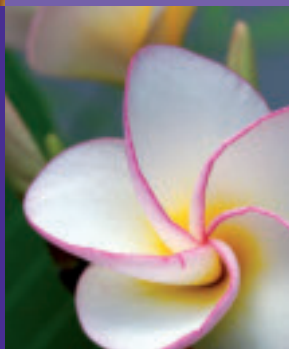
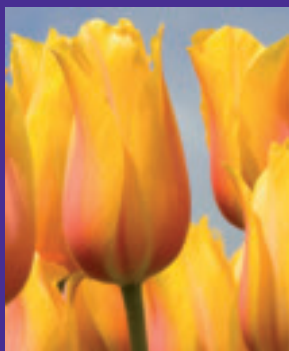


The Bankers Investment Trust PLC
Report and Financial Statements for the year ended 31 October

2011



The Bankers Investment Trust PLC

Objectives

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

Policy

- To achieve both these objectives by investing in a broadly diversified international portfolio of shares.
- To incentivise the manager according to performance, measured against a composite index.

Summary of the Year

	31 October 2011	31 October 2010	Change %
Consolidated Assets			
Total assets less current liabilities (£'000)	521,331	526,955	-1.1
Net asset value per ordinary share	446.9p	451.9p	-1.1
Ordinary share mid-market price	385.0p	379.9p	+1.3
Discount (Share Price to Net Asset Value)	13.9%	15.9%	
Consolidated Revenue			
Gross revenue (£'000)	16,431	16,478	-0.3
Revenue earnings per ordinary share	11.98p	12.26p	-2.3
Dividends per ordinary share in respect of the year	12.70p	12.10p	+5.0
Total Return			
Total return per ordinary share	7.51p	63.39p	
Indices (capital return)			
FTSE All-Share Index	2,860.86	2,936.15	-2.6
S&P 500 Composite Index	1,253.30	1,183.26	+4.9#
FTSE All-World Developed Europe (ex UK) Index (£)	120.7	137.7	-12.4
TOPIX (Tokyo First Section Index)	764.06	810.91	-5.8#
FTSE World (ex UK) Index (£)	325.93	333.23	-2.2
Composite Index (capital return)			
50/50 FTSE All-Share Index/ FTSE World (ex UK) Index (£)	195.2	200.0*	-2.4
Total Expense Ratio**	0.45%	0.42%	
Retail Prices Index	238.00	225.80	+5.4

£ adjusted

* rebased as at 31 October 2010

** excluding borrowing costs

Total Return Performance

To 31 October 2011	1 year %	5 years %	10 years %	15 years %
Net Asset Value total return*	1.5	15.7	90.7	179.7
Share Price total return*	4.5	16.3	82.6	162.9
FTSE All-Share Index total return**	0.6	8.9	66.4	133.9
FTSE World (ex UK) Index return (£)**	0.4	20.2	57.2	127.1
Composite Index 50/50 return	0.5	14.5	61.8	130.5
Net dividend	5.0	34.0	93.0	172.5
Retail Prices Index	5.4	18.8	36.5	54.7

* 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

Contents

Directors' Review

- * Objectives and Policy
- 1 Summary of the Year and Total Return Performance
- 3 Chairman's Statement

Portfolio Review

- 5 Manager's Review
- 6 United Kingdom
- 8 Europe
- 10 North America
- 12 Japan
- 14 Pacific (ex Japan)
- 16 Emerging Markets
- 16 Fixed Interest
- 17 Performance Attribution
- 17 Explanation of Movement in Net Asset Value per Ordinary Share
- 18 Portfolio Structure

Directors' Report

- 19 Directors and Management
- 20 Report of the Directors
- 32 Directors' Remuneration Report
- 33 Statement of Directors' Responsibilities

Financial Statements

- 34 Consolidated Statement of Comprehensive Income
- 35 Consolidated and Parent Company Statements of Changes in Equity
- 36 Consolidated and Parent Company Balance Sheets
- 37 Consolidated and Parent Company Cash Flow Statements
- 38 Notes to the Financial Statements
- 61 Independent Auditors' Report

Investor Information

- 62 Statistical Record
- 62 Rates of Exchange
- 62 Distribution of Assets and Liabilities
- 63 Largest Investments
- 63 Changes in Investments
- 64 Investor Information

*Inside front cover

Chairman's Statement



Richard Brewster

I am pleased to report that the Company outperformed its benchmark by 1% whilst retaining its prudent and diversified investment policy. The combination of a focus on quality companies and those that have solid dividend yields has allowed us to protect shareholders' investments in what have been very difficult markets during 2011. Despite these markets the total return has increased by 1.5% and supported a dividend increase of 5% whilst net assets remained broadly stable over the year. This performance was against a backdrop of economic stagnation and political inaction where markets fell by 9% in Europe and 5% in Asia.

Performance and Markets

It is frustrating that many of the key challenges to global economic growth that I highlighted in my outlook last year have not been addressed by policy makers and, in certain cases, their inaction has created deeper and more serious issues. Sustainable policies for job creation, rebuilding consumer confidence and encouraging companies to invest have been undermined by a lack of political courage and leadership. European politicians have made little progress over the year to solve the Euro region's sovereign debt crises and the lack of a consensus on the solution has affected investment markets, both in fixed interest bonds and equities. As the crisis spread to countries such as Italy and Spain, equity investors took flight and share prices fell heavily through the second half of our year, with a brief and short lived rally in October. For the full year the net asset value total return was 1.5%, compared to 0.5% for the composite benchmark index.

Our outperformance of the benchmark index was due to good stock selection, where our underlying regional portfolios in the UK, US, Europe and Japan all outperformed their respective local indices. This justifies our Managers' value based stock picking investment style and they are to be congratulated. The performance in Japan and Europe was particularly strong, based on purchasing companies with global footprints and well positioned products or services but also careful avoidance of both financials and cyclical. Our geographic asset allocation has not been as successful principally due to our underweight position in the US, although a strategic re-positioning over the year did partially offset this. We increased our investment in America earlier in the year and in Japan following the earthquake in March. Our overweight position in Asia, which I am confident is correct for the long term, has, in the short term, had an adverse affect on performance, as the region suffered an economic slowdown due to policies enacted in China to control inflation.

The year end net gearing position of 3% was roughly the same as last year but we did increase exposure to equities earlier in the year by drawing down the bank facility and switching our remaining bonds into equities. Both these activities enhanced performance up to the April half year when the net asset value per share had risen by 8.5%. However markets suffered a sharp setback in the second half and during October we made a number of sales to bring gearing down in order to take advantage of possible buying opportunities in the year ahead.

The stubborn nature of inflation is becoming apparent in all major markets. Demand from emerging economies for raw materials, energy and foods is driving prices higher despite weak demand in western markets. Price rises are limiting discretionary spending by consumers and compounding weak demand caused by high unemployment and the lack of investment spending by companies. These effects are most apparent in the UK, where the Bank of England has adopted further quantitative easing, effectively printing money, to stimulate activity. Our stock selection in the UK has mostly avoided banks, which are still reducing lending, and consumer related stocks affected by weak demand. The most rewarding investments have been utilities and telecoms, sectors with limited growth but scope to increase margins and dividend distributions.

Europe has been affected by fears that the harsh budget cuts and austerity measures being enacted in Greece, Portugal, Spain, Italy and Ireland may lead to a fracturing of Europe and certain countries leaving the Euro. We have selected Northern European countries and those sectors with growth or export led opportunities. Investments in Scandinavia, Germany and Switzerland have performed markedly better than those in the south, although even they have suffered a significant de-rating in valuation terms as earnings growth has not been rewarded by share price appreciation.

Chairman's Statement

continued

In North America, we have consolidated the portfolio and performance has beaten all other regions, with a total return of 8.2%. We increased the North American exposure to 20% of the portfolio, as we believe the region has the best prospect of pulling out of the stagnation affecting other economies. There are promising signs of recovering retail sales, improving new housing starts and increasing manufacturing activity. We have focused on medium sized companies with innovative products or services. The natural optimism and entrepreneurial spirit of Americans combined with the corporate sector beginning to invest seem to be pulling the US economy forward despite the inability of politicians to agree key policies such as raising the debt ceiling. The petty squabbling of politicians in the US has not helped progress and voters may show their displeasure in the coming elections.

The Japanese people have suffered greatly this year, with the devastating earthquake and resulting tsunami threatening the safety of a large part of the population, through the flooding of a nuclear power plant. The Japanese have always shown a resilience and strong spirit to rebuild and, in our opinion, markets overreacted immediately after the quake. We increased investment at that time, focusing on infrastructure spending and domestically orientated businesses. The recovery has been impressive, although share prices have not responded so quickly, with the majority of returns being generated by the appreciation of the yen. We remain optimistic about the country and the wider Asian region. Many of the global problems involving high levels of debt and under capitalised banks are not issues for the Asian countries. We believe markets will respond positively if and when China signals that it has finished tightening economic policy to stem inflationary pressures.

Revenue and Dividends

The positive outlook for dividends that I alluded to last year has gained strength during 2011. The de-leveraging of balance sheets and low payout ratios have prompted companies to increase dividends at a greater pace than the growth in earnings. Managements have sought to reassure shareholders of the sound nature of their businesses by increasing distributions, and in some cases, paying special dividends or indicating that these will be paid in coming years. Our Company's substantial revenue reserves which have been built up over the years and are now equivalent to over two years' dividends which continues to allow us to strategically re-position the portfolio whilst maintaining our progressive dividend policy. The revenue for the full year has reduced marginally due to the sale of our remaining bonds with higher yields than equities and the decision to increase exposure to lower yielding regions like the US and Japan at the expense of higher yielding regions such as the UK and Asia. This asset re-allocation has already added value this year and a greater exposure to equities should enhance returns in the years ahead.

We are recommending a final dividend of 3.175p, making a total of 12.7p, an increase of 5% for the year, building on our long term commitment to growing dividends. We are proud of our record of having done this for the last 45 years.

Looking to 2012, the year has started well, with a substantial special dividend of £270,000 from Vodafone, and we are forecasting a dividend per share for 2012 of not less than 13.2p, an increase of 4%.

Annual General Meeting

The Annual General Meeting this year will be held at the Stationers' Hall, Ave Maria Lane, London EC4M 7DD on Thursday 23 February 2012 at 12 noon. 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 our Manager, Alex Crooke, and his team will be making a presentation. I very much hope you will join the Board and the Managers at Stationers' Hall. It is my own Livery Company and I am particularly proud to be able to share the delights of this 17th Century Hall with you. The Stationers' Clerk has kindly offered to arrange tours for those shareholders who indicate an interest and have returned their invitation card.

Outlook

Sentiment for the future is at an extremely low level and while it may seem odd to make a virtue out of such a depressing position, it would only take a very little good news to motivate marginal buyers of equities. Where might good news come from? China could, for instance, cut interest rates or signal an increase in lending activity as the inflationary pressures in the economy are clearly easing. The US economy could surprise on the upside, especially if house prices stop falling. After falls of 40% or more, house prices are at affordability levels not seen for a generation and an increase in residential building and housing activity would stimulate broad swathes of the US economy.

Europe remains the region with the most troubled outlook. I see only two paths. Either certain indebted countries need to leave the Euro or the European Central Bank needs to step in and print money, allowing banks to recapitalise. Unfortunately, both options are costly and the pain will not be shared equally. Ultimately markets will force a resolution by closing bond markets or creating a crisis for banks. It must be pointed out that much of this is already reflected in share prices and any resolution could well create a rally in asset prices based on sheer relief.

While the outlook remains uncertain in the short term, equity shares have de-rated over the past year as increased earnings and dividends have been overlooked. It may be that some economies contract over the coming year but a fall in corporate earnings would still result in many sound companies trading on yields over 5% and single figure P/E's. Valuations are the key to future returns and whilst we maintain a cautious stance, we have faith that our portfolio will reward patient investors over the coming years.

Richard Brewster, Chairman
13 January 2012

Manager's Review



Alex Crooke

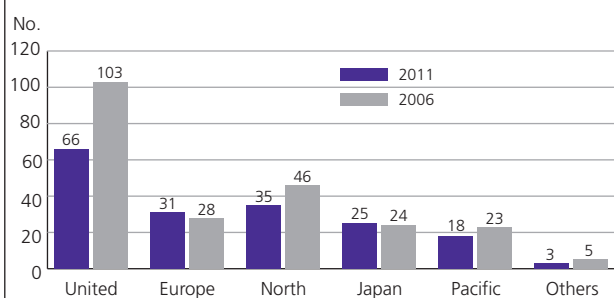
There has been a notable shift within stock markets towards the value end of the investment spectrum. It must be said though, that markets are not entirely value focused as good growth stocks are still doing well, however, with economic growth easing back, there are fewer and fewer growth stocks beating expectations. In contrast, stocks with higher dividend yields have performed well as investors have sought out income, especially those companies that have delivered dividend growth. Our performance, in terms of the contribution from stock picking, has materially improved with positive outperformance in all four major markets. The momentum of this performance strengthened in the latter part of 2011.

We try in this report to reveal a little of the inner workings of the portfolio's management and this year we will look at the change in recent years to the number of holdings. The bar chart compares the number of holdings in each region this year and the position five years ago. The total number of holdings have been reduced to 178 from 230 five years ago. We have been trying to distil our favourite stocks into portfolios of around 30 stocks per region. This ensures diversification but maximises our potential for stock picking. The UK and North America have seen the largest fall in the number of holdings and further progress is anticipated in the UK. We still passionately believe that specialists in each market can best identify investment opportunities. Our model, of combining focused portfolios from the best fund managers into a global portfolio, maximises the potential for performance while providing lower risk and diversification.

The past year has been difficult in terms of allocating capital across the regions. There has been a considerable degree of volatility month to month and the highest rated markets have performed the best (North America and Japan). In normal times, there are often strong correlations between market performances. For instance Asia usually does well when America performs, but many of these correlations broke down this year. The volatility in the period created opportunities and we increased Japanese investments in March and reduced

Europe in the summer but such was the collapse in share prices over the second half of the year that timing other moves were very difficult. We are currently positioned for a recovery in Asian markets, and China in particular, although it may be that emerging markets in a wider context will still struggle because of the declining levels of credit from developed nation banks.

Number of holdings in each region at 31 October



Source: Henderson Global Investors Limited

There is plenty of statistical evidence that economic activity is hugely influenced by the availability of credit. To drive growth it is important that credit is expanding either from financial sources or the government. It is clear that in the coming year credit will tighten further in the euro region due to the austerity programmes and a restricted bank funding market. The same withdrawal of bank credit is likely to limit expansion in many emerging markets, although governments there have more leeway to fund the gap. The impulse from expanding credit will be the key metric we will be monitoring in order to determine where companies and consumers may be experiencing easier economic conditions.

The lower level of revenue this year can be attributed to the sale of the bond investments, although our increased investment in the US, a lower yielding market, has not helped. The outlook for dividend growth is still good with many companies prioritising dividends and indicating special dividends may be paid alongside share repurchase programmes. We have a number of levers to pull to rebalance the revenue account without affecting capital performance, as our investment style naturally favours cash generative companies, which typically distribute dividends as a consequence of their success.

Alex Crooke

13 January 2012

United Kingdom



Total Return (Year to 31 Oct 2011)	%
Bankers	4.0
FTSE All-Share	0.6

Review

The UK equity market fared better than mainland Europe over the year, benefitting from the early adoption of austerity measures and the lingering benefits of the weakness of sterling. The manufacturing sector in the UK is not the size it once was but still helped boost the overall economy, however even this area of strength faded as the year developed. Sectors of the economy reliant on consumers were particularly weak because of the squeeze on discretionary spending caused by higher utility bills, motoring costs and food prices. The insecurity created by public sector job cuts also impacted the housing market where volumes remain depressed, albeit house prices have held up.

The UK portfolio outperformed the FTSE All-Share Index by 3.4% over the period reflecting strong performance from defensive sectors such as utilities and tobacco. The portfolio benefitted from Northumbrian Water which was taken over by Far Eastern investors at a significant premium. Elsewhere the insurance holdings such as Jardine Lloyd Thompson and Catlin improved on the back of hopes for a rise in insurance rates in the coming years.

As is often the case, avoiding the poorest performers is half the key to successful investing. The portfolio has limited holdings of cyclical such as mining, chemicals and industrials which were very weak, reflecting the anaemic demand in the economy and from overseas. Furthermore, the underweight position in banks aided relative performance. We remain wary that the banks will need further injections of new equity capital, although the bad debt cycle may now be peaking.

Activity

We have reduced the number of holdings in the UK portfolio from 73 last year to 66 and concentrated the holdings into the larger companies in the market. The valuations of large companies are more attractive and these internationally focused companies often have better growth opportunities. The exposure to FTSE 100 companies has been raised to 70% of the overall UK portfolio and can be expected to push higher.

There were more sales than acquisitions, as £10m was re-allocated to other geographic regions during the year. Key sales included Scottish and Southern Energy which has been trading well but could be vulnerable to customer migration on the back of higher utility bills. Man Group was sold because of a deterioration in investment performance while Hiscox, the insurance company, was sold to invest into cheaper alternatives in the sector.

New holdings included Drax, which is hoping to gain approval to burn biomass in its coal fired power station and extend the life of its key asset. GKN, the automotive parts supplier, finally fell to a level that became attractive and with the growth of cars being sold into new emerging markets. The share price seemed to represent an overly bearish view of their prospects. The very high levels of volatility allowed us to increase positions in some of our preferred companies at favourable prices and over the year we increased holdings of stocks such as Kcom, Cranswick, Jupiter Fund Management and Galliford Try.

Outlook

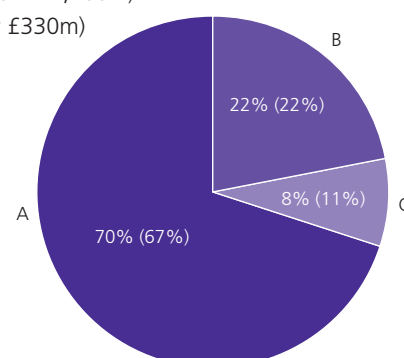
The UK economy has clearly hit a soft patch and is not helped by weak demand overseas, especially from Europe. With little room to stimulate domestic demand by tax cuts or lower interest rates, the coming year is forecast to be one of very little overall growth. However, the companies we invest in are seeing a less bleak outlook and, while the public sector is contracting, the private sector is experiencing growth and the best in class businesses are winning orders from their overseas competitors. We need to keep our focus on those companies with genuine competitive advantage, strong balance sheets and managements which are not afraid to take risks and invest. In return we should expect continued dividend growth, as payout ratios are low, and further buybacks, as more cash is returned to shareholders. With valuations now reflecting recessionary economic conditions, it may well be that better than expected corporate results could persuade investors to increase equity investments.

UK portfolio classified by market value of company at 31 October 2011

Market Capitalisation

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

Last year's figures in brackets



United Kingdom

Valuations at 31 October 2011 – all investments are shown

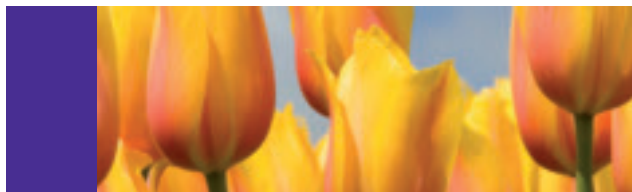
£'000	Investments by value	Sector	% of UK portfolio
15,745	BP	Oil & Gas Producers	6.75
11,735	Vodafone	Mobile Telecommunications	5.03
11,659	British American Tobacco	Tobacco	5.00
10,808	GlaxoSmithKline	Pharmaceuticals & Biotechnology	4.64
10,060	Royal Dutch Shell	Oil & Gas Producers	4.31
9,493	Catlin	Nonlife Insurance	4.07
8,646	HSBC	Banks	3.71
8,546	BG	Oil & Gas Producers	3.67
6,485	Jardine Lloyd Thompson	Nonlife Insurance	2.78
6,258	National Grid	Gas Water & Multiutilities	2.69
5,541	Xstrata	Mining	2.38
4,292	Shire	Pharmaceuticals & Biotechnology	1.84
4,291	Aviva	Life Insurance	1.84
4,171	Rolls-Royce	Aerospace & Defense	1.79
4,021	Petrofac	Oil Equipment Services & Distribution	1.72
3,951	Wetherspoon (J.D.)	Travel & Leisure	1.69
3,935	BHP Billiton	Mining	1.69
3,838	Reckitt Benckiser	Household Goods & Home Construction	1.65
3,623	Galliford Try	Construction & Materials	1.55
3,508	Tullow Oil	Oil & Gas Producers	1.50
3,355	Essar Energy	Oil & Gas Producers	1.44
3,330	Hunting	Oil Equipment Services & Distribution	1.43
3,085	Cranswick	Food Producers	1.32
3,052	Prudential	Life Insurance	1.31
3,050	ITV	Media	1.31
3,027	Barclays Bank	Banks	1.30
2,968	Severn Trent	Gas Water & Multiutilities	1.27
2,938	Premier Oil	Oil & Gas Producers	1.26
2,901	Anglo American	Mining	1.24
2,872	Fisher (J) & Sons	Industrial Transportation	1.23
2,867	Imperial Tobacco	Tobacco	1.23
2,861	Smiths News	Support Services	1.23
2,726	D. S. Smith	General Industrials	1.17

£'000	Investments by value	Sector	% of UK portfolio
2,698	Scottish and Southern Energy	Electricity	1.16
2,678	Kcom	Fixed Line Telecommunications	1.15
2,639	Blackstar	Equity Investment Instruments	1.13
2,591	Amec	Oil Equipment Services & Distribution	1.11
2,561	Intermediate Capital	Financial Services	1.10
2,407	Hansteen	Real Estate Investment Trusts	1.03
2,253	Unilever	Food Producers	0.97
2,248	De La Rue	Support Services	0.96
2,218	International Oil & Gas Technology	Equity Investment Instruments	0.95
2,191	Diageo	Beverages	0.94
2,075	BAE Systems	Aerospace & Defense	0.89
1,875	GKN	Automobiles & Parts	0.80
1,831	St. James's Place	Life Insurance	0.79
1,744	WPP	Media	0.75
1,710	Land Securities	Real Estate Investment Trusts	0.73
1,675	Bowleven	Oil & Gas Producers	0.72
1,658	Elementis	Chemicals	0.71
1,607	Sports Direct	General Retailers	0.69
1,570	Admiral	Nonlife Insurance	0.67
1,555	Sainsbury (J)	Food & Drug Retailers	0.67
1,503	Johnson Matthey	Chemicals	0.65
1,305	Tate & Lyle	Food Producers	0.56
1,289	Jupiter Fund Management	Financial Services	0.55
1,213	United Utilities	Gas Water & Multiutilities	0.52
1,211	Dairy Crest	Food Producers	0.52
1,056	Drax	Electricity	0.45
1,001	Renold	Industrial Engineering	0.43
933	Lloyds Banking	Banks	0.40
917	STV	Media	0.39
650	Thomas Cook	Travel & Leisure	0.28
607	Specialist Energy	Industrial Engineering	0.26
80	Orchid Developments	Real Estate Investment Services	0.03
2	Hiscox	Nonlife Insurance	–

233,189

100.00

Europe



Review

European markets made modest progress until late summer 2011, but then fell sharply from August. Once again, it has been a turbulent year, but the fact that we have concentrated on investing in good quality, reliable companies has stood us in good stead. The Bankers Investment Trust European portfolio has appreciated by 0.1%, well ahead of the decline of 9.1% in the relevant index.

Writing the Annual Report always prompts a look at what was said a year ago. Reading last year's report is therefore concerning – in it we said "In the Spring the whole concept of the Euro came under intense pressure due to huge debts in Greece, Spain, Ireland and Portugal." We also wrote that "the fundamental strains will take years to resolve and will require great effort." One year on and the situation has deteriorated markedly. The premium now demanded by bond investors to hold anything other than German Euro denominated bonds reached unsustainably high levels; often over 5% for Italy and higher for the weaker Euro members. Political change has ensued in a number of countries (notably Italy and Spain). New governments will be compelled to run their economies in ways as to comply with the original Growth and Stability pact, regardless of what this may mean for GDP growth and unemployment in the short term. The turbulence is likely to last for a long time.

Activity

We have reduced bank exposure further leaving the European portfolio with just one bank (Credit Suisse). We remain very concerned by banks and are in no rush to start trying to invest in totally unpredictable outcomes. We have sold 5 positions – French food retailer Carrefour, Siemens from Germany, ING from the Netherlands, UBS from Switzerland and Maersk, the Danish shipping and oil conglomerate. One new position has been added, namely Ericsson, the Swedish telecom equipment supplier. There are now only two large suppliers of equipment to improve mobile communications, and Ericsson has about a 40% share of that growing market. The sales of Siemens and Maersk reduce the more economically sensitive names although we have retained holdings in Sandvik, ABB and Legrand, as well as logistics companies such as Deutsche Post and Kühne + Nagel.

In reality we have changed very little in the portfolio, remaining with the reliable and consistent names, which continue to run their businesses well in a turbulent world.

Outlook

European economies are already feeling the negative impact of all the uncertainties surrounding the Euro. The slowdown is further exacerbated by the banks trying to improve their balance sheets and governments attempting to end years of wastage. In spite of intense strain and massive uncertainty, and the worrying game of brinkmanship being played, mainly by Germany, we think the Euro will survive in some form (Greece may exit, but others can continue). But, in order to survive, there may have to be further debt writedowns, even possibly haircuts to some sovereign debts. Quite what this does to banks and perhaps insurance companies is not clear – but may result in calls for more equity and dilution to existing holders. There will be almost certainly a recession in Europe in 2012, and growth elsewhere will be too feeble to compensate. That is why we are sticking with the quality companies.

The redeeming feature for European equities are the low valuations and the fact that they are universally unloved. Earnings estimates may still be too high (although not by much), but the markets have reached valuation levels last seen over 25 years ago. There are many world leading companies in Europe but we will need patience to see them realise their full value.

Total Return (£) (Year to 31 Oct 2011) %

Bankers	0.1
FTSE All-World Developed Europe (ex UK)	-9.1

European portfolio classified by market value of company at 31 October 2011

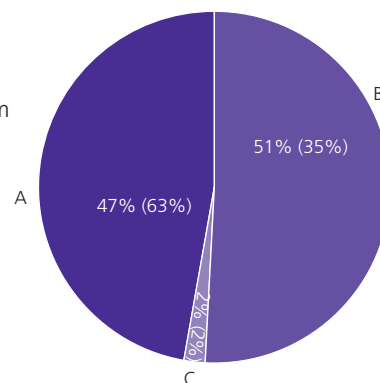
Market Capitalisation

A Over £13,000m

B £3,000m-£13,000m

C Under £3,000m

Last year's figures in brackets



Europe

Valuations at 31 October 2011 – all investments are shown

£'000	Investments by value	Sector	Country	% of Europe portfolio
4,243	Christian Dior	Personal Goods	France	6.87
3,764	Fresenius	Health Care Equipment & Services	Germany	6.09
3,671	Novartis	Pharmaceuticals & Biotechnology	Switzerland	5.95
3,500	Compagnie Financière Richemont	Personal Goods	Switzerland	5.67
2,831	ENI	Oil & Gas Producers	Italy	4.58
2,725	Deutsche Post	Industrial Transportation	Germany	4.41
2,400	Kühne + Nagel	Industrial Transportation	Switzerland	3.89
2,354	Nestlé	Food Producers	Switzerland	3.81
2,313	SGS Holdings	Support Services	Switzerland	3.75
2,189	Total	Oil & Gas Producers	France	3.54
2,159	Roche	Pharmaceuticals & Biotechnology	Switzerland	3.50
2,093	Sodexho	Travel & Leisure	France	3.39
2,033	Saipem	Oil Equipment Services & Distribution	Italy	3.29
2,004	Amadeus	Support Services	Spain	3.25
1,675	Essilor International	Health Care Equipment & Services	France	2.71
1,649	Swedish Match	Tobacco	Sweden	2.67
1,585	L'Oréal	Personal Goods	France	2.57
1,578	SAP	Software & Computer Services	Germany	2.55
1,575	Ericsson	Technology Hardware & Equipment	Sweden	2.55
1,502	France Telecom	Fixed Line Telecommunications	France	2.43
1,482	Deutsche Börse	Financial Services	Germany	2.40
1,474	Allianz	Nonlife Insurance	Germany	2.39
1,468	Inditex	General Retailers	Spain	2.38
1,436	Brenntag	Chemicals	Germany	2.33
1,298	Adecco	Support Services	Switzerland	2.10
1,220	Credit Suisse	Banks	Switzerland	1.98
1,220	Legrand	Electronic & Electrical Equipment	France	1.98
1,160	Givaudan	Chemicals	Switzerland	1.88
1,110	ABB Limited	Industrial Engineering	Switzerland	1.80
1,081	Sandvik	Industrial Engineering	Sweden	1.75
950	Zurich Financial	Nonlife Insurance	Switzerland	1.54
61,742				100.00

European Geographical Distribution

	31 October 2011 %	31 October 2010 %		31 October 2011 %	31 October 2010 %
Switzerland	35.8	33.6	Sweden	7.0	2.4
France	23.5	24.8	Spain	5.6	4.8
Germany	20.2	22.0	Netherlands	–	4.2
Italy	7.9	6.8	Denmark	–	1.4
				100.0	100.0

North America



Review

The North American portfolio was able to outperform the benchmark index and produce a satisfactory absolute return during the year of 8.2% as compared to 6.1% for the index. In a tumultuous period for investors, the US has gained a degree of safe haven status and equities in the region benefited as a result. The key drivers of the performance were specific stocks, including Tempur Pedic (a manufacturer of mattresses), Kansas City Southern (Mexico-US railroads) and Valeant Pharmaceutical.

Twelve months ago we reported that the US stockmarket was caught between the strength of corporate earnings and the continuing worries about macro-economic and political issues both domestically and globally. It is frustrating to report that too little has changed and that the macro and political uncertainties continue to be the dominant drivers of investment returns. The debacle over the vote to increase the borrowing ceiling in July, and the subsequent downgrade to US government debt by Standard & Poor's, show how difficult progress will be.

The US government has most of the same issues as other governments in the developed world, excessive debt and deficits, coupled with the challenges of making tough policy changes while politicians are focused on re-election. A less aggressive tightening in fiscal policy, coupled with the Federal Reserve pursuing a stimulative monetary policy, has enabled the US economic recovery to maintain some momentum. Whether this would have been possible without the advantage of the US dollar being the global reserve currency is unclear.

Activity

The overall shape of the portfolio has changed little over the year under review. We remain overweight in the more cyclical industrial and consumer sectors, and underweight in consumer staples and utilities. We did sell a few of our more disappointing holdings including Northern Trust and Republic Services as the macro-economic environment created headwinds for these businesses.

An investment in Goodrich proved brief but timely. It was bought for a significant premium by United Technologies only a few months after we had initiated the position. Later in the year we took the decision to focus the portfolio further on our higher conviction investments and have reduced the number of holdings in the North American portfolio from 45 to 35.

Total Return (£) (Year to 31 Oct 2011)	%
Bankers	8.2
FTSE World North America	6.1

Overall the North American portfolio is positioned in what we regard as higher quality companies with a degree of cyclical exposure but where the share price valuation does not yet fully reflect their strong position in the marketplace.

Outlook

The economic recovery in the US is anaemic with unemployment remaining stubbornly high and the housing market still weak. We anticipate that the recovery will remain on track through 2012 but that the improvement in the economy will be gradual. During the coming year there is likely to be an increasing drag on growth from tightening fiscal policy. It is clear to us, however, that the Federal Reserve is watching closely and will respond to any marked slowdown with a third round of quantitative easing.

Profit growth will continue to slow and should remain positive in all but the most disappointing of global economic outcomes. The companies that we meet and invest in are increasingly wrestling with the issue of how to use their excess cash, and we do expect the combination of dividend increases and more share buyback activity to benefit the equity market in 2012.

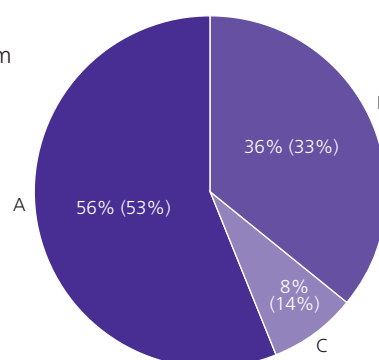
It is our view that this dichotomy between strong corporate earnings growth and a very slow economic recovery will continue. It is important, therefore, for us to remain focused on our stock picking in the expectation that this is how to generate the best returns.

US portfolio classified by market value of company at 31 October 2011

Market Capitalisation

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

Last year's figures in brackets



North America

Valuations at 31 October 2011 – all investments are shown

£'000	Investments by value	Sector	% of North America portfolio
4,686	Apple	Technology Hardware & Equipment	4.59
4,239	Anadarko Petroleum	Oil & Gas Producers	4.15
3,966	Microsoft	Software & Computer Services	3.88
3,843	National Oilwell Varco	Oil Equipment Services & Distribution	3.76
3,779	Praxair	Chemicals	3.70
3,655	United Parcel Service	Industrial Transportation	3.58
3,436	BCE	Fixed Line Telecommunications	3.36
3,423	Celanese	Chemicals	3.35
3,328	PNC Financial Service	Banks	3.26
3,313	Citigroup	Banks	3.24
3,293	New York Community Bancorp	Banks	3.22
3,258	Kellogg	Food Producers	3.19
3,193	Intuit	Software & Computer Services	3.13
3,087	American Tower	Mobile Telecommunications	3.02
3,074	Dollar General	General Retailers	3.01
3,036	Tempur Pedic	Household Goods & Home Construction	2.97
2,958	Directv	Media	2.90
2,860	Carnival	Travel & Leisure	2.80
2,856	Kansas City Southern	Industrial Transportation	2.80
2,832	Cummins	Industrial Engineering	2.77
2,814	Qualcomm	Technology Hardware & Equipment	2.76
2,742	Shoppers Drug Mart	Food & Drug Retailers	2.68
2,731	EMC	Technology Hardware & Equipment	2.67
2,591	Covidien	Health Care Equipment & Services	2.54
2,451	Mead Johnson Nutrition	Food Producers	2.40
2,449	Pfizer	Pharmaceuticals & Biotechnology	2.40
2,273	Nielsen	Media	2.22
2,206	Emerson Electric	Electronic & Electrical Equipment	2.16
2,188	Lazard	Financial Services	2.14
2,131	Micros Systems	Technology Hardware & Equipment	2.09
2,069	Kraft Foods	Food Producers	2.03
2,015	Prudential Financial	Life Insurance	1.97
1,989	Thermo Fisher Scientific	Health Care Equipment & Services	1.95
1,734	SNC Lavalin	Construction & Materials	1.70
1,642	Valeant Pharmaceutical	Pharmaceuticals & Biotechnology	1.61
102,140			100.00

Japan



Total Return (£) (Year to 31 Oct 2011)	%
Bankers	6.0
FTSE World Japan	-2.3

Review

The period started with promise. A reversal in the strength of global bond markets and in the value of the yen alleviated downward pressure on the stockmarket. Equities rose strongly in the ensuing months catching up with rising trends in markets elsewhere. Unfortunately that was the end of the good news as, thereafter, it was a matter of coming to terms with the devastating earthquake which struck parts of northern Japan in early March. There was severe disruption to power supplies and production facilities although restorative efforts were fast and efficient. Equities fell sharply in the immediate aftermath of the disaster and had only begun to recover when problems in other parts of the world, notably within Europe, weighed on the market. The renewed strength in the yen, despite the efforts of intervention, provided a further headwind for recovery.

Performance

The portfolio's performance was driven by stocks related to the domestic economy. The commitment to the consumer sector had the most beneficial impact with Rakuten, (e-commerce) performing strongly as the trend in online shopping continues to grow. Yamato Holdings (logistics) and Yamada Denki (electronic retailing) also contributed to performance benefitting from increasing domestic consumption. There were also positive contributions from Credit Saison (credit cards) as underlying business conditions improved. The portfolio's lack of exposure to the utility sector had a positive impact as related share prices fell in response to the earthquake. The largest detractor was Nintendo (electronic games) where the immediate outlook for the company's business deteriorated. Much the same could be said for TDK (electronics) and Mitsui O.S.K. Lines (shipping) which also performed poorly. The Japanese portfolio as a whole fared better than the underlying index as the bias towards domestic facing sectors prevailed over companies dependent on overseas demand.

Activity

We undertook a number of transactions in a move to put the portfolio on a more proactive footing. These included the sales of Takeda Pharmaceutical and NTT DoCoMo. The former has been on the acquisition trail, the expense of which might undermine the dividend payments which would be taken negatively by investors. The latter may encounter a more acute pricing environment as a competitor has moved to a lower pricing structure. Rakuten (e-commerce) was purchased as the outlook for online retailing is strong and the company is the leader in this field in Japan. THK (machinery) was another new purchase after the share price had collapsed on fears of slowing business predominately out of China. The price fall was an over reaction excessively discounting the potential deterioration in business conditions and thus providing the opportunity for attractive investment returns.

Outlook

Whilst there has been much publicity over the travails within Europe in recent months, the outlook for global growth is a more important and pressing issue. Growth expectations have been revised lower with major economies anticipated barely to expand in the year ahead. In this regard Japan should fare better as reconstruction demand is expected to offset any slowdown from the export sector. Public sector spending will increase and, coupled with a continued expansion in the housing market, the outlook for consumption should remain sound. With equities close to multi year lows after what has been a very difficult year for Japan, one would hope that the way ahead will be more prosperous for both the country and investors.

Japan

Valuations at 31 October 2011 – all investments are shown

£'000	Investments by value	Sector	% of Japan portfolio
2,732	Mitsubishi UFJ Financial	Banks	5.62
2,474	Rakuten	General Retailers	5.09
2,469	Yamada Denki	General Retailers	5.08
2,373	Keyence	Electronic & Electrical Equipment	4.88
2,231	Canon	Technology Hardware & Equipment	4.59
2,044	Hakuhodo Dy	Media	4.21
2,031	Tokio Marine	Nonlife Insurance	4.18
2,018	Nippon Telegraph & Telephone	Fixed Line Telecommunications	4.15
2,012	Morant Wright Japan Fund	General Financial	4.14
2,007	Shin-Etsu Chemical	Chemicals	4.13
1,993	Sumitomo Mitsui Financial	Banks	4.10
1,986	Credit Saison	Financial Services	4.09
1,970	Daiwa House Industry	Household Goods & Home Construction	4.05
1,936	Nippon TV Network	Media	3.99
1,915	Asahi	Beverages	3.94
1,872	Seven & I	General Retailers	3.85
1,867	Sekisui Chemical	Household Goods & Home Construction	3.84
1,830	Yamato Holdings	Industrial Transportation	3.77
1,782	TDK	Electronic & Electrical Equipment	3.67
1,756	Secom	Support Services	3.61
1,678	Daiwa Securities	Financial Services	3.45
1,676	THK	Industrial Engineering	3.45
1,482	Nintendo	Leisure Goods	3.05
1,429	Mitsui O.S.K. Lines	Industrial Transportation	2.94
1,036	Daiichi Life Insurance	Life Insurance	2.13
48,599			100.00

Japanese portfolio classified by market value of company at 31 October 2011

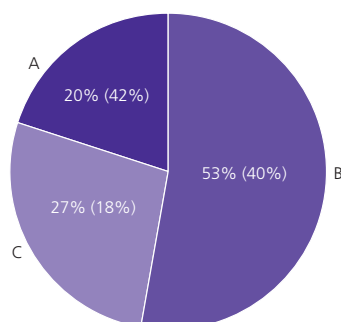
Market Capitalisation

A Over £13,000m

B £3,000m-£13,000m

C Under £3,000m

Last year's figures in brackets



Pacific (ex Japan)



Total Return (£) (Year to 31 Oct 2011) %

Bankers	-6.9
FTSE All-World Asia Pacific (ex Japan)	-4.7

Review

The year to the end of October 2011 was a story of two halves with Asian markets peaking in April and then beating a significant retreat into the Company's year end. This resulted in a decline of 6.9% compared with 4.7% for the FTSE All-World Asia Pacific (ex Japan) index in sterling terms.

Despite uncertainty regarding global growth, problems in Europe and earthquakes in Japan and New Zealand, markets proved to be remarkably resilient in the first six months of the Company's year. The liquidity provided by the Federal Reserve and the Bank of Japan was very supportive for equities and proved more significant than economic growth during this period. The negative side effect for Asia was rising commodity prices as excess liquidity and a weak US dollar prompted investors to move into physical assets. Rising inflation across the region, but especially in India and China, led to Asia underperforming most developed markets. As the problems in Europe escalated over the summer the markets headed sharply lower. Increasing risk aversion together with the fear of a Chinese hard landing resulted in Asia falling further than the US and Europe despite the catalyst for the sell-off being located elsewhere in the world.

The best performing markets over the period were Australia, Korea and Indonesia which benefited from strong currency moves while the laggards were India and China. From a sector perspective, domestically orientated ones such as telecommunications and retail performed relatively well while the sectors most exposed to inflation and policy risk, namely financials and industrials, fared worse.

Our portfolio performance was behind the index over the period as the positive contribution from stock selection in Australia and Thailand was not enough to offset the overweight positions in China and financials.

Activity

The portfolio retains a high weighting in China but a few changes were made over the period. We sold ICBC and

Petrochina and switched into Lenovo and Jiangsu Expressway. Lenovo is now the world's second largest computer manufacturer and has been very successful in gaining market share, especially in the corporate sector, while Jiangsu Expressway continues to benefit from the Chinese infatuation with the car.

In Australia we sold our position in QBE which, despite being cheap, is lacking a catalyst to realise value and switched into casino operator Crown. Their Australian casinos continue to benefit from resilient domestic demand and the increased number of tourists but the real growth is coming from its Macau based subsidiary Melco Crown. We believe this part of the business is undervalued by the market.

In Korea we sold our position in SK Telecom which continues to see intense competition in the Korean mobile space and switched into KB Financial where we expect increases in net interest margins and lower levels of provisioning which should result in a re-rating.

Outlook

We remain positive on the medium to long term outlook for the region. The economies are on a firm footing with low fiscal deficits and levels of sovereign and consumer debt some way below Western peers. We think inflationary pressure will decline which should allow some easing of monetary and fiscal policies in the coming year. Asia also looks compelling from a valuation standpoint with price to earnings ratios close to historic lows and, although earnings in the more cyclical areas are at risk of downgrade, there should be a lot of resilience in the domestically orientated sectors. In the short term however the position is less clear and we expect volatility to continue while the European saga rolls on and investors debate the health of the global economy.

We will use any period of volatility to increase the quality of the portfolio and purchase our preferred stocks at attractive valuations.

Pacific (ex Japan) Valuations at 31 October 2011 – all investments are shown

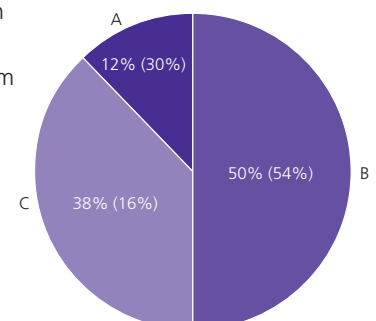
£'000	Investments by value	Sector	Country	% of Pacific (ex Japan) portfolio
4,268	Amcor	General Industrials	Australia	7.55
4,183	Taiwan Semiconductor Manufacturing	Technology Hardware & Equipment	Taiwan	7.40
4,059	Kasikornbank	Banks	Thailand	7.18
3,862	Santos	Oil & Gas Producers	Australia	6.83
3,835	DBS	Banks	Singapore	6.79
3,745	Incitec Pivot	Chemicals	Australia	6.63
3,347	Ascendas Real Estate Inv Trust	Real Estate Investment Trusts	Singapore	5.92
3,186	Fraser & Neave	General Industrials	Singapore	5.64
3,175	Lenovo	Technology Hardware & Equipment	Hong Kong	5.62
3,152	Skyworth Digital	Leisure Goods	Hong Kong	5.58
3,108	KB Financial	Banks	South Korea	5.50
2,973	Bank of China	Banks	China	5.26
2,917	Crown	Travel & Leisure	Australia	5.16
2,863	Television Broadcasts	Media	Hong Kong	5.07
2,799	Jiangsu Expressway	Industrial Transportation	China	4.95
2,720	Sino Land	Real Estate Investment Services	Hong Kong	4.81
2,122	Shanghai Industrial	General Industrials	Hong Kong	3.75
206	Chandra Asri Petrochemical	Chemicals	Indonesia	0.36
56,520				100.00

Pacific Geographical Distribution

	31 October 2011 %	31 October 2010 %
Australia	26.2	20.3
Hong Kong	24.8	20.7
Singapore	18.3	16.0
China	10.2	22.0
Taiwan	7.4	9.3
Thailand	7.2	6.4
South Korea	5.5	4.9
Indonesia	0.4	0.4
	100.0	100.0

Pacific portfolio classified by market value of company at 31 October 2011

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



Emerging Markets



Total Return (£) (Year to 31 Oct 2011) %

Bankers	-17.0
FTSE All-World Emerging (ex Asia)	-9.1

Over the last decade the larger emerging markets have benefited from the rise in commodity prices and availability of plentiful cheap credit. Although this era may not have ended, the past year has certainly seen a setback for investors in these markets, as metal prices have fallen, although the oil price held up over the year. Civil unrest and revolution has gripped some regions which has led to a discount in terms of share price valuations.

We had reduced exposure to emerging markets in 2010, anticipating difficult markets, which left the portfolio's to this area 2% of assets. Our stock selection underperformed the very broad FTSE All-World Emerging (ex Asia) stock index because we had no exposure to Russia, where the local index performed well on the back of its heavy allocation to oil stocks.

Our primary investment in Brazil, Petrobras, should have benefited from the solid demand for oil but delays in terms of drilling off-shore have depressed earnings. The long-term future for the group is still positive, as it commercialises the huge reserves in the Santos Basin off Brazil and we will keep faith with the holding. Impala Platinum has also had a difficult year, principally due to the sharp collapse in the platinum price, which is now trading at historic low levels compared to other precious metals.

We are still wary of increasing exposure to a broader selection of investments in South America or Africa until industrial production and demand for raw materials picks up.

Emerging Markets

Valuations at 31 October 2011 – all investments are shown

£'000	Investments by value	Sector	Country	% of Emerging Markets portfolio
6,024	Petroleo Brasileiro	Oil & Gas Producers	Brazil	60.43
3,095	Impala Platinum	Mining	South Africa	31.05
850	American Movil	Mobile Telecommunications	Mexico	8.52
9,969				100.00

Emerging Markets Geographical Distribution

	31 October 2011 %	31 October 2010 %
Brazil	60.4	47.8
South Africa	31.1	45.6
Mexico	8.5	6.6
	100.0	100.0

Fixed Interest

Valuations at 31 October 2011 – all investments are shown

£'000	Investments by value	% of Fixed Interest portfolio
98	Lehman Brothers 7.875% [†]	100.0
98		100.0

[†]Unquoted investments

Performance Attribution

Performance Attribution: 12 months to 31 October 2011 relative to Composite Index

Market	Composite Index Allocation (%)	Bankers Asset Allocation		Performance Company (%)	Regional Indices (%)	Contribution from:	
		31/10/11 (%)	31/10/10 (%)			Asset Allocation (%)	Stock Selection (%)
UK	50.0	45.5	46.4	4.0	0.6	-0.1	1.6
Europe (ex UK)	9.6	12.1	13.1	0.1	-9.1	-0.5	1.3
North America	25.0	19.9	16.1	8.2	6.1	-0.4	0.4
Japan	4.2	9.5	7.9	6.0	-2.3	-0.2	0.7
Pacific (ex Japan)	7.8	11.0	12.7	-6.9	-4.7	-0.3	-0.3
Emerging Markets	3.4	2.0	3.1	-17.0	-9.1	0.1	-0.2
Fixed Interest	0.0	0.0	0.7	0.0	n/a	0.0	0.0
Total	100.0	100.0	100.0			-1.4	3.5

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 2011, the Net Asset Value (total return) rose by 1.5% compared to a rise in the Composite index (50% FTSE All-Share Index, 50% FTSE World (ex UK) Index) of 0.5%.

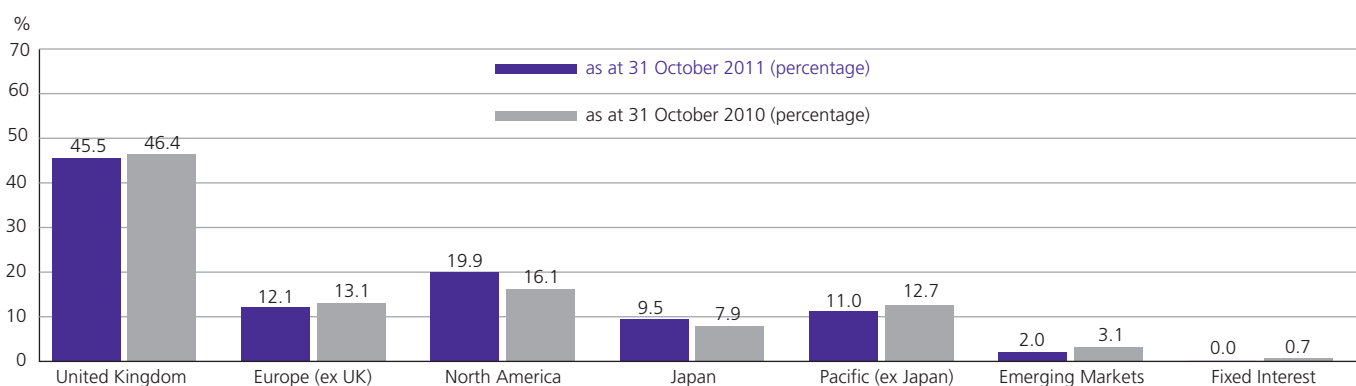
An estimation of the attribution of the portfolio's performance between asset allocation and stock selection is given above. The table below adds that result to the impact of other factors as listed to explain the movement of Net Asset Value over the year.

Portfolio performance	Performance of Composite index	0.5%
	Performance of equity portfolio against benchmark	
	Due to asset allocation	(1.4%)
	Due to stock selection	3.5%
		<u>2.1%</u>
	Performance of portfolio	2.6%
Other factors	Due to gearing	(0.6%)
	Management fee and finance costs charged to capital	(0.5%)
		<u>(1.1%)</u>
	Performance of Net Asset Value (total return)	<u>1.5%</u>

Portfolio Structure

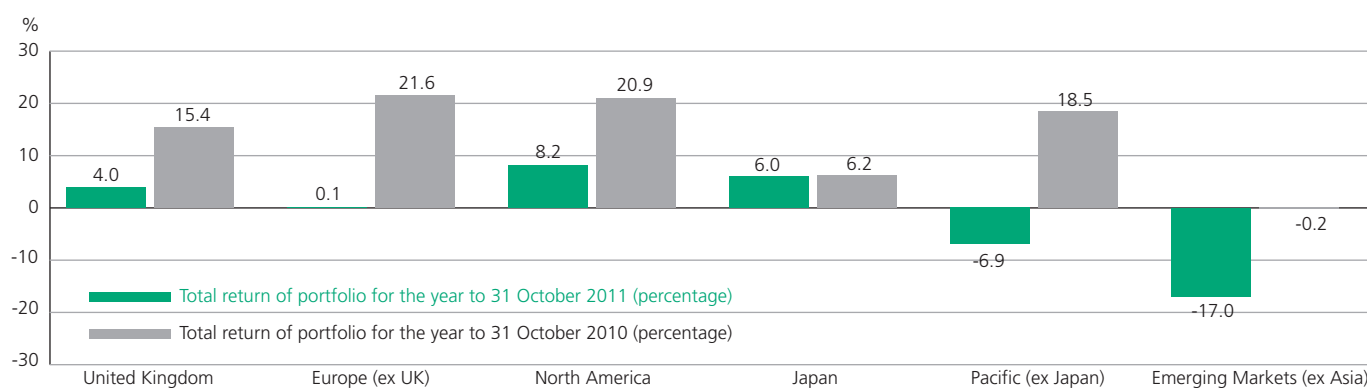
at 31 October 2011 and 2010

Geographical Analysis



Source: Henderson Global Investors Limited

Geographical Total Return Analysis against each FTSE stock market

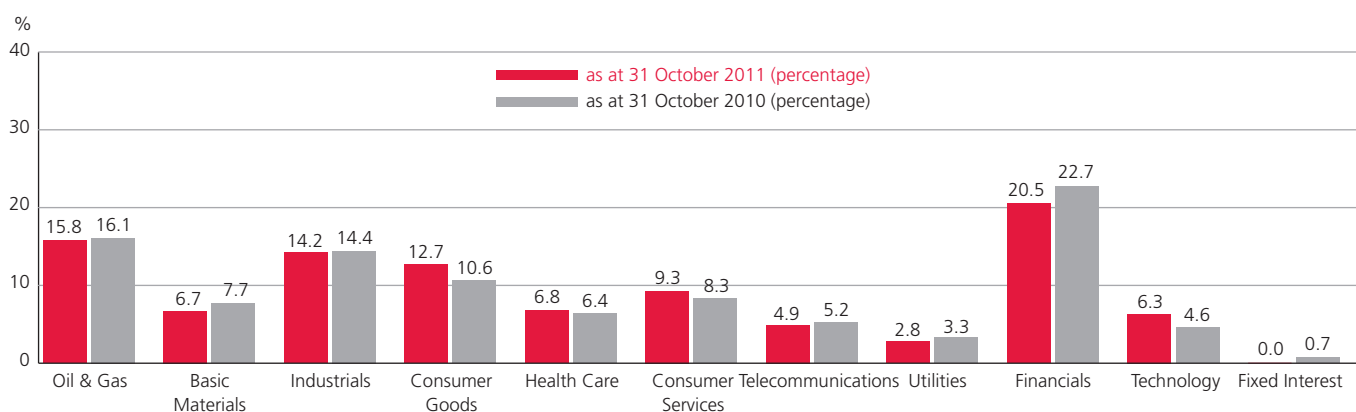


FTSE Stock Market Indices Total Return (£)

0.6	17.5	-9.1	10.6	6.1	20.6	-2.3	7.6	-4.7	23.8	-9.1	26.2
-----	------	------	------	-----	------	------	-----	------	------	------	------

Source: Henderson Global Investors Limited

Sector Analysis



Source: Henderson Global Investors Limited

Directors



Richard Brewster



Richard Burns



Richard Killingbeck



Matthew Thorne



Peter Sullivan

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

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

Richard Killingbeck*†‡ (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. He is currently 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 qualified Chartered Accountant, he has significant experience as a finance director, predominantly in the property sector. He is a Council Member of Cheltenham Ladies' College and Chairman of the Finance and Executive Committee.

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, chairman of Cenkos Securities plc and chairman of Healthcare Locums (HCL).

*Member of the Management Engagement Committee

†Member of the Audit Committee

‡Member of the Nominations Committee

Management



Alex Crooke



Tim Stevenson



Antony Gifford



Mike Kerley



Michael Wood-Martin



Wendy King

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

Report of the Directors

The directors present their report and the audited financial statements for the Group for the year ended 31 October 2011.

Business Review

The following review is designed to provide information primarily about the Company's business and results for the year from 1 November 2010 to 31 October 2011. The business review should be read in conjunction with the Chairman's Statement on pages 3 and 4 and the Portfolio Manager's Review on page 5, which gives a detailed review of the investment activities for the year and an outlook for the future.

a) Status

The Company is incorporated in England and Wales and domiciled in the United Kingdom (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 is required to seek HM Revenue & Customs approval of its status as an investment trust under the above-mentioned Section 1158 every year, and this approval will continue to be sought. Approval of the Company's status as an investment trust has been received in respect of the year ended 31 October 2010 although this approval is subject to there being no subsequent enquiries under Corporation Tax Self Assessment. The directors are of the opinion that the Company has continued to conduct its affairs in a manner that will enable it to continue to gain such approval. The Company has no employees.

The Company is not a close company.

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

b) Investment objectives and policy

The Company's objectives are to achieve long term asset growth in excess of the FTSE All-Share Index and regular dividend growth in excess of the increase in the Retail Prices Index. To achieve these objectives the Company's investment policy is to invest its assets in a portfolio primarily composed of international equities. The portfolio is broadly diversified by both geography and sector in order to reduce investment risk.

The Manager has the flexibility to invest in any geographic region and has no set limits on individual country or sector exposures, although the Board regularly monitors the Company's investments and the Manager's investment activity. The Manager primarily employs a bottom up value based investment process to identify suitable opportunities and pays particular regard to cash generation and dividends.

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

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

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

The Company achieves an appropriate spread of investment risk principally through a broadly diversified portfolio which at 31 October 2011 contained 178 individual investments. At 31 October 2011 the largest single investment was BP which accounted for 3.1% of total investments, while the top 25 holdings totalled 32.3% of total investments. Investment risk may be further reduced through the use of currency hedging, foreign borrowings and derivatives.

Information regarding the Company's investment exposures can be found on page 18, and performance attribution against our composite benchmark is contained on page 17. Further information regarding investment risk and activity throughout the year can be found in the Manager's Review and accompanying regional pages.

Report of the Directors

continued

c) Financial review

● Assets

Total net assets at 31 October 2011 amounted to £496,331,000 compared with £501,955,000 at 31 October 2010 and the net asset value per ordinary share decreased by 1.1% from 451.9p to 446.9p.

● Revenue

	2011	2010	% Change
Net assets (as at 31 October)	£496.3m	£502.0m	-1.1
Revenue return (for the year)	£13.3m	£13.7m	-2.9
Dividend (payable per share for the year)	12.70p	12.10p	+5.0

● Dividend

The final dividend, if approved by shareholders at the AGM, will be paid on 28 February 2012 to shareholders on the register at 3 February 2012. The Company's shares go ex-dividend on 1 February 2012.

● Payment of Suppliers

It was the payment policy for the financial year to 31 October 2011 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 2011 (2010: £nil).

● Borrowings

The Board has in place a facility which allows the Company to borrow as and when appropriate. At 31 October 2011 the Company had a committed short term facility of £20m. The facility is subject to regular review.

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

● Gearing

Gearing is defined as the difference between the values of investments and equity shareholders' funds, divided by

equity shareholders' funds x 100. There was gearing of 3.2% at 31 October 2011 (2010: 4.0%).

● Future developments

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

● Going Concern

The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the Company consist mainly of securities which are readily realisable and, accordingly, that the Group has adequate financial resources to continue in operational existence for the foreseeable future.

d) Performance measurement and key performance indicators

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

● Performance measured against the Benchmark

The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value and share price for the Company and its benchmarks.

● Discount to Net Asset Value ("NAV")

At each Board meeting, the Board monitors the level of the Company's discount/premium to NAV and reviews the average discount/premium for the Company's relevant Association of Investment Companies ("AIC") sector.

The Board considers the use of share buy-backs to enhance shareholder value. During the year 34,000 shares were purchased. The Company publishes a NAV per share figure on a daily basis through the official newswire of the

Report of the Directors

continued

London Stock Exchange. This figure is calculated in accordance with the AIC formula.

- *Performance against the Company's peer group*

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

- *Total expense ratio ("TER")*

The TER is a measure of the total expenses incurred by the Company, including those charged to capital, expressed as a percentage of the average shareholders' funds over the year. The TER is defined here as the total annual pre tax operating expenses (management fee and other administration costs) expressed as a percentage of average shareholders' funds at the beginning and end of the year. The TER, before performance fees and borrowing costs, amounted to 0.45% (2010: 0.42%) of the assets of the Company. No performance fee was paid during the year. The Board regularly monitors all Company expenses.

e) Related party transactions

Investment management, accounting, company secretarial and administration services are provided to the Group by wholly owned subsidiary companies of Henderson Group plc ("Henderson"). This is the only related party arrangement currently in place. Other than the fees payable by the Company in the ordinary course of business and the investment in the Deutsche Bank Liquidity Fund (formerly the Henderson Liquid Assets Fund), a money market fund (see note 12 on page 48), there have been no material transactions with this related party which has affected the financial position or performance of the Company in the financial year.

f) Custody arrangements

Global custody services are provided by BNP Paribas Securities Services.

g) Management arrangements

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

The basic annual management fee is 0.30% per annum of the average gross assets on the last day of October of the preceding two years.

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

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

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

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

No performance fee will be paid if in any financial year distributable income plus revenue reserves is lower than the gross dividends payable in the previous financial year. No performance fee is payable in respect of the year ended 31 October 2011.

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

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

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

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

Report of the Directors

continued

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 Section 1 of 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 will provide the most appropriate information to shareholders and has therefore followed the principles and recommendations set out in the AIC Code. Copies of the AIC Code and the AIC Guide can be found on www.theaic.co.uk.

b) New Zealand Listing

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

c) Statement of compliance

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

The directors believe that during the year under review they have complied with the provisions of the AIC Code, insofar as they apply to the Company's business, and with the provisions of the 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 five directors, all of whom are non-executive.

The names and biographies of the directors holding office at the date of this report are listed on page 19. With the exception of Peter Sullivan, who joined the Board on 22 February 2011, all the current directors served on the Board throughout the 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 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 sufficient experience of both the Company and the markets is of great benefit to shareholders.

Report of the Directors

continued

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 who has served on the Board for over nine years. He has no other links to the Manager; in addition he has a wide range of other interests and is not dependent in any way on the Company itself and the Nominations Committee concluded that he continues to make a valuable contribution to the Board and, notwithstanding length of service, he remains independent in character and judgement.

● *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.

● *Directors' Remuneration*

A report on directors' remuneration is on page 32.

● *Directors' Interests in Shares*

	Ordinary shares of 25p	
	31 October 2011	1 November 2010*
With beneficial interest:		
Richard Brewster	73,733	72,975
Richard Burns	60,000	60,000
Richard Killingbeck	30,000	25,000
Francis Sumner ⁽¹⁾	–	55,800
Peter Sullivan ⁽²⁾	–	–
Matthew Thorne	19,000	16,000
Non beneficial interest:		
Richard Burns	33,000	33,000

* Or date of appointment if later.

⁽¹⁾ Francis Sumner retired from the Board on 22 February 2011.

⁽²⁾ Peter Sullivan joined the Board on 22 February 2011.

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 became interested in a further 192 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

continued

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 has been the Senior Independent Director since 22 February 2011, when the previous Senior Independent Director, Francis Sumner, retired.

- *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 and Peter Sullivan, 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. 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,

Report of the Directors

continued

the Committee reviews the auditors' independence, objectivity and effectiveness, appointment and remuneration, the quality of the services of the service providers to the Company, and, together with the Manager, reviews the Company's compliance with financial reporting and regulatory requirements. With effect from 30 April 2011, in accordance with changes made by the Auditing Practices Board and the Financial Reporting Council to the APB's Ethical Standards for Auditors and the FRC's Guidance on Audit Committees, audit committees are required to formulate a written policy on the provision of non-audit services by the Company's statutory independent auditors. The Audit Committee has reviewed the guidance and has formulated a policy on the provision of non-audit services by the Company's auditors. The Audit Committee has determined that the Company's appointed auditors will never 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.

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. A new audit partner was introduced for the audit of the 31 October 2011 accounts.

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 Burns and Richard Killingbeck. 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 the year and any requests for charitable donations are considered by the Board. During the year donations were made totalling £1,500 (2010: £4,000).

● *Board Attendance*

Currently, the Board meets seven times per annum and is responsible for the effective stewardship of the Company's affairs. Certain strategic issues have been considered at various meetings of the Board and additional meetings of the Board may be arranged as required. The Board has a formal schedule of matters specifically reserved for its decision which are categorised under various headings including strategy, management, structure, capital, financial reporting, internal controls, gearing, asset allocation, share price discount, contracts, policy, finance, risk, investment restrictions, performance, corporate governance and Board membership and appointments. In order to enable them to discharge their responsibilities, all directors have full and timely access to relevant information. At each meeting, the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objectives and is responsible for setting asset allocation parameters, investment and gearing limits within

Report of the Directors

continued

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.

No. of meetings	Management			
	Board	Audit Committee	Nominations Committee	Engagement Committee
	7	3	2	1
Richard Brewster	7	n/a	2	1
Richard Burns	7	n/a	2	1
Richard Killingbeck	7	3	2	1
Francis Sumner ⁽¹⁾	3	2	1	1
Matthew Thorne	7	3	n/a	1
Peter Sullivan ⁽²⁾	5	1	n/a	n/a

⁽¹⁾ Francis Sumner retired from the Board on 22 February 2011.

⁽²⁾ Peter Sullivan joined the Board on 22 February 2011.

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. 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.

The Board has established an ongoing process for identifying, evaluating and managing any major risks faced by the

Report of the Directors

continued

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 Revised Guidance for Directors on the Combined Code published in October 2005 by the Financial Reporting Council.

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), 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 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 2011 the Company had in issue 111,051,839 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 385.0p, giving the Company a market capitalisation of £427.5 million. Equity shareholders' funds totalled £496.3 million, the net asset value per share at that date being 446.9p per share (inclusive of retained revenue for the year). Accordingly, the market price per share stood at a discount of 13.9% to the net asset value (inclusive of retained revenue for the year). The Company seeks shareholder authority annually to buy back its shares in the market for cancellation. During the year the Company bought back 34,000 of its ordinary shares at an average discount of 12.4% for a total consideration of £140,000.

Since the end of the year and the date of this report the Company has bought back a further 32,000 ordinary shares.

Report of the Directors

continued

● Substantial Share Interests

Declarations of interests in the voting rights of the Company, at 31 October 2011, are set out below.

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

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 2011, 14.37% 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 page 64. At other times the Company responds to letters from shareholders on a range of issues.

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

k) Corporate Responsibility

● Responsible investment

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

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

● Voting policy

Henderson's Responsible Investment Policy sets out the Manager's approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients, and its policy on proxy voting. The Policy

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 core activities are undertaken by Henderson which has implemented environmental management practices including systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment. Henderson is focused on reducing greenhouse gas emissions and minimising waste, where possible.

Annual General Meeting ("AGM")

The AGM will be held on 23 February 2012 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 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 knowledge and belief, there is no information relevant to the preparation of the Annual Report and Financial Statements of which the Company's auditors are unaware; and
- he has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

Wendy King FCIS

For and on behalf of Henderson Secretarial Services Limited
Secretary

13 January 2012

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. From 1 November 2011 the rates are as follows: Chairman £35,000, the Chairman of the Audit Committee and Senior Independent Director £24,000 and the other directors £22,000 each.

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

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

Directors' Fees and Expenses

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

The Chairman £33,500; the Chairman of the Audit Committee and Senior Independent Director £23,000 and the other directors £21,000 each.

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

The fees paid to each of the directors who served during the year, and during 2010, were as follows:

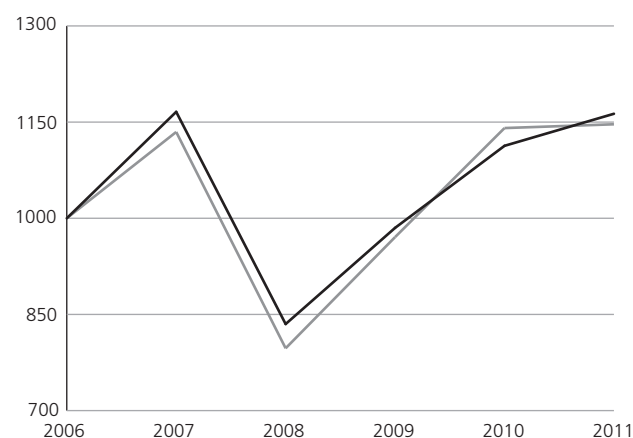
Director	Note	(Audited) 2011 £	(Audited) 2010 £
Richard Brewster		33,500	32,000
Richard Burns		21,000	20,000
Richard Killingbeck	1	22,372	20,000
Peter Sullivan	2	14,441	–
Francis Sumner	3	7,219	22,000
David Thomas	4	n/a	6,968
Matthew Thorne	5	23,000	21,367
TOTAL		121,532	122,335

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.
4. David Thomas retired from the Board on 23 February 2010.
5. Matthew Thorne became Audit Committee Chairman on 23 February 2010.

Performance Graph

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



Source: Datastream

- The Company's share price total return, assuming the investment of £1,000 on 31 October 2006 and the reinvestment of all dividends (excluding dealing expenses).
- 50/50 FTSE All-Share Index and FTSE World (ex UK) Index assuming the notional investment of £1,000 into the benchmark on 31 October 2006 and the reinvestment of all income (excluding dealing expenses).

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

By order of the Board

Wendy King, FCIS
For and on behalf of
Henderson Secretarial Services Limited, Secretary
13 January 2012

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

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with

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

Statement of Directors' Responsibilities under DTR 4.1.12

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

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

For and on behalf of the Board

Richard Brewster
Chairman
13 January 2012

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 2011

		Year ended 31 October 2011			Year ended 31 October 2010		
Notes		Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
2	(Losses)/gains on investments held at fair value through profit or loss	–	(2,786)	(2,786)	–	59,081	59,081
3	Investment income	15,988	–	15,988	16,108	–	16,108
4	Other operating income	443	–	443	370	–	370
	Total income/(loss)	16,431	(2,786)	13,645	16,478	59,081	75,559
	Expenses						
5	Management fees	(979)	(528)	(1,507)	(862)	(464)	(1,326)
6	Other expenses	(738)	–	(738)	(655)	–	(655)
	Profit/(loss) before finance costs and taxation	14,714	(3,314)	11,400	14,961	58,617	73,578
7	Finance costs	(706)	(1,647)	(2,353)	(684)	(1,596)	(2,280)
	Profit/(loss) before taxation	14,008	(4,961)	9,047	14,277	57,021	71,298
8	Taxation	(701)	–	(701)	(608)	–	(608)
	Profit/(loss) for the year and total comprehensive income	13,307	(4,961)	8,346	13,669	57,021	70,690
9	Earnings/(loss) per ordinary share	11.98p	(4.47p)	7.51p	12.26p	51.13p	63.39p

The total columns of this statement represents the Consolidated Statement of Comprehensive Income, prepared in accordance with IFRS as adopted by the European Union. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

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

As permitted by the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The net profit of the Company for the year was £8,346,000 (2010: £70,690,000).

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

Consolidated and Parent Company Statements of Changes in Equity

for the year ended 31 October 2011

Note	Consolidated year ended 31 October 2011	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 31 October 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
	Consolidated year ended 31 October 2010	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 31 October 2009	28,062	452	12,148	377,462	30,739	448,863
	Total comprehensive income:						
	Profit for the year	–	–	–	57,021	13,669	70,690
	Transactions with owners, recorded directly to equity:						
	Buy back of 1,160,211 ordinary shares	(290)	–	290	(4,197)	–	(4,197)
10	Ordinary dividends paid	–	–	–	–	(13,401)	(13,401)
	Total equity at 31 October 2010	27,772	452	12,438	430,286	31,007	501,955
	Company year ended 31 October 2011	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 31 October 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
	Company year ended 31 October 2010	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 31 October 2009	28,062	452	12,148	378,368	29,833	448,863
	Total comprehensive income:						
	Profit for the year	–	–	–	57,100	13,590	70,690
	Transactions with owners, recorded directly to equity:						
	Buy back of 1,160,211 ordinary shares	(290)	–	290	(4,197)	–	(4,197)
10	Ordinary dividends paid	–	–	–	–	(13,401)	(13,401)
	Total equity at 31 October 2010	27,772	452	12,438	431,271	30,022	501,955

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

Consolidated and Parent Company Balance Sheets

as at 31 October 2011

Notes	Consolidated 2011 £'000	Consolidated 2010 £'000	Company 2011 £'000	Company 2010 £'000
11 & 13 Non-current assets				
Investments held at fair value through profit or loss	512,257	522,112	513,444	523,097
Current assets				
12 Investments held at fair value through profit or loss	3,650	6,949	3,650	6,300
14 Other receivables	2,628	3,831	2,809	7,949
Cash and cash equivalents	6,360	8,910	4,992	3,845
	12,638	19,690	11,451	18,094
Total assets	524,895	541,802	524,895	541,191
Current liabilities				
15 Other payables	(3,564)	(14,847)	(3,564)	(14,236)
Total assets less current liabilities	521,331	526,955	521,331	526,955
Non-current liabilities				
16 Debenture stocks	(25,000)	(25,000)	(25,000)	(25,000)
Net assets	496,331	501,955	496,331	501,955
Equity attributable to equity shareholders				
19 Called up share capital	27,763	27,772	27,763	27,772
20 Share premium account	452	452	452	452
21 Capital redemption reserve	12,447	12,438	12,447	12,438
Retained earnings:				
21 Other capital reserves	425,185	430,286	426,372	431,271
22 Revenue reserve	30,484	31,007	29,297	30,022
Total equity	496,331	501,955	496,331	501,955
18 Net asset value per ordinary share (pence)	446.9p	451.9p	446.9p	451.9p

The financial statements were approved by the directors on 13 January 2012 and signed on their 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 2011

Reconciliation of operating revenue to net cash flow from operating activities	Consolidated 2011 £'000	Company 2011 £'000	Consolidated 2010 £'000	Company 2010 £'000
Net profit before tax	9,047	9,047	71,298	71,298
Add interest payable ("finance costs")	2,353	2,353	2,280	2,280
Add/(less): loss/(gains) on investments held at fair value through profit or loss	2,786	2,521	(59,081)	(59,180)
Decrease in accrued income	383	383	570	570
Increase in other debtors	(7)	(7)	(2)	(2)
Increase in other creditors and accruals	23	23	162	162
Purchases of investments	(114,549)	(114,549)	(119,885)	(119,885)
Sales of investments	121,530	121,530	110,009	110,009
Amounts received/(paid) from/(to) subsidiary undertaking	–	4,000	–	(5,000)
Purchases of current asset investments	(35,682)	(34,975)	(47,002)	(46,010)
Sales of current asset investments	39,242	37,625	53,652	53,210
Decrease/(increase) in amounts due from brokers	767	767	(2,096)	(2,096)
(Decrease)/increase in amounts due to brokers	(7,285)	(6,674)	9,869	9,258
Dealing profits	(261)	–	(99)	–
Net cash inflow from operating activities before interest and taxation	18,347	22,044	19,675	14,614
Interest paid	(2,374)	(2,374)	(2,259)	(2,259)
Taxation on investment income	(641)	(641)	(704)	(704)
Net cash inflow from operating activities	15,332	19,029	16,712	11,651
Financing activities				
Equity dividends paid	(13,830)	(13,830)	(13,401)	(13,401)
Purchase of ordinary shares	(140)	(140)	(4,197)	(4,197)
(Repayment)/drawdown of loan	(4,000)	(4,000)	4,000	4,000
Net cash outflow from financing activities	(17,970)	(17,970)	(13,598)	(13,598)
(Decrease)/increase in cash	(2,638)	1,059	3,114	(1,947)
Cash and cash equivalents at start of the year	8,910	3,845	5,989	5,985
Exchange movements	88	88	(193)	(193)
Cash and cash equivalents at end of the year	6,360	4,992	8,910	3,845

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 2011 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) Standards, amendments and interpretations becoming effective in the current financial year:

- IFRS 1 (Amendment), *First Time Adoption of International Financial Reporting Standards* simplified the structure of IFRS 1 without making any technical changes. No impact on the Group's or Company's Financial Statements.
- IFRS 3 (Revised), *Business Combinations* harmonised business combination accounting with US GAAP. Not currently relevant to the Group or Company and therefore has no impact on the Financial Statements.
- IFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations* (as part of Improvements to IFRS issued in 2009). Not currently relevant to the Group or Company and therefore has no impact on the Financial Statements.
- IAS 27 (Revised), *Consolidated and Separate Financial Statements* introduced changes to the accounting for transactions with non-controlling interests in consolidated financial statements. Adoption did not have any impact on the Group or Company Financial Statements.
- IAS 32 (Amendment), *Financial Instruments: Presentation* – amendments relating to classification of rights issues. No impact on the Group's or Company's Financial Statements.
- IAS 39 (Amendment), *Eligible Hedged Items*. The amendment prohibits designating inflation as a hedgeable component of a fixed debt, and, in a hedge of a one-sided risk with options, prohibits including time value in the hedged risk. Not currently relevant to the Group or Company and therefore has no impact on the Financial Statements.
- IFRIC 15, *Agreements for Construction of Real Estate*. Not relevant to the Group or Company.
- IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*. Provides clarification to net investment hedging issues. Not currently relevant to the Group or Company and therefore no impact on the Financial Statements.
- IFRIC 17, *Distributions of Non Cash Assets to Owners* clarifies how an entity should measure distributions of assets other than cash made as a dividend to its owners. Not currently relevant to the Group or Company and therefore no impact on the Financial Statements.

Notes to the Financial Statements

continued

1 Accounting policies (continued)

- IFRIC 18 *Transfer of Assets from Customers*. Not relevant to the Group.
- Improvements to IFRS issued in 2009 comprised numerous other minor amendments to IFRS, resulting in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments. These amendments had no impact on the Group or Company Financial Statements.
- (ii) Standards, amendments and interpretations to existing standards that become effective in future accounting periods and have not been adopted early by the Group or the Company:**
 - IAS 24 (Revised), *Related Party Disclosures* (effective for financial periods beginning on or after 1 January 2011, subject to EU endorsement). Revises the definition of related parties. Unlikely to have a significant effect.
 - IFRS 9, *Financial Instruments* (effective for financial periods beginning on or after 1 January 2013). Replaces IAS 39. Simplifies accounting for financial assets, replacing the current multiple measurement categories with a single principle-based approach to classification. All financial assets to be measured at either amortised cost or fair value. The Group and Company will apply IFRS 9 from 1 November 2013, subject to endorsement by the EU.
- (iii) Standards, amendments and interpretations to existing standards that become effective in future accounting periods and are not relevant to the Group's or the Company's operations:**
 - IFRS 1 (Amendment) *First-time Adoption of International Financial Reporting Standards*
 - IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*.
 - IFRIC 14 (Amendment), *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

(b) Basis of consolidation

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

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

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

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

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 dealt with in the revenue return column of the Statement of Comprehensive Income as a revenue item. Bank deposit interest and stock lending income are accounted for on an accruals basis.

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

(f) Expenses

All expenses and interest payable are accounted for on an accruals basis. On the basis of the Board's expected long-term split of total returns in the form of capital and revenue returns of 70% and 30%, respectively, the Company charges 70% of its finance costs and investment management fees to capital. Any performance fees payable are allocated wholly to capital, reflecting the fact that, although they are calculated on a total return basis, they are expected to be attributable largely, if not wholly, to capital performance. Expenses which are incidental to the purchase or sale of an investment are charged to the capital return column of the Statement of Comprehensive Income and allocated to other capital reserves. All other operating expenses are charged to the revenue return column of the Statement of Comprehensive Income.

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

(i) Foreign currency

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

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

(j) Cash and cash equivalents

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

(k) Borrowings

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

(l) Repurchase of ordinary shares

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

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 Manager, with oversight from the Board) in deciding how to allocate resources and in assessing performance. The directors meet regularly to consider investment strategy and to monitor the Company's performance. The Portfolio Manager, who has been appointed to manage the Company's investments, attends all Board meetings at which investment strategy and performance are discussed. The directors consider that the Group has two operating segments: (i) the Parent Company, The Bankers Investment Trust PLC, which invests in shares and securities primarily for capital appreciation in accordance with the Company's published investment objective; and (ii) its wholly owned subsidiary, The Army and Navy Investment Company Limited, which trades in securities to enhance the Group's returns.

The business is not managed on a geographical basis, however, for the convenience of investors, disclosure by geographical segment has been provided in note 3 and in the Portfolio Review on pages 6 to 18. Further analyses of expenses, investment gains or losses, profit and other assets and liabilities by country have not been given as either it is not possible to prepare such information in a meaningful way or the results are not considered to be significant.

Notes to the Financial Statements

continued

2	(Losses)/gains on investments held at fair value through profit or loss	2011 £'000	2010 £'000
	Gains on sales of investments based on historical cost	9,585	15,969
	Revaluation gains recognised in previous years	(12,704)	(9,540)
	(Losses)/gains on investments sold in the year based on carrying value at previous balance sheet date	(3,119)	6,429
	Revaluation of investments held at 31 October	245	52,845
	Exchange gains/(losses)	88	(193)
		(2,786)	59,081
3	Investment income	2011 £'000	2010 £'000
	UK dividend income – listed	7,506	7,661
	Overseas dividend income – listed	8,268	7,516
	Property income distributions	125	99
	Income from fixed interest securities	89	832
		15,988	16,108
	Analysis of investment income by geographical region:		
	UK	8,459	9,475
	Europe (ex UK)	2,351	1,523
	North America	1,433	1,203
	Japan	971	1,057
	Pacific (ex Japan)	2,367	2,423
	Emerging Markets	407	427
		15,988	16,108
4	Other operating income	2011 £'000	2010 £'000
	Bank interest	15	4
	Stock lending revenue	167	107
	Underwriting commission	–	160
	Dealing profits from subsidiary	261	99
		443	370

At 31 October 2011 the total value of securities on loan by the Group for stock lending purposes was £37,200,000 (2010: £35,227,000). The maximum aggregate value of securities on loan at any one time during the year ended 31 October 2011 was £45,800,000 (2010: £53,835,000). The Group's agent holds collateral 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

continued

5	Management fees	Revenue Return 2011 £'000	Capital Return 2011 £'000	Total 2011 £'000	Revenue Return 2010 £'000	Capital Return 2010 £'000	Total 2010 £'000
	Investment management	226	528	754	199	464	663
	Accounting, secretarial and administration	753	–	753	663	–	663
		979	528	1,507	862	464	1,326

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 (2010: £nil).

6	Other expenses	2011 £'000	2010 £'000
	Directors' fees (see page 32)	121	122
	Auditors' remuneration:		
	– for audit services (£20,000 relating to the Parent Company and £5,000 relating to the Subsidiary)	25	25
	– for non-audit services (in respect of tax compliance services)	2	2
	Expenses payable to the Manager (relating to marketing services)	78	58
	Bank charges	83	88
	Registrar fees	56	62
	AIC subscriptions	35	32
	Printing expenses	50	46
	Legal fees	1	6
	Listing fees	40	31
	Stock lending fees	42	27
	Loan non-utilisation fees	78	46
	Loan arrangement fee	30	15
	Other expenses	97	95
		738	655

The compensation payable to key management personnel in respect of short term employment benefits was £121,000 (2010: £122,000) which relates wholly to the fees payable to the directors in respect of the year.

7	Finance costs	Revenue Return 2011 £'000	Capital Return 2011 £'000	Total 2011 £'000	Revenue Return 2010 £'000	Capital Return 2010 £'000	Total 2010 £'000
	On bank loans and overdrafts repayable within one year	31	72	103	9	21	30
	Interest on debentures repayable wholly or partly after five years	675	1,575	2,250	675	1,575	2,250
		706	1,647	2,353	684	1,596	2,280

Notes to the Financial Statements

continued

8	Taxation	Revenue Return 2011 £'000	Capital Return 2011 £'000	Total 2011 £'000	Revenue Return 2010 £'000	Capital Return 2010 £'000	Total 2010 £'000
	(a) Analysis of the charge for the year						
	UK Corporation tax at 26.83% (2010: 28%)	–	–	–	–	–	–
	Double taxation relief	–	–	–	–	–	–
	Overseas tax reclaimable	(173)	–	(173)	(129)	–	(129)
	Tax relief on expenses charged to capital	–	–	–	–	–	–
		(173)	–	(173)	(129)	–	(129)
	Overseas tax suffered	874	–	874	737	–	737
	Taxation	701	–	701	608	–	608

(b) Factors affecting the tax charge for the year

The differences are explained below:

	Revenue Return 2011 £'000	Capital Return 2011 £'000	Total 2011 £'000	Revenue Return 2010 £'000	Capital Return 2010 £'000	Total 2010 £'000
Profit before taxation	14,008	(4,961)	9,047	14,277	57,021	71,298
Corporation tax at 26.83% (2010: 28%)	3,760	(1,332)	2,428	3,997	15,966	19,963
Non taxable UK dividends	(1,988)	–	(1,988)	(2,098)	–	(2,098)
Non taxable scrip dividends and other income	(2,119)	–	(2,119)	(2,006)	–	(2,006)
Tax relief on expenses charged to capital	–	–	–	112	–	112
Income taxable in different years	–	–	–	(5)	–	(5)
Overseas withholding tax suffered	701	–	701	608	–	608
Excess management expenses	347	–	347	–	–	–
Capital losses/(gains) not subject to tax	–	1,332	1,332	–	(15,966)	(15,966)
	701	–	701	608	–	608

(c) Provision for deferred taxation

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

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

(d) Factors that may affect future tax charges

The Company has not recognised a deferred tax asset totalling £3,373,000 (2010: £2,706,000) arising as a result of having unutilised non trade loan relationship deficits of £2,639,000 (2010: £2,355,000), excess management expenses of £734,000 (2010: £351,000) and deferred tax liability of £nil (2010: £321,000) on offshore funds. These expenses will only be utilised if the Group has profits chargeable to corporation tax in the future.

Notes to the Financial Statements

continued

9 Earnings per ordinary share

The total earnings per ordinary share is based on the net profit attributable to the ordinary shares of £8,346,000 (2010: £70,690,000) and on 111,072,713 ordinary shares (2010: 111,521,997) being the weighted average number of shares in issue during the year.

The total earnings can be further analysed as follows:

	2011 £'000	2010 £'000
Revenue earnings	13,307	13,669
Capital (loss)/earnings	(4,961)	57,021
Earnings for the year	8,346	70,690
Weighted average number of ordinary shares	111,072,713	111,521,997
Revenue earnings per ordinary share	11.98p	12.26p
Capital (loss)/earnings per ordinary share	(4.47p)	51.13p
Earnings per ordinary share	7.51p	63.39p

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	2011 £'000	2010 £'000
	Third interim dividend (3.00p) for year ended 31 October 2009	30 October 2009	30 November 2009	–	3,368
	Final dividend (3.00p) for the year ended 31 October 2009	5 February 2010	26 February 2010	–	3,357
	First interim dividend (3.00p) for the year ended 31 October 2010	30 April 2010	28 May 2010	–	3,341
	Second interim dividend (3.00p) for the year ended 31 October 2010	30 July 2010	31 August 2010	–	3,335
	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	–
				13,830	13,401

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

continued

10	Dividends on ordinary shares (continued)	£'000
	Revenue available for distribution by way of dividend for the year	13,307
	First interim dividend (3.175p)	(3,527)
	Second interim dividend (3.175p)	(3,527)
	Third interim dividend (3.175p) paid on 30 November 2011	(3,526)
	Final dividend (3.175p) payable on 28 February 2012	(3,526)
	Revenue shortfall for section 1158 purposes	(799)

11	Investments held at fair value through profit or loss	Group £'000
	(a) Group	
	Valuation at 1 November 2010	522,112
	Investment holding gains at 1 November 2010	(126,151)
	Cost at 1 November 2010	395,961
	Acquisitions at cost	114,549
	Disposals at cost	(111,945)
	Cost at 31 October 2011	398,565
	Investment holding gains at 31 October 2011	113,692
	Valuation of investments at 31 October 2011	512,257

Included in the total investments are unquoted investments shown at the directors' fair valuation of £98,000 (2010: £118,000).

	Subsidiary undertaking £'000	Investments £'000	Total £'000
(b) Company			
Valuation at 1 November 2010	985	522,112	523,097
Investment holding gains at 1 November 2010	(985)	(126,151)	(127,136)
Cost at 1 November 2010	–	395,961	395,961
Acquisitions at cost	–	114,549	114,549
Disposals at cost	–	(111,945)	(111,945)
Cost at 31 October 2011	–	398,565	398,565
Investment holding gains at 31 October 2011	1,187	113,692	114,879
Valuation of investments at 31 October 2011	1,187	512,257	513,444

Included in the total investments are unquoted investments shown at the directors' fair valuation of £1,294,000 (2010: £1,103,000).

At 31 October 2011 convertible or fixed interest securities held in the portfolio of the Company and the Group were £98,000 (2010: £3,582,000).

Purchase and sale transaction costs for the year ended 31 October 2011 were £223,000 and £186,000 respectively (2010: transaction costs of purchases £257,000; transaction costs of sales £171,000). 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 (2010: same). None of these investments are considered material in the context of these accounts.

Notes to the Financial Statements

continued

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 2011 this holding had a value of £3,650,000 (2010: £6,300,000).

The subsidiary undertaking holds dealing investments with a value of £nil (2010: £649,000).

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 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
14 Other receivables				
Securities sold for future settlement	1,329	2,096	1,329	2,096
Amounts due from subsidiary undertakings	–	–	181	4,118
Other taxes recoverable	374	434	374	434
Prepayments and accrued income	915	1,298	915	1,298
Other debtors	10	3	10	3
	2,628	3,831	2,809	7,949
15 Other payables				
Bank loans	–	4,000	–	4,000
Securities purchased for future settlement	3,187	10,472	3,187	9,861
Accruals	250	248	250	248
Other creditors	127	127	127	127
	3,564	14,847	3,564	14,236

Notes to the Financial Statements

continued

16	Non current liabilities: amounts falling due after more than one year	Group and Company	
		2011 £'000	2010 £'000
	Debenture stocks (secured):		
	10½% debenture stock 2016	10,000	10,000
	8% debenture stock 2023	15,000	15,000
		25,000	25,000

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

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

As an investment trust the 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: market risk (comprising market price risk, currency risk and interest rate risk), liquidity risk and credit and counterparty risk, and the directors' approach to the management of these risks, are set out below. The Board of directors and the Manager coordinate the Group's risk management.

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

17.1 Market risk

The fair value of a financial instrument held by the Group may fluctuate due to changes in market prices. Market risk comprises market price risk (see note 17.1.1), currency risk (see note 17.1.2) and interest rate risk (see note 17.1.3). The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

17.1.1 Market price risk

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

Management of the risk

The Board of directors manages the risks inherent in the investment portfolio by ensuring full and timely reporting of relevant information from the Manager. Investment performance is reviewed at each Board meeting. The Board monitors the Manager's compliance with the 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 2011 £'000	31 October 2010 £'000
Equities	512,159	518,530
Fixed interest	98	3,582
	512,257	522,112

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 return after taxation for the year and the Group's net assets to an increase or decrease of 20% (2010: 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.

	2011		2010	
	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	(200)	200	(202)	202
Capital return	102,324	(102,324)	103,597	(103,597)
Change to profit after tax for the year and net assets	102,124	(102,124)	103,395	(103,395)

17.1.2 Currency risk

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

Management of the risk

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

Foreign currency borrowings may be used to limit the Group's exposure to future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. These borrowings are limited to 35% of the adjusted net asset value.

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

	US\$ £'000	Euro £'000	Japanese Yen £'000	Hong Kong \$ £'000	Other £'000
2011					
Receivables (due from brokers, dividends and other income receivable)	56	88	1,632	–	309
Cash at bank	1,560	–	–	–	3
Payables (due to brokers, accruals and other creditors)	(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
2010					
Receivables (due from brokers, dividends and other income receivable)	54	113	322	67	367
Cash at bank	2,389	141	1	87	852
Payables (due to brokers, accruals and other creditors)	(671)	(4,447)	–	–	(227)
Total foreign currency exposure on net monetary items	1,772	(4,193)	323	154	992
Investments at fair value through profit or loss that are equities	104,153	42,692	39,484	25,478	66,870
Total net foreign currency exposure	105,925	38,499	39,807	25,632	67,862

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% (2010: 10%). Euro/Sterling +/- 10% (2010: 10%). Japanese Yen/Sterling +/- 10% (2010: 10%). Hong Kong Dollar/Sterling +/- 10% (2010: 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	2011 Euro £'000	Japanese Yen £'000	Hong Kong \$ £'000	US \$ £'000	2010 Euro £'000	Japanese Yen £'000	Hong Kong \$ £'000
Statement of Comprehensive Income – profit after tax								
Revenue return	180	147	95	78	199	91	108	101
Capital return	12,694	3,918	5,171	2,198	11,553	4,754	4,382	2,837
Change to profit after tax for the year and net assets	12,874	4,065	5,266	2,276	11,752	4,845	4,490	2,938

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	2011 Euro £'000	Japanese Yen £'000	Hong Kong \$ £'000	US \$ £'000	2010 Euro £'000	Japanese Yen £'000	Hong Kong \$ £'000
Statement of Comprehensive Income – profit after tax								
Revenue return	(148)	(121)	(79)	(64)	(162)	(74)	(90)	(82)
Capital return	(10,386)	(3,206)	(4,231)	(1,798)	(9,452)	(3,890)	(3,585)	(2,322)
Change to profit after tax for the year and net assets	(10,534)	(3,327)	(4,310)	(1,862)	(9,614)	(3,964)	(3,675)	(2,404)

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	2011 More than one year £'000	Total £'000	Within one year £'000	2010 More than one year £'000	Total £'000
Exposure to floating interest rates:						
Cash at bank	6,360	–	6,360	8,910	–	8,910
Current asset investment	3,650	–	3,650	6,300	–	6,300
Exposure to fixed interest rates:						
Fixed interest investments	–	98	98	24	3,558	3,582
Bank loans	–	–	–	(4,000)	–	(4,000)
Debentures	–	(25,000)	(25,000)	–	(25,000)	(25,000)
	10,010	(24,902)	(14,892)	11,234	(21,442)	(10,208)

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 (2010: 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 £6,360,000 (2010: £8,910,000) 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 £64,000 (2010: £89,000).
- Current asset investment sensitivity – The Company's interest bearing current asset investment at the year end was £3,650,000 (2010: £6,300,000) 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 £37,000 (2010: £63,000).
- Fixed income investment sensitivity – The Company's fixed income portfolio at the year end was valued at £98,000 (2010: £3,582,000), and is not currently paying interest and therefore there is no modified duration (interest rate sensitivity) (2010: 5.4 years). A 100 basis points change in short term interest rates (up or down), which is mirrored by an equivalent change in long term interest rates, would be expected to decrease or increase this portfolio's value by approximately £nil (2010: £192,000), all other factors being equal.

17.2 Liquidity risk

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

Notes to the Financial Statements

continued

17 Risk management policies and procedures (continued)

17.2 Liquidity risk (continued)

Management of the risk

Liquidity risk is not significant as the majority of the Group's assets are investments in quoted securities that are readily realisable. The Group has a multi-currency loan facility of £20,000,000 with Santander via Abbey National Treasury Services plc (2010: £10,000,000) 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	2011 Due between three months and one year £'000	Due after one year £'000	Due within three months £'000	2010 Due between three months and one year £'000	Due after one year £'000
Debenture stocks	–	2,250	42,400	–	2,250	44,650
Bank loans	–	–	–	4,022	–	–
Other creditors and accruals	3,564	–	–	10,827	–	–
	3,564	2,250	42,400	14,849	2,250	44,650

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

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

Notes to the Financial Statements

continued

17 Risk management policies and procedures (continued)

17.3 Credit and counterparty risk (continued)

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 credit risk exposure of the Group as at year end:

	2011 £'000	2010 £'000
Fixed interest securities	98	3,582
Cash	6,360	8,910
Receivables:		
Securities sold for future settlement	1,329	2,096
	7,787	14,588

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 2011 was £31,260,000 (2010: £31,190,000). The fair values are calculated using prices quoted on the exchange on which the instruments trade.

17.5 Fair value hierarchy disclosures

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

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

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

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

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

Notes to the Financial Statements

continued

17 Risk management policies and procedures (continued)

17.5 Fair value hierarchy disclosures (continued)

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

Fair value hierarchy – Group	Level 1	2011	Total	2010	2010	Total
	£'000	Level 3	£'000	Level 1	Level 3	£'000
Equity investments	512,159	–	512,159	518,530	–	518,530
Fixed interest investments	–	98	98	3,464	118	3,582
Current asset investments	3,650	–	3,650	6,949	–	6,949
	515,809	98	515,907	528,943	118	529,061
Fair value hierarchy – Company	Level 1	2011	Total	2010	2010	Total
	£'000	Level 3	£'000	Level 1	Level 3	£'000
Equity investments	512,159	1,187	513,346	518,530	985	519,515
Fixed interest investments	–	98	98	3,464	118	3,582
Current asset investments	3,650	–	3,650	6,300	–	6,300
	515,809	1,285	517,094	528,294	1,103	529,397

There are no Level 2 investments at 31 October 2011 (2010: 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	2011	2011	2010	2010
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Opening balance	118	1,103	1,333	2,239
Disposal proceeds	(48)	(48)	(1,275)	(1,275)
Total gains included in the Consolidated Statement of Comprehensive Income – on assets held at year end	28	230	60	139
	98	1,285	118	1,103

The total value of unquoted investments as at 31 October 2011 for the Group was £98,000 (2010: £118,000).

The total value of unquoted investments as at 31 October 2011 for the Company was £1,285,000 (2010: £1,103,000).

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% (2010: 0.01%) of the total portfolio and which are held at directors' fair valuations.

The Group's capital at 31 October 2011 comprises its equity share capital, reserves and debt that are shown in the balance sheet at a total of £521,331,000 (2010: £530,955,000).

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 25% of net asset value and net asset value not to fall below £150,000,000. These are measured in accordance with the policies used in the annual financial statements.
- as a public company, the Company has a minimum share capital of £50,000.
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by law.
- the terms of the debenture trust deeds have various covenants which prescribe that moneys borrowed should not exceed 20% to 100% of the adjusted total of capital and reserves as defined in the debenture trust deeds. These are measured in accordance with the policies used in the annual financial statements.

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

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 £496,331,000 (2010: £501,955,000) and on the 111,051,839 ordinary shares in issue at 31 October 2011 (2010: 111,085,839). 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:

	£'000
Net assets attributable to ordinary shares at 1 November 2010	501,955
Total net profit on ordinary activities after taxation	8,346
Dividends paid	(13,830)
Buy back of ordinary shares	(140)
Net assets attributable to ordinary shares at 31 October 2011	496,331

19 Called up share capital

Allotted, issued and fully paid:

111,051,839 (2010: 111,085,839) ordinary shares of 25p each

2011 £'000	2010 £'000
27,763	27,772

During the year, 34,000 (2010: 1,160,211) ordinary shares were bought back for cancellation at a cost of £140,000 (2010: £4,197,000). Further details can be found on page 29.

20 Share premium account

As at 31 October 2010 and 2011

£'000
452

21	Capital redemption and other capital reserves	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Total other capital reserves £'000
(a) Group					
	At 1 November 2010	12,438	304,135	126,151	430,286
	Transfer on disposal of assets	–	12,704	(12,704)	–
	Net (losses)/gains on investments	–	(3,119)	245	(2,874)
	Net gains on foreign exchange	–	88	–	88
	Expenses and finance costs charged to capital net of tax relief	–	(2,175)	–	(2,175)
	Purchases of own shares for cancellation	9	(140)	–	(140)
	At 31 October 2011	12,447	311,493	113,692	425,185

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 2010	12,438	304,135	127,136	431,271
Transfer on disposal of assets	–	12,704	(12,704)	–
Net (losses)/gains on investments	–	(3,119)	447	(2,672)
Net gains on foreign exchange	–	88	–	88
Expenses and finance costs charged to capital net of tax relief	–	(2,175)	–	(2,175)
Purchases of own shares for cancellation	9	(140)	–	(140)
At 31 October 2011	12,447	311,493	114,879	426,372

	Group £'000	Company £'000
22 Revenue reserve		
At 1 November 2010	31,007	30,022
Net revenue profit after tax for the year	13,307	13,105
Dividends paid	(13,830)	(13,830)
At 31 October 2011	30,484	29,297

23 Contingent commitments

As at 31 October 2011 there were no contingent commitments in respect of sub-underwriting for the Group and Company (2010: £784,000).

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 2011 were £1,507,000 (2010: £1,326,000), of which £126,000 is included in accruals at 31 October 2011 (2010: £111,000).

In 2010 the Company had an investment in the Henderson Liquid Assets Fund now called the Deutsche Bank Liquidity Fund.

No performance fee was payable to Henderson for the year ended 31 October 2011 (2010: £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 2011 amounted to a charge of £78,000 (2010: £58,000), of which £27,000 was outstanding at 31 October 2011 (2010: £22,000).

Notes to the Financial Statements

continued

25 Operating segments

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

Segment financial information	Parent Company £'000	2011 Subsidiary Undertaking £'000	Total £'000	Parent Company £'000	2010 Subsidiary Undertaking £'000	Total £'000
Total income – external	13,380	265	13,645	75,460	99	75,559
Total expenses	(2,245)	–	(2,245)	(1,981)	–	(1,981)
Finance costs	(2,353)	–	(2,353)	(2,280)	–	(2,280)
Taxation	(638)	(63)	(701)	(588)	(20)	(608)
Profit and total comprehensive income	8,144	202	8,346	70,611	79	70,690
Total assets	523,527	1,368	524,895	536,088	5,714	541,802
Total liabilities	(28,383)	(181)	(28,564)	(35,118)	(4,729)	(39,847)
Total equity	495,144	1,187	496,331	500,970	985	501,955

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 2011 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 2011 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, 13 January 2012

Statistical Record

adjusted to present capital

Year ended 31 October	Earnings and dividends per 25p ordinary share					Net asset value per 25p ordinary share			Indices of growth					
	Gross revenue £'000	Earned Net p	Total Div. Net p	Tax Credit p	Total Div. Gross p	Total assets less current liabilities £'000	Net asset value per 25p ordinary share p	Market price per 25p ordinary share p	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
									asset value	per 25p ordinary share				
2001	12,852	6.88	6.58	0.73	7.31	404,063	299	281	100	100	100	100	100	100
2002	12,303	7.02	6.78	0.75	7.53	340,887	249	234	83	83	103	80	78	102
2003	12,194	7.12	7.05	0.78	7.83	383,449	283	266	95	95	107	88	89	105
2004	12,902	8.05	7.47	0.83	8.30	406,277†	304†	262	102	93	114	95	92	108
2005	13,940	9.07	8.25	0.92	9.17	461,923†	363†	313	121	111	125	110	107	111
2006	14,972	10.13	9.48	1.05	10.53	540,363	443	386	148	137	144	130	118	115
2007	16,437	11.32	10.24	1.14	11.38	596,020	500	439	167	156	156	143	131	120
2008	18,613	12.76	11.06	1.23	12.29	410,661	341	305	114	109	168	90	96	125
2009	16,866	11.83	11.50	1.28	12.78	473,863	400	348	134	124	175	107	112	124
2010	16,478	12.26	12.10	1.34	13.44	526,955	452	380	151	135	184	122	128	130
2011	16,431	11.98	12.70	1.41	14.11	521,331	447	385	149	137	193	119	125	137

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

Rates of Exchange

The principal exchange rates at 31 October were:

	2011	2010		2011	2010
US dollar	1.6141	1.5988	Singapore dollar	2.02	2.069
Japanese yen	125.859	128.783	New Taiwanese dollar	48.291	48.958
Euro	1.157	1.150	Danish krone	8.611	8.577
Hong Kong dollar	12.53	12.39	Swiss franc	1.406	1.572
Australian dollar	1.521	1.631	New Zealand dollar	1.988	2.091
South African rand	12.746	11.123	Canadian dollar	1.603	1.627

Distribution of Assets and Liabilities

at 31 October 2011

	Equities £'000	Fixed interest £'000	Current Assets £'000	Total Assets £'000	%	Total Liabilities £'000	Currency Exposure of Net Assets £'000	%
United Kingdom	233,189	98	8,989	242,276	46.1	(25,798)	216,478	43.6
Europe (ex UK)	61,742	-	341	62,083	11.8	(11)	62,072	12.5
North America	102,140	-	1,623	103,763	19.8	(1,215)	102,548	20.7
Japan	48,599	-	1,632	50,231	9.6	(1,540)	48,691	9.8
Pacific (ex Japan)	56,520	-	53	56,573	10.8	-	56,573	11.4
Emerging markets	9,969	-	-	9,969	1.9	-	9,969	2.0
Total	512,159	98	12,638	524,895	100.0	(28,564)	496,331	100.0
Percentage	103.2%	0.0%	2.5%	105.7%		(5.7%)	100.0%	

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

Largest Investments

at 31 October 2011

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

Rank (2010)		Valuation 2010 £'000	Purchases £'000	Sales proceeds £'000	Appreciation/ (depreciation) £'000	Valuation 2011 £'000
1	(1) BP	14,543	–	–	1,202	15,745
2	(2) Vodafone	11,531	–	–	204	11,735
3	(4) British American Tobacco	9,687	–	–	1,972	11,659
4	(5) GlaxoSmithKline	9,426	–	–	1,382	10,808
5	(6) Royal Dutch Shell	8,993	–	–	1,067	10,060
6	(7) Catlin	8,336	–	–	1,157	9,493
7	(3) HSBC	10,299	–	–	(1,653)	8,646
8	(9) BG	7,658	–	–	888	8,546
9	(13) Jardine Lloyd Thompson	5,328	–	–	1,157	6,485
10	(12) National Grid	5,979	–	–	279	6,258
11	(8) Petroleo Brasileiros	7,674	–	–	(1,650)	6,024
12	(15) Xstrata	4,898	1,389	–	(746)	5,541
13	(*) Apple	3,140	420	–	1,126	4,686
14	(*) Shire	3,236	–	–	1,056	4,292
15	(14) Aviva	5,012	–	–	(721)	4,291
16	(*) Amcor	3,800	–	–	468	4,268
17	(19) Christian Dior	4,331	–	–	(88)	4,243
18	(*) Anadarko Petroleum	1,579	2,156	–	504	4,239
19	(*) Taiwan Semiconductor Manufacturing	3,648	–	–	535	4,183
20	(10) Rolls-Royce	7,123	–	(3,046)	94	4,171
21	(21) Kasikornbank	4,220	–	–	(161)	4,059
22	(24) Petrofac	4,096	–	–	(75)	4,021
23	(*) Microsoft	2,924	1,104	–	(62)	3,966
24	(*) Wetherspoon (J.D.)	3,757	–	–	194	3,951
25	(18) BHP Billiton	4,427	–	–	(492)	3,935
		155,645	5,069	(3,046)	7,637	165,305

These investments total 32.3% of the portfolio.

(*) Not in top 25 last year.

Changes in Investments

	Valuation 2010 £'000	Purchases £'000	Sales proceeds £'000	Appreciation/ (depreciation) £'000	Valuation 2011 £'000
United Kingdom	242,310	11,790	(21,981)	1,070	233,189
Europe (ex UK)	68,309	6,122	(11,248)	(1,441)	61,742
North America	84,280	64,188	(51,662)	5,334	102,140
Japan	41,479	16,166	(10,432)	1,386	48,599
Pacific (ex Japan)	66,100	15,280	(18,359)	(6,501)	56,520
Emerging Markets	16,052	1,003	(4,460)	(2,626)	9,969
Fixed Interest	3,582	–	(3,388)	(96)	98
	522,112	114,549	(121,530)	(2,874)	512,257

Investor Information

Results

Half year announced June
Full year announced January

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

Share Price Information

The market price of the Company's ordinary shares is published in The Financial Times and other leading newspapers. The share price and details of the Company's performance can be found on the following websites:

www.bankersinvestmenttrust.com
and **www.henderson.com**

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

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

A brief history

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

Nominee Code

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

Capital Gains Tax

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

Gearing

Gearing is defined as the difference between the values of investments and equity shareholders' funds, divided by equity shareholders' funds x100.

Dividends

Ordinary shares:

First interim paid end May

Second interim paid end August

Third interim paid end November

Final paid end February

Debenture stock interest

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

Total Expense Ratio

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

Investing in Bankers

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

Disability

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

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

You can contact our registrars, Equiniti Limited, who have installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly by ringing 0870 600 3950 without the need for an intermediate operator. Specially trained operators are available during normal business hours to answer queries via this service.

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

Investor Information

continued

Directors

Richard Brewster (Chairman)
Richard Burns
Richard Killingbeck (Senior Independent Director)
Peter Sullivan
Matthew Thorne

Audit Committee

Matthew Thorne (Chairman)
Richard Killingbeck
Peter Sullivan

Management Engagement Committee

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

Nominations Committee

Richard Brewster (Chairman)
Richard Killingbeck
Richard Burns

Investment Manager

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

Secretary

Henderson Secretarial Services Limited
represented by Wendy King FCIS

Registered Number

Registered in England No. 00026351

Registered Office

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The Company is a member of

aic

The Association of
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other providers' costs may vary. 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

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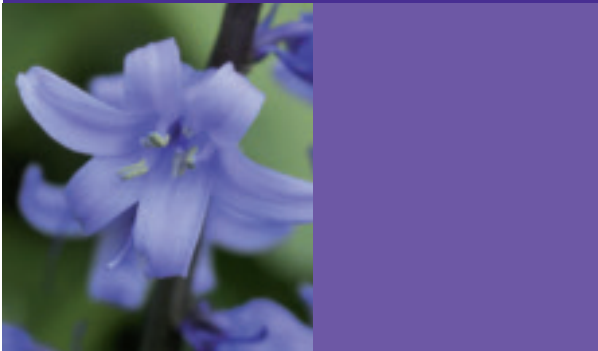
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The Bankers Investment Trust PLC is managed by



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