British & American Investment Trust PLC

Report and accounts

31 December 2020

Investment Policy

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

Ten largest security holdings (excluding subsidiaries)

Name	Sector	%
Geron Corporation (USA)	Biomedical	15.92
Lineage Cell Therapeutics (USA)	Biotechnology	15.89
Dunedin Income Growth	Investment Trust	12.55
Aberdeen Diversified Inc&Growth	Investment Trust	5.82
AgeX (USA)	Biotechnology	0.93
Braemar Shipping Services	Transport	0.58
Relief Therapeutics (Switzerland)	Healthcare	0.37
B.S.D. Crown	Food retail	0.34
Audioboom Group	Media	0.22
ADVFN	Other Financial	0.19
		52.81

Country Exposure

Country	£m	%
UK	2.4	37.4
USA	4.0	62.6
Total investments (exc. subsidiaries)	6.4	100.0

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

	£
1 year	83.8
3 year	74.2
5 year	66.0

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	16
Net Assets (£m)	6.7
Yield	7.8%
Dividend Dates	Interim dividend – December Final dividend – June
Share price (p)	34.5
NAV/share (p)	19 *(diluted)*
Premium	79.7% *(diluted)*
Ongoing charges	9.7%
Sedol Code	0065311
ISIN Code	GB000065311

Status

Eligible to be held in an ISA or Savings Scheme.

Contact

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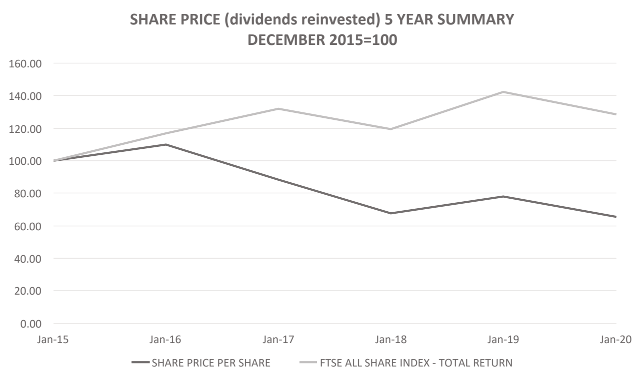
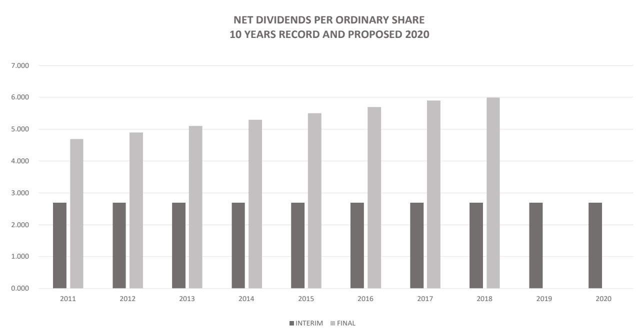
Website: www.baitgroup.co.uk
Registered in England. Registered number 00433137
VAT Reg. No. 241 1621 10





British & American Investment Trust PLC

Annual Report and Accounts

for the year ended 31 December 2020

Registered number: 00433137

Contents

Directors and officials

Directors
David G Seligman *(Chairman)*
Jonathan C Woolf *(Managing Director)*
Dominic G Dreyfus *(Non-executive and Chairman of the Audit Committee)*
Alex Tamlyn *(Non-executive)*

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

Registrars
Neville Registrars Limited
Neville House
Steelpark Road
Halesowen
B62 8HD

Bankers
Metro Bank PLC
One Southampton Row
London
WC1B 5HA

Credit Suisse AG
Client Management UHNWI UK
WEHW
Talacker 16
8001 Zurich
Switzerland

Auditors
Hazlewoods LLP
Windsor House
Bayshill Road
Cheltenham
GL50 3AT

Biographical details of directors and investment policy

Chairman

David G Seligman (Age 69)

Formerly a director of S.G. Warburg & Co Ltd in corporate finance and private equity advisory. Founder of Seligman Private Equity Select, a private equity fund-of-funds. Appointed as Director 26 September 2017 and as Chairman 1 January 2018.

Managing Director

Jonathan C Woolf (Age 64)

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 64)

Formerly a director of BCI Soditic Trade Finance Ltd, formerly managing director of Soditic Limited and Membre du Directoire, Warburg Soditic SA, Geneva. Appointed 13 May 1996.

Alex Tamlyn (Age 55)

Solicitor, partner in DLA Piper UK LLP. Appointed 1 July 2018.

Investment policy

To invest predominantly in investment trusts and other leading UK and US-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 13.

AIC

The company is a member of the Association of Investment Companies (AIC).

Chairman's statement

I report our results for the year ended 31 December 2020. As announced on 22nd April, we have delayed the release of these results by one month in accordance with the current guidance of the Financial Conduct Authority (FCA) and the Financial Reporting Council (FRC) concerning the reporting by listed companies of their results in the context of the ongoing Covid-19 pandemic.

Our interim results to 30th June 2020 were reported on a delayed basis at the end of October 2020 and at the time we explained in some detail the how the Covid-19 pandemic was impacting our operations in various ways, including in terms of the corporate reporting timetable, disruption to general business activity, markets, investment valuations and dividends.

Revenue

The return on the revenue account before tax amounted to £0.9 million (2019: £0.9 million), unchanged from 2019 but a significantly lower level from prior years when higher levels of dividends from external investments were being received. In 2020, dividend income was severely impacted by the Covid-19 pandemic as companies cut or skipped payments altogether; however, this impact was partially reduced by dividends received from our subsidiary companies during the year.

Gross revenues totalled £1.4 million (2019: £1.2 million). In addition, film income of £84,000 (2019: £106,000) and property unit trust income of £14,000 (2019: £14,000) was received in our subsidiary companies. In accordance with IFRS10, these income streams are not included within the revenue figures noted above.

The total return before tax amounted to a profit of £1.0 million (2019: £1.1 million profit), which comprised net revenue of £0.9 million, a realised loss of £1.2 million and an unrealised gain of £1.3 million. The revenue return per ordinary share was 2.2p (2019: 2.3p) on an undiluted basis and 2.6p (2019: 2.6p) on a diluted basis.

Net Assets and Performance

Net assets at the year end were £6.7 million (2019: £6.5 million), an increase of 3.3 percent, after payment of £0.9 million in dividends to shareholders during the year. This compares to decreases in the FTSE 100 and All Share indices of 14.3 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 increased by 16.4 percent compared to decreases of 11.5 percent and 9.8 percent in the FTSE 100 and All Share indices, respectively.

This substantial outperformance in total return of 25 percent against the benchmark indices was principally the result of gains of 12 percent in sterling terms in the value of our largest US investment, Geron Corporation, and of 90 percent in our second largest US investment, Lineage Cell Therapeutics Inc (a combination of two previously held regenerative medicine stem cell companies, Biotime Inc and Asterias Biotherapeutics Inc). By contrast, our UK stock investments declined in line with the widespread falls in the UK market due to the unprecedented effects the Covid-19 pandemic felt throughout the year.

More generally, the economic shock of the Covid-19 pandemic completely overshadowed all other considerations in 2020. In our last report in October, we described in some detail the nature and extent of the damage which the pandemic had caused globally to a vast array of activities worldwide. These included corporate activity and profits, employment levels, working practices, basic social interactions, GDP, government debt, economic stimulus measures and interest rates.

At that time, the first wave of the pandemic had passed through most countries and a second winter wave whose likely effect was not fully known was expected. As reported, equity markets had begun to recover by the summer from the precipitous declines of the first quarter and by the year end the US market had regained its year-opening level, while in the UK almost half of the 35 percent drop in March had been retraced.

The effect of the lockdowns in the first half on GDP was severe, with falls of 23 percent in the UK and 35 percent in the USA being recorded. As the economies began to be opened up in the summer, these falls were reduced to 10 percent

Chairman’s statement (continued)

and 4 percent for the year as a whole, respectively. These are nevertheless extremely large declines which have never before been experienced in peacetime and in the UK not for 300 years. As a result, similarly unprecedented effects were seen on other major economic metrics such as government borrowing and levels of debt as governments introduced unprecedented measures to support their citizenry and businesses. In the UK, total government borrowing jumped by 300 percent to £300 billion and debt rose to over £2 trillion, representing 100 percent of GDP, the highest level since the Second World War.

When it arrived at year-end, the winter wave of the pandemic, which was augmented by more virulent variants of the virus, turned out to be even more disruptive than the first wave with a series of lockdowns being imposed in most developed countries. Numbers of infections and deaths spiked in the UK in the first quarter of 2021 at levels considerably higher than in the first wave in 2020. Despite this, the periods of reopening in the second half of 2020, a better understanding of how to manage the virus and the implementation of a highly successful vaccination programme have allowed the UK economy to avoid the damage of a double dip recession which supported equity markets through to the New Year.

Dividend

Due to the unprecedented disruption caused to markets by the Covid-19 pandemic in 2020 and the severe decline in dividends paid by companies last year, we do not recommend the payment of a final dividend for the 2020 financial year. We do, however, intend to pay a first interim dividend of 2.70 pence per ordinary share for the year to 31st December 2021, payable on 24th June, which is approximately the date on which a final dividend would have been paid. This is to take account of the timing of income receipts this year into our distributable reserves.

When added to the dividend of 2.70 pence paid in December 2020, this represents a yield of approximately 18 percent on the ordinary share price averaged over a period of 12 months.

Although we have regrettably not been able to continue for the time being the policy of progressive dividend payments which we had followed for many years, this level of yield has nevertheless sustained significant market interest in our stock in recent months, with the shares trading at a significant premium to NAV and higher than average daily volumes being seen.

As noted in last year’s annual report, it is our intention to resume our normal dividend payments as soon as possible, as and when circumstances permit. We will also endeavour, through ad hoc interim payments not necessarily on our normal dividend timetable, to catch up when and if possible on withheld or reduced payments.

Recent events and outlook

Despite the severity of the winter phase of the pandemic during the first quarter of 2021, equity markets in the USA and UK have risen steadily this year, building on the positive momentum which followed the election of President Biden in November, with the US market pulling steadily ahead of the record high achieved in December 2020. For some time now, markets have been looking forward to the economic recovery expected as the pandemic wanes and lockdowns or restrictions are finally lifted or reduced. Company profits are beginning to grow again and a very large retail savings balance has been built up over the past year, ready to be spent when restrictions are lifted.

While the near term prospects for markets and businesses appear favourable, therefore, this may only be temporary until the longer term damage caused by the pandemic in terms of permanently lost GDP and jobs becomes evident. While a strong bounce in GDP is still forecast for 2021 despite the considerably longer than expected duration of the pandemic, economic activity is unlikely to return to its pre-2020 levels until 2022 and will not account for the lost production in the meantime. Also, long term damage to jobs which for the time being has been disguised by governments’ emergency support schemes is likely to become evident later in the year as these schemes are withdrawn.

For these reasons and their resulting effects on other important economic indicators such as government deficits,

Chairman's statement (continued)

borrowing levels, interest rates and inflation, the medium term outlook for markets and investment looks very uncertain.

Having trimmed some of our general sterling based investments over the last two years which we do not expect to replace in the foreseeable future, our portfolio has become more focused on our US biopharma investments which do not tend to track general market movements and which we believe hold significant investment promise as they progress steadily towards commercialisation of their ground-breaking and valuable technologies.

As at 21 May 2021, our net assets had increased to £7.4 million, an increase of 9.6 percent since the beginning of the calendar year. This is equivalent to 21.0 pence per share (prior charges deducted at fully diluted value) and 21.0 pence per share on a diluted basis. Over the same period the FTSE 100 increased 8.6 percent and the All Share Index increased 9.0 percent.

David Seligman

27 May 2021

Managing Director's report

As reported above, equity markets in the USA and UK rebounded strongly by the end of 2020 following precipitous drops at the end of the first quarter as economies were shut down to combat the Covid-19 pandemic. In the USA, the market rose 65 percent from its lows in March, regaining its year opening level by September and reaching an all time high by year end, returning the market to its 12 year bull run since the financial crisis of 2008/9.

US equity prices have continued to push forward strongly into 2021 following the election of President Biden and the passing in Congress of his multi-trillion dollar “American Rescue” and “American Family” plans to support businesses and citizens out of the economic crisis caused by the pandemic. Continued substantial and long-term monetary support from the Federal Reserve through ultra-low interest rates and quantitative easing programmes have also underpinned equities. Added to which, the rapid acceleration of the highly successful vaccine programme in the first quarter has paved the way for a re-opening of the economy with a major boost to corporate investment and retail spending.

Consequently, equities look set to benefit for some time from a return to normal activity, with the only major cloud on the horizon being the risk of growing inflation indications leading to an earlier than expected end to the highly accommodative monetary policy of recent years, which had been extended over the past year by the pandemic. Recent comments from the new Secretary of Finance, Janet Yellen, who used to be Federal Reserve Chairman did in fact refer to just such an eventuality. As has been seen many times, long-term bull markets based on monetary stimulus can react quite suddenly and violently to even the discussion of such pivot points in interest rate trends, as was notably the case in 2013 with the ‘taper tantrum’ in the bond markets when US treasury yields surged abruptly. In recent months, yields in the US bond market have also risen out of concern at the enormous government spending commitments of the recovery plans and usually such movements eventually result in equity market weakness as bond and equity yields rebalance, particularly so given the continuing lower levels of dividends being paid by companies. This result may take longer than usual to appear under current circumstances as the pent up post-pandemic demand in the economy is released and the stimulus of the administration’s ‘Build Back Better’ infrastructure investment programme washes through the economy. However, higher levels of equity market volatility in recent weeks could presage the beginning of this process.

In the UK, the equity market followed a similar pattern in 2020, although it did not enjoy a similar level of rebound from the March lows, regaining only 50 percent of its 35 percent drop by the third quarter and ending the year down by 14 percent. The market had drifted down during the second half as discussions with the EU on a post Brexit trade agreement remained unresolved and then the prospect of a second winter lockdown loomed as post-summer Covid-19 infection rates began to rise considerably. It was not until November that this steady decline reversed, rallying by 15 percent following the election of President Biden and the strongly positive response shown by the US equities.

Since the year end, the UK market has risen a further 10 percent, an increase of 35 percent since its 2020 low and now just 6 percent below its 2020 high. The highly effective and world-beating vaccine rollout of the last few months, resulting in substantially lower levels of Covid-19 infections, hospitalisations and deaths has significantly boosted confidence of a gradual return to normality and equity markets have reacted accordingly. Businesses, particularly in the travel and retail sectors, are also preparing for substantially higher levels of activity in the months to come as the high levels of savings built up over the past year are expected to be drawn down in a retail spending boom.

Comments made above in relation to the medium term prospects for equities in the USA are likely to apply also to the UK. The question for the medium term, assuming the virus is kept under control through vaccinations, is how the various balances in returning the economy and business to normal will play out over the coming years. The sizeable pent up demand and relief will boost business activity significantly in the short term and UK GDP is now thought likely to return to pre-pandemic levels somewhat earlier than expected. However, pressure will be put on prices, as is already beginning to be seen in the USA, presaging a return to more normal levels of interest rates which would be negative for equities.

Managing Director's report (continued)

At the same time, however, as the government removes its emergency support and stimulus measures later in the year, the true extent of the damage wreaked by the pandemic over the last year on businesses and employment is likely to be revealed, placing downward pressure on the economy and sentiment. Further such pressure is also likely to arrive in the form of additional taxes yet to be announced to repair the historically high levels of deficit and debt run up by the government to combat the pandemic. As in the USA, however, the UK government has a long term programme of infrastructure renewal and investment, in the UK's case its 'Levelling up' programme, which should add substantial stimulus to the economy as a whole. This may be sufficient over the medium term to counterbalance the permanently lost growth of the past 18 months due to the pandemic. Thus, an overall picture of short-term strength in equity markets followed by a period of retrenchment and weakness can realistically be envisaged.

As noted above, our portfolio strongly outperformed the benchmarks in 2020, primarily due to our long term investments in US biotech stocks, despite a headwind presented by a weaker US dollar over the year.

In the case of Geron, the ongoing recovery in Geron's share price reflected the company's efforts to demonstrate that its clinical oncology drug programme remains on track with ever improving results. During 2020, a number of positive developments occurred, including the announcement of FDA agreement for a second Phase 3 trial in Myelofibrosis (MF), which has now commenced enrolment, to add to its continuing Phase 3 trial in Myelodysplastic Syndrome (MDS) and the completion of a $140 million equity fundraising in which leading biotech sector investment funds took large positions. In addition, over the past year, further high level technical personnel hires have been made from leading pharma companies, including from previous partner Johnson & Johnson, accompanied by the award of substantial new employee inducement shares, which are an indication of the confidence such new employees have in Geron's future prospects.

In the case of Lineage Cell Therapeutics Inc, our second largest US biotechnology investment, its share price has now risen by over 200 percent since the beginning of 2020, recovering to its pre-2019 levels when it combined with our previously third largest biotechnology investment, Asterias Biotherapeutics Inc, both being stem cell based regenerative medicine companies. At the same time, it spun off a third smaller company, Agex Therapeutics Inc, in which we remain invested. The market has re-rated this stock following the re-organisation and favourable Phase 2 clinical trial results which have improved the prospects for its two principal stem cell programmes. The first in spinal cord injury repair which was acquired with Asterias Biotherapeutics and the second, its own trial in Dry AMD, a widespread degenerative condition of the retina causing blindness with no currently approved or effective treatment.

Jonathan Woolf

27 May 2021

Financial highlights

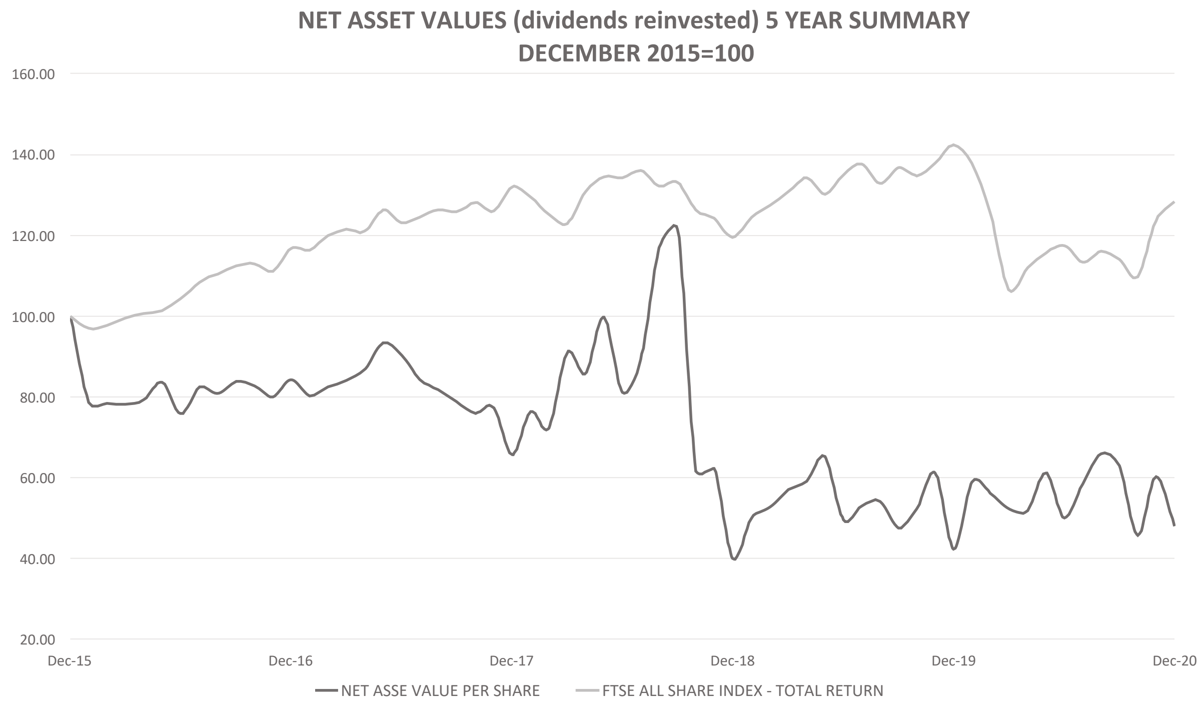
For the year ended 31 December 2020

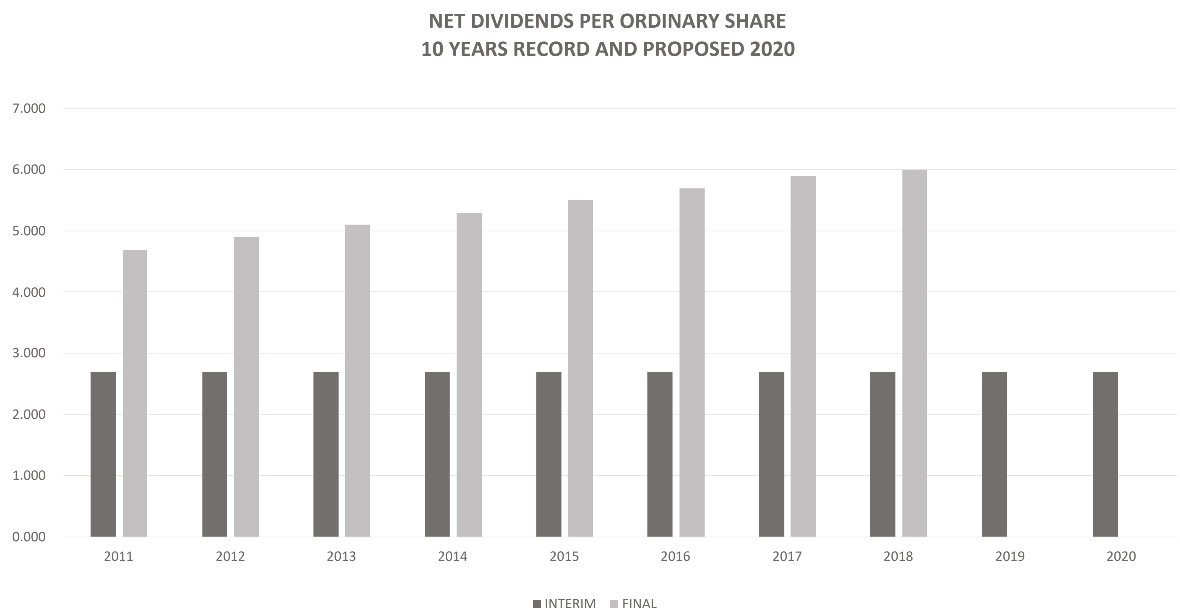
	2020			2019		
	Revenue return £000	Capital return £000	Total £000	Revenue return £000	Capital return £000	Total £000
Profit/(loss) before tax – realised	879	(1,230)	(351)	862	(1,461)	(599)
Profit before tax – unrealised	–	1,388	1,388	–	1,657	1,657
Profit before tax – total	879	158	1,037	862	196	1,058
Earnings per £1 ordinary share – basic	2.23p	0.63p	2.86p	2.26p	0.78p	3.04p
Earnings per £1 ordinary share – diluted	2.59p	0.45p	3.04p	2.61p	0.56p	3.17p
Net assets			6,720			6,504
Net assets per ordinary share						
– deducting preference shares at fully diluted net asset value*			19p			19p
– diluted			19p			19p
Diluted net asset value per ordinary share at 21 May 2021			21p			
Dividends declared or proposed for the period:						
per ordinary share – interim paid			2.7p			2.7p
– final proposed			0.0p			0.0p
per preference share			1.75p			1.75p
Dividends declared after the period:						
per ordinary share – 1st interim			2.7p			
per preference share			1.75p			

1st interim dividend declared for the year ended 31 December 2021 of 2.7 pence per ordinary share payable on 24 June 2021 to shareholders on the register at 11 June 2021. A preference dividend of 1.75 pence will be paid to preference shareholders on the same date.

*Basic net assets are calculated using a value of fully diluted net asset value for the preference shares.

Net asset and dividend growth





Distribution of investments and cash

Distribution of investments and cash balances:

	At valuation		
	21 May 2021 £000	31 December 2020 £000	31 December 2019 £000
Investment Trusts (equities)	2,202	2,233	2,994
Biotechnology	3,555	2,054	1,206
Biomedical – USA	1,711	1,935	2,323
Transport	61	71	99
Healthcare	83	45	–
Food retail	30	41	25
Media	60	26	20
Other Financial	82	23	23
Pharmaceuticals and healthcare	9	4	6
Financial services	7	3	5
Support services	–	–	2
Retail	178	–	–
Total quoted equities	7,978	6,435	6,703
Unquoted - Biotechnology	1	1	1
Unquoted subsidiaries*	5,487	5,719	5,335
	13,466	12,155	12,039
Balances at banks and stockbrokers	171	394	2,504
	13,637	12,549	14,543

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

*The majority of the total assets of the subsidiaries comprise loans due from the parent company or fellow subsidiaries (£5.0 million, 2019 – £4.4 million) with the balance split approximately between 1% UK quoted investments, 31% overseas quoted investments excluding overseas options treated as creditors, 2% UK commercial property unit trusts and 9% fair value of film rights.

Investment portfolio

At 31 December 2020

Company	Nature of business	Valuation £000	% of Portfolio
Geron Corporation (USA)	Biomedical	1,935	15.92
Lineage Cell Therapeutics (USA)	Biotechnology	1,931	15.89
Dunedin Income Growth	Investment Trust	1,525	12.55
Aberdeen Diversified Income & Growth Trust	Investment Trust	708	5.82
AgeX (USA)	Biotechnology	113	0.93
Braemar Shipping Services	Transport	71	0.58
Relief Therapeutics (Switzerland)	Healthcare	45	0.37
B.S.D. Crown	Food retail	41	0.34
Audioboom Group	Media	26	0.22
ADVFN	Other Financial	23	0.19
Northwest Biotherapeutics	Biotechnology	6	0.05
Proteome Sciences	Pharmaceuticals	4	0.03
Reneuron Group	Biotechnology	4	0.03
Sherborne	Financial services	3	0.02
Sarossa Capital (unlisted)	Biotechnology	1	0.01
Investments (excluding subsidiaries)		6,436	52.95
Investment in subsidiaries		5,719	47.05
Total investments		12,155	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 2020, nil% 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.

Five year record

Capital

At 31 December	Equity shareholders' funds £000	Net asset value per share (diluted) pence	Share price pence	Premium (diluted) %
2016	22,682	64.8	95.0	46.6
2017	15,534	44.4	70.0	57.7
2018	7,919	22.6	47.5	110.2
2019	6,504	18.6	44.5	139.5
2020	6,720	19.2	34.5	79.7

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
2016	2,263	1,507	4.31	3.26	8.40
2017	2,732	2,245	6.41	4.18	8.60
2018	3,056	2,520	7.21	5.92	8.70
2019	1,243	914	2.61	8.64	2.70
2020	1,372	908	2.59	9.71	2.70

Earnings per ordinary share (diluted) is based on the revenue column of the 'Profit/(loss) 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. The increase in 2020 is mainly due to the decrease in shareholders' funds at the end of the year 2019 as opposed to any substantial increase in costs. The absolute level of total expenses has increased by 3.1% in 2020 compared to the prior financial year.

Cumulative performance (2015=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
2015	100	100	100	100	100
2016	85	110	109	107	117
2017	66	129	89	127	132
2018	40	114	68	117	120
2019	43	144	78	145	142
2020	49	132	66	135	129

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, which 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.

S172 Statement

The directors of the company act in a way that they consider to be:
• in good faith,
• likely to promote the success of the company and;
• to the benefit of its members as a whole.

The board considers that all the directors have regard for the long term objectives of the company, meet at regular intervals throughout the year to discuss these objectives, and ensure that they remain on track. The directors aim to maintain a reputation for conducting business at a high standard and maintaining that standard for future years.

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 7.

Investment policy

The company's stated investment policy, as approved at the Annual General Meeting held on 27 June 2017, is to invest 'predominantly in investment trusts and other leading UK and US-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.

<u>Investment Policy</u>

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

<u>Asset Allocation</u>

Equities

The majority of the UK equity element of the portfolio will be invested in listed investment trusts, unit trusts and other

Business review (continued)

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 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 20 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 investment trusts and other leading UK and US-quoted companies.

Investments are self-managed. The portfolio currently consists of a diversified list of around 9 UK quoted companies, investment in subsidiaries (47.1% of the portfolio), 6 overseas quoted companies and one UK unquoted holding.

Historically, investments in other investment trusts have accounted for approximately 50 (currently 19) percent of the total portfolio with the balance being invested in a selection of leading quoted companies and other investments to provide opportunities for capital growth and income generation. Currently, these individual exposures are in US biomedical (15.9%) and biotechnology (16.9%). The other investments have often been concentrated in a small number of companies, typically in the finance, software and computer services, media, transport and support services.

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 company currently does not hedge against currency fluctuations.

At 31 December 2020 the company's current liabilities included a bank loan of £687,000 (2019 – £2,635,000) and trade and other payables of £3,003,000 (2019 – £3,617,000).

Business review (continued)

At 31 December 2020 the company's net gearing was 4.36% (2019 – 2.01%).

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 nil% 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.

Performance

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

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

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

A historical record of these measures is shown on pages 8, 9 and 12.

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 7. Information on movements in the NAV and on investments since the year end is included on pages 8 and 10 respectively.

Discount/premium

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.

Principal risks and uncertainties

The principal risks facing the company relate to its investment activities and include market risk (other price risk, interest rate risk and currency risk), liquidity risk, gearing risk and credit risk. An explanation of these risks and how they are managed is contained in note 19 to the accounts on pages 50 to 54. The other principal risks to the company are loss of investment trust status 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.

Business review (continued)

Financials

The financial highlights for the year under review are as follows: the net asset value per share assuming conversion of the preference shares increased by 3.3% on a diluted basis during the year, compared to a decrease in the benchmark (FTSE All Share) of 12.5%, ordinary share dividends remained at 2.7p per share and the premium of the share price over the net asset value per share assuming conversion of the preference shares moved from 139.5% to 79.7% at the year end.

Political Risk

The Brexit transition period of the UK's withdrawal from the EU ended on 31 December 2020, terminating British membership of the EU single market and customs union. The impact of leaving the EU single market is being closely monitored and considered by the board as it may have practical consequences for the company.

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 2020, the Board consisted of four men. The Board's statement on diversity is set out in the Statement of Corporate Governance on page 59.

Viability Statement

In making its assessment, the board is aware that there are other matters that could have an impact on the Company's viability in the future, including a greater than anticipated economic impact of the spread of the Coronavirus.

In accordance with provision 31 of the UK Corporate Governance Code, published by the Financial Reporting Council in July 2018, 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, takes 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 60 and 61.

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

Business review (continued)

Employee, social, human rights, economic and environmental responsibility (continued)

The number of directors and employees during the year were 11 (2019 – 11).

	2020		2019	
	Male	Female	Male	Female
Directors (non-executive)	3	0	3	0
Directors (executive)	1	0	1	0
Employees	1	6	1	6

ISAs

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

Common Reporting Standards

Shareholders may receive requests for personal information to comply with legal obligations introduced to reduce tax evasion by a piece of legislation, The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information ('The Common Reporting Standard'), which 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 2020 have been sent a certification form for the purposes of collecting the information. While it is not compulsory that shareholders 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

For dividends paid on or after 6 April 2018 the dividend tax-free allowance of £5,000 was reduced by £3,000 to £2,000. 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 17, was approved by the board and signed on its behalf by:

J C Woolf
Director
27 May 2021

Directors' report

For the year ended 31 December 2020

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 2020.

Basis of reporting the financial statements

Shareholders should note that, we are presenting single company accounts under IFRS (International Financial Reporting Standards). In accordance with IFRS 10, the group is not permitted 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 subsequent revisions) 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 54 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 17. 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 seventy third Annual General Meeting of the company to be held on Tuesday 29 June 2021.

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 2020.

	Revenue	Capital	Total
	£000	£000	£000
Profit before tax	879	158	1,037
Tax	29	–	29
Profit after tax	908	158	1,066

Dividends	Pence per share	£000
Interim per £1 ordinary share (paid 10 December 2020)	2.7	675
3.5% preference share paid (paid 10 December 2020)	1.75	175
Final per £1 ordinary share (proposed)	–	–
3.5% preference share	–	–
		850

Directors and their interests

The present directors of the company are as set out on page 1. Having served as a director since 1996 Mr DG Dreyfus, being eligible, retires and offers himself for re-election. The Board recommends his re-election. At the time of the Annual General Meeting Mr DG Dreyfus will have completed more than 25 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 remains independent. It is confirmed that, following formal evaluation, the performance of the director continues to be effective and continues to demonstrate commitment to the role.

The directors during the year ended 31 December 2020 had interests in the shares of the company as follows:

	2020		2019	
	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	–
DG Seligman	–	–	–	–
A Tamlyn	–	–	–	–
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%) (2019 – 6,902,812 (27.6%)) ordinary shares held by Romulus Films Limited, 7,868,750 (31.5%) (2019 – 7,868,750 (31.5%)) ordinary shares held by Remus Films Limited and 1,000,000 (4.0%) (2019 – 1,000,000 (4.0%)) ordinary shares held by PKL Pictures Limited. Romulus Films Limited also holds 10,000,000 cumulative convertible preference shares (2019 – 10,000,000). Mediterranean Holdings Ltd has also notified an interest in all the holdings of Romulus Films Limited and Remus Films Limited.

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

Other information

In addition to the directors’ interests in shares detailed above, at 27 May 2021 the directors had been notified of the following interests of 3% or more of either class (these interests relate to the ordinary shares of the company):

	Number of shares held 27 May 2021	%	Number of shares held 31 December 2020	%
Lady Lever of Manchester	1,186,562	4.7	1,186,562	4.7

Share Capital

Capital Structure

The company's capital comprises £35,000,000 (2019 – £35,000,000) being 25,000,000 ordinary shares of £1 (2019 – 25,000,000) and 10,000,000 non-voting convertible preference shares of £1 each (2019 – 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 (above the rate of 3.5% per annum) if there are unpaid arrears of the preference shares dividend.

Capital entitlement

On a winding up, after meeting the liabilities of the company the surplus assets will be distributed as follows:

(i) firstly, any arrears of preference shares fixed rate dividend

(ii) secondly, an amount equal to the nominal value of the ordinary and preference shares to be paid pari passu

(iii) lastly, the balance of surplus assets to be paid rateably to the ordinary shares.

Voting

The preference shares shall not have any right to vote unless the business of the meeting includes consideration of any resolution for the winding up of the company, purchase by the company of any of its own shares, or a reduction of the capital, or a varying of the rights of the preference shares.

On a show of hands, every ordinary shareholder (or preference shareholder in the situations described in the above paragraph) present in person (or, being a corporation, by a representative) has one vote and upon a poll every shareholder present has one vote for every share, and a proxy has one vote for every share. Information on the deadlines for proxy appointment is shown on page 67.

Conversion

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

Purchase of shares

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

Directors' & officers' liability insurance cover

Directors' & officers' liability insurance cover has been maintained by the board and it is intended that this policy will continue for the year ended 31 December 2021 and subsequent years.

Directors' indemnities

As at the date of this report, indemnities are in force between the company and each of its directors under which the company has agreed to indemnify each director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out his role as a director of the company. The directors are also indemnified against the costs of

Directors' indemnities (continued)

defending any criminal or civil proceedings or any claim by the company or a regulator as they are incurred provided that where the defence is unsuccessful the director must repay those defence costs to the company. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006. A copy of each deed of indemnity is available for inspection at the company's registered office during normal business hours.

Directors' remuneration report

The Directors' remuneration report is set out on pages 62 to 66. An ordinary resolution to approve the report will be put to shareholders at the company's next Annual General Meeting.

Corporate Governance

The Corporate Governance Statement on pages 55 to 61 (which forms part of this directors' report) and the contents of the directors' report constitutes the statement on the application by the company of the principles of the UK Corporate Governance Code.

Greenhouse gas emissions

As an investment company the company has no greenhouse gas emissions to report from its operations for the year ended 31 December 2020 (2019 – same) nor does it have responsibility for any other emissions producing sources. The company does not purchase electricity, heat, steam or cooling for its own use. It is located in serviced offices and it would not be practical for the company to obtain this information.

Bribery Act 2010

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

Statement of disclosure of information to auditors

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

Directors' responsibility statement

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

Auditors

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

Jonathan Woolf
Managing Director

Wessex House
1 Chesham Street
London SW1X 8ND
27 May 2021

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

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

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

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

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

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

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

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

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

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

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

Opinion

We have audited the company financial statements of British & American Investment Trust PLC (the ‘company’) for the year ended 31 December 2020, which comprise the income statement, statement of changes in equity, statement of financial position, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

• give a true and fair view of the state of the company’s affairs as at 31 December 2020 and of its profit for the year then ended;
• have been properly prepared in accordance with IFRSs as adopted by the European Union; and
• have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the company’s business and is risk-based. The day-to-day management of the company’s investment portfolio and the maintenance of the company’s accounting records is managed internally, with the custody of its investments outsourced to third-party service providers. Accordingly, our audit work is focused on obtaining an understanding of, and evaluating, internal controls at the company and inspecting records and documents held by the third-party service providers. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

In making this assessment we have considered the directors’ procedures for overseeing the activities of the company and reviewing its results and forecasts. The application of those procedures has been supported by us reviewing Board minutes and other accessible documentation which confirm that the directors regularly benchmark key performance indicators which include but is not restricted to, comparing performance against the FTSE 100 and All Share indices, frequent monitoring of available funds, anticipated cash outflows and financial headroom.

In conjunction with the evaluation of management’s assessment of going concern, we have observed that resources are carefully planned and managed with the intention of ensuring that the company has sufficient resources available and accessible to ensure that the company’ commitments and obligations are capable of being met as they fall due.

In relation to the entities reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the director’s considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our approach to the audit

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified as valuation, ownership and existence of investments; valuation of unquoted investments; completeness accuracy of related party transactions disclosure; and investment trust status. Revenue recognition and management override of controls are always regarded as audit risks.

Audit risk	How we responded to the risk
Management override of controls Under ISA 240 there is a presumption that the risk of management override of controls is always present.	Our audit work included, but was not restricted to: • Reviewing material estimates, judgements and decisions made by management; and • Journal testing on all material manual journals. The company’s accounting policies in respect of material estimates and judgements are set out in note 1 (a).
Revenue recognition Under ISA 240 there is always a presumed risk that revenue may be misstated due to the improper recognition of revenue. In particular we identified completeness and occurrence of investment income as a risk that requires particular audit attention.	Our audit work included, but was not restricted to: • Assessing whether the company's accounting policy for revenue recognition is in accordance with IAS 18 ‘Revenue’; • Obtaining an understanding of management’s process to recognise revenue in accordance with the stated accounting policy; • Testing income transactions by comparing dividends during the year obtained from an independent source with those recognised by the company; • Testing gains and losses on investments to third party contracts; • Performing cut-off testing of dividend income around the year end; and • Checking the classification of special dividends as either revenue or capital receipts. For 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.

Valuation, ownership and existence of quoted investments

The company's business is investing predominantly in investments 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 investment additions and disposals to contracts and bank statements; and
- Confirming investment holdings to either third party confirmations, direct investee confirmations 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 ownerships of investments as a significant issue in its report on page 57, where the Committee also described the action that it has taken to address this risk.

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 certain classic films. The valuation of the underlying film 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;
- Considering whether the underlying film rights have been valued in accordance with the stated accounting policy in Note 1 on page 36; and
- 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 9. The Audit Committee identified the valuation and ownership of investments as a significant issue in its report on page 57, where the Committee also described the action that it has taken to address this matter.

Investment Trust status

In order to remain tax exempt the criteria of an investment trust must be met. This includes a 15% limit on retention of revenue income after dividends and revenue expenses and a minimum of 35% of its shares must be publicly traded on a recognised stock exchange.

Our audit work included, but was not restricted to:

- Reviewing calculations to ensure of that no more than 15% of revenue income was retained after dividends and revenue expenditure;
- Reviewing the shareholders' register to ensure that at least 35% of the shares were not held by a related party; and
- Obtaining an Audit Representations Letter from the company's directors confirming that they complied with the applicable rules.

The company's consideration of dividends for the purposes of investment trust status are set out in Note 8, page 42.

Completeness and accuracy of related party transactions disclosure

As disclosed in Note 17 on pages 48 and 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 disclosure 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 the 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 the company's records.

The company's disclosures of related party transactions are included in Note 17 to the financial statements.

Our application of materiality

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

We established materiality for the financial statements as a whole to be £127,000, which is 1.0% of the value of the company's total assets (exc. amounts due with group undertakings). For income and expenditure items we determined that misstatements of lesser amounts than materiality for the financial statements as a whole would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. Accordingly, we established materiality for revenue items within the income statement to be £61,000, which is 10% of the company's net return on ordinary activities before taxation, excluding gains on investments at fair value.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

• Fair, balanced and understandable - the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

• Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

• Directors' statement of compliance with the UK Corporate Governance Code - the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditors in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

• the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;

• the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;

• the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and

• information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

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.

We have nothing to report in respect of the following:

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

• adequate accounting records have not been kept, 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 parts of the statement on corporate governance relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for review; and

• certain elements of the report to shareholders by the Board on directors' remuneration.

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

• the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated;

• 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 directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' 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;

• whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R (3) is materially inconsistent with our knowledge obtained in the audit; or

• 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 the assessment, including any related disclosure drawing attention to any necessary qualifications or assumptions.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 22, the directors are responsible for the; preparation of the financial statements and for being satisfied that they give a true and fair view, and. for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going Concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that, includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

The audit evidence available in relation to the investment portfolio and associated returns are publicly available and considered to be strong sources of audit evidence. Ownership of investments has been verified by reference to this information.

The nature of the company’s activities means that overheads are generally consistent and predictable and where unexpected variances occur, adequate evidence is available.

Our audit work, which utilises the above audit evidence along with the audit procedures outlined in our description of our approach to the audit above, provides us with a reasonable assurance that our audit procedures will detect irregularities, including fraud.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Other matters which we are required to address

We were appointed by the Audit Committee on 27 June 2017. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is four years.

The non-audit services prohibited by the FRC’s Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Other than those disclosed in the corporate governance report, we have provided no non-audit services to the Company in the period from 1 January 2020 to 31 December 2020.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

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 auditors' 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.

Scott Lawrence
Senior Statutory Auditor
For and on behalf of Hazlewoods LLP
Statutory Auditor
Cheltenham
27 May 2021

Income statement

For the year ended 31 December 2020

	Notes	2020 Revenue return £000	2020 Capital return £000	2020 Total £000	2019 Revenue return £000	2019 Capital return £000	2019 Total £000
Investment income	2	1,372	–	1,372	1,243	–	1,243
Holding gains on investments at fair value through profit or loss	9	–	1,388	1,388	–	1,657	1,657
Losses on disposal of investments at fair value through profit or loss*	9	–	(960)	(960)	–	(1,113)	(1,113)
Foreign exchange (losses)/gains		(44)	(13)	(57)	53	(57)	(4)
Expenses	3	(400)	(242)	(642)	(381)	(242)	(623)
Profit before finance costs and tax		928	173	1,101	915	245	1,160
Finance costs		(49)	(15)	(64)	(53)	(49)	(102)
Profit before tax		879	158	1,037	862	196	1,058
Tax	6	29	–	29	52	–	52
Profit for the year		908	158	1,066	914	196	1,110
Earnings per share							
Basic - ordinary shares	7	2.23p	0.63p	2.86p	2.26p	0.78p	3.04p
Diluted - ordinary shares	7	2.59p	0.45p	3.04p	2.61p	0.56p	3.17p

The company does not have any income or expense that is not included in the profit/(loss) for the year. Accordingly, the ‘Profit for the year’ is also the ‘Total Comprehensive Income for the year’ 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 54 form part of these financial statements.

*Losses on disposal of investments at fair value through profit or loss include Losses on sales of £613,000 (2019 – £1,274,000 losses) and Losses on provision for liabilities and charges of £347,000 (2019 – £161,000 gains).

Statement of changes in equity

For the year ended 31 December 2020

	Notes	Share capital £000	Capital reserve £000	Retained earnings £000	Total £000
Balance at 31 December 2018		35,000	(28,802)	1,721	7,919
Changes in equity for 2019					
Profit for the period		–	196	914	1,110
Ordinary dividend paid	8	–	–	(2,175)	(2,175)
Preference dividend paid	8	–	–	(350)	(350)
Balance at 31 December 2019		35,000	(28,606)	110	6,504
Changes in equity for 2020					
Profit for the period		–	158	908	1,066
Ordinary dividend paid	8	–	–	(675)	(675)
Preference dividend paid	8	–	–	(175)	(175)
Balance at 31 December 2020		35,000	(28,448)	168	6,720

Balance sheet

31 December 2020

Registered number: 00433137

	Notes	2020 £000	2019 £000
Non - current assets			
Investments - fair value through profit or loss	9	6,436	6,704
Subsidiaries - fair value through profit or loss	9	5,719	5,335
		12,155	12,039
Current assets			
Receivables	11	1,605	1,588
Cash and cash equivalents		394	2,504
		1,999	4,092
Total assets		14,154	16,131
Current liabilities			
Trade and other payables	12	3,003	3,617
Bank loan	12	687	2,635
		(3,690)	(6,252)
Total assets less current liabilities		10,464	9,879
Non - current liabilities	13	(3,744)	(3,375)
Net assets		6,720	6,504
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	(28,448)	(28,606)
Retained revenue earnings	15	168	110
Total equity		6,720	6,504

The notes on pages 34 to 54 form part of these financial statements.

The financial statements on pages 30 to 54 were approved by the board of directors on 27 May 2021.

Jonathan Woolf

Managing Director

Cash flow statement

For the year ended 31 December 2020

	2020 £000	2019 £000
Cash flow from operating activities		
Profit before tax	1,037	1,058
Adjustment for:		
Gains on investments	(428)	(544)
Proceeds on disposal of investments at fair value through profit or loss	2,619	16,316
Purchases of investments at fair value through profit or loss	(2,415)	(14,521)
Interest paid	64	102
Operating cash flows before movements in working capital	877	2,411
Decrease in receivables	34	2,417
Decrease in payables	(192)	(363)
Net cash from operating activities before interest	719	4,465
Interest paid	(31)	(97)
Net cash flows from operating activities	688	4,368
Cash flows from financing activities		
Dividends paid on ordinary shares	(675)	(1,778)
Dividends paid on preference shares	(175)	(175)
Bank loan	(1,948)	(155)
Net cash used in financing activities	(2,798)	(2,108)
Net (decrease)/increase in cash and cash equivalents	(2,110)	2,260
Cash and cash equivalents at beginning of year	2,504	244
Cash and cash equivalents at end of year	394	2,504

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

1 Accounting policies

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

a) Basis of preparation and statement of compliance
The 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 issued by the Association of Investment Companies (AIC) in October 2019 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 that 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 being the currency of the primary economic environment within which the company operates. There are no foreign operations.

1 Accounting policies (continued)

Future standards in place but not yet effective.

At the date of authorisation of these financial statements, the following Standards were effective for annual periods beginning on or after 1 January 2021:

Amendments to IFRS 17 and IFRS 4, 'Insurance contracts' deferral of IFRS 9 – These amendments defer the date of application of IFRS 17 by 2 years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform-Phase 2 – The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

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

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.

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 official quoted market closing 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.

1 Accounting policies (continued)

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 & 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, including 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 an allowance for doubtful debt is made for any amounts owed to the company by that subsidiary undertaking. A provision is also made on the balance sheet where the company has made guarantees to pay liabilities of that subsidiary 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.

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% (2019 - 50%) to revenue and 50% (2019 - 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.

1 Accounting policies (continued)

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.

j) Hedge Accounting

During the year, the company has created a currency hedge for its US$ loan position. The relationship between the hedging instrument, being amounts owed by subsidiary undertakings, and the hedged item, being US$ bank loans, along with its risk management objectives of managing currency exposures arising from the translation of balances at the period end to pounds sterling, was formally documented on 18 March 2020 with the additional condition (Sources of ineffectiveness) documented on 10 June 2020. Since this date and on an ongoing basis, the company was documenting whether the hedging instrument is highly effective in offsetting changes in fair values of the hedged item arising from foreign exchange differences. The foreign exchange gain or loss on the hedging instrument was taken to the income statement and offset against the foreign exchange gain or loss on the hedged item. The net gain or loss was allocated between capital and revenue in line with the accounting policy set out above for bank borrowings and finance charges. The repayment of $2,500,000 of the loan during the year has led to hedge ineffectiveness in offsetting changes in fair values of the hedged item arising from foreign exchange differences and as a result hedge accounting has been discontinued and the net gains and losses arising on amounts owed by subsidiary undertakings followed the treatment of the underlying instrument and have been recognised within the company’s capital reserve.

1 Accounting policies (continued)

k) 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.

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

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

2 Income

	2020	2019
Income from investments	£000	£000
UK dividends	221	938
Overseas dividends	–	173
Dividend from subsidiary	1,066	74
	1,287	1,185
Other income	85	58
Total income	1,372	1,243
Total income comprises:		
Dividends	1,287	1,185
Other interest	85	58
	1,372	1,243
Income from investments:		
Listed investments	221	1,111
Unlisted investments	1,066	74
	1,287	1,185

2 Income (continued)

Of the £1,287,000 (2019 – £1,185,000) dividends received, £90,000 (2019 – £879,000) related to special and other dividends received from investee companies that were bought after the dividend announcement. There was a corresponding capital loss of £324,000 (2019 – £1,027,000), 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 £84,000 (2019 – £106,000) received by the subsidiary British & American Films Limited and property unit trust income of £14,000 (2019 – £14,000) received by the subsidiary BritAm Investments Limited are shown separately in this paragraph.

3 Administrative expenses	2020 £000	2019 £000
Staff costs – including executive director (Notes 4 and 5)	467	462
Non-executive directors fees (Note 4)	57	57
Auditors' remuneration:		
audit of the company's financial statements	33	29
audit of the subsidiary's financial statements	2	2
taxation compliance	4	5
other non-audit services	5	5
Other	62	52
Irrecoverable VAT	12	11
	642	623

4 Directors' remuneration

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

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

5 Staff costs

	2020	2019
	£000	£000
Wages and salaries	361	358
Social security costs	49	49
Pensions and post-retirement benefits	57	55
	467	462

The average number of persons (including the executive director) employed during the year was 8 (2019 – 8).

	2020	2019
	Number	Number
Investment	2	2
Administration	6	6
	8	8

6 Tax

The tax credit for the year is £29,000 (2019 – £52,000) being losses surrendered to the company's subsidiaries at 19%. Allowable expenses of the company exceed taxable income.

Corporation tax is calculated at 19% (2019 – 19%) 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 19% (2019 – 19%). Therefore part of the excess of management expenses of the company is surrendered as group relief against profits in the subsidiaries at their 19% tax rate.

6 Tax (continued)

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

	2020			2019		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Total profit before tax	879	158	1,037	862	196	1,058
Tax at the UK corporation tax rate of 19% (2019 - 19%)	(167)	(30)	(197)	(164)	(37)	(201)
Tax effect of non-taxable and dividends in specie	245	–	245	225	–	225
Gains on investments that are not taxable	–	81	81	–	103	103
Tax effect of income not deductible in determining taxable profit	–	–	–	5	–	5
Adjustments arising on the difference between taxation and accounting treatment of expenses	51	(51)	–	66	(66)	–
Unrelieved tax losses	(100)	–	(100)	(80)	–	(80)
Tax credit	29	–	29	52	–	52

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 and non-trade loan relationship deficit which will generate a tax asset of £355,757 (2019 – £255,807) 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:

	2020			2019		
	Revenue return £000	Capital return £000	Total £000	Revenue return £000	Capital return £000	Total £000
Earnings:						
Basic	558	158	716	564	196	760
Preference dividend	350	–	350	350	–	350
Diluted	908	158	1,066	914	196	1,110

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 (2019 – 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 (2019 – 35 million) ordinary and preference shares in issue.

8 Dividends

	2020 £000	2019 £000
Amounts recognised as distributions to ordinary shareholders in the period		
Dividends on ordinary shares:		
Final dividend for the year ended 31 December 2019 of 0.0p (2018 – 6.0p) per share	–	1,500
Interim dividend for the year ended 31 December 2020 of 2.7p (2019 – 2.7p) per share	675	675
	675	2,175
Proposed final dividend for the year ended 31 December 2020 of 0.0p (2019 – 0.0p) per share	–	–

	2020 £000	2019 £000
Dividends on 3.5% cumulative convertible preference shares:		
Preference dividend for the 6 months ended 31 December 2019 of 0.00p (2018 – 1.75p) per share	–	175
Preference dividend for the 6 months ended 30 June 2020 of 1.75p (2019 – 1.75p) per share	175	175
	175	350
Proposed preference dividend for the 6 months ended 31 December 2020 of 0.00p (2019 – 0.00p) per share	–	–

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:

	2020	2019
	£000	£000
Dividends on ordinary shares:		
Interim dividend for the year ended 31 December 2020		
of 2.7p (2019 – 2.7p) per share	675	675
Proposed final dividend for the year ended 31 December 2020		
of 0.0p (2019 – 0.0p) per share	–	–
	675	675
Dividends on 3.5% cumulative convertible preference shares:		
Preference dividend for the year ended 31 December 2020		
of 1.75p (2019 – 1.75p) per share	175	175
Proposed preference dividend for the year ended 31 December 2020		
of 0.00p (2019 – 0.00p) per share	–	–
	175	175

The non-payment in December 2019 and in December 2020 of the dividend of 1.75 pence per share on the 3.5% cumulative convertible preference shares, consequent upon the non-payment of a final dividend on the Ordinary shares for the year ended 31 December 2019 and for the year ended 31 December 2020, has resulted in arrears of £350,000 on the 3.5% cumulative convertible preference shares. These arrears will become payable in the event that the ordinary shares receive, in any financial year, a dividend on par value in excess of 3.5%.

1st interim dividend declared for the year ended 31 December 2021 of 2.7 pence per ordinary share payable on 24 June 2021 to shareholders on the register at 11 June 2021. A preference dividend of 1.75 pence will be paid to preference shareholders on the same date.

9 Investments – fair value through profit or loss

	2020	2019
	£000	£000
Investments quoted on a recognised investment exchange	6,436	6,704
Unquoted investments		
– Subsidiary undertakings (Note 10)	5,719	5,335
	12,155	12,039

BritAm Investment Limited, being the subsidiary of the company, owns 100% of British & American Films Limited. British & American Films Limited owns film rights to four longstanding commercially released films which generate royalty income (see note 2 on page 39). Film rights are valued at fair value £726,512 (2019 – £651,341).

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

December 2019	Quoted in UK £000	Quoted overseas £000	Unlisted* £000	Total £000
Opening cost	4,023	12,804	7,003	23,830
Investment holding gains/(losses)	792	(8,905)	(1,726)	(9,839)
Opening fair value at 1 January 2019	4,815	3,899	5,277	13,991
Purchases at cost	14,521	–	–	14,521
Sales – proceeds	(15,807)	(1,041)	(8)	(16,856)
– losses on sales	(818)	(456)	–	(1,274)
Increase in investment holding gains	468	1,123	66	1,657
Closing fair value	3,179	3,525	5,335	12,039
Closing cost	2,401	10,060	6,996	19,457
Investment holding gains/(losses)	778	(6,535)	(1,661)	(7,418)
Closing fair value at 31 December 2019	3,179	3,525	5,335	12,039

December 2020	Quoted in UK £000	Quoted overseas £000	Unlisted* £000	Total £000
Opening cost	2,401	10,060	6,996	19,457
Investment holding gains/(losses)	778	(6,535)	(1,661)	(7,418)
Opening fair value at 1 January 2020	3,179	3,525	5,335	12,039
Purchases at cost	2,353	62	–	2,415
Sales – proceeds	(2,549)	(525)	–	(3,074)
– losses on sales	(469)	(144)	–	(613)
Decrease/(increase) in investment holding gains/(losses)	(109)	1,113	384	1,388
Closing fair value	2,405	4,031	5,719	12,155
Closing cost	2,064	8,517	6,996	17,577
Investment holding gains/(losses)	341	(4,486)	(1,277)	(5,422)
Closing fair value at 31 December 2020	2,405	4,031	5,719	12,155

*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 £21,168 (2019 – £119,802) being £18,723 (2019 – £105,958) on purchases and £2,445 (2019 – £13,844) on sales.

Gains/(losses) on investments

	2020	2019
	£000	£000
Losses on disposal	(1,221)	(1,994)
Losses on disposal recognised in prior years	608	720
	(613)	(1,274)
(Losses)/gains for provision for liabilities and charges	(347)	161
	(960)	(1,113)
Investment holding gains in the year	1,388	1,657
	428	544

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 & 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 & 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 investor 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 intercompany 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

	Note	2020	2019
		£000	£000
Amount owed by subsidiary undertakings		4,369	4,410
Amounts due by related parties		39	–
Allowance for doubtful debt	13	(2,838)	(2,860)
Prepayments and accrued income		16	20
Other debtors		19	18
		1,605	1,588

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

12 Current liabilities

(a) Trade and other payables

	2020	2019
	£000	£000
Other taxes and social security	5	7
Other payables	630	629
Amounts due to related parties	276	544
Amounts owed to subsidiary undertakings	2,044	2,397
Accruals and deferred income	48	40
	3,003	3,617

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

(b) Bank loan

	2020	2019
	£000	£000
	687	2,635

At 31 December 2020 the company has drawn down the sterling equivalent of £687,000 (2019 – £2,635,000) at an annual rate of 1.00 percent above either the Swiss Average Rate Overnight (SARON) (2019 - 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 2020 investments with a fair value of £5,482,521 (2019 – £4,189,994) have been deposited with Credit Suisse as collateral.

13 Non - current liabilities

Guarantee of subsidiary liability

	2020	2019
	£000	£000
Opening provision	3,375	6,396
Increase/(decrease) in period	347	(161)
Transfer to allowance for doubtful debt	22	(2,860)
Closing provision	3,744	3,375

13 Non - current liabilities (continued)

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 & 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.

During 2019 as part of a transaction to hedge the company against exchange effects of the foreign currency loan (note 12(b)), an amount corresponding to the $USD value was loaned by British & American Investment Trust PLC to Second BritAm Investments Limited. As a result of this, and other related intercompany transactions, £2,860,000 of amounts previously guaranteed became an asset of the company, as shown in note 11, and the provision brought forward against this was transferred to become an allowance against doubtful debt.

14 Share capital

	2020 £000	2019 £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 20.

15 Retained earnings and capital reserves

	Capital reserve £000	Retained earnings £000
1 January 2019	(28,802)	1,721
Allocation of profit for the year	196	914
Ordinary and preference dividends paid	–	(2,525)
31 December 2019	(28,606)	110
1 January 2020	(28,606)	110
Allocation of profit for the year	158	908
Ordinary and preference dividends paid	–	(850)
31 December 2020	(28,448)	168

The capital reserve includes £5,422,000 of investment holding losses (2019 – £7,418,000 losses) (see note 9 on page 44).

16 Net asset values

	Net asset value per ordinary share	
	2020	2019
Ordinary shares	£	£
Diluted	0.19	0.19
Undiluted	0.19	0.19

	Net assets attributable	
	2020	2019
	£000	£000
Total net assets	6,720	6,504
Less convertible preference shares at fully diluted value	(1,920)	(1,858)
Net assets attributable to ordinary shareholders	4,800	4,646

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

17 Related party transactions

Romulus Films Limited and Remus Films Limited are companies that have significant shareholdings in the company (see page 19) and of which Mr JC Woolf is a director. 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 £29,998 (2019 – £33,482) in respect of those services.

The salaries and pensions of the company's employees, except for the three (2019 – three) non-executive directors and one employee (2019 – one), 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 2020 were £384,925 (2019 – £380,454) in respect of salary costs and £42,604 (2019 – £41,160) in respect of pensions. During the year the company made a recharge of £5,000 (2019 – £5,000) of director's salary to BritAm Investments Limited and £5,000 (2019 – £5,000) to British & American Films Limited.

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

At the year end the amounts of £nil (2019 – £390,065) and £275,674 (2019 – £154,346) were due to Romulus Films Limited and Remus Films Limited respectively and the amount of £38,782 (2019 – £nil) was due from Romulus Films Limited. At the year end Other payables included amounts of £359,688 (2019 – £359,688) and £212,456 (2019 – £212,456) due to Romulus Films Limited and Remus Films Limited respectively relating to the interim dividend payable.

During the year BritAm Investments Limited paid dividends of £1,066,000 (2019 – £74,000) to the parent company, British & American Investment Trust PLC.

As disclosed in note 13 on page 46, British & American Investment Trust PLC has guaranteed the liabilities of £4,500,769 (2019 – £3,530,146) of Second BritAm Investments Limited to its fellow subsidiaries if they should fall due. Additionally a provision has been made of £2,838,061 (2019 - £2,859,956) for amounts due from Second BritAm Investments Limited to British & American Investment Trust PLC.

17 Related party transactions (continued)

During the year the company paid interest of £34,000 (2019 – £5,000) on the loan due to BritAm Investments Limited and which is included in the balance at 31 December 2020.

During the year the company received interest of £26,000 (2019 – £20,000) from British & American Films Limited, £59,000 (2019 – £17,000) from Second BritAm Investments Limited and £nil (2019 – £19,000) from BritAm Investments Limited.

During the year the company entered into investment transactions to sell stock for £nil (2019 – £540,141) to British & American Films Limited and for £455,000 (2019 - £nil) to BritAm Investments Limited.

During the year the company surrendered group tax relief of £17,000 (2019 – £38,000) to British & American Films Limited and £12,000 (2019 – £14,000) to BritAm Investments Limited. These amounts are included as part of amounts owed by subsidiary undertakings in note 11 on page 46.

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

	2020	2019
	£000	£000
Name of the related party		
Receivables:		
British & American Films Limited	1,269	1,317
British & American Films Limited (Group Relief)	140	123
Second BritAm Investments Limited	2,838*	2,860*
BritAm Investments Limited (Group Relief)	122	110
Total	4,369	4,410
Payables:		
BritAm Investments Limited	2,044	2,397
Total	2,044	2,397

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

*The amount owed by Second BritAm Investments Limited of £2,838,000 (2019 – £2,860,000) has been provided for as a doubtful debt explained in note 13.

18 Deferred taxation

A deferred tax asset of £355,757 (2019 – £255,807) has not been recognised in respect of excess management expenses and non-trade loan relationship deficit 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, 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 and US-quoted companies to achieve a balance of income and growth. 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.

Other price risk

The company's exposure to other price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the company might suffer through holding positions in the face of unfavourable market price movements. The board has established investment parameters to adequately monitor the investment performance, status of the business and the inherent risk in managing a portfolio of investments. The board receives financial information monthly, meets generally 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:

	2020	2019
	£000	£000
Investments held at fair value through profit or loss	12,155	12,039
deduct Investment in subsidiary companies	(5,719)	(5,335)
	6,436	6,704

19 Risk management and other financial instruments (continued)

Details of the company investment portfolio at the year end are shown on page 11.

Other price risk sensitivity

A 10% increase in company portfolio valuations at 31 December 2020 would result in an increase of £644,000 (2019 – £670,000) 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 96.9% (2019 – 82.8%) 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 3.1% (2019 – 17.2%) of the company's financial assets, of which 0.0% are at fixed rate and 3.1% are at 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 2020 is shown below.

	2020		2019	
	Fair Value	Maturity	Fair Value	Maturity
Assets	£000		£000	
Floating rate				
Cash	394		2,504	
Total assets	394		2,504	
Weighted average interest rate	0.0%		0.0%	
(on fair value)				
Liabilities				
Bank loan	687	undated	2,635	undated
Total liabilities	687		2,635	
Weighted average interest rate	0.3%		2.5%	

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 2020 would have decreased the fair value of fixed interest securities and increased interest payments on bank loan and hence decreased total net assets by £15,000 (2019 – £11,000). 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 & 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 4% (2019 – 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 directors 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 with the balance split between UK quoted investments, overseas quoted investments, unquoted UK commercial property unit trusts and fair value of film rights.

Gearing

At 31 December 2020 the company has drawn down £687,000 (sterling equivalent) (2019 – £2,635,000) (sterling equivalent) of its credit limit with Credit Suisse, Zurich. At 31 December 2020 investments of fair value of £5,482,521 sterling equivalent (2019 – £4,189,994) have been deposited with the Credit Suisse 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 Sarossa Capital PLC (unquoted) with a year end fair value of £525 (2019 – £525), BritAm Investments Limited and Second BritAm Investments Limited (unquoted subsidiaries) with a year end fair value respectively of £5,718,705 (2019 – £5,335,103) and £nil (2019 – £nil) which are categorised as Level 3, all other investments £6,435,829 (2019 – £6,703,775) 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 10. 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

12% (2019 – 45%) of the company's assets and liabilities are in sterling. The foreign currency exposure is almost exclusively in five (2019 – six) 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.

	2020	2019
	£000	£000
US dollar		
Investments	4,030	3,524
Amounts owed by subsidiary undertakings	2,579	2,660
Bank loan	(687)	(2,635)
Net exposure	5,922	3,549
Total net assets	6,720	6,504

Currency risk sensitivity

At 31 December 2020, if sterling had strengthened by 5% in relation to the US dollar, with all other variables held constant, total net assets would have decreased by £282,000 (2019 – £169,000). Similarly, a 5% weakening of sterling against the US dollar, with constant other variables, would have increased total net assets by £312,000 (2019 – £187,000).

The companies exposure primarily relates to the investments held in US dollars, these investments are held for long term capital gain. As a result, any increase or decrease in fair value due to fluctuations in currency will be unrealised until such a time the investments are disposed of.

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 framework credit limit with Credit Suisse 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 13 to 15). 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:

	2020	2019
	£000	£000
Loan drawn down	687	2,635
Guarantee	3,744	3,375
	4,431	6,010

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

19 Risk management and other financial instruments (continued)

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 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:

		2020		2019
	Balance sheet	Maximum exposure	Balance sheet	Maximum exposure
	£000	£000	£000	£000
Current assets				
Receivables	1,605	1,605	1,588	1,588
Cash and cash equivalent	394	394	2,504	2,504
	1,999	1,999	4,092	4,092

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 £5,482,521 (2019 – £4,189,994) 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 2020 was £6,720,000 (2019 – £6,504,000).

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 provision of framework credit limit with Credit Suisse the credit limit can be used up to an amount equalling the collateral value of the collateral. The amount that is available is calculated by the bank in accordance with its valid lending guidelines and is constantly adjusted (as defined in the agreement).

Statement of Corporate Governance

For the year ended 31 December 2020

The Statement of Corporate Governance, which forms part of the Directors' report (page 21) is set out below. The following paragraphs describe the framework of internal controls in place to ensure that the company complies with the 2018 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 issued in February 2019. 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.

All the directors have access to the advice and services of the Company Secretary.

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

Number of meetings attended

	Board	Audit
DG Seligman	3/3	3/3
DG Dreyfus	3/3	3/3
A Tamlyn	3/3	3/3
JC Woolf	3/3	3/3*

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

All directors attended the Annual General Meeting.

Independence of the directors

The non-executive directors (Mr DG Dreyfus and Mr A Tamlyn) are independent and have no other relationships or circumstances which might be perceived to interfere with the exercise of independent judgement. Mr DG Dreyfus at the date of the Annual General Meeting, will have served on the board for more than twenty five years from the date of his 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 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 not subject to automatic reappointment. All non-executive directors are appointed for fixed terms of three years. In accordance with company's Articles of Association 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. However, the board has decided that all directors will retire annually in accordance with the current AIC Code. The board believes that each director has the necessary high level and range of investment and financial experience which enables the board to provide effective leadership and proper governance of the company.

Mr DG Seligman: A former director of merchant bank S.G. Warburg & Co Ltd in corporate finance and private equity advisory and currently chairman of a private equity company specialising in middle-sized European companies, Mr DG Seligman provides significant investment and managerial expertise to the board and to his role as chairman of the board.

Mr A Tamlyn: Partner and Head of Capital Markets EMEA at solicitors DLA Piper with wide-ranging experience in corporate finance, UK and international securities offerings, corporate governance and securities regulation, Mr A Tamlyn provides the board with extensive expertise in corporate finance, corporate governance and knowledge of the investment sector.

Mr DG Dreyfus: Formerly a director of BCI Soditic Trade Finance Ltd and managing director of Soditic Limited and Membre du Directoire, Warburg Soditic SA, Geneva, Mr DG Dreyfus provides the board and audit committee which he chairs with long-standing banking, corporate finance and investment expertise.

Mr JC Woolf: Former merchant banker with S.G. Warburg & Co Ltd in the areas of corporate finance and international banking and currently managing director of the Romulus Films group of companies, Mr JC Woolf brings corporate finance, banking, investment and executive expertise to the board.

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

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

Chairman

The board is satisfied that Mr DG Seligman has sufficient time available to discharge fully his responsibility as Chairman. It is the board's policy that the Chairman of the board will not serve as a director beyond the Annual General Meeting following the ninth anniversary of his appointment to the board. However, this may be extended in exceptional circumstances or to facilitate effective succession planning and the development of a diverse board. In such a situation the reasons for the extension will be fully explained and a timetable for the departure of the Chairman clearly set out.

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 three times during 2020. 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 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 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

Hazlewoods LLP has been the company’s auditor since 2017. Rotation of the Audit Partner will take place in accordance with Ethical Standard 3; ‘Long Association with the Audit Engagement’ of the Auditing Practices Board (‘APB’).

In accordance with mandatory audit rotation requirements, the committee intends to undertake a further tender process during the year to 31 December 2026.

The fees for audit purposes for the financial year ended 31 December 2020, including audit of the subsidiary’s financial statements, were £35,000 (2019 – £31,000).

The Audit Committee had approved and implemented a ploicy on the engagement of the Auditor to supply non-audit services, taking into account the recommendations of the APB at the time, and it did not believe there was any impediment to the Auditor's objectivity and independence. All non-audit work that was carried out by the Auditor was approved by the audit committee in advance.

The cost of services provided by the Auditor for the financial year ended 31 December 2020 was £5,250 (2019 - £5,534). These non-audit services are assurance related and the Committee believed Hazlewoods LLP was best placed to provide them on a cost effective basis.

Following publication by the Financial Reporting Council in December 2019 of revised ethical standards applicable from 1 January 2020, the Committee has reviewed its independence policies and for the financial year ending 31 December 2020 it will not continue to engage the Auditor for non-audit services. During the year Smith & Williamson LLP was engaged to provide taxation compliance service for the year ending 31 December 2020.

Conclusion

The Audit Committee has approved the year end 31 December 2020 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 2021 financial year.

Nominations

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

The board oversees a formal review procedure governing the appointment of new directors, manages succession planning 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. 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 A Tamlyn 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 19), 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 19.

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 22.

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

In accordance with The Financial Reporting Council's guidance on going concern and liquidity risk, including its Covid-19 guidance, the directors have undertaken a thorough review of the company's ability to continue as a going concern and specifically in the context of the coronavirus pandemic.

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 but one 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 October 2019 to take effect from 1 January 2020.

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 2020

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 2020. 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 24 September 2020. The remuneration policy is set out in the Future Policy Table on page 65.

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 19), 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.

DG Seligman
Chairman
27 May 2021

Annual report on remuneration

Directors' remuneration as a single figure (audited)

	Salary and fees 2020	Salary and fees 2019
	£000	£000
JC Woolf - salary	74	71
DG Seligman (Chairman) - fees	22	22
DG Dreyfus (Chairman of Audit Committee) - fees	19	19
A Tamlyn - fees	16	16
Total	131	128

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

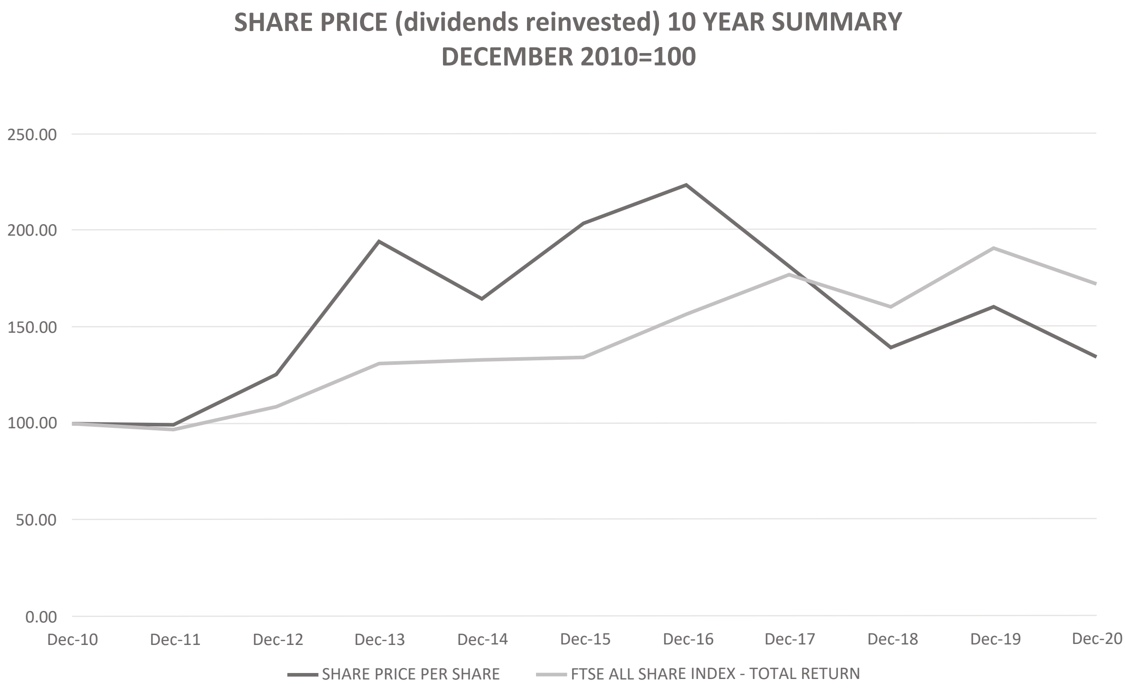
No other remuneration or compensation was paid or payable by the company during the year to any current or former directors.

The non-executive directors' fees have remained unchanged from 1 January 2016.

	£
DG Seligman (Chairman) - fees	22,000
DG Dreyfus (Chairman of Audit Committee) - fees	18,700
A Tamlyn - fees	16,500

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 ten years since 2010. The FTSE All Share equity market index is used as the company's benchmark.



Managing Director's remuneration table

	Total remuneration £000
2011	47
2012	47
2013	50
2014	53
2015	56
2016	60
2017	63
2018	67
2019	71
2020	74
Total	588

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 2019 and 2020.

	Change in salary Percent	Change in annual bonus Percent
Managing Director	4.13%	no bonus paid
Employees (exc. non-executive directors)	3.14%	-61.09%

Significance of spend on pay

	Employee remuneration (inc. non-executive directors) £	Shareholder distribution £
2019	519,000	2,175,000
2020	524,000	675,000
Difference	5,000	1,500,000
Percentage change	0.96%	-68.97%

Directors' interests

The directors during the year ended 31 December 2020 had interests in the shares of the company as follows (audited):

	2020		2019	
	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	–
DG Seligman	–	–	–	–
A Tamlyn	–	–	–	–
Non-voting convertible preference shares of £1 each				
JC Woolf	–	10,000,000	–	10,000,000

Voting at Annual General Meeting

At the Annual General Meeting held on 24 September 2020, votes cast by proxy and at the meeting in respect of the directors' remuneration were as follows:

Resolution	Votes For	% For	Votes Against	% Against	Total votes Cast	Votes withheld
To receive and approve the directors' remuneration report (excluding policy) for the year ended 31 December 2019	16,246,984	99.91	14,000	0.09	16,260,984	nil
Directors' remuneration policy	16,260,984	100.00	nil	nil	16,260,984	nil

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 19 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	£74,000	£74,000	£74,000

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 (except for the forthcoming AGM in June 2021) and encourages questions and discussions on all aspects of performance and governance, including remuneration issues. The company can confirm that it is 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 2021 and until the Annual General Meeting of the company held in 2023.

The Directors' Remuneration Report 2020 was approved by the Board and signed on its behalf by:

DG Seligman
Chairman
27 May 2021

Notice of meeting

NOTICE IS HEREBY GIVEN THAT the seventy third Annual General Meeting of the company will be held at Wessex House, 1 Chesham Street, London SW1X 8ND on Tuesday 29 June 2021 at 12.15pm for the following purposes:

1. To receive and consider the directors' report and company accounts for the year ended 31 December 2020 and the report of the auditors thereon.
2. To re-elect Mr DG Seligman as a director.
3. To re-elect Mr DG Dreyfus as a director.
4. To re-elect Mr A Tamlyn as a director.
5. To re-elect Mr JC Woolf as a director.
6. To approve the directors' remuneration report (excluding policy).
7. To appoint Hazlewoods LLP as the company's auditors to hold office until the conclusion of the next annual general meeting of the company.
8. To authorise the audit committee to determine the remuneration of the auditors.

By order of the board

KJ Williams
Secretary
27 May 2021

Wessex House
1 Chesham Street
London
SW1X 8ND

Notes:

Due to the Government's compulsory measures relating to social distancing in light of the Covid-19 pandemic, shareholders are not invited to attend the AGM in person. To register their votes, shareholders should return their completed proxy cards by the stated deadline.

<u>All notes below referring to attendance at the Annual General Meeting should be read in this context.</u>

Any member of the company entitled to attend and vote at the meeting may appoint another person or persons (whether a member or not) as his/her proxy to attend and to vote instead of him/her provided that if more than one proxy is appointed each proxy must be appointed to exercise the rights attached to a different share or shares. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should the member subsequently decide to do so. A form to be used for appointing a proxy or proxies for this meeting to vote on your behalf can be found at page 70 of this document. In order to be valid, any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the company at Wessex House, 1 Chesham Street, London SW1X 8ND or by fax to 020 7201 3101, not less than 24 hours (excluding any part of a day which is a non-working day) before the time of the meeting or of any adjournment of the meeting.

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 2021 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 May 2021, 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 8 June 2021 and (as appropriate):

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

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

Where the company receives requests from a member or members either to (a) give notice of a resolution to be proposed by members at the annual general meeting and/or (b) circulate a matter proposed by members to be included within the business to be dealt with at the annual general meeting, the expenses of giving such notice or circulating such matter must be paid by the member or members submitting the request by depositing with the company not later than 8 June 2021 a sum reasonably sufficient to meet these expenses.

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

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

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

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

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

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

FORM OF PROXY

BRITISH & AMERICAN INVESTMENT TRUST PLC

(For use by ordinary shareholders)

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

of ....

being (a) member(s) of the above company, hereby appoint the Chairman of the meeting or .... to be my/our proxy to vote on my/our behalf at the Annual General Meeting of the company to be held at Wessex House, 1 Chesham Street, London SW1X 8ND at 12.15 pm on Tuesday 29 June 2021 and at any adjournment thereof.

Signed ....

Dated .... 2021.

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 DG Seligman.	☐	☐	☐	☐
3. To re-elect Mr DG Dreyfus.	☐	☐	☐	☐
4. To re-elect Mr A Tamlyn.	☐	☐	☐	☐
5. To re-elect Mr JC Woolf.	☐	☐	☐	☐
6. To approve the directors' remuneration report (excluding policy).	☐	☐	☐	☐
7. To appoint Hazlewoods LLP as the company's auditors.	☐	☐	☐	☐
8. To authorise the audit committee to determine the remuneration of the auditors.	☐	☐	☐	☐

NOTES

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

Second fold

Please affix
postage
stamp

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

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Third fold