



THE BRUNNER INVESTMENT TRUST PLC
Interim Report for the six months ended
31st May 2004

Report

Key Facts

Investment Objective

To achieve a total return higher than that of the benchmark index of 60% FTSE All-Share and 40% FT/S&P World Index (ex UK sterling adjusted) over the long-term.

Strategy

The objective will be achieved by investing in UK and international securities and by using appropriate gearing to enhance returns. The strategy is designed to meet the requirements of those making a single investment in a diversified and professionally managed portfolio.

Financial Highlights

Revenue	For the six months ended 31st May		
	2004	2003	% change
Available for Ordinary Dividend	£2.34m	£2.54m	− 7.9
Earnings per Ordinary Share	4.31p	4.43p	− 2.7
Dividend per Ordinary Share	3.50p	3.40p	+2.9

Assets	At	At	% change
	31st May 2004	30th November 2003	
Total Assets less Current Liabilities	£238.7m	£241.5m	− 1.2
Net Asset Value per Ordinary Share	343.2p	343.1p	0.0
NAV Total Return#			+1.1
60% FTSE All-Share and 40% FT/S&P World Index (ex UK) in sterling* (Total Return)			+1.6

#NAV total return reflects both the change in net asset value per Ordinary Share and the net ordinary dividend declared in respect of the period.

*Indices are price index returns rebalanced on a monthly basis.

Chairman's Statement

Net Asset Value

A summary of the results for the six months ended 31st May 2004 is set out below. The Net Asset Value attributable to each Ordinary Share at 31st May 2004 was 343.2p. This compares with 343.1p at 30th November 2003. The capital return on the benchmark index (60% FTSE All Share, 40% FTSE World Index – £) was 1.58% over the period.

Earnings

Earnings in the six months to 31st May 2004 were 4.31p per Ordinary Share (2003: 4.43p).

Interim Dividend

The Board has declared an interim dividend of 3.50p net (2003: 3.40p) per Ordinary Share payable on 27th August 2004 to holders on the Register of Members at the close of business on 30th July 2004.

Forecast Final Dividend

It is the Board's intention to pay a final dividend of 4.55p per share (2003: 4.40p) which would make a total of 8.05p per share for the full year.

Investment Review

Markets have struggled to make headway in the six months to 31 May 2004. Fears that economic recovery in the United States would falter, given the initially slow pick up in job creation, have given way to nervousness about higher inflation and the pace at which interest rates will need to rise. A volatile background for oil prices and fears of a hard landing for the Chinese economy have also dampened sentiment despite generally encouraging company results in major markets.

In the UK, government spending has kept the economy relatively buoyant, although house price inflation remains a concern. Elsewhere, in the United States higher bond yields already seem to be having an impact on the housing market and bank

lending is contracting. Moreover higher oil prices are already squeezing real incomes so the Federal Reserve may not have to raise interest rates as much as the market is currently discounting. In Japan a better functioning Japanese financial system and improving employment has helped boost investment and consumption. The risk remains that a slowdown in the rest of Asia and waning business confidence may undermine capital spending and hiring, and rising bond yields make monetary conditions less helpful. Nonetheless the current indications support the view that a domestic Japanese recovery has finally emerged. Elsewhere in the Pacific, the Australian economy appears to be softening as the property-fuelled consumer boom wanes and the currency weakens.

Although the volatility of oil prices is likely to be a concern for the European Central Bank, rates are unlikely to rise in the Euro bloc while German employment and business confidence continue to weaken. European margins still have scope to expand, and given the relative valuations, a number of European companies look attractive.

The Board has had discussions with the managers as to how to improve the performance of the underlying assets of the Trust bearing in mind the capital structure and the outlook for equity markets. It has been concluded that in the current economic environment a more concentrated portfolio in the UK is appropriate as this should allow the Managers greater scope to achieve superior returns. As a result the number of UK holdings trust has gone from 59 to 38, and the total number of holdings has reduced from 156 to 128. The Board considers that the overall risk profile of the Trust, which has risen as a result of the change, nevertheless remains consistent with the objective of the Trust. There is no change to the investment approach, which aims to focus on quality growth shares.

Looking forward, we expect modestly positive returns from equity markets in 2004 as corporate profits growth in general remains strong. However, concerns over rising interest rates and the risk of further instability in the Middle East are likely to constrain investor enthusiasm and add to volatility. The pace of last year's profits growth may also slow as labour costs rise and financials no longer benefit from low interest rates. This should make stocks with sustainable growth more attractive and highly leveraged companies less so. Key investment themes for 2005 are likely to include a pick up in mergers and acquisitions activity and corporate restructuring, further evidence of a strengthening in the Japanese domestic economy and a recovery in European profit margins.

J F H Trott
Chairman

15th July 2004

Statement of Total Return

	For the six months ended 31st May 2004		
	Revenue £'000s	Capital £'000s	Total £'000s
Net gains (losses) on investments	(Note 2) —	601	601
Income from investments	3,313	—	3,313
Other income	360	—	360
Investment management fee	(193)	(451)	(644)
Expenses of administration	(151)	—	(151)
Return before finance costs and taxation	3,329	150	3,479
Finance costs of borrowings	(689)	(1,607)	(2,296)
Return on ordinary activities before taxation	2,640	(1,457)	1,183
Taxation			
Overseas taxation	(92)	—	(92)
UK taxation	(195)	195	—
	(287)	195	(92)
Return on ordinary activities after taxation	2,353	(1,262)	(1,091)
Dividends on Preference Stock	(11)	—	(11)
Return attributable to Ordinary Shareholders	2,342	(1,262)	1,080
Dividends on Ordinary Shares:			
Prior year over accrual	34	—	34
Interim	(1,892)	—	(1,892)
Final	—	—	—
	(1,858)	—	(1,858)
Transfer to (from) reserves	484	(1,262)	(778)
Return per Ordinary Share (Note 1)	4.31p	(2.32)p	1.99p

Net Asset Statement

	As at 31st May 2004 £'000s
Fixed Asset Investments	217,203
Net Current Assets	21,522
Total Assets less Current Liabilities	238,725
Creditors: amount falling due after more than one year	(52,708)
Total Net Assets	186,017
Called up Share Capital: Ordinary	13,518
Preference	450
Capital Redemption Reserve	2,482
Capital Reserves: Realised	165,695
Unrealised	(3,819)
Revenue Reserve	7,691
Shareholders' Funds	186,017
Net asset value per Ordinary Share	343.2p

The net asset value is based on 54,070,416 Ordinary Shares in issue.

The net asset value per share as at 31st May 2003 is based on 56,705,416 Ordinary Shares in issue and at 30th November 2003 is based on 55,140,416 Shares in issue.

For the six months ended 31st May 2003			For the year ended 30th November 2003		
Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
(Note 2)			(Note 3)		
–	(4,101)	(4,101)	–	9,141	9,141
3,411	–	3,411	6,495	–	6,495
442	–	442	851	–	851
(178)	(414)	(592)	(369)	(860)	(1,229)
(179)	–	(179)	(171)	–	(171)
3,496	(4,515)	(1,019)	6,786	8,281	15,067
(666)	(1,551)	(2,217)	(1,347)	(3,139)	(4,486)
2,830	(6,066)	(3,236)	5,439	5,142	10,581
(96)	–	(96)	(146)	–	(146)
(188)	188	–	(376)	376	–
(284)	188	(96)	(522)	376	(146)
2,546	(5,878)	(3,332)	4,917	5,518	10,435
(11)	–	(11)	(23)	–	(23)
2,535	(5,878)	(3,343)	4,894	5,518	10,412
3.4p	1	–	1	–	1
(1,929)	–	(1,929)	(1,925)	–	(1,925)
–	–	–	(2,426)	–	(2,426)
3.4p	(1,928)	–	7.8p	(4,350)	–
607	(5,878)	(5,271)	544	5,518	6,062
4.43p	(10.27)p	(5.84)p	8.65p	9.75p	18.40p

As at 31st May 2003
£'000s

As at 30th November 2003
£'000s

206,933	219,637
27,312	21,844
234,245	241,481
(51,862)	(51,826)
182,383	189,655
14,176	13,785
450	450
1,824	2,215
177,225	174,945
(18,562)	(8,946)
7,270	7,206
182,383	189,655
320.8p	343.1p

Cash Flow Statement

for the six months ended 31st May 2004 and comparative periods

	Six months to 31st May 2004 £'000s	Six months to 31st May 2003 £'000s	Year to 30th November 2003 £'000s
Net cash inflow from operating activities	2,641	2,845	5,741
Servicing of Finance			
Interest paid	(2,329)	(2,114)	(4,384)
Dividends paid on Preference Stock	(11)	(11)	(22)
Net cash outflow on servicing of finance	(2,340)	(2,125)	(4,406)
Financial investment			
Purchase of fixed asset investments	(66,811)	(63,299)	(152,141)
Sale of fixed asset investments	66,025	71,383	160,387
Net cash (outflow) inflow from financial investment	(786)	8,084	8,246
Equity dividends paid	(2,392)	(2,411)	(4,336)
Net cash (outflow) inflow before financing	(2,877)	6,393	5,245
Financing			
Purchase of Ordinary Shares for cancellation	(2,860)	(1,721)	(5,780)
Decrease in short term loan	-	(787)	(907)
Net cash outflow from financing	(2,860)	(2,508)	(6,687)
(Decrease) increase in cash	(5,737)	3,885	(1,442)

Notes

Note 1

The returns per Ordinary Share are based on revenue or capital return to Ordinary Shareholders, as appropriate, and on 54,406,208 Ordinary Shares being the weighted average number of shares in issue throughout the period (31st May 2003 — 57,206,559 Shares; 30th November 2003 — 56,578,783 Shares).

Note 2

The revenue column of this statement is the profit and loss account of the Company. All revenue and capital items derive from continuing operations. No operations were acquired or discontinued in the period.

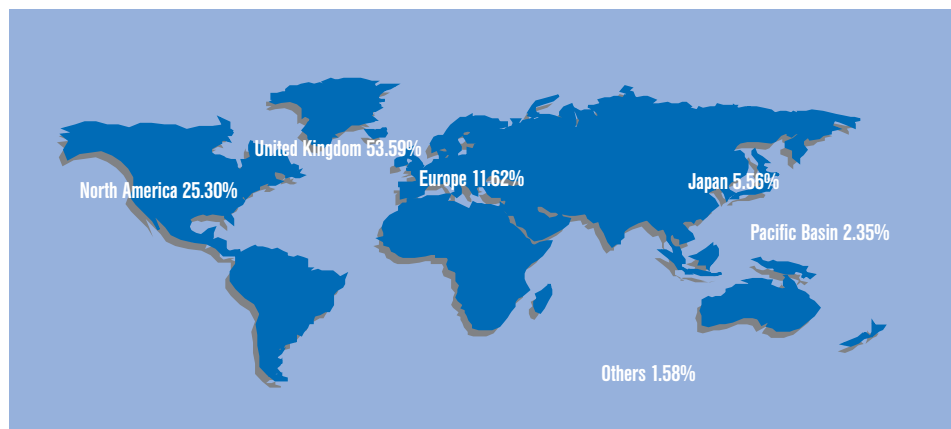
Note 3

This interim statement has been neither audited nor reviewed by the Company's auditors. The interim statement has been prepared using the same accounting policies as those adopted in the annual accounts for the year ended 30th November 2003.

The non-statutory accounts for the year to 30th November 2003 are an extract from the latest published accounts of the Company which have been delivered to the Registrar of Companies. The auditors' opinion on those accounts was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

Portfolio Analysis

as at 31st May 2004



Twenty Largest Equity Holdings

as at 31st May 2004

Security Name	Market value £'000s	% of Total Assets*	Principal Activity
BP	12,299	5.15	Oil & Gas
Vodafone Group	6,272	2.63	Telecommunications
HSBC Holdings	6,172	2.59	Banking
Royal Bank of Scotland	6,081	2.55	Banking
Barclays	4,585	1.92	Banking
GlaxoSmithKline	4,296	1.80	Pharmaceuticals
WPP	3,204	1.34	Media & Entertainment
BHP Billiton	3,180	1.33	Mining
Standard Chartered	3,104	1.30	Banking
Cobham	2,740	1.15	Aerospace & Defence
ICAP	2,667	1.12	Finance
Sage Group	2,644	1.11	Information Technology
GUS PLC	2,618	1.10	General Retail
United Business Media	2,617	1.10	Media & Entertainment
Man Group	2,492	1.04	Finance
Diageo	2,471	1.04	Beverages
AstraZeneca	2,444	1.02	Pharmaceuticals
Intercontinental Hotels	2,345	0.98	Leisure & Hotels
Allied Domecq	2,327	0.97	Beverages
Carnival	2,205	0.92	Transport
	76,763	32.16	

*Total assets include current liabilities.

Investor Information

Directors

J F H Trott (Chairman)
V P Bazalgette
K E Percy
B C R Siddons
R K A Wakeling
W R Worsley

Managers

RCM (UK) Limited
155 Bishopsgate
London EC2M 3AD
Telephone: 020 7859 9000
Represented by Mark Lovett and Nersen Pillay
(Fund Managers)

Allianz Dresdner Asset Management is the marketing name of RCM (UK) Limited, which is authorised and regulated by the Financial Services Authority.

Secretary and Registered Office

K J Salt BA (Hons) ACIS
155 Bishopsgate
London EC2M 3AD
Registered Number: 226323

Registrars

Capita Registrars
The Registry, 34 Beckenham Road
Beckenham, Kent BR3 4TU
Telephone: 0870 162 3100
or, if telephoning from overseas,
0044 20 8639 2157.
Email: ssd@capitaregistrars.com

Results

Half-year announced in July.
Full year announced in February.
Reports and Accounts posted to shareholders in March.
Annual General Meeting held in March.

Dividends

Interim dividend payable 27th August 2003
(ex dividend 28th July 2003)
Final dividend payable March 2005.

Net Asset Value

The Net Asset Value of the Ordinary Shares is calculated daily and the top ten holdings are announced monthly. They are published on the London Stock Exchange Regulatory News Service.

They are also available from the Managers on request.

Savings Scheme

Investors are able to buy shares in the Company at low cost through the Allianz Dresdner Asset Management Investment Trust Savings Scheme. Investments can be in the form of a regular monthly payment or an individual lump sum. There is an arrangement for the reinvestment of dividends as well as facilities for selling and switching. Full details of the Savings Scheme are available from Allianz Dresdner Asset Management on 0800 317 573 and on the managers' website: www.allianzdresdneram.co.uk, or alternatively, please use the FREEPOST card enclosed to request any literature you may require.

Maxi ISA and PEP Transfer

Shareholders can invest in the shares of the Company through the Allianz Dresdner Asset Management Investment Trust Maxi ISA and PEP Transfer. Full details are available from Allianz Dresdner Asset Management Investor Services on 0800 317 573 and on the managers' website: www.allianzdresdneram.co.uk, or alternatively, please use the FREEPOST card enclosed to request any literature you may require.

Shareholders' Enquiries

Capita Registrars maintain the share register. In the event of queries regarding shareholdings, lost certificates, registered details, etc., shareholders should contact the registrars on 0870 162 3100 or, if calling from overseas, 0044 20 8639 2157, or by e-mail: ssd@capitaregistrars.com. Changes of name or address must be notified to the registrars in writing.

Any general enquiries about the Company should be directed to the Company Secretary, The Brunner Investment Trust PLC, 155 Bishopsgate, London EC2M 3AD.

AITC Membership

A member of the Association of Investment Trust Companies

Category: Global Growth

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