The Bankers Investment Trust PLC

Report and Financial Statements for the year ended 31 October

2010

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HGI9201/2010

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.
- To incentivise the manager according to performance, measured against a composite index.

Summary of the Year

	31 October 2010	31 October 2009	Change %
Consolidated Assets			
Total assets less current liabilities (£'000)	**526,955**	473,863	+11.2
Net asset value per ordinary share	**451.9p**	399.9p	+13.0
Ordinary share mid-market price	**379.9p**	347.5p	+9.3
Discount (Share Price to Net Asset Value)	**15.9%**	13.1%	
Consolidated Revenue			
Gross revenue (£'000)	**16,478**	16,866	-2.3
Revenue earnings per ordinary share	**12.26p**	11.83p	+3.6
Dividends per ordinary share in respect of the year	**12.10p**	11.50p	+5.2
Total Return			
Total return per ordinary share	**63.39p**	70.18p	
Indices (capital return)			
FTSE All-Share Index	**2,936.15**	2,584.59	+13.6
S&P 500 Composite Index	**1,183.26**	1,036.19	+17.7#
FTSE World Europe (ex UK) Index (£)	**377.71**	353.12	+7.0
TOPIX (Tokyo First Section Index)	**810.91**	894.67	+5.0#
FTSE World (ex UK) Index (£)	**333.23**	290.33	+14.8
Composite Index (capital return)			
50/50 FTSE All-Share Index/ FTSE World (ex UK) Index (£)	**228.40**	200.00*	+14.2
Total Expense Ratio**	**0.42%**	0.50%	
Retail Prices Index	**225.80**	216.00	+4.5

£ adjusted
* rebased as at 31 October 2009
** excluding borrowing costs and VAT write-back (see page 59)

Total Return Performance

To 31 October 2010	1 year %	5 years %	10 years %	15 years %
Net Asset Value total return*	15.9	39.2	57.5	212.7
Share Price total return*	12.0	39.2	60.4	167.6
Net dividend	6.5	46.7	90.6	186.7
FTSE All-Share Index total return**	17.5	31.6	33.0	174.7
FTSE World (ex UK) Index return (£)**	17.6	35.6	16.1	153.6
Composite Index 50/50 return	17.5	33.6	24.5	164.2

* Source: AIC
**Source: Datastream
Total return assumes net dividends re-invested and excludes transaction costs.

Contents

*Inside front cover

Chairman's Statement

Richard Brewster

It is pleasing to report that your Company has recovered significantly again this year. From the low point two years ago the net asset value has increased by 49% and this growth arises despite our "value" investment style currently not being in fashion. In the last 12 months our Manager has delivered further solid growth in net asset value of 13%. As I said last year, the Manager's style has helped protect shareholders in these fragile markets by maintaining a conservative investment policy of selecting well managed and fairly valued companies thus minimising risk. Our solid revenue reserves and a growing level of income support our forecast of continued growth in our annual dividends of 5% in 2011.

Performance and Markets

We have long considered that a value based approach to stock selection delivers the least volatile and most consistent approach to investment. A concentration on not over paying for growth and a focus on cash generation and dividends characterises our investment philosophy. The results this year have not matched the benchmark, with the Net Asset Value total return rising 15.9%, compared to the composite benchmark index rising 17.5% on a similar basis. Whilst disappointing, this is only the second year since 1999 that our NAV return, with dividends reinvested, has not exceeded the benchmark. The major contributing factors to the underperformance include an underweight position in the US market, where returns were stronger than in other markets, and a limited exposure to growth stocks which were more in favour than value stocks.

Following the strong recovery in share prices last year, it might have been expected that we would enter a period of consolidation which should have favoured our investment style. However, in general, companies have been adept at seeking new markets in the Far East, paying down debt and keeping a tight control on costs in order to increase profits. These actions have led to corporate earnings growing strongly over the past year, favouring a growth rather than a value orientated investment portfolio.

It has been said that share prices "climb a wall of worry" and despite the bailout of Greece, and subsequently Ireland, austerity programmes in Europe and quantitative easing, it has not been a bad environment for investment in most asset classes. With interest rates in many developed nations remaining near zero, capital has sought better returns and flowed into bonds, equities, commodities and gold. In addition, China has significantly increased bank lending and government investment in order to offset sluggish demand from the West for its products, further stimulating the demand for commodities and food. We have moved rapidly from a fear of deflation and stagnation to a period where inflationary pressures have returned and will be hard to contain.

As our confidence in a broad based economic recovery has grown, we have steadily invested our cash balances and switched bond investments into equities in order to capture higher returns. The financial bonds we purchased at distressed prices in late 2008 appreciated materially and have provided much needed income at a time when some companies suspended or cut dividends. Our gearing at the period end was 4%, having increased the European, UK and Asian portfolios over the year. The new investments in both the UK and Europe have focussed on exporters or companies with significant exposure to Asian and Chinese growth.

For some years we have been reducing exposure to Europe and we only increased it when we felt that sentiment was at its lowest point at the time of the Greek refinancing. We have focused on Northern Europe and at the year end did not own any equities in Ireland, Greece or Portugal. The prospects for Germany appear encouraging, based upon the weakness of the euro combined with booming exports, leading to solid growth from the corporate sector. Following a focus on quality shares, while avoiding financial and southern Mediterranean stocks, our performance has been 11% greater than the European benchmark index.

A headwind for our overall performance has been the strength of the US market relative to other developed markets and our underweight position in that area. The US Government's strategy for recovery has been to stimulate demand whilst the US Federal Bank has provided huge liquidity to the financial sector, culminating in a second round of quantitative easing which, in general, has been beneficial for US equities and bonds alike. The mid term elections in the US have reduced the ability of the Democrat administration to enact policy but the economy appears to be making steady, albeit slow progress.

In Asia, there appears less appetite for austerity and in some countries inflation is becoming a problem. The property market in many Asian countries has been buoyant and bank lending equally strong, stimulating domestic demand and starting the process of re-orientating economies from being export led to a more balanced model. The increase in earnings from Asian companies has surpassed the rise in share prices in the region, meaning that valuations are now lower than a year

Chairman's Statement

continued

ago, supporting 12.7% of our portfolio being committed to the region. We are, though, alert to the risks of the economies overheating and we are keeping a watching eye on the region.

In the UK, we have failed to match the performance of the FTSE All-Share Index. The majority of this relative underperformance can be attributed to being underweight in the mining sector. Metal prices have been buoyant which has led to significant share price appreciation. We have had a better experience in the oil exploration sector, which has performed well, culminating in a takeover of Dana Petroleum. The UK stock market provides access to companies doing business all over the world and increasingly has less exposure to the domestic economy. New holdings this year like Essar Energy and iEnergizer, for instance, are listed in London but operate entirely in India. Our intention, over the medium term, is to continue our commitment to these international companies listed in London which is likely to lead to a reduction in our exposure to mainly UK orientated businesses.

Our emerging market investments have been heavily concentrated in certain countries and sectors. Over the past few years this focus has delivered very good performance but over the last twelve months the holdings in South Africa and Brazil have not helped overall performance. As emerging market economies, like Latin America and Eastern Europe, develop and grow, we are adjusting our investment strategy to gain access to these new opportunities.

Revenue and Dividends

I am pleased to report that the outlook for dividends is beginning to pick up and we are finding more of our equity investments growing their distributions. In the last couple of years our investment income has suffered a significant drop but we have managed to offset this by switching investment into bonds and increasing underwriting income. We have also benefited from the recent change in the tax treatment of our overseas investments. It is a great testimony to the resilience of our income that despite the loss of dividends from our BP holding, our dividend is still covered. We believe that BP will resume dividends in 2011 and have confidence that there will be continuing income growth from our underlying investments over the coming year.

We are recommending a final dividend of 3.1p, making a total of 12.1p, an increase of 5.2% for the year. This level of dividend is higher than our forecast and represents an increase above the level of RPI. Importantly, this increase is one of our key objectives and continues our record of raising dividends to shareholders each year for the last 44 years. We recognise that regular growth in income is a major attraction to investors. Looking to 2011, we are forecasting a dividend per share of not less than 12.7p, an increase of 5.0%.

Board Succession and new Director

Francis Sumner steps down from the Board at the AGM after serving 14 years as a Director. In recent years he has been both our Senior Independent Director and a key member of all major committees and has therefore been at the heart of nearly every decision made by the Board. He has been a source of invaluable advice for very many years as well as being a close colleague to all Directors. We thank him for his unstinting service and wish him every happiness for the future.

As one door closes another one opens and I am pleased to advise you that at the AGM we shall be asking shareholders to approve the appointment of Peter Sullivan as a new Director. Peter brings to the Board new talents with commercial knowledge gained from both his business career and his extensive time working in the Far East. It was felt appropriate for Bankers, as a global investor, to find a new director with considerable international experience. Peter was formerly Executive Director & CEO (Hong Kong) at Standard Chartered Bank Limited and is a non-Executive Director of a number of companies involved in the Far East. We look forward to working with Peter in the years ahead.

Annual General Meeting

The Annual General Meeting this year will be held at the offices of Henderson Global Investors, 201 Bishopsgate, London EC2M 3AE on Tuesday 22 February 2011 at 2.30 pm. Full details of the business of the meeting are set out in the Notice of Meeting which this year has been printed separately to save costs and is being sent to shareholders with this Report and Financial Statements. Directions and a map showing the location of the AGM can also be found on the Notice of the AGM. As usual our Manager, Alex Crooke, and his team will be making a presentation. I do hope that as many shareholders as possible choose to attend.

Outlook

The coming year will undoubtedly entail more major challenges and continuing stress as some countries struggle under the strains of too much debt. Policy makers across the globe will be encouraging economic growth, consumer confidence and reflation in order to drive higher levels of GDP. The principal concern is the artificial nature of their actions and their sustainability if these policies fail to create a supportive environment for increased investment. What we need to see is the private sector increasing investment and creating jobs.

We remain optimistic that we can continue to deliver growth in both net asset value and dividends but retain our cautious spread of investments in order to navigate the difficult global issues that will continue to overshadow stock markets. Current equity valuations do not price in a full recovery and there is scope for share prices to continue their upward trend should the reduction in government spending be matched by an increase in corporate investment. If so, the benefit to the overall global economy will be far greater than most commentators are predicting and may well be sufficient to boost demand and push growth above trend.

Richard Brewster, Chairman
17 January 2011

Manager's Review

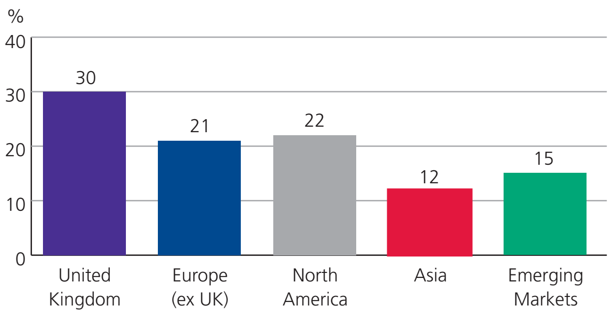
Alex Crooke

The challenge when managing a portfolio is that there are a considerable number of levers that can be pulled, controlling a variety of factors influencing performance but knowing when and which ones to pull is far from easy. For instance, in recent years we have deliberately invested heavily in Asia because it gave us access to high growth markets but also helped offset a relatively light exposure to the US market. American stocks were not historically cheap, which made us wary, however cheaper Asian companies gave us a geared recovery to US economic growth because they supplied products that Americans consumed. This combination of Asia and US had served us well until the beginning of 2010 when a period of US dollar strength combined with domestic buying pushed the US market higher against most other markets.

The predominance of growth investing over a value approach still affected our performance, although again, in the second half of the year there was a swing back toward higher yielding sectors performing well. As inflation has been muted, there is a genuine scarcity of growth and those stocks that do have potential to increase sales and profits are put on very high valuation multiples. If inflation is returning, it should help broaden out the market, as more companies have the capacity to increase prices and offset cost growth. Rising bond yields are pointing to the period of low inflation nearing an end.

We are often challenged about the large exposure to the UK market within the portfolio and it is worth setting out the defence for a wider audience. We are very privileged to have such a deep and liquid stock market in London; one which attracts investors and companies from around the world. Increasingly the largest companies quoted in London (and listed under our UK portfolio) conduct ever decreasing amounts of their business in the UK. The bar graph shows the underlying revenue aggregated from our UK listed holdings, when weighted by the size of our investment. Less than a third of their revenue actually comes from the UK and the analysis shows how over a quarter is actually sourced in Asia and the Emerging Markets. The latter is dominated by Africa (especially oil exploration) and is a region which we favour and believe offers good opportunities over the next decade.

Bankers UK Portfolio, geographic split of revenue, weighted by size of holding



Source: Oriel Securities

Our directly held Emerging Market portfolio amounts to only 3% and had a difficult year, although this compares to the increase of 80% in 2009. The cause of underperformance was really only the holding in Petrobras, whose protracted and larger than anticipated equity raising depressed the share price during 2010 but it has put the company into a position to start development of the huge oil fields off the Brazilian coast. We have taken a closer look at how we access emerging stock markets around the world and as the number and size of companies grow we need to adapt our selection process. In future, this will combine a deeper and more diversified portfolio of smaller sized holdings, with additional selected specialist funds where we feel a local presence may be better placed. Overall, following the spectacular performance of emerging markets today is not the best time to be increasing our exposure but in time we need to be in a position where cash can be allocated efficiently to the region, across a wider selection of opportunities.

Finally, the prospects for dividend growth have been steadily improving. Recently the main focus for management has been to limit cost growth and reduce borrowings, but as this focus eases, corporate cash flows should be reallocated towards dividends and investment. The payout ratio (the ratio of earnings to dividends) across all markets has been increasing because earnings growth has exceeded dividend growth. This paves the way for companies to have a more generous dividend policy in the future and to rebalance the payout ratio back to 2x, (currently 2.7x in the UK market).

Alex Crooke
17 January 2011

United Kingdom

Total Return (Year to 31 Oct 2010)	%
Bankers	15.4
FTSE All-Share	17.5

Review

There have been plenty of challenges in the UK over the past year. At the general election in May, all the political parties concentrated on the domestic economy, with the budget deficit running at over 10% of GDP and nearly £1 trillion of outstanding Government debt. When no party gained a majority, international investors became increasingly sceptical about the ability of the UK to manage its deficit lower. The coalition Government promised a spending review and committed itself to rebalancing the budget by cuts to Government spending and tax increases. As these measures were well signalled in advance consumer and corporate, investment spending has been limited and consequently new jobs are being created at a slow pace, further hampering the pace of economic recovery.

The UK stock market has found strength when reporting company results because generally they have exceeded expectations. For instance, the mining sector has benefitted from higher commodity prices, the media sector has experienced a recovery in advertising and Industrials are seeing the benefits of lower sterling and increasing overseas orders. Profit margins are being boosted by low interest costs, a reduction in debt and tight control of capital and investment spending. Outside the major reporting seasons the impact of future spending cuts and potential sovereign defaults in Europe have taken their toll on markets and created volatility in prices.

The favoured sectors were more growth orientated, whereas our value style and higher yielding sectors, in particular, did not perform as well as the overall market. The smaller stocks also lagged this year, as specific issues for certain holdings limited performance but this should provide some impetus next year as more normal conditions prevail.

Activity

We continued to transition away from bond investments back into equities and only four bond holdings remained at the period end. Further investments were made in Barclays and Imperial Tobacco both of which fell out of favour in the middle of the year. Barclays is perceived to require a rights issue for further capital but this may not be the case and the bank has significant scope to manage down costs and reallocate its capital. Imperial Tobacco has made significant progress paying down debt from the purchase of Altadis and dividends should continue to increase as a percentage of earnings. Other new investments included Jupiter Fund Management and an increased position in water companies, Severn Trent and United Utilities. Sales included a successful exit from Inmarsat and ICAP, both of which have been profitable investments but share prices reflect the full potential of both companies and could come under pressure if prospects falter. We also received a full bid for the Dana Petroleum holding from the Korean State Oil company.

The most frustrating investment was BP, which was the largest holding at the beginning of the year but collapsed in value after its oil well blew out in the Gulf of Mexico in April. We sold a significant portion of the holding at over 500p but never envisaged that it would take so long and be so costly to cap the well. The subsequent fall in price offered an opportunity to repurchase the holding and we averaged new purchases of BP at around 360p. There are clearly still issues to resolve and fines to pay but BP has sold assets for high prices and the resumption of dividends in 2011 would be well received.

Outlook

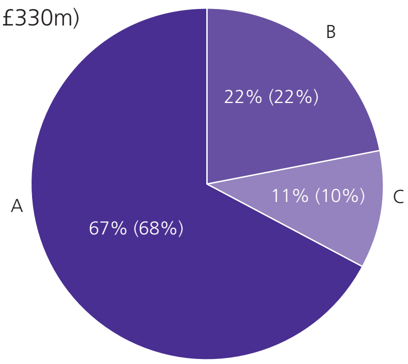
Valuations in the UK market are not demanding and with equity dividend yields exceeding those on 10 year Government bonds, equities represent good value against other assets. The public sector job cuts and higher taxes will have only a limited impact on the overall economy providing the private sector continues to invest and create new jobs. It is difficult to envisage a surge in economic activity but steady progress can be made from this point.

The UK stock market is dominated by the resource sectors, with the Oil and Gas sector comprising 16.4% and Mining another 12.7% of the total UK market capitalisation. As such, the future direction of the market may well be determined by the direction of commodity prices next year. Our UK portfolio is far less exposed to natural resources, which may insulate us if some of the best performing sectors of the past year cool down.

UK portfolio classified by market value of company at 31 October 2010

Market Capitalisation
A FTSE 100 (over £2,100m)
B FTSE Mid 250 (£330m-£2,100m)
C Smaller Co's (under £330m)

Last year's figures in brackets



United Kingdom Valuations at 31 October 2010 – all investments are shown

£'000	Investments by value	Sector	% of UK portfolio
14,543	BP	Oil & Gas Producers	6.00
11,531	Vodafone	Mobile Telecommunications	4.76
10,299	HSBC	Banks	4.25
9,687	British American Tobacco	Tobacco	4.00
9,426	GlaxoSmithKline	Pharmaceuticals & Biotechnology	3.89
8,993	Royal Dutch Shell	Oil & Gas Producers	3.71
8,336	Catlin	Nonlife Insurance	3.44
7,658	BG	Oil & Gas Producers	3.16
7,123	Rolls-Royce	Aerospace & Defense	2.94
6,425	Essar Energy	Oil & Gas Producers	2.65
5,979	National Grid	Gas Water & Multiutilities	2.47
5,328	Jardine Lloyd Thompson	Nonlife Insurance	2.20
5,012	Aviva	Life Insurance	2.07
4,898	Xstrata	Mining	2.02
4,612	Scottish & Southern Energy	Electricity	1.90
4,427	BHP Billiton	Mining	1.83
4,256	Barclays	Banks	1.76
4,189	Reckitt Benckiser	Household Goods & Home Construction	1.73
4,096	Petrofac	Oil Equipment Services & Distribution	1.69
3,757	Wetherspoon (J.D.)	Travel & Leisure	1.55
3,678	Anglo American	Mining	1.52
3,380	Intermediate Capital	Financial Services	1.39
3,362	Premier Oil	Oil & Gas Producers	1.39
3,342	Cranswick	Food Producers	1.38
3,236	Shire	Pharmaceuticals & Biotechnology	1.34
3,223	Hunting	Oil Equipment Services & Distribution	1.33
3,171	Smiths News	Support Services	1.31
3,041	Amec	Oil Equipment Services & Distribution	1.26
2,972	Prudential	Life Insurance	1.23
2,963	Tullow Oil	Oil & Gas Producers	1.22
2,901	Galliford Try	Construction & Materials	1.20
2,888	Northumbrian Water	Gas Water & Multiutilities	1.19
2,732	Severn Trent	Gas Water & Multiutilities	1.13
2,655	Fisher (J) & Sons	Industrial Transportation	1.10
2,585	BAE Systems	Aerospace & Defense	1.07
2,520	Imperial Tobacco	Tobacco	1.04
2,456	Quorum Oil & Gas Technology	Equity Investment Instruments	1.01
2,378	Blackstar*	Equity Investment Instruments	0.98
2,317	Hansteen	Real Estate Investment Trusts	0.96
2,261	Thomas Cook	Travel & Leisure	0.93
2,169	Admiral	Nonlife Insurance	0.90
2,152	D. S. Smith	General Industrials	0.89
1,993	ITV	Media	0.82
1,980	Lloyds Banking	Banks	0.82
1,960	WPP	Media	0.81
1,958	Diageo	Beverages	0.81
1,944	Bowleven*	Oil & Gas Producers	0.80
1,943	Unilever	Food Producers	0.80
1,699	De La Rue	Support Services	0.70
1,693	Land Securities	Real Estate Investment Trusts	0.70
1,645	Next	General Retailers	0.68
1,431	St.James's Place	Life Insurance	0.59
1,415	Man Group	Financial Services	0.58
1,386	Forth Ports	Industrial Transportation	0.57
1,317	Elementis	Chemicals	0.54
1,316	Kcom	Fixed Line Telecommunications	0.54
1,296	Dairy Crest	Food Producers	0.53
1,265	iEnergizer*	Support Services	0.52
1,262	TT Electronics	Electronic & Electrical Equipment	0.52
1,222	United Utilities	Gas Water & Multiutilities	0.50
1,109	Renold	Industrial Engineering	0.46
1,004	Tate & Lyle	Food Producers	0.41
997	Marston's	Travel & Leisure	0.41
981	Sports Direct International	General Retailers	0.40
886	Hiscox	Nonlife Insurance	0.37
876	STV	Media	0.36
834	Specialist Energy*	Industrial Engineering	0.34
771	Hill (William)	Travel & Leisure	0.32
732	Jupiter Fund management	Financial Services	0.30
716	Orchid Developments*	Real Estate Investment Services	0.30
529	Trinity Mirror	Media	0.22
490	HMV	General Retailers	0.20
362	Enquest	Oil & Gas Producers	0.15
253	Yell	Media	0.10
88	Johnson Service*	Support Services	0.04
242,310			**100.00**

* AIM

Europe

Total Return (£) (Year to 31 Oct 2010)	%
Bankers	21.6
FTSE World Europe (ex UK)	10.6

Review

Although European markets have experienced a more modest return than a number of other regions during the year our holdings rose by 21.6% – some 11.0% ahead of the index. This performance more than compensates for the lag in the previous year, and reflects a return to favour of the higher quality investments which have always been our main focus. During the year we took the decision to increase the European position and this was executed half way through the reporting period.

The performance has been achieved in spite of a turbulent time for European markets. In the spring the whole concept of the Euro came under intense pressure due to huge debts in Greece, Spain, Ireland and Portugal. This crisis subsided for a few months during the summer but reared its head again at the end of the period under review. While so far the enormous (€750bn) European Financial Stability Fund (EFSF) has acted as a kind of backstop the fundamental strains will take years to resolve and will require a great effort. We do not think that the Euro will collapse but we are watching the situation very carefully and are in no way complacent about what needs to happen and the implications.

Activity

During the year we introduced a number of new holdings and increased the size of most positions when it was decided to add to the European weighting, which reached 13.1% (£68.3m) of the total portfolio from 8.6% (£39.0m) a year earlier. Fifteen new holdings have been added and four sold leaving 36 positions. It is interesting that a significant number of holdings have been in the fund for many years and some of these have performed very well during the year. In particular we have seen strong performance from Fresenius (German hospital management and medical products), Dior and Richemont – the latter two operating in the luxury sector which has been strong for most of the year due in part to a surge in spending by Chinese consumers. New holdings include a return to Deutsche Post which has sorted out many of its former problems, notably its expensive and loss making attempt to break into the US market with DHL. It also sold its bank subsidiary at a high price to Deutsche Bank. We have continued to be very cautious about banks and we have small holdings in Credit Suisse and UBS. We are in no rush to change this view.

Outlook

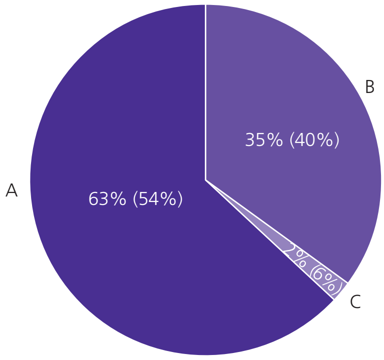
A year ago we suggested that growth would probably begin to slow towards the end of 2010. This looks quite likely now as uncertainty surrounding sovereign debt swirls around the Euro. There are also concerns that the rate of growth in the dynamic Chinese economy will slow and the USA and UK economies also look set to achieve, at best, slow growth. Clearly many European exporters continue to do well and we have some exposure to these.

We have continued with the same policy of trying to find good quality, consistent, soundly financed, steady growth companies, which are not too dependent on just one region or product. This emphasis on quality continues to serve the portfolio well, and the new names we have added during the year all have these characteristics. We have become more optimistic about the outlook for European equities and in recent months there have been early signs that investors have begun to increase their exposure to equities. We have a variety of holdings that offer steady growth and some income and valuation levels which look far better than for European Bonds.

European portfolio classified by market value of company at 31 October 2010

Market Capitalisation
A Over £13,000m
B £3,000m-£13,000m
C Under £3,000m

Last year's figures in brackets



Europe Valuations at 31 October 2010 – all investments are shown

£'000	Investments by value	Sector	Country	% of Europe portfolio
4,331	Christian Dior	Personal Goods	France	6.34
3,773	Novartis	Pharmaceuticals & Biotechnology	Switzerland	5.52
3,394	Fresenius	Health Care Equipment & Services	Germany	4.97
3,059	Compagnie Financiere Richemont	Personal Goods	Switzerland	4.48
2,878	ENI	Oil & Gas Producers	Italy	4.21
2,554	Deutsche Post	Industrial Transportation	Germany	3.74
2,507	Kühne + Nagel	Industrial Transportation	Switzerland	3.67
2,274	Total	Oil & Gas Producers	France	3.33
2,228	Nestlé	Food Producers	Switzerland	3.26
2,152	SGS Holdings	Support Services	Switzerland	3.15
2,043	Essilor International	Health Care Equipment & Services	France	2.99
2,000	France Telecom	Fixed Line Telecommunications	France	2.93
1,943	Carrefour	Food & Drug Retailers	France	2.84
1,930	Inditex	General Retailers	Spain	2.83
1,886	Deutsche Börse	Financial Services	Germany	2.76
1,741	Saipem	Oil Equipment Services & Distribution	Italy	2.55
1,732	Credit Suisse	Banks	Switzerland	2.54
1,674	Swedish Match	Tobacco	Sweden	2.45
1,647	Siemens	General Industrials	Germany	2.41
1,596	Philips Electronics	Leisure Goods	Netherlands	2.34
1,556	Sodexo	Travel & Leisure	France	2.28
1,524	Allianz	Nonlife Insurance	Germany	2.23
1,510	Adecco	Support Services	Switzerland	2.21
1,467	L'Oréal	Personal Goods	France	2.15
1,363	Sap	Software & Computer Services	Germany	2.00
1,327	Kabel Deutschland	Media	Germany	1.94
1,326	Brenntag	Chemicals	Germany	1.94
1,325	Legrand	Electronic & Electrical Equipment	France	1.94
1,320	Amadeus	Support Services	Spain	1.93
1,308	Givaudan	Chemicals	Switzerland	1.91
1,286	Roche Holdings	Pharmaceuticals & Biotechnology	Switzerland	1.88
1,267	ING	Life Insurance	Netherlands	1.85
1,210	ABB Limited	Industrial Engineering	Switzerland	1.77
1,173	UBS	Banks	Switzerland	1.72
1,004	Zurich Financial Services	Nonlife Insurance	Switzerland	1.47
1,001	AP Moller-Maersk	Industrial Transportation	Denmark	1.47
68,309				**100.00**

European Geographical Distribution

	31 October 2010 %	31 October 2009 %		**31 October 2010 %**	31 October 2009 %
Switzerland	**33.6**	41.7	Spain	**4.8**	4.3
France	**24.8**	27.7	Netherlands	**4.2**	–
Germany	**22.0**	11.3	Sweden	**2.4**	2.1
Italy	**6.8**	10.4	Denmark	**1.4**	2.5
				100.0	100.0

North America

Total Return (£) (Year to 31 Oct 2010)	%
Bankers	20.9
FTSE World North America	20.6

Review

The performance of the North American portfolio was in-line with the benchmark index and the absolute return from investing in North American equities in the period was good.

The stock market has been caught between the continuing strength of corporate earnings and the worries about macro-economic and political issues both domestically and globally.

The US Government has been less inclined to pull back policy support for the economy than others in the world. The Federal Reserve has continued to provide a very stimulative monetary policy, with the result that, while the US dollar has been weak, there are some encouraging signs that the economy is finally responding to the policies in place to fuel growth.

Correlation of stocks within the market has been unusually high with the result that, in our view, the highest quality companies have not been adequately rewarded for their success in improving their competitive position during the downturn and in benefiting from the subsequent recovery.

Activity

During the year we have continued to increase investment in more economically sensitive names including Cummins (a truck engine maker), United Parcel Services and Kansas City Southern (a railroad operator). All of these companies offer an attractive combination of cyclical and secular growth with management teams very capable of taking advantage of opportunities that arise.

To fund these new investments we sold less cyclical names including Southern Co (a regulated utility) and Lorillard (a tobacco company).

Within the financials sector we disposed of our long-held position in Bank of America, a very disappointing investment, and switched into Citigroup. While Citigroup has a chequered recent history too, the sense of urgency in making changes is in contrast to Bank of America where the bank is still struggling to come to terms with issues in several business lines.

Overall the North American portfolio is positioned in what we regard as higher quality companies with degrees of cyclical exposure that are not valued, at present, to fully reflect their strong position in the marketplace.

Outlook

The economic recovery in the US remains anaemic with unemployment remaining stubbornly high and the housing market still weak. We anticipate that the recovery will remain on track through 2011 but that the improvement in the economy will remain gradual. Some of the best opportunities in the equity market will continue to come from companies focused on global markets.

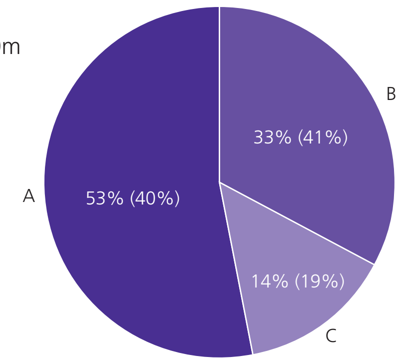
On a positive note, the actions that the managements of the companies we invest in took, in the downturn, have been very beneficial to their profitability as demand has begun to recover. Profit growth has continued to impress and we are reassured by the fact that earnings are growing faster than share prices which are not reflecting the improving fundamentals.

It is our view that this dichotomy between strong corporate earnings growth and a very slow economic recovery will continue. It is important, therefore, for us to remain focused on our bottom up stock picking in the expectation that this is where the best returns will be generated.

US portfolio classified by market value of company at 31 October 2010

Market Capitalisation
A Over £13,000m
B £3,000m-£13,000m
C Under £3,000m

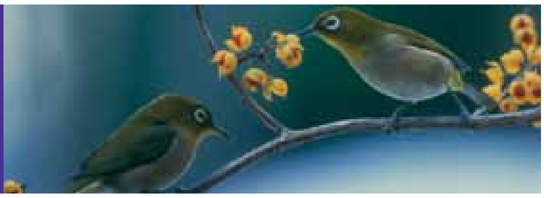
Last year's figures in brackets



North America Valuations at 31 October 2010 – all investments are shown

£'000	Investments by value	Sector	% of North America portfolio
3,140	Apple	Technology Hardware & Equipment	3.73
2,924	Microsoft	Software & Computer Services	3.47
2,720	Pepsico	Beverages	3.23
2,670	Republic Services	Support Services	3.17
2,597	American Tower	Mobile Telecommunications	3.08
2,496	Lazard	Financial Services	2.96
2,418	Ecolab	Chemicals	2.87
2,369	Emerson Electric	Electronic & Electrical Equipment	2.81
2,365	EMC	Technology Hardware & Equipment	2.81
2,324	Carnival	Travel & Leisure	2.76
2,285	Praxair	Chemicals	2.71
2,279	Valeant Pharmaceutical	Pharmaceuticals & Biotechnology	2.70
2,161	Citigroup	Banks	2.56
2,141	Cisco Systems	Technology Hardware & Equipment	2.54
2,056	Thermo Fisher Scientific	Health Care Equipment & Services	2.44
2,039	Directv	Media	2.42
2,028	Mead Johnson Nutrition	Food Producers	2.41
2,006	Celanese	Chemicals	2.38
1,984	Micros Systems	Technology Hardware & Equipment	2.35
1,973	Prudential Financial	Life Insurance	2.34
1,949	Target	General Retailers	2.31
1,918	Kansas City Southern Industries	Industrial Transportation	2.28
1,917	Kraft Foods	Food Producers	2.27
1,895	United Parcel Services	Industrial Transportation	2.25
1,867	Lowes Companies	General Retailers	2.22
1,862	Equinix	Software & Computer Services	2.21
1,854	AT&T	Fixed Line Telecommunications	2.20
1,853	Hess	Oil & Gas Producers	2.20
1,845	CSX	Industrial Transportation	2.19
1,789	SNC Lavalin	Construction & Materials	2.12
1,681	National Oilwell Varco	Oil Equipment Services & Distribution	1.99
1,638	Northern Trust	Banks	1.94
1,584	New York Community Bancorp	Banks	1.88
1,579	Anadarko Petroleum	Oil & Gas Producers	1.87
1,455	Express Scripts	Health Care Equipment & Services	1.73
1,432	Cummins	Industrial Engineering	1.70
1,422	Bristol-Myers Squibb	Pharmaceuticals & Biotechnology	1.69
1,351	Quanta Services	Construction & Materials	1.60
1,279	Dreamworks Animations	Media	1.52
1,247	Covidien	Health Care Equipment & Services	1.48
1,192	Shoppers	Food & Drug Retailers	1.41
935	Range Resources	Oil & Gas Producers	1.11
912	Marathon Oil	Oil & Gas Producers	1.08
849	Enstar	Nonlife Insurance	1.01
84,280			**100.00**

Japan



Total Return (£) (Year to 31 Oct 2010)	%
Bankers	6.2
FTSE World Japan	7.6

Review

Japanese equities made moderate gains through the first half of the period before fears of a softening in global activity brought the market lower. Persistent strength in the yen prevented any subsequent recovery and overseas investors were rewarded by currency gains over stock market losses for the period as a whole. While events in other parts of the world grabbed headlines Japan was left largely to its own devices. The Bank of Japan offered a forlorn attempt at currency intervention and belated action to loosen policy further. Neither had much impact and economic data was largely dependent on the vibrancy of overseas markets which began to slow as the recovery proceeded to run its course.

Activity

It was a relatively quiet period for the portfolio with only a couple of complete holding changes. The holding in Tokyo Broadcasting was sold in favour of Yamada Denki (retail). The portfolio has retained a sizeable weighting in the media area in anticipation of a recovery in TV advertising. Yamada Denki is Japan's largest electrical retailer and is gradually taking market share which is enhancing economies of scale. The position in Mitsui Sumitomo Insurance was removed as concerns grew over the forthcoming 3-way merger which may take time to extract efficiencies. Tokio Marine was purchased given its powerful domestic presence and solid overseas positions in the UK and the US. The overall performance of the fund was marginally behind the benchmark for the year.

Outlook

Japanese equities are once again back down to the levels seen in the depressed markets of 2003 and 2009 on the back of a strong yen and policy inaction. Whilst the former is usually self-correcting through the currency markets the latter has proved more problematic to overcome. Although change in Japan comes slowly there are moves in certain political corners to take a more aggressive stance on defeating deflation. Coupled with a more conciliatory Bank of Japan the foundations for a more expansionary environment are being put into place. In addition, there is the prospect of a cut in corporation tax which will benefit domestic companies more than export related entities which are able to take advantage of tax management opportunities. It would be optimistic to suggest that Japanese equities are about to soar but there may be upside to share prices from current levels. The relationship of Japanese equities versus a variety of alternative asset classes such as government bonds appears stretched and very much in favour of the stock market outperforming. While Japan has lagged policy action elsewhere, it still has a few cards yet to play and if it chooses to do so the attraction of Japanese equities would be enhanced.

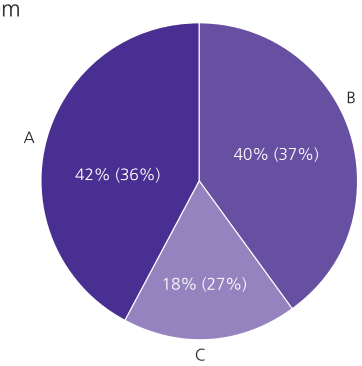
Japan Valuations at 31 October 2010 – all investments are shown

£'000	Investments by value	Sector	% of Japan portfolio
3,802	Mitsubishi UFJ Financial	Banks	9.17
2,267	Shin-Etsu Chemical	Chemicals	5.47
2,032	NTT Docomo	Mobile Telecommunications	4.90
1,995	Morant Wright Japan Fund	General Financial	4.81
1,972	Nippon TV Network	Media	4.75
1,883	Keyence	Electronic & Electrical Equipment	4.54
1,801	Canon	Technology Hardware & Equipment	4.34
1,800	TDK	Electronic & Electrical Equipment	4.34
1,789	Daiwa House Industries	Household Goods & Home Construction	4.31
1,729	Credit Saison	Financial Services	4.17
1,712	Nippon Telegraph & Telephone	Fixed Line Telecommunications	4.13
1,700	Asahi Breweries	Beverages	4.10
1,688	Sekisui Chemical	Household Goods & Home Construction	4.07
1,686	Hakuhodo Dy	Media	4.06
1,684	Yamada Denki	General Retailers	4.06
1,666	Tokio Marine	Nonlife Insurance	4.02
1,654	Yamato	Industrial Transportation	3.99
1,614	Takeda Pharmaceutical	Pharmaceuticals & Biotechnology	3.89
1,577	Seven & I Holdings	General Retailers	3.80
1,559	Daiwa Securities	Financial Services	3.76
1,515	Nintendo	Leisure Goods	3.65
1,507	Secom	Support Services	3.63
847	Dai-Ichi Life Insurance	Life Insurance	2.04
41,479			**100.00**

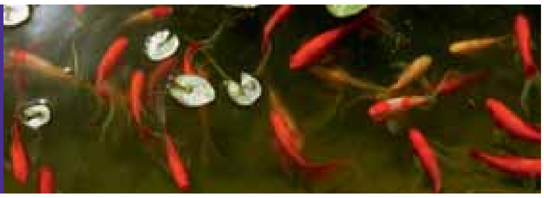
Japanese portfolio classified by market value of company at 31 October 2010

Market Capitalisation
A Over £13,000m
B £3,000m-£13,000m
C Under £3,000m

Last year's figures in brackets



Pacific (ex Japan)



Total Return (£) (Year to 31 Oct 2010)	%
Bankers	18.5
FTSE World Asia Pacific (ex Japan)	23.8

Review

The year to October 2010 was another good year for Asian equities with strong returns in all markets. The performance was significantly enhanced by the strength of Asia Pacific currencies against sterling over the period with currency alone contributing a 20% return in some markets. The weakness of Chinese shares and an underweight position in consumer areas especially in the south east Asia region resulted in the portfolio underperforming the broader index.

Although the recovery in western economies appears to be losing momentum, the medicine of low interest rates and abundant liquidity has been very supportive for the Asian growth story. Asian economies continue to recover at a rapid pace buoyed by recovering exports but, more importantly, through increased consumption as well. In some cases the growth has been too strong resulting in Government measures to cool down speculation in property markets and also to reduce inflationary pressures. Measures have been introduced in China, Hong Kong, Singapore and Thailand with the former increasing bank reserve requirements and implementing loan quotas in order to restrict liquidity further. As inflation has risen across the region interest rates have moved higher in most markets but still lag behind normalised levels. Real interest rates are still in negative territory in a lot of countries and will need to rise over time but with rates in the US unlikely to rise anytime soon there is a reluctance in Asia to raise interest rates for fear of attracting further capital inflow.

The best performing markets over the period were those with least reliance on the global cycle. The ASEAN markets of Thailand, Indonesia and The Philippines all posted gains of over 50% with a significant proportion of this return coming from currency appreciation. India also did well as domestic consumer strength was the most popular theme running through Asian markets. As a result the consumer discretionary and staple sectors were the outstanding performers followed by materials.

The worst performers were Australia, China and Taiwan. Although the resource sector in Australia did well, the financial and property sectors were impacted by lethargic consumer demand and rising interest rates. The constant intervention by the government to manage the growth profile impacted the returns in China, while Taiwan's economy and stock market were negatively impacted by slowing recovery in the US and EU.

Activity

The portfolio retains a high weighting in China although the constituents changed over the period. We sold China Mobile and China Communication Construction over fears of a slower growth profile and moved into logging company Sino Forest and property company Shimao Property. Sino Forest is benefiting from the Government's support for sustainable logging and being a consolidator in a fragmented industry while Shimao is well exposed to the growth in property demand in tier 2 and 3 cities.

Other key purchases over the period include Singaporean beverage and property company, Fraser & Neave, Australian packaging company Amcor and Korean mobile operator SK Telecom. These companies all benefit from attractive valuations and strong cash flow with a growth profile which is misunderstood by the market. To fund these purchases we sold Malaysian financial CIMB, uranium producer ERA in Australia and Singaporean shipbuilder Keppel Corp.

Outlook

Despite the recent strong performance it is important to note that Asian markets have de-rated over the last twelve months as price rises have not matched the pace of earnings growth. With strong economic growth forecast for 2011 and earnings likely to be 15% higher we remain positive on the outlook for Asia in the coming year.

Pacific (ex Japan) Valuations at 31 October 2010 – all investments are shown

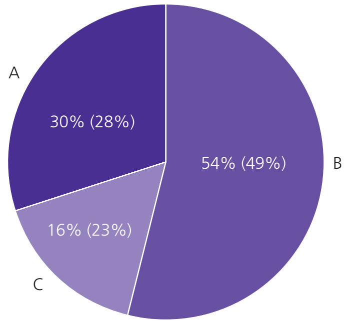
£'000	Investments by value	Sector	Country	% of Pacific (ex Japan) portfolio
4,522	Bank of China	Banks	China	6.84
4,220	Kasikornbank	Banks	Thailand	6.38
4,127	DBS	Banks	Singapore	6.24
3,800	Amcor	General Industrials	Australia	5.75
3,703	Incitec Pivot	Chemicals	Australia	5.60
3,648	Taiwan Semiconductor Manufacturing	Technology Hardware & Equipment	Taiwan	5.52
3,577	Sino Land	Real Estate Investment Services	Hong Kong	5.41
3,283	Ascendas Real Estate Inv Trust	Real Estate Investment Trusts	Singapore	4.97
3,224	SK Telecom	Mobile Telecommunications	South Korea	4.88
3,151	Fraser & Neave	General Industrials	Singapore	4.77
2,985	Shanghai Industrial	General Industrials	Hong Kong	4.51
2,948	QBE Insurance	Nonlife Insurance	Australia	4.46
2,940	Santos	Oil & Gas Producers	Australia	4.45
2,787	Sino Forest	Forestry & Paper	China	4.22
2,780	Petrochina	Oil & Gas Producers	China	4.21
2,719	Hang Seng Bank	Banks	Hong Kong	4.11
2,636	Television Broadcasts	Media	Hong Kong	3.99
2,533	Shimao Property	Real Estate Investment Services	China	3.83
2,530	Siliconware Precision Industries	Technology Hardware & Equipment	Taiwan	3.83
1,946	Industrial & Commercial Bank of China	Banks	China	2.94
1,779	Skyworth Digital	Leisure Goods	Hong Kong	2.69
262	Tri Polyta	Chemicals	Indonesia	0.40
66,100				**100.00**

Pacific Geographical Distribution

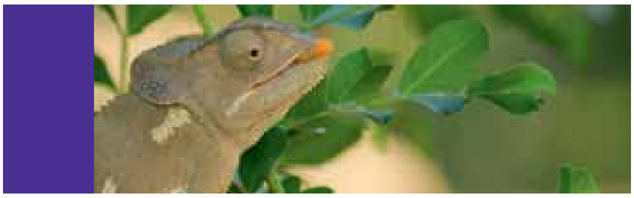
	31 October 2010 %	31 October 2009 %
China	**22.0**	21.0
Hong Kong	**20.7**	26.0
Australia	**20.3**	20.4
Singapore	**16.0**	17.5
Taiwan	**9.3**	4.4
Thailand	**6.4**	4.6
South Korea	**4.9**	–
Indonesia	**0.4**	0.3
Malaysia	**–**	5.8
	100.0	100.0

Pacific portfolio classified by market value of company at 31 October 2010

Market Capitalisation
A Over £13,000m
B £3,000m-£13,000m
C Under £3,000m



Emerging Markets



Total Return (£) (Year to 31 Oct 2010)	%
Bankers	(0.2)
FTSE All World Emerging	26.2

Emerging Markets Valuations at 31 October 2010 – all investments are shown

£'000	Investments by value	Sector	Country	% of Emerging Markets portfolio
7,674	Petroleo Brasileiros	Oil & Gas Producers	Brazil	47.81
3,851	Impala Platinum	Mining	South Africa	23.99
3,463	Anglogold Ashanti	Mining	South Africa	21.57
1,064	Telefonos De Mexico	Fixed Line Telecommunications	Mexico	6.63
16,052				**100.00**

Emerging Markets Geographical Distribution

	31 October 2010 %	31 October 2009 %
Brazil	**47.8**	60.2
South Africa	**45.6**	33.2
Mexico	**6.6**	6.6
	100.0	100.0

Fixed Interest Valuations at 31 October 2010 – all investments are shown

£'000	Investments by value	% of Fixed Interest portfolio
2,191	LBG Capital No.1 11.04%	61.17
1,273	Legal & General 6.385%	35.54
94	Lehman Brothers 7.875%†	2.62
24	Corporate Services Group 10%†	0.67
3,582		**100.00**

†Unquoted investments

Performance Attribution

Performance Attribution: 12 months to 31 October 2010 relative to Composite Index

Market	Composite Index Allocation (%)	Bankers Asset Allocation 31/10/10 (%)	Bankers Asset Allocation 31/10/09 (%)	Performance Company (%)	Performance Regional Indices (%)	Contribution from: Asset Allocation (%)	Contribution from: Stock Selection (%)
UK	50.0	46.4	45.9	15.4	17.5	0.0	(1.0)
Europe (ex UK)	12.0	13.1	8.6	21.6	10.6	0.1	1.1
North America	26.1	16.1	16.3	20.9	20.6	(0.3)	0.0
Japan	5.0	7.9	9.7	6.2	7.6	(0.4)	(0.1)
Pacific (ex Japan)	4.8	12.7	11.6	18.5	23.8	0.4	(0.6)
Emerging Markets	2.1	3.1	3.7	(0.2)	26.2	0.1	(1.0)
Fixed Interest	–	0.7	4.2	19.6*	–	0.0	–
Total	**100.0**	**100.0**	**100.0**			**(0.1)**	**(1.6)**

Source: Factset & Datastream.

*Excludes cash.

The above figures are calculated in sterling on a net income reinvested basis and exclude cash interests.

Composite index: 50% FTSE All-Share and 50% FTSE World (ex UK).

Explanation of Movement in Net Asset Value (total return) per Ordinary Share

Over the year to 31 October 2010, the Net Asset Value (total return) rose by 15.9% compared to a rise in the Composite index (50% FTSE All-Share Index, 50% FTSE World (ex UK) Index) of 17.5%.

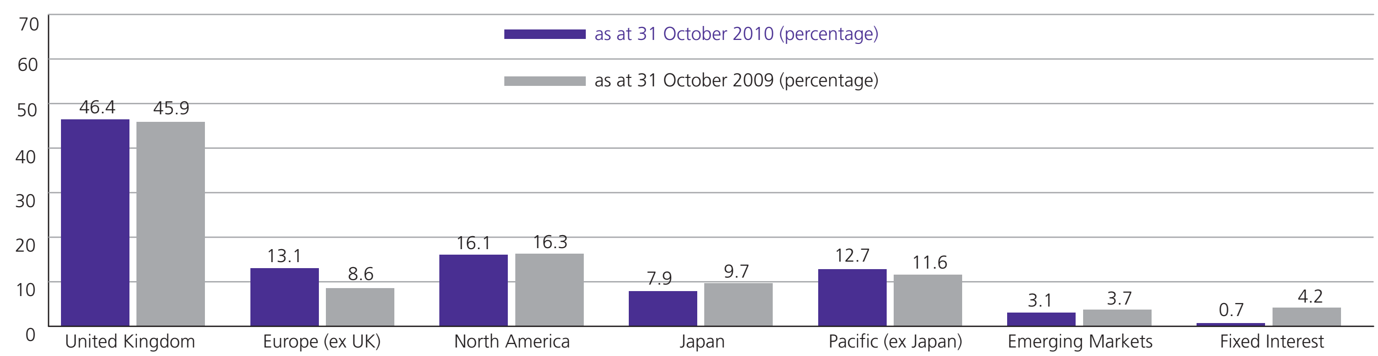
An estimation of the attribution of the portfolio's performance between asset allocation and stock selection is given above. The table below adds that result to the impact of other factors as listed to explain the movement of Net Asset Value over the year.

Portfolio performance	**Performance of Composite index**		**17.5%**
	Performance of equity portfolio against benchmark		
	Due to asset allocation	(0.1%)	
	Due to stock selection	(1.6%)	
			(1.7%)
	Performance of portfolio		15.8%
Other factors	Due to gearing	0.3%	
	Management fee and finance costs charged to capital	(0.4%)	
	Impact of repurchasing ordinary shares	0.2%	
			0.1%
	Performance of Net Asset Value (total return)		**15.9%**

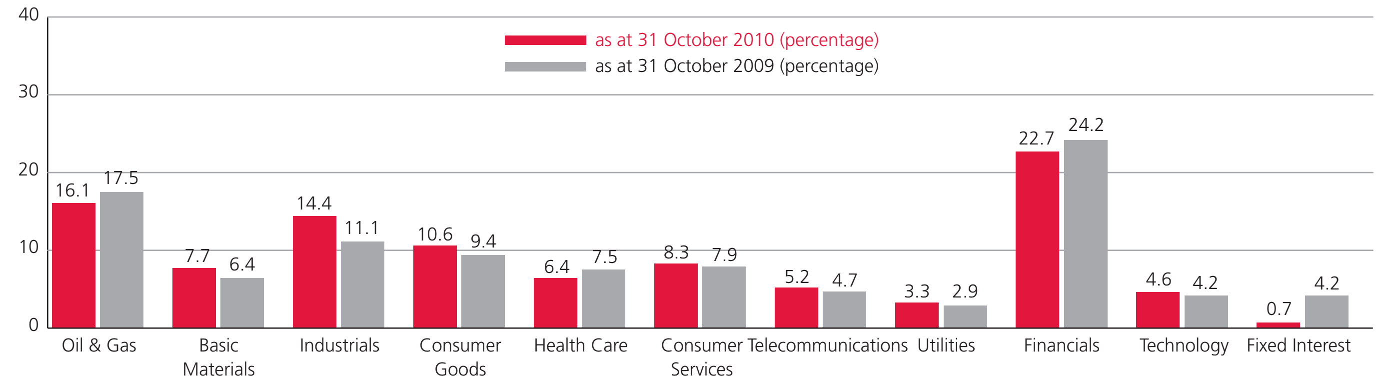
Portfolio Structure

at 31 October 2010 and 2009

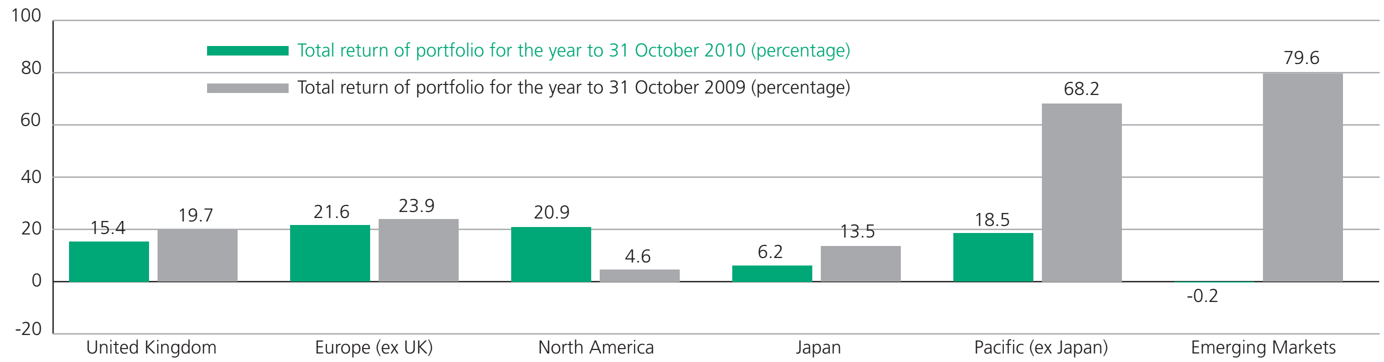
Geographical Analysis



Sector Analysis



Geographical Total Return Analysis against each FTSE stock market



FTSE Stock Market Indices Total Return (£)

%	**17.5**	23.5	**10.6**	29.6	**20.6**	9.4	**7.6**	11.0	**23.8**	58.3	**26.2**	62.4

Directors


Richard Brewster


Richard Burns


Richard Killingbeck


Francis Sumner


Matthew Thorne

Richard Brewster*‡ FCA (Chairman) was appointed as a director in 1991 and became Chairman in 2005. Having qualified as a chartered accountant he has spent over 30 years in industry. From 1983 he was Chief Executive Officer of D.S. Smith plc until 1991 when he became Chief Executive Officer of Jarvis Porter plc until 1998. Since then he has taken an interest in a number of private equity investments both as Chairman and investor. He is also Chairman of BlackRock Smaller Companies Trust plc.

Richard Burns*‡ 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 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.

Richard Killingbeck*†‡ was appointed as a director in 2003. He has been involved in the financial services industry for 20 years, primarily as a fund manager. He has held a number of senior positions in the industry both in London and New York including being the Chief Executive Officer of Singer & Friedlander Investment Management. He joined the asset management subsidiary of Close Brothers Group plc in 2005 and was appointed deputy Chief Executive of Close Investments in 2006, and Chief Executive Officer of its Private Client division in 2008. He is currently Managing Director of Credit Suisse Private Bank.

Francis Sumner*†‡ (Senior Independent Director) was appointed as a director in 1997. He spent most of his working life as a City solicitor specialising in corporate finance. He was for many years a partner in Norton Rose, Bankers having been one of his plc clients. He is currently the Deputy Chairman of the Crown Agents and a member of the Council and Executive Committee of The City and Guilds of London Institute.

Matthew Thorne*† FCA, MA 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 qualified Chartered Accountant, he has significant experience as a finance director, predominantly in the property sector. He is a Council Member of Cheltenham Ladies' College and Chairman of the Finance and Executive Committee.

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

Management


Alex Crooke


Tim Stevenson


Antony Gifford


Mike Kerley


Michael Wood-Martin


Wendy King

The portfolio is managed by **Alex Crooke** who is engaged full time in investment trust 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 secretary to the Company.

Report of the Directors

The directors present their report and the audited financial statements for the Group for the year ended 31 October 2010.

Business Review

The following review is designed to provide information primarily about the Company's business and results for the year ended 31 October 2010. The business review should be read in conjunction with the Chairman's Statement on pages 3 and 4 and the Portfolio Manager's Review on page 5, which gives a detailed review of the investment activities for the year and an outlook for the future.

a) Status

The Company is incorporated in England and Wales and domiciled in the United Kingdom. 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 (formerly Section 842 of the Income and Corporation Taxes Act 1988). It is required to seek HM Revenue & Customs approval of its status as an investment trust under the above-mentioned Section 1158 every year, and this approval will continue to be sought. Approval of the Company's status as an investment trust has been received in respect of the year ended 31 October 2009 although this approval is subject to there being no subsequent enquiries under Corporation Tax Self Assessment. The directors are of the opinion that the Company has continued to conduct its affairs in a manner that will enable it to continue to gain such approval. The Company has no employees.

The Company is not a close company.

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

b) Investment objectives and policy

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.

While the Company will mainly invest 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 2010 contained over 200 individual investments. At 31 October 2010 the largest single investment was BP which accounted for 2.8% of total investments, while the top 25 holdings totalled 31.7% 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 18, and performance attribution against our composite benchmark is contained on page 17. Further information regarding investment risk and activity throughout the year can be found in the Manager's Review and accompanying regional pages.

Report of the Directors

continued

c) Financial review

- *Assets*

  Total net assets at 31 October 2010 amounted to £501,955,000 compared with £448,863,000 at 31 October 2009 and the net asset value per ordinary share increased by 13.0% from 399.9p to 451.9p.

- *Revenue*

  Group net revenue return after taxation for the year was £13,669,000, an increase of 2.2% from the previous year.

	2010	2009	% Change
Net assets (as at 31 October)	**£502.0m**	£448.9m	+11.8
Revenue return (for the year)	**£13.7m**	£13.4m	+2.2
Dividend (payable per share for the year)	**12.10p**	11.50p	+5.2

- *Dividend*

  The final dividend, if approved by shareholders at the AGM, will be paid on 28 February 2011 to shareholders on the register at 4 February 2011. The Company's shares go ex-dividend on 2 February 2011.

- *Payment of Suppliers*

  It was the payment policy for the financial year to 31 October 2010 to obtain the best possible terms for all business and, therefore, there is no single policy as to the terms used. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by such terms. There were no trade creditors at 31 October 2010 (2009: £nil).

- *Borrowings*

  The Board has in place a facility which allows the Company to borrow as and when appropriate. At 31 October 2010 the Company had a committed short term facility of £10m. The facility is subject to regular review.

  The Company also has two debentures, details of which can be found in note 16 on page 49.

- *Gearing*

  Gearing is defined as the difference between the values of investments and equity shareholders' funds, divided by equity shareholders' funds x 100. There was gearing of 4.0% at 31 October 2010 (2009: 0.9%).

- *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 Manager's Review on page 5.

- *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 Group has adequate financial resources to continue in operational existence for the foreseeable future.

d) 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 Benchmark*

  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 its benchmarks.

- *Discount to Net Asset Value ("NAV")*

  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.

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The Board considers the use of share buy-backs to enhance shareholder value. During the year 1,160,211 shares were purchased. 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.

- *Performance against the Company's peer group*
  In addition to comparison against the benchmarks and various indices, the Board also considers the performance of its AIC peer group at each Board meeting.

- *Total expense ratio ("TER")*
  The TER is 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 TER is defined here as the total annual pre tax operating expenses (management fee and other administration costs) expressed as a percentage of average shareholders' funds at the beginning and end of the year. The TER, before performance fees and borrowing costs and excluding the VAT reclaim, amounted to 0.42% (2009: 0.50%) of the assets of the Company. No performance fee was paid during the year. The Board regularly monitors all Company expenses.

e) Related party transactions

Investment management, accounting, company secretarial and administration services are provided to the Group by wholly owned subsidiary companies of Henderson Group plc ("Henderson"). This 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 investment in the Henderson Liquid Assets Fund, a money market fund (see note 12 on page 48), there have been no material transactions with this related party which has affected the financial position or performance of the Company in the financial year.

f) Custody arrangements

Global custody services are provided by BNP Paribas Securities Services.

g) Management arrangements

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

The basic annual management fee is 0.30% of gross assets per annum.

The Manager is eligible for a fee based on the degree of outperformance, calculated on the basis of the average net asset value total return over a rolling three year period compared to a composite index representing in equal proportions the FTSE All-Share Index and the FTSE World (ex UK) Index.

The payment of a performance fee in any year is subject to an outperformance hurdle rate of 1.5% per annum.

For the first 1% of outperformance in excess of the hurdle rate, a performance fee of 0.15% of average gross assets will be paid, and in respect of each further 1% of outperformance, a fee of a further 0.2% of average gross assets up to a maximum performance fee in any one year of 0.55% of average gross assets, so that the maximum total fee payable in any one year is 0.85% of average gross assets.

No performance fee will be paid in any year if either the Company's net asset value or its share price is lower at the end of the financial year than at the end of the previous financial year.

No performance fee will be paid if in any financial year distributable income plus revenue reserves is lower than the gross dividends payable in the previous financial year.

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

All publications of the Company's NAV take account of any performance fee owing or potentially owing.

During the year under review the Manager used certain services which were provided by or paid for by various brokers. In return it placed business, which may have included transactions relating to the Company, with these brokers.

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h) 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:

- *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 each month 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 benchmark index 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 risks*
  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, or 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 49 to 57.

- *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 28.

Corporate Governance Statement

a) Application of the AIC Code's Principles

The Board is accountable to shareholders for the governance of the Company's affairs. Paragraph 9.8.6 of the UK Listing Rules requires all listed companies to disclose how they have applied the principles and complied with the provisions of the 2008 Combined Code. As an investment trust, most of the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees and the directors are all non-executive. Thus, not all the provisions of the 2008 Combined Code are directly applicable to the Company.

The Financial Reporting Council (the "FRC") confirmed in February 2009 that it remained the view of the FRC that by following the Corporate Governance Guide for Investment Companies produced by the Association of Investment Companies (the "AIC Guide"), boards of investment companies should fully meet their obligations in relation to the 2008 Combined Code and paragraph 9.8.6 of the Listing Rules. The AIC Code of Corporate Governance (the "AIC Code"), as explained by the AIC Guide, addresses all the principles set out

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in Section 1 of the 2008 Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

The Board of The Bankers Investment Trust PLC believes that reporting against the AIC Code by reference to the AIC Guide will provide the most appropriate information to shareholders and has therefore followed the principles and recommendations set out in the AIC Code. Copies of the AIC Code and the AIC Guide can be found on www.theaic.co.uk.

In May 2010 the FRC published the new UK Corporate Governance Code which is effective for accounting periods commencing on or after 29 June 2010 ("the new code"). The AIC updated its Corporate Governance Code ("the new AIC Code") in October 2010 which the FRC have endorsed. These new codes have not yet been adopted by the Company and therefore do not apply to this report.

b) New Zealand Listing

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

c) 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, insofar as they apply to the Company's business, and with the provisions of the 2008 Combined 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 2008 Combined Code in respect of executive directors' remuneration and does not have a Remuneration Committee. Directors' fees are detailed in the Directors' Remuneration Report on page 32.

- *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.

d) Directors

- *Board Composition*
  The Board currently consists of five directors, all of whom are non-executive.

  The names and biographies of the directors holding office at the date of this report are listed on page 19. All the current directors served on the Board throughout the year. Mr Thomas retired from the Board on 23 February 2010.

- *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 AGM in accordance with the articles of association. The total number of directors shall not be less than three nor more than eight. Mr Peter Sullivan is to join the Board as a non-executive director on 22 February 2011 and will immediately offer himself for appointment at the AGM.

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

  The 2008 Combined Code requires that every director retires by rotation at least every three years. 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 new UK Corporate Governance Code requires all directors of FTSE 350 Companies to retire annually. Therefore all the

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directors will retire at the forthcoming AGM and, being eligible, offer themselves for re-appointment with the exception of Mr Sumner who is not seeking re-appointment.

- *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 19, 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 Mr Brewster who has served on the Board for over nine years. He has no other links to the Manager; in addition he has a wide range of other 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. Mr Sumner, who has also served on the Board for over nine years, is due to retire at the AGM in 2011.

- *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. At the AGM on 22 February 2011, Mr Sumner is to retire and Mr Sullivan is to join the Board as a non-executive director.

- *Directors' Remuneration*

  A report on directors' remuneration is on page 32.

- *Directors' Interests in Shares*

	Ordinary shares of 25p	
	31 October 2010	1 November 2009
With beneficial interest:		
R D Brewster	**72,975**	57,118
R R J Burns	**60,000**	60,000
R W Killingbeck	**25,000**	25,000
F I Sumner	**5,500**	5,500
D G Thomas	**n/a**	12,000
M W J Thorne	**19,000**	16,000
Non beneficial interest:		
R R J Burns	**33,000**	33,000

  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. Since the year end, Mr Brewster became interested in a further 176 shares due to the reinvestment of dividends and Mr Burns purchased 5,000 shares.

- *Directors' Conflicts of Interest*

  Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. With effect from 1 October 2008, the Companies Act 2006 (the "Act"), has allowed directors of public companies to authorise such conflicts and potential conflicts, where appropriate, but only if the articles of association contain a provision to this

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effect. The Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. There are two safe harbours – either the situation cannot reasonably be regarded as likely to give rise to a conflict of interest or the matter has been authorised in advance by the directors. The Company's Articles of Association give the directors the relevant authority required to deal with conflicts of interest.

Each of the directors has provided a statement of all conflicts of interest and potential conflicts of interest applicable to the Company. A register of conflicts of interest has been compiled and approved by the Board. The directors have also all undertaken to notify the Chairman as soon as they become aware of any new potential conflicts of interest that would need to be approved by the Board and added to the Register, which will be reviewed annually by the Board.

The directors advise the Chairman and the Company Secretary in advance of any proposed external appointment and new directors will be asked to submit a list of potential situations falling within the conflicts of interest provisions of the Act in advance of joining the Board. The Chairman determines whether the relevant appointment causes a conflict or potential conflict of interest and should therefore be considered by the Board.

Only directors who have no interest in the matter being considered are able to participate in the Board approval process. In deciding whether to approve a conflict of interest, directors act in a way they consider, in good faith, will be most likely to promote the Company's success in taking such a decision. The Board can impose limits or conditions when giving authorisation if the directors consider this to be appropriate.

The Board has reviewed its conflicts of interest procedures during the year and confirms that its powers of authorisation of conflicts has operated effectively since they were introduced on 1 October 2008 and that its procedures for the approval of conflicts of interest have been followed by all the directors.

- *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.

e) The Board

- *Chairman*
  The Chairman, Mr Brewster, is an independent non-executive director who has no conflicting relationships.

- *Senior Independent Director*
  Mr Sumner was appointed as Senior Independent Director on 28 February 2005. He is to be replaced by Mr Killingbeck as Senior Independent Director on his retirement at the AGM.

- *Responsibilities of the Board and its Committees*
  The Board has appointed a number of Committees as set out below. Copies of the terms of reference which clearly define the responsibilities and duties for each Committee are available on the website, www.bankersinvestmenttrust.com, or on request and will be available for inspection at the AGM.

- *Audit Committee*
  The Audit Committee comprises Mr Thorne, Mr Sumner and Mr Killingbeck, all of whom are considered independent. The Chairman of the Audit Committee is Mr Thorne. The Board has satisfied itself that at least one of

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the Committee's members has recent and relevant financial experience. The Committee has written terms of reference, which clearly define its responsibilities and duties.

Mr Sullivan is to become a member of the Audit Committee when Mr Sumner retires as a non-executive director at the AGM.

The Committee meets at least three times each year to review the internal financial and non-financial controls, to consider and recommend to the Board for approval the contents of the Half-Year and Annual Report & Financial Statements to shareholders and to review the accounting policies and significant financial reporting judgements. Representatives of the Manager's internal audit and compliance departments attend these meetings at the Chairman's request. In addition, the Committee reviews the auditors' independence, objectivity and effectiveness, appointment and remuneration, the quality of the services of the service providers to the Company, and, together with the Manager, reviews the Company's compliance with financial reporting and regulatory requirements. The Audit Committee remains satisfied with the effectiveness of the audit provided by PricewaterhouseCoopers LLP and therefore has not considered it necessary to date to require an independent tender process. A new audit partner has been introduced for the audit of the 31 October 2010 accounts.

Representatives of PricewaterhouseCoopers LLP, the Company's auditors, attend the Committee meeting at which the Annual 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.

- *Management Engagement Committee*
  The Management Engagement Committee's membership comprises all the members of the Board. The Chairman of the Committee is Mr Brewster. 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. Mr Sullivan is to become a member of the Management Engagement Committee on his appointment to the Company.

- *Nominations Committee*
  The Nominations Committee comprises Mr Brewster, Mr Burns, Mr Sumner and Mr Killingbeck. The Chairman of the Nominations Committee is Mr Brewster. 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.

- *Charities Committee*
  The Charities Committee comprises Mr Sumner (Chairman) and Mr Brewster, who consider requests for charitable donations of a limited nature within set criteria. During the year donations were made totalling £4,000 (2009: £4,000).

  Mr Burns will succeed Mr Sumner as Chairman of the Charities Committee.

- *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, 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

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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.

	Board	Audit Committee	Nominations Committee	Management Engagement Committee	Charities Committee
No. of meetings	**7**	**3**	**2**	**1**	**2**
Mr R D Brewster	7	n/a	2	1	2
Mr R R J Burns	6	n/a	2	1	n/a
Mr R W Killingbeck	7	2	2	1	n/a
Mr F I Sumner	7	3	2	1	2
Mr D G Thomas*	3	2	n/a	1	n/a
Mr M W J Thorne	7	3	n/a	1	n/a

*Mr Thomas retired on 23 February 2010.

The membership of each Committee is shown on page 64 of this report.

f) Performance Evaluation

- *The Company*

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

- *The Board*

  In order to review the effectiveness of the Board, the Committees and the individual directors, the Chairman has put in place and carried out a thorough appraisal process. This was implemented by way of a questionnaire and interviews with the Chairman. In respect of the Chairman, interviews were held between the directors and the Senior Independent Director. The process is 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.

  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.

g) 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 a process for identifying, evaluating and managing any major risks faced by the Company. The

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process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 ("the Turnbull Guidance") which was revised by the FRC in October 2005 and June 2006.

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 a report on its internal controls which includes a report from the Manager'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.

h) Accountability and relationship with the Manager

The Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 33, the Report of the Independent Auditors on page 60 and the Statement of Going Concern on page 21.

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), 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.

i) Continued appointment of the Investment Manager

The Board reviews the performance of the Investment Manager (Manager) at each Board meeting and the Management Engagement Committee meets 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.

j) Share capital and Shareholders

- *Share capital*

  At 31 October 2010 the Company had in issue 111,085,839 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 market price per share at that date was 379.9p, giving the Company a market capitalisation of £422 million. Equity shareholders' funds totalled £502 million, the net asset value per share at that date being 451.9p per share (inclusive of retained revenue for the year). Accordingly, the market price per share stood at a discount of 15.9% 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 for cancellation. During the year the Company bought back 1,160,211 of its ordinary shares at an average discount of 13.8% for a total consideration of £4,197,000.

- *Substantial Share Interests*

  Declarations of interests in the voting rights of the Company, at 7 January 2011, are set out below.

Shareholder	% of voting rights
F&C Asset Management	5.03
Rensburg Sheppards Investment Management	4.01
Legal & General	3.96

In addition, the Board is aware that, at 31 October 2010, 14.71% 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

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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 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.

- *Relations with Shareholders Voting policy*

  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 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 net asset value (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 Annual 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 Company Secretary at the address given on page 64. 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.

k) Corporate Responsibility

- *Responsible investment*

  Responsible Investment is the term Henderson uses to cover its work on corporate governance and corporate responsibility (or social, environmental and ethical 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 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*

  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 Stewardship Code. The Company has delegated responsibility for voting to the Manager. The Board will receive a report, at least annually, on the voting undertaken by the 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

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give specific instructions on voting 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

- *Employee and Environmental matters*
  The Company's 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. Henderson is focused on reducing greenhouse gas emissions and minimising waste, where possible.

Annual General Meeting ("AGM")

The AGM will be held on Tuesday 22 February 2011 at 2.30 pm. 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 Annual Report.

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 19. Each of those Directors confirms that:

- to the best of his knowledge and belief, there is no information relevant to the preparation of the Annual Report and Financial Statements of which the Company's auditors are unaware; and
- he 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.

By order of the Board

W J King FCIS
For and on behalf of Henderson Secretarial Services Limited
Secretary
17 January 2011

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 (formerly Lloyds TSB Registrars), 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 Company Secretary or the Registrar at the numbers provided on page 64.

Directors' Remuneration Report

Introduction
This report is submitted in accordance with Sections 420-422 of the Companies Act 2006. The report also meets the relevant provisions of the Listing Rules issued by the Financial Services Authority and describes how the Board has applied the principles relating to Directors' remuneration. As required by the Act a resolution to approve the report will be proposed at the AGM. The Company's auditors are required to report on certain information contained within this report.

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 regularly review the fees paid to the boards of directors of other 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. The review in 2009 led to no change in fees. However, from 1 November 2010 the rates were increased as follows: Chairman £33,500, the Chairman of the Audit Committee and Senior Independent Director £23,000 and the other directors £21,000 each.

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. 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.

Directors' Fees and Expenses
The Company's articles of association currently limit the fees payable to the directors in aggregate to £150,000 per annum. For the year under review the directors' fees were paid at the following annual rates:

The Chairman £32,000; the Chairman of the Audit Committee and Senior Independent Director £22,000 and the other directors £20,000 each.

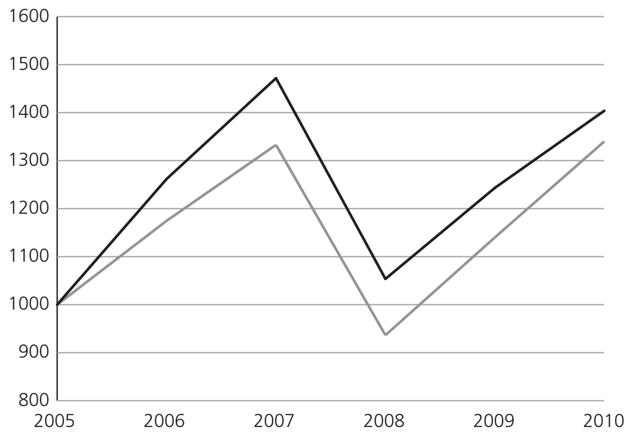
Directors' and officers' liability insurance cover is held by the Company in respect of the directors.

The fees paid to each of the directors who served during the year, and during 2009, were as follows:

Director	Note	**(Audited) 2010 £**	(Audited) 2009 £
R D Brewster		**32,000**	32,000
R R J Burns		**20,000**	20,000
R W Killingbeck		**20,000**	20,000
F I Sumner		**22,000**	22,000
D G Thomas	1	**6,968**	22,000
M W J Thorne	2	**21,367**	18,569
TOTAL		**122,335**	134,569

Note:
1. Mr Thomas retired as a director on 23 February 2010.
2. Mr Thorne joined as a director on 27 November 2008 and succeeded Mr Thomas as Audit Committee Chairman on 23 February 2010.

Performance Graph
A line graph as required by the Regulations showing the Company's share price total return compared to the composite index is shown below.



Source: Datastream

The Company's share price total return, assuming the investment of £1,000 on 31 October 2005 and the reinvestment of all dividends (excluding dealing expenses).

50/50 FTSE All-Share Index and FTSE World (ex UK) Index assuming the notional investment of £1,000 into the benchmark on 31 October 2005 and the reinvestment of all income (excluding dealing expenses).

The composite index is selected because it was the Company's performance benchmark throughout the period covered by the graph.

By order of the Board

W J King, FCIS
For and on behalf of
Henderson Secretarial Services Limited, Secretary
17 January 2011

Statement of Directors' Responsibilities in respect of the Annual Report, the Directors' Remuneration Report and the Financial Statements

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 elected to prepare the Group and Parent Company 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 Group and the Company and of the profit or loss of the Group 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 the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Directors' Responsibilities under DTR 4.1.12

Each of the directors, who are listed on page 19 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Report of the Directors in this Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

R D Brewster
Chairman
17 January 2011

The financial statements are published on the www.bankersinvestmenttrust.com website, which is a website maintained by the Company's Manager, Henderson Group plc ("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.

Consolidated Statement of Comprehensive Income

for the year ended 31 October 2010

Notes		**Year ended 31 October 2010** Revenue Return £'000	Capital Return £'000	Total £'000	Year ended 31 October 2009 Revenue Return £'000	Capital Return £'000	Total £'000
2	Gains on investments held at fair value through profit or loss	**–**	**59,081**	**59,081**	–	66,848	66,848
3	Investment income	**16,108**	**–**	**16,108**	15,596	–	15,596
4	Other operating income	**370**	**–**	**370**	893	–	893
4	Interest on VAT refunds	**–**	**–**	**–**	377	–	377
	Total income	**16,478**	**59,081**	**75,559**	16,866	66,848	83,714
	Expenses						
5	Management fees	**(862)**	**(464)**	**(1,326)**	(982)	(529)	(1,511)
5	Write back of prior years' VAT	**–**	**–**	**–**	525	–	525
6	Other expenses	**(655)**	**–**	**(655)**	(562)	–	(562)
	Profit before finance costs and taxation	**14,961**	**58,617**	**73,578**	15,847	66,319	82,166
7	Finance costs	**(684)**	**(1,596)**	**(2,280)**	(676)	(1,578)	(2,254)
	Profit before taxation	**14,277**	**57,021**	**71,298**	15,171	64,741	79,912
8	Taxation	**(608)**	**–**	**(608)**	(1,797)	1,240	(557)
	Profit for the year and total comprehensive income	**13,669**	**57,021**	**70,690**	13,374	65,981	79,355
9	**Earnings per ordinary share**	**12.26p**	**51.13p**	**63.39p**	11.83p	58.35p	70.18p

The total columns of this statement represents the Consolidated Statement of Comprehensive Income, prepared in accordance with IFRS 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. All items in the above statement derive from continuing operations.

All income is attributable to the equity shareholders of The Bankers Investment Trust PLC. There are no non-controlling interests.

As permitted by the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The net profit of the Company for the year was £70,690,000 (2009: £79,355,000).

The Group does not have any other comprehensive income hence the net profit for the year as above is the same as the Group's total comprehensive income.

The notes on pages 38 to 59 form part of these financial statements

Consolidated and Parent Company Statements of Changes in Equity

for the year ended 31 October 2010

Note	**Consolidated year ended 31 October 2010**	**Called up share capital £'000**	**Share premium account £'000**	**Capital redemption reserve £'000**	**Other capital reserves £'000**	**Revenue reserve £'000**	**Total £'000**
	Total equity at 31 October 2009	**28,062**	**452**	**12,148**	**377,462**	**30,739**	**448,863**
	Total comprehensive income:						
	Profit for the year	**–**	**–**	**–**	**57,021**	**13,669**	**70,690**
	Transactions with owners, recorded directly to equity:						
	Buy back of 1,160,211 ordinary shares	**(290)**	**–**	**290**	**(4,197)**	**–**	**(4,197)**
10	**Ordinary dividends paid**	**–**	**–**	**–**	**–**	**(13,401)**	**(13,401)**
	Total equity at 31 October 2010	**27,772**	**452**	**12,438**	**430,286**	**31,007**	**501,955**

	Consolidated year ended 31 October 2009	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 31 October 2008	28,290	452	11,920	314,783	30,216	385,661
	Total comprehensive income:						
	Profit for the year	–	–	–	65,981	13,374	79,355
	Transactions with owners, recorded directly to equity:						
	Buy back of 913,774 ordinary shares	(228)	–	228	(3,302)	–	(3,302)
10	Ordinary dividends paid	–	–	–	–	(12,851)	(12,851)
	Total equity at 31 October 2009	28,062	452	12,148	377,462	30,739	448,863

	Company year ended 31 October 2010	**Called up share capital £'000**	**Share premium account £'000**	**Capital redemption reserve £'000**	**Other capital reserves £'000**	**Revenue reserve £'000**	**Total £'000**
	Total equity at 31 October 2009	**28,062**	**452**	**12,148**	**378,368**	**29,833**	**448,863**
	Total comprehensive income:						
	Profit for the year	**–**	**–**	**–**	**57,100**	**13,590**	**70,690**
	Transactions with owners, recorded directly to equity:						
	Buy back of 1,160,211 ordinary shares	**(290)**	**–**	**290**	**(4,197)**	**–**	**(4,197)**
10	**Ordinary dividends paid**	**–**	**–**	**–**	**–**	**(13,401)**	**(13,401)**
	Total equity at 31 October 2010	**27,772**	**452**	**12,438**	**431,271**	**30,022**	**501,955**

	Company year ended 31 October 2009	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 31 October 2008	28,290	452	11,920	315,689	29,310	385,661
	Total comprehensive income:						
	Profit for the year	–	–	–	65,981	13,374	79,355
	Transactions with owners, recorded directly to equity:						
	Buy back of 913,774 ordinary shares	(228)	–	228	(3,302)	–	(3,302)
10	Ordinary dividends paid	–	–	–	–	(12,851)	(12,851)
	Total equity at 31 October 2009	28,062	452	12,148	378,368	29,833	448,863

The notes on pages 38 to 59 form part of these financial statements

Consolidated and Parent Company Balance Sheets

as at 31 October 2010

Notes		Consolidated 2010 £'000	Consolidated 2009 £'000	Company 2010 £'000	Company 2009 £'000
11 & 13	**Non-current assets**				
	Investments held at fair value through profit or loss	**522,112**	452,962	**523,097**	453,868
	Current assets				
12	Investments held at fair value through profit or loss	**6,949**	13,500	**6,300**	13,500
14	Other receivables	**3,831**	2,207	**7,949**	2,207
	Cash and cash equivalents	**8,910**	5,989	**3,845**	5,985
		19,690	21,696	**18,094**	21,692
	Total assets	**541,802**	474,658	**541,191**	475,560
	Current liabilities				
15	Other payables	**(14,847)**	(795)	**(14,236)**	(1,697)
	Total assets less current liabilities	**526,955**	473,863	**526,955**	473,863
	Non-current liabilities				
16	Debenture stocks	**(25,000)**	(25,000)	**(25,000)**	(25,000)
	Net assets	**501,955**	448,863	**501,955**	448,863
	Equity attributable to equity shareholders				
19	Called up share capital	**27,772**	28,062	**27,772**	28,062
20	Share premium account	**452**	452	**452**	452
21	Capital redemption reserve	**12,438**	12,148	**12,438**	12,148
	Retained earnings:				
21	Other capital reserves	**430,286**	377,462	**431,271**	378,368
22	Revenue reserve	**31,007**	30,739	**30,022**	29,833
	Total equity	**501,955**	448,863	**501,955**	448,863
18	**Net asset value per Ordinary share (pence)**	**451.9p**	399.9p	**451.9p**	399.9p

The financial statements were approved by the directors on 17 January 2011 and signed on their behalf by:

Director
R D Brewster

The notes on pages 38 to 59 form part of these financial statements

Consolidated and Parent Company Cash Flow Statements

for the year ended 31 October 2010

Reconciliation of operating revenue to net cash flow from operating activities	**Consolidated 2010 £'000**	**Company 2010 £'000**	Consolidated 2009 £'000	Company 2009 £'000
Net profit before tax	**71,298**	**71,298**	79,912	79,912
Add interest payable ("finance costs")	**2,280**	**2,280**	2,254	2,254
Less: gains on investments held at fair value through profit or loss	**(59,081)**	**(59,180)**	(66,848)	(66,848)
Decrease in accrued income	**570**	**570**	439	439
(Increase)/decrease in other debtors	**(2)**	**(2)**	1,278	1,278
Increase/(decrease) in other creditors and accruals	**162**	**162**	(33)	(33)
Purchases of investments	**(119,885)**	**(119,885)**	(104,123)	(104,123)
Sales of investments	**110,009**	**110,009**	93,214	93,214
Amounts paid to subsidiary undertaking	**–**	**(5,000)**	–	–
Purchases of current asset investments	**(47,002)**	**(46,010)**	(29,650)	(29,650)
Sales of current asset investments	**53,652**	**53,210**	16,150	16,150
(Increase)/decrease in amounts due from brokers	**(2,096)**	**(2,096)**	11,395	11,395
Increase/(decrease) in amounts due to brokers	**9,869**	**9,258**	(1,241)	(1,241)
Stock dividends included in investment income	**–**	**–**	(22)	(22)
Dealing profits	**(99)**	**–**	–	–
Net cash inflow from operating activities before interest and taxation	**19,675**	**14,614**	2,725	2,725
Interest paid	**(2,259)**	**(2,259)**	(2,254)	(2,254)
Taxation on investment income	**(704)**	**(704)**	(544)	(544)
Net cash inflow/(outflow) from operating activities	**16,712**	**11,651**	(73)	(73)
Financing activities				
Equity dividends paid	**(13,401)**	**(13,401)**	(12,851)	(12,851)
Purchase of ordinary shares	**(4,197)**	**(4,197)**	(3,302)	(3,302)
Drawdown of loan	**4,000**	**4,000**	–	–
Net cash outflow from financing activities	**(13,598)**	**(13,598)**	(16,153)	(16,153)
Increase/(decrease) in cash	**3,114**	**(1,947)**	(16,226)	(16,226)
Cash and cash equivalents at start of the year	**5,989**	**5,985**	21,882	21,878
Exchange movements	**(193)**	**(193)**	333	333
Cash and cash equivalents at end of the year	**8,910**	**3,845**	5,989	5,985

The notes on pages 38 to 59 form part of these financial statements

Notes to the Financial Statements

1 Accounting policies

(a) Basis of preparation

The consolidated and parent company financial statements for the year ended 31 October 2010 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. The principal accounting policies adopted are set out below. 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.

(i) Standards, amendments and interpretations that became effective in the current financial year that have been adopted by the Group:

- IAS 1 (revised) *Presentation of financial statements* The revised standard requires the separate presentation of changes in equity attributable to the owners (equity shareholders) and other non-owner changes. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has applied IAS 1 (revised) from 1 November 2009 and has elected to present solely a statement of comprehensive income. Where an entity restates or reclassifies comparative information, it is also required to present a restated balance sheet as at the beginning of the comparative period. The adoption of this revised standard has not resulted in a significant change to the presentation of the Group's performance statement, as the Group has no elements of other comprehensive income not previously included in its Statement of Comprehensive Income.

- IAS 39 (amendment) *Financial instruments: Recognition and measurement* The amendment was part of the IASB's annual improvements project published in May 2008. The amendment permits an entity to reclassify particular financial assets in some circumstances and the definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. Adoption did not have a significant impact on the Group's financial statements.

- IFRS 7 (amendment) *Financial Instruments: Disclosures* Introduced new disclosure requirements whereby financial instruments must be categorised under a three-level fair value hierarchy. A reconciliation is also required for any investments categorised as Level 3. The additional disclosures resulting from this amendment have been included in Note 17.5 on page 56. The amendments to IFRS 7 also introduce some additional disclosures on liquidity risk which are included in note 17.2.

- IAS 32 (amendment) *Financial instruments: Presentation* and IAS 1 (amendment) *Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation*. The amendment provides exemptions from financial liability classification for (a) puttable financial instruments that meet certain conditions; and (b) certain instruments or components of instruments that impose on the entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation as equity. Adoption did not have any impact on the Group's financial statements.

Notes to the Financial Statements

continued

1 Accounting policies (continued)

- IFRS 8 *Operating Segments* Replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131. The new standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard has resulted in changes to the presentation of segment information in note 25.
- IAS 23 (amendment) *Borrowing Costs* Requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. This is not currently relevant to the Group, which has no qualifying assets.
- *Improvements to IFRS* were issued in May 2008 and April 2009 and comprise numerous amendments to IFRS that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies have been made (or, where relevant, are expected) as a result of these amendments.
- IAS 27 (revised) *Consolidated and separate financial statements* Introduces significant changes to the accounting for transactions with non-controlling interests (minority interests), the accounting for a loss of control and the presentation of non-controlling interests in consolidated financial statements. Adoption did not have any impact on the Group's financial statements.
- IAS 28 (amendment) *Investments in Associates* Consequential amendments arising from revisions to IFRS 3. Adoption did not have any impact on the Group's financial statements.
- IFRS 3 (revised) *Business combinations* Adoption did not have any impact on the Group's financial statements.

(ii) Standards, amendments and interpretations to existing standards that become effective in future accounting periods and have not been adopted early by the Group:

- IAS 24 (revised) *Related Party Disclosures* (effective for financial periods beginning on or after 1 January 2011, subject to EU endorsement) Revises the definition of related parties. Adoption is unlikely to have a significant effect on the Group's financial statements.

(iii) Standards, amendments and interpretations to existing standards that become effective in future accounting periods and are not relevant to the Group's operations:

- IFRS 1 (amendments) *First-time Adoption of International Financial Reporting Standards and Additional exemptions for first-time adopters*
- IFRS 2 (amendments) *Group cash-settled share-based payment transactions*
- IFRS 5 (amendment) *Non-current Assets Held for Sale and Discontinued Operations*
- IFRS 9 (new) *Financial Instruments: Classification and Measurement*
- IAS 17 (amendment) *Leases*
- IAS 32 (amendment) *Financial Instruments: Presentation* Amendments relating to the classification of rights issues

Notes to the Financial Statements

continued

1 Accounting policies (continued)

(b) Basis of consolidation

The Group accounts consolidate the accounts of the Company and of its sole wholly owned subsidiary undertaking, The Army and Navy Investment Company Limited. The intragroup balances are eliminated on consolidation. The investment in the subsidiary is recognised at fair value in the financial statements of the Company.

(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 (including the Company's investment in its subsidiary) 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 Consolidated 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 Group's compliance with certain requirements set out in section 1158 of the Corporation Tax Act 2010.

(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. The trading profits of the subsidiary undertaking, which represent realised gains and losses on the sale of current asset investments, are dealt with in the revenue return column of the Statement of Comprehensive Income as a revenue item. 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. Any performance fees payable are allocated wholly to capital, reflecting the fact that, although they are calculated on a total return basis, they are expected to be attributable largely, if not wholly, to capital performance. 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.

Notes to the Financial Statements

continued

1 Accounting policies (continued)

(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 Group's 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.

(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 are dealt with in the Statement of Changes in Equity.

(i) Foreign currency

For the purposes of the consolidated financial statements, the results and financial position of each entity is expressed in pounds sterling, which is the functional currency of the Company and the presentational currency of the Group. Sterling is the functional currency because it is the currency of the primary economic environment in which the Group 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 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.

Notes to the Financial Statements

continued

1 Accounting policies (continued)

(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 dealt with 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.

(o) Policy on operating segments

The Group has adopted IFRS 8, "Operating Segments" for the first time, replacing the previous reporting under IAS 14, "Segment Reporting". 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 Group has two operating segments: (i) the Parent Company, The Bankers Investment Trust PLC, which invests in shares and securities primarily for capital appreciation in accordance with the Company's published investment objective; and (ii) its wholly owned subsidiary, The Army and Navy Investment Company Limited, which trades in securities to enhance the Group's returns.

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 6 to 18. 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.

Notes to the Financial Statements
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2	**Gains on investments held at fair value through profit or loss**	**2010 £'000**	2009 £'000
	Gains/(losses) on sales of investments based on historical cost	**15,969**	(18,157)
	Revaluation (gains)/losses recognised in previous years	**(9,540)**	18,381
	Gains on investments sold in the year based on carrying value at previous balance sheet date	**6,429**	224
	Revaluation of investments held at 31 October	**52,845**	66,291
	Exchange (losses)/gains	**(193)**	333
		59,081	66,848

3	**Investment income**	**2010 £'000**	2009 £'000
	UK dividend income – listed	**7,661**	6,894
	Overseas dividend income – listed	**7,516**	7,012
	Property income distributions	**99**	–
	Income from fixed interest securities	**832**	1,668
	Stock dividends	**–**	22
		16,108	15,596
	Analysis of investment income by geographical region:		
	UK	**9,475**	9,313
	Europe (ex UK)	**1,523**	1,799
	North America	**1,203**	1,294
	Japan	**1,057**	975
	Pacific (ex Japan)	**2,423**	1,722
	Emerging Markets	**427**	493
		16,108	15,596

4	**Other operating income**	**2010 £'000**	2009 £'000
	Bank interest	**4**	122
	Stock lending revenue	**107**	119
	Underwriting commission	**160**	652
	Dealing profits	**99**	–
		370	893
	Interest on VAT refund (see note 26)	**–**	377
		370	1,270

At 31 October 2010 the total value of securities on loan by the Group for stock lending purposes was £35,227,000 (2009: £11,583,000). The maximum aggregate value of securities on loan at any one time during the year ended 31 October 2010 was £53,835,000 (2009: £41,347,000). The Group's agent holds collateral which is reviewed on a daily basis, comprising Government Bonds with a market value of 105% of the market value of any securities on loan.

Notes to the Financial Statements

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5 **Management fees**	**Revenue Return 2010 £'000**	**Capital Return 2010 £'000**	**Total 2010 £'000**	Revenue Return 2009 £'000	Capital Return 2009 £'000	Total 2009 £'000
Investment management	**199**	**464**	**663**	226	529	755
Accounting, secretarial and administration	**663**	**–**	**663**	756	–	756
	862	**464**	**1,326**	982	529	1,511
Write back of VAT (see note 26)	**–**	**–**	**–**	(525)	–	(525)
	862	**464**	**1,326**	457	529	986

A summary of the terms of the management agreement is given in the Report of the Directors on page 22.

No performance fee was payable (2009: £nil).

6 **Other expenses**	**2010 £'000**	2009 £'000
Directors' fees (see page 32)	**122**	135
Auditors' remuneration:		
– for audit services (£24,000 relating to the Parent Company and £1,000 relating to the Subsidiary)	**25**	25
– for other assurance services	**–**	2
– for non-audit services (in respect of tax compliance services)	**2**	3
Other expenses payable to the Manager (relating to marketing services)	**58**	13
Bank charges	**88**	60
Registrar fees	**62**	56
AIC subscriptions	**32**	31
Printing expenses	**46**	48
Legal fees	**6**	–
Listing fees	**31**	26
Stock lending fees	**27**	30
Other expenses	**156**	133
	655	562

The compensation payable to key management personnel in respect of short term employment benefits was £122,000 (2009: £135,000) which relates wholly to the fees payable to the directors in respect of the year.

7 **Finance costs**	**Revenue Return 2010 £'000**	**Capital Return 2010 £'000**	**Total 2010 £'000**	Revenue Return 2009 £'000	Capital Return 2009 £'000	Total 2009 £'000
On bank loans and overdrafts repayable within one year	**9**	**21**	**30**	1	3	4
Interest on debentures repayable wholly or partly after five years	**675**	**1,575**	**2,250**	675	1,575	2,250
	684	**1,596**	**2,280**	676	1,578	2,254

Notes to the Financial Statements

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8 Taxation	Revenue Return 2010 £'000	Capital Return 2010 £'000	Total 2010 £'000	Revenue Return 2009 £'000	Capital Return 2009 £'000	Total 2009 £'000
(a) Analysis of the charge for the year						
UK Corporation tax at 28% (2009: 28%)	**–**	**–**	**–**	549	7	556
Double taxation relief	**–**	**–**	**–**	(549)	(7)	(556)
Overseas tax reclaimable	**(129)**	**–**	**(129)**	(93)	(9)	(102)
Tax relief on expenses charged to capital	**–**	**–**	**–**	1,247	(1,247)	–
	(129)	**–**	**(129)**	1,154	(1,256)	(102)
Overseas tax suffered	**737**	**–**	**737**	643	16	659
Taxation	**608**	**–**	**608**	1,797	(1,240)	557

(b) Factors affecting the tax charge for the year

The differences are explained below:

	Revenue Return 2010 £'000	Capital Return 2010 £'000	Total 2010 £'000	Revenue Return 2009 £'000	Capital Return 2009 £'000	Total 2009 £'000
Profit before taxation	**14,277**	**57,021**	**71,298**	15,171	64,741	79,912
Corporation tax at 28% (2009: 28%)	**3,997**	**15,966**	**19,963**	4,248	18,127	22,375
Non taxable UK dividends	**(2,098)**	**–**	**(2,098)**	(1,930)	–	(1,930)
Non taxable scrip dividends and other income	**(2,006)**	**–**	**(2,006)**	(711)	–	(711)
Tax relief on expenses charged to capital	**112**	**–**	**112**	(1,813)	–	(1,813)
Income taxable in different years	**(5)**	**–**	**(5)**	195	–	195
Overseas withholding tax suffered	**608**	**–**	**608**	549	7	556
Special dividend taken to capital	**–**	**–**	**–**	12	–	12
Tax charged/(credited) for use of capital expenses	**–**	**–**	**–**	1,247	(1,247)	–
Capital gains not subject to tax	**–**	**(15,966)**	**(15,966)**	–	(18,127)	(18,127)
	608	**–**	**608**	1,797	(1,240)	557

(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.

(d) Factors that may affect future tax charges

The Company has not recognised a deferred tax asset totalling £2,706,000 (2009: £2,118,000) arising as a result of having unutilised non trade loan relationship deficits of £2,355,000 (2009: £2,118,000), excess management expenses of £351,000 (2009: £nil) and deferred tax liability of £321,000 on offshore funds. These expenses will only be utilised if the Group has profits chargeable to corporation tax in the future.

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 profits attributable to the ordinary shares of £70,690,000 (2009: £79,355,000) and on 111,521,997 ordinary shares (2009: 113,068,847) being the weighted average number of shares in issue during the year.

The total earnings can be further analysed as follows:

	2010 £'000	2009 £'000
Revenue earnings	**13,669**	13,374
Capital earnings	**57,021**	65,981
Earnings for the year	**70,690**	79,355
Weighted average number of ordinary shares	**111,521,997**	113,068,847
Revenue earnings per ordinary share	**12.26p**	11.83p
Capital earnings per ordinary share	**51.13p**	58.35p
Earnings per ordinary share	**63.39p**	70.18p

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

10 Dividends on ordinary shares

	Record date	Payment date	**2010 £'000**	2009 £'000
Third interim dividend (2.93p) for year ended 31 October 2008	24 October 2008	28 November 2008	**–**	3,315
Final dividend (2.93p) for the year ended 31 October 2008	6 February 2009	27 February 2009	**–**	3,314
First interim dividend (2.75p) for the year ended 31 October 2009	1 May 2009	29 May 2009	**–**	3,111
Second interim dividend (2.75p) for the year ended 31 October 2009	24 July 2009	28 August 2009	**–**	3,111
Third interim dividend (3.00p) for year ended 31 October 2009	30 October 2009	30 November 2009	**3,368**	–
Final dividend (3.00p) for the year ended 31 October 2009	5 February 2010	26 February 2010	**3,357**	–
First interim dividend (3.00p) for the year ended 31 October 2010	30 April 2010	28 May 2010	**3,341**	–
Second interim dividend (3.00p) for the year ended 31 October 2010	30 July 2010	31 August 2010	**3,335**	–
			13,401	12,851

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 overleaf.

Notes to the Financial Statements

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10	**Dividends on ordinary shares** (continued)	**£'000**
	Revenue available for distribution by way of dividend for the year	13,669
	First interim dividend (3.00p)	(3,341)
	Second interim dividend (3.00p)	(3,335)
	Third interim dividend (3.00p) paid on 30 November 2010	(3,333)
	Final dividend (3.10p) payable on 28 February 2011	(3,444)
	Undistributed revenue for section 1158 purposes*	**216**

*Undistributed revenue comprises approximately 1.3% of income from investments.

11	**Investments held at fair value through profit or loss**	**Group £'000**
	(a) Group	
	Valuation at 1 November 2009	452,962
	Investment holding gains at 1 November 2009	(82,846)
	Cost at 1 November 2009	370,116
	Acquisitions at cost	119,885
	Disposals at cost	(94,040)
	Cost at 31 October 2010	395,961
	Investment holding gains	126,151
	Valuation of investments at 31 October 2010	**522,112**

Included in the total investments are unquoted investments shown at the directors' fair valuation of £118,000 (2009: £1,333,000).

	Subsidiary undertaking £'000	**Investments £'000**	**Total £'000**
(b) Company			
Valuation at 1 November 2009	906	452,962	453,868
Investment holding gains at 1 November 2009	(906)	(82,846)	(83,752)
Cost at 1 November 2009	–	370,116	370,116
Acquisitions at cost	–	119,885	119,885
Disposals at cost	–	(94,040)	(94,040)
Cost at 31 October 2010	–	395,961	395,961
Investment holding gains	985	126,151	127,136
Valuation of investments at 31 October 2010	**985**	**522,112**	**523,097**

Included in the total investments are unquoted investments shown at the directors' fair valuation of £1,103,000 (2009: £2,239,000).

At 31 October 2010 convertible or fixed interest securities held in the portfolio of the Company and the Group were £3,582,000 (2009: £19,079,000).

Purchase and sale transaction costs for the year ended 31 October 2010 were £257,000 and £171,000 respectively (2009: transaction costs of purchases £202,000; transaction costs of sales £125,000). These comprise mainly stamp duty and commission.

The Company has interests of 3% or more of any class of capital in 4 (2009: 3) investee companies. None of these investments are considered material in the context of these accounts.

Notes to the Financial Statements

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12 Current asset investment

The Company has a holding in Henderson Liquid Assets Fund plc, 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 2010 this holding has a value of £6,300,000 (2009: £13,500,000).

Henderson Liquid Assets Fund plc is managed by Henderson Global Investors Limited ("Henderson"). The Company's holding is made through a class of shares that does not bear management fees and, accordingly, it has no effect on the management fees payable by the Company to Henderson (which are based on the value of the total assets under management, wherever held).

The subsidiary undertaking holds dealing investments with a value of £649,000 (2009: £nil).

13 Subsidiary undertaking

The Company has 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 is registered in England and Wales and operates in the United Kingdom as an investment dealing company. It is stated in the Company's accounts at net asset value which approximates to fair value.

14 Other receivables

	Group 2010 £'000	Group 2009 £'000	**Company 2010 £'000**	Company 2009 £'000
Securities sold for future settlement	**2,096**	–	**2,096**	–
Amounts due from subsidiary undertakings	**–**	–	**4,118**	–
Other taxes recoverable	**434**	338	**434**	338
Prepayments and accrued income	**1,298**	1,868	**1,298**	1,868
Other debtors	**3**	1	**3**	1
	3,831	2,207	**7,949**	2,207

15 Other payables

	Group 2010 £'000	Group 2009 £'000	**Company 2010 £'000**	Company 2009 £'000
Bank loans	**4,000**	–	**4,000**	–
Securities purchased for future settlement	**10,472**	603	**9,861**	603
Amounts due to subsidiary undertakings	**–**	–	**–**	902
Accruals	**248**	64	**248**	64
Other creditors	**127**	128	**127**	128
	14,847	795	**14,236**	1,697

Notes to the Financial Statements

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		Group and Company	
		2010	2009
16	**Non current liabilities: amounts falling due after more than one year**	**£'000**	£'000
	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 (for the Group and Company)

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 business review. In pursuing its investment objective, the Group is exposed to a variety of financial risks that could result in either a reduction in the Group's net assets or a reduction in the profits available for distribution by way of dividends.

These financial risks: market risk (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 Group'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 fair value of a financial instrument held by the Group may fluctuate due to changes in market prices. Market risk comprises market price risk (see note 17.1.1), currency risk (see note 17.1.2) and interest rate risk (see note 17.1.3). 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.

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

	31 October 2010 £'000	31 October 2009 £'000
Equities	**518,530**	433,883
Fixed interest	**3,582**	19,079
	522,112	452,962

Notes to the Financial Statements

continued

17 Risk management policies and procedures (continued)

17.1.1 Market price risk (continued)

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and the Group's net assets to an increase or decrease of 20% (2009: 20%) in the fair values of the Group's equity investments at each balance sheet date. This level of change is considered to be reasonable based on observation of current market conditions.

	2010 Increase in fair value £'000	**2010** Decrease in fair value £'000	2009 Increase in fair value £'000	2009 Decrease in fair value £'000
Statement of Comprehensive Income – profit after tax				
Revenue return	**(202)**	**202**	(122)	122
Capital return	**103,597**	**(103,597)**	86,639	(86,639)
Change to profit after tax for the year and net assets	**103,395**	**(103,395)**	86,517	(86,517)

17.1.2 Currency risk

A significant proportion of the Group's assets, liabilities and income are denominated in currencies other than sterling (the Group'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 Group'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 Group of the foreign currency exposure by considering the effect on the Group's net asset value and total return of a movement in the exchange rate to which the Group's assets, liabilities, income and expenses are exposed.

Foreign currency borrowings may be used to limit the Group'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 35% of the adjusted net asset value.

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 Group's monetary items that have foreign currency exposure at 31 October are shown overleaf. Where the Group'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.

Notes to the Financial Statements

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17 Risk management policies and procedures (continued)

17.1.2 Currency risk (continued)

2010	US$ £'000	Euro £'000	Japanese Yen £'000	Hong Kong $ £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	**54**	**113**	**322**	**67**	**367**
Cash at bank	**2,389**	**141**	**1**	**87**	**852**
Payables (due to brokers, accruals and other creditors)	**(671)**	**(4,447)**	**–**	**–**	**(227)**
Total foreign currency exposure on net monetary items	**1,772**	**(4,193)**	**323**	**154**	**992**
Investments at fair value through profit or loss that are equities	**104,153**	**42,692**	**39,484**	**25,478**	**66,870**
Total net foreign currency exposure	**105,925**	**38,499**	**39,807**	**25,632**	**67,862**

2009	US$ £'000	Euro £'000	Japanese Yen £'000	Hong Kong $ £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	178	151	330	51	205
Cash at bank	2,321	1,397	(426)	6	69
Payables (due to brokers, accruals and other creditors)	(158)	(13)	–	–	(445)
Total foreign currency exposure on net monetary items	2,341	1,535	(96)	57	(171)
Investments at fair value through profit or loss that are equities	87,108	20,973	42,059	24,541	54,312
Total net foreign currency exposure	89,449	22,508	41,963	24,598	54,141

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 overleaf illustrates the sensitivity of the total profit after tax for the year and the net assets in regard to movements in the Group'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% (2009: 10%). Euro/Sterling +/- 10% (2009: 10%). Japanese Yen/Sterling +/- 10% (2009: 10%). Hong Kong Dollar/Sterling +/- 10% (2009: 10%).

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

Notes to the Financial Statements

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17 Risk management policies and procedures (continued)

17.1.2 Currency risk (continued)

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

	2010				2009			
	US$ £'000	**Euro £'000**	**Yen £'000**	**Hong Kong $ £'000**	US$ £'000	Euro £'000	Yen £'000	Hong Kong $ £'000
Statement of Comprehensive Income – profit after tax								
Revenue return	**199**	**91**	**108**	**101**	130	74	71	52
Capital return	**11,553**	**4,754**	**4,382**	**2,837**	9,977	2,511	4,649	2,744
Change to profit after tax for the year and net assets	**11,752**	**4,845**	**4,490**	**2,938**	10,107	2,585	4,720	2,796

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

	2010				2009			
	US$ £'000	**Euro £'000**	**Yen £'000**	**Hong Kong $ £'000**	US$ £'000	Euro £'000	Yen £'000	Hong Kong $ £'000
Statement of Comprehensive Income – profit after tax								
Revenue return	**(162)**	**(74)**	**(90)**	**(82)**	(107)	(60)	(58)	(43)
Capital return	**(9,452)**	**(3,890)**	**(3,585)**	**(2,322)**	(8,163)	(2,055)	(3,804)	(2,246)
Change to profit after tax for the year and net assets	**(9,614)**	**(3,964)**	**(3,675)**	**(2,404)**	(8,270)	(2,115)	(3,862)	(2,289)

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 Group'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 Group 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.

	2010 Within one year £'000	**2010** More than one year £'000	**2010** Total £'000	2009 Within one year £'000	2009 More than one year £'000	2009 Total £'000
Exposure to floating interest rates:						
Cash at bank	**8,910**	**–**	**8,910**	5,989	–	5,989
Current asset investment	**6,300**	**–**	**6,300**	13,500	–	13,500
Fixed interest investments	**–**	**–**	**–**	–	1,390	1,390
Exposure to fixed interest rates:						
Fixed interest investments	**24**	**3,558**	**3,582**	–	17,689	17,689
Bank loans	**(4,000)**	**–**	**(4,000)**	–	–	–
Debentures	**–**	**(25,000)**	**(25,000)**	–	(25,000)	(25,000)
	11,234	**(21,442)**	**(10,208)**	19,489	(5,921)	13,568

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 (2009: same).

Interest rate sensitivity

The Group 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 £8,910,000 (2009: £5,989,000) and if that level of cash was maintained for a full year, then a 100 basis points change in LIBOR (up or down) would increase or decrease total net return on ordinary activities after taxation by approximately £89,000 (2009: £60,000).

– Current asset investment sensitivity – The Company's interest bearing current asset investment at the year end was £6,300,000 (2009: £13,500,000) and if that level of investment was maintained for a full year, then 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 £63,000 (2009: £135,000).

– Fixed income investment sensitivity – The Company's fixed income portfolio at the year end was valued at £3,582,000 (2009: £19,079,000), and it had a modified duration (interest rate sensitivity) of approximately 5.4 years (2009: 5.2 years). A 100 basis points change in short term interest rates (up or down), which is mirrored by an equivalent change in long term interest rates, would be expected to decrease or increase this portfolio's value by approximately £192,000 (2009: £915,000), all other factors being equal.

17.2 Liquidity risk

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

Notes to the Financial Statements

continued

17 Risk management policies and procedures (continued)

17.2 Liquidity risk (continued)

Management of the risk

Liquidity risk is not significant as the majority of the Group's assets are investments in quoted securities that are readily realisable. The Group has a multi-currency loan facility of £10,000,000 with Santander via Abbey National Treasury Services plc (2009: £5,000,000 facility with ING Bank NV) 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 Group also has two debentures, details of which can be found in note 16 on page 49.

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:

	2010			2009		
	Due within three months £'000	**Due between three months and one year £'000**	**Due more than one year £'000**	Due within three months £'000	Due between three months and one year £'000	Due more than one year £'000
Debenture stocks	**–**	**2,250**	**44,650**	–	2,250	46,900
Bank loans	**4,022**	**–**	**–**	–	–	–
Other creditors and accruals	**10,827**	**–**	**–**	795	–	–
	14,849	**2,250**	**44,650**	795	2,250	46,900

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 Group 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 Group 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.
- with regard to the corporate bonds in the portfolio, there is a credit risk that the borrowers do not repay principal or make interest payments. This is managed through monitoring credit ratings and careful selection and is reviewed regularly.

Stock lending transactions are carried out with a number of approved counterparties, whose credit-standard is reviewed periodically by the Manager, and limits are set on the amount that may be lent to any one counterparty. Collateral details can be found in note 4.

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

Notes to the Financial Statements

continued

17 Risk management policies and procedures (continued)

17.3 Credit and counterparty risk (continued)

Outstanding settlements are subject to credit risk. Credit risk is mitigated by the Group through its decision to transact with counterparties of high credit quality. The Group 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 Group is also exposed to credit risk through the use of banks for its cash position. Bankruptcy or insolvency of banks may cause the Group's rights with respect to cash held by banks to be delayed or limited. The Group's cash balances are held by our custodian, BNP Paribas Securities Services. The directors believe the counterparty is of high credit quality, therefore the Group has minimal exposure to credit risk.

Credit risk exposure

The table below summarises the credit risk exposure of the Group as at year end:

	2010 £'000	2009 £'000
Fixed interest securities	**3,582**	19,079
Cash	**8,910**	5,989
Receivables:		
Securities sold for future settlement	**2,096**	–
	14,588	25,068

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 2010 was £31,190,000 (2009: £30,038,000). The fair values are calculated using prices quoted on the exchange on which the instruments trade.

17.5 Fair value hierarchy disclosures

The table overleaf 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:

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.

Notes to the Financial Statements
continued

17 Risk management policies and procedures (continued)

17.5 Fair value hierarchy disclosures (continued)

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

Fair value hierarchy – Group	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	518,530	–	–	518,530
Fixed interest investments	3,464	–	118	3,582
Current asset investments	6,949	–	–	6,949
	528,943	**–**	**118**	**529,061**

Fair value hierarchy – Company	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	518,530	–	985	519,515
Fixed interest investments	3,464	–	118	3,582
Current asset investments	6,300	–	–	6,300
	528,294	**–**	**1,103**	**529,397**

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	Group £'000	Company £'000
Opening balance	1,333	2,239
Acquisitions	–	–
Disposal proceeds	(1,275)	(1,275)
Transfers into Level 3	–	–
Total gains included in the Consolidated Statement of Comprehensive Income – on assets held at the year end	60	139
Closing balance	**118**	**1,103**

The total value of unquoted investments as at 31 October 2010 for the Group was £118,000 (2009: £1,333,000).

The total value of unquoted investments as at 31 October 2010 for the Company was £1,103,000 (2009: £2,239,000).

17.6 Capital management policies and procedures

The Group'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 less than 0.01% (2009: 0.3%) of the total portfolio and which are held at directors' fair valuations.

The Group's capital at 31 October 2010 comprises its equity share capital, reserves and debt that are shown in the balance sheet at a total of £530,955,000 (2009: £473,863,000).

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

Notes to the Financial Statements

continued

17 Risk management policies and procedures (continued)

17.6 Capital management policies and procedures (continued)

- 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 25% 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 two capital restriction tests imposed on investment companies by law.
- 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 £501,955,000 (2009: £448,863,000) and on the 111,085,839 ordinary shares in issue at 31 October 2010 (2009: 112,246,050). 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:

	£'000
Net assets attributable to ordinary shares at 1 November 2009	448,863
Total net profit on ordinary activities after taxation	70,690
Dividends paid	(13,401)
Buy back of ordinary shares	(4,197)
Net assets attributable to ordinary shares at 31 October 2010	**501,955**

19 Called up share capital

	2010 £'000	2009 £'000
Allotted, issued and fully paid:		
111,085,839 (2009: 112,246,050) ordinary shares of 25p each	**27,772**	28,062

During the year, 1,160,211 (2009: 913,774) ordinary shares were bought back for cancellation at a cost of £4,197,000 (2009: £3,302,000). Further details can be found on page 29.

Notes to the Financial Statements

continued

20 Share premium account

	£'000
As at 31 October 2009 and 2010	**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
(a) Group				
At 1 November 2009	12,148	294,616	82,846	377,462
Transfer on disposal of assets	–	9,540	(9,540)	–
Net gains on investments	–	6,429	52,845	59,274
Net losses on foreign exchange	–	(193)	–	(193)
Expenses and finance costs charged to capital net of tax relief	–	(2,060)	–	(2,060)
Purchases of own shares for cancellation	290	(4,197)	–	(4,197)
At 31 October 2010	**12,438**	**304,135**	**126,151**	**430,286**

	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
(b) Company				
At 1 November 2009	12,148	294,616	83,752	378,368
Transfer on disposal of assets	–	9,540	(9,540)	–
Net gains on investments	–	6,429	52,924	59,353
Net losses on foreign exchange	–	(193)	–	(193)
Expenses and finance costs charged to capital net of tax relief	–	(2,060)	–	(2,060)
Purchases of own shares for cancellation	290	(4,197)	–	(4,197)
At 31 October 2010	**12,438**	**304,135**	**127,136**	**431,271**

22 Revenue reserve

	Group £'000	Company £'000
At 1 November 2009	30,739	29,833
Net revenue profit after tax for the year	13,669	13,590
Dividends paid	(13,401)	(13,401)
At 31 October 2010	**31,007**	**30,022**

23 Contingent commitments

As at 31 October 2010 there were contingent commitments in respect of sub-underwriting for the Group and Company of £784,000 (2009: £2,455,000). Subsequent to the year-end, the Group and Company, were not required to take up any shares in respect of the underwriting commitments.

Notes to the Financial Statements

continued

24 Transactions with the Investment 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 Report of the Directors on page 22. The total fees paid or payable under this agreement to Henderson in respect of the year ended 31 October 2010 were £1,326,000 (2009: £1,511,000), of which £111,000 is included in accruals at 31 October 2010 (2009: prepayment of £252,000).

No performance fee was payable to Henderson for the year ended 31 October 2010 (2009: £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 2010 amounted to a charge of £58,000 (2009: £13,000), of which £22,000 was outstanding at 31 October 2010 (2009: £1,000).

25 Operating segments

The Directors consider that the Group has two operating segments, being the parent Company, The Banker's Investment Trust PLC, which invests in shares and securities primarily for capital appreciation in accordance with the Company's published investment objective, and its wholly owned subsidiary, The Army and Navy Investment Company Limited, which trades in securities to enhance Group returns. Discrete financial information for these sectors is reviewed regularly by the Manager and the Board who allocate resources and assess performance.

Segment financial information	**2010 Parent Company £'000**	**2010 Subsidiary Undertaking £'000**	**2010 Total £'000**	2009 Parent Company £'000	2009 Subsidiary Undertaking £'000	2009 Total £'000
Total income – external	**75,460**	**99**	**75,559**	83,714	–	83,714
Total expenses	**(1,981)**	**–**	**(1,981)**	(1,548)	–	(1,548)
Finance costs	**(2,280)**	**–**	**(2,280)**	(2,254)	–	(2,254)
Taxation	**(588)**	**(20)**	**(608)**	(557)	–	(557)
Profit and total comprehensive income	**70,611**	**79**	**70,690**	79,355	–	79,355
Total assets	**536,088**	**5,714**	**541,802**	473,752	906	474,658
Total liabilities	**(35,118)**	**(4,729)**	**(39,847)**	(25,795)	–	(25,795)
Total equity	**500,970**	**985**	**501,955**	447,957	906	448,863

26 VAT on management fees

Following the 2007 decision by the European Court of Justice that Value Added Tax ("VAT") should not be charged on fees paid for management services provided to investment trust companies, over the previous three financial years the Company received in total £1,813,000 in VAT reclaims (relating to management fees paid during the periods 1 January 1990 to 4 December 1996 and 1 October 2000 to 30 June 2007) and £592,000 of simple interest on those VAT reclaims. No further reclaims of VAT or interest were expected or received during the year under review.

Independent Auditors' Report

to the members of The Bankers Investment Trust PLC

We have audited the financial statements of The Bankers Investment Trust PLC for the year ended 31 October 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 October 2010 and of the Group's profit and Group's and Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 21, in relation to going concern; and
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Clare Thompson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 January 2011

Statistical Record

adjusted to present capital

		Earnings and dividends per 25p ordinary share							Indices of growth					
Year ended 31 October	Gross revenue £'000	Earned Net p	Total Div. Net p	Tax Credit p	Total Div. Gross p	Total assets less current liabilities £'000	Net asset value per 25p ordinary share p	Market price per 25p ordinary share p	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
2000	14,306	7.33	6.35	0.71	7.06	536,360	360	310	100	100	100	100	100	100
2001	12,852	6.88	6.58	0.73	7.31	404,063	299	281	83	91	104	78	73	102
2002	12,303	7.02	6.78	0.75	7.53	340,887	249	234	69	76	107	63	57	104
2003	12,194	7.12	7.05	0.78	7.83	383,449	283	266	79	86	111	69	65	106
2004	12,902	8.05	7.47	0.83	8.30	406,277†	304†	262	84	85	118	75	67	110
2005	13,940	9.07	8.25	0.92	9.17	461,923†	363†	313	101	101	130	87	78	113
2006	14,972	10.13	9.48	1.05	10.53	540,363	443	386	123	125	149	102	87	117
2007	16,437	11.32	10.24	1.14	11.38	596,020	500	439	139	142	161	112	96	122
2008	18,613	12.76	11.06	1.23	12.29	410,661	341	305	95	99	174	71	70	127
2009	16,866	11.83	11.50	1.28	12.78	473,863	400	348	111	112	179	84	82	126
2010	**16,478**	**12.26**	**12.10**	**1.34**	**13.44**	**526,955**	**452**	**380**	**125**	**123**	**191**	**95**	**94**	**132**

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

Rates of Exchange

The principal exchange rates at 31 October were:

	2010	2009		2010	2009
US dollar	**1.5988**	1.6484	Singapore dollar	**2.069**	2.305
Japanese yen	**128.783**	149.209	New Taiwanese dollar	**48.958**	53.609
Euro	**1.150**	1.117	Danish krone	**8.577**	8.315
Hong Kong dollar	**12.39**	12.78	Swiss franc	**1.572**	1.688
Australian dollar	**1.631**	1.824	New Zealand dollar	**2.091**	2.280
South African rand	**11.123**	12.902	Canadian dollar	**1.627**	1.776

Distribution of Assets and Liabilities

at 31 October 2010

	Equities £'000	Fixed Interest £'000	Current Assets £'000	Total Assets £'000	%	Total Liabilities £'000	Geographical Exposure of Net Assets £'000	%
United Kingdom	242,310	3,582	14,062	259,954	48.0	(34,502)	225,452	44.9
Europe	68,309	–	1,411	69,720	12.9	(4,674)	65,046	13.0
North America	84,280	–	3,417	87,697	16.2	(671)	87,026	17.3
Japan	41,479	–	322	41,801	7.7	–	41,801	8.3
Pacific (ex Japan)	66,100	–	478	66,578	12.3	–	66,578	13.3
Emerging markets	16,052	–	–	16,052	2.9	–	16,052	3.2
Total	**518,530**	**3,582**	**19,690**	**541,802**	**100.0**	**(39,847)**	**501,955**	**100.0**
Percentage	103.3%	0.7%	3.9%	107.9%		(7.9%)	100.0%	

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

Largest Investments

at 31 October 2010

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

Rank	(2009)		Valuation 2009 £'000	Purchases £'000	Sales Proceeds £'000	(Depreciation)/ Appreciation £'000	Valuation 2010 £'000
1	(1)	BP	20,030	2,844	(4,675)	(3,656)	**14,543**
2	(5)	Vodafone	9,134	–	–	2,397	**11,531**
3	(2)	HSBC	10,689	–	–	(390)	**10,299**
4	(7)	British American Tobacco	7,908	–	–	1,779	**9,687**
5	(4)	GlaxoSmithKline	9,650	–	–	(224)	**9,426**
6	(6)	Royal Dutch Shell	7,920	–	–	1,073	**8,993**
7	(8)	Catlin	7,889	–	–	447	**8,336**
8	(3)	Petroleo Brasileiros	10,081	–	–	(2,407)	**7,674**
9	(9)	BG	6,647	–	–	1,011	**7,658**
10	(10)	Rolls-Royce	4,970	–	–	2,153	**7,123**
11	(*)	Essar Energy	–	5,002	–	1,423	**6,425**
12	(13)	National Grid	4,390	970	–	619	**5,979**
13	(16)	Jardine Lloyd Thompson	4,084	–	–	1,244	**5,328**
14	(11)	Aviva	4,830	–	–	182	**5,012**
15	(19)	Xstrata	3,573	–	–	1,325	**4,898**
16	(14)	Scottish & Southern Energy	4,316	–	–	296	**4,612**
17	(17)	Bank of China	3,731	471	–	320	**4,522**
18	(*)	BHP Billiton	3,287	–	–	1,140	**4,427**
19	(*)	Christian Dior	2,911	–	–	1,420	**4,331**
20	(*)	Barclays	2,941	2,148	–	(833)	**4,256**
21	(*)	Kasikornbank	2,408	–	–	1,812	**4,220**
22	(18)	Reckitt Benckiser	3,642	–	–	547	**4,189**
23	(21)	DBS	3,402	–	–	725	**4,127**
24	(*)	Petrofac	2,636	–	–	1,460	**4,096**
25	(*)	Impala Platinum	2,909	–	–	942	**3,851**
			143,978	11,435	(4,675)	14,805	**165,543**

These investments total 31.7% of the portfolio.
(*) Not in top 25 last year.

Changes in Investments

	Valuation 2009 £'000	Purchases £'000	Sales Proceeds £'000	Appreciation/ (Depreciation) £'000	Valuation 2010 £'000
United Kingdom	207,938	26,929	(19,105)	26,548	**242,310**
Europe	39,037	28,032	(8,726)	9,966	**68,309**
North America	73,925	27,467	(29,903)	12,791	**84,280**
Japan	43,997	7,013	(11,354)	1,823	**41,479**
Pacific (ex Japan)	52,229	30,444	(25,041)	8,468	**66,100**
Emerging Markets	16,757	–	–	(705)	**16,052**
Fixed Interest	19,079	–	(15,880)	383	**3,582**
	452,962	119,885	(110,009)	59,274	**522,112**

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

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

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.

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.

Capital Gains Tax

The calculation of the tax on chargeable gains will depend on personal circumstances. If you are in any doubt about your personal tax position, you are recommended to contact your professional adviser.

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.

Total Expense Ratio

Total Expense Ratio is defined here as the total annual pre tax operating expenses (management fee and other administration costs) expressed as a percentage of average shareholders' funds at the beginning and end of the year.

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.

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, either Braille or on audio tape 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 0870 600 3950 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 D Brewster (Chairman)
Richard R J Burns
Richard W Killingbeck
Francis I Sumner (Senior Independent Director)
Matthew W J Thorne

Audit Committee
Matthew W J Thorne (Chairman)
Richard W Killingbeck
Francis I Sumner

Management Engagement Committee
Richard D Brewster (Chairman)
Richard R J Burns
Richard W Killingbeck
Francis I Sumner
Matthew W J Thorne

Nominations Committee
Richard D Brewster (Chairman)
Richard R J Burns
Richard W Killingbeck
Francis I Sumner

Charities Committee
Francis I Sumner (Chairman)
Richard D Brewster

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

Secretary
Henderson Secretarial Services Limited
represented by Wendy King FCIS

Registered Number
Registered in England No. 00026351

Registered Office
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Telephone: 020 7818 1818

London Stock Exchange
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PREMIUM

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aic
The Association of
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London SE1 2RD

Registrars

UK Registrar
Equiniti Limited,
Aspect House,
Spencer Road,
Lancing,
West Sussex BN99 6DA
Telephone: 0870 600 3970

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,
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Custodian
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The Bankers Investment Trust PLC is managed by

Henderson GLOBAL INVESTORS

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