

British & American
Investment Trust PLC

Report and accounts

31 December 2014

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 | 19.54 |
| Dunedin Income Growth | Investment Trust | 7.82 |
| Biotime Inc (USA) | Biotechnology | 6.74 |
| British Assets Trust | Investment Trust | 5.82 |
| St James's Place Global Equity | Unit Trust | 5.62 |
| RIT Capital Partners | Investment Trust | 4.54 |
| Prudential | Life Assurance | 4.51 |
| Biotime Series A Convertible Preferred Stock (USA) | Biotechnology | 3.80 |
| Scottish American Inv Company | Investment Trust | 2.95 |
| Invesco Income Growth | Investment Trust | 2.58 |
| | | 63.92 |

Country Exposure

| Country | £m | % |
|------------------|------|--------|
| UK | 18.8 | 69.4 |
| USA | 8.3 | 30.6 |
| Total net assets | 27.1 | 100.00 |

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

| | £ |
|--------|-------|
| 1 year | 85.1 |
| 3 year | 166.5 |
| 5 year | 146.5 |

(source: AIC)

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 | 45 |
| Net Assets (£m) | 27.1 |
| Yield | 9.64% |
| Dividend Dates | Interim dividend – November Final dividend – June |
| Share price (p) | 83.0 |
| NAV/share (p) | 78 (diluted) 69 (undiluted) |
| Premium | 7.1% 21.2% |
| Ongoing charges | 2.15% |
| Sedol Code | 0065311 |
| ISIN Code | GB000065311 |

Status

Eligible to be held in an ISA or Savings Scheme.

Contact

British & American Investment Trust PLC

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London SW1X 8ND

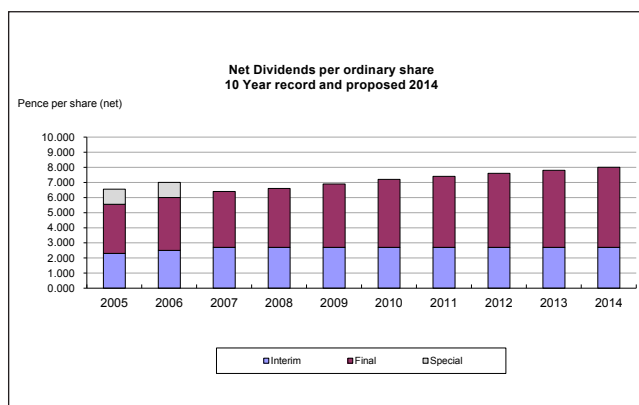
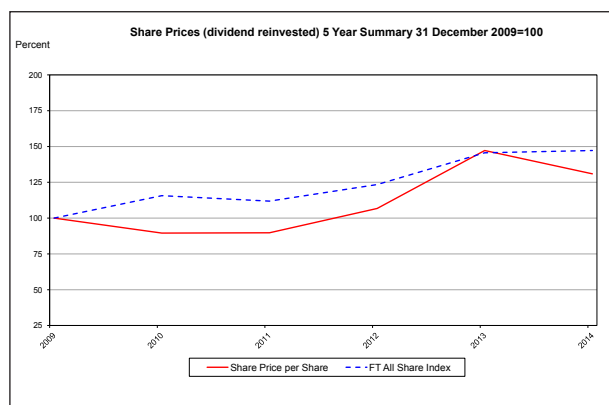
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British & American Investment Trust PLC

Annual Report and Accounts
for the year ended 31 December 2014

Registered number: 00433137

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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 67)

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 58)

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 58)

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 58)

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 15.

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 2014. Shareholders should note that from this year the group's operations are being reported on as single company accounts under IFRS (International Financial Reporting Standards) and not as previously on a consolidated basis. This follows the introduction of the new reporting standard IFRS 10 which changes the accounting treatment of subsidiaries of investment companies. The implications of this, which are unhelpful for an investment trust group such as ourselves, are explained and commented on in more detail below and throughout these accounts. Most significantly, under the new reporting standard these accounts now only show income received in the parent company and not for the group as a whole, as previously. This change has also required us to restate the prior year results to allow a comparable presentation.

Revenue

The return on the revenue account before tax amounted to £2.4 million (2013: £2.7 million), a decrease of 10 percent. As reported at the interim stage, this reflected the lower level of external dividends sought during the period and their replacement by gains registered within the subsidiary companies and distributed within the group. Gross revenues totalled £2.9 million (2013: £3.0 million). In the previous presentation of our accounts, we were able to show the split in our income between portfolio investments and film, property and other income as received in our subsidiaries but this is unfortunately no longer the case under the new reporting standard, as further explained in the Managing Director's report below. However, because of the importance we attach to these alternative sources of income we show them separately in note 2 to the accounts. This shows that film income of £165,000 (2013: £139,000) and property unit trust income of £24,000 (2013: £22,000) was received in our subsidiary companies. It should be noted for the sake of clarity that this income is not included within the revenue figures noted above.

The total return before tax amounted to a loss of £1.5 million (2013: £7.5 million gain), which comprised net revenue of £2.4 million, a realised loss of £0.5 million and an unrealised loss of £3.2 million. The revenue return per ordinary share was 8.5p (2013: 9.6p) on an undiluted basis and 7.1p (2013: 7.8p) on a diluted basis.

Net Assets and Performance

Net assets at the year end were £27.1 million (2013: £30.9 million), a decrease of 12.2 percent. This compares to decreases in the FTSE 100 and All Share indices of 2.7 percent and 2.1 percent, respectively, over the period. On a total return basis, after adding back dividends paid during the year, our net assets decreased by 4.8 percent compared to a total return on the two indices of between approximately 0.5 percent and 1.0 percent. It is worth noting that over a period of two years our portfolio achieved a total return of 34 percent, compared to a total return of 21 percent by our benchmark indices.

This outturn has significantly narrowed the underperformance registered at the half year by approximately 7 percentage points. This is due in part to a recovery in the second half in the sterling value of our largest US investment, Geron Corporation, following a strengthening in the value of the US dollar by 9 percent.

Over the year, the value of our investment in Geron has varied significantly in response to a number of very important corporate events which have taken place. As previously reported, the value of this investment had increased substantially at the end of 2013 following the release in the final quarter of that year of very favourable clinical oncology trial results. However, in March of 2014, Geron's share price fell significantly following the imposition of a clinical hold on these trials by the US Federal Department of Health (FDA) pending clarification of certain observed abnormalities. Soon thereafter, in June 2014, this hold was partially lifted (and fully lifted in October 2014). In July 2014, the spin off to shareholders of Geron's important but mothballed regenerative medicine business took place providing additional value to investors as this business was then re-activated and separately quoted with its true value and potential better recognised. Finally, in November 2014, Geron entered into a transformational and very advantageous partnership with Johnson & Johnson, the

Chairman's statement (continued)

world's largest pharmaceutical company, to develop its oncology platform for which it will receive milestone payments of almost \$1 billion and a share of future royalties.

This has therefore been a momentous year for Geron and over that time its share price has moved dramatically, increasing at one point by 250 percent when the Johnson & Johnson partnership was announced, although over the year as a whole the share price has not changed significantly (in US dollar terms). A more detailed account of these developments is given in the Managing director's report below together with views on prospects going forward post the partnership with Johnson & Johnson.

More generally, global equity markets remained firm in 2014. As reported at the interim stage, the UK market was steady, trading within a tight range, despite the development of growing political and financial uncertainties worldwide. Equity markets had found continuing support from the high levels of liquidity being provided by central banks in the developed economies.

In the second half, however, increasing levels of market volatility were shown as geopolitical concerns began to be taken more seriously and the expectation of the first upward movement in interest rates in the USA and UK would soon occur after an unprecedentedly long period of unchanged and low rates. In the fourth quarter, the US and UK equity markets dipped by 10 percent only to recover swiftly to opening year levels as expectations of the proximity of interest rate rises then receded against a background of slowing economic growth in the USA arising out of the significantly stronger US dollar. Thus, the pattern of markets reacting primarily to expectations of changes in interest rates continued unabated in 2014.

The net asset value per ordinary share decreased to 78p (2013: 88p) on a diluted basis. Deducting prior charges at par, the net asset value per ordinary share decreased to 69p (2013: 84p).

Dividend

We are pleased to recommend an increased final dividend of 5.3p per ordinary share, which together with the interim dividend makes a total payment for the year of 8.0p (2013: 7.8p) per ordinary share. This represents an increase of 2.6 percent over the previous year's total dividend and a yield of 9.6 percent based on the share price of 83p at the end of the year. The final dividend will be payable on 26 June 2015 to shareholders on the register at 15 May 2015. 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

Equity markets in the UK and USA grew strongly in the first quarter of 2015 by 6 percent and in March exceeded the all time highs registered before the economic crash in 2008. The vast amounts of liquidity pumped into the markets by the central banks of the USA, UK and recently the Eurozone through their quantitative easing programmes have pushed up valuations in both equity and other investment markets as these newly created funds seek a home against a background of historically low and in some cases negative official interest rates.

It has to be asked how long this situation can continue as valuations start to be stretched and investment bubbles continue to inflate. In these conditions, any unexpected or even expected shock or change such as a rise in interest rates could lead to a sharp reversal in markets. As noted at the interim stage, we will measure any new investment decisions against the shorter term risks which the current situation poses. Given, however, that the market has continued to rise significantly despite growing uncertainties in the UK arising out of the forthcoming general election and more generally in the US, the

Chairman's statement (continued)

Eurozone and globally, we have started to reduce our exposure to the market and sterling by selling down some of our larger and previously core investment holdings in the UK.

As at 23 April 2015, our net assets had increased to £34.3 million, an increase of 26.6 percent since the beginning of the calendar year. This increase reflects a rise in the value of our US investments. This is equivalent to 97 pence per share (prior charges deducted at par) and 98 pence per share on a diluted basis. Over the same period the FTSE 100 increased 7.4 percent and the All Share Index increased 7.8 percent.

Anthony Townsend

29 April 2015

Managing Director's report

2014 saw the occurrence of a number of notable events both in markets generally and in relation to our own portfolio.

As reported at the interim stage, most leading economies, including the UK, finally returned to their pre-recession levels. However, the return to growth had been long and anaemic and economies were still very reliant on the vast levels of liquidity provided by central banks through quantitative easing programmes and the accompanying ultra low interest rates to maintain momentum. By the autumn of 2014, the Federal Reserve had completed its programme of quantitative easing but the softness of the recovery there combined with a strong dollar and continuing weakness globally prompted indications that it was in no hurry to commence raising rates at any time in the near future.

Developed countries sought to boost economic growth through both domestic demand and exports through the use of ultra low and in some cases negative official interest rates as a tool to achieve competitive currency devaluation and, in the case of countries such as Switzerland, Germany, Denmark and Norway, as a countermeasure against safe haven deposit inflows.

Oil prices fell by almost 50 percent over the year in reaction to muted global demand, the failure of OPEC to control supply and increasing production in the US and Canada coming on stream from fracking and tar sands sources. And although this began to stimulate some activity in retail demand in the US, the deflationary effect both in the US and globally only served to support central banks' determination to continue their liquidity provision operations, culminating in early 2015 with the European Central Bank finally introducing its own programme of quantitative easing in response to deflationary pressures in the Eurozone and continuing economic weakness arising out of debt-related austerity programmes.

This combination of circumstances gave rise to a number of effects, most significantly the boom in equity prices which by the turn of the year had reached all time highs in the USA having more than doubled there since 2008 and almost doubled in the UK as investors sought a home for the vast amount of liquidity being created by the central banks in the absence of any meaningful increases in retail bank domestic lending operations. However, because of investors' growing concerns over the many instances of global financial and geopolitical instability, investors at the same time also increased their exposure to the sovereign bonds of safe haven issuers such as the USA, Switzerland and Germany to the extent that short term yields became negative and long term yields remained at all time lows of below 1 percent.

In our portfolio, the underperformance reported at the interim stage due to the extreme volatility noted above in our major US investment, Geron Corporation, was reduced as a result of an improvement in the second half in the sterling value of this investment. During the year, the value of this investment both fell and rose over 50 percent for the reasons discussed below, closing the year approximately 30 percent below the year opening price in dollar terms. Excluding this investment, the portfolio achieved a positive return of approximately 2.8 percent, outperforming the benchmark indices. Over a period of two years and including this investment our portfolio achieved a total return of 34 percent, compared to a total return of 21 percent by our benchmark indices.

Managing Director's report (continued)

Geron Corporation

As mentioned above, Geron experienced a number of very notable events over the year which both boosted and decreased significantly the value of this investment over the period:

- The previously reported success of its clinical trial results in the treatment of Myelofibrosis, a blood cancer, using its proprietary drug Imetelstat, by its investigators at the Mayo Clinic in the USA had boosted its share price by 250 percent in late 2013 only for it to fall by over 50 percent in March 2014 following the imposition of a clinical hold on these trials by the US Federal Department of Health (FDA) pending clarification of certain observed low grade liver function abnormalities. This hold was partially lifted in June 2014 and then fully lifted in October 2014. Despite this, however, Geron's share price did not return to the higher levels of over \$5 prior to the imposition of the clinical hold but remained at approximately 50 percent below this level.
- In July 2014, Geron spun off its regenerative medicine (stem cell) business to shareholders in a new vehicle called Asterias Biotherapeutics. This important business which had previously represented a major part of Geron's operations and in which Geron was the acknowledged world leader had been inexplicably discontinued by Geron a year earlier. After its distribution to shareholders, including ourselves, the business was reactivated by new management, refinanced and separately listed. Since when, the market value of Asterias and accompanying options has more than doubled, thus creating additional value for Geron shareholders. We are most grateful to our own major shareholder, Romulus Films, who were instrumental in procuring the demerger and its financing.
- In November 2014, Geron announced a transformational partnership with Johnson & Johnson, the world's largest pharmaceutical company, to develop its Imetelstat oncology platform for which it will receive milestone payments of almost \$1 billion and a share of future royalties. This is a very advantageous transaction for Geron as it transfers the development of its ground breaking oncology technology to one of the world's most financially, technically and operationally strong pharmaceutical companies, thereby eliminating many of the risks encountered by small biotech companies seeking to bring a major new and disruptive product to market. Geron's share price rose by 250 percent on the announcement of this transaction as the market recognised its benefits; however, this remains far below the value achieved at the end of 2013 when the initial clinical trial results were revealed and before the Johnson & Johnson partnership was announced. For this reason, we believe that there is scope for significant value appreciation in Geron and we will remain invested until such time as the benefits of the Johnson & Johnson partnership begin to be fully recognised and valued by the market. We will also maintain our investments in Asterias Biotherapeutics and its parent Biotime Inc, both of which have performed well over the last year, as the regenerative medicine business of these two companies develops further in this increasingly important market over the coming years.

Outlook

The persistently low levels of volatility in equity markets during most of 2014 were puzzling given the array of financial, economic and geopolitical uncertainties which had been getting steadily more acute over the period.

Towards the end of 2014 and into 2015 markets finally recognised these uncertainties and began reinvesting in safe haven instruments such as developed country bonds, accepting in some case even negative returns as security against the perceived risks of deflation, long term stagnation and political instability. Nevertheless, equity market investment has continued to be favoured in a bid to find yield, resulting in stretched valuations developing in these markets.

Managing Director's report (continued)

In the UK, we have the additional uncertainty of a very unpredictable and potentially politically destabilising general election in May. The prospect of this has already caused markets to show increased volatility with the FTSE 100 rising and falling up to 5 percent a number of times in March and April.

Such volatility is only likely to increase as the election approaches and when combined more generally with the record growth seen in most equity markets over the past seven years despite the growing global economic and geopolitical uncertainties, we have as a precaution started to reduce our exposure to the market and sterling by selling down some of our larger and previously core investment holdings in the UK. We will maintain this cautionary stance for the foreseeable future until it is clear whether the various risks alluded to above are mitigated through successful management by central banks and governments of the difficulties and imbalances currently being experienced by economies, markets and countries around the world.

International Financial Reporting Standard (IFRS) 10

The introduction in 2014 of the new accounting standard IFRS 10 which affects the accounting treatment of the subsidiaries of investment companies has required us to change the presentation of our accounts from consolidated group accounts to accounts of the parent company only. As a result, we no longer show all the assets and movements within the parent company and its subsidiaries grouped together, but instead we are now required to show only the assets and movements of the parent company plus a fair value investment valuation of the subsidiaries in the parent, without an account of the operations of those subsidiaries.

We understand that this change, which we believe is singularly unhelpful for an investment trust group such as ourselves for the reasons given below, was in response to representations made by the private capital industry whose typical structure comprises a group of disparate investment vehicles which they believe is not susceptible to a consolidation approach.

Because of a very late and substantial amendment introduced in December 2014 by the International Accounting Standards Board to the precise definitions contained in IFRS 10, we are advised that this now applies to our structure as a group of subsidiary investment companies below an authorised investment trust parent. It is most unfortunate that this late amendment has resulted in our having to apply two different bases of accounting within the same year (our 2014 interim accounts were prepared on a consolidated basis), but more importantly we believe that going forward having to present our accounts on the IFRS and non-consolidated basis is, in our case, very disadvantageous to our shareholders and potential investors, reducing greatly the level of transparency within the group and the visibility of our group's investment performance and potential.

For example, as the individual operations of the subsidiary companies are not reported upon in this new presentation, the level of film royalties earned by our film library subsidiary is no longer shown. Nor is the level of property related income received by another subsidiary shown. Instead, a fair value calculation of these assets is made (resulting this year in a write up of the value of the film library by £795,000 as part of the fair value investment valuation by the parent company in its subsidiaries). No reporting of the level or pattern of film or other income in the subsidiaries is made on which shareholders or potential investors could form a view of the quantum, balance, valuation and future income potential of these assets and the group as a whole. Similarly, all other operations of the subsidiary companies whether income or expenditure in nature (ie dividend or non-dividend income, management expenses or interest costs) and their investments are no longer reported upon and remain obscure.

Managing Director's report (continued)

We do not believe that this is at all helpful for investors in a listed investment trust seeking to evaluate and understand the existing value and future potential of their investment. For this reason, we have decided to include in a separate note an account of the film and property revenues received by the subsidiaries, both of which are important elements in our group's operations by providing an alternative and steady source of income which we know is of interest to investors and differentiates our group from other investment trusts.

Furthermore, we believe that this new presentation of our accounts is likely to add considerable volatility to the reporting of earnings in the years to come. This is because the income of the subsidiaries is no longer reported (as noted above) and consequently, unless the subsidiaries' income is distributed up to the parent during the year, our accounts will no longer show total group income. In previous years we have both distributed such income and not distributed it, depending on circumstances such as the availability of distributable reserves in the various parts of the group, the nature of the income (whether for example income or capital gain) and varying levels of expenditure in any one year. Clearly, it is a disadvantage for investors not to have the visibility of a relatively predictable pattern of group income and by extension an understanding of the distributable reserves potential within the group available for future dividend payments. Income generation and sustainability, portfolio yield and dividend potential are some of the most important metrics which investors use to analyse and evaluate investment trusts and these will be considerably less visible, if measurable at all on a group basis, under the new reporting format.

It is a great pity that by the introduction of IFRS 10 in an inflexible way the accounting standards profession has once again failed in our case to address the realities and requirements of all companies to which it seeks to apply its rules.

Jonathan Woolf

29 April 2015

Strategic Report (continued)

Financial highlights

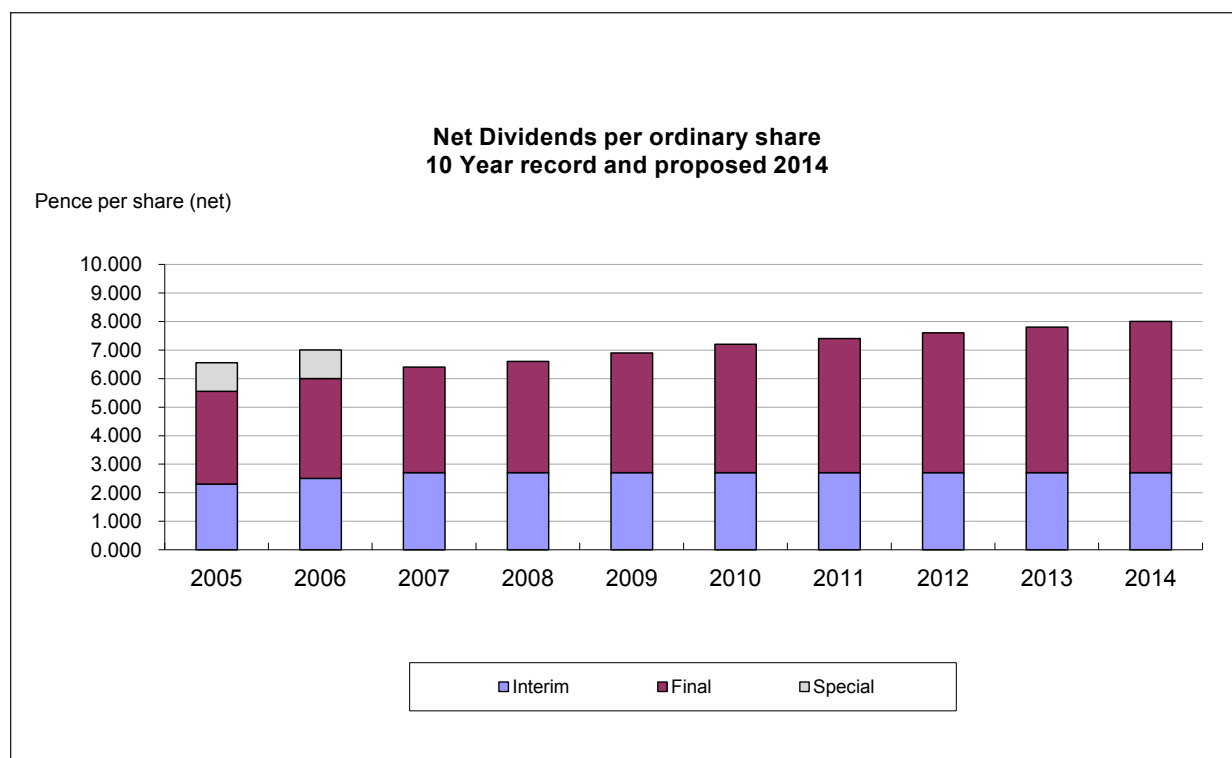
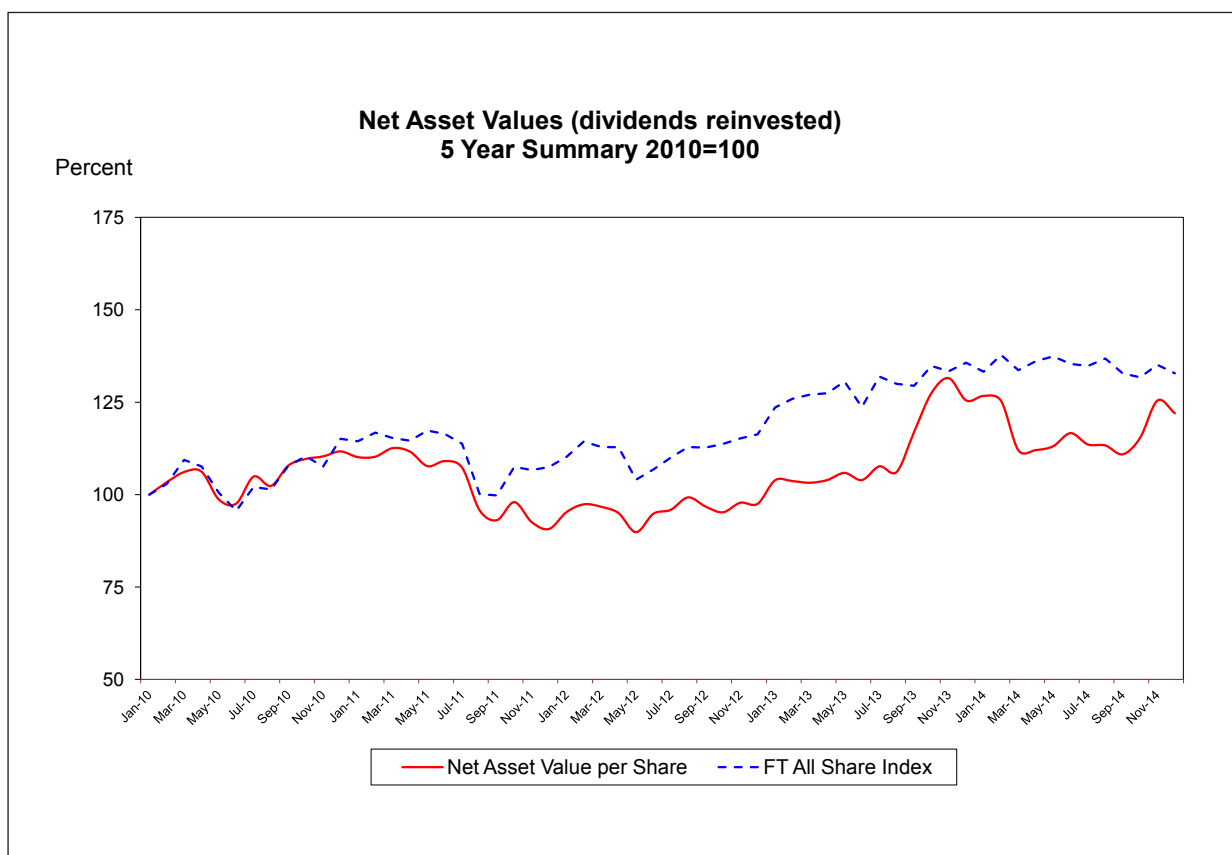
For the year ended 31 December 2014

| | 2014 | | | 2013 (restated) | | |
|--|---------------------------|---------------------------|---------------|---------------------------|---------------------------|---------------|
| | Revenue return £000 | Capital return £000 | Total £000 | Revenue return £000 | Capital return £000 | Total £000 |
| Profit/(loss) before tax – realised | 2,416 | (713) | 1,703 | 2,696 | (6,222) | (3,526) |
| (Loss)/profit before tax – unrealised | – | (3,226) | (3,226) | – | 11,018 | 11,018 |
| (Loss)/profit before tax – total | 2,416 | (3,939) | (1,523) | 2,696 | 4,796 | 7,492 |
| Earnings per £1 ordinary share – basic | 8.48p | (15.76)p | (7.28)p | 9.57p | 19.18p | 28.75p |
| Earnings per £1 ordinary share – diluted | 7.06p | (11.25)p | (4.19)p | 7.83p | 13.70p | 21.53p |
| Net assets | | | 27,126 | | | 30,895 |
| Net assets per ordinary share | | | | | | |
| – deducting preference shares at par | | | 69p | | | 84p |
| – diluted | | | 78p | | | 88p |
| Diluted net asset value per ordinary share at 23 April 2015 | | | 98p | | | |
| Dividends declared or proposed for the period | | | | | | |
| per ordinary share – interim paid | | | 2.7p | | | 2.7p |
| – final proposed | | | 5.3p | | | 5.1p |
| 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 | | |
|---|--------------|-------------|-------------|
| | 23 April | 31 December | 31 December |
| | 2015 | 2014 | 2013 |
| | £000 | £000 | £000 |
| Investment Trusts (equities) | 8,452 | 10,266 | 12,347 |
| Biomedical – USA | 9,100 | 6,611 | 8,947 |
| Biotechnology | 3,852 | 2,398 | 1,175 |
| Unit trusts | 2,391 | 2,125 | 2,029 |
| Life Assurance | 895 | 1,525 | 2,265 |
| Software and computer services | 561 | 468 | 553 |
| Pharmaceuticals and healthcare | 2,911 | 231 | 30 |
| Other Financial | 133 | 96 | 84 |
| Support services | 203 | 82 | 77 |
| Telecommunications | 46 | 44 | 52 |
| Media | 57 | 44 | – |
| Leisure and hotels | 43 | 42 | 61 |
| Oil & Gas Producers | 512 | 41 | – |
| Financial services | 19 | 16 | 18 |
| Overseas | 2 | 2 | 1 |
| Bank retail | 16 | – | – |
| Transport | 44 | – | – |
| Total quoted equities | 29,237 | 23,991 | 27,639 |
| Fixed Interest stocks | 867 | 1,051 | 1,000 |
| Preference shares | 729 | 676 | 617 |
| Permanent interest bearing | 349 | 330 | 303 |
| | 31,182 | 26,048 | 29,559 |
| Unquoted convertible instrument - Biotechnology | 1,329 | 1,286 | – |
| Unquoted subsidiaries* | 6,896 | 6,499 | 8,338 |
| | 39,407 | 33,833 | 37,897 |
| Derivatives – traded options | – | 87 | 395 |
| Balances at banks and stockbrokers | 1,330 | 250 | 225 |
| | 40,737 | 34,170 | 38,517 |

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 (£5.5 million, 2013 – £7.5 million) with the balance split approximately equally between UK quoted investments, overseas quoted investments and UK commercial property unit trusts.

Strategic Report (continued)

Investment portfolio

At 31 December 2014

| <u>Company</u> | <u>Nature of business</u> | <u>Valuation £000</u> | <u>% of Portfolio</u> |
|---|--------------------------------|---------------------------|---------------------------|
| Geron Corporation (USA) | Biomedical | 6,611 | 19.54 |
| Dunedin Income Growth | Investment Trust | 2,645 | 7.82 |
| Biotime Inc (USA) | Biotechnology | 2,280 | 6.74 |
| British Assets Trust | Investment Trust | 1,969 | 5.82 |
| St James's Place Global Equity | Unit Trust | 1,902 | 5.62 |
| RIT Capital Partners | Investment Trust | 1,537 | 4.54 |
| Prudential | Life Assurance | 1,525 | 4.51 |
| Biotime Series A Convertible Preferred Stock | Biotechnology | 1,286 | 3.80 |
| Scottish American Investment Company | Investment Trust | 998 | 2.95 |
| Invesco Income Growth Trust | Investment Trust | 871 | 2.58 |
| Alliance Trust | Investment Trust | 838 | 2.48 |
| F&C Asset Management | | | |
| – 6.75% FRN Sub. Bonds 2026 | General financial | 597 | 1.76 |
| Royal & Sun Alliance Insurance Group | | | |
| 7.375% Cum. irred. preference shares £1 | Insurance – Non-Life | 531 | 1.57 |
| Shires Income | Investment Trust | 504 | 1.49 |
| Merchants Trust | Investment Trust | 470 | 1.39 |
| Rothschild Continuation Finance | | | |
| – 9% Perp. Sub. Gtd. Loan Notes | Financial | 454 | 1.34 |
| Earthport | Software and computer services | 406 | 1.20 |
| Barclays – 9% PIB Capital Bonds | Bank retail | 267 | 0.79 |
| Jupiter Income Trust | Unit Trust | 223 | 0.66 |
| Asterias Biotherapeutics | Pharmaceuticals | 204 | 0.60 |
| 20 Largest investments (excluding subsidiaries) | | 26,118 | 77.20 |
| Investment in subsidiaries | | 6,499 | 19.21 |
| Other investments (number of holdings : 24) | | 1,216 | 3.59 |
| Total investments | | 33,833 | 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 2014, 8.1% 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, Alliance Trust, 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.

Strategic Report (continued)

Five year record (restated to separate company only basis where indicated)

Capital

| At 31 December | Equity shareholders' funds £000 (restated) | Net asset value per share (diluted) pence (restated) | Share price pence | (Discount)/premium (diluted) % (restated) |
|----------------|--|--|----------------------|--|
| 2010 | 33,232 | 94.9 | 73.0 | (23.1) |
| 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 |

Revenue

| Year to 31 December | Total income £000 (restated) | Profit after tax £000 (restated) | Earnings per ordinary share (diluted) pence (restated) | Ongoing charges % (restated) | Dividend per ordinary share (net) pence |
|------------------------|---------------------------------------|---|--|---------------------------------------|--|
| 2010 | 2,557 | 2,268 | 6.48 | 1.56 | 7.20 |
| 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 |

Earnings per ordinary share (diluted) is based on the revenue column of the (Loss)/profit 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 (2009=100)

| Year to 31 December | Net asset value total return (restated) | AIC NAV Sector return | Share price total return | AIC Share price Sector return | FTSE All Share total return |
|------------------------|---|--------------------------|-----------------------------|----------------------------------|--------------------------------|
| 2009 | 100 | 100 | 100 | 100 | 100 |
| 2010 | 109 | 116 | 89 | 125 | 115 |
| 2011 | 94 | 119 | 88 | 127 | 110 |
| 2012 | 100 | 137 | 111 | 149 | 124 |
| 2013 | 122 | 179 | 172 | 193 | 150 |
| 2014 | 118 | 185 | 146 | 198 | 152 |

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 to 5 and in the Managing Director's Report on pages 6 to 9.

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 35 UK quoted companies, investment in subsidiaries (19.0% of the portfolio) and 9 overseas quoted companies.

Historically, investments in other investment trusts have accounted for approximately 50 (currently 30.0%) 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 (19.4%) and UK insurance (6.0%) sectors. Smaller size investments are made in other UK listed companies (currently 10, accounting for 2.0% of the portfolio) and further risk diversification is achieved by investment in fixed income securities (currently 3.1%).

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 2014 the company's gearing was 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 8.5% 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 10, 11 and 14.

The board also considers peer group comparative performance.

The review of the business is included in the Chairman's Statement on pages 3 to 5 and Managing Director's Report on pages 6 to 9. Information on movements in the NAV and on investments since the year end is included on pages 10 and 12 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 48 to 52. The other principal risks to the company are loss of investment trust status, which is explained on page 15 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.

Financials

The financial highlights for the year under review are as follows: the net asset value per share assuming conversion of the preference shares decreased by 12.2% on a diluted basis during the year, compared to a decrease in the benchmark of 2.1%, ordinary share dividends increased by 2.6% to 8.0p per share and the premium of the share price over the net asset value per share assuming conversion of the preference shares moved from 20.6% to 7.1% at the year end.

Business review (continued)

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 2014, the Board consisted of four males. The Board's statement on diversity is set out in the Statement of Corporate Governance on page 59.

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 page 60.

In relation to greenhouse gas emissions, 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.

The number of directors and employees during the year were 11 (2013 – 11).

| | 2014 | | 2013 | |
|---------------------------|------|--------|------|--------|
| | Male | Female | Male | Female |
| Directors (non-executive) | 3 | 0 | 3 | 0 |
| Directors (executive) | 1 | 0 | 1 | 0 |
| Employees | 1 | 6 | 1 | 6 |

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.

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 performance, business model and strategy.

The Strategic report, which includes pages 3 to 18, was approved by the board and signed on its behalf by:

J C Woolf
Director
29 April 2015

Directors' report

For the year ended 31 December 2014

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 2014.

Change to the basis of reporting the financial statements

Shareholders should note that, we are now presenting single company accounts under IFRS (International Financial Reporting Standards) and not, as previously, consolidated IFRS accounts and company accounts under UK GAAP. Following an amendment introduced in IFRS 10, the group is no longer allowed to consolidate its subsidiaries and therefore instead of preparing group accounts it will prepare separate financial statement for the parent entity only. In order to promote consistency with the way that the group accounts were previously prepared, the company has changed from UK GAAP to IFRS in 2014.

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.

At the half year we considered that all three subsidiaries (direct and indirect) provided the services referred to above and, accordingly, should be consolidated in the group results for the six months to 30 June 2014.

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 now be valued at fair value through profit or loss, and no longer be consolidated.

The financial statements on pages 28 to 54 therefore now comprise the results of the company only, with prior year comparatives restated.

A review of the company's activities is given in the Strategic Report on pages 3 to 18. 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 seventh Annual General Meeting of the company to be held on Thursday 25 June 2015.

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 2014.

| | Revenue | Capital | Total |
|--|-----------------|----------------|----------------|
| | £000 | £000 | £000 |
| Loss before tax | 2,416 | (3,939) | (1,523) |
| Tax | 54 | – | 54 |
| Loss after tax | <u>2,470</u> | <u>(3,939)</u> | <u>(1,469)</u> |
| Dividends | Pence per share | | £000 |
| Interim per £1 ordinary share (paid 6 November 2014) | | 2.7 | 675 |
| 3.5% preference share paid (paid 6 November 2014) | | 1.75 | 175 |
| Final per £1 ordinary share – proposed | | 5.3 | 1,325 |
| 3.5% preference share (payable 26 June 2015) | | <u>1.75</u> | <u>175</u> |
| | | | <u>2,350</u> |

Directors' report (continued)

The dividends proposed above will be paid on 26 June 2015 to ordinary shareholders on the register at 15 May 2015 and to 3.5% preference shareholders on the register at 31 December 2014.

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 director retiring by rotation is Mr JC Woolf who, being eligible, offers himself 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 19 years service, Mr JAV Townsend 15 years service and Mr RG Paterson 14 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 2014 had interests in the shares of the company as follows:

| | 2014 | | 2013 | |
|---|------------|----------------|------------|----------------|
| | 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%) (2013 – 6,902,812 (27.6%)) ordinary shares held by Romulus Films Ltd, 7,868,750 (31.5%) (2013 – 7,868,750 (31.5%)) ordinary shares held by Remus Films Ltd and 1,000,000 (4.0%) (2013 – 1,000,000 (4.0%)) ordinary shares held by PKL Pictures Limited. Romulus Films Ltd also holds 10,000,000 cumulative convertible preference shares (2013 – 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 2015 the directors had been notified of the following interests of 3% or more of either class:

| | Number of shares held | % | Number of shares held | % |
|--|--------------------------|-----|--------------------------|-----|
| | 29 April 2015 | | 31 December 2014 | |
| 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.

Directors' report (continued)

Share Capital

Capital Structure

The company's capital comprises £35,000,000 (2013 – £35,000,000) being 25,000,000 ordinary shares of £1 (2013 – 25,000,000) and 10,000,000 non-voting convertible preference shares of £1 each (2013 – 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 67.

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 2014. It is intended that this policy will continue for the year ended 31 December 2015 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

Directors' report (continued)

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 62 to 66. 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 55 to 61 (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 2014 (2013 – 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 2015

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

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 2014 and of its loss 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.

What we have audited

British & American Investment Trust PLC's financial statements 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.

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that are, in our judgement, likely to be most important to users' understanding of our audit.

Ownership and valuation of investments

The risk: The company's business is investing predominantly in investment trusts and other leading UK quoted 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 ownership and valuation of the investment portfolio as a risk that requires particular audit attention.

Our response: Our audit work included, but was not restricted to, understanding management's process to recognise and measure investments including ownership of those investments through discussions with management and observation of the process, obtaining a confirmation of investments held at the year-end directly from the independent custodian, testing a selection of investment additions and disposals shown in the company's records to trade tickets and bank statements, recalculating the realised gains made on a selection of disposals and agreeing the valuation of quoted investments to an independent source of market prices.

For unquoted investments, we have confirmed the ownership of the investments directly with the underlying investments entities. In addition, we have considered whether the investments have been valued in accordance with the stated accounting policy, discussed the valuation basis with management, reviewed and challenged the basis and reasonableness of the assumptions and judgements made by management through testing key financial data inputs to external sources, including data for comparable companies, as applicable, and comparing estimations made by management to an acceptable range formed by our valuation experts.

The accounting policy on the valuation of investments is shown in note 1(c) and disclosures about the investment portfolio at the year-end are included in note 9. The Audit Committee identified the valuation and ownership of investments as a significant matter in its report on page 57.

Independent auditor's report (continued)

Completeness and occurrence of investment income

The risk: Investment income is the company's major source of revenue and a significant, material item in the Income Statement. Accordingly, the recognition of investment income is a risk that requires particular audit attention.

Our response: Our audit work included, but was not restricted to, assessing whether the company's accounting policy for revenue recognition is in accordance with International Accounting Standard (IAS) 18 'Revenue', obtaining an understanding of management's process to recognise revenue in accordance with the stated accounting policy, testing whether income transactions had been recognised in accordance with the policy by, for a sample of investments held in the year, obtaining the ex-dividend dates and rates for dividends declared during the year from an independent source and agreeing the expected dividend entitlements to those recognised; performing cut-off testing of dividend income around the year-end, and checking the classification of special dividends as either revenue or capital receipts.

For investment income from unquoted investments, we tested the investment income that the company was entitled to during the year directly with the underlying investment entities.

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.

Consolidated and separate financial statements

The risk: The company owns three subsidiaries in total which were consolidated under the old IFRS standards. The introduction of IFRS 10 which is applicable for periods beginning 1 January 2014 had implications on the treatment of the subsidiaries, depending on whether the company meets the definition of an investment entity, and more particularly whether the subsidiaries themselves are investment entities and whether the provision of investment-related services to the company by them affects this analysis. Accordingly, the treatment of the company's subsidiaries has a material effect on the presentation and disclosure of the financial statement. If the subsidiaries are deemed to be investment entities then the company accounts for them in separate financial statements at fair value through profit and loss. If they are not investment entities then group accounts are prepared with the subsidiaries consolidated on a line by line basis. We therefore identified the treatment of subsidiaries as a risk that requires particular audit attention.

Our response: We challenged the judgements and assumptions that management have exercised in determining whether subsidiaries should be consolidated or measured at fair value under IAS39 by meeting the definition of investment entities. This involved an assessment of the investment entity criteria in IFRS 10 and in particular whether the business of the subsidiaries is to seek returns from capital appreciation and investment income. This included analysis of the group structure and the activities and purposes of the relevant companies through discussion with the management, by inspection of records and by testing that the underlying investments of the subsidiaries are measured and evaluated on a fair value basis.

The directors concluded that the subsidiaries should be treated as investments measured at fair value through profit or loss in accordance with IAS39. The accounting policy on the treatment of the subsidiaries is shown in note 1(a) and disclosures about the investment portfolio at the year-end are included in note 9.

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 determined materiality

Independent auditor's report (continued)

for the audit of the financial statements as a whole to be £271,000, which is 1% of company's net assets. This benchmark is considered most appropriate because net assets, which is primarily composed of the company's investment portfolio, is considered to be the key driver of the company's total return performance. 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 the revenue column of the Income Statement of £153,000. We also determine specific materiality for certain other areas such as directors' remuneration and related party transactions.

We determined a threshold at which we communicate misstatements to the Audit Committee of £14,000, while also communicating misstatements below that threshold that warrant reporting on qualitative grounds.

Overview of the scope of our audit

We conducted our audit in accordance with International Standards on Auditing (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. Our audit work includes obtaining an understanding of, and evaluating, internal controls at the company and the relevant third-party service provider. This included consideration of internal controls at the company's custodian. We undertook 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 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

We have nothing to report in respect of the following:

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.

Independent auditor's report (continued)

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.

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' statement, set out on page 23, in relation to going concern; and
- the part of the Statement of Corporate Governance relating to the company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

Responsibilities for the financial statements and the audit

What an audit of financial statements involves:

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

What the directors are responsible for:

As explained more fully in the Statement of Directors' Responsibilities set out on page 23, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Julian Bartlett

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

29 April 2015

Income statement

For the year ended 31 December 2014

| | | 2014 | | | 2013 (restated) | | |
|---|-------|---------------------------|---------------------------|----------------|---------------------------|---------------------------|---------------|
| | Notes | Revenue return £000 | Capital return £000 | Total £000 | Revenue return £000 | Capital return £000 | Total £000 |
| Investment income | 2 | 2,871 | – | 2,871 | 3,073 | – | 3,073 |
| Holding (losses)/gains on investments at fair value through profit or loss | 9 | – | (3,226) | (3,226) | – | 11,018 | 11,018 |
| Losses on disposal of investments at fair value through profit or loss | 9 | – | (313) | (313) | – | (6,013) | (6,013) |
| Foreign exchange losses | | – | (147) | (147) | – | – | – |
| Expenses | 3 | (398) | (225) | (623) | (372) | (209) | (581) |
| (Loss)/profit before finance costs and tax | | 2,473 | (3,911) | (1,438) | 2,701 | 4,796 | 7,497 |
| Finance costs | | (57) | (28) | (85) | (5) | – | (5) |
| (Loss)/profit before tax | | 2,416 | (3,939) | (1,523) | 2,696 | 4,796 | 7,492 |
| Tax | 6 | 54 | – | 54 | 46 | – | 46 |
| (Loss)/profit for the period | | 2,470 | (3,939) | (1,469) | 2,742 | 4,796 | 7,538 |
| Earnings per share | | | | | | | |
| Basic - ordinary shares | 7 | 8.48p | (15.76)p | (7.28)p | 9.57p | 19.18p | 28.75p |
| Diluted - ordinary shares | 7 | 7.06p | (11.25)p | (4.19)p | 7.83p | 13.70p | 21.53p |

The company does not have any income or expense that is not included in the profit for the period. Accordingly, the '(Loss)/profit 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 32 to 54 form part of these financial statements.

Statement of changes in equity

31 December 2014

| | Notes | Share capital £000 | Capital reserve £000 | Retained earnings £000 | Total £000 |
|--|-------|--------------------------|----------------------------|------------------------------|---------------|
| Balance at 31 December 2012 - restated* | | | | | |
| (note 20(c)) | | 35,000 | (11,151) | 1,758 | 25,607 |
| Changes in equity for 2013 - restated* | | | | | |
| Profit for the period | | — | 4,796 | 2,742 | 7,538 |
| Ordinary dividend paid | 8 | — | — | (1,900) | (1,900) |
| Preference dividend paid | 8 | — | — | (350) | (350) |
| Balance at 31 December 2013 - restated* | | 35,000 | (6,355) | 2,250 | 30,895 |
| (note 20(a)) | | | | | |
| 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 |

restated* - see note 20 on pages 53 and 54

Balance sheet

31 December 2014

Registered number: 00433137

| | Notes | 2014 | 2013 | 2012 |
|--|-------|----------------|---------------------|---------------------|
| | | £000 | (restated*) £000 | (restated*) £000 |
| Non - current assets | | | | |
| Investments - fair value through profit or loss | 9 | 27,334 | 29,559 | 18,654 |
| Subsidiaries - fair value through profit or loss | 9 | 6,499 | 8,338 | 4,526 |
| | | <u>33,833</u> | <u>37,897</u> | <u>23,180</u> |
| Current assets | | | | |
| Receivables | 11 | 1,406 | 1,647 | 2,943 |
| Derivatives - fair value through profit or loss | | 87 | 395 | 2,635 |
| Cash and cash equivalents | | 250 | 225 | 716 |
| | | <u>1,743</u> | <u>2,267</u> | <u>6,294</u> |
| Total assets | | <u>35,576</u> | <u>40,164</u> | <u>29,474</u> |
| Current liabilities | | | | |
| Trade and other payables | 12 | 1,414 | 3,690 | 1,293 |
| Bank loan | 12 | 2,743 | 1,448 | – |
| | | <u>(4,157)</u> | <u>(5,138)</u> | <u>(1,293)</u> |
| Total assets less current liabilities | | <u>31,419</u> | <u>35,026</u> | <u>28,181</u> |
| Non - current liabilities | 13 | (4,293) | (4,131) | (2,574) |
| Net assets | | <u>27,126</u> | <u>30,895</u> | <u>25,607</u> |
| Equity attributable to equity holders | | | | |
| Ordinary share capital | 14 | 25,000 | 25,000 | 25,000 |
| Convertible preference share capital | | 10,000 | 10,000 | 10,000 |
| Capital reserve | 15 | (10,294) | (6,355) | (11,151) |
| Retained revenue earnings | 15 | 2,420 | 2,250 | 1,758 |
| Total equity | | <u>27,126</u> | <u>30,895</u> | <u>25,607</u> |

*restated - see note 20

The notes on pages 32 to 54 form part of these financial statements.

The financial statements on pages 28 to 54 were approved by the board of directors on 29 April 2015.

Jonathan Woolf

Managing Director

Cash flow statement

For the year ended 31 December 2014

| | Notes | 2014 £000 | 2013 £000 |
|---|-------|--------------|--------------|
| Cash flow from operating activities | | | |
| (Loss)/profit before tax | | (1,523) | 7,492 |
| Adjustment for: | | | |
| Losses/(profits) on investments | | 3,539 | (5,005) |
| Scrip dividends | | (25) | (9) |
| Income tax deducted at source | | – | (83) |
| Proceeds on disposal of investments at fair value through profit or loss | | 5,866 | 22,129 |
| Purchases of investments at fair value through profit or loss | | (4,170) | (22,831) |
| Interest paid | | 85 | 5 |
| Operating cash flows before movements in working capital | | 3,772 | 1,698 |
| Increase in receivables | | (784) | (2,031) |
| (Decrease)/increase in payables | | (2,277) | 428 |
| Net cash from operating activities before interest | | 711 | 95 |
| Interest paid | | (85) | (5) |
| Net cash from operating activities after interest before taxation | | 626 | 90 |
| Taxation | | 54 | 46 |
| Net cash flows from operating activities | | 680 | 136 |
| Cash flows from financing activities | | | |
| Dividends paid on ordinary shares | 8 | (1,950) | (1,900) |
| Dividends paid on preference shares | 8 | – | (175) |
| Bank loan | | 1,295 | 1,448 |
| Net cash used in financing activities | | (655) | (627) |
| Net increase/(decrease) in cash and cash equivalents | | 25 | (491) |
| Cash and cash equivalents at beginning of year | | 225 | 716 |
| Cash and cash equivalents at end of year | | 250 | 225 |

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

Notes to the financial statements

31 December 2013

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 IASB that remain in effect, and to the extent they have been adopted by the European Union.

The company used to publish group accounts for British & American Investment Trust PLC Group which were prepared under IFRS. Following an amendment introduced in IFRS 10, the group is no longer allowed to consolidate its subsidiaries and therefore instead of preparing group accounts it will prepare separate financial statements for the parent entity only. In order to promote consistency with the way that the group accounts were previously prepared, the company has changed from UK GAAP to IFRS in 2014. The disclosures required by IFRS 1 'First-time Adoption of International Financial Reporting Standards' concerning the transition from UK GAAP to IFRS are given on pages 53 and 54.

The financial statements have been prepared on the historical cost basis except for the measurement at fair value of investments, derivative financial instruments, and subsidiaries. The same accounting policies as those published in the statutory accounts for 31 December 2013 have been applied except as noted below:

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 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. 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 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 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. It has been concluded that the company will prepare separate financial statements under IFRS for the year ended 31 December 2014.

The adjustments made to the balance sheet and the income statement on implementation of the new accounting policies can be found in Note 20 on pages 53 and 54.

Notes to the financial statements (continued)

All comparative information, including primary statements and relevant notes have been restated.

The impact of adopting Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) is the deconsolidation of assets, liabilities, income and expenses of the subsidiary entities which were previously consolidated on a line by line basis. Investments in subsidiaries are now included in the Subsidiaries - fair value through profit or loss line of the balance sheet with movements recognised through the income statement. Apart from IFRS 10 Consolidated Financial Statements the same accounting policies, presentations and methods of computation are followed in these financial statements as were applied in the company's last annual audited consolidated financial statements.

Where presentational guidance set out in the Statement of Recommended Practice (SORP) for investment trusts revised by the Association of Investment Companies (AIC) in January 2009 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 except for IFRS 10 'Consolidated Financial Statements' and IFRS 9 'Financial Instruments'. The company has implemented IFRS 10 of which the impact is noted above.

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.

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

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% (2013 - 50%) to revenue and 50% (2013 - 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. Previously there were no significant borrowings and finance charges were allocated to revenue only. The policy has been changed this year to reflect where borrowings have been made specifically to acquire investments. Interest is allocated to capital only where the amount of loan is clearly identifiable with a corresponding investment.

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.

Notes to the financial statements (continued)

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

| | 2014 | 2013 |
|-------------------------------------|--------------|--------------|
| | £000 | £000 |
| Income from investments | | |
| UK dividends | 528 | 2,431 |
| Overseas dividends | 42 | 484 |
| Scrip and in specie dividends | 25 | 9 |
| Dividend from subsidiary | 2,151 | – |
| Interest on fixed income securities | 103 | 102 |
| | <u>2,849</u> | <u>3,026</u> |
| Other income | 22 | 47 |
| Total income | <u>2,871</u> | <u>3,073</u> |
| Total income comprises: | | |
| Dividends | 2,746 | 2,924 |
| Interest | 103 | 102 |
| Gain on foreign exchange | – | 46 |
| Other interest | 22 | 1 |
| | <u>2,871</u> | <u>3,073</u> |
| Income from investments: | | |
| Listed investments | 595 | 2,924 |
| Unlisted investments | 2,151 | – |
| | <u>2,746</u> | <u>2,924</u> |

Notes to the financial statements (continued)

Of the £2,746,000 (2013 – £2,924,000) dividends received, £nil (2013 – £2,351,000) related to special and other dividends received from investee companies that were bought after the dividend announcement. There was a corresponding capital loss of £nil (2013 – £2,442,000), on these investments.

Under IFRS 10 the income analysis this year is for the parent company only rather than that of the consolidated group shown in previous years. Thus film revenues of £165,000 (2013 – £138,000) received by the subsidiary British and American Films Limited and property unit trust income of £24,000 (2013 – £22,000) received by the subsidiary BritAm Investments Limited are shown separately in this paragraph.

| 3 Administrative expenses | 2014 | 2013 |
|---|-----------|-----------|
| | £000 | £000 |
| Staff costs – including executive director (Notes 4 and 5) | 442 | 411 |
| 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 | 37 | 30 |
| Fees payable to the company's auditor for other services: | | |
| – other services relating to taxation compliance | 11 | 10 |
| – half yearly report | 7 | 7 |
| Other | 54 | 53 |
| Irrecoverable VAT | 20 | 18 |
| | <hr/> 623 | <hr/> 581 |

4 Directors' remuneration

Directors' remuneration is disclosed in the Directors' remuneration report on page 62.

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.

Notes to the financial statements (continued)

5 Staff costs

| | 2014 | 2013 |
|---------------------------------------|------------|------------|
| | £000 | £000 |
| Wages and salaries | 353 | 330 |
| Social security costs | 47 | 43 |
| Pensions and post-retirement benefits | 42 | 38 |
| | <u>442</u> | <u>411</u> |

The average number of persons (including the executive director) employed during the year was 8 (2013 – 8).

| | 2014 | 2013 |
|----------------|----------|----------|
| | Number | Number |
| Investment | 2 | 2 |
| Administration | 6 | 6 |
| | <u>8</u> | <u>8</u> |

6 Tax

The tax credit for the year is £54,000 (2013 – £46,000) being losses surrendered to the company's subsidiaries at 20%. Allowable expenses of the company exceed taxable income.

Corporation tax is calculated at 20% (2013 – 20%) 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% (2013 – 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 with the remainder being surrendered at nil.

Notes to the financial statements (continued)

6 Tax (continued)

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

| | 2014 | | | 2013 | | |
|--|---------|---------|---------|---------|---------|---------|
| | Revenue | Capital | Total | Revenue | Capital | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Total (loss)/profit before tax | 2,416 | (3,939) | (1,523) | 2,696 | 4,796 | 7,492 |
| Tax at the UK corporation tax rate of 20% (2013 - 20%) | (483) | 788 | 305 | (539) | (959) | (1,498) |
| Tax effect of non-taxable and scrip dividends | 549 | – | 549 | 585 | – | 585 |
| Free group relief | (12) | (80) | (92) | – | (42) | (42) |
| (Losses)/gains on investments that are not taxable | – | (708) | (708) | – | 1,001 | 1,001 |
| Tax credit | 54 | – | 54 | 46 | – | 46 |

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 £5,889 (2013 – £6,300) 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:

| | 2014 | | | 2013 | | |
|---------------------|---------|---------|---------|---------|---------|-------|
| | Revenue | Capital | Total | Revenue | Capital | Total |
| | return | return | | return | return | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Earnings: | | | | | | |
| Basic | 2,120 | (3,939) | (1,819) | 2,392 | 4,796 | 7,188 |
| Preference dividend | 350 | – | 350 | 350 | – | 350 |
| Diluted | 2,470 | (3,939) | (1,469) | 2,742 | 4,796 | 7,538 |

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 (2013 – 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 (2013 – 35 million) ordinary and preference shares in issue.

Notes to the financial statements (continued)

8 Dividends

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Amounts recognised as distributions to ordinary shareholders in the period: | | |
| Dividends on ordinary shares: | | |
| Final dividend for the year ended 31 December 2013 of 5.1p (2012 – 4.9p) per share | 1,275 | 1,225 |
| Interim dividend for the year ended 31 December 2014 of 2.7p (2013 – 2.7p) per share | 675 | 675 |
| | <u>1,950</u> | <u>1,900</u> |
| Proposed final dividend for the year ended 31 December 2014 of 5.3p (2013 – 5.1p) per share | <u>1,325</u> | <u>1,275</u> |
| | 2014 £000 | 2013 £000 |
| Dividends on 3.5% cumulative convertible preference shares: | | |
| Preference dividend for the 6 months ended 31 December 2013 of 1.75p (2012 – 1.75p) per share | 175 | 175 |
| Preference dividend for the 6 months ended 30 June 2014 of 1.75p (2013 – 1.75p) per share | 175 | 175 |
| | <u>350</u> | <u>350</u> |
| Proposed preference dividend for the 6 months ended 31 December 2014 of 1.75p (2013 – 1.75p) per share | <u>175</u> | <u>175</u> |

The preference dividends for the 6 months ended 31 December 2013 and the 6 months ended 30 June 2014 were paid as dividends 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.

Notes to the financial statements (continued)

8 Dividends (continued)

Dividends proposed for the period

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Dividends on ordinary shares: | | |
| Interim dividend for the year ended 31 December 2014 of 2.7p (2013 – 2.7p) per share | 675 | 675 |
| Proposed final dividend for the year ended 31 December 2014 of 5.3p (2013 – 5.1p) per share | 1,325 | 1,275 |
| | <u>2,000</u> | <u>1,950</u> |
| Dividends on 3.5% cumulative convertible preference shares: | | |
| Preference dividend for the year ended 31 December 2014 of 1.75p (2013 – 1.75p) per share | 175 | 175 |
| Proposed preference dividend for the year ended 31 December 2014 of 1.75p (2013 – 1.75p) per share | 175 | 175 |
| | <u>350</u> | <u>350</u> |

9 Investments – fair value through profit or loss

| | 2014 £000 | 2013 (restated) £000 | 2012 (restated) £000 |
|---|---------------|----------------------------|----------------------------|
| Investments quoted on a recognised investment exchange | 26,048 | 29,559 | 18,654 |
| Unquoted investments | | | |
| – Subsidiary undertakings (Note 10) | 6,499 | 8,338 | 4,526 |
| – Convertible instrument | 1,286 | – | – |
| | <u>33,833</u> | <u>37,897</u> | <u>23,180</u> |

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 37). Film rights are valued at fair value £870,031 (2013 – £946,590 and 2012 – £1,005,009).

Notes to the financial statements (continued)

9 Investments – fair value through profit or loss

December 2012

| | Quoted in UK £000 | Quoted overseas £000 | Unlisted UK* £000 | Total £000 |
|--|----------------------|----------------------------|----------------------|---------------|
| Opening cost | 13,089 | 6,387 | 6,948 | 26,424 |
| Investment holding (losses)/gains (restated) | 4,833 | (4,958) | (3,554) | (3,679) |
| Opening fair value at 1 January 2012 (restated) | 17,922 | 1,429 | 3,394 | 22,745 |
| Purchases at cost | 13,658 | 4,982 | – | 18,640 |
| Sales – proceeds | (14,603) | (3,637) | – | (18,240) |
| – losses on sales | (1,160) | (777) | – | (1,937) |
| Increase/(decrease) in investment holding gains/(losses) (restated) | 1,526 | (686) | 1,132 | 1,972 |
| Closing fair value (restated) | 17,343 | 1,311 | 4,526 | 23,180 |
| Closing cost | 12,031 | 4,601 | 6,948 | 23,580 |
| Investment holding (losses)/gains (restated) | 5,312 | (3,290) | (2,422) | (400) |
| Closing fair value at 31 December 2012 (restated) | 17,343 | 1,311 | 4,526 | 23,180 |

Notes to the financial statements (continued)

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

| December 2013 | Quoted | | | |
|---|----------------------|----------------------------|----------------------|---------------|
| | Quoted in UK £000 | overseas £000 | Unlisted UK* £000 | Total £000 |
| Opening cost | 12,031 | 4,601 | 6,948 | 23,580 |
| Investment holding (losses)/gains (restated) | 5,312 | (3,290) | (2,422) | (400) |
| Opening fair value at 1 January 2013 (restated) | 17,343 | 1,311 | 4,526 | 23,180 |
| Purchases at cost | 13,817 | 13,845 | – | 27,662 |
| Transfer | (190) | – | 190 | – |
| Sales – proceeds | (12,794) | (8,525) | – | (21,319) |
| – losses on sales | (1,850) | (604) | (190) | (2,644) |
| Increase in investment holding gains/(losses) (restated) | 3,120 | 4,086 | 3,812 | 11,018 |
| Closing fair value (restated) | 19,446 | 10,113 | 8,338 | 37,897 |
| Closing cost | 11,456 | 9,301 | 6,948 | 27,705 |
| Investment holding gains (restated) | 7,990 | 812 | 1,390 | 10,192 |
| Closing fair value at 31 December 2013 (restated) | 19,446 | 10,113 | 8,338 | 37,897 |
| December 2014 | | | | |
| | Quoted in UK £000 | Quoted overseas £000 | Unlisted* £000 | Total £000 |
| Opening cost | 11,456 | 9,301 | 6,948 | 27,705 |
| Investment holding gains (restated) | 7,990 | 812 | 1,390 | 10,192 |
| Opening fair value at 1 January 2014 (restated) | 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 |

Purchases of investments include scrip dividends of £25,000 (2013 – £9,000 and 2012 – £8,000). Sales of investments include dividends in specie of £350,000 (2013 – £175,000 and 2012 – £350,000).

*Level 3 investments

Notes to the financial statements (continued)

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 £13,594 (2013 – £25,929 and 2012 – £22,686) being £4,618 (2013 – £18,773 and 2012 – £14,746) on purchases and £8,976 (2013 – £7,156 and 2012 – £7,940) on sales.

Gains/(losses) on investments

| | 2014 | 2013 | 2012 |
|---|---------|---------|---------|
| | £000 | £000 | £000 |
| Gains/(losses) on disposal | 1,173 | (2,343) | (2,399) |
| (Losses)/gains on disposal recognised in prior years | (386) | (301) | 462 |
| | 787 | (2,644) | (1,937) |
| Losses on derivatives accounted for as current assets/(liabilities) | (938) | (1,812) | (204) |
| (Losses)/gains for provision for liabilities and charges | (162) | (1,557) | 79 |
| | (313) | (6,013) | (2,062) |
| Investment holding (losses)/gains in the year | (3,226) | 11,018 | 1,972 |
| | (3,539) | 5,005 | (90) |

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:

- The company obtains funds from more than one investors for the purpose of providing those investors with investment management services;
- The company commits to its investors that its business purpose is to invest funds solely for return from capital appreciation and investment income; and
- The company measures and evaluates the performance of substantially all of its investments on a fair value basis.

Under IFRS 10, entities that meet 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.

Notes to the financial statements (continued)

11 Receivables

| | 2014 | 2013 | 2012 |
|--|--------------|--------------|--------------|
| | £000 | £000 | £000 |
| Sales of investments awaiting settlement | – | – | 985 |
| Amount owed by subsidiary undertakings | 1,171 | 1,027 | 1,340 |
| Income tax recoverable | 83 | 83 | – |
| Group relief receivable | 54 | 460 | 415 |
| Prepayments and accrued income | 50 | 48 | 45 |
| Other debtors | 48 | 29 | 158 |
| | <u>1,406</u> | <u>1,647</u> | <u>2,943</u> |

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

12 Current liabilities

(a) Trade and other payables

| | 2014 | 2013 | 2012 |
|--|--------------|--------------|--------------|
| | £000 | £000 | £000 |
| Purchases of investments awaiting settlement | – | – | 1,219 |
| Other taxes and social security | 5 | 5 | 6 |
| Other payables | 18 | 34 | 25 |
| Amounts due to related parties | – | 182 | – |
| Amounts owed to subsidiary undertakings | 1,342 | 3,426 | – |
| Accruals and deferred income | 49 | 43 | 43 |
| | <u>1,414</u> | <u>3,690</u> | <u>1,293</u> |

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

(b) Bank loan

| | 2014 | 2013 | 2012 |
|--|--------------|--------------|----------|
| | £000 | £000 | £000 |
| | <u>2,743</u> | <u>1,448</u> | <u>–</u> |

On 15 May 2013 the company obtained a loan facility from UBS AG for 10,875,000 CHF and at 31 December 2014 the company has drawn down the sterling equivalent of £2,743,000 (2013 – £1,448,000 and 2012 – £nil) 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 2014 investments of fair value of £6,283,491 have been deposited with UBS AG as collateral.

Notes to the financial statements (continued)

13 Non - current liabilities

Guarantee of subsidiary liability

| | 2014 | 2013 | 2012 |
|-------------------------------|-------|-------|-------|
| | £000 | £000 | £000 |
| Opening provision | 4,131 | 2,574 | 2,653 |
| Increase/(decrease) in period | 162 | 1,557 | (79) |
| Closing provision | 4,293 | 4,131 | 2,574 |

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

| | 2014 | 2013 | 2012 |
|---|--------|--------|--------|
| | £000 | £000 | £000 |
| Authorised: | | | |
| 25,000,000 ordinary shares of £1 each | 25,000 | 25,000 | 25,000 |
| 10,000,000 non voting 3.5% cumulative convertible non-redeemable preference shares of £1 each | 10,000 | 10,000 | 10,000 |
| Allotted, called-up and fully-paid: | | | |
| 25,000,000 ordinary shares of £1 each | 25,000 | 25,000 | 25,000 |
| 10,000,000 non voting 3.5% cumulative convertible non-redeemable preference shares of £1 each | 10,000 | 10,000 | 10,000 |
| | 35,000 | 35,000 | 35,000 |

Details of the rights attached to the preference shares are included in the 'Share Capital' section of the Directors' report on page 21.

15 Retained earnings and capital reserves

| | Capital reserve | Retained earnings |
|--|-----------------|-------------------|
| | £000 | £000 |
| 1 January 2013 (restated) | (11,151) | 1,758 |
| Allocation of profit for the year | (4,796) | 2,470 |
| Ordinary and preference dividends paid | — | (2,250) |
| 31 December 2013 (restated) | (6,355) | 2,250 |
| 1 January 2014 (restated) | (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 |

The capital reserve includes £4,768,000 of investment holding gains (2013 – £10,192,000 gain and 2012 – £400,000 loss) (see note 9 on pages 42 and 43).

Notes to the financial statements (continued)

16 Net asset values

| | Net asset value per ordinary share (restated) | | | Net assets attributable (restated) | | |
|-----------------|--|-----------|-----------|---------------------------------------|--------------|--------------|
| | 2014 £ | 2013 £ | 2012 £ | 2014 £000 | 2013 £000 | 2012 £000 |
| Ordinary shares | | | | | | |
| Undiluted | 0.69 | 0.84 | 0.62 | 17,126 | 20,895 | 15,607 |
| Diluted | 0.78 | 0.88 | 0.73 | 27,126 | 30,895 | 25,607 |

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 20.

The company rents its offices from Romulus Films Limited, and is also charged for its office overheads. During the year the company paid £17,322 (2013 – £16,426 and 2012 – £14,156) 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 2014 were £407,913 (2013 – £381,439 and 2012 – £364,762) in respect of salary costs and £41,875 (2013 – £37,730 and 2012 – £36,000) in respect of pensions.

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

At the year end an amount of £nil (2013 – £191,627 and 2012 – £nil) was due to both Romulus Films Limited and Remus Films Limited.

During the year BritAm Investments Limited paid dividends of £2,151,000 (2013 – £nil and 2012 – £200,000) to the parent company, British & American Investment Trust PLC.

As disclosed in note 13 on page 46, British & American Investment Trust PLC has guaranteed the liabilities of £4,293,000 (2013 – £4,131,000 and 2012 – £2,574,000) due to its fellow subsidiaries if they should fall due.

During the year the company paid interest of £47,000 (2013 – £nil and 2012 – £nil) on the loan due to BritAm Investments Limited and which is included in the balance at 31 December 2014.

During the year the company received interest of £19,000 (2013 – £nil and 2012 – £nil) from British and American Films Limited and £3,000 (2013 – £nil and 2012 – £nil) from Second BritAm Investments Limited.

During the year the company surrendered group tax relief of £31,000 (2013 – £23,000 and 2012 – £30,000) to British and American Films Limited and £23,000 (2013 – £23,000 and 2012 – £2,000) to BritAm Investments Limited. These amounts are included in note 11 on page 45. Cumulative group relief balances as at 31 December 2013 were transferred to intercompany balances during the year.

All transactions with subsidiaries were made on an arms length basis.

Notice of meeting

18 Deferred taxation

A deferred tax asset 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 convertible stock, 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 £1,025,000 (2013 – £2,207,000 and 2012 – £2,760,000).

Other price risk

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:

| | 2014 | 2013 | 2012 |
|---|---------------|---------------|---------------|
| | | (restated) | (restated) |
| | £000 | £000 | £000 |
| Investments held at fair value through profit or loss | 33,833 | 37,897 | 23,180 |
| deduct Fixed interest stock and bonds | (1,381) | (1,303) | (1,211) |
| deduct Investment in subsidiary companies | (6,499) | (8,338) | (4,526) |
| Derivatives held at fair value | 87 | 395 | 2,635 |
| | <u>26,040</u> | <u>28,651</u> | <u>20,078</u> |

Notes to the financial statements (continued)

19 Risk management and other financial instruments (continued)

Details of the company investment portfolio at the year end are shown on page 13.

Other price risk sensitivity

A 10% increase in company portfolio valuations at 31 December 2014 would result in an increase of £2,742,000 (2013 – £2,995,000 and 2012 – £2,129,000) 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 93.0% (2013 – 93.4% and 2012 – 80.4%) 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 6.8% of the company's financial assets, of which 6.1% are at fixed rate and 0.7% 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 2014 is shown below.

| | 2014 | | 2013 | | 2012 | |
|--------------------------------|------------|----------|------------|----------|------------|----------|
| | Fair Value | Maturity | Fair Value | Maturity | Fair Value | Maturity |
| | £000 | | £000 | | £000 | |
| Assets | | | | | | |
| Fixed Rate | | | | | | |
| UK fixed interest stock | 517 | 12 years | 509 | 13 years | 494 | 14 years |
| UK notes and bonds | 864 | undated | 794 | undated | 717 | undated |
| Floating rate | | | | | | |
| Cash | 250 | | 225 | | 716 | |
| Total assets | 1,631 | | 1,528 | | 1,927 | |
| Weighted average interest rate | 7.3% | | 7.8% | | 8.4% | |
| (on fair value) | | | | | | |
| Liabilities | | | | | | |
| Bank loan | 2,743 | undated | 1,448 | undated | – | |
| Total liabilities | 2,743 | | 1,448 | | – | |
| 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.

Notes to the financial statements (continued)

19 Risk management and other financial instruments (continued)

Interest rate sensitivity

An increase of 0.5% in interest rates at 31 December 2014 would have decreased the fair value of fixed interest securities and increased interest payments on bank loan and hence decrease total net assets by £220,000 (2013 – £147,000 and 2012 – £65,000). A decrease of 0.5% would have had an equal but opposite effect.

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 preferred stock

The Biotime preferred stock is convertible to Biotime shares at any time until March 2019 where automatic conversion will take place. The fair value has been determined by the management, taking into account the estimated market value of the Biotime shares in 2019 and the discounted cash flows of the semi-annual preference dividends.

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 post-tax film revenues in the next 10 years discounted at a discount rate of 12%.

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 (£5.5 million) with the balance split approximately equally between UK quoted investments, overseas quoted investments and UK commercial property unit trusts.

Gearing

At 31 December 2014 the company has drawn down £2,743,000 (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 2014 investments of fair value of £6,283,491 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 Biotime Series A Convertible Preferred Stock with a year end market value of £1,286,050 (2013 – £nil and 2012 – £nil) 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 £6,498,974 (2013 – £8,337,856 and 2012 – £4,526,204) and £nil (2013 – £nil and 2012 – £nil) which are categorised as Level 3, all other investments £26,048,195 (2013 – £29,558,844 and 2012 – £18,654,196) and derivatives assets £87,000 (2013 – £395,000 and 2012 – £2,635,000) 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 12. The movement in Level 3 investments is shown in the Unlisted column in note 9 on pages 42 and 43.

Notes to the financial statements (continued)

19 Risk management and other financial instruments (continued)

Currency risk

69% (2013 – 70% and 2012 – 84%) 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.

| | 2014 | 2013 | 2012 |
|---|---------|---------|--------|
| | £000 | £000 | £000 |
| US dollar | | | |
| Investments | 10,504 | 10,113 | 1,310 |
| Derivatives - fair value through profit or loss | 87 | 395 | 2,635 |
| Bank loan | (2,316) | (1,096) | – |
| Cash and cash equivalents | – | – | 176 |
| Net exposure | 8,275 | 9,412 | 4,121 |
| Total net assets | 27,126 | 30,895 | 25,607 |

Currency risk sensitivity

At 31 December 2014, 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 £394,000 (2013 – £448,000 and 2012 – £196,000). Similarly, a 5% weakening of sterling against the US dollar, with constant other variables, would have increased total net assets by £436,000 (2013 – £495,000 and 2012 – £217,000).

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 (2013 – same) 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 15 and 16). 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:

| | 2014 | 2013 | 2012 |
|-----------------|-------|-------|-------|
| | £000 | £000 | £000 |
| Loan drawn down | 2,743 | 1,448 | – |
| Guarantee | 4,293 | 4,131 | 2,574 |
| | 7,036 | 5,579 | 2,574 |

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

Notes to the financial statements (continued)

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:

| | 2014 | | 2013 | | 2012 | |
|---|---------------|------------------|---------------|------------------|---------------|------------------|
| | Balance sheet | Maximum exposure | Balance sheet | Maximum exposure | Balance sheet | Maximum exposure |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Fixed rate investments | 1,381 | 1,381 | 1,303 | 1,303 | 1,211 | 1,211 |
| Current assets | | | | | | |
| Receivables | 1,406 | 1,406 | 1,647 | 1,647 | 2,943 | 2,943 |
| Derivatives classified as fair value through profit or loss | 87 | 87 | 395 | 395 | 2,635 | 2,635 |
| Cash and cash equivalent | 250 | 250 | 225 | 225 | 716 | 716 |
| | <u>3,124</u> | <u>3,124</u> | <u>3,570</u> | <u>3,570</u> | <u>7,505</u> | <u>7,505</u> |

Fixed rate investments comprise 67.1% which are investment grade with the remaining 32.9% 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 £6,283,491 lodged as collateral for a bank loan (see note 12(b) on page 45).

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 2014 was £27,126,000 (2013 – £30,895,000 and 2012 – £25,607,000).

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).

Notes to the financial statements (continued)

20 Transition to IFRS

This is the first year that the company has presented its separate financial statements under IFRS. The last set of annual financial statements was for the year ended 31 December 2013, and the date of transition to IFRS was therefore 1 January 2013. Accordingly, a full reconciliation of the changes is shown below.

20(a) Restatement of balances for the year ended 31 December 2013

| | Previously reported (UK GAAP) 31 December 2013 £000 | Effect of transition to IFRS £000 | Restated (IFRS) 31 December 2013 £000 |
|---|--|--|---|
| Investments - fair value through profit or loss | 29,559 | – | 29,559 |
| Subsidiaries - fair value through profit or loss (note 1) | 7,504 | 834 | 8,338 |
| Current assets | 2,267 | – | 2,267 |
| Current liabilities | (5,138) | – | (5,138) |
| Total assets less current liabilities | 34,192 | | 35,026 |
| Non - current liabilities | (4,131) | | (4,131) |
| Net assets | 30,061 | | 30,895 |
| Equity attributable to equity holders | | | |
| Ordinary share capital | 25,000 | – | 25,000 |
| Convertible preference share capital | 10,000 | – | 10,000 |
| Capital reserve (note 1) | (7,189) | 834 | (6,355) |
| Retained revenue earnings | 2,250 | – | 2,250 |
| Total equity | 30,061 | | 30,895 |

Note 1

Investments are designated as held at fair value under IFRS. Previously, under UK GAAP investments in subsidiaries included films rights recorded as an amortised intangible asset. This results in an upward revaluation of £834,000 in investments and an increase in capital reserves.

Notes to the financial statements (continued)

20(b) Reconciliation of the Statement of Total Return to the Income Statement for the year ended 31 December 2013

| | 2013 £000 |
|--------------------------------------|--------------|
| Reported revenue gain under UK GAAP | 2,742 |
| Reported capital gain under UK GAAP | 4,868 |
| Total return under UK GAAP | 7,610 |
| Movement in fair value December 2012 | (906) |
| Movement in fair value December 2013 | 834 |
| Reported total return under IFRS | 7,538 |

20(c) Restatement of balances for the year ended 31 December 2012

| | Previously reported (UK GAAP) 31 December 2012 £000 | Effect of transition to IFRS £000 | Restated (IFRS) 31 December 2012 £000 |
|---|--|--|---|
| Investments - fair value through profit or loss | 18,654 | – | 18,654 |
| Subsidiaries - fair value through profit or loss (note 1) | 3,620 | 906 | 4,526 |
| Current assets | 6,294 | – | 6,294 |
| Current liabilities | (1,293) | – | (1,293) |
| Total assets less current liabilities | 27,275 | | 28,181 |
| Non - current liabilities | (2,574) | | (2,574) |
| Net assets | 24,701 | | 25,607 |
| Equity attributable to equity holders | | | |
| Ordinary share capital | 25,000 | – | 25,000 |
| Convertible preference share capital | 10,000 | – | 10,000 |
| Capital reserve (note 1) | (12,057) | 906 | (11,151) |
| Retained revenue earnings | 1,758 | – | 1,758 |
| Total equity | 24,701 | | 25,607 |

Note 1

Investments are designated as held at fair value under IFRS. Previously, under UK GAAP investments in subsidiaries included films rights recorded as an amortised intangible asset. This results in an upward revaluation of £906,000 in investments and an increase in capital reserves.

Statement of Corporate Governance

For the year ended 31 December 2013

The Statement of Corporate Governance, which forms part of the Directors' report (page 19) is set out below. The following paragraphs describe the framework of internal controls in place to ensure that the company complies with the 2012 UK Corporate Governance 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 2013. 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 four 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 | 4/4 | 4/4 |
| DG Dreyfus | 4/4 | 4/4 |
| RG Paterson | 4/4 | 4/4 |
| JC Woolf | 4/4 | 4/4* |

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

All the directors attended the Annual General Meeting.

Statement of Corporate Governance (continued)

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 nineteen years, fifteen years and fourteen 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.

The director due to stand for annual re-election at the forthcoming AGM in accordance with the requirements of the AIC Code, and in accordance with the company's Articles of Association, is Mr JC Woolf. Mr DG Dreyfus, Mr JAV Townsend and Mr RG Paterson are also 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.

Statement of Corporate Governance (continued)

Report of the Audit Committee

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 2014. 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 Committee satisfies itself that the company is correct in issuing 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, draft 2014 SORP for investment trust companies, future of UK GAAP, Directors' remuneration, the U.S. Foreign Account Tax Compliance Act (FATCA) and the implementation of the new Alternative Investment Fund Managers Directive (AIFMD).

Statement of Corporate Governance (continued)

Report of the Audit Committee (continued)

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 considered undertaking a tender process to coincide with the five year rotation cycle of the current partner and concluded that Grant Thornton UK LLP should remain as the company auditor.

The fees for audit purposes were £33,304 (2013 – £31,102).

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 2014 was £19,000 (2013 – £18,000). 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 2014 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 for another year.

Statement of Corporate Governance (continued)

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 20), 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 20.

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.

Statement of Corporate Governance (continued)

Accountability, Internal Controls and Audit

The directors' statement of responsibilities in respect of the financial statements is set out on page 23.

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 foreseeable future. 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.

Statement of Corporate Governance (continued)

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 2014

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 2014. 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 20), 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 2015

Annual report on remuneration

Directors' remuneration as a single figure (audited)

| | Salary and fees 2014 £000 | Salary and fees 2013 £000 |
|---|------------------------------------|------------------------------------|
| JC Woolf - salary | 53 | 50 |
| JAV Townsend (Chairman) - fees | 20 | 20 |
| DG Dreyfus (Chairman of Audit Committee) - fees | 17 | 17 |
| RG Paterson - fees | 15 | 15 |
| Total | 105 | 102 |

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 annual fees of the Chairman is £20,000, the Chairman of the Audit Committee £17,000 and the remaining non-executive director £15,000.

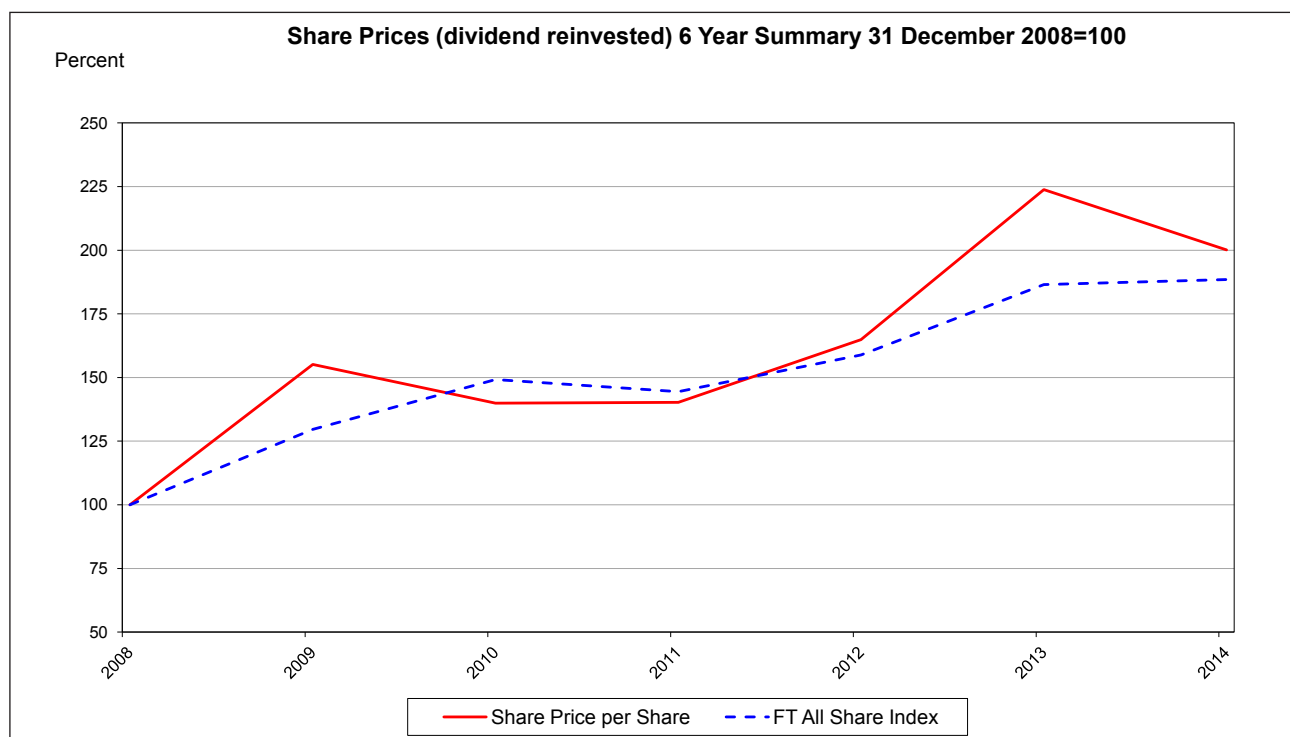
Sums paid to third parties (audited)

The directors' fees of £15,000 (2013 – £15,000) payable to RG Paterson were paid to Eversheds LLP. This payment was for services as a director of the company.

Directors' remuneration report (continued)

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 six 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 |
| Total | 291 |

Directors' remuneration report (continued)

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 2013 and 2014.

| | Change in salary Percent | Change in annual bonus Percent |
|-------------------|-----------------------------|-----------------------------------|
| Managing Director | 6.00% | no bonus paid |
| Employees | 7.67% | +1.95% |

Significance of spend on pay

| | Employee remuneration £ | Shareholder distribution £ |
|-------------------|----------------------------|-------------------------------|
| 2013 | 474,000 | 1,900,000 |
| 2014 | 505,000 | 1,950,000 |
| Difference | 31,000 | 50,000 |
| Percentage change | 6.54% | 2.63% |

Directors' interests

The directors during the year ended 31 December 2014 had interests in the shares of the company as follows (audited):

| | 2014 | | 2013 | |
|---|------------|----------------|------------|----------------|
| | 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 18 June 2014, 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 (excluding remuneration policy) for the year ended 31 December 2013 | 18,092,722 | 100.0% | — | — | 18,092,722 | 2,500 |
| Directors' remuneration policy | 18,092,722 | 100.0% | — | — | 18,092,722 | 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.

Directors' remuneration report (continued)

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 20 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. |

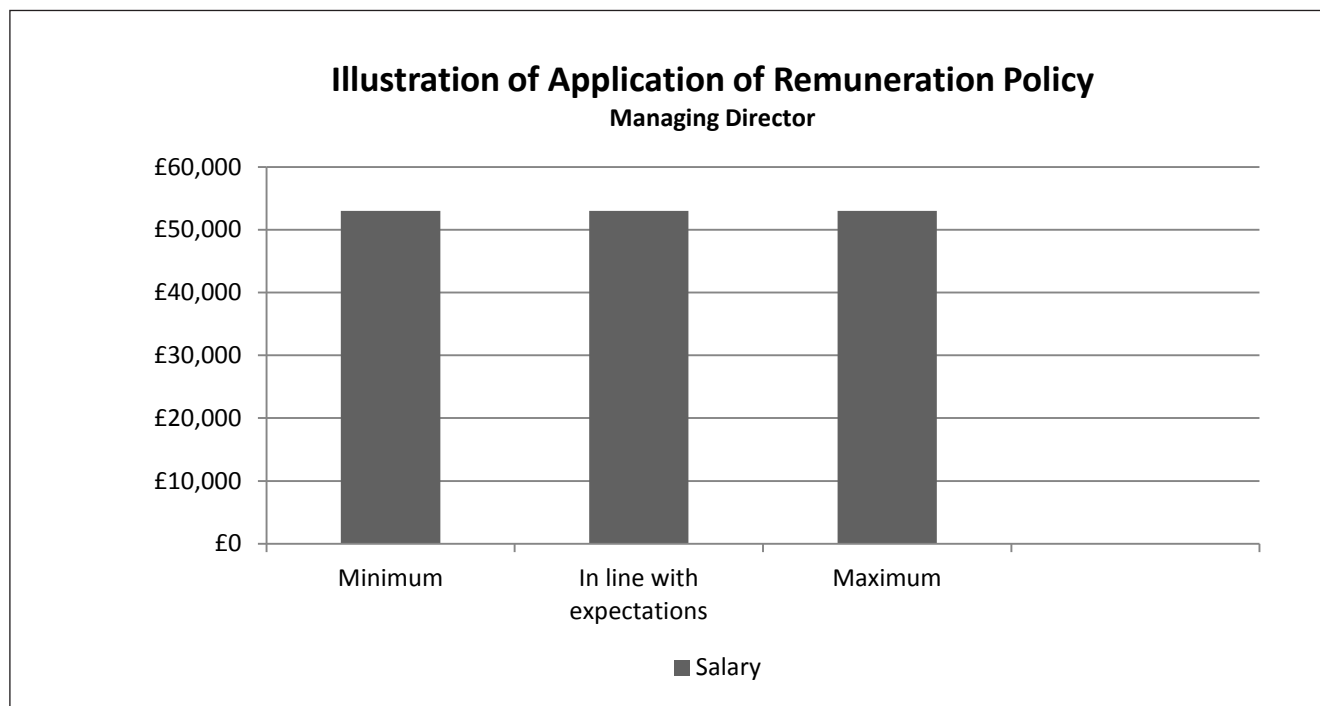
There is no maximum or minimum applicable to the salary of the Managing Director.

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.

Directors' remuneration report (continued)



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 2015 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 2014 was approved by the Board and signed on its behalf by:

JAV Townsend
Chairman
29 April 2015

Notice of meeting

NOTICE IS HEREBY GIVEN THAT the sixty-seventh Annual General Meeting of the company will be held at Wessex House, 1 Chesham Street, London SW1X 8ND on Thursday 25 June 2015 at 4.00pm for the following purposes:

1. To receive and consider the directors' report and company accounts for the year ended 31 December 2014 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 re-elect Mr JC Woolf as a director.
6. To approve the directors' remuneration report (excluding directors' remuneration policy).
7. To declare a final dividend of 5.3p per £1 ordinary share.
8. 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.
9. To authorise the directors to determine the remuneration of the auditors.

By order of the board

KJ Williams

Secretary

29 April 2015

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 70 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 4.00pm on 23 June 2015 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 2015, 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

Notice of meeting (continued)

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 10 May 2015 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 10 May 2015 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 4.00 pm on Thursday 25 June 2015 and at any adjournment thereof.

Signed

Dated 2015.

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. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To re-elect Mr JAV Townsend. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To re-elect Mr DG Dreyfus. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To re-elect Mr RG Paterson. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To re-elect Mr JC Woolf. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. To approve the directors' remuneration report (excluding policy). | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. To declare a final dividend of 5.3p per £1 ordinary share. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. To re-appoint Grant Thornton UK LLP as the company's auditors. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. To authorise the directors to determine the remuneration of the auditors. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

NOTES

- 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.
- 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.
- A corporation's proxy must be either under its common seal or under the hand of a duly authorised officer or attorney.
- A space is provided to appoint a proxy other than the person named above. A proxy need not be a member of the company.
- 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. Please 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.
- 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.
- 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