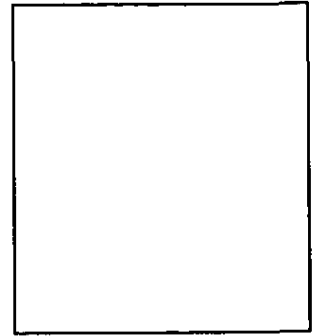
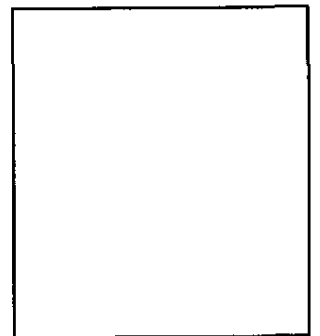
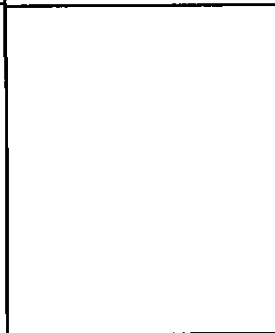


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The Bankers Investment Trust PLC
Report and Financial Statements for the year ended 31 October

2012



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The Bankers Investment Trust PLC

Objectives

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

Policy

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

Summary of the Year

	31 October 2012	31 October 2011	Change %
Consolidated Assets			
Total assets less current liabilities (£'000)	551,214	521,331	+5.7
Net asset value per ordinary share	474.5p	446.9p	+6.2
Ordinary share mid-market price	433.1p	385.0p	+12.5
Discount (share price to net asset value)	8.7%	13.9%	
Consolidated Revenue			
Gross revenue (£'000)	18,593	16,389	+13.4
Revenue earnings per ordinary share	13.84p	11.98p	+15.5
Dividends per ordinary share in respect of the year	13.33p	12.70p	+5.0
Total Return			
Total return per ordinary share	40.42p	7.51p	
Indices (capital return)			
FTSE All-Share Index	3,024.40	2,860.86	+5.7
S&P 500 Composite Index	1,412.66	1,253.30	+12.9 [#]
FTSE All-World Developed Europe (ex UK) Index (£)	134.44	126.52	+6.3
TOPIX (Tokyo First Section Index)	742.33	764.06	-5.0 [#]
FTSE World (ex UK) Index (£)	347.98	325.93	+6.8
Composite Index (capital return)			
50/50 FTSE All-Share Index/ FTSE World (ex UK) Index (£)	212.6	200.0 [*]	+6.3
Ongoing Charges^{**}	0.42%	0.40%	
Retail Prices Index	245.6	238.0	+3.2

£ adjusted

* rebased as at 31 October 2011

** excluding borrowing costs (see page 64 for definition)

Total Return Performance

To 31 October 2012	1 year %	5 years %	10 years %	15 years %
Net asset value total return*	9.4	9.2	143.5	156.2
Share Price total return*	16.1	15.7	148.2	166.3
FTSE All-Share Index total return**	9.8	5.2	121.0	112.0
FTSE World (ex UK) Index total return (£)**	9.8	16.5	116.1	122.8
Composite Index 50/50 total return	9.8	10.8	118.5	117.4
Net dividend	5.0	30.2	96.6	153.9
Retail Prices Index	3.2	17.6	38.1	54.0

* Source: Morningstar for the AIC using cum income fair value NAV for one year and capital NAV plus income reinvested for all other periods

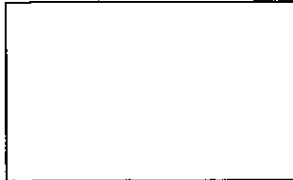
**Source: Datastream

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*Inside front cover

Chairman's Statement



Richard Brewster

- **Net Asset Value total return was 9.4% over the year**
- **Total annual dividend for 2012 increased by 5% and forecasting a minimum increase of 4% for 2013**
- **46th consecutive year of dividend increases**

Performance and Markets

It is pleasing to be able to present to shareholders an increase in net asset value, share price and dividend. Our careful and diverse selection of investments continues to deliver steady growth. A further recovery in investment income has allowed us to exceed our forecast and raise the annual dividend again.

However, it is disappointing to repeat the same problems that have overhung markets in recent years being high levels of government debt and little evidence of a lasting resolution in Europe. It appeared that a degree of progress was being made in the US during the first half of our year and this lifted expectations. The summer months witnessed a return to uncertainty which held back consumer spending and corporate investment, delaying orders and causing company earnings to stall. The second half of the year produced little progress in share prices and a return to more volatile market conditions. Despite all of this the Company achieved a net asset value total return of 9.4% over the year, which compared to a total return of 9.8% for the composite benchmark index, with the majority of our investment returns being made in the first half. Our performance has closely matched the index returns for much of the year with our Portfolio Manager making gains by successful stock selection in most markets, but which were eroded by the overall regional asset allocation. Asset allocation is always challenging as it involves so many variable global factors, but we expect to add value in this area, in addition to gains from stock selection. Greater resources are being engaged by our Manager to assist in optimising returns from geographic allocations and this should further improve results over time.

As I reported to you last year, stock selection has in general exceeded the returns from local indices but this useful work has been negated by an underweight position in US stocks, which delivered the greatest returns, in sterling terms, for a second year. The UK, European, Japanese and Pacific regional portfolios all beat their local index returns, reflecting our Portfolio Managers' careful selection of stocks that pay good dividends and have strong franchises. The results in the Pacific region were particularly welcome, delivering a 15.7% total return and justifying our overweight stance in this area of the world. The two regions that underperformed their respective indices were the US and Emerging Markets. The strategy of focusing on medium sized companies in the US resulted in under performance relative to the largest capitalised stocks, which increased in value more, possibly benefiting from their additional overseas earnings and a flight to safety by investors.

The shortfall in the emerging markets portfolio was due to the decline in the value of commodities which impacted the holdings of both Impala Platinum and Petroleo Brasileiros. In recent months our position in Petroleo Brasileiros has been reduced significantly while we expect a recovery in the platinum price will improve the prospects for Impala.

Revenue and Dividends

There has been a substantial recovery in our investment income over the year, with gross revenue up 13.4% compared to last year. While a portion of the growth in income has been as a result of a number of special dividends, the underlying investment income increased by 11.9%, year on year. There is typically a time lag between the recovery of earnings and dividends as companies wait for confidence to return to their businesses before they increase dividends. It is encouraging that we are now seeing the benefits of the recovery in corporate profits. It is interesting to note that our overseas investment income has exceeded that of our UK based investments for the second year running. This reflects both the increased asset allocation overseas in recent years, and most especially the fact that in the US market companies like Apple are paying dividends for the first time. The rate of growth in income will moderate in the coming year but our forecasts still show further progress in revenue even excluding any uplift from further special dividends.

We are recommending a final dividend of 3.43p, making a total of 13.33p for the year, an increase of 5%. This reflects a better outturn than we predicted last year and extends our long term record of increasing dividends to shareholders every year since 1966. The great strength of the size of our revenue reserve is the ability to protect shareholders from the volatility of earnings and smooth the dividends we pay out. Looking to 2013, we are able to forecast a dividend per share of not less than 13.86p, which represents an increase of 4%.

Annual General Meeting

The Annual General Meeting this year will be held at Stationers' Hall, Ave Maria Lane, London EC4M 7DD on 26 February 2013 at 12 noon. This is the same venue that we used in 2012. We are returning for two reasons. First, it is my own Livery Hall and I have a great affection for it but, more importantly, it proved very popular with shareholders who attended last year. Full details of the business of the Meeting are set out in the Notice of Meeting, which accompanies 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

Chairman's Statement

continued

our Portfolio Manager, Alex Crooke, and his team will be making a presentation. After the official business of the meeting and refreshments I am delighted to offer shareholders the opportunity of a short talk which will be given by Tim Connell, Professor Emeritus, City University London entitled "Would the City be the City without Livery Companies"

Governance and Board changes

Investment Trust Boards are proud of being able to demonstrate levels of governance that open-ended investment products do not have. Your Board is independent and takes its responsibilities most seriously. We review the Manager's performance throughout the year and hold a major review of all aspects of the service provided by your Manager at the end of the financial year. Our priority is to ensure that the management agreement serves the best interests of shareholders as a whole. It is our opinion that the current relationship with Henderson Global Investors achieves this. Good governance is dependent on having a Board of Directors with the right blend of skills, experience and character. In this respect I am pleased to bring you up to date with developments.

On 1 November 2012 we strengthened your Board by the appointment of Susan Inglis. Sue is the first woman to join the Board in our long history and she is a most welcome addition bringing with her a legal and investment company corporate finance background.

It is eight years since I became Chairman and it is time to pass on the baton to a younger person. I am pleased to tell you that Richard Killingbeck has agreed to take on the Chairmanship from this summer. Richard has served your Company most diligently for nine years and especially as senior independent director over the last two years. He has very considerable experience in financial services and fund management in particular and I am confident that he will maintain the values and standards that are the hallmark of Bankers' long term success.

Retail Distribution Review

From 1 January 2013, the market place for selling retail investment products in the UK has changed radically, as commissions paid to advisers by funds have been banned. This should provide a more level playing field for investment companies such as Bankers when competing for investors with open-ended products and we hope more advisers will recommend investment companies to their clients.

In view of the above comments we have decided to simplify the management fee arrangements and drop the performance fee paid to our Manager and return to a simple fixed percentage fee of 0.4% per annum of net assets

(following regulatory approval). On 1 November 2013 this is expected to move to 0.45%, subject to review (more details can be found on page 22). This fee remains one of the lowest in the Global Growth sector, and indeed amongst all investment trusts. We believe that the key characteristics of Bankers, offering consistent growth in income and capital from a broadly diversified portfolio of global companies, is very attractive and your Board is working with our Manager to spread this message to a wider audience of new investors.

We are also making changes to how we present figures to allow a better comparison with the wider spectrum of investment funds. We have adopted the standardised definitions of gearing and expenses (now called "ongoing charges") recently recommended by the AIC.

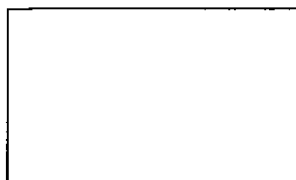
Outlook

The Company will be 125 years old in April and, at times over those years, my predecessors had to contend with an outlook that must have been truly bleak. However, the Company has endured and remained true to its long term commitment of growing shareholders' capital and income. There remain some notable barriers to returning the world to a steady state of economic growth but it is likely that the events that currently trouble investors such as the slowing Chinese economy or balancing the US deficit will in due course be resolved. The high level of debt in the world may mean that economies will grow at a slower pace than in previous periods of expansion but well managed companies should succeed in growing at a greater pace. The quality of corporate balance sheets and earnings has significantly improved since the downturn which gives us comfort that their dividends and in turn their attraction to investors should continue to increase. Good quality companies can provide both attractive yields and a degree of protection from rising inflation that bonds do not.

A global equity fund such as Bankers is therefore well placed to offer an attractive investment for people saving for their future. £1,000 invested 30 years ago with all dividends re-invested would today have a value of £38,951. This compares with the return from cash invested in a bank deposit account with interest re-invested over that same period of £4,145. These are difficult times for savers as cash deposits carry negative real interest rates, whereas there are real merits of investing in a savings product offering, such as Bankers. It has a superior track record of long-term capital growth and increasing dividends in real terms. The above figures showing the comparison of returns over 30 years speak for themselves.

Richard Brewster, Chairman
18 January 2013

Manager's Review



Alex Crooke

I commented last year that there had been a notable shift in stock market sentiment towards quality companies, both defensive and growth orientated, with dependable and consistent earnings growth. This investment style remained in favour during our financial year and our stock selection once more produced good returns above benchmarks in most regions. The UK, Europe and Japan produced a second year of outperformance and the Pacific region turned in a strong year outperforming by 8.3%, more than offsetting the -2.2% underperformance in 2011. The US and Emerging Markets both missed their performance targets due to a small number of poorly performing investments, although the US did in addition suffer from a size bias where the mid and smaller capitalised stocks that have benefited us in the past underperformed the very largest companies last year. It is now ten years since I started managing Bankers and over this period the stock selection element of our performance has delivered a positive contribution of 7.7% during eight of these ten years. I believe this demonstrates the strength in stock selection of the team that manages the assets.

Asset allocation, by contrast, is often more difficult to get right, particularly given the desire to balance a revenue account and our requirement to deliver inflation-beating dividend growth. Our principal challenge has always been capturing returns when the US market outperforms other markets. The US market carries roughly half the dividend return of the Pacific, Europe or the UK and, given its size, it is challenging to fully weight an exposure to the US and still generate an adequate level of income. During the past decade we have had a positive contribution from asset allocation in six years out of ten in aggregate generating over 6.4% of outperformance. It is telling that in each of the four years where there has been a negative contribution from asset allocation the US market has outperformed the wider global equity market. Over the last ten years Bankers net asset total return has delivered growth of 143%, comfortably ahead of the composite benchmark return of 118% and far in excess of the concept of a "lost decade" for equity investors perpetuated by many bearish commentators.

We have ended the period with gearing of 3.9%, slightly higher than the previous year end of 3.2%. However there was a degree

of movement during the year as we liquidated holdings in early summer following a sharp upward movement in share prices. There was a growing feeling that corporate earnings were recovering but we felt the degree of optimism might be misplaced. We decided to reduce holdings in both the UK and Europe as negotiations in Europe concerning the euro were stagnating and economic activity in the region was impacted negatively by the impasse. Cash balances were rebuilt, to such a level that they offset the debentures, resulting in no net gearing during the summer. By September we felt more comfortable in terms of supportive comments from Mario Draghi, the new Governor of the European Central Bank, along with a reduction in corporate profit forecasts, resetting valuations to more realistic levels. The cash balances were run down through purchases in the US, Pacific and Europe.

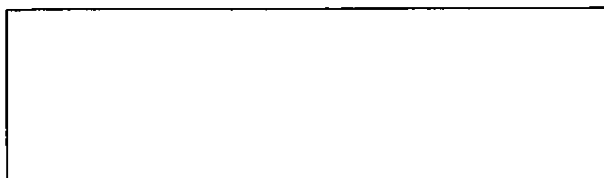
Percentage of total assets invested by company market capitalisation

Source: Henderson Global Investors Ltd

Our stock selection remains biased towards dividend paying companies as we feel they offer the best balance of security and the ability to distribute growing levels of cash flow generated by their businesses. Corporates have progressively reduced borrowings since 2008 resulting in equities being generally safer investments and allowing the potential for special dividends or share buybacks to support returns. We are gradually rebuilding an exposure to more cyclically exposed sectors such as mining and industrials but we will need greater clarity about economic growth before rotating the portfolio more radically. The overall portfolio is biased toward mid-sized companies (£250m to £20bn) as shown above and therefore less exposed to the very largest mega-cap companies. This bias has served us well in the past, as mid-sized companies are big enough to garner scale efficiencies while having potential to grow more quickly, taking market share from larger competitors.

Alex Crooke
18 January 2013

United Kingdom



Total Return (Year to 31 Oct 2012)	%
Bankers	11.8
FTSE All-Share	9.8

Review

The UK economy has been weak all year as austerity measures and government cutbacks have depressed consumer and corporate spending. The one bright spot of the economy was the UK exporting sector but, by the middle of the year, even this was tempered by the slowdown in Europe and the Far East. Against this backdrop it is impressive that the FTSE All-Share Index rose in value during the year by 9.8%, albeit with a sharp setback in May. This turned out to be one of the best performances by any stock market globally, reflecting both the high quality of UK companies and the low valuations that equities had fallen to.

The Bankers UK portfolio outperformed the FTSE All-Share Index by 2.0%, recording a second year of higher returns. The main factors behind the performance were an overweight position in key sectors such as insurance and industrials whilst having limited exposure to underperforming sectors like mining, real estate and leisure. Furthermore a number of the smaller mid-sized companies, such as Sports Direct, Jardine Lloyd Thompson and Galliford Try, performed exceptionally well on the back of improving results.

Generally the higher quality companies and those with defensive earnings fared the best as investors sought safe investments. The poor performance from the commodity sectors such as mining and oils were affected by falling metal prices and slowing demand from China. There was limited growth in UK corporate earnings although this outcome reflected big downgrades to mining profits offset by some modest growth at many domestically focused companies. Generally companies are benefiting from lower refinancing costs and reduced corporate tax rates which have helped to push margins up despite the weak state of government and consumer spending. The valuation for the UK market has risen through the year from a P/E of 11x to 12x reflecting share price appreciation rather than any movement in company earnings.

Activity

As a result of the strong performance of the insurance sector, we decided to reduce certain holdings because valuations had become expensive given the sector's prospects. Sales were made of the holdings in Admiral and Aviva while positions in Catlin and Jardine Lloyd Thompson were reduced in size. Valuations also appeared full in the utility sector and we reduced the National Grid position. Other positions that we sold included those in sectors where deteriorating prospects in Europe were

expected to impact earnings, such as Vodafone in the Telecoms sector and DS Smith in paper and packaging.

Purchases were made in some smaller sized positions such as Sports Direct, Jupiter Asset Management and Compass as results were much better than expected and these businesses have strong momentum to deliver profit growth next year. We also increased holdings in the mining sector and oil services, both of which were poor performers during the year but where prospects should improve next year.

Outlook

The UK economy will remain weak and prospects for 2013 look dull. However, if growth picks up in Asia and the US then UK shares could still appreciate because of the global nature of many companies in the index. Mining, oils and industrials comprise a significant proportion of the UK market and will find support if there are better prospects for growth in the global economy. Domestically, consumer spending might respond well to the tax cuts that have already been announced in April but consumer confidence needs to pick up or the improvement in spending power may well lead to increased saving, not consumption. Stock selection will remain focused on global companies and those with strong franchises that are taking market share.

UK portfolio classified by market value of company at 31 October 2012

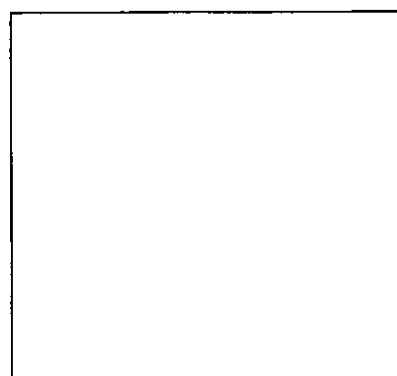
Market Capitalisation

A FTSE 100 (over £3bn)

B FTSE Mid 250 (£320m-£3bn)

C Smaller Companies
(under £320m)

Last year's figures in brackets

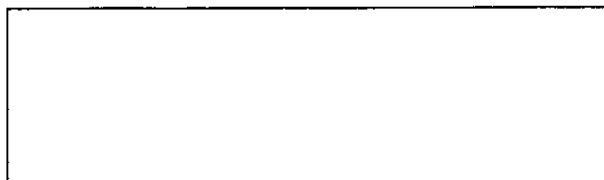


United Kingdom

Valuations at 31 October 2012 – all investments are shown

£'000	Investments by value	Sector	% of UK portfolio	£'000	Investments by value	Sector	% of UK portfolio
15,140	BP	Oil and Gas Producers	6.09	2,680	Legal & General	Life Insurance	1.08
11,779	British American Tobacco	Tobacco	4.74	2,579	Cranswick	Food Producers	1.04
10,704	GlaxoSmithKline	Pharmaceuticals and Biotechnology	4.31	2,542	Barclays Bank	Banks	1.02
9,857	Royal Dutch Shell	Oil and Gas Producers	3.96	2,496	Unilever	Food Producers	1.00
8,927	Vodafone	Mobile Telecommunications	3.60	2,422	National Grid	Gas Water and Multiutilities	0.97
8,693	Catlin	Nonlife Insurance	3.50	2,407	Anglo American	Mining	0.97
8,138	HSBC	Banks	3.27	2,407	Elements	Chemicals	0.97
7,229	BG	Oil and Gas Producers	2.91	2,371	Carador Income Fund	Equity Investment Instruments	0.95
5,741	Galliford Try	Construction and Materials	2.31	2,354	Tullow Oil	Oil and Gas Producers	0.95
5,611	Sports Direct International	General Retailers	2.26	2,342	BAE Systems	Aerospace and Defence	0.94
5,297	Petrofac	Oil Equipment Services		2,310	Hansteen	Real Estate Investment Trusts	0.93
		and Distribution	2.13	2,207	Tesco	Food and Drug Retailers	0.89
5,074	Rolls-Royce	Aerospace and Defence	2.04	2,178	Essar Energy	Oil and Gas Producers	0.88
4,923	Jardine Lloyd Thompson	Nonlife Insurance	1.98	2,142	Jupiter Fund Management	Financial Services	0.86
4,658	Smiths News	Support Services	1.87	2,046	GKN	Automobiles and Parts	0.82
4,500	Reckitt Benckiser	Household Goods &		2,040	Compass	Travel and Leisure	0.82
		Home Construction	1.81	2,010	Land Securities	Real Estate Investment Trusts	0.81
4,142	Rio Tinto	Mining	1.67	1,844	Sainsbury (J)	Food and Drug Retailers	0.74
4,121	ITV	Media	1.66	1,801	Informa	Media	0.72
4,047	Fisher (J) & Sons	Industrial Transportation	1.63	1,773	British Sky Broadcasting	Media	0.71
3,999	Prudential	Life Insurance	1.61	1,717	Johnson Matthey	Chemicals	0.69
3,971	BHP Billiton	Mining	1.60	1,679	International Oil		
3,857	Xstrata	Mining	1.55		& Gas Technology	Equity Investment Instruments	0.68
3,835	Shire	Pharmaceuticals and Biotechnology	1.54	1,660	D S Smith	General Industrials	0.67
3,488	Wetherspoon (J D)	Travel and Leisure	1.40	1,429	Direct Line Insurance	Nonlife Insurance	0.57
3,196	Intermediate Capital	Financial Services	1.29	1,421	BT	Fixed Line Telecommunications	0.57
3,145	Severn Trent	Gas Water and Multiutilities	1.27	1,386	Ophir Energy	Oil and Gas Producers	0.56
3,066	Hunting	Oil Equipment Services		1,354	United Utilities	Gas Water and Multiutilities	0.54
		and Distribution	1.23	1,247	Dairy Crest	Food Producers	0.50
3,053	KCom	Fixed Line Telecommunications	1.23	1,131	Bowleven	Oil and Gas Producers	0.45
3,011	Diageo	Beverages	1.21	1,120	Amlin	Nonlife Insurance	0.45
2,968	Amec	Oil Equipment Services		1,120	WPP	Media	0.45
		and Distribution	1.19	1,092	Drax	Electricity	0.44
2,950	Imperial Tobacco	Tobacco	1.19	1,069	Marstons	Travel and Leisure	0.43
2,907	Scottish & Southern Energy	Electricity	1.17	932	Sage	Software and Computer Services	0.37
2,820	De La Rue	Support Services	1.13	850	STV	Media	0.34
2,806	Premier Oil	Oil and Gas Producers	1.13	641	Renold	Industrial Engineering	0.26
2,781	Blackstar	Equity Investment Instruments	1.12	354	Specialist Energy	Industrial Engineering	0.14
2,762	St James's Place	Life Insurance	1.11	256	Thomas Cook	Travel and Leisure	0.10
				35	Orchid Developments	Real Estate Investment Services	0.01
				248,640			100.00

Europe



Total Return (£) (Year to 31 Oct 2012)	%
Bankers	11.2
FTSE All-World Developed Europe (ex UK)	6.1

Review

Europe has seen another turbulent year, with the euro continuing to stumble from one summit to the next. However, there has been recognition of two crucial facts: the developed world is battling with the same issues in respect of government borrowing and the European authorities have made it quite clear that they will do "all it takes" to save the euro.

The debate has therefore moved on, and while sceptics may point out that the system is structurally flawed and doomed to failure, we prefer to work with the more simple facts. Europe will remain in a period of low growth for years and efforts to reduce government debt and borrowing will continue. European equity markets have been performing better recently but share prices remain at low valuation points. At the same time bonds have rallied leaving ten year yields in some 'safe haven' countries at extraordinarily low levels. The introduction of an outright monetary transactions (OMT) policy by the ECB helped remove fears of a euro break-up causing a decent rally towards the end of the period.

We have maintained the same policy of investing in good quality, reliable, consistent companies and, once again, this has produced superior performance. In the year to the end of October the European equities held by Bankers have produced a total return of 11.2%, comfortably ahead of the Index return of 6.1%. If we see a strong rally in poor quality stocks (predominantly banks) we may lag the index. However, rather than chase laggards, we maintain that the persistence of low economic growth in the region favours quality companies.

Activity

We have persisted with a dogged "buy and carefully monitor" approach in the portfolio, therefore the changes have been minimal. We have sold out of France Telecom and invested in Deutsche Telekom, as we think its dividend is more secure and its international strategy to be undervalued. We have also sold Givaudan, the fragrance and flavourings company, as we see better growth elsewhere. An example would be our new holding in DKSH – a company that has a 120 year record of helping companies establish a market presence in the fast

growing Asian markets. It listed earlier this year and we think this could prove to be an interesting investment over the next few years.

Outlook

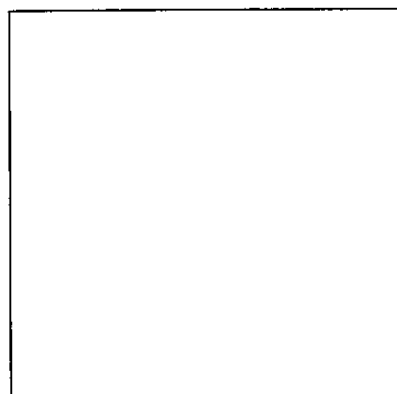
For some time European markets have been trading at very cheap valuations as "macro" concerns have encouraged a flight from "risk" (equities) to "safety" (bonds). Domestic investors have record low levels of equities in their portfolios, and are now questioning how much return they are likely to receive in the next few years by investing in bonds with such a low yield, especially if inflation remains stubbornly high. We believe that we could be at the start of a gradual shift in international investors' exposure towards equities in Europe, helped by the fact that a few of the fundamental issues relating to the euro's survival may actually start to be addressed. Not all problems are easily solved. The whole process of sorting out fiscal union, banking union and reducing debt will take years and we believe that GDP growth will stay at low levels. Therefore, we intend to maintain the consistent policy of investing in quality companies, mindful also of the need to adapt if the environment improves for some of the beleaguered industries such as banks.

European portfolio classified by market value of company at 31 October 2012

Market Capitalisation

- A Over £20bn
- B £3bn-£20bn
- C Under £3bn

Last year's figures in brackets



Europe

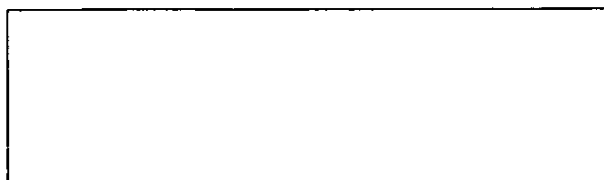
Valuations at 31 October 2012 – all investments are shown

£'000	Investments by value	Sector	Country	% of Europe portfolio
4,276	Christian Dior	Personal Goods	France	7.25
3,525	Deutsche Post	Industrial Transportation	Germany	5.98
3,163	Novartis	Pharmaceuticals and Biotechnology	Switzerland	5.36
2,920	ENI	Oil and Gas Producers	Italy	4.95
2,561	Nestlé	Food Producers	Switzerland	4.34
2,543	Compagnie Financière Richemont	Personal Goods	Switzerland	4.31
2,327	Fresenius	Health Care Equipment and Services	Germany	3.94
2,092	Total	Oil and Gas Producers	France	3.55
2,039	Amadeus	Support Services	Spain	3.46
2,019	SGS Holdings	Support Services	Switzerland	3.42
1,918	Adecco	Support Services	Switzerland	3.25
1,843	Deutsche Borse	Financial Services	Germany	3.12
1,706	Essilor International	Health Care Equipment and Services	France	2.89
1,654	Roche	Pharmaceuticals and Biotechnology	Switzerland	2.80
1,637	Sodexo	Travel and Leisure	France	2.77
1,631	Legrand	Electronic and Electrical Equipment	France	2.76
1,578	Allianz	Nonlife Insurance	Germany	2.67
1,543	SAP	Software and Computer Services	Germany	2.61
1,469	Saipem	Oil Equipment Services and Distribution	Italy	2.49
1,422	L'Oréal	Personal Goods	France	2.41
1,418	Deutsche Telekom	Mobile Telecommunications	Germany	2.40
1,401	Swedish Match	Tobacco	Sweden	2.37
1,369	Inditex	General Retailers	Spain	2.32
1,352	Credit Suisse	Banks	Switzerland	2.29
1,222	Ericsson	Technology Hardware and Equipment	Sweden	2.07
1,197	Brenntag	Chemicals	Germany	2.03
1,161	Kühne & Nagel	Industrial Transportation	Switzerland	1.97
1,154	DKSH	Support Services	Switzerland	1.96
1,148	Zürich Insurance	Nonlife Insurance	Switzerland	1.95
1,147	Sandvik	Industrial Engineering	Sweden	1.94
1,139	ABB Limited	Industrial Engineering	Switzerland	1.93
836	A P Møller-Maersk	Industrial Transportation	Denmark	1.42
599	Telefonica Deutschland	Mobile Telecommunications	Germany	1.02
59,009				100.00

European Geographical Distribution

	31 October 2012 %	31 October 2011 %		31 October 2012 %	31 October 2011 %
Switzerland	33.6	35.8	Sweden	6.4	7.0
Germany	23.8	20.2	Spain	5.8	5.6
France	21.6	23.5	Denmark	1.4	–
Italy	7.4	7.9			
				100.0	100.0

North America



Total Return (£) (Year to 31 Oct 2012)	%
Bankers	9.3
FTSE World North America	14.4

Review

The US equity market performed well over the twelve months, recovering from the political driven debt ceiling debacle in the summer of 2011 and proving able to shake off the concerns about the Eurozone and the slowing of growth in China. The domestic US economy has continued to recover, albeit at a slow pace, supported by a less aggressive tightening in fiscal policy than we have seen in Europe and a continuation of very supportive monetary policy.

Performance was disappointing with the portfolio underperforming the rising market by 5.1%. This underperformance can be attributed principally to poor stock selection in the consumer sectors. The position in Tempur Pedic (mattress manufacturer), having been one of the best performers in the previous year, removed nearly 2% from performance over the period as the mattress industry entered a period of intense competition and the share price fell sharply on poor earnings. The holding was subsequently sold from the portfolio. Carnival Cruise (following the Costa Concordia tragedy) and Mead Johnson (suffering from a loss of market share and weaker overall market for infant nutritionals in China) were the two other significant underperformers.

Activity

During the year the changes to the shape of portfolio were modest after the reduction of the US portfolio down to 35 names over the previous year. Anadarko Petroleum struggled this year under the cloud of a legal dispute while producing good results. The case should be resolved in early 2013 and we continue to believe that the strong fundamentals of the company will result in a higher valuation. On a more positive note our largest holding, Apple, performed well as it continues its rapid pace of new product launches into both the smart phone and tablet markets.

We have added General Electric to the portfolio for the first time in a number of years. The company is being restructured to reduce dependence on financial businesses and is once again emerging as a powerful global industrial conglomerate with leading positions in a number of interesting areas including healthcare, infrastructure and aerospace.

Perhaps more controversially we bought a position in AIG as the US government sold down the controlling stake that it

acquired in 2008 to save the company from failure. A meeting with the Chief Executive confirmed to us how far they have come in returning the company to its roots and how many opportunities there remain to improve profitability and release excess capital. The stock is lowly valued as investors remain somewhat sceptical and we see upside on a rerating as management delivers change.

Outlook

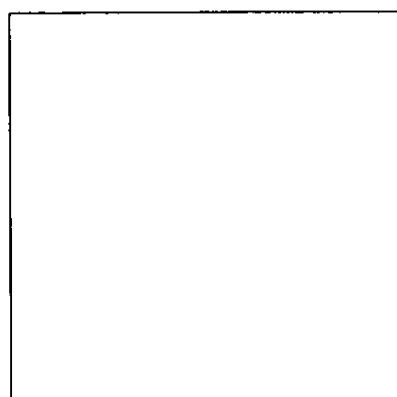
The US elections are now behind us. The political landscape is essentially unchanged but the outlook for fiscal policy is still uncertain. Our expectation is that the economy will continue to improve in 2013 as the housing market recovery gathers momentum and job creation lowers unemployment. The housing market is crucial to the momentum of the overall economy. It is not only a benefit to the companies active in housing related industries but has a positive effect on consumer confidence, the financial sector and on employment growth.

As fiscal policy uncertainties diminish and earnings continue to grow, the equity market is likely to produce satisfactory returns although perhaps at a lower level than in the last twelve months. We see the best returns coming from companies that can produce robust earnings in a slow growth environment and the portfolio remains skewed towards these investments.

US portfolio classified by market value of company at 31 October 2012

Market Capitalisation
A Over £20bn
B £3bn-£20bn
C Under £3bn

Last year's figures in brackets



North America

Valuations at 31 October 2012 – all investments are shown

£'000	Investments by value	Sector	% of North America portfolio
6,200	Apple	Technology Hardware and Equipment	5.42
4,445	General Electric	General Industrials	3.89
4,306	Time Warner Cable	Media	3.77
4,082	Microsoft	Software and Computer Services	3.57
3,978	National Oilwell Varco	Oil Equipment Services and Distribution	3.48
3,955	Praxair	Chemicals	3.46
3,931	Citigroup	Banks	3.44
3,858	Unitedhealth	Health Care Equipment and Services	3.37
3,843	Anadarko Petroleum	Oil and Gas Producers	3.36
3,819	United Parcel Service	Industrial Transportation	3.34
3,791	PNC Financial Services	Banks	3.32
3,681	Nielsen	Media	3.22
3,666	American Tower	Real Estate Investment Trusts	3.21
3,629	Pfizer	Pharmaceuticals and Biotechnology	3.17
3,377	Covidien	Health Care Equipment and Services	2.95
3,329	Kinder Morgan Delaware	Oil Equipment Services and Distribution	2.91
3,314	Dollar General	General Retailers	2.90
3,231	Celanese	Chemicals	2.83
3,219	Mattel	Leisure Goods	2.82
3,199	Qualcomm	Technology Hardware and Equipment	2.80
3,092	New York Community Bancorp	Banks	2.70
3,049	Abbott Laboratories	Pharmaceuticals and Biotechnology	2.67
3,013	VF	Personal Goods	2.64
2,987	Intuit	Software and Computer Services	2.61
2,893	Cummins	Industrial Engineering	2.53
2,818	American International Group	Nonlife Insurance	2.45
2,771	Verizon Communications	Fixed Line Telecommunications	2.42
2,712	BCE	Fixed Line Telecommunications	2.37
2,397	Kansas City Southern	Industrial Transportation	2.10
2,390	Micros Systems	Technology Hardware and Equipment	2.09
2,274	EMC	Technology Hardware and Equipment	1.99
2,224	Mondelez International	Food Producers	1.94
1,804	Mead Johnson Nutrition	Food Producers	1.58
1,791	Fair Isaac	Software and Computer Services	1.57
1,270	Kraft Foods	Food Producers	1.11
114,338			100.00

Japan



Total Return (£) (Year to 31 Oct 2012)	%
Bankers	-0.9
FTSE World Japan	-3.1

Review

Barring the brief flurry of enthusiasm following intervention in the foreign exchange market in February, Japanese equities endured a tortuous time in relation to the performance of markets elsewhere. The total return of the FTSE World Japan Index ended the period down -3.1%, partly due to the value of the yen falling, thus negating returns for sterling investors. While authorities elsewhere continued in their efforts to stimulate activity via further monetary easing, the Bank of Japan was rather less keen to follow suit although additions were made to their Asset Purchase Programme. The market traded within a narrow band for much of the year, unable to follow the gains recorded by markets overseas. The end of the period witnessed a sudden drop in economic activity partly on account of a dispute between Japan and China concerning sovereignty over several islands but also due to sluggish wage growth and potential capital spending delays impacting activity.

The largest contributors to the portfolio's outperformance were the overweight positions in the financial and information technology sectors as earnings were generally better than had been anticipated. Banking, broker and insurance stocks all made a positive showing while Oracle Japan (software) also performed strongly. Keyence (machinery) contributed positively given the company's strong level of profitability while Daiwa House recorded an increase in profits which lifted its share price. On the downside the vibrant consumer demand of last year suffered a setback so that the commitment to the consumer discretionary sector was the largest drag on performance. Yamada Denki (retail) suffered a profit downgrade which weighed on the share price. Elsewhere Mitsui O S K slipped as the shipping industry struggled in the face of weakness in the Chinese economy.

Activity

Given the choppy nature of the market's performance, activity centred on keeping the bias of the portfolio favouring higher growth companies, by buying when prices were weak. Trading was therefore reflective of reducing defensive issues on strength in favour of more cyclical issues on any set back. It was noteworthy just how expensive the quality end of the market became as the year progressed – a trend witnessed in other markets. Full disposals included Asahi Group (brewer), Oracle Japan and Hakuodo (advertising), all of which had performed strongly against the market and where there were better opportunities elsewhere. New additions to the portfolio included Nitori (retailing), Nomura Research (software) and Japan Airlines which was relisted after a period of rehabilitation. A small position was established in Sony which has done much to restructure itself in the face of increasing competition.

Outlook

Weighed down by a rather sudden, but hopefully short-lived, deterioration in economic conditions and an earnings season where companies appear to have taken a conservative outlook for profits, the equity market remains at an interesting juncture. Once the disappointment from the results season has been digested investors should be able to look forward with a greater degree of clarity. Equities have remained range bound for several months and a distinct break to move higher would be a welcome development, perhaps triggered by a continuation of recent yen weakness driven by a more accommodative Bank of Japan. The elections held in December which returned the Liberal Democratic Party to power may well provide such encouragement as prime minister Abe-san has vowed to return Japan to an acceptable level of economic growth and to put further pressure on the Bank of Japan to allow more quantitative easing. Investors have generally been shy of Japan so there remains the potential of a return to the market on any sign of an improvement in conditions.

Japan

Valuations at 31 October 2012 – all investments are shown

£'000	Investments by value	Sector	% of Japan portfolio
3,045	Mitsubishi UFJ Financial	Banks	6.37
2,470	Tokio Marine	Nonlife Insurance	5.17
2,464	Yamada Denki	General Retailers	5.16
2,214	Rakuten	General Retailers	4.63
2,146	Sumitomo Mitsui Financial	Banks	4.49
2,022	Daiwa Securities	Financial Services	4.23
1,939	Morant Wright Japan Fund	General Financial	4.06
1,893	Nintendo	Leisure Goods	3.96
1,868	Canon	Technology Hardware and Equipment	3.91
1,856	Credit Saison	Financial Services	3.88
1,821	Keyence	Electronic and Electrical Equipment	3.81
1,687	TDK	Electronic and Electrical Equipment	3.53
1,686	Sekisui Chemical	Household Goods and Home Construction	3.53
1,659	Nippon Television	Media	3.47
1,620	Secom	Support Services	3.39
1,502	Nomura Research Institute	Software and Computer Services	3.14
1,489	Daiwa House Industry	Household Goods and Home Construction	3.12
1,440	Shin-Etsu Chemical	Chemicals	3.01
1,431	Inpex	Oil and Gas Producers	2.99
1,421	Nippon Telegraph & Telephone	Fixed Line Telecommunications	2.97
1,386	Yamato	Industrial Transportation	2.90
1,380	Murata Manufacturing	Electronic and Electrical Equipment	2.89
1,349	Sankyo	Travel and Leisure	2.82
1,251	Japan Airlines	Travel and Leisure	2.62
1,202	Seven & I	General Retailers	2.51
1,043	Mitsui O S K Lines	Industrial Transportation	2.18
1,023	NS Solutions	Software and Computer Services	2.14
804	Sony	Leisure Goods	1.68
690	Nitori	General Retailers	1.44
47,801			100.00

Japanese portfolio classified by market value of company at 31 October 2012

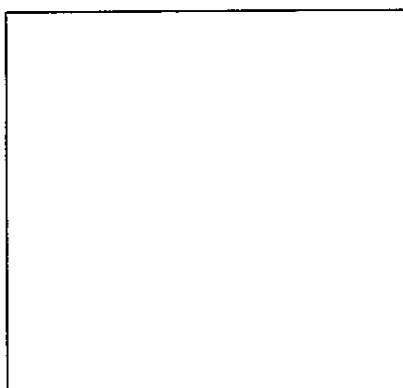
Market Capitalisation

A Over £20bn

B £3bn-£20bn

C Under £3bn

Last year's figures in brackets



Pacific (ex Japan)



Total Return (£) (Year to 31 Oct 2012)	%
Bankers	15.7
FTSE All-World Asia Pacific (ex Japan)	7.4

Review

In the year under review our portfolio grew by 15.7% compared to the FTSE All-World Asia Pacific (ex Japan) Index, which rose by 7.4% in sterling terms. The period was dominated by global themes with political news flow from Europe and economic news from the US dictating the market direction. Stock selection was the greatest contributor to outperformance with companies such as Lenovo in China, Kasikornbank in Thailand and Fraser and Neave in Singapore all posting significant gains. The higher dividend yields available in many Asian markets, combined with the potential for growth, have attracted investors back to the region and favoured sectors and stocks with strong dividend records.

From an economic standpoint Asian economies continue to perform better than their western counterparts although the subdued economic environment in the US and Europe has resulted in weaker GDP growth in all countries with the exception of Indonesia and Malaysia. The cyclical economies of Taiwan and Korea and the city states of Singapore and Hong Kong have fared worst with all four posting GDP growth in 3Q12 below 2.5%. The trajectory of growth in China and India continues to slow. The former posted 7.4% year on year GDP growth in 3Q12 which apart from the global financial crisis was the lowest level for ten years while India continues to struggle with inflationary pressure and high interest rates which has slowed economic growth to a little over 5%.

With a backdrop of slowing growth it is no surprise to see that earnings expectations have also been lowered. At the start of 2012 analysts were expecting earnings growth of 15% for the full year – this was revised down to around 9% at the half year stage and may finish the year in the 5% to 7% range. The significant downgrades have been confined to the cyclical sectors, with commodities and materials in particular being hard hit. In more domestically based sectors,

the earnings have been resilient and although companies are not overly optimistic about the immediate future due to lack of visibility, there is a quiet optimism about the opportunities that could arise in the next few years.

The best performing markets were the Philippines, Thailand and Malaysia which benefited from focused sectors while India, Korea and Taiwan were the laggards. Our focus on stability of earnings was justified by the strong returns from telecommunications companies while energy and industrial companies joined material companies by underperforming the overall Index.

Activity

The portfolio retains a high weighting to China where the holdings are largely unchanged apart from the disposal of Skyworth Digital and the introduction of China Mobile which we consider will benefit from increased mobile data usage in China. There were more changes in Australia where we switched casino operator Crown into another gaming company Tabcorp and sold Incitec Pivot in favour of department store operator Myer. Elsewhere we also sold Korean telecom company KT Corp and bought into their competitor company SK Telecom and added Taiwan Cement and the Thai integrated agricultural producer, Charoen Pokphand Foods, to the portfolio.

Outlook

We remain positive on the long term outlook for the Asia Pacific markets. The economic fundamentals are generally favourable and valuations are attractive both relative to their own history and domestic bonds. Despite this, we expect that returns in the short term will continue to be dominated by news flow from Europe and the strength of both the US and Chinese economies. We will continue to retain our focus on domestically orientated companies and look for any opportunities to add holdings when opportunities arise.

Pacific (ex Japan) Valuations at 31 October 2012 – all investments are shown

£'000	Investments by value	Sector	Country	% of Pacific (ex Japan) portfolio
4,680	Amcor	General Industrials	Australia	7.32
3,962	Ascendas Real Estate Inv Trust	Real Estate Investment Trusts	Singapore	6.20
3,697	Kasikornbank	Banks	Thailand	5.78
3,663	Television Broadcasts	Media	Hong Kong	5.73
3,396	SK Telecom	Mobile Telecommunications	South Korea	5.31
3,386	DBS	Banks	Singapore	5.30
3,377	Bank of China	Banks	China	5.28
3,358	Sino Land	Real Estate Investment Services	Hong Kong	5.25
3,356	Santos	Oil and Gas Producers	Australia	5.25
3,326	Myer	General Retailers	Australia	5.20
3,253	Taiwan Semiconductor Manufacturing	Technology Hardware and Equipment	Taiwan	5.09
2,991	China Mobile	Mobile Telecommunications	China	4.68
2,910	Charoen Pokphand Foods	Food Producers	Thailand	4.55
2,894	Digital China	Technology Hardware and Equipment	China	4.53
2,847	Fraser & Neave	General Industrials	Singapore	4.45
2,788	Jiangsu Expressway	Industrial Transportation	China	4.36
2,732	Tabcorp	Travel and Leisure	Australia	4.27
2,696	Lenovo	Technology Hardware and Equipment	Hong Kong	4.22
2,418	Taiwan Cement	Construction and Materials	Taiwan	3.78
2,060	Shanghai Industrial	General Industrials	Hong Kong	3.22
149	Chandra Asri Petrochemical	Chemicals	Indonesia	0.23
63,939				100.00

Pacific Geographical Distribution

	31 October 2012 %	31 October 2011 %
Australia	22.0	26.2
China	18.9	10.2
Hong Kong	18.4	24.8
Singapore	16.0	18.3
Thailand	10.3	7.2
Taiwan	8.9	7.4
South Korea	5.3	5.5
Indonesia	0.2	0.4
	100.0	100.0

Pacific portfolio classified by market value of company at 31 October 2012

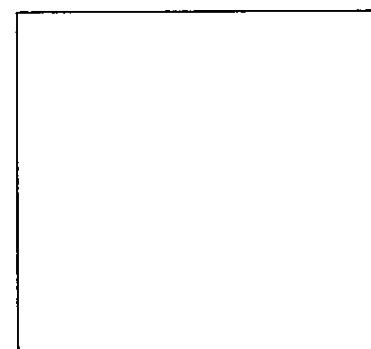
Market Capitalisation

A Over £20bn

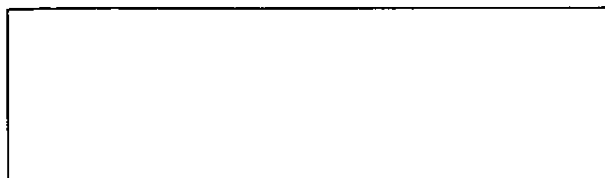
B £3bn-£20bn

C Under £3bn

Last year's figures in brackets



Emerging Markets



Total Return (£) (Year to 31 Oct 2012)	%
Bankers	-19.2
FTSE All-World Emerging (ex Asia)	0.5

The emerging markets segment within Bankers includes all the markets that cannot be easily allocated to other regions and principally comprises Latin America, Africa and Eastern Europe. Generally these regions have disappointed in performance again for a number of reasons including a mixture of currency falls, commodity price falls and a reverse in investment capital flows from international investors. The economic chill that has been spreading around the world has not left emerging markets untouched.

Our faith in a turnaround of the fortunes for the two largest holdings proved to be far too optimistic and both shares continued to fall in value. Petroleo Brasileiro, the state oil company in Brazil, had further delays to its drilling programme combined with government intervention in its investment plans. Meanwhile the platinum price plumbed new depths impacting Impala Platinum's fortunes but there is growing evidence that higher cost mines are being mothballed and supply of the metal should soon be rebalanced with demand.

Impala has the lowest cost platinum mines and should benefit as production elsewhere is reduced.

The prospects for emerging markets in general still rely on rising demand for all forms of commodities combined with access to cheaper credit or investment flows. In certain markets prospects are improving as stockpiles of commodities are reduced and growth stabilises in China and the US. However, the access to credit remains challenging in many countries. We have increased exposure to Mexico, which is benefiting from the growth in the US, through a purchase of Fomento which distributes soft drinks across Latin America. The Petroleo Brasileiro holding was substantially reduced to allow investment into Banco Bradesco and Embraer (aircraft manufacture) in Brazil. The prospects for Latin America look better than Africa or Eastern Europe and we expect to make further additions in this region through the coming year, increasing the overall portfolio's exposure to emerging markets.

Emerging Markets

Valuations at 31 October 2012 – all investments are shown

£'000	Investments by value	Sector	Country	% of Emerging Markets portfolio
4,079	Petroleo Brasileiro	Oil and Gas Producers	Brazil	31.35
2,411	Impala Platinum	Mining	South Africa	18.53
1,846	Banco Bradesco	Banks	Brazil	14.19
1,830	Fomento Economico Mexicano	Beverages	Mexico	14.07
1,731	Embraer	Aerospace and Defence	Brazil	13.31
1,112	Bancolombia	Banks	Colombia	8.55
13,009				100.00

Emerging Markets Geographical Distribution

	31 October 2012 %	31 October 2011 %
Brazil	58.9	60.4
South Africa	18.5	31.1
Mexico	14.1	8.5
Colombia	8.5	–
	100.0	100.0

Fixed Interest

Valuations at 31 October 2012 – all investments are shown

£'000	Investments by value	% of Fixed Interest portfolio
83	Lehman Brothers 7.875% [†]	100.0
83		100.0

[†]Unquoted investments

Performance Attribution

Performance Attribution 12 months to 31 October 2012 relative to Composite Index

Market	Composite Index Allocation (%)	Bankers Asset Allocation		Company (%)	Performance Regional Indices (%)	Contribution from	
		2012 (%)	2011 (%)			Asset Allocation (%)	Stock Selection (%)
UK	50.0	45.5	45.5	11.8	9.8	0.0	0.9
Europe (ex UK)	8.7	10.8	12.1	11.2	6.1	-0.1	0.6
North America	26.6	20.9	19.9	9.3	14.4	-0.2	-1.1
Japan	4.0	8.7	9.5	-0.9	-3.1	-0.7	0.2
Pacific (ex Japan)	7.6	11.7	11.0	15.7	7.4	-0.1	0.9
Emerging Markets	3.1	2.4	2.0	-19.2	0.5	0.1	-0.4
Total	100.0	100.0	100.0			-1.0	1.1

Source: Factset & Datastream

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

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 2012, the net asset value (total return) rose by 9.4% compared to a rise in the composite index (50% FTSE All-Share Index, 50% FTSE World (ex UK) Index) of 9.8%

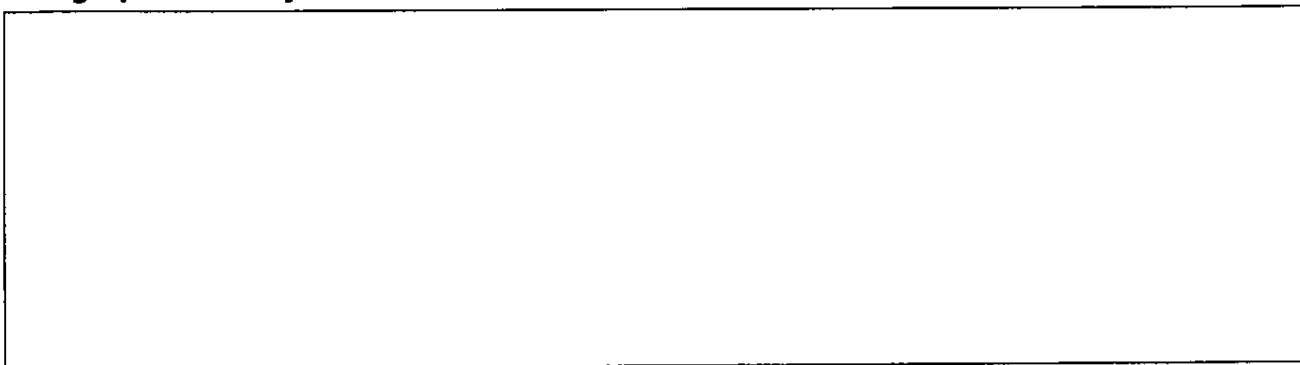
An estimation of the attribution of the portfolio's performance between asset allocation and stock selection is given above. The table below adds that result to the impact of other factors as listed to explain the movement of net asset value over the year

Portfolio performance	Performance of Composite index	9.8%
	Performance of equity portfolio against benchmark	
	Due to asset allocation	-1.0%
	Due to stock selection	1.1%
		<u>0.1%</u>
	Performance of portfolio	9.9%
Other factors	Due to gearing	0.1%
	Management fee and finance costs charged to capital	-0.4%
	Residual	-0.2%
		<u>-0.5%</u>
	Performance of Net Asset Value (total return)	<u>9.4%</u>

Portfolio Structure

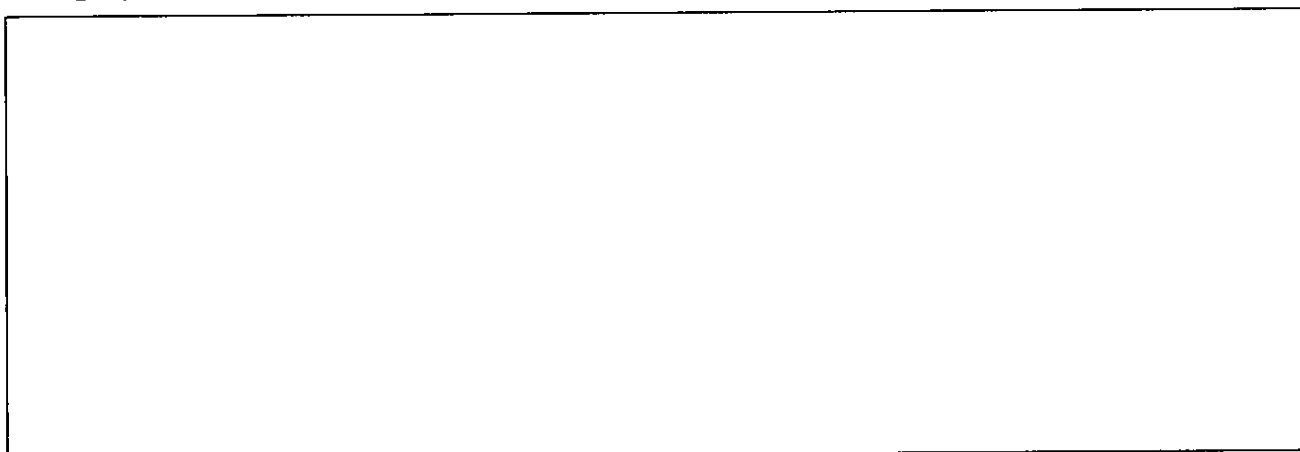
at 31 October 2012 and 2011

Geographical Analysis



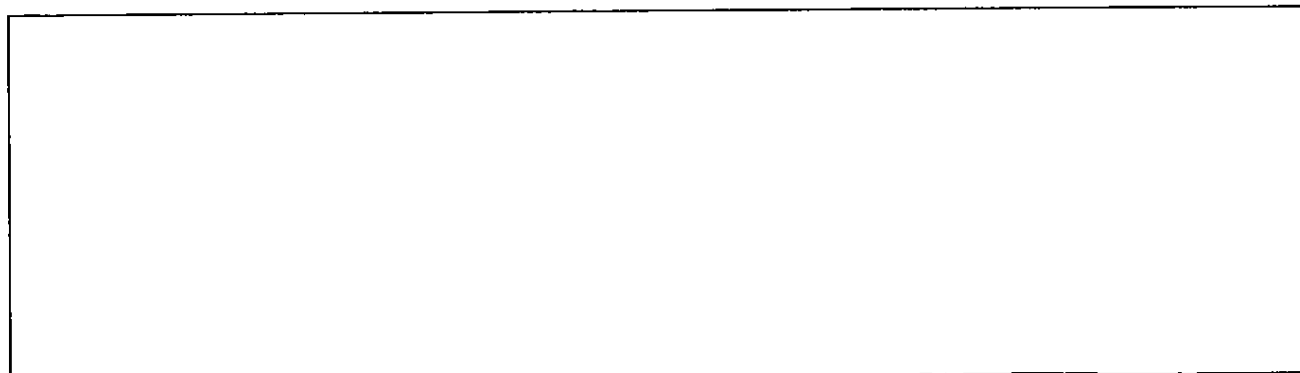
Source: Henderson Global Investors Limited

Geographical Total Return Analysis against each FTSE stock market



Source: Henderson Global Investors Limited

Sector Analysis



Source: Henderson Global Investors Limited

Directors



Richard Brewster



Richard Burns



Richard Killingbeck



Matthew Thorne



Peter Sullivan



Susan Inglis

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 the former 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 non-executive director of EP Global Opportunities Trust plc, Euronova European Smaller Companies Fund, JPMorgan Indian Investment Trust plc, Mid Wynd International Investment Trust plc and Standard Life Equity Income Trust plc. From 1999 to 2006 he was a director of the AIC.

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

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

Peter Sullivan*†‡ was appointed a director in February 2011. He was formerly executive director and CEO (Hong Kong) at Standard Chartered Plc, also responsible for operations in Japan, The Philippines, Australia and the joint venture in China. He is currently a non-executive director of Axa China Region, Techtronic Industries, JPMorgan Indian Investment Trust plc and Chairman of Healthcare Locums (HCL) and was previously Chairman of Cenkos Securities plc.

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

*Member of the Management Engagement Committee

†Member of the Audit Committee

‡Member of the Nominations Committee

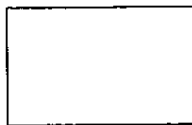
Management



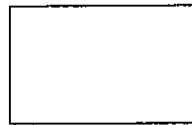
Alex Crooke



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 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 2012

Business Review

The following review is designed to provide information primarily about the Company's business and results for the year from 1 November 2011 to 31 October 2012. The business review should be read in conjunction with the Chairman's Statement on pages 3 and 4 and the Portfolio Review on pages 5 to 18, 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 (registered number 00026351). It traded throughout the year. It is an investment company as defined in Section 833 of the Companies Act 2006 and operates as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010. It was required to seek HM Revenue & Customs approval of its status as an investment trust under the above-mentioned Section 1158 every year up to and including 1 November 2011. Approval of the Company's status as an investment trust has been received in respect of the year ended 31 October 2011, 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. For years beginning on or after 1 November 2012, approval will be by way of a one-off application in advance. The Company intends to make the one-off application for investment trust status during the year ending 31 October 2013 and will conduct its affairs in order to maintain this status. The Company is liable to corporation tax on its net revenue profits but is exempt from corporation tax on capital gains if it has complied at all times with Section 1158. 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 2012 contained 199 individual investments. At 31 October 2012, the largest single investment was BP, which accounted for 2.77% of total investments, while the top 25 holdings totalled 29.4% of total investments. Investment risk

Report of the Directors

continued

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

c) Financial review

● Assets

Total net assets at 31 October 2012 amounted to £526,214,000 compared with £496,331,000 at 31 October 2011 and the net asset value per ordinary share increased by 6.2% from 446.9p to 474.5p

● Revenue

	2012	2011	% Change
Net assets (as at 31 October)	£526.2m	£496.3m	+6.2
Revenue return (for the year)	£15.4m	£13.3m	+15.8
Dividend (payable per share for the year)	13.33p	12.70p	+5.0

● Dividend

The final dividend, if approved by shareholders at the AGM, will be paid on 28 February 2013 to shareholders on the register at 1 February 2013. The Company's shares go ex-dividend on 30 January 2013.

● Payment of Suppliers

It was the payment policy for the financial year to 31 October 2012 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 2012 (2011: £nil).

● Borrowings

The Board has in place a facility which allows the Company to borrow as and when appropriate. At 31 October 2012 the Company had a committed short term facility of £30m. 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 calculated by dividing total assets (less cash and cash equivalents) by equity shareholders' funds, x 100. There was gearing of 3.9% at 31 October 2012 (2011: 3.2%).

● Future developments

While the future performance of the Company is dependent, to a large degree, on the performance of international financial markets, which, in turn, are subject to many external factors, the Board's intention is that the Company will continue to pursue its stated investment objectives in accordance with the strategy outlined earlier. Further comments on the outlook for the Company for the next twelve months are set out in both the Chairman's Statement on pages 3 and 4 and the Portfolio Review on pages 5 to 18.

● 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 (see page 1).

● 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 benchmark.

● 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.

Report of the Directors

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The Board considers the use of share buy-backs to enhance shareholder value. During the year 145,000 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 benchmark and various indices, the Board also considers the performance of its AIC peer group at each Board meeting.

- **Ongoing Charges**

The ongoing charges are a measure of the total expenses incurred by the Company, including those charged to capital, expressed as a percentage of the average shareholders' funds over the year. The ongoing charges, before borrowing costs, amounted to 0.42% (2011 0.40%) of the assets of the Company. No performance fee was paid during the year. The Board regularly reviews the ongoing charges and monitors all Company expenses.

e) Related party transactions

Other than the relationship between the Company and its Directors, the provision of services by Henderson is the only related party arrangement currently in place. Other than the fees payable by the Company in the ordinary course of business 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 Group plc ("Henderson"). Under the terms of the management contract

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

The Manager was 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 was 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 was 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 was 0.85% of average gross assets.

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

No performance fee was paid if in any financial year distributable income plus revenue reserves was lower than the gross dividends payable in the previous financial year. No performance fee was payable in respect of the year ended 31 October 2012 (last paid in 2007).

From 1 January 2013, the Company has simplified its fee arrangements by abolishing the performance fee and increasing the management fee rate. For the period 1 January 2013 to 31 October 2013 the management fee will be charged at a rate of 0.40% of the average value of net assets on the last day of October in each of the two preceding years (following regulatory approval). Subject to Henderson's overall performance and the Board's approval, from 1 November 2013 the management fee rate will increase to 0.45%.

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

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.

Report of the Directors

continued

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 pages 28 and 29.

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 UK Corporate Governance Code (the "UK 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 UK Code are directly applicable to the Company.

The Financial Reporting Council (the "FRC") confirmed in September 2010 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 UK 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 in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

Report of the Directors

continued

The Board of The Bankers Investment Trust PLC believes that reporting against the AIC Code by reference to the AIC Guide provides 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

The directors believe that this Annual Report and Financial Statements presents a balanced and understandable assessment of the Company's position and prospects

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, and insofar as they apply to the Company's business, with the provisions of the UK Code except as noted below

● *The role of chief executive*

Since all directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a Chief Executive

● *Executive directors' remuneration*

As the Board has no executive directors, it is not required to comply with the principles of the UK Code in respect of executive directors' remuneration and does not have a Remuneration Committee. Directors' fees are detailed in the Directors' Remuneration Report on 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 six 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. With the exception of Susan Inglis, who joined the Board on 1 November 2012, all the current directors served on the Board throughout the financial year

● *Directors' appointment, retirement and rotation*

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

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

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

Report of the Directors

continued

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 Richard Brewster and Richard Killingbeck who have served on the Board for over nine years. They have no other links to the Manager, in addition they have a wide range of other interests and are not dependent in any way on the Company itself and the Nominations Committee concluded that they continue to make a valuable contribution to the Board and, notwithstanding length of service, they remain independent in character and judgement.

- **Board succession and policy for recruitment**

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

past and current experience of various disciplines while also considering diversity.

- **Directors' remuneration**

A report on directors' remuneration is on page 32.

- **Directors' interests in shares**

	Ordinary shares of 25p	
	31 October 2012	1 November 2011*
With beneficial interest		
Richard Brewster	74,483	73,733
Richard Burns	60,000	60,000
Richard Killingbeck	30,000	30,000
Peter Sullivan	–	–
Matthew Thorne	23,750	23,750
Non beneficial interest		
Richard Burns	33,000	33,000

*Or date of appointment if later

Susan Inglis joined the Board after the year end

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, Richard Brewster acquired a further 174 shares due to the reinvestment of dividends.

- **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 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.

Report of the Directors

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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, Richard Brewster, is an independent non-executive director who has no conflicting relationships.

● *Senior Independent Director*

Richard Killingbeck is the Senior Independent Director.

● *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 Matthew Thorne, Richard Killingbeck, Peter Sullivan and Susan Inglis, all of whom are considered independent. The Chairman of the Audit Committee is Matthew Thorne. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience and the directors' biographies are shown on page 19. The Committee has written terms of reference, which clearly define its responsibilities and duties.

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,

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the Committee reviews the auditors' independence, objectivity and effectiveness, appointment and remuneration (see note 6 on page 44), 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. From 30 April 2011, audit committees have been required to formulate a written policy on the provision of non-audit services by the Company's statutory independent auditors. The Audit Committee has formulated a policy on the provision of non-audit services by the Company's auditors and has determined that the Company's appointed auditors will not be considered for the provision of non-audit services, such as accounting and preparation of the financial statements, internal audit and custody. The auditors may, if required, provide non-audit services relating to a review of the Company's half year report and a review of the calculation of any performance fee provision. All other non-audit services will be judged on a case-by-case basis.

During the year the Company engaged PricewaterhouseCoopers in Taiwan for tax compliance services in respect of the Taiwanese investments as required by the law in Taiwan. The directors have ensured that the provision of this non-audit service did not impact the independence of the audit. There were no other non-audit services provided by the auditors during the year.

The Audit Committee remains satisfied with the effectiveness of the audit provided by PricewaterhouseCoopers LLP, the Company's auditors, and therefore has not considered it necessary to date to require an independent tender process. This year's audit is the second year that the current audit partner has been in place.

Representatives of PricewaterhouseCoopers LLP 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 Richard 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.

- *Nominations Committee*

The Nominations Committee comprises Richard Brewster, Richard Killingbeck and Peter Sullivan. The Chairman of the Nominations Committee is Richard 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 was dissolved during 2011 and any requests for charitable donations are considered by the Board. During the year no donations were made (2011 £1,500).

- *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,

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continued

investment and gearing limits within which the Manager has discretion to act. The Board thus supervises the management of the investment portfolio, which is contractually delegated to the Manager. The Board has responsibility for the approval of unquoted investments and all investments in in-house funds managed or advised by the Manager. It also has adopted a procedure for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

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

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

	Board	Audit Committee	Nominations Committee	Management Engagement Committee
No. of meetings	7	3	1	1
Richard Brewster	7	n/a	1	1
Richard Burns	6	n/a	n/a	1
Richard Killingbeck	7	3	1	1
Matthew Thorne	7	3	n/a	1
Peter Sullivan	7	3	1	1

The membership of each Committee is shown on page 19.

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. In accordance with the UK Code, the Company is required to engage an external facilitator for the Board evaluation every three years and will do so during 2013. The evaluation for the year under review was conducted internally.

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.

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continued

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

The Board, assisted by the Manager, has undertaken an annual review of the effectiveness of the Company's system of internal control and the business risks have been analysed and recorded in a risk map which is reviewed regularly. The Board receives each quarter from the Manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and which reports the details of any known internal control failures. The Board receives each year from the Manager 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 61 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) and the day-to-day accounting, company secretarial, administration and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

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

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

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 2012 the Company had in issue 110,906,839 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 433 1p, giving the Company a market capitalisation of £480.3 million. Total equity was £526.2 million, the net asset value per share at that date being 474 5p per share (inclusive of retained revenue for the year). Accordingly, the market price per share stood at a discount of 8.7% 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 145,000 of its ordinary shares (representing 0.1% of the called-up share capital as at 31 October 2012) at an average discount of 13.4% for a total consideration of £594,000.

Since the end of the year and the date of this report no further ordinary shares have been bought back by the Company.

Report of the Directors

continued

● *Substantial share interests*

Declarations of interests in the voting rights of the Company, at 31 October 2012, are set out below

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

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

In addition, the Board is aware that, at 31 October 2012, 13.7% of the issued share capital was held on behalf of participants in the Halifax Share Dealing products run by Halifax Share Dealing Limited ("HSDL"), which is now part of Lloyds Banking Group. In accordance with the arrangements made between HSDL and Henderson, the participants in the Halifax Share Dealing products are given the opportunity to instruct the nominee company of HSDL to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company. HSDL has undertaken to instruct its nominee company to exercise the voting rights of any shares held through the Halifax Share 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*

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 the inside back cover. At other times the Company responds to letters from shareholders on a range of issues.

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

k) Corporate responsibility

● *Responsible investment (SEE statement)*

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

Report of the Directors

continued

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 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 has no employees and outsources its investment management and Company Secretarial Services to subsidiaries of Henderson. Henderson 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 26 February 2013 at 12 noon.

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

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Accordingly, resolutions to re-appoint PricewaterhouseCoopers LLP as auditors to the Company, and to authorise the directors to determine their remuneration will be proposed at the AGM.

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 or her 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 or she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



Wendy King FCIS

For and on behalf of Henderson Secretarial Services Limited
Secretary

18 January 2013

Warning to Shareholders

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

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

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

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.

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

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

Directors' Fees and Expenses

For the year under review the directors' fees were paid at the following annual rates:

The Chairman £35,000, the Chairman of the Audit Committee and Senior Independent Director £24,000 and the other directors £22,000 each. There is no proposed increase in fees to be paid to directors in the year to 31 October 2013.

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 2011, were as follows:

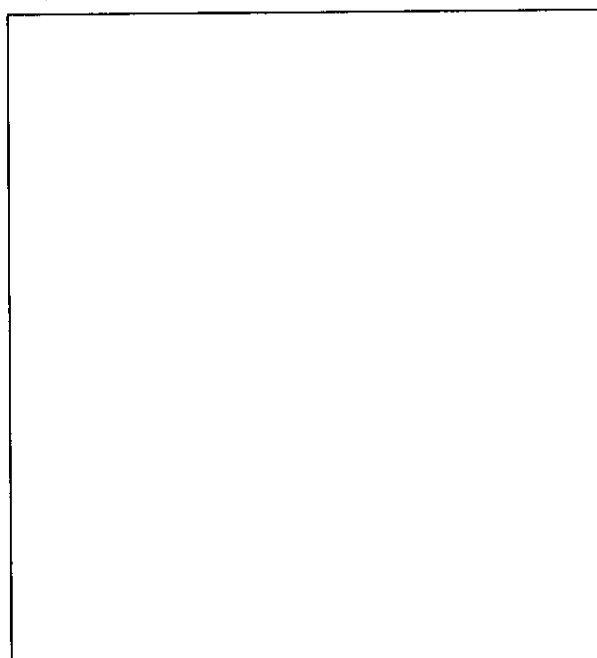
Director	Note	(Audited) 2012 £	(Audited) 2011 £
Richard Brewster		35,000	33,500
Richard Burns		22,000	21,000
Richard Killingbeck	1	24,000	22,372
Peter Sullivan	2	22,000	14,441
Francis Sumner	3	–	7,219
Matthew Thorne		24,000	23,000
TOTAL		127,000	121,532

Note

- 1 Richard Killingbeck became Senior Independent Director on 22 February 2011.
- 2 Peter Sullivan joined the Board on 22 February 2011.
- 3 Francis Sumner retired from the Board on 22 February 2011.

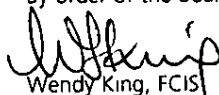
Performance Graph

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



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


Wendy King, FCIS

For and on behalf of
Henderson Secretarial Services Limited, Secretary
18 January 2013

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 prepared 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 Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain

the Group and 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, confirms that, to the best of his or her knowledge

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

For and on behalf of the Board

Richard Brewster
Chairman



18 January 2013

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 2012

Notes	Revenue Return £'000	2012 Capital Return £'000	Total £'000	Revenue Return £ 000	2011 Capital Return £'000	Total £'000
2						
Gains/(losses) on investments held at fair value through profit or loss	–	31,623	31,623	–	(2,786)	(2,786)
3						
Investment income	18,349	–	18,349	15,988	–	15,988
4						
Other operating income	244	–	244	401	–	401
Total income/(loss)	18,593	31,623	50,216	16,389	(2,786)	13,603
Expenses						
5						
Management fees	(1,026)	(552)	(1,578)	(979)	(528)	(1,507)
6						
Other expenses	(725)	–	(725)	(696)	–	(696)
Profit/(loss) before finance costs and taxation	16,842	31,071	47,913	14,714	(3,314)	11,400
7						
Finance costs	(678)	(1,582)	(2,260)	(706)	(1,647)	(2,353)
Profit/(loss) before taxation	16,164	29,489	45,653	14,008	(4,961)	9,047
8						
Taxation	(805)	–	(805)	(701)	–	(701)
Profit/(loss) for the year and total comprehensive income	15,359	29,489	44,848	13,307	(4,961)	8,346
9						
Earnings/(loss) per ordinary share – basic and diluted	13 84p	26 58p	40 42p	11 98p	(4 47p)	7 51p

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 income is attributable to the equity shareholders of The Bankers Investment Trust PLC.

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 £44,848,000 (2011: £8,346,000).

The notes on pages 38 to 60 form part of these financial statements.

Consolidated and Parent Company Statements of Changes in Equity

for the year ended 31 October 2012

Notes	Consolidated year ended 31 October 2012	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total equity £'000
	Total equity at 1 November 2011	27,763	452	12,447	425,185	30,484	496,331
	Total comprehensive income						
	Profit for the year	-	-	-	29,489	15,359	44,848
	Transactions with owners, recorded directly to equity						
21	Buy back of 145,000 ordinary shares	(36)	-	36	(594)	-	(594)
10	Ordinary dividends paid	-	-	-	-	(14,371)	(14,371)
	Total equity at 31 October 2012	27,727	452	12,483	454,080	31,472	526,214
	Consolidated year ended 31 October 2011						
	Total equity at 1 November 2010	27,772	452	12,438	430,286	31,007	501,955
	Total comprehensive income						
	(Loss)/profit for the year	-	-	-	(4,961)	13,307	8,346
	Transactions with owners, recorded directly to equity						
21	Buy back of 34,000 ordinary shares	(9)	-	9	(140)	-	(140)
10	Ordinary dividends paid	-	-	-	-	(13,830)	(13,830)
	Total equity at 31 October 2011	27,763	452	12,447	425,185	30,484	496,331
	Company year ended 31 October 2012						
	Total equity at 1 November 2011	27,763	452	12,447	426,372	29,297	496,331
	Total comprehensive income						
	Profit for the year	-	-	-	28,398	16,450	44,848
	Transactions with owners, recorded directly to equity						
21	Buy back of 145,000 ordinary shares	(36)	-	36	(594)	-	(594)
10	Ordinary dividends paid	-	-	-	-	(14,371)	(14,371)
	Total equity at 31 October 2012	27,727	452	12,483	454,176	31,376	526,214
	Company year ended 31 October 2011						
	Total equity at 1 November 2010	27,772	452	12,438	431,271	30,022	501,955
	Total comprehensive income						
	(Loss)/profit for the year	-	-	-	(4,759)	13,105	8,346
	Transactions with owners, recorded directly to equity						
21	Buy back of 34,000 ordinary shares	(9)	-	9	(140)	-	(140)
10	Ordinary dividends paid	-	-	-	-	(13,830)	(13,830)
	Total equity at 31 October 2011	27,763	452	12,447	426,372	29,297	496,331

The notes on pages 38 to 60 form part of these financial statements

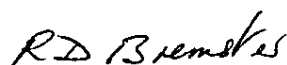
Consolidated and Parent Company Balance Sheets

as at 31 October 2012

Notes	Consolidated 2012 £'000	Consolidated 2011 £'000	Company 2012 £'000	Company 2011 £'000
11 & 13 Non-current assets				
Investments held at fair value through profit or loss	546,819	512,257	546,915	513,444
Current assets				
12 Investments held at fair value through profit or loss	1,301	3,650	1,301	3,650
14 Other receivables	2,046	2,628	2,251	2,809
Cash and cash equivalents	3,126	6,360	2,825	4,992
	6,473	12,638	6,377	11,451
Total assets	553,292	524,895	553,292	524,895
Current liabilities				
15 Bank loan	(1,000)	–	(1,000)	–
15 Other payables	(1,078)	(3,564)	(1,078)	(3,564)
	(2,078)	(3,564)	(2,078)	(3,564)
Total assets less current liabilities	551,214	521,331	551,214	521,331
Non-current liabilities				
16 Debenture stocks	(25,000)	(25,000)	(25,000)	(25,000)
Net assets	526,214	496,331	526,214	496,331
Equity attributable to equity shareholders				
19 Called up share capital	27,727	27,763	27,727	27,763
20 Share premium account	452	452	452	452
21 Capital redemption reserve	12,483	12,447	12,483	12,447
Retained earnings				
21 Other capital reserves	454,080	425,185	454,176	426,372
22 Revenue reserve	31,472	30,484	31,376	29,297
Total equity	526,214	496,331	526,214	496,331
18 Net asset value per ordinary share (pence)				
– basic and diluted	474.5p	446.9p	474.5p	446.9p

The financial statements on pages 34 to 37 were approved by the Board of Directors on 18 January 2013 and signed on its behalf by

Director
Richard Brewster



The notes on pages 38 to 60 form part of these financial statements

Consolidated and Parent Company Cash Flow Statements

for the year ended 31 October 2012

Notes	Reconciliation of operating revenue to net cash flow from operating activities	Consolidated 2012 £'000	Company 2012 £'000	Consolidated 2011 £'000	Company 2011 £'000
	Profit before taxation	45,653	45,629	9,047	9,047
	Add interest payable ("finance costs")	2,260	2,260	2,353	2,353
2	(Less)/add (gains)/losses on investments held at fair value through profit or loss	(31,623)	(30,532)	2,786	2,521
	(Increase)/decrease in accrued income	(573)	(573)	383	383
	Decrease/(increase) in other receivables	2	2	(7)	(7)
	(Decrease)/increase in other payables and accruals	(123)	(123)	23	23
	Purchases of investments	(131,873)	(131,873)	(114,549)	(114,549)
	Sales of investments	128,980	128,980	121,530	121,530
	Amounts received from subsidiary undertaking	-	-	-	4,000
	Purchases of current asset investments	(22,899)	(22,016)	(35,682)	(34,975)
	Sales of current asset investments	25,364	24,365	39,242	37,625
	Decrease in amounts due from brokers	1,179	1,179	767	767
	Decrease in amounts due to brokers	(2,363)	(2,363)	(7,285)	(6,674)
	Dealing profits	(116)	-	(261)	-
	Net cash inflow from operating activities before interest and taxation	13,868	14,935	18,347	22,044
	Interest paid	(2,260)	(2,260)	(2,374)	(2,374)
	Taxation on investment income	(831)	(831)	(641)	(641)
	Net cash inflow from operating activities	10,777	11,844	15,332	19,029
	Financing activities				
10	Equity dividends paid	(14,371)	(14,371)	(13,830)	(13,830)
19	Purchase of ordinary shares	(594)	(594)	(140)	(140)
	Drawdown/(repayment) of loan	1,000	1,000	(4,000)	(4,000)
	Net cash outflow from financing activities	(13,965)	(13,965)	(17,970)	(17,970)
	(Decrease)/increase in cash	(3,188)	(2,121)	(2,638)	1,059
	Cash and cash equivalents at start of the year	6,360	4,992	8,910	3,845
	Exchange movements	(46)	(46)	88	88
	Cash and cash equivalents at end of the year	3,126	2,825	6,360	4,992

The notes on pages 38 to 60 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 2012 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.

Accounting Standards

(i) New and amended standards adopted by the Company

- IFRS 1 (amendment), First Time Adoption of International Financial Reporting Standards – amendments resulting from the 2010 annual improvement review. No impact on the financial statements.
- IFRS 7 (amendment), Financial Instruments – Disclosures – amendments resulting from the 2010 annual improvement review. No impact on the financial statements.
- IAS 24 (revised), Related Party Disclosures – disclosure amendment in respect of 'commitments' with related parties. No impact on the financial statements.

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

- IFRS 7 (amendment), 'Financial Instruments – Disclosures' (effective for periods beginning on or after 1 January 2013) – amendments enhancing disclosures about offsetting financial assets and financial liabilities.
- IFRS 9, 'Financial instruments' (effective for financial periods beginning on or after 1 January 2015) – addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.
- IFRS 12, 'Disclosures of interests in other entities' (effective for annual periods beginning on or after 1 January 2012) – includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

Notes to the Financial Statements

continued

1 Accounting policies (continued)

- IFRS 13, 'Fair value measurement' (effective for annual periods beginning on or after 1 January 2013) – aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The company is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2012, subject to endorsement by the EU.
- IAS 32, 'Financial instruments: Presentation' (effective for financial periods beginning on or after 1 January 2014) – updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

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

- IFRS 1 (amendments), First Time Adoption of International Financial Reporting Standards
- IFRS 10, Consolidated financial statements
- IFRS 11, Joint Arrangements
- IAS 1 (amendment) Financial Statement Presentation
- IAS 12 (amendment) Income Taxes
- IAS 19 (amendment) Employee Benefits
- IAS 27 Separate Financial Statements
- IAS 28 Associates and joint venture

(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. Consistent accounting policies have been used across the Group. 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.

Notes to the Financial Statements

continued

1 Accounting policies (continued)

(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 disclosed 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.

(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.

Notes to the Financial Statements

continued

1 Accounting policies (continued)

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 paid are disclosed 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 presentation currency of the Group. Sterling is the functional currency because it is the currency of the primary economic environment in which the Company and its subsidiary operate.

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

(j) Cash and cash equivalents

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

(k) Borrowings

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

(l) Repurchase of ordinary shares

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

Notes to the Financial Statements

continued

1 Accounting policies (continued)

(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

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 Investment 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 and dividend growth 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. See also note 25 for further details on operating segments.

The business is not managed on a geographical basis, however, for the convenience of investors, disclosure by geographical segment has been provided in note 3 and in the Portfolio Review on pages 5 to 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/(losses) on investments held at fair value through profit or loss	2012 £'000	2011 £ 000
	Gains on sales of investments based on historical cost	18,095	9,585
	Revaluation gains recognised in previous years	(2,893)	(12,704)
	Gains/(losses) on investments sold in the year based on carrying value at previous balance sheet date	15,202	(3,119)
	Revaluation of investments held at 31 October	16,467	245
	Exchange (losses)/gains	(46)	88
		31,623	(2,786)
3	Investment income	2012 £'000	2011 £ 000
	UK dividend income – listed	8,146	7,456
	UK dividend income – special dividends	687	50
	Overseas dividend income – listed	9,078	7,890
	Overseas dividend income – special dividends	118	170
	Property income distributions	320	333
	Income from fixed interest securities	–	89
		18,349	15,988
	Analysis of investment income by geographical region		
	UK	9,842	8,459
	Europe (ex UK)	2,110	2,351
	North America	2,437	1,433
	Japan	1,102	971
	Pacific (ex Japan)	2,608	2,367
	Emerging markets	250	407
		18,349	15,988
4	Other operating income	2012 £'000	2011 £ 000
	Bank interest	20	15
	Stock lending revenue	108	125
	Dealing profits from subsidiary	116	261
		244	401

At 31 October 2012 the total value of securities on loan by the Group for stock lending purposes was £19,200,000 (2011 £37,200,000). The maximum aggregate value of securities on loan at any one time during the year ended 31 October 2012 was £77,792,000 (2011 £45,800,000). The Group's agent holds collateral at 31 October 2012 with a value of £20,400,000 in respect of securities on loan, the value of which is reviewed on a daily basis, comprising CREST Delivery By Value ("DBVs") and 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 2012 £'000	Capital Return 2012 £'000	Total 2012 £'000	Revenue Return 2011 £'000	Capital Return 2011 £'000	Total 2011 £'000
	Investment management	237	552	789	226	528	754
	Accounting, secretarial and administration	789	–	789	753	–	753
		1,026	552	1,578	979	528	1,507

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 (2011 £nil)

6	Other expenses	2012 £'000	2011 £'000
	Directors' fees (see page 32)	127	121
	Auditors' remuneration		
	– for audit services (£22,000 relating to the Parent Company and £5,000 relating to the Subsidiary)	27	25
	– for non-audit services (in respect of tax compliance services in Taiwan)	1	2
	Expenses payable to the Manager (relating to marketing services)	66	78
	Bank charges	83	83
	Registrar fees	45	56
	AIC subscriptions	28	35
	Printing expenses	49	50
	Legal fees	11	1
	Listing fees	42	40
	Loan non-utilisation fees	114	78
	Loan arrangement fee	48	30
	Irrecoverable VAT	21	19
	Other expenses	63	78
		725	696

The compensation payable to key management personnel in respect of short term employment benefits was £127,000 (2011 £121,000) which relates wholly to the fees payable to the directors in respect of the year

7	Finance costs	Revenue Return 2012 £'000	Capital Return 2012 £'000	Total 2012 £'000	Revenue Return 2011 £'000	Capital Return 2011 £'000	Total 2011 £'000
	On bank loans and overdrafts repayable within one year	3	7	10	31	72	103
	Interest on debentures repayable wholly or partly after five years	675	1,575	2,250	675	1,575	2,250
		678	1,582	2,260	706	1,647	2,353

Notes to the Financial Statements

continued

8	Taxation	Revenue Return 2012 £'000	Capital Return 2012 £'000	Total 2012 £'000	Revenue Return 2011 £'000	Capital Return 2011 £'000	Total 2011 £'000
	(a) Analysis of the charge for the year						
	Overseas tax suffered	925	–	925	874	–	874
	Overseas tax reclaimable	(120)	–	(120)	(173)	–	(173)
	Taxation	805	–	805	701	–	701

(b) Factors affecting the tax charge for the year

The differences are explained below

	Revenue Return 2012 £'000	Capital Return 2012 £'000	Total 2012 £'000	Revenue Return 2011 £'000	Capital Return 2011 £'000	Total 2011 £'000
Profit before taxation	16,164	29,489	45,653	14,008	(4,961)	9,047
Corporation tax for the year at 24.83% (2011 26.83%)	4,014	7,322	11,336	3,760	(1,332)	2,428
Non taxable UK dividends	(2,193)	–	(2,193)	(1,988)	–	(1,988)
Non taxable scrip dividends and other income	(2,238)	–	(2,238)	(2,119)	–	(2,119)
Income taxable in different years	4	–	4	–	–	–
Overseas withholding tax suffered	805	–	805	701	–	701
Excess management expenses	413	530	943	347	584	931
Capital (gains)/losses not subject to tax	–	(7,852)	(7,852)	–	748	748
	805	–	805	701	–	701

(c) Provision for deferred taxation

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

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

(d) Factors that may affect future tax charges

The Company has not recognised a deferred tax asset totalling £3,976,000 (2011 £3,373,000) arising as a result of having unutilised non trade loan relationship deficits of £2,910,000 (2011 £2,639,000), excess management expenses of £1,066,000 (2011 £734,000) and deferred tax liability of £nil (2011 £nil) on offshore funds. These expenses will only be utilised if the Group has profits chargeable to corporation tax in the future.

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the Company's profits for this accounting period are taxed at the effective rate of tax of 24.83%.

Notes to the Financial Statements

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9 Earnings per ordinary share

The total earnings per ordinary share is based on the net profit attributable to the ordinary shares of £44,848,000 (2011 £8,346,000) and on 110,946,334 ordinary shares (2011 111,072,713) being the weighted average number of shares in issue during the year

The total earnings can be further analysed as follows

	2012 £'000	2011 £ 000
Revenue profit	15,359	13,307
Capital profit/(loss)	29,489	(4,961)
Profit for the year	44,848	8,346
Weighted average number of ordinary shares	110,946,334	111,072,713
Revenue earnings per ordinary share	13 84p	11 98p
Capital earnings/(loss) per ordinary share	26 58p	(4 47p)
Earnings per ordinary share	40 42p	7 51p

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	2012 £'000	2011 £ 000
Third interim dividend (3 00p) for year ended 31 October 2010	29 October 2010	30 November 2010	–	3,332
Final dividend (3 10p) for the year ended 31 October 2010	4 February 2011	28 February 2011	–	3,444
First interim dividend (3 175p) for the year ended 31 October 2011	6 May 2011	31 May 2011	–	3,527
Second interim dividend (3 175p) for the year ended 31 October 2011	29 July 2011	31 August 2011	–	3,527
Third interim dividend (3 175p) for year ended 31 October 2011	28 October 2011	30 November 2011	3,526	–
Final dividend (3 175p) for the year ended 31 October 2011	3 February 2012	28 February 2012	3,525	–
First interim dividend (3 30p) for the year ended 31 October 2012	4 May 2012	31 May 2012	3,660	–
Second interim dividend (3 30p) for the year ended 31 October 2012	27 July 2012	31 August 2012	3,660	–
			14,371	13,830

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)	2012 Group £'000	2012 Company £'000	2011 Group £'000	2011 Company £'000
	Revenue available for distribution by way of dividend for the year	15,359	16,450	13,307	13,105
	First interim dividend (3 30p) (2011 3 175p)	(3,660)	(3,660)	(3,527)	(3,527)
	Second interim dividend (3 30p) (2011 3 175p)	(3,660)	(3,660)	(3,527)	(3,527)
	Third interim dividend (3 30p) paid on 30 November 2012 (2011 3 175p paid on 30 November 2011)	(3,660)	(3,660)	(3,526)	(3,526)
	Final dividend (3 43p) payable on 28 February 2013 (2011 3 175p paid on 28 February 2012)	(3,804)	(3,804)	(3,525)	(3,525)
	Revenue surplus/(shortfall) for Section 1158 purposes	575	1,666	(798)	(1,000)

11	Investments held at fair value through profit or loss	Group £'000
(a) Group		
	Valuation at 31 October 2011	512,257
	Investment holding gains at 1 November 2011	(113,692)
	Cost at 31 October 2011	398,565
	Acquisitions at cost	131,873
	Disposals at cost	(110,885)
	Cost at 31 October 2012	419,553
	Investment holding gains at 31 October 2012	127,266
	Valuation of investments at 31 October 2012	546,819

Included in the total investments are unquoted investments shown at the directors' fair valuation of £83,000 (2011 £98,000) See note 17.5 on pages 55 and 56

	Subsidiary undertaking £'000	Investments £'000	Total £'000
(b) Company			
Valuation at 31 October 2011	1,187	512,257	513,444
Investment holding gains at 1 November 2011	(1,187)	(113,692)	(114,879)
Cost at 31 October 2011	–	398,565	398,565
Acquisitions at cost	–	131,873	131,873
Disposals at cost	–	(110,885)	(110,885)
Cost at 31 October 2012	–	419,553	419,553
Investment holding gains at 31 October 2012	96	127,266	127,362
Valuation of investments at 31 October 2012	96	546,819	546,915

Included in the total investments are unquoted investments shown at the directors' fair valuation of £179,000 (2011 £1,294,000) See note 17.5 on pages 55 and 56

Notes to the Financial Statements

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11 Investments held at fair value through profit or loss (continued)

At 31 October 2012 convertible or fixed interest securities held in the portfolio of the Company and the Group were £83,000 (2011 £98,000)

Purchase and sale transaction costs for the year ended 31 October 2012 were £290,000 and £205,000 respectively (2011 transaction costs of purchases £223,000, transaction costs of sales £186,000) These comprise mainly stamp duty and commission

The Company has interests of 3% or more of any class of capital in 4 investee companies, Blackstar, International Oil & Gas Technology, Orchid Developments and Specialist Energy (2011 same) None of these investments are considered material in the context of these accounts

12 Current asset investment

The Company has a holding in Deutsche Bank Liquidity Fund (formerly Henderson Liquid Assets Fund), a money market fund which is viewed as a readily disposable store of value and which is used to invest cash balances that would otherwise be placed on short term deposit At 31 October 2012 this holding had a value of £1,301,000 (2011 £3,650,000)

The subsidiary undertaking holds dealing investments with a value of £nil (2011 £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

	Group 2012 £'000	Group 2011 £ 000	Company 2012 £'000	Company 2011 £'000
14 Other receivables				
Securities sold for future settlement	150	1,329	150	1,329
Amounts due from subsidiary undertakings	–	–	205	181
Other taxes recoverable	400	374	400	374
Prepayments and accrued income	1,488	915	1,488	915
Other receivables	8	10	8	10
	2,046	2,628	2,251	2,809
15 Current liabilities				
Bank loans	1,000	–	1,000	–
Securities purchased for future settlement	824	3,187	824	3,187
Accruals	131	250	131	250
Other payables	123	127	123	127
	2,078	3,564	2,078	3,564

The Company entered into a two year £30m loan facility with Commonwealth Bank of Australia on 1 June 2012 The previous £20m loan facility with Santander via Abbey National Treasury Services plc expired on 30 April 2012

Notes to the Financial Statements

continued

16	Non current liabilities amounts falling due after more than one year	Group and Company	
		2012 £'000	2011 £'000
	Borrowings Debenture stocks (secured)		
	10½% debenture stock 2016	10,000	10,000
	8% debenture stock 2023	15,000	15,000
		25,000	25,000

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

17 Risk management policies and procedures (for the Group and Company)

As an investment trust the Group 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 (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 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 Group'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 2012 £'000	31 October 2011 £'000
Equities	546,736	512,159
Fixed interest	83	98
	546,819	512,257

There are no material differences between Group and Company exposure to market price risk.

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 profit after taxation for the year and the Group's net assets to an increase or decrease of 20% (2011: 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.

	2012		2011	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Statement of Comprehensive Income – profit after tax				
Revenue return	(213)	213	(200)	200
Capital return	109,232	(109,232)	102,324	(102,324)
Change to profit after tax for the year and net assets	109,019	(109,019)	102,124	(102,124)

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 30% of the adjusted net asset value.

Investment income denominated in foreign currencies is converted into sterling on receipt. The Group 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

continued

17 Risk management policies and procedures (continued)

17.1.2 Currency risk (continued)

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

2011	US\$ £'000	Euro £'000	Japanese Yen £'000	Hong Kong \$ £'000	Other £'000
Other receivables	56	88	1,632	–	309
Cash at bank	1,560	–	–	–	3
Current liabilities	(1,215)	(11)	(1,540)	–	–
Total foreign currency exposure on net monetary items	401	77	92	–	312
Investments at fair value through profit or loss that are equities	113,156	35,302	46,587	19,804	66,339
Total net foreign currency exposure	113,557	35,379	46,679	19,804	66,651

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. There are no material differences between Group and Company's exposure to foreign currency risk.

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% (2011: 10%) Euro/Sterling +/- 10% (2011: 10%) Japanese Yen/Sterling +/- 10% (2011: 10%) Hong Kong Dollar/Sterling +/- 10% (2011: 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

continued

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 of 10% in the year end exchange rate for Sterling against the currencies shown would have been as follows

	US \$ £'000	2012 Euro £'000	Japanese Yen £'000	Hong Kong \$ £'000	US \$ £'000	2011 Euro £'000	Japanese Yen £'000	Hong Kong \$ £'000
Statement of Comprehensive Income – profit after tax								
Revenue return	326	126	112	85	180	147	95	78
Capital return	15,286	3,676	5,090	2,645	12,694	3,918	5,171	2,198
Change to profit after tax for the year and net assets	15,612	3,802	5,202	2,730	12,874	4,065	5,266	2,276

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

	US \$ £'000	2012 Euro £'000	Japanese Yen £'000	Hong Kong \$ £'000	US \$ £'000	2011 Euro £'000	Japanese Yen £'000	Hong Kong \$ £'000
Statement of Comprehensive Income – profit after tax								
Revenue return	(266)	(103)	(92)	(70)	(148)	(121)	(79)	(64)
Capital return	(12,507)	(3,008)	(4,165)	(2,164)	(10,386)	(3,206)	(4,231)	(1,798)
Change to profit after tax for the year and net assets	(12,773)	(3,111)	(4,257)	(2,234)	(10,534)	(3,327)	(4,310)	(1,862)

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.

	Within one year £'000	2012 More than one year £'000	Total £'000	Within one year £'000	2011 More than one year £'000	Total £'000
Exposure to floating interest rates						
Cash at bank	3,126	–	3,126	6,360	–	6,360
Current asset investment	1,301	–	1,301	3,650	–	3,650
Exposure to fixed interest rates						
Fixed interest investments	–	83	83	–	98	98
Bank loans	(1,000)	–	(1,000)	–	–	–
Debentures	–	(25,000)	(25,000)	–	(25,000)	(25,000)
	3,427	(24,917)	(21,490)	10,010	(24,902)	(14,892)

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. There are no material differences between Group and Company's exposure to interest rate risk.

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 (2011: same)
- Interest paid on debentures is set out in note 16

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 £3,126,000 (2011: £6,360,000) 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 £31,000 (2011: £64,000).
- Current asset investment sensitivity – The Company's interest bearing current asset investment at the year end was £1,301,000 (2011: £3,650,000) 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 £13,000 (2011: £37,000).
- Fixed income investment sensitivity – The Company's fixed income portfolio at the year end was valued at £83,000 (2011: £98,000), and is not currently paying interest and therefore there is no modified duration (interest rate sensitivity) (2011: no modified duration).

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 £30,000,000 with Commonwealth Bank of Australia (2011 £20,000,000) and an overdraft facility with the custodian, the extent of which is determined by the custodian on a regular basis by reference to the value of the securities held by it on behalf of the Company. The facilities are subject to regular review. The 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:

	Due within three months £'000	2012 Due between three months and one year £'000	Due after one year £'000	Due within three months £ 000	2011 Due between three months and one year £ 000	Due after one year £'000
Debenture stocks	–	2,250	40,150	–	2,250	42,400
Bank loans	1,001	–	–	–	–	–
Other creditors and accruals	1,078	–	–	3,564	–	–
	<u>2,079</u>	<u>2,250</u>	<u>40,150</u>	<u>3,564</u>	<u>2,250</u>	<u>42,400</u>

There are no material differences between the Group and Company's exposure to liquidity risk.

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

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

Notes to the Financial Statements

continued

17 Risk management policies and procedures (continued)

17.3 Credit and counterparty risk (continued)

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

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

Outstanding settlements are subject to credit risk. Credit risk is mitigated by the 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 maximum credit risk exposure of the Group as at year end.

	2012 £'000	2011 £'000
Fixed interest securities	83	98
Cash	3,126	6,360
Receivables		
Securities sold for future settlement	150	1,329
	3,359	7,787

There are no material differences between the Group and Company's exposure to credit risk.

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 2012 was £32,725,000 (2011: £31,260,000). 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:

Notes to the Financial Statements

continued

17 Risk management policies and procedures (continued)

17.5 Fair value hierarchy disclosures (continued)

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

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

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

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

Fair value hierarchy – Group	Level 1 £'000	2012 Level 3 £'000	Total £'000	Level 1 £'000	2011 Level 3 £'000	Total £'000
Equity investments	546,736	–	546,736	512,159	–	512,159
Fixed interest investments	–	83	83	–	98	98
Current asset investments	1,301	–	1,301	3,650	–	3,650
	548,037	83	548,120	515,809	98	515,907
Fair value hierarchy – Company	Level 1 £'000	2012 Level 3 £'000	Total £'000	Level 1 £'000	2011 Level 3 £'000	Total £'000
Equity investments	546,736	96	546,832	512,159	1,187	513,346
Fixed interest investments	–	83	83	–	98	98
Current asset investments	1,301	–	1,301	3,650	–	3,650
	548,037	179	548,216	515,809	1,285	517,094

There are no Level 2 investments at 31 October 2012 (2011: none). There have been no transfers during the year between any of the levels. A reconciliation of fair value movements within Level 3 is set out below.

Level 3 investments at fair value through profit or loss	2012 Group £'000	2012 Company £'000	2011 Group £'000	2011 Company £'000
Opening balance	98	1,285	118	1,103
Disposal proceeds	(45)	(1,231)	(48)	(48)
Total gains included in the Consolidated Statement of Comprehensive Income – on assets held at year end	30	125	28	230
	83	179	98	1,285

The total value of unquoted investments as at 31 October 2012 for the Group was £83,000 (2011: £98,000).

The total value of unquoted investments as at 31 October 2012 for the Company was £179,000 (2011: £1,285,000).

Notes to the Financial Statements

continued

17 Risk management policies and procedures (continued)

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 0.02% (2011: 0.02%) of the total portfolio and which are held at directors' fair valuations

The Group's capital at 31 October 2012 comprises its equity share capital, reserves and debt that are shown in the balance sheet at a total of £552,214,000 (2011: £521,331,000)

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

- the need to buy back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (ie the level of share price discount or premium),
- the need for new issues of equity shares,
- the extent to which revenue in excess of that which is required to be distributed should be retained

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

The Company is subject to several externally imposed capital requirements

- under the multi-currency facility total borrowings not to exceed 30% of net asset value and net asset value not to fall below £150,000,000. These are measured in accordance with the policies used in the annual financial statements
- as a public company, the Company has a minimum share capital of £50,000
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the 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

Notes to the Financial Statements

continued

18 Net asset value per ordinary share

The net asset value per ordinary share is based on net assets attributable to ordinary shares of £526,214,000 (2011 £496,331,000) and on the 110,906,839 ordinary shares in issue at 31 October 2012 (2011 111,051,839)

The Company has no securities in issue that could dilute the net asset value per ordinary share

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

	2012 £'000	2011 £'000
Net assets attributable to ordinary shares at start of year	496,331	501,955
Total net profit on ordinary activities after taxation	44,848	8,346
Dividends paid	(14,371)	(13,830)
Buy back of ordinary shares	(594)	(140)
Net assets attributable to ordinary shares at end of year	526,214	496,331

19 Called up share capital (Group and Company)

Authorised, allotted, issued and fully paid
110,906,839 (2011 111,051,839) ordinary shares of 25p each

	2012 £'000	2011 £'000
	27,727	27,763

During the year, 145,000 (2011 34,000) ordinary shares were bought back for cancellation at a cost of £594,000 (2011 £140,000) Further details can be found on page 29

20 Share premium account

As at 31 October

	2012 £'000	2011 £'000
	452	452

21 Capital redemption and other capital reserves

(a) Group

	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Total other capital reserves £'000
At 1 November 2011	12,447	311,493	113,692	425,185
Transfer on disposal of assets	–	2,893	(2,893)	–
Net gains on investments	–	15,202	16,467	31,669
Net losses on foreign exchange	–	(46)	–	(46)
Expenses and finance costs charged to capital net of tax relief	–	(2,134)	–	(2,134)
Purchases of own shares for cancellation	36	(594)	–	(594)
At 31 October 2012	12,483	326,814	127,266	454,080

Notes to the Financial Statements

continued

21 Capital redemption and other capital reserves (continued)

	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 2011	12,447	311,493	114,879	426,372
Transfer on disposal of assets	–	2,893	(2,893)	–
Net gains on investments	–	15,202	15,376	30,578
Net losses on foreign exchange	–	(46)	–	(46)
Expenses and finance costs charged to capital net of tax relief	–	(2,134)	–	(2,134)
Purchases of own shares for cancellation	36	(594)	–	(594)
At 31 October 2012	12,483	326,814	127,362	454,176

	2012		2011	
	Group £'000	Company £'000	Group £'000	Company £'000
22 Revenue reserve				
At start of year	30,484	29,297	31,007	30,022
Net revenue profit after tax for the year	15,359	16,450	13,307	13,105
Dividends paid	(14,371)	(14,371)	(13,830)	(13,830)
At end of year	31,472	31,376	30,484	29,297

23 Contingent commitments

As at 31 October 2012 there were no contingent commitments in respect of sub-underwriting for the Group and Company (2011 none)

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 2012 were £1,578,000 (2011 £1,507,000), of which £263,000 is included in prepayments at 31 October 2012 (2011 accrual £126,000).

No performance fee was payable to Henderson for the year ended 31 October 2012 (2011 £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 2012 amounted to a charge of £66,000 (2011 £78,000), of which £5,000 was outstanding at 31 October 2012 (2011 £27,000).

Notes to the Financial Statements

continued

25 Operating segments

The Directors consider that the Group has two operating segments, being 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 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	2012			2011		
	Parent Company £'000	Subsidiary Undertaking £'000	Total £'000	Parent Company £'000	Subsidiary Undertaking £'000	Total £'000
Total income – external	50,097	119	50,216	13,338	265	13,603
Total expenses	(2,303)	–	(2,303)	(2,203)	–	(2,203)
Finance costs	(2,260)	–	(2,260)	(2,353)	–	(2,353)
Taxation	(781)	(24)	(805)	(638)	(63)	(701)
Profit and total comprehensive income	44,753	95	44,848	8,144	202	8,346
Total assets	552,991	301	553,292	523,527	1,368	524,895
Total liabilities	(26,873)	(205)	(27,078)	(28,383)	(181)	(28,564)
Total equity	526,118	96	526,214	495,144	1,187	496,331

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 2012 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 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,
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Sally Cosgrove (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, 18 January 2013

Statistical Record (Unaudited)

adjusted to present capital

Year ended 31 October	Gross revenue £'000	Earnings and dividends per 25p ordinary share			Total assets less current liabilities £ 000	Net asset value per 25p ordinary share p	Market price per 25p ordinary share p	Indices of growth					
		Earnings Net p	Total Div Net p	Ongoing Charges* %				Net asset value per 25p ordinary share	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
2002	12 303	7 02	6 78	0 87	340,887	249	234	100	100	100	100	100	100
2003	12 194	7 12	7 05	0 78	383,449	283	266	114	114	104	110	113	103
2004	12 902	8 05	7 47	0 68	406 277†	304†	262	122	112	110	119	117	106
2005	13,940	9 07	8 25	0 62	461,923†	363†	313	146	134	122	137	136	109
2006	14,972	10 13	9 48	0 60	540 363	443	386	178	165	140	162	151	113
2007	16,437	11 32	10 24	0 71	596,020	500	439	201	188	151	178	167	117
2008	18 613	12 76	11 06	0 47	410,661	341	305	137	130	163	113	122	122
2009	16,866	11 83	11 50	0 50	473,863	400	348	160	149	170	133	142	121
2010	16,478	12 26	12 10	0 42	526 955	452	380	181	162	178	151	163	127
2011	16 389	11 98	12 70	0 40	521,331	447	385	179	165	187	148	160	134
2012	18,593	13 84	13 33	0 42	551,214	475	433	189	185	193	156	171	138

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

*Years prior to 2011 are Total Expense Ratio

Rates of Exchange

The principal exchange rates at 31 October were

	2012	2011		2012	2011
US dollar	1.6111	1 6141	Singapore dollar	1 97	2 02
Japanese yen	128 771	125 859	New Taiwanese dollar	47.06	48 291
Euro	1 243	1 157	Danish krone	9.274	8 611
Hong Kong dollar	12 49	12 53	Swiss franc	1 500	1 406
Australian dollar	1 554	1 521	New Zealand dollar	1 960	1 988
South African rand	14.015	12 746	Canadian dollar	1 610	1 603

Distribution of Assets and Liabilities

at 31 October 2012

	Equities £ 000	Fixed interest £'000	Current Assets £ 000	Total Assets £'000	%	Total Liabilities £ 000	Currency Exposure of Net Assets £'000	%
United Kingdom	248,640	83	5,144	253,867	45.9	(26,244)	227,623	43.2
Europe (ex UK)	59,009	—	373	59,382	10.7	(578)	58,804	11.2
North America	114,338	—	143	114,481	20.7	—	114,481	21.8
Japan	47,801	—	510	48,311	8.7	(256)	48,055	9.1
Pacific (ex Japan)	63,939	—	303	64,242	11.6	—	64,242	12.2
Emerging markets	13,009	—	—	13,009	2.4	—	13,009	2.5
Total	546,736	83	6,473	553,292	100.0	(27,078)	526,214	100.0
Percentage	103.9%	0.0%	1.2%	105.1%		(5.1)%	100.0%	

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

Largest Investments

at 31 October 2012

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

Rank (2011)		Valuation 2011 £'000	Purchases £'000	Sales proceeds £'000	Appreciation/ (depreciation) £'000	Valuation 2012 £'000
1	(1) BP	15,745	-	-	(605)	15,140
2	(3) British American Tobacco	11,659	-	(752)	872	11,779
3	(4) GlaxoSmithKline	10,808	-	-	(104)	10,704
4	(5) Royal Dutch Shell	10,060	-	-	(203)	9,857
5	(2) Vodafone	11,735	-	(2,558)	(250)	8,927
6	(6) Catlin	9,493	-	(2,516)	1,716	8,693
7	(7) HSBC	8,646	-	(1,279)	771	8,138
8	(8) BG	8,546	-	-	(1,317)	7,229
9	(13) Apple	4,686	-	(729)	2,243	6,200
10	(*) Galliford Try	3,623	-	-	2,118	5,741
11	(*) Sports Direct International	1,607	2,072	-	1,932	5,611
12	(22) Petrofac	4,021	729	-	547	5,297
13	(20) Rolls-Royce	4,171	-	-	903	5,074
14	(9) Jardine Lloyd Thompson	6,485	-	(1,710)	148	4,923
15	(16) Amcor	4,268	-	-	412	4,680
16	(*) Smiths News	2,861	-	-	1,797	4,658
17	(*) Reckitt Benckiser	3,838	-	-	662	4,500
18	(*) General Electric	-	3,722	-	723	4,445
19	(*) Time Warner Cable	-	3,413	-	893	4,306
20	(17) Christian Dior	4,243	-	-	33	4,276
21	(*) Rio Tinto	-	3,705	-	437	4,142
22	(*) ITV	3,050	-	-	1,071	4,121
23	(23) Microsoft	3,966	327	(612)	401	4,082
24	(11) Petroleo Brasileiro	6,024	-	(572)	(1,373)	4,079
25	(*) Fisher (J) & Sons	2,872	-	-	1,175	4,047
		<u>142,407</u>	<u>13,968</u>	<u>(10,728)</u>	<u>15,002</u>	<u>160,649</u>

These investments total 29.4% of the portfolio

(*) Not in top 25 last year

Changes in Investments

	Valuation 2011 £'000	Purchases £'000	Sales proceeds £'000	Appreciation/ (depreciation) £'000	Valuation 2012 £'000
United Kingdom	233,189	30,747	(32,973)	17,677	248,640
Europe (ex UK)	61,742	8,479	(14,570)	3,358	59,009
North America	102,140	43,900	(39,674)	7,972	114,338
Japan	48,599	19,102	(18,427)	(1,473)	47,801
Pacific (ex Japan)	56,520	23,125	(21,881)	6,175	63,939
Emerging Markets	9,969	6,520	(1,410)	(2,070)	13,009
Fixed Interest	98	-	(45)	30	83
	<u>512,257</u>	<u>131,873</u>	<u>(128,980)</u>	<u>31,669</u>	<u>546,819</u>

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.

Keeping up to date with The Bankers Investment Trust PLC

Website

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

HGi

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

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<http://HGi.co/g51>



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Investing in Bankers

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

Dividends

Ordinary shares

First interim paid end May

Second interim paid end August

Third interim paid end November

Final paid end February

Debenture stock interest

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

Ongoing charges

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

Nominee Code

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

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 Brewster (Chairman)
Richard Burns
Susan Inglis (appointed 1 November 2012)
Richard Killingbeck (Senior Independent Director)
Peter Sullivan
Matthew Thorne

Audit Committee

Matthew Thorne (Chairman)
Susan Inglis
Richard Killingbeck
Peter Sullivan

Management Engagement Committee

Richard Brewster (Chairman)
Richard Burns
Susan Inglis
Richard Killingbeck
Peter Sullivan
Matthew Thorne

Nominations Committee

Richard Brewster (Chairman)
Richard Killingbeck
Peter Sullivan

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

201 Bishopsgate,
London EC2M 3AE
Telephone 020 7818 1818



The Company is a member of

aic

The Association of
Investment Companies

Independent Auditors

PricewaterhouseCoopers LLP,
7 More London Riverside,
London SE1 2RT

Registrars

UK Registrar

Equiniti Limited,
Aspect House,
Spencer Road,
Lancing,
West Sussex BN99 6DA
Telephone 0871 384 2471 +44(0)121 415 7047
Calls to this number cost 8p per minute plus network extras
Lines are open 8 30 am to 5 30 pm, Monday to Friday

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

New Zealand Registrar

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

Stockbrokers

UK

JP Morgan Cazenove,
25 Bank Street,
Canary Wharf,
London E14 5SP

New Zealand

First NZ Capital Securities,
Level 20, ANZ Centre,
23-29 Albert Street,
PO Box 5333,
Auckland,
New Zealand

Solicitors

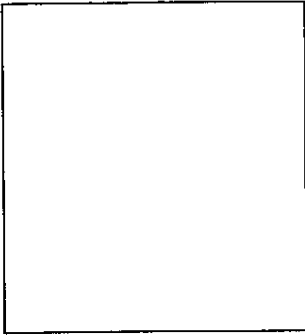
Norton Rose,
3 More London Riverside,
London SE1 2AQ

Custodian

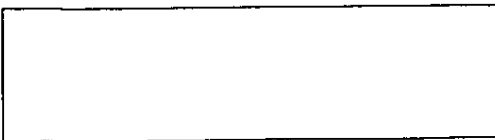
BNP Paribas Securities Services,
55 Moorgate,
London EC2R 6PA

Halifax Share Dealing Limited

Lovell Park Road,
Leeds LS1 1NS
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Email communications@halifax
Website www.halifax.co.uk



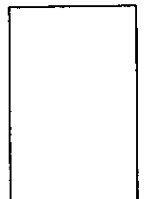
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