British & American Investment Trust PLC

Report and accounts

31 December 2016

Investment Policy

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

Ten largest security holdings (excluding subsidiaries)

Name	Sector	%
Geron Corporation (USA)	Biomedical	17.78
Biotime Inc (USA)	Biotechnology	14.03
St James's Place Global Equity	Unit Trust	8.22
Dunedin Income Growth	Investment Trust	8.21
Blackrock Income Strategies	Investment Trust	5.49
Asterias Biotherapeutics	Pharmaceuticals	4.92
Scottish American Inv Company	Investment Trust	4.36
Merchants Trust	Investment Trust	4.08
Invesco Income Growth	Investment Trust	2.86
Shires Income	Investment Trust	1.53
		71.48

Country Exposure

Country	£m	%
UK	13.6	59.9
USA	9.1	40.1
Total net assets	22.7	100.00

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

	£
1 year	109.3
3 year	116.3
5 year	227.5

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	40
Net Assets (£m)	22.7
Yield	8.84%
Dividend Dates	Interim dividend – November Final dividend – June
Share price (p)	95.0
NAV/share (p)	65 *(diluted)* 51 *(undiluted)*
Premium	46.6% 87.3%
Ongoing charges	3.26%
Sedol Code	0065311
ISIN Code	GB000065311

Status

Eligible to be held in an ISA or Savings Scheme.

Contact

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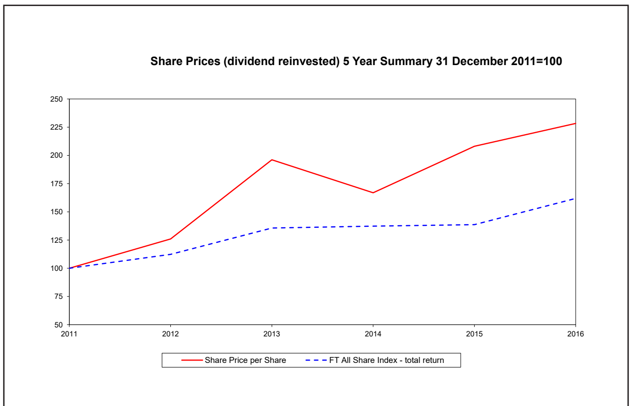
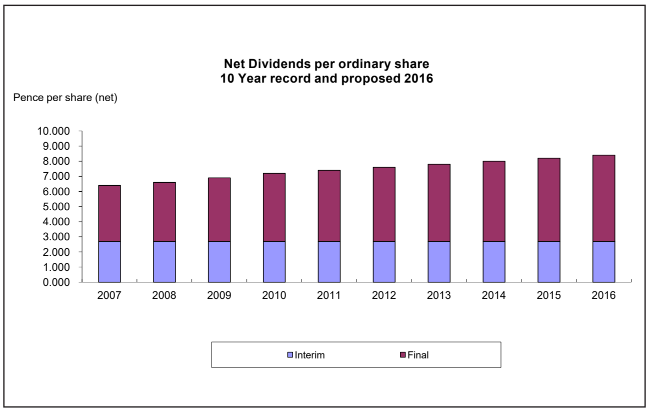
Registered in England. Registered number 00433137
VAT Reg. No. 241 1621 10





British & American Investment Trust PLC

Annual Report and Accounts

for the year ended 31 December 2016

Registered number: 00433137

Contents

Directors and officials

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

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

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

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

UBS Wealth Management
5 Broadgate
London
EC2M 2QS

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 69)

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

Managing Director

Jonathan C Woolf (Age 60)

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 60)

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 60)

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

Investment policy

The company's policy is to invest predominantly in investment trusts and other leading UK quoted companies to achieve a balance of income and growth. Full details of the company's investment policy are contained in the Business Review on page 15.

A resolution to approve certain changes to investment policy as contained on pages 15 and 16 will be put to shareholders at the AGM.

AIC

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

aic DIVIDEND HERO

The company has been included as a 'Dividend Hero' for 2016 by the Association of Investment Companies in a list of the 20 investment trusts which have maintained a consistent 20 year record of increasing dividends.

Chairman's statement

I report our results for the year ended 31 December 2016.

Revenue

The return on the revenue account before tax amounted to £1.5 million (2015: £2.7 million), a decrease of 44 percent. A significant portion of this decline was due to a lower level of dividend receipts from subsidiary companies compared to the previous year, whereas external dividends received by the parent company were slightly higher compared to the previous year.

Gross revenues totalled £2.3 million (2015: £3.2 million). Film income of £85,000 (2015: £88,000) and property unit trust income of £15,000 (2015: £17,000) was received in our subsidiary companies. In accordance with IFRS10, these income streams are not included within the revenue figures noted above because they are accounted for as investments.

The total return before tax amounted to a loss of £5.2 million (2015: £5.4 million gain), which comprised net revenue of £1.5 million, a realised loss of £2.1 million and an unrealised loss of £4.1 million. The revenue return per ordinary share was 4.6p (2015: 9.5p) on an undiluted basis and 4.3p (2015: 7.8p) on a diluted basis.

Net Assets and Performance

Net assets at the year end were £22.7 million (2015: £30.2 million), a decrease of 24.9 percent. This compares to increases in the FTSE 100 and All Share indices of 14.4 percent and 12.5 percent, respectively, over the period. On a total return basis, after adding back dividends paid during the year, our net assets decreased by 16.6 percent compared to a 17.5 percent increase and a 16.0 percent increase in the FTSE 100 and All Share indices, respectively. This significant underperformance was due to a fall in the value of our largest US investment, Geron Corporation, of almost 60 percent. This large fall occurred in the early part of 2016 as reported at the interim stage and had followed a significant rise of almost 80 percent at the end of the previous year. Our other two US investments also showed weakness following a substantial fall in the NASDAQ market at the beginning of the year but had recovered some of the declines by year end, unlike Geron which had not. More detailed information on the reasons for these large movements in Geron's stock price and current prospects are set out in the Managing Director's report below.

More generally in 2016, the UK and US equity markets had shown meaningful, if somewhat erratic, growth in the first half increasing by approximately 3.7 percent and 2.9 percent respectively in response to looser than expected monetary policy from the central banks as anticipated levels of growth in the USA and China brought forward from the previous year started to be doubted. As a result the expected frequency of US dollar interest rate rises had not occurred which supported equity markets in the first half. This firmness was then rudely interrupted at the end of June by the surprising result of the UK's Brexit referendum, presaging the UK's exit from the European Union. This had an immediate impact on the pound sterling which fell 14 percent against the US dollar and the UK equity market which initially fell 3 percent. However, the UK equity market recovered within days as investors realised that the substantial fall in sterling would assist UK exports and those many FTSE companies whose earnings were generated significantly in foreign currencies. The fall in sterling did not, however, reverse and in fact it fell a further 7 percent towards the end of the year to an over 30 year low against the US dollar when the new UK Prime Minister indicated that the exit from the EU was likely to entail exit from the EU single market trading area. The US and other international equity markets similarly fell on the news of Brexit but also recovered relatively quickly to continue their upward movement until the second shock event of the year, namely the unexpected result of the US Presidential election in November. This had a galvanising effect on equity prices worldwide as the fiscally and economically expansionary policies of the incoming Trump administration were seen to be strongly beneficial for US companies and by extension other international markets. The UK and US equity indices rose by a further 5 percent and 8 percent in the final six weeks of the year to end up 14.4 percent and 12.2 percent overall. At the same time, the US dollar, which had continued its appreciation throughout 2016 rose a further 4 percent in its traded weighted basket to a high not seen since 2002.

Chairman’s statement (continued)

The net asset value per ordinary share decreased to 65p (2015: 86p) on a diluted basis. Deducting prior charges at par, the net asset value per ordinary share decreased to 51p (2015: 81p).

Dividend

We are pleased to recommend an increased final dividend of 5.7p per ordinary share, which together with the interim dividend makes a total payment for the year of 8.4p (2015: 8.2p) per ordinary share. This represents an increase of 2.4 percent over the previous year's total dividend and a yield of 8.8 percent based on the share price of 95p at the end of the year. The final dividend will be payable on 29 June 2017 to shareholders on the register at 26 May 2017. A dividend of 1.75p will be paid to preference shareholders resulting in a total payment for the year of 3.5p per share.

We are pleased to have been named as a ‘Dividend Hero’ by the Association of Investment Companies this year as one of the 20 investment trusts which have maintained a consistent 20 year record of increasing dividends. This is obviously good news for the company and shareholders alike.

Investment Policy

We propose to make a modification to our published investment policy to take into account movements in our portfolio over recent periods.

As shareholders are aware, in recent years the company has invested in certain US quoted companies. These investments were in furtherance of the company's published investment policy in relation to growth. Over time, these investments, particularly in Geron Corporation and latterly in Biotime Inc and Asterias Biotherapeutics (which was spun out of Geron in 2014) have taken on a greater significance within the portfolio both in terms of value and strategic importance as core holdings. These investments accounted for 33.4 percent of assets as at the date of our last published Annual Report to 31/12/2015 and 33.3 percent of assets as at the date of our last Interim Statement to 30/6/2016.

The background to and evolution of our investments in these US companies has been discussed at length in our annual and interim reports over recent years. An update on the current investments in these companies and their prospects is set out more fully in the Managing Director’s report below.

In order to provide investors with a clear understanding of our current portfolio positioning and investment strategy we propose now to add specific mention of US stocks to our published investment strategy, which will be as follows:

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

A more detailed statement of our investment policy and the proposed changes to it is set out in the Investment policy section in the Business Review on pages 15 and 16.

This proposal will be submitted for shareholder approval at the forthcoming AGM.

Change of Auditors

Following a review and formal tender process which took place in November last year, we have decided to appoint Hazlewoods LLP as our auditors for the 2017 financial year. We thank Grant Thornton who have been our auditors since 2006 for the diligent work they have done for us over many years.

Chairman's statement (continued)

Outlook

The strong upward movement in global equity prices and the US dollar persisted through into the first quarter of 2017 as the reflationary programme of the incoming Trump administration galvanised the animal spirits of investors which had been absent since the recession of 2008/9. All time record highs were reached by the leading indices in the UK and USA in early March after extended periods of daily gains not seen for many years. This momentum lasted until the end of March when markets began to doubt the administration's ability to deliver its programme after it failed to persuade a Republican controlled Congress to pass its first measure relating to public healthcare. This serious setback created doubts over the implementation of the other two fundamental areas of the programme which had driven the market forward, namely tax cuts and infrastructure investment. As a result, the almost 7 percent rise in the US market seen up to that point was reduced to 4 percent by quarter end.

When these programme uncertainties in the USA and an avowed protectionist agenda are combined with the prospect of equally important changes of a political nature in Europe (Brexit and multiple European elections with the potential for more populist anti-government results), the recently called and unexpected general election in the UK, it is difficult for investors to know how markets will react over the medium term to these imminent and non-financial drivers. The trends of recent years, involving a slow recovery from recession over a considerable period of time and US dollar strength were set to continue until the surprising events of 2016. However, these events suddenly galvanised markets and would have set a new long term direction for them had not the recently revealed weakness of the Trump administration and a disunited Republican party put this new dynamic for markets in doubt. Like 2016, it would appear that 2017 may have a similar capacity to surprise and wrong foot markets. Consequently we will continue with our current strategy of investing for growth and income from our UK and US equity investments.

As at 25 April 2017, our net assets had increased to £23.6 million, an increase of 3.9 percent since the beginning of the calendar year. This is equivalent to 54 pence per share (prior charges deducted at par) and 67 pence per share on a diluted basis. Over the same period the FTSE 100 increased 1.9 percent and the All Share Index increased 3.1 percent.

Anthony Townsend

28 April 2017

Managing Director's report

Two wholly unexpected and market altering events occurred in 2016: the result of the Brexit referendum in the UK in June and the election of Donald Trump as US president in November.

Prior to these two events, financial markets had been experiencing a softening in the pace of recovery from the recession of earlier years, as reported on at the interim stage. Weakness in commodity prices and particularly oil which reached multi-year lows in the first half of 2016, together with slowing growth in China had sown doubts on the strength of the recovery in the USA and the expected pace of increase in US dollar interest rates over the year. As a result, a return to safety began to be seen with US treasury bonds and the US dollar being favoured again. However, with the prospect of interest rates continuing lower for longer as a result, particularly in the US, liquidity found its way into equity markets, which although sluggish over the first half of the year, remained supported ending up by 3 percent at end June.

The result of the Brexit referendum in June had an immediate and significant effect on both the UK and global markets as its implications and wider ramifications were digested and speculated on by the investment and currency markets. In the UK, the equity market dropped by 3 percent on the day and £ sterling dropped by 14 percent to its lowest level against the US dollar for over 30 years. These reactions in the immediate aftermath were based on the shock of the result and understandable concerns going forward that leaving Europe would place a burden on the UK’s economic prospects for a considerable period of time while the disengagement process was worked through and new economic and trading paradigms were introduced.

While £ sterling did not recover from this large drop for the rest of the year, UK equity markets did recover quite strongly and quickly as it was perceived, certainly in the short term, that the collapse in £ sterling would offer a considerable boost to UK exports and encourage foreign investment into newly devalued UK assets. This effect was particularly evident in the value of FTSE 100 companies which tend to generate a significant proportion of their income in foreign currencies. The FTSE 100 index rose by 10 percent in the second half of the year.

The second unexpected event of the year in the USA, the election of Donald Trump, had a similar galvanising effect on the US dollar and equity markets as his expansionary if isolationist policies of stimulating growth through infrastructure investment, cutting taxes and reducing financial regulation boosted the dollar and the US equity market considerably. US banks and corporates would be clear beneficiaries of these policies and the countervailing concerns of new trade barriers, increased budget deficits and government debt, higher interest rates and an unhelpfully stronger dollar were drowned out by the exuberance of the moment which prevailed through to 2017.

As noted in the Chairman’s statement, the significant portfolio underperformance which we reported at the interim stage carried through to the full year. The 60 percent drop in the US dollar price of our largest US investment, Geron Corporation, which had occurred in the early months of 2016 after a sharp rise at the end of 2015 tracked a rise of 11 percent and then fall of 15 percent in the NASDAQ index over the change of year. The strength of the US dollar against a significantly weakened £ sterling in 2016 mitigated to some extent this severe drop in the US dollar value of this investment. Although the NASDAQ recovered during 2016, Geron’s price did not. However the prices of our other two US investments, Biotime and Asterias were able to recover part of the similar declines they experienced at the beginning of 2016 by the year end. Our UK portfolio investments, being mostly invested in investment trusts, tracked more closely market movements over the year. We also took the opportunity in the second part of the year to sell down a significant proportion of our fixed interest investments which had seen good increases in capital values over recent years as by then market expectations of firming long term interest rates had begun to take hold and were indeed followed up by actual increases.

Managing Director's report (continued)

US Investments

Over recent years, our investments in US biotechnology companies have taken on an increasingly important role in our portfolio. Because these investments now represent a significant proportion of our portfolio (33 percent as at 31 December 2016) and are expected to continue to grow in size as their development cycles progress and attract further value as the technology is validated, we have as noted above decided to modify our published investment policy to include US stocks as a fundamental part of the policy.

Geron Corporation

As we have reported in recent years, our investment in Geron Corporation has grown to become the largest single position in our portfolio. This was further added to when in 2014, Geron's world-leading regenerative medicine business was spun off into a new listed vehicle, Asterias Biotherapeutics, and we participated in this process. In addition, we have invested in Asterias' parent company, Biotime Inc, which partnered in the spin-off operation.

The original and ongoing purpose of the investment in these US biotechnology and bio-pharma companies was in furtherance of the capital growth element of our investment strategy. As these companies pass through the multi-year stages in their pre-clinical and clinical testing cycles to final approval and commercialisation, they can produce substantial levels of capital growth of many times their original values. In the case of the three companies we have invested in, Geron, Asterias and Biotime, we believe that the particular areas of oncology and regenerative medicine in which they operate and to which they bring their novel and increasingly validated science and technology will offer ground-breaking remedies to a wide range of important and presently untreatable conditions from which these companies will derive substantial value.

However, the share price volatility of early stage biotechnology stocks can also be very high and prices can move considerably more than even the generally volatile NASDAQ Biotech sector index as eagerly awaited trial result success or failures are announced or anticipated. We have experienced this ourselves to the full in recent years and most notably 2015/6. In Geron's case, for instance, the share price rose 80 percent at the end of 2015, partly in response to a substantial rise in the NASDAQ at that time, but also because of very promising news confirming efficacy and safety of Immetelstat, its lead drug in two haematological myeloid malignancies, Myelofibrosis (MF) and Myelodysplastic syndrome (MDS). Then, early in 2016, the price fell abruptly by 60 percent, again tracking a fall in the NASDAQ. However, while the NASDAQ recovered during 2016 along with the main market, Geron's stock price did not, mainly as a result of a lack of any further news during the year on the progress of its clinical trials being run since 2015 by Johnson & Johnson, the world's largest pharmaceutical company. News is the lifeblood of early stage biotech companies which typically have no income to rely on for support in the market, just the anticipation of progress towards the eventual success of commercialisation. While admittedly no news can sometimes be positively construed in the absence of bad news if the clinical trials are proceeding on their planned course without needing adjustment for efficacy or safety reasons, early stage biotech companies usually try hard to keep investors abreast on trial progress on a regular basis in order to keep market interest in their stocks alive. Unfortunately, during the year Geron management have not been at all proactive in this respect and as a result allowed the market to speculate negatively on the stock in 2016.

Furthermore, in September 2016, Geron's management issued an emergency announcement over a weekend to say that the lower level dose of Immetelstat in the Johnson & Johnson trial was being discontinued, although the higher level dose, which was always intended to be the level expected to provide efficacy was being continued. As might have been foreseen, the market took this widely criticised announcement very badly and Geron's share price has remained marooned at two year lows since then.

Managing Director's report (continued)

More recently, however, a positive trial update was released by Johnson & Johnson earlier this month at a leading US haematology conference confirming good progress of the trials with continued indications of efficacy and the development of plans to take the drug through to the final and important Phase 3 stage which precedes the approval process. Geron's share price reacted favourably to this good news, increasing by 20 percent on the day.

This illustrates admirably the susceptibility of biotech companies to high levels of volatility in their journeys towards market acceptance and recognition of their true value. It also, however, provides investors such as ourselves with opportunities to capture substantial levels of capital growth in well selected stocks.

This pattern of volatility with potential for significant capital growth is also well demonstrated in the cases of our two other US biotech investments:

Asterias Biotherapeutics

In 2014, Geron spun out its regenerative medicine business into Asterias which was floated in early 2015. The initial stock price of $3.90 grew to over $10 within two months as investors scrambled to buy in to the world-leading regenerative medicine technology of this tightly held company and we realised substantial profits at that time on part of the holding. Over the subsequent year the stock price drifted down to $4 but we still record a capital return of 20 percent over our investment cost as at the year end. Over that time, the management of Asterias has provided regular and positive updates on the progress of its stem cell technology in its first and world–exclusive spinal cord injury trials in the USA which are on track to offer real hope to quadriplegics who would otherwise be totally paralysed for life. Of the six patients treated in the recent trial, all have regained sufficient movement and sensation to be able to use/feel their hands and arms to a greater or lesser extent, a development which is fundamental to the quality of life of a quadriplegic person. Asterias is also initiating an important oncology trial in lung and breast cancer with Cancer Research UK based on its stem cell technology.

Biotime Inc

Biotime, which is also majority controller of Asterias and therefore itself set to capture the gains Asterias is expected to make, is pursuing a number of clinical trials based on its wide ranging pluripotent stem cell technology, initially in the areas of macular degeneration and facial lipoatrophy where it is offering solutions to ailments such as Dry Eye AMD and AIDS related facial disfiguration which have hitherto had no effective treatment with high numbers of sufferers worldwide. The latter treatment if successful will then also be applied to the multi-billion dollar worldwide facial aesthetics market.

Biotime also has a number of other ground-breaking initiatives based on its human genome analysis technology which are likely to provide important medical innovations in the areas of cancer testing, disease taxonomy and e-medicine based on big data analysis (the latter in collaboration with Apple Inc). Biotime has also recently announced the formation of a new subsidiary, AgeX Therapeutics, to capitalise on its proprietary stem cell IP in various areas of age-related disease modification using a newly developed cell renewal technology call iTR (Induced Tissue Regeneration) through which, for instance, diseased heart muscle cells are given a new lease of life through the injection of rejuvenated cells using this process.

Biotime's stock price has been equally volatile over the years, but for us value accretive with a capital return of 35 percent on our investment cost as at the year end.

Managing Director's report (continued)

Outlook

In the UK, the economic reaction to the Brexit vote has not been as feared by the Bank of England which in the immediate aftermath of the vote had provided considerable levels of liquidity to the market to avoid an anticipated slump in growth. Instead, consumer spending remained strong for the rest of 2016 and into 2017, reflecting a release of animal spirits in the economy at the prospect of leaving the EU. The collapse in sterling also galvanised the export industry and manufacturing which has shown its best growth in 7 years. This performance has also been further boosted by the strongest growth in the UK's major trading partners in the Eurozone countries for 6 years. While sterling's weakness is now starting to show through in higher rates of inflation in the UK which has started to impact consumers' spending patterns, continued firm levels of consumer spending, manufacturing and exports are still expected over the coming period until more detail on the likely terms of the UK's exit from the EU are made clear.

There is thus now an interim period when growth and financial markets in the UK are expected to remain generally firm; however, within the course of the current year, many factors both domestically and internationally are looming which have the potential to affect this scenario detrimentally, not least the outlook for UK's departure from the EU and the prospects of it retaining relatively friction free trade with its soon to be erstwhile European partners. The recently announced snap general election in the UK will clearly be a factor in the outcome of this process. There is also the concern surrounding the continued resilience of the Trump reflation effect which has boosted markets in both the US and worldwide to levels which might not be sustainable over the longer term. Added to this are growing geopolitical concerns as the new Trump administration strives to calibrate coherent responses to the many economic and strategic issues which are currently confronting world leaders in many parts of the globe.

Despite these uncertainties for the medium term, markets continue steady at the moment with no particular signals being given that the current long term bull cycle is about to end and with most developed and developing country economies showing renewed levels of growth. Nevertheless, a period of considerably higher volatility can be expected after a number of years when volatility levels have been abnormally subdued, as has already begun to be seen over the last quarter.

Jonathan Woolf

28 April 2017

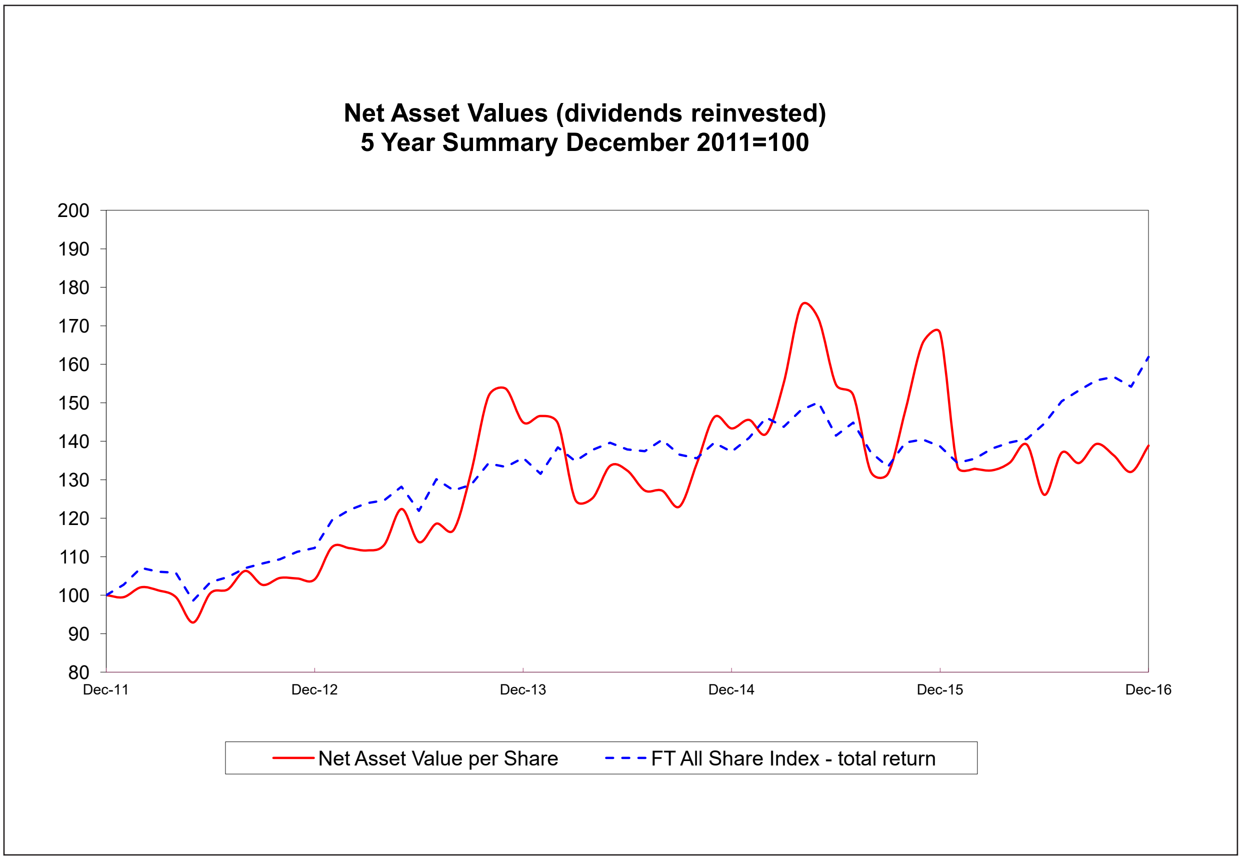
Financial highlights

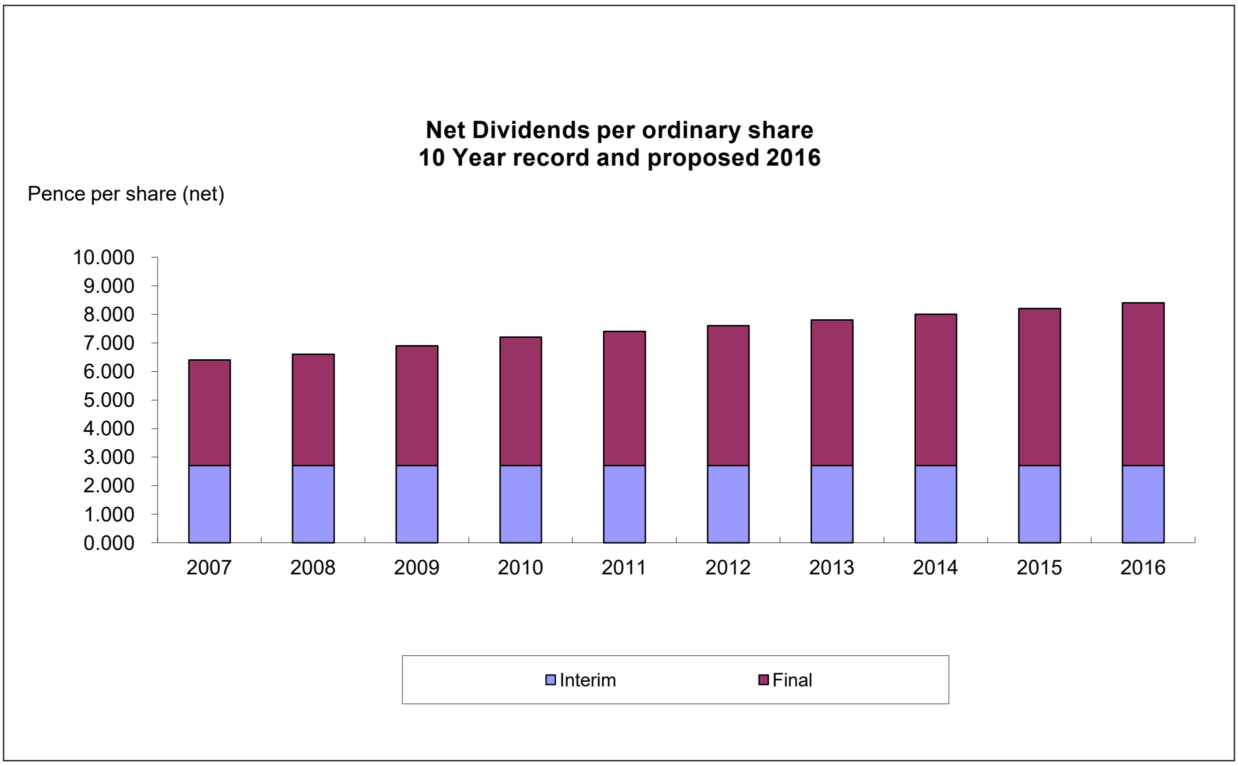
For the year ended 31 December 2016

	2016			2015		
	Revenue return £000	Capital return £000	Total £000	Revenue return £000	Capital return £000	Total £000
(Loss)/profit before tax – realised	1,474	(2,502)	(1,028)	2,701	(1,219)	1,482
(Loss)/profit before tax – unrealised	–	(4,134)	(4,134)	–	3,925	3,925
(Loss)/profit before tax – total	1,474	(6,636)	(5,162)	2,701	2,706	5,407
Earnings per £1 ordinary share – basic	4.63p	(26.55)p	(21.92)p	9.51p	10.83p	20.34p
Earnings per £1 ordinary share – diluted	4.31p	(18.96)p	(14.65)p	7.80p	7.73p	15.53p
Net assets			22,682			30,211
Net assets per ordinary share						
– deducting preference shares at par			51p			81p
– diluted			65p			86p
Diluted net asset value per ordinary share at 25 April 2017			67p			
Dividends declared or proposed for the period						
per ordinary share – interim paid			2.7p			2.7p
– final proposed			5.7p			5.5p
per preference share			3.5p			3.5p

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

Net asset and dividend growth





Distribution of investments and cash

Distribution of investments and cash balances:

	At valuation		
	25 April 2017 £000	31 December 2016 £000	31 December 2015 £000
Investment Trusts (equities)	7,893	8,287	8,862
Biomedical – USA	6,238	5,283	10,299
Biotechnology	4,056	4,499	4,083
Unit trusts	2,837	2,711	2,103
Pharmaceuticals and healthcare	2,342	1,498	864
Life Assurance	–	326	842
Telecommunications	146	149	45
Support services	147	137	192
Transport	134	128	89
Multi utilities	101	95	–
Software and computer services	88	87	1,852
Other Financial	28	34	55
Media	24	27	43
Financial services	16	17	21
Overseas	1	1	2
Mining	–	–	5,845
Leisure and hotels	–	–	45
Total quoted equities	24,051	23,279	35,242
Preference shares	276	268	684
Fixed Interest stocks	–	–	1,112
Permanent interest bearing	–	–	337
	24,327	23,547	37,375
Unquoted - Biotechnology	5	5	–
Unquoted promissory note - Biotechnology	98	102	122
Unquoted subsidiaries*	6,186	6,058	6,789
	30,616	29,712	44,286
Balances at banks and stockbrokers	400	423	(7,624)
	31,016	30,135	36,662

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

*The majority of the assets of the subsidiaries comprise loans due from the parent company or fellow subsidiaries (£5.1 million, 2015 – £5.4 million) with the balance split approximately between 6% UK quoted investments, 16% overseas quoted investments excluding overseas options treated as creditors, 3% UK commercial property unit trusts and 14% fair value of film rights.

Investment portfolio

At 31 December 2016

Company	Nature of business	Valuation £000	% of Portfolio
Geron Corporation (USA)	Biomedical	5,283	17.78
Biotime Inc (USA)	Biotechnology	4,168	14.03
St James's Place Global Equity	Unit Trust	2,441	8.22
Dunedin Income Growth	Investment Trust	2,440	8.21
Blackrock Income Strategies Trust	Investment Trust	1,631	5.49
Asterias Biotherapeutics (USA)	Pharmaceuticals	1,462	4.92
Scottish American Investment Company	Investment Trust	1,296	4.36
Merchants Trust	Investment Trust	1,211	4.08
Invesco Income Growth Trust	Investment Trust	848	2.86
Shires Income	Investment Trust	455	1.53
Prudential	Life Assurance	326	1.10
Jupiter Income Trust	Unit Trust	271	0.91
Oncocyte (USA)	Biotechnology	243	0.82
JZ Capital Partners	Investment Trust	157	0.53
Barclays Bank Plc - 6% Non-Cum Callable preference shares	Bank retail	144	0.48
Angle	Support services	131	0.44
Braemar Shipping Services	Transport	128	0.43
Aberdeen Smaller COS High Inc Trust	Investment Trust	127	0.43
Vodafone Group	Telecommunications	124	0.42
Royal & Sun Alliance Insurance Group 7.375% Cum. irred. preference shares £1	Insurance – Non-Life	124	0.42
20 Largest investments (excluding subsidiaries)		23,010	77.46
Investment in subsidiaries		6,058	20.39
Other investments (number of holdings : 19)		644	2.15
Total investments		29,712	100.00

Holdings in other investment companies

It is the company's stated policy to have an unlimited percentage of its gross assets in other listed investment companies. In accordance with the Listing Rules, the company will restrict any future investments in listed investment companies, which themselves do not have a policy of restricting their investments in other listed investment companies to 15% (or less) of their gross assets, to 10% of its gross assets at the time of the investment. As at 31 December 2016, 1.45% of the company's total assets were invested in the securities of other UK listed investment companies which themselves do not have a policy of restricting their investments to the 15% mentioned above. Of the twenty largest investments shown above, Shires Income falls into this category of investments as it has not specifically announced a policy to restrict its investments in listed investment companies to no more than 15% of gross assets.

Five year record

Capital

At 31 December	Equity shareholders' funds £000	Net asset value per share (diluted) pence	Share price pence	(Discount)/premium (diluted) %
2012	25,607	73.2	75.0	2.5
2013	30,895	88.3	106.5	20.6
2014	27,126	77.5	83.0	7.1
2015	30,211	86.3	95.0	10.1
2016	22,682	64.8	95.0	46.6

Revenue

Year to 31 December	Total income £000	Profit after tax £000	Earnings per ordinary share (diluted) pence	Ongoing charges %	Dividend per ordinary share (net) pence
2012	2,482	2,159	6.17	2.15	7.60
2013	3,073	2,742	7.83	2.06	7.80
2014	2,871	2,470	7.06	2.15	8.00
2015	3,206	2,729	7.80	2.26	8.20
2016	2,263	1,507	4.31	3.26	8.40

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

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

Cumulative performance (2011=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
2011	100	100	100	100	100
2012	109	115	126	117	112
2013	145	150	196	151	136
2014	139	156	166	157	137
2015	168	166	208	165	139
2016	138	183	227	176	162

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

All subsidiaries are incorporated in the United Kingdom and have their registered office as that of British & American Investment Trust PLC and which address can be found on page 1 of the report.

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

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

Future prospects

The future prospects of the company are explained in the Chairman's Statement on pages 3 to 5 and in the Managing Director's Report on pages 6 to 9.

Investment policy

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

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

Proposed Investment Policy

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

Asset Allocation

Equities

The majority of the UK equity element of the portfolio will be invested in listed investment trusts, unit trusts and other collective investment schemes, the balance being invested in other UK listed companies and unquoted investments, the latter subject to a maximum of 5% of the portfolio.

The majority of the US equity element of the portfolio will be invested in listed stocks in the biotechnology, biopharma and pharmaceutical sectors, the balance being invested in listed companies in other sectors.

Fixed Interest

Fixed interest holdings may be held for yield enhancement purposes and may account for up to 50 percent of the total portfolio

Business review (continued)

if market conditions are considered appropriate.

Risk Diversification

Risk is managed through diversification of holdings, investment limits set by the board and appropriate financial or other controls relating to the administration of assets.

The company maintains a diversified portfolio of investments, typically comprising around 50 holdings, but without restricting the company from holding a more or less concentrated portfolio from time to time as circumstances require.

The maximum exposure at time of investment to any one entity is 15% of total assets.

Derivative instruments are used in certain circumstances, and with the prior approval of the board, for hedging purposes.

Gearing

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The company's net gearing range may fluctuate between 0% and 20% based on the current balance sheet structure with an absolute limit of 40%.

Portfolio Investment Level

As a general rule, it is the board's intention that the portfolio should be reasonably fully invested. An investment level of 90% of shareholder funds (net of short term cash held for dividend payments) is regarded as a guideline minimum level, although lower levels of investment may be considered appropriate for a period of time in the event of unusual market conditions.

Investment strategy and Business model

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

Investments are self-managed. The portfolio currently consists of a diversified list of around 28 UK quoted companies, investment in subsidiaries (20.4% of the portfolio), 9 overseas quoted companies,1 overseas unquoted holding and 1 UK unquoted holding.

Historically, investments in other investment trusts have accounted for approximately 50 (currently 28) 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, insurance, telecommunications, software and computer services, media and transport and have individually represented as much as 8 to 20 percent of the portfolio. Currently, these individual exposures are in the US biomedical (17.8%), biotechnology (15.1%), pharmaceuticals (5.0%) and UK insurance (1.1%) sectors. Smaller size investments are made in other UK listed companies (currently 10, accounting for 1.9% of the portfolio).

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

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

The company currently does not hedge against currency fluctuations.

At 31 December 2016 the company's current liabilities included a bank loan of £3,490,000 and trade and other payables of £1,000,000. At 31 December 2016 the company's gearing was 13.52% (2015 – 6.81%).

Business review (continued)

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 1.5% of company gross assets.

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

<u>Performance</u>

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

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

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

A historical record of these measures is shown on pages 10, 11 and 14.

The board also considers peer group comparative performance.

The review of the business is included in the Chairman's Statement on pages 3 to 5 and Managing Director's Report on pages 6 to 9. Information on movements in the NAV and on investments since the year end is included on pages 10 and 12 respectively.

<u>Discount/premium</u>

The discount or premium, 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.

<u>Principal risks and uncertainties</u>

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 51 to 55. The other principal risks to the company are loss of investment trust status, which is explained on page 15 and operational risk. Operational risk is the risk of inadequate or failed processes or systems. The main potential risk relates to systems for holding and administering investments. There is a framework in place to manage this risk which is monitored and reviewed by the board twice a year.

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

Financials

The financial highlights for the year under review are as follows: the net asset value per share assuming conversion of the preference shares decreased by 24.9% on a diluted basis during the year, compared to an increase in the benchmark (FTSE All Share) of 12.5%, ordinary share dividends increased by 2.4% to 8.4p per share and the premium of the share price over the net asset value per share assuming conversion of the preference shares moved from 10.1% to 46.6% at the year end.

Political Risk

The board is aware that the result of the UK Referendum to leave the European Union introduces elements of political uncertainty which may have practical consequences for the company. Progress on the two year negotiations for the UK to leave the European Union under the Article 50 will be closely monitored and considered by the board.

Board Diversity

The Board recognises the importance of having a range of skilled, experienced individuals with the appropriate knowledge in order to allow the Board to fulfil its obligations. At 31 December 2016, the Board consisted of four men. The Board's statement on diversity is set out in the Statement of Corporate Governance on page 60.

Viability Statement

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

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

The directors currently support the continuation of the company and expect that the company will continue to exist for the foreseeable future, at least for the period of the assessment. Based on this assessment, the directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the next three year period.

Employee, social, human rights, economic and environmental responsibility

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

Details of the company's policy on socially responsible investment can be found under Corporate governance and Stewardship on pages 61 and 62.

The company considers that it does not fall within the scope of the Modern Slavery Act 2015 and it is not, therefore, obliged to make a slavery and human trafficking statement. The company considers its supply chains, dealing with professional

Business review (continued)

advisers and service providers in the financial services industry, to be low risk.

The number of directors and employees during the year were 12 (2015 – 11).

	2016		2015	
	Male	Female	Male	Female
Directors (non-executive)	3	0	3	0
Directors (executive)	1	0	1	0
Employees	1	7	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.

Common Reporting Standards

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

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

Dividend Tax Allowance

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

Suitable for Retail Investors

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

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

The Strategic report, which includes pages 3 to 19, was approved by the board and signed on its behalf by:

J C Woolf
Director
28 April 2017

Directors' report

The directors present their annual report on the affairs of the company together with the financial statements and auditors' report for the year ended 31 December 2016.

Basis of reporting the financial statements

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

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

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

The financial statements on pages 30 to 55 therefore comprise the results of the company only.

A review of the company's activities is given in the Strategic Report on pages 3 to 19. 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 ninth Annual General Meeting of the company to be held on Tuesday 27 June 2017.

Results and dividends of the company for the year

The directors set out below the results and dividends of the company for the year ended 31 December 2016.

	Revenue	Capital	Total
	£000	£000	£000
(Loss)/profit before tax	1,474	(6,636)	(5,162)
Tax	33	–	33
(Loss)/profit after tax	1,507	(6,636)	(5,129)

Dividends	Pence per share	£000
Interim per £1 ordinary share (paid 10 November 2016)	2.7	675
3.5% preference share paid (paid 10 November 2016)	1.75	175
Final per £1 ordinary share – proposed	5.7	1,425
3.5% preference share (payable 29 June 2017)	1.75	175
		2,450

The dividends proposed above will be paid on 29 June 2017 to ordinary shareholders on the register at 26 May 2017 and to 3.5% preference shareholders on the register at 31 December 2016.

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 21 years service, Mr JAV Townsend 17 years service and Mr RG Paterson 16 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 2016 had interests in the shares of the company as follows:

	2016		2015	
	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%) (2015 – 6,902,812 (27.6%)) ordinary shares held by Romulus Films Ltd, 7,868,750 (31.5%) (2015 – 7,868,750 (31.5%)) ordinary shares held by Remus Films Ltd and 1,000,000 (4.0%) (2015 – 1,000,000 (4.0%)) ordinary shares held by PKL Pictures Limited. Romulus Films Ltd also holds 10,000,000 cumulative convertible preference shares (2015 – 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.

During the year the company paid £18,731 (2015 - £nil) to Eversheds Sutherland (International) LLP, the company, in which RG Paterson is a partner, for professional advice.

Other information

In addition to the directors' interests in shares detailed above, at 28 April 2017 the directors had been notified of the following interests of 3% or more of either class:

	Number of shares held 28 April 2017	%	Number of shares held 31 December 2016	%
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 (2015 – £35,000,000) being 25,000,000 ordinary shares of £1 (2015 – 25,000,000) and 10,000,000 non-voting convertible preference shares of £1 each (2015 – 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 68.

Conversion

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

Purchase of shares

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

Directors' & officers' liability insurance cover

Directors' & officers' liability insurance cover was maintained by the board during the year ended 31 December 2016. It is intended that this policy will continue for the year ended 31 December 2017 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 63 to 67. An ordinary resolution to approve the report will be put to shareholders at the company's next Annual General Meeting.

Corporate Governance

The Corporate Governance Statement on pages 56 to 62 (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 2016 (2015 – same) nor does it have responsibility for any other emissions producing sources.

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

Bribery Act 2010

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

Statement of disclosure of information to auditors

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

Directors' responsibility statement

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

Auditors

During the year the company tendered its audit (see Audit Committee Report on page 59) and Hazlewoods LLP were appointed. Resolutions concerning their appointment and remuneration will be submitted to the Annual General Meeting.

Jonathan Woolf
Managing Director

Wessex House
1 Chesham Street
London SW1X 8ND
28 April 2017

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in these financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

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

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

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

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

Our opinion on the financial statements is unmodified

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Who we are reporting to

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

What we have audited

British & American Investment Trust PLC's financial statements for the year ended 31 December 2016 comprise the income statement, the statement of changes in equity, the balance sheet, the cash flow statement and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Overview of our audit approach

- Overall materiality: £227,000, which represents 1% of the company's net assets; and
- Key audit risks were identified as valuation, ownership and existence of investments; valuation of unquoted investments; completeness and occurrence of investment income; and completeness and accuracy of related party transactions disclosures.

Our assessment of risk

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

Audit risk	How we responded to the risk
Valuation, ownership and existence of quoted investments	
The company's business is investing predominantly in investment trusts and other leading quoted and unquoted companies to achieve a balance of income and growth. Accordingly, the investment portfolio is a significant, material balance in the financial statements. We therefore identified the valuation, ownership and existence of the investment portfolio as a risk that requires particular audit attention.	Our audit work included, but was not restricted to: • understanding management's process to recognise and measure quoted investments; • assessing whether the company’s accounting policy for valuation of quoted investments is in accordance with IAS 39; • comparing quoted investment valuations to an independent source of market prices; • testing of investment additions and disposals to trade

Audit risk	How we responded to the risk
	tickets and bank statements; and • confirming investment holdings to either third party confirmations, direct investee confirmation, or share certificates. The company's accounting policy on valuation of investments is shown in note 1(c) to the financial statements and related disclosures are included in note 9. The Audit Committee identified the valuation and ownership of investments as a significant issue in its report on page 58, where the Committee also described the action that it has taken to address this issue.
Valuation of unquoted investments Investments in subsidiary companies are held at the fair value of the underlying assets and liabilities. One of the subsidiaries has a long-held investment in film rights for popular classic films. The valuation of the underlying films rights involves significant accounting estimates and the fair value is a significant, material balance in determining the fair value of the investment in that company. We therefore identified the valuation of investment in subsidiaries, including the film rights as a risk that requires particular audit attention.	Our audit work included, but was not restricted to: • understanding management's process to measure unquoted investments through discussions with management; and • considering whether the underlying film rights have been valued in accordance with the stated accounting policy in Note 1 on page 36; • discussing the valuation basis with management, reviewing and challenging the basis and reasonableness of the key assumptions, estimates and judgements made by management. The company's accounting policy on valuation of investments in subsidiaries is shown in note 1(c) to the financial statements and related disclosures are included in note 19. The Audit Committee identified the valuation and ownership of investments as a significant issue in its report on page 58, where the Committee also described the action that it has taken to address this issue.
Completeness and occurrence of investment income Investment income is the company's major source of revenue and a significant, material item in the Income Statement. Accordingly, we identified completeness and occurrence of investment income as a risk that requires particular audit attention.	For income from quoted investments our audit work included, but was not restricted to: • assessing whether the company's accounting policy for revenue recognition is in accordance with International Accounting Standard 18 'Revenue'; • obtaining an understanding of management's process to recognise revenue in accordance with the stated accounting policy; • testing income transactions by comparing dividends during the year obtained from an independent source with those recognised by the company; • performing cut-off testing of dividend income around the year-end; and

Audit risk	How we responded to the risk
	• checking the classification of special dividends as either revenue or capital receipts. For income from unquoted investments our audit work included, but was not restricted to: • checking the investment income that the company was entitled to during the year directly with the underlying investment entities. The accounting policy on income, including its recognition, is shown in note 1(d) to the financial statements and the components of that income are included in note 2.
Completeness and accuracy of related party transaction disclosures As disclosed in Note 17 on pages 48 to 49 in the financial statements the company enters into various related party transactions to achieve its business objectives. There is a risk that the company might fail to identify and/or disclose related party transactions and balances in the financial statements. We therefore identified the completeness and accuracy of related party transaction disclosures as a significant risk that requires special audit attention.	Our audit work included, but was not restricted to: • performing a search for additional related parties by inspecting company's journal entry records; • considering whether transactions which were the subject of our audit procedures were with related parties; and • agreeing related party disclosures to company's records. The company's disclosures of related party transactions is included in note 17 to the financial statements.

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

Materiality

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

We determined materiality for the audit of the financial statements as a whole to be £227,000, which is 1% of the company's net assets. This benchmark is considered the most appropriate because net assets, primarily the investments, is considered to be the key driver for the company's total return performance.

Materiality for the current year is lower than the level that we determined for the year ended 31 December 2015 which reflects a decrease in net assets, although the benchmark percentage applied is the same.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 60% of financial statement materiality. We also determined a lower level of specific materiality for the revenue return column of the Income Statement, directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £11,300. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

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

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

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

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

- Obtaining an understanding of, and evaluating, internal controls at the company and relevant third-party service providers. This included obtaining and reading internal controls reports prepared by third party auditors in respect of the independent Custodian; and
- Substantive testing on significant transactions, account balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the design effectiveness of controls over individual systems and the management of specific risks.

Other reporting required by regulations

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the directors' statements in relation to going concern and longer-term viability, set out on pages 61 and 18 respectively; and
- the part of the Statement of Corporate Governance relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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

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

In particular, we are required to report to you if:

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

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

We also confirm that we do not have anything material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the company including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation in the annual report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Responsibilities for the financial statements and the audit

What the directors are responsible for:

As explained more fully in the Statement of Directors' Responsibilitiesset out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:

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

Andrew Heffron
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
28 April 2017

Income statement

For the year ended 31 December 2016

		2016			2015		
	Notes	Revenue return £000	Capital return £000	Total £000	Revenue return £000	Capital return £000	Total £000
Investment income	2	2,263	–	2,263	3,206	–	3,206
Holding (losses)/gains on investments at fair value through profit or loss	9	–	(4,134)	(4,134)	–	3,925	3,925
Losses on disposal of investments at fair value through profit or loss	9	–	(2,081)	(2,081)	–	(927)	(927)
Foreign exchange losses		(143)	(138)	(281)	(53)	(47)	(100)
Expenses	3	(596)	(267)	(863)	(417)	(231)	(648)
(Loss)/profit before finance costs and tax		1,524	(6,620)	(5,096)	2,736	2,720	5,456
Finance costs		(50)	(16)	(66)	(35)	(14)	(49)
(Loss)/profit before tax		1,474	(6,636)	(5,162)	2,701	2,706	5,407
Tax	6	33	–	33	28	–	28
(Loss)/profit for the period		1,507	(6,636)	(5,129)	2,729	2,706	5,435
Earnings per share							
Basic - ordinary shares	7	4.63p	(26.55)p	(21.92)p	9.51p	10.83p	20.34p
Diluted - ordinary shares	7	4.31p	(18.96)p	(14.65)p	7.80p	7.73p	15.53p

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

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

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

The notes on pages 34 to 55 form part of these financial statements.

Statement of changes in equity

31 December 2016

	Notes	Share capital £000	Capital reserve £000	Retained earnings £000	Total £000
Balance at 31 December 2014		35,000	(10,294)	2,420	27,126
Changes in equity for 2015					
Profit for the period		–	2,706	2,729	5,435
Ordinary dividend paid	8	–	–	(2,000)	(2,000)
Preference dividend paid	8	–	–	(350)	(350)
Balance at 31 December 2015		35,000	(7,588)	2,799	30,211
Changes in equity for 2016					
(Loss)/profit for the period		–	(6,636)	1,507	(5,129)
Ordinary dividend paid	8	–	–	(2,050)	(2,050)
Preference dividend paid	8	–	–	(350)	(350)
Balance at 31 December 2016		35,000	(14,224)	1,906	22,682

Balance sheet

31 December 2016

Registered number: 00433137

	Notes	2016 £000	2015 £000
Non - current assets			
Investments - fair value through profit or loss	9	23,654	37,497
Subsidiaries - fair value through profit or loss	9	6,058	6,789
		29,712	44,286
Current assets			
Receivables	11	1,469	1,587
Cash and cash equivalents		423	344
		1,892	1,931
Total assets		31,604	46,217
Current liabilities			
Trade and other payables	12	1,000	9,124
Bank loan	12	3,490	2,339
		(4,490)	(11,463)
Total assets less current liabilities		27,114	34,754
Non - current liabilities	13	(4,432)	(4,543)
Net assets		22,682	30,211
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	(14,224)	(7,588)
Retained revenue earnings	15	1,906	2,799
Total equity		22,682	30,211

The notes on pages 34 to 55 form part of these financial statements.

The financial statements on pages 30 to 55 were approved by the board of directors on 28 April 2017.

Jonathan Woolf

Managing Director

Cash flow statement

For the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Cash flow from operating activities			
(Loss)/profit before tax		(5,162)	5,407
Adjustment for:			
Losses/(profits) on investments		6,215	(2,998)
Scrip dividends		(4)	(397)
Proceeds on disposal of investments at fair value through profit or loss		31,918	14,596
Purchases of investments at fair value through profit or loss		(23,689)	(13,349)
Interest paid		66	49
Operating cash flows before movements in working capital		9,344	3,308
Decrease/(increase) in receivables		141	(181)
Decrease in payables		(8,138)	(258)
Net cash from operating activities before interest		1,347	2,869
Interest paid		(52)	(49)
Net cash from operating activities after interest before taxation		1,295	2,820
Taxation		33	28
Net cash flows from operating activities		1,328	2,848
Cash flows from financing activities			
Dividends paid on ordinary shares	8	(2,050)	(2,000)
Dividends paid on preference shares	8	(350)	(350)
Bank loan		1,151	(404)
Net cash used in financing activities		(1,249)	(2,754)
Net increase in cash and cash equivalents		79	94
Cash and cash equivalents at beginning of year		344	250
Cash and cash equivalents at end of year		423	344

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

Notes to the financial statements

31 December 2016

1 Accounting policies

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

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

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

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

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

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

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

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

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

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

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

Future standards in place but not yet effective.

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but were not yet effective (and in some cases had not yet been adopted by the European Union):

IAS 1 Amendment Disclosure Initiative

IAS 7 Amendment Disclosure Initiative

IAS 12 Amendment Recognition of Deferred Tax Assets of Unrealised Losses

IAS 34 Amendment Disclosure of information ‘elsewhere in the interim report’

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Amendment – Clarification

The company does not believe that there will be a material impact on the financial statements from the adoption of these standards/interpretations.

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

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

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

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

1 Accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Accounting policies (continued)

f) Expenses

- transaction costs which are incurred on the purchase or sale of an investment designated as fair value through profit or loss are included in the capital column of the income statement and disclosed in note 9;
- expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated, and accordingly investment management and related costs have been allocated 50% (2015 - 50%) to revenue and 50% (2015 - 50%) to capital, in order to reflect the directors' long-term view of the nature of the expected investment returns of the company.

g) Bank borrowings and finance charges

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

h) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the income statement is the 'marginal basis'. Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue column of the income statement, then no tax relief is transferred to the capital column.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

i) Foreign currency

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

1 Accounting policies (continued)

j) Distributable reserves

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

k) 3.5% cumulative convertible non-redeemable preference shares

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

l) Segmental reporting

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

2 Income

	2016	2015
Income from investments	£000	£000
UK dividends	1,951	1,725
Overseas dividends	214	348
Scrip and in specie dividends	4	397
Dividend from subsidiary	–	580
Interest on fixed income securities	70	134
	2,239	3,184
Other income	24	22
Total income	2,263	3,206
Total income comprises:		
Dividends	2,169	3,050
Interest	70	134
Other interest	24	22
	2,263	3,206
Income from investments:		
Listed investments	2,169	2,470
Unlisted investments	–	580
	2,169	3,050

Of the £2,169,000 (2015 – £3,050,000) dividends received, £1,693,000 (2015 – £1,586,000) related to special and other dividends received from investee companies that were bought after the dividend announcement. There was a corresponding capital loss of £1,976,000 (2015 – £869,000), on these investments.

Under IFRS 10 the income analysis is for the parent company only rather than that of the consolidated group. Thus film revenues of £85,000 (2015 – £88,000) received by the subsidiary British and American Films Limited and property unit trust income of £15,000 (2015 – £17,000) received by the subsidiary BritAm Investments Limited are shown separately in this paragraph.

3 Administrative expenses	2016 £000	2015 £000
Staff costs – including executive director (Notes 4 and 5)	527	455
Non-executive directors fees (Note 4)	57	52
Auditors' remuneration:		
audit of the company's financial statements	41	42
audit of the subsidiary's financial statements	2	2
taxation compliance	10	14
other non-audit services	23	8
Other	165	57
Irrecoverable VAT	38	18
	863	648

4 Directors' remuneration

Directors' remuneration is disclosed in the Directors' remuneration report on page 63.

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

	2016 £000	2015 £000
Wages and salaries	420	364
Social security costs	55	48
Pensions and post-retirement benefits	52	43
	527	455

The average number of persons (including the executive director) employed during the year was 9 (2015 – 8).

	2016 Number	2015 Number
Investment	2	2
Administration	7	6
	9	8

6 Tax

The tax credit for the year is £33,000 (2015 – £28,000) being losses surrendered to the company's subsidiaries at 20%. Allowable expenses of the company exceed taxable income.

Corporation tax is calculated at 20% (2015 – 20.25%) of the estimated assessable loss for the year.

Profits of the company's subsidiaries are chargeable to the UK corporation tax at the main rate of 20% (2015 – 20%). Therefore part of the excess of management expenses of the company is surrendered as group relief against profits in the subsidiaries at their 20% tax rate.

6 Tax (continued)

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

	2016			2015		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Total (loss)/profit before tax	1,474	(6,636)	(5,162)	2,701	2,706	5,407
Tax at the UK corporation tax rate of 20% (2015 - 20.25%)	(295)	1,327	1,032	(547)	(548)	(1,095)
Tax effect of non-taxable and scrip dividends	434	–	434	617	–	617
Free group relief	(82)	(84)	(166)	(15)	(58)	(73)
Losses on investments that are not taxable	–	(1,243)	(1,243)	–	606	606
Unrelieved tax losses	(24)	–	(24)	(27)	–	(27)
Tax credit	33	–	33	28	–	28

It is unlikely the company will generate sufficient taxable profits in the future as it normally generates taxable losses which are usually offset by the taxable profits generated by subsidiary companies, to recover cumulative management expenses which will generate a tax asset of £48,232 (2015 – £32,900) which has not been recognised in the year or prior years.

7 Earnings per ordinary share

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

	2016			2015		
	Revenue return £000	Capital return £000	Total £000	Revenue return £000	Capital return £000	Total £000
Earnings:						
Basic	1,157	(6,636)	(5,479)	2,379	2,706	5,085
Preference dividend	350	–	350	350	–	350
Diluted	1,507	(6,636)	(5,129)	2,729	2,706	5,435

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 (2015 – 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 (2015 – 35 million) ordinary and preference shares in issue.

8 Dividends

	2016 £000	2015 £000
Amounts recognised as distributions to ordinary shareholders in the period:		
Dividends on ordinary shares:		
Final dividend for the year ended 31 December 2015 of 5.5p (2014 – 5.3p) per share	1,375	1,325
Interim dividend for the year ended 31 December 2016 of 2.7p (2015 – 2.7p) per share	675	675
	2,050	2,000
Proposed final dividend for the year ended 31 December 2016 of 5.7p (2015 – 5.5p) per share	1,425	1,375

	2016 £000	2015 £000
Dividends on 3.5% cumulative convertible preference shares:		
Preference dividend for the 6 months ended 31 December 2015 of 1.75p (2014 – 1.75p) per share	175	175
Preference dividend for the 6 months ended 30 June 2016 of 1.75p (2015 – 1.75p) per share	175	175
	350	350
Proposed preference dividend for the 6 months ended 31 December 2016 of 1.75p (2015 – 1.75p) per share	175	175

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

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

8 Dividends (continued)

Dividends proposed for the period

	2016 £000	2015 £000
Dividends on ordinary shares:		
Interim dividend for the year ended 31 December 2016 of 2.7p (2015 – 2.7p) per share	675	675
Proposed final dividend for the year ended 31 December 2016 of 5.7p (2015 – 5.5p) per share	1,425	1,375
	2,100	2,050
Dividends on 3.5% cumulative convertible preference shares:		
Preference dividend for the year ended 31 December 2016 of 1.75p (2015 – 1.75p) per share	175	175
Proposed preference dividend for the year ended 31 December 2016 of 1.75p (2015 – 1.75p) per share	175	175
	350	350

9 Investments – fair value through profit or loss

	2016 £000	2015 £000
Investments quoted on a recognised investment exchange	23,547	37,375
Unquoted investments		
– Subsidiary undertakings (Note 10)	6,058	6,789
– Promissory Note	102	122
– Securities	5	–
	29,712	44,286

BritAm Investment Limited, being the subsidiary of the company, owns 100% of British and American Films Limited. British and American Films Limited owns film rights to 4 longstanding commercially released films which generate royalty income (see note 2 on page 39). Film rights are valued at fair value £853,579 (2015 – £933,307).

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

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

December 2016	Quoted in UK £000	Quoted overseas £000	Unlisted* £000	Total £000
Opening cost	18,448	12,023	7,082	37,553
Investment holding gains/(losses)	3,698	3,206	(171)	6,733
Opening fair value at 1 January 2016	22,146	15,229	6,911	44,286
Purchases at cost	23,444	249	–	23,693
Transfer	(6)	–	6	–
Sales – proceeds	(31,762)	(136)	(43)	(31,941)
– (losses)/gains on sales	(2,212)	15	5	(2,192)
(Decrease)/increase in investment holding (losses)/gains	650	(4,070)	(714)	(4,134)
Closing fair value	12,260	11,287	6,165	29,712
Closing cost	9,043	12,115	7,089	28,247
Investment holding gains/(losses)	3,217	(828)	(924)	1,465
Closing fair value at 31 December 2016	12,260	11,287	6,165	29,712

Purchases of investments include scrip dividends of £4,000 (2015 – £397,000).

*Level 3 investments

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

Gains/(losses) on investments designated at fair value through profit or loss are net of transaction costs incurred on both the purchase and sale of those assets, in the amount of £71,145 (2015 – £32,823) being £60,026 (2015 – £22,894) on purchases and £11,119 (2015 – £9,929) on sales.

Gains/(losses) on investments

	2016	2015
	£000	£000
(Losses)/gains on disposal	(1,057)	345
Losses on disposal recognised in prior years	(1,135)	(1,022)
	(2,192)	(677)
Gains/(losses) for provision for liabilities and charges	111	(250)
	(2,081)	(927)
Investment holding (losses)/gains in the year	(4,134)	3,925
	(6,215)	2,998

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	–	100
Second BritAm Investments Limited	Ordinary £1	100	100

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

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

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

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

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

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

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

11 Receivables

	2016	2015
	£000	£000
Amount owed by subsidiary undertakings	1,336	1,081
Receivable from other related parties	83	83
Prepayments and accrued income	15	63
Other debtors	35	360
	1,469	1,587

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

12 Current liabilities

(a)Trade and other payables

	2016	2015
	£000	£000
Purchases of investments awaiting settlement	–	7,968
Other taxes and social security	6	5
Other payables	22	42
Amounts due to related parties	214	251
Amounts owed to subsidiary undertakings	641	773
Accruals and deferred income	117	85
	1,000	9,124

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

(b) Bank loan

	2016	2015
	£000	£000
	3,490	2,339

On 15 May 2013 the company obtained a loan facility from UBS AG for 10,875,000 CHF and at 31 December 2016 the company has drawn down the sterling equivalent of £3,490,000 (2015 – £2,339,000) at an annual rate of 1.25 percent above either the London Inter-Bank Offered Rate or the bank's cost of funds for that period and for the relevant currency. The loan facility does not have a maturity date. At 31 December 2016 investments of fair value of £11,499,392 (2015 – £6,135,003) have been deposited with UBS AG as collateral.

13 Non - current liabilities

Guarantee of subsidiary liability

	2016	2015
	£000	£000
Opening provision	4,543	4,293
(Decrease)/increase in period	(111)	250
Closing provision	4,432	4,543

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

14 Share capital

	2016	2015
	£000	£000
Authorised:		
25,000,000 ordinary shares of £1 each	25,000	25,000
10,000,000 non-voting 3.5% cumulative convertible non-redeemable preference shares of £1 each	10,000	10,000
Allotted, called-up and fully-paid:		
25,000,000 ordinary shares of £1 each	25,000	25,000
10,000,000 non-voting 3.5% cumulative convertible non-redeemable preference shares of £1 each	10,000	10,000
	35,000	35,000

The principal rights attached to the preference shares are any arrears of preference dividend cannot be paid in any year unless the ordinary shares have received a 3.5% dividend, on par and at any time, during the period from 1 January 2006 to 31 December 2025 (both dates inclusive) and, if published, audited annual accounts showing company shareholders' funds are £50 million or more, preference shareholders have the right to convert all or any of their shares on a one for one basis to new ordinary shares, further details are included in the'Share Capital' section of the Directors' report on page 22.

15 Retained earnings and capital reserves

	Capital reserve	Retained earnings
	£000	£000
1 January 2015	(10,294)	2,420
Allocation of profit for the year	2,706	2,729
Ordinary and preference dividends paid	–	(2,350)
31 December 2015	(7,588)	2,799
1 January 2016	(7,588)	2,799
Allocation of (loss)/profit for the year	(6,636)	1,507
Ordinary and preference dividends paid	–	(2,400)
31 December 2016	(14,224)	1,906

The capital reserve includes £1,465,000 of investment holding gains (2015 – £6,733,000) (see note 9 on page 44).

16 Net asset values

	Net asset value per ordinary share		Net assets attributable	
	2016	2015	2016	2015
	£	£	£000	£000
Ordinary shares				
Undiluted	0.51	0.81	12,682	20,211
Diluted	0.65	0.86	22,682	30,211

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

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

17 Related party transactions

Romulus Films Limited and Remus Films Limited have significant shareholdings in the company – see page 21. There is no ultimate controlling party.

The company rents its offices from Romulus Films Limited, and is also charged for its office overheads. During the year the company paid £19,469 (2015 – £17,949) 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 2016 were £481,613 (2015 – £418,571) in respect of salary costs and £52,025 (2015 – £43,400) in respect of pensions. During the year the company made a recharge of £5,000 (2015 – £5,000) of director's salary to BritAm Investments Limited and £5,000 (2015 – £5,000) to British and American Films Limited.

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

At the year end the amounts of £172,866 (2015 – £155,018) and £41,110 (2015 – £95,831) were due to Romulus Films Limited and Remus Films Limited respectively.

During the year BritAm Investments Limited paid dividends of £nil (2015 – £580,000) to the parent company, British & American Investment Trust PLC.

As disclosed in note 13 on page 47, British & American Investment Trust PLC has guaranteed the liabilities of £4,432,000 (2015 – £4,543,000) of Second BritAm Investments Limited to its fellow subsidiaries if they should fall due.

During the year the company paid interest of £14,000 (2015 – £18,000) on the loan due to BritAm Investments Limited and which is included in the balance at 31 December 2016.

During the year the company received interest of £18,000 (2015 – £19,000) from British and American Films Limited and £6,000 (2015 – £3,000) from Second BritAm Investments Limited.

During the year the company entered into a number of investment transactions to sell stock for £163,497 (2015 – £nil) to BritAm Investments Limited, to British and American Films Limited for £nil (2015 – US dollars 98,498) and to buy stock from Second BritAm Investments Limited for £nil (2015 – £2,407).

During the year the company surrendered group tax relief of £12,000 (2015 – £10,000) to British and American Films Limited and £21,000 (2015 – £18,000) to BritAm Investments Limited. These amounts are included as part of amounts owed by subsidiary undertakings in note 11 on page 46.

17 Related party transactions (continued)

At the year end the related party receivables and payables were as follows:

	2016	2015
	£000	£000
Name of the related party		
Receivables:		
British and American Films Limited	867	873
British and American Films Limited (Group Relief)	53	41
Second BritAm Investments Limited	355	127
BritAm Investments Limited (Group Relief)	61	40
Total	1,336	1,081
Payables:		
BritAm Investments Limited	641	773

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

During the year the company entered into a number of investment transactions with Geminion Investments Limited, a company in which Mr J C Woolf has an interest and is a director. The purpose of these transactions listed below, which were all conducted through a London Stock Exchange broker, was for the company to purchase cum dividend stocks and sell these stocks ex dividend so as to capture the associated dividends as disclosed in Note 2 of the financial statements to generate distributable reserves to achieve the company's objective to sustain a progressive dividend policy.

Date of purchase / sale	Company	Purchase	Sale	Dividend received
2016		£000	£000	£000
13 January / 15 January	Inc & Growth VCT	2,082	1,840	120
20 January / 19 February	Oxford Technology 4 VCT	219	153	33
24 February / 25 February	Shoe Zone PLC	2,752	2,437	156
24 February / 17 March	Beazley PLC	5,607	5,224	375
02 March / 03 March	Best of the Best PLC	757	619	54
16 March / 17 March	Foresight VCT	2,012	1,750	175
23 March / 19 April	Plus500 Limited	4,842	4,725	326
16 November / 07 December	Octopus Eclipse VCT	302	223	80
16 November / 18 November	Softcat PLC	806	770	45
16 November / 17 November	Lancashire Holdings	1,408	1,276	121

The aggregate value of these transactions were purchases of £20,787,000 (31 December 2015 – £19,923,000), dividends received of £1,485,000 (31 December 2015 – £1,586,000) and sales of £19,017,000 (31 December 2015 – £18,791,000) giving a net loss of £285,000 (31 December 2015 – £454,000 gain). At the year end the amount of £82,829 (2015 - £82,829) was due from Geminion investments Limited.

17 Related party transactions (continued)

The following section entitled ‘Protocols to generate distributable reserves’ on page 50 does not form part of these financial statements and as such is unaudited.

Protocols to generate distributable reserves

The company's investment policy is implemented by Managing Director of the company (‘MD’).

Appraisal and execution of cum-dividend transactions comply with the following process:

1. Process

1.1 MD assesses the eligibility of certain companies whose stocks are shortly due to go "ex-dividend".

1.2 MD selects stocks which have, in his view, a limited market risk and where such selection would be in the best interests of the company.

1.3 MD places a limit order with an independent broker for a fixed price within the bid/offer spread quoted on the London Stock Exchange. The independent broker will owe a best execution duty to the company, which requires them to take all reasonable steps to obtain the best possible result for the company, taking into account the execution factors (price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order).

1.4 The board of the company is aware that as a result of the specific requirements of the transaction such as price, order size and timing, given the need for the shares to be cum-dividend but imminently to go "ex", Geminion Investments Limited (‘Geminion’), an entity connected to MD, is a likely counterparty to be selected by the broker for the transactions.

1.5 The same procedure is followed for the reversal of these transactions with the aim of achieving a neutral or slightly beneficial position for the company, excluding transaction costs and broker's commission.

2. Board Approval

2.1 MD will produce to the Board for ratification and approval on a quarterly basis, a list of all of the cum-dividend transactions which have been entered into by the company in the previous quarter, pursuant to the process set out in section 1 above.

3. Record Keeping Requirements

3.1 The company must retain records of every order and transaction effected pursuant to the process set out in section 1 above for a period of not less than 5 years.

3.2 All limit orders placed by MD with the broker must be done via company E-Mail or over the broker recorded telephone.

4. Shareholder Ratification

4.1 The annual report and accounts of the company in each year will contain a schedule of the cum-dividend transactions entered into by the company during the relevant financial year, stating that the transactions have been concluded with the approval of the company's board of directors.

4.2 Shareholders will be asked to ratify and approve the cum dividend transactions at the annual general meeting of the company at which the relevant accounts are received.

The above section entitled ‘Protocols to generate distributable reserves’ on page 50 does not form part of these financial statements and as such is unaudited.

18 Deferred taxation

A deferred tax asset of £48,232 (2015 – £32,900) has not been recognised in respect of excess management expenses as there is insufficient evidence that the asset will be recovered. The asset would be recovered if the company made sufficient future taxable profits.

19 Risk management and other financial instruments

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

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

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

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

At the year end premiums paid on open put options, which are traded on the Chicago Board Options Exchange, totalled £nil (2015 – £nil).

<u>Other price risk</u>

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

	2016	2015
	£000	£000
Investments held at fair value through profit or loss	29,712	44,286
deduct Fixed interest stock, bonds and notes	(102)	(1,571)
deduct Investment in subsidiary companies	(6,058)	(6,789)
	23,552	35,926

19 Risk management and other financial instruments (continued)

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

Other price risk sensitivity

A 10% increase in company portfolio valuations at 31 December 2016 would result in an increase of £2,365,000 (2015 – £3,750,000) in net asset value and profit for the year. A decrease of 10% would have had an equal but opposite effect.

Financial assets and liabilities - interest rate risk

The majority of the company's financial assets are equity shares 97.4% (2015 – 94.2%) or other investments which pay dividends rather than interest and do not have a maturity date.

Financial liabilities consist of bank loans.

Interest bearing investments, including cash deposits, comprise 2.6% of the company's financial assets, of which 1.2% are at fixed rate and 1.4% floating rate.

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

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

The interest rate risk profile of the financial assets and liabilities of the company at 31 December 2016 is shown below.

	2016		2015	
	Fair Value	Maturity	Fair Value	Maturity
Assets	£000		£000	
Fixed Rate				
UK fixed interest stock	–	–	561	undated
UK notes and bonds	–	–	888	7 years
US notes and bonds	102	2 years	122	3 years
Floating rate				
Cash	423		344	
Total assets	525		1,915	
Weighted average interest rate (on fair value)	0.5%		7.9%	
Liabilities				
Bank loan	3,490	undated	2,339	undated
Total liabilities	3,490		2,339	
Weighted average interest rate	1.4%		1.4%	

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

Interest rate sensitivity

An increase of 0.5% in interest rates at 31 December 2016 would have decreased the fair value of fixed interest securities and increased interest payments on bank loan and hence decrease total net assets by £214,000 (2015 – £209,000). A decrease of 0.5% would have had an equal but opposite effect.

19 Risk management and other financial instruments (continued)

Fair values of financial assets and financial liabilities

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

Subsidiaries

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

The fair value of the film rights have been determined by estimating the present value of the pre-tax film revenues in the next 10 years discounted at a discount rate of 5%. The directors' valuation of British & American Films Limited has been based on pre-tax profits as sufficient group relief exists to mitigate the tax effect. The director's continue to expect that group relief will be allocated in such a way, that this valuation assumption is reasonable.

The sensitivity of the fair value measurement of the subsidiaries to changes in unobservable inputs is not likely to be significant due to the nature of the underlying assets in the subsidiaries. The majority of the assets comprise loans due from the parent company or fellow subsidiaries (£5.1 million) with the balance split between UK quoted investments, overseas quoted investments, UK commercial property unit trusts and fair value of film rights.

Gearing

At 31 December 2016 the company has drawn down £3,490,000 (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 2016 investments of fair value of £11,499,392 sterling equivalent (2015 – £6,135,003) have been deposited with the UBS AG as collateral. Although this gearing increases the opportunity for gain, it also increases the risk of loss in falling markets.

Fair value hierarchy

The fair value hierarchy, as defined in IFRS 13, comprises 3 levels. With the exception of the Biotime Promissory Note with a year end market value of £101,930 (2015 – £122,272), Sarossa Capital PLC (unquoted) £5,320 (2015 – £5,793) and BritAm Investments Limited and Second BritAm Investments Limited (unquoted subsidiaries) with a year end fair value respectively of £6,058,303 (2015 – £6,788,814) and £nil (2015 – £nil) which are categorised as Level 3 and with the exception of the investments in unit trusts, St James's Place Global Equity £2,440,917 (2015 – £1,876,766) and Jupiter Unit Trust Managers £270,498 (2015 – £226,561), which are categorised as Level 2 investments, all other investments £20,835,553 (2015 – £35,272,187) are categorised as Level 1.

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

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

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

The values for investments categorised by type are identified on page 12. The movement in Level 3 investments is shown in the Unlisted column in note 9 on page 44.

19 Risk management and other financial instruments (continued)

Currency risk

60% (2015 – 55%) of the company's assets and liabilities are in sterling. The foreign currency exposure is almost exclusively in twelve investments denominated in US dollars. The board monitors the company's exposure to foreign currencies on a regular basis. The Managing Director assesses the risk of this exposure and its possible effect on the net asset value of the company. Although the bank facility limit is 10,875,000 CHF in practice the company has only drawn down funds in either sterling, US dollars or EURO.

	2016	2015
	£000	£000
US dollar		
Investments	11,389	15,351
Bank loan	(605)	(1,740)
Cash	3	–
EURO		
Bank loan	(1,724)	–
Net exposure	9,063	13,611
Total net assets	22,682	30,211

Currency risk sensitivity

At 31 December 2016, if sterling had strengthened by 5% in relation to the US dollar and EURO, with all other variables held constant, total net assets would have decreased by £432,000 (2015 – £648,000). Similarly, a 5% weakening of sterling against the US dollar and EURO, with constant other variables, would have increased total net assets by £477,000 (2015 – £716,000).

Liquidity risk

The majority of the company's assets comprise listed realisable securities, which can be sold to meet funding requirements as necessary. The company has a multi-option loan facility of 10,875,000 CHF with UBS AG (2015 – 10,875,000 CHF) with no maturity date. The board has set, and regularly monitors, guidelines on limits for both individual holdings and exposure to quoted equities in total (see investment policy on pages 15 to 17). The company considers that its exposure is not significant. The company has also provided a financial guarantee for its subsidiary Second BritAm Investments Limited. The amounts related to the loan facility and guarantee are set out below:

	2016	2015
	£000	£000
Loan drawn down	3,490	2,339
Guarantee	4,432	4,543
	7,922	6,882

Credit risk

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

The company manages this risk through the following controls:

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

19 Risk management and other financial instruments (continued)

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

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

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

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

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

		2016		2015
	Balance sheet £000	Maximum exposure £000	Balance sheet £000	Maximum exposure £000
Fixed rate investments	102	102	1,571	1,571
Current assets				
Receivables	1,469	1,469	1,587	1,587
Cash and cash equivalent	423	423	344	344
	1,994	1,994	3,502	3,502

Fixed rate investments comprise nil% (2015 – 44.1%) which are investment grade and 100% (2015 – 55.9%) being non-investment grade.

None of the company's financial assets, are past their due dates, impaired or secured by collateral or other credit enhancements with the exception of investments of £11,499,392 lodged as collateral for a bank loan (see note 12(b) on page 46).

Capital management policies and procedures

The company's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to maximise the income and capital return to its equity shareholders
through an appropriate balance of ordinary and non-redeemable preference equity capital and loans.

The company's total capital equity (ordinary and non-redeemable preference share capital and other reserves) at 31 December 2016 was £22,682,000 (2015 – £30,211,000).

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

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

Statement of Corporate Governance

For the year ended 31 December 2016

The Statement of Corporate Governance, which forms part of the Directors' report (page 23) is set out below. The following paragraphs describe the framework of internal controls in place to ensure that the company complies with the 2014 UK Corporate Governance Code which is available on the Financial Reporting Council's website: www.frc.org.uk.

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

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

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

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

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

Operation of the board

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

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

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

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

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

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

Number of meetings attended

	Board	Audit
JAV Townsend	6/6	5/5
DG Dreyfus	6/6	5/5
RG Paterson	6/6	5/5
JC Woolf	6/6	5/5*

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

All the directors attended the Annual General Meeting.

Independence of the directors

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

Tenure of directors

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

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

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

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

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

Chairman

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

Audit Committee

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

Role and Composition

The Committee comprises three non-Executive Directors and is appointed by the Board. It met five times during 2016. The Committee operates within defined terms of reference.

The Committee's main functions are:-

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

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

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

Key Risks

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

Significant Issues

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

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

Internal Controls

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

External Audit Process

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

Auditor assessment and independence

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

Invitations to tender were issued to three audit firms, resulting in proposals being submitted and all three firms being invited to present their approach in more detail to the Audit Committee. Following a thorough and transparent review process, the board unanimously decided to appoint Hazlewoods LLP as Auditor.

In accordance with mandatory audit rotation requirements, the committee intends to undertake a further tender process during the year to 31 December 2024.

The fees for audit purposes for the financial year ended 31 December 2016, including audit of the subsidiary's financial statements, were £43,000 (2015 – £44,000).

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

The cost of services provided by the Auditor for the financial year ended 31 December 2016 was £34,370 (2015 – £21,000). These non-audit services are assurance and compliance related and the Committee believes Grant Thornton UK LLP is best placed to provide them on a cost effective basis.

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

Conclusion

The Audit Committee has approved year end 31 December 2016 Report and Accounts. It has reviewed the company's internal controls and risk management. After satisfying itself as to the independence of the Auditor, it has recommended that Hazlewoods LLP be appointed for the 2017 financial 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 21), 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 21.

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 24.

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

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

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

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

Powers to authorise conflict situations

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

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

Going concern

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

Employee, social, economic and environmental matters

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

Responsibilities as an institutional shareholder

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

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

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

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

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

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

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

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

Directors' remuneration report

For the year ended 31 December 2016

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 2016. The report comprises a policy report, which is subject to a triennial binding shareholder vote, or sooner if an alteration to policy is proposed, and a remuneration policy implementation report, which is subject to an annual advisory vote.

The remuneration policy was last approved at the AGM held on 18 June 2014 and is therefore required to be resubmitted to shareholders for approval. The remuneration policy is set out in the Future Policy Table on page 66.

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 21), 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
28 April 2017

Annual report on remuneration

Directors' remuneration as a single figure (audited)

	Salary and fees 2016	Salary and fees 2015
	£000	£000
JC Woolf - salary	60	56
JAV Townsend (Chairman) - fees	22	20
DG Dreyfus (Chairman of Audit Committee) - fees	19	17
RG Paterson - fees	16	15
Total	117	108

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

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

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

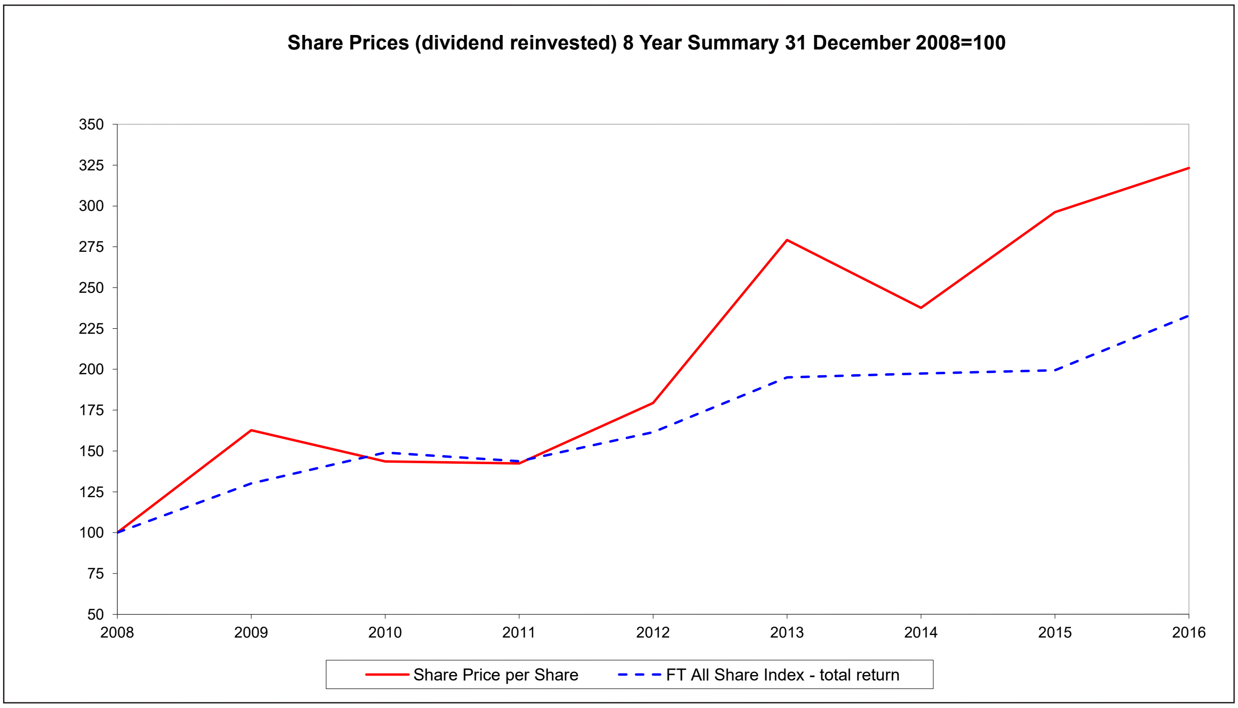
	£
JAV Townsend (Chairman) - fees	22,000
DG Dreyfus (Chairman of Audit Committee) - fees	18,700
RG Paterson - fees	16,500

Sums paid to third parties (audited)

The directors' fees of £16,000 (2015 – £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 eight years since 2008. The FTSE All Share equity market index is used as the company's benchmark.



Managing Director's remuneration table

	Total remuneration £000
2009	50
2010	44
2011	47
2012	47
2013	50
2014	53
2015	56
2016	60
Total	407

The table below shows the percentage change in the remuneration of the Managing Director and the company's employees as a whole between the year 2015 and 2016.

	Change in salary Percent	Change in annual bonus Percent
Managing Director	5.87%	no bonus paid
Employees (exc. non-executive directors)	17.79%	7.01%

Significance of spend on pay

	Employee remuneration (inc. non-executive directors) £	Shareholder distribution £
2015	519,000	2,000,000
2016	584,000	2,050,000
Difference	65,000	50,000
Percentage change	12.52%	2.50%

Directors' interests

The directors during the year ended 31 December 2016 had interests in the shares of the company as follows (audited):

	2016		2015	
	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 17 June 2016, votes cast by proxy and at the meeting in respect of the directors' remuneration were as follows:

Resolution	Votes For	% For	Votes Against	% Against	Total votes Cast	Votes withheld
To receive and approve the Directors' Remuneration Report for the year ended 31 December 2015	18,085,679	100.0%	–	–	18,085,679	8,422

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 21 Mr JC Woolf is a significant shareholder in the company. The company also provides directors' liability insurance.

Future policy table

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

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

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

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

Approach to recruitment remuneration

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

Illustration of Application of Remuneration Policy

Managing Director

	Minimum	In line with expectations	Maximum
Salary	£60K	£60K	£60K

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 2017 and until the Annual General Meeting of the company held in 2020.

The above policy was approved at the Annual General Meeting of the company on 18 June 2014 and votes cast by proxy and at the meeting in respect of the directors' remuneration policy were as follows:

Resolution	Votes For	% For	Votes Against	% Against	Total votes Cast	Votes withheld
To receive and approve the Directors' Remuneration Policy	18,092,722	100.0%	–	–	18,092,722	2,500

The Directors' Remuneration Report 2016 was approved by the Board and signed on its behalf by:

JAV Townsend
Chairman
28 April 2017

Notice of meeting

NOTICE IS HEREBY GIVEN THAT the sixty-ninth Annual General Meeting of the company will be held at Wessex House, 1 Chesham Street, London SW1X 8ND on Tuesday 27 June 2017 at 12.15pm for the following purposes:

1. To receive and consider the directors' report and company accounts for the year ended 31 December 2016 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 5.7p per £1 ordinary share.
8. To appoint Hazlewoods 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 audit committee to determine the remuneration of the auditors.
10. To approve the cum-dividend transactions entered into by the company during the year ended 31 December 2016 as set out on page 49 of the report and accounts.
11. To approve the new investment policy as set out on pages 15 and 16 of the report and accounts.

By order of the board

KJ Williams
Secretary
28 April 2017

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 71 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 25 June 2017 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 28 April 2017, 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 16 May 2017 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 16 May 2017 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.

The company's investment objective, as stated in its report and accounts for the year ended 31 December 2016 (the "Accounts"), is "to achieve a balance to investors of growth in income and capital in order to sustain a progressive dividend policy". The company has entered into a number of transactions specifically to generate distributable reserves in order to fulfil that objective. Such transactions, which are summarised at page 49 of the Accounts, were all conducted in accordance with the protocols set out on page 50 of the Accounts and have been ratified and approved by the board of the company. The protocols include a requirement that the transactions be put to shareholders for approval and ratification and that is the purpose of resolution 10.

FORM OF PROXY

BRITISH & AMERICAN INVESTMENT TRUST PLC

(For use by ordinary shareholders)

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

of ....

being (a) member(s) of the above company, hereby appoint the Chairman of the meeting or .... to be my/our proxy to vote on my/our behalf at the Annual General Meeting of the company to be held at Wessex House, 1 Chesham Street, London SW1X 8ND at 12.15 pm on Tuesday 27 June 2017 and at any adjournment thereof.

Signed ....

Dated .... 2017.

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 5.7p per £1 ordinary share.	☐	☐	☐	☐
8. To appoint Hazlewoods LLP as the company's auditors.	☐	☐	☐	☐
9. To authorise the audit committee to determine the remuneration of the auditors.	☐	☐	☐	☐
10. To approve the cum-dividend transactions.	☐	☐	☐	☐
11. To approve the new investment policy.	☐	☐	☐	☐

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