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The Bankers Investment Trust PLC

Report and Accounts for the year ended
31 October 2003

~~COMPANY NUMBER: 026185~~

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The Bankers Investment Trust PLC

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

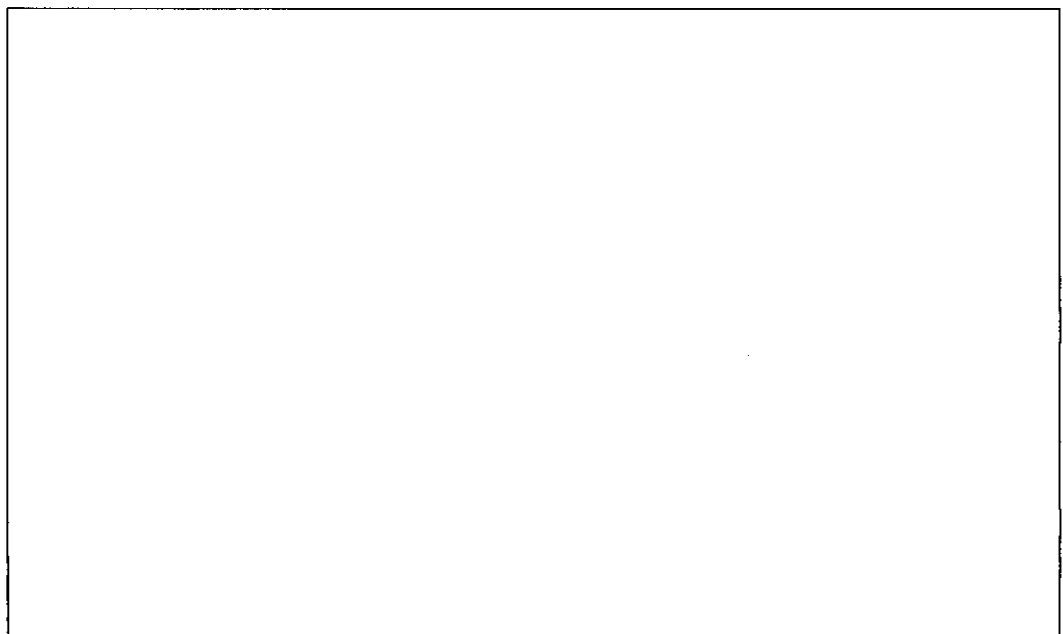
To 31 October 2003	1 year %	5 years %	10 years %	15 years %	20 years %
Net Asset Value total return*	16.8	16.0	90.0	339.2	930.3
Net Asset Value capital return*	13.6	4.3	54.2	214.8	567.5
Share Price total return*	16.9	27.6	79.8	401.4	1307.5
Share Price capital return*	13.6	13.3	43.9	249.3	763.4
Net dividend	4.0	24.3	91.6	267.2	577.9
FTSE All-Share total return**	13.6	-2.8	87.6	286.0	952.9
FTSE All-Share capital return**	9.6	-15.2	35.8	120.1	385.9
MSCI World total return £**	14.6	-0.3	66.8	186.2	647.1
S&P 500 Composite total return £**	11.4	1.3	136.2	454.6	868.2
Retail Prices Index**	2.6	11.0	28.8	66.8	111.4

* Source: AITC

** Source: Datastream

Total return assumes net dividends re-invested and excludes transaction costs. Capital return excludes all dividend and transaction costs.

Growth in Net Asset Value and Share Price



Directors

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Andrew Barker Richard Brewster Richard Killingbeck James Morley Michael Moule Francis Sumner David Thomas

Andrew Barker* (Chairman) (Age 58) was appointed as a director in 1979 and became Chairman in 1983. He has been involved in investment management for more than 30 years having joined Foreign & Colonial Management Ltd in 1970. He was a director of Foreign & Colonial Ventures, which is a provider of private equity finance, from 1980 to 1998. He was responsible for Foreign & Colonial's North American investments from 1985 until he retired from Foreign & Colonial in 2000. His former directorships include Foreign & Colonial Investment Trust PLC, Graphite Enterprise Trust PLC and the National Provident Institution ("NPI"). He is a past chairman of the Association of Investment Trust Companies. He is currently the chairman of International Biotechnology Trust plc and of British Portfolio Trust plc. He is a director of F&C Smaller Companies plc and of Utilico Investment Trust plc.

Richard Brewster*† FCA (Deputy Chairman) (Age 58) was appointed as a director in 1991, chairs the Audit Committee and became Deputy Chairman in 2003. Having qualified as a chartered accountant he has spent the last 30 years in industry. From 1983 he was CEO of D.S. Smith plc until 1991 when he became CEO of Jarvis Porter plc until 1998. Since then he has extended his interests in corporate finance and private equity investment and is currently CEO of Interbrandpro Holding GmbH, an international promotional print and speciality board business. His other non-executive interests are as a consultant to Pridie Brewster Corporate Finance and as Deputy Chairman of 3i Smaller Quoted Companies Trust plc.

Richard Killingbeck* (Director) (Age 41) was appointed as a director in December 2003. He has been involved in the financial services industry for 20 years, primarily as a fund manager. The early

part of his career was spent with Cazenove & Co on the North American desk. He subsequently moved to Morgan Grenfell Asset Management and was seconded for most of this period to Morgan Grenfell Capital Management in New York. Upon his return to the United Kingdom he joined River & Mercantile Investment Management as a director with responsibility for the management of the North American Investment Trust. In 1994 he joined Singer & Friedlander Investment Management. In 2001 he was appointed as Chief Executive of the investment management company, whereupon he relinquished his day to day responsibilities for the management of client portfolios.

James Morley*† FCA (Age 54) was appointed as a director in 1994. After qualifying as a chartered accountant with Arthur Andersen, he has spent most of the last 27 years in the travel and financial services industries, firstly with Avis Europe and then with Guardian Royal Exchange, the international composite insurance company, in both cases as Group Finance Director. Following the acquisition of GRE by AXA in 2000, he left to become Group Finance Director of Arjo Wiggins Appleton. In June 2002 he was appointed Group Finance Director of Cox Insurance Holdings. He is also a non-executive director of W S Atkins plc, where he is Chairman of the Audit Committee.

Michael Moule (Age 57) was the manager of Bankers from 1977 to June 2003 and joined the Board in 1982. He has worked in the investment world since 1963 and has been involved with investment trusts since 1967 when he was a trainee analyst with the Standard Trust. From 1970 to 1993 he worked for Touche Remnant, a leading manager of investment trusts. He was the manager of The City of London Investment Trust plc from 1982 to 1991

and a director from 1987 to 1991. For the past ten years until his retirement he has been a director of investment trusts at Henderson Global Investors and served on the board of Henderson plc from 1996 to 1998. He was also responsible for managing the investment portfolio of Law Debenture from 1987 to 2003. He is currently a director of Lowland Investment Company plc and Old Mutual South Africa Trust plc.

Francis Sumner*† (Age 61) was appointed as a director in 1997. He has spent most of his working life as a City solicitor specialising in corporate finance. He was for many years a partner in Norton Rose, Bankers having been one of his plc clients. He is currently the deputy chairman of the Crown Agents, joint honorary secretary and a council and executive committee member of the City and Guilds of London Institute and a council member of the Assessment and Qualifications Alliance.

David Thomas FIA* (Age 59) was appointed as a director in 2000. He was Director and General Manager – Investments of The Equitable Life Assurance Society until April 2001. For two years from August 1996 he was Chairman of the Investment Committee of the Association of British Insurers and at that time was also a member of the Hampel Committee on Corporate Governance. In addition he sat on the Institutional Investors Advisory Group of The Stock Exchange for several years and was a member of the Lord Chancellor's Honorary Investment Advisory Committee (which assisted the Public Trustee). Currently, he is a trustee of the pension fund for the staff of Westminster Abbey and is Chairman of the Abbey's Investment Committee, as well as being an investment adviser to the Staffordshire County Council Pension Fund.

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

Management

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Alex Crooke Tim Dieppe Tim Stevenson Antony Gifford Michael Wood-Martin Nicole Monir

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

Chairman's Statement

I am very pleased to report that the recovery in stock markets around the world has resulted in both the net asset value and share price rising over the past year. The net asset value per share rose 13.6%, which compares very favourably with a 9.6% rise in the main benchmark, the FTSE All-Share Index. Overseas stock markets have generally outpaced the UK in terms of performance; this has been further compounded by the weakness of sterling against most currencies other than the US dollar. I can also report another increase in dividends, our 35th consecutive year of delivering a rising distribution to shareholders. This year's total dividend will rise by 4.0% and we anticipate being able to further increase the dividend in 2004.

Assets

It may be a cliché, but it is true to say that over the past year investing in equities really has been a game of two halves. At the interim stage we reported a fall in net assets of 2.1%, whereas the second half of the year saw a dramatic recovery resulting in a rise in net assets of 16.0%. The war in Iraq proved the turning point for markets, but it was not just a case of easing investors' worst fears; a string of positive economic news has been driving equity markets forward.

The US policy makers have been the most active, in providing both fiscal and monetary stimulus in order to stop their economy slipping into recession. Negative real interest rates and huge tax rebates have helped to keep consumer confidence buoyant. The downside has been an unprecedented level of government borrowing and a ballooning US budget deficit, resulting in a weaker dollar. Currency moves have been particularly volatile this year: the euro strengthened by 7.6% relative to sterling, while the South African rand rose by 25.3% and the Australian dollar by 15.1%.

The Company's gearing peaked at 16.6% in March, partly as a result of lower share prices but also due to the increased investment in equities. As the market rose over the summer further investments were made, particularly in the Far East, resulting in gearing of approximately 12% at the October year-end. Over the year gearing has had a positive impact on the Company's net asset value. The overall spread of investments is illustrated on page 17, together with a breakdown of our performance by region. The European, UK, Far Eastern and Emerging Markets' portfolios all added value and the overall asset allocation was also a key driver of performance.

We remained wary of the US equity market over the year, based upon the expensive valuation of shares and a negative stance on the US dollar. We kept faith with Japan which was

the top performing major stock market in 2003 and overseas investors flocked back looking for bargains, especially amongst the exporters and the banks. The increased interest in Japan forced an appreciation of the yen, the Central Bank of Japan proving ineffective at limiting the rise. We maintained significant exposure to Europe that proved to be a volatile, but ultimately rewarding, market to be invested in. Europe is rich in cyclical and recovery stocks that prospered well in the second half of the year. The UK market was dull by comparison; the economy grew by 2% (below its trend rate) and shows little sign of accelerating faster. However the UK portfolio contained an above average mixture of smaller and medium sized companies that outperformed the general market. Over the year we have switched money from the mature western markets, increasing the Pacific (ex Japan) element of the portfolio from 3.4% to 5.4%. Our favoured companies are capitalising on China's growing emergence in world trade and exploiting increased outsourcing from US companies.

Earnings and Dividends

The earnings per share increased by 1.4% to 7.12p per share. While reduced expenses and a lower management fee have helped, gross revenue was broadly flat due to lower interest rates impacting interest received. Dividend growth was restrained by increased investment in lower yielding parts of the world and the continued, albeit at a reduced frequency, dividend cuts in the UK. The weakness of the US dollar has also affected income from the UK portfolio. Companies such as BP, HSBC and BHP Billiton now declare their dividend in US dollars, comprising together almost a quarter of the FTSE All-Share Index dividend. The year ahead should see some improvement, as dividend growth in most markets is forecast at 5% or better.

We are proposing a final dividend of 1.83p per share, making a total of 7.05p, an increase of 4.0% for the year and comfortably ahead of the current rate of inflation. For the current year we are forecasting a minimum rise in the total dividend per share of 4.0% to 7.33p. A quarterly dividend of 1.83p will be paid at the end of May, August and November with a minimum final of 1.84p payable in February 2005.

We recognise the importance of dividends to shareholders, which is shown in the record of increasing dividends every year since 1967. Despite a difficult period when many companies reduced or in extreme cases omitted dividends, we have continued to increase distributions without the need for a transfer from the revenue reserves. Shareholders should be comforted that the Company has revenue reserves to help us meet our objective to achieve regular dividend growth.

Chairman's Statement

continued

New Zealand

In 1995 Bankers Investment Trust was listed on the New Zealand Stock Exchange and started to pay dividends to local investors in New Zealand dollars. The New Zealand register has grown rapidly and now accounts for around 4% of our shares in issue. We are very grateful for this support from New Zealand and hope that the Company's attractions gather more investors. We are examining ways of improving the service to New Zealand shareholders: our portfolio manager has made his first, of what will hopefully be regular, marketing trips to New Zealand and the appointment of First NZ Capital Securities as our local broker, is an indication of our commitment to this market.

The Board, Buy-Backs and AGM

Richard Killingbeck was appointed to the Board on 19 December 2003 and consequently will be seeking election at the Annual General Meeting in February 2004. He has a wealth of experience in financial markets and investment management. I will be coming up for re-election at the AGM, as will Richard Brewster. Although my enthusiasm for Bankers remains undiminished it is my wish to remain a director for one more year and then retire from the Board at the AGM in February 2005. Richard Brewster has been appointed Deputy Chairman and it is the Board's intention he should succeed me as Chairman. He has a long experience of Bankers, commerce and the City. I have every confidence in him as my successor and in his commitment to Bankers. David Thomas, who has made a valuable contribution to the Board of Bankers since he joined us in April 2000, is also standing for re-election. I very much hope you will support our re-elections. Our biographical details appear on page 2.

We are again seeking shareholder permission to renew our authority to purchase up to 14.99% of the issued share capital at the AGM. I would like to remind shareholders that we will only use these powers to provide a meaningful enhancement to the net asset value per share. No shares were bought back in the year under review.

The AGM will be held at the Drapers' Hall on 20 February 2004 at 12 noon. A map showing the location appears on page 42. Our portfolio manager, Alex Crooke, will make a presentation. We once again look forward to welcoming as many of you as are able to attend.

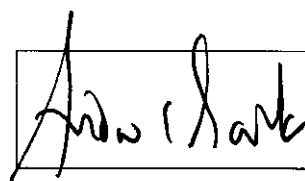
Outlook

The good news is that the global economic cycle has clearly turned. The very strong economic recovery in the USA is perhaps unsurprising given interest rates as low as 1% and

strong government spending. This begs the question of how long can these levels of stimulus persist before inflationary pressures reappear. We feel that GDP growth will moderate from the large increase in the third quarter towards above trend growth through 2004. Inflation should slowly pick up due partly to the weakness of the US dollar. However, the US Federal Reserve has clearly indicated that interest rates will be kept low for longer in order to firmly establish growth and job creation. A supportive US economy should set the tone for global stock markets given its scale and consumption of the world's goods and services.

Valuations are undoubtedly less attractive now that stock markets have recovered. The average US stock is trading on a P/E ratio of 18x, which compares with 12 to 13x for UK and European stocks. Also stock market indices in the US such as Value Line, which weight each company equally, indicate that the US market is hitting new highs; therefore much of the recovery and maybe more is already factored into prices. Prospects for mainland Europe could prove to be the most appealing, especially at such an early stage in its recovery. Elsewhere, the UK is cheap on a valuation basis and should deliver solid performance. Japan and the Far East should continue to attract overseas investors seeking the heady mix of recovery and explosive growth respectively.

It would be imprudent of me to say that the stock market outlook is without risk. Geopolitical risk is not so dominant in investors' minds as it was in the aftermath of 11 September 2001 and the run up to the Iraq war but it still remains a concern. The weakness of the US dollar particularly against the euro probably is welcome. The question is whether the trend will be gradual and manageable, helping to rebalance global demand or rapid and severe, spreading fear among investors. However, we consider that investors have not yet fully bought into a sustainable global recovery with improving corporate profitability. On balance we expect that 2004 should be a favourable year to be invested in equities.



Andrew Barker, Chairman
6 January 2004

Highlights of the Year

	31 October 2003	31 October 2002	Change %
Assets			
Total assets less current liabilities	£383,449,000	£340,887,000	+12.5
Net asset value per ordinary share	283.1p	249.3p	+13.6
Ordinary share mid-market price	265.5p	233.8p	+13.6
Discount (Share Price to Net Asset Value)	6.2%	6.2%	
Revenue			
Gross revenue	£12,194,000	£12,303,000	-0.9
Earnings per ordinary share	7.12p	7.02p	+1.4
Dividends per ordinary share	7.05p	6.78p	+4.0
Indices			
FTSE All-Share Index	2,125.37	1,938.71	+9.6
S&P 500 Composite Index	1,050.71	885.76	+9.4#
FTSE World Europe (ex UK) Index (£)	233.01	202.24	+15.2
TOPIX (Tokyo First Section Index)	1,043.36	862.24	+24.3#
FTSE World (ex UK) Index (£)	230.99	203.88	+13.3
50/50 FTSE All-Share/ FTSE World (ex UK) Index (£)	222.90	200.00*	+11.5
Retail Prices Index	182.60	177.90	+2.6
#£ adjusted			
*rebased as at 31/10/02			
Total Expense Ratio	0.78%	0.87%	
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 over the year.			

Growth in Dividend



Largest Investments

at 31 October 2003

The 40 largest investments (convertibles and all classes of equity in any one company being treated as one investment) were as follows:

Rank (2002)		Market value 31 October 2003 £'000	Rank (2002)		Market value 31 October 2003 £'000
1	(2) BP	15,174	21	(30) Tesco	2,906
2	(3) HSBC	13,452	22	(15) British American Tobacco	2,900
3	(1) GlaxoSmithKline	12,898	23	(*) AP Moller-Maersk	2,848
4	(5) Vodafone	8,353	24	(17) Novartis	2,784
5	(4) Shell Transport & Trading	7,323	25	(*) BHP Billiton	2,716
6	(7) Royal Bank of Scotland	5,321	26	(35) Anglo American	2,701
7	(6) Barclays	5,144	27	(29) Prudential	2,675
8	(9) Total Fina Elf	4,851	28	(32) ABN-Amro	2,473
9	(10) HBOS	4,732	29	(*) Yell	2,437
10	(8) Lloyds TSB	4,502	30	(*) Deutsche Boerse	2,379
11	(12) AstraZeneca	4,429	31	(*) Carnival	2,331
12	(18) BT Group	3,896	32	(*) Man Group	2,318
13	(19) Philips Electronics	3,685	33	(37) ICAP	2,310
14	(13) Diageo	3,604	34	(*) Galen	2,262
15	(22) Irish Life & Permanent	3,410	35	(*) Dexia	2,230
16	(20) Unibail	3,255	36	(21) Aventis	2,183
17	(16) ENI	3,183	37	(23) Allied Irish Banks	2,169
18	(11) Unilever	3,116	38	(*) ISS International	2,157
19	(14) Nestlé	3,111	39	(39) Richemont	2,120
20	(28) Samsung Electronics	3,000	40	(*) Greene King & Sons	2,032

These investments total £165,370,000 or 42.1% of the portfolio.

*Not in the top 40 largest investments last year.

Changes in Investments

	Valuation 2002 £'000	Purchases £'000	Sales Proceeds £'000	Appreciation £'000	Valuation 2003 £'000
United Kingdom	201,366	28,120	28,639	21,655	222,502
Europe	60,916	3,538	8,842	11,980	67,592
North America	42,372	15,482	12,510	592	45,936
Japan	24,367	2,614	2,616	4,130	28,495
Pacific (ex Japan)	11,730	10,270	5,130	4,434	21,304
Emerging Markets	5,797	—	340	1,882	7,339
	<u>346,548</u>	<u>60,024</u>	<u>58,077</u>	<u>44,673</u>	<u>393,168</u>

Classification of Investments

at 31 October 2003

	Total 2002 %	Total 2003 %	UK %	Europe %	North America %	Japan %	Pacific (ex Japan) %	Emerging Markets %
Resources								
Mining	2.4	2.9	1.8	-	0.2	-	-	0.9
Oil & Gas	10.1	10.1	6.2	2.4	0.8	-	0.4	0.3
	<u>12.5</u>	<u>13.0</u>	<u>8.0</u>	<u>2.4</u>	<u>1.0</u>	<u>-</u>	<u>0.4</u>	<u>1.2</u>
Basic Industries								
Chemicals	1.6	1.5	0.5	0.6	-	0.4	-	-
Construction & Building Materials	2.1	2.9	1.9	0.3	0.2	-	0.5	-
Forestry & Paper	0.5	0.6	0.4	-	0.2	-	-	-
Steel & Other Metals	-	0.1	-	-	0.1	-	-	-
	<u>4.2</u>	<u>5.1</u>	<u>2.8</u>	<u>0.9</u>	<u>0.5</u>	<u>0.4</u>	<u>0.5</u>	<u>-</u>
General Industrials								
Aerospace & Defence	0.4	0.6	0.4	-	0.2	-	-	-
Electronic & Electrical Equipment	4.1	3.0	0.3	0.9	-	0.5	1.3	-
Engineering & Machinery	1.3	2.0	0.7	0.4	0.9	-	-	-
	<u>5.8</u>	<u>5.6</u>	<u>1.4</u>	<u>1.3</u>	<u>1.1</u>	<u>0.5</u>	<u>1.3</u>	<u>-</u>
Cyclical Consumer Goods								
Automobiles & Parts	0.7	0.9	-	0.6	-	0.3	-	-
Household Goods & Textiles	0.1	0.8	-	-	0.2	0.5	0.1	-
	<u>0.8</u>	<u>1.7</u>	<u>-</u>	<u>0.6</u>	<u>0.2</u>	<u>0.8</u>	<u>0.1</u>	<u>-</u>
Non-Cyclical Consumer Goods								
Beverages	2.4	1.7	1.3	-	0.1	0.3	-	-
Food Producers & Processors	3.1	2.4	1.4	0.8	0.2	-	-	-
Health	1.6	2.1	0.6	0.5	0.9	0.1	-	-
Personal Care & Hse Prods	1.6	1.2	0.5	0.5	0.2	-	-	-
Pharmaceuticals & Biotech	7.9	6.8	5.0	1.3	0.5	-	-	-
Tobacco	1.9	1.6	1.4	-	0.2	-	-	-
	<u>18.5</u>	<u>15.8</u>	<u>10.2</u>	<u>3.1</u>	<u>2.1</u>	<u>0.4</u>	<u>-</u>	<u>-</u>
Cyclical Services								
General Retailers	3.2	2.8	1.8	-	0.4	0.6	-	-
Leisure & Hotels	2.8	3.5	2.4	0.5	0.3	0.3	-	-
Media & Entertainment	3.3	3.6	2.5	-	0.7	0.4	-	-
Support Services	3.8	4.3	1.7	1.8	0.4	0.2	0.2	-
Transport	4.2	3.8	1.7	1.1	0.2	0.3	0.5	-
	<u>17.3</u>	<u>18.0</u>	<u>10.1</u>	<u>3.4</u>	<u>2.0</u>	<u>1.8</u>	<u>0.7</u>	<u>-</u>
Non-Cyclical Services								
Food & Drug Retailers	0.9	0.8	0.7	-	0.1	-	-	-
Telecommunication Services	4.9	5.1	3.3	0.3	0.3	0.9	-	0.3
	<u>5.8</u>	<u>5.9</u>	<u>4.0</u>	<u>0.3</u>	<u>0.4</u>	<u>0.9</u>	<u>-</u>	<u>0.3</u>
Utilities								
Electricity	2.2	1.0	0.7	-	0.1	-	0.2	-
Utilities Other	1.4	1.9	1.9	-	-	-	-	-
	<u>3.6</u>	<u>2.9</u>	<u>2.6</u>	<u>-</u>	<u>0.1</u>	<u>-</u>	<u>0.2</u>	<u>-</u>
Information Technology								
Information Technology Hardware	0.9	2.5	-	-	1.3	1.2	-	-
Software & Computer Services	1.1	0.8	0.2	-	0.6	-	-	-
	<u>2.0</u>	<u>3.3</u>	<u>0.2</u>	<u>-</u>	<u>1.9</u>	<u>1.2</u>	<u>-</u>	<u>-</u>
Financials								
Banks	14.8	15.0	10.1	2.9	1.1	0.4	0.5	-
Insurance	2.0	3.0	1.0	0.2	0.4	-	1.0	0.4
Life Assurance	3.4	2.5	2.0	0.4	0.1	-	-	-
Investment Companies	1.1	0.3	-	-	-	0.3	-	-
Real Estate	3.2	3.1	1.6	0.8	-	-	0.7	-
Speciality & Other Finance	4.8	4.7	2.5	0.9	0.8	0.5	-	-
	<u>29.3</u>	<u>28.6</u>	<u>17.2</u>	<u>5.2</u>	<u>2.4</u>	<u>1.2</u>	<u>2.2</u>	<u>0.4</u>
Equities	99.8	99.9	56.5	17.2	11.7	7.2	5.4	1.9
Convertibles	0.2	0.1	0.1	-	-	-	-	-
Totals 2003		100.0	56.6	17.2	11.7	7.2	5.4	1.9
Totals for 2002	100.0		58.1	17.6	12.2	7.0	3.4	1.7

United Kingdom

Total Return (Year to 31/10/03)	%
Bankers	14.2
FTSE All-Share	13.6

Profitable investments were few and far between in the first half of the year, as life assurance companies were forced sellers of UK equities. As prices fell lower, increasing quantities of equities were sold to meet solvency requirements, in what became a senseless, spiral downwards. Other investors were wary of buying because of uncertainty surrounding the outcome of the Iraq war and being unsure when the institutional selling would end.

The tide turned before the war was concluded and share prices rose sharply through the second half of the year. The challenge over the year has revolved around stock selection; the best performing shares in the first half were the worst in the second half and vice versa. Higher yielding, defensive stocks were favoured in uncertain markets but as confidence returned and growth was expected to accelerate, investors sought out companies that were economically sensitive. To counter this rapid turnaround we sold defensive shares such as **Imperial Tobacco** and water stocks, **Pennon** and **Kelda**. New investment has focused on those companies likely to benefit from increased world trade, an example being the mining company **BHP Billiton**. Lower interest rates have sustained the housing market and earlier in the year we increased exposure to the mortgage banks and house builders. However, the recent rise in rates, coupled with the expectation of further increases in taxes should check house price inflation and we have recently reduced exposure to this area of the economy.

The smaller capitalised companies have performed better than larger companies, principally because they have more cyclical earnings and a greater potential for recovery. As larger companies have fallen from favour, we have taken the opportunities to purchase under valued shares. We have sought out those that have temporarily disappointed investors but still possess long-term franchises, generating significant free cash flow. Examples would include **HBOS**, **BT** and **Dixons**. Despite these purchases, the portfolio's exposure to large FTSE 100 stocks has fallen over the year. The risk with small cap stocks is that there may be earnings disappointment if future economic growth is slower than the market expects. Their discount in valuation relative to larger companies has reduced this year but still represents good value often with high yields. While now may not be the best time to increase holdings of small and mid cap companies, over time we would hope to raise the exposure towards a third of the UK portfolio.

After a barren couple of years, the new issue market was more active during the year. We have been selective in our approach, especially when the sellers were private capital firms, repackaging poor businesses. We preferred companies where management have significant share holdings and cash generation is strong. Two such new issues we purchased were the international yellow pages business, **Yell** and reinsurance broker, **Benfield**.

UK portfolio classified by market value of company at 31 October 2003

Market Capitalisation

- A** Over £1,700m (FTSE 100)
- B** £250m-£1,700m (FTSE mid 250)
- C** Under £250m (Smaller Co's)

Last year's figures in brackets

United Kingdom

Valuations at 31 October 2003 – all investments are shown

£'000	Investments by value	Sector	% of UK portfolio
15,174	BP	Oil & Gas	6.82
13,452	HSBC	Banks	6.05
12,898	GlaxoSmithKline	Pharmaceuticals & Biotech	5.80
8,353	Vodafone	Telecommunication Services	3.75
7,323	Shell Transport & Trading	Oil & Gas	3.29
5,321	Royal Bank of Scotland	Banks	2.39
5,144	Barclays	Banks	2.31
4,732	HBOS	Banks	2.13
4,502	Lloyds TSB	Banks	2.02
4,429	AstraZeneca	Pharmaceuticals & Biotech	1.99
3,896	BT Group	Telecommunication Services	1.75
3,604	Diageo	Beverages	1.62
3,116	Unilever	Food Producers & Processors	1.40
2,906	Tesco	Food & Drug Retailers	1.31
2,900	British American Tobacco	Tobacco	1.30
2,716	BHP Billiton	Mining	1.22
2,701	Anglo American	Mining	1.21
2,675	Prudential	Life Assurance	1.20
2,437	Yell	Media & Entertainment	1.10
2,318	Man Group	Speciality & Other Finance	1.04
2,310	ICAP	Speciality & Other Finance	1.04
2,262	Galen	Pharmaceuticals & Biotech	1.02
2,032	Greene King & Sons	Leisure & Hotels	0.91
2,032	National Grid Transco	Utilities, Other	0.91
1,951	Alliance & Leicester	Banks	0.88
1,911	Marks & Spencer	General Retailers	0.86
1,901	Rio Tinto	Mining	0.85
1,860	Reckitt Benckiser	Personal & Household Products	0.84
1,858	Gallaher	Tobacco	0.84
1,857	Abbey National	Banks	0.83
1,837	Aviva	Life Assurance	0.83
1,819	BSKYB	Media & Entertainment	0.82
1,802	Stough Estates	Real Estate	0.81
1,697	Hammerson	Real Estate	0.76
1,685	Jardine Lloyd Thomson	Insurance	0.76
1,677	Ashtenne Holdings	Real Estate	0.75
1,661	Wolseley	Const & Building Materials	0.75
1,588	Carnival	Leisure & Hotels	0.71
1,559	Northern Rock	Banks	0.70
1,552	Hilton Group	Leisure & Hotels	0.70
1,540	Amersham	Health	0.69
1,534	Scot. & South Energy	Electricity	0.69
1,526	Cranswick	Food Producers & Processors	0.69
1,520	Johnson Service Group	Support Services	0.68
1,518	Rolls-Royce	Aerospace & Defence	0.68
1,514	Renold	Engineering & Machinery	0.68
1,497	Northumbrian Water	Utilities, Other	0.67
1,476	Smith (DS)	Forestry & Paper	0.66
1,425	Dixons	General Retailers	0.64
1,383	P&O	Transport	0.62
1,305	Pilkington	Const & Building Materials	0.59
1,272	Standard Chartered	Banks	0.57
1,269	Intercontinental Hotels	Leisure & Hotels	0.57
1,250	Taylor Nelson Sofres	Media & Entertainment	0.56
1,237	United Utilities	Utilities, Other	0.56
1,225	Scottish Power	Electricity	0.55
1,218	Fisher (J) & Sons	Transport	0.55
1,206	Atrium Underwriting	Insurance	0.54
1,195	RAC	Support Services	0.54
1,195	Intermediate Capital	Speciality & Other Finance	0.54

£'000	Investments by value	Sector	% of UK portfolio
1,194	Land Securities	Real Estate	0.54
1,188	GUS	General Retailers	0.53
1,188	BAA	Transport	0.53
1,178	ISIS Asset Management	Speciality & Other Finance	0.53
1,156	BG	Oil & Gas	0.52
1,155	Compass	Support Services	0.52
1,144	Legal & General	Life Assurance	0.51
1,143	Amvescap	Speciality & Other Finance	0.51
1,099	Provident Financial	Speciality & Other Finance	0.49
1,098	TT Electronics	Electronic & Elec Equipment	0.49
1,076	Reed International	Media & Entertainment	0.48
1,070	Centrica	Utilities, Other	0.48
1,062	Severn Trent	Utilities, Other	0.48
1,037	Allied Domecq	Beverages	0.47
1,017	William Hill	Leisure & Hotels	0.46
1,007	Sage	Software & Computer Services	0.45
1,001	McAlpine	Const & Building Materials	0.45
1,001	Benfield	Insurance	0.45
971	Old Mutual	Life Assurance	0.44
960	Rentokil	Support Services	0.43
958	McCarthy & Stone	Const & Building Materials	0.43
929	Cariton Comms	Media & Entertainment	0.42
903	Granada	Media & Entertainment	0.41
842	De la Rue	Support Services	0.38
833	Wolves & Dudley	Leisure & Hotels	0.37
832	Dairy Crest	Food Producers & Processors	0.37
810	Alpha Airports	Transport	0.36
803	BOC	Chemicals	0.36
803	Kingsfisher	General Retailers	0.36
801	Imperial Tobacco	Tobacco	0.36
777	Avis Europe	Transport	0.35
758	Tomkins	Engineering & Machinery	0.34
750	Cazenove Group*	Speciality & Other Finance	0.34
748	Boots	General Retailers	0.34
726	Scottish & Newcastle	Beverages	0.33
713	Amec	Const & Building Materials	0.32
702	Smith & Nephew	Health	0.32
695	Interserve	Support Services	0.31
693	Reuters	Media & Entertainment	0.31
672	Taylor Woodrow	Const & Building Materials	0.30
647	St James's Place	Life Assurance	0.29
629	National Express	Transport	0.28
616	Elementis	Chemicals	0.28
616	A B Ports	Transport	0.28
613	EMI	Media & Entertainment	0.28
610	Findel	General Retailers	0.27
610	Hays	Support Services	0.27
591	Hunting	Oil & Gas	0.27
555	Heywood Williams	Const & Building Materials	0.25
552	Mitchells & Butler	Leisure & Hotels	0.25
546	Rank	Leisure & Hotels	0.25
545	Cable & Wireless	Telecommunication Services	0.24
519	IMI	Engineering & Machinery	0.23
512	Pennon	Utilities, Other	0.23
504	ICI	Chemicals	0.23
468	RMC	Const & Building Materials	0.21
382	Britannic Group	Life Assurance	0.17
302	My Travel†	Leisure & Hotels	0.14
224	Homestyle	General Retailers	0.10
112	Hampton Trust†	Real Estate	0.05
103	Corporate Services†	Support Services	0.05

£222,502

100.00

*unquoted
†includes convertibles



Europe

Total Return (Year to 31/10/03)	%
Bankers	23.8
FTSE World Europe (ex UK) (£)	18.5

There has been a considerable improvement in sentiment and markets over the twelve months to the end of October. Most of this has come ahead of any clear signs of actual economic improvement in the European area, which has only recently begun to show an upturn. However, European economies will only grow slowly over the next few years, providing a steady backdrop for the markets. In this environment our policy has been one of patience – where possible we are trying to stick with our reliable, low valued consistent growth stocks, if possible underpinned by reasonable dividend income.

The European part of the portfolio contains a spread of holdings across the oil sector, the banking and financial sectors (where we have sold out of **Aegon** but added **Swiss Re**) and a number of companies which should do better as that economic recovery gathers pace. In that category come our holdings in **Sandvik** in Sweden (the world's leading manufacturer of cutting tools, among other activities) and **Saint Gobain**. Logistics and transport companies, such as **TNT Post Group**, **Deutsche Post** and **AP Moller-Maersk** should all do well in this environment. **AP Moller-Maersk** has been very strong over the last twelve months, with the shares doubling as its shipping side reaped the benefit of higher rates. This continues to be one of

our favoured holdings. In virtually all these cases there is an element of "self help" (also known as "restructuring") when these companies improve their earnings regardless of any underlying improvement in final demand.

Our holdings in the reliable growth areas, in particular pharmaceuticals and food producers, have put in only mediocre performance over the last twelve months. Oil stocks also have tended to ignore the higher oil price and lagged behind the market, but all these categories belong in a rounded portfolio. While they tended to outperform the falling market, they have lagged the flight to recovery stories over the last seven months.

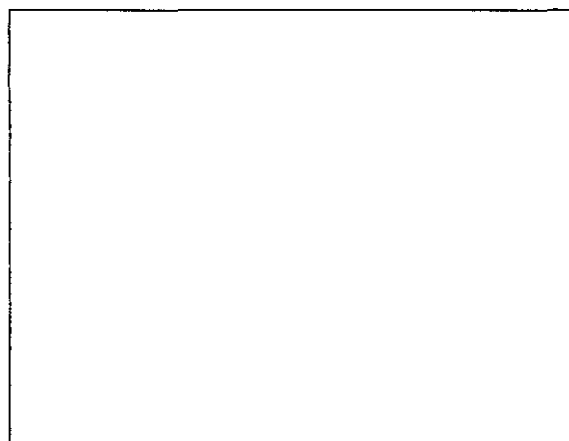
The outlook is certainly better than a year ago: economies look set for recovery, albeit more anaemic in Europe than in the US (and arguably more sustainable as a result). The weaker US dollar can be expected to cause alarm from time to time, but European companies have been through that many times before. Some areas of the market seem to have moved too far ahead, and perhaps to be anticipating a recovery in earnings which is just too optimistic, and we are keeping a sharp eye on such situations. Overall, however, valuations in Europe are not excessive and markets should be able to make further progress.

European portfolio classified by market value of company at 31 October 2003

Market Capitalisation

- A** Over £7,000m
- B** £2,500m-£7,000m
- C** Under £2,500m

Last year's figures in brackets



Europe

Valuations at 31 October 2003 – all investments are shown

£'000	Investments by value	Sector	Country	% of Europe portfolio
4,851	Total Fina Elf	Oil & Gas	France	7.18
3,685	Philips Electronics	Electronic & Electrical Equipment	Netherlands	5.45
3,410	Irish Life & Permanent	Speciality & Other Finance	Ireland	5.04
3,255	Unibail	Real Estate	France	4.82
3,183	ENI	Oil & Gas	Italy	4.71
3,111	Nestlé	Food Producers & Processors	Switzerland	4.60
2,848	AP Moller-Maersk	Transport	Denmark	4.21
2,784	Novartis	Pharmaceuticals & Biotechnology	Switzerland	4.12
2,473	ABN-Amro	Banks	Netherlands	3.66
2,379	Deutsche Boerse	Support Services	Germany	3.52
2,230	Dexia	Banks	France	3.30
2,183	Aventis	Pharmaceuticals & Biotechnology	France	3.23
2,169	Allied Irish Banks	Banks	Ireland	3.21
2,157	ISS International	Support Services	Denmark	3.19
2,120	Richemont	Leisure & Hotels	Switzerland	3.14
1,973	Christian Dior	Personal Care & Household Products	France	2.92
1,874	Fresenius	Health	Germany	2.77
1,858	BNP Paribas	Banks	France	2.75
1,765	Codan Forsikring	Life Assurance	Denmark	2.61
1,662	Credit Suisse	Banks	Switzerland	2.46
1,592	Deutsche Post	Support Services	Germany	2.36
1,497	Sandvik	Engineering and Machinery	Sweden	2.21
1,491	Akzo Nobel	Chemicals	Netherlands	2.21
1,480	Fraport	Transport	Germany	2.19
1,281	Volkswagen	Automobiles & Parts	Germany	1.89
1,229	Royal Dutch Petroleum	Oil & Gas	Netherlands	1.82
1,056	Renault	Automobiles & Parts	France	1.56
1,054	TNT Post Group	Support Services	Netherlands	1.56
1,047	Fortis	Banks	Netherlands	1.55
994	Saint Gobain	Construction & Building Materials	France	1.47
987	Bayer	Chemicals	Germany	1.46
986	KPN	Telecommunication Services	Netherlands	1.46
928	Swiss Reinsurance	Insurance	Switzerland	1.37
267,592				100.00

European Geographical Distribution

	31 October 2003 %	31 October 2002 %		31 October 2003 %	31 October 2002 %
France	27.2	27.9	Denmark	10.0	7.3
Netherlands	17.7	18.5	Ireland	8.3	8.6
Switzerland	15.7	16.5	Italy	4.7	7.0
Germany	14.2	11.8	Sweden	2.2	2.4
				100.0	100.0



North America

Total Return (Year to 31/10/03)	%
Bankers	8.9
FTSE W North America (£) ¹	12.3

As a result of a turn around fuelled by the twin policies of very low interest rates and very supportive fiscal policy the US economy has recovered strongly through the middle months of 2003. The recovery has gathered such steam that the third quarter of this year witnessed an annualised GDP growth rate of 8.2%.

In anticipation of better economic data in the summer the equity market rallied strongly from March, with the strongest performance coming from the most cyclical companies, and therefore those more leveraged to a recovery.

The portfolio was gradually repositioned to be more heavily weighted in cyclical stocks and sectors through 2003. The technology sector weight in the portfolio was increased, with new holdings added in **Apple**, as was the exposure to financial stocks that benefit directly from better markets such as **Lehman Brothers**.

Economically cyclical names that were added include **Lennar**, a homebuilder, **Mattel**, the toy company, and **Alcan** and **Phelps Dodge** in the basic materials sector.

The two most disappointing groups in the portfolio have been the energy sector holdings, where the stock prices have failed to respond to the sustained high levels of the oil price, and the media sector where the recovery has been more muted in 2003 than we had anticipated.

Looking forward the strong economic recovery looks sustainable through 2004 and will continue to underpin a period of strong corporate profit growth. This environment is likely to be supportive of higher equity prices, until the risks of higher inflation and interest rates worry investors but that is not likely until well into 2004.

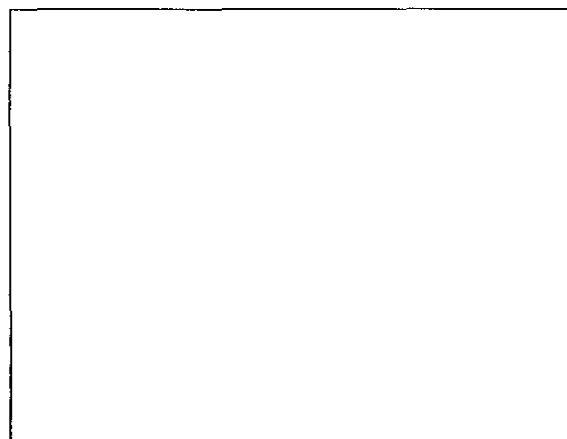
US portfolio classified by market value of company

at 31 October 2003

Market Capitalisation

- A** Over US\$20,000m (Top 100)
- B** US\$5,000m-US\$20,000m
- C** Under US\$5,000m

Last year's figures in brackets



North America

Valuations at 31 October 2003 – all investments are shown

£'000	Investments by value	Sector	% of North America portfolio
1,828	Citigroup	Banks	3.98
1,808	Microsoft	Software & Computer Services	3.94
1,526	Pfizer	Pharmaceuticals & Biotech	3.32
1,359	General Electric Co	Engineering and Machinery	2.96
1,278	Wal-Mart Stores	General Retailers	2.78
1,055	Intel Corp	IT & Hardware	2.30
889	Exxon Mobil	Oil & Gas	1.94
871	Pepsico	Food Producers & Processors	1.90
869	Lennar	Construction & Building Materials	1.89
862	Amgen	Health	1.88
824	Comcast	Media & Entertainment	1.79
778	American International	Insurance	1.69
758	Cisco Systems	IT & Hardware	1.65
754	IBM	IT & Hardware	1.64
753	Marsh & McLennan	Insurance	1.64
752	Altria	Tobacco	1.64
743	Carnival	Leisure & Hotels	1.62
726	United Technologies	Engineering and Machinery	1.58
725	Dell Computers	IT & Hardware	1.58
725	Bank of America	Banks	1.58
714	Mattel	Household Goods & Textiles	1.55
703	Hewlett Packard	IT & Hardware	1.53
700	Procter & Gamble	Personal & Household Products	1.52
684	Johnson & Johnson	Health	1.49
655	SBC Comms	Telecommunication Services	1.42
647	Medtronic	Health	1.41
647	Omnicom	Media & Entertainment	1.41
646	Wachovia	Banks	1.41
640	ChevronTexaco	Oil & Gas	1.39
630	Eaton Corp	Engineering and Machinery	1.37
621	Fed Home Loan	Speciality & Other Finance	1.35
614	Canadian Nat. Railway	Transport	1.34
612	SLM	Speciality & Other Finance	1.33
605	Sysco	Support Services	1.32

£'000	Investments by value	Sector	% of North America portfolio
595	Encans	Oil & Gas	1.30
575	American Express	Speciality & Other Finance	1.25
570	Tyco	Engineering and Machinery	1.24
565	Applied Materials	IT & Hardware	1.23
561	Southern	Electricity	1.22
559	Noble Corporation	Oil & Gas	1.22
555	Bristol Myers Squibb	Health	1.21
552	Sovereign Bancorp	Banks	1.20
545	Phelps Dodge	Mining	1.19
538	Apple Computer	IT & Hardware	1.17
535	Verizon Comms	Telecommunication Services	1.16
534	CDW Computers	Life Assurance	1.16
532	Weyerhaeuser	Forestry & Paper	1.16
526	Boeing	Aerospace & Defence	1.15
515	Wendy's	Leisure & Hotels	1.12
506	Friedman Billings	Speciality & Other Finance	1.10
497	Viacom	Media & Entertainment	1.08
488	Wells Fargo	Banks	1.06
487	Ambac Financial	Speciality & Other Finance	1.06
475	Lehman Brothers	Speciality & Other Finance	1.03
470	Accenture	Software & Computer Services	1.02
469	Eog Resources	Oil & Gas	1.02
469	Alcan	Steel & Other Metals	1.02
469	Alcon	Health	1.02
449	Coca Cola	Beverages	0.98
445	Auto Data Process	Support Services	0.97
435	Walgreen	Food & Drug Retailers	0.95
433	Schering-Plough	Pharmaceuticals & Biotech	0.94
428	Beckton Dickinson	Health	0.93
419	Clear Channel Comms	Media & Entertainment	0.91
413	Lockheed Martin	Aerospace & Defence	0.90
387	Gannett	Media & Entertainment	0.84
362	First Data	Support Services	0.79
334	Autozone	General Retailers	0.73
243	Overnite	Transport	0.53
£45,936			100.00

Japan

Valuations at 31 October 2003 – all investments are shown

Review

Japanese stocks broke their three year losing streak by rising over 20.0% for the year. In sterling terms the rise was 23.7%. Better stock markets elsewhere, a recovery in the domestic economy and greater efforts by the banks to clean up their balance sheets contributed to the market's gain. However the year was not without disappointment as the index sank to new lows early in the period before recovering strongly. Within the market recovery sectors performed well while the defensive area fared poorly. Smaller companies stole the limelight, rising very sharply along with the new issues market. Bond yields rose albeit from low levels and the yen strengthened slightly against sterling.

Activity

The bias within the portfolio remained towards recovery and away from defensive issues. Whilst this sector stance was correct the portfolio did not fully benefit from the strong performance by smaller companies given the concentrated number of

stocks held. Changes made to the portfolio included a reduction in the position in **Shimachu**, a DIY operator in favour of large retailer **Ito-Yokado**. Other changes made involved additions to stocks which had lagged the market, for example **Tokyo Broadcasting** which should benefit from continued economic recovery, while reducing positions which had done well, such as **Daiwa Securities**.

Outlook

Whilst the strength of overseas demand remains important to Japan's economic prospects, it is encouraging that the current profits recovery is broadly based. This indicates that the efforts of domestic corporate restructuring are bearing fruit. Profits are forecast to increase this year with further improvement expected next year which puts equities on favourable valuations. While foreign investors have supported the recent rally in stock prices, encouraging domestic institutional investors to participate in the stock market will be important to sustain the market's rise.

Total Return (Year to 31/10/03)	%
Bankers	18.3
FTSE World Japan (£)	23.7

£'000	Investments by value	Sector	% of Japan portfolio
1,918	NTT Docomo	Telecommunication Services	6.73
1,843	Toppan Printing	Electronic & Electrical Equipment	6.47
1,715	Asahi Chemical Ind	Chemicals	6.02
1,691	Mitsubishi Tokyo Financial	Banks	5.93
1,659	Canon	Information Technology Hardware	5.82
1,543	Ito-Yokado	General Retailers	5.41
1,496	Nippon Telegraph & Telephone	Telecommunication Services	5.25
1,488	Tokyo Broadcasting Systems	Media & Entertainment	5.22
1,337	MW Japan Fund	Investment Companies	4.69
1,301	Nippon Express	Transport	4.57
1,154	Bridgestone	Automobiles & Parts	4.05
1,128	Kirin Brewery	Beverages	3.96
1,122	Daiwa Securities	Speciality & Other Finance	3.94
1,085	Sony	Household Goods & Textiles	3.81
1,055	H.I.S	Leisure & Hotels	3.70
1,030	Keyence	Information Technology Hardware	3.61
1,006	Shimachu	General Retailers	3.53
978	Pioneer	Household Goods & Textiles	3.43
925	Kyocera	Information Technology Hardware	3.25
914	Toshiba	Information Technology Hardware	3.21
870	Takefuji	Speciality & Other Finance	3.05
865	Sohgo Security Services	Support Services	3.04
372	Kawasumi Labs	Health	1.31
£28,495			100.00

Pacific (ex Japan)

Valuations at 31 October 2003 – all investments are shown

The Pacific region has recovered strongly from the effects earlier in the year of the SARS virus, which at one point looked like choking off the recovery in the area. The key driver for the region has been China and its rapidly growing share of world trade. China's growth is state sponsored, with job creation as its main aim; as such it seems unlikely that they will bow to pressure to moderate policy or re-value the currency. Investing directly in China is problematic, we have preferred to purchase shares via Hong Kong. Our investments have focussed on transportation, power or commodities, including new holdings such as **China Merchant, China Petroleum** and **Huaneng Power**.

Total Return (Year to 31/10/03)	%
Bankers	33.4
FTSE W Asia Pacific (ex Jap) (£)	25.0

Overall we have doubled our exposure to this region of the world. Valuations are still low relative to the growth prospects and dividend yields are attractive. The focus has been switched from mature markets such as Australia and Hong Kong, towards the more cyclical growth markets of Taiwan, South Korea and China. The technology sector remains volatile and we have only made investments in companies with outstanding products such as **Compal**, one of the world's leading manufacturers of flat screens. Overall we prefer companies involved in transportation, property and financials, capturing the region's expansion of trade in manufactured goods and the increasing wealth of the consumer.

£'000	Investments by value	Sector	Country	% of Pacific (ex Japan) portfolio
3,000	Samsung Electronics	Electronic & Electrical Equipment	South Korea	14.08
2,025	QBE Insurance	Insurance	Australia	9.51
1,875	Swire Pacific	Construction & Building Materials	Hong Kong	8.80
1,514	Hang Lung	Real Estate	Hong Kong	7.11
1,248	Promina	Insurance	Australia	5.86
1,046	Evergreen Marine	Transport	Taiwan	4.91
1,021	Taiwan Semiconductor	Electronic & Electrical Equipment	Taiwan	4.79
991	Fubon Financial	Banks	Taiwan	4.65
981	Chinatrust Financial	Banks	Taiwan	4.60
963	Compal	Electronic & Electrical Equipment	Taiwan	4.52
916	China Merchant	Transport	China	4.30
811	Huaneng Power	Electricity	China	3.81
786	China Petroleum & Chemical	Oil & Gas	China	3.69
784	Kerry Properties	Real Estate	Hong Kong	3.68
780	CNOOC	Oil & Gas	Hong Kong	3.66
759	Samsung Fire & Marine	Insurance	South Korea	3.56
715	Capitaland	Real Estate	Singapore	3.36
627	Jardine Strategic Holdings	Support Services	Hong Kong	2.94
462	Li & Fung	Household Goods & Textiles	Hong Kong	2.17
£21,304				100.00

Pacific Geographical Distribution

	31 October 2003 %	31 October 2002 %		31 October 2003 %	31 October 2002 %
Hong Kong	28.4	46.8	Australia	15.4	28.9
Taiwan	23.5	—	China	11.8	—
South Korea	17.6	19.2	Singapore	3.3	5.1
				100.0	100.0

Emerging Markets

Valuations at 31 October 2003 – all investments are shown

South Africa continues to make steady progress addressing, if not yet solving, many of the social and economic issues facing the country. The majority of companies have enacted the Empowerment Act with minimal impact on share prices. The region is blessed with mineral resources and we hold two major miners, **Anglogold** and **Impala Platinum**. **Anglogold** has recently purchased Ashanti Goldfields, increasing its exposure to the precious metal. The gold price has risen 15% over the year and now tops \$400/oz. Gold is viewed as a hedge against the weakening dollar, although the liberation of investment markets in China and India is driving up demand for the metal. Despite significant price rises in most commodities, the profits of South

African miners have been lacklustre, impacted by the rise in the rand, up 25.3% against sterling over the past year. Any weakness of the rand would have a positive impact on declared earnings.

For once, South American markets have had a quiet year with no notable bankruptcies or currency devaluation. Our holding in the Brazilian oil company, **Petroleo Brasileiro**, has been by far our best investment in the region. The oil price has averaged nearly \$30 a barrel through the year and this has led to a rapid turnaround in profitability. Given the regions' volatile nature, the holdings are under constant review.

Total Return (Year to 31/10/03)	%
Bankers	38.7
FTSE All World Emerging (£)	29.9

£'000	Investments by value	Sector	Country	% of Emerging Markets portfolio
1,808	Impala Platinum Mines	Mining	South Africa	24.64
1,723	Anglogold	Mining	South Africa	23.48
1,484	Alexander Forbes	Insurance	South Africa	20.22
1,244	Petroleo Brasileiro	Oil & Gas	Brazil	16.95
1,043	Telefonos de Mexico	Telecommunication Services	Mexico	14.21
37	Videsh Sanchar Nigam	Telecommunication Services	India	0.50
£7,339				100.00

Emerging Markets Geographical Distribution

	31 October 2003 %	31 October 2002 %		31 October 2003 %	31 October 2002 %
South Africa	68.3	67.9	Mexico	14.2	18.5
Brazil	17.0	13.1	India	0.5	0.5
				100.0	100.0

Performance Attribution

Performance Attribution: 12 months to 31 October 2003 – Computed relative to customised benchmark which is shown in the first column below.

Market	Customised† Benchmark Allocation average for year to 31/10/2003	Bankers Asset Allocation		Performance Benchmark		Contribution from:	
		31/10/2002	31/10/2003	Bankers Regional Portfolios	Index	Asset Allocation	Stock Selection
		(%)	(%)	(%)	(%)	(%)	(%)
UK	50.0	58.1	56.6	14.2	13.6	-0.1	0.3
North America	32.1	12.2	11.7	8.9	12.3	0.4	-0.4
Europe ex UK	9.9	17.6	17.2	23.8	18.5	0.2	0.8
Japan	4.4	7.0	7.2	18.3	23.7	0.2	-0.3
Pacific (ex Japan)	2.9	3.4	5.4	33.4	25.0	0.1	0.3
Emerging Markets	0.7	1.7	1.9	38.7	29.9	0.1	0.1
Total	100.0	100.0	100.0	16.6	14.7	0.9	0.8

Excludes unquoted investments.

The schedule above shows that the Company's portfolio produced a positive performance relative to its benchmark in the year.

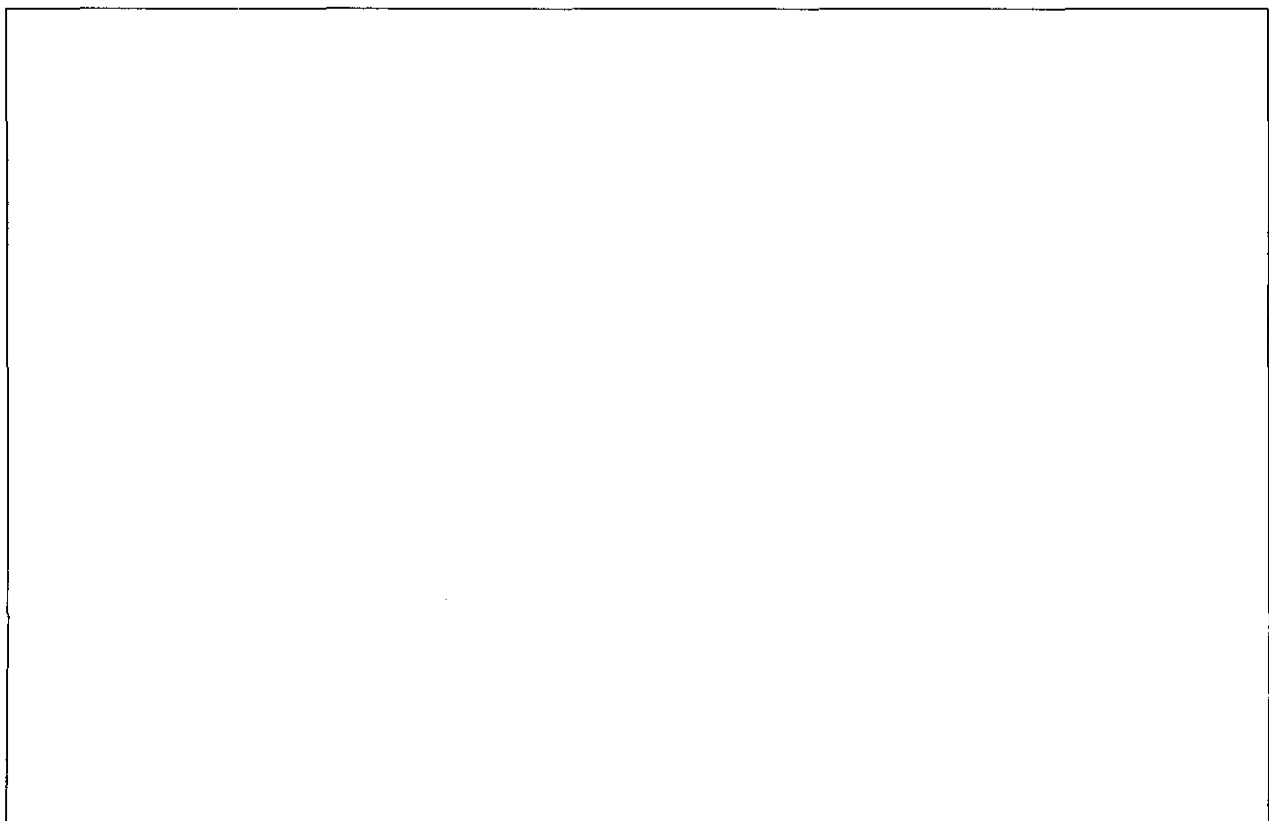
The above figures are calculated in sterling on a gross income reinvested basis and exclude non-equity interests.

Source: WM, Factset & Datastream.

†50.0% FTSE All-Share, 32.1% FTSE World North America, 9.9% FTSE World Europe Ex UK, 4.4% FTSE World Japan, 2.9% FTSE World Asia Pacific (ex Japan), 0.7% FTSE All World Advanced Emerging Markets.

Geographical Distribution

31 October 2003 (total investments excluding cash)



Statistical Record

Year ended 31 October	Gross revenue £'000	Earnings and dividends per 25p ordinary share				Total assets less current liabilities £'000	Net asset value per 25p ordinary share p	Market price per 25p ordinary share p	Indices of growth					
		Earned Net p	Div. Net p	Tax Credit p	Total Div. Gross p				Net asset value	Market price per 25p ordinary share	Dividend per 25p ordinary share (net)	FTSE All-Share Price Index	FT/S&P World Index (ex-UK) £	UK Retail Prices Index
1993	12,364	4.23	3.68	0.92	4.60	311,910	183.5	184.5	100	100	100	100	100	100
1994	12,753	4.26	3.90	0.98	4.88	305,895	179.3	184.5	98	100	106	98	97	102
1995	14,609	4.98	4.22	1.06	5.28	338,573	200.4	206.5	109	112	115	111	105	106
1996	16,164	5.78	4.66	1.17	5.83	375,617	224.2	217.0	122	118	127	125	116	108
1997	16,735	6.14	5.25	1.31	6.56	433,278	261.4	243.5	142	132	143	147	127	112
1998	17,359	6.60	5.67	1.36	7.03	451,486	271.4	234.3	148	127	154	160	143	116
*1999	15,265	7.40	6.00	0.67	6.67	513,827	316.1	273.5	172	148	163	186	184	117
2000	14,306	7.33	6.35	0.71	7.06	536,360	360.1	309.5	196	168	173	197	212	121
2001	12,852	6.88	6.58	0.73	7.31	404,063	299.4	280.5	163	152	179	154	155	123
2002	12,303	7.02	6.78	0.75	7.53	340,887	249.3	233.8	136	127	184	124	122	125
2003	12,194	7.12	7.05	0.78	7.83	383,449	283.1	265.5	154	144	192	136	138	129

*Restated for changes in accounting policies made in 2000 in respect of the recognition of dividend income and the charging of management fee and finance costs to capital. Periods prior to 1999 have not been restated.

Rates of Exchange

The principal exchange rates at 31 October were:

	2003	2002		2003	2002
US dollar	1.6970	1.5645	Korean won	2,008.34	1,906.28
Japanese yen	186.554	191.661	New Taiwanese dollar	57.654	54.373
Euro	1.4597	1.5798	Danish kroner	10.851	11.741
Hong Kong dollar	13.18	12.20	Swiss franc	2.266	2.310
Australian dollar	2.392	2.819	New Zealand dollar	2.762	3.218
South African rand	11.701	15.671	Canadian dollar	2.237	2.445
Singapore dollar	2.954	2.762	Swedish kroner	13.238	14.33

Distribution of Assets and Liabilities

at 31 October 2003

	Equities £'000	Convertibles £'000	Current Assets £'000	Total Assets £'000	%	Total Liabilities £'000	Currency Exposure of Net Assets £'000	%
United Kingdom	222,044	458	6,422	228,924	56.0	(32,592)	196,332	55.0
Europe	67,592	-	7,105	74,697	18.3	-	74,697	20.9
North America	45,936	-	2,088	48,024	11.7	(2,032)	45,992	12.9
Japan	28,495	-	311	28,806	7.0	(17,425)	11,381	3.2
Pacific (ex Japan)	21,304	-	79	21,383	5.2	-	21,383	6.0
Emerging Markets	7,339	-	25	7,364	1.8	-	7,364	2.0
Total	392,710	458	16,030	409,198	100.0	(52,049)	357,149	100.0
Percentage	110.0%	0.1%	4.5%	114.6%		(14.6%)	100.0%	

Report of the Directors

The directors present their report and the audited accounts of the Group for the year to 31 October 2003.

Principal Activities and Business Review

A review of the business is given in the Chairman's Statement on pages 3 to 4 and in the Portfolio Review on pages 6 to 18.

Status

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 2002, although approval for that year is subject to any review should there be any subsequent enquiry made under Corporation Tax Self Assessment. The Company will continue to seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year.

Investment in Investment Companies

The Board's policy is to invest no more than 15% of its gross assets in other listed investment companies (including listed investment trusts).

The Portfolio

Total Group assets less current liabilities amounted to £383,449,000 at 31 October 2003 compared with £340,887,000 at 31 October 2002 and the net asset value per ordinary share increased by 13.6% from 249.3p to 283.1p. 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 Dividends

Group earnings per ordinary share amounted to 7.12p. Three interim dividends of 1.74p per ordinary share each have been paid and the directors recommend that a final dividend of 1.83p per ordinary share be paid on 27 February 2004 to ordinary shareholders on the register on 30 January 2004, making a total dividend for the year of 7.05p (2002: 6.78p). This represents an increase of 4.0% over the previous year.

Directors

The names and biographies of the directors of the Company are given on page 2. All directors held office throughout the financial year, except for Mr Killingbeck who was appointed on 19 December 2003. With the exception of Mr Moule the directors are considered independent of the management company. Their interests in the ordinary shares of the Company were as follows:

	31 October 2003	1 November 2002
<i>With beneficial interest:</i>		
A C Barker	43,390	43,312
R D Brewster	30,061	17,884
J Morley	20,101	17,412
M B Moule	20,000	20,000
F I Sumner	5,500	5,500
D G Thomas	12,000	7,000

Between the year end and 6 January 2004 Mr R D Brewster's interest increased by eight shares by the re-investment of dividend income in his PEP, Mr J Morley's interest increased by 433 shares by purchases through the Henderson Investment Trust Share Plan in which he saves monthly and Mr A C Barker's interest increased by 19 shares via the re-investment of dividend income in his ISA. There have been no other changes 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 stocks.

The directors retiring by rotation at the Annual General Meeting are Mr Barker, Mr Brewster and Mr Thomas. The directors are eligible to offer themselves for re-appointment. Also, Mr Killingbeck is standing for appointment by shareholders in accordance with the articles of association.

There are no contracts subsisting during or at the end of the year in which a director of the Company was or is materially interested and which is or was significant in relation to the Company's business. No director has a service contract with the Company.

Management Company

Investment management, UK custody, accounting, secretarial and administrative services are provided to the

Report of the Directors

continued

Company by wholly owned subsidiary companies of Henderson Global Investors (Holdings) plc ("Henderson") and by BNP Paribas Fund Services UK Limited (formerly Cogent Investment Operations Limited). The annual management fee was last reviewed in May 2003. 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 by giving twelve months' notice, and under certain circumstances the Company may be required to pay up to one year's management charges if less than twelve months' notice is given by the Company.

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.

The Continuing Appointment of the Management Company

The continuing appointment of Henderson as Manager, under the terms described above, was agreed at a meeting of the Management Engagement Committee held in May 2003 and subsequently approved by the full Board. The Board considers this is in the interests of shareholders as a whole for the following reasons:

- the quality and depth of experience of the investment management team that Henderson allocates to the management of assets;
- the overall reputation and resources, including company secretarial and administrative support, provided by Henderson;
- the continuity of marketing the Share Plan, PEP and ISA products that Henderson provides for shareholders.

Authority to Make Market Purchases of the Company's Own Shares

At the Annual General Meeting ("AGM") held on 14 February 2003, the Company was authorised and sanctioned to make market purchases of up to

18,912,850 of the Company's own issued ordinary shares. The directors have not used this authority.

At the forthcoming AGM a special resolution will be proposed to give the directors general authority to make market purchases of up to 14.99% of the Company's ordinary shares in issue as at the date of such AGM for cancellation (equivalent to 18,912,850 ordinary shares as at the date of this report). The directors will only exercise this authority when the cost of any purchase is such that the purchase would lead to an enhancement of shareholder value. Purchases of shares will be made within guidelines set from time to time by the Board. 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 preceding the date of purchase. The minimum price paid will not be below 25p per share, being the nominal value of a share. Shareholders should note that, as shares purchased by the Company will be cancelled, the number of ordinary shares in issue will be reduced accordingly.

Authority to Allot Shares and Disapplication of Pre-emption Rights

The directors have not used the powers granted to them at the AGM in February 2003 to allot new ordinary shares for cash on a non pre-emptive basis. Resolutions to renew the authority to issue shares for cash on a non pre-emptive basis up to 5% of the issued share capital will be proposed at the forthcoming AGM.

Substantial Share Interests

At the date of this report the Company had not received any notification of an interest of 3% or more in its shares pursuant to sections 198 and 199 of the Companies Act 1985.

New Zealand Listing

The Company has a listing for its ordinary shares on the New Zealand Exchange and shareholders in New Zealand 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 registrars at the

Report of the Directors

continued

address given on page 44. First NZ Capital Securities have been appointed as the Company's corporate broker in New Zealand with effect from 19 December 2003.

ISAs/PEPs

The Company has conducted its affairs, and will continue to conduct its affairs, in such a way as to comply with the Individual Savings Account and Personal Equity Plan Regulations.

Donations

During the financial year the Company contributed £5,000 to charities (2002: £6,000). No political donations were made.

Payment of Suppliers

It is the Company's continuing payment policy for the financial year to 31 October 2004 to obtain the best terms for all business. 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 31 October 2003.


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 Company consist mainly of securities which are readily realisable and, accordingly, it has adequate financial resources to continue in operational existence for the foreseeable future.

Registered Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Accordingly, a resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the AGM.

By order of the Board



Nicole Monir ACIS
For and on behalf of
Henderson Secretarial Services Limited
Secretary
6 January 2004

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.

Directors' Remuneration Report

Introduction

This report is submitted in accordance with the Directors' Remuneration Report Regulations 2002 (the "Regulations") in respect of the year ended 31 October 2003.

Consideration by the directors of matters relating to directors' remuneration

The Board as a whole considers the remuneration of directors rather than appointing a committee to consider such matters. 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 from time to time review the fees paid to the boards of directors of other investment trust companies).

Statement of the Company's policy on directors' remuneration

The Board consists entirely of non-executive directors who meet at least nine times a year to deal with the important aspects of the Company's affairs. Directors are appointed for specified terms, subject to re-election and to the provisions of the Companies Act 1985. Directors' appointments are reviewed formally prior to the particular director's standing for retirement by rotation. None of the directors has a contract of service and a director may resign by notice in writing to the Board at any time; there are no set notice periods. The Company's policy is for the directors to be remunerated in the form of fees, payable quarterly in arrears, to the director personally or to a third party specified by him or her. There are no long term incentive schemes, share option schemes or pension arrangements and the fees are not specifically related to the directors' performance, either individually or collectively.

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

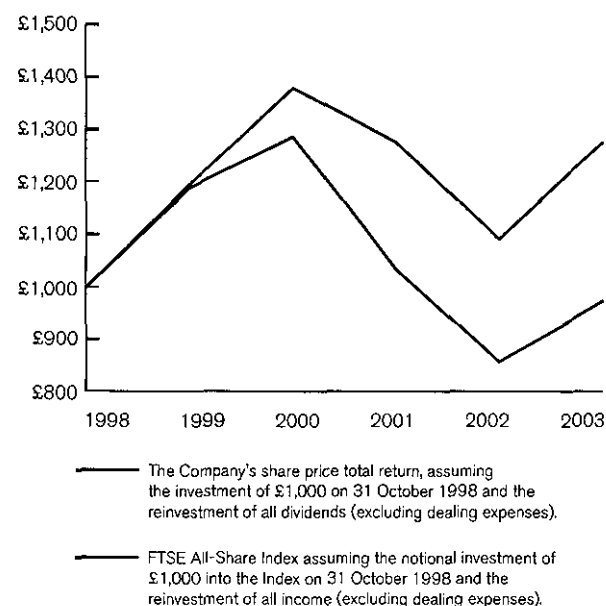
candidates of high calibre to be recruited. The policy is for the Chairman of the Board, who is also the Chairman of the Management Engagement Committee and the Nomination Committee, to be paid higher fees than the other directors in recognition of his more onerous roles.

The Company's articles of association limit the fees payable to the directors to £150,000 per annum. In the year under review the directors' fees were paid at the following annual rates: the Chairman £24,300 and the other directors £16,200 each. The policy is to review these rates annually, although such review will not necessarily result in any change to the rates.

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

Performance graph

A line graph as required by the Regulations is shown below.



The FTSE All-Share Index is selected because it was the Company's benchmark throughout the period covered by the graph.

Directors' Remuneration Report

continued

Amount of each director's emoluments

The fees payable in respect of each of the directors who served during the year, and during 2002, were as follows:

	2003	2002
	£	£
A C Barker	24,300	24,300
R D Brewster	16,200	16,200
J D Crosland	-	4,755
J Morley	16,200	16,200
M B Moule	16,200	16,200
F I Sumner	16,200	16,200
D G Thomas	16,200	16,200
TOTAL	105,300	110,055

Notes:

- (i) Up to 30 June 2003 Mr Moule's fees were paid to Henderson Global Investors Limited.
- (ii) Mr Crosland retired from the Board on 15 February 2002. No other remuneration or compensation was paid or payable by the Company during the year to any of the directors. Travel expenses of £192 (2002: £169) and £41 (2002: £9) were reimbursed to Mr Sumner and Mr Brewster respectively. No other expenses were claimed or paid to any of the directors.

Only the information included within the boxes above has been audited (see the Independent Auditors' Report on page 26).

The directors' emoluments stated in the left hand box were those actually paid by the Company. However, up to 30 June 2003 Mr Moule was employed and paid by a subsidiary of Henderson Global Investors (Holdings) plc for the provision of services to the Company during the year. It is necessary to state the proportion of the amounts he received from Henderson which related to the management of the Company, even though the Company did not pay these emoluments and was not involved in their determination. The Company has been informed that the emoluments paid by Henderson to Mr Moule in respect of his services to the Company from 1 November 2002 to 30 June 2003 were £81,101 (2002: £96,228), as analysed below:

	2003	2002
	£	£
Salary and other benefits	35,012	51,694
Performance related bonus	46,089	44,534
TOTAL	81,101	96,228
 Pension contributions (paid by Henderson)		
	3,185	4,777

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

By order of the Board

N.F. Monir

Nicole Monir, ACIS
For and on behalf of
Henderson Secretarial Services Limited, Secretary
6 January 2004

Corporate Governance

Background

The UK Listing Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code (the "Code").

Throughout the year under review the Code in force was the Combined Code on Corporate Governance issued by the London Stock Exchange in 1998. A revised Combined Code on Corporate Governance was issued by the Financial Reporting Council in July 2003. In addition, the AITC Code of Corporate Governance was issued by the Association of Investment Trust Companies in July 2003. The new Combined Code is effective for financial years beginning on or after 1 November 2003. The Board is in the course of reviewing and applying the additional requirements of both documents but this statement refers principally to the Code in force during the year under review.

Application of the Code's Principles

The Board attaches great importance to the matters set out in the Code and observes its principles. It should be noted that, as an investment trust, most of the Company's day to day responsibilities are delegated to third parties and the directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company.

The Board and Committees

The Board currently consists of seven non-executive directors, the majority of whom are deemed to be independent of Henderson Global Investors Limited (the "Manager"). Their biographies, on page 2, demonstrate a breadth of investment, commercial and professional experience.

The Board meets at least nine times a year and deals with the important aspects of the Company's affairs, including the setting and monitoring of investment strategy and the review of investment performance. The number of formal meetings of the Board and its committees held during the financial year and the attendance of individual directors are shown below:

No. of meetings in the year	Board Meetings		Committee Meetings	
	Board	Audit	Management Engagement	Charities
Andrew Barker	9	-	1	-
Richard Brewster	8	2	1	1
James Morley	9	2	1	-
Michael Moule	9	2*	1*	-
Francis Sumner	8	2	1	1
David Thomas	7	-	-	-

*Not a member of the committee but in attendance by invitation.

All the directors attended the Annual General Meeting.

The Manager takes decisions as to the purchase and sale of individual investments. The Manager also ensures that all directors receive in a timely manner all relevant management,

regulatory and financial information. Representatives of the Manager attend each Board meeting enabling the directors to probe further on matters of concern or seek clarification on certain issues. 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 Company. The directors have access to the advice and services of the corporate company secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The Chairman is an independent non-executive director. A senior non-executive director has not been identified as the Board considers that all the directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.

When a new director is appointed he or she receives a training seminar which is held by the Manager. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting directors' responsibilities are advised to the Board as they arise.

The Board has established Audit and Management Engagement Committees. The Management Engagement Committee which consists of all the independent non-executive directors, with defined terms of reference, is responsible for the review of the terms of the management contract with the Manager. The Audit Committee consists of three of the independent non-executive directors, with defined terms of reference and duties. This committee is responsible for the review of the annual accounts and the interim report, terms of appointment of the auditors, together with their remuneration as well as any non-audit services provided by the auditors. It meets with representatives of the Manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company. The Board has also established a Nomination Committee, with defined terms of reference and duties, to make recommendations on the appointment of new directors and meet annually to review the composition of the Board.

All directors are appointed for an initial term of three years, subject to re-appointment and Companies Act provisions and in accordance with the existing Articles of Association, stand for election at the first Annual General Meeting following their appointment.

The directors will retire every three years to ensure compliance with the Code. The names of the directors

Corporate Governance

continued

retiring by rotation at this year's AGM are given on page 19.

Directors' Remuneration

The Board as a whole considers directors' remuneration and therefore has not appointed a separate remuneration committee. Since all directors are non-executive, the Company is not required to comply with the principles of the Code in respect of executive directors' remuneration.

Directors' fees are detailed in the Directors' Remuneration Report on pages 22 to 23.

Internal Control

The Statement of Directors' Responsibilities in respect of the Accounts is set out on page 21. The Independent Auditors' Report is set out on page 26. The Board has delegated contractually to external third parties the management of the investment portfolio, together with the day to day accounting, company secretarial and administration requirements, as well as custodial services (which include the safeguarding of the assets) and registration services. Each contract was entered into after full and proper consideration by the Board of the quality and cost of the services offered.

The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required. The Manager has established an internal control framework to provide reasonable but not absolute assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the Manager's compliance and risk department on a continuing basis.

The Board has established a process for identifying, evaluating and managing any major risks faced by the Company. This process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 ("the Turnbull guidance"). The Board is responsible overall for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, assisted by the Manager, has undertaken an annual review of the Company's system of internal control and the business risks have been analysed and recorded in a risk map. 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 Company does not have an internal audit function; it delegates to third parties most of its operations and does not employ any staff. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended and the directors will review from time to time whether a function equivalent to an internal audit is needed.

Relations with Shareholders

The Board is keen that the AGM is a participative event which private shareholders are encouraged to attend. The AGM is attended by the Chairman of the Board, Management Engagement and Nomination Committees, as well as the Chairman of the Audit Committee. Proxy votes are relayed to those present. The Manager makes a presentation to shareholders and answers questions on investment performance. The Company has adopted a nominee share code which is set out on page 43.

The Notice of Meeting on page 41 sets out the business of the AGM and the special resolutions are explained more fully in the Report of the Directors on page 20. Separate resolutions are proposed for each substantive issue.

Socially Responsible Investment

Good corporate governance extends to a company's policies on the environment, employment, human rights and community relationships. Corporations are playing an increasingly important role in global economic activity and the adoption of good corporate governance enhances a company's economic prospects by reducing the risk of government and regulatory intervention and any ensuing damage to its business or reputation.

This company's policy is to examine and monitor the policies and actions of the companies in which it invests. Its overriding objective remains the maximisation of shareholders' total return.

Exercise of Voting Powers

The Company has approved a corporate governance voting policy which accords with current best practice whilst maintaining a primary focus on financial returns.

Statement of Compliance

The directors consider that the Company has complied with all the material provisions set out in Section 1 of the Code throughout the accounting period to 31 October 2003.

Independent Auditors' Report to the members of The Bankers Investment Trust PLC

We have audited the accounts which comprise the Group Statement of Total Return, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ("the auditable part").

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities in respect of the Accounts. The directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the accounts and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. The other information comprises only the Chairman's Statement, the Portfolio Review, the Report of the Directors, the unaudited part of the Directors' Remuneration Report and the corporate governance statement.

We review whether the corporate governance statement

The accounts are published on the following websites: www.henderson.com, www.itshenderson.com and www.bankersinvestmenttrust.com, which are websites maintained by the Company's Investment Manager, Henderson Global Investors Limited ("Henderson"). The maintenance and integrity of the websites maintained by Henderson or any of its subsidiaries are, so far as it relates to the Company, the responsibility of Henderson. The work we carry out as auditors does not involve consideration of the maintenance and integrity of these websites and accordingly we accept no responsibility for any changes that may occur to the accounts following their initial presentation on the websites.

Visitors to the websites need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit 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 accounts and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company'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 accounts and the auditable part of the Directors' Remuneration Report 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 accounts.

Opinion

In our opinion:

- the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 October 2003 and of the total return and cash flows of the group for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

6 January 2004

Group Statement of Total Return (incorporating the revenue account)

for the year ended 31 October 2003

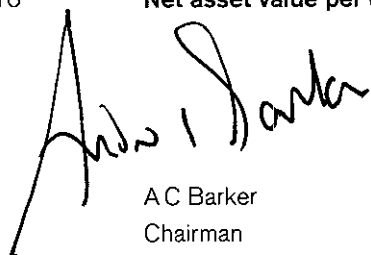
Notes	Year ended 31 October 2003			Year ended 31 October 2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
2	-	44,605	44,605	-	(61,161)	(61,161)
3	11,719	-	11,719	11,579	-	11,579
4	475	-	475	724	-	724
	12,194	44,605	56,799	12,303	(61,161)	(48,858)
5	(1,051)	(937)	(1,988)	(1,265)	(1,128)	(2,393)
6	(622)	-	(622)	(627)	-	(627)
	10,521	43,668	54,189	10,411	(62,289)	(51,878)
7	(717)	(1,672)	(2,389)	(722)	(1,685)	(2,407)
	9,804	41,996	51,800	9,689	(63,974)	(54,285)
8	(823)	480	(343)	(831)	494	(337)
	8,981	42,476	51,457	8,858	(63,480)	(54,622)
	Dividends on Ordinary Shares:					
	(6,586)	-	(6,586)	(6,359)	-	(6,359)
	(2,309)	-	(2,309)	(2,195)	-	(2,195)
	(8,895)	-	(8,895)	(8,554)	-	(8,554)
	86	42,476	42,562	304	(63,480)	(63,176)
9	7.12p	33.66p	40.78p	7.02p	(50.31)p	(43.29)p

The revenue columns of this statement represent the profit and loss accounts of the Group.


Balance Sheets

at 31 October 2003

Notes		Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
10	Fixed asset investments				
	Listed at market value:				
	in the UK	224,749	202,917	224,749	202,917
	outside the UK	166,332	139,136	166,332	139,136
	Other quoted funds	1,337	3,370	1,337	3,370
	Unquoted investments	750	1,125	750	1,125
10&11	Investment in subsidiary undertaking	-	-	709	705
	Total fixed asset investments	393,168	346,548	393,877	347,253
	Current assets				
12	Debtors	4,550	8,367	4,550	8,350
	Bank balances and short term deposits	11,480	11,215	11,275	11,027
		16,030	19,582	15,825	19,377
13	Creditors: amounts falling due within one year	(25,749)	(25,243)	(26,253)	(25,743)
	Net current liabilities	(9,719)	(5,661)	(10,428)	(6,366)
	Total assets less current liabilities	383,449	340,887	383,449	340,887
14	Creditors: amounts falling due after more than one year	(26,300)	(26,300)	(26,300)	(26,300)
	Total net assets	357,149	314,587	357,149	314,587
	Capital and reserves				
17	Called up share capital	31,542	31,542	31,542	31,542
18	Share premium account	452	452	452	452
19	Other reserves	307,689	265,213	308,398	265,918
20	Revenue reserve	17,466	17,380	16,757	16,675
22	Shareholders' funds (all equity)	357,149	314,587	357,149	314,587
16	Net asset value per ordinary share	283.1p	249.3p	283.1p	249.3p



A C Barker
Chairman



R D Brewster
Deputy Chairman

The accounts were approved by the directors on 6 January 2004.

Group Cash Flow Statement

for the year ended 31 October 2003

Notes	2003 £'000	2003 £'000	2002 £'000	2002 £'000
23		9,314		8,794
	Net cash inflow from operating activities			
	Servicing of finance			
	Debt interest paid	(1,177)	(2,302)	
	Bank and loan interest paid	(83)	(122)	
	Net cash outflow from servicing of finance	(1,260)		(2,424)
	Taxation			
	UK tax paid	-	(54)	
	Withholding tax recovered	162	208	
	Net tax recovered	162		154
	Financial investment			
	Cash received under futures contracts	38	133	
	Purchases of investments	(61,567)	(86,209)	
	Sales of investments	61,627	78,541	
	Net cash inflow/(outflow) from financial investment	98		(7,535)
	Equity dividends paid	(8,705)		(8,403)
	Management of liquid resources			
	Cash (placed on)/withdrawn from deposit	(318)		1,757
	Net cash outflow before financing	(709)		(7,657)
	Financing			
	Drawdown of loans	1,099	3,117	
	Net cash inflow from financing	1,099		3,117
24	Increase/(decrease) in cash	390		(4,540)
	Reconciliation of net cash flow to movements in net debt			
	Increase/(decrease) in cash as above	390		(4,540)
	Net cash inflow from increase in loans	(1,099)		(3,117)
	Cash outflow/(inflow) from movement in liquid resources	318		(1,757)
	Change in net debt resulting from cash flows	(391)		(9,414)
	Exchange movements	(81)		1,306
	Movement in net debt in the year	(472)		(8,108)
	Net debt at 1 November	(31,772)		(23,664)
24	Net debt at 31 October	(32,244)		(31,772)

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" (SORP) dated December 1995. 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 and Navy Investment Company Limited.

c Valuation of fixed asset investments

UK listed investments are valued according to the prices issued by the London Stock Exchange being the closing mid-market prices for all investments other than FTSE 100 constituents and FTSE 100 reserve list constituents for which the last trade prices are used. Overseas listed investments are valued at their closing mid-market prices or last trade prices if appropriate. Unquoted 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 other 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 and interest payable

On the basis of the Board's expected long term split of returns in the form of capital gains and income of 70% and 30% respectively, the Company charges 70% of its interest payable and investment management fee to other reserves. All other expenses are charged to revenue.

h 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.

i Taxation

The tax effect of different items of expenditure is allocated between capital and revenue using the Company's effective rate of tax for the year.

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date other than those differences regarded as permanent. Any liability to deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

j Financial instruments

Derivative instruments utilised by the Group include futures and traded options. A derivative instrument is considered to be used for hedging purposes when it alters the market risk profile of an existing underlying exposure of the Group. The Company has taken advantage of the exemption allowed under FRS 13 and excluded short term debtors and creditors from disclosures under financial instruments where allowed.

Notes to the Accounts

continued

	2003 £'000	2002 £'000
2 Total capital gains/(losses) from investments		
Realised losses based on historical cost	(3,716)	(4,805)
Amounts recognised as unrealised in previous years	6,429	1,562
Realised gains/(losses) based on carrying value at previous balance sheet date	2,713	(3,243)
Net movement in unrealised appreciation	41,960	(59,224)
Net movement on foreign exchange	(68)	1,306
	44,605	(61,161)
3 Income from fixed asset investments		
Franked:		
Listed	7,995	7,868
Unfranked:		
Listed investments:		
Dividend income	3,622	3,421
Interest income	90	130
Scrip dividends	12	160
	3,724	3,711
Total income from fixed asset investments	11,719	11,579
4 Other interest receivable and similar income		
Dealing profits	-	41
Bank interest	340	452
Stock lending fees	46	37
Underwriting commission	89	194
	475	724

At 31 October 2003 the total value of securities on loan by the Company for stock lending purposes was £18,880,000 (2002: £12,372,000). The maximum aggregate value of securities on loan at any one time during the year ended 31 October 2003 was £28,391,000 (2002: £29,135,000).

	Revenue £'000	2003 Capital £'000	Total £'000	Revenue £'000	2002 Capital £'000	Total £'000
5 Management fee						
Investment management	361	841	1,202	439	1,025	1,464
Accounting, secretarial and administration	601	-	601	732	-	732
Irrecoverable VAT thereon	89	96	185	94	103	197
	1,051	937	1,988	1,265	1,128	2,393

A summary of the terms of the Management Agreement is given in the Report of the Directors on pages 19 and 20.

Notes to the Accounts

continued

6 Other administrative expenses	2003 £'000	2002 £'000
Directors' fees	105	110
Auditors' remuneration: for audit services	13	12
Other expenses payable to the management company	35	35
Bank charges	56	61
Promotional activity	138	140
Irrecoverable VAT	31	32
Other expenses	244	237
	622	627

Other expenses payable to the management company relate to the share plan administration. Promotional activity includes amounts paid to the AITC and the management company for marketing. There were no non-audit fees charged during the year (2002: £nil).

7 Interest payable	Revenue £'000	2003 Capital £'000	Total £'000	Revenue £'000	2002 Capital £'000	Total £'000
Bank currency loan and other interest	26	61	87	31	74	105
Interest on debentures repayable wholly or partly after five years	691	1,611	2,302	691	1,611	2,302
	717	1,672	2,389	722	1,685	2,407

8 Taxation	2003 £'000	2002 £'000
(a) Analysis of charge in period:		
UK Corporation Tax at 30% (2002: 30%)	385	273
Double taxation relief	(385)	(273)
Tax credits attributable to French & Italian dividend income	(133)	(157)
Under provision in prior years	-	8
Overseas tax reclaimable	(146)	(170)
	(279)	(319)
Overseas withholding tax suffered	622	656
	343	337
Tax attributable to expenses and interest charged to capital	480	494
Current tax charge for the year	823	831

Notes to the Accounts

continued

8 Taxation (continued)

(b) Factors affecting current tax charge for the year:

The tax assessed for the period is lower than the standard rate of corporation tax in the UK for a large company (30%). The difference is explained below.

	2003 £'000	2002 £'000
Net profit on ordinary activities before taxation	9,804	9,689
Corporation tax at 30%	2,941	2,907
Effects of:		
Non taxable UK dividends	(2,399)	(2,360)
Non taxable scrip dividends and other income	(14)	(48)
Withholding tax suffered	476	485
Double taxation relief	(385)	(273)
Income taxable in different periods	(16)	(6)
Excess management expenses and loan relationship deficits not utilised	555	534
Tax relief on capitalised expenses	(303)	(350)
Disallowable expenses	61	44
Tax credits attributable to French and Italian dividend income (net of tax relief)	(93)	(110)
Under provision in prior years	-	8
Current tax charge for the year (see note 8(a))	823	831

The Group has not recognised deferred tax assets of £1,651,000 (2002: £1,096,000) arising as a result of excess management expenses and loan relationship deficits. These expenses will only be utilised if the Group has profits chargeable to corporation tax in the future.

9 Return/(loss) per ordinary share

Revenue return per ordinary share is based on earnings attributable to ordinary shares of £8,981,000 (2002: £8,858,000), and on the number of ordinary shares in issue during the year of 126,169,781 (2002: 126,169,781).

Capital gain per ordinary share is based on gains attributable to ordinary shares of £42,476,000 (2002: losses of £63,480,000), and on the number of ordinary shares in issue during the year of 126,169,781 (2002: 126,169,781).

Notes to the Accounts

continued

10 Fixed asset investments				Total £'000
(a) Group				
	Valuation at 1 November 2002			346,548
	Unrealised appreciation			(3,609)
	Cost at 1 November 2002			342,939
	Additions at cost			60,024
	Disposals at cost			(61,793)
	Cost at 31 October 2003			341,170
	Unrealised appreciation			51,998
	Valuation at 31 October 2003			393,168
(b) Company		Subsidiary Undertaking £'000	Investments £'000	Total £'000
	Valuation at 1 November 2002	705	346,548	347,253
	Unrealised appreciation	(705)	(3,609)	(4,314)
	Cost at 1 November 2002	–	342,939	342,939
	Additions at cost	–	60,024	60,024
	Disposals at cost	–	(61,793)	(61,793)
	Cost at 31 October 2003	–	341,170	341,170
	Unrealised appreciation	709	51,998	52,707
	Valuation at 31 October 2003	709	393,168	393,877

11 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 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.

12 Debtors	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Sales for future settlement	3,306	6,911	3,306	6,894
Other taxes recoverable	199	202	199	202
Prepayments and accrued income	1,033	1,210	1,033	1,210
Other debtors	12	44	12	44
	4,550	8,367	4,550	8,350

Notes to the Accounts

continued

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
13 Creditors: amounts falling due within one year				
Bank loans	17,424	16,687	17,424	16,687
Purchases for future settlement	2,520	4,080	2,520	4,075
Amounts due to subsidiary undertaking	–	–	504	505
Dividends payable on ordinary shares	4,505	4,315	4,505	4,315
Accruals	1,284	143	1,284	143
Other creditors	16	18	16	18
	25,749	25,243	26,253	25,743
			Group and Company	
14 Creditors: amounts falling due after more than one year			2003	2002
			£'000	£'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 on 31 October 2016 and 31 October 2023 respectively (except in so far as previously purchased and cancelled).

15 Financial instruments

(i) Management of risk

The Group's financial instruments comprise:

- Equity and non-equity shares and fixed interest securities that are held in accordance with the Group's investment objectives as set out on page 1 of the report and accounts;
- Debenture stock, term loans and bank overdrafts, the main purpose of which is to raise finance for the Group's operations;
- Cash, liquid resources and short term debtors and creditors that arise directly from the Group's operations; and
- Derivative transactions which the Group enters into comprising futures and traded options, the purpose of which is to manage market price risks arising from the Group's investment activities.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are market price risk, interest rate risk, liquidity risk and foreign currency risk. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. As last year, these policies have remained constant throughout the year under review.

Notes to the Accounts

continued

15 Financial instruments (continued)

Market price risk

Market price risk arises mainly from uncertainty about the future prices of financial instruments used in the Group's operations. It represents the potential loss the Group might suffer through holding market positions in the face of price movements and movements in exchange rates. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. The allocation of assets to international markets and stock selection are other factors which act to reduce market risk. The investment manager actively monitors market prices throughout the year and reports to the Board, which meets regularly to consider investment strategy.

Interest rate risk

The Group finances its operations through its debenture stocks and term loans as well as bank overdrafts and any retained revenues arising from operations. The Group borrows in the desired currencies at both fixed and floating rates of interest and the Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis.

Liquidity risk

The Group's assets comprise mainly readily realisable securities which can be sold to meet funding commitments if necessary. The maturity of the Group's existing borrowings are set out below. Short term flexibility is achieved through the use of short term borrowing and overdraft facilities.

Foreign currency risk

The Group's total return and net assets can be significantly affected by currency translation movements as some of the Group's assets and revenue are denominated in currencies other than sterling. The fund manager mitigates the individual currency risks through the international spread of investments. Borrowings in foreign currencies will be limited to levels appropriate to the asset exposure to these currencies.

(ii) Interest rate risk profile of financial assets and financial liabilities

Financial assets

The majority of the Group's financial assets are equity shares and other investments which neither pay interest nor have a stated maturity date.

Financial liabilities

The interest rate profile of the Group's financial liabilities at 31 October 2003 was:

Currency	Total	Floating rate	Fixed rate	Total	Floating rate	Fixed rate
	2003	financial	financial	2002	financial	financial
	£'000	liabilities	liabilities	£'000	liabilities	liabilities
		2003	2003		2002	2002
		£'000	£'000		£'000	£'000
Sterling	26,300	–	26,300	26,300	–	26,300
Yen	17,424	17,424	–	16,687	16,687	–
Total	43,724	17,424	26,300	42,987	16,687	26,300

Notes to the Accounts

continued

15 Financial instruments (continued)

Currency	Weighted average interest rate 2003 %	Fixed rate financial liabilities		Weighted average interest rate 2002 %	Weighted average period for which interest rate is fixed 2002
		Weighted average period for which interest rate is fixed 2003	Weighted average interest rate 2002 %		
Sterling – with a redemption date	9.0	17.2 years	9.0	18.2 years	
– without a redemption date	4.0	–	4.0	–	

(iii) Maturity profile of the Group's financial liabilities

All of the Group's sterling financial liabilities at 31 October 2003 mature in more than five years. All of the Group's other financial liabilities mature within one year. The Group had committed short term loan facilities of £25,000,000 (2002: £18,000,000) and Yen nil (2002: Yen 1,000,000,000) as at 31 October 2003. It also has uncommitted overdraft facilities of £10,000,000 (2002: £10,000,000). The facilities are subject to regular review by the providers.

(iv) Currency exposure

A portion of the financial assets and financial liabilities of the Group are denominated in currencies other than sterling with the effect that the net assets and total return can be significantly affected by currency movements.

Currency	Investments denominated in overseas currencies	Net monetary assets/ (liabilities)	Total currency exposure	Investments denominated in overseas currencies	Net monetary assets/ (liabilities)	Total currency exposure
	2003 £'000	2003 £'000	2003 £'000	2002 £'000	2002 £'000	2002 £'000
Euro	45,723	6,716	52,439	42,327	5,868	48,195
US dollar	52,161	166	52,327	45,271	2,473	47,744
Other non-sterling	69,785	(16,731)	53,054	52,621	(16,052)	36,569
Total	167,669	(9,849)	157,820	140,219	(7,711)	132,508

(v) Fair values of financial assets and financial liabilities

All of the financial assets of the Group are held at fair value.

Set out below is a comparison of book values and fair values of the Group's sterling fixed rate financial liabilities at 31 October 2003

	Book value 2003	Fair value 2003	Book value 2002	Fair value 2002
	£'000	£'000	£'000	£'000
Long-term borrowings	26,300	32,161	26,300	32,463

The fair values shown above have been calculated by reference to prices available from the markets on which the instruments involved are traded. All other financial liabilities are held at fair value.

Notes to the Accounts

continued

16 Net asset value per ordinary share

The net asset value per ordinary share is based on net assets attributable to ordinary shares of £357,149,000 (2002: £314,587,000) and on the 126,169,781 ordinary shares in issue at 31 October 2003 (2002: 126,169,781).

	£'000
Net assets attributable to ordinary shares at 1 November 2002	314,587
Total net gains on ordinary activities after taxation	51,457
Dividends appropriated in the year:	
ordinary shares	(8,895)
Net assets attributable to ordinary shares at 31 October 2003	357,149

17 Called up share capital

	2003 £'000	2002 £'000
Authorised:		
186,280,000 ordinary shares of 25p each	46,570	46,570
Allotted, issued and fully paid:		
126,169,781 (2002: 126,169,781) ordinary shares of 25p each	31,542	31,542

18 Share premium account

At 31 October	2003 £'000	2002 £'000
	452	452

19 Other reserves

(a) Group

	Capital redemption reserve £'000	Capital reserve unrealised £'000	Capital reserve realised £'000	Total £'000
At 1 November 2002	8,668	3,794	252,751	265,213
Transfer on disposal of assets	-	6,429	(6,429)	-
Net movement on fixed asset investments	-	41,960	2,713	44,673
Net gains/(losses) on foreign exchange	-	1	(69)	(68)
Expenses and interest payable charged to capital	-	-	(2,609)	(2,609)
Tax relief on expenses and interest payable credited to capital	-	-	480	480
At 31 October 2003	8,668	52,184	246,837	307,689

(b) Company

	Capital redemption reserve £'000	Capital reserve unrealised £'000	Capital reserve realised £'000	Total £'000
At 1 November 2002	8,668	4,499	252,751	265,918
Transfer on disposal of assets	-	6,429	(6,429)	-
Net movement on fixed asset investments	-	41,964	2,713	44,677
Net gains/(losses) on foreign exchange	-	1	(69)	(68)
Expenses and interest payable charged to capital	-	-	(2,609)	(2,609)
Tax relief on expenses and interest payable credited to capital	-	-	480	480
At 31 October 2003	8,668	52,893	246,837	308,398

Notes to the Accounts

continued

20 Revenue reserve	Group £'000	Company £'000
At 1 November 2002	17,380	16,675
Net retained revenue for the year	86	82
The Company has taken advantage of section 230 of the Companies Act 1985 not to publish its own profit and loss account.		
At 31 October 2003	17,466	16,757
<hr/>		
21 Capital commitments		
As at 31 October 2003 there were capital commitments relating to underwriting for the Group of £87,000 (2002: £nil) and for the Company of £87,000 (2002: £nil).		
<hr/>		
22 Group reconciliation of movement in shareholders' funds	2003 £'000	2002 £'000
Net revenue on ordinary activities after taxation	8,981	8,858
Dividends	(8,895)	(8,554)
	86	304
Increase/(decrease) in other reserves	42,476	(63,480)
Net increase/(decrease) in shareholders' funds	42,562	(63,176)
Shareholders' funds at 1 November	314,587	377,763
Shareholders' funds at 31 October	357,149	314,587
<hr/>		
23 Reconciliation of operating revenue to net cash inflow from operating activities	2003 £'000	2002 £'000
Net revenue before interest payable and taxation	10,521	10,411
Net sales of trading stock	-	83
Decrease in prepayments and accrued income	177	78
Decrease in other debtors	49	17
Increase/(decrease) in other creditors	5	(8)
Investment management fee charged to capital	(937)	(1,128)
Overseas withholding tax suffered	(489)	(499)
Scrip dividends included in investment income	(12)	(160)
Net cash inflow from operating activities	9,314	8,794

Notes to the Accounts

continued

24 Analysis of changes in net debt	1 November 2002 £'000	Cash flow £'000	Exchange movements £'000	31 October 2003 £'000
Net cash:				
Cash at bank less overdrafts	10,444	708	328	11,480
Less: deposits treated as liquid resources	(3,195)	(318)	(34)	(3,547)
	<u>7,249</u>	<u>390</u>	<u>294</u>	<u>7,933</u>
Liquid resources:				
Deposits included in cash	3,195	318	34	3,547
Debt:				
Debts falling due within one year	(15,916)	(1,099)	(409)	(17,424)
Debts falling due after more than one year	(26,300)	–	–	(26,300)
	<u>(42,216)</u>	<u>(1,099)</u>	<u>(409)</u>	<u>(43,724)</u>
Net debt	<u>(31,772)</u>	<u>(391)</u>	<u>(81)</u>	<u>(32,244)</u>

25 Related Party Transactions

Under the terms of an agreement dated 17 January 1995 the Company has appointed wholly owned subsidiary companies of Henderson Global Investors (Holdings) plc ("Henderson") and BNP Paribas Fund Services UK Limited (formerly Cogent Investment Operations Limited) 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 pages 19 to 20. The total fees paid or payable under this agreement to Henderson in respect of the year ended 31 October 2003 were £1,803,000, excluding VAT (2002: £2,196,000), of which £289,000 is included in prepayments at 31 October 2003 (2002: prepayment of £359,000).

In addition to the above services, Henderson has provided the Company with share plan administration and marketing services during the year. The total fees paid or payable for these services for the year ended 31 October 2003 amounted to £153,000, excluding VAT (2002: £150,000), of which £51,000 was outstanding at 31 October 2003 (2002: £57,000).

Notice of Meeting

Notice is hereby given that the one hundred and sixteenth Annual General Meeting of The Bankers Investment Trust PLC will be held at the Drapers' Hall, Throgmorton Avenue, London EC2 on Friday 20 February 2004 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 2003.
- 2 To approve the directors' remuneration report for the year ended 31 October 2003.
- 3 To declare a final ordinary dividend.
- 4 To re-appoint Mr A C Barker as a director.
- 5 To re-appoint Mr R D Brewster as a director.
- 6 To re-appoint Mr D G Thomas as a director.
- 7 To appoint Mr R W Killingbeck as a director.
- 8 To re-appoint PricewaterhouseCoopers LLP as registered auditors to the Company.
- 9 To authorise the directors to determine the auditors' remuneration.

Special Business

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

As an Ordinary Resolution

- 10 THAT the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £1,577,122 (being 5% of the issued share capital at the date of this notice) PROVIDED THAT this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired and THAT the directors may only use this authority when it is advantageous to the Company's existing shareholders.

As Special Resolutions

- 11 THAT, subject to resolution 10 being passed, the Board be and it is hereby empowered pursuant to Section 95 of the

Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash at a price not less than the then prevailing net asset value per share pursuant to the authority conferred by resolution 10 as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment, PROVIDED THAT this power shall expire upon the renewal of this authority or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement as if the power conferred hereby had not expired.

- 12 THAT the Company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Companies Act 1985) of ordinary shares of 25p each in the capital of the Company ("Shares") PROVIDED THAT:

(a) the maximum percentage of ordinary share capital which may be purchased is 14.99% (equivalent to 18,912,850 Shares at the date of this notice);

(b) the maximum price (exclusive of expenses) which may be paid for a Share shall not exceed 105% of the average of the middle market quotations for the Shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase;

(c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 25p, being the nominal value per Share; and

(d) this authority shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may, before such expiry, enter into a contract to purchase Shares under which such purchases will or may be completed or executed wholly or partly after the expiration of this authority and may make a purchase of Shares in pursuance of any such contract.

By order of the Board

NF. Monir
Nicole Monir ACIS

For and on behalf of
Henderson Secretarial Services Limited
Secretary

6 January 2004

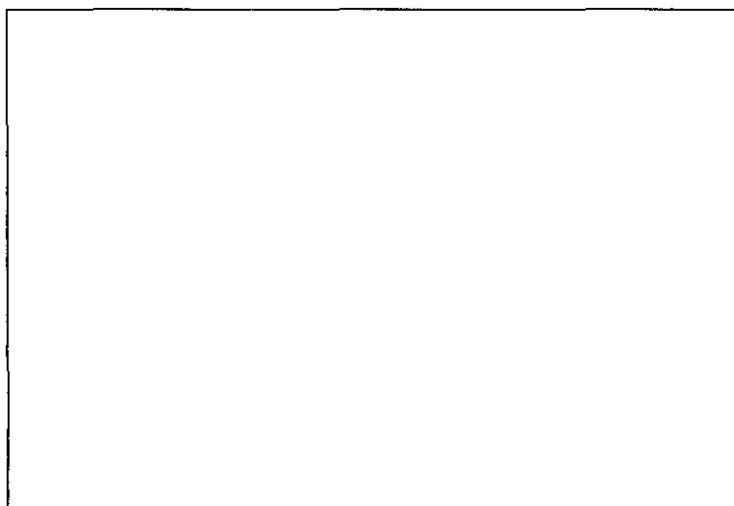
Registered Office:

4 Broadgate, London EC2M 2DA

Notes

- Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 only those shareholders registered in the Register of Members of the Company at 6pm on 18 February 2004 shall be entitled to attend and vote at the Annual General Meeting.
- A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. A form of proxy is enclosed and to be valid must be lodged with the Company's registrars not less than forty-eight hours before the time fixed for the meeting.
- The completion of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.
- This notice is sent for information only to debenture stock holders who are not entitled to attend or vote at the meeting.
- 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 meeting.

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, Bank and Moorgate Underground Stations. Please use the Throgmorton Street entrance.

Analysis of Ordinary Shareholders

at 31 October 2003

Category	Number of shareholders	%	Number of shares held (000's)	%
Individuals (UK Register)	6,032	31.7	24,405	19.3
Individuals (New Zealand Register)	1,206	6.3	4,970	3.9
Individuals (Henderson Share Plan*/ISAs/PEPs)	8,697	45.7	22,750	18.0
Private Clients (Nominee Accounts)	3,018	15.9	46,104	36.6
Life Assurance and Pension Funds	39	0.2	23,667	18.8
Other Institutions and Charities	46	0.2	4,274	3.4
Total	19,038	100.0	126,170	100.0

Source: Lloyds TSB Registrars Scotland, Fulcrum Research Limited and BNPParibas Fund Services UK Limited.

*The Henderson Investment Trust Share Plan shareholders decreased from 7,353 to 7,138 during the financial year.

Investor Information

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 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

www.henderson.co.uk

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.

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 in the Henderson Investment Trust Share Plan, the Henderson Selection ISA and the Henderson Selection Transfer PEP receive all shareholder communications, an invitation to the AGM and a Letter of Instruction to facilitate voting.

Capital Gains Tax

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

Dividends

Ordinary shares:

First interim paid end May

Second interim paid end August

Third interim paid end November

Final paid end February

Debenture stock interest

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.

Investing in Bankers

Ordinary shares of Bankers 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. Alternatively, shares may be bought directly through the Henderson Investment Trust Share Plan and/or a Henderson ISA and can be held in a Henderson Transfer PEP.

Disability

Copies of this Report and Accounts 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, Lloyds TSB Registrars Scotland, 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.

For investors through the Henderson Investment Trust Share Plan, Henderson ISA or Henderson Transfer PEP or ISA a textphone telephone service is available on 020 7850 5406. This service is available during normal business hours.

Investor Information

Directors

Andrew C Barker (Chairman)
Richard D Brewster (Deputy Chairman)
Richard W Killingbeck
James Morley
Michael B Moule
Francis I Sumner
David G Thomas

Audit Committee

Richard D Brewster (Chairman)
James Morley
Francis I Sumner

Management Engagement Committee and Nomination Committee

Andrew C Barker (Chairman)
Richard D Brewster
Richard W Killingbeck
James Morley
Francis I Sumner
David G Thomas

Investment Manager

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

Secretary

Henderson Secretarial Services Limited
represented by Nicole Monir ACIS

Registered Number

Registered in England No. 26351C

Registered Office

4 Broadgate,
London EC2M 2DA
Telephone: 020 7818 1818
Fax: 020 7818 1819

Auditors

PricewaterhouseCoopers LLP,
Southwark Towers,
32 London Bridge Street,
London SE1 9SY

Registrars

Lloyds TSB Registrars Scotland,
PO Box 28448,
Finance House,
Orchard Brae,
Edinburgh EH4 1WQ
Telephone: 0870 601 5366

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

New Zealand Registrars

Computershare Investor Services Limited,
Private Bag 92119,
Auckland 1020,
New Zealand
Telephone: (New Zealand) (64) 09 488 8777

New Zealand Stockbrokers

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

Solicitors

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

Bankers

Bank of New York Europe Limited,
67 Lombard Street,
London EC3P 3DL

JP Morgan plc,
125 London Wall,
London EC2Y 5AJ

Stockbrokers

Cazenove,
20 Moorgate,
London EC2R 6DA



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