British & American Investment Trust PLC

Interim Report

30 June 2019

Contents

Directors

David G. Seligman *(Chairman)*
Jonathan C. Woolf *(Managing Director)*
Dominic G. Dreyfus *(Non-executive and Chairman of the Audit Committee)*
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Member of the Association of Investment Companies (AIC)

Financial Highlights

For the six months ended 30 June 2019

	Unaudited 6 months to 30 June 2019 £'000	Unaudited 6 months to 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Revenue			
Return before tax	**356**	864	2,489
Earnings per £1 ordinary shares – basic (note 5)	**0.77p**	2.81p	8.68p
Earnings per £1 ordinary shares – diluted (note 5)	**1.05p**	2.51p	7.20p
Capital			
Total equity	**8,243**	17,518	7,919
Revenue reserve (note 9)	**414**	929	1,721
Capital reserve (note 9)	**(27,171)**	(18,411)	(28,802)
Net assets per ordinary share (note 6)			
– Basic*	**£0.24**	£0.50	£0.23
– Diluted	**£0.24**	£0.50	£0.23
Diluted net assets per ordinary share at 25 September 2019	**£0.23**		
Dividends**			
Dividend per ordinary share (note 4)	**2.7p**	2.7p	8.7p
Dividend per preference share (note 4)	**1.75p**	1.75p	3.5p

*Basic net assets and earnings per share are calculated using a value of fully diluted net asset value for the preference shares. Basic net assets per ordinary share at 30 June 2018 and at 31 December 2018 have been restated using a value of fully diluted net asset value for the preference shares instead of using a value of par for the preference shares.

**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 2019.

Revenue

The profit on the revenue account before tax amounted to £0.4 million (30 June 2018: £0.9 million), a decrease of 54.9 percent. This difference was primarily due to a reduction in income received during the period from subsidiary companies but also a reduction in dividends received from external investments.

The figures presented above relate to the parent company only and not to the consolidated group, as required by accounting rule IFRS10. For information purposes, we show in Note 3 to the accounts the film and other income of our subsidiaries. This shows that film income of £31,000 (30 June 2018: £36,000) and property unit trust income of £7,000 (30 June 2018: £7,000) was received.

A gain of £1.8 million (30 June 2018: £2.8 million gain) was registered on the capital account before capitalised expenses, comprising a realised loss of £0.1 million (30 June 2018: £0.6 million loss) and an unrealised gain of £1.9 million (30 June 2018: £3.4 million gain).

Revenue earnings per ordinary share were 0.8 pence on an undiluted basis (30 June 2018: 2.8 pence) and 1.0 pence on a fully diluted basis (30 June 2018: 2.5 pence).

Net Assets and Performance

Company net assets were £8.2 million (£7.9 million, at 31 December 2018), an increase of 4.1 percent. Over the same six month period, the FTSE 100 index increased by 10.4 percent and the All Share index increased by 10.4 percent. On a total return basis, after adding back dividends paid during the period, company net assets increased by 25.2 percent compared to an increase of the total return on the FTSE 100 index of approximately 13.5 percent. The net asset value per £1 ordinary share was 24 pence on a fully diluted basis.

The increase in net assets over the period reflected gains of 35 percent in the value of our largest US holding, Geron Corporation, over the period. Despite this substantial rise in value from the lows reached at the end of 2018 following the withdrawal of its partner Johnson & Johnson in September last year, it was not sufficient to produce outperformance in the portfolio as a whole when measured against the benchmarks which had themselves showed strong performances in the first 6 months of 2019. However, on a total return basis, the portfolio significantly outperformed the benchmarks notwithstanding their strong performance.

As noted in my statement of 30th April, Geron's share price had started to recover in the early months of 2019 after the sudden shock of Johnson & Johnson's withdrawal which had resulted in a drop of over 80 percent in the fourth quarter of 2018. In April we had been able to report a gain of 90 percent since the beginning of the year, but this had reduced to 35 percent by the half year, following the substantial fall in stock markets generally in the second quarter, as discussed in more detail below. More detailed commentary on the performance and prospects of Geron Corporation and the portfolio as a whole is set out in the Managing Director's Report below.

The general investment climate has not changed markedly from when I reported in April. The two principal drivers of interest rate expectations and progress or otherwise in the trade stand-off between the USA and China have continued to dominate short-term equity market movements in the USA and the UK.

In addition in the UK, the continuing and substantial political and economic uncertainties of the Brexit process have added an element of high volatility to pound sterling values with concomitant effects on UK large capitalisation stocks with high foreign earnings. Between the second and third quarters, sterling fell by 10 percent as the likelihood of a no-deal Brexit increased on the back of the political stalemate in Parliament, the extension of the 31st March deadline to 31st October and the change of prime-minister in June. However, the cheaper currency helped to support UK equity prices which climbed more than 8 percent over this period despite the worsening outlook and a slowdown in economic growth to nil over the summer months.

In the USA, equities rose by almost 15 percent in the first half of 2019, supported by the continuing effects of Trump's 2017 tax cuts on corporate earnings and increased expectations of a standstill or even reversal in the Federal Reserve's prior year policy of gradually increasing interest rates. Even though economic growth and reported earnings continued relatively firm, the growing strains and uncertainties placed on businesses by the deteriorating trade dispute with China was beginning to change the outlook, with expectations developing of a possible recession in 2020. This was further underlined by the reversion in the US dollar yield curve in August, an indicator which usually presages a reversal in economic growth in the short to medium term.

Dividend

We intend to pay an interim dividend of 2.7 pence per ordinary share on 12 December 2019 to shareholders on the register at 22 November 2019. 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.

As noted in my full year statement in April, we generate a significant proportion of our income reserves from gains earned by our subsidiary companies and this allows us to pay dividends considerably in excess of overall portfolio yield. Unless the value of our largest investment, Geron Corporation, recovers further over the coming period towards the levels seen during 2018 we will not be able to maintain our dividend going forward at current levels.

Outlook

The determination of markets to ignore the growing political and economic headwinds and uncertainties reported in my last statement in April seems to have faltered. Equity markets in the USA and UK retrenched considerably in the second quarter showing increased levels of volatility and this has continued into the third quarter. While the current major unresolved politico-economic issues such as Brexit, the China/USA trade war and looming global economic downturn remain unresolved, markets appear likely to remain below the peaks achieved in 2018 following years of monetary and fiscal stimulus. Without a positive resolution of these issues or a return to substantial monetary intervention by central banks which seems unlikely, markets generally seem to be preparing for a period of underperformance.

In the light of this, we have trimmed some of our long term investment positions in recent months. We believe, however, the value of our principal US investment will continue to recover and then grow as its outstanding results and prospects become valued again by the market after the unexpected shock experienced last year. We are, therefore, currently focused on capturing the uplift in value which we believe this investment will bring to the portfolio.

As at 25 September, company net assets were £8.0 million, a decrease of 2.9 percent since 30 June. This compares with a decrease in the FTSE 100 index of 1.8 percent and a decrease of 1.3 percent in the

Chairman’s Statement (continued)

All Share index over the same period, and is equivalent to 22.9 pence per share (prior charges deducted at fully diluted value) and 22.9 pence per share on a fully diluted basis.

David Seligman

27 September 2019

Managing Director’s Report

The arrival of 2019 saw US and UK equity markets enter one of the longest periods of uninterrupted growth on record, with the UK market growing by 105 percent and the US market growing by 275 percent over the last 10 years. This followed the falls of 50 percent in these markets in the aftermath of the ‘great recession’ of 2008.

In 2008/9, central banks commenced a programme of unprecedented monetary stimulus measures which included many years of near zero or even negative interest rates and large quantitative easing programmes to promote what turned out to be only a gradual and slow multi-year recovery in developed country economies. In 2017, the Trump White House added to these measures with a substantial late-cycle and politically-motivated fiscal stimulus in the form of large-scale corporate tax reductions and reliefs, which had the effect of temporarily boosting growth and employment statistics in the USA.

The record longevity of the current equity bull market can only be ascribed to these unprecedentedly large and extended measures since, at the same time, and particularly over the last two years, investors have had to contend with a growing number and severity of international political and economic concerns and disruptions which would normally dampen investor appetite for equity holding.

As we have reported here in previous periods, these have ranged from haphazard policy making, erratic international relations and isolationism from the USA, potential nuclear stand-off in the Korean peninsula, a damaging trade war between the USA and China, unprecedented and uncontrolled levels of political and economic migration into Europe and the USA leading to civil disquiet and distorted policy making, Brexit, interference by a recidivist Russia in the elections, sovereignty and security of other countries, disruption of traditional industries by AI and the new digital economy and the gradual erosion of norms relating to the international rules based system through populism which have provided an important measure of long term certainty and stability for corporate planning and investment. Despite all this, equity markets have forged ahead continuously over the last decade without significant correction and seemingly oblivious to the worrying world political and economic trends which were establishing themselves.

In recent months, however, signs have emerged that investors’ resilience to these concerns may now be on the wane, particularly in the UK where the continuing and unresolved Brexit drama is now weighing on the real economy with growth and investment stalling in the second quarter. In the USA, the Federal Reserve’s prior policy of gradually increasing interest rates has been reversed with the first cut in rates last July since 2008 and a further cut announced this month as economic growth rates decline under pressure from self-imposed international trade tariffs. In Europe growth in the major economies of Germany and France has stalled as international economic growth and activity declines. All these developments have started to dampen investor sentiment with volatility levels rising, fixed interest yields falling again and recently an inversion in the US dollar yield curve occurring, albeit with a small margin and for a short period of time. All these events would appear to indicate a measure of realism creeping into investor calculations and a period of weakness ahead in equity markets.

As indicated in prior reports and in recognition of the above described concerns, we have preferred not to take on new investment positions but have reduced borrowing and made some modest reductions in some of our longer held fund positions. We continue to place our main focus on achieving our capital growth objectives through exposure to our targeted US biotechnology investments and our income objectives through our existing UK fund investments, capturing special dividends and income received from group subsidiaries.

Geron Corporation

A detailed report of the events which occurred at the end of last year and which adversely affected the value of our largest investment, Geron Corporation, was given in April in our annual report. The unexpected withdrawal of Johnson & Johnson from its partnership with Geron in September 2018 resulted in a substantial fall of 80 percent in Geron's stock value in the fourth quarter of 2018. Subsequently, however, the stock value recovered by 90 percent in the first four months of 2019 from its end 2018 lows, following the publication in December 2018 of outstanding Phase 2 clinical trial results in two major hematologic cancer indications (MDS and MF) in which Geron's drug, Imetelstat, outperformed the drugs currently on the market and in development for these diseases. Also, in the first quarter of 2019, Geron announced the hiring of a number of highly experienced clinical trial executives who until last September had led Imetelstat's clinical trials at Johnson & Johnson which had produced such impressive Phase 2 results.

Since April, additional updated clinical trial results have been reported showing further improved results and additional highly experienced clinical trial executives previously with Johnson & Johnson have been hired. The formal transfer from Johnson & Johnson to Geron of 100 percent of Imetelstat, its intellectual and trial data and materials, was completed and in August Geron also made the important announcement of the initiation of Phase 3 clinical trials in MDS.

All these positive developments have helped Geron's stock price recover somewhat in 2019 as the market begins to move past the shock of the unexpected event of 2018 and begins to value again Geron's future potential as it had begun to do in 2018. In recent months, three leading industry analysts have assigned short to medium term price targets to Geron's stock at three times its current level, based on the results of the clinical trials to date and the size of its potential market and the lack of alternative effective drugs in the these markets. As at 25 September 2019, Geron's stock price has recovered by 38.8 percent from the end 2018 lows.

For these reasons, we believe that Geron continues to represent a strong and compelling investment opportunity and it remains the focus of our efforts to realise capital gain in the portfolio given the current outlook for the wider investment markets, as discussed above.

Jonathan C Woolf

27 September 2019

Investment Portfolio

As at 30 June 2019

Company	Nature of Business	Valuation £'000	Percentage of portfolio %
Dunedin Income Growth	Investment Trust	2,750	18.21
Geron Corporation (USA)	Biomedical	2,507	16.60
Biotime Inc (USA)	Biotechnology	1,849	12.24
Aberdeen Diversified Income & Growth	Investment Trust	771	5.11
Invesco Income Growth Trust	Investment Trust	543	3.60
Merchants Trust	Investment Trust	490	3.25
AgeX (USA)	Biotechnology	349	2.31
Braemar Shipping Services	Transport	87	0.58
Angle	Support Services	57	0.37
ADVFN	Other financial	34	0.22
10 Largest investments (excluding subsidiaries)		9,437	62.49
Investment in subsidiaries		5,537	36.66
Other investments (number of holdings: 11)		128	0.85
Total investments		15,102	100.00

Condensed Income Statement

Six months ended 30 June 2019

		Unaudited 6 months to 30 June 2019		
	Note	Revenue return £'000	Capital return £'000	Total £'000
Investment income	3	597	–	597
Holding gains/(losses) on investments at fair value through profit or loss		–	1,925	1,925
Losses on disposal of investments at fair value through profit or loss		–	(152)	(152)
Foreign exchange losses		(1)	(1)	(2)
Expenses		(215)	(116)	(331)
Profit/(loss) before finance costs and tax		381	1,656	2,037
Finance costs		(25)	(25)	(50)
Profit/(loss) before tax		356	1,631	1,987
Taxation		12	–	12
Profit/(loss) for the period		368	1,631	1,999
Earnings per ordinary share	5			
Basic		0.77p	6.52p	7.29p
Diluted		1.05p	4.66p	5.71p

The company does not have any income or expense that is not included in profit/(loss) for the period and all items derive from continuing operations. Accordingly, the 'Profit/(loss) 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 company'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 company.

Unaudited 6 months to 30 June 2018			Audited Year ended 31 December 2018		
Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
1,104	–	1,104	3,056	–	3,056
–	3,549	3,549	–	(4,644)	(4,644)
–	(643)	(643)	–	(2,647)	(2,647)
(12)	(12)	(24)	(61)	(62)	(123)
(203)	(116)	(319)	(457)	(237)	(694)
889	2,778	3,667	2,538	(7,590)	(5,052)
(25)	(22)	(47)	(49)	(45)	(94)
864	2,756	3,620	2,489	(7,635)	(5,146)
14	–	14	31	–	31
878	2,756	3,634	2,520	(7,635)	(5,115)
2.81p	**11.03p**	**13.84p**	8.68p	(30.54)p	(21.86)p
2.51p	**7.87p**	**10.38p**	7.20p	(21.81)p	(14.61)p

Condensed Statement of Changes in Equity

Six months ended 30 June 2019

	Unaudited Six months ended 30 June 2019			
	Share capital* £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2018	35,000	(28,802)	1,721	7,919
Profit for the period	–	1,631	368	1,999
Ordinary dividend paid	–	–	(1,500)	(1,500)
Preference dividend paid	–	–	(175)	(175)
Balance at 30 June 2019	35,000	(27,171)	414	8,243

	Unaudited Six months ended 30 June 2018			
	Share capital* £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2017	35,000	(21,167)	1,701	15,534
Profit for the period	–	2,756	878	3,634
Ordinary dividend paid	–	–	(1,475)	(1,475)
Preference dividend paid	–	–	(175)	(175)
Balance at 30 June 2018	35,000	(18,411)	929	17,518

	Audited Year ended 31 December 2018			
	Share capital* £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2017	35,000	(21,167)	1,701	15,534
Profit/(loss) for the period	–	(7,635)	2,520	(5,115)
Ordinary dividend paid	–	–	(2,150)	(2,150)
Preference dividend paid	–	–	(350)	(350)
Balance at 31 December 2018	35,000	(28,802)	1,721	7,919

*The company's share capital comprises £35,000,000 (2018 - £35,000,000) being 25,000,000 ordinary shares of £1 (2018 - 25,000,000) and 10,000,000 non-voting convertible preference shares of £1 each (2018 - 10,000,000).

Condensed Balance Sheet

As at 30 June 2019

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Non – current assets			
Investments – fair value through profit or loss (note 1)	**9,565**	15,866	8,722
Subsidiaries – fair value through profit or loss	**5,537**	6,375	5,269
	15,102	22,241	13,991
Current assets			
Receivables	**3,543**	4,055	3,417
Cash and cash equivalents	**232**	725	244
	3,775	4,780	3,661
Total assets	**18,877**	27,021	17,652
Current liabilities			
Trade and other payables	**(1,593)**	(2,006)	(547)
Bank loan	**(2,772)**	(2,717)	(2,790)
	(4,365)	(4,723)	(3,337)
Total assets less current liabilities	**14,512**	22,298	14,315
Non – current liabilities	**(6,269)**	(4,780)	(6,396)
Net assets	**8,243**	17,518	7,919
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	**(27,171)**	(18,411)	(28,802)
Retained revenue earnings	**414**	929	1,721
Total equity	**8,243**	17,518	7,919
Net assets per ordinary share - basic (note 6)	**£0.24**	£0.50	£0.23
Net assets per ordinary share - diluted (note 6)	**£0.24**	£0.50	£0.23

Condensed Cashflow Statement

Six months ended 30 June 2019

	Unaudited 6 months to 30 June 2019 £'000	Unaudited 6 months to 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Cash flow from operating activities			
Profit/(loss) before tax	**1,987**	3,620	(5,146)
Adjustment for:			
(Gains)/losses on investments	**(1,739)**	(2,906)	7,291
Scrip dividends	–	–	(290)
Proceeds on disposal of investments at fair value through profit or loss	**7,459**	7,699	13,635
Purchases of investments at fair value through profit or loss	**(7,638)**	(5,967)	(12,335)
Interest	**50**	47	94
Operating cash flows before movements in working capital	**119**	2,493	3,249
Decrease/(increase) in receivables	**567**	(269)	(712)
Decrease in payables	**(12)**	(491)	(773)
Net cash from operating activities before interest	**674**	1,733	1,764
Interest paid	**(50)**	(44)	(90)
Net cash flows from operating activities	**624**	1,689	1,674
Cash flow from financing activities			
Dividends paid on ordinary shares	**(618)**	(1,475)	(1,839)
Dividends paid on preference shares	–	(175)	(350)
Bank loan	**(18)**	(1,527)	(1,454)
Net cash used in financing activities	**(636)**	(3,177)	(3,643)
Net decrease in cash and cash equivalents	**(12)**	(1,488)	(1,969)
Cash and cash equivalents at beginning of period	**244**	2,213	2,213
Cash and cash equivalents at end of period	**232**	725	244

Notes to the Company's Condensed Financial Statements

Six months ended 30 June 2019

1. Accounting policies

Basis of preparation and statement of compliance

This interim report is prepared in accordance with IAS 34 'Interim Financial Reporting' and on the basis of the accounting policies set out in the company's Annual Report and financial statements at 31 December 2018 with the exception of the application of new accounting standards.

The company's condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, 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.

In accordance with IFRS 10, the group does not consolidate its subsidiaries and therefore instead of preparing group accounts it prepares separate financial statements for the parent entity only.

The financial statements have been prepared on the historical cost basis except for the measurement at fair value of investments, derivative financial instruments, and subsidiaries. The same accounting policies as those published in the statutory accounts for 31 December 2018 have been applied.

Significant accounting policies

In order to better 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.

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 company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the company 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.

Notes to the Company's Condensed Financial Statements (continued)

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 at fair value through profit or loss are included in 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 closing 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.

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

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

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

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.

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% (2018 – 50%) to revenue and 50% (2018 – 50%) to capital, in order to reflect the directors' long-term view of the nature of the expected investment returns of the company.

Notes to the Company's Condensed Financial Statements (continued)

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.

2. Segmental reporting

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

3. Income

	Unaudited 6 months to 30 June 2019 £'000	Unaudited 6 months to 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Income from investments	**568**	1,083	3,008
Other income	**29**	21	48
	597	1,104	3,056

Of the £568,000 (30 June 2018 – £783,000, 31 December 2018 – £1,562,000) dividends received from listed investments in the company accounts, £434,000 (30 June 2018 – £641,000, 31 December 2018 – £997,000) related to special and other dividends received from investee companies that were bought after the dividend announcement. There was a corresponding capital loss of £498,000 (30 June 2018 – £573,000, 31 December 2018 – £1,007,000) on these investments.

Under IFRS 10 the income analysis is for the parent company only rather than that of the consolidated group shown in previous years.Thus film revenues of £31,000 (30 June 2018 – £36,000, 31 December 2018 – £92,000) received by the subsidiary British & American Films Limited and property unit trust income of £7,000 (30 June 2018 – £7,000, 31 December 2018 – £14,000) received by the subsidiary BritAm Investments Limited are shown separately in this paragraph for information purposes.

4. Proposed dividends

	Unaudited 6 months to 30 June 2019 Interim		Unaudited 6 months to 30 June 2018 Interim		Audited year ended 31 December 2018 Final	
	Pence per share	**£'000**	Pence per share	£'000	Pence per share	£'000
Ordinary shares	**2.7**	**675**	2.7	675	6.0	1,500
Preference shares – fixed	**1.75**	**175**	1.75	175	1.75	175
		850		850		1,675

The directors have declared an interim dividend of 2.7p (2018 – 2.7p) per ordinary share, payable on

Notes to the Company's Condensed Financial Statements (continued)

4. Proposed dividends (continued)

12 December 2019 to shareholders registered on 22 November 2019. The shares will be quoted ex-dividend on 21 November 2019.

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 2019		Unaudited 6 months to 30 June 2018		Audited Year ended 31 December 2018	
	Pence per share	**£'000**	Pence per share	£'000	Pence per share	£'000
Ordinary shares – final	**6.0**	**1,500**	5.9	1,475	5.9	1,475
Ordinary shares – interim	–	–	–	–	2.7	675
Preference shares – fixed	**1.75**	**175**	1.75	175	3.5	350
		1,675		1,650		2,500

5. Earnings per ordinary share

	Unaudited 6 months to 30 June 2019 £'000	Unaudited 6 months to 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Basic earnings per share			
Calculated on the basis of:			
Net revenue profit after preference dividends	**193**	703	2,170
Net capital gain/(loss)	**1,631**	2,756	(7,635)
Net total earnings after preference dividends	**1,824**	3,459	(5,115)
	Number'000	Number'000	Number'000
Ordinary shares in issue	**25,000**	25,000	25,000
Diluted earnings per share			
Calculated on the basis of:			
Net revenue profit	**368**	878	2,520
Net capital gain/(loss)	**1,631**	2,756	(7,635)
Profit/(loss) after taxation	**1,999**	3,634	(5,115)
	Number'000	Number'000	Number'000
Ordinary and preference shares in issue	**35,000**	35,000	35,000

Notes to the Company's Condensed Financial Statements (continued)

5. Earnings per ordinary share (continued)

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).

6. 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 company net assets attributable to shareholders as follows:

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000 restated	Audited 31 December 2018 £'000 restated
Total net assets	**8,243**	17,518	7,919
Less convertible preference shares at fully diluted value	**(2,355)**	(5,005)	(2,263)
Net assets attributable to ordinary shareholders	**5,888**	12,513*	5,656*

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).

Basic net assets and earnings per share are calculated using a value of fully diluted net asset value for the preference shares.

*Net assets attributable to ordinary shareholders at 30 June 2018 and at 31 December 2018 have been restated using a value of fully diluted net asset value for the preference shares instead of using a value of par for the preference shares.

7. Non – current liabilities

Guarantee of subsidiary liability	**Unaudited 30 June 2019 £'000**	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Opening provision	**6,396**	4,666	4,666
(Decrease)/increase in period	**(127)**	114	1,730
Closing provision	**6,269**	4,780	6,396

Notes to the Company's Condensed Financial Statements (continued)

7. Non – current liabilities (continued)

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

8. Related party transactions

Romulus Films Limited and Remus Films Limited have significant shareholdings in the company: 6,902,812 (27.6%) ordinary shares held by Romulus Films Limited and 7,868,750 (31.5%) ordinary shares held by Remus Films Limited). Romulus Films Limited also holds 10,000,000 cumulative convertible preference shares.

The company rents its offices from Romulus Films Limited, and is also charged for its office overheads. During the period the company paid £17,000 (30 June 2018 – £17,000 and 31 December 2018 – £34,000) in respect of those services.

The salaries and pensions of the company's employees, except for the three non-executive directors and one employee, are paid by Remus Films Limited and Romulus Films Limited and are recharged to the company. Amounts charged by these companies in the period to 30 June 2019 were £179,000 (30 June 2018 – £172,000 and 31 December 2018 – £364,000) in respect of salary costs and £23,000 (30 June 2018 – £23,000 and 31 December 2018 – £40,000) in respect of pensions.

At the period end an amount of £876,000 (30 June 2018 – £44,000 and 31 December 2018 – £67,000) was due to Romulus Films Limited and £560,000 (30 June 2018 – £8,000 and 31 December 2018 – £36,000) was due to Remus Films Limited.

During the period subsidiary BritAm Investments Limited paid dividends of £nil (30 June 2018 – £300,000 and 31 December 2018 – £1,445,000) to the parent company, British & American Investment Trust PLC.

British & American Investment Trust PLC has guaranteed the liabilities of £6,269,000 (30 June 2018 – £4,780,000 and 31 December 2018 – £6,396,000) due from Second BritAm Investments Limited to its fellow subsidiaries if they should fall due.

During the period the company paid interest of £nil (30 June 2018 – £3,000 and 31 December 2018 – £3,000) on the loan due to Second BritAm Investments Limited.

During the period the company received interest of £8,000 (30 June 2018 – £7,000 and 31 December 2018 – £14,000) from British and American Films Limited, £2,000 (30 June 2018 – £nil and 31 December 2018 – £1,000) from Second BritAm Investments Limited and £19,000 (30 June 2018 – £14,000 and 31 December 2018 – £33,000) from BritAm Investments Limited.

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

Notes to the Company’s Condensed Financial Statements (continued)

9. 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 2019	(28,802)	1,721
Allocation of profit for the period	1,631	368
Ordinary and preference dividends paid	–	(1,675)
At 30 June 2019	(27,171)	414

The capital reserve includes £7,255,000 of investment holding losses (30 June 2018 – £2,624,000 loss, 31 December 2018 – £9,839,000 loss).

10. Financial instruments

Financial instruments carried at fair value

All investments are carried at fair value. Other financial assets and liabilities of the company 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.

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities.

These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the measurement date.

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

(1) Prices of recent transactions for identical instruments.
(2) Valuation techniques using observable market data.

Level 3: Unobservable inputs for the asset or liability.

Notes to the Company's Condensed Financial Statements (continued)

10. Financial instruments (continued)

Financial assets and financial liabilities at fair value through profit or loss at 30 June 2019	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments held at fair value through profit or loss	9,564	–	1	9,565
Subsidiary held at fair value through profit or loss	–	–	5,537	5,537
Total financial assets and liabilities carried at fair value	9,564	–	5,538	15,102

With the exception of the Sarossa Capital, BritAm Investments Limited (unquoted subsidiary) and Second BritAm Investments Limited (unquoted subsidiary), which are categorised as Level 3, all other investments are categorised as Level 1.

Fair Value Assets in Level 3

The following table shows the reconciliation from the opening balances to the closing balances for fair value measurement in level 3 of the fair value hierarchy.

	Level 3 £'000
Opening fair value at 1 January 2019	5,277
Purchases	–
Sales proceeds	(8)
Gains on sales	–
Investment holding gains	269
Closing fair value at 30 June 2019	5,538

Subsidiaries

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

The fair value of the film rights have been determined by estimating the present value of the pre-tax film revenues in the next 10 years discounted at a discount rate of 5%. The directors' valuation of British & American Films Limited has been based on pre-tax profits as sufficient group relief exists to mitigate the tax effect.

There have been no transfers between levels of the fair value hierarchy during the period. Transfers between levels of fair value hierarchy are deemed to have occurred at the date of the event or change in circumstances that caused the transfer.

Notes to the Company's Condensed Financial Statements (continued)

11. Financial information

The financial information contained in this report does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The financial information for the period ended 30 June 2019 and 30 June 2018 have not been audited by the Company's Auditor pursuant to the Auditing Practices Board guidance. The information for the year to 31 December 2018 has been extracted from the latest published Annual Report and Financial Statements, which have been lodged with the Registrar of Companies, contained an unqualified auditors' report and did not contain a statement required under Section 498(2) or (3) of the Companies Act 2006.

Directors' 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 2018.

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 are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. 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 FCA's Disclosure and Transparency Rules.

The Directors of the company are listed at the bottom of the Contents page.

The half-yearly report was approved by the Board on 27 September 2019 and the above responsibility statement was signed on its behalf by:

Jonathan C Woolf

Managing Director

Independent review report to the members of British & American Investment Trust PLC

Introduction
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report of British & American Investment Trust PLC for the six months ended 30 June 2019 which comprises the Condensed Income Statement, the Condensed Statement of Changes in Equity, the Condensed Balance Sheet, the Condensed Cashflow Statement and related Notes to the Company results. We have read the other information contained in the half-yearly financial report being the Financial Highlights, the Chairman's Statement, the Managing Director's Report, the Investment Portfolio and the Directors' Statement, and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 Conduct Authority.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards 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 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.

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 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Independent review report to the members of British & American Investment Trust PLC (continued)

Use of our report

This report is made solely to the company, 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. Our review work has been undertaken so that we might state to the company those matters we are required to state to it in an independent 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.

HAZLEWOODS LLP
AUDITOR

Cheltenham
27 September 2019