THE BANKERS INVESTMENT TRUST PLC

Annual Report 2016

MANAGED BY
Henderson
GLOBAL INVESTORS

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The image on the front cover is based on the HSBC Bank Building in Hong Kong.

Strategic Report

The Company aims to provide investors with an attractive total return, focused on growing both capital and income for shareholders.

Objectives

Capital – To achieve long term asset growth through active stock selection.

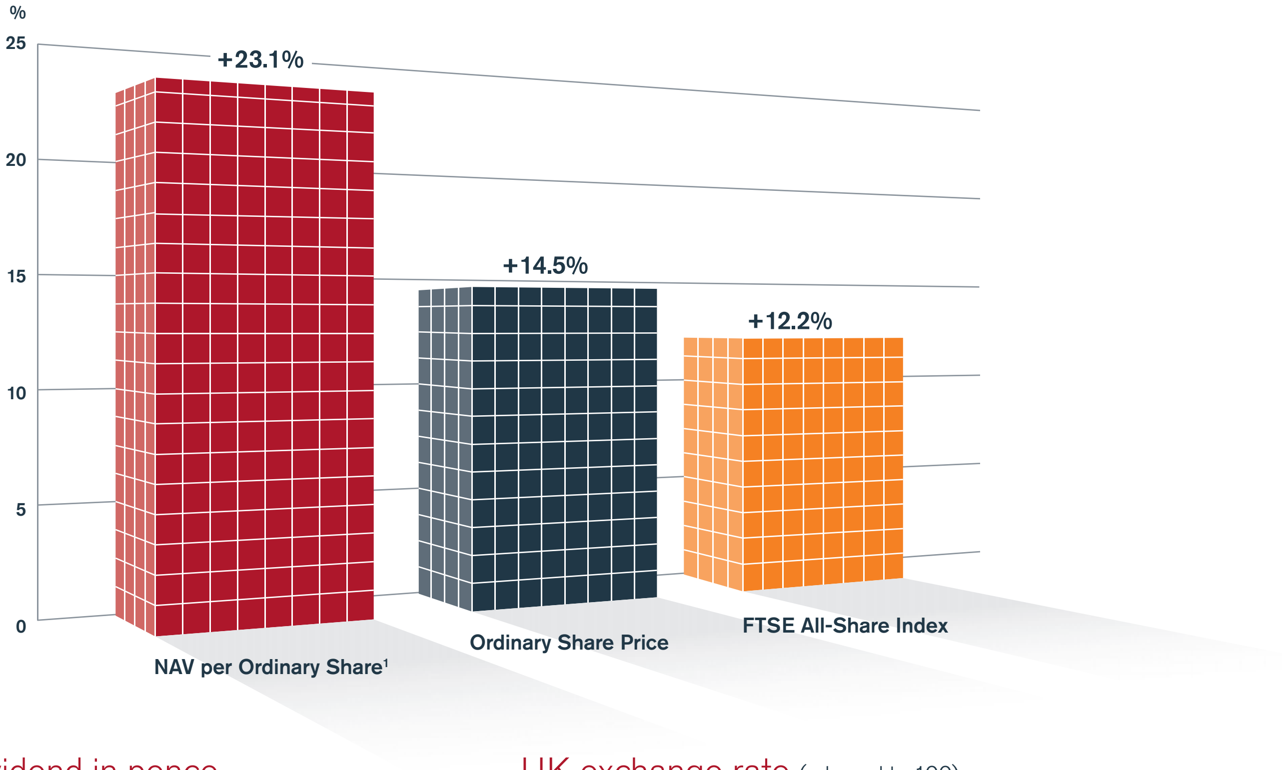
Income – To achieve regular dividend growth greater than inflation.

Investment Policy

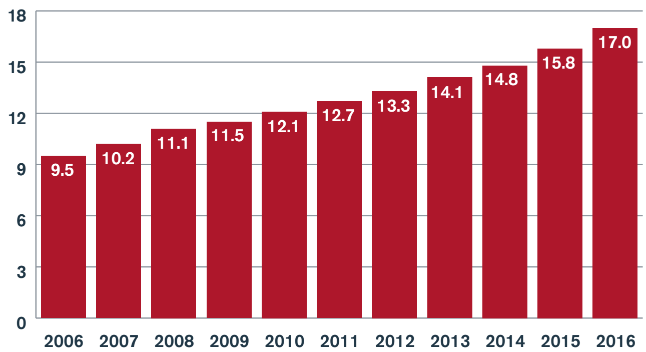
To achieve both these objectives by investing in a broadly diversified international portfolio of shares.

Strategic Report: Performance Highlights

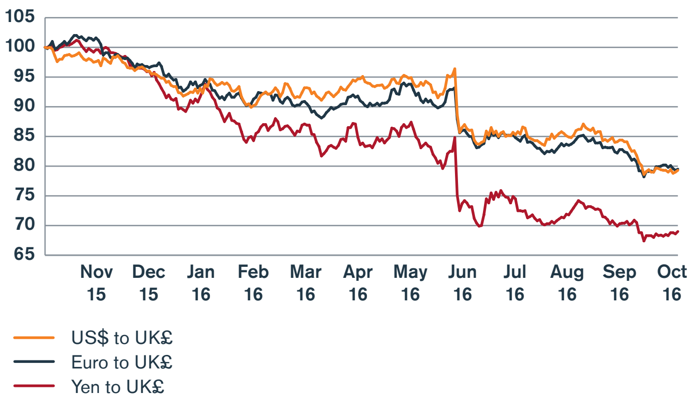
Total return performance for year to 31 October 2016



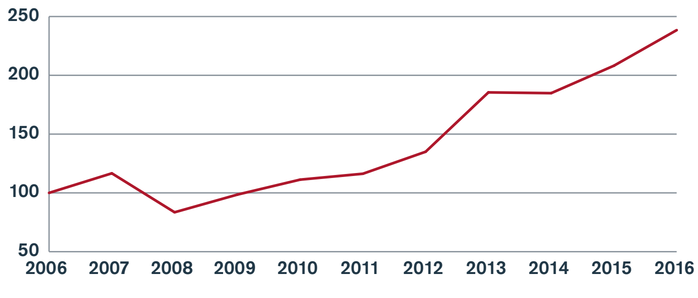
Historical dividend in pence



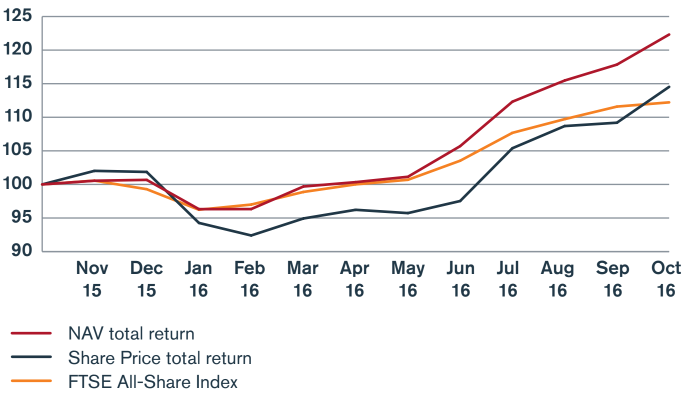
UK exchange rate (rebased to 100)



Ten year share price total return performance to 31 October 2016 (rebased to 100)



NAV and share price total return performance versus the index over the year to 31 October 2016[3] (rebased to 100)



Strategic Report: Performance Highlights (continued)

NAV per share at year end

2016 **755.9p** 2015 630.2p

Share price at year end[2]

2016 **690.0p** 2015 618.5p

Dividend for year[4]

2016 **17.0p** 2015 15.8p

Dividend yield[5]

2016 **2.5%** 2015 2.6%

Retail Prices Index increase over year

2016 **2.0%** 2015 0.7%

Ongoing charge for year

2016 **0.52%** 2015 0.52%

Net gearing at year end[6]

2016 **2.6%** 2015 2.0%

Discount at year end

2016 **8.7%** 2015 1.9%

Long Term Growth Record to 31 October 2016

	3 years %	5 years %	10 years %	15 years %
Capital return[7]				
Net asset value	28.6	69.0	70.8	149.6
Share price	19.0	79.2	79.0	146.0
FTSE All-Share Index	5.1	31.7	20.0	56.1
Total return[8]				
Net asset value	39.1	93.8	122.2	266.3
Share price	28.5	105.0	138.3	274.3
FTSE All-Share Index	16.8	57.4	71.3	161.9
Net dividend	20.3	33.9	79.3	158.3
Retail Prices Index	5.1	11.3	32.1	52.0

1 Net asset value total return per share (including dividends per share reinvested)
2 Share price is the mid market closing price
3 Graph shows the Company's net-asset value total return and share price total return compared to the total return of the Index over the year to 31 October 2016
4 This represents the four ordinary dividends recommended or paid for the year (see page 5 for more details)
5 Based on the share price at the year end
6 Net gearing is calculated in accordance with the gearing definition in the glossary on page 28
7 Capital return excludes all dividends
8 Total return assumes net dividends re-invested
Sources: Morningstar for the AIC, Henderson, Datastream

Strategic Report: Business Model

Strategy

The Company's strategy is to meet its investment objectives. This is achieved through the appointment of external management which operates in accordance with the Company's investment policy.

Investment Objectives

The Company aims to provide investors with an attractive total return, by focusing on growing both capital and income for shareholders. Specifically, the Company's objectives for capital is to achieve long term asset growth through active stock selection and for income is to achieve regular dividend growth greater than inflation, as defined by the UK Retail Prices Index (RPI).

The Company does not have a formal benchmark but aims over the long term to deliver a total return greater than the UK stock market, being the home market for the majority of the shareholders. The investment strategy of the Company involves investment in shares of predominantly international companies listed throughout the world and therefore entails exposure to additional political, currency and market risks. It is expected that the total returns resulting from undertaking these risks should, over the long term, outperform the UK stock market, as represented by the FTSE All-Share Index. However, given the divergent mix of investments relative to this index, there may be periods of short to medium term deviation from this index's returns. Meanwhile, the regional portfolios are reviewed and returns attributed against local indices and these are reflected in their respective fund manager reports in this Annual Report.

Investment Policy

To achieve the investment objectives the Company's investment policy is to invest its assets in a portfolio primarily composed of international equities. The portfolio is broadly diversified by both geography and sector in order to reduce investment risk. The Manager ('Henderson') has the flexibility to invest in any geographic region and has no set limits on individual country or sector exposures although the Board regularly monitors the Company's investments and the Manager's investment activity. The Manager primarily employs a bottom-up, value-based investment process to identify suitable opportunities and pays particular regard to cash generation and dividends.

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

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

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

The Company achieves an appropriate spread of investment risk principally through a broadly diversified portfolio which, at 31 October 2016, contained 194 (2015: 204) individual investments. At 31 October 2016, the largest single investment was BP, which accounted for 2.48% of total investments, while the top 25 holdings totalled 29.25% of total investments.

Investment risk may be further reduced through the use of currency hedging, foreign borrowings and derivatives.

Information regarding the Company's investment exposures can be found on page 9.

Further information regarding investment risk and activity throughout the year can be found in the Fund Manager's Review and accompanying regional pages.

Management

The Company qualifies as an Alternative Investment Fund ('AIF') in accordance with the Alternative Investment Fund Manager Directive ('AIFMD').

The Company has appointed Henderson Investment Funds Limited ('HIFL') to act as its Alternative Investment Fund Manager ('AIFM') in accordance with an agreement which was effective from 22 July 2014 and is terminable on six months' notice. HIFL delegates investment management services to Henderson Global Investors Limited, which acts as Manager. Both entities are authorised and regulated by the Financial Conduct Authority ('FCA'). References to Henderson within this report refer to the services provided by both entities.

The fund management team is led by Alex Crooke, who has been in place since 2003. He is assisted by Tim Stevenson, Ian Warmerdam, Michael Kerley, Charlie Awdry and Nicholas Cowley.

Henderson and its subsidiaries provide accounting, company secretarial and general administrative services. Some of the administration and accounting services are carried out, on behalf of Henderson, by BNP Paribas Securities Services. Wendy King FCIS acts as Company Secretary on behalf of the Corporate Secretary, Henderson Secretarial Services Limited.

Management Fee

From 1 July 2016 the management fee has been amended to take into account the increase in the assets following the Henderson Global Trust plc transaction and to simplify the calculation. It is now equal to the aggregate of 0.45% per annum of the first £750 million and 0.40% per annum on the excess over £750 million of the value of the net assets on the last day of the quarter immediately preceding the quarter in respect of which the calculation is made. Notwithstanding the foregoing, the management fee calculated for the final two calendar quarters of 2016 and the four quarters of 2017 shall be subject to a cap of £843,685 per quarter. Prior to this change the management fee was calculated using the average net assets on the last day of October in each of the two preceding years at the rate of 0.45% on average net assets up to £750 million and 0.40% of average net assets over £750 million.

Strategic Report: Chairman's Statement

The Chairman of the Company, Richard Killingbeck, reports on the year to 31 October 2016

- Net asset value per share increase of 19.9%
- Dividend increase of 7.6%
- 50th consecutive year of dividend increase
- Forecast increase in 2017 dividend of at least 6.0%

Performance

I am pleased to be able to report another excellent year of performance for our shareholders. A net asset value return of 19.9% and a dividend increase of 7.6% are significant achievements during what has proven to be a volatile year in financial markets. That these strong returns should be generated against such difficult markets is testament to our fund management team. However, despite our efforts to buy-back shares in the market, the degree of volatility and uncertainty led to a widening of our discount and thus the share price rise during the period was restricted to 12%. Looking forward the Board is now able to recommend a further significant increase in the dividend representing the 50th consecutive year of dividend increases and, importantly, an improvement in the growth rate in dividend payments relative to the last ten years. This record is a notable achievement by any standards and reinforces the benefits of taking a long term view of equity investing.

I was too cautious last year in my outlook for returns from world equity markets albeit, on closer inspection, a substantial element of these returns were generated in the second half of the year and were driven by exchange rate movements. The catalyst for this shift in sentiment away from sterling was the European Referendum which not only surprised the political elite but also the markets. The reaction was quickest on the currency markets where sterling fell significantly against every major currency, followed by rapid stock and sector rotation in the UK equity market towards the larger, international companies and away from the mid-sized, domestically focused companies. The majority of the market returns in sterling for the year were generated in the month after the Brexit vote.

The impact of currency on our portfolio of investments is demonstrated by the comparison of global market returns in sterling. The total return from the FTSE All-Share Index for the twelve month period ended 31 October 2016 was 12.2%, compared with a total return for a sterling investor from North America of 32.3%, from Europe of 19.7% and from Japan of 31.4%. Even emerging market currencies proved to be stronger than sterling during the summer and, when combined with better local markets, the sterling return from the FTSE All-World Emerging Market Index was in excess of 49.1% for a sterling investor. These returns are truly exceptional and demonstrate the benefit of having a broad diversified portfolio of unhedged international equities.

As reported in my statement last year, over the last ten years we have continued to reduce our exposure to sterling assets. Whilst not expecting the currency fluctuations mentioned above it does clearly focus the attention in regard to our regional asset allocation. Approximately ten years ago the sterling exposure of the total portfolio was as high as 55%. Today it is less than 30% and, given the growth in international stock markets, I would expect this declining exposure to the UK to continue.

Revenue and Dividends

Total revenue generated by the portfolio rose helped by solid underlying dividend growth across our equity holdings. Special dividends have again been a significant contributor to our total revenue line, albeit below the levels of the previous year. The exchange rate changes also helped the revenue account when dividends were translated into sterling. It is against this strong backdrop that the Board is again able to recommend an increase in the final quarterly dividend to 4.60p per share. If approved by shareholders this will result in a total dividend payment for the year of 17.0p (2015: 15.8p), an increase of 7.6%. This compares with my forecast of an increase of at least 4% in my statement last year. Our revenue earnings per share over the same period rose to 17.5p, an increase of 1.8%.

The outlook for the year ahead, from a revenue account perspective, is positive. If the sterling exchange rate remains at around the current levels against the US dollar, euro and yen and the trend of dividend

Strategic Report: Chairman's Statement (continued)

increases continues, especially from our overseas investments, a further increase can be expected in the dividend for the year ahead. The confidence behind this projection is enhanced by the strong level of revenue reserves which we continue to maintain and which, if appropriate, the Board will access to maintain the progressive dividend policy of the last 50 years. As such I am able, on behalf of the Board, to forecast dividend growth of no less than 6% for 2017, representing a minimum total dividend for the year of approximately 18.0p per share.

Henderson/Janus Merger

Towards our year end an announcement was made by our Manager that, subject to shareholder approval, Henderson had agreed to merge with Janus Capital, a large US institutional fund manager. Whilst completion will not be until June and a lot of the detail is still to be decided, the Board of Bankers believes that the increased global investment breadth that this merger should bring to our Manager can only be positive for the ongoing investment expertise available to our Fund Manager and his team for the performance of the Company's portfolio.

Corporate Event/Management Fee

During the year the Board has delivered some significant and positive outcomes. Firstly, the Board agreed that Bankers act as a 'global growth' rollover option in the transaction to liquidate Henderson Global Trust plc. This resulted in the issue of over 9 million new Bankers shares, priced at a premium to net asset value and increased the Company's size by around £60 million. Also, at the year-end, the Company repaid its £10 million 10.5% 2016 debenture at par, using part of the proceeds from our previously announced £50 million, 20 year, 3.68% loan note issue.

We have agreed with our Manager a simplified tiered fee structure of 0.45% p.a. on the first £750 million and 0.40% p.a. on the excess over £750 million of the value of the net assets on the last day of each quarter. The new fee structure, which took effect on 1 July 2016, is subject to a transition period until 31 December 2017, during which period the fee is capped at £843,750 per quarter. This new fee structure should assist in a reduction in the ongoing charge as a percentage of net assets as the Company grows over time.

Annual General Meeting ('AGM')

This year's AGM will again be held at Trinity House, London, EC3N 4DH on 22 February 2017 at 12 noon. Full details of the business to be conducted at the meeting are set out in the Notice of Meeting which has been sent to shareholders with this report. Directions and a map showing the location of the AGM can also be found in the Notice of Meeting. The Board looks forward to seeing many of you at this meeting at which Alex Crooke and his investment team will present their investment views and how these are reflected in the portfolio. Following the formal business of the meeting light refreshments will be served.

Outlook

Politics will remain to the fore during the year ahead and the key for financial markets will be whether there are any further surprises, especially from Europe. I suspect there maybe. The extent of these potential surprises could keep markets in a state of uncertainty for most of the year which will make it even harder for the fund managers to position the regional portfolios correctly.

Putting politics aside, the economic tailwind looks positive. President Trump has inherited a strong economy where growth is accelerating. The strong US economy, despite the protectionist rhetoric, is good for the global economic outlook. In the UK we are bound to see a significant jump in inflation as a result of the weaker level of sterling. One of the key debates this year will be whether the move to higher inflation is a temporary or permanent shift. At the moment the likelihood is that this will be a temporary situation. However, if we see pressure mounting on wage inflation the Bank of England might move more quickly to raise interest rates. Depending upon the resilience of the UK economy in 2017 this could have a negative impact on a number of sectors although it could well be seen as a positive for the financial sector.

Thus challenges remain to the fore but the resilience of our portfolio has been tested over time and the confidence which has been expressed by myself and the rest of the Board is based on this knowledge.

Richard Killingbeck
Chairman
18 January 2017

Strategic Report: Fund Manager's Review

The Fund Manager of the portfolio, Alex Crooke, reports on the year to 31 October 2016

In 2016 the populations of two of the oldest democracies in the world expressed the view that they do not approve of the way the world is going. Despite investment experts warning of turmoil markets have generally taken the news well producing handsome returns this year for investors from both bonds and equities. There was a brief wobble in February on worries of a Chinese slowdown and Deutsche Bank's solvency but this soon passed. The interesting question from the events in the UK and the US is whether this signals the end of globalisation. Often cherished as a central tenet of progress towards prosperity, globalisation essentially boils down to the international arbitrage of labour costs to the benefit of lower consumer prices. A return to more normal levels of inflation and interest rates could actually benefit equity prices if accompanied by wage and job growth.

Since July, and more profoundly since Trump's presidential election, investors' appetite has shifted towards companies and sectors that are perceived to benefit from reflationary trends. This rotation towards previously out of favour sectors such as banks, construction and mining was not unexpected but the rate of adoption could be challenged by the lack of real evidence of actual policy action or higher inflation. The portfolio is well positioned in financials and industrials for a continuation of this theme but is being held back by a sharp derating in quality defensive stocks, irrespective of their valuations. Normally during periods of higher inflation, value outperforms growth as an investment style but this is only partially occurring at present. Valuation has been a factor greatly diminished in stock and sector performance over recent years. Its re-emergence will be very helpful to us and active managers in general.

The portfolio's performance, for UK investors, has been dominated by the collapse in sterling since the Brexit vote in late June. The returns from the overseas portfolios are a factor of 4-5x those of the UK holdings, due to the higher translation values back into sterling. While not predicting a vote to leave, we did fear a close race and decided earlier in the year to significantly reduce the portfolio's exposure to UK domestically exposed stocks. The UK allocation fell from 38% to 29% by the year end and post Brexit we also increased allocations to international companies listed on the London market. Performance within the regions was generally positive with strong relative returns in the Pacific, China, Emerging Markets and Europe. Only the UK and US regions missed their benchmarks.

We welcome a new manager for the Japanese portfolio. Junichi Inoue has recently joined Henderson and will be managing the Japanese portfolio from Tokyo. His style will closely match our overall aim of focusing on quality businesses that generate attractive levels of free cash flow to fund dividends whilst careful not to overpay. I would like to take the opportunity to thank Michael Wood-Martin, our previous Japanese manager, for his skilful stock selection and dedication to Bankers over many years.

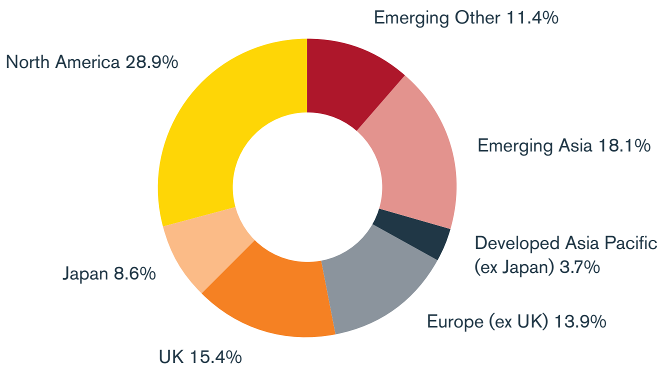
Over the past year we have gained a licence to invest directly in India and also gained further flexibility to access China via Hong Kong Connect. The Company is becoming more global in its outlook and this is most obvious when viewing the regional revenues from the portfolio holdings (see below). The discrepancy between the percentage invested in the UK market (29% at the time of writing) and the revenues from the UK (15%) is a reminder that many stocks we own do very little business in the UK despite being listed in London.

We were cautious of markets earlier in the year and felt it was more prudent not to chase valuations higher while corporate profit expectations continued to be downgraded. We did invest cash when there were market dips in February and June, but thereafter sold holdings when markets subsequently rallied. The opportunity to act as a rollover option for Henderson Global Trust plc in April resulted in the issuance of 9.4m new shares, increasing Bankers' shares in issue by 8.3%. The majority of the assets were received in near cash instruments which were then invested to rebalance the portfolio further away from the UK. At the year end the 10.5% 2016 debenture was repaid for £10 million and cash levels have fallen resulting in a net gearing position of 2.6%.

The Company's income received a modest but useful boost from sterling's weakness, however, the full effects will be felt in 2017. There remained a healthy level of special dividends, particularly from the UK holdings, many of which should continue to distribute excess profits this year.

Alex Crooke
18 January 2017

Corporate Revenue Exposure at 31 October 2016



Statistical Record

At 31 October

		Earnings and dividends per 25p ordinary share						Indices of growth[3]					
	Gross revenue £'000	Earnings net p	Total dividends net p	Ongoing charges[1] %	Total assets less current liabilities £'000	Net asset value per 25p ordinary share p	Market price per 25p ordinary share p	Net asset value	Market price per 25p ordinary share	Dividend per 25p ordinary share net	FTSE All-Share Index	FTSE World Index (ex UK)	UK Retail Prices Index
2006	14,972	10.13	9.48	0.60	540,363	443	386	100	100	100	100	100	100
2007	16,437	11.32	10.24	0.71	596,020	500	439	113	114	108	110	111	104
2008	18,613	12.76	11.06	0.47	410,661	341	305	77	79	117	70	81	109
2009	16,866	11.83	11.50	0.50	473,863	400	348	90	90	121	82	94	108
2010	16,478	12.26	12.10	0.42	526,955	452	380	102	98	128	93	108	113
2011	16,389	11.98	12.70	0.40	521,331	447	385	101	100	134	91	106	119
2012	18,593	13.84	13.33	0.42	551,214	475	433	107	112	141	96	113	123
2013	19,689[2]	14.45[2]	14.13	0.45	678,561	587	580	133	150	149	114	139	126
2014	20,748	15.05	14.80	0.53	693,196	596	563	135	146	156	112	148	129
2015	22,767	17.22	15.80	0.52	777,428	630	619	142	160	167	111	152	129
2016	**24,916**	**17.53**	**17.00**	**0.52**	**991,544**	**756**	**690**	**170**	**179**	**179**	**120**	**194**	**132**

1 Years prior to 2011 are total expense ratio
2 Company only figures from 2013, following liquidation of subsidiary
3 Rebased to 100

Rates of Exchange

The principal exchange rates at 31 October were:

	2016	2015
US Dollar	1.2209	1.5444
Japanese Yen	128.298	186.371
Euro	1.114	1.398
Hong Kong Dollar	9.47	11.97
Australian Dollar	1.604	2.155

	2016	2015
Singapore Dollar	1.70	2.16
New Taiwanese Dollar	38.53	50.14
Danish Krone	8.285	10.427
Swiss Franc	1.207	1.522
New Zealand Dollar	1.707	2.283

Distribution of Assets and Liabilities

At 31 October 2016

							Currency exposure of net assets	
	Equities £'000	Fixed interest £'000	Current assets £'000	Total assets £'000	%	Total liabilities £'000	£'000	%
United Kingdom	276,048	22	44,223	320,293	31.9	(66,263)	254,030	27.5
Europe (ex UK)	136,261	–	323	136,584	13.6	–	136,584	14.7
North America	263,721	–	820	264,541	26.4	(4,150)	260,391	28.1
Japan	108,972	–	688	109,660	10.9	–	109,660	11.8
China	40,472	–	1,540	42,012	4.2	–	42,012	4.5
Pacific (ex Japan, China)	101,896	–	4,767	106,663	10.6	(6,510)	100,153	10.8
Emerging Markets	23,827	–	81	23,908	2.4	–	23,908	2.6
Total	**951,197**	**22**	**52,442**	**1,003,661**	**100.0**	**(76,923)**	**926,738**	**100.0**
	102.6%	0.0%	5.7%	108.3%		(8.3%)	100.0%	

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

Largest Investments

At 31 October 2016

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

Ranking 2016	Ranking 2015	Company	Valuation 2015 £'000	Purchases £'000	Sales proceeds £'000	Appreciation/ (depreciation) £'000	Valuation 2016 £'000
1	(1)	BP	13,197	6,089	–	4,317	23,603
2	(2)	British American Tobacco	10,807	3,123	–	2,498	16,428
3	(9)	American Tower	8,785	996	–	4,300	14,081
4	(4)	Apple	10,044	900	–	2,396	13,340
5	(3)	Delphi Automative	10,743	2,060	–	(57)	12,746
6	(12)	Royal Dutch Shell	8,534	1,411	–	2,362	12,307
7	#	Alphabet	6,110	2,733	–	3,355	12,198
8	(16)	Comcast	7,627	2,423	–	2,053	12,103
9	(11)	CVS Health	8,621	2,325	–	664	11,610
10	(20)	The Cooper Companies	6,861	785	–	3,441	11,087
11	(22)	GlaxoSmithKline	6,518	2,929	(93)	1,012	10,366
12	(18)	Fidelity National Information Services	7,252	728	–	2,295	10,275
13	(21)	Accenture	6,700	798	–	2,657	10,155
14	#	Taiwan Semiconductor Manufacturing	4,694	1,069	–	4,245	10,008
15	#	Amazon	5,464	595	–	3,579	9,638
16	(25)	Visa	6,299	706	–	2,358	9,363
17	(24)	American Express	6,390	1,839	–	1,061	9,290
18	(15)	Cardinal Health	7,917	855	–	477	9,249
19	#	FedEx	5,850	695	–	2,590	9,135
20	(17)	Reckitt Benckiser	7,613	–	–	1,163	8,776
21	#	Fujitsu	2,147	3,816	–	2,811	8,774
22	#	Facebook	4,360	1,035	–	3,098	8,493
23	#	Mednax	5,824	1,851	–	763	8,438
24	#	Applied Materials	3,468	483	–	4,456	8,407
25	#	Netease	4,210	806	(3,047)	6,356	8,325
			176,035	**41,050**	**(3,140)**	**64,250**	**278,195**

All securities are equity investments
Not in top 25 last year

Changes in Investments

At 31 October 2016

	Valuation 2015 £'000	Purchases £'000	Sales proceeds £'000	Appreciation £'000	Valuation 2016 £'000
United Kingdom	277,238	82,968	(85,833)	1,697	276,070
Europe (ex UK)	93,021	27,970	(8,503)	23,773	136,261
North America	177,721	41,780	(16,953)	61,173	263,721
Japan	84,564	23,071	(24,035)	25,372	108,972
China	23,086	30,643	(23,317)	10,060	40,472
Pacific (ex Japan, China)	58,787	52,166	(35,671)	26,614	101,896
Emerging Markets	12,414	9,180	(5,160)	7,393	23,827
	726,831	**267,778**	**(199,472)**	**156,082**	**951,219**

Strategic Report: United Kingdom

The Fund Manager of the UK portfolio, Alex Crooke, reports on the year to 31 October 2016

Review

The most dominant event for the UK was Brexit. The accompanying collapse in sterling led to a dramatic repricing of many stocks in the market as overseas earning companies rallied while the share prices of domestic companies collapsed. Overall the economy performed well with further improvements in employment and real wage growth. The post Brexit economy has surprised many by showing good stability after an initial fall in consumer sentiment. The decline in sterling has yet to lead to higher consumer prices but has benefitted export orders and tourism. Valuations have continued to rise across the market as earnings upgrades were elusive.

Following five years of consecutive out-performance some of the larger holdings in the UK portfolio ran out of steam as investors deserted certain domestic sectors. In many cases the profits from these companies were unaffected but share valuations materially fell on worries about the future direction of profits. Housebuilders, for instance, continue to report higher revenues and profits but fears continue despite a supportive government policy to build more homes. Some holdings were sold where the future is less certain but others were retained because we felt the underlying businesses could surprise with their resilience this year. This especially applies to the media and consumer sectors where we expect consumer spending to hold up well due to high levels of employment and spending will be focused on smaller purchases rather than larger ticket items like holidays and cars. The underperformance was also attributable to a limited exposure to mining, oil and technology which performed strongly over the year. These sectors do not fit easily into our investment process although we did increase holdings in the oil sector after becoming more comfortable that dividends will be supported by improving cash flow due to lower capital expenditure plans. The portfolio is positioned to be more exposed to smaller and mid-sized companies which have a greater potential to grow but the rotation towards international earners favoured larger companies.

Total return (£) (year to 31 October 2016)	%
Bankers	5.1
FTSE All-Share Index	12.2

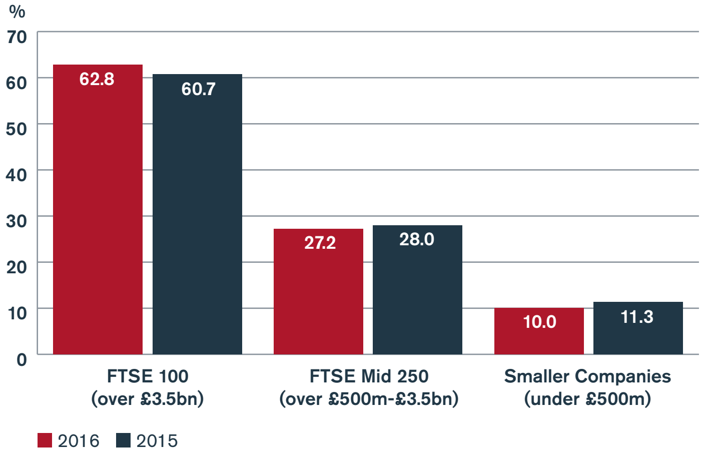
Activity

New holdings included Dairy Crest which should benefit from increased investment in production of demineralised whey for infant powdered milk at their Davidstow creamery. The company has finally sold their doorstep delivery and liquid milk division which should free up further capital for investment. In the early hours post the Brexit vote as the market fell in value, we increased the holdings of overseas earners such as Diageo, RELX, British American Tobacco and BP. The sharp fall in sterling made these investments attractively priced to UK investors. In reducing the UK exposure within the Company, we sold positions through the year exiting Rolls-Royce on concerns about cash flows, while reducing property companies British Land and Land Securities and investment funds Carador and Blackstone GSO. Other long standing holdings in Cranswick, James Fisher and Jardine Lloyd Thompson were reduced where valuation ratings appeared full and the proceeds recycled into better valued stocks. We continue to favour these companies but felt it prudent to lower their weighting within the portfolio.

Outlook

Unfortunately Brexit negotiations could well overshadow this year's prospects. Early evidence is that companies continue to invest for growth in the UK. We must hope that this situation continues but consumer confidence and spending could become more fragile if early signs of a deal are not forthcoming. Inflationary pressure from sterling's decline will promote domestic substitution for imported goods and will aid the export sector which should help certain sectors of the stock market. The prospects for key sectors in the UK market such as oil, energy and finance could all improve in the coming year and would underpin further appreciation in share prices without needing valuations to push higher.

UK portfolio classified by market value of company at 31 October



Valuations at 31 October 2016 – all investments are shown

Investments by value	Sector	£'000	% of UK portfolio
BP	Oil & Gas Producers	23,603	8.55
British American Tobacco	Tobacco	16,428	5.95
Royal Dutch Shell	Oil & Gas Producers	12,307	4.46
GlaxoSmithKline	Pharmaceuticals & Biotechnology	10,366	3.75
Reckitt Benckiser	Household Goods & Home Construction	8,776	3.18
ITV	Media	8,282	3.00
Galliford Try	Construction & Materials	7,623	2.76
Barclays	Banks	7,367	2.67
BT	Fixed Line Telecommunications	7,033	2.55
Fisher (James) & Sons	Industrial Transportation	6,755	2.45
WPP	Media	6,566	2.38
HSBC	Banks	6,249	2.26
Diageo	Beverages	6,083	2.20
Wetherspoon (J.D.)	Travel & Leisure	5,985	2.17
Persimmon	Household Goods & Home Construction	5,904	2.14
Jupiter Fund Management	Financial Services	5,467	1.98
Cranswick	Food Producers	5,299	1.92
Prudential	Life Insurance	5,008	1.81
Imperial Tobacco	Tobacco	4,987	1.81
Lloyds Banking	Banks	4,983	1.80
Constellation Healthcare Technologies	Health Care Equipment & Services	4,929	1.79
Jardine Lloyd Thompson	Non-life Insurance	4,652	1.69
Investec	Financial Services	4,645	1.68
Smith (D.S.)	General Industrials	4,559	1.65
Rentokil Initial	Support Services	4,355	1.58
Sports Direct International	General Retailers	4,307	1.56
Nationwide Building Society 10¼% Pref[1]	Banks	4,236	1.53
Connect	Support Services	4,167	1.51
Hansteen	Real Estate Investment Trusts	4,123	1.49
Centrica	Gas, Water & Multiutilities	4,001	1.45
STV	Media	3,905	1.41
GKN	Automobiles & Parts	3,821	1.38
Kcom	Fixed Line Telecommunications	3,799	1.38
St. James's Place	Life Insurance	3,555	1.29
Intermediate Capital	Financial Services	3,513	1.27
Severn Trent	Gas, Water & Multiutilities	3,394	1.23
Phoenix	Life Insurance	3,354	1.21
Plus500	Financial Services	3,093	1.12
Dairy Crest	Food Producers	3,050	1.10
Rio Tinto	Mining	2,860	1.04
BHP Billiton	Mining	2,845	1.03
SSE	Electricity	2,646	0.96
Marks & Spencer	General Retailers	2,554	0.93
Legal & General	Life Insurance	2,487	0.90
Lancashire	Non-life Insurance	2,443	0.88
RELX	Media	2,351	0.85
Compass	Travel & Leisure	2,338	0.85
Elementis	Chemicals	2,144	0.78
Blackstone GSO[2]	Equity Investment Instruments	2,126	0.77
BAE Systems	Aerospace & Defence	2,034	0.74
Tiso Blackstar	Equity Investment Instruments	2,005	0.73
United Utilities	Gas, Water & Multiutilities	1,880	0.68
Amec Foster Wheeler	Oil Equipment, Services & Distribution	1,710	0.62
Hayward Tyler[3]	Industrial Engineering	1,434	0.52
Action Hotels[3]	Travel & Leisure	911	0.33
Carador Income Fund	Equity Investment Instruments	751	0.27
Lehman Brothers Hldgs 7.875%[4]	Fixed Interest	22	0.01
Total		**276,070**	**100.00**

1 Preference Share 2 Specialist Fund Market 3 AIM Listed 4 Fixed Interest

Strategic Report: Europe

The Fund Manager of the European portfolio, Tim Stevenson, reports on the year to 31 October 2016

Review

European equity markets have struggled to make much headway over the last twelve months. In local currency returns the Europe (ex UK) Index actually fell in value over the year but with the rise of the euro against the pound the index ended up appreciating by 19.7% Index return in sterling terms. The holdings in the European portfolio have once again outperformed the Index and show a total return of 24.3%. As with the previous year, most of this good stock selection can be attributed to our preference for reliable consistent growth names which have tended to do better in the low growth world which currently prevails.

Rather as anticipated in last year's report, political stress has risen in Europe partly because of the slow economic recovery but then compounded by the outcome of the UK's Brexit referendum. With elections in several countries in 2017 (France and the Netherlands in early 2017, Germany in the autumn), and given the results of the presidential election in the USA, few are prepared to make any predictions. The ECB has continued buying bonds and looks set to extend purchases well into 2017 as both growth and inflation remain subdued. While 10 year bond yields moved negative in Europe's stronger economies, recent signs of inflation caused by a higher oil price, weak euro versus the US dollar and renewed debate on further fiscal easing have pushed ten year bond yields positive. However, they remain at very low levels and, with little expectation of rising short term rates, we believe monetary policy will remain supportive of European equities.

The biggest contributors to performance came from Deutsche Post and Fresenius in Germany as well as Sodexo in France and Philips in the Netherlands.

Activity

We have added nine new holdings to the portfolio during the year, which now totals 39 positions. The reason for this increase was firstly a decision to build up the European weighting (12.5% of total investments to 14.3%) and secondly a desire for greater diversification. New positions include SAP, Partners Group, Fresenius Medical Care, Amundi, Statoil and Infineon. All these positions combine the merits of a modest valuation, predictable growth in an uncertain world and good dividend income.

Total return (£) (year to 31 October 2016)	%
Bankers	24.3
FTSE All-World Developed Europe (ex UK) Index	19.7

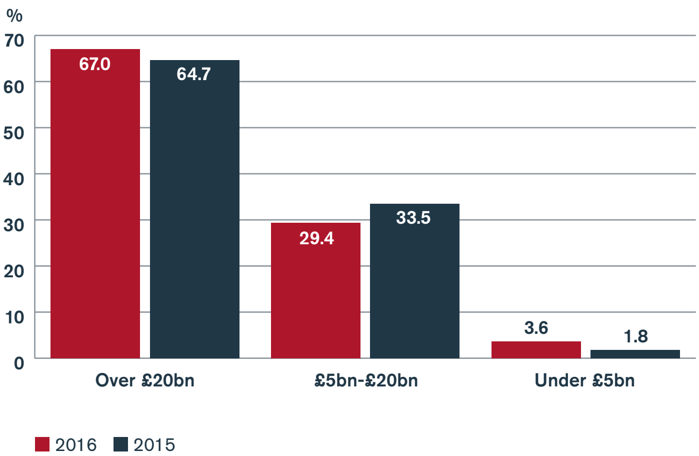
Outlook

The world seems wracked by intense uncertainties. The UK looks set to make a leap into the unknown by breaking out of Europe at some stage and this will clearly impact on confidence and investment plans. The fact remains that European economies are steadily improving from an economic standpoint although we are the first to admit that the level of growth is very muted. There continues to be huge inefficiencies and frustrations with the whole concept of Europe in many countries and the additional burden of the dreadful terrorist attacks in France and Germany and the huge adjustment required to manage vast numbers of immigrants has clearly increased the support of opposition parties. While the Far Right National Front leader in France, Marine le Pen, may well get into the second round of elections in the spring we do not expect her to become president. We also believe that Chancellor Merkel will be re-elected. These two results might demonstrate that the Anglo-Saxon politics of protest are more due to the excessive levels of social and economic inequality in the USA and the UK.

The prospects for European markets are likely to be modest ahead of all the upcoming political uncertainty. The valuation of equity markets overall is quite high given low earnings growth and, within that, some areas of quality growth have certainly reached high levels compared with the unloved value stocks such as banks and cyclicals.

We believe that inflation may edge closer to the ECB's target of 2% during 2017. This could lead 10 year bond yields to a level closer to 0.5% or so and this may have a temporary negative impact on equities. However, higher levels of inflation may well be positive news for those companies with a good market position and pricing power. We do believe that despite much talk of fiscal easing in the USA, the reality is likely to be that growth remains subdued due to long term structural and demographic issues. As such, we are likely to remain holding a judicious mix of quality growth names and some fundamentally good value defensive shares.

European portfolio classified by market value of company at 31 October



Valuations at 31 October 2016 – all investments are shown

Investments by value	Sector	Country	£'000	% of Europe portfolio
Deutsche Post	Industrial Transportation	Germany	7,185	5.27
Christian Dior	Personal Goods	France	6,234	4.58
Fresenius	Health Care Equipment & Services	Germany	5,781	4.24
Nestlé	Food Producers	Switzerland	5,379	3.95
Koninklijke Philips	General Industrials	Netherlands	5,176	3.80
Deutsche Börse	Financial Services	Germany	5,006	3.67
Novartis	Pharmaceuticals & Biotechnology	Switzerland	4,837	3.55
Amadeus IT	Support Services	Spain	4,756	3.49
SAP	Software & Computer Services	Germany	4,301	3.16
Roche	Pharmaceuticals & Biotechnology	Switzerland	4,256	3.12
L'Oréal	Personal Goods	France	4,021	2.95
Deutsche Telekom	Mobile Telecommunications	Germany	4,011	2.94
Allianz	Non-life Insurance	Germany	3,704	2.72
Sodexo	Travel & Leisure	France	3,617	2.65
Partners	Financial Services	Switzerland	3,403	2.50
Fresenius Medical Care	Health Care Equipment & Services	Germany	3,336	2.45
Amundi	Financial Services	France	3,325	2.44
Publicis	Media	France	3,252	2.39
Total	Oil & Gas Producers	France	3,250	2.38
Essilor	Health Care Equipment & Services	France	3,210	2.36
Zurich Insurance	Non-life Insurance	Switzerland	3,153	2.31
Nordea Bank	Banks	Sweden	3,078	2.26
SGS	Support Services	Switzerland	3,057	2.24
Van Lanschot	Banks	Netherlands	2,982	2.19
Infineon	Technology Hardware & Equipment	Germany	2,940	2.16
Adecco	Support Services	Switzerland	2,854	2.09
Linde	Chemicals	Germany	2,750	2.02
Statoil	Industrial Metals & Mining	Norway	2,686	1.97
Orange	Fixed Line Telecommunications	France	2,576	1.89
Munich Reinsurance	Non-life Insurance	Germany	2,573	1.89
Legrand	Electronic & Electrical Equipment	France	2,430	1.78
Inditex	General Retailers	Spain	2,341	1.72
Swedish Match	Tobacco	Sweden	2,260	1.66
A P Moller-Maersk	Industrial Transportation	Denmark	2,257	1.66
Hermès	Personal Goods	France	2,244	1.65
UBS	Banks	Switzerland	2,212	1.62
Continental	Automobiles & Parts	Germany	2,095	1.54
Elis	Support Services	France	1,879	1.38
Novo-Nordisk	Pharmaceuticals & Biotechnology	Denmark	1,854	1.36
Total			**136,261**	**100.00**

European Geographical Distribution

	31 October 2016 %	31 October 2015 %
Germany	32.1	35.4
France	26.5	22.0
Switzerland	21.4	24.5
Netherlands	6.0	4.0
Spain	5.2	6.2
Sweden	3.8	3.7
Denmark	3.0	4.2
Norway	2.0	–
	100.0	**100.0**

Strategic Report: North America

The Fund Manager of the North America portfolio, Ian Warmerdam, reports on the year to 31 October 2016

Review

The North American portfolio slightly underperformed the benchmark over the twelve months to 31 October 2016. The portfolio returned 31.3% versus 32.3% for the FTSE World North America Index in sterling terms. The period under review was certainly turbulent, and the returns quoted above do little to enhance the understanding of events skewed as they are by sterling's precipitous fall against the dollar. A relatively quiet finish to 2015 was abruptly ended by a significant fall in the US market in early 2016 as wider fears on the health of the global economy took hold. Fortunately, for the patient investor, the share price of many high quality, structurally growing companies fell in sympathy creating an opportune entry point into some companies we had long admired. From mid-February the market recovered the lost ground as corporate earnings remained more robust than feared finishing modestly above October 2015 levels in local currency terms.

From a portfolio perspective our health care holdings have been a source of underperformance this year. The US market remains the key profit driver for many global health care companies and has been the focus of intense media and political attention in what has been a highly eventful presidential election year. Drug pricing has been in sharp focus with legitimate questions being posed as to why prices in the US are multiples of what are paid elsewhere. Our preference in this sector is typically for service companies rather than drug manufacturers however some of these holdings have not escaped some of the wider issues. Wholesale drug distributors AmerisourceBergen and Cardinal Health were amongst the largest detractors, with growth in their core logistics type businesses slowing from elevated levels. These companies provide an essential link in delivering drugs from manufacturers to dispensers and we continue to view them as attractive long term investments.

On the positive side strong stock selection in both industrial and technology sectors helped our relative performance. One of the largest positive contributors was Cognex, one of the global leaders in machine vision technology. Machine vision systems are used on production lines to guide manufacturing equipment, identify items and inspect quality, resulting in improved throughput. We had the opportunity to visit the company at their headquarters in Natick, Massachusetts during the year,

Total return (£) (year to 31 October 2016)	%
Bankers	31.3
FTSE World North America Index	32.3

seeing the products up close and spending time with the impressive management team. We continue to like the company's positioning in the industry, with a large intellectual property portfolio and research budget providing a sustainable competitive advantage and a very strong balance sheet protecting the company should they encounter a leaner spell of orders.

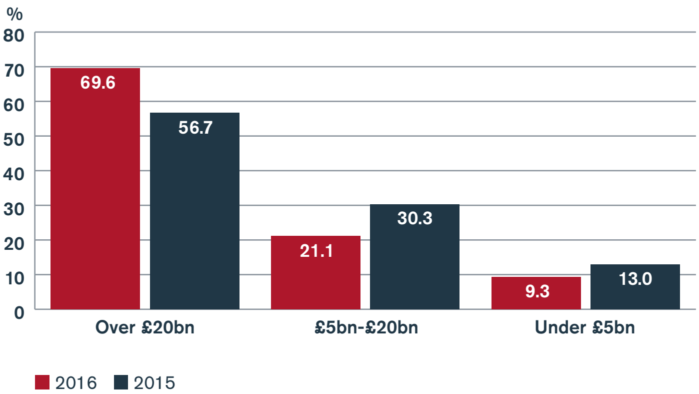
Activity

In keeping with our long term philosophy, turnover remained quite low over the period. We did however use the sharp market fall in January to bring Colgate-Palmolive from our monitor list into the portfolio at what we believed was a reasonable valuation for a hugely attractive global consumer franchise with defensive qualities. We also bought Activision Blizzard, which is a leading publisher of video games in what has become an increasingly consolidated and profitable market. Exited positions included Pandora Media, Netflix, and SanDisk following its acquisition by Western Digital.

Outlook

Many market participants will be drawn into attempts to forecast the short term course of the US economy under the new presidential administration. We do not try to predict political events nor do we attempt to second guess the market's reaction when the unexpected unfolds. While we don't wish to be naive about the implications we believe there are much more predictable trends to be studied in the quieter domain of the long term investor. We are more interested in the penetration rate of e-commerce or the adoption of active safety systems in vehicles. We remain entirely focused on uncovering undervalued securities that are exposed to strong secular growth tailwinds. By sticking to this strategy we aim to continue generating significant absolute and relative returns over the longer term.

US portfolio classified by market value of company at 31 October



Valuations at 31 October 2016 – all investments are shown

Investments by value	Sector	£'000	% of North America portfolio
American Tower	Real Estate Investment Trusts	14,081	5.34
Apple	Technology Hardware & Equipment	13,340	5.06
Delphi Automative	Automobiles & Parts	12,746	4.83
Alphabet	Software & Computer Services	12,198	4.63
Comcast	Media	12,103	4.59
CVS Health	Food & Drug Retailers	11,610	4.40
The Cooper Companies	Health Care Equipment & Services	11,087	4.20
Fidelity National Information Services	Support Services	10,275	3.90
Accenture	Support Services	10,155	3.85
Amazon	General Retailers	9,638	3.66
Visa	Financial Services	9,363	3.55
American Express	Financial Services	9,290	3.52
Cardinal Health	Food & Drug Retailers	9,249	3.51
FedEx	Industrial Transportation	9,135	3.46
Facebook	Software & Computer Services	8,493	3.22
Mednax	Health Care Equipment & Services	8,438	3.20
Applied Materials	Technology Hardware & Equipment	8,407	3.19
Colgate-Palmolive	Personal Goods	8,286	3.14
Priceline	Travel & Leisure	7,838	2.97
MasterCard	Financial Services	7,785	2.95
AmerisourceBergen	Food & Drug Retailers	7,063	2.68
Walt Disney	Media	6,944	2.63
Cognex	Electronic & Electrical Equipment	6,317	2.40
Cisco Systems	Technology Hardware & Equipment	6,148	2.33
Willis Towers Watson	Support Services	6,016	2.28
Activision Blizzard	Software & Computer Services	5,478	2.08
Roper Technologies	Electronic & Electrical Equipment	5,323	2.02
WEX	Support Services	4,919	1.87
Spirit Airlines	Travel & Leisure	4,757	1.80
F5 Networks	Technology Hardware & Equipment	4,205	1.59
Cognizant Technology Solutions	Software & Computer Services	3,034	1.15
Total		**263,721**	**100.00**

Strategic Report: Japan

Review

After three very strong years the FTSE World Japan Index declined by 9.6% this fiscal year on a total return basis in yen terms, though the return in sterling terms was 31.4%. The discrepancy is entirely owing to a 31% depreciation in the respective exchange rate. The last twelve months saw a reversal in share price performance from previous years due to waning investor belief that the government would achieve its desired growth and inflation targets. However, in addition to continuing its stimulus program, the Bank of Japan implemented a negative interest rate policy during this period to allow further easing in the economy. Following the sell-off during the final months of 2015 the market has been broadly flat through the 2016 calendar year, with the yen continuing to appreciate at the same time towards the key 100 level versus the US dollar. Sector leadership over the period lacked any cyclical or defensive bias. The best performing sector (telecoms) and the worst performing (utilities) were both defensive with some cyclical sectors like materials and industrials outperforming while financials and consumer services underperformed notably.

Performance

It was a good year for the portfolio, both in terms of absolute returns as well as relative returns, compared to the benchmark. The key driver of positive performance was mainly strong stock selection in the industrials and technology space while an underweight position in consumer goods also helped. Detracting from performance were mainly the financials where both stock picking and an overweight position yielded unfavourable returns. The top performing stocks included industrial automation company Keyence which outperformed industry trends to deliver encouraging results. The semiconductor equipment business Tokyo Electron was also a strong performer as customers continued to ramp semiconductor production while the consumer electronics company Nintendo rallied following the successful launch of its first mobile gaming venture, Pokemon Go. Detractors from performance included the bank Sumitomo Mitsui Financial Group as well as Japan Airlines which moved back following a rise in the price of fuel. After a strong run in the prior year, Rakuten also underperformed this year on disappointing eCommerce growth.

Total return (£) (year to 31 October 2016)	%
Bankers	34.8
FTSE World Japan Index	31.4

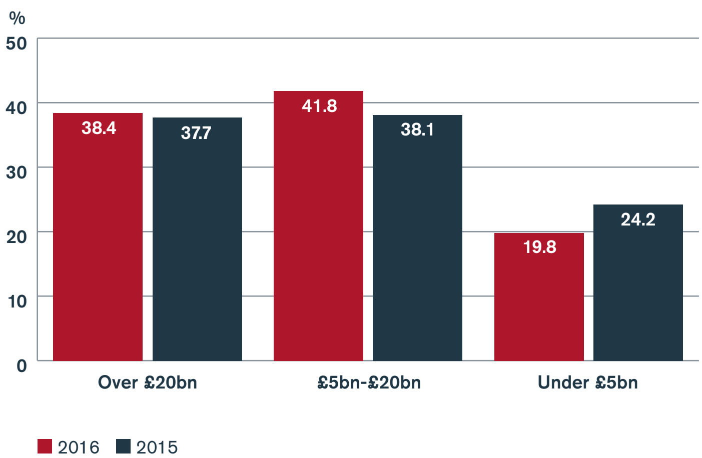
Activity

During the year, a number of changes were made to benefit from evolving market dynamics in Japan as well as repositioning towards superior risk-reward opportunities. Early in the year positions in the IT services company Nomura Research Institute as well as the food retailer Seven & I were sold after both had performed well in the preceding period. In hindsight both proved to be good decisions as each stock subsequently declined more than 20%. Additionally, the Company also disposed of holdings in mobile display company Japan Display and the industrial business IHI Corp on an expectation of weaker fundamentals. Canon was also removed in light of the ongoing secular challenges faced by the company's printer and camera businesses. The Company reduced its financials exposure by selling the bank SMFG and brokerage Daiwa Securities, re-allocating the proceeds into the industrial equipment company Omron as well as consumer electronics business Panasonic. We believe the former will benefit from secular tailwinds of increased factory automation while the latter has an attractive exposure to the electric vehicle battery market.

Outlook

Underlying economic growth and inflation data in Japan has continued to lag expectations while the yen has remained volatile. Nonetheless Japanese companies continue to innovate and invest for growth, in some cases through international expansion. Balance sheets for Japanese corporates are among the strongest globally while a growing shareholder focus is leading to notable dividend increases. A drive by the government to improve corporate governance sets the country on a path of gradually improving return on equity while innovation in technology is allowing some businesses to differentiate themselves versus international peers. The portfolio will continue to invest in high quality businesses with sustainable cashflows and attractive dividend yields. We believe there are plenty of value opportunities in the market to enable us to derive attractive long term returns.

Japanese portfolio classified by market value of company at 31 October



Valuations at 31 October 2016 – all investments are shown

Investments by value	Sector	£'000	% of Japan portfolio
Fujitsu	Technology Hardware & Equipment	8,774	8.05
Tokio Marine	Non-life Insurance	6,366	5.84
Toyota Motor	Automobiles & Parts	6,171	5.66
Keyence	Electronic & Electrical Equipment	5,697	5.23
Sekisui Chemical	Household Goods & Home Construction	5,599	5.15
Mitsubishi UFJ Financial	Banks	5,449	5.00
Sony Corp	Leisure Goods	5,142	4.72
Murata Manufacturing	Electronic & Electrical Equipment	5,006	4.59
Ratuken	General Retailers	4,713	4.32
Omron	Electronic & Electrical Equipment	4,643	4.26
Panasonic	Leisure Goods	4,511	4.14
Disco Corporation	Industrial Engineering	4,273	3.92
Nippon Television	Media	3,947	3.62
DIC	Chemicals	3,936	3.61
Morant Wright Japan Fund	Equity Investment Instruments	3,924	3.60
Credit Saison	Financial Services	3,780	3.47
Yamada Denki	General Retailers	3,685	3.38
Mitsui Fudosan	Real Estate Investment & Services	3,465	3.18
Tokyo Electron	Technology Hardware & Equipment	3,437	3.15
Japan Airlines	Travel & Leisure	3,413	3.13
Nintendo	Leisure Goods	3,331	3.06
Nippon Telegraph & Telephone	Fixed Line Telecommunications	3,192	2.93
Daiwa House Industry	Household Goods & Home Construction	3,126	2.87
T&D	Financial Services	2,217	2.04
Relia	Media	1,175	1.08
Total		**108,972**	**100.00**

Strategic Report: Pacific (ex Japan)

The Fund Manager of the Pacific (ex Japan) portfolio, Michael Kerley, reports on the year to 31 October 2016

Review

Despite a period of heightened volatility Pacific (ex Japan) markets rose 37.5% for the year ending October 2016 as measured by the FTSE All-World Asia Pacific (ex Japan) Index in sterling terms. In local currency terms the markets rose by 6.9% highlighting the significance of the weakness of sterling pre and post the UK's vote to leave the European Union.

Like the rest of the world style performance dominated market return. The first half year was characterised by higher yielding and defensive companies outperforming while the second half was led by cyclicals and interest rate sensitives. Within the Asia Pacific region the trajectory of economic growth continued to slow. Unlike their western peers Asian policymakers do have some monetary flexibility as witnessed by the interest rate cuts in India, China, Korea, Thailand and Indonesia over the period. Reform also remained high on the agenda with significant changes taking place in India, China, Korea and Indonesia although at times the pace was not as fast as hoped for. Corporate earnings for most of the reporting period were subject to downgrades concentrated mainly in energy, materials and semiconductors. More recently there has been some stabilisation as energy and commodity prices have staged a recovery, albeit from a low base. The more domestically orientated sectors proved more resilient and there were signs that the earnings downgrade cycle which has been one of the main causes of Asian underperformance versus the developed world could be turning. The outlook for dividends is more robust. Capital expenditure remains benign; debt levels are extremely low and cash flow is expanding allowing the potential for dividends and pay-out ratios to rise from levels well below developed market peers.

Activity

Strong stock performance allowed Bankers' Pacific portfolio to outperform the index over the period. Most notably internet company Netease rose 128% as earnings continued to exceed expectation while Taiwan Semiconductor and Tata Motors rose 86% and 74% respectively as the demand for semiconductors remained buoyant and Jaguar Land Rover sales recovered, especially in China. At the country level exposure to Taiwan was beneficial while the underperformance of Hong Kong, where the portfolio is heavily

Total return (£) (year to 31 October 2016)	%
Bankers	46.8
FTSE All-World Asia Pacific (ex Japan) Index	37.5

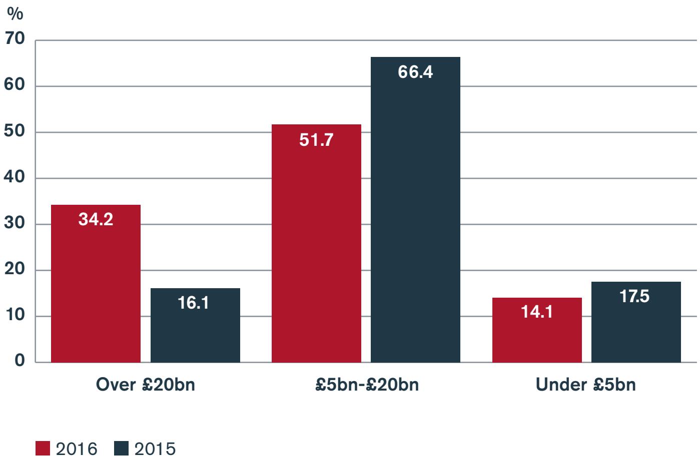
weighted, was offset by positive stock selection. At the sector level the positions in technology contributed positively more than offsetting the weakness in telecoms.

There were a few changes to the portfolio over the period. In Hong Kong we added positions in water supply and treatment company Guangdong Investment and China Mobile while exiting Bank of China and Beijing Capital Airport. We have also added Thai oil refiner Star Petroleum which is benefiting from increasing margins owing to a deficit in refining capacity. More recently we have added Samsung Electronics to the portfolio. Despite the debacle relating to the Galaxy Note 7 recall the rest of the business, namely memory and display, are showing strong growth while possible senior management changes and shareholder activism are increasing expectations of a more shareholder friendly policy going forward.

Outlook

We remain cautiously optimistic on the outlook for Asia Pacific markets although expect continued volatility as political elections and central bank policy in developed markets continue to dominate. Valuations, despite the recent rise, are still attractive especially compared to western alternatives while economic growth appears to be stabilising. The outlook for dividends is the region's most compelling feature. The strong cash flow generation and low dividend pay-out ratio provide real optimism for strong dividend growth while the cushion this provides gives comfort that dividends are sustainable should unforeseen global events call into question levels of profitability.

Pacific (ex Japan) portfolio classified by market value of company at 31 October



Valuations at 31 October 2016 – all investments are shown

Investments by value	Sector	Country	£'000	% of Pacific (ex Japan) portfolio
Taiwan Semiconductor Manufacturing	Technology Hardware & Equipment	Taiwan	10,008	9.82
Netease	Software & Computer Services	Hong Kong	8,325	8.17
SK Telecom	Mobile Telecommunications	South Korea	7,445	7.31
Samsung	Leisure Goods	South Korea	7,439	7.30
ANTA Sports	Personal Goods	Hong Kong	6,648	6.52
Amcor	General Industrials	Australia	6,160	6.05
Macquarie	Financial Services	Australia	5,966	5.85
KB Financial	Financial Services	South Korea	5,935	5.83
Guandong Investment	Water Utilities	Hong Kong	5,456	5.35
China Mobile	Mobile Telecommunications	Hong Kong	5,377	5.28
Mapletree Greater China	Real Estate Investment Trusts	Singapore	5,340	5.24
HKT	Fixed Line Telecommunications	Hong Kong	5,322	5.22
Tata Motors	Industrial Engineering	India	5,209	5.11
Star Petroleum	Oil & Gas Producers	Thailand	4,735	4.65
Scentre	Real Estate Investment Trusts	Australia	4,502	4.42
Fairfax Media	Media	Australia	4,283	4.20
CK Hutchison	General Industrials	Hong Kong	3,746	3.68
Total			**101,896**	**100.00**

Pacific (ex Japan) Geographical Distribution

	31 October 2016 %	31 October 2015 %
Hong Kong	34.2	39.0
Australia	20.5	21.9
South Korea	20.5	9.1
Taiwan	9.8	13.8
Singapore	5.2	5.8
India	5.1	5.3
Thailand	4.7	5.1
	100.0	**100.0**

Strategic Report: China

The Fund Manager of the China portfolio, Charlie Awdry, reports on the year to 31 October 2016

Review

The Shanghai and Shenzhen equity markets in China started the period on an upward trajectory but suffered a sell off at the turn of the year as new circuit breakers, to close trading in stocks on large price moves, backfired and triggered large selling and higher volatility. Markets then gradually rose through 2016 in response to an improvement in the economy. Throughout the year the Chinese Yuan (CNY) fell against the US dollar along with other emerging market currencies. However it rose against sterling thereby enhancing returns from the portfolio in sterling terms.

During the period under review our portfolio rose 44.2%, compared to the markets 14.0% return, meaning we significantly outperformed the market by 30.2% as a result of good stock selection. We have always owned high quality large capitalisation stocks whose fortunes are very often not driven by the fashions and tastes of local investors.

Total return (£) (year to 31 October 2016)	%
Bankers	44.2
China CSI 300 Index	14.0

We have also avoided the larger financial companies that dominate the index. Over the last three years, since becoming an A share QFII investor, this strategy and investment philosophy has borne fruit.

Activity

This year two of our largest holdings have significantly outperformed the market. Kweichow Moutai, the local white liquor or *baijiu* brand, benefitted from a recovering demand picture causing investors to chase the market capitalisation higher against a fall in the broad market for liquor. We still like the company's position but have locked in some profits as we have less fundamental upside to our share price target. Zhengzhou Yutong Bus outperformed as the company's strong competitive position in the bus industry makes it well placed to benefit from the replacement cycle for new electric inter and intra-city buses. Elsewhere we took profits in property developer China Vanke where the valuation was expensive. We have added two holdings in the health care sector, Jiangsu Hengrui Medicine and Yunnan Baiyao Group, that are supported by the demographic trend of an aging population and the companies themselves have strong brands and products.

China continues to wrestle with the competing goals of growth, reform and de-leveraging that will drive the Chinese economy to reset to a lower growth trajectory than in the past and in addition the CNY looks set to be weaker against the US dollar. The consumer and service sectors continue to show robust growth and remain the foundation of the investment case for the stocks in the portfolio.

Valuations at 31 October 2016 – all investments are shown

Investments by value	Sector	£'000	% of China portfolio
Jaingsu Expressway	Industrial Transportation	7,915	19.56
Hangzhou Hikvision Digital Technology	Technology Hardware & Equipment	3,891	9.61
Zhengzhou Yutong Bus	Automobiles & Parts	3,522	8.70
Huayu Automotive	Automobiles & Parts	3,391	8.38
Daqin Railway	Industrial Transportation	3,035	7.50
Anhui Conch Cement	Construction & Materials	2,886	7.13
Foshan Haitian Flavouring	Food Producers	2,875	7.10
Qingdao Haier	Household Goods & Home Construction	2,854	7.05
Yunnan Baiyao Group	Pharmaceuticals & Biotechnology	2,779	6.87
Kweichow Moutai	Beverages	1,513	3.74
CITIC	Financial Services	1,508	3.73
Jiangsu Hengrui Medicine	Pharmaceuticals & Biotechnology	1,129	2.79
Fuyao Glass Industry	Automobiles & Parts	1,083	2.68
Shanghai International Airport	Industrial Transportation	1,049	2.59
Midea	Electronic & Electrical Equipment	1,042	2.57
Total		**40,472**	**100.00**

All of the above are China 'A' shares.

Strategic Report: Emerging Markets

The Fund Manager of the Emerging Markets portfolio, Nicholas Cowley, reports on the year to 31 October 2016

Review

During the year emerging market equities returned to popularity after several years in the doldrums. Brazil was the best performing market as its currency and equity market rebounded from oversold levels, mainly in the hope that a change in government will lead to a change in fortunes for Latin America's biggest economy. Laggards included Mexico and Turkey. Performance of the portfolio was driven by the Brazilian holdings, most notably Banco Bradesco, which has maintained a prudent approach to lending at a time when some of its state-owned rivals have done the opposite. Aguas Andinas, the Chilean water utility, also performed well as it has continued to deliver consistent results and its regulatory environment has remained benign.

During the period we added a new holding in Coca-Cola HBC, the UK-listed Coca-Cola bottler. The company is well-diversified, with its presence in more mature western European countries complemented by significant exposure to the faster growing developing markets of Eastern Europe and Africa. A long period of restructuring has positioned the company to make margin improvements as volumes stabilise in their developed markets. In Brazil, we switched from Embraer, the aircraft manufacturer, into WEG, a maker of small electric motors for industrial use. WEG has become a leader in the production of reliable and high efficiency motors owing to a history of research and development investments that have made its products globally competitive. We also added Shoprite, South Africa's leading food retailer which, as well as continuing to dominate its local market, is taking a disciplined approach to expanding into the less developed countries of sub-Saharan Africa. Finally, we initiated a position in Türk Traktör, the Turkish tractor manufacturer which is a joint venture between the respected family-owned Koc Group and CNH Industrial, the now separate agricultural equipment arm of Italy's Fiat. Long term growth from their domestic market is supported by exports as the company is a key supplier to CNH's global business.

Instinctively, we find ourselves becoming more cautious as shorter-term market commentators become bullish on lower quality emerging market assets. Our strict valuation discipline and focus only on the highest quality companies aims to provide downside protection whilst still capturing the long term demographic opportunity of the developing world.

Total return (£) (year to 31 October 2016)	%
Bankers	58.8
FTSE All-World Emerging (ex Asia) Index	49.1

Emerging Markets Geographical Distribution

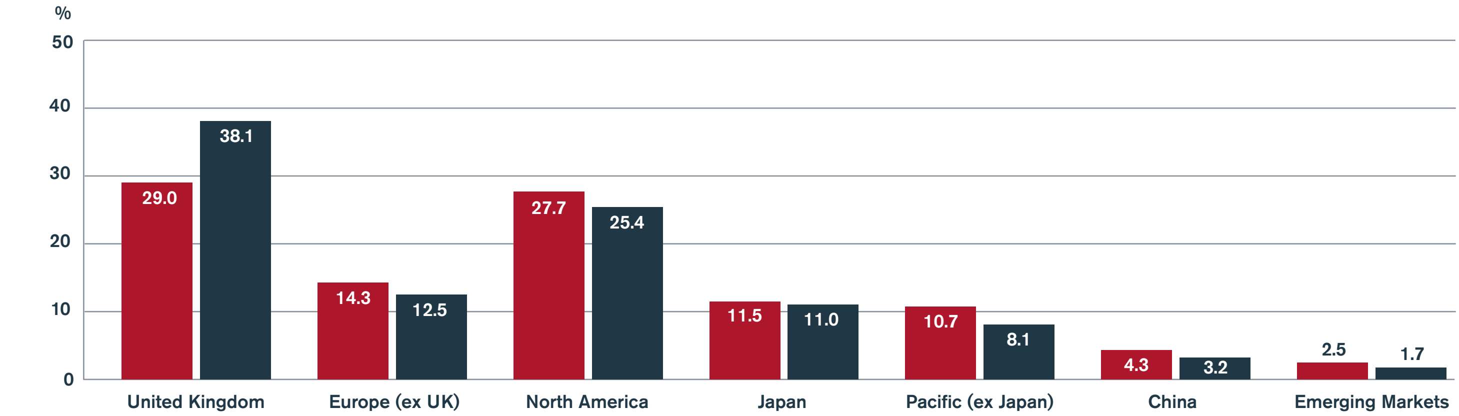
	31 October 2016 %	31 October 2015 %
Brazil	27.0	32.4
South Africa	22.4	18.9
Chile	11.6	10.6
United Kingdom	10.2	–
Mexico	9.3	20.9
Peru	7.4	8.6
Poland	6.8	8.6
Turkey	5.3	–
	100.0	**100.0**

Valuations at 31 October 2016 – all investments are shown

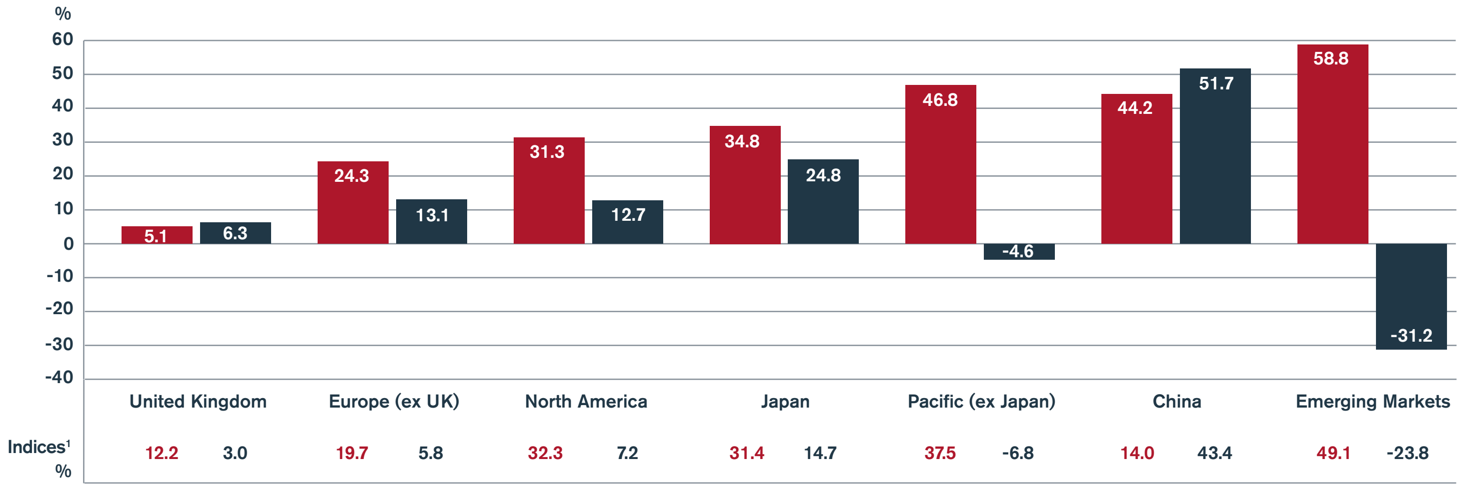
Investments by value	Sector	Country	£'000	% of Emerging Markets portfolio
Banco Bradesco	Banks	Brazil	3,337	14.01
WEG	Industrial Engineering	Brazil	3,083	12.94
Aguas Andinas	Water Utilities	Chile	2,771	11.63
Standard Bank	Banks	South Africa	2,681	11.25
Shoprite	Food & Drug Retailers	South Africa	2,645	11.10
Coca-Cola Hellenic Bottling Corp	Beverages	United Kingdom	2,437	10.23
Grupo Herdez	Food Producers	Mexico	2,219	9.31
Credicorp	Banks	Peru	1,765	7.41
Bank Pekao	Banks	Poland	1,630	6.84
Türk Traktör	Industrial Engineering	Turkey	1,259	5.28
Total			**23,827**	**100.00**

Strategic Report: Portfolio Structure at 31 October 2016 and 2015

Geographical Analysis

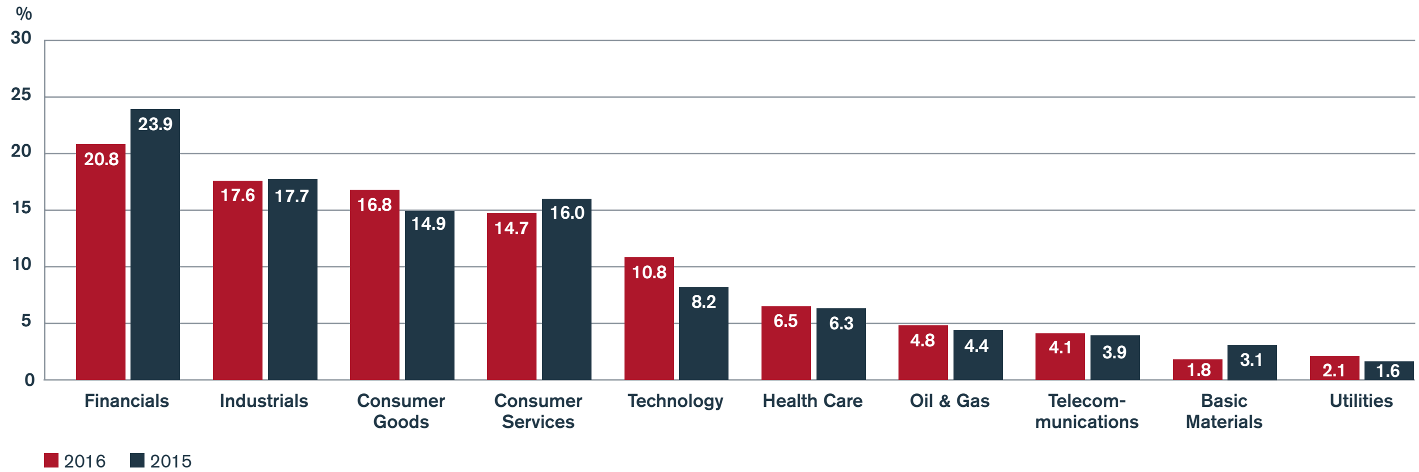


Geographical Total Return Analysis of the Portfolio against each FTSE Stock Market (indices shown below)



1 FTSE Stock Market Indices total return (£)

Sector Analysis



Sources: Henderson, Datastream, Factset

Strategic Report: Corporate Information

Directors

The Directors appointed to the Board at the date of this report and the dates of their appointment are:

Richard Killingbeck

Position: Chairman of the Board and of the Nominations, Management Engagement and Insider Committees

Date of appointment: 19 December 2003 (Chairman 25 September 2013)

Richard is currently Chief Executive Officer of W.H. Ireland Group plc. He was previously a Managing Director of Credit Suisse (UK) Private Bank. He has been involved in the financial services industry for 28 years, initially as a fund manager and latterly in a number of senior management roles, at Singer & Friedlander Investment Management and Close Brothers. During his career he has been based primarily in London but has also spent part of this time in New York.

Matthew Thorne

Position: Director and Chairman of the Audit Committee

Date of appointment: 27 November 2008 (Audit Committee Chairman 26 February 2010)

Matthew is a non-executive Director of Custodian Reit Plc and is an adviser to the Consensus Business Group. He is a Chartered Accountant and was Group Finance Director of McCarthy & Stone plc and also Investment Director of Beazer plc. He has significant experience as a Finance Director, predominantly in the property sector.

Susan Inglis

Position: Senior Independent Director

Date of appointment: 1 November 2012 (SID since February 2015)

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

David Wild

Position: Director

Date of appointment: 26 February 2014

David is currently Chief Executive Officer of Domino's Pizza plc. He was formerly Chief Executive at Halfords Plc and President of the German division of Wal-Mart Stores Inc, and also the Senior Independent Director for Premier Foods plc.

Julian Chillingworth

Position: Director

Date of appointment: 25 February 2015

Julian is currently Chief Investment Officer for Rathbone Brothers plc. He was formerly Head of Gross Funds which incorporated Pension Funds and Charities at Investec and was Head of Equities at Hambros.

All Directors are independent of Henderson and are members of the Audit Committee (except the Chairman), Management Engagement Committee and Insider Committee. The Chairman, Susan Inglis and Matthew Thorne are members of the Nominations Committee.

Strategic Report: Corporate Information (continued)

Registered Office

201 Bishopsgate
London EC2M 3AE

Service Providers

Alternative Investment Fund Manager

Henderson Investment Funds Limited
201 Bishopsgate
London EC2M 3AE

Corporate Secretary

Henderson Secretarial Services Limited
201 Bishopsgate
London EC2M 3AE
Telephone: 020 7818 1818

Depositary and Custodian

BNP Paribas Securities Services
10 Harewood Avenue
London NW1 6AA

Stockbrokers

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

New Zealand

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

Registrar

UK

Equiniti Limited
Aspect House
Spencer Road
Lancing, West Sussex BN99 6DA
Telephone: 0371 384 2471 (or +44 121 415 7049 if calling from overseas). Lines are open 8.30 am to 5.30 pm, UK time Monday to Friday excluding English public holidays.

New Zealand

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

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London E14 5EY

Financial Calendar

Annual results	announced January 2017
Ex dividend date	26 January 2017
Dividend record date	27 January 2017
Annual General Meeting[1]	22 February 2017
Final dividend payable on	28 February 2017
1st interim dividend payable on	31 May 2017
Half year results	announced July 2017
2nd interim dividend payable on	31 August 2017
3rd interim dividend payable on	30 November 2017

1 At Trinity House, London EC3N 4DH at 12 noon

Information Sources

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

HGi

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

Scan the QR code or use this short URL to register for HGi: http://HGi.co/rb

Follow Henderson Investment Trusts on Twitter, YouTube and Facebook

For alternative access to Henderson's insight you can now follow on Twitter, YouTube and Facebook

Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website. Individuals holding shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone: 03457 225525, email: **henderson@halifax.co.uk** or visit their website: **www.halifax.co.uk/sharedealing**

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Nominee Share Code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at them when invited to do so by the Chairman.

Investors in Halifax Share Dealing receive all shareholder communications. A voting instruction form is provided to facilitate voting at general meetings of the Company.

Strategic Report: Corporate Information (continued)

Status

The Company is an investment company as defined in Section 833 of the Companies Act 2006 ('the Act'), is registered in England and Wales and operates as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'), is subject to the Financial Conduct Authority's Rules for listed companies and is governed by its Articles of Association, amendments to which must be approved by shareholders by way of a special resolution. The Company is not a close company.

The Company has obtained approval from HM Revenue & Customs ('HMRC') of its status as an investment trust under Section 1158; the Directors are of the opinion that the Company has conducted its affairs in compliance with Section 1158 since approval was granted and intends to continue to do so. The Company is liable to corporation tax on its net revenue profits but is exempt from corporation tax on capital gains if it has complied at all times with Section 1158.

Principal Risks and Uncertainties

The Board, with the assistance of Henderson, has carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. In carrying out this assessment, the Board has considered the market uncertainty arising from the result of the UK referendum to leave the European Union. The Board has drawn up a matrix of risks facing the Company and has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objectives and policy, in order to mitigate these risks as far as practicable. The principal risks which have been identified, and the steps taken by the Board to mitigate these as far as practicable, and whether the Board considers the impact of such risks has changed over the past year, are as follows:

Risk	Controls and mitigation
Investment Activity and Performance Risks An inappropriate investment strategy (for example, in terms of asset allocation or the level of gearing) may result in underperformance against the Company's various indices and the companies in its peer group.	The Board monitors investment performance at each Board meeting and regularly reviews the extent of the Company's borrowings.
Portfolio and Market Risks Although the Company invests almost entirely in securities that are listed on recognised markets, share prices may move rapidly. The companies in which investments are made may operate unsuccessfully, or fail entirely. A fall in the market value of the Company's portfolio would have an adverse effect on shareholders' funds.	The Fund Manager seeks to maintain a diversified portfolio to mitigate against this risk. The Board regularly reviews the portfolio, investment activity and performance.
Tax, Legal and Regulatory Risks A breach of Section 1158 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the UK Listing Authority's Rules could result in suspension of the Company's shares, while a breach of the Companies Act could lead to criminal proceedings. All breaches could result in financial or reputational damage. The Company must also ensure compliance with the Listing Rules of the New Zealand Stock Exchange.	Henderson has been contracted to provide investment, company secretarial, administration and accounting services through qualified professionals. The Board receives internal control reports produced by Henderson on a quarterly basis, which confirm tax, legal and regulatory compliance both in the UK and New Zealand.
Financial Risks By its nature as an investment trust, the Company's business activities are exposed to market risk (including market price risk, currency risk and interest rate risk), liquidity risk and credit and counterparty risk.	The Company has a diversified portfolio which comprises mainly investments in large and medium-sized companies and mitigates the Company's exposure to liquidity risk. The Company minimises the risk of a counterparty failing to deliver securities or cash by dealing through organisations that have undergone rigorous due diligence by Henderson.
Operational Risks Disruption to, or failure of, Henderson's accounting, dealing or payment systems or the Depositary's records could prevent the accurate reporting and monitoring of the Company's financial position. The Company is also exposed to the operational risk that one or more of its service providers may not provide the required level of service.	The Board monitors the services provided by Henderson and its other suppliers and receives reports on the key elements in place to provide effective internal control.

The Board considers these risks to have remained unchanged throughout the year under review.

Strategic Report: Corporate Information (continued)

Viability Statement

The Directors have assessed the viability of the Company over a three year period, taking account of the Company's current position and the potential impact of the principal risks and uncertainties documented in this Strategic Report.

The Directors conducted the assessment based on a period of three years because they consider this to be an appropriate period over which they do not expect there to be any significant change in the current principal risks and adequacy of the mitigating controls in place. Also the Directors do not envisage any change in strategy or objectives or any events that would prevent the Company from continuing to operate over that period as the Company's assets are liquid, its commitments are limited and the Company intends to continue to operate as an investment trust.

The assessment has considered the impact of the likelihood of the principal risks and uncertainties facing the Company, in particular Investment Activity and Performance, Portfolio and Market and Financial risks, in severe but plausible scenarios, and the effectiveness of any mitigating controls in place.

The Directors also took into account the liquidity of the portfolio, the gearing and the income stream from the portfolio in considering the viability of the Company over the next three years and its ability to meet liabilities as they fall due. This included consideration of the duration of the Company's long term borrowings and how the forecast income stream, expenditure and levels of reserves could impact on the Company's ability to pay dividends to shareholders over that period in line with its current dividend policy. Whilst detailed forecasts are only made over a shorter time frame, the nature of the Company's business as an investment trust means that such forecasts are equally valid to be considered over the longer three year period as a means of assessing whether the Company can continue in operation. This included consideration of the duration of the Company's fixed term debt and how a breach of the gearing covenants could impact on the Company's net asset value and share price.

Based on their assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three year period. Only a substantial financial crisis affecting the global economy could have an impact on this assessment.

Borrowing

The Company does not currently have any short term borrowings.

The Company repaid its 10.5% £10 million 2016 debenture on 31 October 2016. The Company has an 8% £15 million 2023 debenture.

The Company has £50 million of fixed rate 20 year private placement loan notes at an annualised coupon rate of 3.68%. Actual gearing at 31 October 2016 was 2.6% (2015: 2.0%) of net asset value.

Performance Measurement and Key Performance Indicators ('KPIs')

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of Henderson the Directors take into account the following KPIs:

Performance measured against various indices

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

Discount/premium to net asset value ('NAV')

The Company publishes a NAV per share figure on a daily basis through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the Association of Investment Companies ('AIC') formula. At each Board meeting, the Board monitors the level of the Company's discount/premium to NAV and reviews the average discount/premium for the Company's relevant AIC sector.

The Board considers the use of share buy-backs and share issues to enhance shareholder value. During the financial year the Company bought back 1,338,509 shares at a discount to NAV, these shares are held in Treasury (2015: 25,000, these shares were cancelled) and issued 10,863,453 shares at a premium to NAV (2015: 1,000,000).

Performance against the Company's peer group

In addition to comparison against the various indices, the Board considers the performance of its AIC peer group and its open-ended equivalent, the IMA Global Sector, at each Board meeting.

Future Developments

While the future performance of the Company is mainly dependent on the performance of global financial markets which are subject to various external factors, the Board's intention is that the Company will continue to pursue its stated investment objectives and policy explained on page 4. The Chairman's Statement and Fund Manager Reports provide commentary on the outlook for the Company.

Corporate Responsibility

Responsible investment

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

Strategic Report: Corporate Information (continued)

The way companies respond to sustainability and corporate responsibility can affect their business performance, both directly and indirectly. An investee company's policy on social responsibility and the environment is considered by Henderson's risk team but investments are not ruled out on social and environmental grounds only.

Voting Policy and the UK Stewardship Code

Henderson's responsible investment policy sets out its approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients and its policy on proxy voting. The policy also sets out how Henderson implements the Stewardship Code. The Company has reviewed the policy and has delegated responsibility for voting to Henderson. The Board receives regular reports on the voting undertaken by Henderson on behalf of the Company. The Board and Henderson believe that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on Board policy, practices and performance. Voting recommendations are guided by the best interests of the investee companies' shareholders. Depending on the nature of the resolution the Fund Manager will give specific instructions on voting on non-routine and unusual or controversial resolutions. Decisions not to support resolutions and the rationale for doing so are fed back to the investee company prior to voting.

The Henderson responsible investment policy and further details of Henderson's responsible investment activities can be found on the Henderson website, **www.henderson.com**.

Employees, Social, Community, Human Rights and Environmental Matters

The Company's core activities are undertaken by Henderson which has implemented environmental management practices including systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible. The Company has therefore not reported on these or social, community or human rights issues here; Henderson's policies are included in its Annual Report which can be found on its website.

Henderson's corporate responsibility statement is included on its website. In 2012 it was granted CarbonNeutral® Company status which it has committed to maintain at least until the end of 2018.

The Company's Annual Report is printed on paper produced using 50% recycled post-consumer waste and 50% wood fibre from fully sustainable forests with certification by the Forest Stewardship Council; the printing company used is certified as Carbon Neutral®.

Modern Slavery Act 2015

As an investment vehicle the Company does not provide goods or services in the normal course of business, and does not have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

Board Diversity

As set out on page 23, at the year end one of the Company's Directors was female and the other four were male. The Directors consider diversity when making appointments to the Board, taking into account skills, experience, knowledge and gender. However, it is not considered appropriate to have set targets in relation to diversity. The Company has no employees and therefore there is nothing further to report in respect of gender representation within the Company.

By order of the Board

Richard Killingbeck
Chairman
18 January 2017

Strategic Report: Glossary

Alternative Investment Fund Managers Directive ('AIFMD')

Agreed by the European Parliament and the Council of the European Union and adopted into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds ('AIFs') and requires them to appoint an Alternative Investment Fund Manager ('AIFM') and Depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

Association of Investment Companies ('AIC')

The Company is a member of the AIC which is the trade body for investment companies and represents the industry in relation to various matters which impact the regulation of such entities.

Custodian

The Custodian is responsible for ensuring the safe custody of the Company's assets and that all transactions in the underlying holdings are transacted in an accurate and timely manner.

Depositary

From 22 July 2014 AIFs were required to appoint a Depositary which has responsibility for overseeing the operations of the Company, including safekeeping, cash monitoring and verification of ownership and valuation of the underlying holdings. The Depositary is strictly liable for the loss of any investments or other assets in its custody unless it has notified that it has discharged its liability in certain markets. The Depositary has confirmed that it has not discharged liability in relation to any of the Company's assets.

Derivative

A contract between two or more parties in relation to an underlying security. The value of a derivative will fluctuate in accordance with the value of the security and is a form of gearing as the fluctuations in value are usually greater than the fluctuations in the underlying security's value. Examples of derivatives are put and call options, swap contracts, futures and contracts for difference.

Dividend Dates

When declared or recommended, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company's registrars to know which shareholders should be paid a dividend. Only shareholders on the register of members at the close of business on the record date will receive the dividend. The ex-dividend date is the business day before the record date and is the date upon which the Company's net asset value per share will be disclosed ex-dividend.

Dividend Yield

The annual dividend expressed as a percentage of the share price.

Gearing

Gearing means borrowing money to buy assets with the expectation that the return on investments bought will exceed the interest cost of the borrowings. The gearing percentage reflects the amount of borrowings (eg bank loans, overdrafts and debt securities) the Company has used to invest in the market and is calculated by taking the difference between non-current asset investments and equity shareholders' funds dividing by equity shareholders' funds and multiplying by 100. The Company can use synthetic gearing through derivatives.

Investment Trusts

Investment trusts are public limited companies, listed on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments. Investment trusts are exempt from tax on the capital gains arising on their investments subject to meeting certain criteria. Income, net of expenses and tax, is substantially distributed to shareholders. Investment trusts are also known as investment companies although the tax legislation retains the reference to investment trusts.

Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers in the market for the share in question. Where the market in a particular share is described as liquid that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer will tend to depress the price that might be negotiated for a sale.

Market Capitalisation ('Market Cap')

The market value of a company calculated by multiplying the mid-market price per share by the number of shares in issue.

Net Asset Value ('NAV') per Ordinary Share

The value of the Company's assets (ie investments and cash held) less any liabilities (ie bank borrowings and debt securities) for which the Company is responsible divided by the number of shares in issue. The aggregate NAV is also referred to as shareholders' funds in the Statement of Financial Position. The NAV per share is published daily.

Premium/Discount

The amount by which the market price per share of an investment company is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV per share.

Revenue Return Per Share

The revenue return per share is the revenue return profit for the year divided by the weighted average number or ordinary shares in issue during the year.

Total Return Performance

This is the return on the share price or NAV per share taking into account both the rise and fall of the share price or NAV respectively and the dividends and interest paid to shareholders during a given period. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV per share total return).

Corporate Report

Report of the Directors

The Directors present the audited financial statements of the Company and their report for the year from 1 November 2015 to 31 October 2016. The Bankers Investment Trust PLC ('the Company') (registered and domiciled in England and Wales with company registration number 00026351) was active throughout the year under review and was not dormant.

Directors

Details of the Directors and their appointments can be found on page 23.

Directors' Remuneration and Shareholdings

The Directors' Remuneration Report on pages 33 and 34 provides information on the remuneration and interests of the Directors.

Directors' Conflicts of Interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ('situational conflicts'). The Board has a formal system in place for Directors to declare situational conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted Directors must act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts considered, and any authorisations given, are recorded in the relevant meetings' minutes. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts and the Board believes that the system it has in place for reporting and considering situational conflicts continues to operate effectively.

Directors' Insurance and Indemnification

Directors' and officers' liability insurance cover is in place in respect of the Directors. Under the Company's Articles of Association and, subject to the provisions of UK legislation, a qualifying third party provision indemnity may be provided to Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors in which they are acquitted or judgment is given in their favour by the Court. No indemnity was given during the year or up to the date of this report.

Related Party Transactions

The Company's transactions with related parties in the year were with its Directors and Henderson. There have been no material transactions between the Company and its Directors during the year other than the amounts paid to them in respect of Directors' remuneration for which there were no outstanding amounts payable at the year end. In relation to the provision of services by Henderson, other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services, there have been no transactions with Henderson affecting the financial position of the Company during the year under review. More details on transactions with Henderson, including amounts outstanding at the year end, are given in note 23 on page 65.

Ongoing Charge and Other Costs

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

The Board believes that the ongoing charge during the year represented good value for money for shareholders. There is, however, some debate over the most appropriate measure of investment company costs to enable shareholders to assess value for money and to make comparisons between companies. Whilst industry agreement on how best to present a single figure for costs remains elusive, the Company will continue to focus on the ongoing charge (which is prepared in accordance with the AIC's recommended methodology) as a readily-understood measure of the underlying expenses of running the business. We are also presenting, this year for the first time, the information on all costs in a single table below. This indicates the main cost headings in money terms and as a percentage of average net assets.

The Company benefitted from a net asset value uplift at the calculation date of the transaction with Henderson Global Trust plc ('HGT') of £595,000 compared with the costs of £320,000.

Category of cost	2016 £'000	2016 % of average net assets	2015 £'000	2015 % of average net assets
Management fee	3,196	0.41%	2,974	0.42%
Other expenses	814	0.11%	742[1]	0.10%
Ongoing charge figure	**4,010**	**0.52%**	**3,716**	**0.52%**
Portfolio transaction costs	690	0.09%	534	0.07%
HGT transaction costs	320	0.04%	0	0.00%

1 Excludes one-off non-recurring costs when compared to the financial statements

Dividend

A final dividend of 4.6p per share, if approved by shareholders at the AGM, will be paid on 28 February 2017, to those shareholders on the register on 27 January 2017. The shares go ex-dividend on 26 January 2017. This final dividend together with the three interim dividends already paid bring the total dividend for the year to 17.0p.

Report of the Directors (continued)

Share Capital

The Company's share capital comprises ordinary shares with a nominal value of 25p. The voting rights of the shares on a poll are one vote for every ordinary £1 nominal (4 shares held). There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid. To the extent that they exist, the revenue profits and capital of the Company (including accumulated revenue and capital reserves) are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to the shareholders pro rata to their holding of ordinary shares.

At the beginning of the year, there were 113,081,839 ordinary shares in issue. During the year 1,450,000 ordinary shares were issued to JP Morgan Cazenove, the Company's broker, to meet market demand in the price range of 617.25p – 642.5p for total proceeds (net of commissions) of £9,007,000. On 26 April 2016 the Company issued 9,413,453 ordinary shares following the transaction with Henderson Global Trust plc for total proceeds of £59,527,000.

During the year the Company bought back 1,338,509 shares which are being held in treasury. At 31 October 2016 the number of ordinary shares in issue with voting rights was 122,606,783.

The number of shares in issue as at 10 January 2017 being the latest practicable date prior to the publication of this Annual Report is 123,945,292. No shares were issued between 31 October and 10 January 2017.

The Company will seek authority from its shareholders at the 2017 annual general meeting to renew its authority to allot shares up to 10% of the issued share capital as at 22 February 2017. Please refer to the Notice of Meeting that accompanies this Annual Report for further details. This can also be found on the Company's website at **www.bankersinvestmenttrust.com**.

Holdings in the Company's Shares

Declarations of interests in the voting rights of the Company as at 31 October 2016 in accordance with the UK Listing Authority's Disclosure Guidance and Transparency Rules were as follows.

	% of voting rights
Investec Wealth & Investment	5.4

There have been no further notifications to 10 January 2017, being the last practicable date prior to publication of this Annual Report.

At 31 October 2016, 11.7% of the issued ordinary shares were held on behalf of participants in the Halifax Share Dealing products. The participants in this scheme are given the opportunity to instruct the relevant nominee company to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company.

Annual General Meeting ('AGM')

The AGM will be held on 22 February 2017 at 12 noon at Trinity House, London EC3N 4DH. The Notice of Meeting and details of the resolutions to be put at the AGM are contained in the separate document being sent to shareholders with this Annual Report.

Directors' Statement as to Disclosure of Information to Auditor

Each of the Directors who were members of the Board at the date of approval of this Annual Report confirms that, to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Annual Report of which the Company's Auditor is unaware and he or she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditor is aware of that information.

Corporate Governance

The Corporate Governance Statement on pages 35 to 37 forms part of the Report of the Directors.

Global Greenhouse Gas Emissions

As an externally managed investment company, the Company has no greenhouse gas emissions to report from its operations for the year to 31 October 2016 (2015: same), nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard other than, in accordance with LR 9.8.4(7), the information of which is detailed on this page under Share Capital.

Securities Financing Transactions

As the Company undertakes securities lending it is required to report on Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to securities lending for the accounting period ended 31 October 2016 are detailed on pages 67 and 68.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
18 January 2017

Statement of Directors' Responsibilities

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Having taken advice from the Audit Committee, the Directors consider that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Statement of Directors' Responsibilities under Disclosure Guidance and Transparency Rule 4.1.12

Each of the Directors, who are listed on page 23, confirms that, to the best of his or her knowledge:

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

For and on behalf of the Board

Richard Killingbeck
Chairman
18 January 2017

The financial statements are published on the **www.bankersinvestmenttrust.com** website, which is a website maintained by the Company's Manager, Henderson. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The maintenance and integrity of the website maintained by Henderson or any of its subsidiaries is, so far as it relates to the Company, the responsibility of Henderson. The work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that have occurred to the Annual Report since it was initially presented on the website.

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 ('the Regulations'). The report also meets the relevant requirements of the Companies Act 2006 ('the Act') and the Listing Rules of the UK Listing Authority and describes how the Board has applied the principles relating to Directors' remuneration. As required by Section 439 of the Act, an ordinary resolution to approve the report will be proposed at the Annual General Meeting ('AGM') on 22 February 2017.

Shareholders last approved the Company's remuneration policy under Section 439A of the Act at the AGM in 2014. The current policy, if approved by shareholders at the 2017 AGM, will continue in force until the AGM in 2020.

The Company's Auditor is required to report on certain information contained within this report; where information set out below has been audited it is indicated as such.

All Directors are non-executive and the Company has no chief executive officer or employees; as such some of the reporting requirements contained in the Regulations are not applicable and have not been reported on, including the requirement for a future policy table and an illustrative representation of the level of remuneration that could be received by each individual Director. It is believed that all relevant information is disclosed within this report in an appropriate format.

Remuneration Policy

The Board as a whole considers the Directors' remuneration. The Board has not established a remuneration committee to consider matters relating to the Directors' remuneration. The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration (although the Directors review annually the fees paid to the boards of directors of other comparable investment trust companies).

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to promote the long term success of the Company. The policy is for the Chairman of the Board, the Senior Independent Director and the Chairman of the Audit Committee to be paid a higher fee than the other Directors in recognition of their additional responsibilities.

The policy is to review these rates annually although such review will not necessarily result in any change to the rates.

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

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

Annual Statement

As Chairman, Richard Killingbeck reports that Directors' fees were increased on 1 November 2015 and also on 1 November 2016, being the start of the Company's financial year. These increases were made after consideration of the fees paid to other investment trusts in the sector of an equivalent size and also in relation to the fees paid to the directors of other Henderson managed trusts. These increases were to ensure that the Directors are properly remunerated for their services to the Company and so that the Company can remain competitive when seeking new Directors.

There have been no other major decisions on Directors' remuneration or any other changes to the remuneration paid to each individual Director in the year under review.

Annual Report on Remuneration

Directors' Interests in Shares (Audited)

	Ordinary shares of 25p	
	31 October 2016	**1 November 2015**
Beneficial interest:		
Richard Killingbeck	30,000	30,000
Julian Chillingworth	1,620	1,620
Susan Inglis	5,000	5,000
Matthew Thorne	30,250	26,250
David Wild	12,803	12,803

The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the preceding table. There were no changes since the year end to the date of this Annual Report.

In accordance with the Company's Articles of Association no Director is required to hold shares of the Company by way of qualification.

Directors' Remuneration Report (continued)

Directors' Remuneration (Audited)

The remuneration paid to the Directors who served during the years ended 31 October 2016 and 31 October 2015 was as follows:

	Year ended 31 October 2016 Total fees £	Year ended 31 October 2015 Total fees £	Year ended 31 October 2016 Total expenses including taxable benefits £	Year ended 31 October 2015 Total expenses including taxable benefits £	Year ended 31 October 2016 Total £	Year ended 31 October 2015 Total £
Richard Killingbeck [1]	38,000	37,000	–	783	38,000	37,783
Richard Burns[2]	–	8,217	–	–	–	8,217
Julian Chillingworth[3]	24,500	15,928	–	–	24,500	15,928
Susan Inglis[4]	26,500	24,861	–	–	26,500	24,861
Matthew Thorne[5]	26,500	25,500	841	434	27,341	25,934
David Wild	24,500	23,500	–	–	24,500	23,500
Total	**140,000**	**135,006**	**841**	**1,217**	**140,841**	**136,223**

The table above omits other columns because no payments of other types such as performance related pay, vesting performance related pay and pension related benefits were made. Taxable benefits – Article 117 of the Company's Articles of Association provides that Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings.

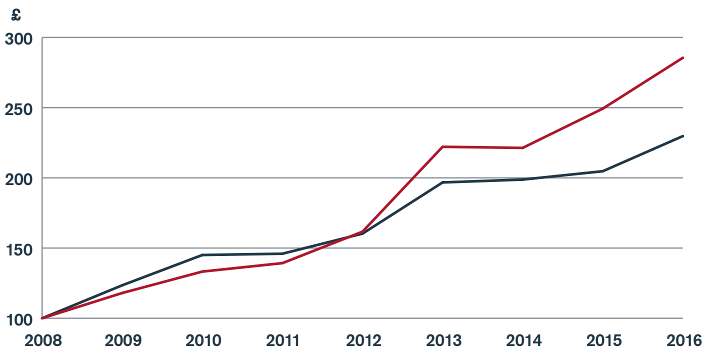
1 Chairman and highest paid director. 2 Retired on 25 February 2015. 3 Appointed 25 February 2015 (his fees are paid to his employer). 4 Senior Independent Director.
5 Chairman of the Audit Committee.

No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former Directors or third parties specified by any of them.

The fees paid to the Directors during the year were as follows (previous rates are shown in brackets): Chairman £38,000 (£37,000), Audit Committee Chairman and Senior Independent Director £26,500 (£25,500) and Directors £24,500 (£23,500). With effect from 1 November 2016 the fees were increased to Chairman £40,000, Audit Committee Chairman and Senior Independent Director £28,000 and Director £26,000.

Performance

The Company's performance is measured against the FTSE All-Share Index on a total return basis in sterling terms.
The graph below compares the mid-market price of the Company's ordinary shares over the eight year period ended 31 October 2016 with the FTSE All-Share Index over the same period.



Source: Morningstar Direct

The Company's share price total return, assuming the investment of £100 on 31 October 2008 and the reinvestment of all dividends (excluding dealing expenses).

FTSE All-Share Index assuming the notional investment of £100 on 31 October 2008 and the reinvestment of all income (excluding dealing expenses).

Relative Importance of Spend on Pay

In order to show the relative importance of spend on pay, the table below sets out the total level of remuneration compared to the distributions to shareholders by way of dividend and share buy-backs. There were no other significant distributions, payments or other uses of the Company's profit or cash flow deemed to assist in the understanding of the relative importance of spend on pay.

	31 October 2016 £	31 October 2015 £	Change £
Total remuneration	140,841	136,223	4,618
Ordinary dividends paid	18,580,787	17,150,396	1,430,391
Buy-backs of ordinary shares	8,206,299	154,810	8,051,489

Statement of Voting at Annual General Meeting ('AGM')

At the 2016 AGM 4,621,988 proxy votes (98.2%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 47,681 (1.0%) were against, 36,850 (0.8%) were discretionary and 36,928 were withheld. In relation to the approval of the Remuneration Policy in February 2014, 7,122,407 (95.1%) were received voting for the resolution, 278,462 (3.7%) were against and 88,359 (1.2%) were discretionary and 135,045 were withheld. The percentage of votes excludes votes withheld.

For and on behalf of the Board
Richard Killingbeck
Chairman
18 January 2017

Corporate Governance Statement

Applicable Corporate Governance Codes

The Board is accountable to shareholders for the governance of the Company's affairs. As an investment trust, the Company's day-to-day responsibilities are delegated to third parties; the Company has no employees and the Directors are all non-executive. Therefore not all the provisions of the UK Corporate Governance Code (the 'UK Code') issued by the Financial Reporting Council ('FRC') in September 2014 are directly applicable to the Company. The Board has therefore considered the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies in February 2015 (the 'AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies (the 'AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the applicable principles set out in the UK Code as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies. The FRC has confirmed that, by following the AIC Guide, boards of investment companies should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

The Board has noted that the FRC and the AIC have issued revised codes which the Company will be required to report against next year.

Copies of the AIC Code, the AIC Guide and the UK Code can be found on the respective organisations' websites: **www.theaic.co.uk** and **www.frc.org.uk**.

New Zealand Listing

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

Statement of Compliance

The Directors believe that during the year under review they have complied with the provisions of the AIC Code, insofar as they apply to the Company's business, and with the provisions of the UK Code, except as noted below;

- the role of chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

As the Company delegates to an external investment manager (which has its own internal audit function) its day-to-day operations and has no employees, the Board does not consider these provisions to be relevant to the Company and has not reported further in respect of these provisions.

Directors

Terms of appointment and retirement

The Board may appoint Directors to the Board and any Director so appointed must stand for appointment by the shareholders at the Annual General Meeting ('AGM') following appointment, in accordance with the Articles of Association.

The Articles of Association require all Directors to retire at each AGM, in accordance with the corporate governance policy adopted. All the current Directors, will therefore retire and, being eligible, have stated that they will offer themselves for re-appointment.

The contribution and performance of each Director was reviewed by the Nominations Committee at its meeting in September 2016, which recommended to the Board the continuing appointment of each of the Directors.

Under the Articles of Association, shareholders may remove a Director before the end of his or her term by passing an ordinary resolution at a meeting.

Directors' independence

All Directors have a wide range of other interests and are not dependent on the Company itself. At the Nominations Committee meeting in September 2016, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of Henderson. Susan Inglis is the Company's Senior Independent Director. There were no contracts in existence during or at the end of the year and up to the date of this Annual Report which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business.

Directors' professional development

When a new Director is appointed he or she receives an induction seminar which is held by Henderson at the request of the Chairman. 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. Directors' also regularly participate in relevant training and industry seminars. Directors individual training requirements are considered as part of the annual evaluation process which is led by the Chairman of the Board.

The Board

Board composition

The Articles of Association provide that the total number of Directors shall not be less than three nor more than eight; the Board currently consists of five non-executive Directors. The biographies of the Directors holding office at the date of this Annual Report, which are set out on page 23, demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors.

Responsibilities of the Board and its Committees

During the year seven scheduled Board meetings were held to deal with the important aspects of the Company's affairs. The Board has a formal schedule of matters specifically reserved for its decision, which are categorised under various headings including strategy, management, structure, capital, financial reporting, internal controls, gearing, asset allocation, share price premium/discount, contracts, investment policy, finance, risk, investment restrictions, performance, corporate governance and Board membership and appointments.

The Board is responsible for the approval of the annual and half year results and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects. The Directors confirm that they are satisfied that the Annual Report for the year ended 31 October 2016 taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

At each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's investment objectives and policy and is responsible for setting asset allocation, investment and gearing limits within which Henderson has discretion to act. The Board has responsibility for the approval of any investments in in-house funds managed or advised by Henderson. It also has adopted a procedure for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information.

Corporate Governance Statement (continued)

The Board has three principal Committees, the Audit Committee, the Nominations Committee and the Management Engagement Committee. The terms of reference for these Committees are available on the Company's website **www.bankersinvestmenttrust.com** or via the Corporate Secretary.

The Company has also established an Insider Committee to assist in meeting the disclosure requirements of the Market Abuse Regulations which came into force on 3 July 2016.

Audit Committee

The Audit Committee is chaired by Matthew Thorne. The Report of the Audit Committee can be found on pages 38 and 39.

Nominations Committee

Richard Killingbeck, Susan Inglis and Matthew Thorne are the members of the Nominations Committee. The Chairman of the Board acts as Chairman of the Committee but would not chair the Committee when the Chairman's successor was being considered. The Committee is responsible for reviewing Board succession planning, the composition and performance of the Board as a whole and the Board Committees, and the appointment of new Directors.

When considering succession planning, the Committee bears in mind the balance of skills, knowledge, experience, gender and diversity existing on the Board and will recommend when the recruitment of additional non-executive Directors is required. Given the size of the Board it is not considered appropriate to have set targets in relation to gender diversity. Once a decision is made to recruit additional Directors to the Board, a formal job description is drawn up and each Director is invited to submit nominations and these are considered in accordance with the Board's agreed procedures. The Committee also uses independent external agencies as and when the requirement to recruit an additional Board member becomes necessary.

The Committee also reviews and recommends to the Board each Director seeking re-appointment. Recommendation is not automatic and will follow a process of evaluation of each Director's performance and consideration of the Director's independence. The Committee also takes into account the mix of skills and experience of the current Board members. In accordance with the AIC Code any Director serving for longer than six years would be subject to particularly rigorous assessment of his/her contribution.

Management Engagement Committee

The Management Engagement Committee membership comprises all the members of the Board. The Committee meets at least annually to review the investment management agreement and to review the services provided by Henderson.

Performance evaluation

The Directors recognise the importance of the AIC Code's recommendation in respect of evaluating the performance of the Board as a whole, the Committees and individual Directors. During the year the Directors undertook a review of the Board structure including an evaluation of the performance of the Board, the Committees and of individual Directors including the Chairman.

The Company is obliged to engage an external facilitator for Board evaluation every three years. An external review was first carried out by Lintstock Limited in 2013. The evaluation for the year under review was also undertaken by Lintstock Limited who are independent of the Company. The evaluation concluded that the Board has a good balance of skills and experience relevant to the Company's objectives and operations.

Board attendance

The table below sets out the number of formal Board and Committee meetings held during the year under review and the number of meetings attended by each Director. All Directors attended the AGM in February 2016.

	Board	AC	NC	MEC
Number of meetings	**7**	**3**	**1**	**1**
Richard Killingbeck	7	n/a	1	1
Julian Chillingworth	7	3	n/a	1
Susan Inglis	7	3	1	1
Matthew Thorne	6	3	1	1
David Wild	5	3	n/a	–

AC: Audit Committee
NC: Nominations Committee
MEC: Management Engagement Committee

The Insider Committee did not meet prior to the year end.

The Directors and Committees of the Board also met during the year as needed to undertake business such as the approval of the Company's results and discussions regarding the transaction with Henderson Global Trust plc and ad hoc matters.

Internal Controls and Risk Management

The Board has established an ongoing process for identifying, evaluating and managing any major risks faced by the Company. (See Principal Risk and Uncertainties on page 25 in the Strategic Report). The process accords with Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC in September 2014, and is subject to regular review by the Board.

The Board has overall responsibility for the Company's system of internal controls and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate 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 has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 October 2016. During the course of its review of internal controls the Board has not identified or been advised of any failings or weaknesses that have been determined as significant. All business risks faced by the Company are recorded in a risk map which is reviewed periodically.

Henderson 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 Henderson's compliance and risk department on a continuing basis. The Board receives a formal report from Henderson each quarter detailing the steps taken to monitor the areas of risk, including those that are not directly the responsibility of Henderson, and which reports the details of any known internal control failures. Each year the Board receives from Henderson a report on its internal controls which includes a report from Henderson's auditors on the control policies and procedures in operation. Steps will continue to be taken to embed the system of internal control and risk management into the operation and culture of the Company and its key suppliers.

The Board confirms that, in the event of any significant failings or weakness identified from the annual review of effectiveness of the Company's system of internal control, necessary action would be taken to remedy them.

Corporate Governance Statement (continued)

The ongoing process for identifying, evaluating and managing significant risks faced by the Company has been in place throughout the year under review and up to the date of this report. Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable.

As all of the Company's management functions are delegated to third parties, and the Board monitors the controls in place with support from Henderson's internal audit department, the Board feels that there is currently no need for the Company to have its own internal audit function.

Accountability and Relationship with Henderson

The Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 32, and the viability statement on page 26.

The Board receives and considers regular reports from Henderson and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman is able to attend meetings of all the chairmen of the investment trusts and companies managed by Henderson which provide a forum to discuss industry matters which would then be reported to the Board.

Henderson takes decisions as to the purchase and sale of individual investments. Henderson also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of Henderson attend each Board meeting enabling the Directors to probe further on matters of concern. The Directors have access to the advice and services of the Corporate Secretary through its appointed representative who is responsible to the Board for ensuring that Board and Committee procedures are followed and that applicable rules and regulations are complied with. The proceedings at all Board and Committee meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes. The Board and Henderson operate in a supportive, co-operative and open environment.

The Corporate Secretary, Henderson Secretarial Services Limited, is a subsidiary of Henderson with its own reporting lines and audited internal controls. There are processes and controls in place to ensure that there is a clear distinction between the two entities particularly when dealing with any conflicts or issues between the Company and Henderson. Any correspondence from shareholders addressed to the Chairman or the Company received at Henderson's offices is forwarded to the Chairman of the Company in line with the audited procedure in place. Any correspondence is also submitted to the next Board meeting for discussion.

Henderson and BNP Paribas Securities Services, which acts for Henderson, have arrangements in place by which their staff may, in confidence, raise concerns about possible improprieties in relation to financial reporting or other matters.

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

Continued Appointment of Henderson

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. The principal contents of the agreement with Henderson and the fees payable are contained on page 4.

The Board reviews investment performance at each Board meeting and a formal review of Henderson is conducted annually. As part of the annual review in September 2016 the Directors discussed the quality and continuity of the personnel assigned to handle the Company's affairs, with particular reference to performance and results achieved to date. In addition, they reviewed other services provided by Henderson to the Company, such as accounting, company secretarial and administration services and Henderson's activities in promoting and marketing the Company. The Board noted Henderson's resources and experience in managing and administering investment trust companies. As a result of their annual review it is the opinion of the Directors that the continued appointment of Henderson on the terms agreed is in the interests of the Company's shareholders as a whole.

Share Capital

Please see the Report of the Directors on page 31.

Relations with Shareholders

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with its shareholders is through the half year results and Annual Report which aim to provide shareholders with a clear understanding of the Company's activities and their results. This information is supplemented by the daily calculation and publication of the NAV per share at the London and New Zealand Stock Exchanges and a monthly fact sheet which is available on the website. Henderson also provides information on the Company and Fund Manager videos on the website, via various social media channels and through its HGi content platform, more details of which are included on page 24.

The Board considers that shareholders should be encouraged to attend and participate in the AGM. Shareholders have the opportunity to address questions to the Chairman of the Board, the Chairman of the Audit Committee and all other Directors at the meeting and the Fund Manager will make a presentation to shareholders. A summary of the proxy votes received on the resolutions proposed is displayed at the meeting and each substantial issue is dealt with in a separate resolution. It is the intention of the Board that the Annual Report and Notice of AGM be issued to shareholders so as to provide at least 20 working days' notice of the meeting. These documents are also included on the website. Shareholders wishing to lodge questions in advance of the meeting, or raise issues or concerns at any time, are invited to do so by writing to the Chairman at the registered office address given on page 24.

General presentations to both shareholders and analysts follow the publication of the annual results. Meetings between Henderson, including our Fund Manager, and shareholders are reported to the Board.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
18 January 2017

Report of the Audit Committee

In accordance with the September 2014 Competition and Markets Authority Order, the Audit Committee presents its Report.

Composition

The Audit Committee comprises all of the Directors except the Chairman of the Board, and is chaired by Matthew Thorne who is a chartered accountant. The other Audit Committee members have a combination of financial, investment and other experience gained throughout their careers and the Board is satisfied that at least one of the Committee's members has recent and relevant financial experience. All members of the Audit Committee are independent. The biographies of the Audit Committee members are shown on page 23.

Meetings

The Audit Committee met three times during the year under review. The Company's Auditor is invited to attend meetings as necessary. Representatives of Henderson and BNP Paribas Securities Services ('BNP') may also be invited.

Role and Responsibilities

The role of the Audit Committee is to assist the Board in applying the financial reporting and internal control principles and to maintain an appropriate relationship with the Auditor. The responsibilities are set out in formal terms of reference which are regularly reviewed. In the year under review the main duties undertaken were:

- consideration of the appropriateness of the Company's accounting policies;
- a review of the half year results and the Annual Report, including the disclosures made therein in relation to internal controls and risk management, viability statement, going concern and related parties and consideration of whether the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy in order to make recommendations to the Board. In assessing whether the Annual Report is fair, balanced and understandable, each Director reviewed the disclosures made, applying their respective knowledge and expertise. The internal controls over financial reporting were also considered together with feedback from the Company's Auditor, Fund Manager and the Corporate Secretary;
- consideration of the Terms of Reference of the Audit Committee;
- consideration of the financial reporting of the Henderson Global Trust plc transaction;
- consideration of the quality and effectiveness of the accounting records and management information maintained on behalf of the Company, relying on meetings with and reports from Henderson;
- consideration of the appropriate level of dividend to be paid by the Company for recommendation to the Board;
- consideration of the internal controls in place at Henderson and BNP as administrator and Henderson's policies in relation to cyber risk and business continuity, meeting with representatives of Henderson's internal audit and risk departments periodically;
- consideration of the key risks, risk management systems in place and the Company's risk map;
- consideration of the Company's anti-bribery policy and review of the Company's gifts and hospitality register and the Audit Committee was satisfied that the Company was in compliance;
- consideration of the nature and scope of the external audit and the findings therefrom;
- consideration of the FRC review of Grant Thornton UK LLP's audit of the 31 October 2015 year end which also required a meeting with the FRC;
- annual consideration of whether there is a need for an internal audit function, in order to make a recommendation to the Board (as described on pages 36 and 37);
- consideration of the appointment of the external Auditor, their effectiveness and their performance and remuneration;
- consideration of the external Auditor's independence and objectivity and the provision of any non-audit services (as explained further on page 39) and the reporting of the external Auditor;
- the Audit Committee Chairman met with the Auditor to discuss the audit plan;
- consideration of the whistle blowing policy that Henderson has put in place for its staff to raise concerns about possible improprieties, including in relation to the Company, in confidence. The policy includes the necessary arrangements for independent investigation and follow up action;
- consideration of the changes in the management fee and the calculation of the management fee; and
- consideration of the allocation of fees and finance costs between capital and revenue. From 1 November 2014 all expenses and interest payable including accounting, secretarial and administration fees have been capitalised in accordance with note 1e) on page 50.

Report of the Audit Committee (continued)

Annual Report for the Year Ended 31 October 2016

In relation to the Annual Report for the year ended 31 October 2016 the following significant issues were considered by the Committee:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	The Directors have appointed Henderson to perform the valuation of the assets of the Company in accordance with its responsibilities under the AIFMD rules. As required under the AIFMD rules, Henderson has adopted a written valuation policy, which may be modified from time to time. Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. Ownership of listed investments is verified by reconciliation to the Custodian's records. Investments that are unlisted or not actively traded are valued using a variety of techniques to determine their fair value; all such valuations are reviewed and approved by the Directors.
Recognition of income	Income received has been accounted for in line with the Company's accounting policies (as set out on page 50) and was reviewed by the Committee at each meeting to confirm it is in compliance with IFRS. The Board reviews at least four times per annum Henderson's revenue forecasts in support of the Company's future dividends. For special dividends where Henderson are required to allocate between revenue and capital, the Committee reviews the rationale provided and approves the treatment.
Maintaining internal controls	The Committee has received regular reports on internal controls from Henderson and BNP and its delegates and has had access to the relevant personnel of Henderson who have a responsibility for risk management and internal audit. The Committee has considered regularly the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times, receiving supporting documentation from Henderson and BNP.

Audit Tendering

As a Public Interest Entity listed on the London Stock Exchange, the Company will in future be subject to the mandatory auditor rotation requirements of the European Union. Subject to the detailed implementation of the European requirements in the UK, this is likely to mean that the Company will put the external audit out to tender at least every ten years, and change auditor at least every twenty years.

Having tendered and awarded the audit contract to Grant Thornton UK LLP ('GT') in 2014, the Committee was informed by GT in June 2016 of the audit partner's intention to retire early instead of serving a full term to the AGM in 2019 and therefore decided to re-tender the audit contract for the 2016 year end. The tender process concluded in September 2016 and resulted in the audit being transferred from GT to Ernst & Young LLP ('EY').

Audit Inspection

In October 2016, the FRC's Audit Quality Review ('AQR') division informed the Committee Chairman that they had inspected GT's audit of the Company's 2015 financial statements. Whilst the 2015 accounts were correct, the AQR report identified a number of deficiencies in the audit testing performed and reporting by GT. The Committee Chairman subsequently met with the FRC and GT to discuss the findings and identify relevant actions for the audit of the 2016 financial statements. These have been shared with EY on appointment.

External Audit, Review and Auditor Reappointment

The Committee discusses the audit process with the Auditor without representatives of Henderson present and considers the effectiveness of the audit process after each audit. This is the first year EY have audited the Company's Annual Report following a tender process conducted earlier in the year.

As part of the tender process, the Committee and representatives of Henderson assessed EY's experience in auditing investment trusts, their approach to ensuring a high quality audit and the results of recent FRC inspection.

On appointment the Committee met with EY and reviewed their assessment of independence and audit plan for the 31 October 2016 audit. During the audit, the Committee Chairman met with the partner to receive progress updates and reviewed EY's audit results prior to the Audit Committee meeting to consider the financial statements. EY attended this meeting to present their report and observe the Committee's review of the financial statements and internal controls reporting by Henderson.

Based on our review of EY's reporting, interactions with the audit team throughout the process and our discussions with representatives of Henderson, the Audit Committee is satisfied with the effectiveness of the audit provided by EY and that they are independent of the Company. The Auditor is required to rotate partners every five years and it is proposed that the new audit partner will serve until the AGM in 2021.

Policy on Non-Audit Services

The provision of non-audit services by the Company's Auditor is considered and approved by the Audit Committee on a case by case basis. The policy set by the Audit Committee, which is kept under review, ensures that consideration is given to the following factors when considering the provision of non-audit services by the Auditor:

- the level of non-audit fees paid to the audit firm in relation to the statutory audit fee;
- whether the audit firm is the most suitable supplier of non-audit services;
- the impact on the Auditor's independence and objectivity and what safeguards can be put in place to eliminate or reduce any threat in this regard; and
- the cost-effectiveness of the services.

The Board has determined that the Auditor will not be considered for the provision of services related to accounting and preparation of the financial statements, internal audit and custody.

Matthew Thorne
Audit Committee Chairman
18 January 2017

Independent Auditor's Report to the Members of The Bankers Investment Trust PLC

Our opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2016 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted in the European Union (EU);
- have been prepared in accordance with the requirements of the Companies Act 2006, as regards the Company financial statements.

What we have audited

We have audited the financial statements for The Bankers Investment Trust PLC for the year ended 31 October 2016 which comprise:

- Statement of Comprehensive Income for the year ended 31 October 2016;
- Statement of Changes in Equity for the year ended 31 October 2016;
- Statement of Financial Position as at 31 October 2016;
- Cash Flow Statement for the year ended 31 October 2016; and
- Related notes 1 to 23 to the financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted in the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 32, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

The scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Auditor's Report to the Members of The Bankers Investment Trust PLC (continued)

Our assessment of risks of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. The risks identified are consistent with those identified by Grant Thornton UK LLP in the Company's 31 October 2015 Audit Report. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we concluded to the Audit Committee
Inaccurate recognition of investment income (as described on page 39 in the Report of the Audit Committee and as per the accounting policy set out on page 50). As can be seen in note 3 in the notes to the financial statements, the Company has reported investment income of £24.7 million (2015: £22.6 million). This includes special dividend income of £1.4m (2015: £2.2m). For special dividends the Company determines whether amounts should be credited to the revenue or capital columns of the income statement based on the underlying substance of the transaction. We focus on the recognition of revenue and its presentation in the financial statements because revenue return is a key area of focus for shareholders.	**We performed the following procedures:** Obtained an understanding of BNP Paribas Securities Services' ('the Administrator') and Henderson Investment Funds Limited's ('the Manager') processes and controls for the recognition of investment income by performing walkthrough procedures, reviewing the Administrator's and the Manager's internal control reports and discussing with the Manager the governance structure and protocols for oversight of investment income recognition. Agreed a sample of dividends received from the underlying financial records to an independent pricing source and to bank statements as supporting documentation. Tested all accrued dividends at the period end for occurrence and measurement. To test for completeness, for a sample of holdings we identified whether any dividends had been declared during the period by these holdings and then checked the dividends had been correctly recorded in the income receipts report. To test for the risk of management override within investment income we: Tested all material special dividends received during the period and assessed the appropriateness of the accounting treatment adopted. Performed a review of revenue related journal entries focusing in particular on manual journals, journals posted around the year end date and raised in the processing and recording of special dividends.	The results of our procedures identified no issues with the accuracy or completeness of income receipts. We concurred with the accounting treatment adopted for material special dividends. Based on the work performed, we have no matters to report.

Independent Auditor's Report to the Members of The Bankers Investment Trust PLC (continued)

Risk	Our response to the risk	What we concluded to the Audit Committee
Valuations and existence of the listed investment portfolio including the current asset investment in the Deutsche Global Liquidity Fund (as described on page 39 in the Report of the Audit Committee). The investment portfolio at the year end comprised of quoted equities and an investment in the Deutsche Global Liquidity Fund (£972.6m, 2015: £755.1m). The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and investment return. Incorrect asset pricing or a failure to maintain proper legal title of assets by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	**We performed the following procedures:** Obtained an understanding of the Administrator and the Manager's processes and controls for the valuation of investments by performing walkthrough procedures, reviewing the Administrator's and the Manager's internal control reports and discussing with Manager the governance structure and protocols for oversight of investment valuations. Agreed all of the investment holding prices at the year end to a relevant independent source. We checked all the foreign exchange rates applied to an independent source for reasonableness. Agreed the number of shares held for each security to a confirmation of legal title received from the Company's custodian and depositary BNP Paribas Securities Services.	The results of our procedures identified no material error in the pricing or reconciliation of listed investments portfolio assets. Based on the work performed, we have no matters to report.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined planning materiality for the Company to be £9.3m which is 1% of net assets (2015: £7.1m). We derived our materiality calculation from a proportion of the net asset value as we consider that to be the most important financial metric on which shareholders judge the performance of the Company. This calculation is consistent with that performed by Grant Thornton UK LLP for the Company's 31 October 2015 audit.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality for the Company should be 75% of planning materiality, being £7m. We have set performance materiality at this percentage based on our knowledge of the control environment and discussion with the prior auditor that indicate a lower risk of material misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also apply a separate, lower performance materiality of £1.1m for the revenue column of the Statement of Comprehensive Income, being 5% of the revenue return on ordinary activities before taxation for the year.

Independent Auditor's Report to the Members of The Bankers Investment Trust PLC (continued)

Reporting threshold

Our reporting threshold is defined as "An amount below which identified misstatements are considered as being clearly trivial".

We agreed with the Audit Committee that we would report all audit differences in excess of £463,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations in forming our opinion.

An overview of the scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the Annual Report is: ▪ materially inconsistent with the information in the audited financial statements; or ▪ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or ▪ otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement that they consider the Annual Report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and whether the Annual Report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	We are required to report to you if, in our opinion: ▪ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or ▪ the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or ▪ certain disclosures of Directors' remuneration specified by law are not made; or ▪ we have not received all the information and explanations we require for our audit.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: ▪ the Directors' statement in relation to going concern, set out on page 32, and longer-term viability, set out on page 26; and ▪ the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Independent Auditor's Report to the Members of The Bankers Investment Trust PLC (continued)

Statement on the Directors' Assessment of the Principal Risks that would threaten the solvency or liquidity of the Company

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: ▪ the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the the Company, including those that would threaten its business model, future performance, solvency or liquidity; ▪ the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated; ▪ the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and ▪ the Directors' explanation in the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Matthew Price (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London
18 January 2017

Statement of Comprehensive Income

Notes		Year ended 31 October 2016 Revenue return £'000	Year ended 31 October 2016 Capital return £'000	Year ended 31 October 2016 Total return £'000	Year ended 31 October 2015 Revenue return £'000	Year ended 31 October 2015 Capital return £'000	Year ended 31 October 2015 Total return £'000
2	Gains on investments held at fair value through profit or loss	–	156,527	156,527	–	40,745	40,745
3	Investment income	24,661	–	24,661	22,621	–	22,621
4	Other operating income	255	–	255	146	17	163
	Total income	**24,916**	**156,527**	**181,443**	**22,767**	**40,762**	**63,529**
	Expenses						
5	Management fees	(959)	(2,237)	(3,196)	(892)	(2,082)	(2,974)
6	Other expenses	(811)	(3)	(814)	(788)	(7)	(795)
	Profit before finance costs and taxation	**23,146**	**154,287**	**177,433**	**21,087**	**38,673**	**59,760**
7	Finance costs	(1,227)	(2,863)	(4,090)	(925)	(2,157)	(3,082)
	Profit before taxation	**21,919**	**151,424**	**173,343**	**20,162**	**36,516**	**56,678**
8	Taxation	(1,090)	–	(1,090)	(849)	(6)	(855)
	Profit for the year and total comprehensive income	**20,829**	**151,424**	**172,253**	**19,313**	**36,510**	**55,823**
9	**Earnings per ordinary share – basic and diluted**	17.53p	127.45p	144.98p	17.22p	32.54p	49.76p

The total columns of this statement represent the Statement of Comprehensive Income, prepared in accordance with IFRSs as adopted by the European Union. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

The notes on pages 49 to 65 form part of these financial statements.

Statement of Changes in Equity

Notes		Year ended 31 October 2016 Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 1 November 2015	28,271	12,722	12,489	624,099	35,052	712,633
	Total comprehensive income:						
	Profit for the year	–	–	–	151,424	20,829	172,253
	Transactions with owners, recorded directly to equity:						
18,19	Issue of 10,863,453 ordinary shares	2,715	65,819	–	–	–	68,534
18	Buy-back of 1,338,509 ordinary shares into treasury	–	–	–	(8,206)	–	(8,206)
10	Ordinary dividends paid	–	–	–	–	(18,476)	(18,476)
	Total equity at 31 October 2016	**30,986**	**78,541**	**12,489**	**767,317**	**37,405**	**926,738**

Notes		Year ended 31 October 2015 Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 1 November 2014	28,027	7,053	12,483	587,744	32,889	668,196
	Total comprehensive income:						
	Profit for the year	–	–	–	36,510	19,313	55,823
	Transactions with owners, recorded directly to equity:						
18, 19	Issue of 1,000,000 ordinary shares	250	5,669	–	–	–	5,919
18	Buy-back of 25,000 ordinary shares	(6)	–	6	(155)	–	(155)
10	Ordinary dividends paid	–	–	–	–	(17,150)	(17,150)
	Total equity at 31 October 2015	**28,271**	**12,722**	**12,489**	**624,099**	**35,052**	**712,633**

The notes on pages 49 to 65 form part of these financial statements.

Statement of Financial Position

Notes		At 31 October 2016 £'000	At 31 October 2015 £'000
	Non-current assets		
11	Investments held at fair value through profit or loss	951,219	726,831
	Current assets		
12	Investments held at fair value through profit or loss	21,354	28,323
13	Other receivables	7,817	2,360
	Cash and cash equivalents	23,271	31,762
		52,442	**62,445**
	Total assets	**1,003,661**	**789,276**
	Current liabilities		
14	Other payables	(12,117)	(1,848)
14	Debenture stock	–	(10,000)
		(12,117)	**(11,848)**
	Total assets less current liabilities	**991,544**	**777,428**
	Non-current liabilities		
15	Debenture stock	(15,000)	(15,000)
15	Unsecured loan notes	(49,806)	(49,795)
		(64,806)	**(64,795)**
	Net assets	**926,738**	**712,633**
	Equity attributable to equity shareholders		
18	Share capital	30,986	28,271
19	Share premium account	78,541	12,722
20	Capital redemption reserve	12,489	12,489
	Retained earnings:		
20	Other capital reserves	767,317	624,099
21	Revenue reserves	37,405	35,052
	Total equity	**926,738**	**712,633**
17	**Net asset value per ordinary share**	755.9p	630.2p

The principal risks and viability statement and the financial statements on pages 45 to 65 were approved by the Board of Directors on 18 January 2017 and signed on its behalf by:

Richard Killingbeck
Chairman

The notes on pages 49 to 65 form part of these financial statements.

Cash Flow Statement

Notes	Reconciliation of profit before taxation to net cash flow from operating activities	At 31 October 2016 £'000	At 31 October 2015 £'000
	Operating activities		
	Profit before taxation	173,343	56,678
	Add back interest payable ('finance costs')	4,090	3,082
	Amortisation of loan note issue costs	11	5
2	Less gains on investments held at fair value through profit or loss	(156,527)	(40,745)
	Increase in accrued income	(454)	(70)
	Increase in other receivables	(28)	(46)
	Increase in other payables	113	59
	Purchases of investments	(215,420)	(185,007)
	Sales of investments	199,472	184,706
	Purchases of current asset investments	(45,156)	(61,777)
	Sales of current asset investments	52,125	37,350
	(Increase)/decrease in securities sold for future settlement	(4,754)	1,263
	Increase/(decrease) in securities purchased for future settlement	10,168	(1,077)
	Net cash inflow/(outflow) from operating activities before interest and taxation[1]	**16,983**	**(5,579)**
	Interest paid	(4,102)	(2,291)
	Taxation on investment income	(1,302)	(672)
	Net cash inflow/(outflow) from operating activities	**11,579**	**(8,542)**
	Financing activities		
10	Equity dividends paid (net of refund of unclaimed distributions)	(18,476)	(17,150)
18	Share issues	9,007	5,919
	Buy-backs of own shares	(8,206)	(155)
	Repayment of loan	–	(2,947)
	Repayment of debenture stock	(10,000)	–
	Cash received from the liquidation of Henderson Global Trust plc	7,160	–
	Issue of unsecured loan note	–	49,790
	Net cash (outflow)/inflow from financing activities	**(20,515)**	**35,457**
	(Decrease)/increase in cash	(8,936)	26,915
	Cash and cash equivalents at the start of the year	31,762	5,023
	Exchange movements	445	(176)
	Cash and cash equivalents at the end of the year	**23,271**	**31,762**

1 In accordance with IAS 7.31 cash inflow from dividends was £22,932,000 (2015: £21,466,000) and cash inflows from interest was £226,000 (2015: £87,000).

The notes on pages 49 to 65 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

a) Basis of preparation

The Bankers Investment Trust PLC is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The financial statements of the Company for the year ended 31 October 2016 have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. These comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the IFRS Interpretations Committee ('IFRS IC') that remain in effect, to the extent that IFRS have been adopted by the European Union.

The financial statements have been prepared on a going concern basis and on the historical cost basis, except for the revaluation of certain financial instruments held at fair value through profit or loss. The principal accounting policies adopted are set out below. These policies have been applied consistently throughout the year. Where presentational guidance set out in the Statement of Recommended Practice (the 'SORP') for investment trusts issued by the Association of Investment Companies (the 'AIC') in November 2014 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis consistent with the recommendations of the SORP.

The assets of the Company consist mainly entirely of securities that are listed and readily realisable and, accordingly, the Directors believe that the Company has adequate financial resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement (see pages 25 and 26), the Directors have decided that it is appropriate for the financial statements to be prepared on a going concern basis.

Accounting Standards

i) The following new and amended standards are relevant and applicable to the Company and have been adopted although they have had no impact on the financial statements:

Amendments to IFRS as adopted by the EU. Pronouncements issued and effective for 31 October 2016 year ends:

Standards		Effective for annual periods beginning on or after
IFRS 13 Amendment (AI 2011-13)	Scope of paragraph 52 (portfolio exception)	1 January 2015

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

Standards		Effective for annual periods beginning on or after
IAS 1 Amendment	Disclosure Initiative	1 January 2016
IAS 7 Amendment	Disclosure Initiative	1 January 2017
IAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2018
IAS 34 Amendment (AI 2012-14)	Disclosure of information 'elsewhere in the interim report'	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 15 Amendment	Clarifications	1 January 2018

b) Investments held at fair value through profit or loss

All investments are designated upon initial recognition as held at fair value through profit or loss. Investment transactions are accounted for on a trade date basis. Assets are de-recognised at the trade date of the disposal. Proceeds are measured at fair value, which are regarded as the proceeds of sale less any transaction costs. The fair value of the financial instruments in the statement of financial position is based on their quoted bid price at the statement of financial position date, without deduction of the estimated future selling costs. Unquoted investments are valued by the Directors using primary valuation techniques such as earnings multiples, recent transactions and net assets.

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

c) Presentation of Statement of Comprehensive Income

In accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. The net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1158 of the Corporation Tax Act 2010.

Net capital returns making up the capital reserve arising on investments sold and the capital reserve arising on revaluation of investments held are distributable, as are the revenue returns making up the revenue reserve. The share premium account and the capital redemption reserve are undistributable.

d) Income

Dividends receivable on equity shares are recognised as revenue for the year on an ex-dividend basis. Special dividends are treated as revenue return or as capital return, depending on the facts of each individual case. Income from fixed interest debt securities is recognised using the effective interest rate method. Bank deposit interest and stock lending income are accounted for on an accrual basis.

Where the Company enters into a commitment to underwrite an issue of securities in exchange for the receipt of commission, commission income is allocated to the revenue return. Net losses arising from the commitment, where the actual or expected loss from taking up the securities underwritten exceeds the commission income, are allocated to the capital return. Net gains are allocated to the revenue return.

e) Expenses

All expenses and interest payable are accounted for on an accruals basis. On the basis of the Board's expected long term split of total returns in the form of capital and revenue returns of 70% and 30% respectively, the Company charges 70% of its finance costs and investment management fees to capital. Expenses which are incidental to the purchase or sale of an investment are charged to the capital return column of the Statement of Comprehensive Income and allocated to other capital reserves. All other operating expenses are charged to the revenue return column of the Statement of Comprehensive Income.

f) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using the effective tax rate of corporation tax for the accounting period.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income is the 'marginal basis'. Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Statement of Comprehensive Income, then no tax relief is transferred to the capital return column.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Investment trusts which have approval as such under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

g) Dividends payable to shareholders

Dividends payable to shareholders are recognised in the financial statements when they are paid or, in the case of final dividends, when they are approved by shareholders. Dividends paid are disclosed in the Statement of Changes in Equity.

h) Foreign currency

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

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

i) Cash and cash equivalents

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

j) Borrowings

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

k) Repurchase of ordinary shares

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

l) Capital reserves

Capital reserve arising on investments sold

The following are accounted for in this reserve:

- gains and losses on the disposals of investments;
- expenses and finance costs allocated to capital net of tax relief;
- realised foreign exchange differences of a capital nature; and
- costs of repurchasing ordinary share capital.

Capital reserve arising on revaluation of investments held

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end; and
- unrealised foreign exchange differences of a capital nature.

Revenue reserve

The revenue reserve represents accumulated revenue profits retained by the Company that have not currently been distributed to shareholders as a dividend.

Capital redemption reserve

The capital redemption reserve represents the nominal value of ordinary shares repurchased and cancelled.

Share capital

Share capital represents the nominal value of ordinary shares issued.

Share premium

The share premium account represents the premium above nominal value received by the Company on issuing shares net of issue costs.

m) Distributable reserves

The Company's capital reserve arising on investments sold, capital reserve arising on revaluation of investments held and revenue reserve may be distributed by way of a dividend.

n) Key estimates and assumptions

Estimates and assumptions used in preparing the financial statements are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these estimates and assumptions form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

There are no estimates and assumptions that may cause material adjustment to the carrying value of assets and liabilities.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

o) Receivables

Receivables are amounts due from securities sold for future settlement, withholding tax recoverable, prepayments and accrued income in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Receivables are recognised initially at fair value based on contractual settlement amounts and subsequently measured at amortised cost using the effective interest rate method.

p) Payables

Trade payables are obligations to pay for securities purchased for future settlement, accruals and deferred income that have been acquired/incurred in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value based on contractual settlement amounts and subsequently measured at amortised cost using the effective interest rate method.

q) Policy on operating segments

Under IFRS 8, operating segments are considered to be the components of an entity, about which separate financial information is available, that is evaluated regularly by the chief operating decision-maker (the Board, with support from Henderson) in deciding how to allocate resources and in assessing performance. The Directors meet regularly to consider investment strategy and to monitor the Company's performance. The Fund Manager, who has been appointed to manage the Company's investments, attends all Board meetings at which investment strategy and performance are discussed. The Directors consider that the Company has one operating segment, which invests in shares and securities primarily for capital appreciation and dividend growth in accordance with the Company's published investment objectives.

The business is not managed on a geographical basis. However, for the convenience of investors, disclosure by geographical segment has been provided in note 3 and in the Fund Manager Report on pages 10 to 21. Further analyses of expenses, investment gains or losses, profit and other assets and liabilities by country have not been given as either it is not possible to prepare such information in a meaningful way or the results are not considered to be significant.

2 Gains on investments held at fair value through profit or loss

	2016 £'000	2015 £'000
Gains on sale of investments based on historical cost	25,154	38,839
Revaluation gains recognised in previous years	(20,085)	(38,136)
Gains on investments sold in the year based on carrying value at previous statement of financial position date	**5,069**	**703**
Revaluation of investments held at 31 October	151,013	40,218
Exchange gains/(losses)	445	(176)
	156,527	**40,745**

3 Investment income

	2016 £'000	2015 £'000
UK dividend income – listed	9,696	8,370
UK dividend income – special dividends	693	2,011
Overseas dividend income – listed	13,419	11,872
Overseas dividend income – special dividends	682	188
Property income distributions	171	180
	24,661	**22,621**
Analysis of investment income by geographical region:		
UK	11,853	12,841
Europe (ex UK)	3,268	2,306
North America	2,883	2,193
Japan	2,209	1,345
China	1,171	997
Pacific (ex Japan, China)	2,599	2,510
Emerging Markets	678	429
	24,661	**22,621**

Notes to the Financial Statements (continued)

4 Other operating income

	2016 £'000	2015 £'000
Bank interest	86	39
Underwriting income	77	41
Stock lending revenue	83	66
Treasury bill interest	3	–
Other income	6	–
	255	**146**

At 31 October 2016 the total value of securities on loan by the Company for stock lending purposes was £30,184,000 (2015: £50,889,000). The maximum aggregate value of securities on loan at any one time during the year ended 31 October 2016 was £66,536,000 (2015: £69,710,000). The Company's agent held collateral at 31 October 2016 with a value of £32,154,000 (2015: £56,493,000) in respect of securities on loan. The value of securities held on loan is reviewed on a daily basis, comprising Corporate and Government Bonds with a minimum market value of 105% (2015: 105%) of the market value of any securities on loan.

5 Management fees

	2016			2015		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Investment management	959	2,237	3,196	892	2,082	2,974
	959	**2,237**	**3,196**	**892**	**2,082**	**2,974**

A summary of the terms of the management agreement is given in the Strategic Report on page 4.

6 Other expenses

	2016 £'000	2015 £'000
Directors' fees and expenses (see page 34)	141	136
Auditors' remuneration – for audit services	24	25
Auditors' remuneration – for non-audit services[1]	1	1
Expenses payable to Henderson (relating to marketing services)	80	91
Bank/custody charges	169	127
Depositary fees	72	77
Registrar's fees	52	47
AIC subscriptions	20	20
Printing expenses	40	81
Legal fees	5	1
Overseas compliance fees	15	17
Listing fees	44	37
Loan non-utilisation fees	–	30
Irrecoverable VAT	76	22
Other expenses	72	76
	811	**788**

The compensation payable to key management personnel in respect of short term employment benefits was £141,000 (2015: £136,000) which relates wholly to the fees and expenses payable to the Directors in respect of the year.

1 In addition to the fees above relating to agreed upon procedures to test the Company's compliance with its debt covenants, Ernst & Young LLP were paid £4,000 and Grant Thornton UK LLP £25,000 in relation to the Henderson Global Trust plc transaction, which were charged to capital. The Audit Committee was satisfied that these services were permissible under current regulation and in accordance with its policy on non-audit services.

Notes to the Financial Statements (continued)

7 Finance costs

	2016			2015		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
On bank loans and overdrafts repayable within one year	4	9	13	9	21	30
Interest on debentures repayable:						
– within one year	315	735	1,050	315	735	1,050
– after five years	360	840	1,200	360	840	1,200
Interest on unsecured loan notes repayable:						
– after five years	548	1,279	1,827	241	561	802
	1,227	**2,863**	**4,090**	**925**	**2,157**	**3,082**

8 Taxation

a) Analysis of the charge for the year

	2016			2015		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Overseas tax suffered	1,373	–	1,373	956	6	962
Overseas tax reclaimable	(283)	–	(283)	(107)	–	(107)
Total tax charge for the year	**1,090**	**–**	**1,090**	**849**	**6**	**855**

b) Factors affecting the tax charge for the year

The differences are explained below:

	2016			2015		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Profit before taxation	**21,919**	**151,424**	**173,343**	**20,162**	**36,516**	**56,678**
Corporation tax for the year at 20.00% (2015: 20.42%)	4,384	30,285	34,669	4,117	7,457	11,574
Non taxable UK dividends	(2,046)	–	(2,046)	(2,097)	–	(2,097)
Overseas income and non taxable scrip dividends	(2,617)	–	(2,617)	(2,370)	–	(2,370)
Income taxable in different years	–	–	–	(4)	–	(4)
Overseas withholding tax suffered	1,090	–	1,090	849	6	855
Excess management expenses and loan relationships	279	1,021	1,300	353	849	1,202
Disallowed expenses	–	–	–	1	–	1
Capital gains not subject to tax	–	(31,306)	(31,306)	–	(8,306)	(8,306)
	1,090	**–**	**1,090**	**849**	**6**	**855**

c) Provision for deferred taxation

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

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

d) Factors that may affect future tax charges

The UK Government announced in July 2015 that the corporate tax rate is set to be cut to 19.0% in 2017 and 18.0% in 2020. These reductions in the standard rate of corporation tax were substantially enacted on 26 October 2015 and became effective from 18 November 2015. The rate for 2020 was subsequently reduced to 17.0% by the Finance Act 2016. The Company has not recognised a deferred tax asset totalling £6,257,000 (2015: £6,561,000) based on a prospective corporation tax rate of 17.0% (2015: 20.0%). The deferred tax asset arises as a result of having unutilised management expenses and unutilised non-trade loan relationship deficits. These expenses will only be utilised, to any material extent, if the Company has profits chargeable to corporation tax in the future because changes are made either to the tax treatment of the capital gains made by investment trusts or to the Company's investment profile which require them to be used.

Notes to the Financial Statements (continued)

9 Earnings per ordinary share

The total earnings per ordinary share is based on the net profit attributable to the ordinary shares of £172,253,000 (2015: £55,823,000) and on 118,813,485 ordinary shares (2015: 112,178,757), being the weighted average number of shares in issue during the year.

The total earnings can be further analysed as follows:

	2016 £'000	2015 £'000
Revenue profit	20,829	19,313
Capital profit	151,424	36,510
Profit for the year	**172,253**	**55,823**
Weighted average number of ordinary shares	118,813,485	112,178,757
Revenue earnings per ordinary share	17.53p	17.22p
Capital earnings per ordinary share	127.45p	32.54p
Earnings per ordinary share	**144.98p**	**49.76p**

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

10 Dividends on ordinary shares

Dividends on ordinary shares	Record date	Payment date	2016 £'000	2015 £'000
Third interim dividend (3.70p) for the year ended 31 October 2014	24 October 2014	28 November 2014	–	4,148
Final dividend (3.80p) for the year ended 31 October 2014	30 January 2015	27 February 2015	–	4,260
First interim dividend (3.90p) for the year ended 31 October 2015	1 May 2015	29 May 2015	–	4,371
Second interim dividend (3.90p) for the year ended 31 October 2015	24 July 2015	28 August 2015	–	4,371
Third interim dividend (4.00p) for the year ended 31 October 2015	23 October 2015	30 November 2015	4,523	–
Final dividend (4.00p) for the year ended 31 October 2015	29 January 2016	29 February 2016	4,581	–
First interim dividend (4.00p) for the year ended 31 October 2016	15 April 2016	31 May 2016	4,561	–
Second interim dividend (4.00p) for the year ended 31 October 2016	29 July 2016	31 August 2016	4,915	–
Return of unclaimed dividends			(104)	–
			18,476	**17,150**

The total dividends payable in respect of the financial year, which form the basis of the calculation of the retention test under Section 1158 of the Corporation Tax Act 2010, are set out below. All dividends have been paid or will be paid out of revenue profits.

	2016 £'000	2015 £'000
Revenue available for distribution by way of dividend for the year	20,829	19,313
First interim dividend (4.00p) (2015: 3.90p)	(4,561)	(4,371)
Second interim dividend (4.00p) (2015: 3.90p)	(4,915)	(4,371)
Third interim dividend (4.40p) paid on 30 November 2016 (2015: 4.00p paid on 30 November 2015)	(5,395)	(4,523)
Final dividend (4.60p) payable on 28 February 2017 (2015: 4.00p paid on 29 February 2016)	(5,640)	(4,581)
Revenue surplus for section 1158 purposes	**318**	**1,467**

Notes to the Financial Statements (continued)

11 Investments held at fair value through profit or loss

	2016 £'000	2015 £'000
Valuation at start of year	726,831	685,456
Investment holding gain at start of year	(182,626)	(180,544)
Cost at start of year	**544,205**	**504,912**
Acquisitions at cost	267,778	185,117
Disposals at cost	(174,318)	(145,824)
Cost at end of year	**637,665**	**544,205**
Investment holding gains at end of year	313,554	182,626
Valuation of investments at end of year	**951,219**	**726,831**

Included in the total investments are unquoted investments shown at the Directors' fair valuation of £22,000 (2015: £23,000). See note 16.5 on page 62.

At 31 October 2016 convertible or fixed interest securities held in the portfolio were £22,000 (2015: £23,000).

Purchase and sale transaction costs for the year ended 31 October 2016 were £444,000 and £246,000 respectively (2015: transaction costs of purchases £271,000; transaction costs of sales £263,000). These comprise mainly stamp duty and commission.

The Company has interests of 3% or more of any class of capital in 2 investee companies, Hayward Tyler and International Oil & Gas Technology (2015: Hayward Tyler and International Oil & Gas Technology). None of these investments are considered material in the context of these accounts.

12 Current asset investment

The Company has a holding in Deutsche Bank Liquidity Fund (formerly Henderson Liquid Assets Fund), a money market fund which is viewed as a readily disposable store of value and which is used to invest cash balances that would otherwise be placed on short-term deposit. At 31 October 2016 this holding had a value of £21,354,000 (2015: £28,323,000).

13 Other receivables

	2016 £'000	2015 £'000
Securities sold for future settlement	5,235	481
Other taxes recoverable	377	165
Prepayments and accrued income	2,118	1,665
Other receivables	87	49
	7,817	**2,360**

14 Current liabilities

	2016 £'000	2015 £'000
Securities purchased for future settlement	10,695	527
Accruals	1,138	1,169
Other payables	284	152
Borrowings: Debenture stock (secured):		
10.5% debenture stock 2016	–	10,000
	12,117	**11,848**

The 10.5% debenture stock 2016 was repaid at par on 31 October 2016.

Notes to the Financial Statements (continued)

15 Non-current liabilities: amounts falling due after more than one year

	2016 £'000	2015 £'000
Borrowings: Debenture stock (secured):		
8% debenture stock 2023	15,000	15,000
Borrowings: Loan note (unsecured):		
3.68% unsecured loan notes 2035	49,806	49,795
	64,806	**64,795**

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

The £50,000,000 3.68% unsecured loan notes 2035 are redeemable at par on 27 May 2035. The unsecured loan notes were issued net of costs totalling £210,000 which will be amortised over the life of the unsecured notes.

16 Risk management policies and procedures

16.1 Market risk

Henderson assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

16.1.1 Market price risk

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

Management of the risk

The Board of Directors manages the risks inherent in the investment policy by ensuring full and timely reporting of relevant information from Henderson. Investment performance is reviewed at each Board meeting. The Board monitors Henderson's compliance with the Company's objectives and is directly responsible for investment strategy and asset allocation, including as between countries and economies.

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

	2016 £'000	2015 £'000
Equities	951,197	726,808
Fixed interest	22	23
	951,219	**726,831**

Market price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the Company's net assets to an increase or decrease of 20% (2015: 20%) in the fair values of the Company's investments at each statement of financial position date. This level of change is considered to be reasonably possible based on observation of current market conditions.

	2016		2015	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Statement of Comprehensive Income – profit after tax				
Revenue return	(235)	257	(194)	196
Capital return	189,695	(189,645)	144,950	(144,908)
Change to profit after tax for the year and net assets	**189,460**	**(189,388)**	**144,756**	**(144,712)**

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.1.2 Currency risk

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

Management of the risk

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

Foreign currency borrowings may be used to limit the Company's exposure to future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. These borrowings are limited to 20% of the adjusted net asset value.

Investment income denominated in foreign currencies is converted into sterling on receipt. The Company did not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

During the year, derivative contracts were not used to hedge against exposure to currency risk.

Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure at 31 October are shown below. Where the Company's equity investments (which are not monetary items) are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

2016	US $ £'000	Euro £'000	Japanese Yen £'000	Hong Kong $ £'000	Other £'000
Other receivables	1,009	220	688	–	4,695
Cash and cash equivalents	–	–	–	–	1,607
Current liabilities	(4,150)	–	–	(520)	(6,025)
Total foreign currency exposure on net monetary items	**(3,141)**	**220**	**688**	**(520)**	**277**
Investments at fair value through profit or loss that are equities	310,451	97,101	105,048	32,641	130,348
Total net foreign currency exposures	**307,310**	**97,321**	**105,736**	**32,121**	**130,625**

2015	US $ £'000	Euro £'000	Japanese Yen £'000	Hong Kong $ £'000	Other £'000
Other receivables	228	101	999	–	45
Cash and cash equivalents	–	–	–	–	3,352
Current liabilities	–	–	(527)	–	(32)
Total foreign currency exposure on net monetary items	**228**	**101**	**472**	**–**	**3,365**
Investments at fair value through profit or loss that are equities	203,694	65,020	81,615	18,737	84,254
Total net foreign currency exposures	**203,922**	**65,121**	**82,087**	**18,737**	**87,619**

The above amounts are not necessarily representative of the exposure to risk during each year, as levels of monetary foreign currency exposure change significantly throughout the year.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.1.2 Currency risk (continued)

Foreign currency sensitivity

The table below illustrates the sensitivity of the total profit after tax for the year and the net assets in regard to movements in the Company's foreign currency financial assets and financial liabilities caused by changes in the exchange rates for the US dollar/sterling, euro/sterling, Japanese yen/sterling and Hong Kong dollar/sterling.

It assumes the following changes in exchange rates:

US dollar/sterling +/- 10% (2015: 10%), euro/sterling +/- 10% (2015: 10%), Japanese yen/sterling +/- 10% (2015: 10%), Hong Kong dollar/sterling +/- 10% (2015: 10%).

10% has been used for illustrative purposes and does not reflect the actual movement in currency rates during the year.

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

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

	2016				2015			
	US $ £'000	Euro £'000	Japanese Yen £'000	Hong Kong $ £'000	US $ £'000	Euro £'000	Japanese Yen £'000	Hong Kong $ £'000
Statement of Comprehensive Income – profit after tax								
Revenue return	659	246	213	96	153	137	105	65
Capital return	33,748	10,762	11,643	3,618	22,561	7,201	9,039	2,075
Change to profit after tax for the year and net assets	**34,407**	**11,008**	**11,856**	**3,714**	**22,714**	**7,338**	**9,144**	**2,140**

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

	2016				2015			
	US $ £'000	Euro £'000	Japanese Yen £'000	Hong Kong $ £'000	US $ £'000	Euro £'000	Japanese Yen £'000	Hong Kong $ £'000
Statement of Comprehensive Income – profit after tax								
Revenue return	(538)	(201)	(174)	(79)	(125)	(112)	(86)	(61)
Capital return	(28,293)	(8,805)	(9,526)	(2,960)	(18,459)	(5,892)	(7,396)	(1,698)
Change to profit after tax for the year and net assets	**(28,831)**	**(9,006)**	**(9,700)**	**(3,039)**	**(18,584)**	**(6,004)**	**(7,482)**	**(1,759)**

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the currency risk management process used to meet the Company's objectives.

16.1.3 Interest rate risk

Interest rate movements may affect the level of interest receivable from cash at bank, the current asset investment and the value of the fixed interest investments.

Management of the risk

The Company finances part of its activities through borrowings at levels approved and monitored by the Board.

Derivative contracts are not used to hedge against the exposure to interest rate risk.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.1.3 Interest rate risk (continued)

Interest rate exposure

The exposure at 31 October of financial assets and (financial liabilities) to interest rate risk is shown below. Floating interest rates exposure is by reference to when the interest rate is due to be re-set.

	2016			2015		
	Within one year £'000	More than one year £'000	Total £'000	Within one year £'000	More than one year £'000	Total £'000
Exposure to floating interest rates:						
Cash and cash equivalents	23,271	–	23,271	31,762	–	31,762
Current asset investment	21,354	–	21,354	28,323	–	28,323
Exposure to fixed interest rates:						
Fixed interest investments	–	22	22	–	23	23
Debentures	–	(15,000)	(15,000)	(10,000)	(15,000)	(25,000)
Loan note	–	(49,806)	(49,806)	–	(49,795)	(49,795)
	44,625	(64,784)	(20,159)	50,085	(64,772)	(14,687)

The above amounts are not necessarily representative of the exposure to interest rates during the year, as the level of exposure changes as investments are made and borrowings are drawn down and repaid.

Interest receivable and finance costs are at the following rates:

- Interest received on cash balances, or paid on bank overdrafts, is at a margin over LIBOR or its foreign currency equivalent (2015: same).
- Interest paid on the debentures and loan notes is set out in note 7.

Interest rate sensitivity

The Company is primarily exposed to interest rate risk through its cash balances, its current asset investments, fixed income investment portfolio and bank overdrafts. The sensitivity of each exposure is as follows:

- Cash – Cash balances vary throughout the year. Cash balances at the year end were £23,271,000 (2015: £31,762,000) and, if that level of cash was maintained for a full year, a 100 basis points change in LIBOR (up or down) would increase or decrease total net return on ordinary activities after taxation by approximately £233,000 (2015: £318,000).
- Current asset investment sensitivity – The Company's interest bearing current asset investment at the year end was £21,354,000 (2015: £28,323,000) and, if that level of investment was maintained for a full year, a 100 basis points change in interest rates (up or down) would increase or decrease total net return on ordinary activities after taxation by approximately £214,000 (2015: £283,000).
- Fixed income investment sensitivity – The Company's fixed income portfolio at the year end was valued at £22,000 (2015: £23,000) and is not currently paying interest and therefore there is no modified duration (interest rate sensitivity) (2015: no duration).

16.2 Liquidity risk

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

Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Company has an overdraft facility with the custodian, the extent of which is determined by the custodian on a regular basis by reference to the value of the securities held by it on behalf of the Company. The facility is subject to regular review. The Company also has a debenture and a loan note, details of which can be found in note 15 on page 57.

The Board gives guidance to Henderson as to the maximum amounts of the Company's resources that should be invested in any one company.

The policy is that the Company should generally remain fully invested and that short-term borrowings be used to manage short-term cash requirements.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.2 Liquidity risk (continued)

Liquidity risk exposure

The remaining contractual maturities of the financial liabilities at 31 October, based on the earliest date on which payment could be required was as follows:

	2016			2015		
	Due within three months £'000	Due between three months and one year £'000	Due after one year £'000	Due within three months £'000	Due between three months and one year £'000	Due after one year £'000
Debenture stock	–	1,200	22,200	–	12,250	23,400
Loan note	920	920	83,120	920	920	84,960
Other payables	12,117	–	–	1,848	–	–
	13,037	**2,120**	**105,320**	**2,768**	**13,170**	**108,360**

16.3 Credit and counterparty risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

Management of the risk

Credit risk is managed as follows:

- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of approved brokers, whose credit-standard is reviewed periodically by Henderson, and limits are set on the amount that may be due from any one broker; and
- cash at bank is held only with reputable banks with high quality external credit ratings and is subject to continual review.

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

Stock lending is the temporary transfer of securities by a lender to a borrower, with an agreement by the borrower to return equivalent securities to the lender at an agreed future date. Stock lending revenue is received for making the investments available to the borrower which increases the returns on the portfolio. In all cases securities lent continue to be recognised on the statement of financial position. Details of the securities on loan at the year end, and the collateral held can be found in note 4 on page 53 and on pages 67 and 68.

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

Outstanding settlements are subject to credit risk. Credit risk is mitigated by the Company through its decision to transact with counterparties of high credit quality. The Company only buys and sells investments through brokers which are approved counterparties, thus minimising the risk of default through settlement. The credit ratings of brokers are reviewed periodically by Henderson, and limits are set on the amount that may be due from any one broker.

The Company is exposed to credit risk through the use of banks for its cash position. Bankruptcy or insolvency of banks may cause the Company's rights with respect to cash held by banks to be delayed or limited. The Company's cash balances are held by its custodian, BNP Paribas Securities Services. The Directors believe the counterparty is of high credit quality and, therefore, the Company has minimal exposure to credit risk.

None of the Company's financial assets are past due or impaired.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.3 Credit and counterparty risk (continued)

Credit risk exposure

The table below summarises the maximum credit risk exposure of the Company as at year end.

	2016 £'000	2015 £'000
Fixed interest securities	22	23
Cash and cash equivalents	23,271	31,762
Receivables:		
Securities sold for future settlement	5,235	481
Other accruals	2,582	1,879
	31,110	**34,145**

16.4 Fair values of financial assets and financial liabilities

Financial assets and financial liabilities are either carried in the statement of financial position at their fair value (investments and derivatives) or the statement of financial position amount is a reasonable approximation of fair value (due from brokers, dividend and interest receivable, due to brokers, accruals, cash at bank, bank overdrafts). The par value of the debenture stock and unsecured loan notes can be found in notes 14 and 15. The fair value of the 8% debenture stock at 31 October 2016 was £19,944,000 (2015: 8% and 10.5% debenture stocks £30,117,000). The fair values are calculated using prices quoted on the exchange on which the instruments trade and are categorised as Level 1 as described below. In order to comply with fair value accounting disclosures only, the fair value of the loan note has been estimated to be £54,483,000 (2015: £49,806,000) and is categorised as Level 3 in the fair value hierarchy as described below. However, for the purpose of the daily NAV announcements, the unsecured loan note is valued at par in the fair value NAV because it is not traded and the Directors expect it to be held to maturity and, accordingly, the Directors have assessed that par value is the most appropriate value to be applied for this purpose.

16.5 Fair value hierarchy disclosures

The table below sets out the fair value measurements using the IFRS 13 fair value hierarchy.

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

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

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

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

	2016				2015			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	951,197	–	–	951,197	726,808	–	–	726,808
Fixed interest investments	–	–	22	22	–	–	23	23
Current asset investments	21,354	–	–	21,354	28,323	–	–	28,323
	972,551	**–**	**22**	**972,573**	**755,131**	**–**	**23**	**755,154**

A reconciliation of fair value movements within Level 3 is set out below:

Level 3 investments at fair value through profit or loss	2016 £'000	2015 £'000
Opening balance	23	42
Disposal proceeds	(19)	(27)
Total gains included in the Statement of Comprehensive Income – on assets held at year end	18	8
	22	**23**

The total value of unquoted investments at 31 October 2016 was £22,000 (2015: £23,000).

The total carrying value of payable and receivables, as stated in notes 13 and 14, is a reasonable approximation of their fair value as at the year end date.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.6 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to generate total return to its equity shareholders in accordance with its investment objectives through an appropriate balance of equity capital and debt.

The portfolio includes unquoted investments which represent 0.002% (2015: 0.003%) of the total portfolio and which are held at Directors' fair value.

The Company's capital at 31 October 2016 comprised its equity share capital, reserves and debt that are shown in the statement of financial position at a total of £991,544,000 (2015: £787,428,000).

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

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

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

The Company is subject to several externally imposed capital requirements:

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

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

17 Net asset value per ordinary share

The net asset value per ordinary share is based on net assets attributable to ordinary shares of £926,738,000 (2015: £712,633,000) and on 122,606,783 ordinary shares in issue at 31 October 2016 (2015: 113,081,839). The Company has no securities in issue that could dilute the net asset value per ordinary share.

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

	2016 £'000	2015 £'000
Net assets attributable to ordinary shares at start of year	712,633	668,196
Total net profit on ordinary activities after taxation	172,253	55,823
Dividends paid	(18,476)	(17,150)
Issue of ordinary shares	68,534	5,919
Purchase of ordinary shares	(8,206)	(155)
Net assets attributable to ordinary shares at end of year	**926,738**	**712,633**

Notes to the Financial Statements (continued)

18 Called up share capital

	Number of shares entitled to dividend	Total number of shares	Nominal value of shares £'000
Ordinary shares of 25p each authorised			
At 1 November 2015	113,081,839	113,081,839	28,271
New shares issued	10,863,453	10,863,453	2,715
Shares brought back in the year: held in treasury	(1,338,509)	–	–
At 31 October 2016	**122,606,783**	**123,945,292**	**30,986**

	Number of shares entitled to dividend	Total number of shares	Nominal value of shares £'000
Ordinary shares of 25p each authorised			
At 1 November 2014	112,106,839	112,106,839	28,027
New shares issued	1,000,000	1,000,000	250
Shares brought back in the year	(25,000)	(25,000)	(6)
At 31 October 2015	**113,081,839**	**113,081,839**	**28,271**

During the year, 10,863,453 ordinary shares were issued for net proceeds of £68,534,000 (2015: 1,000,000 issued for net proceeds of £5,919,000). Also during the year, 1,338,509 ordinary shares were purchased into treasury at a cost of £8,206,000 (2015: 25,000 shares purchased for cancellation at a cost of £155,000). Further details can be found on page 31.

Included in the issue of 10,863,453 ordinary shares during the period were 9,413,453 shares issued following the liquidation of Henderson Global Trust plc ('HGT') whereby investors in HGT were given the option of receiving shares in either The Bankers Investment Trust PLC or Henderson International Income Trust plc. The net proceeds of £59,527,000 received from this transaction comprised £52,359,000 investments, £7,462,000 cash and £26,000 other assets, less costs of £320,000.

Since the year end, the Company has not issued any ordinary shares.

19 Share premium account

	2016 £'000	2015 £'000
At start of year	12,722	7,053
Premium on shares issued	65,819	5,669
At end of year	**78,541**	**12,722**

Notes to the Financial Statements (continued)

20 Capital redemption and other capital reserves

	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Total other capital reserves £'000
At 1 November 2015	12,489	441,473	182,626	624,099
Transfer on disposal of assets	–	20,085	(20,085)	–
Net gains on investments	–	5,069	151,013	156,082
Net gains/(losses) on foreign exchange	–	462	(17)	445
Expenses and finance costs allocated to capital	–	(5,103)	–	(5,103)
Purchase of own shares into treasury	–	(8,206)	–	(8,206)
At 31 October 2016	**12,489**	**453,780**	**313,537**	**767,317**

	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Total other capital reserves £'000
At 1 November 2014	12,483	407,114	180,630	587,744
Transfer on disposal of assets	–	38,136	(38,136)	–
Net gains on investments	–	703	40,218	40,921
Net losses on foreign exchange	–	(90)	(86)	(176)
Other income allocated to capital	–	17	–	17
Expenses and finance costs allocated to capital	–	(4,252)	–	(4,252)
Purchase of own shares	6	(155)	–	(155)
At 31 October 2015	**12,489**	**441,473**	**182,626**	**624,099**

21 Revenue reserve

	2016 £'000	2015 £'000
At start of year	35,052	32,889
Net revenue profit after tax for the year	20,829	19,313
Dividends paid	(18,476)	(17,150)
At end of year	**37,405**	**35,052**

22 Contingent commitments

At 31 October 2016 there were contingent liabilities of £6,000,000 in respect of underwriting participations (2015: none). Subsequently to the year end, the Company was not required to take up shares in respect of these underwriting commitments.

23 Transactions with Henderson

Under the terms of an agreement effective from 22 July 2014, the Company appointed Henderson to provide investment management, accounting, administrative and secretarial services. Henderson has contracted with BNP Paribas Securities Services to provide accounting and administration services. Details of the management fee arrangements for these services are given in the Business Model on page 4. The total fees paid or payable under this agreement to Henderson in respect of the year ended 31 October 2016 were £3,196,000 (2015: £2,974,000), of which £348,000 is included in accruals at 31 October 2016 (2015: £248,000).

In addition to the above services, Henderson has provided the Company with sales and marketing services during the year. The total fees paid or payable for these services for the year ended 31 October 2016 amounted to £80,000 (2015: £91,000), of which £30,000 was outstanding at 31 October 2016 (2015: £9,000).

General Shareholder Information

AIFMD Disclosures

In accordance with the Alternative Investment Fund Managers Directive ('AIFMD'), information in relation to the Company's leverage and remuneration of Henderson, as the Company's Alternative Investment Fund Manager ('AIFM') are required to be made available to investors. These disclosures, including those on the AIFM's remuneration policy, are contained in a Key Investor Information Document ('KIID') which can be found on the Company's website.

BACS

Dividends can be paid to shareholders by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the UK Registrar, Equiniti Limited. Alternatively, shareholders can write to the UK Registrar (the address is given on page 24) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Shareholders on the register in New Zealand can have their dividends paid in New Zealand dollars by writing to the New Zealand Registrar, Computershare Investor Services plc (the address is given on page 24).

Common Reporting Standard

Tax legislation under The Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information was introduced with effect from 1 January 2016. The legislation requires the Company to provide personal information to HMRC on certain investors who purchase shares in investment trusts. This information will have to be provided annually to the local tax authority of the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

Equality Act 2010

Copies of this report and other documents issued by the Company are available from the Corporate Secretary. If needed, copies can be made available in a variety of formats, including Braille or larger type as appropriate.

You can contact the Registrar, which has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator by dialling 0371 384 2255. 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) dial 18001 followed by the number you wish to dial.

Foreign Account Tax Compliance Act ('FATCA')

FATCA is a United States federal law enacted in 2010 whose intent is to enforce the requirement for United States persons (including those living outside the USA) to file yearly reports on their non-USA financial accounts. As a result of HMRC's change of interpretation on the meaning of shares and securities 'regularly traded on an established securities market', investment trusts now need to monitor each year the trading volume and frequency of their shares and securities to assess whether they have financial accounts. The Company will therefore need to make an annual assessment, before the FATCA return is due, to determine if the shares represent financial accounts and, where they do, will need to identify and report USA reportable accounts to HMRC, as required.

ISA

The Company intends to continue to manage its affairs in order to qualify as an eligible investment for a stocks and shares ISA.

Non-Mainstream Pooled Investments ('NMPI') status

The Company currently conducts its affairs so that its ordinary shares of 25p each can be recommended by IFAs to ordinary retail investors in accordance with the Financial Conduct Authority's ('FCA') rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Performance Details/Share Price Information

Details of the Company's share price and NAV per share can be found on **www.bankersinvestmenttrust.com**. The Company's NAV per share is published daily.

Shareholder Details

Shareholders who hold their shares in certificated form can check their shareholding with the Registrar (contact details can be found on page 24).

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

Share Price Listings

The market price of the Company's ordinary shares is published daily in The Financial Times. The Financial Times also shows figures for the estimated NAV per share and the discount.

The market price of the Company's shares can be found in the London Stock Exchange Daily Official List.

Warning to Shareholders

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

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

If you are in any doubt about the veracity of an unsolicited phone call, please call either the Corporate Secretary or the Registrar at the numbers provided on page 24.

Securities Financing Transactions

The Company engages in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to securities lending for the year ended 31 October 2016 are detailed below.

Global Data

The amount of securities on loan as a proportion of total lendable assets and the Company's net assets as at 31 October are disclosed below:

Stock lending 2016		
Market value of securities on loan £'000	% of lendable assets	% of assets under management
30,184	3.17	3.26

Stock lending 2015		
Market value of securities on loan £'000	% of lendable assets	% of assets under management
50,889	6.74	7.14

Concentration Data

The ten largest collateral issuers across all the securities financing transactions as at 31 October 2016 and 2015 are disclosed below:

Issuer	2016 Market value of collateral received £'000	2015 Market value of collateral received £'000
Government of Germany	9,480	12,624
Government of France	9,205	12,670
Government of Japan	7,325	27,839
Canada Housing Trust	2,049	–
Government of Belgium	1,753	–
Government of Finland	981	–
Government of Austria	941	–
US Treasury	357	–
UK Treasury	23	–
Government of Canada	18	–
Government of Netherlands	–	3,360
	32,132	**56,493**

The top ten counterparties of each type of securities financing transactions as at 31 October 2016 and 2015 are disclosed below:

Counterparty	2016 Market value of securities on loan £'000	2015 Market value of securities on loan £'000
BNP Paribas	11,240	8,631
Deutsche Bank	6,041	27,987
ING Bank	3,499	–
Citigroup	3,015	96
J.P. Morgan	3,004	–
Bank of Nova Scotia	1,974	–
Merrill Lynch	915	–
ABN AMRO	330	9,519
Société Générale	166	–
Goldman Sachs	–	2,996
UBS	–	1,660
	30,184	**50,889**

Securities Financing Transactions (continued)

Aggregate Transaction Data

The following table discloses a summary of aggregate transaction data related to the collateral received from securities on loan as at 31 October:

Stock lending 2016							
Counterparty	Counterparty country of origin	Type	Quality	Collateral currency	Settlement basis	Custodian	Market value of collateral received £'000
ABN AMRO	Netherlands	Corporate Bond	Investment Grade	Euro	Tri-party	BNP Paribas	2
		Government Bond	Investment Grade	Euro	Tri-party	BNP Paribas	348
Bank of Nova Scotia	Canada	Corporate Bond	Investment Grade	Euro	Tri-party	BNP Paribas	2,049
		Government Bond	Investment Grade	Euro	Tri-party	BNP Paribas	32
BNP Paribas	France	Government Bond	Investment Grade	Euro	Tri-party	BNP Paribas	12,068
Citigroup	US	Government Bond	Investment Grade	Euro	Tri-party	BNP Paribas	3,205
Deutsche Bank	Germany	Corporate Bond	Investment Grade	Euro	Tri-party	BNP Paribas	17
		Government Bond	Investment Grade	Euro	Tri-party	BNP Paribas	6,330
ING Bank	Switzerland	Government Bond	Investment Grade	Euro	Tri-party	BNP Paribas	3,679
J.P. Morgan	US	Government Bond	Investment Grade	Euro	Tri-party	BNP Paribas	3,279
Merrill Lynch	US	Government Bond	Investment Grade	Euro	Tri-party	BNP Paribas	965
Societe Generale	France	Government Bond	Investment Grade	Euro	Tri-party	BNP Paribas	180
							32,154

Stock lending 2015							
Counterparty	Counterparty country of origin	Type	Quality	Collateral currency	Settlement basis	Custodian	Market value of collateral received £'000
ABN AMRO	Netherlands	Government Bond	Investment Grade	Euro	Tri-party	BNP Paribas	9,998
BNP Paribas	France	Government Bond	Investment Grade	Euro	Tri-party	BNP Paribas	9,549
Citigroup	US	Government Bond	Investment Grade	Euro	Tri-party	BNP Paribas	105
Deutsche Bank	Germany	Government Bond	Investment Grade	Euro	Tri-party	BNP Paribas	31,914
Goldman Sachs	US	Government Bond	Investment Grade	Euro	Tri-party	BNP Paribas	3,163
UBS	Switzerland	Government Bond	Investment Grade	Euro	Tri-party	BNP Paribas	1,764
							56,493

The lending and collateral transactions are on an open basis and can be recalled on demand.

Re-use of Collateral

The Company does not engage in any re-use of collateral.

Return and Cost

The return and cost of engaging in securities lending by the Company and the securities lending agent in absolute terms and as a percentage of overall returns are disclosed below:

Total gross amount of securities lending income	Direct and indirect costs and fees deducted by securities lending agent	% return of the securities lending agent	Net securities lending income retained by the Company	% return of the Company
£97,650	£14,650	15%	£83,000	85%

2015: The gross amount of lending income was £45,880 with direct and indirect expenses deducted of £6,880.

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