British & American Investment Trust PLC

Report and accounts

31 December 2009

Investment Policy

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

Ten largest holdings (group basis)

Name	Sector	%
Geron Corporation	Biomedical – USA	25.83
Prudential	Life Assurance	10.67
RIT Capital Partners	Investment Trust	9.60
Alliance Trust	Investment Trust	7.82
Dunedin Income Growth	Investment Trust	6.19
Electra Private Equity	Investment Trust	5.75
British Assets Trust	Investment Trust	5.72
St James's Place International	Unit Trust	4.99
Scottish American Inv Company	Investment Trust	2.46
Invesco Income Growth Trust	Investment Trust	1.75
		80.78

Country Exposure

Country	£m	%
UK	22.3	71.94
USA	8.7	28.06
Other	–	–
Total net assets	31.0	100.00

Value (dividends reinvested) of £100 invested

	£
1 year	162.5
3 year	86.2
5 year	139.5
(source: AIC)	

Salient Facts

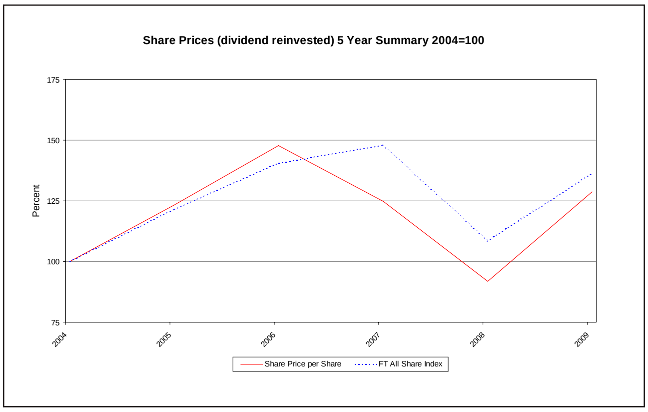
Launch Date	1996
Management	Self managed
Year/Interim End	31 December/30 June
Capital Structure	25,000,000 Ordinary Shares of £1 (listed); 10,000,000 Convertible Preference Shares of £1 (unlisted)
Number of Holdings	62
Net Assets (£m)	31.0
Yield (excl. special dividend)	7.67%
Dividend Dates	Interim dividend – November Final dividend – June
Share price (p)	90.0
NAV/share (p)	89 *(diluted)* 84 *(undiluted)*
Premium	1.5% 7.0%
Total expense ratio	1.78%
Sedol Code	0065311
ISIN Code	GB000065311

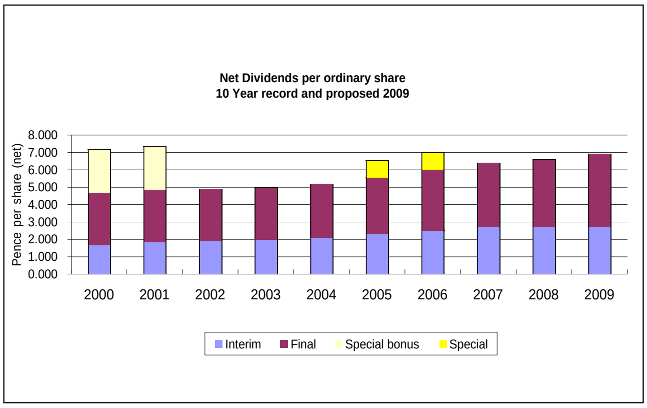
Status

Eligible to be held with an ISA or Savings Scheme.

Contact

British & American Investment Trust PLC
Wessex House
1 Chesham Street
London SW1X 8ND
Tel: 020 7201 3100
Fax: 020 7201 3101
Website: www.baitgroup.co.uk
Registered in England. Registered number 433137
VAT Reg. No. 241 1621 10





British & American Investment Trust PLC

Annual Report and Accounts

for the year ended 31 December 2009

Registered number: 433137

Contents

Directors and officials

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

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

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Bankers
Lloyds Banking Group plc
Business & Corporate Service Centre
49-51 Dean Street
Marlow
Buckinghamshire SL7 3BP

UBS AG
1 Curzon Street
London W1J 5UB

Stockbrokers
Walker Crips Stockbrokers Limited
Finsbury Tower
103-105 Bunhill Row
London EC1Y 8LZ

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

Biographical details of directors and investment policy

Chairman

J Anthony V Townsend (Age 62)

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

Managing Director

Jonathan C Woolf (Age 53)

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 53)

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 53)

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

Investment policy

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

AIC

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

Chairman's statement

I report our results for the year ended 31 December 2009.

Revenue

The return on the revenue account before tax amounted to £1.6 million (2008: £1.4 million), an increase of 15 percent. Gross income amounted to £2.0 million (2008: £1.7 million) and represented a return to income levels achieved in prior years before the onset of the economic recession. Of this amount, £1.7 million (2008: £1.4 million) represented income from portfolio investments and £0.3 million (2008: £0.3 million) film, property and other income. The increase in portfolio income arose from a higher level of special dividends received and a modest repositioning of the portfolio away from companies experiencing dividend payment constraints due to the economic climate.

The return before tax, which includes realised and unrealised capital appreciation, amounted to a gain of £4.9 million (2008: £9.5 million loss) reflecting a recovery in investment valuations during the year and marking a positive return after two years of substantial (but unrealised) capital losses.

The revenue return per ordinary share was 5.1p (2008: 4.2p) on an undiluted basis and 4.6p (2008: 4.0p) on a diluted basis.

Net Assets

Group net assets at the year end were £31.0 million (2008: £28.2 million), an increase of 10.1 percent. This compares to increases in the FTSE 100 and All Share indices of 22.1 percent and 25.0 percent, respectively, over the period, reflecting the strong recovery in financial markets after the large declines in 2008 due to the global financial crisis. Our relative under-performance was due principally to our US investment, Geron Corporation, which rose 19 percent in US dollar terms but only 6 percent in sterling terms due to a 10 percent strengthening in sterling against the dollar over the year.

The net asset value per ordinary share increased to 89p (2008: 81p) on a diluted basis. Deducting prior charges at par, the net asset value per ordinary share increased to 84p (2008: 73p).

Dividends and 10 year performance record

We are pleased to recommend an increased final dividend of 4.2p per ordinary share, which together with the interim dividend makes a total payment for the year of 6.9p (2008: 6.6p) per ordinary share. This represents an increase of 4.5 percent over the previous year's total dividend and a yield of 11.5 percent based on the share price at the start of the year. The final dividend will be payable on 24 June 2010 to shareholders on the register at 28 May 2010. A dividend of 1.75p will be paid to preference shareholders resulting in a total payment for the year of 3.5p per share.

It continues to be our policy to maintain a progressive and full dividend payment policy and this has notably been achieved in the last two years when even leading companies have reduced and in some cases discontinued dividend payments. As a result, this company continues to be one of the highest dividend paying investment trusts in its AIC sector or indeed in any sector. Shareholders have enjoyed significantly higher levels of dividend income than average market yields (in fact in many years at twice the level of the FTSE 100 yield) while in terms of total return the portfolio has kept pace with its bench mark indices over the long term.

With the completion of the first decade of the new millennium, it is appropriate to record that over this ten year period which experienced one large-scale economic decline and two bear market cycles, the FTSE 100 and All Share indices declined by 3 percent on a total return basis, while our company grew by 1 percent on the same basis

It is also interesting to note that, the market returned 20 percent of its initial value to investors in cash dividends over the decade, while our company returned over 40 percent.

Outlook

The recovery in global financial markets and economies has continued into 2010 as economic activity and company profits have continued to grow from the low levels seen in 2008. Although many serious underlying structural problems in the global and national economies remain which could precipitate a return to recession, general market sentiment nevertheless remains firm as the two largest economies, the USA and China, are seen to provide impetus to world trade and investment. The unprecedented effort by governments to prevent a collapse of the global financial system has caused a general sense of relief that the worst is now over, which is supporting markets going forward.

That being said, equities markets have already shown gains of over 60 percent since the lows of March 2009. The high levels of volatility experienced in both capital and currency markets are likely to remain as the after shocks of the financial crisis rumble on and the potentially destabilising fiscal and trade imbalances in the world economy remain to be addressed.

While it is clear that the general direction of financial markets in the short to medium term is towards recovery, the big question is whether the recovery can be maintained; sooner or later governments must begin to remove the large scale financial stimulus put in place to rescue the banking system and the process of deleveraging the financial sector and repairing fiscal imbalances through cutbacks and tax raising will get underway.

Against this background, we maintain our long-term and income generating strategies that are primarily based on equity investment in the UK and USA.

As at 27 April 2010, group net assets had increased to £32.5 million, an increase of 4.6 percent since the beginning of the calendar year. This is equivalent to 90 pence per share (prior charges deducted at par) and 93 pence per share on a diluted basis. Over the same period the FTSE 100 increased 3.5 percent and the All Share Index increased 4.6 percent.

Anthony Townsend

29 April 2010

Managing Director's Report

Performance

After the devastation suffered by global financial markets in 2008, 2009 was a year of recovery following the lows reached in March 2009. The size and speed of the falls in both markets and the economies of leading countries were of a magnitude not seen for generations, with markets declining by up to 50 percent in 18 months and developed nation economies shrinking by over 6 percent in the same time frame, destroying up to three years of economic growth in the process.

The recovery since March 2009, at least in financial markets, has been equally swift and dramatic as fears of a total collapse in the world financial system receded. The relief this engendered, the emergence of signs late in 2009 that recessionary forces had abated and growth, albeit modest, in the US and some European economies all combined to produce a strong turnaround in equities and primary commodities markets.

In calendar 2009, leading US and UK equities markets grew by 15 percent and 22 percent, respectively. While this growth was broad-based, there was inevitable movement away from defensive sectors towards cyclical and smaller company stocks as confidence improved. Even retail and financial stocks showed improvement and commodities stocks remained firm as sustained growth in China supported demand for primary commodities. In fact, the steady performance shown by China and the other Far East and BRIC economies, which had not suffered similar levels of trauma from the banking crisis, served to maintain a minimum level of demand internationally when the rest of the world's economies were in recession. This provided a pathway to eventual recovery when the engines of the US, Europe and Japan could re-establish global growth. The long-term movement in economic and geopolitical power from West to East, which has been gathering momentum in recent years, is now well established following the damage to Western economies and financial structures caused by the recession and banking crisis of 2007/2008.

As already noted, the question now remains whether the dramatic turnaround in financial markets can be sustained into the longer term. There will be many adjustments which have to be made by governments to address the monetary and fiscal imbalances built up in an effort to avoid an even deeper global recession or depression. In addition, high levels of structural indebtedness must be tackled by governments and individuals in the USA and UK in particular, either through retrenchment or taxation, either of which will prove a drag on economic recovery.

In the meantime, markets are already beginning to price in the varied outlook for different economies over the medium term, through debt market yields and currency parities. Each of the major currencies, particularly the US dollar and Euro and also Sterling, have experienced sharp movements over the past 18 months as markets evaluated the longer-term prospects of policy and performance for the nations in those currency areas.

As reported above, our portfolio also enjoyed a recovery in 2009, although under-performed the rise in the FTSE 100 and All Share indices over the period (having out-performed in the previous year). This divergence in performance over the last two years is due to our major US holding, Geron Corporation, and the significant decline in Sterling against the US dollar in 2008 (26 percent) followed by its rise in 2009 (10 percent).

Managing Director's Report (continued)

As noted last year, the world recession and credit crisis has squeezed levels of income generation on all forms of financial and real investment to an unprecedented extent. While yields on equities may have risen temporarily during the downturn in markets to reflect the lower capital values, actual dividend payment levels declined significantly as companies reduced or passed dividends completely. Entire sectors, for example the banks, which had historically paid uninterrupted and steadily rising dividends, suddenly cancelled all payments for an extended period of time. It is pleasing therefore, that we have been able to continue our progressive policy by paying an increased dividend again this year. Our group structure, investment policy and use of special dividends over a number of years allows us to continue to pay high levels of dividend compared to benchmark indices and peer companies.

Outlook

After a sharp decline of almost 10 percent in the first month of 2010, the UK equities market resumed the strong upward path seen in 2009 to finish the first quarter ahead by 6 percent. Whether this can be sustained has already been questioned above. It is interesting to note that only a further 12 percent of upward movement is required in the FTSE 100 before the high point recorded in the second half of 2007 is achieved; that was a time of strong international growth and bubbles in numerous asset classes, including property, commodities and financial derivatives. This, together with the rapid growth in equities markets in 2009, would tend to suggest that further substantial growth must be limited, particularly given the wide ranging and substantial adjustments in prospect from governments to liquidity and fiscal policy, as described above.

We anticipate a prolonged period of low growth in major economies and financial markets, possibly accompanied by high levels of volatility as major financial policy initiatives are implemented by governments and imbalances are worked through. We will therefore continue to invest for the long term alongside our core investments in UK investment trusts. We will seek to identify situations giving higher levels of capital return and income, while at the same time looking out for shorter term opportunities in the equity and other markets arising out of the economic policy adjustments to be implemented over the coming years.

Jonathan Woolf

29 April 2010

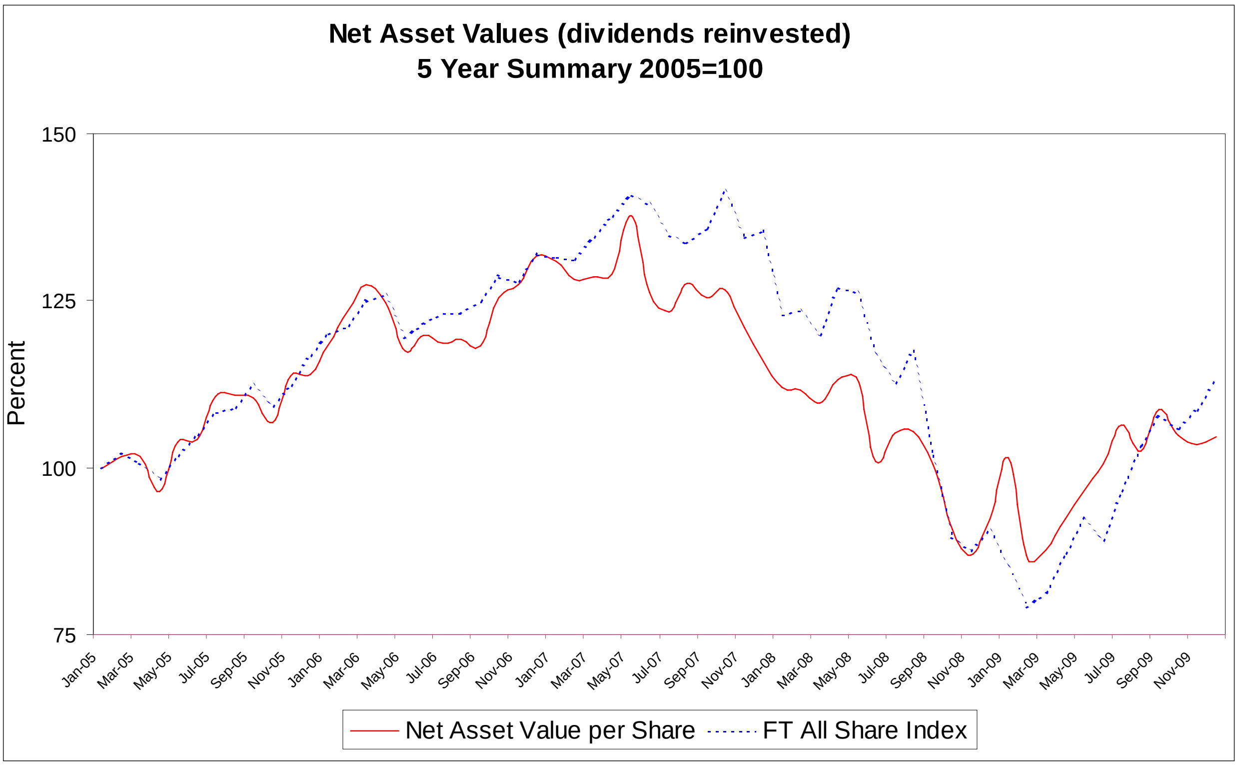
Financial highlights

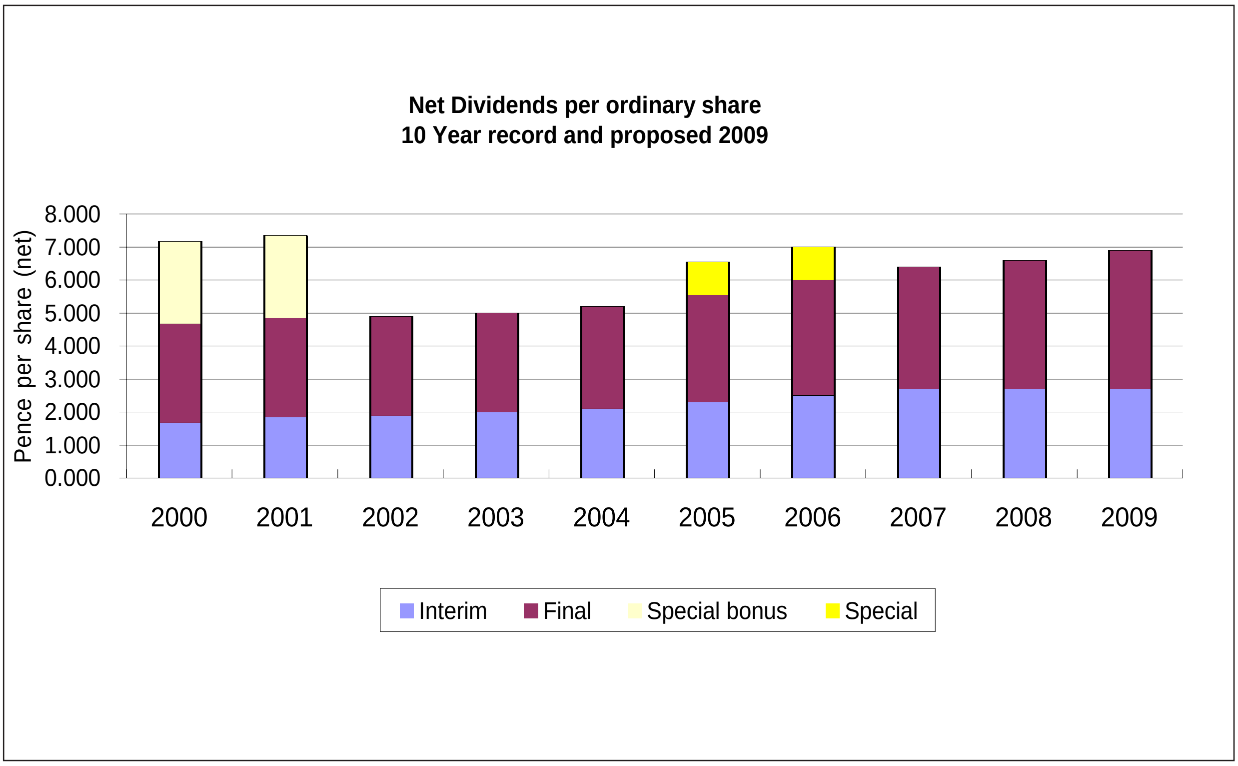
For the year ended 31 December 2009

	2009			2008		
	Revenue return £000	Capital return £000	Total £000	Revenue return £000	Capital return £000	Total £000
Profit before tax – realised	1,624	(1,122)	502	1,413	(208)	1,205
Profit before tax – unrealised	–	4,350	4,350	–	(10,698)	(10,698)
Profit before tax – total	1,624	3,228	4,852	1,413	(10,906)	(9,493)
Earnings per £1 ordinary share – basic	5.07p	12.91p	17.98p	4.21p	(43.63)p	(39.42)p
Earnings per £1 ordinary share – diluted	4.62p	9.22p	13.84p	4.01p	(31.16)p	(27.15)p
Net assets			31,037			28,190
Net assets per ordinary share						
– deducting preference shares at par			84p			73p
– diluted			89p			81p
Diluted net asset value per ordinary share at 27 April 2010			93p			

	2009	2008
Dividends declared or proposed for the period		
per ordinary share – interim paid	2.7p	2.7p
– final proposed	4.2p	3.9p
per preference share	3.5p	3.5p

Net asset and dividend growth





Distribution of investments and cash

Distribution of investments and cash balances:

	At valuation		
	27 April 2010	31 December 2009	31 December 2008
	£000	£000	£000
Investment Trusts (equities)	13,905	12,855	10,371
Biomedical – USA	8,103	7,589	6,869
Life Assurance	2,836	3,259	2,172
Unit trusts	1,707	1,601	1,419
Leisure and hotels	215	431	597
Telecommunications	346	364	338
Software and computer services	325	332	679
Property	269	283	1,577
Other Financial	152	126	27
Pubs & Restaurants	166	124	–
Banks retail	134	100	183
Biotechnology	25	91	67
Overseas	57	53	66
Electricity	37	41	–
Construction	43	39	20
Media	13	10	8
Pharmaceuticals and healthcare	9	10	9
Oil exploration and production	3	4	2
Other services & businesses	–	–	61
Financial Services	–	–	24
Industrial Engineering	–	–	21
Information technology	–	–	21
Total quoted equities	28,345	27,312	24,531
Property units (unquoted)	395	395	658
Fixed Interest stocks (unquoted)	17	17	18
Fixed Interest stocks	846	810	633
Preference shares	591	570	517
Permanent interest bearing	285	281	316
Total portfolio	30,479	29,385	26,673
Derivatives – traded options	933	742	843
Balances at banks and stockbrokers	860	923	618
	32,272	31,050	28,134

Group investment portfolio

At 31 December 2009

Company	Nature of business	Valuation £000	% of Group Portfolio
Geron Corporation	Biomedical – USA	7,589	25.83*
Prudential	Life Assurance	3,136	10.67
RIT Capital Partners	Investment Trust	2,822	9.60
Alliance Trust	Investment Trust	2,298	7.82
Dunedin Income Growth	Investment Trust	1,820	6.19
Electra Private Equity	Investment Trust	1,690	5.75
British Assets Trust	Investment Trust	1,680	5.72
St James's Place International	Unit Trust	1,466	4.99
Scottish American Investment Company	Investment Trust	724	2.46
Invesco Income Growth Trust	Investment Trust	514	1.75
Royal & Sun Alliance Insurance Group 7.375% Cum. irred. preference shares £1	Insurance – Non-Life	453	1.54
F&C Asset Management – 6.75% FRN Sub. Bonds 2026	General financial	402	1.37
Rothschild Continuation Finance – 9% Perp. Sub. Gtd. Loan Notes	Financial	391	1.33
Merchants Trust	Investment Trust	344	1.17
Shires Income	Investment Trust	342	1.16
Rank Group	Leisure and hotels	311	1.06
Liberty International	Property	283	0.96
BT Group	Telecommunications	270	0.92
Barclays – 9% PIB Capital Bonds	Banks retail	216	0.74
Second Downing EZT (unquoted)	Enterprise Zone Trust	203	0.69
20 Largest investments		26,954	91.72
Other investments (number of holdings : 42)		2,431	8.28
Total investments		29,385	100.00

* 17.50% held by the company and 8.33% held by subsidiaries

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 2009, 17.5% 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, The Alliance Trust and RIT Capital Partners fall into this category of investments as they have not specifically announced a policy to restrict their own investments to no more than 15% of gross assets.

Five year record

Capital

At 31 December	Equity shareholders' funds	Net asset value per share (diluted)	Share price	Discount/(premium)
	£000	p	p	%
2005	42,765	122.2	111.5	8.8
2006	47,647	136.1	129.0	5.2
2007	39,643	113.3	99.5	12.2
2008	28,190	80.5	60.0	25.5
2009	31,037	88.7	90.0	(1.5)

Revenue

Year to 31 December	Total income	Profit after tax	Earnings per ordinary share (diluted)	Expense ratio	Dividend per ordinary share (net)
	£000	£000	p	%	p
2005	2,032	1,702	4.86	1.02	6.55+
2006	2,105	1,814	5.18	0.94	7.00+
2007	1,939	1,596	4.56	1.05	6.40
2008	1,743	1,403	4.01	1.48	6.60
2009	1,967	1,619	4.62	1.78	6.90

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

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

+ includes special dividend of 1.0 penny.

Cumulative performance (2004=100)

Year to 31 December	Net asset value total return	AIC NAV Sector return	Share price total return	AIC Share price Sector return	FTSE All Share total return
2004	100	100	100	100	100
2005	120	121	132	122	122
2006	138	143	161	147	142
2007	122	144	131	141	150
2008	98	100	86	104	105
2009	111	125	140	130	137

Directors' report

For the year ended 31 December 2009

Directors' report

The directors present their annual report on the affairs of the group together with the financial statements and auditors' report for the year ended 31 December 2009.

Financial statements

The financial statements will be presented for approval at the sixty second Annual General Meeting of the company to be held on Friday 18 June 2010.

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 s833 of the Companies Act 2006.

Management and staff are conversant with the requirements of s842 of the Income and Corporation Taxes Act 1988. The board receives regular reports to monitor the company's compliance with the requirements of the Act. At the year end the company's tax advisers review the s842 calculation to be submitted to HMRC.

The directors consider that the company has conducted its affairs in a manner to enable it to continue to comply with s842 of the Income and Corporation Taxes Act 1988. It is approved by HM Revenue & Customs as such, which enables it to realise its investments free from taxation on capital gains. Approval is retrospective and provisional and has been received in respect of the financial year to 31 December 2008, subject to any subsequent enquiry by HM Revenue & Customs into the company's tax return. The company has since directed its affairs to enable it to continue to seek approval.

Future prospects

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

Investment policy and objective

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

In fulfilling this policy, the company acts as a long-only investment vehicle and in recognition of its status as an authorised investment trust and parent of a group of companies comprising two other investment companies and a film investment company. The company does not utilise gearing in its portfolio but does on occasion make use of derivative instruments to hedge exposures to particular investments or markets.

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 predominantly quoted UK investment trusts and other leading companies; other investments include overseas equities, bonds, indirect holdings in UK commercial property and the rights to receive royalties from certain longstanding commercial films.

Investment strategy and implementation

Investments are self-managed. The portfolio currently consists of a diversified list of around 52 UK quoted companies, 6 UK unquoted holdings and 4 overseas quoted companies.

Historically, investments in other investment trusts have accounted for approximately 50 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, property, insurance and leisure sectors and have individually represented as much as 10 to 15 percent of the portfolio. Currently, these individual exposures are in the US biomedical (25.04%), UK property (0.93%) and UK insurance (12.25%) sectors. Smaller size investments are made in other UK listed companies (currently 25, accounting for 10.41% of the portfolio) and further risk diversification is achieved by investment in fixed income securities (currently 3.54%) and property investments (currently 1.30%).

The property portfolio currently consists of an indirect partial interest in 2 commercial properties, situated outside of London, through Enterprise Zone Trusts.

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.

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 18.02% of group gross assets.

Portfolio performance in capital and income is measured and reported against the FTSE 100 and the benchmark FTSE All Share Indices 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 that a certain degree of performance mismatch to the benchmarks is likely to occur.

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 total expense ratio;
- earnings per share;
- dividend per share.

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

The board also considers peer group comparative performance.

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

Discount

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

Principal risks and uncertainties

The principal risks facing the company relate to its investment activities and include market risk (other price risk, interest rate risk and currency risk), liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 19 to the accounts on pages 40 to 44. The other principal risks to the company are loss of investment trust status, which is explained on page 12 and operational risk. Operational risk is the risk of inadequate or failed processes or systems. The main potential risk relates to systems for holding and administering investments. There is a framework in place to manage this risk which is monitored and reviewed by the board.

Financials

The financial highlights for the year under review are as follows: the net asset value per share increased by 10.1% during the year, compared to a increase in the benchmark of 25.0%, ordinary share dividends increased by 4.5% to 6.9p per share and the discount narrowed from 25.5% to a premium of 1.5% at the year end.

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.

Results and dividends of the group for the year

The directors set out below the results and dividends of the group and the company for the year ended 31 December 2009.

	Group			Company		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
Profit before tax	1,624	3,228	4,852	2,109	2,682	4,771
Tax	(5)	–	(5)	48	–	48
Profit after tax	1,619	3,228	4,847	2,157	2,682	4,839

Dividends	Pence per share	£000
Interim per £1 ordinary share (paid 12 November 2009)	2.7	675
3.5% preference share paid (paid 12 November 2009)	1.75	175
Final per £1 ordinary share – proposed	4.2	1,050
3.5% preference share (payable 24 June 2010)	1.75	175
		2,075

The dividends proposed above will be paid on 24 June 2010 to ordinary shareholders on the register at 28 May 2010 and to 3.5% preference shareholders on the register at 31 December 2009.

Directors and their interests

The present directors of the company are as set out on page 1. All of the company's directors are offering themselves for re-election (the director retiring by rotation is Mr JC Woolf who, being eligible, offers himself for re-election). Further, having served as a director since 1996, 1999 and 2001 Mr DG Dreyfus, Mr JAV Townsend and Mr RG Paterson respectively and, being eligible, offer themselves for re-election. The Board recommends their re-election. At the time of the Annual General Meeting Mr DG Dreyfus will have completed more than 14 years service, Mr JAV Townsend 10 years service and Mr RG Paterson 9 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 2009 had interests in the shares of the company as follows:

	2009		2008	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Ordinary shares of £1				
JC Woolf	460,812	15,771,562	1,380,812	14,851,562
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%) (2008 – 6,902,812 (27.6%)) ordinary shares held by Romulus Films Ltd, 7,868,750 (31.5%) (2008 – 7,868,750 (31.5%)) ordinary shares held by Remus Films Ltd and 1,000,000 (4.0%) (2008 – 80,000 (0.32%)) ordinary shares held by PKL Pictures Limited. Romulus Films Ltd also holds 10,000,000 cumulative convertible preference shares (2008 – 10,000,000). Mediterranean Holdings Ltd has also notified an interest in all the holdings of Romulus Films Ltd and Remus Films Ltd.

During the year Mr JC Woolf transferred 920,000 ordinary shares to PKL Pictures Limited, a company 100% owned by Mr JC Woolf.

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 2010 the directors had been notified of the following interests of 3% or more of either class:

	Number of shares held	%
Jupiter Monthly Income Fund Unit Trust	1,835,000	7.3
Lady Lever of Manchester	1,146,562	4.6

These interests relate to the ordinary shares of the company.

Share Capital

Capital Structure

The company's capital comprises £35,000,000 (2008 - £35,000,000) being 25,000,000 ordinary shares of £1 (2008 – 25,000,000) and 10,000,000 non-voting convertible preference shares of £1 each (2008 – 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 51.

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 Group 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.

Creditor Payment Policy

The company's payment policy is to agree terms of payment before business is transacted, to ensure suppliers are aware of their terms and to settle invoices in accordance with them. There were no trade creditors outstanding at the year end (2008 – £nil).

Directors' & officers' liability insurance cover

Directors' & officers' liability insurance cover was maintained by the board during the year ended 31 December 2009. It is intended that this policy will continue for the year ended 31 December 2010 and subsequent years.

Directors’ indemnities

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

Corporate Governance

The Corporate Governance Statement on pages 45 to 48 (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 Combined Code on Corporate Governance, as required by the UK Listing Authority.

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(2) 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 profit of the company and the undertakings included in the consolidation taken as a whole and that the Chairman’s Statement, Managing Director's Report and the Directors’ report include a fair review of the information required by rules 4.1.8R to 4.2.11R of the FSA’s Disclosure and Transparency Rules.

Auditors

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

Jonathan Woolf
Managing Director

Wessex House
1 Chesham Street
London SW1X 8ND

29 April 2010

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

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards.

The group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation. The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU, subject to any material departures disclosed and explained in these financial statements;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in these financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006, and as regards the group financial statements Article 4 of the IAS Regulation. They are also responsible for the system of internal control, for safeguarding the assets of the company and the group 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, Directors' Remuneration Report and the Corporate Governance Statement that comply with that law and those regulations.

The accounts are published on the company's website which is maintained by the company.

The following note relates to financial statements published on a website and is not included in the printed version of the Annual Report and Accounts:

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.

Report of the independent auditor

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITISH & AMERICAN INVESTMENT TRUST PLC

We have audited the financial statements of British & American Investment Trust PLC for the year ended 31 December 2009 which comprise the group income statement, the group statement of changes in equity, the company reconciliation of movements in shareholders' funds and the group and company balance sheet, the group cash flow statement and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the 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 Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 48, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Julian Bartlett

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

29 April 2010

Group income statement

For the year ended 31 December 2009

	Notes	2009 Revenue return £000	2009 Capital return £000	2009 Total £000	2008 Revenue return £000	2008 Capital return £000	2008 Total £000
Investment income	2	1,967	–	1,967	1,743	–	1,743
Holding gains/(losses) on investments at fair value through profit or loss	9	–	4,350	4,350	–	(10,698)	(10,698)
Losses on disposal of investments at fair value through profit or loss	9	–	(937)	(937)	–	(35)	(35)
Expenses	3	(343)	(185)	(528)	(330)	(173)	(503)
Profit/(loss) before tax		1,624	3,228	4,852	1,413	(10,906)	(9,493)
Tax	6	(5)	–	(5)	(10)	–	(10)
Profit/(loss) for the period		1,619	3,228	4,847	1,403	(10,906)	(9,503)
Earnings per share							
Basic - ordinary shares	7	5.07p	12.91p	17.98p	4.21p	(43.63)p	(39.42)p
Diluted - ordinary shares	7	4.62p	9.22p	13.84p	4.01p	(31.16)p	(27.15)p

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

The total column of this statement represents the Group'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 parent company. There are no minority interests.

The notes on pages 26 to 44 form part of these financial statements.

Statement of changes in equity

31 December 2009

Group

	Share capital £000	Capital reserve £000	Retained earnings £000	Total £000
Balance at 31 December 2007	35,000	2,871	1,772	39,643
Changes in equity for 2008				
Loss for the period	–	(10,906)	1,403	(9,503)
Ordinary dividend paid (note 8)	–	–	(1,600)	(1,600)
Preference dividend paid (note 8)	–	–	(350)	(350)
Balance at 31 December 2008	35,000	(8,035)	1,225	28,190
Changes in equity for 2009				
Profit for the period	–	3,228	1,619	4,847
Ordinary dividend paid (note 8)	–	–	(1,650)	(1,650)
Preference dividend paid (note 8)	–	–	(350)	(350)
Balance at 31 December 2009	35,000	(4,807)	844	31,037

Reconciliation of movements in shareholders' funds

Company

	Share capital £000	Capital reserve £000	Retained earnings £000	Total £000
Balance at 31 December 2007	35,000	3,665	1,142	39,807
Changes in equity for 2008				
Loss for the period	–	(11,563)	1,958	(9,605)
Ordinary dividend paid (note 8)	–	–	(1,600)	(1,600)
Preference dividend paid (note 8)	–	–	(350)	(350)
Balance at 31 December 2008	35,000	(7,898)	1,150	28,252
Changes in equity for 2009				
Profit for the period	–	2,682	2,157	4,839
Ordinary dividend paid (note 8)	–	–	(1,650)	(1,650)
Preference dividend paid (note 8)	–	–	(350)	(350)
Balance at 31 December 2009	35,000	(5,216)	1,307	31,091

Group and company balance sheet

31 December 2009

Registered number: 433137

	Notes	Group		Company	
		2009	2008	2009	2008
		£000	£000	£000	£000
Non - current assets					
Investments - fair value through profit or loss	9	29,385	26,673	25,897	23,499
Investments - subsidiaries	9	–	–	3,665	3,951
		29,385	26,673	29,552	27,450
Current assets					
Receivables	11	109	307	2,287	1,862
Derivatives - fair value through profit or loss	11	1,335	1,895	1,261	1,764
Cash and cash equivalents		985	864	931	513
		2,429	3,066	4,479	4,139
Total assets		31,814	29,739	34,031	31,589
Current liabilities	12				
Trade and other payables		62	386	61	–
Current tax		–	6	–	–
Other current liabilities		122	105	96	101
Derivatives - fair value through profit or loss		593	1,052	–	–
		(777)	(1,549)	(157)	(101)
Total assets less current liabilities		31,037	28,190	33,874	31,488
Non - current liabilities	13	–	–	(2,783)	(3,236)
Net assets		31,037	28,190	31,091	28,252
Equity attributable to equity holders					
Ordinary share capital	14	25,000	25,000	25,000	25,000
Convertible preference share capital	14	10,000	10,000	10,000	10,000
Capital reserve	15	(4,807)	(8,035)	(5,216)	(7,898)
Retained revenue earnings	15	844	1,225	1,307	1,150
Total equity		31,037	28,190	31,091	28,252

The notes on pages 26 to 44 form part of these financial statements.

Where the respective headings under ‘The Large and Medium - sized Companies and Group (Accounts and Reports) Regulations 2008, schedule 1, paragraph 9’ for the company balance sheet are different to those under IFRS, the headings are set out in note 20 to the accounts.

The financial statements on pages 22 to 44 were approved by the board of directors on 29 April 2010.

Jonathan Woolf

Managing Director

Group cash flow statement

For the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Cash flow from operating activities			
Profit/(loss) before tax		4,852	(9,493)
Adjustment for:			
(Gain)/loss on investments		(3,413)	10,733
Scrip dividends		(6)	(23)
Film income tax deducted at source		(5)	(4)
Proceeds on disposal of investments at fair value through profit or loss		17,756	14,935
Purchases of investments at fair value through profit or loss		(16,995)	(14,653)
Operating cash flows before movements in working capital		2,189	1,495
Increase in receivables		(869)	(1,553)
Increase in payables		771	1,070
Net cash from operating activities before income taxes		2,091	1,012
Income taxes received/(paid)		30	(44)
Net cash flows from operating activities		2,121	968
Cash flows from financing activities			
Dividends paid on ordinary shares	8	(1,650)	(1,600)
Dividends paid on preference shares	8	(350)	(350)
Net cash used in financing activities		(2,000)	(1,950)
Net increase/(decrease) in cash and cash equivalents		121	(982)
Cash and cash equivalents at beginning of year		864	1,846
Cash and cash equivalents at end of year		985	864

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

1 Accounting policies

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

a) Basis of preparation and statement of compliance
The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the IASB and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect, and to the extent they have been adopted by the European Union at 31 December 2009. The company has elected to prepare its parent company accounts under UK Generally Accepted Accounting Practice (GAAP).

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, under Companies Act 2006. The same accounting policies as those published in the statutory accounts for 31 December 2008 have been applied.

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 group's 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 consolidated financial statements.

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

These accounting policies are consistently applied across the group entities.

Future standards in place but not yet effective.

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

b) Basis of consolidation
The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings made up to 31 December each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

No income statement is published for British & American Investment Trust PLC as provided by s408 of the Companies Act 2006. The company’s profit on ordinary activities after taxation for the year was £4,839,333 (2008 – £9,604,826 loss).

In the company’s financial statements, investments in subsidiary undertakings are stated in accordance with the policies outlined under (d) below.

Losses on disposal of investments in the group financial statements are based on historical cost to the group.

c) 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,

1 Accounting policies (continued)

supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. In accordance with the company's status as a UK investment company under section 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend.

d) Valuation of investments

As the group’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 group manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the group is provided internally on this basis to the group’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.

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 at the close of business on the balance sheet date. Investments in units of unit trusts or shares in OEICs are valued at the closing price released by the relevant investment manager.

Traded stock options are, until realisation, included under current assets or current liabilities, and valued in accordance with the above policy.

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.

Investments in subsidiary companies are held at the fair value of their underlying assets and liabilities. Where a subsidiary has negative net assets it is included in investments at nil value and a provision made against it on the balance sheet.

e) 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.

Property EZT income is recognised on the date the distribution is receivable. Film royalty income is recognised on receipt of royalty statements covering periods ending in the financial year.

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.

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% (2008 - 50%) to revenue and 50% (2008 - 50%) to capital, in order to reflect the directors' long-term view of the nature of the expected investment returns of the company.

g) 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 group's and 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 section 842 Income and Corporation Taxes Act 1988 are not liable for taxation on capital gains.

h) 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 as fair value through profit or loss and presented as revenue or capital as appropriate.

i) Distributable reserves

Subject to the parent company's status as a UK investment company under section 833 of the Companies Act 2006, which does not permit net capital returns being distributed by way of dividend, unrealised gains and losses on quoted investments are included in the calculation of reserves available for distribution by way of dividend. However, in the interests of prudence the directors do not consider these unrealised gains to be distributable.

j) 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' and FRS 25 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.

2 Income

	2009	2008
Income from investments	£000	£000
UK dividends (cash and in specie)	1,532	1,197
Overseas dividends	47	13
Scrip dividends	6	5
Interest on fixed income securities	114	148
Rental income (Property Income Distribution)	31	54
Property unit trust income	23	22
Film revenues	208	215
	1,961	1,654
Other income		
Deposit interest	4	38
Other	2	51
	6	89
Total income	1,967	1,743
Total income comprises:		
Dividends	1,616	1,269
Interest	118	186
Film revenues	208	215
Property unit trust income	23	22
Gain/(loss) on foreign exchange	2	51
	1,967	1,743
Income from investments:		
Listed investments	1,706	1,371
Unlisted investments	255	283
	1,961	1,654

Of the £1,585,000 (2008 – £1,215,000) dividends received in the group accounts, £962,000 (2008 – £362,000) related to special and other dividends received from investee companies that were bought after the dividend announcement. There was a corresponding capital loss of £1,016,000 (2008 – £357,000), on these investments.

3 Administrative expenses

	2009 £000	2008 £000
Staff costs – including executive director (Notes 4 and 5)	356	334
Non-executive directors fees (Note 4)	44	44
Auditors' remuneration:		
Fees payable to the company's auditor for the audit of the company's individual financial statements and its consolidated financial statements	25	24
Fees payable to the company's auditor for other services:		
– audit of the financial statements of the company's subsidiaries pursuant to legislation	5	5
– other services relating to taxation	17	15
– all other services	6	4
Other	60	59
Irrecoverable VAT	15	18
	528	503

The group financial statements are required to comply with regulation 5(1)(b) of Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008.

4 Directors' remuneration

Directors' remuneration is disclosed in the Directors' remuneration report on page 50.

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

5 Staff costs

	2009 £000	2008 £000
Wages and salaries	292	273
Social security costs	34	34
Pensions and post-retirement benefits	30	27
	356	334

The average number of persons (including the executive director) employed during the year was 8 (2008 – 8).

	2009 Number	2008 Number
Investment	2	2
Administration	6	6
	8	8

6 Tax

	2009			2008		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Current tax:						
UK corporation tax	(5)	–	(5)	(10)	–	(10)
Foreign tax	(5)	–	(5)	(4)	–	(4)
Double taxation relief	5	–	5	4	–	4
	(5)	–	(5)	(10)	–	(10)

Corporation tax is calculated at 28% (2008 – 28.5%) of the estimated assessable profit for the year.

6 Tax (continued)

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

	2009				2008			
	Revenue £000	Capital £000	Total £000	%	Revenue £000	Capital £000	Total £000	%
Total profit/(loss) before tax	1,624	3,228	4,852	28	1,413	(10,906)	(9,493)	28.5
Tax at the UK corporation tax rate of 28% (2008 - 28.5%)	(455)	(904)	(1,359)		(402)	3,108	2,706	
Tax effect of expenses that are not deductible in determining taxable profit	1	–	1		2	–	2	
Tax effect of non-taxable and scrip dividends	444	–	444		343	–	343	
Withholding tax suffered	–	–	–		4	–	4	
Capital (gains)/losses within subsidiaries	–	(72)	(72)		–	(329)	(329)	
Gains/(losses) on investments that are not taxable	–	955	955		–	(3,059)	(3,059)	
Tax effect of utilisation of tax losses not previously recognised	–	26	26		–	329	329	
Effect of different tax rates of subsidiaries	–	–	–		(6)	–	(6)	
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	5	(5)	–		49	(49)	–	
Tax expense and effective tax rate for the year	(5)	–	(5)	0.10	(10)	–	(10)	0.11

7 Earnings per ordinary share

The calculation of the basic and diluted earnings per share is based on the following data:

	2009			2008		
	Revenue return £000	Capital return £000	Total £000	Revenue return £000	Capital return £000	Total £000
Earnings:						
Basic	1,269	3,228	4,497	1,053	(10,906)	(9,853)
Preference dividend	350	–	350	350	–	350
Diluted	1,619	3,228	4,847	1,403	(10,906)	(9,503)

Basic revenue, capital and total return per ordinary share is based on the net revenue, capital and total return for the period and after deduction of dividends in respect of preference shares and on 25 million (2008 – 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 and on 35 million (2008 – 35 million) ordinary and preference shares in issue.

8 Dividends

	2009 £000	2008 £000
Amounts recognised as distributions to ordinary shareholders in the period:		
Dividends on ordinary shares:		
Final dividend for the year ended 31 December 2008 of 3.9p (2007 – 3.7p) per share	975	925
Interim dividend for the year ended 31 December 2009 of 2.7p (2008 – 2.7p) per share	675	675
	1,650	1,600
Proposed final dividend for the year ended 31 December 2009 of 4.2p (2008 – 3.9p) per share	1,050	975

	2009 £000	2008 £000
Dividends on 3.5% cumulative convertible preference shares:		
Preference dividend for the 6 months ended 31 December 2008 of 1.75p (2007 – 1.75p) per share	175	175
Preference dividend for the 6 months ended 30 June 2009 of 1.75p (2008 – 1.75p) per share	175	175
	350	350
Proposed preference dividend for the 6 months ended 31 December 2009 of 1.75p (2008 – 1.75p) per share	175	175

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 842 Income and Corporation Taxes Act 1988 are considered.

Dividends proposed for the period

	2009 £000	2008 £000
Dividends on ordinary shares:		
Interim dividend for the year ended 31 December 2009 of 2.7p (2008 – 2.7p) per share	675	675
Proposed final dividend for the year ended 31 December 2009 of 4.2p (2008 – 3.9p) per share	1,050	975
	1,725	1,650
Dividends on 3.5% cumulative convertible preference shares:		
Preference dividend for the year ended 31 December 2009 of 1.75p (2008 – 1.75p) per share	175	175
Proposed preference dividend for the year ended 31 December 2009 of 1.75p (2008 – 1.75p) per share	175	175
	350	350

9 Investments – fair value through profit or loss

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Investments quoted on a recognised investment exchange	28,973	25,997	25,897	23,499
Unquoted investments				
– Subsidiary undertakings (Note 10)	–	–	3,655	3,951
– Property units	395	658	–	–
– Unquoted securities	17	18	–	–
	29,385	26,673	29,552	27,450

Film rights are valued, in the group, at £nil (2008 – £nil). The original cost of the film rights held in subsidiary undertakings is £510,000 with total amortisation to date of £455,535.

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

Group:	Quoted in UK £000	Quoted overseas £000	Unquoted UK £000	2009 Total £000	2008 Total £000
Opening cost	13,061	9,100	3,140	25,301	26,246
Investment holding gains/(losses)	6,001	(2,165)	(2,464)	1,372	11,655
Opening fair value at 1 January	19,062	6,935	676	26,673	37,901
Purchases at cost	15,259	2,008	–	17,267	14,476
Transfers	(12)	–	12	–	–
Sales – proceeds	(16,272)	(2,193)	–	(18,465)	(15,074)
– gains/(losses) on sales	(742)	302	–	(440)	68
Increase/(decrease) in investment holding gains/(losses)	4,036	590	(276)	4,350	(10,698)
Closing fair value	21,331	7,642	412	29,385	26,673
Closing cost	11,156	9,204	1,997	22,357	25,301
Investment holding gains/(losses)	10,175	(1,562)	(1,585)	7,028	1,372
Closing fair value at 31 December	21,331	7,642	412	29,385	26,673

Company:	Quoted in UK £000	Quoted overseas £000	Unquoted UK £000	2009 Total £000
Opening cost	19,484	6,465	7,934	33,883
Investment holding gains/(losses)	(846)	(1,604)	(3,983)	(6,433)
Opening fair value at 1 January	18,638	4,861	3,951	27,450
Purchases at cost	13,982	782	–	14,764
Transfers	(5)	–	5	–
Sales – proceeds	(14,897)	(851)	–	(15,748)
– (losses)/gains on sales	(1,119)	16	–	(1,103)
Increase/(decrease) in investment holding gains/(losses)	4,102	388	(301)	4,189
Closing fair value	20,701	5,196	3,655	29,552
Closing cost	16,213	6,399	7,094	29,706
Investment holding gains/(losses)	4,488	(1,203)	(3,439)	(154)
Closing fair value at 31 December	20,701	5,196	3,655	29,552

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 £46,202 (2008 – £39,853) being £29,074 (2008 – £22,905) on purchases and £17,128 (2008 – £16,948) on sales.

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

Gains/(losses) on investments

	Group 2009 £000	Group 2008 £000	Company 2009 £000
Losses on disposal	(1,750)	(382)	(3,192)
Losses on disposal recognised in prior years	1,306	450	2,089
	(444)	68	(1,103)
Losses on derivatives accounted for as current assets/(liabilities)	(493)	(103)	(672)
Gains included in Non-current liabilities (note 13)	–	–	453
	(937)	(35)	(1,322)
Investment holding gains/(losses) in the year	4,350	(10,698)	4,189
	3,413	(10,733)	2,867

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 of these subsidiary undertakings are included in the consolidation. All are incorporated in Great Britain.

11 Receivables

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Sales of investments awaiting settlement	–	139	–	34
Amount owed by subsidiary undertakings	–	–	1,878	1,403
Income tax recoverable	1	38	1	38
Group relief receivable	–	–	321	272
Prepayments and accrued income	45	45	45	45
Other receivables	63	85	42	70
Derivatives held at fair value through profit or loss	1,335	1,895	1,261	1,764
	1,444	2,202	3,548	3,626

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

Receivables for the group includes stock derivative assets of £1,335,253 (2008 - £1,895,328) containing a realised loss at the year end of £1,068,494 (2008 - £229,762 loss). Receivables for the company includes stock derivative assets of £1,260,945 (2008 - £1,763,587) containing a loss of £877,020 (2008 - £187,242 loss). These stock derivatives are a hedge against part of the investment in Geron Corporation.

12 Current liabilities

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Purchases of investments awaiting settlement	62	385	62	–
Trade payables	1	1	–	–
Corporation tax payable	–	6	–	–
Other taxes and social security	3	3	3	3
Other payables	55	31	55	31
Derivatives held at fair value through profit or loss	593	1,052	–	–
Accruals and deferred income	48	64	37	56
Amounts owed to subsidiary undertakings	–	–	–	11
Amounts due to related parties	15	7	–	–
	777	1,549	157	101

The directors consider that the carrying amount of other payables approximates to their fair value. Current liabilities includes stock derivative liabilities with a fair value of £593,318 (2008 - £1,052,559) for group, containing a gain at the year end of £391,287 (2008 - £146,073 gain). The amounts for the company are £nil (2008 - £nil) and £nil gain (2008 - £29,500 gain) respectively.

13 Non-current liabilities

	Company	
	2009	2008
	£000	£000
Guarantee of subsidiary liability	2,783	3,236

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.

14 Share capital

	2009	2008
	£000	£000
Authorised:		
25,000,000 ordinary shares of £1 each	25,000	25,000
10,000,000 non voting 3.5% cumulative convertible non-redeemable preference shares of £1 each	10,000	10,000
Allotted, called-up and fully-paid:		
25,000,000 ordinary shares of £1 each	25,000	25,000
10,000,000 non voting 3.5% cumulative convertible non-redeemable preference shares of £1 each	10,000	10,000
	35,000	35,000

The 3.5% cumulative convertible non-redeemable preference shares issued by the company have been classified as equity instruments in accordance with IAS 32 and FRS 25 - 'Financial Instruments - Presentation'. The directors are of the opinion that due to the fact the company has no contractual obligation to redeem the preference shares for cash or pay preference dividends unless also declaring a dividend to ordinary shareholders, they are correctly classified as equity and do not represent a financial liability.

Details of the rights attached to the preference shares are included in the ‘Share Capital’ section of the Directors’ report on pages 16 and 17.

15 Retained earnings and capital reserves

	Capital reserve £000	Retained earnings £000
Group		
1 January 2009	(8,035)	1,225
Allocation of profit for the year	3,228	1,619
Ordinary and preference dividends paid	–	(2,000)
31 December 2009	(4,807)	844
Company		
1 January 2009	(7,898)	1,150
Allocation of profit for the year	2,682	2,157
Ordinary and preference dividends paid	–	(2,000)
31 December 2009	(5,216)	1,307

The Capital reserve includes £7,028,000 of investment holding gains (see note 9 on page 35).

16 Net asset values

	Net asset value per ordinary share		Net assets attributable	
	2009 £	2008 £	2009 £000	2008 £000
Ordinary shares				
Undiluted	0.84	0.73	21,037	18,190
Diluted	0.89	0.81	31,037	28,190

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.

17 Related party transactions

The company rents its offices from Romulus Films Limited, and is also charged for its office overheads. During the year the company paid £11,156 (2008 – £9,636) 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 2009 were £321,465 (2008 – £302,714) in respect of salary costs and £30,220 (2008 – £26,555) in respect of pensions.

At the year end an amount of £7,459 (2008 – £3,340) was due to both Romulus Films Limited and Remus Films Limited. Romulus Films Limited and Remus Films Limited have significant shareholdings in the company – see page 16.

The group has taken advantage of the exemption from disclosing transactions with subsidiaries, as permitted by FRS8.

18 Deferred taxation

A deferred tax asset has not been recognised in respect of timing differences relating to capital losses and accelerated capital allowances on film rights and excess management expenses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £625,559 (2008 – £817,015). The asset would be recovered if the company disposed of its investments and made sufficient future taxable profits and chargeable gains.

It is unlikely the parent company will generate sufficient taxable profits in the future as its taxable losses are usually more than offset by the taxable profits generated by subsidiary companies, to recover management expenses of £7,806 (2008 – £7,806) and no deferred tax asset has been recognised in the year or prior years.

19 Risk management and other financial instruments

The group'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 group'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 group's financial instruments are market risk (comprising other price risk, interest rate risk, currency risk), liquidity 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 group invests in securities for the long term. The group's stated investment policy is to invest predominantly in investment trusts and other leading UK quoted companies. The group 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.

At the year end written put and call options, which are traded on the Chicago Board Options Exchange, totalled £984,605 (2008 – £1,198,632). The fair market value and resulting realised gain is disclosed in the note 12 on page 37.

19 Risk management and other financial instruments (continued)

Other price risk

The group's exposure to other price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the group 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 group’s exposure to other changes in market prices at 31 December on its quoted and unquoted investments was:

	2009	2008
	£000	£000
Investments held at fair value through profit or loss	29,385	26,673
Derivatives held at fair value	742	843
	30,127	27,516

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

Other price risk sensitivity

A 10% increase in group portfolio valuations at 31 December 2009 would result in an increase of £3,013,000 (2008 – £2,752,000) in net asset value and profit for the year. A decrease of 10% would have had an equal but opposite effect.

Financial assets - interest rate risk

The majority of the group's financial assets are equity shares 90.2% (2008 – 89.9%) or other investments which pay dividends rather than interest and do not have a maturity date.

Interest bearing investments, including cash deposits, comprise 8.5% of the group's financial assets, of which 5.5% are at fixed rate and 3.0% 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 group 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 of the group at 31 December 2009 is shown below.

		2009		2008
	Fair Value	Maturity	Fair Value	Maturity
	£000		£000	
Fixed Rate				
UK fixed interest stock	419	17 years	341	18 years
UK notes and bonds	672	undated	624	undated
	1,091		965	
Weighted average interest rate (on fair value)	9.4%		9.7%	

19 Risk management and other financial instruments (continued)

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

Interest rate sensitivity

An increase of 0.5% in sterling interest rates at 31 December 2009 would have decreased the fair value of fixed interest securities and hence total net assets by £58,000 (2008 – £50,000). 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 of the group are held at amounts that approximate to fair value.

Fair value hierarchy

The fair value hierarchy as defined in IFRS 7 comprises 3 levels. With the exeption of Unquoted UK investments with a year end market value of £412,000 (2008 – £676,000) which are categorised as Level 3, all other investments £28,912,000 (2008 – £25,997,000) and derivatives assets £1,335,000 (2008 – £1,895,000) and liabilities £593,000 (2008 – £1,052,000) 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 3 investments inputs are not based on observable market data (unobservable inputs).

The values for investments categorised by type are identified on page 9. The movement in Level 3 investments is shown in the Unquoted UK column in note 9 on page 35. Transfers into Level 3 of £12,000 represent investments delisted from the London Stock Exchange during the year.

Currency risk

The vast majority 72% (2008 – 71%) of the group's assets and liabilities are in sterling. The foreign currency exposure is almost exclusively in a single investment denominated in US dollars. The board monitors the group'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 group. Where appropriate, foreign currency contracts may be used to limit the group's exposure to anticipated future adverse changes in exchange rates.

	2009	2008
	£000	£000
US dollar		
Investments	7,642	6,935
Cash and cash equivalents	280	297
Other debtors and creditors	742	843
Net exposure	8,664	8,075
Total net assets	31,037	28,190

19 Risk management and other financial instruments (continued)

Currency risk sensitivity

At 31 December 2009, 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 £413,000 (2008 – £384,000). Similarly, a 5% weakening of sterling against the US dollar, with constant other variables, would have increased total net assets by £456,000 (2008 – £425,000).

Liquidity risk

The group's assets almost entirely comprise listed realisable securities, which can be sold to meet funding requirements as necessary. Short-term flexibility is achieved through the use of surplus cash. The board has set, and regularly monitors, guidelines on limits for both individual holdings and exposure to quoted equities in total (see investment policy on pages 12 and 13). The group considers that its exposure is not significant.

Credit risk

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

The group 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 group's broker. The credit worthiness of the broker and other entities is reviewed by the board. Investment transactions are normally done on a delivery versus payment basis such that the group 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 group's principal financial assets are bank balances and cash, other receivables and investments, which represent the group's maximum exposure to credit risk in relation to financial assets.

Cash and cash equivalents comprise bank balances and cash held by the group. 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:

		2009		2008
	Balance sheet £000	Maximum exposure £000	Balance sheet £000	Maximum exposure £000
Fixed rate investments	1,091	1,091	949	949
Current assets				
Receivables	109	109	307	307
Derivatives classified as fair value through profit or loss	1,335	1,335	1,895	1,895
Cash and cash equivalent	985	985	864	864
	3,520	3,520	4,015	4,015

None of the group’s financial assets are past their due dates, impaired or secured by collateral or other credit enhancements.

19 Risk management and other financial instruments (continued)

Capital management policies and procedures

The group'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 redeemable preference equity capital.

The group's total capital equity (ordinary and redeemable preference share capital and other reserves) at 31 December 2009 was £31,037,000 (2008 – £28,190,000).

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

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

20 The Large and Medium - sized Companies and Group (Accounts and Reports) Regulations 2008/ IFRS balance sheet headings

Where the respective headings under IFRS differ from those set out in the Companies Act, the differences are set out below.

IFRS Heading	The Large and Medium - sized Companies and Group (Accounts and Reports) Regulations 2008
Non - current assets	Fixed assets
Investments - fair value through profit or loss	Investments - fair value through profit or loss
Receivables	Debtors
Cash and cash equivalents	Cash at bank and in hand
Current liabilities	Creditors: amounts falling due within one year
Non - current liabilities	Provisions for liabilities and charges
Equity attributable to equity holders	Capital and reserves
Ordinary share capital	Called - up share capital
Convertible preference share capital	Called - up share capital
Retained earnings	Revenue reserve
Total equity	Total shareholder’s funds

Statement of compliance with the Combined Code of Best Practice

For the year ended 31 December 2009

The Statement of compliance with the Combined Code of Best Practice, which forms part of the Directors' report (page 18) is set out below. The following paragraphs describe the framework of internal controls in place to ensure that the company complies with the Financial Reporting Council's guidance ('the Turnbull guidance') which forms a part of the Code, and with the obligations of the UKLA's Disclosure and Transparency Rules which require a description of the main features of the internal control and risk management systems in relation to the financial reporting process and preparation of consolidated financial statements.

The board has considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to British & American Investment Trust PLC.

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 Section 1 of the Combined 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 three 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	3/3
DG Dreyfus	4/4	3/3
RG Paterson	4/4	3/3
JC Woolf	4/4	3/3*

Statement of compliance with the Combined Code of Best Practice (continued)

* Not a member of the committee but in attendance by invitation.
All the directors attended the Annual General Meeting.

Independence of the directors

The non-executive directors (Mr JAV Townsend, Mr DG Dreyfus and Mr RG Paterson) are independent and have no other relationships or circumstances which might be perceived to interfere with the exercise of independent judgement. Mr DG Dreyfus, Mr JAV Townsend and Mr RG Paterson, at the date of the Annual General Meeting, will have served on the board for more than fourteen years, ten years and nine 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 JC Woolf, 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 three other investment trusts and a director of a number of other companies. He does not have a full time executive role in any organisation and the board is satisfied that he has sufficient time available to discharge fully his responsibility as Chairman.

Audit Committee

The audit committee is a formally constituted committee of the board with defined terms of reference, which include its role and the authority delegated to it by the board, which are available for inspection at the company's registered office. It meets twice yearly and among its specific responsibilities are the review of the company's annual and half yearly results together with supporting documentation. The committee also reviews the internal and financial controls applicable to the company and its stockbroker and custodian, Walker Crips Stockbrokers Limited.

Statement of compliance with the Combined Code of Best Practice (continued)

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.

The provision of non-audit services is reviewed separately by the audit committee on a case by case basis, having consideration of the cost effectiveness of the services and the independence and objectivity of the auditors.

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.

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 16), 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 16.

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

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

Accountability, Internal Controls and Audit

The directors' statement of responsibilities in respect of the accounts is set out on page 19.

The directors are responsible for the effectiveness of the internal control systems for the company, which are designed to ensure that proper 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 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 FRC guidance.

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.

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 in these areas.

Exercise of voting rights

The board has delegated authority to the Managing Director to vote on behalf of the company, in accordance with the company's best interests.

Directors' remuneration report

For the year ended 31 December 2009

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 2009. 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.

Consideration by the directors' of matters relating to directors' remuneration

The board as a whole considers the directors' remuneration. The board has not appointed a committee to consider matters relating to directors' remuneration. 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).

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.

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 is that aggregate non-executive directors fees should not exceed £45,000 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 to 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 16 Mr JC Woolf is a significant shareholder in the company. The company also provides directors' liability insurance.

It is intended that their policy will continue for the year ending 31 December 2010 and subsequent years.

Sums paid to third parties (audited)

The directors' fees payable to RG Paterson were paid to Eversheds LLP. This payment was for services as a director of the company.

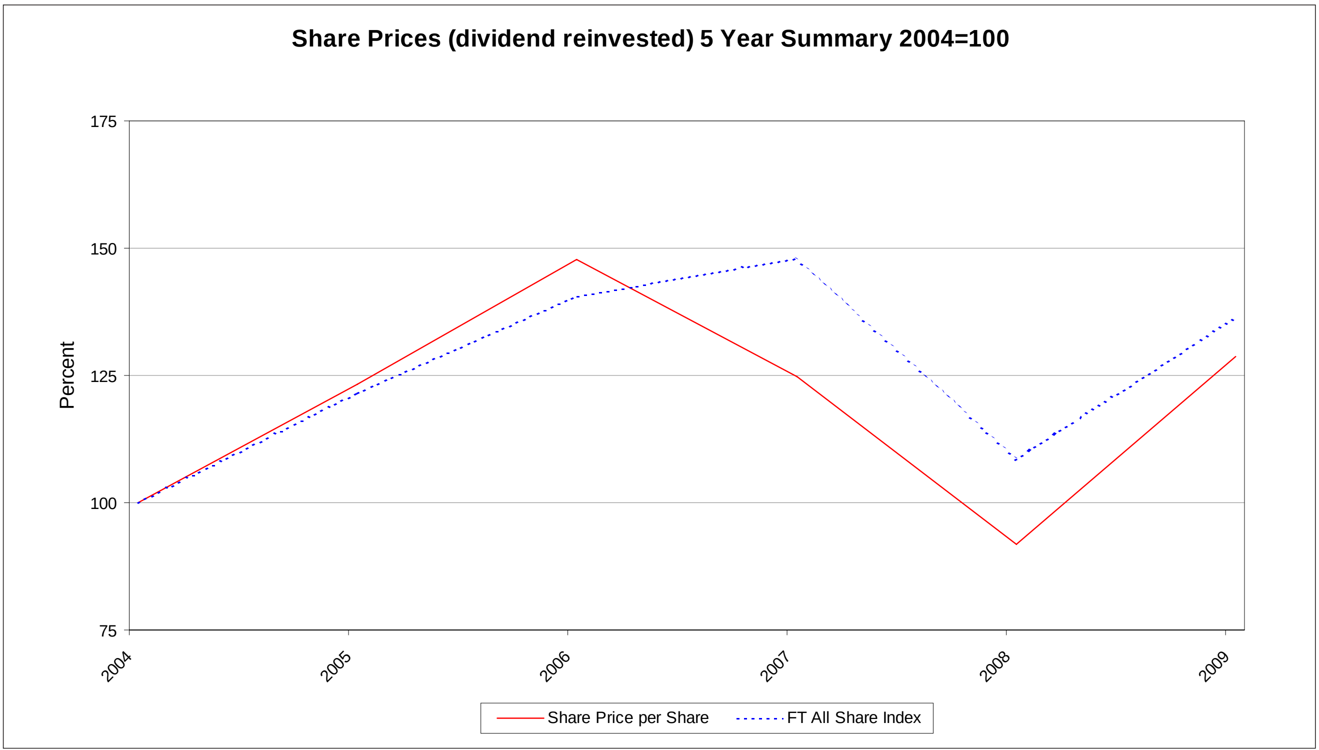
Services contract

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.

Performance graph

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 five years since 2005. The FTSE All Share is selected because it is the single broad equity market index that most closely matches the company's benchmark.

Share prices



Directors' remuneration

The following items have been audited.

The following table shows a breakdown of the remuneration of individual directors.

	2009	2008
	£000	£000
JC Woolf - salary	60	58
JAV Townsend - fees	18	18
DG Dreyfus - fees	13	13
RG Paterson - fees	13	13
Total	104	102

The annual fees of the Chairman are £17,500 and the two non-executive directors £12,500.

By order of the board

KJ Williams
Secretary
29 April 2010

Notice of meeting

NOTICE IS HEREBY GIVEN THAT the sixty-second Annual General Meeting of the company will be held at Wessex House, 1 Chesham Street, London SW1X 8ND on Friday 18 June 2010 at 12.15pm for the following purposes:

1 To receive and consider the directors' report and group accounts for the year ended 31 December 2009 and the report of the auditors thereon.

2 To re-elect Mr JC Woolf as a director.

3 To re-elect Mr DG Dreyfus as a director.

4 To re-elect Mr JAV Townsend as a director.

5 To re-elect Mr RG Paterson as a director.

6 To approve the directors' remuneration report.

7 To declare a final dividend of 4.2p 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 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 2010

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 (whether a member or not) as his/her proxy to attend and, on a poll, to vote instead of him/her.

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, only those members entered on the company's register of members not later than 12.15pm on 16 June 2010 or, if the meeting is adjourned, shareholders entered on the company's register of members not later than 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend and vote at the meeting.

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

FORM OF PROXY

BRITISH & AMERICAN INVESTMENT TRUST PLC

(For use by ordinary shareholders)

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

of ....

being (a) member(s) of the above company, hereby appoint the Chairman of the meeting or
.... to be my/our proxy to vote on my/our behalf at the Annual General Meeting of the company to be held at Wessex House, 1 Chesham Street, London SW1X 8ND at 12.15 pm on Friday 18 June 2010 and at any adjournment thereof.

Signed ....

Dated .... 2010.

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

RESOLUTIONS		For	Against	Vote Withheld	Discretionary
1.	To adopt the report and accounts.	☐	☐	☐	☐
2.	To re-elect Mr JC Woolf.	☐	☐	☐	☐
3.	To re-elect Mr DG Dreyfus.	☐	☐	☐	☐
4.	To re-elect Mr JAV Townsend.	☐	☐	☐	☐
5.	To re-elect Mr RG Paterson.	☐	☐	☐	☐
6.	To approve the directors' remuneration report.	☐	☐	☐	☐
7.	To declare a final dividend of 4.2p per £1 ordinary share.	☐	☐	☐	☐
8.	To re-appoint Grant Thornton UK LLP as the company's auditors.	☐	☐	☐	☐
9.	To authorise the directors to determine the remuneration of the auditors.	☐	☐	☐	☐

NOTES

1. Please indicate with an X in the boxes above how you wish your votes to be cast. If you select 'Discretionary' or the form is returned without any indication as to how the proxy shall vote on any particular matter, and on any other business which may come before the meeting, the proxy will vote or abstain as he thinks fit.
2. This proxy must reach the company not less than 24 hours before the meeting.
3. A corporation's proxy must be either under its common seal or under the hand of a duly authorised officer or attorney.
4. A space is provided to appoint a proxy other than the person named above.
5. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the company on 020 7201 3100 or you may copy this form. Pease indicate with the proxy holder's name the number of securities in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is in addition to a previous instruction. All forms must be returned together in the same envelope.
6. The 'Vote Withheld' option is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

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