British & American Investment Trust PLC

Report and accounts

31 December 2013

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	%
Geron Corporation	Biomedical – USA	32.07
RIT Capital Partners	Investment Trust	10.80
Dunedin Income Growth	Investment Trust	8.82
Prudential	Life Assurance	6.82
British Assets Trust	Investment Trust	6.76
St James's Place Global Equity	Unit Trust	5.82
Biotime	Biotechnology – USA	3.75
Scottish American Inv Company	Investment Trust	3.30
Invesco Income Growth Trust	Investment Trust	2.71
Alliance Trust	Investment Trust	2.54
		83.39

Country Exposure

Country	£m	%
UK	19.8	66.0
USA	10.2	34.0
Other	–	–
Total net assets	30.0	100.00

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

	£
1 year	155.5
3 year	194.4
5 year	279.6

(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	43
Net Assets (£m)	30.0
Yield	7.32%
Dividend Dates	Interim dividend – November Final dividend – June
Share price (p)	106.5
NAV/share (p)	86 *(diluted)* 80 *(undiluted)*
Premium	24.1% 33.0%
Ongoing charges	2.26%
Sedol Code	0065311
ISIN Code	GB000065311

Status

Eligible to be held in an ISA or Savings Scheme.

Contact

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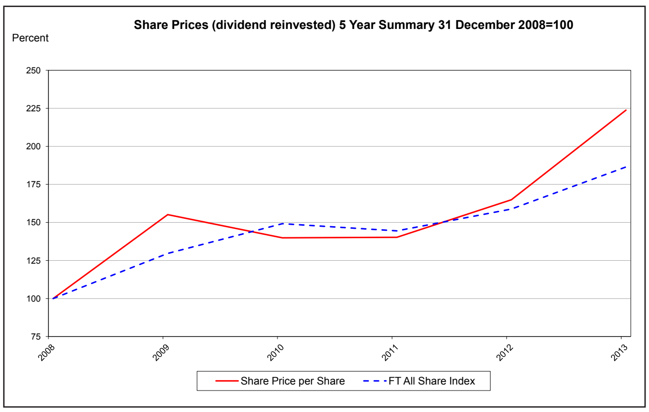
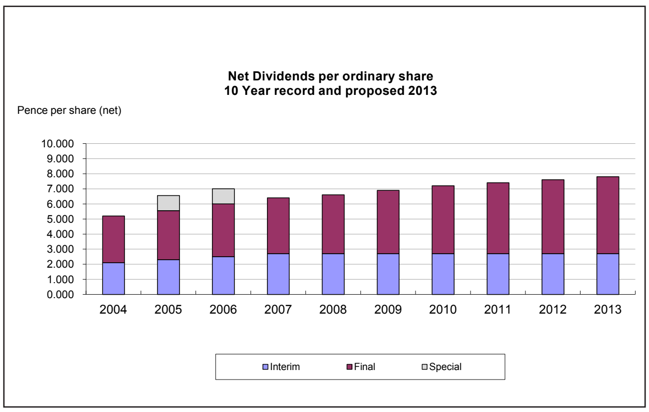
Website: www.baitgroup.co.uk
Registered in England. Registered number 00433137
VAT Reg. No. 241 1621 10





British & American Investment Trust PLC

Annual Report and Accounts

for the year ended 31 December 2013

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 Commercial
Bank House
Primett Road
Stevenage
Hertfordshire
SG1 3EE

UBS Wealth Management
1 Finsbury Avenue
London EC2M 2AN

Metro Bank PLC
One Southampton Row
London
WC1B 5HA

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

Biographical details of directors and investment policy

Chairman

J Anthony V Townsend (Age 66)

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 other companies. Appointed 6 October 1999.

Managing Director

Jonathan C Woolf (Age 57)

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 57)

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 57)

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

This Strategic report, which includes pages 3 to 15 and incorporates the Chairman's statement and Managing Director's report, has been prepared in accordance with the Companies Act 2006. This report is a new requirement and contains many of the disclosures previously contained within the Business review section of the Directors' report.

I report our results for the year ended 31 December 2013.

Revenue

The return on the revenue account before tax amounted to £2.9 million (2012: £2.1 million), an increase of 40 percent, resulting from higher levels of both UK and overseas dividends received during the year, including special dividends. Gross revenues totalled £3.3 million, of which £3.0 million (2012: £2.3 million) represented income from portfolio investments and £0.3 million (2012: £0.2 million) from film, property and other income.

The total return before tax amounted to a gain of £8.9 million (2012: £2.1 million gain), which comprised net revenue of £2.9 million, a realised loss of £3.5 million and an unrealised gain of £9.7 million. The revenue return per ordinary share was 10.4p (2012: 7.0p) on an undiluted basis and 8.4p (2012: 6.0p) on a diluted basis.

Net Assets

Group net assets at the year end were £30.0 million (2012: £23.3 million), an increase of 28.6 percent. This compares to increases in the FTSE 100 and All Share indices of 14.4 percent and 16.7 percent, respectively, over the period. On a total return basis, after adding back dividends paid during the year, group net assets increased by 38.2 percent compared to a total return on the two indices of between 18 percent and 20 percent. This substantial outperformance even over what was a very strong year for the indices themselves was the result of a significant recovery in the value of our largest investment, Geron Corporation. As explained in more detail in the Managing Director's report, Geron's share price rose by over 200 percent over the year upon the publication in the final quarter of very favourable clinical trial results. However, in March of this year, Geron's share price retreated significantly following the imposition of a clinical hold on these trials by the US Federal Department of Health (FDA) pending clarification of certain observed, but low level, liver abnormalities. Geron expects to provide this clarification to the FDA as soon as possible.

The net asset value per ordinary share increased to 86p (2012: 67p) on a diluted basis. Deducting prior charges at par, the net asset value per ordinary share increased to 80p (2012: 53p).

Reflecting the substantial increase in net asset value over the year, particularly in the final quarter, our share price increased from 77 pence to over 100 pence over the year registering a significant premium to net asset value at year end as investors expected further value creation from the investment in Geron. More generally over the year, the share price had maintained the previous year's pattern of trading at approximately net asset value.

Dividend

We are pleased to recommend an increased final dividend of 5.1p per ordinary share, which together with the interim dividend makes a total payment for the year of 7.8p (2012: 7.6p) per ordinary share. This represents an increase of 2.6 percent over the previous year's total dividend and a yield of 7.3 percent based on the share price of 107p at the end of the year. The final dividend will be payable on 26 June 2014 to shareholders on the register at 16 May 2014. A dividend of 1.75p will be paid to preference shareholders resulting in a total payment for the year of 3.5p per share.

Chairman's statement (continued)

Alternative Investment Fund Managers Directive

The Alternative Investment Fund Managers Directive (AIFMD), which creates a European-wide framework for regulating managers of alternative investment funds (AIFs), came into force in July 2013.

The AIFMD is intended to reduce systemic risk created by the financial sector and aims to improve regulation, enhance transparency and investor protection, develop a single EU market for AIFs and implement effective mechanisms for micro- and macro- prudential oversight.

On 31 January 2014 the company successfully registered under the Alternative Investment Fund Managers Directive as a small registered UK AIFM.

Outlook

Equity markets in the UK and USA performed strongly over the year, rising by 15 percent and 26 percent, respectively. With the exception of a significant fall back in June caused by concerns arising from changed expectations in the pace of monetary tightening in the USA, the indices rose steadily over the period.

In fact, consideration of the likely path of the withdrawal of monetary easing in the USA and elsewhere has dominated most aspects of financial analysis and investment for some time. Therefore, the re-affirmation in the second half of 2013 by both the US Federal Reserve and the Bank of England that levels of monetary easing were likely to remain in place for some time to come, accompanied by low rates of interest, provided a strong impetus for markets to make continued progress. This was despite the underlying inference that such continuing monetary stimulus policies indicated continuing weakness in the respective economies.

Nevertheless, while Central Banks remain concerned about the pace of recovery of their economies from the recent recession and allied levels of un-employment, the economies themselves have shown steady growth over the last year, in the USA and the UK in particular, and these trends look likely to continue in the near future.

Although a number of long-running financial concerns such as the weak recovery in Europe and a slowing in China's growth remain unresolved and other global political uncertainties have intensified, markets did not seem to be overly concerned by these factors in most of the first quarter until Russia's unexpected occupation of Crimea in March, giving rise to more serious concerns of a global geopolitical nature and their potential effect on global economic outlooks.

Against this background, we maintain our long-term and income generating strategies that are primarily based on equity investment in the UK and USA, while reducing exposures where appropriate in view of the somewhat changed international investment environment.

As at 22 April 2014, group net assets had decreased to £26.0 million, a decrease of 13.7 percent since the beginning of the calendar year. This decrease reflects the fall in the price of Geron Corporation noted above, without which the portfolio would have increased by 4.0 percent. This is equivalent to 64 pence per share (prior charges deducted at par) and 74 pence per share on a diluted basis. Over the same period the FTSE 100 decreased 1.0 percent and the All Share Index decreased 0.7 percent.

Anthony Townsend

30 April 2014

Managing Director's Report

Our portfolio significantly outperformed during the period, even against a strong year for equities. This was due to the substantial recovery in the final quarter in the price of Geron Corporation, our largest investment, which increased from a price of $1.50 at the beginning of the quarter to a price of $4.75 at year end. The reasons for this increase are set out below.

Equity markets in the UK and USA rose steadily over the year, with a temporary setback at mid-year as Central Banks continued to indicate that monetary easing measures were likely to remain in place for a considerable period of time and as growth in leading economies, with the exception of the Eurozone, continued to improve to levels which began to be seen as generally sustainable. Although becoming more broadly based, this growth was not at the time being translated into significant growth in employment or inflationary price pressure and hence Central Banks' comfort in maintaining high levels of liquidity in markets. This accommodative stance by the US Federal Reserve also placed considerable downward pressure on the US dollar providing further stimulus to US growth through exports.

Against this increasingly firm background supported by continued unprecedented levels of monetary easing, careful and nervous watch was being maintained by investors throughout the year for the first signs that liquidity might start to be withdrawn. For example, a misinterpretation by the market of a communication by the US Federal Reserve on this subject in June, resulted in a reversal in markets of 5 percent which was subsequently reversed upon clarification by the new Federal Reserve Chairman. In the UK, concerns began to arise by the end of the year that the employment target embedded in the medium term guidance policy implemented by the new Bank of England governor would be met far sooner than originally expected, but this was allayed by a re-calibration of the policy to a series of alternative economic indicators.

From this, it was evident that leading Central Banks were determined to maintain support for their economies not only through the continued provision of liquidity but also through the forward communication of these policies. And despite concerns arising from the clear signs of return to growth, markets nevertheless followed the lead given by Central Banks and remained firm, surpassing in many cases the historic highs reached in 2007 prior to the multi-year recession of the last five years.

Geron

In September, Geron Corporation announced extremely favourable clinical trial results in the treatment of Myelofibrosis, a blood cancer, using its proprietary drug Imetelstat, a telomerase inhibitor, by its investigators at the Mayo Clinic in the USA. The trials confirmed that treatment with Imetelstat had resulted in a number of complete remissions in patients with this previously untreatable and ultimately fatal condition.

Imetelstat was developed by Geron using its telomerase based technology which was awarded the Nobel prize in 2009. Although the company had discontinued trials of this drug in other solid tumour cancer indications (lung and breast) in prior years, contributing to the significant falls in share price in those years, it maintained its work in liquid tumour indications (blood) which were considered to be more reactive to the actions of the drug.

The potential market for a successful blood cancer treatment worldwide is significant, and if Geron's trials in this area are ultimately successful, the value to Geron would be considerable. The 200 percent rise in Geron's share price on the announcement of the success of the early trials last year is indicative of this.

In March, the US Federal Drug Administration (FDA), placed another of Geron's blood trials (Essential Thrombocythemia - ET) on clinical hold requesting further information on the reversibility of various low-level liver effects observed in the trials. The FDA allowed the Mayo Clinic Myelofibrosis trial to continue for those patients who had shown positive clinical responses indicating the clear benefit seen in the treatment. As a result, Geron's share price fell considerably, retracing

Managing Director's Report (continued)

the gains it had made in the previous quarter. Geron has stated it is confident it will be able to address the FDA’s concerns but until such time as the clinical hold is lifted, Geron’s share price is likely to continue to be weak.

Outlook

Equity markets have been somewhat more volatile since the beginning of the year as a number of concerns have arisen. There is now less confidence that monetary easing will continue as long as previously expected as economic growth has outperformed expectations and employment levels have risen. By contrast, levels of growth in China have been reduced and the Eurozone continues weak with the possibility of multi-year stagnation in prospect. Markets are also worried by the emergence of possible asset bubbles in certain areas (US equities, real estate and credit in China, UK central London property) and the potential for a correction has increased.

In addition, levels of political instability in various emerging growth areas of the world (Brazil, Thailand, Turkey, Russia) have increased together with a general feeling that the progress achieved in emerging from the great recession of 2007/8 might become embroiled in wider events as the confrontational approach of earlier years in world politics begins to reassert itself following Russia’s recent military occupation of Crimea.

The combination of these events did in fact generate a correction in equity markets around the beginning of the second quarter. As a result, market sentiment and outlook more generally has weakened, certainly for the short term, despite further and possibly reactionary indications from the US Federal Reserve that US$ monetary policy might remain accommodative for longer than the market had previously anticipated.

As previously announced, we have initiated a policy of limited gearing while interest rates remain low and the medium term outlook for interest rates remains favourable. We will continue to incur modest levels of gearing to avail ourselves of investment opportunities while rates remain below yields on such investment, while reducing exposures where appropriate in view of the somewhat changed international investment environment and outlook.

Jonathan Woolf

30 April 2014

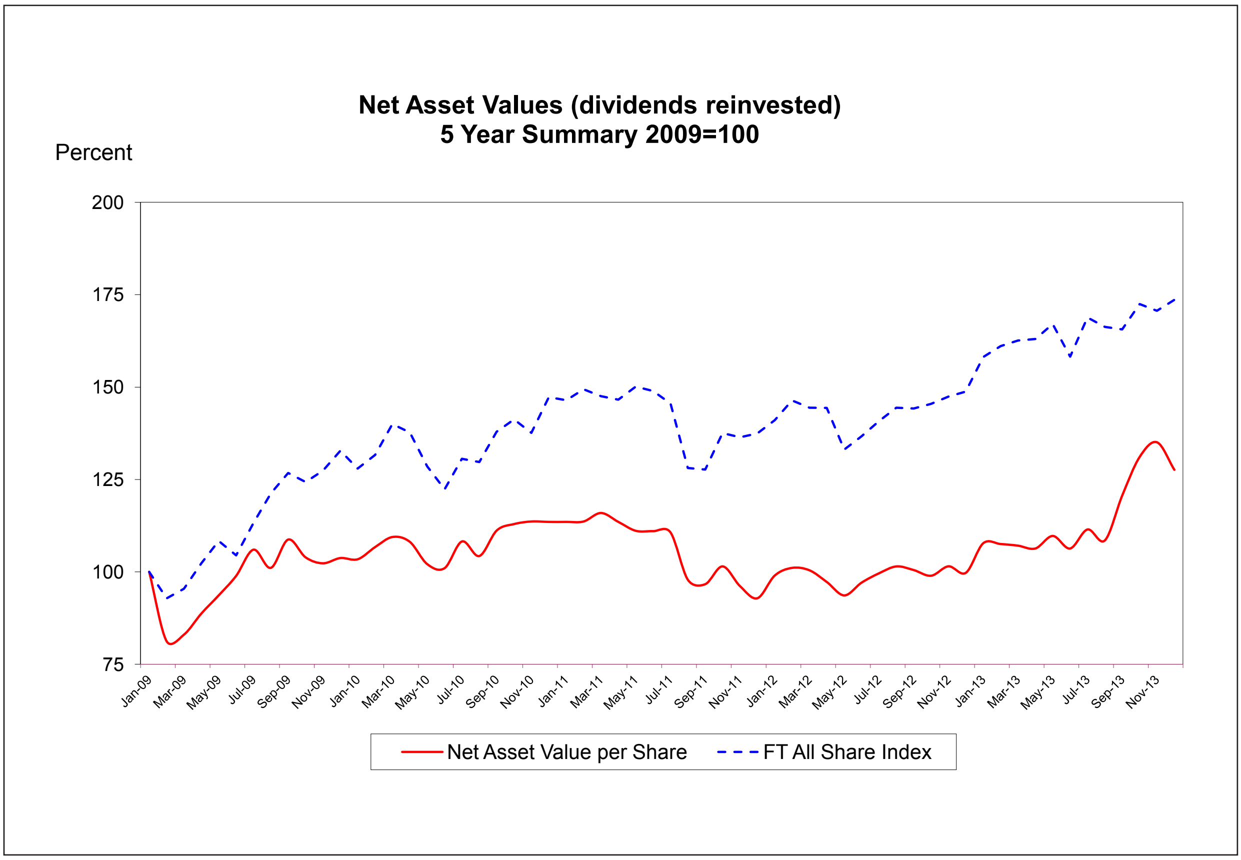
Financial highlights

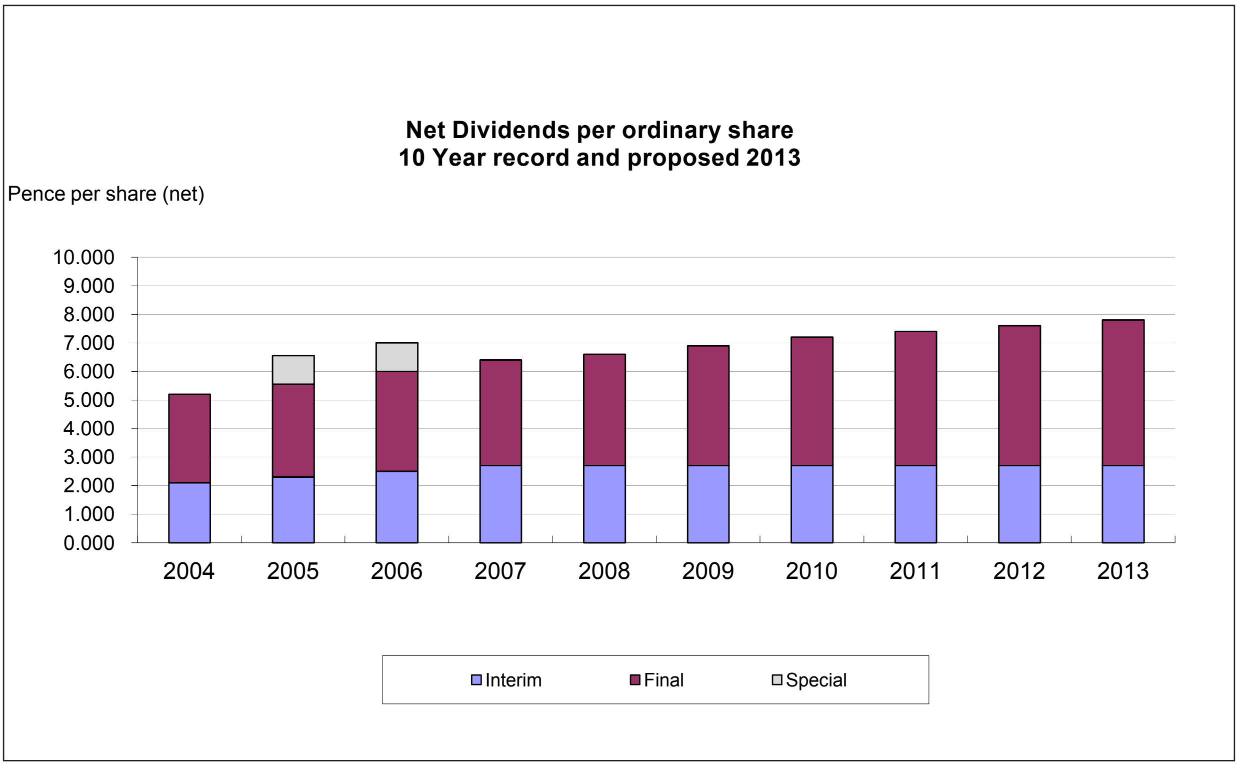
For the year ended 31 December 2013

	2013			2012		
	Revenue return £000	Capital return £000	Total £000	Revenue return £000	Capital return £000	Total £000
Profit/(loss) before tax – realised	2,940	(3,754)	(814)	2,107	(1,435)	672
Profit before tax – unrealised	–	9,745	9,745	–	1,446	1,446
Profit before tax – total	2,940	5,991	8,931	2,107	11	2,118
Earnings per £1 ordinary share – basic	10.35p	23.96p	34.31p	7.02p	0.04p	7.06p
Earnings per £1 ordinary share – diluted	8.40p	17.12p	25.52p	6.01p	0.03p	6.04p
Net assets			30,024			23,345
Net assets per ordinary share						
– deducting preference shares at par			80p			53p
– diluted			86p			67p
Diluted net asset value per ordinary share at 22 April 2014			74p			

	2013	2012
Dividends declared or proposed for the period		
per ordinary share – interim paid	2.7p	2.7p
– final proposed	5.1p	4.9p
per preference share	3.5p	3.5p

Net asset and dividend growth





Distribution of investments and cash

Distribution of investments and cash balances:

	At valuation		
	22 April 2014 £000	31 December 2013 £000	31 December 2012 £000
Investment Trusts (equities)	11,846	12,365	10,716
Biomedical – USA	4,500	9,960	2,999
Life Assurance	2,110	2,265	2,320
Unit trusts	2,031	2,029	1,714
Biotechnology – USA	969	1,175	21
Software and computer services	752	703	402
Telecommunications	76	93	87
Leisure and hotels	41	89	137
Other Financial	90	84	141
Support services	87	77	17
Pharmaceuticals and healthcare	36	30	–
Financial services	21	18	12
Overseas	25	1	3
Property	–	–	60
Bank retail	–	–	47
Media	–	–	21
Total quoted equities	22,584	28,889	18,697
Property units (unquoted)	230	230	578
Fixed Interest stocks (unquoted)	19	18	19
Fixed Interest stocks	1,120	1,000	932
Preference shares	1,838	617	632
Permanent interest bearing	319	303	279
Total portfolio	26,110	31,057	21,137
Derivatives – traded options	1,148	190	1,585
Balances at banks and stockbrokers	1,073	317	506
	28,331	31,564	23,228

Group investment portfolio
At 31 December 2013

Company	Nature of business	Valuation £000	% of Group Portfolio
Geron Corporation	Biomedical – USA	9,960	32.07*
RIT Capital Partners	Investment Trust	3,353	10.80
Dunedin Income Growth	Investment Trust	2,740	8.82
Prudential	Life Assurance	2,119	6.82
British Assets Trust	Investment Trust	2,100	6.76
St James's Place Global Equity	Unit Trust	1,806	5.82
Biotime	Biotechnology – USA	1,164	3.75
Scottish American Investment Company	Investment Trust	1,025	3.30
Invesco Income Growth Trust	Investment Trust	843	2.71
Alliance Trust	Investment Trust	788	2.54
F&C Asset Management – 6.75% FRN Sub. Bonds 2026	General financial	543	1.75
Earthport	Software and computer services	541	1.74
Merchants Trust	Investment Trust	511	1.65
Shires Income	Investment Trust	482	1.55
Royal & Sun Alliance Insurance Group 7.375% Cum. irred. preference shares £1	Insurance – Non-Life	475	1.53
Rothschild Continuation Finance – 9% Perp. Sub. Gtd. Loan Notes	Financial	456	1.47
Barclays – 9% PIB Capital Bonds	Bank retail	250	0.81
Jupiter Income Trust	Unit Trust	222	0.72
Emblaze	Software and computer services	163	0.52
Matrix Chatham EZT (unquoted)	Enterprise Zone Trust	151	0.49
20 Largest investments		29,692	95.62
Other investments (number of holdings : 23)		1,365	4.38
Total investments		31,057	100.00

* 28.8% held by the company and 3.27% 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 2013, 14.4% of the company's total assets were invested in the securities of other UK listed investment companies which themselves do not have a policy of restricting their investments to the 15% mentioned above. Of the twenty largest investments shown above, Alliance Trust, Shires Income and RIT Capital Partners fall into this category of investments as they have not specifically announced a policy to restrict their own investments in listed investment companies to no more than 15% of gross assets.

Five year record

Capital

At 31 December	Equity shareholders' funds	Net asset value per share (diluted)	Share price	(Discount)/premium (diluted)
	£000	pence	pence	%
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)
2012	23,345	66.7	75.0	12.4
2013	30,024	85.8	106.5	24.1

Revenue

Year to 31 December	Total income	Profit after tax	Earnings per ordinary share (diluted)	Ongoing charges	Dividend per ordinary share (net)
	£000	£000	pence	%	pence
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
2012	2,486	2,104	6.01	2.47	7.60
2013	3,340	2,938	8.40	2.26	7.80

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.

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

Cumulative performance (2008=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
2008	100	100	100	100	100
2009	116	125	163	125	130
2010	126	145	144	156	149
2011	104	150	143	159	144
2012	112	172	180	186	161
2013	141	224	280	240	195

Business review

Business and status

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

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

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

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

Future prospects

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

Investment policy and objective

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

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

The company's objective is to achieve a balance to investors of growth in income and capital in order to sustain a progressive dividend policy. The policy of the investment portfolio is to invest predominantly in quoted UK investment trusts and other leading companies; other investments include overseas equities, bonds, indirect holdings in UK commercial property and the rights to receive royalties from certain longstanding commercial feature films.

Business review (continued)

Investment strategy and Business model

Investments are self-managed. The portfolio currently consists of a diversified list of around 37 UK quoted companies, 3 UK unquoted holdings and 3 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 (31.6%), UK property and UK insurance (8.7%) sectors. Smaller size investments are made in other UK listed companies (currently 15, accounting for 3.2% of the portfolio) and further risk diversification is achieved by investment in fixed income securities (currently 3.1%) and property investments (currently 0.7%).

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.

The company does not hedge against currency fluctuations.

At 31 December 2013 the company's gearing was 4.73%.

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 14.6% 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.

Business review (continued)

Performance

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

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

- the movement in net asset value per ordinary share (after deducting preference shares at par) compared to the benchmark FTSE All Share Index;
- share price total return;
- the discount (after deducting preference shares at par);
- the ongoing charges;
- earnings per share;
- dividend per share.

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

The board also considers peer group comparative performance.

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

Discount

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

Principal risks and uncertainties

The principal risks facing the company relate to its investment activities and include market risk (other price risk, interest rate risk and currency risk), liquidity risk, gearing risk and credit risk. An explanation of these risks and how they are managed is contained in note 19 to the accounts on pages 44 to 48. The other principal risks to the company are loss of investment trust status, which is explained on page 12 and operational risk. Operational risk is the risk of inadequate or failed processes or systems. The main potential risk relates to systems for holding and administering investments. There is a framework in place to manage this risk which is monitored and reviewed by the board.

Financials

The financial highlights for the year under review are as follows: the net asset value per share increased by 28.6% on a diluted basis during the year, compared to a increase in the benchmark of 16.7%, ordinary share dividends increased by 2.6% to 7.8p per share and the premium moved from 12.4% to a premium of 24.1% at the year end.

Board Diversity

The Board recognises the importance of having a range of skilled, experienced individuals with the appropriate knowledge in order to allow the Board to fulfil its obligations. At 31 December 2013, the Board consisted of four males. The Board's statement on diversity is set out in the Statement of Corporate Governance on page 53.

Business review (continued)

Employee, social, human rights, economic and environmental responsibility

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

Details of the company's policy on socially responsible investment can be found under Corporate governance and Stewardship on page 54.

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

The number of directors and employees during the year were 11 (2012 – 11).

	2013		2012	
	Male	Female	Male	Female
Directors (non-executive)	3	0	3	0
Directors (executive)	1	0	1	0
Employees	1	6	1	6

ISAs

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

Suitable for Retail Investors

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

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

The Strategic report, which includes pages 3 to 15, was approved by the board and signed on its behalf by:

J C Woolf
Director
30 April 2014

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 2013.

A review of the company's activities is given in the Strategic Report on pages 3 to 15. This includes the overall strategy of the business of the company and its principal activities, main risks and uncertainties and future prospects.

Financial statements

The financial statements will be presented for approval at the sixty sixth Annual General Meeting of the company to be held on Wednesday 18 June 2014.

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 2013.

	Group			Company		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit before tax	2,940	5,991	8,931	2,696	4,868	7,564
Tax	(2)	–	(2)	46	–	46
Profit after tax	2,938	5,991	8,929	2,742	4,868	7,610

Dividends	Pence per share	£000
Interim per £1 ordinary share (paid 7 November 2013)	2.7	675
3.5% preference share paid (paid 7 November 2013)	1.75	175
Final per £1 ordinary share – proposed	5.1	1,275
3.5% preference share (payable 26 June 2014)	1.75	175
		2,300

The dividends proposed above will be paid on 26 June 2014 to ordinary shareholders on the register at 16 May 2014 and to 3.5% preference shareholders on the register at 31 December 2013.

Directors and their interests

The present directors of the company are as set out on page 1. Having served as a director since 1996,1999 and 2001 Mr DG Dreyfus, Mr JAV Townsend and Mr RG Paterson respectively and, being eligible, retire and offer themselves for re-election. The Board recommends their re-election. At the time of the Annual General Meeting Mr DG Dreyfus will have completed more than 18 years service, Mr JAV Townsend 14 years service and Mr RG Paterson 13 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 2013 had interests in the shares of the company as follows:

	2013		2012	
	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%) (2012 – 6,902,812 (27.6%)) ordinary shares held by Romulus Films Ltd, 7,868,750 (31.5%) (2012 – 7,868,750 (31.5%)) ordinary shares held by Remus Films Ltd and 1,000,000 (4.0%) (2012 – 1,000,000 (4.0%)) ordinary shares held by PKL Pictures Limited. Romulus Films Ltd also holds 10,000,000 cumulative convertible preference shares (2012 – 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 30 April 2014 the directors had been notified of the following interests of 3% or more of either class:

	Number of shares held 30 April 2014	%	Number of shares held 31 December 2013	%
Jupiter Monthly Income Fund Unit Trust	1,800,000	7.2	1,800,000	7.2
Lady Lever of Manchester	1,186,562	4.7	1,186,562	4.7

These interests relate to the ordinary shares of the company.

Share Capital

Capital Structure

The company's capital comprises £35,000,000 (2012 – £35,000,000) being 25,000,000 ordinary shares of £1 (2012 – 25,000,000) and 10,000,000 non-voting convertible preference shares of £1 each (2012 – 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 61.

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.

Directors' & officers' liability insurance cover

Directors' & officers' liability insurance cover was maintained by the board during the year ended 31 December 2013. It is intended that this policy will continue for the year ended 31 December 2014 and subsequent years.

Directors' indemnities

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

Directors' remuneration report

The Directors' remuneration report is set out on pages 56 to 60. Ordinary resolutions to approve the report and to approve the remuneration policy will be put to shareholders at the company's next Annual General Meeting.

Corporate Governance

The Corporate Governance Statement on pages 49 to 55 (which forms part of this directors' report) and the contents of the directors' report constitutes the statement on the application by the company of the principles of the UK Corporate Governance Code.

Greenhouse gas emissions

As an investment company the company has no greenhouse gas emissions to report from its operations for the year ended 31 December 2013 (2012 – same) nor does it have responsibility for any other emissions producing sources.

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

Bribery Act 2010

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

Statement of disclosure of information to auditors

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

Directors' responsibility statement

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

Auditors

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

Jonathan Woolf
Managing Director

Wessex House
1 Chesham Street
London SW1X 8ND
30 April 2014

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

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

Company law requires the directors to prepare 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) and have chosen to prepare the parent company financial statements under UK Accounting Standards.

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 and the Directors' Remuneration Report comply with the Companies Act 2006, and as regards to the Group financial statements, with 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.

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

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

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

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

We have audited the financial statements of British & American Investment Trust PLC for the year ended 31 December 2013 which comprise the group income statement, the group and parent company balance sheet, the group statement of changes in equity, the parent company reconciliation of movements in shareholders' funds, the group statement of cash flow and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statement 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 20, 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 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 Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Auditor commentary

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the business and is risk-based. The Group is predominately based within the UK and comprises a number of subsidiary entities which are centrally managed and controlled. In establishing the overall approach to the Group audit, we determined the entities that require an audit, to a subsidiary level of materiality, which provides coverage of over 1% of Group total assets. We assessed the work required in respect of components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. The audit testing for the subsidiaries in respect of the group audit was performed by ourselves.

The custody of the Group's investment portfolio is outsourced to a third-party service provider. Accordingly, our audit work is focussed on obtaining an understanding of, and evaluating, internal controls at the Group and the relevant third-party service provider. This included a review of reports on the description, design and operating effectiveness of internal controls at relevant third-party service providers. We undertook substantive testing on significant transactions, account balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the design effectiveness of controls over individual systems and the management of specific risks.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

The materiality for the Group financial statements was set at £320,000, which is 1% of the Group's total assets. Total Assets, which is primarily composed of the Group's investment portfolio, is considered the key driver of the company's capital and revenue performance and as such, we believe that it is one of the principal considerations for members of the Group in assessing its financial performance. For the income statement we determined that misstatements for a lesser amount than materiality for the financial statements as a whole would make it probable that the judgement of a reasonable person, relying on the information, would have been changed or influenced by the misstatement or omission. Accordingly, we established materiality for the revenue column of the income statement to be £80,000.

Our assessment of risk

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, account balances or disclosures.

Investments

The Group's business is investing in financial assets with a view to profit from a balanced return, in the form of revenue and capital gains. Accordingly, the investment portfolio is a significant, material item in the financial statements. The recognition and measurement of the investment portfolio is therefore a risk that requires particular audit attention.

Our audit work included, but was not restricted to, understanding management's process to recognise and measure investments including ownership of those investments, obtaining a confirmation of investments held at the year-end directly from the independent custodian, testing a selection of investment additions and disposals shown in the Group's records to supporting documentation, recalculating the realised gains made on a selection of disposals and agreeing the valuation of quoted investments to an independent source of market prices. For unquoted investments, we have compared key financial data inputs to external sources and management information as applicable.

The Group's accounting policy on the valuation of investments is shown in note 1d and its disclosures about investments held at the year end are included in note 9.

Investment income

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

Our audit work included, but was not restricted to, assessing whether the Group's accounting policy for revenue recognition is in accordance with IAS 18 'Revenue', obtaining an understanding of management's process to recognise revenue in accordance with the stated accounting policy, testing whether a sample of income transactions has been recognised in accordance with the policy, and for a sample of investments held in the period confirming that income that should have been received has been received and recorded and assessing whether any of the revenue should have been treated as capital receipts.

The Group's accounting policy on the recognition of income is shown in note 1e and the components of that income are included in note 2.

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 2013 and of the group's profit for the year then ended; and
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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.

Other reporting responsibilities

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 Strategic Report and 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 ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that were communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept 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 20, 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.

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

30 April 2014

Group income statement

For the year ended 31 December 2013

	Notes	2013 Revenue return £000	2013 Capital return £000	2013 Total £000	2012 Revenue return £000	2012 Capital return £000	2012 Total £000
Investment income	2	3,340	–	3,340	2,486	–	2,486
Holding gains on investments at fair value through profit or loss	9	–	9,745	9,745	–	1,446	1,446
Losses on disposal of investments at fair value through profit or loss	9	–	(3,545)	(3,545)	–	(1,237)	(1,237)
Expenses	3	(395)	(209)	(604)	(379)	(198)	(577)
Profit before finance costs and tax		2,945	5,991	8,936	2,107	11	2,118
Finance costs		(5)	–	(5)	–	–	–
Profit before tax		2,940	5,991	8,931	2,107	11	2,118
Tax	6	(2)	–	(2)	(3)	–	(3)
Profit for the period		2,938	5,991	8,929	2,104	11	2,115
Earnings per share							
Basic - ordinary shares	7	10.35p	23.96p	34.31p	7.02p	0.04p	7.06p
Diluted - ordinary shares	7	8.40p	17.12p	25.52p	6.01p	0.03p	6.04p

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 30 to 48 form part of these financial statements.

Statement of changes in equity

31 December 2013

Group

	Notes	Share capital £000	Capital reserve £000	Retained earnings £000	Total £000
Balance at 31 December 2011		35,000	(12,911)	1,341	23,430
Changes in equity for 2012					
Profit for the period		–	11	2,104	2,115
Ordinary dividend paid	8	–	–	(1,850)	(1,850)
Preference dividend paid	8	–	–	(350)	(350)
Balance at 31 December 2012		35,000	(12,900)	1,245	23,345
Changes in equity for 2013					
Profit for the period		–	5,991	2,938	8,929
Ordinary dividend paid	8	–	–	(1,900)	(1,900)
Preference dividend paid	8	–	–	(350)	(350)
Balance at 31 December 2013		35,000	(6,909)	1,933	30,024

Reconciliation of movements in shareholders' funds

Company

	Notes	Share capital £000	Capital reserve £000	Retained earnings £000	Total £000
Balance at 31 December 2011		35,000	(11,823)	1,799	24,976
Changes in equity for 2012					
Profit/(loss) for the period		–	(234)	2,159	1,925
Ordinary dividend paid	8	–	–	(1,850)	(1,850)
Preference dividend paid	8	–	–	(350)	(350)
Balance at 31 December 2012		35,000	(12,057)	1,758	24,701
Changes in equity for 2013					
Profit for the period		–	4,868	2,742	7,610
Ordinary dividend paid	8	–	–	(1,900)	(1,900)
Preference dividend paid	8	–	–	(350)	(350)
Balance at 31 December 2013		35,000	(7,189)	2,250	30,061

Group balance sheet

31 December 2013

Registered number: 00433137

	Notes	2013 £000	2012 £000
Non - current assets			
Investments - fair value through profit or loss	9	31,057	21,137
		31,057	21,137
Current assets			
Receivables	11	195	1,190
Derivatives - fair value through profit or loss		459	3,204
Cash and cash equivalents		317	740
		971	5,134
Total assets		32,028	26,271
Current liabilities			
Trade and other payables	12	287	1,307
Bank loan	12	1,448	–
Derivatives - fair value through profit or loss		269	1,619
		(2,004)	(2,926)
Total assets less current liabilities		30,024	23,345
Net assets		30,024	23,345
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	(6,909)	(12,900)
Retained revenue earnings	15	1,933	1,245
Total equity		30,024	23,345

The notes on pages 30 to 48 form part of these financial statements.

The financial statements on pages 25 to 48 were approved by the board of directors on 30 April 2014.

Jonathan Woolf

Managing Director

Company balance sheet

31 December 2013

Registered number: 00433137

	Notes	2013 £000	2012 £000
Fixed assets			
Investments - fair value through profit or loss	9	29,559	18,654
Investments - subsidiaries	9	7,504	3,620
		37,063	22,274
Current assets			
Debtors	11	1,647	2,943
Derivatives - fair value through profit or loss		395	2,635
Cash at bank and in hand		225	716
		2,267	6,294
Total assets		39,330	28,568
Creditors: amounts falling due within one year			
Trade and other payables	12	3,690	1,293
Bank loan	12	1,448	–
		(5,138)	(1,293)
Total assets less current liabilities		34,192	27,275
Provisions for liabilities and charges	13	(4,131)	(2,574)
Net assets		30,061	24,701
Capital and reserves			
Called - up share capital	14	35,000	35,000
Capital reserve	15	(7,189)	(12,057)
Revenue reserve	15	2,250	1,758
Total shareholder's funds		30,061	24,701

The notes on pages 30 to 48 form part of these financial statements.

The financial statements on pages 25 to 48 were approved by the board of directors on 30 April 2014.

Jonathan Woolf

Managing Director

Group cash flow statement

For the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Cash flow from operating activities			
Profit before tax		8,936	2,118
Adjustment for:			
Gain on investments		(6,200)	(209)
Scrip dividends		(9)	(8)
Income tax deducted at source		(85)	(3)
Proceeds on disposal of investments at fair value through profit or loss		29,769	16,255
Purchases of investments at fair value through profit or loss		(31,077)	(14,111)
Operating cash flows before movements in working capital		1,334	4,042
Increase in receivables		(2,472)	(3,372)
Increase in payables		1,347	1,798
Net cash from operating activities before interest		209	2,468
Interest paid		(5)	–
Net cash from operating activities after interest		204	2,468
Net cash flows from operating activities		204	2,468
Cash flows from financing activities			
Dividends paid on ordinary shares	8	(1,900)	(1,850)
Dividends paid on preference shares	8	(175)	–
Bank loan		1,448	–
Net cash used in financing activities		(627)	(1,850)
Net (decrease)/increase in cash and cash equivalents		(423)	618
Cash and cash equivalents at beginning of year		740	122
Cash and cash equivalents at end of year		317	740

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 2013. 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 2012 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. The company has adopted IFRS 13, Fair Value Measurement, which has had no impact on the financial statements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value where fair value is required or permitted.

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 profit on ordinary activities after taxation for the year was £7,609,952 (2012 – £1,924,175 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, supplementary information which analyses the income statement between items of a revenue and capital nature has been

1 Accounting policies (continued)

presented alongside the income statement.

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 fair value policy.

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

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

Investments of the parent 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

1 Accounting policies (continued)

distribution. Any tax thereon will follow the accounting treatment of the principal amount.

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% (2012 - 50%) to revenue and 50% (2012 - 50%) to capital, in order to reflect the directors' long-term view of the nature of the expected investment returns of the company.

h) Bank borrowings

The interest-bearing bank loan is recorded at the proceeds received. Finance charges are accounted for on an accrual basis in the Group Income Statement.

i) 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.

j) 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.

k) Distributable reserves

Distributable reserves comprise revenue earnings and the capital reserve. Gains and losses on disposal of investments,

1 Accounting policies (continued)

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

l) 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

	2013	2012
Income from investments	£000	£000
UK dividends	2,436	1,838
Overseas dividends	484	342
Scrip and in specie dividends	9	8
Interest on fixed income securities	102	102
Property unit trust income	22	22
Film revenues	138	179
	3,191	2,491
Other income	149	(5)
Total income	3,340	2,486
Total income comprises:		
Dividends	2,929	2,188
Interest	102	102
Film revenues	138	179
Property income	22	22
Gain on foreign exchange	46	5
Other interest	103	–
	3,340	2,486
Income from investments:		
Listed investments	3,012	2,261
Unlisted investments	179	230
	3,191	2,491

Of the £2,929,000 (2012 – £2,188,000) dividends received, £2,351,000 (2012 – £1,571,000) related to special and other dividends received from investee companies that were bought after the dividend announcement. There was a corresponding capital loss of £2,442,000 (2012 – £1,633,000), on the disposal of these investments.

3 Administrative expenses	2013 £000	2012 £000
Staff costs – including executive director (Notes 4 and 5)	422	403
Non-executive directors fees (Note 4)	52	52
Auditors' remuneration:		
Fees payable to the company's auditor for the audit of the company's individual financial statements and its consolidated financial statements	30	28
Fees payable to the company's auditor for other services:		
– audit of the financial statements of the company's subsidiaries	5	5
– other services relating to taxation compliance	18	18
– half yearly report	7	7
Other	52	47
Irrecoverable VAT	18	17
	604	577

4 Directors' remuneration

Directors' remuneration is disclosed in the Directors' remuneration report on page 56.

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

	2013 £000	2012 £000
Wages and salaries	340	325
Social security costs	44	42
Pensions and post-retirement benefits	38	36
	422	403

The average number of persons (including the executive director) employed during the year was 8 (2012 – 8).

	2013 Number	2012 Number
Investment	2	2
Administration	6	6
	8	8

6 Tax

	2013			2012		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Current tax:						
UK corporation tax	(2)	–	(2)	(3)	–	(3)
Foreign tax	(2)	–	(2)	(3)	–	(3)
Double taxation relief	2	–	2	3	–	3
	(2)	–	(2)	(3)	–	(3)

Corporation tax is calculated at 20% (2012 – 20%) of the estimated assessable profit for the year.

Profits of the company's subsidiaries are chargeable to the UK corporation tax at the small profits rate of 20% (2012 – 20%). Therefore the excess of management expenses of the company is surrendered as group relief at 20%.

6 Tax (continued)

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

	2013				2012			
	Revenue £000	Capital £000	Total £000	%	Revenue £000	Capital £000	Total £000	%
Total profit before tax	2,940	5,991	8,931	20	2,107	11	2,118	20
Tax at the UK corporation tax rate of 20% (2012 - 20%)	(588)	(1,198)	(1,786)		(421)	(2)	(423)	
Tax effect of non-taxable and scrip dividends	586	–	586		437	–	437	
Capital gains within subsidiaries	–	(42)	(42)		–	(59)	(59)	
Gains on investments that are not taxable	–	1,240	1,240		–	42	42	
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	–	–	–		(19)	19	–	
Tax expense and effective tax rate for the year	(2)	–	(2)	0.07	(3)	–	(3)	0.14

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:

	2013			2012		
	Revenue return £000	Capital return £000	Total £000	Revenue return £000	Capital return £000	Total £000
Earnings:						
Basic	2,588	5,991	8,579	1,754	11	1,765
Preference dividend	350	–	350	350	–	350
Diluted	2,938	5,991	8,929	2,104	11	2,115

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 (2012 – 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 (2012 – 35 million) ordinary and preference shares in issue.

8 Dividends

	2013 £000	2012 £000
Amounts recognised as distributions to ordinary shareholders in the period:		
Dividends on ordinary shares:		
Final dividend for the year ended 31 December 2012 of 4.9p (2011 – 4.7p) per share	1,225	1,175
Interim dividend for the year ended 31 December 2013 of 2.7p (2012 – 2.7p) per share	675	675
	1,900	1,850
Proposed final dividend for the year ended 31 December 2013 of 5.1p (2012 – 4.9p) per share	1,275	1,225

	2013 £000	2012 £000
Dividends on 3.5% cumulative convertible preference shares:		
Preference dividend for the 6 months ended 31 December 2012 of 1.75p (2011 – 1.75p) per share	175	175
Preference dividend for the 6 months ended 30 June 2013 of 1.75p (2012 – 1.75p) per share	175	175
	350	350
Proposed preference dividend for the 6 months ended 31 December 2013 of 1.75p (2012 – 1.75p) per share	175	175

The preference dividend for the 6 months ended 31 December 2012 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 section 1158 of the Corporation Tax Act 2010 are considered.

8 Dividends (continued)

Dividends proposed for the period

	2013 £000	2012 £000
Dividends on ordinary shares:		
Interim dividend for the year ended 31 December 2013 of 2.7p (2012 – 2.7p) per share	675	675
Proposed final dividend for the year ended 31 December 2013 of 5.1p (2012 – 4.9p) per share	1,275	1,225
	1,950	1,900
Dividends on 3.5% cumulative convertible preference shares:		
Preference dividend for the year ended 31 December 2013 of 1.75p (2012 – 1.75p) per share	175	175
Proposed preference dividend for the year ended 31 December 2013 of 1.75p (2012 – 1.75p) per share	175	175
	350	350

9 Investments – fair value through profit or loss

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Investments quoted on a recognised investment exchange	30,809	20,540	29,559	18,654
Unquoted investments				
– Subsidiary undertakings (Note 10)	–	–	7,504	3,620
– Property units	230	578	–	–
– Unquoted securities	18	19	–	–
	31,057	21,137	37,063	22,274

Film rights are valued, in the group, at £nil (2012 – £nil). The original cost of the film rights held in subsidiary undertakings is £510,000 with total amortisation to date of £473,687.

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

December 2012 Group:	Quoted in UK £000	Quoted overseas £000	Unquoted UK £000	Total £000
Opening cost	8,987	10,879	1,863	21,729
Investment holding (losses)/gains	9,084	(7,642)	(1,553)	(111)
Opening fair value at 1 January 2012	18,071	3,237	310	21,618
Purchases at cost	13,658	4,269	–	17,927
Sales – proceeds	(14,602)	(4,168)	(1)	(18,771)
– (losses)/gains on sales	(1,160)	76	1	(1,083)
Increase/(decrease) in investment holding gains/(losses)	1,561	(402)	287	1,446
Closing fair value	17,528	3,012	597	21,137
Closing cost	8,308	11,053	1,863	21,224
Investment holding (losses)/gains	9,220	(8,041)	(1,266)	(87)
Closing fair value at 31 December 2012	17,528	3,012	597	21,137

December 2013 Group:	Quoted in UK £000	Quoted overseas £000	Unquoted UK £000	Total £000
Opening cost	8,308	11,053	1,863	21,224
Investment holding (losses)/gains	9,220	(8,041)	(1,266)	(87)
Opening fair value at 1 January 2013	17,528	3,012	597	21,137
Purchases at cost	13,817	19,454	–	33,271
Transfers	(190)	–	190	–
Sales – proceeds	(12,859)	(17,712)	(159)	(30,730)
– losses on sales	(1,831)	(414)	(121)	(2,366)
Increase/(decrease) in investment holding gains/(losses)	3,218	6,786	(259)	9,745
Closing fair value	19,683	11,126	248	31,057
Closing cost	7,558	12,366	1,585	21,509
Investment holding gains/(losses)	12,125	(1,240)	(1,337)	9,548
Closing fair value at 31 December 2013	19,683	11,126	248	31,057

Gains/(losses) on investments designated at fair value through profit or loss are net of transaction costs incurred on both the purchase and sale of those assets, in the amount of £32,005 (2012 – £25,735) being £21,705 (2012 – £16,165) on purchases and £10,300 (2012 – £9,570) on sales.

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

December 2012 Company:	Quoted in UK £000	Quoted overseas £000	Subsidiaries £000	Total £000
Opening cost	13,089	6,387	6,948	26,424
Investment holding gains/(losses)	4,833	(4,958)	(4,514)	(4,639)
Opening fair value at 1 January 2012	17,922	1,429	2,434	21,785
Purchases at cost	13,658	4,982	–	18,640
Sales – proceeds	(14,603)	(3,637)	–	(18,240)
– losses on sales	(1,160)	(777)	–	(1,937)
Increase/(decrease) in investment holding gains/(losses)	1,526	(686)	1,186	2,026
Closing fair value	17,343	1,311	3,620	22,274
Closing cost	12,031	4,601	6,948	23,580
Investment holding (losses)/gains	5,312	(3,290)	(3,328)	(1,306)
Closing fair value at 31 December 2012	17,343	1,311	3,620	22,274

December 2013 Company:	Quoted in UK £000	Quoted overseas £000	Unquoted UK £000	Total £000
Opening cost	12,031	4,601	6,948	23,580
Investment holding (losses)/gains	5,312	(3,290)	(3,328)	(1,306)
Opening fair value at 1 January 2013	17,343	1,311	3,620	22,274
Purchases at cost	13,817	13,845	–	27,662
Transfer	(190)	–	190	–
Sales – proceeds	(12,794)	(8,525)	–	(21,319)
– losses on sales	(1,850)	(604)	(190)	(2,644)
Increase in investment holding gains/(losses)	3,120	4,086	3,884	11,090
Closing fair value	19,446	10,113	7,504	37,063
Closing cost	11,456	9,301	6,948	27,705
Investment holding gains	7,990	812	556	9,358
Closing fair value at 31 December 2013	19,446	10,113	7,504	37,063

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

Gains/(losses) on investments

	Group 2013 £000	Group 2012 £000
(Losses)/gains on disposal	(2,305)	858
Losses on disposal recognised in prior years	(61)	(1,941)
	(2,366)	(1,083)
Losses on derivatives accounted for as current assets/(liabilities)	(1,179)	(154)
	(3,545)	(1,237)
Investment holding gains in the year	9,745	1,446
	6,200	209

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	
	2013 £000	2012 £000	2013 £000	2012 £000
Sales of investments awaiting settlement	–	985	–	985
Amount owed by subsidiary undertakings	–	–	1,027	1,340
Income tax recoverable	83	–	83	–
Group relief receivable	–	–	460	415
Prepayments and accrued income	48	45	48	45
Other debtors	64	160	29	158
	195	1,190	1,647	2,943

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

12 Current liabilities

(a)Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Purchases of investments awaiting settlement	–	1,219	–	1,219
Trade payables	1	1	–	–
Other taxes and social security	5	6	5	6
Other payables	34	26	34	25
Amounts due to related parties	192	–	182	–
Amounts owed to subsidiary undertakings	–	–	3,426	–
Accruals and deferred income	55	55	43	43
	287	1,307	3,690	1,293

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

(b) Bank loan

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
	1,448	–	1,448	–

On 15 May 2013 the company obtained a loan facility from UBS AG for 10,875,000 CHF and at 31 December 2013 the company has drawn down the sterling equivalent of £1,448,000 at an annual rate of 1.25 percent above either the London Inter-Bank Offered Rate or the bank's cost of funds for that period and for the relevant currency. At 31 December 2013 investments of fair value of £5,351,500 have been deposited with UBS AG as collateral.

13 Provisions for liabilities and charges

Guarantee of subsidiary liability

	Company	
	2013	2012
	£000	£000
Opening provision	2,574	2,653
Increase/(decrease) in period	1,557	(79)
Closing provision	4,131	2,574

The provision is in respect of a guarantee made by the company for liabilities between its wholly owned subsidiaries, Second BritAm Investments Limited, BritAm Investments Limited and British and American Films Limited.

14 Share capital

	2013	2012
	£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

14 Share capital (continued)

	2013 £000	2012 £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 17 and 18.

15 Retained earnings and capital reserves

	Capital reserve £000	Retained earnings £000
Group		
1 January 2013	(12,900)	1,245
Allocation of profit for the year	5,991	2,938
Ordinary and preference dividends paid	–	(2,250)
31 December 2013	(6,909)	1,933
Company		
1 January 2013	(12,057)	1,758
Allocation of profit for the year	4,868	2,742
Ordinary and preference dividends paid	–	(2,250)
31 December 2013	(7,189)	2,250

The group Capital reserve includes £9,548,000 of investment holding gains (2012 – £87,000 loss) (see note 9 on page 39).

The company Capital reserve includes £9,358,000 of investment holding gains (2012 – £1,306,000 loss) (see note 9 on page 40).

16 Net asset values

	Net asset value per ordinary share		Net assets attributable	
	2013 £	2012 £	2013 £000	2012 £000
Ordinary shares				
Undiluted	0.80	0.53	20,024	13,345
Diluted	0.86	0.67	30,024	23,345

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 £16,426 (2012 – £14,156) in respect of those services.

The salaries and pensions of the company's employees, except for the three non-executive directors, are paid by Remus Films Limited and Romulus Films Limited and are recharged to the company. Amounts charged by these companies in the year to 31 December 2013 were £381,439 (2012 – £364,762) in respect of salary costs and £37,730 (2012 – £36,000) in respect of pensions.

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

At the year end an amount of £191,627 (2012 – £nil) 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 17.

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 (BritAm Investments Limited and Second BritAm Investments Limited) and accelerated capital allowances on film rights (British & American Films Limited) and excess management expenses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £385,272 (2012 – £1,006,158). The asset would be recovered if the companies disposed of their 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 £6,300 (2012 – £6,574) 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, gearing risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The policies have remained unchanged throughout the year.

As an investment trust, the company invests in securities for the long term. The company's stated investment policy is to invest predominantly in investment trusts and other leading UK quoted companies. The 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. This is, in particular, to our largest investment, Geron Corporation, due to the short to mid term volatility in its share price.

At the year end net premiums paid on open put options, which are traded on the Chicago Board Options Exchange, totalled £1,397,456 (2012 – £1,662,089).

<u>Other price risk</u>

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

19 Risk management and other financial instruments (continued)

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:

	2013	2012
	£000	£000
Investments held at fair value through profit or loss	31,057	21,137
deduct Fixed interest stock and bonds	(1,321)	(1,230)
Derivatives held at fair value	190	1,585
	29,926	21,492

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 2013 would result in an increase of £3,125,000 (2012 – £2,272,000) in net asset value and profit for the year. A decrease of 10% would have had an equal but opposite effect.

Financial assets and liabilities - interest rate risk

The majority of the group's financial assets are equity shares 92.1% (2012 – 86.4%) or other investments which pay dividends rather than interest and do not have a maturity date.

Financial liabilitities consist of bank loans.

Interest bearing investments, including cash deposits, comprise 7.2% of the group's financial assets, of which 6.2% are at fixed rate and 1.0% floating rate.

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

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

The interest rate risk profile of the financial assets and liabilities of the group at 31 December 2013 is shown below.

		2013		2012
	Fair Value	Maturity	Fair Value	Maturity
Assets	£000		£000	
Fixed Rate				
UK fixed interest stock	562	13 years	506	14 years
UK notes and bonds	759	undated	724	undated
Floating rate				
Cash	317		740	
Total assets	1,638		1,970	
Weighted average interest rate (on fair value)	7.7%		8.3%	
Liabilities				
Bank loan	1,448	undated	–	–
Total liabilities	1,448		–	
Weighted average interest rate	1.4%		–	

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 2013 would have decreased the fair value of fixed interest securities and increase interest payments on bank loan and hence decrease total net assets by £148,000 (2012 – £66,000). 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. The book value of cash at bank and bank loans included in these financial statements approximate to fair value because of their short-term maturity.

Gearing

At 31 December 2013 the company has drawn down £1,448,000 (sterling equivalent) of its facility limit of 10,875,000 CHF with UBS AG. A Facility Agreement was entered into by the company and UBS AG on 15 May 2013. At 31 December 2013 investments of fair value of £5,351,500 have been deposited with the UBS AG as collateral. Although this gearing increases the opportunity for gain, it also increases the risk of loss in falling markets.

Fair value hierarchy

The fair value hierarchy, as defined in IFRS 13, comprises 3 levels. With the exeption of Unquoted UK investments with a year end market value of £248,000 (2012 – £597,000) which are categorised as Level 3, all other investments £30,809,000 (2012 – £20,540,000) and derivatives assets £459,000 (2012 – £3,204,000) and liabilities £269,000 (2012 – £1,619,000) 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 39.

Currency risk

66% (2012 – 79%) of the group's assets and liabilities are in sterling. The foreign currency exposure is almost exclusively in two investments 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.

	2013 £000	2012 £000
US dollar		
Investments	11,126	3,011
Cash and cash equivalents	–	176
Derivatives - fair value through profit or loss	190	1,585
Bank loan	(1,096)	–
Net exposure	10,220	4,772
Total net assets	30,024	23,345

19 Risk management and other financial instruments (continued)

Currency risk sensitivity

At 31 December 2013, 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 £487,000 (2012 – £227,000). Similarly, a 5% weakening of sterling against the US dollar, with constant other variables, would have increased total net assets by £538,000 (2012 – £251,000).

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, broker and money market 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, broker and money market 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:

		2013		2012
	Balance sheet	Maximum exposure	Balance sheet	Maximum exposure
	£000	£000	£000	£000
Fixed rate investments	1,321	1,321	1,230	1,230
Current assets				
Receivables	195	195	1,190	1,190
Derivatives classified as fair value through profit or loss	190	190	3,204	3,204
Cash and cash equivalent	317	317	740	740
	2,023	2,023	6,364	6,364

Fixed rate investments comprise 64.1% which are investment grade with the remaining 35.9% 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 2013 was £30,024,000 (2012 – £23,345,000).

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 2013

The Statement of Corporate Governance, which forms part of the Directors' report (page 19) is set out below. The following paragraphs describe the framework of internal controls in place to ensure that the company complies with the 2012 UK Corporate Governance which is available on the Financial Reporting Council's website: www.frc.org.uk.

The board has considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code') which was re-issued in February 2013. The AIC Code addresses all the principles set out in the UK Corporate Governance Code as well as setting out additional principles and recommendations on issues that are of specific relevance to British & American Investment Trust PLC. The AIC Code is available on the AIC's website: www.theaic.co.uk.

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

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

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

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

Operation of the board

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

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

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

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

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

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

Number of meetings attended

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

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

All the directors attended the Annual General Meeting.

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

Tenure of directors

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

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

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

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

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

Chairman

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

Audit Committee

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

Role and Composition

The Committee comprises three non-Executive Directors and is appointed by the Board. It met four times during 2013. The Committee operates within defined terms of reference.

The Committee's main functions are:-

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

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

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

Key Risks

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

Significant Issues

The valuation and existence of investments is a significant risk factor. The majority of the investments are in quoted securities and market prices are readily available from independent external pricing sources. The investment portfolio is regularly reconciled to custodians' records, where applicable, and that reconciliation is also reviewed by the Auditor.

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

Internal Controls

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

External Audit Process

The Audit Committee regularly meets the Auditor and may challenge any aspect of its work. It agrees with the Auditor the level of materiality to be adopted in the Report and Accounts. The Committee is aware of the latest Corporate Governance provisions related to auditor tenure. The Audit Committee ensures that the Auditor has unlimited access to any company record.

Auditor assessment and independence

Grant Thornton UK LLP has been the Group's auditor since 2005. Rotation of the Audit Partner takes place in accordance with Ethical Standard 3; 'Long Association with the Audit Engagement' of the Auditing Practices Board ('APB'). However, mindful of the latest Corporate Governance provisions relating to auditor tenure, the Committee will consider undertaking a tender process to coincide with the five year rotation cycle of the current partner.
The fees for audit purposes were £34,798 (2012 – £33,286).

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

The cost of non-audit services provided by the Auditor for the financial year ended 31 December 2013 was £25,000 (2012 – £25,000). These non-audit services are assurance related and the Committee believes Grant Thornton UK LLP is best placed to provide them on a cost effective basis.

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

Conclusion

The Audit Committee has approved year end 31 December 2013 Report and Accounts. It has reviewed the Group's internal controls and risk management. After satisfying itself as to the independence of the Auditor, it has recommended that the Auditor be re-appointed for another year.

Nomination Committee

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

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

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

Board and director evaluation

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

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

Remuneration

The remuneration of the executive director is decided by the board as a whole (comprising a majority of non-executive directors), rather than a remuneration committee. There is no performance-related element of the executive director's remuneration. The board considers that the interests of the Managing Director, who is himself a shareholder (see page 17), 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 17.

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 20.

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

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

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

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

Powers to authorise conflict situations

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

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

Going concern

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

Employee, social, economic and environmental matters

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

Responsibilities as an institutional shareholder

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

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

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

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

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

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

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

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

Directors' remuneration report

For the year ended 31 December 2013

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 2013. An ordinary resolution to approve this report will be put to members at the forthcoming Annual General Meeting, but the directors' remuneration is not conditional upon the resolution being passed.

Statement by the Chairman

The board as a whole considers the directors' remuneration. The board has not appointed a committee to consider matters relating to directors' remuneration. There is no performance-related element of the executive director's remuneration. The board considers that the interests of the Managing Director, who is himself a shareholder (see page 17), are aligned with those of other shareholders.

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

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

JAV Townsend
Chairman
30 April 2014

Annual report on remuneration

Directors' remuneration as a single figure (audited)

	Salary and fees 2013	Salary and fees 2012
	£000	£000
JC Woolf - salary	60	57
JAV Townsend (Chairman) - fees	20	20
DG Dreyfus (Chairman of Audit Committee) - fees	17	17
RG Paterson - fees	15	15
Total	112	109

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

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

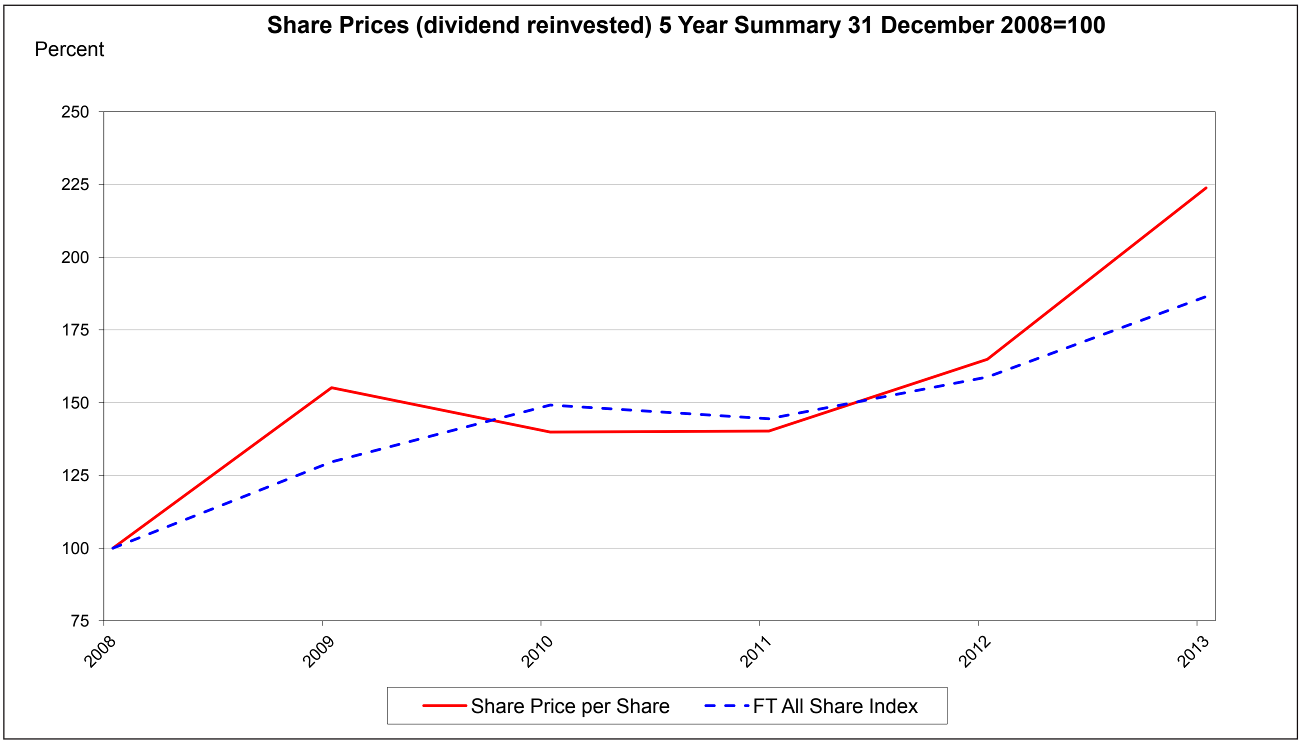
The annual fees of the Chairman is £20,000, the Chairman of the Audit Committee £17,000 and the remaining non-executive director £15,000.

Sums paid to third parties (audited)

The directors' fees of £15,000 (2012 – £15,000) payable to RG Paterson were paid to Eversheds LLP. This payment was for services as a director of the company.

Performance graph and table

The graph below shows the performance of British & American Investment Trust PLC's share price against the FTSE All Share index, in both instances with dividends reinvested, for the five years since 2009. The FTSE All Share is selected because it is the single broad equity market index that most closely matches the company's benchmark.



Managing Director's remuneration table

	Managing Director's Total remuneration £000
2009	60
2010	54
2011	57
2012	57
2013	60
Total	288

The table below shows the percentage change in the remuneration of the Managing Director and the group's employees as a whole between the year 2012 and 2013.

	Change in salary Percent	Change in annual bonus Percent
Managing Director	5.26%	no bonus paid
Employees	5.21%	-5.13%

Significance of spend on pay

	Employee remuneration £	Shareholder distribution £
2012	455,000	1,850,000
2013	474,000	1,900,000
Difference	19,000	50,000
Percentage change	4.18%	2.70%

Directors' interests

The directors during the year ended 31 December 2013 had interests in the shares of the company as follows (audited):

	2013		2012	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Ordinary shares of £1				
JC Woolf	460,812	15,771,562	460,812	15,771,562
DG Dreyfus	5,000	–	5,000	–
JAV Townsend	7,500	–	7,500	–
RG Paterson	1,000	–	1,000	–
Non voting convertible preference shares of £1 each				
JC Woolf	–	10,000,000	–	10,000,000

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

Voting at Annual General Meeting

At the Annual General Meeting held on 18 June 2013, votes cast by proxy and at the meeting in respect of the directors' remuneration were as follows:

Resolution	Votes For	% For	Votes Against	% Against	Total votes Cast	Votes withheld
To receive and approve the Directors' Remuneration Report for the year ended 31 December 2012	18,347,784	100.00%	–	–	18,347,784	2,500

Directors' remuneration policy

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

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

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

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

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

The company does not confer any share options, long term incentives or retirement benefits on any director, nor does it make a contribution to any pension scheme on behalf of the directors. The company has not added any performance-related elements in the remuneration package of executive directors. As noted on page 17 Mr JC Woolf is a significant shareholder in the company. The company also provides directors' liability insurance.

Future policy table

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

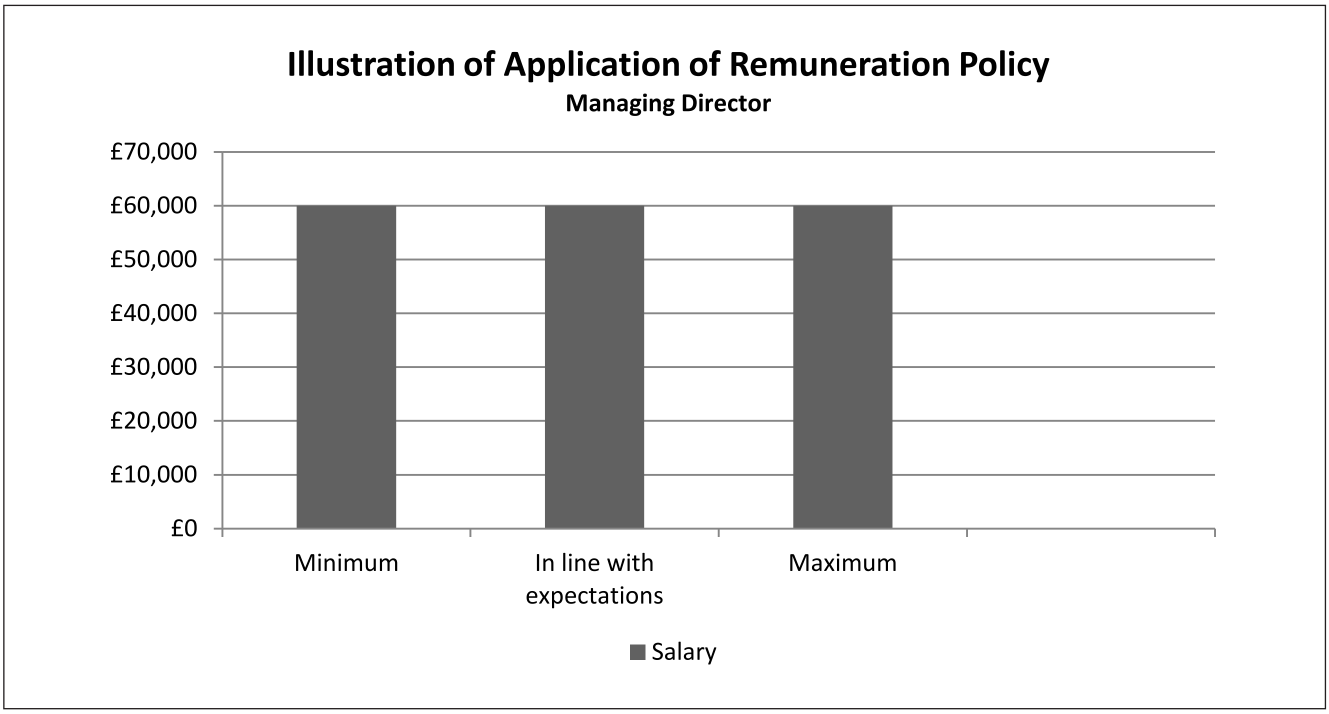
	Component	**Link to strategy**
Managing Director	Salary	The annual salary paid is a fixed amount, subject to annual review, and is not related to the portfolio performance.
Non-executive Directors	Fees	Fees aim to be competitive with other investment trusts of similar size and complexity. Fees are fixed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

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

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

Approach to recruitment remuneration

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



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

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

Statement of consideration of employment conditions elsewhere in the company

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

Consideration of shareholder views

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

It is intended that this policy will continue for the year ending 31 December 2014 and until the Annual General Meeting of the company held in 2017.

The above policy will be proposed for approval at the forthcoming Annual General Meeting of the company and, if approved, will take immediate effect.

The Directors' Remuneration Report 2013 was approved by the Board and signed on its behalf by:

JAV Townsend
Chairman
30 April 2014

Notice of meeting

NOTICE IS HEREBY GIVEN THAT the sixty-sixth Annual General Meeting of the company will be held at Wessex House, 1 Chesham Street, London SW1X 8ND on Wednesday 18 June 2014 at 12.15pm for the following purposes:

1. To receive and consider the directors' report and group accounts for the year ended 31 December 2013 and the report of the auditors thereon.
2. To re-elect Mr JAV Townsend as a director.
3. To re-elect Mr DG Dreyfus as a director.
4. To re-elect Mr RG Paterson as a director.
5. To approve the directors' remuneration report (excluding directors' remuneration policy).
6. To approve the directors' remuneration policy.
7. To declare a final dividend of 5.1p per £1 ordinary share.
8. To re-appoint Grant Thornton UK LLP as the company's auditors to hold office until the conclusion of the next annual general meeting of the company.
9. To authorise the directors to determine the remuneration of the auditors.

By order of the board

KJ Williams
Secretary
30 April 2014

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 64 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 18 June 2014 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 30 April 2014, 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 7 May 2014 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 8 May 2014 a sum reasonably sufficient to meet these expenses.

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

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

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

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

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

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

FORM OF PROXY

BRITISH & AMERICAN INVESTMENT TRUST PLC

(For use by ordinary shareholders)

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

of ....

being (a) member(s) of the above company, hereby appoint the Chairman of the meeting or

.... to be my/our proxy to vote on my/our behalf at the Annual General Meeting of the company to be held at Wessex House, 1 Chesham Street, London SW1X 8ND at 12.15 pm on Wednesday 18 June 2014 and at any adjournment thereof.

Signed ....

Dated .... 2014.

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

RESOLUTIONS	For	Against	Vote Withheld	Discretionary
1. To adopt the report and accounts.	☐	☐	☐	☐
2. To re-elect Mr JAV Townsend.	☐	☐	☐	☐
3. To re-elect Mr DG Dreyfus.	☐	☐	☐	☐
4. To re-elect Mr RG Paterson.	☐	☐	☐	☐
5. To approve the directors' remuneration report (excluding policy).	☐	☐	☐	☐
6. To approve the directors' remuneration policy.	☐	☐	☐	☐
7. To declare a final dividend of 5.1p per £1 ordinary share.	☐	☐	☐	☐
8. To re-appoint Grant Thornton UK LLP as the company's auditors.	☐	☐	☐	☐
9. To authorise the directors to determine the remuneration of the auditors.	☐	☐	☐	☐

NOTES

1. Please indicate with an X in the boxes above how you wish your votes to be cast. If you select 'Discretionary' or the form is returned without any indication as to how the proxy shall vote on any particular matter, and on any other business which may come before the meeting, the proxy will vote or abstain as he thinks fit.
2. 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