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The Brunner Investment Trust PLC

Annual Financial Report for the year ended 30 November 2009

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.

The Brunner Investment Trust PLC (the 'Company' or 'Trust') is a member of The Association of Investment Companies.

Category: Global Growth

Investment Policy

Investment objective

The Brunner Investment Trust PLC 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. Other than in exceptional market conditions, it is unlikely that, at the time of investment, gearing (calculated after deducting the value of holdings in government securities, held to offset some of the long term debentures issued) will exceed 20% of net assets. The Trust's authorised borrowing powers 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 23 under the heading "Investment Activity and Strategy".

Financial Summary

Revenue	2009	2008	% change
Available for Ordinary Dividend	£5,705,404	£6,764,110	−15.7
Earnings per Ordinary Share	12.22p	14.32p	−14.7
Dividends per Ordinary Share	12.00p	11.70p	+2.6
Retail Price Index	216.6	216.0	+0.3
Assets	**2009**	**2008**	**% change**
Net Asset Value per Ordinary Share	443.8p	357.8p	+24.0
Share Price	368.0p	288.4p	+27.6
Total Net Assets	£206,491,690	£168,045,126	+22.9
Expenses Ratio†	0.5%	0.6%	n/a

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

Explanation of the movement in Net Asset Value per Ordinary Share

Until 24 March 2008 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 increased by 24.4%* during the year to 30 November 2009.

The increase in the benchmark is composed as follows:

FTSE All-Share Index	24.1%
FTSE World Index (ex UK £)	24.2%

*The benchmark return differs from an average of the two constituent indices due to the impact of monthly rebalancing for the benchmark.

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**	24.4%
Net portfolio return (excluding cash and gilts)	22.6%
Relative performance	**−1.8%**

Portfolio Performance

	Asset Allocation	Stock Selection	Sub Total	Weighted Average Return	Index*
UK	−2.0%	3.8%	**1.8%**	26.6%	24.1%
Overseas	−0.2%	−5.2%	**−5.4%**	18.6%	24.2%

*The benchmark return differs from an average of the two constituent indices due to the impact of monthly rebalancing for the benchmark.

Reconciliation of benchmark performance to movement in NAV

Change in benchmark**		24.4%
Relative performance		−1.8%
Net portfolio return (excluding cash and gilts)		**22.6%**
Other factors		
Management fee and finance costs***	−2.2%	
Management fee VAT refund	0.3%	
Retained revenue	0.1%	
Impact of repurchasing shares	0.2%	
Capital impact of gearing	2.7%	
Other	0.3%	
		1.4%
Movement in NAV per share		**24.0%**

** 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

Following the major upheavals in financial markets in 2009, it was encouraging that our asset value ended the year up 24.0%. This was roughly in line with the benchmark index which rose 24.4%. The share price rose by over 27% during the year.

Earnings per ordinary share fell 14.7%. This reflected dividend cuts from a number of our holdings which were partially offset by a one-off repayment of VAT. The total repayment, including interest, was £1,548,169 of which £1,072,893 was allocated to the revenue account. This has been a factor behind the proposed increase in the final dividend. Further details of the VAT repayment are set out in Note 2, page 44 of the Accounts.

The final dividend of 7.2p per share if approved by shareholders will be paid on 25 March 2010 to shareholders on the Register of Members at the close of business on 26 February 2010, bringing the total payment for 2009 to 12.0p, an increase of 2.6% on last year's distribution. Looking forward, given the dividend cuts referred to earlier and in the absence of positive compensating factors such as the VAT repayment, it is likely – on current projections – that revenue reserves will be required to maintain the current year's payout. These reserves have been built up in previous years to help smooth dividend payments when earnings fall and, following payment of this year's dividend, will amount to 23.4p.

Gearing, in the form of the Trust's long-term debentures, had a positive impact on performance this year. As in previous years, liquid funds over and above those allocated to equities have been invested in UK government securities. In 2009, some of this liquidity was allocated to two new holdings, an index linked gilt and a conventional gilt, both of which have maturity profiles similar to those of the long-term debentures.

Buy-backs

We have maintained our policy of repurchasing shares for cancellation and during the course of the year 431,710 shares were repurchased for cancellation, and a further 130,500 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. The discount, valuing debt at market, has also narrowed modestly in recent years as shown in the table on page 5.

Board Composition

As we reported in 2009, Ben Siddons will retire from the Board at the conclusion of this year's AGM. Ben has been on the Board for nineteen years and his knowledge and experience have been invaluable to the Trust over this time. Richard Wakeling will also be retiring from the Board this year. Richard has been on the Board for nine years, in recent years as the Senior Independent Director. Both Ben and Richard have made very significant contributions to the work of the Board and I am sure you will join me in thanking them and wishing them well for the future.

I am pleased to confirm the appointment of Ian Barlow to the Board with effect from 19 November 2009. Ian is standing for election at the AGM and his biography is on page 18. It is the Board's intention that after the AGM, Ian will take over as Chairman of the Audit Committee from William Worsley, who will have served as Chairman for nine years, and William Worsley will take over from Richard Wakeling as Senior Independent Director.

Outlook

It is salutary to remember that the year began with the possibility that large parts of the western banking system might fail altogether, with unthinkable consequences. The change in sentiment since March 2009 has been remarkable but it is unlikely that this enthusiasm will be sustained throughout 2010.

The outlook is more than usually uncertain; a recovery now appears to have taken root across the global economy but it is likely that the unorthodox measures taken by governments and central banks during 2008 and 2009 will start to be reversed in coming months.

Only when these stimulative measures have been withdrawn will the underlying health of economies (and by extension the current and future state of national balance sheets) be capable of examination and diagnosis. Whilst we are reasonably confident that the market and economic recovery can be sustained in 2010, we are prepared for further periods of weakness and volatility as the market comes to terms with these uncertainties. Vigilance and careful research will remain key in this testing market environment.

Annual General Meeting

The Annual General Meeting of the Company will be held on 18 March 2010 at 12 noon and I look forward to meeting those shareholders who are able to attend.

Keith Percy | Chairman

12 February 2010

Historical Record at year end, 30 November

Revenue and Capital

Years ended 30 November

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Gross revenue (£000s)	7,254	7,495	7,232	7,327	7,163	7,365	8,023	8,926	9,538	7,531
Earnings per share	8.01p	8.00p	8.16p	8.65p	8.43p	9.21p	10.73p	12.88p	14.32p	12.22p
Dividend per share (net)	7.10p	7.30p	7.50p	7.80p	8.10p	8.80p	9.70p	10.70p	11.70p	12.00p
Tax credit per share	0.79p	0.81p	0.83p	0.87p	0.90p	0.98p	1.08p	1.19p	1.30p	1.33p
Total dividend per share	7.89p	8.11p	8.33p	8.67p	9.00p	9.78p	10.78p	11.89p	13.00p	13.33p
Total net assets (£000s)	326,102	254,055	189,375	189,656	191,267	225,699*	241,106	271,819	168,045	206,492
Net Asset Value per Ordinary Share	540.2p	424.3p	329.0p	343.1p	364.1p	451.7p*	495.7p	573.2p	357.8p	443.8p
Net Asset Value per Ordinary Share (Debt at market value)~	–	–	–	–	336.2p	418.1p*	466.1p	550.4p	333.5p	419.4p
Share price	497.0p	376.5p	262.5p	262.5p	288.5p	364.0p	408.0p	464.0p	288.4p	368.0p
Discount (%)	8	11	20	23	21	19*	18	19	19	17
Discount (Debt at market value)	–	–	–	–	14	13*	12	16	14	12

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 2009 were 367.75p to 368.25p.

Geographical Disposition

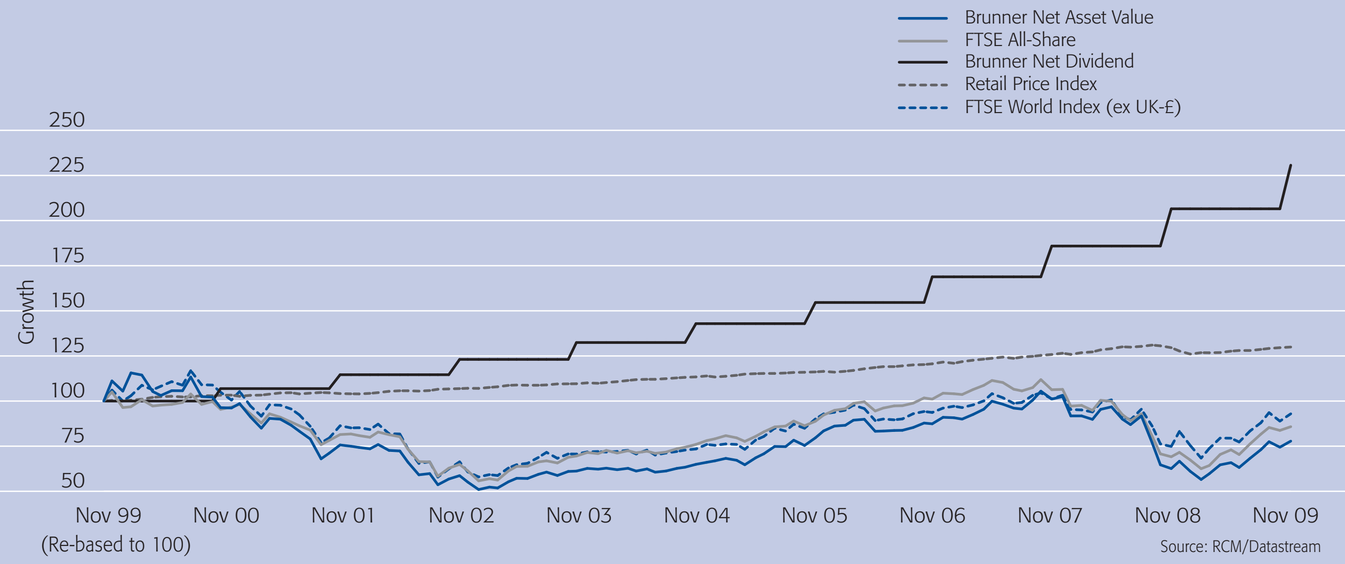
Years ended 30 November

	Percentage of Invested Funds									
	2000	2001	2002*	2003*	2004*	2005*	2006*	2007*	2008*	2009*
United Kingdom	68.6	63.7	58.1	56.7	57.3	59.3	59.5	60.4	48.1	51.4
Europe	7.2	9.2	9.3	11.0	12.4	13.6	12.6	10.8	11.4	11.4
Americas	18.4	19.6	21.7	23.0	20.2	17.2	18.6	22.0	29.1	26.4
Japan	3.2	3.4	3.6	4.1	5.8	5.2	4.2	3.0	5.2	4.0
Pacific Basin	1.4	2.7	5.1	4.9	4.3	4.7	4.7	3.8	5.1	6.1
Other Countries	1.2	1.4	2.2	0.3	0.0	0.0	0.4	0.0	1.1	0.7
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

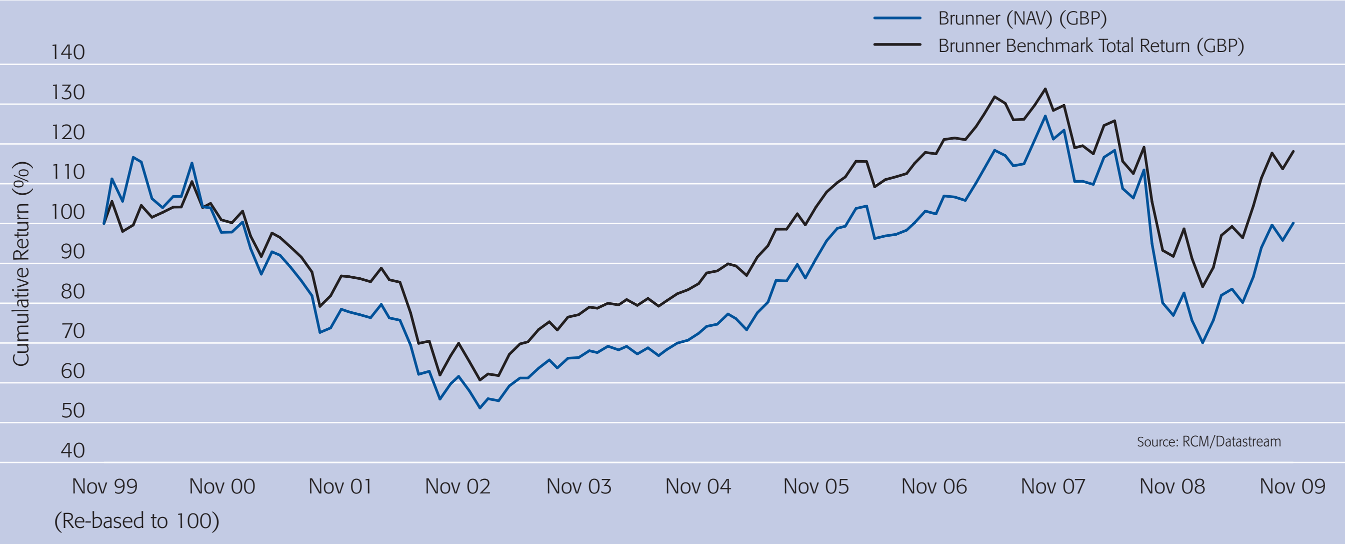
*Excludes Cash and Treasury Stock.

Performance Graphs

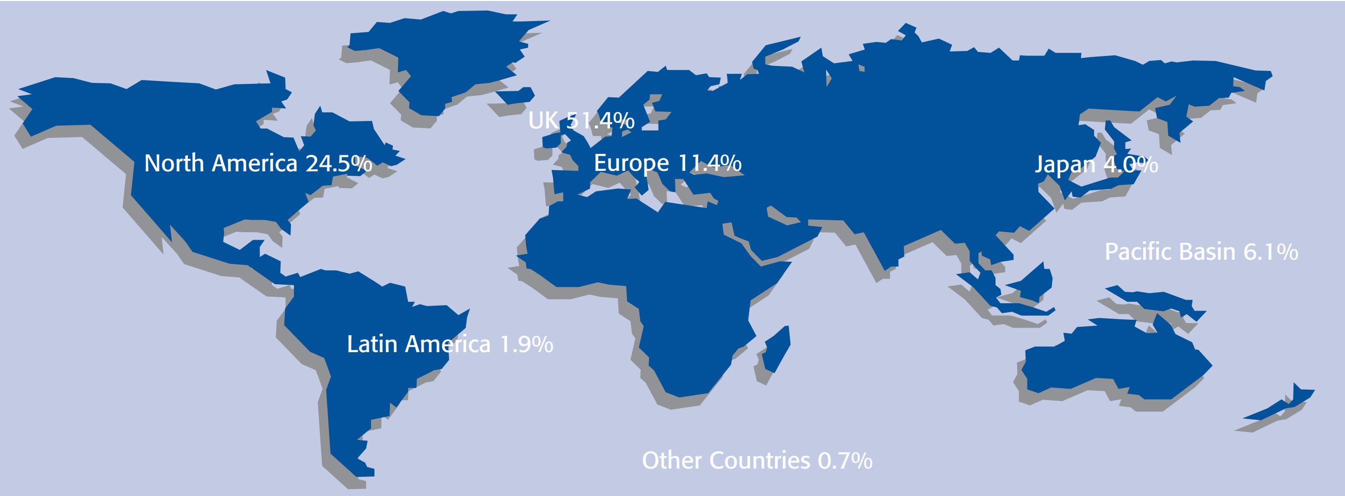
10 year record 1999-2009



Performance against benchmark since adoption of a composite benchmark in November 1999



Geographical Disposition at 30 November 2009



Thirty Largest Investments

at 30 November 2009

	Valuation (£)	% of Invested Funds	Sector
HSBC Holdings	11,603,673	4.60	Banks
Treasury Stock 4.75% 07/06/2010	10,423,125	4.14	Gilt
Royal Dutch Shell 'B' Shares	8,471,905	3.36	Oil & Gas Producers
GlaxoSmithKline	8,322,044	3.30	Pharmaceuticals & Biotechnology
Treasury Stock 2.5% I/L 16/04/2020	7,712,921	3.06	Gilt
Treasury Stock 4% 07/03/2022	7,609,313	3.02	Gilt
BP	6,875,342	2.73	Oil & Gas Producers
Vodafone Group	6,486,770	2.57	Mobile Telecommunications
BG Group	5,683,332	2.25	Oil & Gas Producers
BHP Billiton	5,680,165	2.25	Mining
Rio Tinto	4,207,554	1.67	Mining
Unilever	3,987,044	1.58	Food Producers
Cobham	3,905,791	1.55	Aerospace & Defence
Compass	3,630,653	1.44	Travel & Leisure
Centrica	2,921,660	1.16	Gas, Water & Multiutilities
BAE Systems	2,785,815	1.11	Aerospace & Defence
Prudential	2,698,300	1.07	Life Insurance
Nestlé	2,608,555	1.04	Food Producers
Reckitt Benckiser	2,607,561	1.03	Household Goods
Xstrata	2,600,762	1.03	Mining
International Power	2,588,205	1.03	Electricity
Telecity	2,549,061	1.01	Software & Computer Services
Melrose	2,528,664	1.00	Industrial Engineering
BNP Paribas	2,508,898	1.00	Banks
Apple	2,394,632	0.95	Technology Hardware & Equipment
Google	2,321,556	0.92	Software & Computer Services
Reed Elsevier	2,285,001	0.91	Media
Diageo	2,220,150	0.88	Beverages
Philip Morris	2,211,750	0.88	Tobacco
Toyota Motor	2,186,903	0.87	Automobile & Parts
	134,617,105	53.41	% of Total Invested Funds

Investment Managers' Review United Kingdom Portfolio

Market Review

London's role as a world financial centre ensured that the UK was at the centre of the storm which swept through markets and economies in 2009. The size and global reach of the UK's banking sector relative to our economy meant that the steps taken to address the panic have had a disproportionate effect. The contraction of the economy – by almost 5% in 2009 – underscores the severity of the crisis from which we have just emerged. However, the expected rise in unemployment has been less than initially feared, and the prompt action by the authorities to stabilise the banking system and investment markets have certainly been successful in steadying conditions, at least in the short term.

Portfolio Review

Navigating a path through the rollercoaster markets has been exceptionally difficult this year and our approach has continued to be based on a fundamental assessment of each company's individual prospects and our analysis of whether the stock market has correctly valued these. It is encouraging, after all the twists and turns, that the UK portfolio has out-performed the benchmark over this period. Over the year, the UK portfolio delivered a return of 26.6% relative to the benchmark return of 24.1%

Turning to individual shares, the portfolio benefited from some very strong returns from medium sized companies. For example the conglomerate, **Melrose Group**, delivered a staggering return of 147% as it exceeded expectations in its business plan. Melrose has an impressive track record of acquisitions and has shown its ability to restructure underperforming businesses. Following the acquisition of **FKI** in 2008, the stock market became concerned about the high level of indebtedness within the group. Our analysis suggested that the management would be able to extract cash cost savings which, combined with the substantial operational improvement in the business would drive shareholder value. The full year figures confirmed our analysis and resulted in strong share price performance. Future opportunities are significant and we retain a core position in the portfolio

Another medium sized company, **Telecity Group**, had an excellent year, returning over 100%. The company owns and operates data centres in key strategic locations and has experienced exceptionally strong growth. It has benefited from growth in customer demand, driven by increased internet traffic, especially through mobile devices. We anticipate continued strong growth as areas such as video streaming and gaming applications highlight the importance of Telecity's assets and services.

In terms of sectors, the commercial property related holdings performed well and we benefited from not holding tobacco shares, which lagged the market.

Finally, it is worth noting that the shares held in the mining sector made a positive contribution to performance. Commodity prices increased powerfully in the second half of the year, driving the returns from our holdings, including both **Rio Tinto** and **BHP Billiton**. Valuations have now become quite stretched however and we took profits at the end of the year; and for the first time in the last five years we are now underweight in the mining sector.

Outlook

Although a measure of calm has returned to most financial markets, the legacy of last year will influence activity for some time to come. The measures taken to plug the liquidity gap – especially the unprecedented use of so-called 'quantitative easing' – will require a deft hand to unwind whilst simultaneously maintaining market confidence in the process. With the prospect of an election before the summer and the requirement to reduce government borrowings significantly, uncertainty about the possibility of a hung parliament will weigh on sentiment in the short term. Higher taxes and, in due course, higher interest rates will also act as powerful brakes on the incipient recovery.

However, the global character of many of the largest UK-listed companies means that the outlook for global growth is more important for these companies than UK domestic spending. Although shares have rallied very significantly since March, most UK companies are not extravagantly rated relative to their earnings, and this provides a good base from which to start 2010.

Investment Managers' Review

United Kingdom Listed Equity Holdings

at 30 November 2009

	Value (£)	Sector
HSBC Holdings	11,603,673	Banks
Royal Dutch Shell 'B' Shares	8,471,905	Oil & Gas Producers
GlaxoSmithKline	8,322,044	Pharmaceuticals & Biotechnology
BP	6,875,342	Oil & Gas Producers
Vodafone Group	6,486,770	Mobile Telecommunications
BG Group	5,683,332	Oil & Gas Producers
Rio Tinto	4,207,554	Mining
Unilever	3,987,044	Food Producers
Cobham	3,905,791	Aerospace & Defence
Compass	3,630,653	Travel & Leisure
BHP Billiton*	2,951,103	Mining
Centrica	2,921,660	Gas, Water & Multiutilities
BAE Systems	2,785,815	Aerospace & Defence
Prudential	2,698,300	Life Insurance
Reckitt Benckiser	2,607,561	Household Goods
Xstrata	2,600,762	Mining
International Power	2,588,205	Electricity
Telecity Group	2,549,061	Software & Computer Services
Melrose	2,528,664	Industrial Engineering
Reed Elsevier	2,285,001	Media
Diageo	2,220,150	Beverages
Informa	2,032,799	Media
AstraZeneca	2,003,760	Pharmaceuticals & Biotechnology
SABMiller	1,898,431	Beverages
Intermediate Capital	1,616,530	General Financial
Experian	1,558,614	Support Services
International Personal Finance	1,534,113	General Financial
3i Group	1,426,952	General Financial
Aviva	1,330,895	Life Insurance
Dana Petroleum	1,252,016	Oil & Gas Producers
Barclays	1,218,409	Banks
WPP	1,175,760	Media
Ashmore Group	1,113,496	General Financial
Unite Group	884,918	Real Estate
Tullett Prebon	868,827	General Financial
Laird	860,101	Electronic & Electrical Equipment
TUI Travel	823,765	Travel & Leisure
Meggitt	760,914	Aerospace & Defence

Investment Managers' Review

United Kingdom Listed Equity Holdings Continued

at 30 November 2009

	Value (£)	Sector
Whitbread	750,214	Travel & Leisure
Scottish & Southern Energy	673,952	Electricity
Resolution	563,286	General Financial
	116,258,142	46.13% of Total Invested Funds

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

United Kingdom Unlisted Equity Holdings

at 30 November 2009

	Value (£)	Sector
August Equity Partners	2,933	Venture Capital Partnership
Fintrust Debenture	4,338	Financial Services
First Debenture Finance	23,893	Financial Services
	31,164	0.01% of Total Invested Funds

United Kingdom Fixed Interest Holdings

at 30 November 2009

	Value (£)	Sector
Treasury Stock 4.75% 07/06/2010	10,423,125	Gilt
Treasury Stock 4% 07/03/2022	7,609,313	Gilt
Treasury Stock 2.5% I/L 16/04/2020	7,712,921	Gilt
	25,745,359	10.22% of Total Invested Funds

Investment Managers' Review
International Portfolio

Market Review

Global equity markets rebounded very strongly from decade lows at the start of March to end the reporting period significantly higher, as investors took confidence from the Federal Reserve, the Bank of England, the Swiss National Bank and the Bank of Japan all turning to an alternative monetary policy, Quantitative Easing, aimed at boosting liquidity in their economies.

Portfolio Review

The overseas portfolio produced a return of 18.6% compared to a return on the benchmark of 24.2%. The underperformance largely stems from the more defensive style of holdings owned in this period, particularly during the spring and summer rally. When the market rallied strongly, as the belief took hold that the world economy had avoided depression, the more highly indebted and cyclical companies rose more sharply than higher quality enterprises.

Between February and April, we made some adjustments to the portfolio to increase exposure to more cyclical areas. Reductions were made in more defensive investments within Healthcare, Consumer Staples and Utilities, which had performed well during the weaker market environment, in order to increase exposure to Materials, Financials and Technology. This adjustment raised the portfolio's sensitivity to the market but the speed of the market rotation still meant that the stocks we held over the reporting period had a negative impact on performance.

Within Financials this impact was at its most extreme, as the higher quality banks including **JPMorgan**, **Goldman Sachs** and **Wells Fargo** underperformed their more distressed peers. We have maintained positions in these companies however as we believe they possess superior long term prospects and offer exposure to the upturn though their capital markets activities.

New stock purchases during the period included **Estee Lauder** and **Starbucks**. Estee Lauder has new management, the first non-family CEO in the company's history, and the potential for higher margins as well as exposure to a recovery in travel related spending. The company announced stronger than expected earnings figures and the stock performed well as a result. Starbucks, the US-listed specialty coffee vendor, has announced that it is targeting a 16%+ operating margin and a cost-cutting programme as part of its restructuring efforts across the franchise. Despite the implementation of these margin enhancement processes, Starbucks has reported increased customer satisfaction in stores. The company is also seeking to address the significant divergence in profitability between its US stores and its international locations, where efficiency appears poorer. We initiated a position in Starbucks because we see excellent scope for the company's restructuring strategy to improve the company's relative valuation and improve earnings.

Less successful performers in the consumer area during the period were **Reed Elsevier** and **Apollo Group**. We had been selling our holding in Reed Elsevier due to concerns about the new management strategy and the company's balance sheet, when it announced a large rights issue as well as a profit downgrade. We have now sold our remaining holding in the stock. Apollo provides higher education programmes for working adults ranging from high school to graduate level through online courses and on-campus classes provided through subsidiaries. The company had reported strong quarterly results in June with strong growth in margins and earnings per share. Yet, as the economic outlook improved, sentiment for the stock deteriorated as it was expected that enrolment growth would deteriorate. The stock, being primarily publicly funded, is subject to the risk of regulatory intervention and during the period the market became increasingly concerned about this prospect. We believed that the market was overreacting to these concerns and we continue to hold the stock.

Exposure was increased to some commodity related companies in the early part of the rally. Within the Materials and Energy sectors we added to our holding in our favoured natural resources company, **BHP Billiton**, as well as holdings in **Freeport-McMoran**. Freeport primarily mines for copper and owns mining interests in Chile and Indonesia; the company has benefited from positive news flow concerning Chinese restocking of copper supplies, alongside associated price increases for copper.

Another purchase of note was **Oracle**, the US-listed enterprise software and applications provider. Organic growth in the distribution of licenses remains ahead of the competition, with strong cost control and maintenance supporting continued core margin improvement. Oracle has aggressively contained costs with significant headcount reductions, whilst simultaneously keeping expense growth below revenue growth by gaining market share over rivals. We initiated a position in Oracle and expect the company to continue to sustain an improvement in its earnings.

By far the best contributor to performance during the year was **Amazon**, which we owned because we believe it to be one of the major beneficiaries of the increase in online retailing. In addition, the rising interest in and sales of its e-book reader, the Kindle, led to some market re-rating. We have taken some profits in recent months but retain an investment in the company.

Investment Managers' Review

Outlook

Heading into 2010, as the world economy stabilises and recovers, we are cautiously optimistic about the prospects for global equity markets. Following the most severe global recession for decades we expect a sustained but uneven recovery and we anticipate that central banks will keep interest rates low, which should help support asset markets generally. Significant output gaps – excess capacity over current demand – combined with high unemployment and continuing consumer debt repayment should keep inflationary pressures under control.

In line with our economic growth outlook, we believe that earnings growth will pick up from low levels in early 2010.

In terms of the risks, we are cautious about the increased possibility of governments or government supported institutions defaulting on their debt. Dubai and Greece have already given warning signs of this, while the significant level of fiscal stimulus that has been provided by developed countries may lead to funding crises in the future; the UK, Spain and Ireland are all potentially facing these issues. These concerns have already surfaced in the currency markets as the sterling and the US dollar were very weak during 2009.

Fiscal policies such as the 'cash for clunkers' and tax rebates, especially in the US , have targeted the consumer and gave a much needed boost to car manufacturing and retail in particular. We are unlikely to see these policies renewed in 2010 and this could lead to disappointment, not only in these sectors but across the market as a whole if investors start to worry that the already over-leveraged consumer is not as resilient as first hoped.

Finally, as more importance is placed on the strength of Emerging Markets and the BRIC countries any signs of measures to restrain growth and inflation in these areas could cause concern. It is important that growth in these countries is seen to be self sustaining in the medium term, rather than being dependent on US and European consumption.

We have positioned the portfolio to take advantage of three specific themes:

- Companies with the ability to grow organically, including companies such as China Life and Itau UniBanco, which are operating in developing markets, or those seeing structurally growing demand such as Amazon, Google and Inmarsat.
- Restructuring candidates. Companies such as Starbucks, Estee Lauder, Wells Fargo, BNP and Suncor that are going through a period of restructuring and are able to help themselves improve their own business model and profits within a weak macroeconomic environment.
- Corporate spending beneficiaries. This trend of increased corporate spending is likely to include a pick-up in advertising which could benefit companies such as Google. Hewlett-Packard, Intel, Microchip and Canon should be beneficiaries of a pick up in hardware spending.

Overall, with the extreme style rotations seen in 2009 subsiding, we expect a more favourable backdrop for stock picking as markets begin to evaluate and reward individual companies on the basis of fundamentals.

Investment Managers' Review

North America Listed Equity Holdings

at 30 November 2009

	Value (£)	Sector
Apple	2,394,632	Technology Hardware & Equipment
Google	2,321,556	Software & Computer Services
Philip Morris	2,211,750	Tobacco
Wells Fargo	2,108,681	Banks
Amazon	2,045,580	General Retailers
Hewlett Packard	2,015,553	Technology Hardware & Equipment
JPMorgan	1,841,516	Banks
Walt Disney Co.	1,833,640	Media
Colgate-Palmolive	1,777,732	Personal Goods
Tyco	1,757,326	General Industrials
Danaher	1,735,929	Electronic & Electrical Equipment
Goldman Sachs	1,721,620	General Financial
Freeport-McMoran	1,692,882	Industrial Metals & Mining
Deere & Co	1,667,081	Industrial Engineering
Suncor	1,607,346	Oil & Gas Producers
Medcohealth	1,602,342	Health Care Equipment & Services
Devon Energy	1,592,252	Oil & Gas Producers
Thermo Fisher Scientific	1,552,509	Health Care Equipment & Services
Allergan	1,549,147	Pharmaceuticals & Biotechnology
Starbucks	1,545,452	Travel & Leisure
Oracle	1,476,767	Software & Computer Services
Abbott Laboratories	1,417,201	Pharmaceuticals & Biotechnology
Gilead Sciences	1,357,788	Pharmaceuticals & Biotechnology
Potash	1,336,448	Basic Materials
Transocean	1,331,035	Oil Equipment, Services & Distribution
Eaton	1,319,935	General Industrials
Marathon Oil	1,261,270	Oil & Gas Producers
Microchip	1,234,868	Technology Hardware & Equipment
Honeywell	1,137,225	General Industrials
US Bancorp	1,109,295	Banks
Western Union	1,090,406	General Financial
FPL	1,066,033	Electricity
Apollo	1,018,573	General Retailers
Estee Lauder	973,774	Personal Goods
Lowe's	912,907	General Retailers
Suntrust	896,114	Banks
	55,514,165	22.03% of Total Invested Funds

Investment Managers' Review

Latin America Listed Equity Holdings

at 30 November 2009

	Value (£)	Sector
BCO Itau	1,813,920	Banks (Brazil)
Petrol Brasileiros	1,299,889	Oil & Gas Producers (Brazil)
America Movil	1,149,729	Mobile Telecommunications (Mexico)
	4,263,538	1.69% of Total Invested Funds

Continental Europe Listed Equity Holdings

at 30 November 2009

	Value (£)	Sector
Nestlé	2,608,555	Food Producers (Switzerland)
BNP Paribas	2,508,898	Banks (France)
Bayer AG	2,131,830	Chemicals (Germany)
Vinci	1,782,107	Construction & Materials (France)
Eutelsat	1,690,750	Media (France)
Umicore	1,638,692	Chemicals (Belguim)
Fresenius	1,635,785	Health Care Equipment & Services (Germany)
Total	1,472,672	Oil & Gas Producers (France)
Arcelomittal	1,467,018	Industrial Metals & Mining (Luxembourg)
LVMH Moet Hennessy	1,358,835	Personal Goods (France)
Muenchener Rueckve	1,098,476	Insurance (Germany)
ABB	1,076,162	Electronic & Electrical Equipment (Switzerland)
Vienna Insurance	1,057,676	Insurance (Austria)
National Bank of Greece	972,065	Banks (Greece)
EDP Energias Portugal	888,036	Electricity (Portugal)
Gamesa	858,898	Industrial Engineering (Spain)
Alstom	785,763	Industrial Engineering (France)
	25,032,218	9.93% of Total Invested Funds

Middle East Listed Equity Holdings

at 30 November 2009

	Value (£)	Sector
Teva Pharmaceutical Industries	1,531,461	Pharmaceuticals & Biotechnology (Israel)
	1,531,461	0.61% of Total Invested Funds

Eastern European Listed Equity Holdings

at 30 November 2009

	Value (£)	Sector
Lukoil Oil	816,041	Oil & Gas Producers (Russia)
	816,041	0.32% of Total Invested Funds

Investment Managers' Review

Japan Listed Equity Holdings

at 30 November 2009

	Value (£)	Sector
Toyota Motor	2,186,903	Automobiles & Parts
Mitsui Fudosan	1,669,037	Real Estate
East Japan Railway	1,569,753	Travel & Leisure
Canon	1,232,913	Technology Hardware & Equipment
Hitachi Construction	1,227,194	Industrial Engineering
Sony	1,147,097	Leisure Goods
	9,032,897	3.58% of Total Invested Funds

Pacific Basin Listed Equity Holdings

at 30 November 2009

	Value (£)	Sector
BHP Billiton*	2,729,062	Mining (Australia)
China Life Insurance	1,831,057	Life Insurance (Hong Kong)
Samsung Electronic	1,662,694	Electronic & Electrical Equipment (Korea)
Australia & New Zealand Bank	1,645,061	Banks (Australia)
Fubon Financial	1,320,136	General Financial (Taiwan)
China Mobile	1,250,356	Mobile Telecommunications (Hong Kong)
CSL	1,164,248	Pharmaceuticals & Biotechnology (Australia)
Taiwan Semiconductor	1,104,584	Electronic & Electrical Equipment (Taiwan)
Petrochina	1,090,291	Oil & Gas Producers (Hong Kong)
	13,797,489	5.48% of Total Invested Funds

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

Distribution of Invested Funds

at 30 November 2009

Invested Funds – £226,277,115 (2008 – £188,173,411)
excluding Treasury Stocks – £25,745,359 (2008 – £20,143,500)

	United Kingdom %	North America %	Other Countries %	2009 Total %	50% All-Share 50% World Index 2009 Benchmark Sector Weighting*	2008 Total %
Oil & Gas						
Oil & Gas Producers	9.85	1.97	2.07	13.89	12.73	15.21
Oil Equipment, Services and Distribution	–	0.59	–	0.59	1.02	0.57
	9.85	**2.56**	**2.07**	**14.48**	**13.75**	**15.78**
Basic Materials						
Chemicals	–	0.59	1.67	2.26	1.63	1.58
Forestry & Paper	–	–	–	–	0.13	–
Industrial Metals	–	0.75	0.65	1.40	1.26	–
Mining	4.31	–	1.21	5.52	6.46	4.46
	4.31	**1.34**	**3.53**	**9.18**	**9.48**	**6.04**
Industrials						
Aerospace & Defence	3.29	–	–	3.29	1.53	3.50
Alternative Energy	–	–	0.38	0.38	0.08	0.17
Construction & Materials	–	–	0.79	0.79	0.96	1.71
Electronic & Electrical Equipment	0.38	0.77	1.22	2.37	0.82	2.41
General Industrials	–	1.86	–	1.86	1.57	0.78
Industrial Engineering	1.12	0.74	1.36	3.22	1.32	1.01
Industrial Transportation	–	–	–	–	0.95	0.33
Support Services	0.69	–	–	0.69	2.22	1.00
	5.48	**3.37**	**3.75**	**12.60**	**9.45**	**10.91**
Consumer Goods						
Automobiles & Parts	–	–	0.97	0.97	1.19	0.99
Beverages	1.82	–	–	1.82	2.56	0.60
Food Producers	1.76	–	1.15	2.91	2.75	4.28
Household Goods	1.15	–	–	1.15	1.62	1.23
Leisure Goods	–	–	0.51	0.51	0.46	0.80
Personal Goods	–	1.22	0.60	1.82	1.00	0.96
Tobacco	–	0.98	–	0.98	2.20	1.92
	4.73	**2.20**	**3.23**	**10.16**	**11.78**	**10.78**
Health Care						
Health Care Equipment & Services	–	1.40	0.72	2.12	1.43	1.12
Pharmaceuticals & Biotechnology	4.56	1.91	1.19	7.66	6.94	11.12
	4.56	**3.31**	**1.91**	**9.78**	**8.37**	**12.24**
Consumer Services						
Food & Drug Retailers	–	–	–	–	2.25	1.90
General Retailers	–	1.76	–	1.76	2.73	2.21
Media	2.43	0.81	0.75	3.99	2.29	3.89
Travel & Leisure	2.30	0.68	0.69	3.67	2.07	3.62
	4.73	**3.25**	**1.44**	**9.42**	**9.34**	**11.62**

Distribution of Invested Funds

at 30 November 2009

Invested Funds – £226,277,115 (2008 – £188,173,411)
excluding Treasury Stocks – £25,745,359 (2008 – £20,143,500)

	United Kingdom %	North America %	Other Countries %	2009 Total %	50% All-Share 50% World Index 2009 Benchmark Sector Weighting*	2008 Total %
Telecommunications						
Fixed Line Telecommunications	–	–	–	–	2.12	1.89
Mobile Telecommunications	2.87	–	1.06	3.93	3.08	4.23
	2.87	**–**	**1.06**	**3.93**	**5.20**	**6.12**
Utilities						
Electricity	1.44	0.47	0.39	2.30	1.92	3.15
Gas, Water & Multiutilities	1.29	–	–	1.29	2.05	0.79
	2.73	**0.47**	**0.39**	**3.59**	**3.97**	**3.94**
Financials						
Banks	5.67	2.63	3.07	11.37	12.50	9.97
Equity Investment	–	–	–	–	1.37	–
General Financial	3.15	1.24	0.58	4.97	2.70	3.26
Non-Life Insurance	–	–	0.95	0.95	1.96	1.75
Life Insurance	1.78	–	0.81	2.59	2.02	1.43
Real Estate	0.39	–	0.74	1.13	1.80	1.21
	10.99	**3.87**	**6.15**	**21.01**	**22.35**	**17.62**
Information Technology						
Software & Computer Services	1.13	1.68	–	2.81	2.72	1.80
Technology Hardware & Equipment	–	2.49	0.54	3.03	3.59	3.10
	1.13	**4.17**	**0.54**	**5.84**	**6.31**	**4.90**
Unquoted	0.01	–	–	0.01	–	0.05
	0.01	**–**	**–**	**0.01**	**–**	**0.05**
Total	**51.39**	**24.54**	**24.07**	**100.00**	**100.00**	**100.00**

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

*In order to enable a fairer comparison against the benchmark, the Treasury Stocks have been excluded from the above table.

Directors, Managers and Advisers

Directors

All Directors are non-executive.

KE Percy (Chairman)†

(Born January 1945) joined the Board on 1 January 2004. He is a Non-Executive Director of Standard Life Equity Income Trust plc, JPMorgan Fleming Japanese Investment Trust plc, The Henderson Smaller Companies Investment Trust plc and The Children's Mutual. He was previously Chairman of S G Asset Management UK and before that Chief Executive of Morgan Grenfell Asset Management.

Ian Barlow FCA*

(Born September 1951) joined the Board in November 2009. Ian is a Senior Adviser at KPMG LLP where he had worked full time from 1973 until 2008, latterly as London Office Senior Partner, and prior to that, from 1993 – 2001, as Head of Tax and Legal. He is a Board Member of PA Consulting Group, Candy & Candy, the London Development Agency, London First and the China-Britain Business Council and chairs Think London, the inward investment agency, and The Racecourse Association. Ian is a Fellow of Institute of Chartered Accountants in England and Wales and of the Chartered Institute of Taxation.

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 is also a member of the investment committee of St James's Place 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 President of the CLA and a Director of the Skipton Building Society.

*Independent of the Managers.

†Independent on appointment as Chairman.

Directors, Managers and Advisers

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 2009 had combined assets of £1,029 billion under management. Through its predecessors, Allianz Global Investors has a heritage of investment trust management expertise in the UK reaching back to the nineteenth century and it had £1.03 billion assets under management in a range of investment trusts as at 31 December 2009.

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

Secretary and Registered Office Kirsten Salt BA (Hons) ACIS, 155 Bishopsgate, London EC2M 3AD. Telephone: 020 7065 1513
email: kirsten.salt@uk.rcm.com

Registered Number 226323

Registrars 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 Companies' and 'Investment Trusts', 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/investmenttrusts.

Share Prices

The share prices quoted in the London Stock Exchange Daily Official List for 30 November 2009 were 367.75p – 368.25p.

How to Invest

Alliance Trust Savings Limited ("ATS") is one of a number of providers offering a range of products and services, including Share Plans, ISAs and pension products. ATS also maintains services including online and telephone-based dealing facilities and online valuations. More information is available from Allianz Global Investors either via Investor Services on 0800 317 573 or on the Managers' website: www.rcm.com/investmenttrusts, or from Alliance Trust Savings Customer Services Department on 01382 321185 or by e-mail: contact@alliancetrust.co.uk.

A list of other providers can be found on the RCM Investment Trusts website: www.rcm.com/investmenttrusts.

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 7.20p to be payable on 25 March 2010 to shareholders on the Register of Members at the close of business on 26 February 2010, making a total distribution of 12.00p per share for the year ended 30 November 2009, an increase of 2.6% on last year's distribution.

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 posted July.
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 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: www.capitadeal.com for on-line dealing or 0871 664 0454 for telephone dealing. Lines are open 9.00 a.m. to 5.00 p.m. Monday to Friday. Calls to the 0871 664 0454 number are charged at 10 pence per minute plus any of your service providers' network extras. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

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 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 the registrars on 0871 664 0300 or +44 20 8639 3399 if calling from overseas. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the 0871 664 0300 number are charged at 10 pence per minute plus any of your service providers' network extras. Calls to the helpline number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

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.

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 2009.

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 2008. 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 Main Market and is traded 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 and interim management statements, 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 ('the Manager') 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 2009 the portfolio contained 121 stocks (2008 – 126). 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 2009 the Company produced a NAV capital return to shareholders of 24.0%. This compares with the return on the Company's benchmark index of 24.4%. In the previous year the NAV return was –37.6% and the benchmark index was –31.0%. At 30 November 2009 the Company's net asset value was £206 million (2008 – £168 million). 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 2009 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 2009 the shares traded between a discount of 4.6% and 15.6% with debt at fair value.

Total expense ratio ("TER")

The most significant expense for the Company is the cost of the management fee and the costs of interest on the Company's borrowings. Other operating 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 total operating expenses, comprising the Company's management fee and all other operating expenses net of tax relief but excluding interest payable, by total assets less current liabilities averaged over the year. The TER for the year ended 30 November 2009 was 0.5% (2008 – 0.6%).

Share Capital

Details of the Company's share capital are set out in Note 11 on page 50. Further to a resolution passed on 19 March 2009, during the year the Company purchased 431,710 ordinary shares for cancellation, representing 0.92% 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 58 and 59.

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 2006 ("Companies Act"), 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 Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Rules could result in the suspension of the Company's shares which would in turn lead to a breach of Section 842. The Board relies on its company secretary and its professional advisers to ensure compliance with the Companies Act and UKLA Rules.

Directors' Report

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 within the Directors' Report beginning on page 27.

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 29.

Financial

The financial risks to the Company are disclosed in Note 18 beginning on page 52.

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. The Directors' policy on Going Concern is set out on page 42.

Share Buy Backs

During the year to 30 November 2009 a total of 431,710 Ordinary Shares of 25p each (nominal value £107,928) 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 £1,311,881.

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 £26,267,903 (2008 – losses of £8,119,308). Provisions contained in the Finance Act 1980 exempt approved Investment Trusts from corporation tax on their chargeable gains. Invested funds at 30 November 2009 had a value of £252,022,474 (2008 – £208,316,911) before deducting net liabilities of £45,530,784 (2008 – £40,271,785).

Net Asset Value

The Net Asset Value of the Ordinary Shares of 25p at the year end was 443.8p, as compared with a value of 357.8p at 30 November 2008.

Donations and Subscriptions

No donations or subscriptions of a political or charitable nature were made during the year (2008 – £nil).

Historical Record

A schedule of the Company's thirty largest investments is on page 7. 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

Directors' Report

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

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.

This confirmation is given and should be interpreted in accordance with the provisions of S.418 of the Companies Act 2006.

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.

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

	2009 £	**2009 £**
Gross income for the year		7,531,313
Deduct:		
Expenses of administration	(673,480)	
Finance costs of borrowings	(1,390,534)	
Add: Management fee VAT refund	695,017	
Total expenses		**(1,368,997)**
Amount subject to taxation		**(6,162,316)**
Taxation absorbed		(456,912)
Available for distribution to the Ordinary Shareholders		**5,705,404**
Dividends in respect of the financial year		
Interim 4.80p per Ordinary Share paid 28 August 2009	(2,238,399)	
Final proposed 7.20p per Ordinary Share payable 25 March 2010	(3,350,398)	
		(5,588,797)
Transferred to Revenue Reserve		**116,607**

Directors' Report

The Board declared an interim dividend of 4.80p per Ordinary Share which was paid on 28 August 2009. The Board recommends a final dividend for the year ended 30 November 2009 of 7.20p, payable on 25 March 2010, making a total distribution for the year of 12.00p per Ordinary Share. The next interim dividend payment is expected to be made in August 2010.

The following disclosures are made in accordance with Part 6 of Schedule 7 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008.

Capital Structure

The Company's capital structure is set out in Note 11 on page 50.

Voting Rights in the Company's Shares

As at 12 February 2010, the Company's capital consisted of:

Share class	Number of shares issued	Voting rights per share	Total voting rights
Ordinary shares of 25p	46,402,805	1	46,402,805
5% Cumulative Preference shares of £1	450,000	0	–
Total	**46,852,805**		**46,402,805**

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 greater than 3%: CE Wilkinson (as trustee 12.56%); HLJ Brunner (beneficial 6.86% – as trustee 5.12%); TBH Brunner (beneficial 1.67% – as trustee 5.41%); JHK Brunner (beneficial 3.51% – as trustee 1.97%); AXA Group 18.48%; 1607 Capital Partners 4.57%; and M & G Investment Management 4.92%.

Mr CE Wilkinson acts as a co-trustee with Mr TBH Brunner in respect of 1,720,770 Ordinary Shares (3.71%), 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 2,098,994 Ordinary Shares (4.52%) which form part of Mr HLJ Brunner's trustee holdings.

Analysis of Share Register

Based on an analysis of the Ordinary Share register at 11 February 2010 (16 February 2009).

	February 2010				February 2009			
Shareholder Type	**Number of Holders**	**%**	**Number of shares**	**%**	**Number of Holders**	**%**	**Number of shares**	**%**
Private holders	865	57.9	9,964,117	21.5	923	58.8	14,050,828	30.0
Nominees	581	38.9	35,030,620	75.4	597	38.1	30,509,275	65.3
Limited Companies	27	1.8	89,295	0.2	28	1.8	114,719	0.2
Investment Trusts	4	0.2	46,801	0.1	5	0.3	48,801	0.1
Banks and Bank Nominees	7	0.5	1,263,959	2.7	7	0.4	1,997,518	4.3
Other holders	11	0.7	46,013	0.1	10	0.6	39,215	0.1
	1,495	**100.0**	**46,440,805**	**100.0**	**1,570**	**100.0**	**46,760,356**	**100.0**

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

Directors

Ben Siddons, William Worsley and Richard 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 they are retiring at the Annual General Meeting; only Mr Worsley offers himself for re-election. Notwithstanding the length of service of William Worsley, the Board views him as independent of the Manager.

Keith Percy and Vivian Bazalgette also retire by rotation this year and offer themselves for re-election. Ian Barlow, having been appointed since the last AGM, retires and offers himself for election.

Directors' Report

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 2009 are set out below.

All of the serving directors were subject to a formal performance appraisal in respect of the year and it was found that each continues to be effective and to demonstrate commitment to his role.

Ordinary Shares of 25p

	2009 Beneficial	2009 As Trustee	2008 Beneficial	2008 As Trustee
KE Percy	4,000	–	4,000	–
IE Barlow	–	–	–	–
VP Bazalgette	4,000	–	4,000	–
BCR Siddons	4,629	–	4,629	–
RKA Wakeling	9,023	–	9,023	–
WR Worsley	110,000	513,150	110,000	523,900

Since the year end, Mr Barlow acquired a beneficial holding of 4,000 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.

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 six non-executive Directors, five 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 Richard Wakeling is currently the Senior Independent Director. The Board believes that length of service does not diminish the contribution from an investment trust director and that a director's experience and extensive knowledge of the Company is of positive benefit to the Board.

In accordance with the Articles of Association new Directors stand for election at the first Annual General Meeting following their appointment. Each Director is required to seek re-election at least every three years and annually after nine years' service. The names of the Directors retiring by rotation at this year's Annual General Meeting are given on page 26.

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

When a new Director is appointed there is an induction process carried out by the 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.

Directors' Report

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 and Richard Wakeling are retiring from the Board at the AGM in 2010 and Ian Barlow was appointed to the Board in November 2009. Steps are in place to appoint a new Director during 2010.

The Board has contractually delegated to the investment manager the management of the investment portfolio and the day to day accounting and company secretarial requirements. This contract was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the financial control systems in operation, in so far as they relate to the affairs of the Company. The Board receives and considers reports regularly from the investment manager and *ad hoc* reports and information are supplied to the Board as required. The Board's statement on its review of the management contract appears on page 25.

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

There were no meetings held between the appointment of IE Barlow on 19 November 2009 and the year end.

*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. The Board reports 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. Ian Barlow will become Chairman of the Audit Committee after the AGM in March 2010. 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

Directors' Report

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 control reports and other relevant assurance papers.

As the Company has no employees it does not have a formal policy concerning the raising, in confidence, of any concerns about improprieties for appropriate independent investigation. The Audit Committee has, however, received and noted the Manager's policy on this matter.

Nomination Committee

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

Management Engagement Committee

The Management Engagement Committee meets at least once each year to review the Management Agreement and the Manager's performance. It has defined terms of reference and consists of the non executive Directors not formerly employed by the Manager. It is chaired by Keith Percy, the Chairman of the Board.

Remuneration Committee

The Remuneration Committee meets at least once each year and consists of the independent non-executive Directors including Keith Percy, Chairman of the Board. The committee is chaired by Richard Wakeling and after the AGM will be chaired by William Worsley. 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 35 and 36.

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.

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- 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 Bankers 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 in place to meet the requirements of the Combined Code.

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

Relations with Shareholders

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

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

The Manager meets with institutional shareholders on a regular basis and reports to the Board on matters raised at these meetings.

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

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

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the financial statements is on page 34 and a statement of going concern is on page 24.

The Independent Auditors' Report can be found on page 37.

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' Report
Annual General Meeting

Articles of Association
In Resolution 10 in the Notice of Meeting on page 58 the Company proposes to adopt new Articles of Association ('new Articles') to replace the current Articles of Association ('current Articles'). The new Articles incorporate amendments to the current Articles to reflect the provisions of the Companies Act 2006 (the '2006' Act) and also the Companies (Shareholders' Rights) Regulations 2009 ("Shareholders' Rights Regulations"), and otherwise generally update the current Articles for current law, regulation and market practice. The new Articles, showing all the changes to the current Articles, are available for inspection at the registered office during normal business hours at the Company's Registered Office, 155 Bishopsgate, London EC2M 3AD from the date of this report up until the close of the AGM. Copies will also be available at Trinity House, Tower Hill, London EC3N 4DH, being the place of the Annual General Meeting, for 15 minutes prior to, and during, the meeting

The material changes necessary and recommended due to the entering into force of the Companies Act 2006 and the Shareholders' Rights Regulations include: removing the Chairman's casting vote at Shareholder meetings; the removal of the Company's ability to give notice of meetings by advertisement when the post is not available; the removal of references to unissued shares; the additional manner in which the Company's name can be changed by way of board resolution; the deletion of the ability to close the register; the removal of specific authorities no longer required on capital reduction or buy backs; the addition of a provision confirming that there is no requirement to check that the proxy is voting according to his instructions; provisions relating to the administration of the Company; and minor changes to proceedings at general meetings.

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 19 March 2009 under Section 80 of the Companies Act 1985. The current authority will expire on 19 May 2010 and the equivalent authority under the Companies Act 2006 is in Section 551.

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 2011. The authority to disapply pre-emption rights was previously in Section 95 of the Companies Act 1985 and the equivalent authority under the Companies Act 2006 is in Section 570.

Accordingly resolution 11 as set out in the Notice of Meeting on page 58 will be proposed as an Ordinary Resolution and resolutions 10, 12, 13 and 14 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

Directors' Report

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 27.76% of the Ordinary Share Capital of the Company. If the proposed buy back authority were to be used in full, the repurchase of Ordinary Shares could result in the Connected Parties holding 32.66% 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. This authority was previously in Section 166 of the Companies Act 1985 and the equivalent authority under the Companies Act 2006 is in Section 701. Accordingly, resolution 13 will be proposed as a Special Resolution at the AGM. The Board believes that such purchases in the market at appropriate times and prices may be a suitable method of enhancing shareholder value. The Company would make either a 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 £153 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 five 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.

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 6,955,780 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 18 March 2010.

The authority will last until the Annual General Meeting of the Company to be held in 2011 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.

Authority to hold a general meeting on 14 days' clear notice

This resolution is required to reflect the implementation in August 2009 of the EU Shareholder Rights Directive (the "Directive"), which has increased the notice period for all general meetings of the Company to 21 days' clear notice. The Company was previously able to call general meetings (other than an Annual General Meeting) on 14 days' clear notice and would like to preserve this ability. Under the

Directors' Report

Directive, Companies are permitted to seek shareholder approval, on an annual basis and by way of a special resolution, for general meetings (other than the annual general meeting) to be called on 14 days' clear notice. This authority will only be used if it is in the best interests of shareholders and will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. Furthermore, in order to use this authority, all shareholders must be given the opportunity (but not the obligation) to vote at such a general meeting by electronic means. Annual general meetings will continue to be held on at least 21 days' clear notice.

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 'Interests in the Company's Share Capital' 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 13 to be proposed at the Annual General Meeting in relation to the renewed authority for the repurchase of shares as they intend to do in respect of their respective holdings of Ordinary Shares.

By Order of the Board
K J Salt
Secretary
12 February 2010

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). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing 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; and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

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

12 February 2010

Directors' Remuneration Report

This report is submitted in accordance with the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, Schedule 8 for the year ended 30 November 2009. 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, neither 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.

The performance graph overleaf 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.

Directors' Indemnities

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.

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 (SID) and the Chairman of the Audit Committee. Following a recent review, fees have been increased to reflect the uplift in the earnings index over the past two years and with effect from 1 December 2009, the Chairman has been paid at the rate of £31,250 per annum and Directors at the rate of £18,750 per annum, with the additional £2,000 payable to the SID and Audit Committee Chairman remaining unchanged.

Directors' Emoluments

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

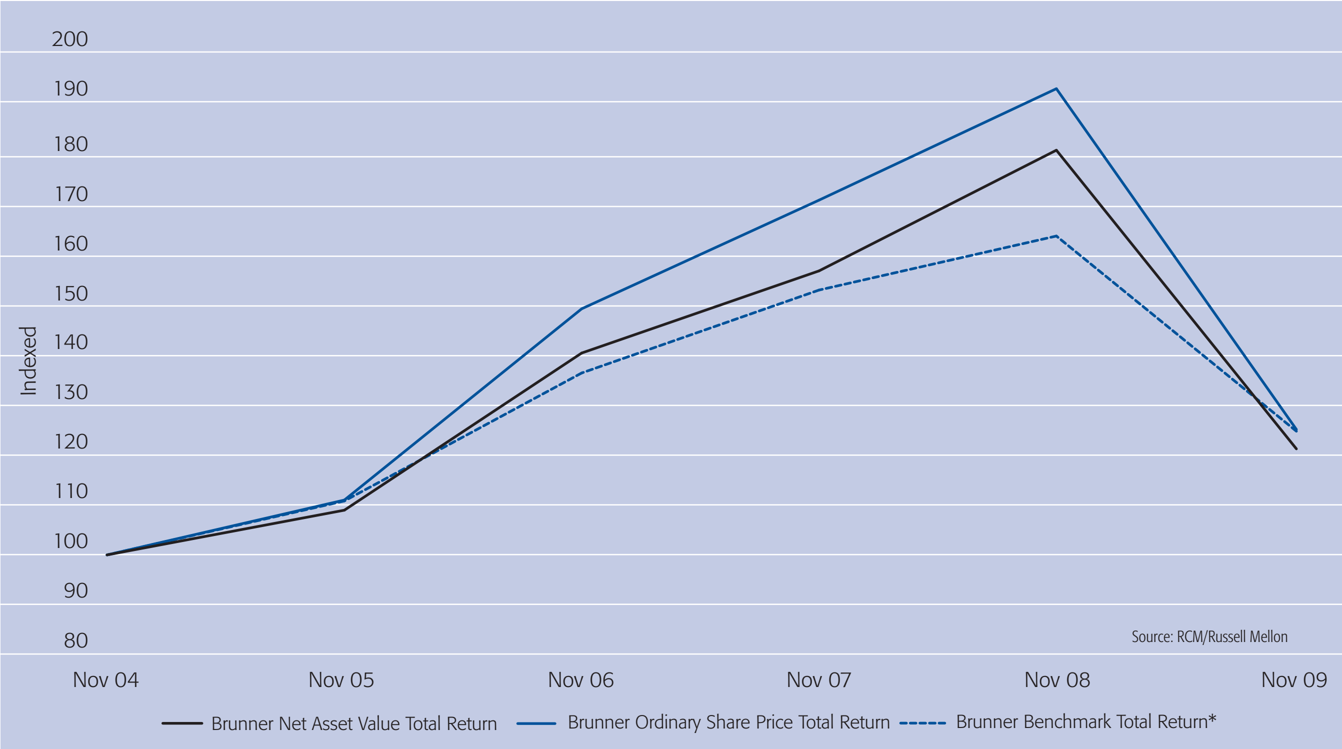
	Directors' fees	
	2009	**2008**
KE Percy	30,000	30,000
IE Barlow	554	–
VP Bazalgette	18,000	18,000
BCR Siddons	18,000	18,000
RKA Wakeling	20,000	20,000
WR Worsley	20,000	20,000
Total	**106,554**	**106,000**

Directors' Remuneration Report

Performance Graph

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

Brunner Investment Trust PLC – 30 November 2004 – 30 November 2009



*50:50 FTSE All-Share and FTSE World Index (ex UK £).

By Order of the Board
K J Salt
Secretary

12 February 2010

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 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related Notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement contained within this Annual Financial Report in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Stuart McLaren (Senior Statutory Auditor)
for and on behalf of **Deloitte LLP** | Chartered Accountants and Statutory Auditors
London, England
12 February 2010

Income Statement for the year ended 30 November 2009

	Notes	2009 Revenue £	2009 Capital £	2009 Total Return £	2008 Revenue £	2008 Capital £	2008 Total Return £
Net gains (losses) on investments at fair value	8	–	42,764,239	42,764,239	–	(99,627,396)	(99,627,396)
Net gains on foreign currencies		–	4,085	4,085	–	6,525	6,525
Income	1	7,531,313	–	7,531,313	9,537,646	–	9,537,646
Investment management fee	2	(304,716)	(711,005)	(1,015,721)	(395,503)	(922,839)	(1,318,342)
Investment management fee VAT refund	2	695,017	475,276	1,170,293	–	–	–
Administration expenses	3	(368,764)	(14,399)	(383,163)	(333,519)	(28,872)	(362,391)
Net return before finance costs and taxation		**7,552,850**	**42,518,196**	**50,071,046**	**8,808,624**	**(100,572,582)**	**(91,763,958)**
Finance costs: interest payable and similar charges	4	(1,390,534)	(3,188,515)	(4,579,049)	(1,413,877)	(3,232,898)	(4,646,775)
Net return on ordinary activities before taxation		**6,162,316**	**39,329,681**	**45,491,997**	**7,394,747**	**(103,805,480)**	**(94,410,733)**
Taxation	5	(456,912)	187,189	(269,723)	(630,637)	311,048	(319,589)
Net return on ordinary activities attributable to Ordinary Shareholders		**5,705,404**	**39,516,870**	**45,222,274**	**6,764,110**	**(103,494,432)**	**(96,730,322)**
Return per Ordinary Share (basic and diluted)	7	**12.22p**	**84.65p**	**96.87p**	**14.32p**	**(219.11)p**	**(204.79)p**

Dividends in respect of the financial year ended 30 November 2009 total 12.00p (2008 – 11.70p), amounting to £5,588,797 (2008 – £5,503,139). 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 42 to 57 form an integral part of these Financial Statements.

Reconciliation of Movements in Shareholders' Funds
for the year ended 30 November 2009

	Note	Called up Share Capital £	Capital Redemption Reserve £	Capital Reserve £	Revenue Reserve £	Total £
Net Assets at 30 November 2007		11,856,279	4,143,721	243,324,611	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		–	–	(103,494,432)	–	(103,494,432)
Net Assets at 30 November 2008		**11,741,254**	**4,258,746**	**138,030,243**	**14,014,883**	**168,045,126**
Net Assets at 30 November 2008		11,741,254	4,258,746	138,030,243	14,014,883	168,045,126
Revenue Return		–	–	–	5,705,404	5,705,404
Shares repurchased during the year		(107,928)	107,928	(1,311,881)	–	(1,311,881)
Dividends on Ordinary Shares	6	–	–	–	(5,463,829)	(5,463,829)
Capital Return		–	–	39,516,870	–	39,516,870
Net Assets at 30 November 2009		**11,633,326**	**4,366,674**	**176,235,232**	**14,256,458**	**206,491,690**

The Notes on pages 42 to 57 form an integral part of these Financial Statements.

Balance Sheet at 30 November 2009

	Notes	2009 £	2009 £	2008 £
Fixed Assets				
Investments held at fair value through profit or loss	8		252,022,474	208,316,911
Current Assets				
Debtors	10	1,574,352		3,289,601
Cash at bank	10	6,088,616		11,768,151
		7,662,968		**15,057,752**
Creditors – Amounts falling due within one year	10	(1,360,757)		(3,388,772)
Net Current Assets			**6,302,211**	**11,668,980**
Total Assets less Current Liabilities			**258,324,685**	**219,985,891**
Creditors – Amounts falling due after more than one year	10		(51,832,995)	(51,940,765)
Total Net Assets			**206,491,690**	**168,045,126**
Capital and Reserves				
Called up Share Capital	11		11,633,326	11,741,254
Capital Redemption Reserve	12		4,366,674	4,258,746
Capital Reserve	12		176,235,232	138,030,243
Revenue Reserve	12		14,256,458	14,014,883
Equity Shareholders' Funds	13		**206,491,690**	**168,045,126**
Net Asset Value per Ordinary Share	13		**443.8p**	**357.8p**

The financial statements of The Brunner Investment Trust PLC, company number 226323, were approved and authorised for issue by the Board of Directors on 12 February 2010 and signed on its behalf by:

K E Percy
W R Worsley

The Notes on pages 42 to 57 form an integral part of these Financial Statements.

Cash Flow Statement for the year ended 30 November 2009

	Notes	2009 £	2009 £	2008 £
Net cash inflow from operating activities	16		**7,526,631**	**8,062,049**
Return on investments and servicing of finance				
Interest paid		(4,664,316)		(4,672,618)
Dividends paid on Preference Stock		(22,500)		(22,500)
Net cash outflow from servicing of financing			**(4,686,816)**	**(4,695,118)**
Capital expenditure and financial investment				
Purchase of fixed asset investments		(115,874,738)		(175,771,433)
Sale of fixed asset investments		114,129,508		172,419,299
Net cash outflow from financial investment			**(1,745,230)**	**(3,352,134)**
Equity dividends paid			**(5,463,829)**	**(5,243,405)**
Net cash outflow before financing			**(4,369,244)**	**(5,228,608)**
Financing				
Repurchase of Ordinary Shares for cancellation			(1,314,376)	(1,799,376)
Decrease in cash	17		**(5,683,620)**	**(7,027,984)**

The Notes on pages 42 to 57 form an integral part of these Financial Statements.

Statement of Accounting Policies for the year ended 30 November 2009

1. The financial statements have been prepared under the historical cost basis, except for the measurement at fair value of the 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 and Venture Capital Trusts' (SORP) issued January 2009 by the Association of Investment Companies.

   In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of revenue and capital nature has been presented alongside the Income Statement. In accordance with the Company's status as a UK investment trust company under sections 833 and 834 of the Companies Act 2006, net capital returns may not be distributed by way of dividend.

   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 significantly exceed liabilities. Accordingly, the Directors believe 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 22 to 24.

2. Revenue – Dividends received 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. This split is reviewed annually. Other administrative expenses are charged in full to revenue, except custodian handling charges on investment transactions which are charged to capital. All expenses are recognised on an accruals basis.

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 September 2009.

   Investment holding gains (losses) reflect differences between book value and book cost. Net gains or losses arising on sale of investments are taken to the Capital Reserve.

Statement of Accounting Policies for the year ended 30 November 2009

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

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

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

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

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

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

7. Shares repurchased and subsequently cancelled – Share Capital is reduced by the nominal value of the shares repurchased, and the Capital Redemption Reserve is correspondingly increased in accordance with Section 733 Companies Act 2006. The full cost of the repurchase is charged to the Capital Reserve within Gains (Losses) on Sales of Investments.

8. Dividends – In accordance with FRS 21 'Events After the Balance Sheet Date', the final dividend proposed on Ordinary Shares is recognised as a liability when approved by shareholders. Interim dividends are recognised only when paid.

9. Foreign Currency – In accordance with FRS 23 'The effect of Changes in Foreign Currency Exchange Rates', the Company is required to nominate a functional currency, being the currency in which the Company predominately operates. The functional and reporting currency is pounds sterling, reflecting the primary economic environment in which the Company operates. Transactions in foreign currencies are translated into sterling at the rates of exchange ruling on the date of the transaction. Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Profit and losses on foreign currencies held, whether realised or unrealised, are taken directly to the Capital Reserve.

Notes to the Financial Statements for the year ended 30 November 2009

1. Income

	2009 £	2008 £
Income from investments*		
Equity income from UK investment†	4,208,053	4,959,366
Equity income from overseas investments	2,327,405	2,715,775
Stock dividends from UK investments	–	189,312
Interest from UK fixed income investments	427,898	829,950
	6,963,356	**8,694,403**
Other income		
Deposit interest	57,636	824,659
Other interest#	377,876	–
Underwriting commission	132,445	18,584
	567,957	**843,243**
Total income	**7,531,313**	**9,537,646**

* All dividend income is derived from listed investments.
† Includes special dividends of £94,170 (2008 – £24,355).
# Interest on investment management fee VAT refund.

2. Investment Management Fee

	2009 Revenue £	2009 Capital £	2009 Total £	2008 Revenue £	2008 Capital £	2008 Total £
Investment management fee	304,716	711,005	1,015,721	395,503	922,839	1,318,342
Investment management fee VAT refund:						
Financial years 1990–1996	(491,328)	–	(491,328)	–	–	–
Financial years 2001–2007	(203,689)	(475,276)	(678,965)	–	–	–
	(695,017)	**(475,276)**	**(1,170,293)**	**–**	**–**	**–**

The Company's investment managers are RCM (UK) Limited ('RCM'). The contract provides for a management fee based on 0.45% per annum of the value of the assets after deduction of current liabilities, short term loans under one year and other funds managed by RCM.

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

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.

Following the ruling of the European Court of Justice, settlement has been reached with RCM in respect of the recovery of overpaid VAT in past years. On 23 March 2009 a refund of £491,328 and on 6 October a refund of £678,965 was paid to the Company in relation to VAT paid previously (2008 – nil), together with interest of £377,876 (2008 – £nil) from HM Revenue and Customs. The VAT refund has been applied to revenue and capital in accordance with how the fees to which it relates were charged in the relevant period. These amounts are included in the Company's Income Statement.

Notes to the Financial Statements for the year ended 30 November 2009

3. Administration Expenses

	2009 £	2008 £
Directors' fees	106,554	106,000
Auditors' remuneration (includes £4,600 in respect of non-audit services, 2008 – £9,400)	28,795	30,723
Custody fees	35,383	36,678
Registrars' fees	17,567	20,755
Association of Investment Companies' fees	23,944	25,726
Marketing costs	23,755	41,675
Printing and postage	17,139	20,627
Directors' and Officers' liability insurance	18,638	18,688
Professional and advisory fees	52,346	3,889
Other	60,737	32,386
VAT recovered	(16,094)	(3,628)
	368,764	**333,519**

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

(ii) Between 1 December 2008 and 30 November 2009 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 35).

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

(iv) Auditors remuneration includes VAT of £3,756 (2008 – £4,576).

(v) Custodian handling charges of £14,399 were charged to capital (2008 – £28,872).

4. Finance Costs: Interest Payable and Similar Charges

	2009 Revenue £	2009 Capital £	2009 Total £	2008 Revenue £	2008 Capital £	2008 Total £
On Stepped Rate Interest Loan repayable after more than five years	644,083	1,502,861	2,146,944	650,905	1,518,779	2,169,684
On Fixed Rate Interest Loan repayable after more than five years	722,423	1,685,654	2,408,077	734,623	1,714,119	2,448,742
5% Cumulative Preference Stock repayable after more than five years	22,500	–	22,500	22,500	–	22,500
On Sterling overdraft	1,528	–	1,528	5,849	–	5,849
	1,390,534	**3,188,515**	**4,579,049**	**1,413,877**	**3,232,898**	**4,646,775**

Notes to the Financial Statements for the year ended 30 November 2009

5. Taxation

		2009 Revenue £	2009 Capital £	2009 Total £	2008 Revenue £	2008 Capital £	2008 Total £
(a)	**Analysis of tax charge for the year:**						
	Corporation tax	387,258	(187,189)	200,069	630,637	(311,048)	319,589
	Double taxation relief	(200,069)	–	(200,069)	(319,589)	–	(319,589)
	Current tax charge on ordinary activities	**187,189**	**(187,189)**	**–**	**311,048**	**(311,048)**	**–**
	Overseas taxation	269,723	–	269,723	319,589	–	319,589
	Tax charge on ordinary activities	**456,912**	**(187,189)**	**269,723**	**630,637**	**(311,048)**	**319,589**
(b)	**Factors affecting the current tax charge for the year:**						
	Return on ordinary activities before taxation	6,162,316	39,329,681	45,491,997	7,394,747	(103,805,480)	(96,410,733)
	Corporation tax 28% (2008 – 28%)	1,725,448	11,012,311	12,737,759	2,070,529	(29,065,534)	(26,995,005)
	Effects of:						
	Non taxable income	(1,415,453)	–	(1,415,453)	(1,418,193)	–	(1,418,193)
	Non taxable capital (gains) losses	–	(11,975,131)	(11,975,131)	–	28,558,315	28,558,315
	Disallowable expenses	13,637	18,995	32,632	7,329	33,348	40,677
	Change in tax rates	–	–	–	49,323	(692,383)	(643,060)
	Non taxable stock dividends	–	–	–	(54,270)	–	(54,270)
	Overseas tax suffered	269,723	–	269,723	319,589	–	319,589
	Excess of allowable expenses over taxable income	(387,257)	943,825	556,568	(627,247)	1,166,254	539,007
	Accrued income taxable on receipt	63,625	–	63,625	(27,471)	–	(27,471)
	Allocation of tax relief on expenses	187,189	(187,189)	–	311,048	(311,048)	–
	Current tax charge	**456,912**	**(187,189)**	**269,723**	**630,637**	**(311,048)**	**319,589**

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 £40.4 million (2008 – £38.1 million) and eligible unrelieved foreign tax of nil (2008 – £1.0 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 2009 there is an unrecognised deferred tax asset measured, of £11.3 million (2008 – £11.6 million). The deferred tax asset relates to the current and prior year unutilised expenses. It is considered uncertain that there will be a tax liability in the future against which the deferred 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 forseable future, the Company has not provided deferred tax on any capital gains and losses arising on the disposal of investments.

Notes to the Financial Statements for the year ended 30 November 2009

6. Dividends on Ordinary Shares

	2009 £	2008 £
Dividends paid on Ordinary Shares:		
Final – 6.90p paid 27 March 2009 (2008 – 6.30p)	3,225,430	2,980,852
Interim – 4.80p paid 28 August 2009 (2008 – 4.80p)	2,238,399	2,262,553
	5,463,829	**5,243,405**

The dividend payments above are after adjusting for dividends proposed but not paid due to shares repurchased by the Company.

Dividends proposed at the year end are subject to approval by shareholders at the Annual General Meeting and are not recognised as a liability in the financial statements under FRS 21 'Events After Balance Sheet Date' (see page 43 – Statement of Accounting Policies). Details of these dividends are set out below.

	2009 £	2008 £
Final dividend – 7.20p payable 25 March 2010 (2009 – 6.90p)	3,350,398	3,240,586

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

	2009 Revenue £	2009 Capital £	2009 Total £	2008 Revenue £	2008 Capital £	2008 Total £
Return attributable to Ordinary Shareholders	5,705,404	39,516,870	45,222,274	6,764,110	(103,494,432)	(96,730,322)
Return per Ordinary Share	12.22p	84.65p	96.87p	14.32p	(219.11)p	(204.79)p

The return per Ordinary Share is based on a weighted average number of shares of 46,681,926 (2008 – 47,234,401) 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 2009

8. Fixed Asset Investments

	2009 £	2008 £
Listed at market valuation on recognised Stock Exchanges		
United Kingdom	142,003,501	110,576,968
Abroad	109,987,809	97,634,412
	251,991,310	**208,211,380**
Unlisted at Directors' valuation		
United Kingdom	31,164	105,531
Total investments	**252,022,474**	**208,316,911**
Market value of investments brought forward	208,316,911	306,773,953
Investment holding losses (gains) brought forward	46,105,990	(46,116,284)
Cost of investments held brought forward	**254,422,901**	**260,657,669**
Additions at cost	113,338,765	176,211,222
Disposals at cost	(138,644,671)	(182,445,990)
Cost of investments held at 30 November	**229,116,995**	**254,422,901**
Investment holding gains (losses) at 30 November	22,905,479	(46,105,990)
Market value of investments held at 30 November	**252,022,474**	**208,316,911**
Net gains (losses) on investments		
Net investment holding losses on sales of investments based on historical costs	(26,267,903)	(8,119,308)
Adjustment for net investment holding losses (gains) recognised in previous years	27,332,889	(23,605,516)
Net gains (losses) on sales of investments based on carrying value at previous balance sheet date	**1,064,986**	**(31,724,824)**
Net investment holding gains (losses) arising in the year	41,678,583	(68,616,758)
Net gains (losses) on sales of investments before special dividends	**42,743,569**	**(100,341,582)**
Special dividends credited to capital	20,670	714,186
Net gains (losses) on investments	**42,764,239**	**(99,627,396)**

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

Included in the cost of investments are transaction costs and stamp duty on purchases of £165,452 (2008 – £297,113) and transaction costs on sales of £100,385 (2008 – £171,446).

9. Investments in Other Companies

The Company held more than 10% of the share capital of the following companies at 30 November 2009.

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, and are included in the unlisted investments in Note 8, above. 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 2009

10. Current Assets and Creditors

	2009 £	2008 £
Debtors		
Sales for future settlement	301,989	2,054,729
Accrued income	1,191,160	1,144,583
Other debtors	81,203	90,289
	1,574,352	**3,289,601**
Cash at bank		
Current account	2,551,105	7,166,089
Deposit account	3,537,511	4,602,062
	6,088,616	**11,768,151**
Creditors: Amounts falling due within one year		
Purchases for future settlement	–	2,035,433
Stamp duty payable	–	2,495
Interest payable (see (iv) below)	915,063	915,063
Other creditors	434,444	424,531
Dividend on 5% Cumulative Preference Stock	11,250	11,250
	1,360,757	**3,388,772**
Creditors: Amounts falling due after more than one year		
Stepped Rate Interest Loan (payable after more than five years – see (i) below)	19,349,047	19,274,542
Fixed Rate Interest Loan (payable after more than five years – see (ii) below)	32,033,948	32,216,223
5% Cumulative Preference Stock (payable after more than five years – see (iii) below)	450,000	450,000
	51,832,995	**51,940,765**

(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 £52.2 million 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 2009, the unamortised premium included within the Fixed Rate Interest Loan balance of greater than one year amounted to £4,088,043 (2008 – £4,272,153).

Notes to the Financial Statements for the year ended 30 November 2009

(iii) The 5% Cumulative Preference Stock is recognised as a creditor due after more than one year under the provisions of FRS25 'Financial Instruments: Disclosure and Presentation'. The right of the Stock to receive payments is not calculated by reference to the Company's profits and, in the event of a return of capital are limited to a specific amount, being £450,000. Dividends on the Preference stock are payable half yearly on 30 June and 31 December.

(iv) Included within interest payable are £836,351 (2008 – £836,351) and £78,712 (2008 – £78,712) payable to FDF and to Fintrust respectively.

11. Share Capital

	2009 £	2008 £
Allotted and fully paid		
46,533,305 Ordinary Shares of 25p each (2008 – 46,965,015)	11,633,326	11,741,254

The directors are authorised by an ordinary resolution passed on 19 March 2009 to allot relevant securities, in accordance with Section 551 of the Companies Act 2006, up to a maximum of 7,009,377 Ordinary Shares 25p each. This authority expires on 19 May 2010 and accordingly a renewed authority will be sought a the Annual General Meeting on 18 March 2010.

During the year 431,710 Ordinary Shares were repurchased by the Company and cancelled. The aggregate purchase price of these shares, amounting to £1,311,881 was charged to the Capital Reserve, within gains on sales of investments (see Note 12). A further 130,500 ordinary shares have been repurchased for cancellation since the year end at a cost of £478,273.

12. Reserves

		Capital Reserve		
	Capital Redemption Reserve* £	Gains on sales of investments £	Investment holding – gains (losses) £	Revenue Reserve
Balance as at 30 November 2008	4,258,746	184,133,513	(46,103,270)	14,014,883
Net gains on sales of investments	–	1,064,986	–	–
Special dividends	–	20,670	–	–
Transfer on sale of investments	–	(27,332,889)	27,332,889	–
Net movement in investment holding gains	–	–	41,678,583	–
Net gains on foreign currency	–	–	4,085	–
Purchase of Ordinary Shares for cancellation	107,928	(1,311,881)	–	–
Investment management fee	–	(711,005)	–	–
Investment Management fee VAT refund	–	475,276	–	–
Finance costs of borrowings	–	(3,188,515)	–	–
Attributable taxation in respect of management fee and finance costs	–	187,189	–	–
Other capital expenses	–	(14,399)	–	–
Dividends appropriated in the year	–	–	–	(5,463,829)
Revenue return for the year	–	–	–	5,705,404
Balance as at 30 November 2009	**4,366,674**	**153,322,945**	**22,912,287**	**14,256,458**

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

The Institute of Chartered Accountants in England and Wales ("ICAEW"), in its technical guidance TECH 01/09, states that investment holding gains arising out of a change in fair value of assets may be recognised as gains on sales of investments provided they can be readily converted into cash. Securities listed on a stock exchange are generally regarded as being readily convertible into cash and hence investment holding gains in respect of such securities may be regarded as realised under Company Law.

Notes to the Financial Statements for the year ended 30 November 2009

13. 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 2009	2008
Ordinary Shares of 25p	443.8p	357.8p

	Net Asset Value Attributable 2009 £	2008 £
Ordinary Shares of 25p	£206,491,690	£168,045,126

The Net Asset Value per Ordinary Share is based on 46,533,305 Ordinary Shares in issue at the year end (2008 – 46,965,015).

14. Contingent Assets

At 30 November 2009, there were no outstanding contingent assets. At 30 November 2008, the Company had a contingent asset as at the balance sheet date relating to VAT recoverable.

15. Contingent Liabilities, Capital Commitments and Guarantees

At 30 November 2009 there were no contingent liabilities or capital commitments (2008 – nil).

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 49 'Current Assets and Creditors'.

16. Reconciliation of Operating Return before Finance Costs and Taxation to Net Cash Inflow from Operating Activities

	2009 £	2008 £
Total return before finance costs and taxation	50,071,046	(91,763,958)
Add: Special dividends credited to capital	20,670	714,186
Add: Effective yield amortisation	500,540	18,394
Less: Net (gains) losses on investments held at fair value	(42,764,239)	99,627,396
Less: Net (gains) on foreign currency	(4,085)	(6,525)
Less: Overseas tax suffered	(269,723)	(319,589)
	7,554,209	**8,269,904**
Increase in debtors	(37,491)	(101,999)
Increase (decrease) in creditors	9,913	(105,856)
Net cash inflow from operating activities	**7,526,631**	**8,062,049**

Notes to the Financial Statements for the year ended 30 November 2009

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

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

	2009 £	2008 £
Net cash outflow	(5,683,620)	(7,027,984)
Net gains on foreign currencies	4,085	6,525
Decrease in long term loans	107,770	48,775
Movement in net funds	**(5,571,765)**	**(6,972,684)**
Net debt brought forward	(40,172,614)	(33,199,930)
Net debt carried forward	**(45,744,379)**	**(40,172,614)**

(ii) Analysis of changes in net debt

	Cash £	Stepped and fixed rate loans £	Net Debt £
Balance at 30 November 2008	11,768,151	(51,940,765)	(40,172,614)
Movement in the year	(5,683,620)	107,770	(5,575,850)
Net gains on foreign currencies	4,085	–	4,085
Balance at 30 November 2009	**6,088,616**	**(51,832,995)**	**(45,744,379)**

18. 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 profits available for distribution by way of dividends.

The main risks arising from the Company's financial instruments are: market risk (comprising market price risk, currency risk and interest rate 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 Investment Manager, in close cooperation with the Directors, implement 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, currency risk and interest rate risk.

(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 2009 was as follows:

	2009 £	2008 £
Listed equity investments held at fair value through profit or loss	226,245,951	188,067,880

The following illustrates the sensitivity of the return after taxation and the net assets to an increase or decrease of 20% (2008 – 20%) in the fair values of the Company's quoted equities. The sensitivity analysis on the net return after taxation and net assets is based on the impact of a 20% increase or decrease in the value of the Company's listed investments at each closing balance sheet date and the consequent impact on the investment management fees for the year, with all other variables held constant.

Notes to the Financial Statements for the year ended 30 November 2009

	2009 20% Increase in fair value £	2009 20% Decrease in fair value £	2008 20% Increase in fair value £	2008 20% Decrease in fair value £
Revenue return:				
Investment management fees	(61,086)	61,086	(50,778)	50,778
Capital return				
Net gains (losses) on investments at fair value	45,249,190	(45,249,190)	37,613,576	(37,613,576)
Investment management fees	(142,535)	142,535	(118,483)	118,483
Change in net return and net assets	**45,045,569**	**(45,045,569)**	**37,444,315**	**(37,444,315)**

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 objectives 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.

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

	2009 Investments £	2009 Other net liabilities £	2009 Total currency exposure £	2008 Investments £	2008 Other net liabilities £	2008 Total currency exposure £
Sterling	142,034,665	(45,900,707)	96,133,958	109,812,933	(40,804,778)	69,008,155
Australian Dollar	5,538,371	41,666	5,580,037	3,699,952	(17)	3,699,935
Canadian Dollar	2,943,794	3,605	2,947,399	2,664,328	–	2,664,328
Euro	21,347,501	40,222	21,387,723	16,347,571	24,848	16,372,419
Hong Kong Dollar	4,171,704	–	4,171,704	3,299,360	–	3,299,360
Japanese Yen	9,032,897	47,604	9,080,501	9,845,332	–	9,845,332
Singapore Dollar	–	–	–	1,149,288	84,520	1,233,808
Swedish Krona	–	–	–	–	24,453	24,453
Swiss Franc	3,684,717	25,363	3,710,080	5,020,795	31,705	5,052,500
Taiwan Dollar	1,320,136	50,957	1,371,093	745,973	52,661	798,634
US Dollar	61,948,689	160,506	62,109,195	55,731,379	314,823	56,046,202
Total	**252,022,474**	**(45,530,784)**	**206,491,690**	**208,316,911**	**(40,271,785)**	**168,045,126**

Notes to the Financial Statements for the year ended 30 November 2009

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.

	2009 20% Decrease in sterling against foreign currencies £	2009 20% Increase in sterling against foreign currencies £	2008 20% Decrease in sterling against foreign currencies £	2008 20% Increase in sterling against foreign currencies £
Australian Dollar	1,395,009	(930,006)	924,984	(616,656)
Canadian Dollar	736,850	(491,233)	666,082	(444,055)
Euro	5,346,931	(3,564,621)	4,093,104	(2,728,737)
Hong Kong Dollar	1,042,926	(695,284)	824,840	(549,893)
Japanese Yen	2,270,125	(1,513,417)	2,461,333	(1,640,889)
Singapore Dollar	–	–	308,452	(205,635)
Swedish Krona	–	–	6,113	(4,075)
Swiss Franc	927,520	(618,347)	1,263,125	(842,083)
Taiwan Dollar	342,773	(228,515)	199,658	(133,106)
US Dollar	15,527,299	(10,351,532)	14,011,551	(9,341,033)
Total	**27,589,433**	**(18,392,955)**	**24,759,242**	**(16,506,162)**

(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 2009 was £6,088,616 (2008 – £11,768,151). As at 30 November 2009, the interest rates received on cash balances, or paid on bank overdrafts respectively, is approximate to 0% and 1.35% per annum (2008 – 2.50% and 3.85% per annum).

The Company's exposure to fixed interest rates on assets, being the three Treasury Stock holdings as at 30 November 2009 was £25,745,359 (2008 – £20,143,500). The assets have a weighted average period to maturity of 7.0 years (2008 – 0.27 years) and an effective redemption yield of 3.29% (2008 – 3.79%).

The Company's exposure to fixed interest rates on liabilities as at 30 November 2009 was £51,832,995 (2008 – £51,940,765). 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 2008 and 30 November 2009.

	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% (2008 – 8.98%) and the weighted average period to maturity of these liabilities is 11.9 years (2008 – 12.9 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.

Notes to the Financial Statements for the year ended 30 November 2009

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. Therefore there is minimal exposure to interest rate risk. In the year to 30 November 2009, the Company held three fixed interest securities. The fixed interest securities are 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 effect the finance cost and financial liabilities of the Company as all the 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 2009, based on the earliest date on which payment can be required to be made was as follows:

2009	3 months or less £	Not more than one year £	Between one year and five years £	More than five years £	Total currency Total £
Creditors: Amounts falling due within one year					
Debt interest due within one year	836,351	78,712	–	–	915,063
Other creditors	445,694	–	–	–	445,694
Creditors: Amounts falling due after more than one year					
Debt due after more than one year	–	–	–	51,832,995	51,832,995
	1,282,045	**78,712**	**–**	**51,832,995**	**53,193,752**

2008	3 months or less £	Not more than one year £	Between one year and five years £	More than five years £	Total currency 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**

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 and these significantly exceed liabilities. 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 (2008 – £7 million).

Credit Risk

Credit risk is the risk of default by a counterparty in discharging its obligations under transactions that could result in the Company suffering a loss.

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 conterparties, thus minimising the risk of default during settlement.

Notes to the Financial Statements for the year ended 30 November 2009

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 and HBOS plc, rated Aa2 and A1, respectively, by Moody's rating agency. The Directors believe the counterparties the Company has chosen to transact with are of high credit quality, and that the Company has minimal exposure to credit risk.

In summary, the exposure to credit risk at 30 November 2009 was as follows:

	2009 £	2008 £
Treasury Stock	**25,745,359**	**20,143,500**
Debtors:		
Outstanding Settlements	301,989	2,054,729
Accrued Income	1,191,160	1,144,583
Other Debtors	81,203	90,289
	1,574,352	**3,289,601**
Cash at Bank	**6,088,616**	**11,768,151**
Total	**33,408,327**	**35,201,252**

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.

	2009 Book value £	2009 Fair value £	2008 Book value £	2008 Fair value £
First Debenture Finance Loan	19,349,047	24,984,050	19,274,542	26,116,345
Fintrust Loan	32,033,948	37,751,000	32,216,223	36,811,684
Total	**51,382,995**	**62,735,050**	**51,490,765**	**62,928,029**

The net asset value per Ordinary Share, with the FDF and Fintrust loans at fair value is 419.4p (2008 – 333.5p).

The fair value has been derived from the closing market value as at 30 November 2009 and 30 November 2008.

19. 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:

	2009 £	2008 £
Net Long Term Debt		
Creditors: Amounts falling due after more than one year	51,832,995	51,940,765
Less: Treasury Stock	(25,745,359)	(20,143,500)
	26,087,636	**31,797,265**
Equity		
Called up Share Capital	11,633,326	11,741,254
Share Premium Account and Other Reserves	194,858,364	156,303,872
	206,491,690	**168,045,126**
Total Capital	**232,579,326**	**199,842,391**
Debt as a percentage of total capital	**11.22%**	**15.91%**

The Board, with the assistance of the 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 Manager's view on the market, covenant requirements and the future prospects of the

Notes to the Financial Statements for the year ended 30 November 2009

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 overdraft facility are not to exceed £7 million, and 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-Second Annual General Meeting of The Brunner Investment Trust PLC will be held at Trinity House, Trinity Square, Tower Hill, London EC3N 4DH, on 18 March 2010 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 2009 with the Auditors' Report thereon.

2 To declare a final dividend of 7.2p per Ordinary Share.

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

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

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

6 To elect Mr I E Barlow as a Director.

7 To approve the Directors' Remuneration Report.

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

9 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 11 will be proposed as an Ordinary Resolution and Resolutions 10, 12, 13 and 14 will be proposed as Special Resolutions:

10 To adopt new Articles of Association.

11 That the Directors be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 to allot relevant securities (within the meaning of Section 551 of that Act) provided that this power shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £3,866,513 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 18 June 2011 if earlier, save that the Directors may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

12 That the Directors be and are hereby empowered, pursuant to Section 570 of the Companies Act 2006, to allot equity securities (as defined in Section 560 of that Act) pursuant to the authority conferred by Resolution 11 above as if Section 561 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 £580,035 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 18 June 2011, if earlier, save that the Directors may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired.

13 That the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) 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 6,955,780;

(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% 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 2011 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.

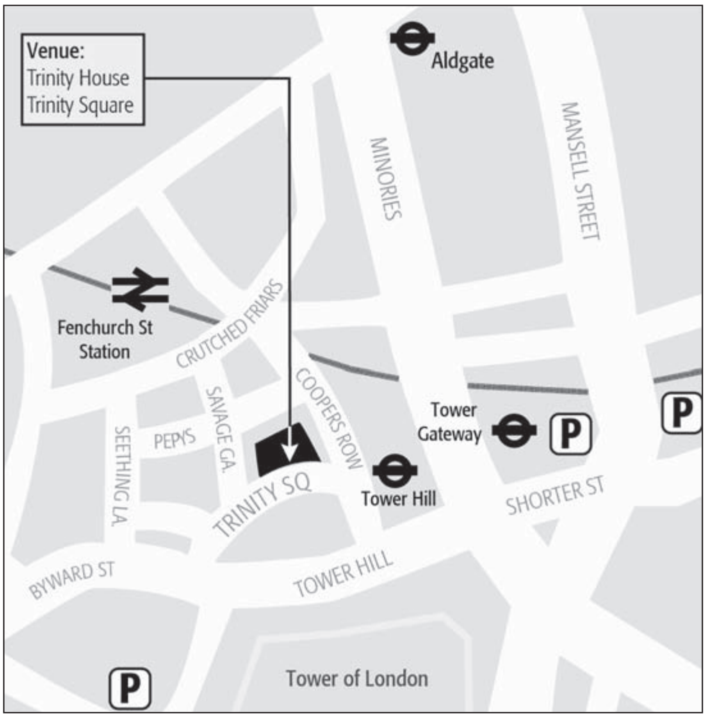
14. That a general meeting, other than an annual general meeting, may be called on not less than 14 days' clear notice.

155 Bishopsgate,	By Order of the Board
London EC2M 3AD	**K J Salt**
12 February 2010	Secretary

Notes:

1. Members entitled to attend and vote at this Meeting may appoint one or more proxies to attend, speak and vote in their stead by completion of a personalised form of proxy. Full details on how to complete the form of proxy are set out on the form of proxy. The proxy need not be a Member of the Company.
2. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. A proxy has one vote on a show of hands in all cases (including where one member has appointed multiple proxies) except where he is appointed by multiple members who instruct him to vote in different ways, in which case he has one vote for and one vote against the resolution.
3. A personalised form of proxy is provided with the Annual Financial Report. Any replacement forms must be requested direct from the Registrar.
4. Completion of the form of proxy does not exclude a Member from attending the Meeting and voting in person.
5. Duly completed forms of proxy must reach the office of the Registrars at least 48 (excluding non-business days) hours before the Meeting.
6. 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 on the Euroclear website (www.euroclear.com/CREST).
7. To be entitled to attend and vote at the Meeting (and for the purpose of determination by the Company of the number of votes they may cast), Members must be entered on the Company's Register of Members by close of business on Tuesday 16 March 2010 (the "record date").
8. If the Meeting is adjourned to a time not more than 48 hours after the record date 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 new notice of the adjourned Meeting, at the record date specified in that notice.
9. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
10. Corporate representatives are entitled to attend and vote on behalf of the corporate member in accordance with Section 323 of the Companies Act 2006. Pursuant to the Companies (Shareholders' Rights) Regulations 2009 (SI 2009/1632), multiple corporate representatives appointed by the same corporate member can vote in different ways provided they are voting in respect of different shares.
11. Members have a right under Section 319A of the Companies Act 2006 to require the Company to answer any question raised by a member at the AGM, which relates to the business being dealt with at the meeting, although no answer need be given (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) it is undesirable in the best interests of the Company or the good order of the meeting.
12. Members satisfying the thresholds in Section 527 of the Companies Act 2006 can require the Company, at its expense, to publish a statement on the Company website setting out any matter which relates to the audit of the Company's accounts that are to be laid before the meeting. Any such statement must also be sent to the Company's auditors no later than the time it is made available on the website and must be included in the business of the meeting.
13. As at 12 February 2010, the latest practicable date before this Notice is given, the total number of shares in the Company in respect of which members are entitled to exercise voting rights was 46,402,805 Ordinary Shares of 25p each. Each Ordinary Share carries the right to one vote and therefore the total number of voting rights in the Company on 12 February 2010 is 46,402,805. The 5% Cumulative Preference Shares do not ordinarily have any voting rights.
14. Further information regarding the meeting which the Company is required by Section 311A of the Companies Act 2006 to publish on a website in advance of the meeting (including this Notice), can be accessed at www.rcm.com/investmenttrusts.
15. 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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