section 146 of the Act.

Persons nominated to receive information rights under Section 146 of the Act who have been sent a copy of this notice of meeting are hereby informed, in accordance with Section 149(2) of the Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

Shares held in uncertificated form (i.e., in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual.

To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast). Members must be entered on the Company's register of Members at 6.00 p.m. on 18 March 2008 ("the specified time"). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of Members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, Members must be entered on the Company's Register of Members at the time which is 48 hours before the time fixed for the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.

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

Annual General Meeting Venue

Allianz Global Investors
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