British & American Investment Trust PLC

Report and accounts

31 December 2011

Investment Policy

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

Ten largest security holdings (group basis)

Name	Sector	%
RIT Capital Partners	Investment Trust	15.07
Geron Corporation	Biomedical – USA	14.90
Prudential	Life Assurance	10.37
Dunedin Income Growth	Investment Trust	9.66
British Assets Trust	Investment Trust	7.98
Electra Private Equity	Investment Trust	6.54
St James's Place International	Unit Trust	6.39
Scottish American Inv Company	Investment Trust	3.86
Invesco Income Growth Trust	Investment Trust	2.82
Alliance Trust	Investment Trust	2.78
		80.37

Country Exposure

Country	£m	%
UK	18.5	79.1
USA	4.9	20.9
Other	–	–
Total net assets	23.4	100.00

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

	£
1 year	99.4
3 year	143.0
5 year	75.9

(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	50
Net Assets (£m)	23.4
Yield (excl. special dividend)	11.21%
Dividend Dates	Interim dividend – November Final dividend – June
Share price (p)	66.0
NAV/share (p)	67 *(diluted)* 54 *(undiluted)*
(Discount)/premium	(1.5)% 22.2%
Total expense ratio	1.95%
Sedol Code	0065311
ISIN Code	GB000065311

Status

Eligible to be held in an ISA or Savings Scheme.

Contact

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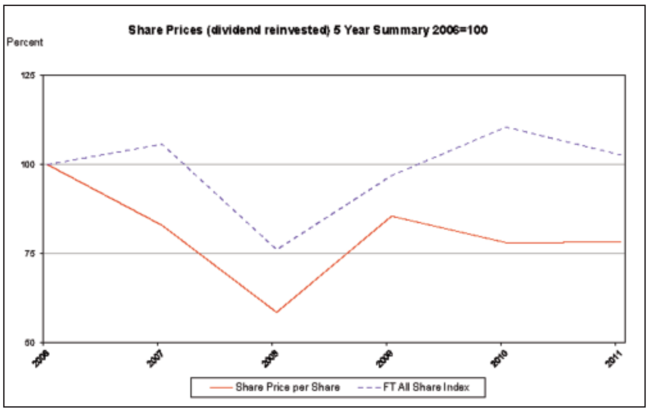
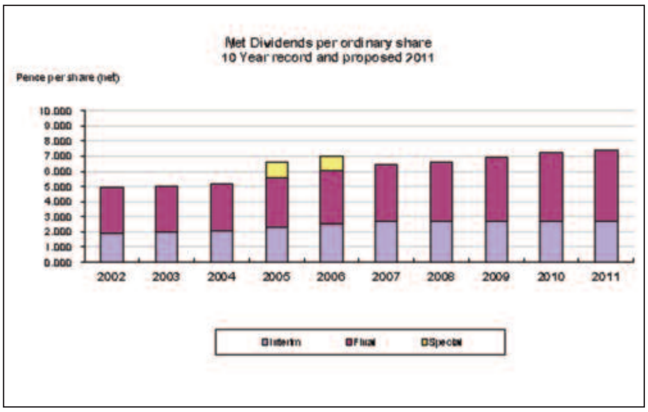
1 Chesham Street
London SW1X 8ND
Tel: 020 7201 3100
Fax: 020 7201 3101
Website: www.baitgroup.co.uk
Registered in England. Registered number 00433137
VAT Reg. No. 241 1621 10





British & American Investment Trust PLC

Annual Report and Accounts

for the year ended 31 December 2011

Registered number: 00433137

Contents

Directors and officials

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

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

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

Bankers
Lloyds TSB Commercial
Bank House
Primett Road
Stevenage
Hertfordshire
SG1 3EE

UBS Wealth Management
1 Finsbury Avenue
London EC2M 2AN

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

Biographical details of directors and investment policy

Chairman

J Anthony V Townsend (Age 64)

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

Managing Director

Jonathan C Woolf (Age 55)

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 55)

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 55)

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

Investment policy

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

AIC

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

Chairman's statement

I report our results for the year ended 31 December 2011.

Revenue

The return on the revenue account before tax amounted to £2.6 million (2010: £2.1 million), an increase of 21 percent. Gross income amounted to £2.9 million (2010: £2.5 million), marking a further increase in income levels after the declines seen following the global economic recession of 2008/9. £2.7 million of this amount (2010: £2.2 million) represented income from portfolio investments and £0.2 million (2010: £0.2 million) from film, property and other income. The increase in portfolio income arose from a growth in dividends paid by core investee companies and a deliberate targeting of investment in higher and special dividend paying companies.

The return before tax amounted to a loss of £6.6 million (2010: £3.2 million gain), comprising a realised gain of £1 million and an unrealised loss of £7.6 million. This large unrealised loss reflected the negative performance of UK equities in 2011 and a large drop in the value of our largest investment, Geron Corporation, in the second half of the year, as discussed more fully below. The revenue return per ordinary share was 8.9p (2010: 7.1p) on an undiluted basis and 7.4p (2010: 6.1p) on a diluted basis.

Net Assets

Group net assets at the year end were £23.4 million (2010: £32.2 million), a decrease of 27.2 percent. This compares to decreases in the FTSE 100 and All Share indices of 5.5 percent and 6.7 percent, respectively, over the period. This serious and unacceptable underperformance was caused by the large fall in the share price of Geron Corporation, our largest investment, of 72 percent. We have already reported on our dissatisfaction with the management of Geron and its ill-advised decisions over the last year in previous reports. While the share price declined by 22 percent in the first half, further significant falls occurred in August, coinciding with general market falls at that time, and then again in November when the company announced the discontinuation and sale of its world leading regenerative medicine business. The managing director comments in further detail on Geron and on developments in investment markets generally over the period in his report which follows.

The net asset value per ordinary share decreased to 67p (2010: 92p) on a diluted basis. Deducting prior charges at par, the net asset value per ordinary share decreased to 54p (2010: 89p).

Dividend

We are pleased to recommend an increased final dividend of 4.7p per ordinary share, which together with the interim dividend makes a total payment for the year of 7.4p (2010: 7.2p) per ordinary share. This represents an increase of 2.8 percent over the previous year's total dividend and a yield of 10.9 percent based on the share price of 66p at the end of the year. The final dividend will be payable on 28 June 2012 to shareholders on the register at 1 June 2012. A dividend of 1.75p will be paid to preference shareholders resulting in a total payment for the year of 3.5p per share.

Investment Trust regulation

The new rules governing the operation and taxation of investment trusts have been enacted with effect from 1 January of this year. These new rules provide additional flexibility and certainty in many important areas of investment trust activity and management and have been widely welcomed by the industry. We similarly welcome these changes and acknowledge the important contribution made by our trade association, the Association of Investment Companies (AIC), in representations it made to government on behalf of the industry.

Outlook

In the first quarter of 2012, equity markets in the USA and UK continued their recovery, finally regaining the levels prior to the drop in August 2011. In the USA, equity markets reached the highest levels seen since the global financial crisis in 2007/8 and volatility levels generally subsided as investors' concerns were alleviated by bold liquidity provision measures by the European Central bank to address Eurozone government debt situation.

Nevertheless, many difficult and long term challenges face developed economies over the coming months and years as over-indebted countries seek to reduce national and private sector debt through austerity plans and increased taxation. These policies will inevitably affect levels of growth which have already been seen to be anaemic and less than might normally be expected after a recession of the depth and duration recently experienced. Slightly better than anticipated growth in the USA in recent months, however, has provided a more optimistic tone which has underpinned the equity markets over the first quarter.

There remain, however, significant risks to further progress from many quarters, not least unquantifiable political risks given the large number of elections scheduled in 2012 in the USA and in many major European countries. The scope for populist dissent at this time and in the face of the severe austerity measures being implemented by many governments could serve to derail many of the remedial policies introduced by governments which have given comfort to markets in recent months.

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

As at 20 April 2012, group net assets had increased to £24.8 million, an increase of 6.0 percent since the beginning of the calendar year. This is equivalent to 59 pence per share (prior charges deducted at par) and 71 pence per share on a diluted basis. Over the same period the FTSE 100 increased 3.6 percent and the All Share Index increased 5.0 percent.

Anthony Townsend

25 April 2012

Managing Director's Report

In the first half of 2011, equity markets continued the recovery from recession seen in the previous year, albeit not as strongly. This upward trend was interrupted in March by the Japanese earthquake, but its effect was only short-lived, demonstrating the market's determination to continue forward. By the end of the period, however, some retrenchment was seen and the market ended up by only 2 percent at mid-year. This softening reflected growing concerns at the structural imbalances built up in Western economies since the recession in terms of debt and unemployment levels. These were deteriorating rather than improving due to the relative weakness of the recovery and the impact of the banking crisis which was preventing sufficient levels of credit reaching the economy to support a stronger recovery.

These concerns were suddenly thrown into sharper focus in July by the unedifying spectacle of a hopelessly divided US Congress wrangling over national budget limits which threatened the prospect of a US government default. Equity markets reacted very badly and collapsed by 15 to 20 percent in a matter of days. This was followed by the first ever downgrade of US government debt by a ratings agency. These events only served to remind markets of the unaddressed sovereign debt problems in other leading Western economies, particularly in the Eurozone, and as a result equity markets remained flat at these lower levels for most of the rest of 2011. No help was given to markets at this time by politicians who seemed unable to take a lead in implementing policies to tackle these imbalances, and it was only by virtue of the concerted action of central banks pumping large amounts of liquidity into their respective economies and keeping interest rates in all currencies at historical lows that equities did not decline further at this time.

In the last month of 2011, however, equities broke out and rose by over 10 percent as Eurozone politicians appeared to realise the seriousness of the threat posed to the Eurozone by the sovereign debt crisis and finally took decisive action by enlarging the emergency funds available to the zone's indebted governments, having forced through political changes in Greece and Italy. As a result, the equity market in the UK finished the year down by the lesser amount of 6.7 percent and the index in the USA actually finished up on the year by 10.7 percent.

As noted above in the Chairman's statement, our portfolio shrank by 27.2 percent over the year having been down by 6.7 percent at the half year. This extremely disappointing performance was due almost entirely to the severe fall in the market price of Geron Corporation, our largest investment, by over 70 percent in both US dollar and sterling terms.

Geron Corporation

We already reported in some detail in 2011 our serious concerns about management actions and the likely adverse effect this would have on Geron's valuation and perception in the market going forward. Unfortunately, all and more of our fears were borne out during the year despite our having made face to face representations to Geron's management on a number of occasions during the year.

At the end of 2010, Geron unexpectedly announced a large and deeply discounted share offering to finance the in-licensing of a new early phase cancer drug technology which marked a departure from its core Telomerase based oncology platform. Not long after, the long-serving and well-respected CEO suddenly and without explanation left Geron and was replaced by the finance director with no practical biomedical or CEO experience. At this point, the stock price which had remained weak after the discounted equity issue fell further and we requested our first meeting with Geron management to make our concerns known and called for a change of leadership. During the first half of 2011, Geron's market value drifted inexorably lower as it became clear to the market that the new CEO was not adequately communicating the company's strategy and prospects to investors and the industry, resulting in a fall of 22 percent. At this time we made further representations to Geron about its leadership and communication strategy and raised concerns that Geron's hitherto successful equity funding strategy was being put at risk by the collapse in its stock price.

The general equity market collapse in August 2011, already referred to above, placed further pressure on Geron's stock price. Some reprieve was seen in September with the dismissal of the CEO and the appointment of a new and experienced replacement who immediately announced a review of all Geron's programmes. Within weeks, however, Geron shocked the market, the medical industry and the world by closing forthwith its entire regenerative medicine business, cancelling its world first embryonic stem cell trial in spinal cord injury in mid-stream and exiting the business of which it was the acknowledged world leader in order to divest the business in its entirety. Geron's stock price reacted very badly, falling by 30 percent in a day.

Geron had taken this strategic decision in order to concentrate its resources on its oncology business which it said was more likely to provide results and value in the shorter term. It did not have the resources or the funding capacity to continue with the regenerative medicine side of its business because, as we had feared, its mismanagement over the past year had shut off its ability to continue its equity based funding programme.

Thus Geron has found itself through its own actions in the position of having to summarily discontinue one half of its business in which it was the recognised world leader and which represented one of the most exciting and potentially valuable medical technologies of the future. It has also chosen to exit this business in the most inappropriate way by stopping the programmes mid-stream halting a hard won, high profile and problem free clinical trial and dismissing senior and technical staff, all of which will inevitably depress the value Geron is able to obtain for this business from partners or acquirers.

As significant investors who had sought to warn Geron of its ill advised actions over the last year, we are particularly aggrieved at these developments which have resulted in such unnecessary value destruction to Geron and its investors. As noted above, while we remain very enthusiastic about the prospects for the remaining oncology business which has the potential to yield significant returns to Geron, we will inevitably review the extent of our exposure to Geron in the future once the regenerative medicine business has been divested and its stock price more accurately reflects the value of its remaining underlying business.

Outlook

As noted above, significant structural problems remain to be resolved and in some cases even addressed in many leading Western economies. While a clear but relatively hesitant recovery from the global recession and banking crisis has been seen over the past two years, much of this has been fuelled by the unprecedented credit easing activities of the US Federal Reserve, European Central Bank and other central banks. The overhang of sovereign and retail indebtedness in developed countries and the unwillingness of banks to extend credit still has the potential to depress growth and impede the recovery necessary to repair these imbalances. In addition, political risks also cloud the outlook with the number of elections due to take place in 2012 and the prospect of increased popular dissent in reaction to the severe but necessary austerity programmes implemented by many governments.

It is hoped that the recently somewhat better than expected economic performance in the USA together with sustained growth levels in China and other leading developing economies will be sufficient to offset the downward pressure placed on world growth by the structural problems currently being experienced by European economies. At the moment, markets remain supported by multiple years of unprecedented monetary stimulation which at some point must be withdrawn. It is only at that point that it will become evident whether a sufficient base of economic growth and stability has been achieved to allow markets to return to their natural function of pricing underlying financial and economic risks and prospects.

Jonathan Woolf

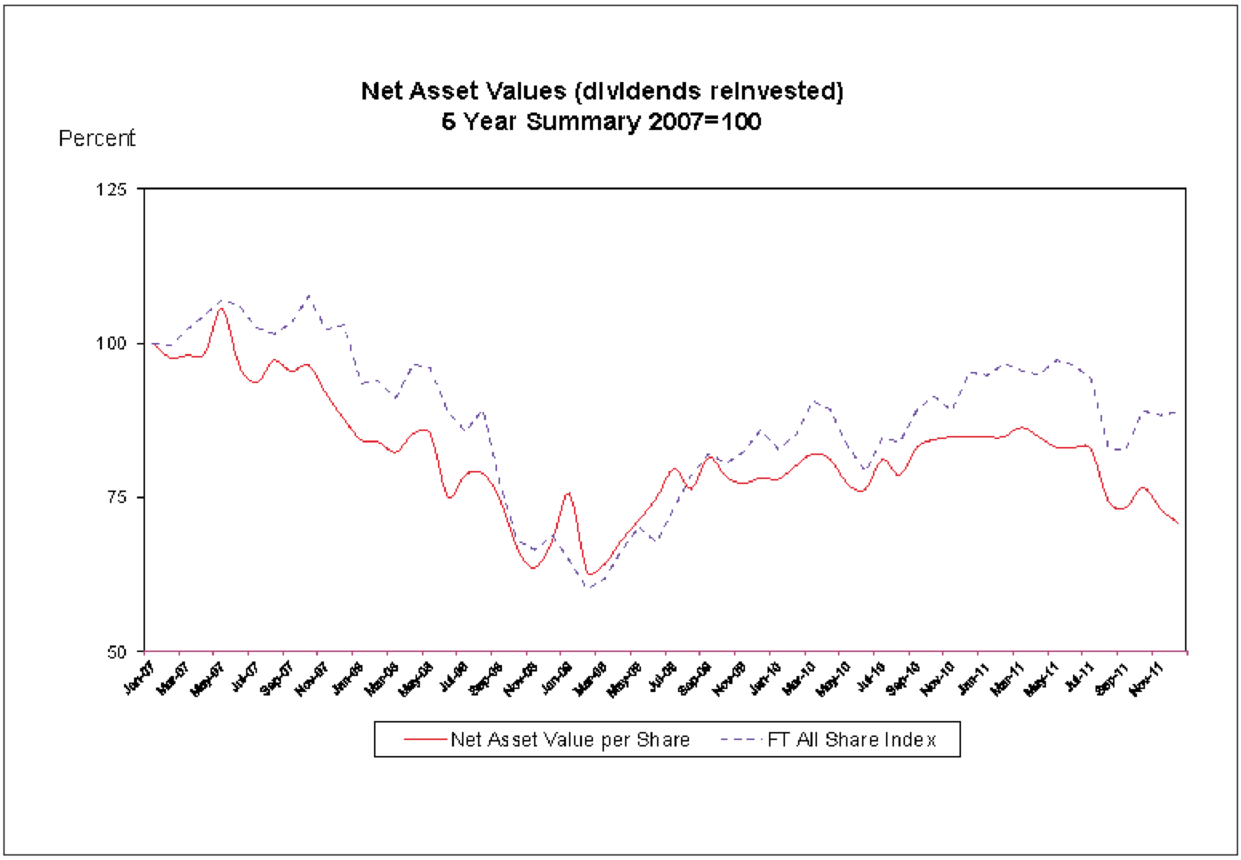
25 April 2012

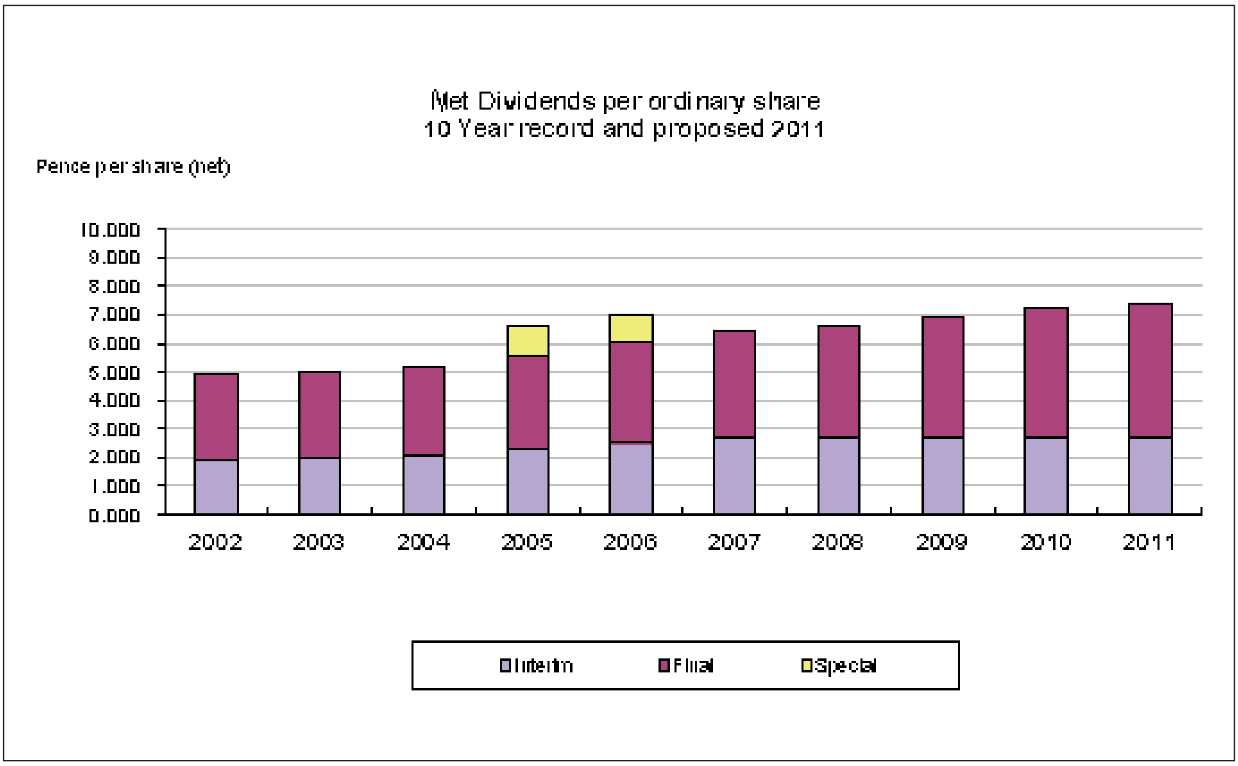
Financial highlights

For the year ended 31 December 2011

	2011			2010		
	Revenue return £000	Capital return £000	Total £000	Revenue return £000	Capital return £000	Total £000
Profit/(loss) before tax – realised	2,587	(1,589)	998	2,146	(1,830)	316
(Loss)/profit before tax – unrealised	–	(7,612)	(7,612)	–	2,927	2,927
Profit/(loss) before tax – total	2,587	(9,201)	(6,614)	2,146	1,097	3,243
Earnings per £1 ordinary share – basic	8.93p	(36.80)p	(27.87)p	7.16p	4.39p	11.55p
Earnings per £1 ordinary share – diluted	7.38p	(26.29)p	(18.91)p	6.11p	3.13p	9.24p
Net assets			23,430			32,198
Net assets per ordinary share						
– deducting preference shares at par			54p			89p
– diluted			67p			92p
Diluted net asset value per ordinary share at 20 April 2012			71p			
Dividends declared or proposed for the period						
per ordinary share – interim paid			2.7p			2.7p
– final proposed			4.7p			4.5p
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		
	20 April 2012 £000	31 December 2011 £000	31 December 2010 £000
Investment Trusts (equities)	12,150	11,643	15,278
Biomedical – USA	3,581	3,223	7,419
Life Assurance	3,590	2,404	3,239
Unit trusts	1,602	1,547	1,751
Software and computer services	369	428	487
Other Financial	181	110	160
Telecommunications	99	97	93
Leisure and hotels	88	88	127
Property	50	46	83
Bank retail	29	25	31
Oil exploration and production	–	23	26
Biotechnology	14	15	29
Pharmaceuticals and healthcare	17	15	17
Overseas	4	14	7
Media	17	14	14
Construction	–	9	32
Electricity	–	–	37
Support services	–	–	2
Total quoted equities	21,791	19,701	28,832
Property units (unquoted)	291	291	322
Fixed Interest stocks (unquoted)	19	19	17
Fixed Interest stocks	817	824	863
Preference shares	572	540	583
Permanent interest bearing	247	243	264
Total portfolio	23,737	21,618	30,881
Derivatives – traded options	1,490	1,689	945
Balances at banks and stockbrokers	(812)	122	421
	24,415	23,429	32,247

Group investment portfolio

At 31 December 2011

Company	Nature of business	Valuation £000	% of Group Portfolio
RIT Capital Partners	Investment Trust	3,257	15.07
Geron Corporation	Biomedical – USA	3,222	14.90*
Prudential	Life Assurance	2,242	10.37
Dunedin Income Growth	Investment Trust	2,089	9.66
British Assets Trust	Investment Trust	1,725	7.98
Electra Private Equity	Investment Trust	1,413	6.54
St James's Place International	Unit Trust	1,381	6.39
Scottish American Investment Company	Investment Trust	834	3.86
Invesco Income Growth Trust	Investment Trust	610	2.82
Alliance Trust	Investment Trust	600	2.78
Royal & Sun Alliance Insurance Group 7.375% Cum. irred. preference shares £1	Insurance – Non-Life	445	2.06
F&C Asset Management – 6.75% FRN Sub. Bonds 2026	General financial	416	1.92
Rothschild Continuation Finance – 9% Perp. Sub. Gtd. Loan Notes	Financial	408	1.89
Merchants Trust	Investment Trust	366	1.69
Shires Income	Investment Trust	353	1.63
Earthport	Software and computer services	252	1.17
Barclays – 9% PIB Capital Bonds	Banks retail	216	1.00
Emblaze Systems	Software and computer services	176	0.81
Jupiter Income Trust	Unit Trust	166	0.77
St James's Place	Life Assurance	162	0.75
20 Largest investments		20,333	94.06
Other investments (number of holdings : 30)		1,285	5.94
Total investments		21,618	100.00

* 6.59% held by the company and 8.31% 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 2011, 18.0% of the company's total assets were invested in the securities of other UK listed investment companies which themselves do not have a policy of restricting their investments to the 15% mentioned above. Of the twenty largest investments shown above, Alliance Trust and RIT Capital Partners fall into this category of investments as they have not specifically announced a policy to restrict their own investments in listed investment companies to no more than 15% of gross assets.

Five year record

Capital

At 31 December	Equity shareholders' funds	Net asset value per share (diluted)	Share price	Discount/(premium)
	£000	p	p	%
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)
2010	32,198	92.0	73.0	20.6
2011	23,430	66.9	66.0	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
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
2010	2,489	2,139	6.11	1.68	7.20
2011	2,934	2,583	7.38	1.95	7.40

Earnings per ordinary share (diluted) is based on the revenue column of the Profit for the period in the Group 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.

Cumulative performance (2006=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
2006	100	100	100	100	100
2007	88	84	67	79	90
2008	69	58	53	61	60
2009	79	105	133	103	111
2010	85	97	72	103	98
2011	72	86	81	84	83

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 2011.

Financial statements

The financial statements will be presented for approval at the sixty fourth Annual General Meeting of the company to be held on Tuesday 26 June 2012.

Business review

Business and status

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

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

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

The directors consider that the company has, and continues to, conduct its affairs in a manner to enable it to continue to comply with sections 1158 and 1159 of the Corporation Tax Act 2010. 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 2010, 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.

Management and staff are conversant with the requirements of sections 1158 and 1159 of the Corporation Tax Act 2010. 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 section 1158 calculation to be submitted to HMRC.

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 43 UK quoted companies, 3 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 (14.8%), UK property and UK insurance (13.1%) sectors. Smaller size investments are made in other UK listed companies (currently 19, accounting for 3.7% of the portfolio) and further risk diversification is achieved by investment in fixed income securities (currently 5.0%) and property investments (currently 1.3%).

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

The property portfolio currently consists of an indirect partial interest in 2 commercial properties, situated outside 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 19.4% of group gross assets.

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

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 is included on pages 7 and 9 respectively.

Discount

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

Principal risks and uncertainties

The principal risks facing the company relate to its investment activities and include market risk (other price risk, interest rate risk and currency risk), liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 19 to the accounts on pages 41 to 45. 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 decreased by 27.2% during the year, compared to a decrease in the benchmark of 6.7%, ordinary share dividends increased by 2.8% to 7.4p per share and the discount moved from 20.6% to 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 2011.

	Group			Company		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit/(loss) before tax	2,587	(9,201)	(6,614)	2,419	(7,571)	(5,152)
Tax	(4)	–	(4)	30	–	30
Profit/(loss) after tax	2,583	(9,201)	(6,618)	2,449	(7,571)	(5,122)

Dividends	Pence per share	£000
Interim per £1 ordinary share (paid 10 November 2011)	2.7	675
3.5% preference share paid (paid 10 November 2011)	1.75	175
Final per £1 ordinary share – proposed	4.7	1,175
3.5% preference share (payable 28 June 2012)	1.75	175
		2,200

The dividends proposed above will be paid on 28 June 2012 to ordinary shareholders on the register at 1 June 2012 and to 3.5% preference shareholders on the register at 31 December 2011.

Directors and their interests

The present directors of the company are as set out on page 1. Having served as a director since 1996,1999 and 2001 Mr DG Dreyfus, Mr JAV Townsend and Mr RG Paterson respectively and, being eligible, retire and offer themselves for re-election. The director retiring by rotation is Mr JC Woolf who, being eligible, offers himself for re-election. The Board recommends their re-election. At the time of the Annual General Meeting Mr DG Dreyfus will have completed more than 16 years service, Mr JAV Townsend 12 years service and Mr RG Paterson 11 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 2011 had interests in the shares of the company as follows:

	2011		2010	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Ordinary shares of £1				
JC Woolf	460,812	15,771,562	460,812	15,771,562
DG Dreyfus	5,000	–	5,000	–
JAV Townsend	7,500	–	7,500	–
RG Paterson	1,000	–	1,000	–
Non voting convertible preference shares of £1 each				
JC Woolf	–	10,000,000	–	10,000,000

Included in the non-beneficial interest in the ordinary shares of £1 each referred to above, are 6,902,812 (27.6%) (2010 – 6,902,812 (27.6%)) ordinary shares held by Romulus Films Ltd, 7,868,750 (31.5%) (2010 – 7,868,750 (31.5%)) ordinary shares held by Remus Films Ltd and 1,000,000 (4.0%) (2010 – 1,000,000 (4.0%)) ordinary shares held by PKL Pictures Limited. Romulus Films Ltd also holds 10,000,000 cumulative convertible preference shares (2010 – 10,000,000). Mediterranean Holdings Ltd has also notified an interest in all the holdings of Romulus Films Ltd and Remus Films Ltd.

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

Other information

In addition to the directors' interests in shares detailed above, at 25 April 2012 the directors had been notified of the following interests of 3% or more of either class:

	Number of shares held 25 April 2012	%	Number of shares held 31 December 2011	%
Jupiter Monthly Income Fund Unit Trust	1,800,000	7.2	1,830,000	7.3
Lady Lever of Manchester	1,186,562	4.7	1,186,562	4.7

These interests relate to the ordinary shares of the company.

Share Capital

Capital Structure

The company's capital comprises £35,000,000 (2010 – £35,000,000) being 25,000,000 ordinary shares of £1 (2010 – 25,000,000) and 10,000,000 non-voting convertible preference shares of £1 each (2010 – 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 53.

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 (2010 – £nil).

Directors' & officers' liability insurance cover

Directors' & officers' liability insurance cover was maintained by the board during the year ended 31 December 2011. It is intended that this policy will continue for the year ended 31 December 2012 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 46 to 50 (which forms part of this directors' report) and the contents of the directors' report constitutes the statement on the application by the company of the principles of the UK Corporate Governance Code.

Amendment to the Articles of Association

Following HM Government's reform of the tax and company law rules affecting investment trusts the company is no longer required to include a prohibition on distributing capital profits in its Articles of Association. We welcome this change and a special resolution will be put to the Annual General Meeting to be held on 26 June 2012 to remove this prohibition and to take account of other changes to the Companies Act 2006 which have come in to force since the company's Articles of Association were last updated in June 2008. Details of the changes are set out in the notes to the Notice of Annual General meeting on page 56.

Bribery Act 2010

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

Statement of disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by section 418(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 company will be proposed at the forthcoming Annual General Meeting.

Jonathan Woolf
Managing Director

Wessex House
1 Chesham Street
London SW1X 8ND

25 April 2012

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

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

Company law requires the directors to prepare group and parent financial statements for each financial year. Under that law the directors have to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

Under section 393 of the Companies Act 2006, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the group financial statements, state whether applicable IFRSs have been followed, 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;
- 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 are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

We have audited the financial statements of British & American Investment Trust PLC for the year ended 31 December 2011 which comprise the group income statement, the group statement of changes in equity, the parent company reconciliation of movements in shareholders' funds, the group and parent 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s (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/private.cfm.

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 2011 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs 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 49, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on directors' remuneration.

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

25 April 2012

Group income statement

For the year ended 31 December 2011

	Notes	2011 Revenue return £000	2011 Capital return £000	2011 Total £000	2010 Revenue return £000	2010 Capital return £000	2010 Total £000
Investment income	2	2,934	–	2,934	2,489	–	2,489
Holding (losses)/gains on investments at fair value through profit or loss	9	–	(7,612)	(7,612)	–	2,927	2,927
Losses on disposal of investments at fair value through profit or loss	9	–	(1,395)	(1,395)	–	(1,641)	(1,641)
Expenses	3	(347)	(194)	(541)	(343)	(189)	(532)
Profit/(loss) before tax		2,587	(9,201)	(6,614)	2,146	1,097	3,243
Tax	6	(4)	–	(4)	(7)	–	(7)
Profit/(loss) for the period		2,583	(9,201)	(6,618)	2,139	1,097	3,236
Earnings per share							
Basic - ordinary shares	7	8.93p	(36.80)p	(27.87)p	7.16p	4.39p	11.55p
Diluted - ordinary shares	7	7.38p	(26.29)p	(18.91)p	6.11p	3.13p	9.24p

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

The total column of this statement represents the 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 27 to 45 form part of these financial statements.

Statement of changes in equity

31 December 2011

Group

	Notes	Share capital £000	Capital reserve £000	Retained earnings £000	Total £000
Balance at 31 December 2009		35,000	(4,807)	844	31,037
Changes in equity for 2010					
Profit for the period		–	1,097	2,139	3,236
Ordinary dividend paid	8	–	–	(1,725)	(1,725)
Preference dividend paid	8	–	–	(350)	(350)
Balance at 31 December 2010		35,000	(3,710)	908	32,198
Changes in equity for 2011					
(Loss)/profit for the period		–	(9,201)	2,583	(6,618)
Ordinary dividend paid	8	–	–	(1,800)	(1,800)
Preference dividend paid	8	–	–	(350)	(350)
Balance at 31 December 2011		35,000	(12,911)	1,341	23,430

Reconciliation of movements in shareholders' funds

Company

	Notes	Share capital £000	Capital reserve £000	Retained earnings £000	Total £000
Balance at 31 December 2009		35,000	(5,216)	1,307	31,091
Changes in equity for 2010					
Profit for the period		–	964	2,268	3,232
Ordinary dividend paid	8	–	–	(1,725)	(1,725)
Preference dividend paid	8	–	–	(350)	(350)
Balance at 31 December 2010		35,000	(4,252)	1,500	32,248
Changes in equity for 2011					
(Loss)/profit for the period		–	(7,571)	2,449	(5,122)
Ordinary dividend paid	8	–	–	(1,800)	(1,800)
Preference dividend paid	8	–	–	(350)	(350)
Balance at 31 December 2011		35,000	(11,823)	1,799	24,976

Group balance sheet

31 December 2011

Registered number: 00433137

	Notes	2011	2010
		£000	£000
Non - current assets			
Investments - fair value through profit or loss	9	21,618	30,881
		21,618	30,881
Current assets			
Receivables	11	81	623
Derivatives - fair value through profit or loss		3,322	2,385
Cash and cash equivalents		122	509
		3,525	3,517
Total assets		25,143	34,398
Current liabilities			
Trade and other payables	12	80	760
Derivatives - fair value through profit or loss		1,633	1,440
		(1,713)	(2,200)
Total assets less current liabilities		23,430	32,198
Net assets		23,430	32,198
Equity attributable to equity holders			
Ordinary share capital	14	25,000	25,000
Convertible preference share capital	14	10,000	10,000
Capital reserve	15	(12,911)	(3,710)
Retained revenue earnings	15	1,341	908
Total equity		23,430	32,198

The notes on pages 27 to 45 form part of these financial statements.

The financial statements on pages 22 to 45 were approved by the board of directors on 25 April 2012.

Jonathan Woolf

Managing Director

Company balance sheet

31 December 2011

Registered number: 00433137

	Notes	2011 £000	2010 £000
Fixed assets			
Investments - fair value through profit or loss	9	19,351	27,950
Investments - subsidiaries	9	2,434	3,583
		21,785	31,533
Current assets			
Debtors	11	2,926	2,256
Derivatives - fair value through profit or loss		2,872	1,643
Cash at bank and in hand		114	454
		5,912	4,353
Total assets		27,697	35,886
Creditors: amounts falling due within one year			
Trade and other payables	12	68	1,020
		(68)	(1,020)
Total assets less current liabilities		27,629	34,866
Provisions for liabilities and charges	13	(2,653)	(2,618)
Net assets		24,976	32,248
Capital and reserves			
Called - up share capital	14	35,000	35,000
Capital reserve	15	(11,823)	(4,252)
Revenue reserve	15	1,799	1,500
Total shareholder's funds		24,976	32,248

The notes on pages 27 to 45 form part of these financial statements.

The financial statements on pages 22 to 45 were approved by the board of directors on 25 April 2012.

Jonathan Woolf

Managing Director

Group cash flow statement

For the year ended 31 December 2011

	Notes	2011 £000	2010 £000
Cash flow from operating activities			
(Loss)/profit before tax		(6,614)	3,243
Adjustment for:			
Loss/(gain) on investments		9,007	(1,286)
Scrip dividends		(7)	(167)
Film income tax deducted at source		(4)	(7)
Proceeds on disposal of investments at fair value through profit or loss		18,579	16,500
Purchases of investments at fair value through profit or loss		(19,756)	(15,701)
Operating cash flows before movements in working capital		1,205	2,582
Increase in receivables		(155)	(2,770)
Increase in payables		538	1,786
Net cash from operating activities before income taxes		1,588	1,598
Income taxes recovered		–	1
Net cash flows from operating activities		1,588	1,599
Cash flows from financing activities			
Dividends paid on ordinary shares	8	(1,800)	(1,725)
Dividends paid on preference shares	8	(175)	(350)
Net cash used in financing activities		(1,975)	(2,075)
Net decrease in cash and cash equivalents		(387)	(476)
Cash and cash equivalents at beginning of year		509	985
Cash and cash equivalents at end of year		122	509

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 2011. 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. The same accounting policies as those published in the statutory accounts for 31 December 2010 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 and parent company 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 IFRS's have been reviewed for their impact on the group and no material impact is expected on the financial statements from new and updated IFRS'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 permitted by section 408 of the Companies Act 2006. The company’s loss on ordinary activities after taxation for the year was £5,121,763 (2010 – £3,231,802 profit).

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

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 investments 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. Investments in units of unit trusts or shares in OEICs are valued at the closing price released by the relevant investment manager.

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

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

Traded stock options are, until disposal, 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, determined by the directors, based upon latest dealing prices, net asset values and other information.

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 for 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) Pension costs

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

g) 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% (2010 - 50%) to revenue and 50% (2010 - 50%) to capital, in order to reflect the directors' long-term view of the nature of the expected investment returns of the company.

h) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The 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 sections 1158 and 1159 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

i) Foreign currency

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

j) 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.

k) 3.5% cumulative convertible non-redeemable preference shares

The 3.5% cumulative convertible non-redeemable preference shares issued by the company are classified as equity instruments in accordance with IAS 32 'Financial Instruments - Presentation' 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

	2011	2010
Income from investments	£000	£000
UK dividends	2,119	1,968
Overseas dividends	506	10
Scrip and in specie dividends	7	167
Interest on fixed income securities	102	102
Rental income (Property Income Distribution)	–	7
Property unit trust income	22	23
Film revenues	172	188
	2,928	2,465
Other income		
Deposit interest	1	1
Other	5	23
	6	24
Total income	2,934	2,489
Total income comprises:		
Dividends	2,632	2,145
Interest	103	103
Film revenues	172	188
Property income	22	30
Gain on foreign exchange	5	23
	2,934	2,489
Income from investments:		
Listed investments	2,717	2,238
Unlisted investments	211	227
	2,928	2,465

Of the £2,632,000 (2010 – £2,145,000) dividends received, £2,060,000 (2010 – £1,525,000) related to special and other dividends received from investee companies that were bought after the dividend announcement. There was a corresponding capital loss of £2,183,000 (2010 – £1,769,000), on the disposal of these investments.

3 Administrative expenses

	2011 £000	2010 £000
Staff costs – including executive director (Notes 4 and 5)	383	361
Non-executive directors fees (Note 4)	52	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	25
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	16	16
– all other services	6	6
Other	37	57
Irrecoverable VAT	17	18
	541	532

The group financial statements are required to comply with regulation 5(1) 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 52.

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

	2011 £000	2010 £000
Wages and salaries	310	290
Social security costs	39	39
Pensions and post-retirement benefits	34	32
	383	361

The average number of persons (including the executive director) employed during the year was 8 (2010 – 8).

	2011 Number	2010 Number
Investment	2	2
Administration	6	6
	8	8

6 Tax

	2011			2010		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Current tax:						
UK corporation tax	(4)	–	(4)	(7)	–	(7)
Foreign tax	(4)	–	(4)	(7)	–	(7)
Double taxation relief	4	–	4	7	–	7
	(4)	–	(4)	(7)	–	(7)

Corporation tax is calculated at 20.25% (2010 – 21%) 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:

	2011				2010			
	Revenue £000	Capital £000	Total £000	%	Revenue £000	Capital £000	Total £000	%
Total profit/(loss) before tax	2,587	(9,201)	(6,614)	20.25	2,146	1,097	3,243	21
Tax at the UK corporation tax rate of 20.25% (2010 - 21%)	(524)	1,863	1,339		(451)	(230)	(681)	
Tax effect of expenses that are not deductible in determining taxable profit	–	–	–		1	–	1	
Tax effect of non-taxable and scrip dividends	533	–	533		450	–	450	
Capital gains within subsidiaries	–	(52)	(52)		–	(52)	(52)	
(Losses)/Gains on investments that are not taxable	–	(1,824)	(1,824)		–	270	270	
Tax effect of utilisation of tax losses not previously recognised	–	–	–		–	5	5	
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	(13)	13	–		(7)	7	–	
Tax expense and effective tax rate for the year	(4)	–	(4)	0.06	(7)	–	(7)	0.22

7 Earnings per ordinary share

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

	2011			2010		
	Revenue return £000	Capital return £000	Total £000	Revenue return £000	Capital return £000	Total £000
Earnings:						
Basic	2,233	(9,201)	(6,968)	1,789	1,097	2,886
Preference dividend	350	–	350	350	–	350
Diluted	2,583	(9,201)	(6,618)	2,139	1,097	3,236

Basic revenue, capital and total return per ordinary share is based on the net revenue, capital and total return for the period after tax and after deduction of dividends in respect of preference shares and on 25 million (2010 – 25 million) ordinary shares in issue.

The diluted revenue, capital and total return is based on the net revenue, capital and total return for the period after tax and on 35 million (2010 – 35 million) ordinary and preference shares in issue.

8 Dividends

	2011 £000	2010 £000
Amounts recognised as distributions to ordinary shareholders in the period:		
Dividends on ordinary shares:		
Final dividend for the year ended 31 December 2010 of 4.5p (2009 – 4.2p) per share	1,125	1,050
Interim dividend for the year ended 31 December 2011 of 2.7p (2010 – 2.7p) per share	675	675
	1,800	1,725
Proposed final dividend for the year ended 31 December 2011 of 4.7p (2010 – 4.5p) per share	1,175	1,125

	2011 £000	2010 £000
Dividends on 3.5% cumulative convertible preference shares:		
Preference dividend for the 6 months ended 31 December 2010 of 1.75p (2009 – 1.75p) per share	175	175
Preference dividend for the 6 months ended 30 June 2011 of 1.75p (2010 – 1.75p) per share	175	175
	350	350
Proposed preference dividend for the 6 months ended 31 December 2011 of 1.75p (2010 – 1.75p) per share	175	175

The preference dividend for the 6 months ended 30 June 2011 was paid as a dividend in specie.

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

We have set out below the total dividend payable in respect of the financial year, which is the basis on which the retention requirements of sections 1158 and 1159 Corporation Tax Act 2010 are considered.

8 Dividends (continued)

Dividends proposed for the period

	2011 £000	2010 £000
Dividends on ordinary shares:		
Interim dividend for the year ended 31 December 2011 of 2.7p (2010 – 2.7p) per share	675	675
Proposed final dividend for the year ended 31 December 2011 of 4.7p (2010 – 4.5p) per share	1,175	1,125
	1,850	1,800
Dividends on 3.5% cumulative convertible preference shares:		
Preference dividend for the year ended 31 December 2011 of 1.75p (2010 – 1.75p) per share	175	175
Proposed preference dividend for the year ended 31 December 2011 of 1.75p (2010 – 1.75p) per share	175	175
	350	350

9 Investments – fair value through profit or loss

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Investments quoted on a recognised investment exchange	21,308	30,542	19,351	27,950
Unquoted investments				
– Subsidiary undertakings (Note 10)	–	–	2,434	3,583
– Property units	291	322	–	–
– Unquoted securities	19	17	–	–
	21,618	30,881	21,785	31,533

Film rights are valued, in the group, at £nil (2010 – £nil). The original cost of the film rights held in subsidiary undertakings is £510,000 with total amortisation to date of £464,611.

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

December 2010 Group:	Quoted in UK £000	Quoted overseas £000	Unquoted UK £000	Total £000
Opening cost	11,156	9,204	1,997	22,357
Investment holding gains/(losses)	10,175	(1,562)	(1,585)	7,028
Opening fair value at 1 January 2010	21,331	7,642	412	29,385
Purchases at cost	13,259	4,841	13	18,113
Sales – proceeds	(13,058)	(4,919)	–	(17,977)
– (losses)/gains on sales	(1,597)	30	–	(1,567)
Increase/(decrease) in investment holding gains/(losses)	3,181	(168)	(86)	2,927
Closing fair value	23,116	7,426	339	30,881
Closing cost	9,565	9,193	1,855	20,613
Investment holding gains/(losses)	13,551	(1,767)	(1,516)	10,268
Closing fair value at 31 December 2010	23,116	7,426	339	30,881

December 2011 Group:	Quoted in UK £000	Quoted overseas £000	Unquoted UK £000	Total £000
Opening cost	9,565	9,193	1,855	20,613
Investment holding gains/(losses)	13,551	(1,767)	(1,516)	10,268
Opening fair value at 1 January 2011	23,116	7,426	339	30,881
Purchases at cost	16,229	3,706	8	19,943
Sales – proceeds	(17,456)	(1,992)	–	(19,448)
– losses on sales	(2,118)	(28)	–	(2,146)
Decrease in investment holding gains/(losses)	(1,700)	(5,875)	(37)	(7,612)
Closing fair value	18,071	3,237	310	21,618
Closing cost	8,987	10,879	1,863	21,729
Investment holding gains/(losses)	9,084	(7,642)	(1,553)	(111)
Closing fair value at 31 December 2011	18,071	3,237	310	21,618

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 £25,945 (2010 – £37,111) being £19,101 (2010 – £23,263) on purchases and £6,844 (2010 – £13,848) on sales.

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

December 2010 Company:	Quoted in UK £000	Quoted overseas £000	Subsidiaries £000	Total £000
Opening cost	16,213	6,399	7,094	29,706
Investment holding gains/(losses)	4,488	(1,203)	(3,439)	(154)
Opening fair value at 1 January 2010	20,701	5,196	3,655	29,552
Purchases at cost	13,222	2,518	–	15,740
Sales – proceeds	(12,450)	(2,584)	–	(15,034)
– (losses)/gains on sales	(1,577)	18	–	(1,559)
Increase/(decrease) in investment holding gains/(losses)	3,019	(113)	(72)	2,834
Closing fair value	22,915	5,035	3,583	31,533
Closing cost	15,041	6,387	6,948	28,376
Investment holding gains/(losses)	7,874	(1,352)	(3,365)	3,157
Closing fair value at 31 December 2010	22,915	5,035	3,583	31,533

December 2011 Company:	Quoted in UK £000	Quoted overseas £000	Subsidiaries £000	Total £000
Opening cost	15,041	6,387	6,948	28,376
Investment holding gains/(losses)	7,874	(1,352)	(3,365)	3,157
Opening fair value at 1 January 2011	22,915	5,035	3,583	31,533
Purchases at cost	16,232	199	–	16,431
Sales – proceeds	(17,418)	(193)	–	(17,611)
– losses on sales	(2,400)	(7)	–	(2,407)
Decrease in investment holding gains/(losses)	(1,407)	(3,605)	(1,149)	(6,161)
Closing fair value	17,922	1,429	2,434	21,785
Closing cost	13,089	6,387	6,948	26,424
Investment holding gains/(losses)	4,833	(4,958)	(4,514)	(4,639)
Closing fair value at 31 December 2011	17,922	1,429	2,434	21,785

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

Gains/(losses) on investments

	Group 2011 £000	Group 2010 £000
Gains/(losses) on disposal	704	(1,880)
(Gains)/losses on disposal recognised in prior years	(2,850)	313
	(2,146)	(1,567)
Gains/(losses) on derivatives accounted for as current assets/(liabilities)	751	(74)
	(1,395)	(1,641)
Investment holding (losses)/gains in the year	(7,612)	2,927
	(9,007)	1,286

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/debtors

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Sales of investments awaiting settlement	–	492	–	492
Amount owed by subsidiary undertakings	–	–	2,466	1,325
Income tax recoverable	–	–	–	–
Group relief receivable	–	–	382	352
Prepayments and accrued income	46	45	46	45
Other debtors	35	86	32	42
	81	623	2,926	2,256

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

12 Trade and other payables

	Group		Company	
	2011	2010	2011	2010
	£000	£000	£000	£000
Purchases of investments awaiting settlement	–	579	–	579
Trade payables	1	1	–	–
Other taxes and social security	5	4	5	4
Other payables	23	95	23	86
Accruals and deferred income	51	50	40	39
Amounts owed to group undertakings	–	–	–	312
Amounts due to related parties	–	31	–	–
	80	760	68	1,020

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

13 Provisions for liabilities and charges

	Company	
	2011	2010
	£000	£000
Guarantee of subsidiary liability	2,653	2,618

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

	2011	2010
	£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

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 2011	(3,710)	908
Allocation of profit for the year	(9,201)	2,583
Ordinary and preference dividends paid	–	(2,150)
31 December 2011	(12,911)	1,341
Company		
1 January 2011	(4,252)	1,500
Allocation of profit for the year	(7,571)	2,449
Ordinary and preference dividends paid	–	(2,150)
31 December 2011	(11,823)	1,799

The group Capital reserve includes £111,000 of investment holding losses (2010 – £10,268,000 gain) (see note 9 on page 36).

The company Capital reserve includes £4,639,000 of investment holding losses (2010 – £3,157,000 gain) (see note 9 on page 37).

16 Net asset values

	Net asset value per ordinary share		Net assets attributable	
	2011 £	2010 £	2011 £000	2010 £000
Ordinary shares				
Undiluted	0.54	0.89	13,430	22,198
Diluted	0.67	0.92	23,430	32,198

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

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

17 Related party transactions

The company rents its offices from Romulus Films Limited, and is also charged for its office overheads. During the year the company paid £11,709 (2010 – £11,030) 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 2011 were £346,480 (2010 – £327,414) in respect of salary costs and £33,980 (2010 – £32,165) in respect of pensions.

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

At the year end an amount of £nil (2010 – £15,391) 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 company 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 temporary 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 £1,370,890 (2010 – £645,001). 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 £7,122 (2010 – £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 company invests in securities for the long term. The company's stated investment policy is to invest predominantly in investment trusts and other leading UK quoted companies. The 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 £1,181,721 (2010 – £1,728,190).

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:

	2011	2010
	£000	£000
Investments held at fair value through profit or loss	21,618	30,881
deduct Fixed interest stock and bonds	(1,087)	(1,144)
Derivatives held at fair value	1,689	945
	22,220	29,737

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 2011 would result in an increase of £2,331,000 (2010 – £3,183,000) 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 90.7% (2010 – 92.2%) or other investments which pay dividends rather than interest and do not have a maturity date.

Interest bearing investments, including cash deposits, comprise 8.0% of the group's financial assets, of which 7.4% are at fixed rate and 0.6% 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 2011 is shown below.

		2011		2010
	Fair Value	Maturity	Fair Value	Maturity
	£000		£000	
Fixed Rate				
UK fixed interest stock	435	15 years	469	16 years
UK notes and bonds	652	undated	675	undated
Cash	122		509	
	1,209		1,653	
Weighted average interest rate (on fair value)	9.4%		8.9%	

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 2011 would have decreased the fair value of fixed interest securities and hence total net assets by £58,000 (2010 – £61,000). 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 £310,000 (2010 – £339,000) which are categorised as Level 3, all other investments £21,308,000 (2010 – £30,542,000) and derivatives assets £3,322,000 (2010 – £2,385,000) and liabilities £1,633,000 (2010 – £1,440,000) 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 36.

Currency risk

79% (2010 – 74%) 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.

	2011	2010
	£000	£000
US dollar		
Investments	3,238	7,425
Cash and cash equivalents	9	58
Derivatives - fair value through profit or loss	1,689	945
Net exposure	4,936	8,428
Total net assets	23,430	32,198

19 Risk management and other financial instruments (continued)

Currency risk sensitivity

At 31 December 2011, 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 £235,000 (2010 – £401,000). Similarly, a 5% weakening of sterling against the US dollar, with constant other variables, would have increased total net assets by £260,000 (2010 – £444,000).

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:

		2011		2010
	Balance sheet £000	Maximum exposure £000	Balance sheet £000	Maximum exposure £000
Fixed rate investments	1,087	1,087	1,144	1,144
Current assets				
Receivables	81	81	623	623
Derivatives classified as fair value through profit or loss	3,322	3,322	2,385	2,385
Cash and cash equivalent	122	122	509	509
	4,612	4,612	4,661	4,661

Fixed rate investments comprise 60.7% which are investment grade with the remaining 39.3% being non-investment grade.

19 Risk management and other financial instruments (continued)

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

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 non-redeemable preference equity capital.

The group's total capital equity (ordinary and non-redeemable preference share capital and other reserves) at 31 December 2011 was £23,430,000 (2010 – £32,198,000).

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.

Statement of Corporate Governance

For the year ended 31 December 2011

The Statement of Corporate Governance, 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 2010 UK Corporate Governance Code issued in June 2010 which is available on the Financial Reporting Council's website: www.frc.org.uk.

The board has considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code') which was re-issued in October 2010. The AIC Code addresses all the principles set out in the UK Corporate Governance Code as well as setting out additional principles and recommendations on issues that are of specific relevance to British & American Investment Trust PLC. The AIC Code is available on the AIC's website: www.theaic.co.uk.

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

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

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

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

Operation of the board

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

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

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

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

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

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

Number of meetings attended

	Board	Audit
JAV Townsend	4/4	4/4
DG Dreyfus	4/4	4/4
RG Paterson	4/4	4/4
JC Woolf	4/4	4/4*

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

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 sixteen years, twelve years and eleven years respectively from the date of their first election, but given the nature of the company as an investment trust and as permitted under the AIC Code, the board is firmly of the view that Mr DG Dreyfus, Mr JAV Townsend and Mr RG Paterson can be considered to be independent. In arriving at this conclusion the board considers that long service aids the understanding, judgement, objectivity and independence of directors.

Tenure of directors

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

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

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

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

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

Chairman

The Chairman is also non-executive chairman of 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 custodian, Walker Crips Stockbrokers Limited.

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.

The committee receives confirmation from the auditors that they have complied with the relevant UK professional and regulatory requirements on independence. Also audit fees for the year ended 31 December 2011 are disclosed in note 3 on page 31. The committee does not believe that there has been any impairment to the auditors' independence.

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

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

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

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

Powers to authorise conflict situations

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

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

Going concern

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

Employee, social, economic and environmental matters

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

Responsibilities as an institutional shareholder

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

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

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

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

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

The UK Stewardship Code was implemented by the Financial Reporting Council, on a voluntary basis, in July 2010.

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

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

Directors' remuneration report

For the year ended 31 December 2011

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 2011. 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 (effective from 1 January 2011) is that aggregate non-executive directors fees should not exceed £75,000 per annum.

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

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

The company does not confer any share options, long term incentives or retirement benefits on any director, nor does it make a contribution to any pension scheme on behalf of the directors. The company has not added any performance-related elements in the remuneration package of executive directors. As noted on page 16 Mr JC Woolf is a significant shareholder in the company. The company also provides directors' liability insurance.

It is intended that this policy will continue for the year ending 31 December 2012 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 2007. 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.

	2011	2010
	£000	£000
JC Woolf - salary	57	54
JAV Townsend (Chairman) - fees	20	18
DG Dreyfus (Chairman of Audit Committee) - fees	17	13
RG Paterson - fees	15	13
Total	109	98

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

By order of the board

KJ Williams
Secretary
25 April 2012

Notice of meeting

NOTICE IS HEREBY GIVEN THAT the sixty-fourth Annual General Meeting of the company will be held at Wessex House, 1 Chesham Street, London SW1X 8ND on Tuesday 26 June 2012 at 12.15pm for the following purposes:

1. To receive and consider the directors' report and group accounts for the year ended 31 December 2011 and the report of the auditors thereon.
2. To re-elect Mr JAV Townsend as a director.
3. To re-elect Mr DG Dreyfus as a director.
4. To re-elect Mr RG Paterson as a director.
5. To re-elect Mr JC Woolf as a director.
6. To receive and approve the directors' remuneration report for the year ended 31 December 2011.
7. To declare a final dividend of 4.7p per £1 ordinary share.
8. To re-appoint Grant Thornton UK LLP as the company's auditors to hold office until the conclusion of the next annual general meeting of the company.
9. To authorise the directors to determine the remuneration of the auditors.
10. To consider the following resolution which is to be proposed as a Special Resolution:
    THAT:
    1) the Articles of Association of the company be and are hereby amended by deleting all the provisions of the company's Memorandum of Association which, by virtue of section 28 Companies Act 2006, are to be treated as provisions of the company's Articles of Association; and
    2) the Articles of Association set out in the document produced to this meeting and signed by the Chairman of the meeting for the purposes of identification be and are hereby approved and adopted as the Articles of Association of the company in substitution for and to the exclusion of all existing Articles of Association of the company.

By order of the board

KJ Williams
Secretary
25 April 2012

Wessex House
1 Chesham Street
London SW1X 8NB

Notes:
Any member of the company entitled to attend and vote at the meeting may appoint another person or persons (whether a member or not) as his/her proxy to attend and to vote instead of him/her provided that if more than one proxy is appointed each proxy must be appointed to exercise the rights attached to a different share or shares. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should the member subsequently decide to do so. A form to be used for appointing a proxy or proxies for this meeting to vote on your behalf can be found at page 55 of this document. In order to be valid, any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the company at Wessex House, 1 Chesham Street, London SW1X 8ND or by fax to 020 7201 3101, not less than 24 hours (excluding any part of a day which is a non-working day) before the time of the meeting or of any adjournment of the meeting.

Under the company's articles of association only holders of the ordinary shares are entitled to attend and vote at this meeting. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, this entitlement is determined by reference to the company's register of members and only those members entered on the company's register of members at 12.15pm on 24 June 2012 or, if the meeting is adjourned, shareholders entered on the company's register of members at the time which is 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend and vote at the meeting.

As at 25 April 2012, the last practicable day before printing this document, the total number of ordinary shares of £1, carrying one vote each on a poll, in issue was 25,000,000, the total number of cumulative convertible non-voting preference shares of £1, in general carrying no votes at general meetings of the company, in issue was 10,000,000 and the total voting rights in the company were 25,000,000.

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

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

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

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

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

the company must:

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

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

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

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

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

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

Whichever form of communication is chosen, the request must be received by the company not later than 15 May 2012 and (as appropriate):

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

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

Where the company receives requests from a member or members either to (a) give notice of a resolution to be proposed by members at the annual general meeting and/or (b) circulate a matter proposed by members to be included within the business to be dealt with at the annual general meeting, the expenses of giving such notice or circulating such matter must be paid by the member or members submitting the request by depositing with the company not later than 15 May 2012 a sum reasonably sufficient to meet these expenses.

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

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

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

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

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

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

For a more detailed explanation of the proposed amendments to the company's Articles of Association proposed to be made by Resolution 10 please refer to the Appendix to this Notice of Annual General Meeting set out below.

A copy of the current Articles of Association and of the proposed new Articles of Association marked up to show the proposed amendments will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the company's registered office, Wessex House, 1 Chesham Street, London SW1X 8ND until the conclusion of the meeting.

Appendix re new Articles of Association

Set out below is a summary of the main differences between the current Articles of Association ('the existing Articles') and the proposed new Articles of Association ('the new Articles').

Distribution of capital profits

Following HM Government's reform of the tax and company law rules affecting investment trusts the company is no longer required to include a prohibition on distributing capital profits in its Articles of Association and this prohibition has not been carried over from the existing Articles to the new Articles.

Deletion of provisions formerly in the Memorandum of Association

Most of the provisions of the memorandum of association of a company incorporated before 1 October 2009 are now deemed to form part of its articles of association. Of these the company is only required retain in its articles the statements that the liability of members is limited and that the company's registered office is situated in England & Wales. The company is therefore taking this opportunity to remove from its Articles of Association all those provisions formerly in its Memorandum of Association which it is not required to retain. In particular the clause setting out the objects of the company is to be removed so that the company's objects will in future be wholly unrestricted.

Voting by proxies and corporate representatives

Changes have been made to the provisions of the existing Articles dealing with the way proxies and corporate representatives vote at general meetings following changes to the Companies Act 2006 to facilitate split voting by a proxy who has been appointed by more than one shareholder and enabling corporate representatives to vote in different ways from one another in respect of different blocks of shares.

Other changes

Other technical changes have been made so that the new Articles conform to the Companies Act 2006 as currently in force.

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 Tuesday 26 June 2012 and at any adjournment thereof.

Signed ....

Dated .... 2012.

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

RESOLUTIONS	For	Against	Vote Withheld	Discretionary
1. To adopt the report and accounts.	☐	☐	☐	☐
2. To re-elect Mr JAV Townsend.	☐	☐	☐	☐
3. To re-elect Mr DG Dreyfus.	☐	☐	☐	☐
4. To re-elect Mr RG Paterson.	☐	☐	☐	☐
5. To re-elect Mr JC Woolf.	☐	☐	☐	☐
6. To approve the directors' remuneration report.	☐	☐	☐	☐
7. To declare a final dividend of 4.7p 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.	☐	☐	☐	☐
10. Special Resolution, to approve amendments to the Articles of Association.	☐	☐	☐	☐

NOTES

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

Second fold

Please affix postage stamp

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

First fold

Third fold