British & American Investment Trust PLC

Interim Report

30 June 2011

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Directors

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

Registered number: 433137

Registered Office

Wessex House, 1 Chesham Street, London SW1X 8ND

website: www.baitgroup.co.uk

Member of the Association of Investment Companies (AIC)

Group Financial Highlights

For the six months ended 30 June 2011

	Unaudited 6 months to 30 June 2011 £'000	Unaudited 6 months to 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Revenue			
Return before tax	**1,045**	1,067	2,146
Earnings per £1 ordinary shares – basic (note 4)	**3.47p**	3.56p	7.16p
Earnings per £1 ordinary shares – diluted (note 4)	**2.98p**	3.04p	6.11p
Capital			
Total equity	**30,045**	29,019	32,198
Revenue reserve (note 7)	**653**	686	908
Capital reserve (note 7)	**(5,608)**	(6,667)	(3,710)
Net assets per ordinary share (note 5)			
– Basic	**£0.80**	£0.76	£0.89
– Diluted	**£0.86**	£0.83	£0.92
Diluted net assets per ordinary share at 29 August 2011	**£0.74**		
Dividends*			
Dividend per ordinary share (note 3)	**2.7p**	2.7p	7.2p
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 2011.

Revenue

The profit on the revenue account before tax amounted to £1.0 million (30 June 2010: £1.1 million), a decrease of 2 percent.

A loss of £1.8 million (30 June 2010: £1.8 million loss) was registered on the capital account before capitalised expenses, incorporating a realised loss of £0.6 million (30 June 2010: £0.6 million loss) and unrealised loss of £1.2 million (30 June 2010: £1.2 million loss). This unrealised loss reflected principally the decline in value of our largest US investment, Geron Corporation, as noted below.

The revenue earnings per ordinary share were 3.5 pence on an undiluted basis (30 June 2010: 3.6 pence) and 3.0 pence on a fully diluted basis (30 June 2010: 3.0 pence).

Net Assets

Group net assets were £30.0 million (£32.2 million, at 31 December 2010), a decrease of 6.7 percent. Over the same six month period, the FTSE 100 and All Share benchmark indices increased by 0.8 percent and 1.1 percent, respectively. As noted above, the principal reason for this underperformance was the unrealised loss registered on our holding in Geron Corporation. On a total return basis, after adding back dividends paid during the period, group net assets decreased by the lower amount of 2.9 percent. The net asset value per £1 ordinary share was 80 pence (prior charges deducted at par) and 86 pence on a fully diluted basis.

Stock markets in the UK and USA performed relatively steadily during the first half of 2011, with the notable exception of the severe but short-lived reaction experienced in March following the earthquake and tsunami in Japan when an intra-month fall and recovery of almost 10 percent took place. At other times, however, markets traded within a reasonably narrow band of approximately 3 percent, showing considerably less volatility than in the same period in 2010. This period of relative stability reflected general market comfort with levels of corporate profitability and an absence of any acute macro-economic concerns on the immediate horizon. There was not, however, sufficient confidence in corporate profitability and general economic prospects over the medium term to push the markets forward from this relatively narrow trading range.

With the exception of our investment in Geron Corporation, our portfolio performed in line with the market over the period. The value of our investment in Geron, however, declined by 25 percent over the period in reaction to an unexpectedly large equity fundraising and subsequent senior management changes, as reported in our Report and Accounts in April. We are not at all satisfied by recent events or current management at Geron, as discussed in more detail in the Managing Director's report below. While the progress of the underlying business remains strong and its potential to bring transformational change to medicine remains enormous, we believe that decisions taken by management from the end of 2010 have been ill-advised and have adversely affected the company's valuation and its prospects for the future. We have, therefore, had a number of meetings with senior management of Geron over the period to discuss our concerns and make representations to them. At the same time we are seeking advice from US based investment bank professionals as to the options available to us in respect of our holdings in Geron.

Chairman's Statement (continued)

As at 29 August, group net assets were £25.7 million, a decrease of 14.3 percent since 30 June. This compares with a decrease of 13.7 percent in the FTSE 100 index and a decrease of 14.0 percent in the All Share index over the same period, and is equivalent to 70 pence per share (prior charges deducted at par) and 74 pence per share on a fully diluted basis. These substantial market declines in recent weeks resulted from a severe loss of confidence in the the prospects for world economic growth following further pressure on indebted eurozone countries, the protracted Congressional debt ceiling negotiations in the USA and the subsequent credit rating downgrade of US government debt.

Dividend

We intend to pay an interim dividend of 2.7 pence per ordinary share on 10 November 2011 to shareholders on the register at 14 October 2011. 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.

Outlook

As I reported in April, while equity markets remained generally firm in the first half of 2011, a perceptible change in sentiment began to be felt by the end of the period. Markets began to take account of the various macro economic risks in prospect which had been somewhat overshadowed by the success of the recovery in global economic performance and markets since the severe recession of 2008/9. While it was felt that overheating in developing economies in the Far East and bubbles in raw materials prices would limit further growth in corporate profitability and lead to inflation, in reality it was renewed creditworthiness concerns in the highly indebted eurozone countries and doubts surrounding the political willingness of the USA to address its burgeoning government debt levels which in fact caused a collapse in market and investor confidence in August. This resulted in a severe drop in the world equity markets and further weakening of most developed market currencies as capital fled to safe havens such as gold, Swiss francs and ironically US treasuries despite the first ever credit rating agency downgrade of US government debt from AAA.

This recent instability in markets derives from significant macro-economic concerns which are unlikely to be addressed in the short term and will overshadow markets for a considerable period of time. Even if corporate profits remain relatively firm during this period they are now considered to be ex-growth. Consequently, should current market declines prove to be more in the nature of a major correction than the beginning of a bear market, there is very little impetus to drive markets forward in the near to medium term.

Against this difficult background, we intend 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

The first six months of 2011 represented a period of consolidation for equities markets towards the end of the recovery from the 2008/9 global recession, but also the beginning of a period of change, interrupted at the half-way stage by the sudden shock of the Japanese earthquake and tsunami. Equity markets in the UK finished the half year only marginally ahead having been approximately 2 percent ahead just prior to the Japanese shock in March.

During the period, the momentum of the previous year's recovery began to be diminished as concerns grew generally surrounding global political, economic and credit risk. The sovereign debt crisis in the peripheral eurozone countries as well as latterly debt and growth concerns in the USA caused increasing turbulence in currency and credit markets and encouraged investors away from equities towards perceived safe haven assets such as gold, US treasuries, swiss francs and Asian currencies. Austerity plans introduced by governments in developed economies to address their budget deficits started to affect consumer demand but at the same time continuing high levels of growth and in some cases overheating in developed economies, particularly in the Far East, put pressure on commodities prices. This combination of reduced demand and inflationary input prices inevitably started to squeeze corporate margins (which were never likely to continue the rapid growth seen in the aftermath of the global recession) and the prospect of lower levels of profitability going forward began to be evident in stock prices. While reported corporate profits continued to be firm providing a level of support to markets, by the end of the period company and broker forecasts began to be adjusted downwards, underlining investor concern. As a result, movement from cyclical to defensive stocks began to be seen as investors prepared for a lower growth environment going forward. Only stocks in those sectors associated with continuing high growth potential such as high margin technology (eg Apple) or companies with significant exposure to the Far East (eg Prudential) remained favoured, and even these stocks suffered with all the others in the equities sell off which occurred over the past month.

Over the period, our portfolio declined by 6.7 percent and under-performed the index significantly as noted above. This was due entirely to the substantial reduction in the share price of our largest investment, Geron Corporation, which declined by 23 percent, itself significantly under-performing the Nasdaq and biotechnology indices which increased over the period, and a depreciation in the value of the dollar of 2.6 percent. This exceedingly poor performance followed developments at the company at the turn of the year, namely a large and deeply discounted share issue to fund a non-core product in-licence followed soon after by the unexpected dismissal of the chief executive and major board re-organisation, as reported in our statement in April. These actions have proved to have been inadvisable and have not found the support of shareholders, allowing the stock to be sold down aggressively in the market.

As noted above, we are deeply dissatisfied by these developments and have had a number of meetings with Geron's senior management to raise our concerns. While we continue to believe the underlying business of the company remains strong at this point and the potential for Geron to bring transformational change to medicine remains enormous, we are concerned that the actions of current management risk undermining this potential and the continuing development of the programmes which Geron already has in place. We are concerned that the collapse in Geron's stock price over the six months since the management changes were implemented represents a risk to the future well being of the company, to its ability to raise further capital to develop its programmes over the medium term and to its survival as an independent company. At the same time we are seeking advice from US based investment bank professionals as to the options available to us in respect of our holdings in Geron.

Outlook

Since the end of the period, the sell off in equities reached 20 percent in a matter of days and represented the largest and fastest decline in stock prices since the depths of the global recession and financial collapse in 2008/9. Market confidence evaporated following a confluence of a number of global risk concerns in a holiday month of generally light volume and therefore vulnerable to uncertainty and volatility. These concerns centred on fears of credit risk contagion from the peripheral eurozone countries to the larger countries in the zone, the political impasse and brinkmanship in the US Congress in agreeing a revised government debt ceiling and the subsequent first ever credit rating downgrade of US government debt by one rating agency.

A lengthy period of squeezed corporate profits and low economic growth is in prospect with the possibility at any time of significant and even systemic shocks arising out of the unsustainable sovereign debt situation in many European countries and even in the USA. It is now recognised that the only sure way for indebted governments to address their overblown debt positions and return to a position of credit worthiness in the medium term is to promote a period of sustained growth; however, the demands of austerity plans in the short term make this a difficult aim to achieve. Governments have already shown that they are prepared to go to extraordinary lengths to avoid further erosion of confidence in financial markets and stimulate their economies by maintaining ultra loose monetary policy, for example the unprecedented recent announcement from the US Federal Reserve that they intend to keep interest rates at their current historically low levels for a period of two years. If governments manage to achieve this difficult balance, and in the absence of further confidence-eroding shocks, markets might manage to find a floor at these levels. However, given the background of lower long-term growth levels, the uncertainties presented by macro-economic issues and the difficulties of pricing the many elements of political risk which now beset the financial system, the potential for significant upside in equities markets in the short to medium term once the current phase of instability has subsided must be limited.

Jonathan C Woolf

31 August 2011

Group Investment Portfolio

As at 30 June 2011

Company	Nature of Business	Valuation £'000	Percentage of portfolio %
Geron Corporation	Biomedical – USA	5,516	18.67*
RIT Capital Partners	Investment Trust	3,449	11.68
Prudential	Life Assurance	2,736	9.26
Alliance Trust	Investment Trust	2,701	9.15
Electra Private Equity	Investment Trust	2,253	7.63
Dunedin Income Growth	Investment Trust	2,240	7.58
British Assets Trust	Investment Trust	2,040	6.91
St. James's Place International	Unit Trust	1,605	5.43
Scottish American Investment Company	Investment Trust	970	3.28
Northern 2 VCT	Investment Trust	680	2.30
Invesco Income Growth Trust	Investment Trust	622	2.11
Royal & Sun Alliance Insurance Group – Cum. irred. preference shares	Insurance – Non - Life	455	1.54
F&C Asset Management – 6.75% FRN Sub. Bonds 2026	General Financial	444	1.50
Merchants Trust	Investment Trust	419	1.42
Rothschilds Cont. Finance – Notes	Financial	418	1.42
Shires Income	Investment Trust	393	1.33
Earthport	Software & Computer Services	246	0.83
Barclays – 9% PIB Capital Bonds	Bank retail	227	0.77
Emblaze	Software & Computer Services	204	0.69
Second Downing EZT (unquoted)	Enterprise Zone Trust	179	0.61
20 Largest investments		27,797	94.11
Other investments (number of holdings : 31)		1,738	5.89
Total investments		29,535	100.00

* Geron Corporation. 12.66% held by the company and 6.01% held by subsidiaries. In addition the Group holds net purchases of £995,000 of put options in Geron Corporation as part of its hedging strategy.

Consolidated Income Statement

Six months ended 30 June 2011

	Note	Revenue return £'000	Capital return £'000	Total £'000
		Unaudited 6 months to 30 June 2011		
Investment income	2	**1,204**	**–**	**1,204**
Holding (losses)/gains on investments at fair value through profit or loss		**–**	**(1,195)**	**(1,195)**
Losses on disposal of investments at fair value through profit or loss		**–**	**(610)**	**(610)**
Expenses		**(159)**	**(93)**	**(252)**
(Loss)/profit before tax		**1,045**	**(1,898)**	**(853)**
Taxation		**–**	**–**	**–**
(Loss)/profit for the period		**1,045**	**(1,898)**	**(853)**
Earnings per ordinary share	4			
Basic		**3.47p**	**(7.59)p**	**(4.12)p**
Diluted		**2.98p**	**(5.42)p**	**(2.44)p**

The group does not have any income or expense that is not included in the profit for the period and all items derive from continuing operations. 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 profit and total comprehensive income is attributable to the equity holders of the parent company. There are no minority interests.

Unaudited 6 months to 30 June 2010			Audited Year ended 31 December 2010		
Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
1,231	–	1,231	2,489	–	2,489
–	(1,165)	(1,165)	–	2,927	2,927
–	(604)	(604)	–	(1,641)	(1,641)
(164)	(91)	(255)	(343)	(189)	(532)
1,067	(1,860)	(793)	2,146	1,097	3,243
–	–	–	(7)	–	(7)
1,067	(1,860)	(793)	2,139	1,097	3,236
3.56p	(7.44)p	(3.88)p	7.16p	4.39p	11.55p
3.04p	(5.31)p	(2.27)p	6.11p	3.13p	9.24p

Consolidated Statement of Changes in Equity

Six months ended 30 June 2011

	Unaudited Six months ended 30 June 2011			
	Share capital £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2010	35,000	(3,710)	908	32,198
(Loss)/profit for the period	–	(1,898)	1,045	(853)
Ordinary dividend paid	–	–	(1,125)	(1,125)
Preference dividend paid	–	–	(175)	(175)
Balance at 30 June 2011	35,000	(5,608)	653	30,045

	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

	Audited Year ended 31 December 2010			
	Share capital £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2009	35,000	(4,807)	844	31,037
Profit for the period	–	1,097	2,139	3,236
Ordinary dividend paid	–	–	(1,725)	(1,725)
Preference dividend paid	–	–	(350)	(350)
Balance at 31 December 2010	35,000	(3,710)	908	32,198

Consolidated Balance Sheet

As at 30 June 2011

	Unaudited 30 June 2011 £'000	Unaudited 30 June 2010 £'000	Audited 31 December 2010 £'000
Non current assets			
Investments - fair value through profit or loss (note 1)	**29,535**	27,776	30,881
Current assets			
Receivables	**491**	310	623
Derivatives - fair value through profit or loss	**1,946**	1,922	2,385
Cash and cash equivalents	**206**	248	509
	2,643	2,480	3,517
Total assets	**32,178**	30,256	34,398
Current liabilities			
Trade and other payables	**(983)**	(143)	(580)
Current tax	–	–	–
Other current liabilities	**(199)**	(197)	(180)
Derivatives - fair value through profit or loss	**(951)**	(897)	(1,440)
	(2,133)	(1,237)	(2,200)
Total assets less current liabilities	**30,045**	29,019	32,198
Net assets	**30,045**	29,019	32,198
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	**(5,608)**	(6,667)	(3,710)
Retained revenue earnings	**653**	686	908
Total equity	**30,045**	29,019	32,198
Net assets per ordinary share - basic	**£0.80**	£0.76	£0.89
Net assets per ordinary share - diluted	**£0.86**	£0.83	£0.92

Consolidated Cashflow Statement

Six months ended 30 June 2011

	Unaudited 6 months to 30 June 2011 £'000	Unaudited 6 months to 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Cash flow from operating activities			
(Loss)/profit before tax	**(853)**	(793)	3,243
Adjustment for:			
Losses/(profits) on investments	**1,805**	1,769	(1,286)
Scrip dividends	**(3)**	(164)	(167)
Film income tax deducted at source	–	(1)	(7)
Proceeds on disposal of investments at fair value through profit or loss	**8,520**	5,036	16,500
Purchases of investments at fair value through profit or loss	**(8,829)**	(4,457)	(15,701)
Operating cash flows before movements in working capital	**640**	1,390	2,582
Increase in receivables	**(299)**	(1,944)	(2,770)
Increase in payables	**656**	1,042	1,786
Net cash from operating activities before income tax	**997**	488	1,598
Income taxes paid	–	–	1
Net cash from operating activities	**997**	488	1,599
Cash flow from financing activities			
Dividends paid on ordinary shares	**(1,125)**	(1,050)	(1,725)
Dividends paid on preference shares	**(175)**	(175)	(350)
Net cash used in financing activities	**(1,300)**	(1,225)	(2,075)
Net decrease in cash and cash equivalents	**(303)**	(737)	(476)
Cash and cash equivalents at beginning of period	**509**	985	985
Cash and cash equivalents at end of period	**206**	248	509

Notes to the Group Results

Six months ended 30 June 2011

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 2010.

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, calculated in accordance with the above policy. 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% (2010 – 50%) to revenue and 50% (2010 – 50%) to capital, in order to reflect the directors' long-term view of the nature of the expected investment returns of the company.

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 2011 £'000	Unaudited 6 months to 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Income from investments	**1,204**	1,207	2,465
Other income	–	24	24
	1,204	1,231	2,489

3. Proposed dividends

	Unaudited 6 months to 30 June 2011 Interim		Unaudited 6 months to 30 June 2010 Interim		Audited year ended 31 December 2010 Final	
	Pence per share	**£'000**	Pence per share	£'000	Pence per share	£'000
Ordinary shares	**2.7**	**675**	2.7	675	4.5	1,125
Preference shares – fixed	**1.75**	**175**	1.75	175	1.75	175
		850		850		1,300

The directors have declared an interim dividend of 2.7p (2010 – 2.7p) per ordinary share, payable on 10 November 2011 to shareholders registered on 14 October 2011. The shares will be quoted ex-dividend on 12 October 2011.

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 2011		Unaudited 6 months to 30 June 2010		Audited Year ended 31 December 2010	
	Pence per share	**£'000**	Pence per share	£'000	Pence per share	£'000
Ordinary shares – final	**4.5**	**1,125**	4.2	1,050	4.2	1,050
Ordinary shares – interim	–	–	–	–	2.7	675
Preference shares – fixed	**1.75**	**175**	1.75	175	3.5	350
		1,300		1,225		2,075

Notes to the Group Results (continued)

4. Earnings per ordinary share

	Unaudited 6 months to 30 June 2011 £'000	Unaudited 6 months to 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Basic earnings per share			
Calculated on the basis of:			
Net revenue profit after preference dividends	**870**	892	1,789
Net capital (loss)/profit	**(1,898)**	(1,860)	1,097
Net total earnings after preference dividends	**(1,028)**	(968)	2,886
Ordinary shares in issue	**25,000**	25,000	25,000
Diluted earnings per share			
Calculated on the basis of:			
Net revenue profit	**1,045**	1,067	2,139
Net capital (loss)/profit	**(1,898)**	(1,860)	1,097
(Loss)/profit after taxation	**(853)**	(793)	3,236
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 2011 £'000	Unaudited 30 June 2010 £'000	Audited 31 December 2010 £'000
Total net assets	**30,045**	29,019	32,198
Less convertible preference shares	**(10,000)**	(10,000)	(10,000)
Net assets attributable to ordinary shareholders	**20,045**	19,019	22,198

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 2010 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 2011	(3,710)	908
Allocation of (loss)/profit for the year	(1,898)	1,045
Ordinary and preference dividends paid	–	(1,300)
At 30 June 2011	(5,608)	653

The capital reserve includes £8,494,000 of investment holding gains (30 June 2010 – £6,389,000, 31 December 2010 – £10,268,000).

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 2010.

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 in the section preceding the Chairman's Statement.

The half-yearly report was approved by the Board on 23 August 2011 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 2011 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 2011 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
31 August 2011