British & American Investment Trust PLC

Interim Report

30 June 2020

Contents

Directors

David G. Seligman *(Chairman)*
Jonathan C. Woolf *(Managing Director)*
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Member of the Association of Investment Companies (AIC)

Financial Highlights

For the six months ended 30 June 2020

	Unaudited 6 months to 30 June 2020 £'000	Unaudited 6 months to 30 June 2019 £'000	Audited Year ended 31 December 2019 £'000
Revenue			
Return before tax	**989**	**356**	862
Earnings per £1 ordinary shares – basic (note 5)	**3.31p**	**0.77p**	2.26p
Earnings per £1 ordinary shares – diluted (note 5)	**2.86p**	**1.05p**	2.61p
Capital			
Total equity	**7,888**	**8,243**	6,504
Revenue reserve (note 9)	**1,112**	**414**	110
Capital reserve (note 9)	**(28,224)**	**(27,171)**	(28,606)
Net assets per ordinary share (note 6)			
– Basic	**£0.23**	**£0.24**	£0.19
– Diluted	**£0.23**	**£0.24**	£0.19
Diluted net assets per ordinary share at 28 October 2020	**£0.20**		
Dividends*			
Dividend per ordinary share (note 4)	**2.7p**	2.7p	2.7p
Dividend per preference share (note 4)	**1.75p**	1.75p	1.75p

Basic net assets and earnings per share are calculated using a value of fully diluted net asset value 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 on our results for the six months to 30 June 2020.

As previously noted in our 2019 annual report, these interim results are released one month later than usual in accordance with the extended reporting deadlines introduced by the Financial Conduct Authority (FCA) for listed companies due to the Coronavirus (COVID-19) pandemic.

Revenue

The profit on the revenue account before tax amounted to £1.0 million (30 June 2019: £0.4 million), an increase of 177.8 percent. This was due to an increased level of income received from our subsidiary companies.

Gross revenues totalled £1.27 million (2019: £0.6 million) during the period. In addition, film income of £29,000 (30 June 2019: £31,000) and property unit trust income of £7,000 (30 June 2019: £7,000) was received in our subsidiary companies. In accordance with IFRS10, these income streams are not included within the revenue figures noted above.

A gain of £0.5 million (30 June 2019: £1.8 million gain) was registered on the capital account before capitalised expenses and foreign exchange gains/losses, comprising a realised loss of £0.7 million (30 June 2019: £0.2 million loss) and an unrealised gain of £1.2 million (30 June 2019: £1.9 million gain).

Revenue earnings per ordinary share were 3.3 pence on an undiluted basis (30 June 2019: 0.8 pence) and 2.9 pence on a fully diluted basis (30 June 2019: 1.0 pence).

Net Assets and Performance

Company net assets were £7.9 million (£6.5 million, at 31 December 2019), an increase of 21.3 percent. Over the same six month period, the FTSE 100 index decreased by 18.2 percent and the All Share index decreased by 18.7 percent. The net asset value per £1 ordinary share was 23 pence on a fully diluted basis.

This increase in net assets over the period and substantial outperformance compared to our benchmark indices was primarily the result of gains of 60 percent in the value of our largest US holding, Geron Corporation. As noted in our annual report at the end of June, this increase reflected the ongoing recovery in market perception of Geron after a severe reversal in valuation in 2018 following the unexpected withdrawal of its partner Johnson & Johnson. Since that time, Geron has worked steadily to demonstrate that its clinical oncology drug programme remains on track with ever improving results. During the period, a number of positive developments have occurred, including the announcement of FDA agreement for a second Phase 3 trial (in Myelofibrosis, MF) to add to its continuing Phase 3 trial (in Myelodysplastic Syndrome, MDS) and the completion of a $150 million equity fundraising in which leading biotech sector investment funds took large positions. In addition, leading market analysts covering Geron have maintained or increased their value targets for Geron's share price at many multiples of current value.

The Covid-19 pandemic which struck in the first half of 2020 has wreaked havoc on the economies, everyday activities and livelihoods of people in most countries in the world. From an initial epidemic in China in January, the disease spread quickly to Europe and the USA by the end of the first quarter. Strict lockdown measures introduced at that point to curtail the outbreak severely impacted citizens' daily lives, jobs and the working of their economies. As a corollary to the lockdowns, governments were forced to provide unprecedented levels of financial and fiscal support through novel mechanisms such as guaranteed emergency loans and furlough arrangements to both corporations and individuals through this period.

The measures proved to be generally effective and by the end of the second quarter the rapid growth in the infection rate, hospitalisations and deaths was first stabilised and then reduced to substantially lower levels. Additionally, many jobs in those industries forced to shut their doors were kept open through extensive government-supported furlough arrangements.

Most governments had readily accepted that in the trade-off between protecting citizens, particularly the elderly, from the disease and the economic damage caused by shutting down everyday activity, protection of citizens was paramount. As a result, never before seen disruption to economic activity occurred in the first half of 2020, with GDP falling by 23 percent in the UK and 35 percent in the USA. The bulk of this fall occurred in the second quarter coinciding with the severest lockdown period when GDP in the UK fell by 20 percent and by 30 percent in the USA.

Against this highly uncertain background, equities have unsurprisingly experienced a very high degree of volatility over the period. In the UK, the leading index fell by almost 35 percent over 10 days at the end of the first quarter but by the end of the second quarter had recovered by 23 percent, resulting in a decline of 18 percent over the first half. A similar drop was seen in the USA but the recovery in prices was much stronger with the leading index recovering most of its losses by the half year and even returning briefly to year opening levels by August.

Equities were already standing at relatively high levels by the end of 2019 following a ten year bull run since the financial crisis of 2008/9 and so it is somewhat surprising that the shock delivered to the world economic system by Covid-19 did not result in more retracement by the time the first wave of the pandemic had passed through the system at the half year, particularly since the outlook for effective medical treatments or vaccines continues to remain unsure for the time being. Forces supporting investment in equities which have been in evidence for some time, including ultra low and in some cases negative interest rates, quantative easing programmes and highly accommodative future policy indications from the US Federal Reserve, together with an absence of interest in other asset classes such as commodities, real estate, fixed interest securities and even cash have continued to support equity prices despite the effects of the pandemic.

As noted in my previous statement, our holdings of Geron and other US biotechnology stocks which do not track general market movements so closely have allowed us to avoid the more extreme effects of this volatility and have in fact enabled us in this period to outperform our benchmarks significantly.

Dividend

We intend to pay an interim dividend of 2.7 pence per ordinary share on 10 December 2020 to shareholders on the register at 20 November 2020. This represents an unchanged dividend from last year’s interim dividend and a yield of approximately 9 percent on the ordinary share price averaged over the period. A preference dividend of 1.75 pence will be paid to preference shareholders on the same date.

Outlook

The Covid-19 pandemic and the plethora of other major issues, financial, economic and geopolitical which have been present and growing for some time as we have reported on previous occasions make

Chairman's Statement (continued)

any enlightened view on the outlook for investment over the coming period virtually impossible.

It has become evident that the effects of the pandemic are likely to last longer than perhaps originally expected as governments grapple with the realities of exiting the lockdowns without returning to the high levels of infection and death of the first half of the year.

The dramatic falls in GDP seen in the first half have partially reversed as countries started to dismantle the severest restrictions and gradually return towards normalcy. However, the lightened levels of restrictions introduced in recent months have resulted in new and rapid growth in the infection rate in many countries and in some areas of the UK have recently necessitated the re-imposition of increased localised restrictions over an as yet unknown timeframe. This will inevitably result in a slowing of the recovery in GDP and, as governments reduce the levels of emergency support, to long term damage to many sectors of the economy and the permanent loss of jobs. It seems unavoidable that a significant amount of economic activity will now be permanently lost.

To counter this and other negative economic trends, governments, central banks and international agencies such as the IMF continue to push strongly for continued monetary and fiscal stimulus for an indeterminate period which should support equity prices through this crisis.

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

As at 28 October, company net assets were £7.0 million, a decrease of 10.7 percent since 30 June. This compares with a decrease in the FTSE 100 index of 9.5 percent and a decrease of 7.5 percent in the All Share index over the same period, and is equivalent to 20.1 pence per share (prior charges deducted at fully diluted value) and 20.1 pence per share on a fully diluted basis.

David Seligman

30 October 2020

Managing Director's Report

This time last year I reported that US and UK equity markets had entered 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 preceding 10 years. While it was noted at the time that numerous and growing headwinds made it unlikely that such increases would continue uninterrupted, little was it realised that the catastrophe of the Covid-19 pandemic would strike in just a few short months, not only halting the growth in equity markets abruptly in the first quarter of this year but, in the case of the UK, taking the market back by the end of the quarter to its level of the last financial crisis in 2008/9, with falls of well over 30 percent. A veritable 'black swan' event.

Equity markets quickly rebounded in the second quarter to recover approximately 50 percent of their falls of the first quarter, as swift and comprehensive interventions by governments curtailed the uncontrolled growth of the virus. However, there was a growing realisation over the summer months that, in the absence of effective treatments or the quick availability of a new vaccine, the virus would return in a second wave as the initially severe restrictions were reduced to restart economies and as the winter approached. The equity market in the UK has therefore weakened again in the third quarter and has not sustained the recovery of the second quarter.

In the USA, which has followed a somewhat different and much less focussed policy towards Covid-19, the equity market has continued its recovery back to almost pre-pandemic levels. This reflects the lesser emphasis on and in some quarters misplaced scepticism of the dangers of the virus in favour of maintaining economic activity or personal liberties. In addition, the Federal Reserve implemented significant additional monetary stimulus through a change to its inflation targeting policy, switching from a fixed ceiling of 2 percent to an average target of 2 percent over time. This is designed to allow the economy to 'run hotter'. At the same time it has also made unprecedented long-term commitments to maintain interest rates at their near zero level for a number of years.

Although the US federal government has not yet been able to agree a continuation in some form of the financial assistance measures given to citizens and corporations during the height of the pandemic earlier this year, which will inevitably lead to lowered levels of growth and increased joblessness in the USA over the coming period, the actions of the Federal Reserve to pump large and long term amounts of liquidity into the economy has supported equity prices over the last few months despite the virus continuing to take its toll in the USA.

Looking forward, it is generally believed that even if one or more effective vaccines are approved and become available in early 2021, large scale adoption of these or other treatments heralding a turning point in the fight against the virus will not be seen before the end of next year. Thus, sustained return to normal social and economic activity is unlikely to be seen before 2022.

Consequently, the outlook for economic recovery remains very uncertain for the medium term. This is compounded by all the other concomitants of this devastating pandemic, including a permanent loss of economic activity and likely permanent changes to the way social interaction and business activities are conducted in the future. In the short term, a significant loss of jobs and even of whole businesses is anticipated as governments modulate their hitherto comprehensive financial rescue and stimulus measures in order to reduce pressure on the public finances.

In these circumstances, it is extremely difficult for investors to know where sensibly and safely to commit their investment funds over the coming years. A brief summary of the perceived prospects in the current circumstances for investment in the various mainstream asset classes is given below as an illustration of this:

Equities. After the 10 year bull run from 2009 to 2019, which was artificially prolonged in the latter years by US fiscal and monetary stimulus, equity valuations were standing at historically high levels before the pandemic struck. All sectors had risen steadily over this period, giving rise to market multiples well in excess of long term levels; but certain sectors, particularly technology, far out-ran the market enjoying increases of many hundreds and in some cases thousands of percent. This year, for example, the market value of the five leading US tech companies (known as FAANGs) reached US$ 4 trillion, representing over 15 percent of the value of the entire S&P 500 index. It is these stocks which have led and sustained the bull run in equities but which have also contributed to market volatility in the current year. As another example, Apple Corporation achieved a market value of US$ 2 trillion this year which is in excess of the entire value of all the companies in the FTSE 100 index.

These companies have of course created much value and innovation over the past few years. Some have also recently benefitted greatly from changed consumer habits as a result of the pandemic, as well as from the US administration's confrontational international trade policy. However, it is plain that the elevated valuations of these companies and of equities more generally also derive from the amount of excess liquidity pumped into the system by central banks together with the perceived lack of palatable alternative mainstream investment opportunities available to investors under current circumstances.

There is also the forthcoming US presidential election and should a change of administration occur, it would be likely particularly to place new pressures on these FAANG companies in terms of changes to the tax regime and their operations. While such a change might seem disadvantageous to this particular sector, on a more general level the likely return to more normal and less erratic government in the USA would be considerably more conducive to the successful operation of the economy, as recent reactions of the market seem to indicate.

Fixed interest. Historically the second most favoured global institutional investment asset, fixed interest bonds currently generate little or even negative yield over some maturities and are open to the risk of future inflationary forces, a real prospect following the large-scale fiscal and monetary stimulus of recent years and in the current year the response to the pandemic.

Precious metals. Gold and other precious metals have risen strongly over the past year, with the gold price increasing by 35 percent this year to reach historic highs, in response to forces such as US dollar weakness, loosened monetary policy and geopolitical instability. This asset class generates no income and the combination of factors supporting the current high levels might very well not continue into the future. The abundance of liquidity which has created capital growth in this and similar asset classes will inevitably be withdrawn as inflationary pressures increase in the years to come, although in these circumstances gold itself would be likely to benefit from resilience at some level as a hedge against inflation.

Commodities and real estate. These investments are vulnerable to the large scale and potentially protracted global slowdown which the pandemic has caused. More generally, changed ways of living following the pandemic in such areas as consumption, retail and office life could have a major impact on the future prospects of commercial real estate investment.

Managing Director's Report (continued)

> Cash. As the investment of final resort in times of severe investment uncertainty, cash or cash funds have always provided a refuge when other investments are considered too risky. However, even cash is no longer an attractive proposition with near zero interest rates and even negative rates operating in some leading currencies such as the Swiss Franc, Euro, Japanese Yen, and potentially in prospect for others. Additionally, the prospect of a return to inflation, which could even potentially become a government policy goal to address the fast growing levels of public debt, also compounds the unattractiveness of cash over the longer term.

Investors have therefore seen no alternative but to continue investing in equities, despite the currently high multiples, the likely economic uncertainties ahead and an expected downturn in corporate earnings over the coming period. Even the traditional income generating advantage of equities has now come under pressure with the familiar pattern of ever increasing dividends coming to an end this year and even being reversed. As seen with some of the UK's leading stocks, dividends have been cut, cancelled or even in the case of banks been disallowed by government. This year, for example, 40 percent of FTSE 100 companies cut or cancelled their dividends resulting in a fall of 50 percent in total dividend income for investors.

For all the above reasons and as previously noted, we have been trimming our exposure to some of our general sterling-based equity investments and continue with our focused and long-term strategic investments in US biopharma, which are not so susceptible to the market forces and policy distortions driving capital valuations at the moment and from which we hope to capture significant value as they progress steadily towards commercialisation of their ground-breaking and valuable technologies. As already noted, this investment approach has enabled us this year significantly to outperform our benchmarks and we hope to achieve similar results in the periods to come as this programme matures.

Jonathan C Woolf

30 October 2020

Investment Portfolio

As at 30 June 2020

Company	Nature of Business	Valuation £'000	Percentage of portfolio %
Geron Corporation (USA)	Biomedical	2,925	23.17
Dunedin Income Growth	Investment Trust	1,920	15.21
Lineage Cell Therapeutics (USA)	Biotechnology	1,053	8.34
Aberdeen Diversified Income & Growth	Investment Trust	655	5.19
AgeX (USA)	Biotechnology	92	0.73
Braemar Shipping Services	Transport	56	0.44
B.S.D. Crown	Software and computer services	25	0.20
OncoCyte (USA)	Biotechnology	23	0.18
ADVFN	Other financial	20	0.16
Audioboom Group	Media	19	0.15
10 Largest investments (excluding subsidiaries)		6,788	53.77
Investment in subsidiaries		5,822	46.11
Other investments (number of holdings: 6)		16	0.12
Total investments		12,626	100.00

Condensed Income Statement

Six months ended 30 June 2020

	Note	Unaudited 6 months to 30 June 2020 Revenue return £'000	Capital return £'000	Total £'000
Investment income	3	**1,269**	**–**	**1,269**
Holding gains on investments at fair value through profit or loss		**–**	**1,207**	**1,207**
Losses on disposal of investments at fair value through profit or loss		**–**	**(747)**	**(747)**
Foreign exchange gains/(losses)		**(52)**	**53**	**1**
Expenses		**(199)**	**(119)**	**(318)**
Profit before finance costs and tax		**1,018**	**394**	**1,412**
Finance costs		**(29)**	**(12)**	**(41)**
Profit before tax		**989**	**382**	**1,371**
Taxation		**13**	**–**	**13**
Profit for the period		**1,002**	**382**	**1,384**
Earnings per ordinary share	5			
Basic		**3.31p**	**1.53p**	**4.84p**
Diluted		**2.86p**	**1.09p**	**3.95p**

The company does not have any income or expense that is not included in profit for the period and all items derive from continuing operations. Accordingly, the '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 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 2019			Audited Year ended 31 December 2019		
Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
597	–	597	1,243	–	1,243
–	1,925	1,925	–	1,657	1,657
–	(152)	(152)	–	(1,113)	(1,113)
(1)	(1)	(2)	53	(57)	(4)
(215)	(116)	(331)	(381)	(242)	(623)
381	1,656	2,037	915	245	1,160
(25)	(25)	(50)	(53)	(49)	(102)
356	1,631	1,987	862	196	1,058
12	–	12	52	–	52
368	1,631	1,999	914	196	1,110
0.77p	6.52p	7.29p	2.26p	0.78p	3.04p
1.05p	4.66p	5.71p	2.61p	0.56p	3.17p

Condensed Statement of Changes in Equity

Six months ended 30 June 2020

Unaudited
Six months ended 30 June 2020

	Share capital* £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2019	35,000	(28,606)	110	6,504
Profit for the period	–	382	1,002	1,384
Ordinary dividend paid	–	–	–	–
Preference dividend paid	–	–	–	–
Balance at 30 June 2020	35,000	(28,224)	1,112	7,888

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

Audited
Year ended 31 December 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	–	196	914	1,110
Ordinary dividend paid	–	–	(2,175)	(2,175)
Preference dividend paid	–	–	(350)	(350)
Balance at 31 December 2019	35,000	(28,606)	110	6,504

*The company's share capital comprises £35,000,000 (2019 - £35,000,000) being 25,000,000 ordinary shares of £1 (2019 - 25,000,000) and 10,000,000 non-voting convertible preference shares of £1 each (2019 - 10,000,000).

Condensed Balance Sheet

As at 30 June 2020

	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Non – current assets			
Investments – fair value through profit or loss (note 1)	**6,804**	9,565	6,704
Subsidiaries – fair value through profit or loss	**5,822**	5,537	5,335
	12,626	15,102	12,039
Current assets			
Receivables	**1,584**	3,543	1,588
Cash and cash equivalents	**2,192**	232	2,504
	3,776	3,775	4,092
Total assets	**16,402**	18,877	16,131
Current liabilities			
Trade and other payables	**(2,359)**	(1,593)	(3,617)
Bank loan	**(2,843)**	(2,772)	(2,635)
	(5,202)	(4,365)	(6,252)
Total assets less current liabilities	**11,200**	14,512	9,879
Non – current liabilities	**(3,312)**	(6,269)	(3,375)
Net assets	**7,888**	8,243	6,504
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	**(28,224)**	(27,171)	(28,606)
Retained revenue earnings	**1,112**	414	110
Total equity	**7,888**	8,243	6,504
Net assets per ordinary share - basic (note 6)	**£0.23**	£0.24	£0.19
Net assets per ordinary share - diluted (note 6)	**£0.23**	£0.24	£0.19

Condensed Cashflow Statement

Six months ended 30 June 2020

	Unaudited 6 months to 30 June 2020 £'000	Unaudited 6 months to 30 June 2019 £'000	Audited Year ended 31 December 2019 £'000
Cash flow from operating activities			
Profit before tax	**1,371**	1,987	1,058
Adjustment for:			
Gains on investments	**(460)**	(1,739)	(544)
Proceeds on disposal of investments at fair value through profit or loss	**1,811**	7,459	16,316
Purchases of investments at fair value through profit or loss	**(2,226)**	(7,638)	(14,521)
Interest	**41**	50	102
Operating cash flows before movements in working capital	**537**	119	2,411
(Increase)/decrease in receivables	**(213)**	567	2,417
Decrease in payables	**(361)**	(12)	(363)
Net cash from operating activities before interest	**(37)**	674	4,465
Interest paid	**(23)**	(50)	(97)
Net cash flows from operating activities	**(60)**	624	4,368
Cash flow from financing activities			
Dividends paid on ordinary shares	**(285)**	(618)	(1,778)
Dividends paid on preference shares	**(175)**	–	(175)
Bank loan	**208**	(18)	(155)
Net cash used in financing activities	**(252)**	(636)	(2,108)
Net (decrease)/increase in cash and cash equivalents	**(312)**	(12)	2,260
Cash and cash equivalents at beginning of period	**2,504**	244	244
Cash and cash equivalents at end of period	**2,192**	232	2,504

Notes to the Company's Condensed Financial Statements

Six months ended 30 June 2020

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 2019 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 2019 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)

1. Accounting policies (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% (2019 – 50%) to revenue and 50% (2019 – 50%) to capital, in order to reflect the directors' long-term view of the nature of the expected investment returns of the company.

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

1. Accounting policies (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 2020 £'000	Unaudited 6 months to 30 June 2019 £'000	Audited Year ended 31 December 2019 £'000
Income from investments	**1,226**	568	1,185
Other income	**43**	29	58
	1,269	597	1,243

Of the £160,000 (30 June 2019 – £568,000, 31 December 2019 – £1,185,000) dividends received from listed investments in the company accounts, £89,000 (30 June 2019 – £434,000, 31 December 2019 – £879,000) related to special and other dividends received from investee companies that were bought after the dividend announcement. There was a corresponding capital loss of £424,000 (30 June 2019 – £498,000, 31 December 2019 – £1,027,000) on these investments.

Under IFRS 10 the income analysis is for the parent company only rather than that of the consolidated group. Thus, film revenues of £29,000 (30 June 2019 – £31,000, 31 December 2019 – £106,000) received by the subsidiary British & American Films Limited and property unit trust income of £7,000 (30 June 2019 – £7,000, 31 December 2019 – £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 2020 Interim		Unaudited 6 months to 30 June 2019 Interim		Audited year ended 31 December 2019 Final	
	Pence per share	**£'000**	Pence per share	£'000	Pence per share	£'000
Ordinary shares	**2.7**	**675**	2.7	675	–	–
Preference shares – fixed	**1.75**	**175**	1.75	175	–	–
		850		850		–

The directors have declared an interim dividend of 2.7p (2019 – 2.7p) per ordinary share, payable on

4. Proposed dividends (continued)

10 December 2020 to shareholders registered on 20 November 2020. The shares will be quoted ex–dividend on 19 November 2020.

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.

The non-payment in December 2019 of the dividend of 1.75 pence per share on the 3.5% cumulative convertible preference shares, consequent upon the non-payment of a final dividend on the Ordinary shares for the year ended 31 December 2019, has resulted in arrears of £175,000 on the 3.5% cumulative convertible preference shares.

Amounts recognised as distributions to ordinary shareholders in the period:

	Unaudited 6 months to 30 June 2020		Unaudited 6 months to 30 June 2019		Audited Year ended 31 December 2019	
	Pence per share	**£'000**	Pence per share	£'000	Pence per share	£'000
Ordinary shares – final	–	–	6.0	1,500	6.0	1,500
Ordinary shares – interim	–	–	–	–	2.7	675
Preference shares – fixed	–	–	1.75	175	3.5	350
		–		1,675		2,525

5. Earnings per ordinary share

	Unaudited 6 months to 30 June 2020 £'000	Unaudited 6 months to 30 June 2019 £'000	Audited Year ended 31 December 2019 £'000
Basic earnings per share			
Calculated on the basis of:			
Net revenue profit after preference dividends	**827**	193	564
Net capital gain	**382**	1,631	196
Net total earnings after preference dividends	**1,209**	1,824	760
	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	**1,002**	368	914
Net capital gain	**382**	1,631	196
Profit after taxation	**1,384**	1,999	1,110

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

5. Earnings per ordinary share (continued)

	Number'000	Number'000	Number'000
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).

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 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Total net assets	**7,888**	8,243	6,504
Less convertible preference shares at fully diluted value	**(2,254)**	(2,355)	(1,858)
Net assets attributable to ordinary shareholders	**5,634**	5,888	4,646

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.

7. Non – current liabilities

Guarantee of subsidiary liability	**Unaudited 30 June 2020 £'000**	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Opening provision	**3,375**	6,396	6,396
Decrease in period	**(63)**	(127)	(161)
Transfer to allowance for doubtful debt	–	–	(2,860)
Closing provision	**3,312**	6,269	3,375

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 & American Films Limited. The guarantee is to pay out the liabilities of Second BritAm Investments Limited if they fall due. There is no current intention for these liabilities to be called.

During the year ended 31 December 2019 as part of a transaction to hedge the company against exchange effects of the foreign currency loan, an amount corresponding to the $USD value was loaned by British & American Investment Trust PLC to Second BritAm Investments Limited. As a result of this, and other related intercompany transactions, £2,860,000 of amounts previously guaranteed became an asset of the company and the provision brought forward against this has been transferred to become an allowance against doubtful debt. During the period to 30 June 2020, an allowance against doubtful debt has increased by £230,000.

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 £15,000 (30 June 2019 – £17,000 and 31 December 2019 – £33,000) 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 2020 were £186,000 (30 June 2019 – £179,000 and 31 December 2019 – £380,000) in respect of salary costs and £23,000 (30 June 2019 – £23,000 and 31 December 2019 – £41,000) in respect of pensions.

At the period end an amount of £804,000 (30 June 2019 – £876,000 and 31 December 2019 – £390,000) was due to Romulus Films Limited and £321,000 (30 June 2019 – £560,000 and 31 December 2019 – £154,000) was due to Remus Films Limited.

During the period subsidiary BritAm Investments Limited paid dividends of £1,066,000 (30 June 2019 – £nil and 31 December 2019 – £74,000) to the parent company, British & American Investment Trust PLC.

British & American Investment Trust PLC has guaranteed the liabilities of £3,312,000 (30 June 2019 – £6,269,000 and 31 December 2019 – £3,375,000) due from Second BritAm Investments Limited to its fellow subsidiaries if they should fall due.

During the period the company paid interest of £18,000 (30 June 2019 – £nil and 31 December 2019 – £5,000) on the loan due to BritAm Investments Limited.

During the period the company received interest of £13,000 (30 June 2019 – £8,000 and 31 December 2019 – £20,000) from British & American Films Limited, £30,000 (30 June 2019 – £2,000 and

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

8. Related party transactions (continued)

31 December 2019 – £17,000) from Second BritAm Investments Limited and £nil (30 June 2019 – £19,000 and 31 December 2019 – £nil) from BritAm Investments Limited.

During the period the company entered into investment transaction to sell stock for £456,000 to BritAm Investments Limited (30 June 2019 – £nil and 31 December 2019 – £nil).

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

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 2020	(28,606)	110
Allocation of profit for the period	382	1,002
Ordinary and preference dividends paid	–	–
At 30 June 2020	(28,224)	1,112

The capital reserve includes £5,333,000 of investment holding losses (30 June 2019 – £7,255,000 loss, 31 December 2019 – £7,418,000 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 2020	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments held at fair value through profit or loss	6,803	–	1	6,804
Subsidiary held at fair value through profit or loss	–	–	5,822	5,822
Total financial assets and liabilities carried at fair value	6,803	–	5,823	12,626

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 2020	5,336
Purchases	–
Sales proceeds	–
Gains on sales	–
Investment holding gains	487
Closing fair value at 30 June 2020	5,823

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 2020 and 30 June 2019 have not been audited by the Company's Auditor pursuant to the Auditing Practices Board guidance. The information for the year to 31 December 2019 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 2019.

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 30 October 2020 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 2020 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 2020 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
30 October 2020