British & American Investment Trust PLC

Interim Report

30 June 2010

Contents

Directors

J. Anthony V. Townsend *(Chairman)*

Jonathan C. Woolf *(Managing Director)*

Dominic G. Dreyfus *(Non-executive)*

Ronald G. Paterson *(Non-executive)*

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Registered Office

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Member of the Association of Investment Companies (AIC)

Group Financial Highlights

For the six months ended 30 June 2010

	Unaudited 6 months to 30 June 2010 £'000	Unaudited 6 months to 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Revenue			
Return before tax	**1,067**	745	1,624
Earnings per £1 ordinary shares – basic (note 4)	**3.56p**	2.41p	5.07p
Earnings per £1 ordinary shares – diluted (note 4)	**3.04p**	2.22p	4.62p
Capital			
Total equity	**29,019**	30,312	31,037
Revenue reserve (note 7)	**686**	853	844
Capital reserve (note 7)	**(6,667)**	(5,541)	(4,807)
Net assets per ordinary share (note 5)			
– Basic	**£0.76**	£0.81	£0.84
– Diluted	**£0.83**	£0.87	£0.89
Diluted net assets per ordinary share at 20 August 2010	**£0.86**		
Dividends*			
Dividend per ordinary share (note 3)	**2.7p**	2.7p	6.9p
Dividend per preference share (note 3)	**1.75p**	1.75p	3.5p

* Dividends *declared* for the period. Dividends shown in the accounts are, by contrast, dividends *paid or approved* in the period.

Copies of this report are available for download at the company's website: www.baitgroup.co.uk.

Chairman's Statement

I report our results for the 6 months to 30 June 2010.

Revenue

The profit on the revenue account before tax amounted to £1.1 million (30 June 2009: £0.8 million), an increase of 43 percent, continuing the return of revenues levels to those achieved prior to the financial crisis of the last two years.

A loss of £1.8 million (30 June 2009: £2.5 million gain) was registered on the capital account, incorporating a realised loss of £0.6 million (30 June 2009: £1.2 million loss) and unrealised loss of £1.2 million (30 June 2009: £3.8 million gain). This capital loss reflected the decline in equity markets generally over the period as noted below.

The revenue earnings per ordinary share were 3.6 pence on an undiluted basis (30 June 2009: 2.4 pence) and 3.0 pence on a fully diluted basis (30 June 2009: 2.2 pence).

Net Assets

Group net assets were £29.0 million (£31.0 million, at 31 December 2009), a decrease of 6.5 percent. This represents a modest out-performance compared to the falls in FTSE 100 and All Share benchmark indices which decreased by 9.2 percent and 7.9 percent, respectively over the same six month period. On a total return basis, after adding back dividends paid during the period, group net assets decreased by 2.5 percent, increasing the out-performance by a further approximately 2 percent. The net asset value per £1 ordinary share was 76 pence (prior charges deducted at par) and 83 pence on a fully diluted basis. Our net assets followed the market over the period which was characterised by a high level of volatility in all stocks. The market achieved a high point in April registering an increase of 6 percent from the opening 2010 level but then declined in the final two months to register a loss of almost 10 percent over the 6 month period. This volatility, coming after the significant recovery in equities markets in 2009 after the financial crisis of 2007/8, indicated growing indecision in markets about the continued pace of global economic recovery and could be seen as an inflection point for markets to continue or reverse the upward trend of the prior year.

Dividend and performance

We intend to pay an interim dividend of 2.7 pence per ordinary share on 11 November 2010 to shareholders on the register at 15 October 2010. This represents an unchanged dividend from last year's interim dividend. A preference dividend of 1.75 pence will be paid to preference shareholders on the same date.

The out-performance of our portfolio against our benchmark indices over the period has been noted above. Given the volatility in all market constituents, including in US equities and currencies, and the allied lack of any particular trends, there is no single element that can be singled out over the period for useful comment. It is worth noting, however, that the portfolio remains fully invested and despite the unprecedented swings in equities and currency markets over the past two and a half years, the company has outperformed its benchmark indices on a total return basis over this very turbulent and unpredictable period.

As at 20 August, group net assets were £30.2 million, an increase of 4.1 percent since 30 June. This compares with an increase of 5.7 percent in the FTSE 100 index and an increase of 5.4 percent in the All Share index over the same period, and is equivalent to 81 pence per share (prior charges deducted at par) and 86 pence per share on a fully diluted basis.

Changes to investment trust company regulation

We note with interest the changes to the rules governing the operation of authorised investment trust companies proposed by the government for next year. In general, the proposed changes significantly improve and simplify the operation of investment trusts in respect of portfolio and risk management, reporting and compliance and will be welcomed by the industry. In some areas, however, the proposed changes appear to discriminate against smaller and more esoteric trusts such as ourselves which nevertheless offer investors a greater choice of investment opportunity. The proposed changes are currently subject to a formal consultation process and the Association of Investment Companies will be responding to the consultation document on behalf of its members.

Outlook

As I reported in April, the general recovery in global financial markets which commenced in 2009 continued into 2010 as economic activity and company profits continued to grow. Sentiment remained generally firm in these opening months of the year, but given the extent of the recovery over a relatively short period of time, it was always vulnerable to any disappointments or unexpected setbacks.

In the event, April became the high point in the equity market's recovery and in the months since then a decline of 17 percent has been registered as data showed a softening in economic growth and job creation in the USA and European countries. This re-ignited investors' concerns about the sustainability of the recovery and the potential for a return to recession.

At this point, there is very little consensus amongst forecasters on any of the major economic trends. Economists and investment professionals appear to be split on whether growth can continue in the major economies or whether a 'double dip' recession will be experienced. Central bankers are unclear about whether monetary and fiscal policy will lead to renewed inflation or the risk of deflation. Commercial banks have proved unable to implement government policies to re-invigorate commercial lending while repairing balance sheets. What seems clear, however, is that interest rates are likely to remain at their current historically low levels for some considerable period of time to encourage growth and investment. For investors, this remains good news particularly at a time when on most measurements (P/E ratio and equity/gilt yield comparison) equities remain cheap. However, in the light of recent market experience, investors currently have very little risk appetite and are reluctant to commit funds to equities, despite receiving very low returns on government bonds or cash.

Against this highly confusing and uncertain background, we will continue to remain fully invested in our long term and income generating strategies that are based primarily on equity investment.

Anthony Townsend

Managing Director's Report

Performance

In the first six months of 2010, both UK and US equity markets experienced considerable volatility, moving by a combined amount (peak to trough) of approximately 15 percent over the period and registering declines of 9 percent and 6 percent, respectively, by period end. As reported in April, the recovery in markets up to that time had been swift and dramatic, leaving open the potential for a significant correction which indeed occurred in the following months. Growth forecasts for the USA and other developed markets began to be adjusted downwards based on results from a number of indicators including production indices, corporate profitability, employment, housing starts and commodities prices. In addition, further volatility in currencies occurred, in particular in the Euro as confidence weakened in the ability of periphery member countries to maintain recovery.

There was therefore a general weakening in investment sentiment in the second quarter together with a clear move away from risk. Equity markets came under pressure as a result with capital moving decisively into US government bonds or even cash, specifically US dollars. This was despite what would be normally seen as a range of factors favourable for equity investment, including historically low interest rates, recovery in corporate profitability, and cheapness in long-term valuation measurements such as P/E ratios and equity/bond yield comparators. Indeed, specifically in relation to the latter, the yield on equities has recently moved to its largest premium over bonds for many decades and on the few occasions in the past that the equity yield even just matched that of bonds, it has always been seen as a strong buy signal for equities. It is clear, however, that in the current volatile market conditions, investors do not have the necessary confidence to act on this signal.

As noted above, our portfolio outperformed its benchmark indices on both a NAV and total return basis over the period. This was partly due to the maintenance of the price in sterling terms of our large US investment, Geron Corporation, over the period. While the US dollar price of Geron tracked the market down over the period, a strengthening in the US dollar versus sterling resulted in a stable value over the period. It should also be noted that shortly after the period end, Geron announced the long awaited resumption of its highly important clinical embryonic stem cell trials for spinal injury in the USA after receiving clearance from the FDA.

Outlook

As is evident from the above, a great deal of uncertainty and even confusion can be seen in markets generally at this time. The likely direction and extent of equity market movement over the coming period is impossible to gauge and will depend ultimately on whether the global economic recovery can now be sustained or whether a return to recession or a period of stagnation or below trend growth is in prospect. Governments and central banks are clearly straining every policy muscle through low interest rates and liquidity provision to support the recovery through this period of doubt, while realising that the major task of deleveraging their economies and the financial system remains to be tackled.

It would appear likely and reasonable that continuation of the generally above trend growth rates seen in the early stages of the recovery will not be continued. Therefore for developed countries to sustain even minimal levels of growth against a background of domestic financial and fiscal retrenchment over the years to come, improvements in external activities, namely exports, will have to be relied upon. This requires some degree of competitive currency depreciation to encourage trade, as has been seen over the last year in the US, UK and German economies. In addition at least some economies, namely China

Managing Director's Report (continued)

and other far east countries, will also have to provide demand through domestic expansion.

As a traditional fund with exposure to UK and US equities as well as fixed interest and property, we remain fully invested and will continue with our current investment strategy to achieve a balance of income and growth against the uncertainties currently presented in the financial markets.

Jonathan C Woolf

27 August 2010

Group Investment Portfolio

As at 30 June 2010

Company	Nature of Business	Valuation £'000	Percentage of portfolio %
Geron Corporation	Biomedical – USA	7,410	26.68*
RIT Capital Partners	Investment Trust	3,097	11.15
Prudential	Life Assurance	2,543	9.15
Alliance Trust	Investment Trust	2,126	7.65
Dunedin Income Growth	Investment Trust	1,765	6.35
Electra Private Equity	Investment Trust	1,688	6.08
British Assets Trust	Investment Trust	1,605	5.78
St. James's Place International	Unit Trust	1,349	4.86
Scottish American Investment Company	Investment Trust	764	2.75
Invesco Income Growth Trust	Investment Trust	511	1.84
Royal & Sun Alliance Insurance Group – Cum. irred. preference shares	Insurance – Non – Life	446	1.60
F&C Asset Management – 6.75% FRN Sub. Bonds 2026	General Financial	438	1.58
Rothschilds Cont. Finance – Notes	Financial	403	1.45
Shires Income	Investment Trust	349	1.26
Merchant Trust	Investment Trust	326	1.17
BT Group	Telecommunications	260	0.94
Barclays – 9% PIB Capital Bonds	Bank retail	239	0.86
Matrix Chatham Maritime Trust EZT (unquoted)	Enterprise Zone Trust	205	0.74
Second Downing EZT (unquoted)	Enterprise Zone Trust	203	0.73
Capital Shopping Centres	Property	171	0.62
20 Largest investments		25,898	93.24
Other investments (number of holdings: 35)		1,878	6.76
Total investments		27,776	100.00

*Geron Corporation. 18.08% held by the company and 8.6% held by subsidiaries. In addition the Group holds net £1,025,000 of put options in Geron Corporation as part of its hedging strategy.

Consolidated Income Statement

Six months ended 30 June 2010

		Unaudited 6 months to 30 June 2010		
	Note	Revenue return £'000	Capital return £'000	Total £'000
Investment income	2	**1,231**	**–**	**1,231**
Holding (losses)/gains on investments at fair value through profit or loss		**–**	**(1,165)**	**(1,165)**
Losses on disposal of investments at fair value through profit or loss		**–**	**(604)**	**(604)**
Expenses		**(164)**	**(91)**	**(255)**
(Loss)/profit before tax		**1,067**	**(1,860)**	**(793)**
Taxation		**–**	**–**	**–**
(Loss)/profit for the period		**1,067**	**(1,860)**	**(793)**
Earnings per ordinary share	4			
Basic		**3.56p**	**(7.44)p**	**(3.88)p**
Diluted		**3.04p**	**(5.31)p**	**(2.27)p**

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

The total column of this statement is the Group's Income Statement, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidelines published by the Association of Investment Companies.
All items in the above statement derive from continuing operations.
All income is attributable to the equity holders of the parent company. There are no minority interests.

Unaudited 6 months to 30 June 2009			Audited Year ended 31 December 2009		
Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
930	–	930	1,967	–	1,967
–	3,773	3,773	–	4,350	4,350
–	(1,195)	(1,195)	–	(937)	(937)
(185)	(84)	(269)	(343)	(185)	(528)
745	2,494	3,239	1,624	3,228	4,852
33	–	33	(5)	–	(5)
778	2,494	3,272	1,619	3,228	4,847
2.41p	9.98p	12.39p	5.07p	12.91p	17.98p
2.22p	7.13p	9.35p	4.62p	9.22p	13.84p

Consolidated Statement of Changes in Equity

Six months ended 30 June 2010

Unaudited
Six months ended 30 June 2010

	Share capital £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2009	35,000	(4,807)	844	31,037
(Loss)/profit for the period	–	(1,860)	1,067	(793)
Ordinary dividend paid	–	–	(1,050)	(1,050)
Preference dividend paid	–	–	(175)	(175)
Balance at 30 June 2010	35,000	(6,667)	686	29,019

Unaudited
Six months ended 30 June 2009

	Share capital £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2008	35,000	(8,035)	1,225	28,190
Profit for the period	–	2,494	778	3,272
Ordinary dividend paid	–	–	(975)	(975)
Preference dividend paid	–	–	(175)	(175)
Balance at 30 June 2009	35,000	(5,541)	853	30,312

Audited
Year ended 31 December 2009

	Share capital £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2008	35,000	(8,035)	1,225	28,190
Profit for the period	–	3,228	1,619	4,847
Ordinary dividend paid	–	–	(1,650)	(1,650)
Preference dividend paid	–	–	(350)	(350)
Balance at 31 December 2009	35,000	(4,807)	844	31,037

Consolidated Balance Sheet

As at 30 June 2010

	Unaudited 30 June 2010 £'000	Unaudited 30 June 2009 £'000	Audited 31 December 2009 £'000
Non current assets			
Investments - fair value through profit or loss (note 1)	**27,776**	30,850	29,385
Current assets			
Receivables	**310**	982	109
Derivatives - fair value through profit or loss	**1,922**	1,215	1,335
Cash and cash equivalents	**248**	372	985
	2,480	2,569	2,429
Total assets	**30,256**	33,419	31,814
Current liabilities			
Trade and other payables	**(143)**	(2,346)	(62)
Current tax	–	(5)	–
Other current liabilities	**(197)**	(149)	(122)
Derivatives - fair value through profit or loss	**(897)**	(607)	(593)
	(1,237)	(3,107)	(777)
Total assets less current liabilities	**29,019**	30,312	31,037
Net assets	**29,019**	30,312	31,037
Equity attributable to equity holders			
Ordinary share capital	**25,000**	25,000	25,000
Convertible preference share capital	**10,000**	10,000	10,000
Capital reserve	**(6,667)**	(5,541)	(4,807)
Retained revenue earnings	**686**	853	844
Total equity	**29,019**	30,312	31,037
Net assets per ordinary share - basic	**£0.76**	£0.81	£0.84
Net assets per ordinary share - diluted	**£0.83**	£0.87	£0.89

Consolidated Cashflow Statement

Six months ended 30 June 2010

	Unaudited 6 months to 30 June 2010 £'000	Unaudited 6 months to 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Cash flow from operating activities			
(Loss)/profit before tax	**(793)**	3,239	4,852
Adjustment for:			
Losses/(profits) on investments	**1,769**	(2,578)	(3,413)
Scrip dividends	**(164)**	(3)	(6)
Film income tax deducted at source	**(1)**	(1)	(5)
Proceeds on disposal of investments at fair value through profit or loss	**5,036**	8,526	17,756
Purchases of investments at fair value through profit or loss	**(4,457)**	(8,026)	(16,995)
Operating cash flows before movements in working capital	**1,390**	1,157	2,189
Increase in receivables	**(1,944)**	(230)	(869)
Increase/(decrease) in payables	**1,042**	(269)	771
Net cash from operating activities before income tax	**488**	658	2,091
Income taxes received	**–**	-	30
Net cash from operating activities	**488**	658	2,121
Cash flow from financing activities			
Dividends paid on ordinary shares	**(1,050)**	(975)	(1,650)
Dividends paid on preference shares	**(175)**	(175)	(350)
Net cash used in financing activities	**(1,225)**	(1,150)	(2,000)
Net (decrease)/increase in cash and cash equivalents	**(737)**	(492)	121
Cash and cash equivalents at beginning of period	**985**	864	864
Cash and cash equivalents at end of period	**248**	372	985

Notes to the Group Results
Six months ended 30 June 2010

1. Accounting policies

Basis of preparation

This interim report is prepared in accordance with IAS 34 and on the basis of the accounting policies set out in the group and company's annual Report and Accounts at 31 December 2009.

Basis of consolidation

These consolidated condensed financial statements incorporate the financial statements of the company and its subsidiary undertakings made up to 30 June. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Significant accounting policies

In order better to reflect the activities of an investment trust company and in accordance with guidance issued by the Association of Investment Companies (AIC), supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. In accordance with the company's status as a UK investment company under section 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend.

As the entity’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, listed equities and fixed income securities are designated as fair value through profit or loss on initial recognition. The group manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the group is provided internally on this basis to the entity’s key management personnel.

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 as at fair value through profit or loss, are measured at fair value. Gains or losses on investments designated as at fair value through profit or loss are included in net profit or loss as a capital item, and material transaction costs on acquisition and 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 Stock Exchange quoted market bid prices or last traded prices, depending upon the convention of the exchange on which the investment is quoted at the close of business on the balance sheet date. Investments in units of unit trusts or shares in OEICs are valued at the closing price released by the relevant investment manager.

Notes to the Group Results (continued)

In respect of unquoted investments, or where the market for a financial instrument is not active, fair value is established by using an appropriate valuation technique.

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

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

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

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

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

All expenses are accounted for on an accruals basis. Expenses are charged as revenue items in the income statement except as follows:

– transaction costs which are incurred on the purchase or sale of an investment designated as fair value through profit or loss are expensed and included in the capital column of the income statement;

– 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% (2009 – 50%) to revenue and 50% (2009 – 50%) to capital, in order to reflect the directors' long-term view of the nature of the expected investment returns of the company.

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 – Disclosure and Presentation' and FRS 25 as the company has no contractual obligation to redeem the preference shares for cash or pay preference dividends unless similar dividends are declared to ordinary shareholders.

Segmental reporting

The directors are of the opinion that the Group is engaged in a single segment of business, that is investment business, and therefore no segmental reporting is provided.

Notes to the Group Results (continued)

2. Investment income

	Unaudited 6 months to 30 June 2010 £'000	Unaudited 6 months to 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Income from investments	**1,207**	933	1,961
Other income/(loss)	**24**	(3)	6
	1,231	930	1,967

3. Proposed dividends

	Unaudited 6 months to 30 June 2010		Unaudited 6 months to 30 June 2009	
	Pence per share	**£**	Pence per share	£
Ordinary shares – interim	**2.7**	**675,000**	2.7	675,000
Preference shares – fixed	**1.75**	**175,000**	1.75	175,000
		850,000		850,000

The directors have declared an interim dividend of 2.7p (2009 - 2.7p) per ordinary share, payable on 11 November 2010 to shareholders registered on 15 October 2010. The shares will be quoted ex-dividend on 13 October 2010.

The dividends on ordinary shares are based on 25,000,000 ordinary £1 shares. Dividends on preference shares are based on 10,000,000 non-voting 3.5% convertible preference shares of £1.

The holders of the 3.5% convertible preference shares will be paid a dividend of £175,000 being 1.75p per share. The payment will be made on the same date as the dividend to the ordinary shareholders.

Amounts recognised as distributions to ordinary shareholders in the period:

	Unaudited 6 months to 30 June 2010		Unaudited 6 months to 30 June 2009	
	Pence per share	**£**	Pence per share	£
Ordinary shares – final	**4.2**	**1,050,000**	3.9	975,000
Preference shares – fixed	**1.75**	**175,000**	1.75	175,000
		1,225,000		1,150,000

Notes to the Group Results (continued)

4. Earnings per ordinary share

	Unaudited 6 months to 30 June 2010 £'000	Unaudited 6 months to 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Basic earnings per share			
Calculated on the basis of:			
Net revenue profit after preference dividends	**892**	603	1,269
Net capital (loss)/profit	**(1,860)**	2,494	3,228
Net total earnings after preference dividends	**(968)**	3,097	4,497
Ordinary shares in issue	**25,000**	25,000	25,000
Diluted earnings per share			
Calculated on the basis of:			
Net revenue profit	**1,067**	778	1,619
Net capital (loss)/profit	**(1,860)**	2,494	3,228
(Loss)/profit after taxation	**(793)**	3,272	4,847
Ordinary and preference shares in issue	**35,000**	35,000	35,000

Diluted earnings per share is calculated taking into account the preference shares which are convertible to ordinary shares on a one for one basis, under certain conditions, at any time during the period 1 January 2006 to 31 December 2025 (both dates inclusive).

Notes to the Group Results (continued)

5. Net asset value attributable to each share

Basic net asset value attributable to each share has been calculated by reference to 25,000,000 ordinary shares, and group net assets attributable to shareholders as follows:

	Unaudited 30 June 2010 £'000	Unaudited 30 June 2009 £'000	Audited 31 December 2009 £'000
Total net assets	**29,019**	30,312	31,037
Less convertible preference shares	**(10,000)**	(10,000)	(10,000)
Net assets attributable to ordinary shareholders	**19,019**	20,312	21,037

Diluted net asset value is calculated on the total net assets in the table above and on 35,000,000 shares, taking into account the preference shares which are convertible to ordinary shares on a one for one basis, under certain conditions, at any time during the period 1 January 2006 to 31 December 2025 (both dates inclusive).

6. Financial information

This interim statement is not the company's statutory accounts. The statutory accounts for the year ended 31 December 2009 have been delivered to the Registrar of Companies and received an audit report which was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report, and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

7. Retained earnings

The table below shows the movement in the retained earnings analysed between revenue and capital items.

	Capital reserve £'000	Retained earnings £'000
At 1 January 2010	(4,807)	844
Allocation of (loss)/profit for the year	(1,860)	1,067
Ordinary and preference dividends paid	–	(1,225)
At 30 June 2010	(6,667)	686

The capital reserve includes £6,389,000 of investment holding gains (30 June 2009 – £6,138,000, 31 December 2009 – £7,028,000).

Directors' responsibilities statement

Principal risks and uncertainties

The principal risks and uncertainties faced by the company continue to be as described in the previous annual accounts. Further information on each of these areas, together with the risks associated with the company's financial instruments are shown in the Directors' Report and notes to the financial statements within the Annual Report and Accounts for the year ended 31 December 2009.

The Chairman's Statement and Managing Director's report include commentary on the main factors affecting the investment portfolio during the period and the outlook for the remainder of the year.

Directors' responsibilities statement

The Directors are responsible for preparing the half-yearly report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge the interim financial statements, within the half-yearly report, have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The Directors further confirm that the Chairman's Statement and Managing Director's Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FSA's Disclosure and Transparency Rules.

The Directors of the company are listed on the Contents page.

The half-yearly report was approved by the Board on 27 August 2010 and the above responsibility statement was signed on its behalf by:

Jonathan C Woolf

Independent Review Report to British & American Investment Trust PLC

Introduction

We have been engaged by the company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cashflow Statement and the related explanatory notes. We have read the other information contained in the half yearly financial report, which comprises only the Group Financial Highlights, the Chairman's Statement, the Managing Director's Report, the Group Investment Portfolio and the Directors responsibilities statement, and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review 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, for our review work, for this report, or for the conclusion we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting,' as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Review Report to British & American Investment Trust PLC (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

GRANT THORNTON UK LLP
AUDITOR
London
27 August 2010