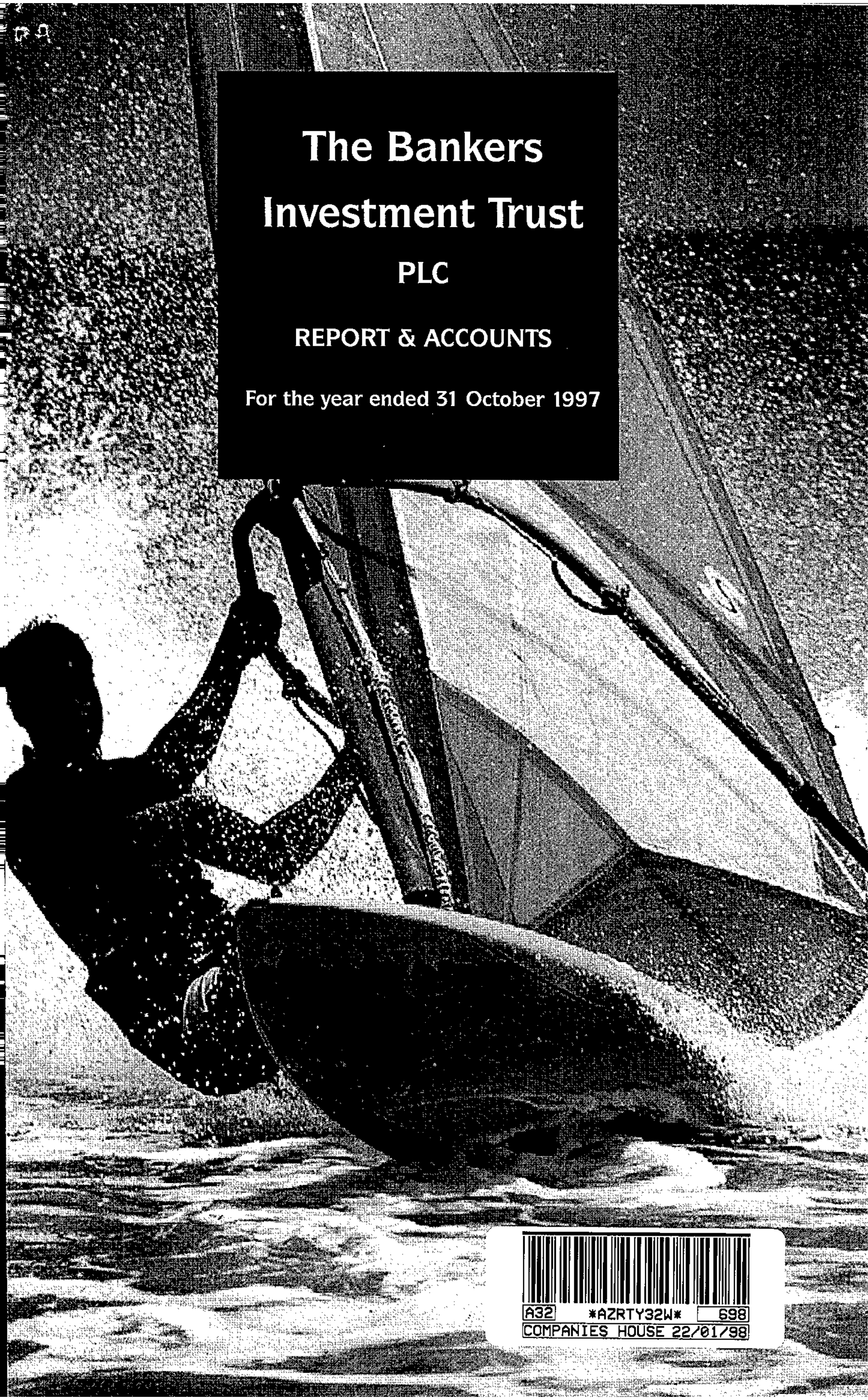
The Bankers Investment Trust PLC

REPORT & ACCOUNTS

For the year ended 31 October 1997



1997

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AITC

The company is a member of the Association of Investment Trust Companies

Objectives

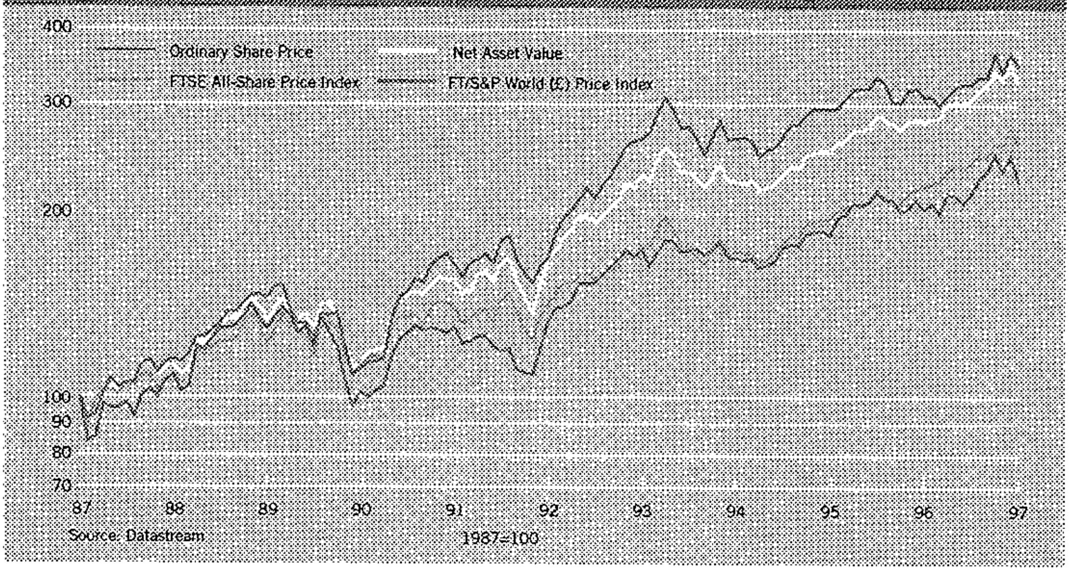
- To maximise shareholders' total return by means of a broadly diversified international portfolio.
- To achieve long term asset growth in excess of the FTSE All-Share Index.
- To achieve regular dividend growth in excess of the increase in the Retail Prices Index.

Performance

Bankers To 31 October 1997	1 year %	5 years %	10 years %	15 years %	20 years %
Net Asset Value total return*	+18.5	+116.5	+312.6	+1,049.7	+2,299.2
Share Price total return*	+14.6	+130.2	+345.0	+1,367.5	+3,117.7
Net Dividend	+12.7	+52.6	+228.1	+428.5	+805.2
FTSE All-Share Index total return*	+20.6	+112.4	+258.3	+900.8	+1,971.9
MSCI World Index (£) total return*	+15.9	+93.5	+185.1	+786.7	+1,022.8
S&P Composite Index (£) total return*	+28.5	+124.5	+367.5	+888.4	+1,259.6
Retail Prices Index	+3.7	+14.0	+55.0	+93.9	+237.4

*Source: AITC Services Limited – Total Returns assumes net dividends re-invested and excludes transaction costs.

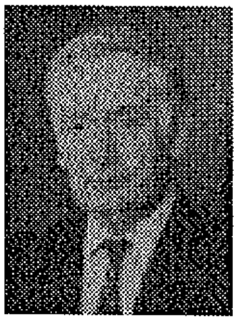
Growth in Net Asset Value and Share Price for the ten years to 31 October 1997



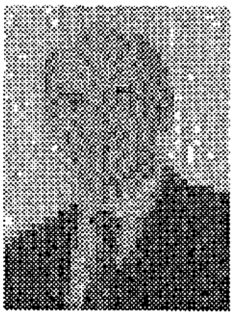
Directors and Management

* Andrew Barker (Chairman) is a director of Foreign & Colonial Investment Trust Plc and of the National Provident Institution. He is Chairman of the AITC. He is aged 52, joined the Board of the Company in 1979 and became Chairman in 1983.

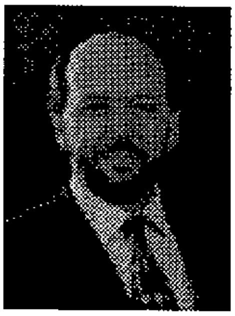
*† Richard Brewster, FCA, is the Chief Executive of Jarvis Porter Group PLC and a director of other companies. He is aged 52 and joined the Board of the Company in 1991.



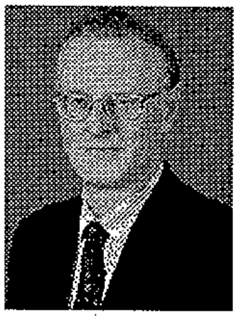
* John Crosland is a director of Concentric PLC and of The Fleming Japanese Investment Trust PLC and was formerly a director of Robert Fleming Holdings Limited. He is aged 61 and joined the Board of the Company in 1984.



*† James Morley is Group Executive Director – Finance at Guardian Royal Exchange plc. He is aged 48 and joined the Board of the Company in December 1994.



Michael Moule is a director of Henderson plc, Lowland Investment Company plc and the Old Mutual South Africa Trust plc. He is aged 51, joined the Board of the Company as a non-executive director in 1982 and has been the manager since 1977.



*† Francis Sumner is a consultant with and former partner in Norton Rose, a leading firm of solicitors. He is aged 55 and joined the Board of the Company in April 1997.

*Independent director and Member of the Management Engagement Committee
†Member of the Audit Committee

Management

The portfolio is managed by Michael Moule who is engaged full time in investment trust management. He is assisted by Stephen Peak (not shown), the deputy manager, and by David Gillott. Michael Wood-Martin manages the Japanese portfolio. The Company Secretary is Henderson Secretarial Services Limited, and is represented by Wendy Taylor.

From left to right: David Gillott, Wendy Taylor, Michael Moule, and Michael Wood-Martin.

Chairman's Statement

Assets

It has been a rewarding year for our shareholders despite the problems in some stock markets and the correction in all stock markets in October. The net asset value per share increased by 16.6% to 261.4p. Sterling, however, rose by 13.4% against a trade-weighted basket of leading currencies which affected our results as we have approximately 50% of assets invested internationally. You will see our results compared to stock market indices, including our main bench mark, the FTSE All-Share Index, and other forms of savings over both the short and long term, on pages 1 and 5. We must always strive for better results but I think the record is a very satisfactory one.

There was a wide diversity of performance in stock markets with solid gains from the USA, UK, Europe and Latin America contrasting with weak markets in Japan and the Far East. In the second half big stock market falls in South East Asian countries caused by over valued currencies and high levels of debt led to further falls in Japan and eventually to falls in other markets in October. In my interim statement we did express some caution about the outlook for stock markets. We therefore, decided not to invest any of our borrowings in the equity market. It was satisfying that our managers in all but one geographical area beat the local stock market indices through good stock selection.

Our Japanese portfolio has been significantly hedged by yen borrowings since 1995 and we felt it prudent to reduce the hedge from 80% to 60% following significant yen weakness during the year. Within the portfolio we have tended to favour the UK and Europe with reductions in the USA and Latin America. In the Far East part of the proceeds from net sales in Taiwan and Australia were switched into Hong Kong and Japan.

Revenue

Net revenue after tax increased by 6.1%. UK dividend increases have been much as we forecast. Obviously, our foreign income was less valuable in sterling terms as sterling appreciated. Since the first Labour budget in July 1997, many UK companies have decided to pay foreign income dividends. Although the outlook for our earnings in 1998 is positive we envisage a further sharp increase in the number of foreign income dividends which could lead to our paying a part of next year's dividend via this method.

Dividend

Your Board proposes to pay a final dividend of 1.50p per share making a total of 5.25p for the year. This is a rise of 12.7%. It is also the 30th consecutive annual increase and compares with a rise of 3.7% in the Retail Prices Index in the year. For the current year we are forecasting an increase of 7.4% in the total dividend to not less than 5.64p per share. A dividend of 1.41p per share will be paid in May, August and November and a minimum of 1.41p per share will be paid in February 1999.

Annual General Meeting

The Annual General Meeting will be held at the Drapers' Hall on Friday 20 February 1998 at 12.00 noon. A map of the venue appears on page 36. Please indicate on your proxy card whether you will be attending. We are still awaiting changes to the Companies Act which will enable us to make changes to enfranchise the beneficial holders of shares which are registered in the name of nominee shareholders. Investors in the Henderson Investors Investment Trust Share Plan ("Share Plan") automatically receive all communications, an invitation to the AGM and a letter of direction to facilitate voting. Details of the Company's nominee code are shown on page 19.

At the AGM we are again seeking shareholder approval to issue new shares to participants in the Share Plan up to a maximum of 5% of the Company's issued capital. The Board has agreed this will only be done when the ordinary shares are trading at a premium of 5% or more to the net asset value. This will benefit the participants who will receive shares at mid-market price without having to pay stamp duty and it will benefit all shareholders since by issuing shares at the mid-market price the net asset value of all ordinary shares will be enhanced.

The Board also consider it to be prudent, to take authority to make market purchases of up to 5% of the Company's shares by utilising revenue reserves. This power would only be used if the discount were to widen substantially.

We look forward to welcoming direct holders and Share Plan holders to the meeting, all of whom are encouraged to ask questions.

Prospects

The problems in Japan and South East Asia are undoubtedly very serious but it is too early to judge the full ramifications for the rest of the world. Economic growth rates in other parts of the world should be lower than they would otherwise have been, but inflationary pressures we are seeing mainly in the USA and the UK, should be more manageable. Fears of global deflation look exaggerated.

We expect some slowdown in both the USA and UK economies in 1998. In both the USA and UK the risk of higher interest rates is probably largely discounted in their respective stock markets. In Continental Europe we expect stable growth with low inflation and interest rates should remain around current levels. In Japan the urgent necessity to support and restructure the Japanese banking system has badly affected consumer confidence. We would expect a year of stagnant domestic demand but strong exports.

Bond, equity and currency investors were severely shaken by events in some of the hitherto fastest growing economies in Asia with some countries having to face a wholesale restructuring following catastrophic devaluations and large declines in equity markets. The slow agony of being invested in smaller companies in smaller markets with unstable currencies has tended to reinforce the attractions of sheltering in blue chip companies in large developed markets. However, the global strategists' enthusiasm for their so called "new paradigm" of permanent growth with low inflation has now been displaced by worries of "Asian contagion" as they try to forecast whether the problems in the Far East will spread westwards. Wall Street, as always, will have a big influence on all stock markets.

The recent setback in all world equity markets has injected a healthy dose of realism, but equity valuations still look somewhat stretched. We are well positioned to take advantage of any opportunities that may occur.

Andrew C Barker

Andrew Barker, Chairman
9 January 1998

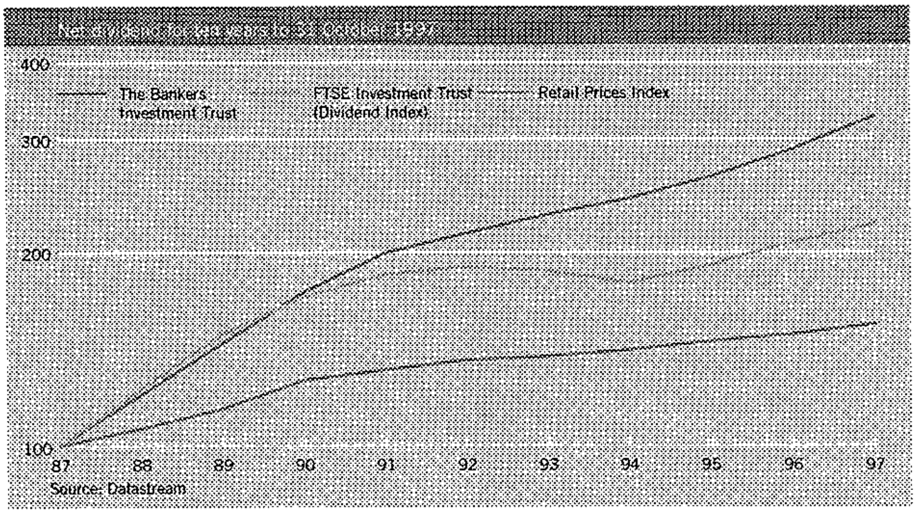
Highlights of the Year

	31 October 1997	31 October 1996	Change %
Assets			
Total assets less current liabilities	£433,278,000	£375,617,000	+15.4
Net asset value per ordinary share	261.4p	224.2p	+16.6
Ordinary share mid-market price	243.5p	217.0p	+12.2
Indices			
FTSE All-Share Index	2,293.87	1,956.90	+17.2
Standard & Poor's Composite Index	914.62	705.27	+25.9*
FT/S&P World Europe (ex UK) Index (£)	217.63	181.26	+20.1
TOPIX (Tokyo First Section Index)	1,277.12	1,550.55	−24.4*
FT/S&P World (ex UK) Index (£)	212.97	193.59	+10.0
50/50 FTSE All-Share/ FT/S&P World (ex UK) (£)	227.2	200.00	+13.6

*£ adjusted

Revenue			
Gross revenue	£16,735,000	£16,164,000	+3.5
Earnings per ordinary share	6.14p	5.78p	+6.2
Dividends per ordinary share	5.25p	4.66p	+12.7

Growth in Dividend



Comparative Performance

Value of £1,000 with net income reinvested (source: AITC Services Limited) To 31 October 1997	1 Year	5 Years	10 Years
The Bankers Investment Trust*	**1,146**	**2,302**	**4,450**
Average Investment Trust*	1,063	1,980	3,266
Average Unit Trust*	1,038	1,791	2,772
Building Society (Halifax 30 day)	1,038	1,233	1,920
Retail Prices Index	1,037	1,140	1,550

*Share price total return excluding transaction costs.

1997

Largest Investments

at 31 October 1997

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

	Market value 31 October 1997 £'000		Market value 31 October 1997 £'000
British Petroleum	8,755	Credit Suisse	2,532
Shell Transport & Trading	8,229	Bass	2,495
Glaxo Wellcome	7,268	General Electric	2,472
Lloyds TSB	6,425	Siemens	2,390
British Telecommunications	5,883	Airtours	2,365
Philips Electronics	4,904	Banco Santander	2,333
Unilever NV	4,376	Royal Bank of Scotland	2,327
SmithKline Beecham	3,962	Zeneca	2,263
Elf Aquitaine	3,709	Bank of Ireland	2,257
Barclays	3,429	Reckitt & Colman	2,226
B.A.T Industries	3,325	YPF	2,175
Nestlé	3,205	Grand Metropolitan	2,150
Bayer	3,144	Bundesrepublik 6.75% 1999	2,143
National Westminster	3,091	Great Universal Stores	2,110
Marks & Spencer	2,912	BG	2,107
Novartis	2,909	Seguros Tranquilidade	2,106
Ver Ned Uitgevers	2,827	Treasury 8% 2002/06	2,099
Railtrack	2,751	Cable & Wireless	2,081
Boots	2,565	Allied Domecq	2,040
Abbey National	2,564	Cadbury Schweppes	2,032

These investments total £130,936,000 or 31.7% of the portfolio.

Changes in Investments

	Valuation 1996 £'000	Purchases £'000	Sales Proceeds £'000	Appreciation/ (Depreciation) £'000	Valuation 1997 £'000
United Kingdom	174,638	39,113	33,341	33,944	**214,354**
USA	59,136	25,011	31,856	13,793	**66,084**
Europe	46,870	13,019	9,582	11,970	**62,277**
Japan	25,072	11,260	9,506	(3,128)	**23,698**
Hong Kong	7,551	10,789	5,961	(1,641)	**10,738**
Far East & Australia	19,706	5,415	14,701	732	**11,152**
Latin America	5,528	–	1,919	1,236	**4,845**
Other Countries	9,759	5,345	6,604	(439)	**8,061**
Fixed Interest	10,077	2,095	–	(876)	**11,296**
	358,337	112,047	113,470	55,591	**412,505**

Classification of Investments

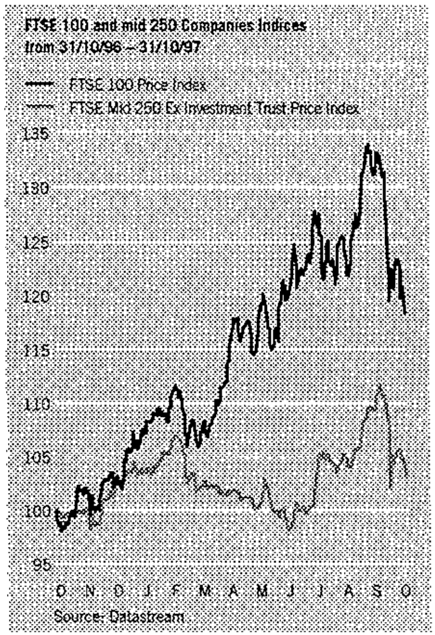
at 31 October 1997

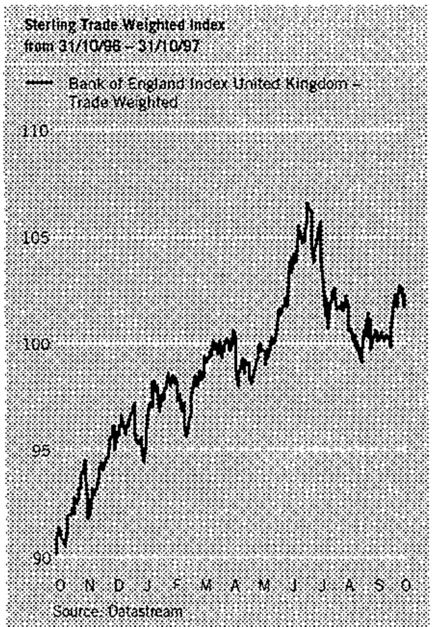
	Total 1996 %	Total 1997 %	UK %	USA %	Europe %	Japan %	Hong Kong %	Other Countries %
Mineral Extraction								
Extractive Industries	2.5	**1.5**	0.3	–	–	–	–	1.2
Oil, Integrated	6.4	**7.8**	4.1	1.2	1.7	–	–	0.8
Oil Exploration	1.3	**1.7**	0.7	0.4	0.6	–	–	–
	10.2	**11.0**	5.1	1.6	2.3	–	–	2.0
General Industrials								
Building & Construction	–	**0.4**	0.4	–	–	–	–	–
Building Materials	0.8	**1.0**	0.7	–	0.3	–	–	–
Chemicals	3.9	**4.1**	1.3	1.0	1.2	–	–	0.6
Diversified Industries	4.7	**2.5**	1.9	0.3	–	–	–	0.3
Electronic & Electrical	8.3	**6.9**	0.8	2.2	2.3	1.0	0.5	0.1
Engineering	4.8	**4.1**	2.3	1.2	–	0.5	–	0.1
Engineering, Vehicles	1.1	**1.1**	0.3	0.8	–	–	–	–
Paper & Printing	1.5	**0.9**	0.6	0.3	–	–	–	–
Textiles & Apparel	–	**0.3**	–	0.3	–	–	–	–
	25.1	**21.3**	8.3	6.1	3.8	1.5	0.5	1.1
Consumer Goods								
Alcoholic Beverages	1.9	**1.5**	1.5	–	–	–	–	–
Food Producers	5.3	**5.4**	2.4	0.6	1.8	0.3	–	0.3
Household Goods	0.8	**1.1**	0.5	–	0.3	0.3	–	–
Health Care	1.4	**1.3**	0.4	0.7	–	0.2	–	–
Pharmaceuticals	4.8	**5.5**	3.3	1.1	1.1	–	–	–
Tobacco	1.4	**1.5**	1.1	0.4	–	–	–	–
	15.6	**16.3**	9.2	2.8	3.2	0.8	–	0.3
Services								
Distributors	1.0	**0.8**	0.3	–	–	–	0.5	–
Leisure & Hotels	2.2	**2.4**	1.7	–	–	0.4	0.3	–
Media	3.5	**2.4**	1.4	0.3	0.7	–	–	–
Retailers, Food	1.4	**1.7**	0.9	0.6	–	0.2	–	–
Retailers, General	4.9	**4.0**	2.8	0.7	–	0.5	–	–
Breweries, Pubs	2.3	**1.6**	0.9	0.6	–	0.1	–	–
Support Services	3.4	**2.6**	1.3	0.7	0.3	0.3	–	–
Transport	2.0	**2.4**	1.9	–	–	0.5	–	–
	20.7	**17.9**	11.2	2.9	1.0	2.0	0.8	–
Utilities								
Electricity	1.0	**2.0**	1.7	–	–	–	0.3	–
Gas Distribution	0.9	**0.7**	0.7	–	–	–	–	–
Telecommunications	4.1	**4.4**	2.6	–	0.7	0.3	–	0.8
Water	0.4	**0.8**	0.8	–	–	–	–	–
	6.4	**7.9**	5.8	–	0.7	0.3	0.3	0.8
Financials								
Banks, Retail	6.1	**8.8**	4.7	1.0	2.5	0.2	–	0.4
Insurance	3.9	**3.9**	2.7	0.3	0.5	–	–	0.4
Life Assurance	1.6	**2.6**	1.5	0.4	0.4	–	0.3	–
Other Financial	1.8	**1.7**	1.2	–	–	0.5	–	–
Property	2.8	**3.7**	1.6	0.9	0.3	–	0.7	0.2
	16.2	**20.7**	11.7	2.6	3.7	0.7	1.0	1.0
Investment Trusts	0.9	**0.7**	–	–	0.3	0.2	–	0.2
Equities	95.1	**95.8**	51.3	16.0	15.0	5.5	2.6	5.4
Convertibles	2.1	**1.5**	0.7	–	0.2	0.2	–	0.4
Fixed Interest	2.8	**2.7**	1.0	–	1.0	–	–	0.7
Totals 1997	–	**100.0**	**53.0**	**16.0**	**16.2**	**5.7**	**2.6**	**6.5**
Totals 1996	100.0	–	49.9	16.5	14.4	7.0	2.1	10.1

United Kingdom

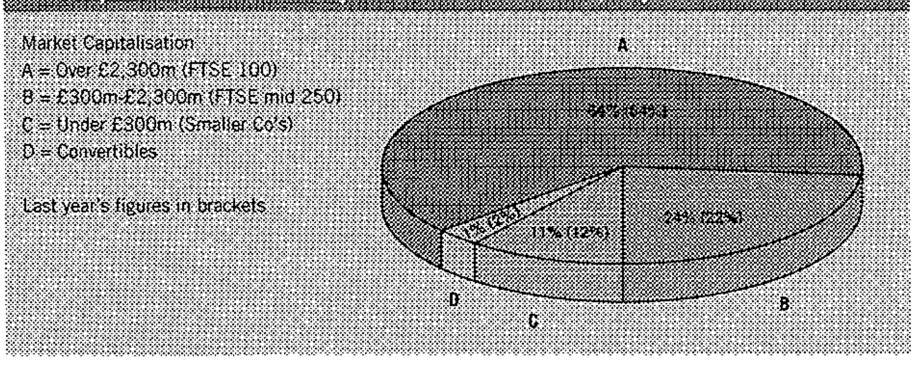
The UK stock market had another excellent year although the rise of 17.2% in the FTSE All-Share Index was somewhat overshadowed by the performance of Wall Street and most European markets. The strength of the economy, low inflation and falling long gilt yields have supported the market. However the fear of rising inflation and an old fashioned consumer boom has prompted the newly independent Bank of England to increase interest rates. We have therefore witnessed a further surge in the pound and the majority of manufacturing companies are finding life very difficult. The chart on the right shows the wide disparity in performance between the largest 100 stocks and the mid-250 which only managed to get off the ground after sterling peaked in the middle of July.

It has been quite a challenging year for UK equity managers with few rights issues, large buy backs and the injection of four major financial companies into the FTSE 100 Index. Overseas buyers have been attracted to UK equities and there has been persistent corporate activity. I am relieved to report that despite our value style of investing and a bias towards medium and smaller companies our UK portfolio has performed particularly well. We have been active this year adding 19 new holdings eight of which were financials and five utilities. This was balanced by ten outright sales, and cash bids for London Electric, Newman Tonks, Cater Allen, and Graseby. Fiscal Properties was thankfully acquired by Quintain Estates.





UK portfolio classified by market value of company

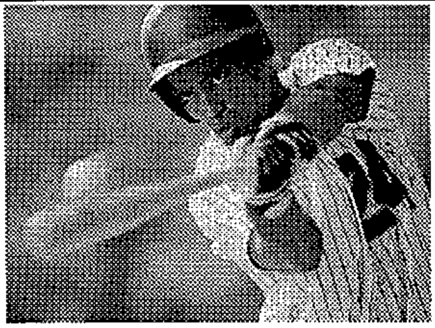


United Kingdom

valuations at 31 October 1997 – individual investments shown are those in excess of £800,000

MINERAL EXTRACTION	£'000
Extractive Industries	
Billiton	863
Other Investments	415
Oil, Integrated	
British Petroleum	8,755
Shell Transport & Trading	8,229
Oil Exploration & Production	
British-Borneo Petroleum	1,523
Enterprise Oil	1,329
TOTAL MINERAL EXTRACTION	**21,114**
GENERAL INDUSTRIALS	
Building & Construction	
Taylor Woodrow	1,180
Other Investments	599
Building Materials & Merchants	
Hanson	1,349
Pilkington	1,283
Chemicals	
Ellis & Everard	1,845
BOC Group	1,800
Imperial Chemical Industries	1,579
Diversified Industrials	
BTR	1,917
Tomkins	1,829
Powell Duffryn	1,452
Cookson Group	1,434
TT Group	1,332
Electronic & Electrical Equipment	
General Electric	2,472
TLG	872
Engineering	
Rolls Royce	1,802
IMI	1,745
Glynwed International	1,590
Morgan Crucible	1,557
Fenner	1,548
Hunting	1,374
Engineering, Vehicles	
LucasVarity	1,321
Paper, Packaging & Printing	
David S. Smith	1,291
De La Rue	1,108
TOTAL GENERAL INDUSTRIALS	**34,279**
CONSUMER GOODS	
Alcoholic Beverages	
Grand Metropolitan	2,150
Allied Domecq	2,040
Guinness	2,024
Food Producers	
Cadbury Schweppes	2,032
Perkins Foods	1,536
James Finlay	1,534
Northern Foods	1,386
Hillsdown Holdings	1,284
Booker	1,250
Albert Fisher	969
Household Goods	
Reckitt & Colman	2,226
Health Care	
Smith & Nephew	1,464
Pharmaceuticals	
Glaxo Wellcome	7,268
SmithKline Beecham	3,962
Zeneca	2,263
Tobacco	
B.A.T Industries	3,325
Imperial Tobacco	1,283
TOTAL CONSUMER GOODS	**37,996**
SERVICES	
Distributors	
Inchcape	1,020
Leisure & Hotels	
Airtours	2,365
Ladbroke	1,735
Granada	1,473
Thistle Hotels	1,228
Alpha Airports	830
Media	
United News & Media	1,649
Reed International	1,528
Pearson	1,458
EMI	1,008

SERVICES (continued)	£'000
Retailers, Food	
J Sainsbury	1,641
Safeway	1,557
Other Investments	650
Retailers, General	
Marks & Spencer	2,912
Boots	2,565
Great Universal Stores	2,110
House of Fraser	1,284
WH Smith	1,209
Other Investments	1,352
Breweries, Pubs & Restaurants	
Bass	2,495
Scottish & Newcastle	1,352
Support Services	
Williams	1,775
Rentokil Initial	1,499
Other Investments	1,348
Transport	
Railtrack	2,751
P & O	1,518
Transport Development	1,297
Ocean Group	1,240
BAA	1,097
TOTAL SERVICES	**45,946**
UTILITIES	
Electricity	
National Grid	1,679
Southern Electric	1,462
Powergen	1,455
Energy Group	1,333
Scottish Hydro-Electric	1,121
Gas Distribution	
BG	2,107
Centrica	949
Telecommunications	
British Telecommunications	5,883
Cable & Wireless	2,081
Vodafone Group	1,823
Other Investments	710
Water	
Severn Trent	1,649
Anglian Water	1,598
TOTAL UTILITIES	**23,850**
FINANCIALS	
Banks, Retail	
Lloyds TSB	6,425
Barclays	3,429
National Westminster	3,091
Abbey National	2,564
Royal Bank of Scotland	2,327
Northern Rock	1,563
Insurance	
Royal & Sun Alliance	1,781
Lambert Fenchurch	1,645
Commercial Union	1,590
Guardian Royal Exchange	1,535
General Accident	1,499
Lomond Underwriting	1,215
Other Investments	1,893
Life Assurance	
London & Manchester	1,587
Britannic Assurance	1,233
United Assurance	1,189
Prudential	1,144
Norwich Union	1,119
Other Financial	
London Forfaiting	1,897
E D & F Man	1,652
Gerrard Group	1,258
Property	
Quintain Estates	1,708
Slough Estates	1,538
Bilton	1,536
Great Portland Estates	1,467
Other Investments	330
TOTAL FINANCIALS	**48,215**
CONVERTIBLES (VARIOUS)	2,954
TOTAL UNITED KINGDOM	**214,354**

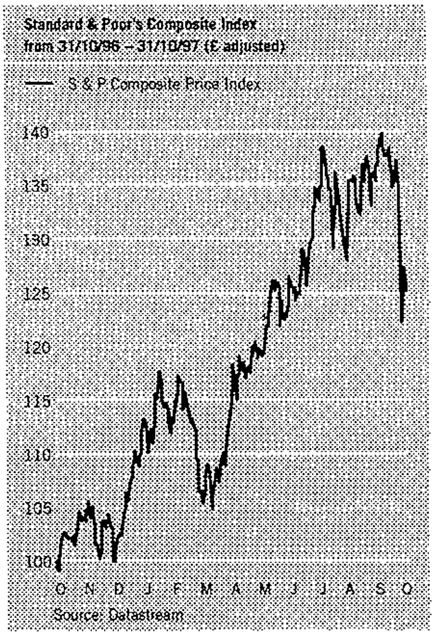


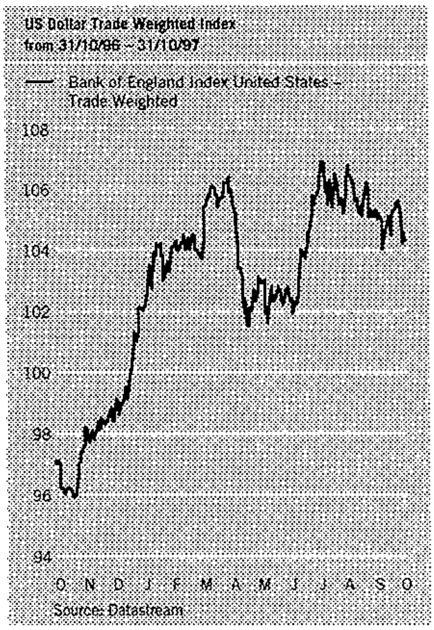
United States of America

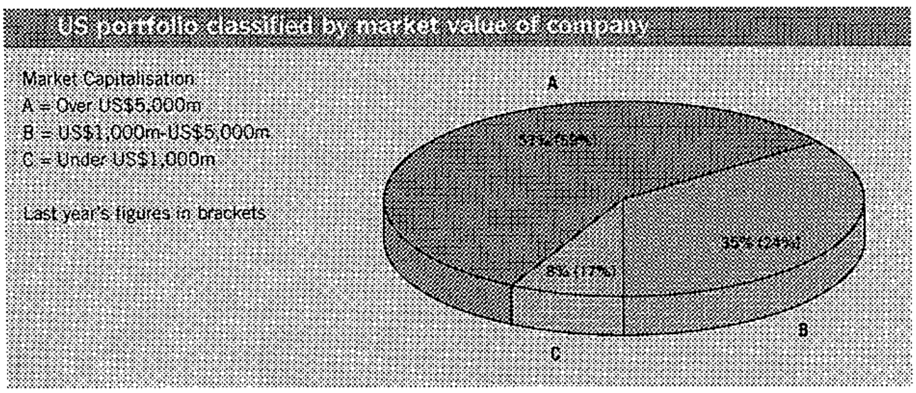
I have run out of superlatives to describe the performance of Wall Street where the S&P Composite Index has increased by 29.7%, its third consecutive increase over 20%. After the disappointment of the 70's, and the promise of the 80's, US equities have truly rewarded the faithful in the 1990's. Since our year end in October 1990 the S&P 500 has risen by 200% in local currency terms and 249% to sterling investors.

The economy has shown un-interrupted growth for the past seven years and although inflation is expected to edge ahead there are still no signs that the economy is entering either a boom phase or a recession. There is no denying that the supply of labour is tight. However spending on technology and recycling of jobs from mature industries to smaller faster growing companies continues to show through in productivity gains. Our well diversified 45 stock portfolio has fractionally underperformed the S&P 500 index this year. The performance in the first six months of the year favoured the large blue chip consumer growth companies but in the second six months the market broadened considerably with smaller companies and mid-cap companies in a catch up phase.

We have again been very active in the portfolio with 12 outright sales and 2 take-overs. Our exposure to the broad industry groups remains unchanged apart from an increase in financial shares and the sale of our utilities.







United States of America

valuations at 31 October 1997 – all investments are shown

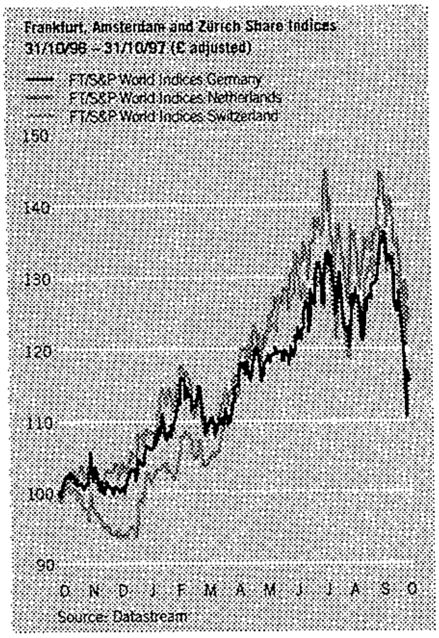
MINERAL EXTRACTION	£'000
Oil, Integrated	
Unocal	1,722
Texaco	1,599
Mobil	1,433
Oil Exploration & Production	
Schlumberger	1,774
TOTAL MINERAL EXTRACTION	**6,528**
GENERAL INDUSTRIALS	
Chemicals	
Potash Corp of Saskatchewan	1,466
RPM	1,454
Praxair	1,299
Diversified Industrials	
Eastman Kodak	1,071
Electronic & Electrical Equipment	
Xerox	1,716
Pitney Bowes	1,656
AVX	1,512
Emerson Electric	1,501
Thomas & Betts	1,424
Belden	1,328
Engineering	
Illinois Tool Works	1,701
Harsco	1,683
Teleflex	1,466
Engineering, Vehicles	
Snap-on	1,667
Borg Warner	1,625
Paper, Packaging & Printing	
Kimberly-Clark	1,425
Textiles & Apparel	
St John Knits	1,102
TOTAL GENERAL INDUSTRIALS	**25,096**
CONSUMER GOODS	
Food Producers	
Northland Cranberries	1,289
Intl Flavors & Fragrances	1,154

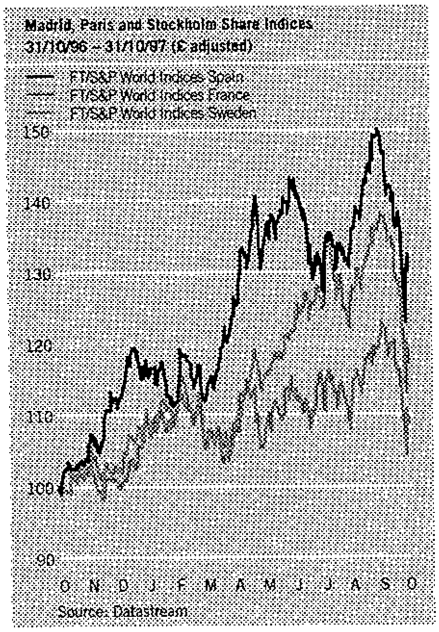
CONSUMER GOODS (continued)	£'000
Health Care	
Shared Medical	1,632
Pall Corp	1,357
Pharmaceuticals	
Warner Lambert	1,783
American Home Products	1,636
Baxter Intl	1,383
Tobacco	
Philip Morris	1,465
TOTAL CONSUMER GOODS	**11,699**
SERVICES	
Media	
Cognizant	1,168
Retailers, Food	
Supervalu	1,398
American Stores	1,225
Retailers, General	
Walgreen	1,744
PEP Boys	1,352
Breweries, Pubs & Restaurants	
McDonald's	1,229
Anheuser-Busch	1,191
Support Services	
Servicemaster	1,427
Service Corp	1,343
TOTAL SERVICES	**12,077**
FINANCIALS	
Banks, Retail	
PNC	1,416
Chase Manhattan	1,377
Citicorp	1,343
Insurance	
HSB	1,307
Life Assurance	
Unum	1,454
Property	
Patriot American Hospitality	1,968
Arden Realty	1,819
TOTAL FINANCIALS	**10,684**
TOTAL UNITED STATES	**66,084**

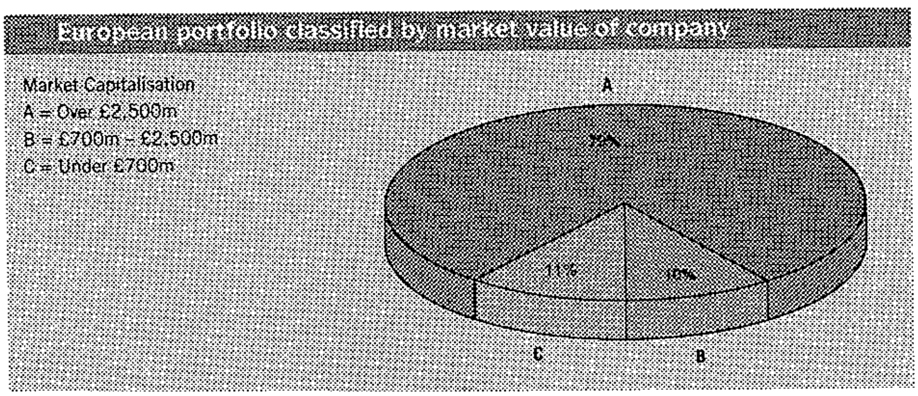
Europe

With very few exceptions it has been a brilliant year and most European equity markets have provided their best annual gains for many years. The FT/S&P World Europe Index excluding the UK rose by 39.6%, a 20.1% increase to sterling investors. The devaluation in the deutschemark and all the attendant currencies in the snake has rejuvenated the prospects for manufacturing industry which in many countries is heavily biased towards exporting. The earnings outlook has been further enhanced with a willingness by several large companies to focus and re-structure their businesses to the benefit of shareholders. Governments have further encouraged the shift towards equities prompted by their need to privatise utilities and other state-owned industries. The outlook for a steady recovery in the major economies has attracted considerable investment from overseas investors. However, a glance at the chart on the right demonstrates how fragile some of the markets are to any strengthening in currency or weakness in Wall Street.

We have been moderately active during the year investing a net £3.4m into European equities. France where the economy and the attitude towards shareholders has the greatest potential for enhancement now represents just under 27% of our total European portfolio. Three of our seven new holdings in France are financial companies, Dexia and Societe Generale are banks and Unibail is a major property company. In the consumer sector we purchased Christian Dior after a significant fall and sold Galeries Lafayette which was subject to takeover rumour.







Europe

valuations at 31 October 1997 – all investments are shown

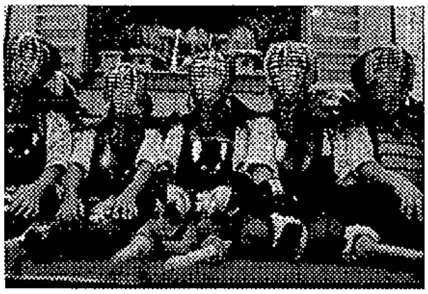
EUROPE	£'000
France	
Elf Aquitaine	3,709
Alcatel Alsthom	2,025
Rhône Poulenc	1,819
Dexia France	1,554
Cie De St Gobain	1,280
Unibail	1,138
Christian Dior	1,130
France Telecom	1,130
Societé Génerale	1,061
Elf Gabon	1,030
Second Market Investment	847
	16,723
Netherlands	
Philips Electronics	4,904
Unilever NV	4,376
Ver Ned Uitgevers	2,827
Royal Dutch Petroleum	1,893
	14,000
Switzerland	
Nestlé	3,205
Novartis	2,909
Credit Suisse	2,532
SGS Holdings	1,490
	10,136
Germany	
Bayer	3,144
Siemens	2,390
	5,534

EUROPE	£'000
Eire	
Bank of Ireland	2,257
Irish Life	1,667
	3,924
Portugal	
Seguros Tranquilidade	2,106
* Espirito Santo	1,127
	3,233
Spain	
Banco Santander	**2,333**
Sweden	
Pharmacia Upjohn	**1,713**
Denmark	
Tele Danmark	**1,684**
Norway	
Saga Petroleum	**1,479**
Italy	
ENI	**1,187**
Eastern Europe	
Henderson Central & East European Fund	**331**
TOTAL EUROPE	**62,277**

* Includes convertibles

Geographical Distribution

	31 October 1997 %	31 October 1996 %		31 October 1997 %	31 October 1996 %
France	**26.8**	22.2	Sweden	**2.8**	9.0
Netherlands	**22.5**	20.0	Denmark	**2.7**	3.2
Switzerland	**16.3**	17.6	Norway	**2.4**	–
Germany	**8.9**	11.8	Italy	**1.9**	–
Eire	**6.3**	6.1	Eastern Europe	**0.5**	0.2
Portugal	**5.2**	6.3			
Spain	**3.7**	3.6		**100.0**	100.0



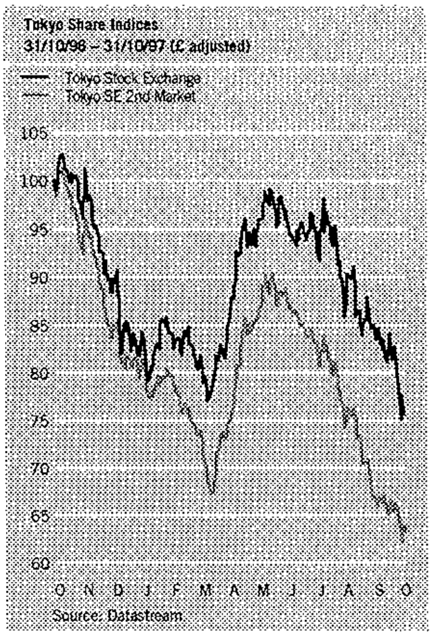
Japan

valuations at 31 October 1997 – all investments are shown

The Japanese economy continues to be plagued by low growth and a poor pricing environment. Expectations for a full blown economic recovery were dashed as problems within the financial sector lingered and restructuring plans amongst corporate Japan failed to materialise. As a result equities had a very poor year falling by 17.6% in local terms and by 24.4% in sterling – the weaker yen partly a reflection of record low bond yields as the authorities pursued loose monetary conditions. Smallcap stocks had a desperate time with the OTC index collapsing by 41% on the year. This echoed investors' preference for large liquid stocks in times of economic uncertainty. Export stocks did well as overseas demand remained strong and as the currency moved in their favour.

On the year the portfolio performed better than the index as the strategy emphasised the defensive and export areas of the market. During the year we took the opportunity to ease out of some of our export stocks and into more volatile domestic issues which on reflection has turned out to be premature, but on the whole the portfolio remains favourably positioned to companies which are soundly financed and have a strong presence in their product market.

The outlook for the economy is uncertain as further bankruptcies following the demise of Yamaichi Securities are expected. What is needed is a convincing plan by the authorities to resuscitate the financial system and boost the economy so as to instil confidence in the domestic investor. Until that time equities will remain volatile despite the stock market's long term attractions.



JAPAN	£'000
Convertible Bonds	
Sony 1.4% 2005	1,014
Equities	
Kao	1,166
Secom	1,157
Laox	1,114
Kirin Beverage	1,091
Tokyo Steel	1,062
East Japan Railway	1,044
Shimachu	1,015
Nippon Telegraph & Telephone	1,011
Sumitomo Trust & Banking	1,000
Kawasumi Labs	976
Nomura Securities	972
Nippon Express	964
Henderson Japanese Smaller Co's	957
Canon	941
Nippon Thompson	941
Sanyo Shinpan Finance	932
Toho	862
HIS	789
Kyocera	785
Hitachi	757
York-Benimaru	749
Yamatake Honeywell	719
Sodick	518
Sharp Corp	464
Kirin Brewery	451
Fuji Coca-Cola Bottling	247
TOTAL JAPAN	**23,698**

Hong Kong

valuations at 31 October 1997 – all investments are shown

Until the second week in August Hong Kong was one of the best performing markets in the world rising by just over 33% to local investors. However despite a smooth handover to the Chinese in July and a buoyant economy fears that Hong Kong and China might ultimately be forced to devalue their currencies had a devastating effect so that the index ended the year 15% below where it started.

HONG KONG	£'000
Gold Peak Industries	1,276
National Mutual Asia	1,242
Hong Kong Electric	1,219
CDL Hotels	1,195
Amoy Properties	1,129
Li & Fung	1,026
Jardine International Motor	1,018
Swire Pacific	1,012
Elec & Eltek International	865
New World Development	756
TOTAL HONG KONG	**10,738**

Other Countries

valuations at 31 October 1997 – individual investments shown are those in excess of £1,000,000

The year started well for smaller countries supported by an expansion in world trade and demand from US investors seeking to diversify their portfolios. Unfortunately the economic problems in Thailand, Malaysia and Indonesia which initially were seen as isolated cases of gross economic mis-management started to impact other markets in the area and finally in October there was a wholesale flight out of smaller markets as investors sought to preserve capital. Market performance was mixed but in general the further eastwards one travelled the worse it became. In the Far East our overall performance was greatly assisted by our holdings in Taiwan which were all sold in July and August. In Australia excellent performance from financial shares was offset by weakness in natural resource companies and a decline in the currency.

On a brighter note Latin America performed particularly well and we made timely reductions to Telefonos de Mexico and YPF.

OTHER COUNTRIES	£'000
Australia	
QBE Insurance	1,887
National Australia Bank	1,553
Rio Tinto	1,456
Broken Hill	1,182
ICI	1,026
Central/South America	
YPF	2,175
Telefonos de Mexico	1,238
Five Arrows Chile	1,002
Canada	
BCE	1,362
Ghana	
Ashanti Goldfields	1,620
Singapore	
Jardine Matheson	1,149
South Africa	
Sentrachem	1,332
Illovo Sugar	1,134
Engen	1,076
Other Investments (in Central/South America, South Africa, India, Malaysia, Indonesia, Korea and Canada)*	4,866
TOTAL OTHER COUNTRIES	**24,058**

*Includes Convertibles

Fixed Interest

valuations at 31 October 1997 – all investments are shown

Bond markets have performed well, particularly in the UK where gilt yields have started to converge with German government bond yields. Overseas we have made a new investment in New Zealand. However, the value of our overseas bond portfolio has been negatively impacted by the strength in sterling.

FIXED INTEREST	£'000
Europe	
Bundesrepublik 6.75% 1999	2,143
Dutch Government 9% 2000	1,018
Dutch Government 6.75% 1999	951
UK Treasury 8% 2002/06	2,099
UK Treasury 7% 2001	2,019
Other Countries	
Republic of South Africa 12% 2005	1,102
FNMA 7% 2000 (New Zealand)	1,964
TOTAL FIXED INTEREST	**11,296**

Statistical Record

adjusted to present capital

Year ended 31 October	Gross revenue £'000	Earnings and dividends per 25p ordinary share: Earned Net p	Total Div Net p	Tax Credit p	Total Div Gross p	Total assets less current liabilities £'000	Market price per 25p ordinary share p	Net asset value per 25p ordinary share p	Indices of growth: Market price per 25p ordinary share	Net asset value	Dividend per 25p ordinary share (net)	FTSE All-Share Price Index	FT/SP World Index (ex-UK) £	UK Retail Prices Index
1987	6,064	1.62	1.60	0.59	2.19	136,145	70.0	79.7	100	100	100	100	100	100
1988	7,103	2.07	1.92	0.64	2.56	152,003	76.0	89.9	109	113	120	109	116	106
1989	8,141	2.55	2.31	0.77	3.08	178,076	89.0	106.8	127	134	144	122	148	114
1990	10,046	3.21	2.78	0.93	3.71	152,306	77.5	90.1	111	113	174	112	100	127
1991	10,564	3.44	3.20	1.07	4.27	209,189	114.5	123.9	164	155	200	140	128	131
1992	11,640	3.68	3.44	1.15	4.59	219,882	117.5	133.8	168	168	215	142	131	136
1993	12,364	4.23	3.68	0.92	4.60	311,910	184.5	183.5	264	230	230	176	174	138
1994	12,753	4.26	3.90	0.98	4.88	305,895	184.5	179.3	264	225	244	173	168	141
1995	14,609	4.98	4.22	1.06	5.28	338,573	206.5	200.4	295	251	264	195	183	146
1996	16,164	5.78	4.66	1.17	5.83	375,617	217.0	224.2	310	281	291	221	201	149
1997	**16,735**	**6.14**	**5.25**	**1.31**	**6.56**	**433,278**	**243.5**	**261.4**	**348**	**328**	**328**	**259**	**221**	**155**

The comparative figures for 1987 have been adjusted for the one-for-one capitalisation issue.

Rates of Exchange

The principal exchange rates at 31 October were:

	1997	1996
US dollar	**1.6769**	1.6284
Japanese Yen	**201.681**	185.214
Hong Kong dollar	**12.96**	12.59
Australian dollar	**2.379**	2.053
Canadian dollar	**2.3627**	2.1838
S. Africa rand	**8.0701**	7.6421

	1997	1996
Deutschemark	**2.886**	2.464
French franc	**9.652**	8.318
Swiss franc	**2.342**	2.050
Dutch florin	**3.254**	2.762
Spanish peseta	**243.75**	207.58
Swedish kroner	**12.550**	10.690

Distribution of Assets and Liabilities

at 31 October 1997

	Equities £'000	Convertibles £'000	Fixed Interest £'000	Current Assets £'000	Total Assets £'000	%	Total Liabilities £'000	Currency Exposure of Net Assets £'000	%
United Kingdom	211,409	2,954	4,118	18,961	237,442	52.3	(32,189)	205,253	50.4
USA	66,084	–	–	18,341	84,425	18.6	(383)	84,042	20.7
Europe	61,641	636	4,112	526	66,915	14.7	(119)	66,796	16.4
Japan	22,684	1,014	–	387	24,085	5.3	(14,506)	9,579	2.4
Hong Kong	10,738	–	–	–	10,738	2.4	–	10,738	2.6
Far East	10,281	871	1,964	778	13,894	3.0	–	13,894	3.4
Latin America	4,845	–	–	–	4,845	1.1	–	4,845	1.2
Other Countries	7,311	750	1,102	2,596	11,759	2.6	–	11,759	2.9
Total	**394,993**	**6,225**	**11,296**	**41,589**	**454,103**	**100.0**	**(47,197)**	**406,906**	**100.0**
Percentage	97.1%	1.5%	2.8%	10.2%	111.6%		(11.6%)	100.0%	

Report of the Directors

The directors present their report and the audited accounts of the Group for the year to 31 October 1997.

Principal Activities and Business Review

The Company is an investment company as defined in Section 266 of the Companies Act 1985 and operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988. Inland Revenue approval of the Company's status as an investment trust has been received in respect of the year ended 31 October 1996. The directors are of the opinion that the Company has subsequently conducted its affairs in a manner which will enable it to continue to gain such approval. The Company has no employees.

A review of the business is given in the Chairman's Statement and the Portfolio Review.

The Portfolio

Total Group assets less current liabilities amounted to £433,278,000 at 31 October 1997 compared with £375,617,000 at 31 October 1996 and the net asset value per ordinary share increased by 16.6% from 224.2p to 261.4p. The percentage changes in the principal financial indices are shown on page 5 and the forty largest investments are shown on page 6.

Revenue and Dividend

Group earnings per ordinary share amounted to 6.14p. Three interim dividends of 1.25p per ordinary share each have been paid, and the directors recommend a final dividend of 1.50p per ordinary share to be paid on 28 February 1998 to ordinary shareholders on the register on 30 January 1998. This represents an increase of 12.7% compared with the previous year.

Directors

The directors of the Company all of whom served throughout the financial year except Mr F I Sumner, who was appointed a director on 18 April 1997. They are shown on page 2 and all, with the exception of Mr M B Moule, are independent of the management company. Their interests in the ordinary shares of the Company were as follows:

	31 October 1997	1 November 1996
With beneficial interest:		
A C Barker	60,324	48,324
R D Brewster	4,228	4,228
J D Crosland	15,000	15,000
J Morley	2,500	2,500
M B Moule	15,200	14,196
F I Sumner	5,500	–†

† at 18 April 1997

No other changes have been notified since the end of the financial year. No director had an interest at the beginning or end of the year in the Company's debenture or preference stocks.

The directors retiring in accordance with the articles of association are Mr A C Barker, Mr R D Brewster and Mr F I Sumner and all offer themselves for re-appointment.

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. Mr M B Moule is a director of Henderson plc. No director has a service contract with the Company.

Management Company

Investment management, UK custody, accounting, secretarial and administrative services are provided to the Company by wholly owned subsidiary companies of Henderson plc ("Henderson").

The annual management fee has recently been reviewed and remains unchanged. It is calculated at the composite rate of 0.45% of the average assets under management on the last day of October in each of the two preceding years. Investments in funds managed by Henderson are wholly excluded from the charge. The fee is payable quarterly in advance from 1 January each year.

The management agreement may be terminated by either party, but in certain events the Company will be required to pay compensation to Henderson of one year's management charges. No compensation is payable if one or more years' notice of termination is given.

The Manager uses certain services which are paid for, or provided by various brokers. In return it places business, which may include transactions relating to the Company, with these brokers.

Authority to make market purchases of the Company's own shares

At this year's Annual General Meeting ("AGM") a special resolution will be proposed to give the directors general authority to make market purchases of any of the Company's own issued ordinary shares up to a maximum of 5% (7,756,050 shares) for cancellation. The directors may wish to exercise this authority if the share price discount against the net asset value per share should reach such a level that the purchase of shares would lead to an enhancement of shareholder value. Whilst the Company is seeking the authority to purchase up to 7,756,050 ordinary shares, it is currently proposed that any such purchases be financed out of the accumulated distributable revenue reserves of the Company. As at 31 October 1997 these reserves stood at £10,431,000. Shareholders will find set out in the Notice of Meeting on page 35 a special resolution to authorise the Company to purchase its own shares which will last until the next AGM of the Company to be held in 1999 or the expiry of 12 months from the date of the passing of the resolution, whichever is earlier.

The maximum purchase price which may be paid for an ordinary share shall not be more than 5% above the average middle market price for the shares as taken from the London Stock Exchange Daily Official List for the five business days preceeding the date of purchase; and the minimum price will be 25p, being the nominal value per ordinary share. Ordinary shareholders should note that, because any shares purchased by the Company will be cancelled, the number of ordinary shares in issue will be reduced accordingly.

Issue of New Shares

During the year the directors have not used the powers granted to them at the AGM held in 1997 to allot new ordinary shares for cash on a non pre-emptive basis. A resolution to renew these powers will be proposed at the 1998 AGM and is set out in full in the Notice of Meeting on page 35.

If and when it is advantageous to the Company's shareholders and Share Plan participants, the directors may use this authority to issue new shares to participants in the Henderson Investors Investment Trust Share Plan.

Substantial Share Interests

The following shareholders had notified the Company of interests comprising 3% or more of the Company's issued ordinary share capital at 5 January 1998:

Company	%
Prudential Corporation	8.6
Merchant Investors Group	6.7

Report of the Directors
continued

Listing in New Zealand
The Company has a listing for its ordinary shares on the New Zealand Stock Exchange. Shareholders in New Zealand are now able to trade their shares more easily and, in addition, can receive dividends in New Zealand dollars. A branch register has been established and New Zealand shareholders may transfer their shares to the Auckland register by contacting the New Zealand Registrar, at the address given on the inside back cover.

Personal Equity Plan (PEP)
At the current time the Company is not eligible for a PEP scheme at the higher rate as the Company's investment policy has been to maintain its flexibility to invest worldwide. However, this matter is kept under review.

Donations
During the financial year the Company contributed £3,500 to charities. No political donations were made.

Creditors Payment Policy
It is the Company's continuing payment policy for the financial year to 31 October 1998 to obtain the best 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 our policy to abide by these terms. There were no trade creditors at the end of the year.

Auditors
The auditors, Price Waterhouse, have expressed their willingness to continue in office. A resolution to re-appoint them and to authorise the directors to determine their remuneration will be proposed at the Annual General Meeting.

By order of the Board
W Taylor
Wendy Taylor FCIS
For and on behalf of
Henderson Secretarial Services Limited
Secretary
9 January 1998

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 in the Henderson Investors Investment Trust Share Plan receive all shareholder communications, an invitation to the AGM and a letter of direction to facilitate voting.

Group Statement of Total Return (incorporating the revenue account)

for the year ended 31 October 1997

Notes		Year ended 31 October 1997 Revenue £'000	Capital £'000	Total £'000	Year ended 31 October 1996 Revenue £'000	Capital £'000	Total £'000
2	Total capital gains from investments	–	56,278	56,278	–	35,272	35,272
3	Income from fixed asset investments	14,474	–	14,474	13,626	–	13,626
4	Other interest receivable and similar income	2,261	–	2,261	2,538	–	2,538
	Gross revenue and capital gains	16,735	56,278	73,013	16,164	35,272	51,436
5	Management fee	(1,796)	–	(1,796)	(1,614)	–	(1,614)
6 & 7	Other administrative expenses	(424)	–	(424)	(369)	–	(369)
	Net return on ordinary activities before interest payable and taxation	14,515	56,278	70,793	14,181	35,272	49,453
8	Interest payable	(2,451)	–	(2,451)	(2,509)	–	(2,509)
	Net return on ordinary activities before taxation	12,064	56,278	68,342	11,672	35,272	46,944
9	Taxation on net return on ordinary activities	(2,493)	–	(2,493)	(2,651)	–	(2,651)
	Net return on ordinary activities after taxation	9,571	56,278	65,849	9,021	35,272	44,293
	Appropriations – Dividends						
	Cumulative preference stock	(50)	–	(50)	(50)	–	(50)
	Available for ordinary shareholders	9,521	56,278	65,799	8,971	35,272	44,243
	Ordinary shares:						
	Three interims of 1.25p (1996: 1.13p)	(5,817)	–	(5,817)	(5,259)	–	(5,259)
	Proposed final of 1.50p (1996: 1.27p)	(2,327)	–	(2,327)	(1,970)	–	(1,970)
		(8,144)	–	(8,144)	(7,229)	–	(7,229)
	Transfer to reserves	1,377	56,278	57,655	1,742	35,272	37,014
10	Return per ordinary share	6.14p	36.28p	42.42p	5.78p	22.74p	28.52p

The revenue columns of this statement represent the revenue accounts of the Group.

The notes on pages 23 to 31 form part of these accounts.

Balance Sheets

at 31 October 1997

Notes		Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
11	Fixed assets				
	Tangible assets – long leasehold property	9	9	9	9
11	Investments:				
	Listed at market value				
	In Great Britain	221,300	179,863	221,300	179,863
	Outside Great Britain	191,205	178,474	191,205	178,474
11&12	Shares in Subsidiary Undertaking	–	–	478	340
		412,505	358,337	412,983	358,677
	Total fixed assets	412,514	358,346	412,992	358,686
	Current assets				
13	Investments	374	498	–	–
14	Debtors	7,040	6,696	7,037	6,556
	Bank balances and short term deposits	34,175	39,866	34,175	39,861
		41,589	47,060	41,212	46,417
15	Creditors: amounts falling due within one year	(20,825)	(29,789)	(20,926)	(29,486)
	Net current assets	20,764	17,271	20,286	16,931
	Total assets less current liabilities	433,278	375,617	433,278	375,617
16	Creditors: amounts falling due after more than one year	(26,300)	(26,300)	(26,300)	(26,300)
17	Provisions for liabilities and charges	(72)	(66)	(72)	(66)
	Total net assets	406,906	349,251	406,906	349,251
	Capital and reserves				
19	Called up share capital	40,210	40,210	40,210	40,210
20	Share premium account	452	452	452	452
21	Other non-distributable reserves	355,335	299,057	355,813	299,397
22	Retained revenue reserve	10,909	9,532	10,431	9,192
23	Shareholders' funds (including non-equity interests of £1,430,000)	406,906	349,251	406,906	349,251
18	Net asset value per ordinary share	261.4p	224.2p	261.4p	224.2p

A C Barker } Directors
M B Moule

The accounts were approved by the directors on 9 January 1998.

The notes on pages 23 to 31 form part of these accounts.

Group Cash Flow Statement

for the year ended 31 October 1997

Notes		1997 £'000	1997 £'000	1996 £'000	1996 £'000
26	Net cash inflow from operating activities		11,802		11,303
	Servicing of finance				
	Debenture interest paid	(2,302)		(2,302)	
	Bank and loan interest paid	(118)		(251)	
	Dividends paid on preference stock	(50)		(50)	
	Net cash outflow from servicing of finance		(2,470)		(2,603)
	Taxation				
	UK tax paid (including ACT)	(666)		(183)	
	Withholding and income tax recovered	581		587	
	Net tax (paid)/recovered		(85)		404
	Financial investment				
	Purchase of investments	(113,326)		(79,427)	
	Sale of investments	113,302		84,859	
	Net cash (outflow)/inflow from financial investment		(24)		5,432
	Equity dividends paid		(7,601)		(6,856)
	Management of liquid resources				
	Cash withdrawn/(placed) on deposit	8,765		(10,922)	
			8,765		(10,922)
	Net cash inflow/(outflow) before financing		10,387		(3,242)
	Financing				
	(Repayment)/drawdown of bank loans	(6,509)		1,981	
	Net cash (outflow)/inflow from financing		(6,509)		1,981
27	Increase/(decrease) in cash		3,878		(1,261)

Reconciliation of net cash flow to movements in net debt

Notes		1997 £'000	1996 £'000
	Increase/(decrease) in cash as above	3,878	(1,261)
	Cash outflow/(inflow) from decrease/(increase) in loans	6,509	(1,981)
	Cash (inflow)/outflow from movement in liquid resources	(8,765)	10,922
	Change in net debt resulting from cash flows	1,622	7,680
	Exchange movements	687	2,318
	Movement in net debt in the year	2,309	9,998
	Net debt at 1 November	(8,691)	(18,689)
27	Net debt at 31 October	(6,382)	(8,691)

The notes on pages 23 to 31 form part of these accounts.

Notes to the Accounts

1 Accounting policies

a Basis of accounting

The accounts have been prepared on the historical cost basis of accounting, modified to include the revaluation of fixed asset investments. The accounts have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies". All of the Group's operations are of a continuing nature.

b Basis of consolidation

The Group accounts consolidate the accounts of the Company and its wholly owned subsidiary undertaking, The Army & Navy Investment Company Limited.

c Valuation of fixed asset investments

Fixed asset investments are valued at their middle market prices. Unlisted investments are valued by the directors at cost unless circumstances indicate different valuations are warranted.

d Valuation of current asset investments

Current asset investments held by the Company's subsidiary undertaking are stated at the lower of cost and market value.

e Capital gains and losses

Realised and unrealised capital gains and losses, together with exchange differences arising on the translation of foreign currency assets and liabilities, are dealt with in the non-distributable reserves.

f Income

Dividends receivable from equity shares are taken to the revenue account on an ex-dividend basis.
Income from fixed interest debt securities is recognised on a time apportionment basis and if material, so as to reflect the effective yield on each such security.
The dealing profits of the subsidiary undertaking, which represent realised gains on the sale of current asset investments, are dealt with in the Group statement of total return as a revenue item.
Bank deposit interest is accounted for on an accruals basis.

g Expenses

All expenses are accounted for on an accruals basis. All administrative expenses, including the management fee, are charged to the revenue account. Expenses which are incidental to the purchase or sale of an investment are included within the cost or deducted from the proceeds of the investment.

h Taxation

Advance corporation tax (ACT) payable on dividends paid or provided for in the year is written off, except when recoverability is considered to be reasonably certain and foreseeable. In considering recoverability, debit balances arising in respect of ACT on dividends paid or payable at the balance sheet date are carried forward only to the extent that it is foreseen that they will be recovered against the tax liability of the current year or subsequent year.

i Foreign currency

Transactions denominated in overseas currencies during the year are translated into sterling at the appropriate daily exchange rate. Assets and liabilities denominated in overseas currencies at the balance sheet date are translated into sterling at the exchange rates ruling at that date.

j Deferred taxation

Deferred taxation is provided for at the anticipated tax rate on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts, to the extent that it is probable that a liability or asset will crystallise in the future.

Notes to the Accounts

continued

2	Total capital gains from investments	1997 £'000	1996 £'000
	Realised gains based on historical cost	**26,136**	20,923
	Less: Amounts recognised as unrealised in previous years	**(7,740)**	(9,335)
	Realised gains based on carrying value at previous balance sheet date	**18,396**	11,588
	Net movement in unrealised appreciation	**37,195**	21,362
	Net gain on foreign exchange	**687**	2,322
		56,278	35,272

3	Income from fixed asset investments	1997 £'000	1996 £'000
	Franked:		
	Listed	**7,616**	7,428
	Listed special dividends	**740**	732
		8,356	8,160
	Unfranked:		
	Listed investments:		
	Dividend income	**3,856**	3,741
	Foreign income dividends	**891**	384
	Special foreign income dividends	**96**	–
	Interest income	**1,055**	1,219
	Scrip dividends	**220**	122
		6,118	5,466
	Total income from fixed asset investments	**14,474**	13,626

4	Other interest receivable and similar income	1997 £'000	1996 £'000
	Dealing profits	**101**	52
	Bank interest	**2,098**	2,305
	Underwriting commission	**62**	181
		2,261	2,538

5	Management fee *(all charged to revenue)*	1997 £'000	1996 £'000
	Management fee	**1,669**	1,498
	Irrecoverable VAT thereon	**127**	116
		1,796	1,614

A summary of the terms of the Management Agreement are given in the Report of the Directors on page 18.

Notes to the Accounts

continued

		1997 £'000	1996 £'000
6	Other administrative expenses:		
	Directors fees (note 7)	**71**	60
	Auditors' remuneration:		
	For audit services (including £11,000 relating to the parent undertaking (1996: £10,000))	**12**	11
	For non audit services	**3**	3
	Other expenses payable to the management company	**27**	38
	Bank charges	**94**	71
	Irrecoverable VAT	**16**	13
	Other expenses	**201**	173
		424	369

Other expenses payable to the management company relate to the share plan administration.

7 Directors' emoluments

The directors fees stated in note 6 above are those actually paid by the Company. However, Mr M B Moule is paid by Henderson plc and its subsidiaries ("Henderson") part of which payment relates to the provision of services to The Bankers Investment Trust PLC. Under the Companies Act 1985, it is necessary to state the proportion of the emoluments he receives from Henderson which relate to the management of the Company even though the Company does not pay these emoluments and is not directly involved in their determination. The Company has been informed that the applicable proportion of the emoluments, paid by Henderson, (including performance related bonus) were £93,000 (1996: £88,000). This amount together with the amounts paid directly by the Company to the other directors, is included in the analysis below:

	1997 £'000	1996 £'000
Fees (paid by the Company)	**29**	21
Salaries and other benefits (paid by Henderson)	**66**	68
Performance related bonus (paid by Henderson)	**27**	20
	122	109
Fees paid to third parties (paid by the Company)	**42**	39
Pension contributions	**6**	8

The pension contributions represent those paid by Henderson on behalf of Mr M B Moule to a defined benefit non-contributory pension scheme.

		1997 £'000	1996 £'000
8	Interest payable		
	Bank currency loan and other interest	**149**	207
	Interest on debentures repayable wholly or partly after five years	**2,302**	2,302
		2,451	2,509

Notes to the Accounts

continued

9 Taxation	1997 £'000	1996 £'000
Tax credits attributable to franked investment income	**1,671**	1,632
UK corporation tax at 31.8% (1996: 33%)	**804**	964
(Over)/under provision in prior years	**(12)**	11
Deferred taxation	**6**	30
Less: relief for overseas withholding tax	**(455)**	(436)
	2,014	2,201
Overseas withholding tax	**479**	450
	2,493	2,651

10 Return per ordinary share

Revenue return per ordinary share is based on earnings attributable to ordinary shares of £9,521,000 (1996: £8,971,000), and on the number of ordinary shares in issue during the year of 155,121,015 (1996: 155,121,015).

Capital return per ordinary share is based on net capital gains for the year of £56,278,000 (1996: £35,272,000).

11 Changes in fixed assets

(a) Group

	Long leasehold property £'000	Investments £'000	Total £'000
Valuation at 1 November 1996	9	358,337	**358,346**
Unrealised (depreciation)/appreciation	(4)	76,422	**76,418**
Cost at 1 November 1996	13	281,915	**281,928**
Additions at cost	–	112,047	**112,047**
Disposals at cost	–	(87,334)	**(87,334)**
Cost at 31 October 1997	13	306,628	**306,641**
Unrealised (depreciation)/appreciation	(4)	105,877	**105,873**
Valuation at 31 October 1997	**9**	**412,505**	**412,514**

(b) Company

	Subsidiary undertaking £'000	Long leasehold property £'000	Investments £'000	Total £'000
Valuation at 1 November 1996	340	9	358,337	**358,686**
Unrealised appreciation/(depreciation)	340	(4)	76,422	**76,758**
Cost at 1 November 1996	–	13	281,915	**281,928**
Additions at cost	–	–	112,047	**112,047**
Disposals at cost	–	–	(87,334)	**(87,334)**
Cost at 31 October 1997	–	13	306,628	**306,641**
Unrealised appreciation/(depreciation)	478	(4)	105,877	**106,351**
Valuation at 31 October 1997	**478**	**9**	**412,505**	**412,992**

Notes to the Accounts

continued

12 Subsidiary undertaking

The Company has an investment in the issued ordinary share capital (which confers voting rights), fully paid, of £2 in its wholly owned subsidiary undertaking, The Army & 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.

13 Current asset investments	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Listed in Great Britain	**301**	240	–	–
Listed outside Great Britain	**73**	258	–	–
	374	498	–	–

The market value of these investments was £511,000 (1996: £547,000).

14 Debtors	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Sales for future settlement	**4,294**	4,362	**4,294**	4,126
Advance corporation tax recoverable	**972**	535	**972**	535
Other taxes recoverable	**195**	189	**195**	189
Amount due from subsidiary undertaking	–	–	–	101
Prepayments and accrued income	**1,540**	1,554	**1,537**	1,549
Other debtors	**39**	56	**39**	56
	7,040	6,696	**7,037**	6,556

15 Creditors: amounts falling due within one year	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Bank loans and overdrafts	**14,257**	22,257	**14,257**	21,984
Purchases for future settlement	**1,266**	2,765	**1,266**	2,765
Advance corporation tax payable	**640**	338	**640**	338
Corporation tax payable	**207**	489	**164**	462
Income tax payable	**16**	16	**16**	16
Amounts due to subsidiary undertaking	–	–	**146**	–
Dividends declared on ordinary shares	**4,266**	3,723	**4,266**	3,723
Accruals	**168**	138	**166**	137
Other creditors	**5**	63	**5**	61
	20,825	29,789	**20,926**	29,486

Notes to the Accounts

continued

16 Creditors: amounts falling due after more than one year

	Group and Company 1997 £'000	1996 £'000
Debenture stocks (secured):		
4% perpetual debenture stock	**1,300**	1,300
10½% debenture stock 2016	**10,000**	10,000
8% debenture stock 2023	**15,000**	15,000
	26,300	26,300

The 4% perpetual debenture stock is secured by a first floating charge over the whole of the undertaking and all property and assets of the Company. The 10½% debenture stock 2016 and the 8% debenture stock 2023 are secured by second floating charges over the whole of the undertaking and all the property and assets of the Company, ranking pari passu in point of security immediately after the 4% perpetual debenture stock. The 10½% debenture stock 2016 and the 8% debenture stock 2023 are redeemable at par before 31 October 2016 and 31 October 2023 respectively (except in so far as previously purchased and cancelled).

17 Provisions for liabilities and charges

	Group and Company £'000
Deferred taxation: on short term timing differences	
At 1 November 1996	66
Transfer from revenue account	6
At 31 October 1997	**72**

18 Net asset value per ordinary share

The net asset value per ordinary share is based on net assets attributable to ordinary shares of £405,476,000 (1996: £347,821,000) and on the 155,121,015 ordinary shares in issue at 31 October 1997 and 31 October 1996.

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

	£'000	£'000
Total net assets at 1 November 1996		**349,251**
Less: Cumulative preference stock at par		**(1,430)**
Net assets attributable to ordinary shares at 1 November 1996		**347,821**
Total net return on ordinary activities after taxation		**65,849**
Dividends appropriated in the year:		
Cumulative preference stock	**(50)**	
Ordinary shares	**(8,144)**	**(8,194)**
Net assets attributable to ordinary shares at 31 October 1997		**405,476**
Add: Cumulative preference stock at par		**1,430**
Total net assets at 31 October 1997		**406,906**

Notes to the Accounts

continued

19 Called up share capital	1997 £'000	1996 £'000
Authorised:		
£1,430,000 3½% (formerly 5% gross) cumulative preference stock	**1,430**	1,430
186,280,000 ordinary shares of 25p each	**46,570**	46,570
	48,000	48,000
Allotted, issued and fully paid:		
£1,430,000 3½% (formerly 5% gross) cumulative preference stock	**1,430**	1,430
155,121,015 ordinary shares of 25p each	**38,780**	38,780
	40,210	40,210

20 Share premium account	1997 £'000	1996 £'000
At 31 October	**452**	452

21 Other non-distributable reserves	Unrealised appreciation £'000	Realised reserves £'000	Total £'000
Group			
At 1 November 1996	77,597	221,460	**299,057**
Transfer on disposal of assets	(7,740)	7,740	**–**
Net gains on fixed asset investments	37,195	18,396	**55,591**
Exchange differences arising on translation of currency balances	(962)	1,649	**687**
At 31 October 1997	**106,090**	**249,245**	**355,335**

Company	Unrealised appreciation £'000	Realised reserves £'000	Total £'000
At 1 November 1996	77,937	221,460	**299,397**
Transfer on disposal of investments	(7,740)	7,740	**–**
Net gains on fixed asset investments	37,333	18,396	**55,729**
Exchange differences arising on translation of currency balances	(962)	1,649	**687**
At 31 October 1997	**106,568**	**249,245**	**355,813**

22 Retained revenue reserve	Group £'000	Company £'000
At 1 November 1996	9,532	9,192
Net revenue retained for the year	1,377	1,239
At 31 October 1997	**10,909**	**10,431**

As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own revenue account. The net revenue on ordinary activities after taxation of the Company amounted to £9,433,000 (1996: £8,929,000).

Notes to the Accounts

continued

23 Non-equity interests

Shareholders' funds are analysed between equity and non-equity interests as follows:

	1997 £'000	1996 £'000
Equity	**405,476**	347,821
Non-equity	**1,430**	1,430
	406,906	349,251

The non-equity interests relate to the 3½% (formerly 5% gross) cumulative preference stock, which carries the right to receive a cumulative preferential dividend of 3½% per annum and on a return of assets repayment of the capital paid up. The stock does not entitle the holder to attend or vote at any general meeting of the Company, unless at the date of the notice convening the meeting the dividend is more than six months in arrears or the business includes a resolution for winding up of the Company or an alteration of the objects of the Company. On a poll every member has one vote for every £1 nominal amount of stock of which he/she is the holder.

24 Contingent liabilities

As at 31 October 1997 there were contingent liabilities relating to underwriting for the Group of £458,000 (1996: £84,000) and for the Company of £377,000 (1996: £84,000).

25 Group reconciliation of movement in shareholders' funds	1997 £'000	1996 £'000
Net revenue on ordinary activities after taxation	**9,571**	9,021
Dividends	**(8,194)**	(7,279)
	1,377	1,742
Increase in non-distributable reserves	**56,278**	35,272
Net increase in shareholders' funds	**57,655**	37,014
Shareholders' funds at 1 November	**349,251**	312,237
Shareholders' funds at 31 October	**406,906**	349,251

26 Reconciliation of operating revenue to net cash inflow from operating activities	1997 £'000	1996 £'000
Net revenue before interest payable and taxation	**14,515**	14,181
Net sales of trading stock	**124**	253
Decrease/(increase) in accrued income	**48**	(62)
Decrease/(increase) in other debtors	**218**	(273)
(Decrease)/increase in other creditors	**(59)**	27
Tax on franked investment income deducted at source	**(1,671)**	(1,632)
UK income tax deducted at source	**(491)**	(467)
Overseas withholding tax suffered	**(662)**	(602)
Scrip dividends included in investment income	**(220)**	(122)
Net cash inflow from operating activities	**11,802**	11,303

Notes to the Accounts

continued

27 Analysis of changes in net funds/debt	31 October 1996 £'000	Cash flow £'000	Exchange Movements £'000	31 October 1997 £'000
Net cash:				
Cash at bank and overdrafts	39,593	(4,887)	(693)	**34,013**
Less: deposits treated as liquid resources	(34,108)	8,765	203	**(25,140)**
	5,485	3,878	(490)	**8,873**
Liquid resources:				
Deposits included in cash	34,108	(8,765)	(203)	**25,140**
Debt:				
Debts falling due within one year	(21,984)	6,509	1,380	**(14,095)**
Debts falling due after more than one year	(26,300)	–	–	**(26,300)**
	(48,284)	6,509	1,380	**(40,395)**
Net debt	(8,691)	1,622	687	**(6,382)**

28 Transactions with Management Company

Under the terms of an agreement dated 17 January 1995 the Company has appointed wholly owned subsidiary companies of Henderson 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 17. The total fees paid or payable under this agreement to Henderson in respect of the year ended 31 October 1997 was £1,669,000, excluding VAT (1996: £1,498,000), of which £283,000 at 31 October 1997 (1996: £252,000) is included in prepayments.

In addition to the above services, Henderson has provided the Company with share plan administration services during the year. The total fees paid or payable for these services for the year ended 31 October 1997 amounted to £27,000, excluding VAT (1996: £38,000), of which £16,000 was outstanding at 31 October 1997 (1996: £14,000).

Corporate Governance

The directors consider that during the year the Group has complied fully with the Code of Best Practice ("the Code") issued by the Cadbury Committee on the Financial Aspects of Corporate Governance.

The Board and Committees

The Board is comprised wholly of non-executive directors and meets regularly throughout the year. A majority of the directors is independent of the Group's investment manager. The Board has established Audit and Management Engagement Committees with specific terms of reference and details of the membership of these committees are set out on page 2. Matters specifically reserved for decision by the full Board have been defined and a procedure adopted for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Group.

Internal Financial Controls

The directors are responsible for the internal financial control systems of the Group and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Company are safeguarded. The internal financial controls operated by the Board include the authorisation of the investment strategy and regular reviews of the financial results and investment performance. The Board has contractually delegated to external agencies, including the investment manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the day to day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered including the financial control systems in operation in so far as they relate to the affairs of the Group. The investment manager has established an internal control framework to provide reasonable assurance on the effectiveness of internal financial controls operated on behalf of its clients. The effectiveness of the internal financial controls is assessed by the investment manager's compliance and internal audit departments on an ongoing basis.

The Company's Audit Committee meets with representatives of the investment manager and receives reports upon the quality and effectiveness of the accounting records and management information maintained on behalf of the group. It reviews the half-year and annual accounts and reviews the nature and scope of the statutory audit and the findings therefrom.

These systems of internal financial control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. By the procedures set out above the directors have kept under review the effectiveness of the internal financial controls throughout the year.

Going Concern

The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts, as the assets of the Group 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.

Reporting

The auditors have reported to the Board that in their opinion the directors' statements above on internal financial controls and going concern have provided the disclosures required by the Listing Rules and are consistent with the information which came to the auditors' attention as a result of their audit work on the financial statements; and that the directors' other statement above appropriately reflects the group's compliance with the other aspects of the Cadbury Code specified for their review by Listing Rule 12.43(j). The auditors were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the group's system of internal financial controls or corporate governance procedures nor on the ability of the group to continue in operational existence.

Statement of Directors' Responsibilities in Respect of the Accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the revenue of the Group for that period. In preparing those accounts, the directors are required to:

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

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors

to the members of The Bankers Investment Trust PLC

We have audited the financial statements on pages 20 to 31, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 23.

Respective responsibilities of Directors and Auditors

As described above the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 October 1997 and of the total return and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse Price Waterhouse
Chartered Accountants and Registered Auditors
London *9 January 1998*

Analysis of Ordinary Shareholders

Category	Number of shareholders	%	Number of shares held	%
*Individuals	16,895	82.0	58,390,469	37.6
Banks & Nominees	2,871	14.0	82,053,234	52.9
Investment Companies	301	1.4	4,836,259	3.1
Insurance & Assurance Companies	31	0.2	289,867	0.2
Pension Funds	5	0.1	135,104	0.1
Local Authorities & Other Institutions	484	2.3	9,416,082	6.1
	20,587	**100.0**	**155,121,015**	**100.0**

Source: Bank of Scotland, Registrar Services.

*Includes shareholders who have invested through the Henderson Investors Investment Trust Share Plan. The Share Plan shareholders decreased from 9,211 to 9,129 during the financial year.

Capital Gains Tax

To help holders of shares and stocks in the Company to calculate their Capital Gains Tax ("CGT") position, the values, for CGT purposes of the Company's shares and stocks on 31 March 1982, the start of indexation allowance for inflation, were as follows:

Ordinary shares of 25p each	21.625p*
3½% (formerly 5% gross) cumulative preference stock	£32.5
4% perpetual debenture stock	£26.25
Retail prices index (rebased to 100 in January 1987)	79.4

* Adjusted for 1 for 1 capitalisation issues in 1984 and 1987.
Source: Dun & Bradstreet.

For those shareholders who have purchased shares through the Henderson Investors Investment Trust Share Plan on a monthly basis, the Inland Revenue has rules for calculating the capital gains tax liability (if any) on the sale of such shares. In addition to the normal statutory basis for calculating the capital gains tax liability, an optional basis has been introduced. The optional basis allows taxpayers to aggregate the cost of the shares purchased monthly through the Henderson Investors Investment Trust Share Plan during the Company's accounting year and treat them as if they were a single investment made in the seventh month of that year, which in the Company's case would be May. In this respect, you are advised to keep a separate note of purchases made through the Share Plan since other purchases will not be eligible for the optional basis. Guidance notes prepared by the Association of Investment Trust Companies, which include a question and answer brief, should be read before you make a decision as to whether to opt for the optional basis and these are available free of charge from the Company Secretary at the Registered Office.

Notice of Meeting

Notice is hereby given that the one hundred and tenth Annual General Meeting of The Bankers Investment Trust PLC will be held at Drapers' Hall, Throgmorton Avenue, London EC2 on Friday 20 February 1998 at 12 noon for the transaction of the following business:

1 To receive the report of the directors and the audited accounts for the year ended 31 October 1997.
2 To declare a final ordinary dividend.
3 To re-appoint Mr A C Barker as a director.
4 To re-appoint Mr R D Brewster as a director.
5 To re-appoint Mr F I Sumner as a director.
6 To re-appoint Price Waterhouse as auditors of the Company and to authorise the directors to determine their remuneration.

Special Business

To consider, and if thought fit, pass the following as special resolutions:

7 THAT
(a) the directors be and they are hereby generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 ("the Act") to exercise for the period commencing on the date of the passing of this resolution and ending on the date of the Company's next Annual General Meeting in 1999, or if earlier, on the expiry of 12 months from the passing of this resolution, all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal amount of £1,939,012;
(b) in exercise of such authority the directors be and they are hereby empowered to allot equity securities (as defined in Section 94(2) of the Act) wholly for cash generally up to an aggregate nominal amount of £1,939,012 as if Section 89(1) of the Act did not apply to any such allotment;
(c) the Company may during such period make offers or agreements which would or might require the making of allotments of equity securities or relevant securities as the case may be after the expiry of such period.

8 THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 166 of the Act to make market purchases (within the meaning of section 163 of the Act) of Ordinary Shares of 25p each in the capital of the Company ("Ordinary Shares"), provided that:
(a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 7,756,050;
(b) the minimum price which may be paid for an Ordinary Share is 25p;
(c) the maximum price which may be paid for an Ordinary Share is an amount equal to 105 per cent. of the average of the middle market quotations for an Ordinary Share taken from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Ordinary Share is purchased;
(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 1999 or, if earlier, on the expiry of 12 months from the passing of this Resolution, unless such authority is renewed prior to such time; and
(e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

By order of the Board

Wendy Taylor FCIS
For and on behalf of
Henderson Secretarial Services Limited
Secretary
9 January 1998

Notes:

1 Pursuant to section 34 of the Uncertificated Securities Regulations 1995, only those ordinary shareholders registered in the Register of Members of The Bankers Investment Trust PLC at 12 noon on 18 February 1998 shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the relevant Register of Securities after 12 noon on 18 February 1998 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

2 An ordinary shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. Such proxy need not be a member of the Company.

3 The completion of a form of proxy will not preclude ordinary shareholders from attending and voting in person at the meeting.

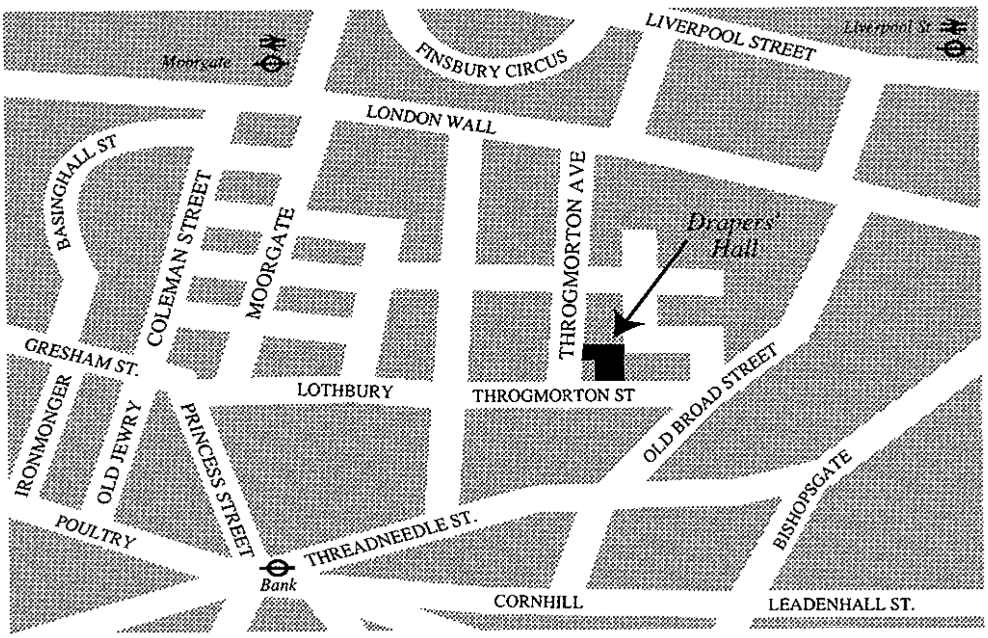
4 This notice is sent for information only to holders of preference stock who are not entitled to attend or vote at the meeting.

5 The register of directors' interests kept by the Company in accordance with Section 325 of the Companies Act 1985 will be open for inspection at the Annual General Meeting.

Dividend

The final dividend on the ordinary shares will, if approved by shareholders, be paid on 28 February 1998 to those shareholders whose names appeared at the close of business on the register on 30 January 1998. The Company's ordinary shares will be quoted ex dividend on 26 January 1998.

Annual General Meeting Venue



Drapers' Hall is located in the City of London, in Throgmorton Avenue close to the London Stock Exchange. It is a few minutes walk from Liverpool Street Station and Bank and Moorgate Underground Stations.

Company Information

Investment Manager
Henderson Investors Limited
represented by Michael Moule

Secretary
Henderson Secretarial Services Limited
represented by Wendy Taylor FCIS

Registered Number
Registered as an investment
trust company in England No. 26351C

Registered Office
3 Finsbury Avenue,
London EC2M 2PA
Telephone: 0171 638 5757
Fax: 0171 377 5742

Registrars
Bank of Scotland,
Registrar Services,
Apex House,
9 Haddington Place,
Edinburgh EH7 4AL
Telephone: 0131 442 7777

New Zealand Registrars
Corporate Registry Services Limited,
Level 3,
277 Broadway,
Newmarket,
Auckland,
New Zealand
Telephone: (New Zealand) 09 522 0022

Auditors
Price Waterhouse,
Southwark Towers,
32 London Bridge Street,
London SE1 9SY

Solicitors
Norton Rose,
Kempson House,
PO Box 570,
Camomile Street,
London EC3A 7AN

Bankers
The Royal Bank of Scotland plc,
5-10 Great Tower Street,
London EC3P 3HX

The Chase Manhattan Bank,
8th Floor,
Trinity Tower,
9 Thomas More Street,
London EC2P 3AR

Stockbrokers
Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7AN

New Zealand Stockbrokers
Craig & Co. Limited,
Farming House,
102-104 Spring Street,
P.O. Box 13155,
Tauranga,
New Zealand

Results:
Half year announced June
Full year announced December
The Report and Accounts are posted to shareholders in January and the AGM is held in London in February.

Share Price:
The market price of the Company's ordinary shares is quoted daily in the Financial Times, The Times, The Daily Telegraph, The Independent, The Guardian and the Evening Standard.

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

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

Preference and debenture stock interest:
Preference stock paid on 31 May and 30 November
4% debenture stock paid on 5 January and 5 July
10½% debenture stock 2016 and 8% debenture stock 2023 paid on 30 April and 31 October.

Henderson Investors Investment Trust Share Plan

The Henderson Investors Investment Trust Share Plan offers a simple and flexible way of investing in The Bankers Investment Trust PLC. The Share Plan offers the following:

- **Regular savings from £50 per month/quarter, or lump sum investments from £500**
- **A Share Exchange Service, whereby you can sell existing UK company shares, unit trusts or gilts and reinvest the proceeds in the Company**
- **An income reinvestment facility. Alternatively, you can have your dividends paid to your bank or building society account**
- **All paperwork and documentation is simplified and reduced to a minimum**
- **Half yearly valuations and complementary newsletters**

For a full information pack on the Henderson Investors Investment Trust Share Plan, please write to:

Investor Services Department
Henderson Investors
FREEPOST (KE 5906)
LONDON EC2B 2TR

No stamp is required. Alternatively, please contact your Professional Adviser for further information or call our Investor Services Department at local rate on **0345 212 256** quoting the reference **Report**. Please call **(44) 171 452 1315** if you are telephoning from abroad.

Please remember that the value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Henderson Investors is the name under which Henderson Investors Limited and Henderson Investment Funds Limited (both regulated by IMRO and the Personal Investment Authority) and Henderson Administration Limited (regulated by IMRO), provide investment products and services. The above companies have their registered office at 3 Finsbury Avenue, London EC2M 2PA. Telephone 0171 410 4100.