# British & American Investment Trust PLC

Report and accounts

31 December 2015

British and American Investment Trust PLC — As at 31 December 2015

## Investment Policy

*To invest predominantly in investment trusts and other leading UK-quoted companies to achieve a balance of income and growth.*

## Ten largest security holdings (excluding subsidiaries)

| Name | Sector | % |
|---|---|---|
| Geron Corporation (USA) | Biomedical | 23.25 |
| Polymetal | Mining | 13.20 |
| Biotime Inc (USA) | Biotechnology | 8.23 |
| Dunedin Income Growth | Investment Trust | 5.16 |
| Blackrock Income Strategies | Investment Trust | 4.57 |
| St James's Place Global Equity | Unit Trust | 4.24 |
| OMG | Software | 3.44 |
| Scottish American Inv Company | Investment Trust | 2.36 |
| Artemis VCT | Investment Trust | 1.96 |
| Invesco Income Growth | Investment Trust | 1.92 |
| | | 68.33 |

## Country Exposure

| Country | £m | % |
|---|---|---|
| UK | 16.6 | 55.0 |
| USA | 13.6 | 45.0 |
| Total net assets | 30.2 | 100.00 |

## Value (dividends reinvested) of £100 invested in ordinary shares

| | £ |
|---|---|
| 1 year | 124.1 |
| 3 year | 157.9 |
| 5 year | 182.2 |

## Salient Facts

| | |
|---|---|
| Launch Date | 1996 |
| Management | Self-managed |
| Year/Interim End | 31 December/30 June |
| Capital Structure | 25,000,000 Ordinary Shares of £1 (listed); 10,000,000 Convertible Preference Shares of £1 (unlisted) |
| Number of Holdings | 48 |
| Net Assets (£m) | 30.2 |
| Yield | 8.63% |
| Dividend Dates | Interim dividend – November<br>Final dividend – June |
| Share price (p) | 95.0 |
| NAV/share (p) | 86 *(diluted)* 81 *(undiluted)* |
| Premium | 10.1% 17.5% |
| Ongoing charges | 2.26% |
| Sedol Code | 0065311 |
| ISIN Code | GB000065311 |

## Status

Eligible to be held in an ISA or Savings Scheme.

## Contact


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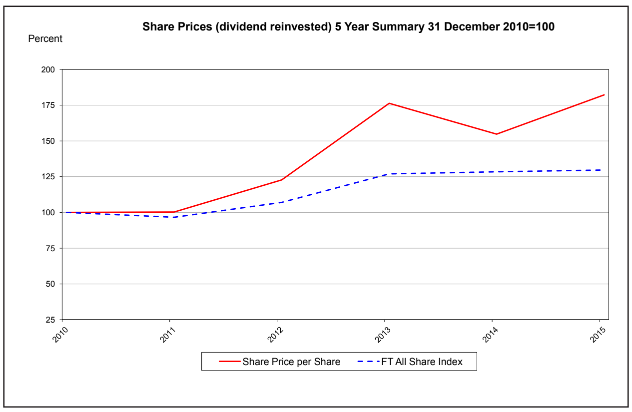
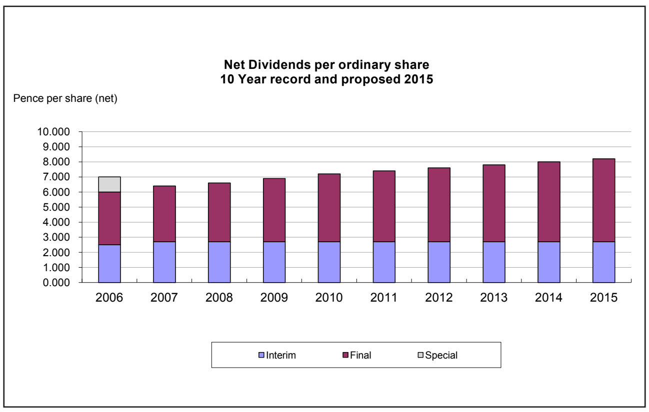
Website: www.baitgroup.co.uk
Registered in England. Registered number 00433137
VAT Reg. No. 241 1621 10

# British & American Investment Trust PLC

Annual Report and Accounts

for the year ended 31 December 2015

Registered number: 00433137

# Contents

# Directors and officials

**Directors**
J Anthony V Townsend (Chairman)
Jonathan C Woolf (Managing Director)
Dominic G Dreyfus (Non-executive)
Ronald G Paterson (Non-executive)

**Secretary and registered office**
KJ Williams ACA
Wessex House
1 Chesham Street
London SW1X 8ND

**Registrars**
Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3DA

**Bankers**
Lloyds Bank plc
2nd Floor
39 Threadneedle Street
London
EC2R 8AU

UBS Wealth Management
1 Finsbury Avenue
London EC2M 2AN

Metro Bank PLC
One Southampton Row
London
WC1B 5HA

**Auditors**
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

# Biographical details of directors and investment policy

**Chairman**

J Anthony V Townsend (Age 68)

Chairman of F&C Global Smaller Companies PLC, Finsbury Growth & Income Trust PLC, Miton Worldwide Growth Investment Trust plc and Gresham House plc. Past chairman of the Association of Investment Companies (2001-2003). Non-executive director of other companies. Appointed 6 October 1999.

**Managing Director**

Jonathan C Woolf (Age 59)

Director of Romulus Films Limited and associated companies, formerly merchant banker with S G Warburg & Co. Ltd. Appointed 14 July 1983.

**Non-Executive**

Dominic G Dreyfus (Age 59)

Formerly a director of BCI Soditic Trade Finance Ltd, managing director of Soditic Limited and Membre du Directoire, Warburg Soditic SA, Geneva. Appointed 13 May 1996.

Ronald G Paterson (Age 59)

Solicitor, partner in Eversheds LLP. Formerly a partner in Frere Cholmeley Bischoff and Bischoff & Co. and a member of the Technical Committee of the Association of Investment Companies. Appointed 1 January 2001.

## Investment policy

The company's policy is to invest predominantly in investment trusts and other leading UK quoted companies to achieve a balance of income and growth. Full details of the company's investment policy are contained in the Business Review on page 12.

## AIC

The company is a member of the Association of Investment Companies (AIC) and is represented on the AIC Self-Managed Investment Trust Committee.

# Chairman's statement

I report our results for the year ended 31 December 2015.

**Revenue**

The return on the revenue account before tax amounted to £2.7 million (2014: £2.4 million), an increase of 12 percent. This year, and particularly in the second half, external dividends received by the parent company were considerably higher than those received via group subsidiaries, accounting for the reversal to the decline in revenues reported at the interim stage.

Gross revenues totalled £3.2 million (2014: £2.9 million). Film income of £88,000 (2014: £165,000) and property unit trust income of £17,000 (2014: £24,000) was received in our subsidiary companies. In accordance with FRS10, these income streams are not included within the revenue figures noted above.

The total return before tax amounted to a gain of £5.4 million (2014: £1.5 million loss), which comprised net revenue of £2.7 million, a realised loss of £0.9 million and an unrealised gain of £3.9 million. The revenue return per ordinary share was 9.5p (2014: 8.5p) on an undiluted basis and 7.8p (2014: 7.1p) on a diluted basis.

**Net Assets and Performance**

Net assets at the year end were £30.2 million (2014: £27.1 million), an increase of 11.4 percent. This compares to decreases in the FTSE 100 and All Share indices of 4.9 percent and 2.5 percent, respectively, over the period. On a total return basis, after adding back dividends paid during the year, our net assets increased by 20.0 percent compared to a 1.3 percent decrease and a 1.0 percent increase in the FTSE 100 and All Share indices, respectively. This strong outperformance for the year built on the gains already recorded for the first half and was due to a continued recovery in the value of our largest US investment, Geron Corporation, and a strengthening in the value of the US dollar by 5 percent. The reasons for the recovery in the value of our investment in Geron were explained in detail in my last full year and interim statements and followed an important partnership agreement entered into with Johnson & Johnson at the end of 2014.

This strong result for the full year allowed us to maintain the outperformance reported at the interim stage against our investment trust sector on price and total return over all periods up to 10 years.

More generally in 2015, the UK and leading equity markets had traded well ahead in the first half by as much as 8 percent but by June had reversed to being flat as the Greek sovereign debt crisis in the Eurozone came to a head and then in August markets suffered an abrupt and significant decline of over 10 percent. This sudden retreat was seen in global markets throughout as fears surfaced about significant economic weakness in China indicated by weak oil and commodity prices as well as the expectation of the first US dollar interest rate rise for almost 10 years in September. In the event the rate increase did not occur as anticipated because of the weakness in global markets but was finally implemented in December. Following the disruption in August, equity markets stabilised in the final quarter but never regained the highs seen in the first half and finished the year flat or slightly down.

The net asset value per ordinary share increased to 86p (2014: 78p) on a diluted basis. Deducting prior charges at par, the net asset value per ordinary share increased to 81p (2014: 69p).

## Chairman's statement (continued)

**Dividend**

We are pleased to recommend an increased final dividend of 5.5p per ordinary share, which together with the interim dividend makes a total payment for the year of 8.2p (2014: 8.0p) per ordinary share. This represents an increase of 2.5 percent over the previous year's total dividend and a yield of 8.6 percent based on the share price of 95p at the end of the year. The final dividend will be payable on 23 June 2016 to shareholders on the register at 20 May 2016. A dividend of 1.75p will be paid to preference shareholders resulting in a total payment for the year of 3.5p per share.

**Outlook**

Global equity markets opened the year in significant retreat, falling by over 10 percent in two months. This was again the result of growth fears in China in the context of extremely low oil prices which had fallen by over 50 percent in less than a year to 12 year lows, exacerbating flows out of equity markets as Chinese and oil producing sovereign investors disinvested, as well as the aftermath of the albeit small and measured rise in US $ interest rates in December. Investors sensed a significant change in sentiment towards global growth prospects and developing economy markets suffered particularly with risk appetite falling away. By March, however, markets had stabilised and regained their opening levels following a modest recovery in the level of oil prices. Nevertheless, there remains much nervousness and particularly in the UK in the run up to the referendum in June on continued membership of the European Union. With opinion polls predicting a close result and much financial well-being hanging on the outcome, a high level of volatility in investment and currency markets as well as disruption to economic investment are expected in the short term until the votes are cast. Given the high degree of uncertainty surrounding the EU referendum, we will await the outcome before taking any major new investment decisions.

As at 25 April 2016, our net assets had decreased to £24.0 million, a decrease of 20.5 percent since the beginning of the calendar year. This decrease reflects a drop in the value of our US investments. This is equivalent to 56 pence per share (prior charges deducted at par) and 69 pence per share on a diluted basis. Over the same period the FTSE 100 increased 0.3 percent and the All Share Index decreased 0.2 percent.

Anthony Townsend

29 April 2016

## Managing Director's report

In 2015, UK and US equity markets followed a familiar trend of recent years by rising for most of the first half only to fall back by June to end the period flat. The UK market had risen by 7 percent by May only to lose the gain completely by the end of June. As in previous years, markets were generally supported by the huge volumes of liquidity still being provided by all the developed economy central banks but with one eye always on the prospect of the first rise in interest rates in the USA. This had had been expected for some time, given the steady but relatively modest recovery in economic growth in the USA since 2010 and indeed in the UK. But the decision to increase was postponed on many occasions over the last two years in both countries until finally in December the Federal Reserve increased rates by 0.25 percent to 0.5 percent.

As noted above, in August 2015 global equity markets experienced a sharp reversal by over 10 percent as fears over continued levels of growth in China forced a reassessment of global growth expectations. The long awaited increase in US interest rates also weighed on the market at this time, with September being generally considered the likely month for the rate increase to be announced.

The fears relating to China developed out of a sharp drop in the crude oil price which has lately become highly correlated to equity market movements. Oil prices had fallen from the previously sustained levels of around US$130 per barrel prior to 2015 to US$70 per barrel in the first half of 2015 and then fell lower to US$50 in August, a fall of over 60 percent in less than a year. Commodities prices also fell and were seen as a further indicator of China’s slowing economic activity. It was also judged to be symptomatic of the economic strategy being promoted by the Chinese authorities away from manufacturing to service and consumer based activities. This change was seen as a potential drag on growth for other economies over time as global trade and exports would be likely to be adversely affected.

With the postponement again in September of any interest rate rise in the USA, the equity markets stabilised in the final quarter but ended the year in negative territory, with the US and UK indices down 2 percent and 5 percent, respectively.

Our portfolio significantly outperformed the benchmark at both the half year and full year, as reported above. This was due to a recovery in the share price of our principal US investment Geron Corporation which rose by 49 percent. This increase was also assisted by a strengthening in the US dollar by 5 percent over the year. Geron’s recovery followed the completion of a landmark development and sales agreement with Johnson & Johnson previously reported on for its proprietary cancer drug platform, Imetelstat, at the end of 2014 and reflected the market’s gradual appreciation of the prospects for the drug as clinical trials progressed and results began to be published.

As noted above, our performance in 2015 showed outperformance against our AIC sector for all periods up to 10 years in terms of price and total return and, when taking our dividends into account, has thus given shareholders positive and superior returns over these periods.

## Managing Director's report (continued)

Since the beginning of 2016, equity market volatility has increased substantially. The correlation of markets to the oil price has continued and with oil prices falling to below US$30 per barrel in January, equity markets fell sharply in January and February by over 10 percent. While some stability returned in March allowing markets to regain their year opening levels, further falls have been seen in April.

This instability is expected to continue, with the vast number of significant political and related economic events currently in play. These include unpredictable and so far unconventional US presidential elections, continued instability in the Middle East with allied terrorist events in Europe, the refugee crisis in Europe, the unresolved sovereign credit situation in Greece, the EU referendum in the UK and a generally perceived deterioration in prospects for world growth.

Against this very uncertain background in the short to medium term, we will await further developments before taking any major investment decisions.

Jonathan Woolf

29 April 2016

# Financial highlights

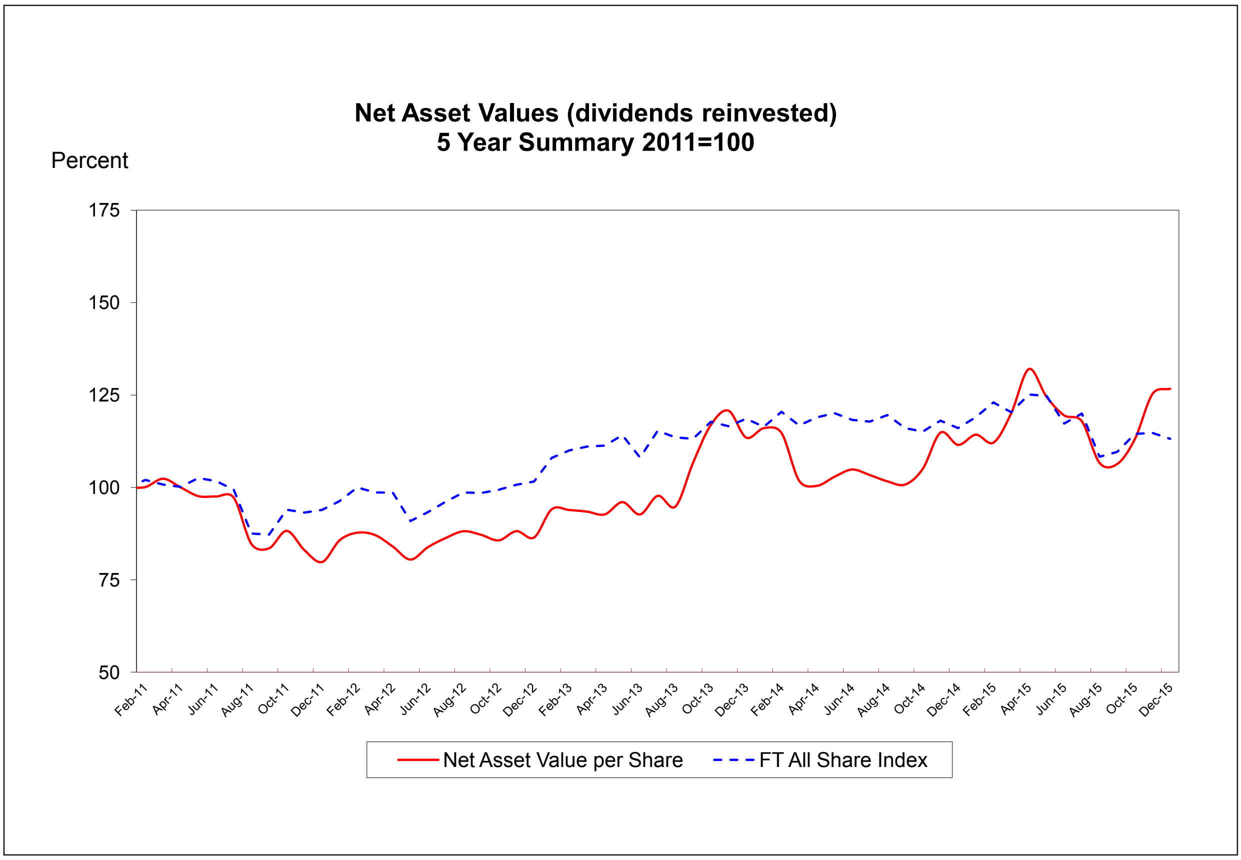
For the year ended 31 December 2015

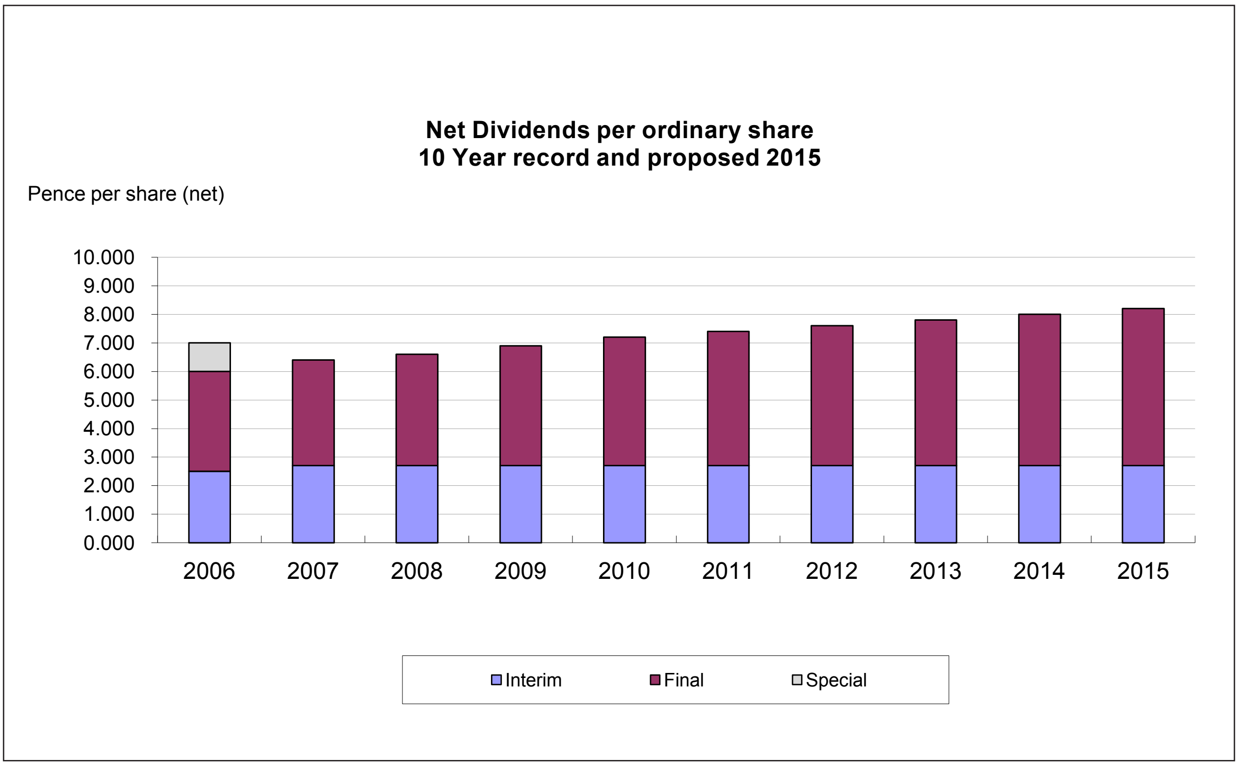
| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Revenue return £000 | Capital return £000 | Total £000 | Revenue return £000 | Capital return £000 | Total £000 |
| Profit/(loss) before tax – realised | 2,701 | (1,219) | 1,482 | 2,416 | (713) | 1,703 |
| Profit/(loss) before tax – unrealised | – | 3,925 | 3,925 | – | (3,226) | (3,226) |
| Profit/(loss) before tax – total | 2,701 | 2,706 | 5,407 | 2,416 | (3,939) | (1,523) |
| Earnings per £1 ordinary share – basic | 9.51p | 10.83p | 20.34p | 8.48p | (15.76)p | (7.28)p |
| Earnings per £1 ordinary share – diluted | 7.80p | 7.73p | 15.53p | 7.06p | (11.25)p | (4.19)p |
| Net assets | | | 30,211 | | | 27,126 |
| Net assets per ordinary share | | | | | | |
| – deducting preference shares at par | | | 81p | | | 69p |
| – diluted | | | 86p | | | 78p |
| Diluted net asset value per ordinary share at 25 April 2016 | | | 69p | | | |

| | 2015 | 2014 |
|---|---|---|
| Dividends declared or proposed for the period | | |
| per ordinary share – interim paid | 2.7p | 2.7p |
| – final proposed | 5.5p | 5.3p |
| per preference share | 3.5p | 3.5p |

Basic net assets and earnings per share are calculated using a value of par for the preference shares. Consequently, when the net asset value attributed to ordinary shares remains below par the diluted net asset value will show a higher value than the basic net asset value.

## Net asset and dividend growth



# Distribution of investments and cash

**Distribution of investments and cash balances:**

| | At valuation | | |
|---|---|---|---|
| | 25 April 2016 £000 | 31 December 2015 £000 | 31 December 2014 £000 |
| Biomedical – USA | 6,947 | 10,299 | 6,611 |
| Investment Trusts (equities) | 8,106 | 8,862 | 10,266 |
| Mining | – | 5,845 | – |
| Biotechnology | 3,330 | 4,083 | 2,398 |
| Unit trusts | 2,221 | 2,103 | 2,125 |
| Software and computer services | 86 | 1,852 | 468 |
| Pharmaceuticals and healthcare | 1,037 | 864 | 231 |
| Life Assurance | 707 | 842 | 1,525 |
| Oil & Gas Producers | 307 | – | 41 |
| Support services | 182 | 192 | 82 |
| Transport | 90 | 89 | – |
| Other Financial | 26 | 55 | 96 |
| Telecommunications | 47 | 45 | 44 |
| Leisure and hotels | – | 45 | 42 |
| Media | 28 | 43 | 44 |
| Financial services | 18 | 21 | 16 |
| Overseas | 1 | 2 | 2 |
| Total quoted equities | 23,133 | 35,242 | 23,991 |
| Fixed Interest stocks | 828 | 1,112 | 1,051 |
| Preference shares | 703 | 684 | 676 |
| Permanent interest bearing | 330 | 337 | 330 |
| | 24,994 | 37,375 | 26,048 |
| Unquoted convertible instrument - Biotechnology | – | – | 1,286 |
| Unquoted promissory note - Biotechnology | 124 | 122 | – |
| Unquoted subsidiaries* | 6,378 | 6,789 | 6,499 |
| | 31,496 | 44,286 | 33,833 |
| Derivatives – traded options | – | – | 87 |
| Balances at banks and stockbrokers | 62 | (7,624) | 250 |
| | 31,558 | 36,662 | 34,170 |

This represents gross assets and therefore excludes bank loans and the guarantee of subsidiary obligations by the parent.

*The majority of the assets of the subsidiaries comprise loans due from the parent company or fellow subsidiaries (£5.4 million, 2014 – £5.5 million) with the balance split approximately between 5% UK quoted investments, 50% overseas quoted investments, 5% UK commercial property unit trusts and 40% fair value of film rights.

## Investment portfolio
At 31 December 2015

| Company | Nature of business | Valuation £000 | % of Portfolio |
|---|---|---|---|
| Geron Corporation (USA) | Biomedical | 10,299 | 23.25 |
| Polymetal | Mining | 5,845 | 13.20 |
| Biotime Inc (USA) | Biotechnology | 3,646 | 8.23 |
| Dunedin Income Growth | Investment Trust | 2,287 | 5.16 |
| Blackrock Income Strategies Trust | Investment Trust | 2,025 | 4.57 |
| St James's Place Global Equity | Unit Trust | 1,877 | 4.24 |
| OMG | Software and computer services | 1,522 | 3.44 |
| Scottish American Investment Company | Investment Trust | 1,046 | 2.36 |
| Artemis VCT | Investment Trust | 870 | 1.96 |
| Invesco Income Growth Trust | Investment Trust | 850 | 1.92 |
| Asterias Biotherapeutics | Pharmaceuticals | 848 | 1.92 |
| Prudential | Life Assurance | 842 | 1.90 |
| Royal & Sun Alliance Insurance Group 7.375% Cum. irred. preference shares £1 | Insurance – Non-Life | 532 | 1.20 |
| Rothschild Continuation Finance – 9% Perp. Sub. Gtd. Loan Notes | Financial | 494 | 1.12 |
| Merchants Trust | Investment Trust | 433 | 0.98 |
| Shires Income | Investment Trust | 424 | 0.96 |
| F&C Asset Management – 6.75% FRN Sub. Bonds 2026 | General financial | 356 | 0.80 |
| RIT Capital Partners | Investment Trust | 336 | 0.76 |
| Oncocyte (USA) | Biotechnology | 301 | 0.68 |
| Barclays – 9% PIB Capital Bonds | Bank retail | 270 | 0.61 |
| 20 Largest investments (excluding subsidiaries) | | 35,103 | 79.26 |
| Investment in subsidiaries | | 6,789 | 15.33 |
| Other investments (number of holdings : 27) | | 2,394 | 5.41 |
| Total investments | | 44,286 | 100.00 |

**Holdings in other investment companies**

It is the company's stated policy to have an unlimited percentage of its gross assets in other listed investment companies. In accordance with the Listing Rules, the company will restrict any future investments in listed investment companies, which themselves do not have a policy of restricting their investments in other listed investment companies to 15% (or less) of their gross assets, to 10% of its gross assets at the time of the investment. As at 31 December 2015, 2.15% of the company's total assets were invested in the securities of other UK listed investment companies which themselves do not have a policy of restricting their investments to the 15% mentioned above. Of the twenty largest investments shown above, Shires Income and RIT Capital Partners fall into this category of investments as they have not specifically announced a policy to restrict their own investments in listed investment companies to no more than 15% of gross assets.

# Five year record

### Capital

| At 31 December | Equity shareholders' funds £000 | Net asset value per share (diluted) pence | Share price pence | (Discount)/premium (diluted) % |
|---|---|---|---|---|
| 2011 | 25,936 | 74.1 | 66.0 | (10.9) |
| 2012 | 25,607 | 73.2 | 75.0 | 2.5 |
| 2013 | 30,895 | 88.3 | 106.5 | 20.6 |
| 2014 | 27,126 | 77.5 | 83.0 | 7.1 |
| 2015 | 30,211 | 86.3 | 95.0 | 10.1 |

### Revenue

| Year to 31 December | Total income £000 | Profit after tax £000 | Earnings per ordinary share (diluted) pence | Ongoing charges % | Dividend per ordinary share (net) pence |
|---|---|---|---|---|---|
| 2011 | 2,745 | 2,449 | 7.00 | 1.76 | 7.40 |
| 2012 | 2,482 | 2,159 | 6.17 | 2.15 | 7.60 |
| 2013 | 3,073 | 2,742 | 7.83 | 2.06 | 7.80 |
| 2014 | 2,871 | 2,470 | 7.06 | 2.15 | 8.00 |
| 2015 | 3,206 | 2,729 | 7.80 | 2.26 | 8.20 |

Earnings per ordinary share (diluted) is based on the revenue column of the Profit/(loss) for the period in the Income statement and on 35,000,000 ordinary and convertible preference shares in issue.

Ongoing charges is based on the ratio of Total expenses to average shareholders' funds.

### Cumulative performance (2010=100)

| Year to 31 December | Net asset value total return | AIC NAV Sector return | Share price total return | AIC Share price Sector return | FTSE All Share total return |
|---|---|---|---|---|---|
| 2010 | 100 | 100 | 100 | 100 | 100 |
| 2011 | 85 | 103 | 99 | 102 | 97 |
| 2012 | 91 | 118 | 125 | 119 | 108 |
| 2013 | 112 | 154 | 194 | 154 | 131 |
| 2014 | 108 | 160 | 165 | 160 | 132 |
| 2015 | 123 | 171 | 207 | 169 | 134 |

# Business review

## Business and status

The activities of the company and its subsidiary undertakings during the accounting year were as follows:

| Company | Activities |
|---|---|
| British & American Investment Trust PLC (the 'company') | Investment trust |
| BritAm Investments Limited | Investment holding |
| Second BritAm Investments Limited | Investment holding |
| British & American Films Limited | Film investment company |

The company is an investment company under section 833 of the Companies Act 2006.

The company has obtained approval as an investment trust from HM Revenue & Customs for all accounting periods commencing on or after 1 January 2012 and has continued to conduct its affairs in compliance with the ongoing requirements of section 1158 of the Corporation Tax Act 2010.

## Future prospects

The future prospects of the company are explained in the Chairman's Statement on pages 3 and 4 and in the Managing Director's Report on pages 5 and 6.

## Investment policy and objective

The company's stated investment policy is to invest 'predominantly in investment trusts and other leading UK quoted companies to achieve a balance of income and growth'.

In fulfilling this policy, the company acts as a long-only investment vehicle and in recognition of its status as an authorised investment trust and parent of a group of companies comprising two other investment companies and a film investment company. The company does not normally utilise gearing in its portfolio but will from time to time be temporarily modestly geared to facilitate re-alignment of the investment portfolio. The company does on occasion make use of derivative instruments to hedge exposures to particular investments or markets. The company may write options on shares held within the investments portfolio where such options are priced attractively relative to longer term expectations of the relevant share prices.

The company's objective is to achieve a balance to investors of growth in income and capital in order to sustain a progressive dividend policy. The policy of the investment portfolio is to invest predominantly in quoted UK investment trusts and other leading companies; other investments include overseas equities and bonds.

## Business review (continued)

Investment strategy and Business model

Investments are self-managed. The portfolio currently consists of a diversified list of around 38 UK quoted companies, investment in subsidiaries (15.3% of the portfolio), 8 overseas quoted companies and 1 overseas unquoted holding.

Historically, investments in other investment trusts have accounted for approximately 50 (currently 20) percent of the total portfolio with the balance being invested in a selection of leading quoted companies to provide opportunities for capital growth and income generation. These other investments have often been concentrated in a small number of companies, typically in the finance, biotechnology, insurance, media and leisure sectors and have individually represented as much as 8 to 20 percent of the portfolio. Currently, these individual exposures are in the US biomedical (23.2%) and UK insurance (3.1%) sectors. Smaller size investments are made in other UK listed companies (currently 9, accounting for 1.4% of the portfolio) and further risk diversification is achieved by investment in fixed income securities (currently 2.5%).

The implementation of portfolio strategy includes some purchases of investee stocks after the announcement of a dividend and, consequently, some of the revenue income may have a corresponding capital loss, on the subsequent disposal of these investments.

The investments in investment trusts are spread over a wide number and variety of trusts including UK, generalist, specialist, income, overseas and split capital trusts in order to respond to the objectives of the stated investment policy. Generally, for the larger of such investments, trusts offering exposure to both the UK and US markets, a discount greater than 5 percent and a yield in excess of the benchmark yield is sought.

The company does not hedge against currency fluctuations.

At 31 December 2015 the company's current liabilities included a bank loan of £2,339,000 and trade and other payables of £9,124,000 which included £7,968,000 of purchases of investments awaiting settlement which were settled shortly after the year end. Excluding the short term distortion caused by the purchases awaiting settlement, at 31 December 2015 the company's gearing was 6.81% (2014 – 8.78%).

Whenever total investment in UK listed investment companies, which have not declared an investment policy to invest less than 15% of their gross assets in other UK listed investment companies, exceeds 10% of gross assets, no further investments in such companies are made until the total investments in such companies returns below 10% of gross assets. Currently these investments amount to 2.2% of company gross assets.

Portfolio performance in capital and income is measured and reported against the benchmark FTSE All Share Index and relative performance against AIC peer group members is monitored. There is a recognition that at times, particularly when foreign or foreign currency denominated investments form a significant element of the portfolio, a certain degree of performance mismatch to the benchmarks is likely to occur.

# Business review (continued)

## Performance

The directors consider a number of performance measures to assess the company's success in achieving its objectives.

The key performance indicators (KPIs) used to measure the performance of the company over time are the following established industry measures:

· the movement in net asset value per ordinary share (after deducting preference shares at par) compared to the benchmark FTSE All Share Index;

· share price total return;

· the discount (after deducting preference shares at par);

· the ongoing charges;

· earnings per share;

· dividend per share.

A historical record of these measures is shown on pages 7, 8 and 11.

The board also considers peer group comparative performance.

The review of the business is included in the Chairman's Statement on pages 3 and 4 and Managing Director's Report on pages 5 and 6. Information on movements in the NAV and on investments since the year end is included on pages 7 and 9 respectively.

## Discount

The discount, in absolute terms and relative to other similar investment trust companies, and the composition of the share register is monitored by the board. While there is no discount target or management policy the board is aware that discount volatility is unwelcome to many shareholders and that share price performance is the measure used by most investors. The board seeks to provide effective communication to existing and potential shareholders and maintain the profile of the company.

## Principal risks and uncertainties

The principal risks facing the company relate to its investment activities and include market risk (other price risk, interest rate risk and currency risk), liquidity risk, gearing risk and credit risk. An explanation of these risks and how they are managed is contained in note 19 to the accounts on pages 45 to 49. The other principal risks to the company are loss of investment trust status, which is explained on page 12 and operational risk. Operational risk is the risk of inadequate or failed processes or systems. The main potential risk relates to systems for holding and administering investments. There is a framework in place to manage this risk which is monitored and reviewed by the board twice a year.

The board has carried out a robust assessment of the risks, which include those that would threaten its business model, future performance, solvency and liquidity, and mitigating actions it has taken.

## Financials

The financial highlights for the year under review are as follows: the net asset value per share assuming conversion of the preference shares increased by 11.4% on a diluted basis during the year, compared to a decrease in the benchmark of 2.5%, ordinary share dividends increased by 2.5% to 8.2p per share and the premium of the share price over the net asset value per share assuming conversion of the preference shares moved from 7.1% to 10.1% at the year end.

## Business review (continued)

Political Risk

The board is aware that the proposed UK Referendum on its membership of the European Union introduces elements of political uncertainty which may have practical consequences for the company. Developments will be closely monitored and considered by the board.

**Board Diversity**

The Board recognises the importance of having a range of skilled, experienced individuals with the appropriate knowledge in order to allow the Board to fulfil its obligations. At 31 December 2015, the Board consisted of four men. The Board's statement on diversity is set out in the Statement of Corporate Governance on page 54.

**Viability Statement**

In accordance with provision C2.2 of the UK Corporate Governance Code, published by the Financial Reporting Council in September 2014, the directors have assessed the viability of the company over a period of three years, taking account of the company's current position and the potential impact of the principal risks and uncertainties. The directors believe this period to be appropriate as it reflects the longer term investment strategy of the company in terms of both investment prospect and income growth.

In considering the viability of the company, the directors have conducted a thorough assessment of each of the principal risks and uncertainties and in particular the impact of market risk where a significant fall in global equities markets would adversely impact the value of the investment portfolio. The directors have also considered the company's income and expenses and dividend policy having undertaken a review of revenue projection and its liquidity in the context of the majority of its investments being listed equities which are readily realisable and so capable of being sold to provide funding if required. The company also considered how the forecast income stream and levels of reserves could impact on the company's ability to pay dividends to shareholders over that period in line with its dividend policy.

The directors currently support the continuation of the company and expect that the company will continue to exist for the foreseeable future, at least for the period of the assessment. Based on this 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.

**Employee, social, human rights, economic and environmental responsibility**

The company, with the support of the Board, does take environmental, social and governance factors and human rights issues into consideration with regard to investment decisions made on behalf of the company.

Details of the company's policy on socially responsible investment can be found under Corporate governance and Stewardship on pages 55 and 56.

The number of directors and employees during the year were 11 (2014 – 11).

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Male | Female | Male | Female |
| Directors (non-executive) | 3 | 0 | 3 | 0 |
| Directors (executive) | 1 | 0 | 1 | 0 |
| Employees | 1 | 6 | 1 | 6 |

# Business review (continued)

**ISAs**

The company has conducted its investment policy so as to remain a qualifying investment under the ISA regulations. It is the intention of the directors to continue to satisfy these regulations.

**Common Reporting Standards**

From January 2016 you may receive requests for personal information to comply with new legal obligations introduced to reduce tax evasion by a new piece of legislation, The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information ('The Common Reporting Standard') which comes into effect from 1 January 2016. The legislation will require investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. The company will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities. All new shareholders, excluding those whose shares are held in CREST, who come on to the share register with effect from 1 January 2016 will be sent a certification form for the purposes of collecting the information. While it is not compulsory that you complete and return these requests we are required by law to make these requests and to report on the responses received.

Please note that only a small number of our shareholders fall into the category where we have to make these requests and only those shareholders will receive the request.

**Dividend Tax Allowance**

From April 2016 dividend tax credits will be replaced by an annual £5,000 tax-free allowance across an individual's entire share portfolio. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. Our registrars will continue to provide registered shareholders with a confirmation of the dividends paid by British & American Investment Trust PLC and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating tax requirements. This change was announced by the Chancellor, as part of the UK government Budget, in July 2015.

**Suitable for Retail Investors**

The company currently conducts its affairs so that the Ordinary shares can be recommended by Financial Advisers to ordinary retail investors in accordance with FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The directors have considered the Annual Report and Accounts and believe that taken as a whole it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

The Strategic report, which includes pages 3 to 16, was approved by the board and signed on its behalf by:

J C Woolf
Director
29 April 2016

# Directors' report

For the year ended 31 December 2015

## Directors' report

The directors present their annual report on the affairs of the company together with the financial statements and auditors' report for the year ended 31 December 2015.

### Basis of reporting the financial statements

Shareholders should note that, we are presenting single company accounts under IFRS (International Financial Reporting Standards). Following an amendment introduced in IFRS 10 in 2014, the group is no longer allowed to consolidate its subsidiaries and therefore instead of preparing group accounts it prepares a separate financial statement for the parent entity only.

IFRS 10 'Consolidated Financial Statements' became effective from 1 January 2014. Under the initial standard (and also the revised standard issued in December 2014) the company is classified as an investment entity and is therefore required to value any investment in a subsidiary at its fair value through profit or loss in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' unless the subsidiary provides services that relate directly to the company's investment activities.

In December 2014 further amendments were made to IFRS 10 such that if a subsidiary is itself an investment entity then it must not be consolidated. We reviewed all the activities of our subsidiaries and their classification as investment entities and concluded that all of the company's subsidiaries should be valued at fair value through profit or loss, and not be consolidated.

The financial statements on pages 26 to 49 therefore comprise the results of the company only.

A review of the company's activities is given in the Strategic Report on pages 3 to 16. This includes the overall strategy of the business of the company and its principal activities, main risks and uncertainties and future prospects.

### Financial statements

The financial statements will be presented for approval at the sixty eighth Annual General Meeting of the company to be held on Friday 17 June 2016.

### Results and dividends of the company for the year

The directors set out below the results and dividends of the company for the year ended 31 December 2015.

| | Revenue | Capital | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| Profit before tax | 2,701 | 2,706 | 5,407 |
| Tax | 28 | – | 28 |
| Loss after tax | 2,729 | 2,706 | 5,435 |

| Dividends | Pence per share | £000 |
|---|---|---|
| Interim per £1 ordinary share (paid 12 November 2015) | 2.7 | 675 |
| 3.5% preference share paid (paid 12 November 2015) | 1.75 | 175 |
| Final per £1 ordinary share – proposed | 5.5 | 1,375 |
| 3.5% preference share (payable 23 June 2016) | 1.75 | 175 |
| | | 2,400 |

The dividends proposed above will be paid on 23 June 2016 to ordinary shareholders on the register at 20 May 2016 and to 3.5% preference shareholders on the register at 31 December 2015.

**Directors and their interests**

The present directors of the company are as set out on page 1. Having served as a director since 1996,1999 and 2001 Mr DG Dreyfus, Mr JAV Townsend and Mr RG Paterson respectively and, being eligible, retire and offer themselves for re-election. The Board recommends their re-election. At the time of the Annual General Meeting Mr DG Dreyfus will have completed more than 20 years service, Mr JAV Townsend 16 years service and Mr RG Paterson 15 years service as a non-executive director. In making the recommendation, the Board has carefully reviewed the composition of the Board as a whole and borne in mind the need for a proper balance of skills and experience. The Board does not believe that length of service detracts from the independence of a director, particularly in relation to an investment trust, and on that basis considers that Mr DG Dreyfus, Mr JAV Townsend and Mr RG Paterson remain independent. It is confirmed that, following formal evaluation, the performance of each director continues to be effective and each continues to demonstrate commitment to the role.

The directors during the year ended 31 December 2015 had interests in the shares of the company as follows:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Beneficial | Non-beneficial | Beneficial | Non-beneficial |
| Ordinary shares of £1 | | | | |
| JC Woolf | 460,812 | 15,771,562 | 460,812 | 15,771,562 |
| DG Dreyfus | 5,000 | – | 5,000 | – |
| JAV Townsend | 7,500 | – | 7,500 | – |
| RG Paterson | 1,000 | – | 1,000 | – |
| Non-voting convertible preference shares of £1 each | | | | |
| JC Woolf | – | 10,000,000 | – | 10,000,000 |

Included in the non-beneficial interest in the ordinary shares of £1 each referred to above, are 6,902,812 (27.6%) (2014 – 6,902,812 (27.6%)) ordinary shares held by Romulus Films Ltd, 7,868,750 (31.5%) (2014 – 7,868,750 (31.5%)) ordinary shares held by Remus Films Ltd and 1,000,000 (4.0%) (2014 – 1,000,000 (4.0%)) ordinary shares held by PKL Pictures Limited. Romulus Films Ltd also holds 10,000,000 cumulative convertible preference shares (2014 – 10,000,000). Mediterranean Holdings Ltd has also notified an interest in all the holdings of Romulus Films Ltd and Remus Films Ltd.

Except in the ordinary course of business no director had an interest in any contract in relation to the company's business at any time during the year.

**Other information**

In addition to the directors' interests in shares detailed above, at 29 April 2016 the directors had been notified of the following interests of 3% or more of either class:

| | Number of shares held 29 April 2016 | % | Number of shares held 31 December 2015 | % |
|---|---|---|---|---|
| Jupiter Monthly Income Fund Unit Trust | 1,800,000 | 7.2 | 1,800,000 | 7.2 |
| Lady Lever of Manchester | 1,186,562 | 4.7 | 1,186,562 | 4.7 |

These interests relate to the ordinary shares of the company.

**Share Capital**

Capital Structure

The company's capital comprises £35,000,000 (2014 – £35,000,000) being 25,000,000 ordinary shares of £1 (2014 – 25,000,000) and 10,000,000 non-voting convertible preference shares of £1 each (2014 – 10,000,000).

Dividends

The ordinary shares carry a right to receive dividends. Interim dividends are approved by the directors and the proposed final dividend is subject to shareholder approval.

The preference shares have a 3.5% fixed cumulative preferential dividend payable half yearly in equal amounts.

The company's Articles of Association specifies the preference rate of dividend and provides that, if at any dividend date the profits available for distribution are insufficient to pay the ordinary and preference shareholders at the 3.5% rate then the dividend will be paid to all shareholders pari passu.
Further, any arrears of preference dividend cannot be paid in any year unless the ordinary shares have received a 3.5% dividend, on par.

Finally, no dividends on ordinary shares may be paid if there are unpaid arrears of the preference shares dividend.

Capital entitlement

On a winding up, after meeting the liabilities of the company the surplus assets will be distributed as follows:

(i) firstly, any arrears of preference shares fixed rate dividend

(ii) secondly, an amount equal to the nominal value of the ordinary and preference shares to be paid pari passu

(iii) lastly, the balance of surplus assets to be paid rateably to the ordinary shares.

Voting

The preference shares shall not have any right to vote unless the business of the meeting includes consideration of any resolution for the winding up of the company, purchase by the company of any of its own shares, or a reduction of the capital, or a varying of the rights of the preference shares.

On a show of hands, every ordinary shareholder (or preference shareholder in the situations described in the above paragraph) present in person (or, being a corporation, by a representative) has one vote and upon a poll every shareholder present has one vote for every share, and a proxy has one vote for every share. Information on the deadlines for proxy appointment is shown on page 62.

Conversion

At any time, during the period from 1 January 2006 to 31 December 2025 (both dates inclusive), and, if published audited annual accounts showing company shareholders' funds are £50 million or more, preference shareholders have the right to convert all or any of their shares on a one for one basis to new ordinary shares.

Purchase of shares

The company does not have a buy-back authority and no present intention to seek shareholders' approval for one.

**Directors' & officers' liability insurance cover**

Directors' & officers' liability insurance cover was maintained by the board during the year ended 31 December 2015. It is intended that this policy will continue for the year ended 31 December 2016 and subsequent years.

**Directors' indemnities**

As at the date of this report, indemnities are in force between the company and each of its directors under which the company has agreed to indemnify each director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out his role as a director of the company. The directors are also indemnified against the costs of defending any criminal or civil proceedings or any claim by the company or a regulator as they are incurred provided that where the defence is unsuccessful the director must repay those defence costs to the company. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006. A copy of each deed of indemnity is available for inspection at the company's registered office during normal business hours and will be available for inspection at the Annual General Meeting.

**Directors' remuneration report**

The Directors' remuneration report is set out on pages 57 to 61. An ordinary resolution to approve the report will be put to shareholders at the company's next Annual General Meeting.

**Corporate Governance**

The Corporate Governance Statement on pages 50 to 56 (which forms part of this directors' report) and the contents of the directors' report constitutes the statement on the application by the company of the principles of the UK Corporate Governance Code.

**Greenhouse gas emissions**

As an investment company the company has no greenhouse gas emissions to report from its operations for the year ended 31 December 2015 (2014 – same) nor does it have responsibility for any other emissions producing sources.

The company does not purchase electricity, heat, steam or cooling for its own use. It is located in serviced offices and it would not be practical for the company to obtain this information.

**Bribery Act 2010**

The Bribery Act came into force on 1 July 2011. The company has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly.

**Statement of disclosure of information to auditors**

So far as the directors are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the company's auditors are unaware, and each member has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Directors' responsibility statement**

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations. The directors confirm that to the best of their knowledge the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the company taken as a whole and that the Strategic Report includes a fair review of the information required by rules 4.1.8R to 4.1.11R of the FCA's Disclosure and Transparency Rules.

**Auditors**

A resolution to reappoint Grant Thornton UK LLP as auditors of the company will be proposed at the forthcoming Annual General Meeting.

Jonathan Woolf
Managing Director

Wessex House
1 Chesham Street
London SW1X 8ND
29 April 2016

# Statement of Directors' responsibilities in respect of the Annual Report and Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare a company's financial statements for each financial year. Under that law the directors have chosen to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

Under section 393 of the Companies Act 2006, 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 and 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 have been followed, subject to any material departures disclosed and explained in these financial statements;
- 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 them 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.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report and a Strategic Report that complies with the law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

*The maintenance and integrity of the British & American Investment Trust PLC website is the responsibility of British & American Investment Trust PLC; the work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.*

## Independent auditor's report to the members of British & American Investment Trust PLC

**Our opinion on the financial statements is unmodified**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Who we are reporting to**

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.

**What we have audited**

British & American Investment Trust PLC's financial statements for the year ended 31 December 2015 comprise the income statement, the statement of changes in equity, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

**Overview of our audit approach**

- Overall materiality: £302,000, which represents 1% of the company's net assets;
- Key audit risks were identified as valuation, ownership and existence of investments, and the completeness and occurrence of investment income.

**Our assessment of risk**

In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on our audit:

**Audit risk**

**Risk 1** Valuation, ownership and existence of investments

The company's business is investing predominantly in investment trusts and other leading quoted and unquoted companies to achieve a balance of income and growth. Accordingly, the investment portfolio is a significant, material balance in the financial statements. We therefore identified the valuation, ownership and existence of the investment portfolio as a risk that requires particular audit attention. In particular, focus was given to unquoted investments and derivatives.

**How we responded to the risk**

Our audit work included, but was not restricted to:

- understanding management's process to recognise and measure investments;
- for quoted investments, comparing quoted derivative and investment valuations to an independent source of market prices;
- for unquoted investments, considering whether investments have been valued in accordance with the stated accounting policy, reviewing and challenging the basis and reasonableness of the assumptions and judgements made by management.

| Audit risk | How we responded to the risk |
|---|---|
| | • testing of investment additions and disposals to trade tickets and bank statements;<br>• and confirming investment holdings to third party custodian confirmations or other evidence of ownership.<br>The company's accounting policy on valuation of investments is shown in note 1(c) and related disclosures are included in note 9. The Audit Committee identified the valuation and ownership of investments as a significant risk factor in its report on page 52, where the Committee also described the action that it has taken to address this issue. |
| **Risk 2** Completeness and occurrence of investment income<br><br>Investment income is the company's major source of revenue and a significant, material item in the Income Statement. Accordingly, we identified the completeness and occurrence of investment income as a risk that requires particular audit attention. | For income from quoted investments our audit work included, but was not restricted to:<br>• assessing whether the company's accounting policy for revenue recognition is in accordance with International Accounting Standard (IAS) 18 'Revenue';<br>• obtaining an understanding of management's process to recognise revenue in accordance with the stated accounting policy;<br>• testing income transactions by comparing dividends declared during the year obtained from an independent source with those recognised by the company;<br>• performing cut-off testing of dividend income around the year-end; and<br>• checking the classification of special dividends as either revenue or capital receipts;<br>For income from unquoted investments our audit work also included:<br>• confirming the investment income that the company was entitled to directly with the underlying investment entities.<br>The accounting policy on the recognition of income is shown in note 1(d) and the components of that income are included in note 2. |

**Our application of materiality and an overview of the scope of our audit**

Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £302,000, which is 1% of net assets.

This benchmark is considered the most appropriate because net assets, primarily the company's investment portfolio, is considered to be the key driver of the company's total return performance.

Materiality for the current year is higher than the level that we determined for the year ended 31 December 2014 reflecting the increase in net assets, although the benchmark applied is the same.

We use a different level of materiality, performance materiality, to drive the extent of our testing, and this was set at 75% of financial statement materiality. We also determined a lower level of specific materiality for certain areas such as the revenue column of the Income Statement, directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £15,100. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

## Overview of the scope of our audit

A description of the generic scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

We conducted our audit in accordance with International Standards on Auditing (ISAs)(UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the company in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

Our audit approach was based on a thorough understanding of the company's business and is risk based, and in particular included:

- Obtaining an understanding of, and evaluating, internal controls at the company;
- Substantive testing on significant transactions, account balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the use of service organisations, the design effectiveness of controls over individual systems and the management of specific risks.

**Other reporting required by regulations**

**Our opinion on other matters prescribed by the Companies Act 2006 is unmodified**

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 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**

Under the Companies Act 2006 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.

Under the Listing Rules, we are required to review:

- the directors' statements in relation to going concern and longer-term viability set out on page 15; 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.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, 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 to you if:

- we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable; or
- the annual report does not appropriately disclose those matters that were communicated to the audit committee which we consider should have been disclosed.

We have nothing to report in respect of any of the above matters.

We also confirm that we do not 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 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 have 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 company 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.

**Responsibilities for the financial statements and the audit**

What the directors are responsible for:

As explained more fully in the Statement of Directors' Responsibilities set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Julian Bartlett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
29 April 2016

# Income statement

For the year ended 31 December 2015

| | | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|---|
| | Notes | Revenue return £000 | Capital return £000 | Total £000 | Revenue return £000 | Capital return £000 | Total £000 |
| Investment income | 2 | 3,206 | – | 3,206 | 2,871 | – | 2,871 |
| Holding gains/(losses) on investments at fair value through profit or loss | 9 | – | 3,925 | 3,925 | – | (3,226) | (3,226) |
| Losses on disposal of investments at fair value through profit or loss | 9 | – | (927) | (927) | – | (313) | (313) |
| Foreign exchange losses | | (53) | (47) | (100) | – | (147) | (147) |
| Expenses | 3 | (417) | (231) | (648) | (398) | (225) | (623) |
| **Profit/(loss) before finance costs and tax** | | 2,736 | 2,720 | 5,456 | 2,473 | (3,911) | (1,438) |
| Finance costs | | (35) | (14) | (49) | (57) | (28) | (85) |
| **Profit/(loss) before tax** | | 2,701 | 2,706 | 5,407 | 2,416 | (3,939) | (1,523) |
| Tax | 6 | 28 | – | 28 | 54 | – | 54 |
| **Profit/(loss) for the period** | | 2,729 | 2,706 | 5,435 | 2,470 | (3,939) | (1,469) |
| **Earnings per share** | | | | | | | |
| Basic - ordinary shares | 7 | 9.51p | 10.83p | 20.34p | 8.48p | (15.76)p | (7.28)p |
| Diluted - ordinary shares | 7 | 7.80p | 7.73p | 15.53p | 7.06p | (11.25)p | (4.19)p |

The company does not have any income or expense that is not included in the profit for the period. Accordingly, the 'Profit/(loss) for the period' is also the 'Total Comprehensive Income for the period' as defined in IAS 1 (revised) and no separate Statement of Comprehensive Income has been presented.

The total column of this statement represents the company's Income Statement, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

All profit and total comprehensive income is attributable to the equity holders of the company.

The notes on pages 30 to 49 form part of these financial statements.

# Statement of changes in equity

31 December 2015

| | Notes | Share capital £000 | Capital reserve £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|
| **Balance at 31 December 2013** | | 35,000 | (6,355) | 2,250 | 30,895 |
| **Changes in equity for 2014** | | | | | |
| (Loss)/profit for the period | | – | (3,939) | 2,470 | (1,469) |
| Ordinary dividend paid | 8 | – | – | (1,950) | (1,950) |
| Preference dividend paid | 8 | – | – | (350) | (350) |
| **Balance at 31 December 2014** | | 35,000 | (10,294) | 2,420 | 27,126 |
| **Changes in equity for 2015** | | | | | |
| Profit for the period | | – | 2,706 | 2,729 | 5,435 |
| Ordinary dividend paid | 8 | – | – | (2,000) | (2,000) |
| Preference dividend paid | 8 | – | – | (350) | (350) |
| **Balance at 31 December 2015** | | 35,000 | (7,588) | 2,799 | 30,211 |

# Balance sheet

31 December 2015

Registered number: 00433137

| | Notes | 2015 £000 | 2014 £000 |
|---|---|---|---|
| **Non - current assets** | | | |
| Investments - fair value through profit or loss | 9 | 37,497 | 27,334 |
| Subsidiaries - fair value through profit or loss | 9 | 6,789 | 6,499 |
| | | 44,286 | 33,833 |
| **Current assets** | | | |
| Receivables | 11 | 1,587 | 1,406 |
| Derivatives - fair value through profit or loss | | – | 87 |
| Cash and cash equivalents | | 344 | 250 |
| | | 1,931 | 1,743 |
| **Total assets** | | 46,217 | 35,576 |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 9,124 | 1,414 |
| Bank loan | 12 | 2,339 | 2,743 |
| | | (11,463) | (4,157) |
| **Total assets less current liabilities** | | 34,754 | 31,419 |
| **Non - current liabilities** | 13 | (4,543) | (4,293) |
| **Net assets** | | 30,211 | 27,126 |
| **Equity attributable to equity holders** | | | |
| Ordinary share capital | 14 | 25,000 | 25,000 |
| Convertible preference share capital | 14 | 10,000 | 10,000 |
| Capital reserve | 15 | (7,588) | (10,294) |
| Retained revenue earnings | 15 | 2,799 | 2,420 |
| **Total equity** | | 30,211 | 27,126 |

The notes on pages 30 to 49 form part of these financial statements.

**The financial statements on pages 26 to 49 were approved by the board of directors on 29 April 2016.**

**Jonathan Woolf**

Managing Director

# Cash flow statement

For the year ended 31 December 2015

| | Notes | 2015<br>£000 | 2014<br>£000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit/(loss) before tax | | 5,407 | (1,523) |
| Adjustment for: | | | |
| (Profits)/losses on investments | | (2,998) | 3,539 |
| Scrip dividends | | (397) | (25) |
| Proceeds on disposal of investments at fair value through profit or loss | | 14,596 | 5,866 |
| Purchases of investments at fair value through profit or loss | | (13,349) | (4,170) |
| Interest paid | | 49 | 85 |
| Operating cash flows before movements in working capital | | 3,308 | 3,772 |
| Increase in receivables | | (181) | (784) |
| Decrease in payables | | (258) | (2,277) |
| Net cash from operating activities before interest | | 2,869 | 711 |
| Interest paid | | (49) | (85) |
| Net cash from operating activities after interest before taxation | | 2,820 | 626 |
| Taxation | | 28 | 54 |
| **Net cash flows from operating activities** | | 2,848 | 680 |
| **Cash flows from financing activities** | | | |
| Dividends paid on ordinary shares | 8 | (2,000) | (1,950) |
| Dividends paid on preference shares | 8 | (350) | – |
| Bank loan | | (404) | 1,295 |
| **Net cash used in financing activities** | | (2,754) | (655) |
| **Net increase in cash and cash equivalents** | | 94 | 25 |
| **Cash and cash equivalents at beginning of year** | | 250 | 225 |
| **Cash and cash equivalents at end of year** | | 344 | 250 |

Purchases and sales of investments are considered to be operating activities of the company, given its purpose, rather than investing activities.

## 1 Accounting policies

A summary of the principal accounting policies is set out below.

a) Basis of preparation and statement of compliance
The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the IASB and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect, and to the extent they have been adopted by the European Union.

Until 2014 the company published group accounts for British & American Investment Trust PLC Group which were prepared under IFRS. Following an amendment introduced in IFRS 10 in 2014, the group is no longer allowed to consolidate its subsidiaries and therefore instead of preparing group accounts it now prepares separate financial statements for the parent entity only.

The financial statements have been prepared on a going concern basis adopting the historical cost convention except for the measurement at fair value of investments, derivative financial instruments, and subsidiaries.

IFRS 10 Consolidated Financial Statements was introduced and became effective from 1 January 2014. Under IFRS 10, entities that meet the definition of an investment entity shall not consolidate their subsidiaries or apply IFRS 3 when they obtain control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with IAS 39. The criteria which define an investment entity are as follows:

(a) An entity that obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
(b) An entity that commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
(c) An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The directors have concluded that the company qualifies as an investment entity under IFRS 10 meeting all the criteria defined above.

An amendment to IFRS 10 was published in December 2014 which clarifies that, if an investment entity has a subsidiary that provides investment-related services or activities, and it is not itself regarded as an investment entity, it shall consolidate that subsidiary. Having reviewed the activities of the subsidiaries, the directors have concluded that all the subsidiaries under the company are themselves investment entities and accordingly all the subsidiaries within the Group have been valued at fair value through profit or loss.

Where presentational guidance set out in the Statement of Recommended Practice (SORP) for investment trusts revised by the Association of Investment Companies (AIC) in November 2014 is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The company's other significant accounting policies are set out below, together with the judgements made by management in applying these policies, which have the most significant effect on the amounts recognised in the financial statements, apart from those involving estimations, which are dealt with separately below. These accounting policies have been applied consistently to all periods presented in these company financial statements.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment within which the company operates. There are no foreign operations.

Future standards in place but not yet effective.

New and updated IFRS's have been reviewed for their impact on the company and no material impact is expected on the financial statements from new and updated IFRS's.

b) Presentation of income statement

In order better to reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement.

c) Valuation of investments

As the company's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, non-current investments are designated as fair value through profit or loss on initial recognition. The company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the investments is provided internally on this basis to the company's directors.

Investments held at fair value through profit or loss, including derivatives held for trading, are initially recognised at fair value.

All purchases and sales of investments are recognised on the trade date.

**1 Accounting policies (continued)**

After initial recognition, investments, which are designated at fair value through profit or loss, are measured at fair value. Gains or losses on investments designated at fair value through profit or loss are included in profit or loss as a capital item, and material transaction costs on acquisition or disposal of investments are expensed and included in the capital column of the income statement. For investments that are actively traded in organised financial markets, fair value is determined by reference to quoted market bid prices or last traded prices, depending upon the convention of the exchange on which the investment is quoted. Investments in units of unit trusts or shares in OEICs are valued at the closing price released by the relevant investment manager.

Profit or loss on disposals of investments are recognised as sales proceeds less the opening carrying value or later cost.

Revaluation gains or losses are recognised as being the closing carrying value less the opening carrying value or later costs.

Exchange traded stock options are, until disposal, included under current assets or current liabilities, and valued in accordance with the above fair value policy.

Gains or losses on disposals and revaluation of such options are included in profit or loss as a capital item.

In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using an appropriate valuation technique, determined by the directors, based upon latest dealing prices, net asset values and other information.

Investments of the company in subsidiary companies are held at the fair value of their underlying assets and liabilities.

This includes the valuation of film rights in British and American Films Limited and thus the fair value of its immediate parent BritAm Investments Limited. In determining the fair value of the film rights, estimates are made. These include future film revenues which are estimated by the management. Estimations made have taken into account historical results, current trends and other relevant factors.

Where a subsidiary has negative net assets it is included in investments at nil value and a provision is made for it on the balance sheet where the ultimate parent company has made a guarantee to pay the liabilities if they fall due.

d) Income
Dividend income from investments is recognised as revenue when the shareholders’ rights to receive payment has been established, normally the ex-dividend date.

Interest income on fixed interest securities is recognised on a time apportionment basis so as to reflect the effective interest rate of the security.

When special dividends are received, the underlying circumstances are reviewed on a case by case basis in determining whether the amount is capital or revenue in nature. Amounts recognised as revenue will form part of the company's distribution. Any tax thereon will follow the accounting treatment of the principal amount.

e) Pension costs
Employer contributions to a defined contribution pension scheme (sponsored by a related party undertaking - see note 17) for staff are charged against revenue, on an accruals basis.

**1 Accounting policies (continued)**

f) Expenses

- transaction costs which are incurred on the purchase or sale of an investment designated as fair value through profit or loss are included in the capital column of the income statement and disclosed in note 9;
- expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated, and accordingly investment management and related costs have been allocated 50% (2014 - 50%) to revenue and 50% (2014 - 50%) to capital, in order to reflect the directors' long-term view of the nature of the expected investment returns of the company.

g) Bank borrowings and finance charges

The interest-bearing bank loan is recorded at the proceeds received. Finance charges are accounted for on an accrual basis in the income statement. Finance charges are primarily charged to revenue unless borrowings have been made specifically to acquire investments and can be identified as such in which case the relevant finance charges are allocated between capital and revenue in accordance with the Board's expected long-term split of returns, in the form of capital gains and income respectively from the relevant investments.

h) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement 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 company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 income statement is the 'marginal basis'. Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue column of the income statement, then no tax relief is transferred to the capital 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 balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Investment trusts which have approval under sections 1158 and 1159 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

i) Foreign currency

Transactions in currencies other than sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items and non-monetary assets and liabilities that are fair valued and are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in net profit or loss for the period where investments are classified at fair value through profit or loss and presented as revenue or capital as appropriate.

**1 Accounting policies (continued)**

j) Distributable reserves

Distributable reserves comprise revenue earnings and the capital reserve. Gains and losses on disposal of investments, changes in fair value of investments held and capitalised expenses are dealt with in the capital reserve. Unrealised gains and losses on quoted investments are included in the calculation of capital reserves. However, in the interests of prudence the directors do not consider these unrealised gains to be distributable.

k) 3.5% cumulative convertible non-redeemable preference shares

The 3.5% cumulative convertible non-redeemable preference shares issued by the company are classified as equity instruments in accordance with IAS 32 ‘Financial Instruments - Presentation’ as the company has no contractual obligation to redeem the preference shares for cash or pay preference dividends unless similar dividends are declared to ordinary shareholders.

l) Segmental reporting

The directors are of the opinion that the company is engaged in a single segment of business, being investment business.

**2 Income**

| | 2015 | 2014 |
|---|---|---|
| Income from investments | £000 | £000 |
| UK dividends | 1,725 | 528 |
| Overseas dividends | 348 | 42 |
| Scrip and in specie dividends | 397 | 25 |
| Dividend from subsidiary | 580 | 2,151 |
| Interest on fixed income securities | 134 | 103 |
| | 3,184 | 2,849 |
| Other income | 22 | 22 |
| **Total income** | 3,206 | 2,871 |
| Total income comprises: | | |
| Dividends | 3,050 | 2,746 |
| Interest | 134 | 103 |
| Other interest | 22 | 22 |
| | 3,206 | 2,871 |
| Income from investments: | | |
| Listed investments | 2,470 | 595 |
| Unlisted investments | 580 | 2,151 |
| | 3,050 | 2,746 |

Of the £3,050,000 (2014 – £2,746,000) dividends received, £1,586,000 (2014 – £nil) related to special and other dividends received from investee companies that were bought after the dividend announcement. There was a corresponding capital loss of £869,000 (2014 – £nil), on these investments.

Under IFRS 10 the income analysis is for the parent company only rather than that of the consolidated group. Thus film revenues of £88,000 (2014 – £165,000) received by the subsidiary British and American Films Limited and property unit trust income of £17,000 (2014 – £24,000) received by the subsidiary BritAm Investments Limited are shown separately in this paragraph.

| **3 Administrative expenses** | 2015<br>£000 | 2014<br>£000 |
|---|---|---|
| Staff costs – including executive director (Notes 4 and 5) | 455 | 442 |
| Non-executive directors fees (Note 4) | 52 | 52 |
| Auditors' remuneration: | | |
| Fees payable to the company's auditor for the audit of the company's financial statements | 44 | 37 |
| Fees payable to the company's auditor for other services: | | |
| – other services relating to taxation compliance | 14 | 11 |
| – half yearly report | 8 | 7 |
| Other | 57 | 54 |
| Irrecoverable VAT | 18 | 20 |
| | 648 | 623 |

**4 Directors' remuneration**

Directors' remuneration is disclosed in the Directors' remuneration report on page 57.

The directors do not receive any performance related pay or any benefits in kind. None of the directors has any share options and no pension contributions are paid on their behalf. There are no long-term incentive schemes for any directors.

## 5 Staff costs

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Wages and salaries | 364 | 353 |
| Social security costs | 48 | 47 |
| Pensions and post-retirement benefits | 43 | 42 |
| | 455 | 442 |

The average number of persons (including the executive director) employed during the year was 8 (2014 – 8).

| | 2015 Number | 2014 Number |
|---|---|---|
| Investment | 2 | 2 |
| Administration | 6 | 6 |
| | 8 | 8 |

## 6 Tax

The tax credit for the year is £28,000 (2014 – £54,000) being losses surrendered to the company's subsidiaries at 20%. Allowable expenses of the company exceed taxable income.

Corporation tax is calculated at 20.25% (2014 – 21.5%) of the estimated assessable loss for the year.

Profits of the company's subsidiaries are chargeable to the UK corporation tax at the small profits rate of 20% (2014 – 20%). Therefore part of the excess of management expenses of the company is surrendered as group relief against profits in the subsidiaries at their 20% tax rate.

**6 Tax (continued)**

The credit for the year can be reconciled to the profit per the income statement as follows:

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Revenue £000 | Capital £000 | Total £000 | Revenue £000 | Capital £000 | Total £000 |
| Total profit/(loss) before tax | 2,701 | 2,706 | 5,407 | 2,416 | (3,939) | (1,523) |
| Tax at the UK corporation tax rate of 20.25% (2014 - 20%) | (547) | (548) | (1,095) | (483) | 788 | 305 |
| Tax effect of non-taxable and scrip dividends | 617 | – | 617 | 549 | – | 549 |
| Free group relief | (15) | (58) | (73) | (12) | (80) | (92) |
| Gains/(losses) on investments that are not taxable | – | 606 | 606 | – | (708) | (708) |
| Unrelieved tax losses | (27) | – | (27) | – | – | – |
| Tax credit | 28 | – | 28 | 54 | – | 54 |

It is unlikely the company will generate sufficient taxable profits in the future as it normally generates taxable losses which are usually offset by the taxable profits generated by subsidiary companies, to recover management expenses of £32,900 (2014 – £5,478) and no deferred tax asset has been recognised in the year or prior years.

**7 Earnings per ordinary share**

The calculation of the basic (after deduction of preference dividend) and diluted earnings per share is based on the following data:

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Revenue return £000 | Capital return £000 | Total £000 | Revenue return £000 | Capital return £000 | Total £000 |
| Earnings: | | | | | | |
| Basic | 2,379 | 2,706 | 5,085 | 2,120 | (3,939) | (1,819) |
| Preference dividend | 350 | – | 350 | 350 | – | 350 |
| Diluted | 2,729 | 2,706 | 5,435 | 2,470 | (3,939) | (1,469) |

Basic revenue, capital and total return per ordinary share is based on the net revenue, capital and total return for the period after tax and after deduction of dividends in respect of preference shares and on 25 million (2014 – 25 million) ordinary shares in issue.

The diluted revenue, capital and total return is based on the net revenue, capital and total return for the period after tax and on 35 million (2014 – 35 million) ordinary and preference shares in issue.

**8 Dividends**

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| Amounts recognised as distributions to ordinary shareholders in the period: | | |
| Dividends on ordinary shares: | | |
| Final dividend for the year ended 31 December 2014 of 5.3p (2013 – 5.1p) per share | 1,325 | 1,275 |
| Interim dividend for the year ended 31 December 2015 of 2.7p (2014 – 2.7p) per share | 675 | 675 |
| | 2,000 | 1,950 |
| Proposed final dividend for the year ended 31 December 2015 of 5.5p (2014 – 5.3p) per share | 1,375 | 1,325 |

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| Dividends on 3.5% cumulative convertible preference shares: | | |
| Preference dividend for the 6 months ended 31 December 2014 of 1.75p (2013 – 1.75p) per share | 175 | 175 |
| Preference dividend for the 6 months ended 30 June 2015 of 1.75p (2014 – 1.75p) per share | 175 | 175 |
| | 350 | 350 |
| Proposed preference dividend for the 6 months ended 31 December 2015 of 1.75p (2014 – 1.75p) per share | 175 | 175 |

The preference dividend for the 6 months ended 30 June 2014 was paid as dividend in specie.

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements in accordance with IFRS.

We have set out below the total dividend payable in respect of the financial year, which is the basis on which the retention requirements of section 1158 of the Corporation Tax Act 2010 are considered.

**8 Dividends (continued)**

Dividends proposed for the period

| | 2015<br>£000 | 2014<br>£000 |
|---|---|---|
| Dividends on ordinary shares: | | |
| Interim dividend for the year ended 31 December 2015 of 2.7p (2014 – 2.7p) per share | 675 | 675 |
| Proposed final dividend for the year ended 31 December 2015 of 5.5p (2014 – 5.3p) per share | 1,375 | 1,325 |
| | 2,050 | 2,000 |
| Dividends on 3.5% cumulative convertible preference shares: | | |
| Preference dividend for the year ended 31 December 2015 of 1.75p (2014 – 1.75p) per share | 175 | 175 |
| Proposed preference dividend for the year ended 31 December 2015 of 1.75p (2014 – 1.75p) per share | 175 | 175 |
| | 350 | 350 |

**9 Investments – fair value through profit or loss**

| | 2015<br>£000 | 2014<br>£000 |
|---|---|---|
| Investments quoted on a recognised investment exchange | 37,375 | 26,048 |
| Unquoted investments | | |
| – Subsidiary undertakings (Note 10) | 6,789 | 6,499 |
| – Promissory Note (2014 – Convertible instrument) | 122 | 1,286 |
| | 44,286 | 33,833 |

BritAm Investment Limited, being the subsidiary of the company, owns 100% of British and American Films Limited. British and American Films Limited owns film rights to 4 longstanding commercially released films which generate royalty income (see note 2 on page 35). Film rights are valued at fair value £933,307 (2014 – £870,031).

**9 Investments – fair value through profit or loss (continued)**

| December 2014 | Quoted in UK | Quoted overseas | Unlisted* | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Opening cost | 11,456 | 9,301 | 6,948 | 27,705 |
| Investment holding gains | 7,990 | 812 | 1,390 | 10,192 |
| Opening fair value at 1 January 2014 | 19,446 | 10,113 | 8,338 | 37,897 |
| Purchases at cost | 124 | 3,267 | 1,200 | 4,591 |
| Transfer | (18) | 18 | – | – |
| Sales – proceeds | (3,209) | (3,007) | – | (6,216) |
| – gains on sales | 220 | 567 | – | 787 |
| (Decrease)/increase in investment holding gains/(losses) | 266 | (1,739) | (1,753) | (3,226) |
| Closing fair value | 16,829 | 9,219 | 7,785 | 33,833 |
| Closing cost | 10,778 | 10,139 | 8,148 | 29,065 |
| Investment holding gains/(losses) | 6,051 | (920) | (363) | 4,768 |
| Closing fair value at 31 December 2014 | 16,829 | 9,219 | 7,785 | 33,833 |

| December 2015 | Quoted in UK | Quoted overseas | Unlisted* | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Opening cost | 10,778 | 10,139 | 8,148 | 29,065 |
| Investment holding gains/(losses) | 6,051 | (920) | (363) | 4,768 |
| Opening fair value at 1 January 2015 | 16,829 | 9,219 | 7,785 | 33,833 |
| Purchases at cost | 20,608 | 1,193 | – | 21,801 |
| Transfer | – | 1,120 | (1,120) | – |
| Sales – proceeds | (14,023) | (554) | (19) | (14,596) |
| – (losses)/gains on sales | (894) | 221 | (4) | (677) |
| Increase/(decrease) in investment holding gains/(losses) | (374) | 4,030 | 269 | 3,925 |
| Closing fair value | 22,146 | 15,229 | 6,911 | 44,286 |
| Closing cost | 18,448 | 12,023 | 7,082 | 37,553 |
| Investment holding gains/(losses) | 3,698 | 3,206 | (171) | 6,733 |
| Closing fair value at 31 December 2015 | 22,146 | 15,229 | 6,911 | 44,286 |

Purchases of investments include scrip dividends of £397,000 (2014 – £25,000). Sales of investments include dividends in specie of £nil (2014 – £350,000).

*Level 3 investments

**9 Investments – fair value through profit or loss (continued)**

Gains/(losses) on investments designated at fair value through profit or loss are net of transaction costs incurred on both the purchase and sale of those assets, in the amount of £32,823 (2014 – £13,594) being £22,894 (2014 – £4,618) on purchases and £9,929 (2014 – £8,976) on sales.

Gains/(losses) on investments

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| Gains on disposal | 345 | 1,173 |
| Losses on disposal recognised in prior years | (1,022) | (386) |
| | (677) | 787 |
| Losses on derivatives accounted for as current assets/(liabilities) | – | (938) |
| Losses for provision for liabilities and charges | (250) | (162) |
| | (927) | (313) |
| Investment holding gains/(losses) in the year | 3,925 | (3,226) |
| | 2,998 | (3,539) |

**10 Subsidiary undertakings**

The company has the following subsidiary undertakings:

| Name of undertaking | Description of shares held | Proportion of nominal value of issued shares and voting rights held by: Company (%) | Group (%) |
|---|---|---|---|
| BritAm Investments Limited | Ordinary £1 | 100 | 100 |
| British and American Films Limited | Ordinary £1 | 0 | 100 |
| Second BritAm Investments Limited | Ordinary £1 | 100 | 100 |

BritAm Investments Limited and Second BritAm Investments Limited are investment holding companies. British and American Films Limited is a film distribution company. All are incorporated in Great Britain.

The directors have concluded that the company meets the criteria set under IFRS 10. In that:

a) The company obtains funds from more than one investors for the purpose of providing those investors with investment management services;

b) The company commits to its investors that its business purpose is to invest funds solely for return from capital appreciation and investment income; and

c) The company measures and evaluates the performance of substantially all of its investments on a fair value basis.

Under IFRS 10, an entity that meets the definition of an investment entity shall not consolidate its subsidiaries or apply IFRS 3 when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with IAS 39.

Details of inter company balances with subsidiaries are included in notes 11 and 12. Details of financial support given to Second BritAm Investments Limited are shown in note 13.

**11 Receivables**

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| Amount owed by subsidiary undertakings | 1,081 | 1,225 |
| Income tax recoverable | 83 | 83 |
| Prepayments and accrued income | 63 | 50 |
| Other debtors | 360 | 48 |
| | 1,587 | 1,406 |

The directors consider that the carrying amount of other debtors approximates to their fair value.

**12 Current liabilities**

**(a)Trade and other payables**

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| Purchases of investments awaiting settlement | 7,968 | – |
| Other taxes and social security | 5 | 5 |
| Other payables | 42 | 18 |
| Amounts due to related parties | 251 | – |
| Amounts owed to subsidiary undertakings | 773 | 1,342 |
| Accruals and deferred income | 85 | 49 |
| | 9,124 | 1,414 |

The directors consider that the carrying amount of other payables approximates to their fair value.

**(b) Bank loan**

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| | 2,339 | 2,743 |

On 15 May 2013 the company obtained a loan facility from UBS AG for 10,875,000 CHF and at 31 December 2015 the company has drawn down the sterling equivalent of £2,339,000 (2014 – £2,743,000) at an annual rate of 1.25 percent above either the London Inter-Bank Offered Rate or the bank’s cost of funds for that period and for the relevant currency. The loan facility does not have a maturity date. At 31 December 2015 investments of fair value of £6,135,003 have been deposited with UBS AG as collateral.

**13 Non - current liabilities**

Guarantee of subsidiary liability

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| Opening provision | 4,293 | 4,131 |
| Increase in period | 250 | 162 |
| Closing provision | 4,543 | 4,293 |

The provision is in respect of a guarantee made by the company for liabilities between its wholly owned subsidiaries, Second BritAm Investments Limited, BritAm Investments Limited and British and American Films Limited. The guarantee is to pay out the liabilities of Second BritAm Investments Limited if they fall due. There is no current intention for these liabilities to be called.

**14 Share capital**

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| Authorised: | | |
| 25,000,000 ordinary shares of £1 each | 25,000 | 25,000 |
| 10,000,000 non-voting 3.5% cumulative convertible non-redeemable preference shares of £1 each | 10,000 | 10,000 |
| Allotted, called-up and fully-paid: | | |
| 25,000,000 ordinary shares of £1 each | 25,000 | 25,000 |
| 10,000,000 non-voting 3.5% cumulative convertible non-redeemable preference shares of £1 each | 10,000 | 10,000 |
| | 35,000 | 35,000 |

The principal rights attached to the preference shares are any arrears of preference dividend cannot be paid in any year unless the ordinary shares have received a 3.5% dividend, on par and at any time, during the period from 1 January 2006 to 31 December 2025 (both dates inclusive) and, if published, audited annual accounts showing company shareholders' funds are £50 million or more, preference shareholders have the right to convert all or any of their shares on a one for one basis to new ordinary shares, further details are included in the'Share Capital' section of the Directors' report on page 19.

**15 Retained earnings and capital reserves**

| | Capital reserve | Retained earnings |
|---|---|---|
| | £000 | £000 |
| 1 January 2014 | (6,355) | 2,250 |
| Allocation of profit for the year | (3,939) | 2,470 |
| Ordinary and preference dividends paid | – | (2,300) |
| 31 December 2014 | (10,294) | 2,420 |
| 1 January 2015 | (10,294) | 2,420 |
| Allocation of profit for the year | 2,706 | 2,729 |
| Ordinary and preference dividends paid | – | (2,350) |
| 31 December 2015 | (7,588) | 2,799 |

The capital reserve includes £6,733,000 of investment holding gains (2014 – £4,768,000) (see note 9 on page 40).

**16 Net asset values**

| | Net asset value per ordinary share | | Net assets attributable | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | £ | £ | £000 | £000 |
| Ordinary shares | | | | |
| Undiluted | 0.81 | 0.69 | 20,211 | 17,126 |
| Diluted | 0.86 | 0.78 | 30,211 | 27,126 |

The undiluted and diluted net asset values per £1 ordinary share are based on net assets at the year end and 25 million (undiluted) ordinary and 35 million (diluted) ordinary and preference shares in issue.

The undiluted net asset value per convertible £1 preference share is the par value of £1. The diluted net asset value per ordinary share assumes the conversion of the preference shares to ordinary shares.

**17 Related party transactions**

Romulus Films Limited and Remus Films Limited have significant shareholdings in the company – see page 18. There is no ultimate controlling party.

The company rents its offices from Romulus Films Limited, and is also charged for its office overheads. During the year the company paid £17,949 (2014 – £17,322) in respect of those services.

The salaries and pensions of the company's employees, except for the three non-executive directors, are paid by Remus Films Limited and Romulus Films Limited and are recharged to the company. Amounts charged by these companies in the year to 31 December 2015 were £418,571 (2014 – £407,913) in respect of salary costs and £43,400 (2014 – £41,875) in respect of pensions.

The compensation of key management personnel has been disclosed in the Directors' remuneration report.

At the year end the amounts of £155,018 (2014 – £nil) and £95,831 (2014 – £nil) were due to Romulus Films Limited and Remus Films Limited respectively.

During the year BritAm Investments Limited paid dividends of £580,000 (2014 – £2,151,000) to the parent company, British & American Investment Trust PLC.

As disclosed in note 13 on page 43, British & American Investment Trust PLC has guaranteed the liabilities of £4,543,000 (2014 – £4,293,000) due to its fellow subsidiaries if they should fall due.

During the year the company paid interest of £18,000 (2014 – £47,000) on the loan due to BritAm Investments Limited and which is included in the balance at 31 December 2015.

During the year the company received interest of £19,000 (2014 – £19,000) from British and American Films Limited and £3,000 (2014 – £3,000) from Second BritAm Investments Limited.

During the year the company entered into an investment transaction to sell stock for US dollars 98,498 to British and American Films Limited. During the year the company entered into an investment transaction to buy stock from Second BritAm Investments Limited for £2,407.

During the year the company surrendered group tax relief of £10,000 (2014 – £31,000) to British and American Films Limited and £18,000 (2014 – £23,000) to BritAm Investments Limited. These amounts are included as part of amounts owed by subsidiary undertakings in note 11 on page 42.

All transactions with subsidiaries were made on an arm's length basis.

**17 Related party transactions (continued)**

During the year the company entered into a number of investment transactions with Geminion Investments Limited, a company in which Mr J C Woolf has an interest and is a director. The purpose of these transactions, which were all conducted through a London Stock Exchange broker, was for the company to purchase cum dividend stocks and sell these stocks ex dividend so as to capture the associated dividends as disclosed in Note 2 of the financial statements. The aggregate value of these transactions were purchases of £19,923,000 (2014 – £nil), dividends received of £1,586,000 (2014 – £nil), sales of £10,816,000 (2014 – £nil) made during the year and sales made after the year end of £7,975,000 (2014 – £nil) giving a net return of £454,000 to the company.

**18 Deferred taxation**

A deferred tax asset of £32,900 (2014 – £5,889) has not been recognised in respect of excess management expenses as there is insufficient evidence that the asset will be recovered. The asset would be recovered if the company made sufficient future taxable profits.

**19 Risk management and other financial instruments**

The company's financial instruments primarily comprise equity investments, although it also holds loan stock and fixed interest investments, stock derivatives, cash and other items arising from its operations.

The company's investing activities undertaken in pursuit of its investment objective as set out on page 2 involve certain inherent risks.

The main risks arising from the company's financial instruments are market risk (comprising other price risk, interest rate risk, currency risk), liquidity risk, gearing risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The policies have remained unchanged throughout the year.

As an investment trust, the company invests in securities for the long term. The company's stated investment policy is to invest predominantly in investment trusts and other leading UK quoted companies. The company may write options on shares held within the investments portfolio where such options are priced attractively relative to longer term expectations of the relevant share prices. This is, in particular, to our largest investment, Geron Corporation, due to the short to mid term volatility in its share price.

At the year end premiums paid on open put options, which are traded on the Chicago Board Options Exchange, totalled £nil (2014 – £1,025,000).

<u>Other price risk</u>

The company's exposure to other price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the company might suffer through holding positions in the face of unfavourable market price movements. The board has established investment parameters to adequately monitor the investment performance, status of the business and the inherent risk in managing a portfolio of investments. The board receives financial information monthly, meets on four scheduled occasions each year and reviews annually the aforesaid investment parameters. The company’s exposure to other changes in market prices at 31 December on its quoted and unquoted investments was:

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| Investments held at fair value through profit or loss | 44,286 | 33,833 |
| deduct Fixed interest stock and bonds | (1,571) | (1,381) |
| deduct Investment in subsidiary companies | (6,789) | (6,499) |
| Derivatives held at fair value | – | 87 |
| | 35,926 | 26,040 |

**19 Risk management and other financial instruments (continued)**

Details of the company investment portfolio at the year end are shown on page 10.

Other price risk sensitivity

A 10% increase in company portfolio valuations at 31 December 2015 would result in an increase of £3,750,000 (2014 – £2,742,000) in net asset value and profit for the year. A decrease of 10% would have had an equal but opposite effect.

Financial assets and liabilities - interest rate risk

The majority of the company's financial assets are equity shares 94.2% (2014 – 93.0%) or other investments which pay dividends rather than interest and do not have a maturity date.

Financial liabilities consist of bank loans.

Interest bearing investments, including cash deposits, comprise 5.8% of the company's financial assets, of which 5.0% are at fixed rate and 0.8% floating rate.

Interest rate movements may directly affect the fair value of fixed rate securities and the level of interest receivable on floating rate cash deposits. Interest rate movements may also affect the general equity markets and thus indirectly affect the securities value of the company’s investment portfolio by impacting the value of equity investments. The potential effects of these direct and indirect movements are considered when making investment decisions.

The board regularly reviews the level of investments in cash, floating and fixed income securities and the attendant level of interest receivable.

The interest rate risk profile of the financial assets and liabilities of the company at 31 December 2015 is shown below.

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Fair Value | Maturity | Fair Value | Maturity |
| *Assets* | £000 | | £000 | |
| Fixed Rate | | | | |
| UK fixed interest stock | 561 | undated | 517 | undated |
| UK notes and bonds | 888 | 7 years | 864 | 12 years |
| US notes and bonds | 122 | 3 years | – | – |
| Floating rate | | | | |
| Cash | 344 | | 250 | |
| Total assets | 1,915 | | 1,631 | |
| Weighted average interest rate | 7.9% | | 7.3% | |
| (on fair value) | | | | |
| *Liabilities* | | | | |
| Bank loan | 2,339 | undated | 2,743 | undated |
| Total liabilities | 2,339 | | 2,743 | |
| Weighted average interest rate | 1.4% | | 1.4% | |

Cash and cash equivalents comprise bank, broker and money market deposits with a maximum maturity period of one month.

Interest rate sensitivity

An increase of 0.5% in interest rates at 31 December 2015 would have decreased the fair value of fixed interest securities and increased interest payments on bank loan and hence decrease total net assets by £209,000 (2014 – £220,000). A decrease of 0.5% would have had an equal but opposite effect.

**19 Risk management and other financial instruments (continued)**

Fair values of financial assets and financial liabilities

All investments are carried at fair value. Other financial assets and liabilities are held at amounts that approximate to fair value. The book value of cash at bank and bank loans included in these financial statements approximate to fair value because of their short-term maturity.

*Biotime*

To accommodate BioTime's listing application to the Tel Aviv Stock Exchange (TASE), the company elected and agreed to convert 40,000 Preferred Shares held into BioTime common shares on August 14, 2015 at the conversion price of $4.00 per common share. The company received 500,000 common shares and a promissory note in an amount of principal equal to $207,737 and bearing interest at the rate of 3% per annum. Repayments of the principal and payments of interest are made six-monthly with the final repayment of principal due on 4 March 2019.

*Subsidiaries*

The fair value of the subsidiaries is determined to be equal to the net asset values of the subsidiaries at year end plus the uplift in the revaluation of film rights in British and American Films Limited, a subsidiary of BritAm Investments Limited.

The fair value of the film rights have been determined by estimating the present value of the pre-tax film revenues in the next 10 years discounted at a discount rate of 12%. The directors' valuation of British & American Films Limited has been based on pre-tax profits as sufficient group relief exists to mitigate the tax effect. The director's continue to expect that group relief will be allocated in such a way, that this valuation assumption is reasonable.

The sensitivity of the fair value measurement of the subsidiaries to changes in unobservable inputs is not likely to be significant due to the nature of the underlying assets in the subsidiaries. The majority of the assets comprise loans due from the parent company or fellow subsidiaries (£5.4 million) with the balance split between UK quoted investments, overseas quoted investments, UK commercial property unit trusts and fair value of film rights.

Gearing

At 31 December 2015 the company has drawn down £2,339,000 (sterling equivalent) of its facility limit of 10,875,000 CHF with UBS AG. A Facility Agreement was entered into by the company and UBS AG on 15 May 2013. At 31 December 2015 investments of fair value of £6,135,003 have been deposited with the UBS AG as collateral. Although this gearing increases the opportunity for gain, it also increases the risk of loss in falling markets.

Fair value hierarchy

The fair value hierarchy, as defined in IFRS 13, comprises 3 levels. With the exception of the Biotime Promissory Note with a year end market value of £122,272 (2014 – £1,286,050 Biotime Series A Convertible Preferred Stock) which is categorised as Level 3 and BritAm Investments Limited and Second BritAm Investments Limited (unquoted subsidiaries) with a year end fair value respectively of £6,788,814 (2014 – £6,498,974) and £nil (2014 – £nil) which are categorised as Level 3, all other investments £37,375,514 (2014 – £26,048,195) and derivatives assets £nil (2014 – £87,000) are categorised as Level 1.

Level 1 investments and derivatives are measured by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 investments inputs are not based on observable market data (unobservable inputs).

The values for investments categorised by type are identified on page 9. The movement in Level 3 investments is shown in the Unlisted column in note 9 on page 40.

**19 Risk management and other financial instruments (continued)**

Currency risk

55% (2014 – 69%) of the company's assets and liabilities are in sterling. The foreign currency exposure is almost exclusively in nine investments denominated in US dollars. The board monitors the company's exposure to foreign currencies on a regular basis. The Managing Director assesses the risk of this exposure and its possible effect on the net asset value of the company. Although the bank facility limit is 10,875,000 CHF in practice the company has only drawn down funds in either sterling or US dollars.

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| *US dollar* | | |
| Investments | 15,351 | 10,504 |
| Derivatives - fair value through profit or loss | – | 87 |
| Bank loan | (1,740) | (2,316) |
| Net exposure | 13,611 | 8,275 |
| Total net assets | 30,211 | 27,126 |

Currency risk sensitivity

At 31 December 2015, if sterling had strengthened by 5% in relation to the US dollar, with all other variables held constant, total net assets would have decreased by £648,000 (2014 – £394,000). Similarly, a 5% weakening of sterling against the US dollar, with constant other variables, would have increased total net assets by £716,000 (2014 – £436,000).

Liquidity risk

The majority of the company's assets comprise listed realisable securities, which can be sold to meet funding requirements as necessary. The company has a multi-option loan facility of 10,875,000 CHF with UBS AG (2014 – 10,875,000 CHF) with no maturity date. The board has set, and regularly monitors, guidelines on limits for both individual holdings and exposure to quoted equities in total (see investment policy on pages 12 and 13). The company considers that its exposure is not significant. The company has also provided a financial guarantee for its subsidiary Second BritAm Investments Limited. The amounts related to the loan facility and guarantee are set out below:

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| Loan drawn down | 2,339 | 2,743 |
| Guarantee | 4,543 | 4,293 |
| | 6,882 | 7,036 |

Credit risk

This is the risk of loss to the company arising from the failure of a transactional counterparty to discharge its obligations.

The company manages this risk through the following controls:

- when making an investment in a bond or other security with credit risk, the risk is assessed and compared to the forecast investment return for each security;
- the board receives regular valuations of bonds and other securities;
- investment transactions are primarily placed through the company's broker. The credit worthiness of the broker

**19 Risk management and other financial instruments (continued)**

and other entities is reviewed by the board. Investment transactions are normally done on a delivery versus payment basis such that the company or its custodian bank has ensured that the counterparty has delivered on its obligations before effecting transfer of cash or securities;

· cash is held at banks considered by the board to be reputable and of high credit quality.

The company's principal financial assets are bank, broker and money market balances and cash, other receivables and investments, which represent the company's maximum exposure to credit risk in relation to financial assets.

Cash and cash equivalents comprise bank, broker and money market balances and cash held by the company. The carrying amount of these assets approximates their fair value.

Total exposure to credit risk is not considered to be significant. In summary, the maximum exposure to credit risk at 31 December was:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| | Balance sheet £000 | Maximum exposure £000 | Balance sheet £000 | Maximum exposure £000 |
| Fixed rate investments | 1,571 | 1,571 | 1,381 | 1,381 |
| Current assets | | | | |
| Receivables | 1,587 | 1,587 | 1,406 | 1,406 |
| Derivatives classified as fair value through profit or loss | – | – | 87 | 87 |
| Cash and cash equivalent | 344 | 344 | 250 | 250 |
| | 3,502 | 3,502 | 3,124 | 3,124 |

Fixed rate investments comprise 44.1% which are investment grade with the remaining 55.9% being non-investment grade.

None of the company's financial assets, are past their due dates, impaired or secured by collateral or other credit enhancements with the exception of investments of £6,135,003 lodged as collateral for a bank loan (see note 12(b) on page 42).

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 maximise the income and capital return to its equity shareholders through an appropriate balance of ordinary and non-redeemable preference equity capital and loans.

The company's total capital equity (ordinary and non-redeemable preference share capital and other reserves) at 31 December 2015 was £30,211,000 (2014 – £27,126,000).

The Board monitors and reviews the broad structure of the company's capital on an ongoing basis.

The company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period. Under the bank facility with UBS AG borrowings may not exceed 10,875,000 CHF (as defined in the facility agreement).

## Statement of Corporate Governance

For the year ended 31 December 2015

The Statement of Corporate Governance, which forms part of the Directors' report (page 17) is set out below. The following paragraphs describe the framework of internal controls in place to ensure that the company complies with the 2014 UK Corporate Governance Code (the FRC published the new edition of the UK Corporate Governance Code in September 2014) which is available on the Financial Reporting Council's website: www.frc.org.uk.

The board has considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code') which was re-issued in February 2015. The AIC Code addresses all the principles set out in the UK Corporate Governance Code as well as setting out additional principles and recommendations on issues that are of specific relevance to British & American Investment Trust PLC. The AIC Code is available on the AIC's website: www.theaic.co.uk.

The board considers that reporting against the principles and recommendations of the AIC Code will provide better information to shareholders.

The company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below:

- the whole board review the performance and remuneration arrangements of the Managing Director
- the need for an internal audit function

British & American Investment Trust PLC is a self-managed investment company. The company has therefore reported further in respect of these exceptions below.

**Operation of the board**

The board currently consists of four directors, one of whom is the executive Managing Director. The three non-executive directors are all independent, including the Chairman.

There is a formal schedule of matters to be specifically approved by the board and of the division of responsibilities between the Chairman and Managing Director and individual directors may seek independent advice at the expense of the company.

All non-executive directors have a formal letter of appointment and such terms and conditions of appointment of non-executive directors are available for inspection at the registered office of the company.

The board has delegated investment management, within clearly defined parameters and dealing limits to the Managing Director, who also has responsibility for the overall management of the business. The board makes all strategic decisions and reviews the performance of the company at board meetings.

As the Chairman is non-executive the board regards him as the Senior Independent Director and no separate Senior Independent Director has been appointed.

There were five board meetings and four audit committee meetings held during the year and the attendance by directors was as follows:

**Number of meetings attended**

| | Board | Audit |
|---|---|---|
| JAV Townsend | 5/5 | 4/4 |
| DG Dreyfus | 5/5 | 4/4 |
| RG Paterson | 4/5 | 3/4 |
| JC Woolf | 5/5 | 4/4* |

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

All the directors attended the Annual General Meeting.

### Independence of the directors

The non-executive directors (Mr JAV Townsend, Mr DG Dreyfus and Mr RG Paterson) are independent and have no other relationships or circumstances which might be perceived to interfere with the exercise of independent judgement. Mr DG Dreyfus, Mr JAV Townsend and Mr RG Paterson, at the date of the Annual General Meeting, will have served on the board for more than twenty years, sixteen years and fifteen years respectively from the date of their first election, but given the nature of the company as an investment trust and as permitted under the AIC Code, the board is firmly of the view that Mr DG Dreyfus, Mr JAV Townsend and Mr RG Paterson can be considered to be independent. In arriving at this conclusion the board considers that long service aids the understanding, judgement, objectivity and independence of directors.

### Tenure of directors

Letters which specify the terms of appointment are issued to new directors. The letters of appointment are available for inspection upon request.

Directors are subject to re-election by shareholders at the first AGM following their appointment and, subsequently, are subject to retirement by rotation over a period of a maximum of three years. Directors are not subject to automatic reappointment. All non-executive directors are appointed for fixed terms of three years. Biographical details of directors are set out on page 2.

The directors recognise that independence is not a function of service or age and that experience is an important attribute within the board. The directors may, therefore, decide to recommend a director with more than nine years service for re-election annually.

Mr DG Dreyfus, Mr JAV Townsend and Mr RG Paterson are due to stand for annual re-election in accordance with the AIC Code.

The board has carefully considered the position of Mr DG Dreyfus, Mr JAV Townsend and Mr RG Paterson and believes that, following formal evaluation, they continue to be effective and so it would be appropriate for them to be proposed for re-election. As stated previously, in respect of Mr DG Dreyfus, Mr JAV Townsend and Mr RG Paterson it is the view of the board that long service in no way reduces the independence and objectivity of the directors. Mr DG Dreyfus, Mr JAV Townsend and Mr RG Paterson will stand for re-election annually.

### Chairman

The Chairman is also non-executive chairman of four other investment trusts and a director of a number of other companies. He does not have a full time executive role in any organisation and the board is satisfied that he has sufficient time available to discharge fully his responsibility as Chairman.

### Audit Committee

The audit committee is a formally constituted committee of the board with defined terms of reference, which include its role and the authority delegated to it by the board, which are available for inspection at the company's registered office. All the non-executive directors are members of the audit committee and its chairman is Mr DG Dreyfus. The audit committee considers Mr Dreyfus as the member of the audit committee having relevant and recent financial experience.

### Role and Composition

The Committee comprises three non-Executive Directors and is appointed by the Board. It met four times during 2015. The Committee operates within defined terms of reference.

The Committee's main functions are:-

1) to appoint an external auditor, to review its letter of engagement, approve its fees, discuss with it the nature and scope of its audits and review the audit plan and post-audit findings.

2) to review the yearly and half yearly report and accounts before submission to the Board, focusing particularly on changes in accounting policies, significant adjustments, compliance with listing rules and legal requirements and discussing auditor's concerns.

3) to monitor the company's key procedures and internal controls, reviewing information provided by the company's Managing Director and considering the need for an internal audit function.

### Key Risks

Twice a year the Audit Committee reviews each of the key risks facing the company. Included in this work are separate reviews for Corporate Strategy, Investment Activity, Published Information, Compliance with Laws and Regulations, Relationship with Service Providers and Financial Activity. In arriving at its judgment of what constitutes a sound system of internal control, the Audit Committee considers the nature and extent of risks which it regards as acceptable for the company to bear within its stated investment objective, the threat of such risks becoming a reality and the company's ability to reduce the incident and impact of such risks. The Audit Committee also considers the company's relationship with third party service providers and sets clear control objectives in respect of the company's relationship with them.

### Significant Issues

The valuation and ownership of investments is a significant risk factor. The majority of the investments are in quoted securities and market prices are readily available from independent external pricing sources. The investment portfolio is regularly reconciled to custodians' records, where applicable, and that reconciliation is also reviewed by the Auditor. The fair value of the investments in subsidiaries (including film rights) and the assumptions on which the fair values are based are reviewed annually.

The Committee satisfies itself that the company is correct in issuing financial statements on a going concern basis and conducts regular reviews to ensure the company maintains its investment trust status. It reviews the company's accounting treatment of dividends received and makes recommendations to the Board thereon. The Committee keeps abreast of all accounting, tax and regulatory developments including, but not limited to, recent or proposed changes in narrative reporting, the 2014 SORP for investment trust companies, future of UK GAAP, Directors' remuneration, the U.S. Foreign Account Tax Compliance Act (FATCA), the Alternative Investment Fund Managers Directive (AIFMD) and the implementation of The Common Reporting Standard.

**Internal Controls**

The Audit Committee ensures that the company has adequate internal control systems to prevent and detect fraud. The company has in place an appropriate "whistle blowing" policy enabling employees to raise any concerns in strict confidence. The Audit Committee keeps under review the need for an internal audit function but has concluded that, given the company's size and scope, there is no need for such a function at the present time.

**External Audit Process**

The Audit Committee regularly meets the Auditor and may challenge any aspect of its work. The Committee is aware of the latest Corporate Governance provisions related to auditor tenure. The Audit Committee ensures that the Auditor has unlimited access to any company record.

**Auditor assessment and independence**

Grant Thornton UK LLP has been the company's auditor since 2005. Rotation of the Audit Partner takes place in accordance with Ethical Standard 3; 'Long Association with the Audit Engagement' of the Auditing Practices Board ('APB'). However, mindful of the latest Corporate Governance provisions relating to auditor tenure, the Committee will be undertaking a tender process during 2016.

The fees for audit purposes for the financial year ended 31 December 2015 were £35,922 (2014 – £33,304).

The Audit Committee has approved and implemented a policy on the engagement of the Auditor to supply non-audit services, taking into account the recommendations of the APB and does not believe there is any impediment to the Auditor's objectivity and independence. All non-audit work to be carried out by the Auditor must be approved by the Audit Committee in advance.

The cost of services provided by the Auditor for the financial year ended 31 December 2015 was £21,000 (2014 – £19,000). These non-audit services are assurance and compliance related and the Committee believes Grant Thornton UK LLP is best placed to provide them on a cost effective basis.

During the year the Committee reviewed the independence policies and procedures of Grant Thornton UK LLP including quality assurance procedures. It was considered that those policies and procedures remained fit for purpose.

**Conclusion**

The Audit Committee has approved year end 31 December 2015 Report and Accounts. It has reviewed the company's internal controls and risk management. After satisfying itself as to the independence of the Auditor, it has recommended that the Auditor be re-appointed pending the result of the tender process.

**Nomination Committee**

The board as a whole fulfils the function of the nomination committee.

The nomination committee oversees a formal review procedure governing the appointment of new directors and evaluates the overall composition of the board from time to time, taking into account the existing balance of skills and knowledge. Its chairman is the Chairman of the board. No new directors were appointed during the year. There are procedures for a new director to receive relevant information on the company together with appropriate induction.

In considering new appointments, the need to have a balance of skills, experience, independence, diversity, including gender, and knowledge of the company within the board are taken into account. However the overriding priority is to appoint the most appropriate candidates, regardless of gender or other forms of diversity.

**Board and director evaluation**

On an annual basis the board formally reviews its performance. The review covers an assessment of how cohesively the board, audit committee and nomination committee work as a whole as well as the performance of the individuals within them.

The Chairman is responsible for performing this review. Mr DG Dreyfus and Mr RG Paterson perform a similar role in respect of the performance of the Chairman. The formal evaluation confirmed that all directors continue to be effective on behalf of the company.

**Remuneration**

The remuneration of the executive director is decided by the board as a whole (comprising a majority of non-executive directors), rather than a remuneration committee. There is no performance-related element of the executive director's remuneration. The board considers that the interests of the Managing Director, who is himself a shareholder (see page 18), are aligned with those of other shareholders.

**Relations with shareholders**

Shareholder relations are given high priority by the board. The principal medium of communication with shareholders is through the interim and annual reports. This is supplemented by monthly NAV announcements.

The board largely delegates responsibility for communication with shareholders to the Managing Director and, through feedback, expects to be able to develop an understanding of their views.

Currently, there is a small number of major shareholders, details of which can be found on page 18.

All members of the board are willing to meet with shareholders for the purpose of discussing matters relating to the operation and prospects of the company.

The board welcomes investors to attend the AGM and encourages questions and discussions on issues of concern or areas of uncertainty. All directors expect to be present at the AGM.

**Accountability, Internal Controls and Audit**

The directors' statement of responsibilities in respect of the financial statements is set out on page 21.

The directors are responsible for the effectiveness of the risk management and internal control systems for the company, which are designed to ensure that adequate accounting records are maintained, that the financial information on which the business decisions are made and which are issued for publication is reliable, and that the assets of the company are safeguarded. Such a system of internal control is designed to manage rather than eliminate the risks of failure to achieve the company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The board recognises its ultimate responsibilities for the company's system of risk management and internal controls and for monitoring its effectiveness. The board has established an internal control framework to provide reasonable assurance on the effectiveness of the internal controls operated. The board assesses on an ongoing basis the effectiveness of the internal controls. The board receives regular reports on all aspects of internal control (including financial, operational and compliance control, risk management and relationships with external service providers). Given the size of the business the company does not have a separate internal audit function. This is subject to periodic review.

The board has produced a risk matrix against which the business risks and the effectiveness of the internal controls can be monitored, which is regularly reviewed by the Audit Committee and at other times as necessary. It is believed that an appropriate framework is in place to meet the requirements of the AIC Code and the UK Corporate Governance Code.

Arrangements are in place by which staff of the group may, in confidence, raise concerns under the Public Interest Disclosure Act 1998 about possible improprieties in matters of financial reporting or other matters. If necessary, any member of staff with an honest and reasonable suspicion about possible impropriety may raise the matter directly with the Chairman of the company. Arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

**Powers to authorise conflict situations**

In accordance with section 175 of the Companies Act 2006 and the Articles of Association, as amended at the AGM in June 2008, the company has procedures in place for ensuring that the unconflicted directors’ powers to authorise conflict situations are operated effectively.

The board confirms that the above procedures have been complied with.

**Going concern**

The assets of the company consist mainly of securities that are readily realisable and, accordingly, the company has adequate financial resources to continue its operational existence for the next 12 months. Therefore, the directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts.

**Employee, social, economic and environmental matters**

As an investment trust the company has no direct impact on social, economic and environmental issues and the company’s primary objective is to achieve capital and income growth by investing the company's assets in accordance with the stated investment policy. As such the company does not have any policies to disclose in these areas. All employee contracts are with a related party as disclosed in note 17 and as such the company does not have any formal policies in this area. The non-executive directors review the level of remuneration of the Managing Director and employees annually.

**Responsibilities as an institutional shareholder**

The board has delegated authority to the Managing Director for monitoring the corporate governance of investee companies. The board has delegated to the Managing Director responsibility for selecting the portfolio of investments within investment guidelines established by the board and for monitoring the performance and activities of investee companies. On behalf of the company the Managing Director carries out detailed research of investee companies and possible future investee companies through broker and internally generated research. The research includes an evaluation of fundamental details such as financial strength, quality of management, market position and product differentiation. Other aspects of research include an appraisal of social, ethical and environmentally responsible investment policies.

The board has delegated authority to the Managing Director to vote on behalf of the company in accordance with the company's best interests. The primary aim of the use of voting rights is to ensure a satisfactory return from investments.

The company's policy is, where appropriate, to enter into engagement with an investee company in order to communicate its views and allow the investee company an opportunity to respond.

In such circumstances the company would not normally vote against investee company management but would seek, through engagement, to achieve its aim. The company would vote, however, against resolutions it considers would damage its shareholder rights or economic interests.

The company has a procedure in place that where the Managing Director, on behalf of the company, has voted against an investee company resolution it is reported to the Board.

The UK Stewardship Code was implemented by the Financial Reporting Council, on a voluntary basis and was revised in September 2012.

The board considers that it is not appropriate for the company, as a small self-managed investment trust, to formally adopt the UK Stewardship Code.

However, many of the UK Stewardship Code's principles on good practice on engagement with investee companies are used by the company, as described above.

# Directors' remuneration report

For the year ended 31 December 2015

**Introduction**

This report is submitted in accordance with the requirements of sections 420 to 422 of the Companies Act 2006 in respect of the year ended 31 December 2015. An ordinary resolution to approve this report will be put to members at the forthcoming Annual General Meeting, but the directors' remuneration is not conditional upon the resolution being passed.

**Statement by the Chairman**

The board as a whole considers the directors' remuneration. The board has not appointed a committee to consider matters relating to directors' remuneration. There is no performance-related element of the executive director's remuneration. The board considers that the interests of the Managing Director, who is himself a shareholder (see page 18), are aligned with those of other shareholders.

The board has not been provided with advice or services by any person in respect of its consideration of directors' remuneration (although the directors expect from time to time to review the fees paid to the boards of directors of other investment companies).

There have been no changes to the Directors' remuneration policy during the period of this report nor are there any proposals for the foreseeable future.

JAV Townsend
Chairman
29 April 2016

**Annual report on remuneration**

**Directors' remuneration as a single figure (audited)**

| | Salary and fees 2015 | Salary and fees 2014 |
|---|---|---|
| | £000 | £000 |
| JC Woolf - salary | 56 | 53 |
| JAV Townsend (Chairman) - fees | 20 | 20 |
| DG Dreyfus (Chairman of Audit Committee) - fees | 17 | 17 |
| RG Paterson - fees | 15 | 15 |
| Total | 108 | 105 |

The table above omits other columns because no payments of other types prescribed in the relevant regulations were made.

No other remuneration or compensation was paid or payable by the company during the year to any current or former directors.

The non-executive directors' fees have remained unchanged from 1 January 2011. In line with inflation from that time, the fees have been increased by 10% with effect from 1 January 2016 to :

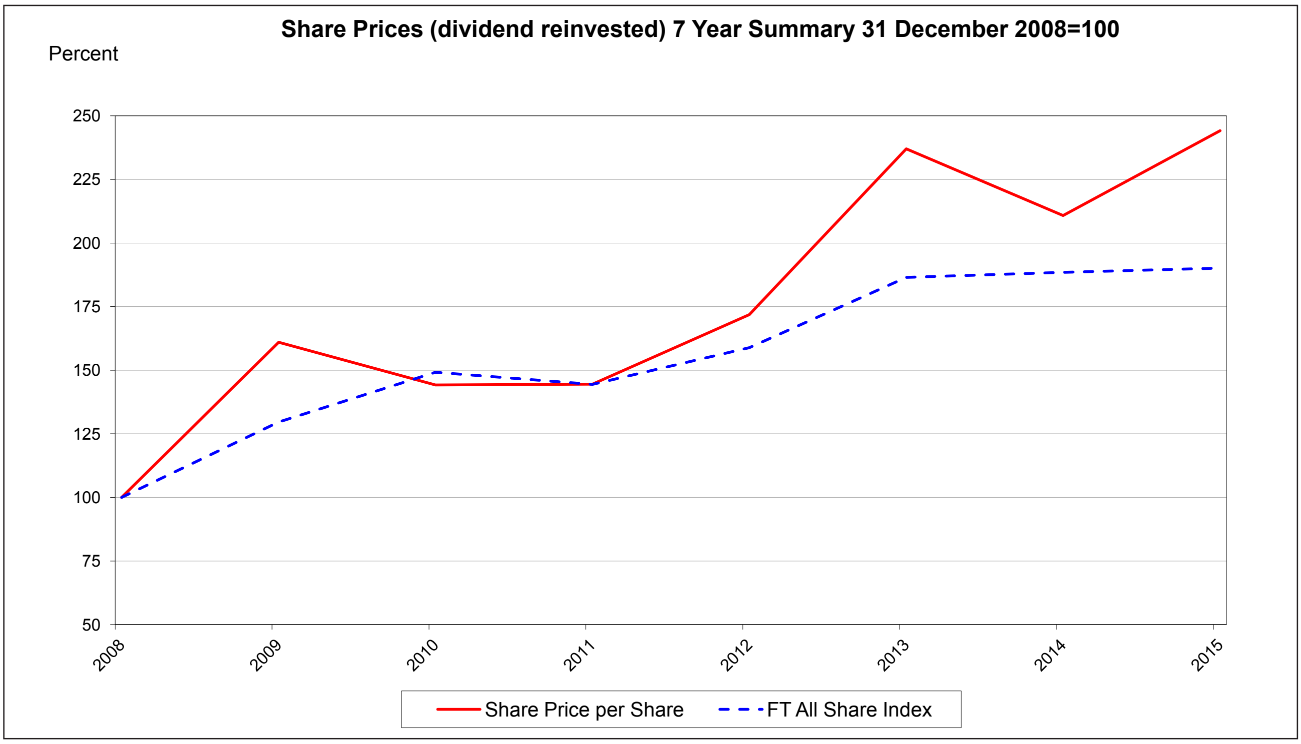
| | £ |
|---|---|
| JAV Townsend (Chairman) - fees | 22,000 |
| DG Dreyfus (Chairman of Audit Committee) - fees | 18,700 |
| RG Paterson - fees | 16,500 |

### Sums paid to third parties (audited)

The directors' fees of £15,000 (2014 – £15,000) payable to RG Paterson were paid to Eversheds LLP. This payment was for services as a director of the company.

### Performance graph and table

The graph below shows the performance of British & American Investment Trust PLC's share price against the FTSE All Share index, in both instances with dividends reinvested, for the seven years since 2008. The FTSE All Share equity market index is used as the company's benchmark.




### Managing Director's remuneration table

| | Managing Director's Total remuneration £000 |
|---|---|
| 2009 | 50 |
| 2010 | 44 |
| 2011 | 47 |
| 2012 | 47 |
| 2013 | 50 |
| 2014 | 53 |
| 2015 | 56 |
| Total | 347 |

The table below shows the percentage change in the remuneration of the Managing Director and the company's employees as a whole between the year 2014 and 2015.

| | Change in salary Percent | Change in annual bonus Percent |
|---|---|---|
| Managing Director | 5.00% | no bonus paid |
| Employees | 2.57% | +1.05% |

**Significance of spend on pay**

| | Employee remuneration £ | Shareholder distribution £ |
|---|---|---|
| 2014 | 505,000 | 1,950,000 |
| 2015 | 519,000 | 2,000,000 |
| Difference | 14,000 | 50,000 |
| Percentage change | 2.77% | 2.56% |

**Directors' interests**

The directors during the year ended 31 December 2015 had interests in the shares of the company as follows (audited):

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Beneficial | Non-beneficial | Beneficial | Non-beneficial |
| Ordinary shares of £1 | | | | |
| JC Woolf | 460,812 | 15,771,562 | 460,812 | 15,771,562 |
| DG Dreyfus | 5,000 | – | 5,000 | – |
| JAV Townsend | 7,500 | – | 7,500 | – |
| RG Paterson | 1,000 | – | 1,000 | – |
| Non-voting convertible preference shares of £1 each | | | | |
| JC Woolf | – | 10,000,000 | – | 10,000,000 |

Although there is no legal requirement the company expects directors to be shareholders in the company.

**Voting at Annual General Meeting**

At the Annual General Meeting held on 25 June 2015, votes cast by proxy and at the meeting in respect of the directors' remuneration were as follows:

| Resolution | Votes For | % For | Votes Against | % Against | Total votes Cast | Votes withheld |
|---|---|---|---|---|---|---|
| To receive and approve the Directors' Remuneration Report for the year ended 31 December 2015 | 18,449,483 | 100.0% | – | – | 18,449,483 | 2,500 |

**Directors' remuneration policy**

The company's policy is that fees payable to non-executive directors should reflect their expertise, responsibilities and time spent on company matters. In determining the level of non-executive remuneration, market equivalents are considered in comparison to the overall activities and size of the company.

Mr JC Woolf has a service contract dated 1 September 1992 with the company. The contract does not have a fixed term, requires 12 months notice of termination, with salary and benefits compensation payable for the unexpired portion on early termination. No other director has a service contract with the company.

The maximum level of non-executive directors' remuneration is fixed by the company's Articles of Association, amendment to which is by way of an ordinary resolution subject to ratification by shareholders. The current level (effective from 1 January 2011) is that aggregate non-executive directors fees should not exceed £75,000 per annum.

The emoluments and benefits of any executive director for his services as such shall be determined by the directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants.

The company's policy is to allow executive directors to accept appointments and retain payments from sources outside the company as long as such appointments do not interfere with the performance of their company responsibilities.

The company does not confer any share options, long term incentives or retirement benefits on any director, nor does it make a contribution to any pension scheme on behalf of the directors. The company has not added any performance-related elements in the remuneration package of executive directors. As noted on page 18 Mr JC Woolf is a significant shareholder in the company. The company also provides directors' liability insurance.

**Future policy table**

The table below summarises the components of the remuneration of the directors.

| | **Component** | **Link to strategy** |
|---|---|---|
| **Managing Director** | Salary | The annual salary paid is a fixed amount, subject to annual review, and is not related to the portfolio performance. |
| **Non-executive Directors** | Fees | Fees aim to be competitive with other investment trusts of similar size and complexity. Fees are fixed annual amounts and are reviewed periodically by the board. The Chairman, the Chairman of the Audit Committee and the remaining non-executive director are paid to reflect a market rate of a self-managed investment trust having regard also to the size of the company, expertise, their responsibilities and the time required to be spent to fulfil their responsibilities. |

There is no maximum or minimum applicable to the salary of the Managing Director.

The policy on remuneration of employees generally is to incentivise them for effective performance whilst recognising market equivalents. As such their remuneration packages are structurally different to that of the Managing Director.

**Approach to recruitment remuneration**

The principles the company would apply in setting remuneration for new Board members would be in accordance with the Remuneration Policy, such remuneration being commensurate with existing Board members and their relevant peer group.

**Illustration of Application of Remuneration Policy**

Managing Director

| | Minimum | In line with expectations | Maximum |
|---|---|---|---|
| Salary | 56K | 56K | 56K |

The Managing Director's salary is a fixed amount not related to performance. There is therefore no minimum or maximum variation.

| | Minimum | In line with expectations | Maximum |
|---|---|---|---|
| Salary | 100% | 100% | 100% |

**Statement of consideration of employment conditions elsewhere in the company**

The employees were not consulted when setting the Directors' remuneration policy and no remuneration comparison measurement with employees was used.

**Consideration of shareholder views**

The company places great importance on communication with its shareholders. The board welcomes investors to attend the AGM and encourages questions and discussions on all aspects of performance and governance, including remuneration issues. The company can confirm that it is not aware of negative views being expressed by shareholders in relation to its policy on Directors' remuneration.

It is intended that this policy will continue for the year ending 31 December 2016 and until the Annual General Meeting of the company held in 2017.

The above policy was approved at the Annual General Meeting of the company on 18 June 2014.

The Directors' Remuneration Report 2015 was approved by the Board and signed on its behalf by:

JAV Townsend
Chairman
29 April 2016

# Notice of meeting

**NOTICE IS HEREBY GIVEN THAT** the sixty-eighth Annual General Meeting of the company will be held at Wessex House, 1 Chesham Street, London SW1X 8ND on Friday 17 June 2016 at 12.15pm for the following purposes:

1. To receive and consider the directors' report and company accounts for the year ended 31 December 2015 and the report of the auditors thereon.
2. To re-elect Mr JAV Townsend as a director.
3. To re-elect Mr DG Dreyfus as a director.
4. To re-elect Mr RG Paterson as a director.
5. To approve the directors' remuneration report (excluding directors' remuneration policy).
6. To declare a final dividend of 5.5p per £1 ordinary share.
7. To re-appoint Grant Thornton UK LLP as the company's auditors to hold office until the conclusion of the next annual general meeting of the company.
8. To authorise the audit committee to determine the remuneration of the auditors.

**By order of the board**

**KJ Williams**
**Secretary**
29 April 2016

Wessex House
1 Chesham Street
London
SW1X 8NB

**Notes:**
Any member of the company entitled to attend and vote at the meeting may appoint another person or persons (whether a member or not) as his/her proxy to attend and to vote instead of him/her provided that if more than one proxy is appointed each proxy must be appointed to exercise the rights attached to a different share or shares. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should the member subsequently decide to do so. A form to be used for appointing a proxy or proxies for this meeting to vote on your behalf can be found at page 65 of this document. In order to be valid, any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the company at Wessex House, 1 Chesham Street, London SW1X 8ND or by fax to 020 7201 3101, not less than 24 hours (excluding any part of a day which is a non-working day) before the time of the meeting or of any adjournment of the meeting.

## Notice of meeting (continued)

Under the company's articles of association only holders of the ordinary shares are entitled to attend and vote at this meeting. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, this entitlement is determined by reference to the company's register of members and only those members entered on the company's register of members at 12.15pm on 15 June 2016 or, if the meeting is adjourned, shareholders entered on the company's register of members at the time which is 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend and vote at the meeting.

As at 29 April 2016, the last practicable day before printing this document, the total number of ordinary shares of £1, carrying one vote each on a poll, in issue was 25,000,000, the total number of cumulative convertible non-voting preference shares of £1, in general carrying no votes at general meetings of the company, in issue was 10,000,000 and the total voting rights in the company were 25,000,000.

A copy of this notice, together with any other information that the company is required to make available on a website in accordance with section 311A of the Companies Act 2006 will be included on the company's website www.baitgroup.co.uk.

Any member attending the meeting is entitled, pursuant to section 319A of the Companies Act 2006 to ask any question relating to the business being dealt with at the meeting. The company will answer any such questions unless (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; or (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.

Where members satisfying the thresholds in sections 338 and 338A of the Companies Act 2006 require the company to:

(a) circulate to each member of the company entitled to receive notice of the annual general meeting, notice of a resolution which may properly be moved and is intended to be moved at the annual general meeting;

(b) include in the business to be dealt with at an annual general meeting a matter (other than a proposed resolution) which may properly be included in the business;

the company must:

(a) circulate the resolution proposed pursuant to section 338 of the Companies Act 2006 to each member entitled to receive notice of the annual general meeting;

(b) include in the business to be dealt with at the annual general meeting the matter proposed pursuant to section 338A of the Companies Act 2006.

A resolution may be properly moved at the annual general meeting unless: (a) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the company's constitution or otherwise); or (b) it is defamatory of any person; or (c) it is frivolous or vexatious.

A matter may be properly included in the business of an annual general meeting unless it is defamatory of any person or is frivolous or vexatious.

A member or members wishing to request the circulation of the resolution and/or the inclusion of a matter must send the request to the company using one of the following methods:

in hard copy form to the company at Wessex House, 1 Chesham Street, London SW1X 8ND marked for the attention of the Company Secretary - the request must be signed by or on behalf of the member(s) making it and accompanied by any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority; or by fax to 020 7201 3101 marked for the attention of the Company Secretary - the request must be signed by or on behalf of the member(s) making it and accompanied by any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority.

Whichever form of communication is chosen, the request must be received by the company not later than 6 May 2016 and (as appropriate):

(a) identify any resolution of which notice is to be given;

(b) identify the matter to be included in the business and be accompanied by a statement setting out the grounds for the request.

Where the company receives requests from a member or members either to (a) give notice of a resolution to be proposed by members at the annual general meeting and/or (b) circulate a matter proposed by members to be included within the business to be dealt with at the annual general meeting, the expenses of giving such notice or circulating such matter must be paid by the member or members submitting the request by depositing with the company not later than 6 May 2016 a sum reasonably sufficient to meet these expenses.

Members satisfying the thresholds in section 527 of the Companies Act 2006 may require the company to publish on its website, a statement setting out any matter that such members propose to raise at the annual general meeting relating to the audit of the company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the annual general meeting. Where the company is required to publish such a statement on its website it may not require the members making the request to pay any expenses incurred by the company in complying with the request, it must forward the statement to the company's auditors no later than the time the statement is made available on the company's website, and the statement may be dealt with as part of the business of the annual general meeting.

A member or members wishing to request publication of such a statement on the company's website must send the request to the company using one of the following methods:

in hard copy form to the company at Wessex House, 1 Chesham Street, London SW1X 8ND marked for the attention of the Company Secretary - the request must be signed by or on behalf of the member(s) making it and accompanied by any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority; or

by fax to 020 7201 3101 marked for the attention of the Company Secretary - the request must be signed by or on behalf of the member(s) making it and accompanied by any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority.

Whichever form of communication is chosen, the request must either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported, and be received by the company at least one week before the annual general meeting.

The register of directors' interests and copies of the managing director's service agreement and the letters of appointment of non-executive directors will be available for inspection at the registered office of the company during normal business hours from the date of this notice until the conclusion of the Annual General Meeting.

## FORM OF PROXY

## BRITISH & AMERICAN INVESTMENT TRUST PLC

(For use by ordinary shareholders)

I/We .................................................................... (Please complete in BLOCK CAPITALS)

of ....................................................................

being (a) member(s) of the above company, hereby appoint the Chairman of the meeting or ............................................................ to be my/our proxy to vote on my/our behalf at the Annual General Meeting of the company to be held at Wessex House, 1 Chesham Street, London SW1X 8ND at 12.15 pm on Friday 17 June 2016 and at any adjournment thereof.

Signed ....................................................................

Dated ............................................................ 2016.

Please tick here to indicate that this proxy instruction is in addition to a previous instruction. Otherwise it will overwrite any previous instruction. ☐

| **RESOLUTIONS** | For | Against | Vote Withheld | Discretionary |
|---|---|---|---|---|
| 1. To adopt the report and accounts. | ☐ | ☐ | ☐ | ☐ |
| 2. To re-elect Mr JAV Townsend. | ☐ | ☐ | ☐ | ☐ |
| 3. To re-elect Mr DG Dreyfus. | ☐ | ☐ | ☐ | ☐ |
| 4. To re-elect Mr RG Paterson. | ☐ | ☐ | ☐ | ☐ |
| 5. To approve the directors' remuneration report (excluding policy). | ☐ | ☐ | ☐ | ☐ |
| 6. To declare a final dividend of 5.5p per £1 ordinary share. | ☐ | ☐ | ☐ | ☐ |
| 7. To re-appoint Grant Thornton UK LLP as the company's auditors. | ☐ | ☐ | ☐ | ☐ |
| 8. To authorise the audit committee to determine the remuneration of the auditors. | ☐ | ☐ | ☐ | ☐ |

**NOTES**

1. Please indicate with an X in the boxes above how you wish your votes to be cast. If you select 'Discretionary' or the form is returned without any indication as to how the proxy shall vote on any particular matter, and on any other business which may come before the meeting, the proxy will vote or abstain as he thinks fit.
2. In order to be valid, this form of proxy and any power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the company at Wessex House, 1 Chesham Street, London SW1X 8ND or by fax to 020 7201 3101, not less than 24 hours (excluding any part of a day which is a non-working day) before the time of the meeting or of any adjournment of the meeting. Appointment of a proxy will not preclude a member from attending and voting in person should he subsequently decide to do so.
3. A corporation's proxy must be either under its common seal or under the hand of a duly authorised officer or attorney.
4. A space is provided to appoint a proxy other than the person named above. A proxy need not be a member of the company.
5. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the company on 020 7201 3100 or you may copy this form. Pease indicate with the proxy holder's name the number of securities in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is in addition to a previous instruction. All forms must be returned together in the same envelope.
6. The 'Vote Withheld' option is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
7. This form of proxy should only be completed by the ordinary shareholders.

Second fold

Please affix
postage
stamp

**British & American**
**Investment Trust PLC**
**Wessex House**
**1 Chesham Street**
**London SW1X 8ND**

First fold

Third fold