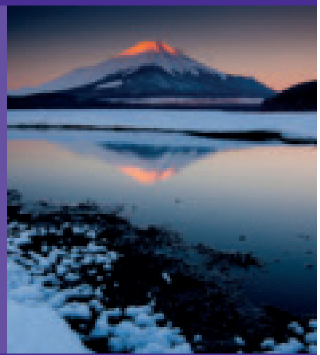
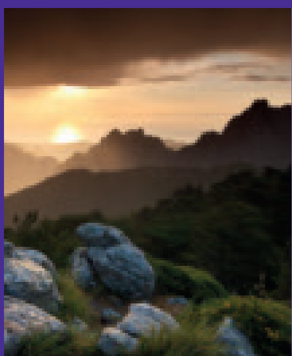
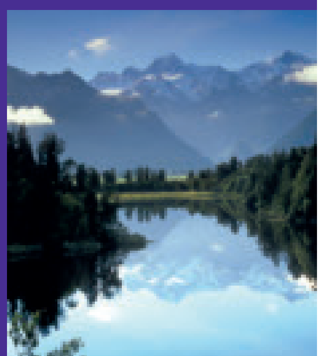


The Bankers Investment Trust PLC

Report and Financial Statements for the year ended 31 October

2013





The Bankers Investment Trust PLC

Objectives

- To achieve long term asset growth in excess of the FTSE All-Share Index.
- To achieve regular dividend growth in excess of the increase in the Retail Prices Index.

Policy

- To achieve both these objectives by investing in a broadly diversified international portfolio of shares.

Summary of the Year

	31 October 2013	31 October 2012	Change %
Assets			
Total assets less current liabilities (£'000)	**678,561**	551,214	+23.1
Net asset value per ordinary share	**587.4p**	474.5p	+23.8
Ordinary share mid-market price	**580.0p**	433.1p	+33.9
Discount (share price to net asset value)	**1.3%**	8.7%	
Revenue			
Gross revenue (£'000)	**19,689**	19,660	+0.1
Revenue earnings per ordinary share	**14.45p**	14.83p	–2.6
Dividends per ordinary share in respect of the year	**14.13p**	13.33p	+6.0
Total Return			
Total return per ordinary share	**126.63p**	40.42p	
Ongoing Charges*	**0.45%**	0.42%	
Retail Prices Index	**251.9**	245.6	+2.6

* excluding borrowing costs (see page 64 for definition)
Source: Henderson Global Investors Ltd.

Total Return Performance

To 31 October 2013	1 year %	5 years %	10 years %
Net asset value total return*	**27.3**	101.5	165.3
Share price total return*	**37.4**	122.2	191.5
FTSE All-Share Index**	**22.8**	96.7	138.7
FTSE All-World Developed Europe (ex UK) Index**	**33.4**	84.1	159.6
FTSE World North America Index**	**26.4**	102.7	125.6
FTSE World Japan Index**	**34.6**	52.2	61.6
FTSE All-World Asia Pacific (ex Japan) Index**	**11.9**	136.5	244.6
Net dividend	**6.0**	27.8	100.4
Retail Prices Index	**2.6**	15.7	37.9

* Source: Morningstar for the AIC using cum income fair value NAV for one and five years and capital NAV plus income reinvested for ten years.
**Source: Datastream on a total return basis and Sterling adjusted.

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Chairman's Statement

Richard Killingbeck

- **Net asset value increase of 23.8%**
- **Share price increase of 33.9%**
- **47th consecutive year of dividend increases**

Performance

As our 125th year draws to an end it is pleasing to be able to report one of the strongest sets of results in Bankers' recent history. A net asset value increase of 23.8% was the key catalyst for the significant reduction in the discount to which the shares traded at during the year, resulting in a share price return of 33.9%. The twin objectives of long term capital appreciation and dividend growth have resulted in Bankers cementing its position as a core holding in many private client portfolios and has created the demand to allow us to issue shares, the first time since 1994. In the last year 350,000 shares were issued at a premium to net asset value, and since the year end we have issued a further 400,000 shares.

This performance was achieved against a positive global equity market background with strong returns being reported by all major markets. Further detail as to geographic returns and market reports can be found in the Portfolio Manager's Review.

Revenue and Dividends

The underlying portfolio has continued to generate revenue growth which has enabled the Company to continue its 46 year record of increasing dividend payments to shareholders whilst also adding modestly to reserves. It is one of the key objectives of the Company to increase dividends in excess of the Retail Prices Index. This has been achieved consistently. A significant revenue reserve is one of the key strengths of Bankers. The reserve allows the Board and shareholders to have confidence in our dividend objective being met.

We are recommending a final dividend of 3.6p per share, making a total of 14.13p for the year, an increase of 6% and marking the 47th consecutive year of dividend increases. As we look forward, the Board would expect to be paying out the great majority of the revenue generated each year in the form of dividends. Accordingly, the current level of revenue reserve is not expected to grow significantly from the 2013 year end levels. We feel confident in being able to forecast a dividend per share of not less than 14.7p per share, an increase of 4%.

Governance and Board Changes

I would like to take this opportunity to thank my predecessor Richard Brewster who joined the Board in 1994 and became Chairman in 2005. I thank him for all of his hard work and wise counsel to me and the Board of Bankers during his long association with the Company. Over the years we have aimed to achieve a level of continuity in regard to the Board and thus we believe the efficient management and oversight of your Company will continue in the same vein as it has under Richard's tenure.

In this regard I am pleased to report that David Wild will be joining the Board on 26 February 2014. David has a commercial background, having served in a number of senior positions in the retail sector. He is currently the non-executive Chairman of Premier Foods PLC. Further detail on David's biography can be found on page 22. A resolution, seeking shareholder approval for his appointment will be proposed at the forthcoming Annual General Meeting.

David will bring the Board up to five non-executive directors following the resignation of Peter Sullivan in June 2013. The Board would also like to formally thank Peter for his contribution to the Company during his tenure and wish him well for the future.

Much of the work of the Board is spent reviewing and agreeing the implementation of, and decisions required resulting from, the flow of regulatory and corporate governance change. Whilst not a glamorous part of the role, your Board takes these matters seriously and has this past year been presented with significant challenges as a result of the Alternative Investment

Strategic Report
Chairman's Statement
continued

Fund Managers Directive ('AIFMD') from the European Union. As a result the Board has agreed, in principle, to appoint its Manager as its Alternative Investment Fund Manager ('AIFM'). Further change will be required in regard to our Custodian and Depositary relationships. I must confess that I am not sure whether investors will be any better protected as a result of these changes but the deadline for compliance is 22 July 2014, a date which we will meet. These changes will not result in a material increase in the Company's ongoing charges.

Audit Tender
In light of recent UK and emerging European regulations on audit tendering and rotation, the Board has agreed that 2014 is a suitable time to put the audit out for tender. The Company will report on the outcome of the process to shareholders later in the year. Due to impending European legislation on mandatory audit firm rotation and length of tenure of our current auditors, PricewaterhouseCoopers LLP will not be participating in the audit tender. Subject to shareholder approval at the Annual General Meeting, PricewaterhouseCoopers LLP will continue as the Company's auditors until another audit firm is appointed.

Management Fee changes
As my predecessor indicated in his statement last year, the performance fee was dropped with effect from 1 January 2013, and the management fee was changed to 0.4% per annum of net assets and then, following a satisfactory review with the Manager, was increased to 0.45% of net assets with effect from 1 November 2013.

Annual General Meeting ('AGM')
The Annual General Meeting will this year be held at 12 noon at Trinity House, London, EC3N 4DH on 26 February 2014. Full details of the business to be conducted at the meeting are set out in the Notice of Meeting which has been sent to shareholders with this report. Directions and a map showing the location of the AGM can also be found in the Notice of Meeting. The Board and I look forward to seeing many of you at this meeting at which Alex Crooke and his investment team will be making a presentation on their investment views and how these are being reflected in the composition of the Company's portfolio. Following the formal business of the meeting light refreshments will be served.

Outlook
Following such a strong year for global equity markets in 2013 it is probably sensible to be cautious for prospects for the year ahead. However, a low and stable interest rate environment, growing investor confidence and a better corporate outlook, especially in North America and the United Kingdom, give grounds to remain optimistic regarding equity returns. Whilst many headwinds remain, Continental European growth being a key one, investor sentiment has turned positive and, with large global institutions repositioning their asset allocation back towards equities for the first time in over five years, support for current market levels remains strong.

It is against this broadly positive backdrop that your Board approaches the new year with confidence for both equity markets and corporate dividend growth. The investment approach of the Company has evolved over many years and I anticipate that it will continue to deliver the consistency of returns experienced in the past regardless of the broader market challenges which will lie ahead.

Richard Killingbeck,
Chairman
17 January 2014

Strategic Report
Portfolio Manager's Review

Alex Crooke

This past year has witnessed one of the strongest periods of share price appreciation during my tenure managing Bankers Investment Trust. However, rising stockmarket levels have been against a backdrop of only modest global economic growth, with Continental Europe remaining mired in recession and US GDP forecasts being downgraded through the year. The only bright spots have been the UK and Japan where growth and activity have been upgraded steadily throughout the period. The key reasons for strong markets have been a mixture of investor optimism about future prospects, good stewardship from corporate management and increasing flows into equity markets. The good dividend yields and modest valuations of equities at the start of the year attracted investors to switch their assets from bonds and tempt those with cash to return to markets. Bankers' net asset value total return was 27.3%, comfortably outstripping the FTSE All-Share Index total return of 22.8%. The key drivers for the Company's performance were stock selection in the UK and Asian portfolios combined with the large exposures to Japan and the UK. Stock selection was modestly behind relevant Indices in the US, Europe and Japan, reflecting markets that favoured more growth orientated companies at the expense of the defensive equities that we traditionally favour for their reliable dividend income.

Japanese equities have long promised much and yet failed to deliver despite ever more attractive valuation levels. The start of our financial year brought 'Abenomics' to the fore, as Prime Minister Abe of Japan initiated an ambitious programme to rid the country of deflation by radically expanding the monetary base and devaluing the Yen. The stockmarket reacted very favourably and Japanese returns, even in Sterling, were exceptionally strong during our first half boosting the overall portfolio returns.

The US produced a solid year although estimates for growth were reduced due to higher taxes and the effect of the shutdown during budget and debt ceiling talks in October. Generally the US economy is strengthening and creating jobs resulting in the Federal Reserve beginning to highlight that the time to start tapering the liquidity support for the economy is drawing closer.

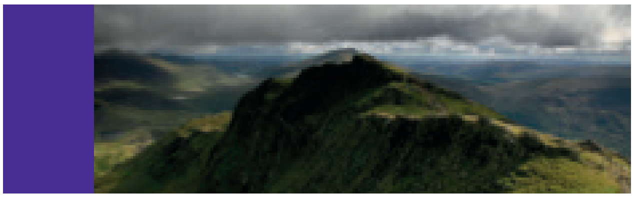
Continental European equity performance has surprised us this year especially the recovery of share prices in Mediterranean countries. Corporate earnings revisions have not been a support for share prices which now trade on higher share valuations. The key reason behind this move has been a significant improvement in sentiment from investors that the existing depressed level of corporate profits will recover. A number of Southern European countries are now running budget surpluses. This implies that if the European Central Bank can keep interest rates low and provide support for those countries' banks then the worst may be behind us.

The gearing of the portfolio was generally maintained around 5% for most of the year reflecting an optimistic view of markets. However, the level of cash was increased during October as markets rose very strongly. We made selective sales with a view to investing this cash back into markets should share prices fall back. A further reason for briefly raising cash towards the year end was to fund a US $25m investment in the Chinese A share market. Earlier in the year our application to the Chinese authorities to access the Renminbi denominated local A share markets was granted. This investment was finally committed in December after our October year end. The licence will allow Bankers to invest in a wider spectrum of Chinese companies particularly those with more consumer focus. The A share markets have fallen in value significantly since the market peak in 2009 and offer recovery potential against a back drop of an expected substantial growth in wages and consumer spending.

Bankers' share price appreciation has this year again exceeded the growth in net asset value resulting, at times, in our shares trading at a premium to net asset value. We continue to work hard expanding the number of new investors both in the UK and abroad. The prospect of income growth remains positive and when combined with strong investment performance supports robust demand for Bankers' shares.

Alex Crooke
17 January 2014

Strategic Report
United Kingdom



Total Return (Year to 31 October 2013)	**%**
Bankers	30.6
FTSE All-Share Index	22.8

Review
The UK stockmarket only recorded two months of negative returns all year, a quite staggering performance. The best returns were from medium and smaller sized companies, while domestic stocks outperformed overseas names. The UK economy stumbled at the beginning of 2013, with exports being soft because of poor demand from Europe and the harsh winter reducing construction and agriculture activity. However, the pace of recovery picked up from March and upgrades to most areas of the economy meant the UK now has one of the strongest rates of economic growth in the world although it is still slow in comparison with past recoveries from recession. It is difficult to credit one particular factor behind the improving outlook. The government sponsored housing market recovery, Payment Protection Insurance ('PPI') reclaims from the banks and higher tax thresholds have helped to improve consumer spending and sentiment.

Bankers' UK portfolio has built on the solid performance last year, delivering another strong year growing by 30.6% and outperforming the FTSE All-Share Index by 7.8%. The mid-sized companies within the portfolio rerated against the whole market, resulting in significant appreciation of holdings such as Sports Direct where results continue to deliver above expectations. Galliford Try, the housebuilder, also exceeded expectations, satisfying strong demand for new houses while also improving margins. Other notable performers within the portfolio were Shire, Jardine Lloyd Thompson and ITV. The latter also rewarded shareholders with a special dividend which reflected the reduction in debt over the last two years and strong results from its TV production division. As always with investment it is also the lack of underperformers that helps produce a good year. The portfolio had smaller holdings in oil and materials companies than the Index and, with both these sectors performing less well than the overall market, this underweight position helped our relative performance.

The best performing companies were those with the strongest recovery in earnings. However the market as a whole suffered a number of profit warnings and downgrades. Banks suffered downgrades due to continuing compensation of PPI claimants, while mining companies struggled with lower global demand for metals impacting commodity prices. The appreciation of the market as a whole pushed valuations higher but overall investor sentiment remained positive, allowing an increasing number of new issues to be placed. Corporate takeover activity also picked up with a protracted and ultimately failed bid for Severn Trent and the Verizon deal to buyout Vodafone's US assets.

Activity
Ever since dividends were cut in 2008 the UK portfolio has had little exposure to banks. The sector is slowly recovering, as the level of bad debts eases and most have rebuilt capital levels. There is some way to go in terms of reducing leverage but it is likely that dividends can resume and the housing market is providing growth in the demand for new mortgages. We increased holdings in existing positions of HSBC and Barclays, while starting new holdings in Standard Chartered and Lloyds. An improving economy should help rebuild profits and increase demand for loans.

Elsewhere in financials we have increased positions in the insurance sector as a lack of major hurricane damage in the US should lead to profit growth and special dividends. The sector has become increasingly disciplined and distributing excess capital should maintain premiums at adequate levels. New investments were made in Amlin and Lancashire.

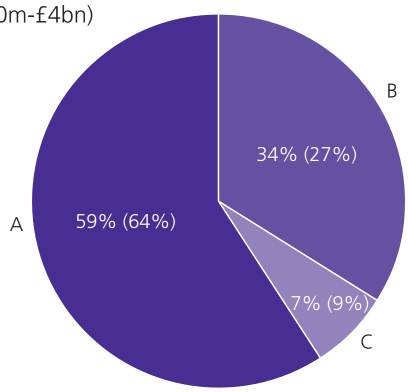
We made further disposals of utilities earlier in the year reducing Severn Trent during its protracted bid. The oil exploration stocks were reduced as the falling oil price was expected to put pressure on the profitability of many projects, combined with a difficult environment to farm out discoveries to oil majors. Other holdings that were sold included the food retailers Tesco and Sainsbury, as price competition remains intense impacting margins.

Outlook
The pace of recovery in the UK is encouraging and share prices have largely reacted to the good news. To make further progress there needs to be improving demand for exports, particularly from Europe, leading to upgrades in company profits. Managements have worked hard to improve margins and efficiency during the past few years but increasing sales are now needed if share prices are to rise further. Certain segments of the market offer value, such as financials and oils, but they have challenges ahead. We remain focussed on those companies that are winning market share from competitors and where dividend growth can provide valuation support to share prices.

UK portfolio classified by market value of company at 31 October 2013

Market Capitalisation
A FTSE 100 (over £4bn)
B FTSE Mid 250 (£500m-£4bn)
C Smaller Companies (under £500m)

Last year's figures in brackets



Strategic Report

United Kingdom Valuations at 31 October 2013 – all investments are shown

£'000	Investments by value	Sector	% of UK portfolio
16,486	BP	Oil & Gas Producers	5.59
12,688	GlaxoSmithKline	Pharmaceuticals & Biotechnology	4.31
11,911	Vodafone	Mobile Telecommunications	4.04
10,435	HSBC	Banks	3.54
9,847	Sports Direct International	General Retailers	3.34
9,621	British American Tobacco	Tobacco	3.26
9,446	Catlin	Nonlife Insurance	3.21
8,909	Galliford Try	Construction & Materials	3.02
7,558	Royal Dutch Shell	Oil & Gas Producers	2.56
7,531	ITV	Media	2.56
6,628	Jardine Lloyd Thompson	Nonlife Insurance	2.25
6,052	Shire	Pharmaceuticals & Biotechnology	2.05
6,029	Prudential	Life Insurance	2.05
5,818	Reckitt Benckiser	Household Goods	1.97
5,766	Smiths News	Support Services	1.96
5,755	Fisher (James) & Sons	Industrial Transportation	1.95
5,382	Rolls Royce	Aerospace & Defence	1.83
5,094	BG	Oil & Gas Producers	1.73
4,903	Wetherspoon (J.D.)	Travel & Leisure	1.66
4,893	WPP	Media	1.66
4,831	Petrofac	Oil Equipment Services & Distribution	1.64
4,702	St James's Place	Life Insurance	1.60
4,629	Lloyds Banking	Banks	1.57
4,326	Legal & General	Life Insurance	1.47
4,325	Jupiter Fund Management	Financial Services	1.47
4,213	Rio Tinto	Mining	1.43
4,085	Glencore Xstrata	Mining	1.39
4,042	KCom	Fixed Line Telecommunications	1.37
3,861	BHP Billiton	Mining	1.31
3,780	BT	Fixed Line Telecommunications	1.28
3,697	Cranswick	Food Producers	1.25
3,682	Barclays Bank	Banks	1.25
3,654	Hunting	Oil Equipment Services & Distribution	1.24
3,651	Intermediate Capital	Financial Services	1.24
3,625	GKN	Automobiles & Parts	1.23
3,410	BAE Systems	Aerospace & Defence	1.16
3,378	Diageo	Beverages	1.15
3,296	Amec	Oil Equipment Services & Distribution	1.12
3,219	Hansteen	Real Estate Investment Trusts	1.09
3,050	Investec	Financial Services	1.04
2,980	Elementis	Chemicals	1.01
2,936	Imperial Tobacco	Tobacco	1.00
2,843	Scottish & Southern Energy	Electricity	0.96
2,708	Severn Trent	Gas, Water & Multiutilities	0.92
2,691	Blackstar	Equity Investment Instruments	0.91
2,691	Compass	Travel & Leisure	0.91
2,544	Lancashire	Nonlife Insurance	0.86
2,522	Thomas Cook	Travel & Leisure	0.86
2,518	Informa	Media	0.85
2,471	Land Securities	Real Estate Investment Trusts	0.84
2,354	DS Smith	General Industrials	0.80
2,314	STV	Media	0.79
2,294	Johnson Matthey	Chemicals	0.78
2,179	Amlin	Nonlife Insurance	0.74
2,176	Carador Income Fund	Equity Investment Instruments	0.74
2,081	Premier Oil	Oil & Gas Producers	0.71
1,896	Essar Energy	Oil & Gas Producers	0.64
1,880	Dairy Crest	Food Producers	0.64
1,694	Brammer	Support Services	0.57
1,653	Direct Line Insurance	Nonlife Insurance	0.56
1,500	Standard Chartered	Banks	0.51
1,423	Renold	Industrial Engineering	0.48
1,409	United Utilities	Gas, Water & Multiutilities	0.48
1,271	Ophir Energy	Oil & Gas Producers	0.43
1,189	International Oil & Gas Technology	Equity Investment Instruments	0.40
1,126	Hayward Tyler	Industrial Engineering	0.38
937	Marstons	Travel & Leisure	0.32
148	Bowleven	Oil & Gas Producers	0.05
57	W&G Investments	Financial Services	0.02
294,693			**100.00**

Strategic Report
Europe

Total Return (£) (Year to 31 October 2013)	**%**
Bankers	32.6
FTSE All-World Developed Europe (ex UK) Index	33.4

Review
European markets have recovered strongly over the year to the end of October encouraged by increasing confidence that the worst of the Euro crisis is past (at least for now), and that economies are set to start a recovery. In addition, there has been a noticeable increase in buying of European equities from both domestic investors switching away from bonds and international investors who have been underweight relative to the Index for some years.

The European portfolio has almost kept pace with the Index, lagging by 0.8%, which is satisfactory given the more expensive rating and reliable earnings stream which are generally the characteristics of our portfolio. The market has, however, been focusing more on recovery situations, especially banks, where we have been too cautious. We need to keep an eye on this given that the likely recovery in economies could help banks gradually pull themselves out of the mire of the last few years. We do hold some companies such as Sandvik, ABB, Deutsche Post and Legrand, which should benefit from a better economic environment in the next few years although we also continue to work with a simple assumption that growth will remain at low levels.

Activity
We sold six positions and added six new names. The sales have been in areas where we felt that the growth was adequately reflected in the valuation (such as DKSH and SAP) or where growth was challenged (such as Saipem and Kuehne and Nagel). New holdings are: EADS for access to the Airbus and new aircraft investment cycle; Philips for its lighting and medical portfolio; Nokia for its intellectual property rights and network position; and Syngenta as way of investing in the need to improve crops.

The allocation to Europe increased during the year, with the weight moving from 10.8% of the overall portfolio to 11.5%.

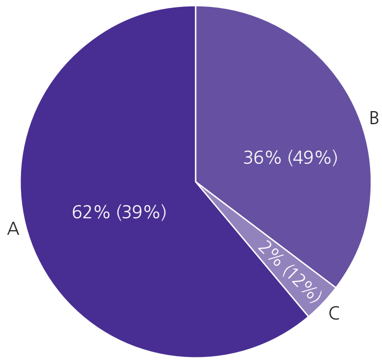
Outlook
There has been a significant recovery in European markets, and there is a fear that the next twelve months may show a somewhat lower but still positive, return. The immediate challenges will be the further integration of Europe with an intense debate about banking union and also fiscal union. In May of 2014 there will also be the elections to the European Parliament, which, although a more powerful body than in the past, is still rather ignored by the electorate. These elections are likely to allow any protest vote to have a greater impact than might otherwise be the case, and this could unsettle markets somewhat.

We expect economies to continue to recover and earnings growth to be better than for many years. This is certainly a positive force as is the continued strong buying of European markets. However, we feel it prudent to expect growth to remain at low levels, which will make debt reduction slow and, more importantly, is unlikely to lead to rapid falls in the frightening levels of unemployment. Putting this together, we remain positive for the markets but very aware that there are still significant risks ahead. The holdings have a useful spread across both more cyclically sensitive and reliable growth segments of the economies and we feel that this is the best way to ensure steady long term outperformance.

European portfolio classified by market value of company at 31 October 2013

Market Capitalisation
A Over £20bn
B £5bn-£20bn
C Under £5bn

Last year's figures in brackets



Strategic Report

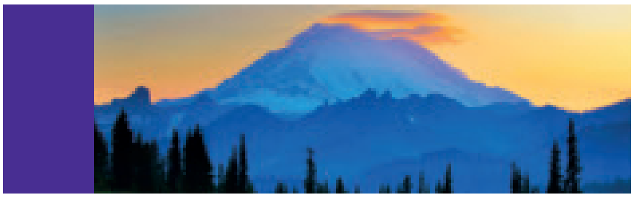
Europe Valuations at 31 October 2013 – all investments are shown

£'000	Investments by value	Sector	Country	% of Europe portfolio
5,682	Christian Dior	Personal Goods	France	7.56
4,649	Deutsche Post	Industrial Transportation	Germany	6.18
4,100	Novartis	Pharmaceuticals & Biotechnology	Switzerland	5.45
3,190	A P Moller-Maersk	Industrial Transportation	Denmark	4.24
3,048	Roche	Pharmaceuticals & Biotechnology	Switzerland	4.05
2,927	Nestlé	Food Producers	Switzerland	3.89
2,729	Sodexo	Travel & Leisure	France	3.63
2,668	Fresenius	Health Care Equipment & Services	Germany	3.55
2,631	Compagnie Financière Richemont	Personal Goods	Switzerland	3.50
2,598	ENI	Oil & Gas Producers	Italy	3.46
2,395	Amadeus IT	Support Services	Spain	3.19
2,258	Legrand	Electronic & Electrical Equipment	France	3.00
2,255	Deutsche Telekom	Mobile Telecommunications	Germany	3.00
2,248	Adecco	Support Services	Switzerland	2.99
2,244	SGS	Support Services	Switzerland	2.99
2,104	Total	Oil & Gas Producers	France	2.80
2,053	Deutsche Boerse	Financial Services	Germany	2.73
2,015	Linde	Chemicals	Germany	2.68
1,932	Allianz	Nonlife Insurance	Germany	2.57
1,921	L'Oréal	Personal Goods	France	2.56
1,868	Credit Suisse	Banks	Switzerland	2.48
1,712	EADS	Aerospace & Defence	Netherlands	2.28
1,710	Nokia	Technology Hardware & Equipment	Finland	2.27
1,659	Koninklijke Philips	General Industrials	Netherlands	2.21
1,606	Brenntag	Chemicals	Germany	2.14
1,540	ABB	Industrial Engineering	Switzerland	2.05
1,505	Essilor	Health Care Equipment & Services	France	2.00
1,466	Inditex	General Retailers	Spain	1.95
1,410	Syngenta	Chemicals	Switzerland	1.88
1,363	Swedish Match	Tobacco	Sweden	1.81
1,293	Zurich Insurance	Nonlife Insurance	Switzerland	1.72
1,274	Adidas	Personal Goods	Germany	1.69
1,124	Sandvik	Industrial Engineering	Sweden	1.50
75,177				**100.00**

European Geographical Distribution

	31 October 2013 %	31 October 2012 %		**31 October 2013 %**	31 October 2012 %
Switzerland	**31.0**	33.6	Denmark	**4.2**	1.4
Germany	**24.5**	23.8	Italy	**3.5**	7.4
France	**21.6**	21.6	Sweden	**3.3**	6.4
Spain	**5.1**	5.8	Finland	**2.3**	–
Netherlands	**4.5**	–		**100.0**	100.0

Strategic Report
North America



Total Return (£) (Year to 31 October 2013)	%
Bankers	24.6
FTSE World North America Index	26.4

Review
The North American equity markets performed extremely well over the twelve months to October 2013, the FTSE World North America Index rising over 26% in Sterling terms. Disappointingly, but perhaps not surprisingly, the higher quality nature of most of the investments in the portfolio meant that it has struggled to keep up with the general rally and returned 24.6%.

The US economic recovery remains disappointingly anaemic with periods of stronger momentum equally matched by periods of softness. As the Fed discussed 'tapering' of quantitative easing (QE) in the summer and mortgage rates rose as a consequence, even the housing market, where there seemed to be strong momentum, slowed sharply.

The positive side-effect of the weak recovery is that the Federal Reserve has remained extremely accommodating and there is no doubt that the equity market is a beneficiary of the extension of the Fed policy of QE.

The financial sector positions in the portfolio continued to perform strongly with both Citigroup and AIG rallying as they continue to recover from near-collapse in the financial crisis. Apple, one of our larger positions, has had a rather rollercoaster year, falling sharply from its highs and then more recently rallying as the company launched new products and increased both share repurchases and its dividend to return more cash to shareholders.

Activity
Walgreen was added to the portfolio in December 2012 having announced the merger with Alliance Boots and has since risen over 50% as the benefits of the transaction have begun to be realised.

During the year we added a position in JP Morgan as we felt that the dull stock price overly compensated for the bank's very public legal issues and under-valued the significant strength of the core businesses. As the legal issues have been settled, albeit at higher costs than we anticipated, the stock has started to perform better.

We sold the long standing holding in BCE (formerly known as Bell Canada) as we continued to reduce positions in economically defensive sectors that looked increasingly fully valued. The portfolio positions in the telecom, utility and consumer staples sectors remain very low.

Outlook
Our outlook for returns from equities in North America can best be described as cautious but optimistic. While we would describe equities as fairly valued rather than cheap the fundamentals remain supportive and equities look more attractive than the local bond markets.

The vast majority of the rally in equities in the past year has been driven by increasing multiples. That is to say that stock prices have risen faster than earnings have grown. This process creates heightened risk of a correction, as there is less valuation support, but also reflects the expectation that as the recovery continues we will see stronger earnings growth before we see higher interest rates. After a sluggish year for profit growth in 2013 (about 5% for the S&P500 companies) the rate of growth should reaccelerate in 2014.

The housing market is crucial to the momentum of the overall economy. It is not only a benefit to the companies active in housing related industries but has a positive effect on consumer confidence, the financial sector and employment growth.

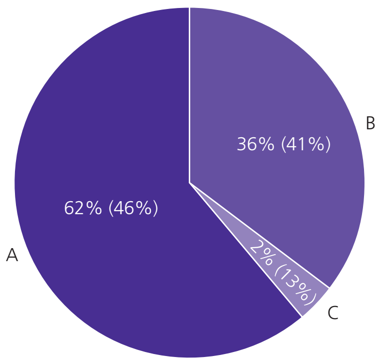
The financial sector is further through the healing process in the US than in Europe (and, indeed, in Canada never needed to heal). We would expect this to be supportive of better economic growth as loans will be made available as demand for credit picks up. Unpredictable political and regulatory developments remain a wildcard in this sector.

We continue to focus on buying companies that can produce robust earnings in a slow growth environment.

US portfolio classified by market value of company at 31 October 2013

Market Capitalisation
A Over £20bn
B £5bn-£20bn
C Under £5bn

Last year's figures in brackets

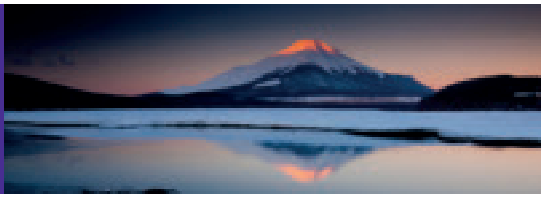


Strategic Report

North America Valuations at 31 October 2013 – all investments are shown

£'000	Investments by value	Sector	% of North America portfolio
5,684	Time Warner Cable	Media	4.24
5,593	American International Group	Nonlife Insurance	4.18
5,338	Anadarko Petroleum	Oil & Gas Producers	3.99
5,072	Microsoft	Software & Computer Services	3.79
5,030	Nielsen	Media	3.76
4,978	Walgreen	Food & Drug Retailers	3.72
4,902	National Oilwell	Oil Equipment Services & Distribution	3.66
4,870	Pfizer	Pharmaceuticals & Biotechnology	3.64
4,688	Citi	Banks	3.50
4,685	JP Morgan Chase	Banks	3.50
4,587	United Parcel Services	Industrial Transportation	3.42
4,577	PNC Financial Services	Banks	3.42
4,557	General Electric	General Industrials	3.40
4,315	Dollar General	General Retailers	3.22
4,291	Unitedhealth	Health Care Equipment & Services	3.20
4,255	Apple	Technology Hardware & Equipment	3.18
4,235	Kansas City Southern	Industrial Transportation	3.16
4,191	Praxair	Chemicals	3.13
4,053	L Brands	Apparel Retailer	3.03
4,022	Delphi Automotive	Automobiles & Parts	3.00
3,951	Covidien	Health Care Equipment & Services	2.95
3,937	Cummins	Industrial Engineering	2.94
3,895	Baxter International	Health Care Equipment & Services	2.91
3,875	American Tower	Real Estate Investment Trusts	2.89
3,805	Qualcomm	Technology Hardware & Equipment	2.84
3,642	Stanley Black & Decker	Household Goods & Home Construction	2.72
3,601	Intuit	Software & Computer Services	2.69
3,562	Mattel	Leisure Goods	2.66
3,555	Celanese	Chemicals	2.65
3,433	Cisco Systems	Technology Hardware & Equipment	2.56
2,745	Fair Isaac	Software & Computer Services	2.05
133,924			**100.00**

Strategic Report
Japan



Total Return (£) (Year to 31 October 2013)	**%**
Bankers	33.2
FTSE World Japan Index	34.6

Review
It was a tremendous year for Japan as the change in government coupled with a more aggressive approach being adopted by the central bank transformed sentiment towards the equity market. Stocks enjoyed a terrific rise with the stockmarket soaring by more than 60% on the initial burst of enthusiasm which was then followed by a necessary period of consolidation over the latter stages of the period. There was a price to be paid, however, in that the value of the Yen slipped on account of the easier monetary stance. So, part of this gain was given back when returns are viewed from overseas. Nevertheless, equities gained more than a third when measured in Sterling terms, which catapulted Japan to the top of the performance tables in comparison to equity returns elsewhere. The weakness of the Yen is already having an impact as the benefits feed through to profits which are on course to record a rapid recovery this year and which should continue to have a positive effect thereafter. It was a year when politics took centre stage for all the right reasons.

Performance
Performance of the portfolio was slightly behind the underlying Index, largely accounted for by the sudden turn in the market. Once underway the portfolio more than kept up with the rise in the Index. Financials were the strongest contributors to the portfolio as this sector was one of the first to benefit from the recovery in the stockmarket. Consumer discretionary, which was not an automatic beneficiary of the changes in monetary policy, was the weakest area. At a stock level the large commitment to the financial sector represented the strongest gainers, with Daiwa Securities more than doubling in share price. Bank positions also performed strongly. Lagging the market were stocks which either did not benefit from policy change or had disappointing earnings, these included Yamada Denki (retail) and Nintendo (gaming).

Activity
The portfolio maintained its bias towards domestic reflation backed by the change in political landscape with sizeable weightings in financials and domestic discretionary. Over the period a number of stocks were sold out of the portfolio as they reached price targets or the outlook had deteriorated. Disposals included Shin-Etsu Chemical and Secom (security) on valuation grounds, whereas both Benesse (educational materials) and TDK (electronics) were sold as the outlook for their respective businesses took a turn for the worse. New additions included retailer Shimamura, whose track record of profitable business expansion is impressive, Suzuki Motor, which has exposure to the growing Indian car market, and Disco Corporation, which occupies a niche area within the electronics industry.

Outlook
In recent months there has been growing concern over the much vaunted reforms promised by the new government and its charismatic premier Abe-san. Perhaps this is healthy scepticism. The outlook for profit growth is encouraging as the full benefits of a weaker Yen and easier monetary policy wash through the economy. Wages and corporate spending look set to rise and, accompanied by a banking sector which is witnessing an expansion in lending, the prospects for growth are promising. Japan is in many ways distinctive from economies elsewhere as it is only just beginning to benefit from the policies that have recently been enacted so that the way ahead should compare favourably. The stockmarket has risen substantially, albeit from levels that were extraordinarily suppressed, but it would be premature to call time on Japan just at the point when the economy finally turns the corner. The path towards Japan's recovery is only part travelled.

Strategic Report

Japan Valuations at 31 October 2013 – all investments are shown

£'000	Investments by value	Sector	% of Japan portfolio
4,302	Mitsubishi UFJ Financial	Banks	6.80
3,188	Sumitomo Mitsui Financial	Banks	5.04
3,149	Daiwa Securities	Financial Services	4.97
3,124	Rakuten	General Retailers	4.94
2,779	Tokio Marine	Nonlife Insurance	4.39
2,742	Keyence	Electronic & Electrical Equipment	4.33
2,525	Sekisui Chemical	Household Goods & Home Construction	3.99
2,503	Morant Wright Japan Fund	General Financial	3.95
2,462	Murata Manufacturing	Electronic & Electrical Equipment	3.89
2,394	Credit Saison	Financial Services	3.78
2,304	Canon	Technology Hardware & Equipment	3.64
2,218	Inpex	Oil & Gas Producers	3.50
2,211	Daiwa House Industry	Household Goods & Home Construction	3.49
2,127	Nippon Television	Media	3.36
2,078	Mitsui O.S.K. Lines	Industrial Transportation	3.28
1,985	Yamada Denki	General Retailers	3.14
1,981	Suzuki Motor	Automobiles & Parts	3.13
1,967	Japan Airlines	Travel & Leisure	3.11
1,898	Nippon Telegraph & Telephone	Fixed Line Telecommunications	3.00
1,773	Yamato	Industrial Transportation	2.80
1,662	Nintendo	Leisure Goods	2.63
1,497	NS Solutions	Software & Computer Services	2.36
1,466	Nitori	General Retailers	2.32
1,461	Suntory Beverage & Food	Beverages	2.31
1,380	Disco Corporation	Industrial Engineering	2.18
1,291	Sankyo	Travel & Leisure	2.04
1,265	Nomura Research Institute	Software & Computer Services	2.00
1,238	Seven & I Holdings	General Retailers	1.96
1,194	Shimamura	General Retailers	1.89
1,129	Sony Corporation	Leisure Goods	1.78
63,293			**100.00**

Japanese portfolio classified by market value of company at 31 October 2013

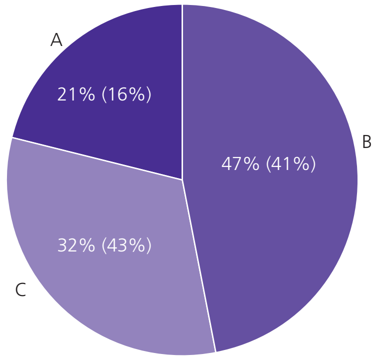
Market Capitalisation

A Over £20bn

B £5bn-£20bn

C Under £5bn

Last year's figures in brackets



Strategic Report
Pacific (ex Japan)

Total Return (£) (Year to 31 October 2013)	**%**
Bankers	18.6
FTSE All-World Asia Pacific (ex Japan) Index	11.9

Review

In the year under review the Asian portfolio grew by 18.6% compared to the FTSE All-World Asia Pacific (ex Japan) Index which rose 11.9% in Sterling terms. Stock selection was once again the key contributor with especially robust performance from Spreadtrum Communications in China, Hyundai Motor and SK Telecom in Korea and Santos and Amcor in Australia.

The investment return masks two distinctly different halves. At the interim stage Asian equity markets were 15% higher in Sterling terms than in October 2012 and basking in a low interest rate, high liquidity environment, with returns enhanced by the significant weakness of Sterling. The final six months of the financial year were weaker and more volatile. An improving global growth environment and comments from the US Federal Reserve of early withdrawal from quantitative easing prompted a hurried and indiscriminate move away from yield towards growth and from emerging to developed markets.

The Chinese market was one of the best performing over the period as GDP growth stabilised. The other notable markets were the Philippines, Hong Kong and Taiwan, with the latter in particular benefitting from the strong performance of the technology sector as expectations of global demand improved. The strong performance of the region in the first half of the year unwound quite dramatically between May and August 2013. The suggestion of a possible reduction in the QE programme by the US Federal Reserve in May 2013 prompted significant outflows from the more foreign investor dominated markets. Both India and Indonesia saw their currencies fall by more than 10%, compounding already weak markets. The cut in Australian interest rates by 100 basis points to multi-year lows together with an unwinding of the yield carry trade resulted in considerable weakness in the Australian Dollar. Although the Australian equity market still marginally outperformed the region, the returns were negatively impacted by a 15% fall in the currency against Sterling.

Macro data in China remained a key indicator for the region. After bottoming in the third quarter of 2012 at 7.4%, GDP growth accelerated in the fourth quarter to 7.9% and has since stabilised around the government full year target for 2013 of 7.5%. The drivers of growth remain fixed asset investment and consumption although the unexpected rise in exports in the third quarter of 2013 added to growth reflecting an improving global environment. The reforms announced at the Central Committee meeting in November 2013 reinforce Premier Xi Jinping's reformist credentials with an emphasis on the quality rather than the quantity of growth.

Activity

Although the China weighting remains significant the composition changed over the period. We sold toll road operator Jiangsu Expressway after a strong run and distributor Digital China and switched into mobile phone chip set manufacturer Spreadtrum Communications, internet game developer Giant Interactive and engineering contractor Sinopec Engineering. All of these companies give greater exposure to areas of the Chinese economy which should benefit from the reform agenda.

Elsewhere we took the proceeds from the sales of Fraser and Neave in Singapore, Tabcorp in Australia and Sino Land in Hong Kong and invested into Australian mall operator Westfield Retail following a period of weakness, and Korean auto company Hyundai Motor.

Outlook

We remain positive on the outlook for the region over the medium to long term but recognise that market direction will be dictated by global factors in the short-term. The improving growth outlook in China and the tentative signs of recovery in the US should be positive for Asian economic and equity market growth. Valuations in Asia are attractive relative to their own history and other world markets and companies are cash rich with tremendous potential to increase dividend pay-outs over time. We will use any market weakness as an opportunity to acquire quality companies at attractive prices.

Strategic Report

Pacific (ex Japan) Valuations at 31 October 2013 – all investments are shown

£'000	Investments by value	Sector	Country	% of Pacific (ex Japan) portfolio
5,872	Amcor	General Industrials	Australia	8.03
5,841	Hyundai Motor	Automobiles & Parts	South Korea	7.99
5,331	SK Telecom	Mobile Telecommunications	South Korea	7.29
4,109	Sinopec Engineering	Construction & Materials	China	5.62
4,048	Santos	Oil & Gas Producers	Australia	5.54
3,864	Bank Of China	Banks	China	5.29
3,783	Taiwan Semiconductor Manufacturing	Technology Hardware & Equipment	Taiwan	5.18
3,688	Sembcorp Marine	Oil Equipment Services & Distribution	Singapore	5.05
3,611	Taiwan Cement	Construction & Materials	Taiwan	4.94
3,603	Lenovo	Technology Hardware & Equipment	Hong Kong	4.93
3,383	Mapletree Greater China	Real Estate Investment Trusts	Singapore	4.63
3,361	Cheung Kong	Real Estate Investment Services	Hong Kong	4.60
3,249	Shanghai Industrial	General Industrials	China	4.44
3,023	Westfield Retail	Real Estate Investment Trusts	Australia	4.13
2,967	Charoen Pokphand Foods	Food Producers	Thailand	4.06
2,888	Television Broadcast	Media	Hong Kong	3.95
2,843	China Mobile	Mobile Telecommunications	China	3.89
2,714	Kasikornbank	Banks	Thailand	3.71
2,579	Myer	General Retailers	Australia	3.53
2,135	Giant Interactive	Leisure Goods	China	2.92
202	Chandra Asri Petrochemical	Chemicals	Indonesia	0.28
73,094				**100.00**

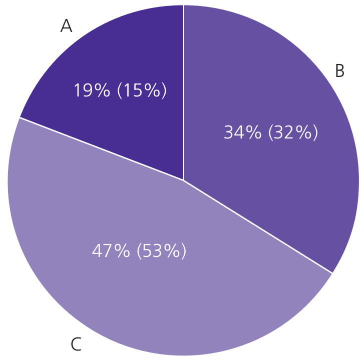
Pacific (ex Japan) Geographical Distribution

	31 October 2013 %	31 October 2012 %
China	**22.1**	18.9
Australia	**21.2**	22.0
South Korea	**15.3**	5.3
Hong Kong	**13.5**	18.4
Taiwan	**10.1**	8.9
Singapore	**9.7**	16.0
Thailand	**7.8**	10.3
Indonesia	**0.3**	0.2
	100.0	100.0

Pacific (ex Japan) portfolio classified by market value of company at 31 October 2013

Market Capitalisation
A Over £20bn
B £5bn-£20bn
C Under £5bn

Last year's figures in brackets



Strategic Report
Emerging Markets

Total Return (£) (Year to 31 October 2013)	**%**
Bankers	(7.4)
FTSE All-World Emerging (ex Asia) Index	2.7

The headwinds that clouded performance last year remained firmly in place during this year with emerging country currencies under further pressure, poor availability of credit and falling commodity prices. Investors worried about the US restricting its quantitative easing programme which led to outflows of investment and that economic growth would continue to be downgraded. Traditionally Bankers has gained access to lower valued commodity related companies listed in emerging markets but this strategy has disappointed once more and we have significantly reduced these holdings through the year. Impala Platinum in South Africa experienced challenging industrial relations as its miners sought large pay rises. Demand for platinum was steady but a further depreciation in the South African Rand reduced the value of the position and, with little prospects for margin recovery, we decided to sell the holding.

Brazil has also experienced a big depreciation in its currency which has sucked inflation into the economy without materially benefitting exports. Government intervention in many industries, especially utilities and the oil market has impacted share prices in these sectors. The holding in Petroleo Brasileiro was further reduced, despite very attractive reserves, because the government controlled gasoline price is still leading to significant losses for the company. There has been better progress with the holding of Embraer, the regional jet manufacturer. It is a beneficiary of the weaker Real. The fundamentals look strong and it is seeing a good order flow from US airlines.

A new holding in Credicorp in Peru was purchased during the year. Peru is the fastest growing economy in Latin America and banking products are under penetrated in the economy providing a good background for growth in lending and banking services.

Emerging Markets Valuations at 31 October 2013 – all investments are shown

£'000	Investments by value	Sector	Country	% of Emerging Markets portfolio
3,631	Fomento Economico Mexicano	Beverages	Mexico	24.61
2,659	Banco Bradesco	Banks	Brazil	18.03
2,470	Embraer	Aerospace & Defence	Brazil	16.74
2,276	Petroleo Brasileiro	Oil & Gas Producers	Brazil	15.43
2,039	Credicorp	Banks	Peru	13.82
1,677	Bancolombia	Banks	Colombia	11.37
14,752				**100.00**

Emerging Markets Geographical Distribution

	31 October 2013 %	31 October 2012 %
Brazil	**50.2**	58.9
South Africa	**–**	18.5
Mexico	**24.6**	14.1
Peru	**13.8**	–
Columbia	**11.4**	8.5
	100.0	100.0

Fixed Interest

We continue to receive repayments from the liquidators of Lehman Brothers, relating to the 7.875% bond held in the portfolio. Although we are unlikely to be repaid in full, additional payments totalling approximately £50,000 were received during the year. Progress from here will be slow but we are hopeful of further realisations.

Valuations at 31 October 2013 – all investments are shown

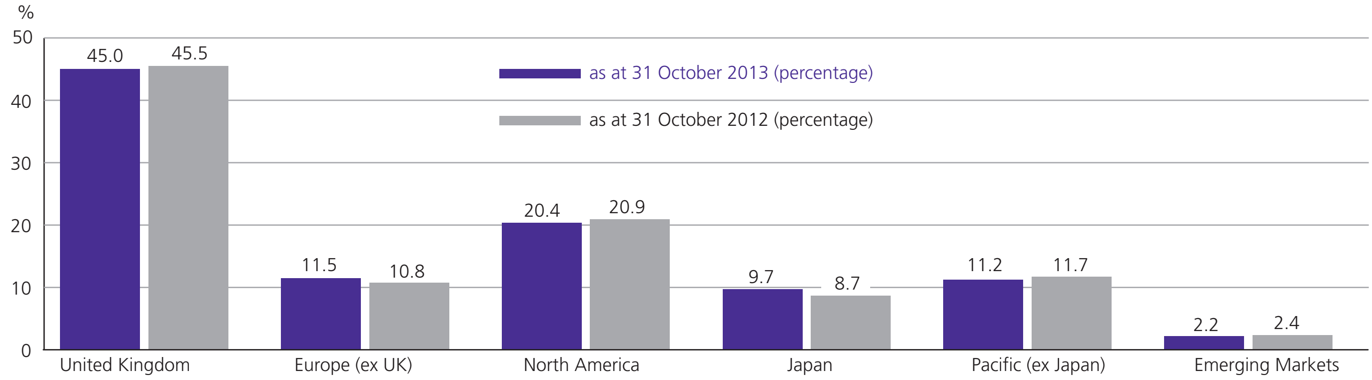
£'000	Investments by value	% of Fixed Interest portfolio
75	Lehman Brothers Holdings 7.875%	100.0
75		**100.0**

Strategic Report

Portfolio Structure

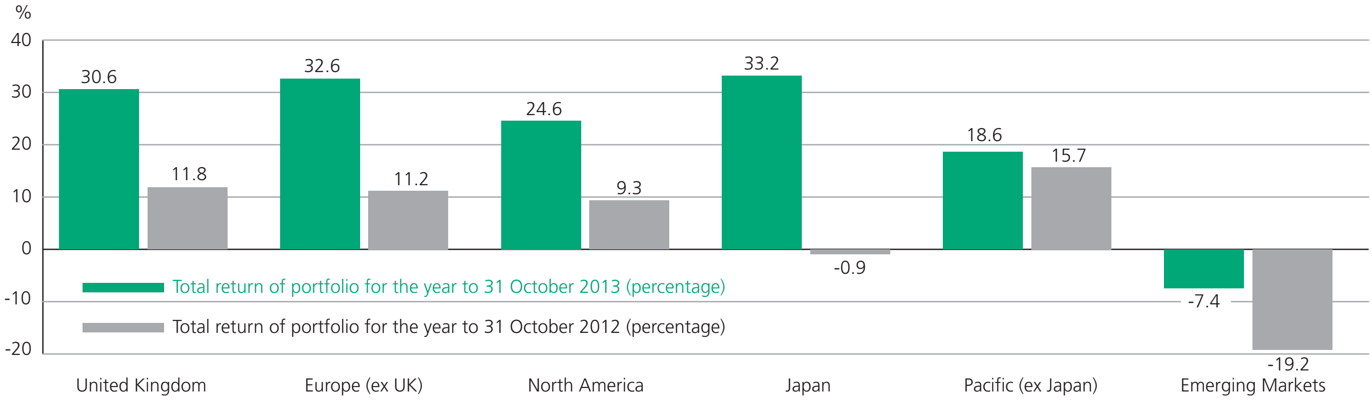
at 31 October 2013 and 2012

Geographical Analysis



Source: Henderson Global Investors Limited

Geographical Total Return Analysis against each FTSE stock market

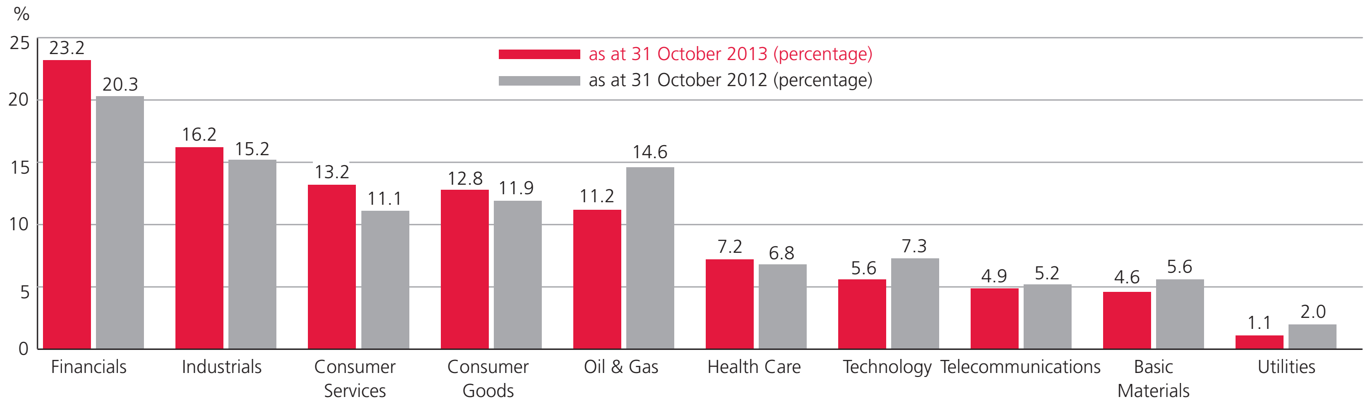


FTSE Stock Market Indices Total Return (£) 31 October 2013 31 October 2012

%	**22.8**	9.8	**33.4**	6.1	**26.4**	14.4	**34.6**	-3.1	**11.9**	7.4	**2.7**	0.5

Source: Henderson Global Investors Limited

Sector Analysis



Source: Henderson Global Investors Limited

Strategic Report

Strategic Review

The following review is designed to provide information primarily about the Company's business and results for the year from 1 November 2012 to 31 October 2013. The Strategic Review should be read in conjunction with the Chairman's Statement on pages 3 and 4 and the Portfolio Manager's Review on pages 5 to 17 which together give a detailed review of the investment activities for the year and an outlook for the future.

Status

The Company is incorporated in England and Wales and domiciled in the United Kingdom (registered number 00026351). It traded throughout the year. It is an investment company as defined in section 833 of the Companies Act 2006 and operates as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010. The Company is subject to the rules of the UK Listing Authority and is governed by its articles of association, amendments to which must be approved by shareholders by way of a special resolution. The Company is not a close company.
The Company has obtained approval from HM Revenue & Customs of its status as an investment trust under the above-mentioned section 1158. The directors are of the opinion that the Company has continued to conduct its affairs in a manner that will enable it to retain such approval.

The Company is liable to corporation tax on its net revenue profits but is exempt from corporation tax on capital gains if it has complied at all times with section 1158.

Business model

The business model of the Company, as required by Code provision C.1.2 of the UK Corporate Governance Code, is presented below.

Investment objectives

The Company's objectives are to achieve long term asset growth in excess of the FTSE All-Share Index and regular dividend growth in excess of the increase in the Retail Prices Index. To achieve these objectives the Company's investment policy is to invest its assets in a portfolio primarily composed of international equities. The portfolio is broadly diversified by both geography and sector in order to reduce investment risk. The Manager has the flexibility to invest in any geographic region and has no set limits on individual country or sector exposures although the Board regularly monitors the Company's investments and the Manager's investment activity. The Manager primarily employs a bottom up value based investment process to identify suitable opportunities and pays particular regard to cash generation and dividends.

Investment policy

While the Company mainly invests in international equities there is the flexibility to invest in debt securities, such as convertibles, corporate bonds or sovereign debt, if it is deemed that these will, at a particular time or for a particular period, enhance the performance of the Company in the pursuit of its objectives. The use of any derivative instruments, such as financial futures, options and currency hedges, will only be for the purposes of efficient portfolio management.

The Company will not invest more than 15% of its investment portfolio in any single investment on acquisition, nor will it invest more than 15% of its investment portfolio in any other UK listed investment trusts or investment companies.

The Company will at times borrow money, both short and long term, in order to enhance performance. The draw down of borrowings may be in currencies other than Sterling, provided that the borrowings do not exceed the assets in that particular currency. The gearing range is between 0% and 20% and gearing will not exceed 20% of net asset value at the time of draw down of the relevant borrowings.

The Company achieves an appropriate spread of investment risk principally through a broadly diversified portfolio which at 31 October 2013 contained 191 individual investments. At 31 October 2013 the largest single investment was BP, which accounted for 2.52% of total investments, while the top 25 holdings totalled 29.1% of total investments. Investment risk may be further reduced through the use of currency hedging, foreign borrowings and derivatives.

Information regarding the Company's investment exposures can be found on page 17. Further information regarding investment risk and activity throughout the year can be found in the Portfolio Manager's Review and accompanying regional pages.

Principal risks and uncertainties

The Board has drawn up a matrix of risks facing the Company and has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objectives and policy, in order to mitigate these risks as far as practicable. The principal risks which have been identified and the steps taken by the Board to mitigate these are as follows:

Strategic Report

Strategic Review

continued

- *Portfolio and market*
  Although the Company invests almost entirely in securities that are quoted on recognised markets, share prices may move sharply. The companies in which investments are made may operate unsuccessfully, or fail entirely. A fall in the market value of the Company's portfolio would have an adverse effect on shareholders' funds. The Board reviews the portfolio at each meeting and mitigates this risk through diversification of investments in the portfolio.

- *Investment activity and performance*
  An inappropriate investment strategy (for example, in terms of asset allocation or the level of gearing) may result in underperformance against the Company's various Indices and the companies in its peer group. The Board monitors investment performance at each Board meeting and regularly reviews the extent of its borrowings.

- *Tax and regulatory*
  A breach of section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the UKLA Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Act 2006 could lead to criminal proceedings. Any such breaches could also lead to financial or reputational damage. The Company must also ensure compliance with the listing rules of the New Zealand Stock Exchange. The Manager has contracted to provide investment, company secretarial, administration and accounting services through qualified professionals. The Board receives internal control reports produced by the Manager on a quarterly basis, which confirmed regulatory compliance during the year.

- *Financial*
  By its nature as an investment trust, the Company's business activities are exposed to market risk (including market price risk, currency risk and interest rate risk), liquidity risk, and credit and counterparty risk. Details of these risks and how they are managed are contained in Note 17 to the Financial Statements on pages 48 to 56.

- *Operational*
  Disruption to, or failure of, the Manager's accounting, dealing or payment systems or the custodian's records could prevent the accurate reporting and monitoring of the Company's financial position. The Company is also exposed to the operational risk that one or more of its suppliers may not provide the required level of service. Details of how the Board monitors the services provided by the Manager and its other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal controls section on page 29.

Management arrangements

Investment management, accounting, company secretarial and administrative services are provided to the Company by wholly owned subsidiary companies of Henderson Group plc ('Henderson'). Under the terms of the management contract:

To 31 December 2012 the basic annual management fee was 0.30% per annum of the average gross assets on the last day of October of the preceding two years.

From 1 January 2013 the performance fee was abolished and from that date the basic annual management fee was 0.40% per annum of the average net assets on the last day of October in each of the preceding two years. There was no performance fee payable for the period 1 November 2012 to 31 December 2012.

Following a satisfactory review with the Manager, from 1 November 2013 the management fee rate has been increased to 0.45% of net chargeable assets.

The notice period for termination of the management contract is six months.

Related party transactions

Other than the relationship between the Company and its directors, the provision of services by Henderson is the only related party arrangement currently in place. Other than the fees payable by the Company in the ordinary course of business and the provision of sales and marketing services by Henderson (see note 6 on page 44), there have been no material transactions with this related party which have affected the financial position or performance of the Company in the financial year.

Strategic Report
Strategic Review
continued

Custody arrangements

Global custody services are provided by BNP Paribas Securities Services.

Financial review

- *Assets, revenue and dividends*
  Total net assets at 31 October 2013 amounted to £653,561,000 compared with £526,214,000 at 31 October 2012 and the net asset value per ordinary share increased by 23.8% from 474.5p to 587.4p.

	2013	2012	% Change
Net assets (as at 31 October)	**£653.6m**	£526.2m	+24.2
Revenue return (for the year)	**£16.0m**	£16.5m	–3.0
Dividend (payable per share for the year)	**14.13p**	13.33p	+6.0

- *Borrowings*
  The Board has in place a facility which allows the Company to borrow as and when appropriate. At 31 October 2013 the Company had a committed short term facility of £30m with Commonwealth Bank of Australia. The facility is subject to regular review.

  The Company also has two debentures, details of which can be found in note 16 on page 48.

- *Gearing*
  Gearing is calculated by taking the difference between quoted investments and equity shareholders' funds divided by equity shareholders' funds and multiplied by 100. The gearing was 0.2% at 31 October 2013 (2012: 3.9%).

- *Future developments*
  While the future performance of the Company is dependent, to a large degree, on the performance of international financial markets, which, in turn, are subject to many external factors, the Board's intention is that the Company will continue to pursue its stated investment objectives in accordance with the strategy outlined earlier. Further comments on the outlook for the Company for the next twelve months are set out in both the Chairman's Statement on pages 3 and 4 and the Portfolio Manager's Review on pages 5 to 16.

Performance measurement and key performance indicators

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of the Manager, the directors take into account the following key performance indicators:

- *Performance measured against the various Indices*
  The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value and share price for the Company and the various Indices.

- *Discount/premium to net asset value ('NAV')*
  The Company publishes a NAV per share figure on a daily basis through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the AIC formula. At each Board meeting, the Board monitors the level of the Company's discount/premium to NAV and reviews the average discount/premium for the Company's relevant Association of Investment Companies ('AIC') sector.

  The Board considers the use of share buy-backs and share issues to enhance shareholder value. During the financial year no shares were bought back (2012: 145,000). The Company issued 350,000 shares at a premium to NAV (2012: nil).

- *Performance against the Company's peer group*
  In addition to comparison against the various Indices, the Board also considers the performance of its AIC peer group and its open-ended equivalent, the IMA Growth Sector, at each Board meeting.

- *Ongoing charges*
  The ongoing charges are a measure of the total expenses incurred by the Company, including those charged to capital, expressed as a percentage of the average shareholders' funds over the year. The ongoing charges, before borrowing costs, amounted to 0.45% (2012: 0.42%) of the assets of the Company. The Board regularly reviews the ongoing charges and monitors all Company expenses. As stated above the performance fee was abolished with effect from 1 January 2013.

Subsidiary undertaking

During the year, following a change in legislation, the decision was taken to liquidate the Company's wholly owned

Strategic Report
Strategic Review
continued

subsidiary, The Army and Navy Investment Company Limited. For this reason the financial statements have been prepared on a Company only basis.

Corporate responsibility

- *Responsible investment*
  The Manager is responsible for managing the Company's investments and reporting on its work on corporate governance and corporate responsibility (or social, environmental and ethical ('SEE') issues) in the companies in which it invests on its clients' behalf, across all funds. In May 2005 Henderson became a founding signatory to the United Nations Principles for Responsible Investment. The Principles, developed under the auspices of the UN Secretary-General, are a voluntary and aspirational framework for incorporating environmental, social and corporate governance (ESG) issues into mainstream investment decision-making and ownership practices.

  The way companies respond to sustainability and corporate responsibility can affect their business performance, both directly and indirectly. An investee company's policy on social responsibility and the environment is therefore considered as part of the investment risk decision.

- *Voting policy and the UK Stewardship Code*
  Henderson's Responsible Investment Policy sets out the Manager's approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients, and its policy on proxy voting. The Policy also sets out how Henderson implements the UK Stewardship Code. The Company has delegated responsibility for voting to the Manager. The Board receives a report, at least annually, on the voting undertaken by the Investment Manager on behalf of the Company.

  The Board and Henderson believe that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. Voting recommendations are guided by the best interests of the investee companies' shareholders.

  Depending on the nature of the resolution, the Portfolio Manager and/or members of the Board will give specific instructions on voting on non-routine and unusual or controversial resolutions. Decisions not to support resolutions and the rationale therefore are fed back to the investee company prior to voting.

  The Henderson Responsible Investment Policy and further details of Henderson's responsible investment activities can be found on the Henderson website, **www.henderson.com**.

- *Employees, social, community, human rights and environmental matters*
  The Company has no employees and its core activities are undertaken by Henderson, which has implemented environmental management practices, including systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible. The Company has therefore not reported on these, or social, community or human rights issues.

  Henderson's corporate responsibility statement is included on the website www.henderson.com. For 2012 it was granted CarbonNeutral Company status which it has committed to maintain at least until the end of 2015. The Company's annual and half year reports are printed on carbon balanced paper, whereby the carbon impact of the production and distribution process has been balanced, or offset, by the World Land Trust, an international conservation charity.

- *Gender representation*
  As set out on page 22, at the year end, three of the Company's directors were male and one was female. Their appointment to the Board was based on their skills and experience. More information on the Board's consideration of diversity is given in the Corporate Governance Statement on page 28. The Company has no employees and, therefore, there is nothing further to report in respect of gender representation within the Company.

By order of the Board

Richard Killingbeck
Chairman
17 January 2014

Directors


Richard Killingbeck


Richard Burns


Matthew Thorne


Susan Inglis

Richard Killingbeck*‡ (Chairman) was appointed as a director in 2003 and became Chairman on 25 September 2013. He has been involved in the financial services industry for 25 years, initially as a fund manager and latterly in a number of senior management roles, at Singer & Friedlander Investment Management and Close Brothers. During his career he has been based primarily in London, but has also spent part of this time in New York. Currently he is Chief Executive Officer of W.H. Ireland Group plc. He was previously a Managing Director of Credit Suisse (UK) Private Bank.

Richard Burns*†‡ (Senior Independent Director) was appointed a director in 2006. He is a former joint senior partner of Baillie Gifford & Co and former fund manager of Monks Investment Trust plc. He is also a non-executive director of EP Global Opportunities Trust plc, Euronova European Smaller Companies Fund, JPMorgan Indian Investment Trust plc, Mid Wynd International Investment Trust plc and Standard Life Equity Income Trust plc. From 1999 to 2006 he was a director of the AIC.

Matthew Thorne*† FCA, MA (Audit Committee Chairman) was appointed as a director in 2008. Mr Thorne is an adviser to the Consensus Business Group. He was Group Finance Director of McCarthy & Stone plc and also Investment Director of Beazer plc. A Chartered Accountant, he has significant experience as a finance director, predominantly in the property sector.

Susan Inglis*†‡ was appointed as a director on 1 November 2012. A qualified lawyer, Ms Inglis was a partner, and head of the funds and financial services group, at Shepherd & Wedderburn, a leading Scottish law firm. In 1999 she was a founding partner of Intelli Corporate Finance, an advisory boutique firm focusing on the asset management and investment company sectors which was acquired by Canaccord Genuity in 2009. Ms Inglis is currently Managing Director – Corporate Finance at Cantor Fitzgerald Europe, having held the same position at Canaccord Genuity until its merger with Collins Stewart.

David Wild is to be appointed with effect from 26 February 2014. He was formerly Chief Executive at Halfords Plc and was also President of the German division of Wal-Mart Stores Inc. He is currently the Senior Independent Director for Premier Foods plc and a non-executive director of Domino's Pizza plc.

*Member of the Management Engagement Committee
†Member of the Audit Committee
‡Member of the Nominations Committee

Management


Alex Crooke


Tim Stevenson


Antony Gifford


Michael Kerley


Michael Wood-Martin


Wendy King

The portfolio is managed by **Alex Crooke** who is engaged full time in investment management. He is assisted by **Tim Stevenson (Europe)**, **Antony Gifford (North America)**, **Michael Kerley (Pacific ex-Japan)** and **Michael Wood-Martin (Japan)**. **Wendy King** acts as the Company Secretary and is the representative of Henderson Secretarial Services Limited, the Corporate Company Secretary.

Report of the Directors

The directors present the audited financial statements of the Company and their report for the year from 1 November 2012 to 31 October 2013.

Directors

Board composition

The Board currently consists of four directors, all of whom are non-executive. David Wild is due to join the Board on 26 February 2014.

The names and biographies of the directors holding office at the date of this report together with that for David Wild are listed on page 22. All the current directors served on the Board throughout the financial year.

Directors' appointment, retirement and rotation

The Board may appoint directors to the Board without shareholder approval. Any director so appointed must stand for appointment by the shareholders at the next Annual General Meeting ('AGM') in accordance with the articles of association. The total number of directors shall not be less than three nor more than eight.

Under the articles of association, shareholders may remove a director before the end of his or her term by passing a special resolution. A special resolution is passed if more than 75% of the votes cast, in person or by proxy, are in favour of the resolution.

The Company's articles of association provide that one third of directors retire by rotation each year. Directors are also required to retire if they have served more than nine years on the Board, but may then offer themselves for annual re-appointment. Notwithstanding these requirements, the UK Code requires all directors of FTSE 350 companies to retire annually. Therefore all of the current directors will retire at the forthcoming AGM and, being eligible, offer themselves for re-appointment.

Directors' remuneration

The directors' remuneration report is on pages 32 and 33.

Directors' conflicts of interest

The Company's articles of association permit the Board to consider and, if it sees fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company ('situational conflicts'). The Board has a formal system in place for directors to declare situational conflicts to be considered for authorisation by those directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted directors must act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts considered, and any authorisations given, are recorded in the relevant meetings' minutes. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts and the Board believes that the systems it has in place for reporting and considering situational conflicts continue to operate effectively.

Share capital and shareholders

- *Share capital*

  At 31 October 2013 the Company had in issue 111,256,839 ordinary shares of 25p each. The voting rights of the ordinary shares on a poll are one vote for every four shares held. There are no restrictions on the transfer of the Company's shares and there are no shares which carry specific rights with regard to control of the Company. The mid-market price per share at that date was 580.0p, giving the Company a market capitalisation of £645.3m. Total equity was £653.6m, the net asset value per share at that date being 587.4p per share (inclusive of retained revenue for the year). Accordingly, the market price per share stood at a discount of 1.3% to the net asset value (inclusive of retained revenue for the year). The Company seeks shareholder authority annually to buy-back its shares in the market and to issue shares at a premium to NAV. During the year the Company did not buy back any shares (2012: 145,000), however it issued 350,000 ordinary shares for a total consideration of £1,987,000 (2012: none).

  Since the end of the year and the date of this report a further 400,000 ordinary shares have been issued by the Company.

- *Substantial share interests*

  Declarations of interests in the voting rights of the Company, at 31 October 2013, are set out below.

Shareholder	% of voting rights
Investec Wealth & Investment Management	8.4
F&C Asset Management	5.0

  Since the year end, no changes in substantial share interests have been notified to the Company.

  In addition, the Board is aware that, at 31 October 2013, 13.5% of the issued share capital was held on behalf of participants in the Halifax Share Dealing products run by Halifax Share Dealing Limited ('HSDL'), which is now part of Lloyds Banking Group. In accordance with the arrangements made between HSDL and Henderson, the participants in the Halifax Share Dealing products are given the opportunity to instruct the nominee company of HSDL to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company. HSDL has undertaken to instruct its nominee company to exercise the voting rights of any shares held through the Halifax Share

Report of the Directors

continued

Dealing products that have not been exercised by the individual participants in them. It will do so by voting for or against all resolutions to be put at all general meetings of the Company (or by withholding votes on such resolutions) pro rata to the aggregate voting instructions for each resolution received from those participants who have chosen to exercise their voting rights.

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. In reviewing the position as at the date of this report, the Board has considered 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009', published by the Financial Reporting Council.

Dividend

The final dividend, if approved by shareholders at the AGM, will be paid on 28 February 2014 to shareholders on the register at 31 January 2014. The Company's shares go ex-dividend on 29 January 2014.

Annual General Meeting ('AGM')

The AGM will be held on 26 February 2014 at 12 noon. Separate resolutions will be proposed for each substantive issue. The formal notice of the AGM as well as full details of the resolutions to be put at the AGM are contained in the separate circular being sent to shareholders with this Report.

Amendment to articles of association

In recent years, company law in the United Kingdom has undergone major reform and the Company's articles of association have been amended on a number of occasions to reflect these changes and relevant corporate governance rules/practices. The Board and its advisers have carried out a review of the existing articles of association and it is proposed to adopt new articles of association to reflect current laws and practice. It is also proposed to make a small number of changes of a minor, technical or clarificatory nature.

In particular, there have been a number of recent changes to the UK tax laws concerning investment trusts. As a result of these new tax laws the Companies Act 2006 has been amended to remove the requirement that an investment company's articles of association must contain a prohibition on the distribution of realised capital profits, allowing such companies to pay dividends out of capital profits. In the light of these changes to UK law the Company's articles of association have been amended to remove such prohibition which will bring the articles into line with the Companies Act 2006. The Board however has no current intention to pay dividends out of capital profits.

The Company is an alternative investment fund for the purposes of the Alternative Investment Fund Managers (AIFM) Directive. Therefore the Company's articles of association will also be amended in order to provide the Board with the ability to prescribe, vary or revoke the management and governance rules that the Company must comply with as a result of the implementation of the AIFM Directive. In particular, the articles will be amended so that the Board may authorise a depositary appointed in respect of the Company on the terms and conditions prescribed in the AIFM Regulations, together with any further requirements that may be prescribed by the Board, to discharge itself of liability in certain circumstances. The proposed new articles of association will also be available for inspection at the AGM at least 15 minutes prior to the start of the meeting and up until the close of the meeting.

A copy of the existing articles of association and proposed new articles of association, marked to show the changes, will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW up to and including close of business on 26 February 2014.

Directors' statement as to disclosure of information to auditors

The directors who were members of the Board at the time of approving this Report are listed on page 22. Each of those directors confirms that:

- to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Report and Financial Statements of which the Company's auditors are unaware; and
- he or she has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Global greenhouse gas emissions

As an externally managed company, the Company has no greenhouse gas emissions to report from its operations for the year to 31 October 2013 (2012: same), nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

By order of the Board

Wendy King FCIS
For and on behalf of
Henderson Secretarial Services Limited,
Corporate Company Secretary
17 January 2014

Corporate Governance Statement

The directors present the Corporate Governance Statement for the year ended 31 October 2013.

Applicable corporate governance codes

The Board is accountable to shareholders for the governance of the Company's affairs. As an investment trust the Company has delegated its day-to-day responsibilities to third parties; the Company has no employees and the directors are all non-executive. Thus not all the provisions of the UK Corporate Governance Code (the 'UK Code') issued by the FRC are directly applicable to the Company. The Board has therefore considered the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies in February 2013 (the 'AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies (the 'AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the applicable principles, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The FRC has confirmed that, by following the AIC Guide, boards of investment companies should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

Copies of the AIC Code, the AIC Guide and the UK Code can be found on the respective organisations' websites: **www.theaic.co.uk** and **www.frc.org.uk**.

New Zealand listing

It should be noted that the UK Codes of Corporate Governance (UK Code and AIC Code) may materially differ from the New Zealand Stock Exchange's corporate governance rules and principles of the Corporate Best Practice Code.

Statement of compliance

The AIC Code comprises 21 principles. The Board attaches importance to the matters set out in the AIC Code and lists below how the AIC Code's principles have been applied.

The directors believe that during the year under review they have complied with the provisions of the AIC Code, and insofar as they apply to the Company's business, with the provisions of the UK Code except as noted below.

- *The role of chief executive*
  Since all directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a chief executive.

- *Executive directors' remuneration*
  As the Board has no executive directors, it is not required to comply with the principles of the UK Code in respect of executive directors' remuneration and does not have a Remuneration Committee. Directors' fees are detailed in the Directors' Remuneration Report on pages 32 and 33.

- *Internal audit function*
  As the Company delegates to third parties its day-to-day operations and has no employees, the Board has determined that there is no requirement for an internal audit function. The directors annually review whether a function equivalent to an internal audit is needed and will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended.

Directors

- *Board independence and tenure policy*
  The Board is conscious of the need to maintain continuity on the Board, and believes that retaining directors with sufficient experience of both the Company and the markets is of great benefit to shareholders.

  The Board believes that each of the directors exercises independent judgement and that length of service does not diminish the contribution from a director; indeed a director's experience and extensive knowledge of the Company is a positive benefit to the Board. Moreover, long-serving directors are less likely to take a short-term view. This view is supported by the AIC Code.

  The directors' biographies, on page 22, demonstrate their breadth of investment, commercial and professional experience relevant to their positions as directors on the Board of the Company.

  There were no contracts subsisting during or at the end of the year in which a director of the Company is or was materially interested and which is or was significant in relation to the Company's business. No director has a service contract with the Company. No director is entitled to compensation for loss of office on the takeover of the Company.

  The directors annually review their independence. The Nominations Committee has considered the continued appointment of Richard Killingbeck who has served on the Board for over ten years. He has no other links to the Manager; in addition he has a wide range of other

Corporate Governance Statement
continued

interests and is not dependent in any way on the Company itself and the Nominations Committee concluded that he continues to make a valuable contribution to the Board and, notwithstanding length of service, he remains independent in character and judgement.

- *Board succession and policy for recruitment*
  The Board's tenure and succession policy seeks to ensure that the Board is well-balanced and refreshed regularly by the appointment of new directors with the skills and experience necessary, in particular, to replace those lost by directors' retirements. Directors must be able to demonstrate their commitment to the Company, including in terms of time. The Board seeks to encompass relevant past and current experience of various disciplines while also considering diversity.

- *Directors' professional development*
  When a new director is appointed he or she is offered a training seminar which is held by the Manager. Directors are also provided on a regular basis with key information on the Company's activities including regulatory and statutory requirements and internal controls. Changes affecting directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in relevant training and industry seminars.

- *Directors' indemnity*
  Directors' and officers' liability insurance cover is in place in respect of the directors. The Company's articles of association provide, subject to the provisions of UK legislation, an indemnity for directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as directors, in which they are acquitted or judgement is given in their favour by the court.

The Board

Chairman

The Chairman, Richard Killingbeck, is an independent non-executive director who has no conflicting relationships.

Senior Independent Director

Richard Burns is the Senior Independent Director.

Responsibilities of the Board and its Committees

The Board meets formally at least seven times a year, with additional Board or committee meetings arranged when required. The directors have regular contact with the Portfolio Manager and Corporate Company Secretary between formal meetings. The Board has a formal schedule of matters specifically reserved for its decision, which are categorised under various headings including strategy, management and structure, gearing, financial reporting and other communications, Board membership and other appointments, contracts, internal control, corporate governance and miscellaneous.

The Board is responsible for the approval of annual and half year results, interim management statements and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects. The directors confirm that they are satisfied that the Report and Financial Statements for the year ended 31 October 2013, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Audit Committee

The Audit Committee comprises Matthew Thorne, Richard Burns and Susan Inglis, all of whom are considered independent. The Chairman of the Audit Committee is Matthew Thorne. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience and the directors' biographies are shown on page 22. The Committee has written terms of reference, which clearly define its responsibilities and duties.

The Committee met three times during the year under review and the main duties undertaken were:

- a review of the half year results and the annual financial statements, including the disclosures made therein in relation to internal controls and risk management, going concern and related parties and consideration of whether the report is fair, balanced and understandable;

- consideration of the appropriate level of dividend to be paid by the Company;

- consideration of the internal controls in place at Henderson and its Administrators (BNP Paribas), as described on page 29, and Henderson's policies in relation to cyber risk and business continuity;

- consideration of the Company's key risks and risk map;

Corporate Governance Statement

continued

- consideration of the nature and scope of the external audit and the findings therefrom and whether there is a need for an internal audit function, as described on page 25;
- consideration of the terms of appointment of the auditor, its performance and remuneration;
- consideration of the auditor's independence and objectivity and any non-audit services provided; and
- consideration of the 'whistle blowing' policy that the Manager has put in place for its staff to raise concerns about possible improprieties, including in relation to the Company, in confidence. The policy includes the necessary arrangements for independent investigation and follow-up action.

In relation to the Report and Financial Statements for the year ended 31 October 2013 the following significant issues were considered by the Committee:

Significant Issue	**How the issue was addressed**
Valuation and ownership of the Company's investments	Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. Investments that are unlisted or not actively traded are valued using a variety of techniques to determine their fair value. As set out in the accounting polices note on page 39 all such valuations are reviewed by both the Manager's fair value pricing committee and by the directors.
Recognition of income	Income received is accounted for in line with the Company's accounting policy (as set out on page 40) and is reviewed by the Committee at each meeting.
Compliance with section 1158 of the Corporation Tax Act 2010	The Committee regularly considers the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times.
Maintaining internal controls	The Committee receives regular reports on internal controls from the Manager and Administrator and has access to the relevant personnel of the Manager who have a responsibility for risk management and internal audit.

During the year the Company engaged PricewaterhouseCoopers LLP ('PwC') in the UK for the liquidation of its subsidiary company and in respect of a claim for VAT. It also engaged PwC in Taiwan for tax compliance services in respect of the Taiwanese investments as required by the law in Taiwan. The directors have ensured that the provision of these non-audit services did not impact the independence of the audit. Since the year end the Company has engaged from 1 January 2014 Grant Thornton in Taiwan for tax compliance services in place of PwC. PwC has also terminated its engagement in respect of the VAT claim due to independence rules surrounding PwC being appointed as auditors of the Manager.

The Audit Committee remains satisfied with the effectiveness of the audit provided by PwC. The Audit Committee is satisfied that the auditor is independent of the Company. As the Company is in the FTSE 350, it is now required to put the contract out to tender at least every ten years. The audit appointment has not been put to tender in the last ten years, however, the Audit Committee has regularly reviewed the performance of the auditor, taking into consideration the services and advice provided to the Company and the fees charged for their services. In light of recent UK and emerging European regulation on audit tendering and rotation, the Board have agreed that 2014 is a suitable time to put the audit out for tender. The Company will report on the outcome of the process to shareholders later in the year. Due to impending European legislation on mandatory audit firm rotation and length of tenure our current auditors; PwC will not be participating in the audit tender.

Subject to shareholder approval at the AGM, PwC will continue as the Company's auditors until another audit firm is appointed. Accordingly resolutions to reappoint PwC as auditors to the Company, and to authorise the directors to determine their remuneration will be proposed at the AGM.

Representatives of the auditor attend the Audit Committee meeting at which the Report and Financial Statements are reviewed and are given the opportunity to speak to the Committee members without the presence of the representatives of the Manager.

The Chairman of the Audit Committee will be present at the AGM to deal with questions relating to the Financial Statements.

Corporate Governance Statement

continued

Nominations Committee

The Nominations Committee comprises Richard Killingbeck, Richard Burns and Susan Inglis. The Chairman of the Nominations Committee is Richard Killingbeck. The Committee, which meets at least annually, reviews the Board's size and structure and is responsible for Board succession planning. The other members of the Board may attend meetings of the Nominations Committee by invitation.

When considering succession planning, the Committee bears in mind the balance of skills, knowledge, experience, gender and diversity existing on the Board. The Nominations Committee considers diversity as part of the annual performance evaluation and it is considered that the directors have a range of backgrounds and each director brings different qualities to the Board and its discussions. It is not considered appropriate for the Company to have set targets in relation to diversity; candidates will be assessed in relation to the relevant needs of the Company at the time of appointment. The Nominations Committee will make recommendations to the Board when the recruitment of additional non-executive directors is required.

Management Engagement Committee

The Management Engagement Committee's membership comprises all the members of the Board. The Chairman of the Committee is Richard Killingbeck. The Committee meets at least annually to review the investment management agreement with the Company's Manager and to review the services provided by the Manager.

Remuneration Committee

Directors' fee levels are set in line with the remuneration policy, as set out in the Directors' Remuneration Report on page 33, which is subject to shareholder approval.

Board attendance

Currently, the Board meets seven times per annum and is responsible for the effective stewardship of the Company's affairs. Certain strategic issues have been considered at various meetings of the Board and additional meetings of the Board may be arranged as required. The Board has a formal schedule of matters specifically reserved for its decision which are categorised under various headings including strategy, management, structure, capital, financial reporting, internal controls, gearing, asset allocation, share price discount/premium, contracts, policy, finance, risk, investment restrictions, performance, corporate governance and Board membership and appointments. In order to enable them to discharge their responsibilities, all directors have full and timely access to relevant information. At each meeting, the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objectives and is responsible for setting asset allocation parameters, investment and gearing limits within which the Manager has discretion to act. The Board thus supervises the management of the investment portfolio, which is contractually delegated to the Manager. The Board has responsibility for the approval of unquoted investments and all investments in in-house funds managed or advised by the Manager. It also has adopted a procedure for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

The Chairman attends meetings of all the chairmen of the investment trust companies managed by the Manager; these meetings provide a forum to discuss a variety of relevant matters and the Chairman reports on them to the Board.

The number of meetings of the Board and its Committees held during the year and the attendance of individual directors are shown below. All directors attend the Annual General Meeting.

Number of meetings	Board 7	Audit Committee 3	Nominations Committee 1	Management Engagement Committee 2
Richard Brewster (1)	7	n/a	1	2
Richard Burns (2)	7	1	1	2
Richard Killingbeck	7	3	1	2
Matthew Thorne	7	3	n/a	2
Peter Sullivan (3)	4	3	1	1
Susan Inglis	7	3	1	2

The membership of each Committee is shown on page 22.

(1) Richard Brewster retired on 25 September 2013.

(2) Richard Burns became a member of the Nominations Committee on 19 June 2013 and the Audit Committee on 25 September 2013.

(3) Peter Sullivan resigned on 19 June 2013.

Performance evaluation

The Company

The performance of the Company is considered in detail at each Board meeting.

The Board

In accordance with the UK Code, the Company is required to engage an external facilitator for the Board evaluation every

Corporate Governance Statement

continued

three years. The evaluation for the year under review was conducted externally by Lintstock Limited. In order to review the effectiveness of the Board, the Committees and the individual directors, a thorough appraisal process was undertaken. This was implemented by way of questionnaires including one relating to the Chairman. The conclusion was that the performance of the Board as a whole, the Committees of the Board, and individual directors, was deemed fully satisfactory. The process was considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and the Committees, the contribution of individual directors, as well as building on and developing individual and collective strengths.

Having undertaken an external evaluation the Board did not consider it necessary to perform a separate evaluation of its own performance.

The Board has direct access to company secretarial advice and services provided by the Manager which, through its nominated representative, is responsible for ensuring that the Board and Committee procedures are followed and that applicable regulations are complied with. During the year the Company has maintained insurance cover in respect of legal action against the directors; this does not cover fraud, negligence or wilful default.

Internal controls

The Board has overall responsibility for the Company's systems of internal controls and for reviewing their effectiveness. These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained, and the financial information used within the business and for publication is reliable. Control of the risks identified, covering financial, operational, compliance and risk management, is embedded in the controls of the Company by a series of regular investment performance and attribution statements, financial and risk analyses and Manager's reports, and a quarterly control report. Key risks have been identified and controls have been put in place to mitigate such risks, including those risks that are not directly the responsibility of the Manager. The effectiveness of the internal controls is assessed by the Manager's compliance and risk departments on a continuing basis and is also reviewed by the Company.

The Manager and the custodian maintain their own systems of internal controls and the Board and Audit Committee receive regular reports from the Manager. The control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to achieve objectives.

The Board has established an ongoing process for identifying, evaluating and managing any major risks faced by the Company. The process has been in place since 2000 and is subject to regular review by the Board. Up to the date of this report, the process accords with the Turnbull Guidance.

The Board, assisted by the Manager, has undertaken an annual review of the effectiveness of the Company's system of internal control and the business risks have been analysed and recorded in a risk map which is reviewed regularly. The Board receives each quarter from the Manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and which reports the details of any known internal control failures. The Board receives each year from the Manager and its Administrator's a report on its internal controls which includes a report from the Manager's and its Administrator's reporting accountants on the control policies and procedures in operation.

The Board confirms that, in the event of any significant failings or weakness identified from the annual review of the effectiveness of the Company's system of internal control, necessary actions would be taken to remedy them. No significant failings or weaknesses in respect of the Company were identified in the year under review.

Accountability and relationship with the Manager

The Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 31, the Report of the Independent Auditors on pages 59 to 61 and the Statement of Going Concern on page 24.

The Board has delegated contractually to the Manager and other external third parties the management of the investment portfolio, the custodial services (which include the safeguarding of the assets) and the day-to-day accounting, company secretarial, administration and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required.

Corporate Governance Statement

continued

The Board has reviewed the implications of the Bribery Act 2010, which came into force on 1 July 2011, and confirmed its zero tolerance of bribery and corruption in its business activities. It has sought and received assurances from its main contractors and suppliers that they will maintain adequate safeguards to protect against any potentially illegal behaviour by their employees and agents.

Continued appointment of the Manager

The Board reviews the performance of the Manager at each Board meeting and the Management Engagement Committee meets at least annually to review the continuing appointment of the Manager. In the opinion of the directors the continued appointment of the Manager on the terms agreed is in the best interests of the Company's shareholders as a whole. The Manager has extensive investment management resources and wide experience in managing and administering investment companies.

Share Capital

Please see the Report of the Directors on page 23.

Relations with shareholders

Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the Half-Year Update and Annual Report and Financial Statements which aim to provide shareholders with a clear understanding of the Company's activities and their results. This information is supplemented by the daily calculation and by the publication at the Stock Exchange of the NAV of the Company's ordinary shares and a monthly fact sheet.

Information about the Company can be found at **www.bankersinvestmenttrust.com**

At each AGM a presentation is made by the Manager following the business of the meeting. Shareholders have the opportunity to address questions to the Chairman and the Chairmen of the Committees of the Board at the AGM. All shareholders are encouraged to attend the AGM.

It is the intention of the Board that the Report and Financial Statements and Notice of the AGM be issued to shareholders so as to provide at least twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Corporate Company Secretary at the address given on the inside back cover. At other times the Company responds to letters from shareholders on a range of issues.

General presentations to both shareholders and analysts follow the announcement of the annual results. All meetings between the Manager and shareholders are reported to the Board.

By order of the Board

Wendy King FCIS
For and on behalf of
Henderson Secretarial Services Limited,
Corporate Company Secretary
17 January 2014

Warning to Shareholders

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Equiniti Limited, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you are in any doubt about the veracity of an unsolicited phone call, please call either the Corporate Company Secretary or the Registrar at the numbers provided on the inside back cover.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, the Directors' Remuneration 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 prepared the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law the directors must not approve the financial statements 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 accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; 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 it to ensure that the Financial Statements and the Directors' Remuneration Report 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.

The directors consider that the Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Statement of Directors' Responsibilities under DTR 4.1.12

Each of the directors, who are listed on page 22, confirms that, to the best of his or her knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report in this Report and Financial Statements 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 it faces.

For and on behalf of the Board

Richard Killingbeck
Chairman
17 January 2014

The financial statements are published on the www.bankersinvestmenttrust.com website, which is a website maintained by the Company's Manager, Henderson. The maintenance and integrity of the website maintained by Henderson or any of its subsidiaries is, so far as it relates to the Company, the responsibility of Henderson. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 ('the Regulations'). The report also meets the relevant requirements of the Companies Act 2006 ('the Act') and the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles relating to directors' remuneration. As required by section 439 of the Act, an ordinary resolution to approve the report will be proposed at the Annual General Meeting on 26 February 2014.

The Company's remuneration policy will be put to shareholders for approval by ordinary resolution for the first time this year under section 439A of the Act and the policy is expected to continue in force until the Annual General Meeting in 2017.

The Company's auditors are required to report on certain information contained within this report; where information set out below has been audited it is indicated as such.

All directors are non-executive and the Company has no chief executive officer or employees; as such some of the reporting requirements contained in the Regulations are not applicable and have not been reported on, including the requirement for a future policy table and an illustrative representation of the level of remuneration that could be received by each individual director. It is believed that all relevant information is disclosed within this report in an appropriate format.

Remuneration Policy

The Board as a whole considers the directors' remuneration. The Board has not appointed a remuneration committee to consider matters relating to the directors' remuneration. The Board has not been provided with advice or services by any person in respect of its consideration of the directors' remuneration (although the directors review annually the fees paid to the boards of directors of other comparable investment trust companies).

The Company's policy is that the fees payable to the directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the directors and should be sufficient to enable candidates of high calibre to be recruited. The policy is for the Chairman of the Board, the Senior Independent Director and the Chairman of the Audit Committee to be paid a higher fee than the other directors in recognition of their more onerous roles.

The policy is to review these rates annually, although such review will not necessarily result in any change to the rates.

None of the directors has a contract of service or a contract for services and a director may resign by notice in writing to the Board at any time; there are no set notice periods.

The Company's policy is for the directors to be remunerated in the form of fees, payable quarterly in arrears, to the director personally or to a third party specified by him or her. There are no long-term incentive schemes provided by the Company and the fees are not specifically related to the directors' performance, either individually or collectively.

Annual Statement

As Chairman, Richard Killingbeck reports that directors' fees were last increased on 1 November 2011 and then on 1 November 2013, being the start of the Company's financial year. These increases were made after consideration of the fees paid to other investment trusts in the sector of an equivalent size and also in relation to the fees paid to other Henderson managed trusts. These increases were to ensure that the directors are properly remunerated for their services to the Company and so that the Company can remain competitive when seeking new directors.

There have been no other major decisions on directors' remuneration or any other changes to the remuneration paid to each individual director in the year under review.

Annual Report on Remuneration

Directors' interests in shares (audited)

	Ordinary shares of 25p	
	31 October 2013	1 November 2012
Beneficial interest:		
Richard Brewster (1)	**75,119**	74,483
Richard Burns	**65,000**	65,000
Susan Inglis	**5,000**	–
Richard Killingbeck	**30,000**	30,000
Peter Sullivan (2)	**–**	–
Matthew Thorne	**23,750**	23,750
Non beneficial interest:		
Richard Burns	**33,000**	33,000

(1) Richard Brewster retired on 25 September 2013.

(2) Peter Sullivan resigned on 19 June 2013.

The interests of the directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the preceding table.

Directors' Remuneration Report

continued

Directors' Fees and Expenses (audited)

The fees and expenses paid to the directors who served during the years ended 31 October 2013 and 31 October 2012 were are follows:

	Year ended 31 October 2013 Total salary and fees £	Year ended 31 October 2012 Total salary and fees £	**Year ended 31 October 2013 Total expenses and taxable benefits £**	Year ended 31 October 2012 Total expenses and taxable benefits £	**Year ended 31 October 2013 Total £**	Year ended 31 October 2012 Total £
Richard Killingbeck (1)	**25,153**	24,000	**–**	52	**25,153**	24,052
Richard Brewster (2)	**31,607**	35,000	**593**	372	**32,200**	35,372
Richard Burns	**22,238**	22,000	**631**	496	**22,869**	22,496
Susan Inglis	**22,000**	–	**–**	–	**22,000**	–
Peter Sullivan (3)	**14,667**	22,000	**–**	–	**14,667**	22,000
Matthew Thorne	**24,000**	24,000	**777**	1,555	**24,777**	25,555
TOTAL	**139,665**	127,000	**2,001**	2,475	**141,666**	129,475

Notes:

The table above omits other columns because no payments of other types such as performance related pay, vesting performance related pay and pension related benefits were made.

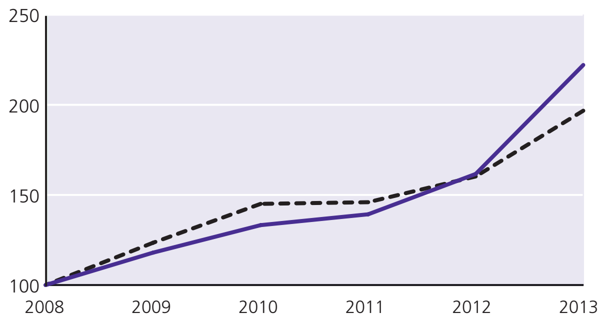
(1) Chairman. (2) Highest paid Director and former Chairman retired on 25 September 2013. (3) Resigned on 19 June 2013.

No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former directors or third parties specified by any of them. David Wild is to be appointed on the same terms as the other directors.

Since 1 November 2013 the fees have increased as follows (previous rates are shown in brackets): Chairman £36,500 (£35,000), Audit Committee Chairman £25,000 (£24,000) and director £23,000 (£22,000); the previous increase was from 1 November 2011.

Performance

The Company's performance is measured against the FTSE All-Share Index on a total return basis in Sterling terms. The graph below compares the mid-market price of the Company's ordinary shares over the five year period ended 31 October 2013 with the FTSE All-Share Index over the same period.



Source: Datastream

The Company's share price total return, assuming the investment of £100 on 31 October 2008 and the reinvestment of all dividends (excluding dealing expenses).

FTSE All-Share Index assuming the notional investment of £100 on 31 October 2008 and the reinvestment of all income (excluding dealing expenses).

Relative importance of spend on pay

In order to show the relative importance of spend on pay, the table below sets out the total level of remuneration compared to the distributions to shareholders by way of dividend and share buy-backs. There were no other significant distributions, payments or other uses of the Company's profit or cash flow deemed to assist in the understanding of the relative importance of spend on pay.

	31 October 2013 £	31 October 2012 £	Change £
Total remuneration	**141,666**	129,475	+12,191
Ordinary dividend paid	**15,149,000**	14,371,000	+778,000
Buy-backs of ordinary shares	**–**	594,008	–594,008

Statement of voting at Annual General Meeting ('AGM')

At the 2013 AGM 7,332,613 votes (94.6%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 316,915 (4.1%) were against, 100,565 (1.3%) were discretionary and 143,078 were withheld. The percentage of votes excludes votes withheld. This will be the first year shareholders will be asked to vote on the Company's remuneration policy.

By order of the Board

Wendy King FCIS
For and on behalf of Henderson Secretarial Services Limited,
Corporate Company Secretary
17 January 2014

Statement of Comprehensive Income

for the year ended 31 October 2013

Notes		2013 Revenue return £'000	2013 Capital return £'000	2013 Total £'000	2012 Revenue return £'000	2012 Capital return £'000	2012 Total £'000
2	Gains on investments held at fair value through profit or loss	**–**	**126,782**	**126,782**	–	30,532	30,532
3	Investment income	**19,515**	**–**	**19,515**	19,535	–	19,535
4	Other operating income	**174**	**–**	**174**	125	–	125
	Total income	**19,689**	**126,782**	**146,471**	19,660	30,532	50,192
	Expenses						
5	Management fees	**(1,282)**	**(690)**	**(1,972)**	(1,026)	(552)	(1,578)
6	Other expenses	**(791)**	**–**	**(791)**	(725)	–	(725)
	Profit before finance costs and taxation	**17,616**	**126,092**	**143,708**	17,909	29,980	47,889
7	Finance costs	**(691)**	**(1,612)**	**(2,303)**	(678)	(1,582)	(2,260)
	Profit before taxation	**16,925**	**124,480**	**141,405**	17,231	28,398	45,629
8	Taxation	**(896)**	**–**	**(896)**	(781)	–	(781)
	Profit for the year and total comprehensive income	**16,029**	**124,480**	**140,509**	16,450	28,398	44,848
9	**Earnings per ordinary share – basic and diluted**	**14.45p**	**112.18p**	**126.63p**	14.83p	25.59p	40.42p

The total columns of this statement represent the Statement of Comprehensive Income, prepared in accordance with IFRSs as adopted by the European Union. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

The figures for 2013 and 2012 are on a Company only basis, following the liquidation of the Company's wholly owned subsidiary during the year. Previously the figures have been shown on a consolidated basis incorporating the subsidiary, therefore the 2012 figures have been recalculated on a Company only basis for comparative purposes.

The notes on pages 38 to 58 form part of these financial statements.

Statement of Changes in Equity

for the year ended 31 October 2013

Notes	**Year ended 31 October 2013**	**Called up share capital £'000**	**Share premium account £'000**	**Capital redemption reserve £'000**	**Other capital reserves £'000**	**Revenue reserve £'000**	**Total equity £'000**
	Total equity at 1 November 2012	**27,727**	**452**	**12,483**	**454,176**	**31,376**	**526,214**
	Total comprehensive income:						
	Profit for the year	**–**	**–**	**–**	**124,480**	**16,029**	**140,509**
	Transactions with owners, recorded directly to equity:						
19	**Issue of 350,000 ordinary shares**	**87**	**1,900**	**–**	**–**	**–**	**1,987**
10	**Ordinary dividends paid**	**–**	**–**	**–**	**–**	**(15,149)**	**(15,149)**
	Total equity at 31 October 2013	**27,814**	**2,352**	**12,483**	**578,656**	**32,256**	**653,561**

Notes	Year ended 31 October 2012	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total equity £'000
	Total equity at 1 November 2011	27,763	452	12,447	426,372	29,297	496,331
	Total comprehensive income:						
	Profit for the year	–	–	–	28,398	16,450	44,848
	Transactions with owners, recorded directly to equity:						
19	Buy back of 145,000 ordinary shares	(36)	–	36	(594)	–	(594)
10	Ordinary dividends paid	–	–	–	–	(14,371)	(14,371)
	Total equity at 31 October 2012	27,727	452	12,483	454,176	31,376	526,214

The notes on pages 38 to 58 form part of these financial statements.

Balance Sheet

as at 31 October 2013

Notes		2013 £'000	2012 £'000
11 & 13	**Non-current assets**		
	Investments held at fair value through profit or loss	**655,008**	546,915
	Current assets		
12	Investments held at fair value through profit or loss	**21**	1,301
14	Other receivables	**17,800**	2,251
	Cash and cash equivalents	**14,130**	2,825
		31,951	6,377
	Total assets	**686,959**	553,292
	Current liabilities		
15	Bank loans	**–**	(1,000)
15	Other payables	**(8,398)**	(1,078)
		(8,398)	(2,078)
	Total assets less current liabilities	**678,561**	551,214
	Non-current liabilities		
16	Debenture stocks	**(25,000)**	(25,000)
	Net assets	**653,561**	526,214
	Equity attributable to equity shareholders		
19	Share capital	**27,814**	27,727
20	Share premium account	**2,352**	452
21	Capital redemption reserve	**12,483**	12,483
	Retained earnings:		
21	Other capital reserves	**578,656**	454,176
22	Revenue reserve	**32,256**	31,376
	Total equity	**653,561**	526,214
18	**Net asset value per ordinary share (pence) – basic and diluted**	**587.4p**	474.5p

The financial statements on pages 34 to 58 were approved by the Board of Directors on 17 January 2014 and signed on its behalf by:

Director
Richard Killingbeck

The notes on pages 38 to 58 form part of these financial statements.

Cash Flow Statement

for the year ended 31 October 2013

Notes	**Reconciliation of profit before taxation to net cash flow from operating activities**	**2013 £'000**	2012 £'000
	Profit before taxation	**141,405**	45,629
	Add interest payable ('finance costs')	**2,303**	2,260
2	Less gains on investments held at fair value through profit or loss	**(126,782)**	(30,532)
	Decrease/(increase) in accrued income	**239**	(573)
	(Increase)/decrease in other receivables	**(9)**	2
	Increase/(decrease) in other payables	**167**	(123)
	Purchases of investments	**(137,900)**	(131,873)
	Sales of investments	**156,843**	128,980
	Purchases of current asset investments	**(1,500)**	(22,016)
	Sales of current asset investments	**2,780**	24,365
	(Increase)/decrease in securities sold for future settlement	**(16,147)**	1,179
	Increase/(decrease) in securities purchased for future settlement	**7,153**	(2,363)
	Net cash inflow from operating activities before interest and taxation	**28,552**	14,935
	Interest paid	**(2,303)**	(2,260)
	Taxation on investment income	**(733)**	(831)
	Net cash inflow from operating activities	**25,516**	11,844
	Financing activities		
10	Equity dividends paid	**(15,149)**	(14,371)
19	Issue/(purchase) of ordinary shares	**1,987**	(594)
	(Repayment)/draw down of loan	**(1,000)**	1,000
	Amounts received from subsidiary undertaking	**205**	–
	Net cash outflow from financing activities	**(13,957)**	(13,965)
	Increase/(decrease) in cash	**11,559**	(2,121)
	Cash and cash equivalents at start of the year	**2,825**	4,992
	Exchange movements	**(254)**	(46)
	Cash and cash equivalents at end of the year	**14,130**	2,825

The notes on pages 38 to 58 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

(a) Basis of preparation

The financial statements for the year ended 31 October 2013 have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. IFRSs comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee ('IASC') that remain in effect, to the extent that IFRSs have been adopted by the European Union.

The financial statements have been prepared on a going concern basis and on the historical cost basis, except for the revaluation of certain financial instruments at fair value through profit or loss. The principal accounting policies adopted are set out below and have been applied consistently throughout the year. Where presentational guidance set out in the Statement of Recommended Practice ('the SORP') for investment trusts issued by the Association of Investment Companies ('the AIC') in January 2009 is consistent with the requirements of IFRSs, the directors have sought to prepare the financial statements on a basis consistent with the recommendations of the SORP.

Accounting Standards

(i) New and amended standards adopted by the Company

- IAS 1 (amendment), Presentation of Financial Statements – amendments regarding other comprehensive income. No impact on financial statements.

(ii) New standards, amendments and interpretations issued but not effective for the current financial year and not early adopted by the Company:

- IFRS 7 (amendment), Financial Instruments – Disclosures (effective for periods beginning on or after 1 January 2013) – amendments enhancing disclosures about offsetting financial assets and financial liabilities.
- IAS 32 (amendment), Financial Instruments – Presentation (effective for annual periods beginning on or after 1 January 2014) – amendment that updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- IAS 39 (amendment), Financial Instruments: Recognition and measurement (effective for annual periods beginning on or after 1 January 2014) – amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).
- IFRS 9, 'Financial Instruments' (effective for financial periods beginning on or after 1 January 2015) - addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

Notes to the Financial Statements

continued

1 Accounting policies (continued)

- IFRS 13, 'Fair value measurement' (effective for financial periods beginning on or after 1 January 2013) - aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

(iii) New standards, amendments and interpretations issued but not effective for the current financial year and not relevant to the Company's operations:

- IFRS 1 (amendments), First Time Adoption of International Financial Reporting Standards
- IFRS 10, Consolidated financial statements
- IFRS 11, Joint arrangements
- IFRS 12, Disclosure of interest in other entities
- IAS 12 (amendment), Income taxes
- IAS 19, Employee benefits
- IAS 27, Separate financial statements
- IAS 28, Associates and joint ventures

(b) Basis of consolidation

The accounts of the Company have not been consolidated as the wholly owned subsidiary undertaking, The Army and Navy Investment Company Limited was put into liquidation during the year. Therefore for 2013 and 2012 the accounts are prepared on a Company only basis.

(c) Investments held at fair value through profit or loss

All investments are designated upon initial recognition as held at fair value through profit or loss. Investment transactions are accounted for on a trade date basis. Assets are de-recognised at the trade date of the disposal. Proceeds are measured at fair value, which are regarded as the proceeds of sale less any transaction costs. The fair value of the financial instruments in the balance sheet is based on their quoted bid price at the balance sheet date, without deduction of the estimated future selling costs. Unquoted investments are valued by the directors using primary valuation techniques such as earnings multiples, recent transactions and net assets. Where fair value cannot be reliably measured, the investment will be carried at the previous reporting date value unless there is evidence that the investment has since been impaired, in which case the value will be reduced.

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Statement of Comprehensive Income as 'Gains or losses on investments held at fair value through profit or loss'. Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its bid price at the date of purchase.

(d) Presentation of Statement of Comprehensive Income

In accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. In accordance with the Company's status as a UK investment company under section 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend. Additionally, the net revenue is the measure the directors believe appropriate in assessing the Company's compliance with certain requirements set out in section 1158 of the Corporation Tax Act 2010.

Notes to the Financial Statements

continued

1 Accounting policies (continued)

(e) Income

Dividends receivable on equity shares are recognised as revenue for the year on an ex-dividend basis. Special dividends are treated as revenue return or as capital return, depending on the facts of each individual case. Income from fixed interest debt securities is recognised using the effective interest rate method. Bank deposit interest and stock lending income are accounted for on an accruals basis.

Where the Company enters into a commitment to underwrite an issue of securities in exchange for the receipt of commission, a derivative financial instrument is recognised initially at fair value. The derivative is re-measured subsequently at fair value, with the related gains and losses being reflected in the Statement of Comprehensive Income. Net losses arising from these derivatives, where actual or expected loss from taking up the securities underwritten exceeds the commission income, are allocated to the capital return. Net gains are allocated to the revenue return.

(f) Expenses

All expenses and interest payable are accounted for on an accruals basis. On the basis of the Board's expected long-term split of total returns in the form of capital and revenue returns of 70% and 30%, respectively, the Company charges 70% of its finance costs and investment management fees to capital. Expenses which are incidental to the purchase or sale of an investment are charged to the capital return column of the Statement of Comprehensive Income and allocated to other capital reserves. All other operating expenses are charged to the revenue return column of the Statement of Comprehensive Income.

(g) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using the effective tax rate of corporation tax for the accounting period.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income is the 'marginal basis'. Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Statement of Comprehensive Income, then no tax relief is transferred to the capital return column.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Investment trusts which have approval as such under section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the Financial Statements

continued

1 Accounting policies (continued)

(h) Dividends payable to shareholders

Dividends payable to shareholders are recognised in the financial statements when they are paid or, in the case of final dividends, when they are approved by shareholders. Dividends paid are disclosed in the Statement of Changes in Equity.

(i) Foreign currency

For the purposes of the financial statements, the results and financial position is expressed in pounds Sterling, which is the functional currency of the Company and the presentation currency of the Company. Sterling is the functional currency because it is the currency of the primary economic environment in which the Company operates.

Transactions recorded in overseas currencies during the year are translated into Sterling at the appropriate daily exchange rates. Monetary assets and liabilities and equity investments held at fair value through profit or loss that are denominated in overseas currencies at the balance sheet date, are translated into Sterling at the exchange rates ruling at that date. Exchange gains and losses on investments held at fair value through profit or loss are included within 'Gains or losses on investments held at fair value through profit or loss'.

(j) Cash and cash equivalents

Cash comprises cash in hand and on demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

(k) Borrowings

Interest-bearing bank loans, overdrafts and debentures are recorded initially at fair value, being the proceeds received, net of direct issue costs. They are subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(l) Repurchase of ordinary shares

The cost of repurchasing ordinary shares including related stamp duty and transaction costs are taken directly to equity and disclosed in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of called-up share capital and into the capital redemption reserve.

(m) Capital reserves

The following are accounted for in the 'Capital reserve arising on investments sold':
– expenses and finance costs charged to capital net of tax relief;
– gains and losses on the disposals of investments;
– realised foreign exchange differences of a capital nature; and
– costs of repurchasing ordinary share capital.

The following are accounted for in the 'Capital reserve arising on investments held':
– increases and decreases in the valuation of investments held at the year end; and
– unrealised foreign exchange differences of a capital nature.

(n) Key estimates and assumptions

Estimates and assumptions used in preparing the financial statements are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these estimates and assumptions form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

There are no estimates and assumptions that may cause material adjustment to the carrying value of assets and liabilities.

Notes to the Financial Statements
continued

1 Accounting policies (continued)

(o) Receivables

Receivables are amounts due from securities sold for future settlement, withholding tax recoverable, prepayments and accrued income in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

(p) Payables

Trade payables are obligations to pay for securities purchased for future settlement, accruals and deferred income that have been acquired/incurred in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

(q) Policy on operating segments

Under IFRS 8, operating segments are considered to be the components of an entity, about which separate financial information is available, that is evaluated regularly by the chief operating decision-maker (the Manager, with oversight from the Board) in deciding how to allocate resources and in assessing performance. The directors meet regularly to consider investment strategy and to monitor the Company's performance. The Portfolio Manager, who has been appointed to manage the Company's investments, attends all Board meetings at which investment strategy and performance are discussed. The directors consider that the Company has one operating segment; which invests in shares and securities primarily for capital appreciation and dividend growth in accordance with the Company's published investment objectives.

The business is not managed on a geographical basis. However, for the convenience of investors, disclosure by geographical segment has been provided in note 3 and in the Portfolio Review on pages 5 to 17. Further analyses of expenses, investment gains or losses, profit and other assets and liabilities by country have not been given as either it is not possible to prepare such information in a meaningful way or the results are not considered to be significant.

2 Gains on investments held at fair value through profit or loss

	2013 £'000	2012 £'000
Gains on sales of investments based on historical cost	**41,631**	18,095
Revaluation gains recognised in previous years	**(30,201)**	(2,893)
Gains on investments sold in the year based on carrying value at previous balance sheet date	**11,430**	15,202
Revaluation of investments held at 31 October	**115,606**	15,376
Exchange losses	**(254)**	(46)
	126,782	30,532

Notes to the Financial Statements

continued

3	**Investment income**	**2013 £'000**	2012 £'000
	UK dividend income – listed	**8,459**	8,146
	UK dividend income – special dividends	**333**	687
	Overseas dividend income – listed	**10,308**	9,078
	Overseas dividend income – special dividends	**186**	118
	Property income distributions	**133**	320
	Income from subsidiary undertaking	**96**	1,186
		19,515	19,535
	Analysis of investment income by geographical region:		
	UK	**9,857**	11,028
	Europe (ex UK)	**2,679**	2,110
	North America	**2,550**	2,437
	Japan	**1,123**	1,102
	Pacific (ex Japan)	**3,062**	2,608
	Emerging markets	**244**	250
		19,515	19,535

4	**Other operating income**	**2013 £'000**	2012 £'000
	Bank interest	**18**	17
	Underwriting income	**87**	–
	Stock lending revenue	**69**	108
		174	125

At 31 October 2013 the total value of securities on loan by the Company for stock lending purposes was £12,134,000 (2012: £19,200,000). The maximum aggregate value of securities on loan at any one time during the year ended 31 October 2013 was £38,775,000 (2012: £77,792,000). The Company's agent held collateral at 31 October 2013 with a value of £12,871,000 in respect of securities on loan. The value of securities held on loan is reviewed on a daily basis, comprising CREST Delivery By Value ('DBVs') and Government Bonds with a market value of 106% (2012: 105%) of the market value of any securities on loan.

5	**Management fees**	**Revenue return 2013 £'000**	**Capital return 2013 £'000**	**Total 2013 £'000**	Revenue return 2012 £'000	Capital return 2012 £'000	Total 2012 £'000
	Investment management	**296**	**690**	**986**	237	552	789
	Accounting, secretarial and administration	**986**	**–**	**986**	789	–	789
		1,282	**690**	**1,972**	1,026	552	1,578

A summary of the terms of the management agreement is given in the Strategic Review on page 19.

No performance fee was payable as it was abolished on 1 January 2013 (2012: £nil).

Notes to the Financial Statements

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6 Other expenses	2013 £'000	2012 £'000
Directors' fees and expenses (see page 33)	**142**	129
Auditors' remuneration:		
– for audit services (2012: £22,000 parent and £5,000 subsidiary)	**22**	27
– for non-audit services (principally relating to the VAT claim, see page 27)	**58**	1
Expenses payable to the Manager (relating to marketing services)	**90**	66
Bank / custody charges	**109**	83
Registrar fees	**49**	45
AIC subscriptions	**25**	28
Printing expenses	**48**	49
Legal fees	**–**	11
Listing fees	**46**	42
Loan non-utilisation fees	**105**	114
Loan arrangement fee	**–**	48
Irrecoverable VAT	**22**	21
Other expenses	**75**	61
	791	725

The compensation payable to key management personnel in respect of short term employment benefits was £142,000 (2012: £129,000) which relates wholly to the fees and expenses payable to the directors in respect of the year.

7 Finance costs	Revenue return 2013 £'000	Capital return 2013 £'000	Total 2013 £'000	Revenue return 2012 £'000	Capital return 2012 £'000	Total 2012 £'000
On bank loans and overdrafts repayable within one year	**16**	**37**	**53**	3	7	10
Interest on debentures repayable wholly or partly after five years	**675**	**1,575**	**2,250**	675	1,575	2,250
	691	**1,612**	**2,303**	678	1,582	2,260

8 Taxation	Revenue return 2013 £'000	Capital return 2013 £'000	Total 2013 £'000	Revenue return 2012 £'000	Capital return 2012 £'000	Total 2012 £'000
(a) Analysis of the charge for the year						
Overseas tax suffered	**964**	**–**	**964**	925	–	925
Overseas tax reclaimable	**(68)**	**–**	**(68)**	(120)	–	(120)
Group relief surrendered	**–**	**–**	**–**	(24)	–	(24)
Taxation	**896**	**–**	**896**	781	–	781

Notes to the Financial Statements

continued

8 Taxation (continued)

(b) Factors affecting the tax charge for the year

The differences are explained below:

	Revenue return 2013 £'000	**Capital return 2013 £'000**	**Total 2013 £'000**	Revenue return 2012 £'000	Capital return 2012 £'000	Total 2012 £'000
Profit before taxation	**16,925**	**124,480**	**141,405**	17,231	28,398	45,629
Corporation tax for the year at 23.42% (2012: 24.83%)	**3,964**	**29,153**	**33,117**	4,279	7,052	11,331
Non taxable UK dividends	**(2,055)**	**–**	**(2,055)**	(2,488)	–	(2,488)
Non taxable scrip dividends and other income	**(2,420)**	**–**	**(2,420)**	(2,238)	–	(2,238)
Income taxable in different years	**(7)**	**–**	**(7)**	4	–	4
Overseas withholding tax suffered	**896**	**–**	**896**	805	–	805
Excess management expenses	**518**	**539**	**1,057**	413	530	943
Capital gains not subject to tax	**–**	**(29,692)**	**(29,692)**	–	(7,582)	(7,582)
Group relief	**–**	**–**	**–**	6	–	6
	896	**–**	**896**	781	–	781

(c) Provision for deferred taxation

No provision for deferred taxation has been made in the current year or in the prior year.

The Company has not provided for deferred tax on capital gains or losses arising on the revaluation or disposal of investments as it is exempt from tax on these items because of its status as an investment trust company, which it intends to maintain for the foreseeable future.

(d) Factors that may affect future tax charges

The Company has not recognised a deferred tax asset totalling £4,362,000 (2012: £3,976,000) arising as a result of having unutilised non trade loan relationship deficits with a tax value of £2,997,000 (2012: £2,910,000), excess management expenses with a tax value of £1,365,000 (2012: £1,066,000) and a deferred tax liability of £nil (2012: £nil) on non-reporting offshore funds. These expenses will only be utilised if the Company has profits chargeable to corporation tax in the future.

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Company's profits for this accounting period are taxed at the effective rate of tax of 23.42%.

Notes to the Financial Statements
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9 Earnings per ordinary share

The total earnings per ordinary share is based on the net profit attributable to the ordinary shares of £140,509,000 (2012: £44,848,000) and on 110,958,620 ordinary shares (2012: 110,946,334), being the weighted average number of shares in issue during the year.

The total earnings can be further analysed as follows:

	2013 £'000	2012 £'000
Revenue profit	**16,029**	16,450
Capital profit	**124,480**	28,398
Profit for the year	**140,509**	44,848
Weighted average number of ordinary shares	**110,958,620**	110,946,334
Revenue earnings per ordinary share	**14.45p**	14.83p
Capital earnings per ordinary share	**112.18p**	25.59p
Earnings per ordinary share	**126.63p**	40.42p

The Company does not have any dilutive securities therefore basic and diluted earnings are the same.

10 Dividends on ordinary shares

	Record date	Payment date	**2013 £'000**	2012 £'000
Third interim dividend (3.175p) for year ended 31 October 2011	28 October 2011	30 November 2011	**–**	3,526
Final dividend (3.175p) for the year ended 31 October 2011	3 February 2012	28 February 2012	**–**	3,525
First interim dividend (3.30p) for the year ended 31 October 2012	4 May 2012	31 May 2012	**–**	3,660
Second interim dividend (3.30p) for the year ended 31 October 2012	27 July 2012	31 August 2012	**–**	3,660
Third interim dividend (3.30p) for year ended 31 October 2012	26 October 2012	30 November 2012	**3,660**	–
Final dividend (3.43p) for the year ended 31 October 2012	1 February 2013	28 February 2013	**3,804**	–
First interim dividend (3.465p) for the year ended 31 October 2013	2 May 2013	31 May 2013	**3,842**	–
Second interim dividend (3.465p) for the year ended 31 October 2013	29 July 2013	31 August 2013	**3,843**	–
			15,149	14,371

The total dividends payable in respect of the financial year, which form the basis of the calculation of the retention test under section 1158 of the Corporation Tax Act 2010, are set out on page 47.

Notes to the Financial Statements

continued

10 Dividends on ordinary shares (continued)	**2013 £'000**	2012 £'000
Revenue available for distribution by way of dividend for the year	**16,029**	16,450
First interim dividend (3.465p) (2012: 3.30p)	**(3,842)**	(3,660)
Second interim dividend (3.465p) (2012: 3.30p)	**(3,843)**	(3,660)
Third interim dividend (3.60p) paid on 30 November 2013 (2012: 3.30p paid on 30 November 2012)	**(4,005)**	(3,660)
Final dividend (3.60p) payable on 28 February 2014 (2012: 3.43p paid on 28 February 2013)	**(4,020)**	(3,804)
Revenue surplus for section 1158 purposes	**319**	1,666

11 Investments held at fair value through profit or loss	**2013 £'000**	2012 £'000
Valuation at start of year	**546,915**	513,444
Investment holding gains at start of year	**(127,362)**	(114,879)
Cost at start of year	**419,553**	398,565
Acquisitions at cost	**137,900**	131,873
Disposals at cost	**(115,212)**	(110,885)
Cost at end of year	**442,241**	419,553
Investment holding gains at end of year	**212,767**	127,362
Valuation of investments at end of year	**655,008**	546,915

Included in the total investments are unquoted investments shown at the directors' fair valuation of £75,000 (2012: £179,000). See note 17.5 on pages 54 and 55.

At 31 October 2013 convertible or fixed interest securities held in the portfolio were £75,000 (2012: £83,000).

Purchase and sale transaction costs for the year ended 31 October 2013 were £331,000 and £262,000 respectively (2012: transaction costs of purchases £290,000; transaction costs of sales £205,000). These comprise mainly stamp duty and commission.

The Company has interests of 3% or more of any class of capital in 2 investee companies, Blackstar and International Oil & Gas Technology (2012: Blackstar, International Oil & Gas Technology, Orchid Developments and Specialist Energy). None of these investments are considered material in the context of these accounts.

12 Current asset investment

The Company has a holding in Deutsche Bank Liquidity Fund (formerly Henderson Liquid Assets Fund), a money market fund which is viewed as a readily disposable store of value and which is used to invest cash balances that would otherwise be placed on short term deposit. At 31 October 2013 this holding had a value of £21,000 (2012: £1,301,000).

13 Subsidiary undertaking

The Company had an investment in the entire issued ordinary share capital (which confers voting rights), fully paid, of £2 in its wholly owned subsidiary undertaking, The Army and Navy Investment Company Limited, which was registered in England and Wales and operated in the United Kingdom as an investment dealing company and was put into liquidation in July 2013. These accounts are for the Company only.

Notes to the Financial Statements
continued

14	**Other receivables**	**2013 £'000**	2012 £'000
	Securities sold for future settlement	**16,297**	150
	Other taxes recoverable	**237**	400
	Prepayments and accrued income	**1,249**	1,488
	Other receivables	**17**	213
		17,800	2,251

15	**Current liabilities**	**2013 £'000**	2012 £'000
	Bank loans	**–**	1,000
	Securities purchased for future settlement	**7,977**	824
	Accruals	**298**	131
	Other payables	**123**	123
		8,398	2,078

The Company entered into a two year £30m loan facility with Commonwealth Bank of Australia on 1 June 2012.

16	**Non-current liabilities: amounts falling due after more than one year**	**2013 £'000**	2012 £'000
	Borrowings: Debenture stocks (secured):		
	10½% debenture stock 2016	**10,000**	10,000
	8% debenture stock 2023	**15,000**	15,000
		25,000	25,000

The 10½% debenture stock 2016 and the 8% debenture stock 2023 are secured by floating charges over the whole of the undertaking and all the property and assets of the Company, ranking pari passu in point of security. The 10½% debenture stock 2016 and the 8% debenture stock 2023 are redeemable at par on 31 October 2016 and 31 October 2023 respectively.

17 Risk management policies and procedures

As an investment trust the Company invests in equities and other investments for the long term so as to secure its investment objectives as stated on the inside front cover and in the strategic review. In pursuing its investment objectives, the Company is exposed to a variety of financial risks that could result in either a reduction in its net assets or a reduction in the profits available for distribution by way of dividends.

These financial risks (comprising market price risk, currency risk and interest rate risk), liquidity risk and credit and counterparty risk, and the directors' approach to the management of these risks, are set out below. The Board of directors and the Manager coordinate the Company's risk management.

The Board determines the objectives, policies and processes for managing the risks, and these are set out below under the relevant risk category. The policies for the management of risk have not changed from the previous accounting period.

17.1 Market risk

The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

Notes to the Financial Statements

continued

17 Risk management policies and procedures (continued)

17.1.1 Market price risk

Market price risk (ie changes in market prices other than those arising from interest rate risk or currency risk) may affect the fair value of the quoted and unquoted investments.

Management of the risk

The Board of directors manages the risks inherent in the investment portfolio by ensuring full and timely reporting of relevant information from the Manager. Investment performance is reviewed at each Board meeting. The Board monitors the Manager's compliance with the Company's objectives, and is directly responsible for investment strategy and asset allocation, including as between countries and economies.

The Company's exposure to changes in market prices on its investments was as follows:

	31 October 2013 £'000	31 October 2012 £'000
Equities	**654,933**	546,832
Fixed interest	**75**	83
	655,008	546,915

Market price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the Company's net assets to an increase or decrease of 20% (2012: 20%) in the fair values of the Company's equity investments at each balance sheet date. This level of change is considered to be reasonable based on observation of current market conditions.

	2013		2012	
	Increase in fair value £'000	**Decrease in fair value £'000**	Increase in fair value £'000	Decrease in fair value £'000
Statement of Comprehensive Income – profit after tax				
Revenue return	**(341)**	**341**	(214)	214
Capital return	**130,818**	**(130,818)**	109,268	(109,268)
Change to profit after tax for the year and net assets	**130,477**	**(130,477)**	109,054	(109,054)

17.1.2 Currency risk

A significant proportion of the Company's assets, liabilities and income are denominated in currencies other than Sterling (the Company's functional currency and presentational currency). As a result, movements in exchange rates may affect the Sterling value of those items.

Management of the risk

The Manager monitors the Company's exposure to foreign currencies on a regular basis and reports to the Board at each Board meeting. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and total return of a movement in the exchange rate to which the Company's assets, liabilities, income and expenses are exposed.

Foreign currency borrowings may be used to limit the Company's exposure to future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. These borrowings are limited to 30% of the adjusted net asset value.

Notes to the Financial Statements

continued

17 Risk management policies and procedures (continued)

17.1.2 Currency risk (continued)

Investment income denominated in foreign currencies is converted into Sterling on receipt. The Company did not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

During the year, derivative contracts were not used to hedge against exposure to currency risk.

Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure at 31 October are shown below. Where the Company's equity investments (which are not monetary items) are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

2013	**US $ £'000**	**Euro £'000**	**Japanese Yen £'000**	**Hong Kong $ £'000**	**Other £'000**
Other receivables	**87**	**14**	**378**	**–**	**1,911**
Cash and cash equivalents	**2**	**–**	**–**	**–**	**–**
Current liabilities	**(331)**	**–**	**–**	**–**	**–**
Total foreign currency exposure on net monetary items	**(242)**	**14**	**378**	**–**	**1,911**
Investments at fair value through profit or loss that are equities	**165,793**	**46,191**	**60,791**	**23,917**	**66,914**
Total net foreign currency exposure	**165,551**	**46,205**	**61,169**	**23,917**	**68,825**

2012	US $ £'000	Euro £'000	Japanese Yen £'000	Hong Kong $ £'000	Other £'000
Other receivables	144	54	510	–	374
Cash and cash equivalents	1	–	–	–	246
Current liabilities	–	(578)	(256)	–	–
Total foreign currency exposure on net monetary items	145	(524)	254	–	620
Investments at fair value through profit or loss that are equities	137,723	34,592	45,862	23,827	60,143
Total net foreign currency exposure	137,868	34,068	46,116	23,827	60,763

The above amounts are not necessarily representative of the exposure to risk during each year, as levels of monetary foreign currency exposure change significantly throughout the year.

Foreign currency sensitivity

The table opposite illustrates the sensitivity of the total profit after tax for the year and the net assets in regard to movements in the Company's foreign currency financial assets and financial liabilities caused by changes in the exchange rates for the US Dollar/Sterling, Euro/Sterling, Japanese Yen/Sterling and Hong Kong Dollar/Sterling.

It assumes the following changes in exchange rates:

US Dollar/Sterling +/- 10% (2012: 10%). Euro/Sterling +/- 10% (2012: 10%). Japanese Yen/Sterling +/- 10% (2012: 10%). Hong Kong Dollar/Sterling +/- 10% (2012: 10%).

Notes to the Financial Statements

continued

17 Risk management policies and procedures (continued)

17.1.2 Currency risk (continued)

These percentages are deemed reasonable based on the average market volatility in exchange rates in recent years. The sensitivity analysis is based on the Company's foreign currency financial assets and financial liabilities held at each balance sheet date, with all other variables held constant.

The impact on the total profit after tax and the year end net assets of a depreciation of 10% in the year end exchange rate for Sterling against the currencies shown would have been as follows:

	2013				2012			
	US $ £'000	**Euro £'000**	**Japanese Yen £'000**	**Hong Kong $ £'000**	US $ £'000	Euro £'000	Japanese Yen £'000	Hong Kong $ £'000
Statement of Comprehensive Income – profit after tax								
Revenue return	**363**	**124**	**104**	**105**	326	126	112	85
Capital return	**18,392**	**5,124**	**6,744**	**2,653**	15,286	3,676	5,090	2,645
Change to profit after tax for the year and net assets	**18,755**	**5,248**	**6,848**	**2,758**	15,612	3,802	5,202	2,730

The impact on the total profit after tax and the year end net assets of an appreciation of 10% in the year end exchange rate for Sterling against the currencies shown would have been as follows:

	2013				2012			
	US $ £'000	**Euro £'000**	**Japanese Yen £'000**	**Hong Kong $ £'000**	US $ £'000	Euro £'000	Japanese Yen £'000	Hong Kong $ £'000
Statement of Comprehensive Income – profit after tax								
Revenue return	**(297)**	**(102)**	**(85)**	**(86)**	(266)	(103)	(92)	(70)
Capital return	**(15,048)**	**(4,192)**	**(5,518)**	**(2,171)**	(12,507)	(3,008)	(4,165)	(2,164)
Change to profit after tax for the year and net assets	**(15,345)**	**(4,294)**	**(5,603)**	**(2,257)**	(12,773)	(3,111)	(4,257)	(2,234)

In the opinion of the directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the currency risk management process used to meet the Company's objectives.

17.1.3 Interest rate risk

Interest rate movements may affect the level of interest receivable from cash at bank, the current asset investment and the value of the fixed interest investments.

Management of the risk

The Company finances part of its activities through borrowings at levels approved and monitored by the Board.

Derivative contracts are not used to hedge against the exposure to interest rate risk.

Notes to the Financial Statements
continued

17 Risk management policies and procedures (continued)

17.1.3 Interest rate risk (continued)

Interest rate exposure

The exposure at 31 October of financial assets and (financial liabilities) to interest rate risk is shown below. For floating interest rates exposure is by reference to when the interest rate is due to be re-set.

	2013 Within one year £'000	2013 More than one year £'000	2013 Total £'000	2012 Within one year £'000	2012 More than one year £'000	2012 Total £'000
Exposure to floating interest rates:						
Cash and cash equivalents	**14,130**	**–**	**14,130**	2,825	–	2,825
Current asset investment	**21**	**–**	**21**	1,301	–	1,301
Exposure to fixed interest rates:						
Fixed interest investments	**–**	**75**	**75**	–	83	83
Bank loans	**–**	**–**	**–**	(1,000)	–	(1,000)
Debentures	**–**	**(25,000)**	**(25,000)**	–	(25,000)	(25,000)
	14,151	**(24,925)**	**(10,774)**	3,126	(24,917)	(21,791)

The above amounts are not necessarily representative of the exposure to interest rates during the year, as the level of exposure changes as investments are made, and borrowings are drawn down and repaid.

Interest receivable and finance costs are at the following rates:

– Interest received on cash balances, or paid on bank overdrafts, is at a margin over LIBOR or its foreign currency equivalent (2012: same).

– Interest paid on debentures is set out in note 16.

Interest rate sensitivity

The Company is primarily exposed to interest rate risk through its cash balances, its current asset investment and its fixed income investment portfolio. The sensitivity of each exposure is as follows:

– Cash – Cash balances vary throughout the year. Cash balances at the year end were £14,130,000 (2012: £2,825,000) and, if that level of cash was maintained for a full year, a 100 basis points change in LIBOR (up or down) would increase or decrease total net return on ordinary activities after taxation by approximately £141,000 (2012: £28,000).

– Current asset investment sensitivity – The Company's interest bearing current asset investment at the year end was £21,000 (2012: £1,301,000) and, if that level of investment was maintained for a full year, a 100 basis points change in interest rates (up or down) would increase or decrease total net return on ordinary activities after taxation by approximately £210 (2012: £13,000).

– Fixed income investment sensitivity – The Company's fixed income portfolio at the year end was valued at £75,000 (2012: £83,000), and is not currently paying interest and therefore there is no modified duration (interest rate sensitivity) (2012: no modified duration).

Notes to the Financial Statements
continued

17 Risk management policies and procedures (continued)

17.2 Liquidity risk
This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Company has a multi-currency loan facility of £30,000,000 with Commonwealth Bank of Australia (2012: £30,000,000) and an overdraft facility with the custodian, the extent of which is determined by the custodian on a regular basis by reference to the value of the securities held by it on behalf of the Company. The facilities are subject to regular review. The Company also has two debentures, details of which can be found in note 16 on page 48.

The Board gives guidance to the Manager as to the maximum amount of the Company's resources that should be invested in any one company.

The policy is that the Company should generally remain fully invested and that short-term borrowings be used to manage short-term cash requirements.

Liquidity risk exposure

The remaining contractual maturities of the financial liabilities at 31 October, based on the earliest date on which payment can be required was as follows:

	2013 Due within three months £'000	**2013** Due between three months and one year £'000	**2013** Due after one year £'000	2012 Due within three months £'000	2012 Due between three months and one year £'000	2012 Due after one year £'000
Debenture stocks	**–**	**2,250**	**37,900**	–	2,250	40,150
Bank loans	**–**	**–**	**–**	1,001	–	–
Other payables	**8,398**	**–**	**–**	1,078	–	–
	8,398	**2,250**	**37,900**	2,079	2,250	40,150

17.3 Credit and counterparty risk
The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

Management of the risk

Credit risk is managed as follows:

- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default.
- investment transactions are carried out with a large number of approved brokers, whose credit-standard is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker.
- cash at bank is held only with reputable banks with high quality external credit ratings and is subject to continual review.

Stock lending transactions are carried out with a number of approved counterparties, whose credit-standard is reviewed by the Manager and limits are set on the amount that may be lent to any one counterparty.

Notes to the Financial Statements

continued

17 Risk management policies and procedures (continued)

17.3 Credit and counterparty risk (continued)

Stock lending is the temporary transfer of securities by a lender to a borrower, with an agreement by the borrower to return equivalent securities to the lender at an agreed future date. Stock lending revenue is received for making the investments available to the borrower which increases the returns on the portfolio. In all cases securities lent continue to be recognised on the balance sheet. Details of the value of the securities on loan at the year end, and the collateral held can be found in note 4 on page 43.

Other than stock lending transactions, none of the Company's financial assets or liabilities is secured by collateral or other credit enhancements.

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 only buys and sells investments through brokers which are approved counterparties, thus minimising the risk of default during settlement. The credit ratings of brokers are reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker.

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 our custodian, BNP Paribas Securities Services. The directors believe the counterparty is of high credit quality, therefore the Company has minimal exposure to credit risk.

Credit risk exposure

The table opposite summarises the maximum credit risk exposure of the Company as at year end:

	2013 £'000	2012 £'000
Fixed interest securities	**75**	83
Cash and cash equivalents	**14,130**	2,825
Receivables:		
Securities sold for future settlement	**16,297**	150
	30,502	3,058

17.4 Fair values of financial assets and financial liabilities

Financial assets and financial liabilities are either carried in the balance sheet at their fair value (investments and derivatives) or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank, bank overdrafts and amounts due under the multi-currency loan facility). The par value of the debenture stocks can be found in note 16. The fair value of the debenture stocks at 31 October 2013 was £31,022,000 (2012: £32,725,000). The fair values are calculated using prices quoted on the exchange on which the instruments trade.

17.5 Fair value hierarchy disclosures

The table opposite sets out the fair value measurements using the IFRS 7 fair value hierarchy.

Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows:

Notes to the Financial Statements

continued

17 Risk management policies and procedures (continued)

17.5 Fair value hierarchy disclosures (continued)

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The table below sets out the fair value measurements using the IFRS 7 fair value hierarchy.

	2013 Level 1 £'000	**2013 Level 3 £'000**	**2013 Total £'000**	2012 Level 1 £'000	2012 Level 3 £'000	2012 Total £'000
Equity investments	**654,933**	**–**	**654,933**	546,736	96	546,832
Fixed interest investments	**–**	**75**	**75**	–	83	83
Current asset investments	**21**	**–**	**21**	1,301	–	1,301
	654,954	**75**	**655,029**	548,037	179	548,216

There are no Level 2 investments at 31 October 2013 (2012: none). There have been no transfers during the year between any of the levels. A reconciliation of fair value movements within Level 3 is set out below.

Level 3 investments at fair value through profit or loss	**2013 £'000**	2012 £'000
Opening balance	**179**	1,285
Disposal proceeds	**(96)**	(1,231)
Total (losses)/gains included in the Statement of Comprehensive Income – on assets held at year end	**(8)**	125
	75	179

The total value of unquoted investments as at 31 October 2013 was £75,000 (2012: £179,000).

The total carrying value of loans and receivables, as stated in note 14, is a reasonable approximation of their fair value as at the year end date. The total carrying value of financial liabilities measured at amortised cost as disclosed in note 15, is a reasonable approximation of their fair value as at the year end date.

17.6 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern, and
- to generate total return to its equity shareholders in accordance with its objectives through an appropriate balance of equity capital and debt.

The portfolio includes unquoted investments which represent 0.011% (2012: 0.033%) of the total portfolio and which are held at directors' fair valuations.

The Company's capital at 31 October 2013 comprises its equity share capital, reserves and debt that are shown in the balance sheet at a total of £678,561,000 (2012: £552,214,000).

Notes to the Financial Statements

continued

17 Risk management policies and procedures (continued)

17.6 Capital management policies and procedures (continued)

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

– the need to buy back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (ie the level of share price discount or premium);

– the need for new issues of equity shares;

– the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's policies and processes for managing capital are unchanged from the preceding accounting period.

The Company is subject to several externally imposed capital requirements:

– under the multi-currency facility total borrowings not to exceed 30% of net asset value and net asset value not to fall below £150,000,000. These are measured in accordance with the policies used in the annual financial statements.

– as a public company, the Company has a minimum share capital of £50,000.

– in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the capital restriction tests imposed on investment companies by law and its articles of association.

– the terms of the debenture trust deeds have various covenants which prescribe that moneys borrowed should not exceed 20% to 100% of the adjusted total of capital and reserves as defined in the debenture trust deeds. These are measured in accordance with the policies used in the annual financial statements.

These requirements are unchanged since last year, and the Company has complied with them throughout the year.

18 Net asset value per ordinary share

The net asset value per ordinary share is based on net assets attributable to ordinary shares of £653,561,000 (2012: £526,214,000) and on the 111,256,839 ordinary shares in issue at 31 October 2013 (2012: 110,906,839). The Company has no securities in issue that could dilute the net asset value per ordinary share.

The movements during the year in net assets attributable to the ordinary shares were as follows:

	2013 £'000	2012 £'000
Net assets attributable to ordinary shares at start of year	**526,214**	496,331
Total net profit on ordinary activities after taxation	**140,509**	44,848
Dividends paid	**(15,149)**	(14,371)
Issue/(buy back) of ordinary shares	**1,987**	(594)
Net assets attributable to ordinary shares at end of year	**653,561**	526,214

Notes to the Financial Statements

continued

19	Called up share capital	2013 £'000	2012 £'000
	Authorised, allotted, issued and fully paid:		
	111,256,839 (2012: 110,906,839) ordinary shares of 25p each	**27,814**	27,727

During the year, 350,000 ordinary shares were issued for net proceeds of £1,987,000 (2012: 145,000 shares bought back at a cost of £594,000). Further details can be found on page 23.

20	Share premium account	2013 £'000	2012 £'000
	At start of year	**452**	452
	Premium on shares issued	**1,900**	–
		2,352	452

21	Capital redemption and other capital reserves	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Total other capital reserves £'000
	At 1 November 2012	12,483	326,814	127,362	454,176
	Transfer on disposal of assets	–	30,201	(30,201)	–
	Net gains on investments	–	11,430	115,606	127,036
	Net losses on foreign exchange	–	(254)	–	(254)
	Expenses and finance costs charged to capital	–	(2,302)	–	(2,302)
	At 31 October 2013	**12,483**	**365,889**	**212,767**	**578,656**

	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Total other capital reserves £'000
At 1 November 2011	12,447	311,493	114,879	426,372
Transfer on disposal of assets	–	2,893	(2,893)	–
Net gains on investments	–	15,202	15,376	30,578
Net losses on foreign exchange	–	(46)	–	(46)
Expenses and finance costs charged to capital	–	(2,134)	–	(2,134)
Purchases of own shares for cancellation	36	(594)	–	(594)
At 31 October 2012	12,483	326,814	127,362	454,176

Notes to the Financial Statements

continued

22	**Revenue reserve**	**2013 £'000**	2012 £'000
	At start of year	**31,376**	29,297
	Net revenue profit after tax for the year	**16,029**	16,450
	Dividends paid	**(15,149)**	(14,371)
	At end of year	**32,256**	31,376

23 Contingent commitments

As at 31 October 2013 there were no contingent commitments in respect of sub-underwriting for the Company (2012: none).

24 Transactions with the Manager

Under the terms of an agreement dated 23 June 2006 the Company has appointed wholly owned subsidiary companies of Henderson Group plc ('Henderson') to provide investment management, accounting, secretarial and administrative services. Details of the management fee arrangements for these services are given in the Strategic Report on page 19. The total fees paid or payable under this agreement to Henderson in respect of the year ended 31 October 2013 were £1,972,000 (2012: £1,578,000), of which £170,000 is included in accruals at 31 October 2013 (2012: £263,000).

No performance fee was payable to Henderson for the year ended 31 October 2013 (2012: £nil).

In addition to the above services, Henderson has provided the Company with marketing services during the year. The total fees paid or payable for these services for the year ended 31 October 2013 amounted to a charge of £90,000 (2012: £66,000), of which £32,000 was outstanding at 31 October 2013 (2012: £5,000).

25 Operating segments

The directors consider that the Company has one operating segment, which invests in shares and securities primarily for capital appreciation in accordance with the Company's published investment objective. See note 1(q) on page 42.

Independent Auditors' Report

to the members of The Bankers Investment Trust PLC

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 October 2013 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say below.

What we have audited

The financial statements, which are prepared by The Bankers Investment Trust PLC (the 'Company'), comprise:

- the balance sheet as at 31 October 2013;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). 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.

In addition, we read all the financial and non-financial information in the Report and Financial Statements (the 'Annual Report') to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined an overall materiality for the financial statements as a whole of £6.5m, which is approximately 1% of net assets.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £327,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Company is a standalone investment trust company managed by an independent investment manager, Henderson Global Investors Limited (the 'Manager').

The financial statements, which remain the responsibility of the directors, are prepared on their behalf by the Manager. The Manager has, with the consent of the directors, delegated the provision of certain administrative functions to BNP Paribas Securities Services (the 'Company Administrator').

In establishing the overall approach to our audit we assessed the risks of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the Company's interaction with the Manager and Company Administrator, and we assessed the control environment in place at both organisations to the extent relevant to our audit of the Company.

Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Independent Auditors' Report

continued

Areas of particular audit focus

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 27.

Area of focus	*How the scope of our audit addressed the area of focus*
Valuation and existence of investments We focused on this area because investments represent the principal element of the financial statements.	The majority of the investment portfolio comprised listed equity investments. We tested the valuation of this investment portfolio by agreeing the valuation of investments to independent third party sources. We tested the existence of the investment portfolio by agreeing the holdings to an independent custodian confirmation.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider management override of controls.	We tested journal entries to determine whether adjustments were supported by evidence and appropriately authorised. We also built an element of 'unpredictability' into our detailed testing.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 24, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern.

Opinions on matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements;
- 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 Corporate Governance Statement set out on pages 29 to 30 in the Annual Report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Independent Auditors' Report

continued

Corporate Governance Statement

Under the Companies Act 2006, we are required to report to you if, in our opinion a corporate governance statement has not been prepared by the Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 26 of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Company's performance, business model and strategy. On page 27, as required by C3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 31, 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 and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Sally Cosgrove (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 January 2014

Statistical Record (Unaudited)

adjusted to present capital

Year ended 31 October	Gross revenue £'000	Earnings and dividends per 25p ordinary share: Earnings net p	Total dividends net p	Ongoing charges* %	Total assets less current liabilities £'000	Net asset value per 25p ordinary share p	Market price per 25p ordinary share p	Indices of growth: Net asset value	Market price per 25p ordinary share	Dividend per 25p ordinary share Net	FTSE All-Share Price Index	FTSE World Index (ex-UK)	UK Retail Prices Index
2003	12,194	7.12	7.05	0.78	383,449	283	266	100	100	100	100	100	100
2004	12,902	8.05	7.47	0.68	406,277†	304†	262	107	98	106	108	103	103
2005	13,940	9.07	8.25	0.62	461,923†	363†	313	128	118	117	125	120	105
2006	14,972	10.13	9.48	0.60	540,363	443	386	157	145	134	148	133	109
2007	16,437	11.32	10.24	0.71	596,020	500	439	177	165	145	163	148	114
2008	18,613	12.76	11.06	0.47	410,661	341	305	120	115	157	103	108	119
2009	16,866	11.83	11.50	0.50	473,863	400	348	141	131	163	122	126	118
2010	16,478	12.26	12.10	0.42	526,955	452	380	160	143	172	138	144	123
2011	16,389	11.98	12.70	0.40	521,331	447	385	158	145	180	135	141	130
2012	18,593	13.84	13.33	0.42	551,214	475	433	168	163	189	142	151	134
2013	**19,689#**	**14.45#**	**14.13**	**0.45**	**678,561**	**587**	**580**	**207**	**218**	**200**	**169**	**185**	**137**

†Restated for changes in accounting policies in respect of valuation of investments and dividends payable. Years prior to 2004 have not been restated and are not under IFRS.

*Years prior to 2011 are Total Expense Ratio.

#Company only figures from 2013, following liquidation of subsidiary.

Rates of Exchange (Unaudited)

The principal exchange rates at 31 October were:

	2013	2012		**2013**	2012
US Dollar	**1.6066**	1.6111	Singapore Dollar	**1.99**	1.97
Japanese Yen	**157.624**	128.771	New Taiwanese Dollar	**47.20**	47.06
Euro	**1.182**	1.243	Danish Krone	**8.814**	9.274
Hong Kong Dollar	**12.46**	12.49	Swiss Franc	**1.455**	1.500
Australian Dollar	**1.697**	1.554	New Zealand Dollar	**1.941**	1.960

Distribution of Assets and Liabilities (Unaudited)

at 31 October 2013

	Equities £'000	Fixed interest £'000	Current assets £'000	Total assets £'000	%	Total liabilities £'000	Currency exposure of net assets £'000	%
United Kingdom	294,693	75	29,559	324,327	47.2	(33,067)	291,260	44.6
Europe (ex UK)	75,177	–	186	75,363	11.0	–	75,363	11.5
North America	133,924	–	89	134,013	19.5	(331)	133,682	20.5
Japan	63,293	–	378	63,671	9.3	–	63,671	9.7
Pacific (ex Japan)	73,094	–	83	73,177	10.6	–	73,177	11.2
Emerging markets	14,752	–	1,656	16,408	2.4	–	16,408	2.5
Total	**654,933**	**75**	**31,951**	**686,959**	**100.0**	**(33,398)**	**653,561**	**100.0**
	100.2%	0.0%	4.9%	105.1%		(5.1)%	100.0%	

Expense debtors and creditors have been allocated to Sterling for the purposes of this table.

Largest Investments (Unaudited)

at 31 October 2013

The 25 largest investments (convertibles and all classes of equity in any one company being treated as one investment) were as follows:

Rank (2012)			Valuation 2012 £'000	Purchases £'000	Sales proceeds £'000	Appreciation £'000	Valuation 2013 £'000
1	(1)	BP	15,140	–	–	1,346	**16,486**
2	(3)	GlaxoSmithKline	10,704	–	–	1,984	**12,688**
3	(5)	Vodafone	8,927	–	–	2,984	**11,911**
4	(7)	HSBC	8,138	1,403	–	894	**10,435**
5	(11)	Sports Direct International	5,611	–	–	4,236	**9,847**
6	(2)	British American Tobacco	11,779	–	(3,818)	1,660	**9,621**
7	(6)	Catlin	8,693	–	–	753	**9,446**
8	(10)	Galliford Try	5,741	–	–	3,168	**8,909**
9	(4)	Royal Dutch Shell	9,857	–	(2,302)	3	**7,558**
10	(22)	ITV	4,121	–	(1,559)	4,969	**7,531**
11	(14)	Jardine Lloyd Thompson	4,923	–	–	1,705	**6,628**
12	(*)	Shire	3,835	–	–	2,217	**6,052**
13	(*)	Prudential	3,999	–	–	2,030	**6,029**
14	(15)	Amcor	4,680	–	–	1,192	**5,872**
15	(*)	Hyundai Motor	–	3,640	–	2,201	**5,841**
16	(17)	Reckitt Benckiser	4,500	–	–	1,318	**5,818**
17	(16)	Smiths News	4,658	–	(449)	1,557	**5,766**
18	(25)	Fisher (James) & Sons	4,047	–	–	1,708	**5,755**
19	(19)	Time Warner Cable	4,306	347	–	1,031	**5,684**
20	(20)	Christian Dior	4,276	–	–	1,406	**5,682**
21	(*)	American International Group	2,818	1,123	–	1,652	**5,593**
22	(13)	Rolls Royce	5,074	–	(1,413)	1,721	**5,382**
23	(*)	Anadarko Petroleum	3,843	–	–	1,495	**5,338**
24	(*)	SK Telecom	3,396	–	–	1,935	**5,331**
25	(8)	BG	7,229	–	(2,751)	616	**5,094**
			150,295	6,513	(12,292)	45,781	**190,297**

These investments total 29.1% of the portfolio.

(*) Not in top 25 last year.

Changes in Investments (Unaudited)

	Valuation 2012 £'000	Purchases £'000	Sales proceeds £'000	Appreciation/ (depreciation) £'000	Valuation 2013 £'000
United Kingdom	248,736	27,175	(39,054)	57,836	**294,693**
Europe (ex UK)	59,009	14,467	(16,475)	18,176	**75,177**
North America	114,338	33,037	(42,421)	28,970	**133,924**
Japan	47,801	15,279	(14,476)	14,689	**63,293**
Pacific (ex Japan)	63,939	41,038	(40,874)	8,991	**73,094**
Emerging markets	13,009	6,904	(3,500)	(1,661)	**14,752**
Fixed interest	83	–	(43)	35	**75**
	546,915	137,900	(156,843)	127,036	**655,008**

Investor Information

Results
Half year announced June
Full year announced January

The Report and Financial Statements are posted to shareholders in January and the AGM is held in London in late February.

Share Price Information
The market price of the Company's ordinary shares is published in The Financial Times and other leading newspapers.

The London Stock Exchange Daily Official List (SEDOL) code is 0076700.

The share price and details of the Company's performance can be found on the following websites:
www.bankersinvestmenttrust.com and
www.henderson.com

The Financial Times also provides on a daily basis an estimate of the net asset value and of the discount/premium.

A brief history
The Company was incorporated in 1888. Since seven of the nine original directors were bankers by profession, the name The Bankers' Investment Trust, Limited was considered appropriate. The Company has paid dividends on the equity capital every year since incorporation except in the years 1892 and 1893.

Keeping up to date with The Bankers Investment Trust PLC

Website
For more information about The Bankers Investment Trust PLC visit the **website at www.bankersinvestmenttrust.com**

HGi
HGi is a content platform that offers a new level of online personalisation where you can 'follow' investment experts, topics and the trusts that are of interest to you. By creating your HGi profile you will be updated regularly on the topics that interest you most, bringing you closer to Henderson's investment expertise.

Scan the QR code or use this short URL to register for HGi. http://HGi.co/g51

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To get the latest updates follow us on Twitter @HGiTrusts

Investing in Bankers
Ordinary shares may be bought directly through Halifax Share Dealing. In addition, they may be bought or sold directly through a stockbroker, accountant, other independent financial adviser or through a number of banks or building societies who are also providing this service.

Dividends
Ordinary shares:
First interim paid end May
Second interim paid end August
Third interim paid end November
Final paid end February

Debenture stock interest
10½% debenture stock 2016 and 8% debenture stock 2023 paid on 30 April and 31 October.

Ongoing charges
Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as a collective fund, excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments. Ongoing charges are based on actual costs incurred in the year as being the best estimate of future costs.

Nominee Code

- The Bankers Investment Trust PLC undertakes to provide copies of shareholder communications to nominee operators who have indicated in advance a wish to receive them for the purpose of distribution to their customers.
- Nominee operators are encouraged to advise investors that they are able to attend meetings and to speak at meetings when invited by the Chairman.
- Investors through Halifax Share Dealing Limited receive all shareholder communications, an invitation to the AGM and a Voting Instruction Form to facilitate voting.

ISA
The Company intends to continue to manage its affairs so that its investments fully qualify for a stocks and shares component of an ISA.

Disability
Copies of this Report and Financial Statement or other documents issued by the Company are available from the Company Secretary.

If needed, copies can be made available in a variety of formats, including Braille or larger type as appropriate.

You can contact our registrars, Equiniti Limited, who have installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly by ringing 0871 384 2255 without the need for an intermediate operator. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for Deaf People) you should dial 18001 followed by the number you wish to dial.

Investor Information

continued

Directors
Richard Killingbeck (Chairman)
Richard Burns (Senior Independent Director)
Susan Inglis
Matthew Thorne

Audit Committee
Matthew Thorne (Chairman)
Richard Burns
Susan Inglis

Management Engagement Committee
Richard Killingbeck (Chairman)
Richard Burns
Susan Inglis
Matthew Thorne

Nominations Committee
Richard Killingbeck (Chairman)
Richard Burns
Susan Inglis

Investment Manager
Henderson Global Investors Limited is authorised and regulated by the Financial Conduct Authority and is represented by Alex Crooke

Corporate Company Secretary
Henderson Secretarial Services Limited and is represented by Wendy King FCIS

Registered Number
Registered in England No. 00026351

Registered Office
201 Bishopsgate,
London EC2M 3AE
Telephone: 020 7818 1818

The Company is a member of

The Association of Investment Companies

Chartered Accountants and Statutory Auditors
PricewaterhouseCoopers LLP,
7 More London Riverside,
London SE1 2RT

Registrars

UK Registrar
Equiniti Limited,
Aspect House,
Spencer Road,
Lancing,
West Sussex BN99 6DA
Telephone: 0871 384 2471 +44(0)121 415 7047
Calls to this number cost 8p per minute plus network extras.
Lines are open 8.30 am to 5.30 pm, Monday to Friday.

There is now a range of shareholder information online. You can check your holding and find practical help on transferring shares or updating your details at **www.shareview.co.uk**

New Zealand Registrar
Computershare Investor Services Limited,
Private Bag 92119,
Victoria Street West,
Auckland 1142, New Zealand
Telephone: (New Zealand) (64) 09 488 8777

Stockbrokers

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New Zealand
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Custodian
BNP Paribas Securities Services,
55 Moorgate,
London EC2R 6PA

Halifax Share Dealing Limited
Lovell Park Road,
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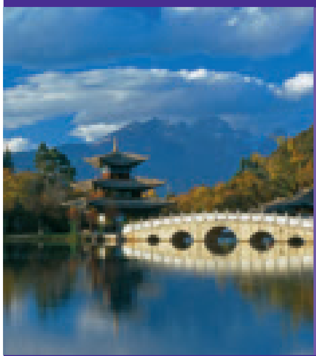
Telephone: 0845 609 0408
Email: communications@halifax
Website: www.halifax.co.uk



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Henderson
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