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The Brunner Investment Trust PLC

Annual Financial Report for the year ended 30 November 2008

www.brunner.co.uk

Contents

The illustration on the cover of this report features a fountain (Brunnen in German) to represent 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, since 25 March 2008, is 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 22 under the heading "Investment Activity and Strategy".

Financial Summary

Revenue	2008	2007	% change
Available for Ordinary Dividend	£6,764,110	£6,183,820	+9.4
Earnings per Ordinary Share	14.32p	12.88p	+11.2
Dividends per Ordinary Share	11.70p	10.70p	+9.3
Retail Price Index	216.0	209.7	+3.0
Assets	**2008**	**2007**	**% change**
Total Net Assets	£168,045,126	£271,818,789	–38.2
Share Price	288.4p	464.0p	–37.8
Net Asset Value per Ordinary Share	357.8p	573.2p	–37.6
Expenses Ratio*	0.6%	0.6%	n/a

*The expenses ratio is calculated by dividing operating expenses (excluding finance costs) by average total assets less current liabilities.

Explanation of the movement in Net Asset Value per Ordinary Share

Until 24 March 2008, the capital return on the benchmark index was 60% FTSE All-Share Index and 40% FTSE World Index (ex UK £). The benchmark changed to 50% FTSE All-Share Index and 50% FTSE World Index (ex UK £) from 25 March 2008. The benchmark decreased by 31.0% during the year to 30 November 2008.

The decrease in the benchmark is composed as follows:

FTSE All-Share Index	–35.0%
FTSE World Index (ex UK £)	–26.1%

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

Change in benchmark**	–31.0%
Net portfolio return (excluding cash & gilts)	–34.5%
Relative performance	**–3.5%**

Portfolio Performance

	Asset Allocation	Stock Selection	Sub Total	Return	Index
UK	–0.3%	–4.1%	–4.4%	–39.4%	–35.0%
Overseas	1.6%	–4.9%	–3.3%	–29.4%	–26.1%
Cash & Gilt	n/a	n/a	n/a		

Reconciliation of benchmark performance to movement in NAV

Change in benchmark**		–31.0%
Relative performance		–3.5%
Other factors		
Management fee and finance costs***	–1.4%	
Retained revenue	0.6%	
Impact of repurchasing shares	0.1%	
Capital impact of gearing	–2.4%	
		–3.1%
Movement in NAV per share		**–37.6%**

** 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.

Chairman's Statement

In a disappointing and volatile year, our net asset value fell by 37.6% this year compared to the benchmark index of –31.0%, in marked contrast to last year's strong absolute and relative performance.

Earnings per Ordinary Share increased by 11.2% and, with a proposed final dividend of 6.9p, total distributions to shareholders for 2008 will be 11.7p, up 9.3% for the year.

Buy-backs

We have maintained our policy of repurchasing shares for cancellation as and when attractive opportunities arise and during the course of the year 460,100 shares were repurchased for cancellation, and a further 204,659 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 asset value per share than would otherwise have been the case.

Geographical exposure

Our move in the spring to invest more of the company's assets in overseas markets helped to protect the portfolio somewhat, as sterling weakened very significantly against most of the world's major currencies during the second half of 2008. This cushioned the falls in the major world equity markets for UK investors.

Final Dividend

The proposed final dividend of 6.90p will be paid on 27 March 2009 to shareholders on the register of members at the close of business on 27 February 2009.

Board Composition

Ben Siddons has indicated his intention to retire at the AGM in 2010 and the Board is seeking to recruit a new director in 2009.

Outlook

Confidence remains very fragile and it seems likely that 2009 will see further calls on equity investors to refinance a range of companies, and not just those in the financial sectors. Unwinding the excessive borrowing of recent years will take some time to work through the economies of the developed world and inevitably will entail a painful contraction in 2009. However, the scale of the fiscal and monetary stimuli being applied will eventually begin to have an impact on the current alarming trajectory of economic activity. Equities are now modestly valued by any historic measures and almost certainly represent good value for the long-term investor. Nevertheless we anticipate continuing volatility.

Annual General Meeting

The Annual General Meeting of the Company will be held on 19 March 2009 at 12 noon and I look forward to meeting those shareholders who are able to attend.

Keith Percy | Chairman
19 February 2009

Historical Record

Years ended 30 November

Revenue and Capital

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Gross revenue (£000s)	6,679	7,254	7,495	7,232	7,327	7,163	7,365	8,023	8,926	9,538
Earnings per share	6.91p	8.01p	8.00p	8.16p	8.65p	8.43p	9.21p	10.73p	12.88p	14.32p
Dividend per share (net)	6.90p	7.10p	7.30p	7.50p	7.80p	8.10p	8.80p	9.70p	10.70p	11.70p
Tax credit per share	0.77p	0.79p	0.81p	0.83p	0.87p	0.90p	0.98p	1.08p	1.19p	1.30p
Total dividend per share	7.67p	7.89p	8.11p	8.33p	8.67p	9.00p	9.78p	10.78p	11.89p	13.00p
Total net assets (£000s)	342,148	326,102	254,055	189,375	189,656	191,267	225,699*	241,106	271,819	168,045
Assets attributable to Ordinary Capital (£000s)	341,698	325,652	253,605	188,925	189,206	190,817	225,699*	241,106	271,819	168,045
Net Asset Value per Ordinary Share	560.7p	540.2p	424.3p	329.0p	343.1p	364.1p	451.7p*	495.7p	573.2p	357.8p
Net Asset Value per Ordinary Share (Debt at market value)~	–	–	–	–	–	336.2p	418.1p*	466.1p	550.4p	333.5p
Share price	467.5p	497.0p	376.5p	262.5p	262.5p	288.5p	364.0p	408.0p	464.0p	288.4p
Discount (%)	17	8	11	20	23	21	19*	18	19	19
Discount (Debt at market value)	–	–	–	–	–	14	13*	12	16	14

Notes

~ 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 2008 were 286.75p to 290.00p.

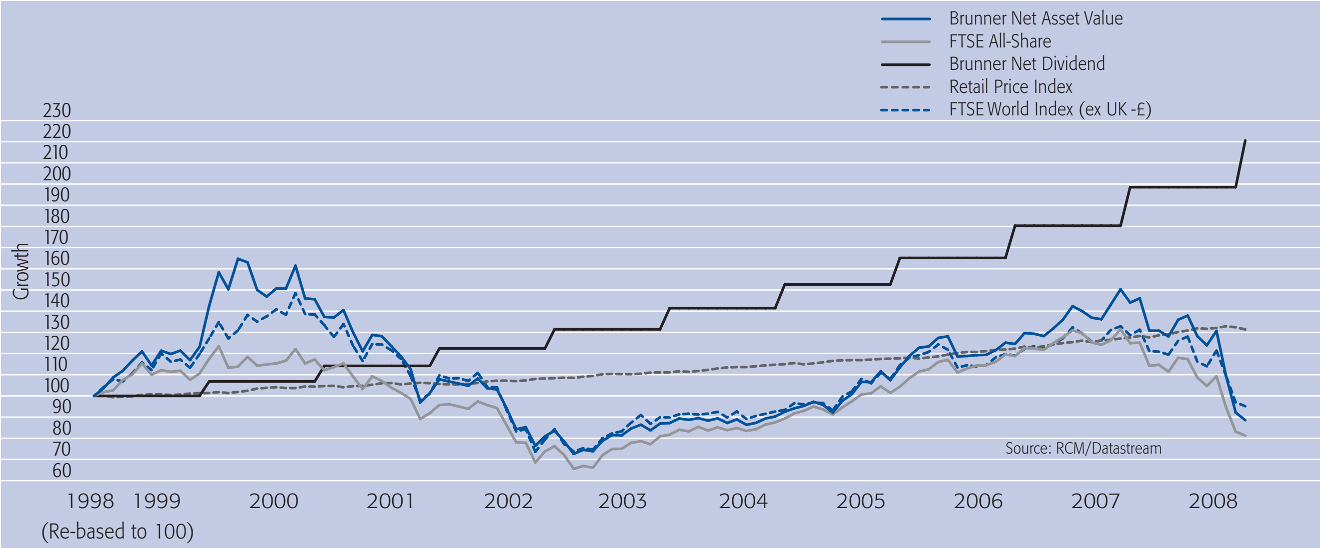
Geographical Disposition

	Percentage of Invested Funds									
	1999	2000	2001	2002*	2003*	2004*	2005*	2006*	2007*	2008*
United Kingdom	59.9	68.6	63.7	58.1	56.7	57.3	59.3	59.5	60.4	48.1
Europe	10.0	7.2	9.2	9.3	11.0	12.4	13.6	12.6	10.8	11.4
Americas	17.0	18.4	19.6	21.7	23.0	20.2	17.2	18.6	22.0	29.1
Japan	8.2	3.2	3.4	3.6	4.1	5.8	5.2	4.2	3.0	5.2
Pacific Basin	3.3	1.4	2.7	5.1	4.9	4.3	4.7	4.7	3.8	5.1
Other Countries	1.6	1.2	1.4	2.2	0.3	0.0	0.0	0.4	0.0	1.1
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

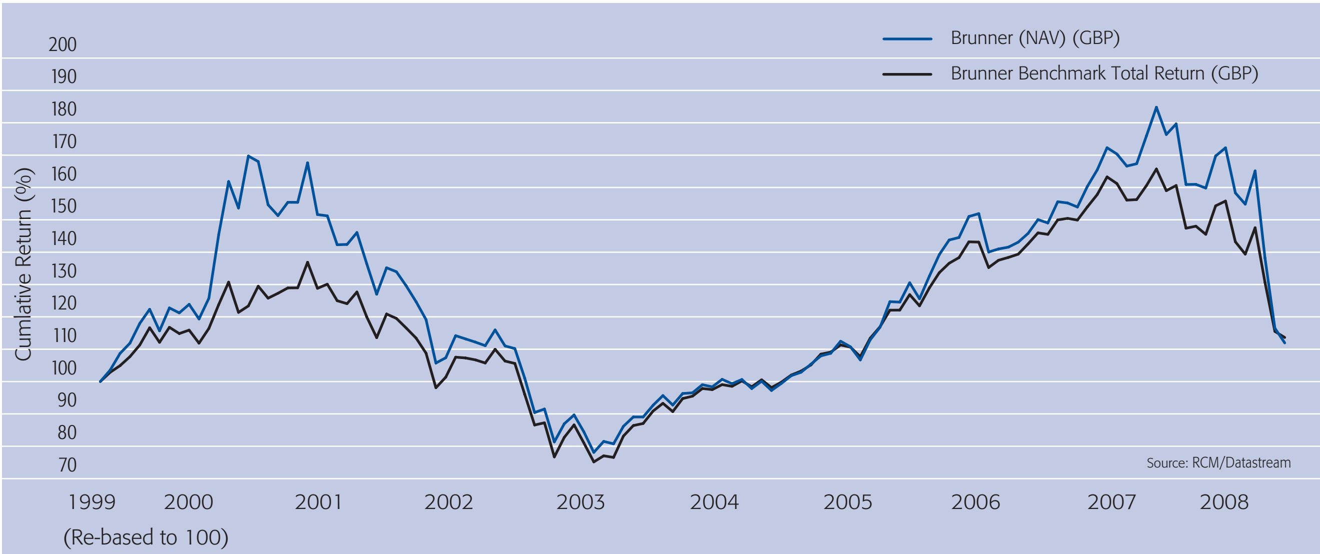
*Excludes Cash and Treasury Stock.

Performance Graphs

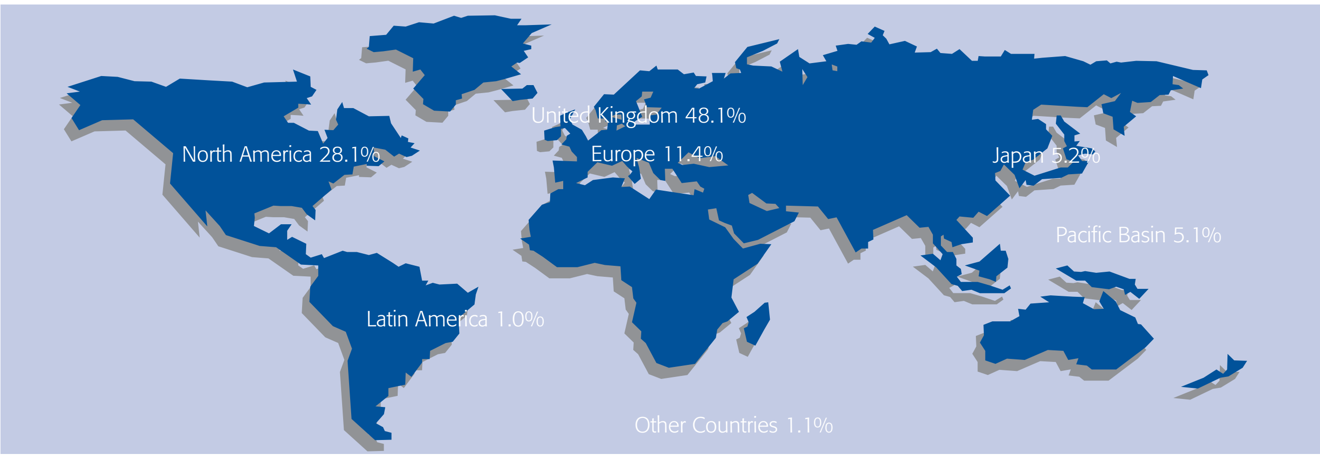
10 year record 1998-2008



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



Geographical Disposition at 30 November 2008



Thirty Largest Investments

at 30 November 2008

	Valuation £	% of Invested Funds	Principal Activities
Treasury Stock 4% 07/03/2009	20,143,500	9.67	Gilt
BP	7,530,123	3.62	Oil & Gas Producers
Royal Dutch Shell 'B' Shares	7,237,172	3.47	Oil & Gas Producers
GlaxoSmithKline	6,286,596	3.02	Pharmaceuticals & Biotechnology
Vodafone Group	6,015,822	2.89	Mobile Telecommunications
HSBC Holdings	5,370,577	2.58	Banks
BHP Billiton	4,655,713	2.24	Mining
Reed Elsevier	4,633,002	2.23	Media
BG Group	4,041,157	1.94	Oil & Gas Producers
Nestle	3,378,806	1.62	Food Producers
Unilever	3,319,536	1.59	Food Producers
East Japan Railway	3,185,468	1.53	Travel & Leisure
Cobham	3,091,793	1.48	Aerospace & Defence
BAE Systems	3,008,476	1.44	Aerospace & Defence
Wal-Mart	2,870,545	1.38	General Retailers
Philip Morris	2,867,210	1.38	Tobacco
Abbott Laboratories	2,728,039	1.31	Pharmaceuticals & Biotechnology
AstraZeneca	2,580,276	1.24	Pharmaceuticals & Biotechnology
Exxon Mobil	2,378,844	1.14	Oil & Gas Producers
Reckitt Benckiser	2,322,319	1.12	Household Goods
AT&T	2,243,383	1.08	Fixed Line Telecommunications
Teva Pharmaceutical Industries	2,170,928	1.04	Pharmaceuticals & Biotechnology
Entergy	2,089,147	1.00	Electricity
Compass	2,086,216	1.00	Travel & Leisure
Hewlett Packard	2,050,560	0.98	Technology Hardware & Equipment
Bayer AG	2,047,137	0.98	Chemicals
Rio Tinto	1,988,260	0.95	Mining
International Power	1,921,225	0.92	Electricity
US Bancorp	1,864,774	0.90	Banks
Toyota Motor	1,855,644	0.89	Automobiles & Parts
	117,962,248	56.63	% of Total Invested Funds

Investment Managers' Review

United Kingdom

Market Review

The UK equity market produced sharply negative returns during the period in common with global markets generally. In addition, there was a sharp differentiation between sectors perceived as being relatively resilient to the likely economic recession and those with a cyclical earnings stream or high debt levels. The latter group of companies substantially underperformed the market as a whole. In such nervous markets, traditional valuation measures failed to provide support to shares fighting against negative market sentiment.

Confidence in the financial markets was progressively undermined during the year, with the rescue of Bear Stearns by JPMorgan and AIG by the US Government. It was the collapse of Lehman Brothers on 15 September, however, which caused acute panic in the financial markets and the prospect of collapse in the banking system. Efforts by the UK government to recapitalise the banks in October restored some confidence to inter-bank lending although the reliance of the UK banks – and by extension, much of the UK economy – on wholesale deposits remains a concern as governments globally try and plug the gap.

Brunner's Portfolio

In a difficult and disappointing year, we were adversely impacted by our financial holdings. Although the Company had lower exposure to the banking sector than the market overall, particular holdings, notably **Barclays** and **HBOS**, performed very poorly. It has been an extremely challenging year for financial institutions and the closure of many wholesale money markets compounded the problems for the banks. The credit crisis also meant that bid activity dried up in the second half of the year and this hurt the performance of **Informa**, the media company, when the proposed take-over of the business by private equity failed to be achieved.

It is encouraging that a number of the Company's long term holdings continued to deliver good relative performance. One example is **Cobham**, the Wimborne based defensive electronics company, which has grown consistently over a number of years and emerged from being a mid cap company into a constituent of the FTSE 100 index and a global leader in its industry. The growth has been built on powerful research and development spending and highly selective acquisitions. Both **GlaxoSmithkline** and **Reed Elsevier**, the academic and scientific publishing company, also performed relatively well as the robustness of their earnings proved to be attractive to investors in these uncertain times.

Given the deteriorating outlook for the UK financial sector, we sold our holding in **Land Securities**. The commercial property sector has suffered from the impact of highly borrowed participants selling properties to remain within the banking covenants, and tenant demand is weak for both office and retail space. We also sold our position in **Marks and Spencer** during the year as falling consumer confidence has had a direct impact on sales and profit margins.

Outlook

There is little doubt that 2009 will be a difficult year for economic growth around the world, and the UK is no exception. This is well understood by most investors and such an environment has been discounted in many share prices. The UK portfolio is well diversified and on a strategic level we continue to favour those companies with high levels of overseas earnings rather than those geared to the domestic economy. With the requirement for many UK consumers to reduce their levels of indebtedness and rebuild savings, we anticipate that discretionary spending could be subdued for some time. We have recently increased our exposure in the commodity sectors, such as mining and oil, believing that the heavy de-rating has created an attractive medium term investment opportunity.

Investment Managers' Review

United Kingdom Listed Equity Holdings

at 30 November 2008

	Value (£)	Principal Activities
BP	7,530,123	Oil & Gas Producers
Royal Dutch Shell 'B' Shares	7,237,172	Oil & Gas Producers
GlaxoSmithKline	6,286,596	Pharmaceuticals & Biotechnology
Vodafone Group	6,015,822	Mobile Telecommunications
HSBC Holdings	5,370,577	Banks
BG Group	4,041,157	Oil & Gas Producers
BHP Billiton*	3,351,051	Mining
Unilever	3,319,536	Food Producers
Cobham	3,091,793	Aerospace & Defence
BAE Systems	3,008,476	Aerospace & Defence
AstraZeneca	2,580,276	Pharmaceuticals & Biotechnology
Reed Elsevier+	2,477,437	Media
Reckitt Benckiser	2,322,319	Household Goods
Compass	2,086,216	Travel & Leisure
Rio Tinto	1,988,260	Mining
International Power	1,921,225	Electricity
Aviva	1,761,941	Life Insurance
Xstrata	1,747,822	Mining
Informa	1,543,003	Media
Telecity Group	1,435,733	Software & Computer Services
Man Group	1,387,363	General Financial
BT Group	1,316,121	Fixed Line Telecommunications
Carillion	1,255,390	Construction & Materials
HBOS	1,209,418	Banks
Dana Petroleum	1,142,488	Oil & Gas Producers
International Personal Finance	1,129,131	General Financial
Sabmiller	1,128,333	Beverages
Melrose	1,092,114	Industrial Engineering
Prudential	929,893	Life Insurance
Royal Bank of Scotland	859,875	Banks
TUI Travel	857,382	Travel & Leisure
3i Group	782,325	General Financial
Intermediate Capital	778,108	General Financial
Tullett Prebon	769,657	General Financial
Barclays	701,116	Banks
Intercontinental Hotels	681,148	Travel & Leisure
Scottish & Southern Energy	665,498	Electricity
BBA Aviation	624,604	Industrial Transportation

Investment Managers' Review

United Kingdom Listed Equity Holdings **Continued**

at 30 November 2008

	Value (£)	Principal Activities
Ashmore Group	544,460	General Financial
Meggitt	488,410	Aerospace & Defence
Lloyds TSB	435,804	Banks
Laird	386,951	Electronic & Electrical Equipment
Plaza Centres	375,047	Real Estate
Speedy Hire	350,125	Support Services
Hansen Transmission	328,644	Alternative Energy
Inchcape	309,330	General Retailers
Unite Group	303,577	Real Estate
Morgan Crucible	272,871	Electronic & Electrical Equipment
Wellstream Holdings	211,750	Oil Equipment, Services & Distribution
	90,433,468	**43.41% of Total Invested Funds**

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

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

United Kingdom Unlisted Equity Holdings

at 30 November 2008

	Value (£)	Principal Activities
August Equity Partners	77,300	Venture Capital Partnership
Fintrust Debenture	4,338	Financial Services
First Debenture Finance	23,893	Financial Services
	105,531	**0.05% of Total Invested Funds**

United Kingdom Fixed Interest Holdings

at 30 November 2008

	Value (£)	Principal Activities
Treasury Stock 4% 07/03/2009	20,143,500	Gilt
	20,143,500	**9.67% of Total Invested Funds**

Investment Managers' Review

International Portfolio

Market Review

Global equity markets produced negative returns coupled with high levels of volatility during the Company's financial year.

It seems remarkable in retrospect that at the start of 2008 markets were concerned about the prospect of rising inflation. Indeed during the first half of 2008 investors became preoccupied with the sharply rising prices of oil and other commodities, which added to existing concerns about housing, credit and the frailties of the global financial system. The price of a barrel of crude oil reached an all-time peak of $147 in early July. Commodity prices generally began to moderate in the summer, however, in response to early signs that the global economy was entering a period of slower growth. Moderation gave way to outright collapse in the autumn, with price declines of such severity that the focus has now turned to the dangers of deflation, and a contraction in the economies of the developed world.

Another feature of the period under review was the wholesale re-pricing of risk across asset classes and a very pronounced increase in volatility within markets. Hand in hand with the significant increase in volatility came a flight to notionally 'risk free' assets such as government bonds.

It is probably not an exaggeration to say that the financial system came close to complete dislocation during September following the sudden failure of Lehman Brothers. The losses suffered by bond holders and other creditors to Lehman sharply raised the already heightened risk aversion prevalent in markets. The scale of the challenge to markets was underlined by various emergency actions taken in the following months by the major central banks and governments. In the face of unprecedented strains in the global financial system, markets witnessed a series of government interventions including rescues of Northern Rock, Bear Stearns, Fannie Mae and Freddie Mac, AIG, Fortis, and Glitnir. On top of these "bailouts", the Bank of England, the Federal Reserve and European Central Bank injected huge sums into the system in an attempt to keep credit channels open; there were co-ordinated interest cuts from various central banks and towards the end of the year several large fiscal plans were announced to aid a rapidly slowing global economy.

With this terrible financial market backdrop, it is no surprise that the Financial sector bore the brunt of the market declines, followed by Basic Materials and Industrials. The relatively defensive Healthcare sector was the least affected over the year, although even this area failed to post positive returns and the FTSE World Health Care Sector fell almost 4% in sterling terms. Emerging markets likewise came under severe pressure as global growth deteriorated rapidly and they led the markets down, followed by the Pacific Basin ex Japan. Japan, although still significantly weaker over the period, proved to be the most resilient of markets on a regional basis, particularly after taking into account Yen appreciation.

Brunner's Portfolio

In contrast to last year's strong performance, the portfolio underperformed the benchmark during the Company's reporting period. Individual stock selection within the Pharmaceuticals, Mining and Life Insurance sectors was the principal reason for the portfolio's underperformance. A diversified sector approach, with a continued focus on risk, has been maintained.

Turning to the most notable individual performances, one of the Company's significant Japanese investments produced a strong performance during the year. The Japanese rail services and real estate company, **East Japan Railway** has growth potential through the redevelopment of Shinagawa, Shinjuku and Yokohama stations, while the railway industry provides a resilient and relatively stable income stream. Unlike many of the Japanese exporting companies, East Japan Railway was not exposed to the negative translational impact arising from the effects from the strong Yen.

Within the pharmaceutical sector, the Company's investments in **Abbott Laboratories** and **Teva Pharmaceutical** were positive relative contributors to overall performance. Other names that proved helpful contributors to the portfolio were the tobacco producer **Philip Morris International**; the global supermarket chain **Wal-Mart Stores** and the global food producer and distributor **Nestle**.

With regard to the main negative contributors, two of our insurance company holdings, **Prudential Financial** and **ING** have been heavily marked down by the market. We retain an exposure to insurance but currently favour the general insurers where pricing power is beginning to improve because of reduced capital entering the industry. Within the mining and materials sector the holding in **Rio Tinto** was negatively affected by **BHP Billiton's** decision not to pursue its offer for the company. We disposed of the investment in Rio Tinto in the overseas portfolio and have reinvested in BHP Billiton which we believe to be a more attractive company on a stand alone basis.

Investment Managers' Review

Outlook

Investors in global equity markets currently lack confidence, with continuing concerns about credit conditions and the impact of a rapidly deteriorating global economy. We believe many expectations of corporate earnings remain overly optimistic. We expect, therefore, to see more companies disappoint the market during the coming months and volatility to remain at historically elevated levels. Despite these negative forces, we take some comfort from the fact that valuations are attractive in a historic context, particularly in the light of the concerted efforts by governments and central banks to stabilise economies. We believe that the market does currently offer opportunities to invest in high quality companies at depressed prices and we continue to seek out those stocks which appear able to deliver sales growth in a very difficult market environment.

Investment Managers' Review

North America Listed Equity Holdings

at 30 November 2008

	Value (£)	Principal Activities
Wal-Mart	2,870,545	General Retailers
Philip Morris	2,867,210	Tobacco
Abbott Laboratories	2,728,039	Pharmaceuticals & Biotechnology
Exxon Mobil	2,378,844	Oil & Gas Producers
AT&T	2,243,383	Fixed Line Telecommunications
Entergy	2,089,147	Electricity
Hewlett Packard	2,050,560	Technology Hardware & Equipment
US Bancorp	1,864,774	Banks
Gilead Sciences	1,833,973	Pharmaceuticals & Biotechnology
CVS Caremark	1,810,008	Food & Drug Retailers
Shoppers Drug Mart	1,770,656	Food & Drug Retailers
Qualcomm	1,718,007	Technology Hardware & Equipment
Honeywell	1,471,686	General Industrials
Danaher	1,452,534	Electronic & Electrical Equipment
Monsanto	1,362,229	Food Producers
Devon Energy	1,328,510	Oil & Gas Producers
Allergan	1,299,196	Pharmaceuticals & Biotechnology
Northern Trust	1,289,678	Banks
FPL	1,268,796	Electricity
Genentech	1,170,126	Pharmaceuticals & Biotechnology
Walt Disney Co.	1,136,138	Media
Zions Bancorp	1,115,641	Banks
Apple	1,042,745	Technology Hardware & Equipment
Nike	1,019,511	Personal Goods
Adobe Systems	995,095	Software & Computer Services
Thermo Fisher Scientific	993,515	Health Care Equipment & Services
Amazon	988,093	General Retailers
Amgen	956,828	Pharmaceuticals & Biotechnology
Google	955,430	Software & Computer Services
Canadian Natural Resources	893,672	Oil & Gas Producers
Transocean	860,364	Oil Equipment, Services & Distribution
Fluor	856,036	Construction & Materials
Western Union	836,878	Support Services
Marathon Oil	813,990	Oil & Gas Producers
Energizer	740,943	Electronic & Electrical Equipment
Bank Of America	675,809	Banks
American Movil	626,750	Mobile Telecommunications
AON	489,314	Insurance
	52,864,653	**25.38% of Total Invested Funds**

Investment Managers' Review

Latin America Listed Equity Holdings

at 30 November 2008

	Value (£)	Principal Activities
BCO Itau	1,206,012	Banks (Brazil)
Petrol Brasileiros	631,992	Oil & Gas Producers (Brazil)
	1,838,004	**0.88% of Total Invested Funds**

Continental Europe Listed Equity Holdings

at 30 November 2008

	Value (£)	Principal Activities
Nestle	3,378,806	Food Producers (Switzerland)
Reed Elsevier+	2,155,565	Media (Netherlands)
Bayer AG	2,047,137	Chemicals (Germany)
Muenchener Rueckve	1,559,477	Insurance (Germany)
BNP Paribas	1,516,250	Banks (France)
E.ON	1,495,374	Gas, Water and Multiutilities (Germany)
Total	1,475,828	Oil & Gas Producers (France)
Vinci	1,110,981	Construction & Materials (France)
Fresenius	1,110,746	Health Care Equipment & Services (Germany)
Umicore	917,923	Chemicals (Belguim)
ABB	900,665	Electronic & Electrical Equipment (Switzerland)
Gamesa	802,638	Industrial Engineering (Spain)
LVMH Moet Hennessy	789,324	Personal Goods (France)
Lonza	741,324	Pharmaceuticals & Biotechnology (Switzerland)
Commerzbank	705,058	Banks (Germany)
National Bank of Greece	661,270	Banks (Greece)
	21,368,366	**10.26% of Total Invested Funds**

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

Middle East Listed Equity Holdings

at 30 November 2008

	Value (£)	Principal Activities
Teva Pharmaceutical Industries	2,170,928	Pharmaceuticals & Biotechnology (Israel)
	2,170,928	**1.04% of Total Invested Funds**

Investment Managers' Review

Japan Listed Equity Holdings

at 30 November 2008

	Value (£)	Principal Activities
East Japan Railway	3,185,468	Travel & Leisure
Toyota Motor	1,855,644	Automobiles & Parts
Mitsui Fudosan	1,592,734	Real Estate
Nintendo	1,503,606	Leisure Goods
Canon	1,013,009	Technology Hardware & Equipment
Mitsubishi	694,871	Support Services
	9,845,332	**4.73% of Total Invested Funds**

Pacific Basin Listed Equity Holdings

at 30 November 2008

	Value (£)	Principal Activities
China Mobile	1,309,611	Mobile Telecommunications (Hong Kong)
BHP Billiton*	1,304,662	Mining (Australia)
QBE Insurance	1,239,433	Insurance (Australia)
CSL	1,155,857	Pharmaceuticals & Biotechnology (Australia)
DBS Group Holdings	1,149,288	Banks (Singapore)
Petrochina	1,120,183	Oil & Gas Producers (Hong Kong)
Samsung Electronics	772,961	Electronic & Electrical Equipment (South Korea)
KT & G	749,161	Tobacco (South Korea)
Fubon Financial	745,973	Financial Services (Taiwan)
	9,547,129	**4.58% of Total Invested Funds**

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

Distribution of Invested Funds

at 30 November 2008

Invested Funds – £188,173,411 (2007 – £286,804,453)
excluding Treasury Stock 4% 07/03/2009 – £20,143,500 (2007 – £19,969,500)

	United Kingdom %	North America %	Other Countries %	2008 Total %	50% All-Share 50% World Index 2008 Benchmark Sector Weighting*	2007 Total %
Oil & Gas						
Oil & Gas Producers	10.61	2.88	1.72	15.21	14.93	12.77
Oil Equipment, Services and Distribution	0.11	0.46	–	0.57	0.87	1.37
	10.72	**3.34**	**1.72**	**15.78**	**15.80**	**14.14**
Basic Materials						
Chemicals	–	–	1.58	1.58	1.42	1.99
Forestry & Paper	–	–	–	–	0.12	–
Industrial Metals	–	–	–	–	0.83	–
Mining	3.77	–	0.69	4.46	3.91	7.43
	3.77	**–**	**2.27**	**6.04**	**6.28**	**9.42**
Industrials						
Aerospace & Defence	3.50	–	–	3.50	1.75	4.57
Alternative Energy	0.17	–	–	0.17	0.08	–
Construction & Materials	0.67	0.45	0.59	1.71	0.88	1.58
Electronic & Electrical Equipment	0.35	1.17	0.89	2.41	0.72	2.77
General Industrials	–	0.78	–	0.78	1.68	1.13
Industrial Engineering	0.58	–	0.43	1.01	1.12	0.54
Industrial Transportation	0.33	–	–	0.33	1.00	0.48
Support Services	0.19	0.44	0.37	1.00	2.16	1.00
	5.79	**2.84**	**2.28**	**10.91**	**9.39**	**12.07**
Consumer Goods						
Automobiles & Parts	–	–	0.99	0.99	1.10	1.17
Beverages	0.60	–	–	0.60	2.45	1.65
Food Producers	1.76	0.72	1.80	4.28	2.85	1.74
Household Goods	1.23	–	–	1.23	1.81	1.79
Leisure Goods	–	–	0.80	0.80	0.47	0.52
Personal Goods	–	0.54	0.42	0.96	0.87	0.46
Tobacco	–	1.52	0.40	1.92	2.69	0.96
	3.59	**2.78**	**4.41**	**10.78**	**12.24**	**8.29**
Health Care						
Health Care Equipment & Services	–	0.53	0.59	1.12	1.42	0.88
Pharmaceuticals & Biotechnology	4.71	4.25	2.16	11.12	8.19	7.10
	4.71	**4.78**	**2.75**	**12.24**	**9.61**	**7.98**
Consumer Services						
Food & Drug Retailers	–	1.90	–	1.90	2.25	0.87
General Retailers	0.16	2.05	–	2.21	2.45	0.83
Media	2.14	0.60	1.15	3.89	2.38	3.66
Travel & Leisure	1.93	–	1.69	3.62	2.09	3.00
	4.23	**4.55**	**2.84**	**11.62**	**9.17**	**8.36**

Distribution of Invested Funds

at 30 November 2008

Invested Funds – £188,173,411 (2007 – £286,804,453) excluding Treasury Stock 4% 07/03/2009 – £20,143,500 (2007 – £19,969,500)	United Kingdom %	North America %	Other Countries %	2008 Total %	50% All-Share 50% World Index 2008 Benchmark Sector Weighting*	2007 Total %
Telecommunications						
Fixed Line Telecommunications	0.70	1.19	–	1.89	2.53	1.07
Mobile Telecommunications	3.20	0.33	0.70	4.23	3.82	3.86
	3.90	**1.52**	**0.70**	**6.12**	**6.35**	**4.93**
Utilities						
Electricity	1.37	1.78	–	3.15	2.75	4.15
Gas, Water & Multiutilities	–	–	0.79	0.79	2.63	0.75
	1.37	**1.78**	**0.79**	**3.94**	**5.38**	**4.90**
Financials						
Banks	4.56	2.63	2.78	9.97	10.89	13.07
Equity Investment	–	–	–	–	1.34	–
General Financial	2.86	–	0.40	3.26	2.28	5.19
Non-Life Insurance	–	0.26	1.49	1.75	2.33	–
Life Insurance	1.43	–	–	1.43	2.01	3.32
Real Estate	0.36	–	0.85	1.21	1.53	1.73
	9.21	**2.89**	**5.52**	**17.62**	**20.38**	**23.31**
Information Technology						
Software & Computer Services	0.76	1.04	–	1.80	2.34	3.26
Technology Hardware & Equipment	–	2.56	0.54	3.10	3.06	3.33
	0.76	**3.60**	**0.54**	**4.90**	**5.40**	**6.59**
Unquoted	**0.05**	**–**	**–**	**0.05**	**–**	**0.01**
Total	**48.10**	**28.08**	**23.82**	**100.00**	**100.00**	**100.00**

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

*In order to enable fairer comparison against the benchmark, the Treasury Stock 4% 2009 has been excluded from the above table.

Directors, Manager & Advisers

Directors

All Directors are non-executive.

KE Percy (Chairman)†

(Born January 1945) joined the Board on 1 January 2004. He is Chairman of SG Asset Management UK. He is also a 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.

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 2008 had combined assets of £763.6 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 £0.9 billion assets under management in a range of investment trusts as at 31 December 2008.

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

Registered Number: 226323

Registrars and Transfer Office Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone: 0871 664 0300 (calls cost 10p per minute plus network extras), or if telephoning from overseas, 0044 20 8639 3399. email: ssd@capitaregistrars.com

Auditors Deloitte LLP

Bankers HSBC Bank plc, HBOS plc

Stockbrokers Oriel Securities Limited

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 from the Investment Manager's Investors Helpline on 0800 317573 or via the Manager's website: www.rcm.com.

Share Prices

The share prices quoted in the London Stock Exchange Daily Official List for 30 November 2008 were 286.75p – 290.00p.

Investing in the Company

Former Allianz Global Investors Investment Trust ISA, PEP and Share Plan wrapper investors had the opportunity to transfer to Alliance Trust Savings Plan ("ATS") in early 2008. Information on investing in the shares of the Company is available from the Investment Manager's Investor Helpline on 0800 317573 or from the Manager's website: www.rcm.com/investmenttrusts, or from Alliance Trust Savings Customer Services Department on 01382 573737 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.rcm.com, which can also be reached via www.brunner.co.uk.

Dividend

The Board is recommending a final distribution of 6.90p to be payable on 27 March 2009 to shareholders on the Register of Members at the close of business on 27 February 2009, making a total distribution of 11.70p per share for the year ended 30 November 2008, an increase of 9.3%.

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 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 (DRIP)

The Company's registrars, Capita Registrars, offer a Dividend Reinvestment Plan which gives Ordinary Shareholders the opportunity to use their cash dividend to buy further shares in the Company under a low-cost dealing arrangement. Capita Registrars enclose the Terms and Conditions and a personalised application form with each dividend payment.

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.

AIC 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 and Share Portal

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

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

Capita Registrars 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; and 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 0871 664 0300 (calls cost 10p per minute plus network extras) or 0044 20 8639 3399 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 2008.

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 2007. 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, prospectus and disclosure 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 50% FTSE All-Share and 50% FTSE World Index (ex UK £ adjusted) over the long term. The objective is to be achieved by investment in UK and international securities and by using appropriate gearing to enhance returns. This strategy is designed to meet the requirements of those seeking a single investment in a diversified and professionally managed portfolio. At 30 November 2008 the portfolio contained 126 stocks. The Board's Investment Policy is set out in full on page 2.

Performance

The aim of the Company is to provide growth in capital value and dividends over the long term.

In the year to 30 November 2008 the Company produced a NAV capital return to shareholders of -37.6%. This compares with the return on the Company's benchmark index of –31.0%. In the previous year the NAV return was 15.6% and the benchmark index was 6.3%. At 30 November 2008 the value of the Company's net asset value was £168m. Performance over ten years is shown on page 5. 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 50% FTSE All-Share and 50% 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 2008 is given in the explanation of the movement in net asset value per ordinary share on page 3.

Directors' Report

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 2008 the shares traded between a discount of 7.8% and 20.0% 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 2008 was 0.6% (2007 – 0.6%).

Share Capital

Details of the Company's share capital are set out in Note 11 on page 49. Further to a resolution passed on 20 March 2008 the Company purchased 460,100 ordinary shares for cancellation, representing 0.97% 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 pages 57 and 58.

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") 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. 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 and results are reported to the Board at each Board Meeting. The Company must comply with the provisions of the Companies Act 1985, and the Companies Act 2006 as it becomes enacted ("Companies Acts"), and, as the Company's shares are listed on the London Stock Exchange, the Company must comply with the UK Listing Authority's Listing Rules and Disclosure and Transparency 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

Directors' Report

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 29.

Operational

Disruption to, or failure of, RCM'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 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 beginning on page 31.

Financial

The financial risks to the Company are disclosed in Note 20 beginning on page 51.

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 to 12.

Going Concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the Company consist mainly of securities which are readily realisable and accordingly, that the Company has adequate financial resources to continue in operational existence for the foreseeable future.

Share Buy Backs

During the year to 30 November 2008 a total of 460,100 Ordinary Shares of 25p each (nominal value £115,025) were repurchased and cancelled as part of the share buy back programme that was approved last year and in previous years. The consideration paid, including attributable expenses, amounted to £1,799,936.

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 losses based on historical costs of £8,119,308 (2007 – gains of £29,898,480). Provisions contained in the Finance Act 1980 exempt approved Investment Trusts from corporation tax on their chargeable gains. Invested funds at 30 November 2008 had a value of £208,316,911 (2007 – £306,773,953) before deducting net liabilities of £40,271,785 (2007 – £34,955,164).

Net Asset Value

The Net Asset Value of the Ordinary Shares of 25p at the year end was 357.8p, as compared with a value of 573.2p at 30 November 2007.

Donations and Subscriptions

No donations or subscriptions of a political or charitable nature were made during the year (2007 – nil).

Directors' Report

Historical Record

A schedule of the Company's thirty largest investments is included in the Investment Managers' Review. The distribution of invested funds is shown on pages 16 and 17 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 made by the Company, together with the Retail Price Index over the same period.

Auditors

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP. A resolution to approve the re-appointment of Deloitte 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.

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 Company'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.

The Board is in the late stages of discussion with the Manager about the reclaim of VAT paid on the management fee for various time periods up to 2007. Further information is given in Note 16 on page 50.

Related Party Transactions

During the financial year no transactions with related parties have taken place which would materially affect the financial position or the performance of the Company.

Revenue

	2008 £	2008 £
Gross income for the year		9,537,646
from which had to be deducted:		
Expenses of administration	(729,022)	
Finance costs of borrowings	(1,413,877)	
Total expenses		**(2,142,899)**
leaving an amount subject to taxation of		**7,394,747**
Taxation absorbed		(630,637)
leaving available for distribution to the Ordinary Shareholders		**6,764,110**
Dividends in respect of the financial year		
Interim 4.80p per Ordinary Share paid 27th August 2008	(2,262,553)	
Final proposed 6.90p per Ordinary Share payable 27 March 2009	(3,240,586)	
		(5,503,139)
thus leaving to be transferred to Revenue Reserve		**1,260,971**

Directors' Report

The Board declared an interim dividend of 4.80p per Ordinary Share which was paid on 27 August 2008. The Board recommends a final dividend for the year ended 30 November 2008 of 6.90p, payable on 27 March 2009, making a total distribution for the year of 11.70p per Ordinary Share. The next interim dividend payment is expected to be made in August 2009.

Section 992 of the Companies Act 2006

The following disclosures are made in accordance with Section 922 of the Companies Act 2006.

Capital Structure

The Company's capital structure is set out in Note 11 on page 49.

Voting Rights in the Company's Shares

As at 31 January 2009, the Brunner Investment Trust PLC's capital consists of:

Share class	Number of shares issued	Voting rights per share	Total voting rights
Ordinary shares of 25p	46,760,356	1	46,760,356
5% Cumulative Preference shares of £1	450,000	0	–
Total	**47,210,356**		**46,760,356**

These figures remain unchanged as at the date of this report.

Interests in the Company's Share Capital

At the date of this report, the Company was aware of the following interests in the Company's share capital: CE Wilkinson (as trustee 13.04%); HLJ Brunner (beneficial 6.81% – as trustee 5.53%); TBH Brunner (beneficial 1.66% – as trustee 5.45%); JHK Brunner (beneficial 3.64% – as trustee 1.96%); AXA Group (18.35%); 1607 Capital Partners (6.18%); M & G Investment Management (5.09%); and Legal & General (3.22%).

Mr CE Wilkinson acts as a co-trustee with Mr TBH Brunner in respect of 1,759,058 Ordinary Shares (3.76%), 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 (4.97%) which form part of Mr HLJ Brunner's trustee holdings.

Analysis of Share Register

Based on an analysis of the Ordinary Share register at 16 February 2009.

	2008				2007			
Shareholder Type	Number of Holders	%	Number of shares	%	Number of Holders	%	Number of shares	%
Private holders*	923	58.8	14,050,828	30.0	947	60.0	15,464,590	32.7
Nominees	597	38.1	30,509,275	65.3	564	36.0	29,068,662	61.4
Limited Companies	28	1.8	114,719	0.2	34	2.1	224,213	0.5
Investment Trusts	5	0.3	48,801	0.1	5	0.3	48,801	0.1
Banks and Bank Nominees	7	0.4	1,997,518	4.3	8	0.5	2,432,660	5.1
Insurance Companies	–	–	–	–	3	0.2	9,500	0.0
Other holders	10	0.6	39,215	0.1	17	0.9	66,689	0.2
	1,570	**100.0**	**46,760,356**	**100.0**	1,578	100.0	47,315,115	100.0

*Includes ISA and Savings Plan Nominees.

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

Directors

BCR Siddons, WR Worsley and RKA Wakeling, having each held office for more than nine years, are subject to annual re-election under the provisions of the AIC Code of Corporate Governance and accordingly retire by rotation and offer themselves for re-election. The Board does not consider Mr Siddons to be independent because of 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 this and that his knowledge and experience adds significantly to the strength of the Board. Notwithstanding the lengths of service of WR Worsley and RKA Wakeling, the Board views these Directors as independent of the Manager.

Directors' Report

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

Biographical details of the Directors are on page 18. The present Directors and their interests in the share capital of the Company as at 30 November 2008 are set out below.

Ordinary Shares of 25p

	2008 Beneficial	2008 As Trustee	2007 Beneficial	2007 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	523,900	110,000	526,150

Since the year end, Mr Worsley's non-beneficial share interest was reduced by the sale of 10,750 shares.

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

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

Annual General Meeting

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 20 March 2008. The current authority will expire on 20 May 2009.

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 2010. Accordingly resolution 9 as set out in the Notice of Meeting on page 57 will be proposed as an Ordinary Resolution and resolutions 10 and 11 will be proposed as Special Resolutions.

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 27.57% of the Ordinary Share Capital of the Company. If the proposed buy back authority were to be used

Directors' Report

in full, the repurchase of Ordinary Shares could result in the Connected Parties holding 32.07% 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 11 will be proposed as a Special Resolution at the AGM. The Board believes that such purchases in the market at appropriate times and prices may be a suitable method of enhancing shareholder value. The Company would make either a single purchase or a series of purchases, when market conditions are suitable, with the aim of maximising the benefits to shareholders and within guidelines set from time to time by the Board.

Where purchases are made at prices below the prevailing net asset value of the Ordinary Shares, this enhances net asset value for the remaining shareholders. It is therefore intended that purchases will only be made at prices below net asset value, with the purchases to be funded from the realised capital profits of the Company (which are currently in excess of £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 7,009,377 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 19 March 2009.

The authority will last until the Annual General Meeting of the Company to be held in 2010 or the expiry of 18 months from the date of the passing of this resolution, whichever is the earlier. The authority will be subject to renewal by shareholders at subsequent annual general meetings.

Additional Information

The Directors, whose names are set out on page 18 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.

The Directors unanimously recommend shareholders to vote in favour of resolution 11 to be proposed at the Annual General Meeting in relation to the renewed authority for the repurchase of shares as they intend to do in respect of their respective holdings of Ordinary Shares.

By Order of the Board
K J Salt
Secretary

19 February 2009

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 UK accounting standards have been followed;
- 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 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.

Statement under Disclosure and Transparency Rule 4.1.12

The Directors at the date of the approval of this Report each confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Annual Financial Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board

Keith Percy | Chairman

19 February 2009

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 and 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 18, demonstrate a breadth of investment, industrial, commercial and professional experience.

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

In accordance with the Articles of Association new Directors stand for election at the first Annual General Meeting following their appointment. Each Director is required to seek re-election at least every three years and annually after nine years' service. The names of the Directors retiring by rotation at this year's Annual General Meeting are given on page 25.

The Board meets at least six times a year and convenes ad hoc meetings as and when required. Between meetings, regular contact with the investment managers is maintained. Matters specifically reserved for decision by the full Board have been defined and a procedure adopted for Directors, in 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 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 Board has a policy to ensure that new Directors are recruited from time to time to maintain the balance of the Board. Ben Siddons has indicated his intention to step down from the Board at the AGM in 2010 and steps are in place to appoint a new Director during 2009.

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 24.

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.

Conflicts of Interest

The Companies Act 2006 sets out directors' general duties with some changes from the previously existing law. 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. Since 1 October 2008, directors are able to authorise these conflicts and potential conflicts if their company's articles of association allow it. At the Annual General Meeting last year, shareholders approved changes to the Articles of Association that permit the Directors of the Company to deal with and authorise conflicts or potential conflicts of interest. The Board intends to report annually on the Company's procedures for ensuring that its powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

Each of the Directors has provided a statement of all conflicts of interest and potential conflicts of interest relating to the Company. These statements have been considered and approved by the Board. The Directors have undertaken to notify the Chairman and Company Secretary of any proposed new appointments and new conflicts or potential conflicts for consideration, if necessary, by the Board. The Board has agreed that only Directors who have no interest in the matter being considered will be able to take the relevant decision and that in taking the decision the Directors will act in a way they consider, in good faith, will be most likely to promote the Company's success. The Board is able to impose limits or conditions when giving authorisation if it thinks this is appropriate.

The Board confirms that its powers of authorisation are operating effectively and that the agreed procedures have been followed.

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.

Corporate Governance Statement

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 pages 33 and 34.

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, 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 are also regular and comprehensive reviews 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.

Corporate Governance Statement

Relations with Shareholders

The Board strongly believes that the Annual General Meeting should be an event which private shareholders are encouraged to attend. The Annual General Meeting is attended by the Chairman of the Board, the respective Chairmen of the Board's Committees and the 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 28 and a statement of going concern is on page 23.

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

Exercise of Voting Powers

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

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

"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 2008. 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 £150,000 per annum. Subject to this overall limit, it is the Board's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive Directors in the investment trust industry generally, the role that individual Directors fulfil, and the time committed to the Company's affairs. The Board believes that levels of remuneration should be sufficient to attract and retain non-executive Directors to oversee the Company.

Directors' and Officers' Liability insurance cover is held by the Company. 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; 50% FTSE All-Share and 50% 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 the Directors were paid at a rate of £18,000 per annum and the Chairman at a rate of £30,000 per annum, with an additional £2,000 each payable to the Senior Independent Director and the Chairman of the Audit Committee.

Directors' Emoluments

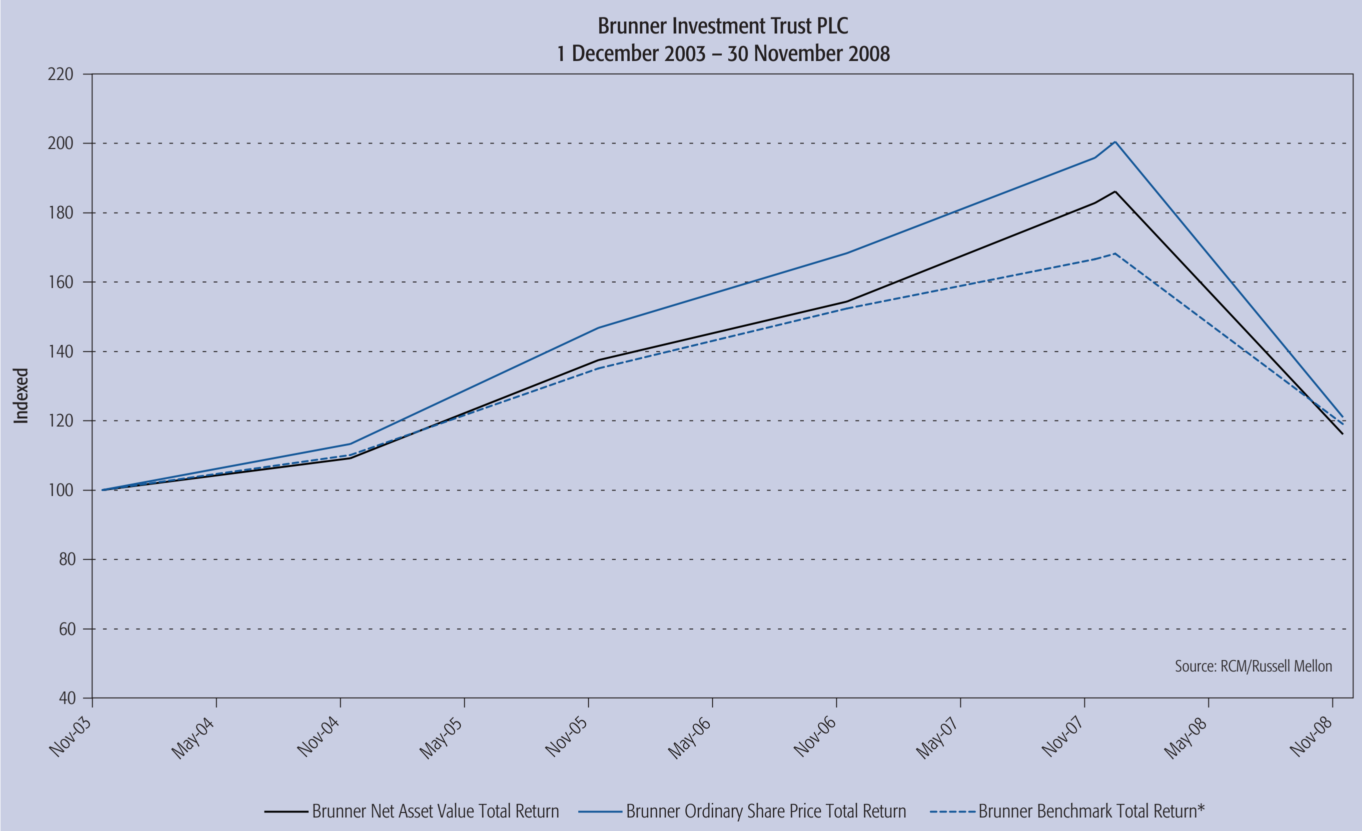
The Directors' Emoluments during the year and in the previous year are as follows:

	Directors' fees	
	2008	**2007**
	£	**£**
KE Percy	30,000	27,000
VP Bazalgette	18,000	16,250
BCR Siddons	18,000	16,250
RKA Wakeling	20,000	17,250
WR Worsley	20,000	17,250
Total	**106,000**	**94,000**

Directors' Remuneration Report

Performance Graph

The graph below measures the Company's share price and net asset value performance against the benchmark index.*



*60:40 FTSE All-Share and FTSE World Index (ex UK £) until 24 March 2008, 50:50 FTSE All-Share and FTSE World Index (ex UK £) from 25 March 2008.

By Order of the Board
K J Salt
Secretary
19 February 2009

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 2008 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 21. 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 Financial 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 Financial 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 Financial 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 2008 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 LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

19 February 2009

Income Statement for the year ended 30 November 2008

	Note	2008 £ Revenue	2008 £ Capital	2008 £ Total Return	2007 £ Revenue	2007 £ Capital	2007 £ Total Return
Net (losses) gains on investments at fair value	8	–	(99,627,396)	(99,627,396)	–	38,714,187	38,714,187
Net gains (losses) on foreign currencies		–	6,525	6,525	–	(1,763)	(1,763)
Income	1	9,537,646	–	9,537,646	8,926,323	–	8,926,323
Investment management fee	2	(395,503)	(922,839)	(1,318,342)	(461,439)	(1,076,692)	(1,538,131)
Administration expenses	3	(333,519)	(28,872)	(362,391)	(303,702)	(12,796)	(316,498)
Net return before finance costs and taxation		**8,808,624**	**(100,572,582)**	**(91,763,958)**	**8,161,182**	**37,622,936**	**45,784,118**
Finance costs: interest payable and similar charges	4	(1,413,877)	(3,232,898)	(4,646,775)	(1,380,952)	(3,111,451)	(4,492,403)
Net return on ordinary activities before taxation		**7,394,747**	**(103,805,480)**	**(96,410,733)**	**6,780,230**	**34,511,485**	**41,291,715**
Taxation	5	(630,637)	311,048	(319,589)	(596,410)	354,715	(241,695)
Net return on ordinary activities attributable to Ordinary Shareholders		**6,764,110**	**(103,494,432)**	**(96,730,322)**	**6,183,820**	**34,866,200**	**41,050,020**
Return per Ordinary Share (basic and diluted)	7	**14.32p**	**(219.11p)**	**(204.79p)**	**12.88p**	**72.62p**	**85.50p**

Dividends in respect of the financial year ended 30 November 2008 total 11.70p (2007 – 10.70p), amounting to £5,503,139 (2007 – £5,089,366). Details are set out in Note 6.

The total return 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 41 to 56 form an integral part of these Financial Statements.

Reconciliation of Movements in Shareholders' Funds
for the year ended 30 November 2008

	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**
Net Assets at 30 November 2007		11,856,279	4,143,721	197,212,132	46,112,479	12,494,178	271,818,789
Revenue Return		–	–	–	–	6,764,110	6,764,110
Shares repurchased during the year		(115,025)	115,025	(1,799,936)	–	–	(1,799,936)
Dividends on Ordinary Shares	6	–	–	–	–	(5,243,405)	(5,243,405)
Capital Return		–	–	(11,278,683)	(92,215,749)	–	(103,494,432)
Net Assets at 30 November 2008		**11,741,254**	**4,258,746**	**184,133,513**	**(46,103,270)**	**14,014,883**	**168,045,126**

The notes on pages 41 to 56 form an integral part of these Financial Statements.

Balance Sheet as at 30 November 2008

	Note	2008 £	2008 £	2007 £
Fixed Assets				
Investments held at fair value through profit or loss	8		208,316,911	306,773,953
Current Assets				
Debtors	10	3,289,601		1,280,219
Cash at bank	10	11,768,151		18,789,610
		15,057,752		20,069,829
Creditors – Amounts falling due within one year	10	(3,388,772)		(3,035,453)
Net Current Assets			**11,668,980**	**17,034,376**
Total Assets less Current Liabilities			**219,985,891**	**323,808,329**
Creditors – Amounts falling due after more than one year	10		(51,940,765)	(51,989,540)
Total Net Assets			**168,045,126**	**271,818,789**
Capital and Reserves				
Called up Share Capital	11		11,741,254	11,856,279
Capital Redemption Reserve	12		4,258,746	4,143,721
Capital Reserves: Realised	13	184,133,513		197,212,132
Unrealised	13	(46,103,270)		46,112,479
			138,030,243	**243,324,611**
Revenue Reserve	14		14,014,883	12,494,178
Equity Shareholders' Funds	15		**168,045,126**	**271,818,789**
Net Asset Value per Ordinary Share	15		**357.8p**	**573.2p**

Approved by the Board of Directors on 19 February 2009 and signed on its behalf by:

K E Percy
W R Worsley

The notes on pages 41 to 56 form an integral part of these Financial Statements.

Cash Flow Statement for the year ended 30 November 2008

	Note	2008 £	2008 £	2007 £
Net cash inflow from operating activities	18		**8,062,049**	**8,183,152**
Return on investments and servicing of finance				
Interest paid		(4,672,618)		(4,671,242)
Dividends paid on Preference Stock		(22,500)		(22,500)
Net cash outflow from investment and servicing of finance			**(4,695,118)**	**(4,693,742)**
Capital expenditure and financial investment				
Purchase of fixed asset investments		(175,771,433)		(168,006,314)
Sale of fixed asset investments		172,419,299		178,671,631
Net cash (outflow) inflow from capital expenditure and financial investments			**(3,352,134)**	**10,665,317**
Equity dividends paid			(5,243,405)	(4,854,699)
Net cash (outflow) inflow before financing			**(5,228,608)**	**9,300,028**
Financing				
Repurchase of Ordinary Shares for cancellation			(1,799,376)	(5,483,228)
(Decrease) Increase in cash	19		**(7,027,984)**	**3,816,800**

The notes on pages 41 to 56 form an integral part of these Financial Statements.

Statement of Accounting Policies for the year ended 30 November 2008

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

   The accounting policies adopted in preparing the current year's financial statements are consistent with those of previous years.

   The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the Company consist mainly of securities which are readily realisable and accordingly, that the Company has adequate financial resources to continue in operational existence for the foreseeable future. The Company's business, the principal risks and uncertainties it faces, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report, Business Review section on pages 21 to 23. The level of gearing is monitored as set out on page 56.

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 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 transaction 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 held at fair value through profit or loss 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 or 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.

5. Finance costs – In accordance with the FRS 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.

Statement of Accounting Policies for the year ended 30 November 2008

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. Gains and losses on foreign currencies held, whether realised or unrealised, are taken directly to Capital Reserves.

10. FRS 29 'Financial Instruments: Disclosures' introduces additional disclosures relating to financial instruments. This standard does not have any impact on the classification and/or valuation of the Company's financial instruments. The additional disclosures provided in accordance with the requirements of the standard are set out in Note 20 to the financial statements.

Notes to the Financial Statements for the year ended 30 November 2008

1. Income

	2008 £	2008 £	2007 £
Income from Investments*			
Franked income:			
Equity income from UK investments†		4,947,129	4,945,017
Unfranked income:			
Equity income from overseas investments	2,715,775		2,177,843
Equity income from UK investments	12,237		34,977
Stock dividends from UK investments	189,312		–
Interest from UK investments	–		66,286
Interest from UK fixed income investments	829,950		1,054,527
		3,747,274	**3,333,633**
		8,694,403	**8,278,650**
Other Income			
Deposit interest	824,659		647,673
Underwriting commission	18,584		–
		843,243	**647,673**
Total Income		**9,537,646**	**8,926,323**

*All income is derived from listed investments.
† Includes special dividends of £24,355 (2007 – £76,899).

2. Investment Management Fee

	2008 Revenue £	2008 Capital £	2008 Total £	2007 Revenue £	2007 Capital £	2007 Total £
Investment management fee	395,503	922,839	1,318,342	461,439	1,076,692	1,538,131

The Company's investment managers are RCM (UK) Limited ('RCM' or 'the Manager'). 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 £Nil (2007 – £121,130). Due to the European Court of Justice 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 Manager on not less than six months' notice.

Notes to the Financial Statements for the year ended 30 November 2008

3. Administration expenses

	2008 £	2007 £
Directors' fees	106,000	94,000
Auditors' remuneration (includes £9,400 in respect of non-audit services, 2007 – £5,875)	30,723	33,162
Custody fees	36,678	38,125
Registrars' fees	20,755	15,269
Association of Investment Companies' fees	25,726	25,380
Marketing costs and savings scheme	41,675	143,562
Printing and postage	20,627	9,774
Directors' and Officers' liability insurance	18,688	20,501
Professional and advisory fees	3,889	(8,484)
Other	32,386	27,490
VAT recovered	(3,628)	(95,077)
	333,519	**303,702**

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

(ii) Between 1 December 2007 and 30 November 2008 Directors' fees were paid at the rate of £18,000 per annum, with an additional £2,000 each payable to the Senior Independent Director and the Chairman of the Audit Committee, and the Chairman was paid at the rate of £30,000 per annum (see Directors' Remuneration Report on page 33).

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

(iv) Transaction charges of £28,872 were charged to capital (2007 – £12,796).

(v) Auditors' remuneration includes VAT of £4,576 (2007 – £4,939).

4. Finance Costs: Interest Payable and similar charges

	2008 Revenue £	2008 Capital £	2008 Total £	2007 Revenue £	2007 Capital £	2007 Total £
On Stepped Rate Interest Loan repayable after more than five years	650,905	1,518,779	2,169,684	601,593	1,403,717	2,005,310
On Fixed Rate Interest Loan repayable after more than five years	734,623	1,714,119	2,448,742	731,886	1,707,734	2,439,620
5% Cumulative Preference Stock repayable after more than five years	22,500	–	22,500	22,500	–	22,500
On Sterling overdraft	5,849	–	5,849	24,973	–	24,973
	1,413,877	**3,232,898**	**4,646,775**	**1,380,952**	**3,111,451**	**4,492,403**

Notes to the Financial Statements for the year ended 30 November 2008

5. Taxation

	2008 Revenue £	2008 Capital £	2008 Total £	2007 Revenue £	2007 Capital £	2007 Total £
(a) Analysis of tax charge for the year:						
Corporation tax	630,637	(311,048)	319,589	596,410	(354,715)	241,695
Double taxation relief	(319,589)	–	(319,589)	(241,695)	–	(241,695)
Current tax charge on ordinary activities	**311,048**	**(311,048)**	**–**	**354,715**	**(354,715)**	**–**
Overseas taxation	319,589	–	319,589	241,695	–	241,695
Tax charge on ordinary activities	**630,637**	**(311,048)**	**319,589**	**596,410**	**(354,715)**	**241,695**
(b) Factors affecting the current tax charge for the year:						
Return on ordinary activities before taxation	7,394,747	(103,805,480)	(96,410,733)	6,780,230	34,511,485	41,291,715
Corporation tax 28% (2007 – 30%)	2,070,529	(29,065,534)	(26,995,005)	2,034,069	10,353,446	12,387,515
Effects of:						
Non taxable income	(1,418,193)	–	(1,418,193)	(1,483,505)	–	(1,483,505)
Non taxable capital losses (gains)	–	28,558,315	28,558,315	–	(11,613,727)	(11,613,727)
Disallowable expenses	7,329	33,348	40,677	46,483	(3,944)	42,539
Change in tax rates	49,323	(692,383)	(643,060)	–	–	–
Non taxable stock dividends	(54,270)	–	(54,270)			
Overseas tax suffered	319,589	–	319,589	241,695	–	241,695
Excess of allowable expenses over taxable income	(627,247)	1,166,254	539,007	(593,955)	1,264,225	670,270
Accrued income taxable on receipt	(27,471)	–	(27,471)	(3,092)	–	(3,092)
Allocation of tax relief on expenses	311,048	(311,048)	–	354,715	(354,715)	–
Current tax charge	**630,637**	**(311,048)**	**319,589**	**596,410**	**(354,715)**	**241,695**

The Company's taxable income is exceeded by its tax allowable expenses, which include both the revenue and capital elements of the management fee and finance costs.

The Company has surplus expenses carried forward of £38.1 million (2007 – £36.3 million) and eligible unrelieved foreign tax of £1.0 million (2007 – £0.6 million). Given the Company's current investment strategy, it is unlikely to generate sufficient UK taxable profits to relieve these expenses.

As at 30 November 2008 there is an unrecognised deferred tax asset of £11.6 million (2007 – £10.8 million). The deferred tax asset relates to current and prior year unutilised expenses, and unused tax credits. It is considered uncertain that there will be a tax liability in the future against which the deferred tax asset can be offset. Therefore, the asset has not been recognised.

Due to the Company's status as an investment trust and the intention to continue meeting the conditions required to obtain approval in the foreseeable 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 2008

6. Dividends on Ordinary Shares

	2008 £	2007 £
Dividends paid on Ordinary Shares:		
Final – 6.30p paid 25 March 2008 (2007 – 5.70p)	2,980,852	2,753,115
Interim – 4.80p paid 27 August 2008 (2007 – 4.40p)	2,262,553	2,101,584
	5,243,405	**4,854,699**

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

	2008 £	2007 £
Final dividend – 6.90p payable 27 March 2009 (2008 – 6.30p)	3,240,586	2,987,782

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

	2008 Revenue £	2008 Capital £	2008 Total Return £	2007 Revenue £	2007 Capital £	2007 Total Return £
Net return on ordinary activities attributable to Ordinary Shareholders	6,764,110	(103,494,432)	(96,730,322)	6,183,820	34,866,200	41,050,020
Return per Ordinary Share	14.32p	(219.11p)	(204.79p)	12.88p	72.62p	85.50p

The return per Ordinary Share is based on a weighted average number of shares of 47,234,401 (2007 – 48,010,277) 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 2008

8. Fixed Asset Investments

	2008 £	2007 £
Listed at market valuation on recognised Stock Exchanges		
United Kingdom	110,576,968	193,070,753
Abroad	97,634,412	113,634,016
	208,211,380	**306,704,769**
Unlisted at Directors' valuation		
United Kingdom	105,531	69,184
Total investments	**208,316,911**	**306,773,953**
Market value of investments brought forward	306,773,953	278,952,926
Unrealised gains brought forward	(46,116,284)	(38,900,568)
Cost of investments held brought forward	**260,657,669**	**240,052,358**
Additions at cost	176,211,222	166,515,034
Disposals at cost	(182,445,990)	(145,909,723)
Cost of investments held at 30 November	**254,422,901**	**260,657,669**
Unrealised (losses) gains at 30 November	(46,105,990)	46,116,284
Market valuation of investments held at 30 November	**208,316,911**	**306,773,953**
Net (losses) gains on investments		
Net realised (losses) gains based on historical costs	(8,119,308)	29,898,480
Less: Amounts recognised as unrealised gains in previous years	(23,605,516)	(19,178,387)
Net realised (losses) gains based on carrying value at previous balance sheet date	**(31,724,824)**	**10,720,093**
Net unrealised (losses) gains arising in the year	(68,616,758)	26,394,104
Net (losses) gains on investments before special dividends	**(100,341,582)**	**37,114,197**
Special dividends credited to capital	714,186	1,599,990
Total net (losses) gains on investments	**(99,627,396)**	**38,714,187**

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

Included in the cost of investments are transaction costs and stamp duty on purchases of £297,113 (2007 – £593,260).

Included in the disposal proceeds are transaction costs on sales of £171,446 (2007 – £211,890).

9. Investments in Other Companies

The Company held more than 10% of the share capital of the following companies at 30 November 2008.

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.

Notes to the Financial Statements for the year ended 30 November 2008

10. Current Assets and Creditors

	2008 £	2007 £
Debtors		
Sales for future settlement	2,054,729	147,346
Accrued income	1,144,583	1,088,814
Other debtors	90,289	44,059
	3,289,601	**1,280,219**
Cash at bank		
Current account	7,166,089	14,413,181
Deposit account	4,602,062	4,376,429
	11,768,151	**18,789,610**
Creditors: Amounts falling due within one year		
Purchases for future settlement	2,035,433	1,577,250
Stamp Duty payable	2,495	1,935
Interest payable (see (iv) below)	915,063	914,631
Other creditors	424,531	530,387
Dividend on 5% Cumulative Preference Stock	11,250	11,250
	3,388,772	**3,035,453**
Creditors: Amounts falling due after more than one year		
Stepped Rate Interest Loan (payable after more than five years – see (i) below)	19,274,542	19,151,278
Fixed Rate Interest Loan (payable after more than five years – see (ii) below)	32,216,223	32,388,262
5% Cumulative Preference Stock (payable after more than five years see – (iii) below)	450,000	450,000
	51,940,765	**51,989,540**

(i) The Stepped Rate Interest Loan comprises 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').

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 of 2018 of FDF.

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

Following the liquidation of Kleinwort Overseas Investment Trust ('KOIT') in March 1998, the Company assumed £13,000,000 of its obligations to Fintrust. Both the interest cost and repayment terms of this additional borrowing are identical to the Company's existing loan of £15,000,000. In order that the finance costs on this 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 2008, the unamortised premium included within the Fixed Rate Interest Loan balance of greater than one year amounted to £4,272,153 (2007 – £4,445,870).

Notes to the Financial Statements for the year ended 30 November 2008

(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 is 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 (2007 – £836,351) and £78,712 (2007 – £78,280) payable to FDF and to Fintrust respectively.

11. Share Capital

	2008 £	2007 £
Authorised		
66,200,000 Ordinary Shares of 25p	16,550,000	16,550,000
Allotted and fully paid		
46,965,015 Ordinary Shares of 25p (2007 – 47,425,115)	11,741,254	11,856,279

The Directors are authorised by an ordinary resolution passed on 20 March 2008 to allot relevant securities, in accordance with Section 80 of the Companies Act 1985, up to a maximum of 18,137,456 Ordinary Shares 25p each. This authority expires on 20 May 2009 and accordingly a renewed authority will be sought at the Annual General Meeting on 19 March 2009.

During the year 460,100 Ordinary Shares were repurchased by the Company and cancelled. The aggregate purchase price of these shares, amounting to £1,799,936 was charged to the Realised Capital Reserve (see Note 13). A further 204,659 ordinary shares have been repurchased for cancellation since the year end at a cost of £587,951.

12. Capital Redemption Reserve

	£
Balance at 30 November 2007	4,143,721
Movement in year	115,025
Balance at 30 November 2008	**4,258,746**

The balance on this account was increased by the transfer of £115,025 in respect of 460,100 Ordinary Shares purchased by the Company and cancelled.

13. Capital Reserves

	Realised £	Unrealised £	Total £
Balance at 30 November 2007	197,212,132	46,112,479	243,324,611
Net losses on realisation of investments	(31,724,824)	–	(31,724,824)
Special dividends	714,186	–	714,186
Transfer on disposal of investments	23,605,516	(23,605,516)	–
Net unrealised losses arising in year	–	(68,616,758)	(68,616,758)
Net gains on foreign currency	–	6,525	6,525
Purchase of Ordinary Shares for cancellation	(1,799,936)	–	(1,799,936)
Investment management fee	(922,839)	–	(922,839)
Finance costs of borrowings	(3,232,898)	–	(3,232,898)
Attributable taxation in respect of management fee and finance costs	311,048	–	311,048
Other capital expenses	(28,872)	–	(28,872)
Balance at 30 November 2008	**184,133,513**	**(46,103,270)**	**138,030,243**

Under the terms of the Company's Articles of Association, the capital reserves are distributable only by the way of redemption or purchase of any of the Company's own shares, for so long as the Company carries on business as an Investment Company.

Notes to the Financial Statements for the year ended 30 November 2008

The Institute of Chartered Accountants in England and Wales (ICAEW), in its technical guidance TECH 01/08, states that unrealised gains (losses) arising out of a change in fair value of assets, may be recognised as realised provided it can be readily converted into cash. Securities listed on a stock exchange are generally regarded as being readily convertible into cash and hence unrealised profits in respect of such securities, currently included within the Unrealised Capital Reserve, may be regarded as realised under Company Law.

14. Revenue Reserve

	£
Balance at 30 November 2007	12,494,178
Dividends appropriated in the year	(5,243,405)
Revenue retained for the year	6,764,110
Balance at 30 November 2008	**14,014,883**

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	
	2008	**2007**
Ordinary Shares of 25p	357.8p	573.2p

	Net Asset Values attributable	
	2008	**2007**
Ordinary Shares of 25p	£168,045,126	£271,818,789

The Net Asset Value per Ordinary Share is based on 46,965,015 Ordinary Shares in issue at the year end (2007 – 47,425,115).

16. Contingent Assets

The Company has a contingent asset as 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 JP Morgan Fleming Claverhouse Trust plc in conjunction with the AIC, concerning the VAT exemption of management expenses for investment trusts. It is likely that the Company will reach a settlement with the Manager, RCM (UK) Ltd, over the recovery of VAT paid on management fees in past years. The final sum could be in excess of £700,000 in respect of the period 2001-2007. The Company expects to recover further sums in respect of the period prior to 2001, however the amounts involved cannot be determined at present.

17. Contingent Liabilities, Capital Commitments and Guarantees

At 30 November 2008 there were no outstanding contingent liabilities or commitments (2007 – 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 48 'Current Assets and Creditors'.

Notes to the Financial Statements for the year ended 30 November 2008

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

	2008 £	2007 £
Total return before finance costs and taxation	(91,763,958)	45,784,118
Add: Special dividends credited to capital	714,186	1,599,990
Add: Net losses (gains) on investments held at fair value	99,627,396	(38,714,187)
Add: Effective yield amortisation	18,394	(25,025)
Less: Net (gains) losses on foreign currency	(6,525)	1,763
Less: Overseas tax suffered	(319,589)	(241,695)
	8,269,904	**8,404,964**
Increase in debtors	(101,999)	(206,443)
Decrease in creditors	(105,856)	(15,369)
Net cash inflow from operating activities	**8,062,049**	**8,183,152**

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

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

	2008 £	2007 £
Net cash (outflow) inflow	(7,027,984)	3,816,800
Net gains (losses) on foreign currencies	6,525	(1,763)
Decrease in long term loans	48,775	200,889
Movement in net funds	**(6,972,684)**	**4,015,926**
Net debt brought forward	(33,199,930)	(37,215,856)
Net debt carried forward	**(40,172,614)**	**(33,199,930)**

(ii) Analysis of changes in net debt

	Cash £	Stepped and fixed rate loans £	Net Debt £
Balance at 30 November 2007	18,789,610	(51,989,540)	(33,199,930)
Movement in the year	(7,027,984)	48,775	(6,979,209)
Net gains on foreign currencies	6,525	–	6,525
Balance at 30 November 2008	**11,768,151**	**(51,940,765)**	**(40,172,614)**

20. Financial Risk Management policies and procedures

The Company invests in equities and other investments in accordance with its investment objective as stated on page 2. In pursuing its investment objective, the Company is exposed to certain inherent risks that could result in either a reduction in the Company's net assets or a reduction in the net return available for distribution by way of dividends.

The main risks arising from the Company's financial instruments are: market risk, liquidity risk and credit risk. The Directors determine the objectives and agree policies for managing each of these risks, as set out below. The Manager, in close cooperation with the Directors, implements the Company's risk management policies. These policies have remained substantially unchanged during the current and preceding period.

Market Risk

The Investment Manager assesses the exposure to market risk when making each investment decision and monitors the risk on the investment portfolio on an ongoing basis. Market risk comprises market price risk, foreign currency risk and interest rate risk.

Notes to the Financial Statements for the year ended 30 November 2008

(i) 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. An analysis of the Company's portfolio is shown on pages 5 to 17.

Market price risk sensitivity

The value of the Company's listed equities (i.e., fixed asset investments, excluding unlisted equities and treasury stock) which were exposed to market price risk as at 30 November 2008 was as follows:

	2008 £	2007 £
Listed equity investments held at fair value through profit or loss	188,067,880	286,735,269

The following illustrates the sensitivity of the return and the net assets to an increase or decrease of 20% (2007 – 20%) in the fair values of the Company's listed equities. This level of change is considered to be reasonably possible based on observation of market conditions in the year. The sensitivity analysis on the net return and net assets is based on the impact of a change to the value of the Company's investments at each balance sheet date, and the consequent impact on the investment management fees for the year, with all other variables held constant.

	2008 20% Increase in fair value £	2008 20% Decrease in fair value £	2007 20% Increase in fair value £	2007 20% Decrease in fair value £
Revenue return				
Investment management fees	(50,778)	50,778	(77,419)	77,419
Capital return				
Net gains (losses) on investment at fair value	37,613,576	(37,613,576)	57,347,054	(57,347,054)
Investment management fees	(118,483)	118,483	(180,643)	180,643
Change in net return and net assets	**37,444,315**	**(37,444,315)**	**57,088,992**	**(57,088,992)**

Management of market price risk

The Directors meet 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 the responsibility for monitoring the existing portfolio selection in accordance with the Company's investment objective and seek to ensure that individual stocks meet an acceptable risk reward profile.

(ii) Foreign Currency Risk

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

Management of foreign currency risk

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. The Company does not currently hedge against foreign currency exposure.

Notes to the Financial Statements for the year ended 30 November 2008

The table below summarises in sterling terms the foreign currency risk exposure:

	2008 Investments £	2008 Other net liabilities £	2008 Total currency exposure £	2007 Investments £	2007 Other net liabilities £	2007 Total currency exposure £
Sterling	109,812,933	(40,804,778)	69,008,155	193,139,937	(34,293,500)	158,846,437
Australian Dollar	3,699,952	(17)	3,699,935	3,715,526	–	3,715,526
Canadian Dollar	2,664,328	–	2,664,328	4,532,600	–	4,532,600
Euro	16,347,571	24,848	16,372,419	27,550,637	6,711	27,557,348
Hong Kong Dollar	3,299,360	–	3,299,360	5,213,907	–	5,213,907
Japanese Yen	9,845,332	–	9,845,332	8,492,733	–	8,492,733
Singapore Dollar	1,149,288	84,520	1,233,808	1,979,796	–	1,979,796
Swedish Krona	–	24,453	24,453	983,800	–	983,800
Swiss Franc	5,020,795	31,705	5,052,500	2,467,950	–	2,467,950
Taiwan Dollar	745,973	52,661	798,634	–	–	–
US Dollar	55,731,379	314,823	56,046,202	58,697,067	(668,375)	58,028,692
Total	**208,316,911**	**(40,271,785)**	**168,045,126**	**306,773,953**	**(34,955,164)**	**271,818,789**

The following table details the Company's sensitivity to a 20% increase and decrease in sterling against the relevant foreign currencies and the resultant impact that any such increase or decrease would have on net return and net assets. The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the year end for a 20% change in foreign currency rates.

	2008 20% Decrease in sterling against foreign currencies £	2008 20% Increase in sterling against foreign currencies £	2007 20% Decrease in sterling against foreign currencies £	2007 20% Increase in sterling against foreign currencies £
Australian Dollar	924,984	(616,656)	928,881	(619,254)
Canadian Dollar	666,082	(444,055)	1,133,150	(755,433)
Euro	4,093,104	(2,728,737)	6,889,337	(4,592,891)
Hong Kong Dollar	824,840	(549,893)	1,303,477	(868,984)
Japanese Yen	2,461,333	(1,640,889)	2,123,183	(1,415,456)
Singapore Dollar	308,452	(205,635)	494,949	(329,966)
Swedish Krona	6,113	(4,075)	245,950	(163,967)
Swiss Franc	1,263,125	(842,083)	616,988	(411,325)
Taiwan Dollar	199,658	(133,106)	–	–
US Dollar	14,011,551	(9,341,033)	14,507,173	(9,671,449)
Total	**24,759,242**	**(16,506,162)**	**28,243,088**	**(18,828,725)**

(iii) 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.

Interest Rate Exposure

The Company's exposure to floating rate interest on cash balances as at 30 November 2008 was £11,768,151 (2007 – £18,789,610). As at 30 November 2008, the interest rates received on cash balances, or paid on bank overdrafts respectively, is approximate to 2.50% and 3.85% per annum (2007 – 5.25% and 6.60% per annum).

The Company's exposure to fixed interest rates on assets, being the Treasury Stock 4% 07/03/2009, was £20,143,500 at 30 November 2008 (2007 – £19,969,500). This asset has a maturity of 0.27 years (2007 – 0.27 years) and an effective yield of 3.79% (2007 – 5.08%).

Notes to the Financial Statements for the year ended 30 November 2008

The Company's exposure to fixed interest rates on liabilities as at 30 November 2008 was £51,940,765 (2007 – £51,989,540). Details of the fixed rate liabilities are described in Note 10.

The fixed rate interest bearing liabilities bear the following coupon and effective rates as at 30 November 2007 and 30 November 2008.

	Maturity date	Amount borrowed £	Coupon Rate	Effective rate since inception*
5% Cumulative Preference Stock	n/a	450,000	5.00%	n/a
First Debenture Finance PLC ('FDF') – Bonds	02/01/18	11,909,766	13.60%	11.27%
First Debenture Finance PLC – Notes	02/01/18	2,977,442	13.60%	11.27%
Fintrust Debenture PLC ('Fintrust') – Original Loan	20/11/23	15,000,000	9.25125%	9.30%
Fintrust Debenture PLC – New Loan	20/11/23	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 Statement of Accounting Policies.

The weighted average effective rate of the Company's fixed interest bearing liabilities (excluding the 5% Cumulative Preference Stock) is 8.98% (2007 – 8.98%) and the weighted average period to maturity of these liabilities is 12.9 years (2007 – 13.9 years).

The above year end amounts are reasonably representative of the exposure to interest rates during the year. As the level of floating rate interest exposure is not significant, the Company's net return and net assets, is not significantly affected by changes in interest rates.

Management of interest rate risk

The Company invests predominantly in equities, the values of which are not directly affected by changes in prevailing market interest rates. In the year to 30 November 2008, the Company held one fixed interest security. The fixed interest security is held primarily to reduce the Company's gearing in respect of the fixed rate interest liabilities. The Company's policy is to remain substantially fully invested and thus does not expect to hold significant cash balances, therefore the financial assets have minimal exposure to interest rate risk.

The Company finances its operations through a mixture of share capital, retained earnings and long term borrowings. Movement in interest rates will not have a material effect on the finance cost and financial liabilities of the Company as all borrowings are subject to fixed rates of interest.

Liquidity risk

Liquidity risk relates to the capacity to meet liabilities as they fall due and is dependent on the liquidity of the underlying assets.

Maturity of financial liabilities

The contractual maturities of the financial liabilities at 30 November 2008, based on the earliest date on which payment can be required to be made, was as follows:

2008	3 months or less £	Not more than one year £	Between one year and five years £	More than five years £	Total £
Creditors: Amounts falling due within one year					
Debt interest due within one year	836,351	78,712	–	–	915,063
Other creditors	2,473,709	–	–	–	2,473,709
Creditors: Amounts falling due after more than one year					
Debt due after more than one year	–	–	–	51,940,765	51,940,765
	3,310,060	**78,712**	**–**	**51,940,765**	**55,329,537**

Notes to the Financial Statements for the year ended 30 November 2008

2007	3 months or less £	Not more than one year £	Between one year and five years £	More than five years £	Total £
Creditors: Amounts falling due within one year					
Debt interest due within one year	836,351	78,280	–	–	914,631
Other creditors	2,120,822	–	–	–	2,120,822
Creditors: Amounts falling due after more than one year					
Debt due after more than one year	–	–	–	51,989,540	51,989,540
	2,957,173	**78,280**	**–**	**51,989,540**	**55,024,993**

Management of liquidity risk

Liquidity risk is not significant as the Company's assets mainly comprise 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. The Company has an undrawn committed borrowing facility of £7 million (2007 – £7 million).

Credit Risk

Credit risk is the risk of default by a counterparty.

Management of credit risk

Outstanding settlements are subject to credit risk. Credit risk is mitigated by the Company through its decision to transact with counterparties of high credit quality. The Company considers the credit risk of holding Treasury Stock to be small and only buys and sells investments through brokers which are considered to be approved counterparties, thus minimising the risk of default during settlement. The credit ratings of brokers are reviewed quarterly by the Manager.

The Company is also exposed to credit risk through the use of banks for its cash position. Bankruptcy or insolvency of banks may cause the Company's rights with respect to cash held by banks to be delayed or limited. The Company's cash balances are held by HSBC Bank PLC, rated Aa1 by Moody's rating agency. The Directors believe the counterparties the Company has chosen to transact with are of high credit quality, therefore the Company has minimal exposure to credit risk.

In summary, the exposure to credit risk at 30 November was as follows:

	2008 £	2007 £
Investment – Treasury Stock	**20,143,500**	**19,969,500**
Debtors		
Outstanding settlements	2,054,729	147,346
Accrued income	1,143,147	1,082,657
Other debtors	91,725	50,216
	3,289,601	**1,280,219**
Cash at Bank	**11,768,151**	**18,789,610**
Total	**35,201,252**	**40,039,329**

Notes to the Financial Statements for the year ended 30 November 2008

Fair Values of Financial Assets and Financial Liabilities

With the exception of those financial liabilities measured at amortised cost, all other financial assets and financial liabilities are either carried at their fair value or the balance sheet amount is a reasonable approximation of their fair value. The financial liabilities measured at amortised cost have the following fair values*:

	2008 Book Value £	2008 Fair Value £	2007 Book Value £	2007 Fair Value £
First Debenture Finance Loan	19,274,542	26,116,345	19,151,278	25,336,220
Fintrust Loan	32,216,223	36,811,684	32,388,262	37,440,396
Total	**51,490,765**	**62,928,029**	**51,539,540**	**62,776,616**

The net asset value per Ordinary Share, with the FDF and Fintrust loans at fair value is 333.5p (2007 – 550.4p).

*The fair value has been derived from the closing market value as at 30 November 2008 and 30 November 2007.

21. Capital Management Policies and Procedures

The Company's objective is to provide growth in capital value and dividends over the long term through investing in a portfolio of UK and international securities.

The Company's capital at 30 November comprises:

	2008 £	2007 £
Net debt		
Creditors: Amounts falling due within one year	3,388,772	3,035,453
Creditors: Amounts falling due after more than one year	51,940,765	51,989,540
Less: Treasury Stock	(20,143,500)	(19,969,500)
	35,186,037	**35,055,493**
Equity		
Called up Share Capital	11,741,254	11,856,279
Share Premium Account and Other Reserves	156,303,872	259,962,510
	168,045,126	**271,818,789**
Total Capital	**203,231,163**	**306,874,282**
Net debt as a percentage of total capital	**17.31%**	**11.42%**

The Board, with the assistance of the Investment Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. The level of gearing is monitored, taking into account the Investment Manager's view on the market, covenant requirements and the future prospects of the Company's performance. Capital management also involves reviewing the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium) to assess the need to repurchase shares for cancellation.

The Company is subject to several externally imposed capital requirements; the banks borrowings under the agreed overdraft facility are not to exceed £7 million, as a public company the minimum share capital is £50,000. The Company's objective, policies and processes for managing capital are unchanged from the preceding accounting period and the Company has complied with them.

Notice of Meeting

Notice is hereby given that the Eighty-First Annual General Meeting of The Brunner Investment Trust PLC will be held at Trinity House, Trinity Square, Tower Hill, London EC3N 4DH, on 19 March 2009 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 2008 with the Auditors' Report thereon.

2 To declare a final dividend of 6.90p per Ordinary Share.

3 To re-elect Mr B C R Siddons as a Director.

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

5 To re-elect Mr R K A Wakeling as a Director.

6 To approve the Directors' Remuneration Report.

7 To re-appoint Deloitte LLP as the Auditors of the Company.

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

Special Business

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

9 That the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 to allot relevant securities (within the meaning of Section 80(2) of that Act) provided that this power shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £3,896,696 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 19 May 2010 if earlier, save that the Directors may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

10 That the Directors be and are hereby empowered, pursuant to Section 95 of the Companies Act 1985, to allot equity securities (as defined in Section 94 of that Act) pursuant to the authority conferred by Resolution 9 above as if Section 89 of that Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash of an aggregate maximum nominal amount of £584,504 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 19 May 2010, if earlier, save that the Directors may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired.

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

(i) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 7,009,377;

(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 2010 or, if earlier, on the expiry of 18 months from the passing of this resolution, unless such authority is renewed prior to such time;

Notice of Meeting

(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 2009

By Order of the Board
K J Salt
Secretary

Notes: Members entitled to attend and vote at this Meeting may appoint one or more proxies to attend and, on a poll, vote in their stead. The proxy need not be a Member of the Company. 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.

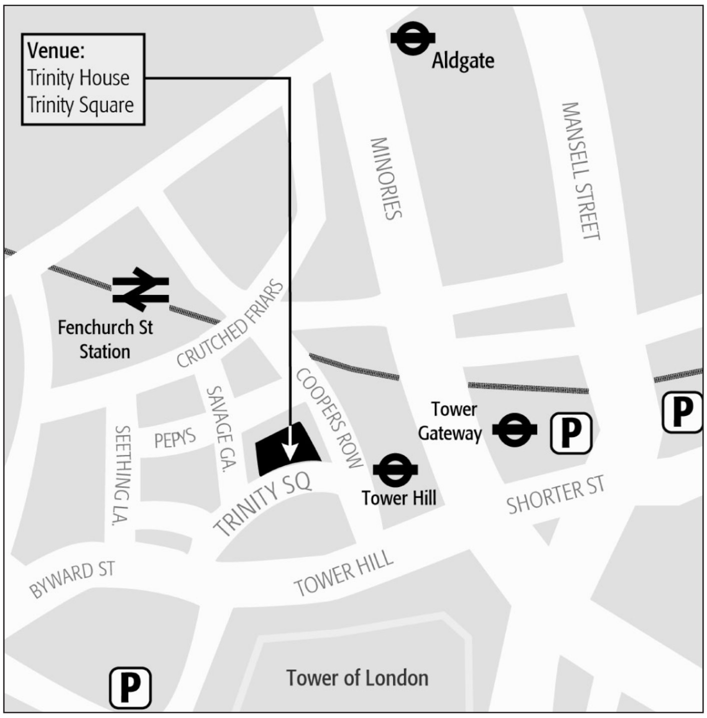
Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

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 17 March 2009 ("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



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