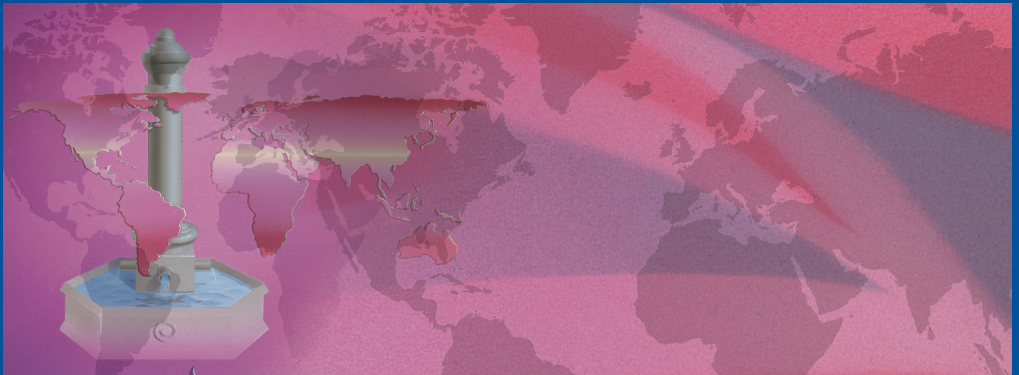


# The Brunner Investment Trust plc

Interim Report for the six months ended 31 May 2005



# Key Facts

## Investment Objective

To achieve a total return higher than that of the benchmark index of 60% FTSE All-Share and 40% FT/S&P World Index (ex UK sterling adjusted) over the long-term.

## Strategy

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

## Financial Highlights

Revenue	For the six months ended 31 May		
	2005	2004	% change
Available for Ordinary Dividend	£2.44m	£2.34m	+4.3
Earnings per Ordinary Share	4.67p	4.31p	+8.4
Dividend per Ordinary Share	3.60p	3.50p	+2.9

Assets	At	At	% change
	31 May 2005	30 November 2004	
Total Assets less Current Liabilities	£251m	£243m	+3.3
Net Asset Value per Ordinary Share	384.4p	364.1p	+5.6
NAV Total Return#			+6.6
60% FTSE All-Share and 40% FT/S&P World Index (ex UK) in sterling* (Total Return)			+7.8

#NAV total return reflects both the change in net asset value per Ordinary Share (5.6%) and the net ordinary dividend declared in respect of the period.

\*Source: Datastream. Indices are price index returns rebalanced on a monthly basis.

# Chairman's Statement

## Net Asset Value

A summary of the results for the six months ended 31 May 2005 is set out below. The Net Asset Value attributable to each Ordinary Share at 31 May 2005 was 384.4p. This compares with 364.1p at 30 November 2004, an increase of 5.6% over the period. The capital return on the benchmark index (60% FTSE All-Share, 40% FTSE World Index - £) was 6.2% over the period.

## Earnings

Earnings in the six months to 31 May 2005 were 4.67p per Ordinary Share (2004: 4.31p).

## Interim Dividend

The Board has declared an interim dividend of 3.6p net (2004: 3.5p) per Ordinary Share payable on 25 August 2005 to holders on the Register of Members at the close of business on 29 July 2005.

## Investment Review

Equity markets made further progress over the period as growing confidence in the sustainability of US economic growth, good company results and the prospect of lower interest rates provided positive momentum to share prices. In sterling terms the best performing regions were the Far Eastern (ex Japan) and North American markets.

Consensus expectations that the dollar would weaken and that bond yields would rise were confounded. Despite strong commodity prices – most notably oil – inflationary expectations have remained subdued as increasing levels of the world's manufacturing activity continue to shift towards lower cost economies in Asia, and in particular China.

Our expectation that growth stocks would outperform failed to materialise in the first half, although recently global growth companies have begun to show relative strength. We continue to believe that, as the world economy grows at more modest levels, at least compared to the rate

experienced last year, investors will favour companies which have the ability to grow their earnings on a sustainable basis in more challenging conditions.

Having looked at the impact on overall portfolio risk we also believe that there is merit in the current environment in focusing the portfolio on a more limited number of holdings and have consequently decided to reduce the number of stocks in the overseas portfolio to around 50 – 60 from the current 88. This follows our move to a more focused portfolio in the UK and will bring the total number of portfolio holdings to a range of 90 – 110 compared to 140 – 160 in May last year.

In the UK there are now signs that the domestic economy is slowing in a number of key areas. A stagnating housing market – both in terms of prices and activity – has clearly had a greater impact on consumer expenditure than many expected, and growth in government spending is also likely to moderate. In this environment we have remained underweight in consumer related shares and have favoured the pharmaceutical, oil and computer software sectors. The prospect of reducing interest rates in the second half of the year should prove supportive to current valuations

The twin US deficits, and the capital flows required to sustain them, retain their potential to destabilise currency markets and the current benign interest rate environment. However growing international trade in manufactured goods brings benefits both to the developed and developing worlds so it is quite possible that these apparently large global imbalances will persist for some time without adverse consequences for equity markets. It is encouraging to note the resilience of markets in the wake of the recent terrorist attacks in London.

K E Percy  
Chairman  
14 July 2005

# Portfolio Analysis

As at 31 May 2005



## Twenty Largest Equity Holdings

As at 31 May 2005

Security Name	Market value	% of		Principal Activity
	£'000s	Total	Assets*	
GlaxoSmithKline	8,743	3.48		Pharmaceuticals
HSBC Holdings	8,422	3.36		Banking
BP	7,736	3.08		Oil and Gas
Royal Bank of Scotland	5,283	2.11		Banking
Barclays	5,029	2.00		Banking
Shell Transport & Trading	4,906	1.95		Oil and Gas
BG Group	4,771	1.90		Oil and Gas
BHP Billiton	4,601	1.83		Mining
Standard Chartered	3,724	1.48		Banking
Vodafone Group	3,563	1.42		Telecommunications
Sage Group	3,232	1.29		Software and Computer Services
GUS	2,984	1.19		General Retailers
AstraZeneca	2,977	1.19		Pharmaceuticals
BPB	2,887	1.15		Construction and Building
Cobham	2,839	1.13		Aerospace and Defence
Allied Domecq	2,812	1.12		Beverages
Reuters Group	2,760	1.10		Media and Entertainment
Spectris Group	2,737	1.09		Electronic and Electrical Equipment
Carnival	2,705	1.08		Transport
Altria Group	2,450	0.98		Tobacco
	<u>85,161</u>	<u>33.93</u>		

\*Total assets include current liabilities.

# Statement of Total Return

	For the six months ended		
	Revenue	31 May 2005	Total
	£'000s	Capital	£'000s
		£'000s	
	(Note 2)		
Net gains on investments	-	11,484	11,484
Income from investments	3,472	-	3,472
Other income	402	-	402
Investment management fee	(197)	(458)	(655)
Expenses of administration	(210)	-	(210)
<b>Return before finance costs and taxation</b>	<b>3,467</b>	<b>11,026</b>	<b>14,493</b>
Finance costs of borrowings	(696)	(1,598)	(2,294)
<b>Return on ordinary activities before taxation</b>	<b>2,771</b>	<b>9,428</b>	<b>12,199</b>
<b>Taxation</b>			
Overseas taxation	(133)	-	(133)
UK taxation	(190)	190	-
	(323)	190	(133)
<b>Return on ordinary activities after taxation</b>	<b>2,448</b>	<b>9,618</b>	<b>12,066</b>
Dividends on Preference Stock	(11)	-	(11)
<b>Return attributable to Ordinary Shareholders</b>	<b>2,437</b>	<b>9,618</b>	<b>12,055</b>
<b>Dividends on Ordinary Shares:</b>			
Prior year over accrual			2
Interim	3.60p		(1,862)
Final			-
	(1,860)	-	(1,860)
<b>Transfer to (from) reserves</b>	<b>577</b>	<b>9,618</b>	<b>10,195</b>
<b>Return per Ordinary Share (Note 1)</b>	<b>4.67p</b>	<b>18.44p</b>	<b>23.11p</b>

## Net Asset Statement

	As at 31 May 2005
	£'000s
Fixed Asset Investments	236,336
Net Current Assets	14,615
<b>Total Assets less Current Liabilities</b>	<b>250,951</b>
Creditors: amount falling due after more than one year	(51,730)
<b>Total Net Assets</b>	<b>199,221</b>
Called up Share Capital: Ordinary	12,912
Preference	450
Capital Redemption Reserve	3,088
Capital Reserves: Realised	160,736
Unrealised	13,959
Revenue Reserve	8,076
<b>Shareholders' Funds</b>	<b>199,221</b>
<b>Net asset per Ordinary Share</b>	<b>384.4p</b>

The net asset value is based on 51,708,416 Ordinary Shares in issue.

For the six months ended 31 May 2004			For the year ended 30 November 2004		
Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
(Note 2)			(Note 2)		
-	601	601	-	12,433	12,433
3,313	-	3,313	6,117	-	6,117
360	-	360	1,046	-	1,046
(193)	(451)	(644)	(384)	(896)	(1,280)
(151)	-	(151)	(275)	-	(275)
3,329	150	3,479	6,504	11,537	18,041
(689)	(1,607)	(2,296)	(1,379)	(3,208)	(4,587)
2,640	(1,457)	1,183	5,125	8,329	13,454
(92)	-	(92)	(176)	-	(176)
(195)	195	-	(382)	382	-
(287)	195	(92)	(558)	382	(176)
2,353	(1,262)	1,091	4,567	8,711	13,278
(11)	-	(11)	(22)	-	(22)
2,342	(1,262)	1,080	4,545	8,711	13,256
3.50p			3.50p		
34	-	34	34	-	34
(1,892)	-	(1,892)	(1,876)	-	(1,876)
-	-	-	(2,411)	-	(2,411)
(1,858)	-	(1,858)	(4,253)	-	(4,253)
4.60p			4.60p		
484	(1,262)	(778)	292	8,711	9,003
4.31p	(2.32)p	1.99p	8.43p	16.16p	24.59p
As at 31 May 2004 £'000s			As at 30 November 2004 £'000s		
217,203			228,345		
21,522			14,683		
238,725			243,028		
(52,708)			(51,761)		
186,017			191,267		
13,518			13,102		
450			450		
2,482			2,898		
165,695			159,387		
(3,819)			7,931		
7,691			7,499		
186,017			191,267		
343.2p			364.1p		

The net asset value per share as at 31 May 2004 is based on 54,070,416 Ordinary Shares in issue and at 30 November 2004 is based on 52,406,416 Ordinary Shares in issue.

# Cash Flow Statement

For the six months ended 31 May 2005 and comparative periods

	Six months to 31 May 2005 £'000s	Six months to 31 May 2004 £'000s	Year to 30 November 2004 £'000s
<b>Net cash inflow from operating activities</b>	2,823	2,641	5,801
<b>Servicing of finance</b>			
Interest paid	(2,326)	(2,329)	(4,651)
Dividends paid on Preference Stock	(11)	(11)	(23)
<b>Net cash outflow on servicing of finance</b>	(2,337)	(2,340)	(4,674)
<b>Financial investment</b>			
Purchase of fixed asset investments	(78,661)	(66,811)	(179,061)
Sale of fixed asset investments	76,566	66,025	183,148
<b>Net cash (outflow) inflow from financial investment</b>	(2,095)	(786)	4,087
<b>Equity dividends paid</b>	(2,409)	(2,392)	(4,268)
<b>Net cash (outflow) inflow before financing</b>	(4,018)	(2,877)	946
<b>Financing</b>			
Purchase of Ordinary Shares for cancellation	(2,241)	(2,860)	(7,392)
<b>Decrease in cash</b>	(6,259)	(5,737)	(6,446)

## Notes

### Note 1

The returns per Ordinary Share are based on revenue or capital return to Ordinary Shareholders, as appropriate, and on 52,168,537 Ordinary Shares being the weighted average number of shares in issue throughout the period (31 May 2004 – 54,406,208 Shares; 30 November 2004 – 53,900,208 Shares).

### Note 2

The revenue column of this statement is the profit and loss account of the Company. All revenue and capital items derive from continuing operations. No operations were acquired or discontinued in the period.

### Note 3

This interim statement has been neither audited nor reviewed by the Company's auditors. The interim statement has been prepared using the same accounting policies as those adopted in the annual accounts for the year ended 30 November 2004.

The non-statutory accounts for the year to 30 November 2004 are an extract from the latest published accounts of the Company which have been delivered to the Registrar of Companies. The auditors' opinion on those accounts was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

# Investor Information

## Directors

K E Percy (Chairman)  
V P Bazalgette  
B C R Siddons  
R K A Wakeling  
W R Worsley

## Managers

RCM (UK) Limited  
155 Bishopsgate  
London EC2M 3AD  
Telephone: 020 7859 9000  
Represented by Mark Lovett and Lucy MacDonald  
(Fund Managers)

Allianz Global Investors is the marketing name of RCM (UK) Limited, which is authorised and regulated by the Financial Services Authority.

## Secretary and Registered Office

K J Salt BA (Hons) ACIS  
155 Bishopsgate  
London EC2M 3AD  
Registered Number: 226323

## Registrars

Capita Registrars  
The Registry, 34 Beckenham Road  
Beckenham, Kent BR3 4TU  
Telephone: 0870 162 3100  
Or, if telephoning from overseas,  
0044 20 8639 2157.  
Email: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

## Results

Half-year announced in July.  
Full year announced late January/early February.  
Reports and Accounts posted to shareholders late February/early March.  
Annual General Meeting held in March.

## Dividends

Interim dividend payable 25 August 2005 (ex dividend 27 July 2005)  
Final dividend payable March 2006.

## Net Asset Value

The Net Asset Value of the Ordinary Shares is

calculated daily and the top ten holdings are announced monthly. They are published on the London Stock Exchange Regulatory News Service. They are also available from the Managers on request.

## Savings Scheme

Investors are able to buy shares in the Company at low cost through the Allianz Global Investors Investment Trust Savings Scheme. Investments can be in the form of a regular monthly contribution, an individual lump sum or a combination of the two. There is an arrangement for the reinvestment of dividends as well as facilities for selling and switching. Full details of the savings scheme are available from Allianz Global Investors, via Investor Services on 0800 317 573 or on the Managers' website: [www.allianzglobalinvestors.co.uk](http://www.allianzglobalinvestors.co.uk), or alternatively, please use the FREEPOST card enclosed to request any literature you may require.

## Maxi ISA and PEP Transfer

Shareholders can invest in the shares of the Company through the Allianz Global Investors Investment Trust Maxi ISA and PEP Transfer. Full details are available from Allianz Global Investors, via Investor Services on 0800 317 573 or on the Managers' website: [www.allianzglobalinvestors.co.uk](http://www.allianzglobalinvestors.co.uk), or alternatively, please use the FREEPOST card enclosed to request any literature you may require.

## Shareholders' Enquiries

Capita Registrars maintain the share register. In the event of queries regarding shareholdings, lost certificates, registered details, etc., shareholders should contact the registrars on 0870 162 3100 or, if calling from overseas, 0044 20 8639 2157, or by email: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com). Changes of name or 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.

## AITC Membership

The Company is a member of the Association of Investment Trust Companies.

Category: Global Growth





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