British & American Investment Trust PLC

Interim Report

30 June 2017

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Directors

J. Anthony V. Townsend *(Chairman)*

Jonathan C. Woolf *(Managing Director)*

Dominic G. Dreyfus *(Non-executive)*

Ronald G. Paterson *(Non-executive)*

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Registered Office

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Member of the Association of Investment Companies (AIC)

Financial Highlights

For the six months ended 30 June 2017

	Unaudited 6 months to 30 June 2017 £'000	Unaudited 6 months to 30 June 2016 £'000	Audited Year ended 31 December 2016 £'000
Revenue			
Return before tax	**1,152**	1,179	1,474
Earnings per £1 ordinary shares – basic (note 5)	**3.97p**	4.06p	4.63p
Earnings per £1 ordinary shares – diluted (note 5)	**3.34p**	3.40p	4.31p
Capital			
Total equity	**21,863**	21,377	22,682
Revenue reserve (note 9)	**1,474**	2,440	1,906
Capital reserve (note 9)	**(14,611)**	(16,063)	(14,224)
Net assets per ordinary share (note 6)			
– Basic	**£0.47**	£0.46	£0.51
– Diluted	**£0.62**	£0.61	£0.65
Diluted net assets per ordinary share at 27 September 2017	**£0.56**		
Dividends*			
Dividend per ordinary share (note 4)	**2.7p**	2.7p	8.4p
Dividend per preference share (note 4)	**1.75p**	1.75p	3.5p

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

Basic net assets and earnings per share are calculated using a value of par for the preference shares. Consequently, when the net asset value attributed to ordinary shares remains below par the diluted net asset value will show a higher value than the basic net asset value.

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 2017.

Revenue

The profit on the revenue account before tax amounted to £1.1 million (30 June 2016: £1.2 million), a decrease of 2.3 percent. This relatively small difference was despite a somewhat larger reduction in investment income of 16.3 percent, due to lower levels of dividends received in the period compared to the elevated levels received in 2016. Lower levels of costs and foreign exchange losses in the period helped to reduce the effect of this on profit before tax.

To assist shareholders in forming some opinion on the earnings performance of the group as a whole, we show in Note 3 to the accounts the film and other income of our subsidiaries. This shows that film income of £36,000 (30 June 2016: £18,000) and property unit trust income of £7,000 (30 June 2016: £8,000) was received.

A loss of £0.3 million (30 June 2016: £8.3 million loss) was registered on the capital account before capitalised expenses, incorporating a realised loss of £1.5 million (30 June 2016: £2.1 million loss) and an unrealised gain of £1.2 million (30 June 2016: £6.2 million loss).

Revenue earnings per ordinary share were 4.0 pence on an undiluted basis (30 June 2016: 4.1 pence) and 3.3 pence on a fully diluted basis (30 June 2016: 3.4 pence).

Net Assets and Performance

Company net assets were £21.9 million (£22.7 million, at 31 December 2016), a decrease of 3.6 percent. Over the same six month period, the FTSE 100 index increased by 2.7 percent and the All Share index increased by 3.7 percent. On a total return basis, after adding back dividends paid during the period, company net assets increased by 3.4 percent compared to an increase of the total return on the FTSE 100 index of approximately 5.7 percent. The net asset value per £1 ordinary share was 47 pence (prior charges deducted at par) and 62 pence on a fully diluted basis.

The decrease in net assets relative to our benchmark reflected losses of 13 percent and 23 percent in our second and third largest US holdings in Biotime Inc and Asterias Biotherapeutics respectively. By contrast, our largest US holding, Geron Corporation, gained by 34 percent. These moves compared to a gain in the NASDAQ index of 13 percent over the period and represented for Geron a partial recovery from the large fall of 57 percent recorded in 2016. The underperformance by Biotime and Asterias followed equity fundraising issues in the first half of the year in those stocks. In addition, the US dollar depreciated against Sterling by 6 percent over the period following its significant gain of 16 percent in the previous year. Our UK investments broadly tracked changes in our benchmark index.

The multi-year growth in US equity prices sustained since the end of the recession in 2009 was given a further significant boost in November 2016 by the election of Donald Trump in anticipation of his reflationary agenda. This accelerated level of growth continued through into the first quarter of 2017 resulting in record highs being reached by the leading indices in the USA and the UK until doubts about the administration’s ability to deliver its programme of fiscal stimulus and infrastructure investment began to surface in March. This followed its failure to persuade a Republican controlled Congress to pass its first measure relating to healthcare, resulting in a serious breakdown in relations between the White

Chairman's Statement (continued)

House and Congress. Equity markets flattened at this point but nevertheless remained steady as expectations of further US dollar interest rate increases which had previously been expected for the rest of the year began to be scaled back, giving renewed support to equity markets. At the same time, this placed downward pressure on the US dollar, as noted above.

In the UK, this pattern was somewhat interrupted by the unexpected calling of a snap general election in April. This initially pushed the UK equity market up markedly by over 5 percent in the second quarter on expectations of a strongly increased majority for the Conservative party, which was considered helpful in the context of the Brexit process and negotiations. However, the unexpected result which lost the Conservatives their overall majority reversed much of those gains by the end of June. Despite this, however, and other uncertainties arising out of the Brexit situation, equity levels in the UK have remained close to their historical highs, supported by continued low interest rates, weak Sterling and accommodative monetary policy from the Bank of England in anticipation of significantly weaker levels of economic growth going forward.

Dividend

We intend to pay an interim dividend of 2.7 pence per ordinary share on 30 November 2017 to shareholders on the register at 10 November 2017. 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.

Board

I am very pleased to welcome David Seligman to our board. David spent 25 years at S.G. Warburg, one of the City's leading merchant banks, and its successor firms, as a senior director in corporate finance and where he created and ran the private equity advisory business. In 2003, he formed Seligman Private Equity Select, a private equity fund-of-funds and secondaries manager, which he continues to run. He brings many years of experience in corporate finance and asset management which will complement our already very well experienced board of directors.

Outlook

In April I commented that a number of non-financial drivers could affect market performance in surprising ways this year and into the medium term. These drivers included the high number of elections in Europe with the potential to usher in more anti-government populist sentiment, Brexit and the unpredictability of the Trump administration. Markets have nevertheless remained steady in the interim, if no longer on their previous growth path.

While a number of the European election issues have now been resolved in market friendly ways, other new challenges have emerged, such as the growing political instability in South East Asia surrounding North Korea's push to complete its nuclear weapons programme with overt threats to the USA together with China's determination to dominate in the South China Sea, a significantly strengthened Euro threatening to stifle renascent economic growth in Europe and interfere with the ECB's programme of slowly withdrawing monetary stimulus and a very destructive hurricane season in the Caribbean and southern USA seeming to presage the long term economic costs of global warming.

Chairman's Statement (continued)

At the same time, the dysfunctional start to the Trump presidency has weakened its ability to deliver its programme of economic stimulus and tax reform in the USA, reversing the prospects of higher levels of economic growth, risking adding substantially to an already bloated national debt and scuppering any plans there might have been to address the issue of income inequality which appears to be producing increasing levels of social unease. In the UK, the difficulties surrounding Brexit in the UK have placed significant downward pressure on corporate investment and interest rates while the terms of its exit and the country's ensuing long term economic prospects are negotiated.

Despite these looming and significant concerns, equity markets in leading economies have remained close to their multi-year highs with no signs of a major correction in prospect. Developing country economies and markets have also showed strength in recent months. This general market strength seems to be based on continued expectations of modest growth in corporate earnings in the USA and clear evidence now of a recovery in corporate earnings in Europe together with the prospects for continued low interest rates in these areas.

However, markets seem to be ignoring the unpredictable and long tail risks facing global markets as noted above based simply on the expectation of continued ultra low levels of interest rates which have supported markets and inflated asset prices for some considerable time. This has prompted much uneasy comment in recent months from economists and market analysts worried about the sustainability of the situation. Central Banks have proved unable to push ahead with their plans to reduce emergency levels of liquidity brought in following the recession of 2009 in any meaningful way and as a result Central Bank balance sheets and corporate and retail debt levels are stuck at historical high levels. At some point, analysts argue, these imbalances must be addressed and the longer it takes for this to happen the more difficult the adjustment is likely to be.

While there have been many attempts to call the end of the current bull market in recent years, as yet unsuccessfully, it is a truism that the longer such market persists the more likely it is about to correct. Given the already unprecedented levels of imbalance in asset prices and debt, which will only be added to on this path, the concern must be that when the market does eventually unwind, whether through sheer exhaustion or from an as yet unexpected event or series of events, it will be in a way which causes significant disruption and damage to investment and asset prices.

Against this background, we remain fully invested, but as previously reported we have taken the opportunity to exit our fixed income investments realising capital gains in the process and maintain a portfolio balanced as to income primarily from collective investment vehicles and growth from a targeted selection of long term investments in US stocks.

As at 27 September, company net assets were £19.7 million, a decrease of 9.7 percent since 30 June. This compares with no change in the FTSE 100 index and an increase of 0.3 percent in the All Share index over the same period, and is equivalent to 39 pence per share (prior charges deducted at par) and 56 pence per share on a fully diluted basis.

Anthony Townsend

29 September 2017

Managing Director's Report

In the first six months of 2017 in the UK, the economic agenda and political sentiment has been dominated by Brexit and the calling of a snap general election. While in the USA and Europe the reflationary effects of the Trump election and a long awaited recovery in Europe has held sway with their respective markets and currencies reacting accordingly, in the UK the expected economic cooling, increase in inflation and boost to exports on the weaker pound which had not been apparent in the immediate aftermath of the Brexit vote began to become apparent. As a consequence, while investment sentiment and growth levels held up reasonably well in the second half of 2016 with quarterly GDP results still outperforming those in Europe, by the turn of the year, this situation reversed with Europe then growing faster than the UK, albeit from the lower accumulated levels of previous years.

Against this backdrop, the equity market in the UK remained relatively steady in the first three months of 2017 and did not follow the exuberance seen in the USA after Trump's election when the market climbed 8 percent. It did, however, react in April upon the calling of the snap general election, rising by 5 percent only to fall back in June to its March levels following the unexpected result which denied the Conservative party an overall majority in Parliament, forcing them to agree a voting pact with a minor party to stay in office.

This result and the subsequent voting pact arrangement significantly weakened the government which until that point had been pursuing a path of 'hard Brexit' in its exit negotiations with the EU. This had put on the table the possibility of exiting with no agreement on future trade relations in order to achieve a complete break with the EU in the areas of border control, exit costs and EU court jurisdiction. Since the election, however, the government has had to mollify this stance and pursue a so called 'softer Brexit' which acknowledges ongoing financial obligations and the implementation of a transition period post Brexit to avoid a cliff edge effect.

This approach has been much more acceptable to the corporate sector in the UK and although investment levels have weakened while companies wait to see the outcome of the exit negotiations and some have already decided to move their head offices to European countries to guarantee continued EU access for their businesses, there have also been some examples of significant new investment in the UK by large international businesses and levels of corporate investment still remain positive. The prospects for the UK economy generally, however, are still inextricably bound up with the outcome of the exit negotiations eventually agreed with the EU irrespective of developments in the wider world.

Having divested our holdings of fixed interest £ sterling investments, our portfolio is less exposed to the outcome of these negotiations, being invested primarily in collective investment vehicles which themselves are invested in leading stocks with international rather than UK exposures and in growth stocks in the USA on which we reported in detail in our last annual report. Our policy of investing for income and growth can therefore continue without being unduly affected by developments whether political or economic from a UK perspective. This does not mean that the portfolio would be immune from the wider and longer term risks in global terms described in the Chairman's statement above, but we have operated and positioned the portfolio over recent years in terms of asset and currency exposure to minimise these risks, while continuing to generate significant levels of total return for our shareholders.

Jonathan C Woolf

29 September 2017

Investment Portfolio

As at 30 June 2017

Company	Nature of Business	Valuation £'000	Percentage of portfolio %
Geron Corporation (USA)	Biomedical	6,693	21.61
Biotime Inc (USA)	Biotechnology	3,565	11.51
St. James's Place Global Equity	Unit Trust	2,637	8.51
Dunedin Income Growth	Investment Trust	2,628	8.48
Asterias Biotherapeutics (USA)	Pharmaceuticals	2,189	7.06
Scottish American Investment Company	Investment Trust	1,406	4.54
Merchants Trust	Investment Trust	1,273	4.11
Invesco Income Growth Trust	Investment Trust	915	2.95
Aberdeen Diversified Income & Growth	Investment Trust	838	2.70
Shires Income	Investment Trust	498	1.61
Jupiter Income Trust	Unit Trust	280	0.91
Angle	Support Services	186	0.60
JZ Capital Partners	Investment Trust	174	0.56
Oncocyte (USA)	Biotechnology	169	0.55
Barclays – 6% Non-Cum. Callable Pref. Shs	Bank retail	149	0.48
Vodafone Group	Telecommunications	135	0.44
Braemar Shipping Services	Transport	129	0.42
Invesco Perpetual Enhanced	Investment Trust	92	0.30
Aberdeen Smaller	Investment Trust	87	0.28
B.S.D. Crown	Software and computer services	83	0.27
20 Largest investments (excluding subsidiaries)		24,126	77.89
Investment in subsidiaries		6,569	21.20
Other investments (number of holdings: 16)		282	0.91
Total investments		30,977	100.00

Condensed Income Statement

Six months ended 30 June 2017

		Unaudited 6 months to 30 June 2017		
	Note	Revenue return £'000	Capital return £'000	Total £'000
Investment income	3	**1,420**	**–**	**1,420**
Holding gains/(losses) on investments at fair value through profit or loss		**–**	**1,230**	**1,230**
Losses on disposal of investments at fair value through profit or loss		**–**	**(1,487)**	**(1,487)**
Foreign exchange gains/(losses)		**17**	**17**	**34**
Expenses		**(258)**	**(133)**	**(391)**
Profit/(loss) before finance costs and tax		**1,179**	**(373)**	**806**
Finance costs		**(27)**	**(14)**	**(41)**
Profit/(loss) before tax		**1,152**	**(387)**	**765**
Taxation		**16**	**–**	**16**
Profit/(loss) for the period		**1,168**	**(387)**	**781**
Earnings per ordinary share	5			
Basic		**3.97p**	**(1.55)p**	**2.42p**
Diluted		**3.34p**	**(1.11)p**	**2.23p**

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 2016			Audited Year ended 31 December 2016		
Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
1,696	–	1,696	2,263	–	2,263
–	(6,221)	(6,221)	–	(4,134)	(4,134)
–	(2,068)	(2,068)	–	(2,081)	(2,081)
(124)	(55)	(179)	(143)	(138)	(281)
(366)	(125)	(491)	(596)	(267)	(863)
1,206	(8,469)	(7,263)	1,524	(6,620)	(5,096)
(27)	(6)	(33)	(50)	(16)	(66)
1,179	(8,475)	(7,296)	1,474	(6,636)	(5,162)
12	–	12	33	–	33
1,191	(8,475)	(7,284)	1,507	(6,636)	(5,129)
4.06p	(33.90)p	(29.84)p	4.63p	(26.55)p	(21.92)p
3.40p	(24.21)p	(20.81)p	4.31p	(18.96)p	(14.65)p

Condensed Statement of Changes in Equity

Six months ended 30 June 2017

	Share capital* £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
				Unaudited Six months ended 30 June 2017
Balance at 31 December 2016	35,000	(14,224)	1,906	22,682
Profit/(loss) for the period	–	(387)	1,168	781
Ordinary dividend paid	–	–	(1,425)	(1,425)
Preference dividend paid	–	–	(175)	(175)
Balance at 30 June 2017	35,000	(14,611)	1,474	21,863

	Share capital* £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
				Unaudited Six months ended 30 June 2016
Balance at 31 December 2015	35,000	(7,588)	2,799	30,211
(Loss)/profit for the period	–	(8,475)	1,191	(7,284)
Ordinary dividend paid	–	–	(1,375)	(1,375)
Preference dividend paid	–	–	(175)	(175)
Balance at 30 June 2016	35,000	(16,063)	2,440	21,377

	Share capital* £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
				Audited Year ended 31 December 2016
Balance at 31 December 2015	35,000	(7,588)	2,799	30,211
(Loss)/profit for the period	–	(6,636)	1,507	(5,129)
Ordinary dividend paid	–	–	(2,050)	(2,050)
Preference dividend paid	–	–	(350)	(350)
Balance at 31 December 2016	35,000	(14,224)	1,906	22,682

*The company's share capital comprises £35,000,000 (2016 - £35,000,000) being 25,000,000 ordinary shares of £1 (2016 - 25,000,000) and 10,000,000 non-voting convertible preference shares of £1 each (2016 - 10,000,000).

Condensed Balance Sheet

As at 30 June 2017

	Unaudited 30 June 2017 £'000	Unaudited 30 June 2016 £'000	Audited 31 December 2016 £'000
Non – current assets			
Investments - fair value through profit or loss (note 1)	**24,408**	22,641	23,654
Subsidiaries – fair value through profit or loss	**6,569**	6,269	6,058
	30,977	28,910	29,712
Current assets			
Receivables	**2,089**	2,739	1,469
Cash and cash equivalents	**789**	137	423
	2,878	2,876	1,892
Total assets	**33,855**	31,786	31,604
Current liabilities			
Trade and other payables	**(2,512)**	(2,211)	(1,000)
Bank loan	**(4,363)**	(3,579)	(3,490)
	(6,875)	(5,790)	(4,490)
Total assets less current liabilities	**26,980**	25,996	27,114
Non – current liabilities	**(5,117)**	(4,619)	(4,432)
Net assets	**21,863**	21,377	22,682
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	**(14,611)**	(16,063)	(14,224)
Retained revenue earnings	**1,474**	2,440	1,906
Total equity	**21,863**	21,377	22,682
Net assets per ordinary share - basic (note 6)	**£0.47**	£0.46	£0.51
Net assets per ordinary share - diluted (note 6)	**£0.62**	£0.61	£0.65

Condensed Cashflow Statement

Six months ended 30 June 2017

	Unaudited 6 months to 30 June 2017 £'000	Unaudited 6 months to 30 June 2016 £'000	Audited Year ended 31 December 2016 £'000
Cash flow from operating activities			
Profit/(loss) before tax	**765**	(7,296)	(5,162)
Adjustment for:			
Losses on investments	**257**	8,289	6,215
Scrip dividends	**–**	(4)	(4)
Proceeds on disposal of investments at fair value through profit or loss	**7,186**	26,366	31,918
Purchases of investments at fair value through profit or loss	**(7,686)**	(27,060)	(23,689)
Interest	**41**	33	66
Operating cash flows before movements in working capital	**563**	328	9,344
(Increase)/decrease in receivables	**(254)**	(76)	141
Increase/(decrease) in payables	**820**	(123)	(8,138)
Net cash from operating activities before interest	**1,129**	129	1,347
Interest paid	**(36)**	(26)	(52)
Net cash from operating activities after interest before taxation	**1,093**	103	1,295
Taxation	**–**	–	33
Net cash flows from operating activities	**1,093**	103	1,328
Cash flow from financing activities			
Dividends paid on ordinary shares	**(1,425)**	(1,375)	(2,050)
Dividends paid on preference shares	**(175)**	(175)	(350)
Bank loan	**873**	1,240	1,151
Net cash used in financing activities	**(727)**	(310)	(1,249)
Net increase/(decrease) in cash and cash equivalents	**366**	(207)	79
Cash and cash equivalents at beginning of period	**423**	344	344
Cash and cash equivalents at end of period	**789**	137	423

Notes to the Company's Condensed Financial Statements

Six months ended 30 June 2017

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 2016.

Certain changes to the investment policy, as disclosed in the Annual Report at 31 December 2016, were approved at the AGM on 27 June 2017 and will be reflected in the statutory accounts for 31 December 2017.

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 2016 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 as at fair value through profit or loss are included in net profit or loss as a capital item, and material transaction costs on acquisition and disposal of investments are expensed and included in the capital column of the income statement. For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices or last traded prices, depending upon the convention of the exchange on which the investment is quoted at the close of business on the balance sheet date. Investments in units of unit trusts or shares in OEICs are valued at the closing price released by the relevant investment manager.

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% (2016 – 50%) to revenue and 50% (2016 – 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. Investment income

	Unaudited 6 months to 30 June 2017 £'000	Unaudited 6 months to 30 June 2016 £'000	Audited Year ended 31 December 2016 £'000
Dividends and interest received	**1,407**	1,683	2,239
Other income	**13**	13	24
	1,420	1,696	2,263

Of the £1,406,000 (30 June 2016 – £1,626,000, 31 December 2016 – £2,169,000) dividends received in the company accounts, £860,000 (30 June 2016 – £1,349,000, 31 December 2016 – £1,693,000) related to special and other dividends received from investee companies that were bought after the dividend announcement. There was a corresponding capital loss of £898,000 (30 June 2016 – £1,631,000, 31 December 2016 – £1,976,000), 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 £36,000 (30 June 2016 - £18,000, 31 December 2016 - £85,000) received by the subsidiary British & American Films Limited and property unit trust income of £7,000 (30 June 2016 - £8,000, 31 December 2016 - £15,000) 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 2017 Interim		Unaudited 6 months to 30 June 2016 Interim		Audited year ended 31 December 2016 Final	
	Pence per share	**£'000**	Pence per share	£'000	Pence per share	£'000
Ordinary shares	**2.7**	**675**	2.7	675	5.7	1,425
Preference shares – fixed	**1.75**	**175**	1.75	175	1.75	175
		850		850		1,600

The directors have declared an interim dividend of 2.7p (2016 – 2.7p) per ordinary share, payable on

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

4. Proposed dividends (continued)

30 November 2017 to shareholders registered on 10 November 2017. The shares will be quoted ex-dividend on 9 November 2017.

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 2017		Unaudited 6 months to 30 June 2016		Audited Year ended 31 December 2016	
	Pence per share	**£'000**	Pence per share	£'000	Pence per share	£'000
Ordinary shares – final	**5.7**	**1,425**	5.5	1,375	5.5	1,375
Ordinary shares – interim	–	–	–	–	2.7	675
Preference shares – fixed	**1.75**	**175**	1.75	175	3.5	350
		1,600		1,550		2,400

5. Earnings per ordinary share

	Unaudited 6 months to 30 June 2017 £'000	Unaudited 6 months to 30 June 2016 £'000	Audited Year ended 31 December 2016 £'000
Basic earnings per share			
Calculated on the basis of:			
Net revenue profit after preference dividends	**993**	1,016	1,157
Net capital loss	**(387)**	(8,475)	(6,636)
Net total earnings after preference dividends	**606**	(7,459)	(5,479)
Ordinary shares in issue	**25,000**	25,000	25,000
Diluted earnings per share			
Calculated on the basis of:			
Net revenue profit	**1,168**	1,191	1,507
Net capital loss	**(387)**	(8,475)	(6,636)
Profit/(loss) after taxation	**781**	(7,284)	(5,129)
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 2017 £'000	Unaudited 30 June 2016 £'000	Audited 31 December 2016 £'000
Total net assets	**21,863**	21,377	22,682
Less convertible preference shares	**(10,000)**	(10,000)	(10,000)
Net assets attributable to ordinary shareholders	**11,863**	11,377	12,682

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 par for the preference shares.

Consequently, when the net asset value attributed to ordinary shares remains below par the diluted net asset value will show a higher value than the basic net asset value.

7. Non – current liabilities

Guarantee of subsidiary liability	**Unaudited 30 June 2017 £'000**	Unaudited 30 June 2016 £'000	Audited 31 December 2016 £'000
Opening provision	**4,432**	4,543	4,543
Increase/(decrease) in period	**685**	76	(111)
Closing provision	**5,117**	4,619	4,432

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.

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

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, 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 £11,000 (30 June 2016 – £9,000 and 31 December 2016 – £19,000) in respect of those services.

The salaries and pensions of the company's employees, except for the three non-executive directors, 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 2017 were £236,000 (30 June 2016 – £216,000 and 31 December 2016 – £482,000) in respect of salary costs and £33,000 (30 June 2016 – £28,000 and 31 December 2016 – £52,000) in respect of pensions.

At the period end an amount of £370,000 (30 June 2016 – £16,000 and 31 December 2016 – £173,000) was due to Romulus Films Limited and £389,000 (30 June 2016 – £40,000 and 31 December 2016 – £41,000) was due to Remus Films Limited. These amounts include final dividends due to Romulus Films Limited of £315,000 and Remus Films Limited of £ 299,000 which were settled on 13 July 2017 and 11 July 2017 respectively.

During the period subsidiary BritAm Investments Limited paid dividends of £300,000 (30 June 2016 – £nil and 31 December 2016 – £nil) to the parent company, British & American Investment Trust PLC.

British & American Investment Trust PLC has guaranteed the liabilities of £5,117,000 (30 June 2016 – £4,619,000 and 31 December 2016 – £4,432,000) due from Second BritAm Investments Limited to its fellow subsidiaries if they should fall due.

During the period the company paid interest of £5,000 (30 June 2016 – £7,000 and 31 December 2016 – £14,000) on the loan due to BritAm Investments Limited.

During the period the company received interest of £8,000 (30 June 2016 – £9,000 and 31 December 2016 – £18,000) from British and American Films Limited and £4,000 (30 June 2016 – £2,000 and 31 December 2016 – £6,000) from Second BritAm Investments Limited.

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

During the period the company entered into a number of investment transactions with Geminion Investments Limited, a company in which Mr J C Woolf has an interest and is a director. The purpose of these transactions listed below, which were all conducted through a London Stock Exchange broker, was for the company to purchase cum dividend stocks and sell these stocks ex dividend so as to capture the associated dividends as disclosed in Note 3 of the financial statements to generate distributable reserves to achieve the company's objective to sustain a progressive dividend policy.

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

8. Related party transactions (continued)

Date of purchase / sale	Company	Purchase	Sale	Dividend received
2017		£'000	£'000	£'000
May / June	National Grid	6,055	5,377	639

The aggregate value of these transactions were purchases of £6,055,000 (30 June 2016 – £18,272,000 and 31 December 2016 – £20,787,000), dividends received of £639,000 (30 June 2016 – £1,238,000 and 31 December 2016 – £1,485,000) and sales of £5,377,000 (30 June 2016 – £16,748,000 and 31 December 2016 – £19,017,000 giving a net loss of £39,000 (30 June 2016 – £286,000 and 31 December 2016 – £285,000).

9. Retained earnings

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

	Capital reserve	Retained earnings
	£'000	£'000
At 1 January 2017	(14,224)	1,906
Allocation of (loss)/profit for the period	(387)	1,168
Ordinary and preference dividends paid	–	(1,600)
At 30 June 2017	(14,611)	1,474

The capital reserve includes £2,307,000 of investment holding gains (30 June 2016 – £98,000 gain, 31 December 2016 – £1,465,000 gain).

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 2017	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments including derivatives:				
Investments held at fair value through profit or loss	21,410	2,918	80	24,408
Subsidiary held at fair value through profit or loss	–	–	6,569	6,569
Total financial assets and liabilities carried at fair value	21,410	2,918	6,649	30,977

With the exception of the Biotime Promissory Note, BritAm Investments Limited (unquoted subsidiary) and Second BritAm Investments Limited (unquoted subsidiary) which are categorised as Level 3 and with the exception of the investments in unit trusts which are categorised as Level 2 investments, 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 2017	6,165
Purchases	–
Sales proceeds	(21)
Loss on sales	(1)
Investment holding gains	506
Closing fair value at 30 June 2017	6,649

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 2017 and 30 June 2016 have not been audited by the Company's Auditor pursuant to the Auditing Practices Board guidance. The information for the year to 31 December 2016 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 2016.

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 29 September 2017 and the above responsibility statement was signed on its behalf by:

Jonathan C Woolf

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 2017 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.

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.

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.

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 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.

HAZLEWOODS LLP
AUDITOR

Cheltenham
29 September 2017