British & American Investment Trust PLC

Interim Report

30 June 2012

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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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Member of the Association of Investment Companies (AIC)

Group Financial Highlights

For the six months ended 30 June 2012

	Unaudited 6 months to 30 June 2012 £'000	Unaudited 6 months to 30 June 2011 £'000	Audited Year ended 31 December 2011 £'000
Revenue			
Return before tax	**879**	1,045	2,587
Earnings per £1 ordinary shares – basic (note 4)	**2.81p**	3.47p	8.93p
Earnings per £1 ordinary shares – diluted (note 4)	**2.51p**	2.98p	7.38p
Capital			
Total equity	**23,297**	30,045	23,430
Revenue reserve (note 7)	**870**	653	1,341
Capital reserve (note 7)	**(12,573)**	(5,608)	(12,911)
Net assets per ordinary share (note 5)			
– Basic	**£0.53**	£0.80	£0.54
– Diluted	**£0.67**	£0.86	£0.67
Diluted net assets per ordinary share at 24 August 2012	**£0.71**		
Dividends*			
Dividend per ordinary share (note 3)	**2.7p**	2.7p	7.4p
Dividend per preference share (note 3)	**1.75p**	1.75p	3.5p

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

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

Chairman’s Statement

I report our results for the 6 months to 30 June 2012.

Revenue

The profit on the revenue account before tax amounted to £0.9 million (30 June 2011: £1.0 million), a decrease of 16 percent reflecting a lower level of special dividends received in the period.

A gain of £0.4 million (30 June 2011: £1.8 million loss) was registered on the capital account before capitalised expenses, incorporating a realised loss of £0.6 million (30 June 2011: £0.6 million loss) and an unrealised gain of £1.0 million (30 June 2011: £1.2 million loss). This turnaround from unrealised loss in the previous year to unrealised gain reflected principally modest gains associated with our largest US investment, Geron Corporation, as noted below.

The revenue earnings per ordinary share were 2.8 pence on an undiluted basis (30 June 2011: 3.5 pence) and 2.5 pence on a fully diluted basis (30 June 2011: 3.0 pence).

Net Assets and Performance

Group net assets were £23.3 million (£23.4 million, at 31 December 2011), a decrease of 0.6 percent. Over the same six month period, the FTSE 100 index remained flat and the All Share index decreased by 0.6 percent. On a total return basis, after adding back dividends paid during the period, group net assets increased by 5.2 percent compared to a total return on the index of approximately 2.2 percent. The net asset value per £1 ordinary share was 53 pence (prior charges deducted at par) and 67 pence on a fully diluted basis.

As noted above, the UK stock market finished the period little changed from its level at the beginning of the year. In the US, the stock market achieved a rise of 5.4 percent; however, over the period a similar pattern was seen in both countries with the markets rising steadily in the first four months of the year by around 7 percent, followed by a sharp drop to below year opening levels as concerns resurfaced internationally for the over-indebted economies within the euro area and doubts about the prospects for global growth. The economic and investment themes of the period are set out in more detail in the Managing director’s report below.

As at 24 August, group net assets were £24.8 million, an increase of 6.5 percent since 30 June. This compares with an increase of 3.7 percent in the FTSE 100 index and an increase of 5.7 percent in the All Share index over the same period, and is equivalent to 59 pence per share (prior charges deducted at par) and 71 pence per share on a fully diluted basis. This substantially firmer performance in the markets since the half year has been the result of growing confidence shown by investors in the actions - or at least indications of action - from European institutions seeking to address the problems of the eurozone. In addition, continued levels of growth albeit at a low level are being shown in the USA as underlined by recently higher levels of employment generation than previously expected.

Chairman's Statement (continued)

Dividend

We intend to pay an interim dividend of 2.7 pence per ordinary share on 8 November 2012 to shareholders on the register at 12 October 2012. This represents an unchanged dividend from last year's interim dividend. A preference dividend of 1.75 pence will be paid to preference shareholders on the same date.

Outlook

As I reported in April, serious and substantial structural problems beset world financial and economic markets, particularly in the eurozone and other developed countries. These problems are likely to overhang markets for a considerable period of time until sustained confidence can return. As a result, market performance and investor appetite continues to follow a pattern of swinging between worry and relief as politicians grapple with these problems with varying levels of perceived success. In the less than 8 months of the current year, investor sentiment has swung three times from confidence to fear and recently back to confidence. At times such as this, objective investment analysis is overshadowed by the stronger forces of market sentiment driven by political uncertainties and the value of being able to take longer term investment decisions can be particularly appreciated.

Against this background, therefore, we intend to remain fully invested in our long term and income generating strategies that are based primarily on equity investment.

Anthony Townsend

Managing Director's Report

Performance

The pattern of financial market performance in the first half of 2012 generally repeated that of 2011 in movement and nature. Equity markets in the UK and USA have made no significant progress overall since the onset of the Eurozone sovereign debt crisis in 2010 when Greece proved unable to service its debts. During that time, markets have vacillated precipitately between periods of fear and relief, so called 'risk-on/risk-off' trading, as perceptions of governments' ability and willingness to address the structural problems besetting the global economy and particularly the eurozone varied.

As noted above, sentiment in the first half swung from optimism following substantial liquidity measures introduced by the European Central Bank at the end of 2011 to mounting concern in April when equity markets tumbled by 10 percent. It had become evident through significant rises in the sovereign debt yields of even the larger Eurozone economies such as Spain and Italy that markets believed insufficient action had been taken by institutions and governments to solve the underlying problems of over-indebtedness and solvency.

In June, however, markets regained their confidence again to end the period flat following a summit of European leaders at which a more comprehensive and credible set of proposals than expected was agreed to address the sovereign debt crisis, including (i) direct lending to troubled banks by the European

Stability Mechanism ("ESM"), rather than through their respective countries which was only adding to sovereign debt burdens, (ii) discontinuation of the preferment of official debt in bailout operations, which had been squeezing out the supply of private funds to such sovereigns and (iii) commencement of on-market purchases of sovereign bonds by the ESM to reduce sovereign borrowing costs.

Over the period, our portfolio decreased by 0.6 percent in line with market movements after the payment of dividends. On a total return basis, after adding back dividends, our portfolio outperformed by approximately 3 percent.

The performance of our largest investment, Geron Corporation, broadly followed the trend of US market movements over the period, albeit with a certain level of magnification, rising by approximately 30 percent in the first four months and finishing the period up by 15 percent. Geron remains a core holding despite the difficulties experienced with this investment over the past 18 months, as detailed in previous reports. The company is due to announce the results of several very important clinical oncology trials over the next six to 12 months at which time it is hoped that the significant value of its programmes will be recognised by the market after the series of recent unforced management errors which have so devastated the company's market value.

Outlook

Since the end of the period, leading equity indices in the UK and the USA have increased by 4 percent and 2 percent, respectively. This coincides with a period of optimism in the long struggle towards addressing the structural problems facing world markets. This optimism has grown out of a perception that following a change of leadership in France and a consequent rebalancing of the Franco/German alliance at the top of the EU together with an indication from the recent EU leaders summit that some tentative movement from Germany on the relaxation of its views on bailout/austerity measures might be forthcoming that the building blocks of a solution might be falling into place.

There is no doubt, however, that over the coming months further periods of anxiety and risk will occur and markets will remain volatile as the strains and pains of implementing a solution to these fundamental economic imbalances are felt. These might come to a head when the basic insolvency of Greece is finally addressed and a decision made whether it can credibly and viably remain within the Eurozone. The outcome of this decision and the context in which it will be executed could very well determine the outcome for financial markets for a considerable period of time to come.

Jonathan C Woolf

30 August 2012

Group Investment Portfolio

As at 30 June 2012

Company	Nature of Business	Valuation £'000	Percentage of portfolio %
Geron Corporation	Biomedical – USA	3,768	17.44*
RIT Capital Partners	Investment Trust	3,307	15.31
Prudential	Life Assurance	2,413	11.17
Dunedin Income Growth	Investment Trust	2,162	10.01
British Assets Trust	Investment Trust	1,725	7.98
St. James's Place International	Unit Trust	1,407	6.51
Scottish American Investment Company	Investment Trust	868	4.02
Invesco Income Growth Trust	Investment Trust	641	2.97
Alliance Trust	Investment Trust	616	2.85
Royal & Sun Alliance Insurance Group – Cum. irred. preference shares	Insurance – Non - Life	468	2.17
Rothschilds Cont. Finance – Notes	Financial	424	1.96
Electra Private Equity	Investment Trust	411	1.90
F&C Asset Management – 6.75% FRN Sub. Bonds 2026	General Financial	406	1.88
Shires Income	Investment Trust	381	1.76
Merchants Trust	Investment Trust	367	1.70
Earthport	Software & Computer Services	216	1.00
Barclays – 9% PIB Capital Bonds	Bank retail	213	0.99
Emblaze	Software & Computer Services	176	0.82
Jupiter Income Trust	Unit Trust	171	0.79
St. James's Place	Life Assurance	167	0.77
20 Largest investments		20,307	94.00
Other investments (number of holdings : 31)		1,297	6.00
Total investments		21,604	100.00

*Geron Corporation. 7.55% held by the company and 9.89% held by subsidiaries. In addition the Group holds net purchases of £1,518,000 of put options in Geron Corporation as part of its hedging strategy.

Consolidated Income Statement

Six months ended 30 June 2012

	Note	Unaudited 6 months to 30 June 2012 Revenue return £'000	Capital return £'000	Total £'000
Investment income	2	**1,062**	**–**	**1,062**
Holding gains/(losses) on investments at fair value through profit or loss		**–**	**1,047**	**1,047**
Losses on disposal of investments at fair value through profit or loss		**–**	**(613)**	**(613)**
Expenses		**(183)**	**(96)**	**(279)**
Profit/(loss) before tax		**879**	**338**	**1,217**
Taxation		**–**	**–**	**–**
Profit/(loss) for the period		**879**	**338**	**1,217**
Earnings per ordinary share	4			
Basic		**2.81p**	**1.35p**	**4.16p**
Diluted		**2.51p**	**0.97p**	**3.48p**

The group does not have any income or expense that is not included in the profit for the period and all items derive from continuing operations. Accordingly, the '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 Group's Income Statement, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidelines published by the Association of Investment Companies.

All profit and total comprehensive income is attributable to the equity holders of the parent company. There are no minority interests.

Unaudited 6 months to 30 June 2011			Audited Year ended 31 December 2011		
Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
1,204	–	1,204	2,934	–	2,934
–	(1,195)	(1,195)	–	(7,612)	(7,612)
–	(610)	(610)	–	(1,395)	(1,395)
(159)	(93)	(252)	(347)	(194)	(541)
1,045	(1,898)	(853)	2,587	(9,201)	(6,614)
–	–	–	(4)	–	(4)
1,045	(1,898)	(853)	2,583	(9,201)	(6,618)
3.47p	(7.59)p	(4.12)p	8.93p	(36.80)p	(27.87)p
2.98p	(5.42)p	(2.44)p	7.38p	(26.29)p	(18.91)p

Consolidated Statement of Changes in Equity

Six months ended 30 June 2012

Unaudited
Six months ended 30 June 2012

	Share capital £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2011	35,000	(12,911)	1,341	23,430
Profit for the period	–	338	879	1,217
Ordinary dividend paid	–	–	(1,175)	(1,175)
Preference dividend paid	–	–	(175)	(175)
Balance at 30 June 2012	35,000	(12,573)	870	23,297

Unaudited
Six months ended 30 June 2011

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

Audited
Year ended 31 December 2011

	Share capital £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2010	35,000	(3,710)	908	32,198
(Loss)/profit for the period	–	(9,201)	2,583	(6,618)
Ordinary dividend paid	–	–	(1,800)	(1,800)
Preference dividend paid	–	–	(350)	(350)
Balance at 31 December 2011	35,000	(12,911)	1,341	23,430

Consolidated Balance Sheet

As at 30 June 2012

	Unaudited 30 June 2012 £'000	Unaudited 30 June 2011 £'000	Audited 31 December 2011 £'000
Non current assets			
Investments - fair value through profit or loss (note 1)	**21,604**	29,535	21,618
Current assets			
Receivables	**202**	491	81
Derivatives - fair value through profit or loss	**2,832**	1,946	3,322
Cash and cash equivalents	**1,286**	206	122
	4,320	2,643	3,525
Total assets	**25,924**	32,178	25,143
Current liabilities			
Trade and other payables	–	(983)	–
Other current liabilities	**(1,313)**	(199)	(80)
Derivatives - fair value through profit or loss	**(1,314)**	(951)	(1,633)
	(2,627)	(2,133)	(1,713)
Total assets less current liabilities	**23,297**	30,045	23,430
Net assets	**23,297**	30,045	23,430
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	**(12,573)**	(5,608)	(12,911)
Retained revenue earnings	**870**	653	1,341
Total equity	**23,297**	30,045	23,430
Net assets per ordinary share - basic	**£0.53**	£0.80	£0.54
Net assets per ordinary share - diluted	**£0.67**	£0.86	£0.67

Consolidated Cashflow Statement

Six months ended 30 June 2012

	Unaudited 6 months to 30 June 2012 £'000	Unaudited 6 months to 30 June 2011 £'000	Audited Year ended 31 December 2011 £'000
Cash flow from operating activities			
Profit/(loss) before tax	**1,217**	(853)	(6,614)
Adjustment for:			
(Profits)/losses on investments	**(434)**	1,805	9,007
Scrip dividends	**(3)**	(3)	(7)
Film income tax deducted at source	–	–	(4)
Proceeds on disposal of investments at fair value through profit or loss	**7,786**	8,520	18,579
Purchases of investments at fair value through profit or loss	**(5,862)**	(8,829)	(19,756)
Operating cash flows before movements in working capital	**2,704**	640	1,205
Increase in receivables	**(3,118)**	(299)	(155)
Increase in payables	**2,753**	656	538
Net cash from operating activities before income tax	**2,339**	997	1,588
Net cash from operating activities	**2,339**	997	1,588
Cash flow from financing activities			
Dividends paid on ordinary shares	**(1,175)**	(1,125)	(1,800)
Dividends paid on preference shares	–	(175)	(175)
Net cash used in financing activities	**(1,175)**	(1,300)	(1,975)
Net increase/(decrease) in cash and cash equivalents	**1,164**	(303)	(387)
Cash and cash equivalents at beginning of period	**122**	509	509
Cash and cash equivalents at end of period	**1,286**	206	122

Notes to the Group Results

Six months ended 30 June 2012

1. Accounting policies

Basis of preparation

This interim report is prepared in accordance with IAS 34 and on the basis of the accounting policies set out in the group and company's annual Report and Accounts at 31 December 2011.

Basis of consolidation

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

Significant accounting policies

In order better to reflect the activities of an investment trust company and in accordance with guidance issued by the Association of Investment Companies (AIC), supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement.

As the entity's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, listed equities and fixed income securities are designated as fair value through profit or loss on initial recognition. The group manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the group is provided internally on this basis to the entity's key management personnel.

Investments held at fair value through profit or loss, including derivatives held for trading, are initially recognised at fair value.

All purchases and sales of investments are recognised on the trade date.

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

Notes to the Group Results (continued)

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

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

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

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

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

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

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

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

– expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated, and accordingly investment management and related costs have been allocated 50% (2011 – 50%) to revenue and 50% (2011 – 50%) to capital, in order to reflect the directors' long-term view of the nature of the expected investment returns of the company.

The 3.5% cumulative convertible non-redeemable preference shares issued by the company are classified as equity instruments in accordance with IAS 32 'Financial Instruments – Disclosure and Presentation' and FRS 25 as the company has no contractual obligation to redeem the preference shares for cash or pay preference dividends unless similar dividends are declared to ordinary shareholders.

Segmental reporting

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

Notes to the Group Results (continued)

2. Investment income

	Unaudited 6 months to 30 June 2012 £'000	Unaudited 6 months to 30 June 2011 £'000	Audited Year ended 31 December 2011 £'000
Income from investments	**1,063**	1,204	2,928
Other income	**(1)**	–	6
	1,062	1,204	2,934

3. Proposed dividends

	Unaudited 6 months to 30 June 2012 Interim		Unaudited 6 months to 30 June 2011 Interim		Audited year ended 31 December 2011 Final	
	Pence per share	**£'000**	Pence per share	£'000	Pence per share	£'000
Ordinary shares	**2.7**	**675**	2.7	675	4.7	1,175
Preference shares – fixed	**1.75**	**175**	1.75	175	1.75	175
		850		850		1,350

The directors have declared an interim dividend of 2.7p (2011 – 2.7p) per ordinary share, payable on 8 November 2012 to shareholders registered on 12 October 2012. The shares will be quoted ex-dividend on 10 October 2012.

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 2012		Unaudited 6 months to 30 June 2011		Audited Year ended 31 December 2011	
	Pence per share	**£'000**	Pence per share	£'000	Pence per share	£'000
Ordinary shares – final	**4.7**	**1,175**	4.5	1,125	4.5	1,125
Ordinary shares – interim	–	–	–	–	2.7	675
Preference shares – fixed	**1.75**	**175**	1.75	175	3.5	350
		1,350		1,300		2,150

Notes to the Group Results (continued)

4. Earnings per ordinary share

	Unaudited 6 months to 30 June 2012 £'000	Unaudited 6 months to 30 June 2011 £'000	Audited Year ended 31 December 2011 £'000
Basic earnings per share			
Calculated on the basis of:			
Net revenue profit after preference dividends	**704**	870	2,233
Net capital profit/ (loss)	**338**	(1,898)	(9,201)
Net total earnings after preference dividends	**1,042**	(1,028)	(6,968)
Ordinary shares in issue	**25,000**	25,000	25,000
Diluted earnings per share			
Calculated on the basis of:			
Net revenue profit	**879**	1,045	2,583
Net capital profit/(loss)	**338**	(1,898)	(9,201)
Profit/(loss) after taxation	**1,217**	(853)	(6,618)
Ordinary and preference shares in issue	**35,000**	35,000	35,000

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

Notes to the Group Results (continued)

5. Net asset value attributable to each share

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

	Unaudited 30 June 2012 £'000	Unaudited 30 June 2011 £'000	Audited 31 December 2011 £'000
Total net assets	**23,297**	30,045	23,430
Less convertible preference shares	**(10,000)**	(10,000)	(10,000)
Net assets attributable to ordinary shareholders	**13,297**	20,045	13,430

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

6. Financial information

This interim statement is not the company's statutory accounts. The statutory accounts for the year ended 31 December 2011 have been delivered to the Registrar of Companies and received an audit report which was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report, and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

7. Retained earnings

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

	Capital reserve £'000	Retained earnings £'000
At 1 January 2012	(12,911)	1,341
Allocation of profit for the year	338	879
Ordinary and preference dividends paid	–	(1,350)
At 30 June 2012	(12,573)	870

The capital reserve includes £45,000 of investment holding gains (30 June 2011 – £8,494,000, 31 December 2011 – £111,000 loss).

Directors’ responsibilities statement

Principal risks and uncertainties

The principal risks and uncertainties faced by the company continue to be as described in the previous annual accounts. Further information on each of these areas, together with the risks associated with the company's financial instruments are shown in the Directors' Report and notes to the financial statements within the Annual Report and Accounts for the year ended 31 December 2011.

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

Directors' responsibilities statement

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

The Directors of the company are listed in the section preceding the Chairman's Statement.

The half-yearly report was approved by the Board on 30 August 2012 and the above responsibility statement was signed on its behalf by:

Jonathan C Woolf

Independent Review Report to British & American Investment Trust PLC

Introduction

We have reviewed the condensed set of consolidated financial statements in the half-yearly financial report of British & American Investment Trust PLC for the six months ended 30 June 2012 which comprises the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cashflow Statement and the related explanatory notes that have been reviewed. We have read the other information contained in the half yearly financial report Group Financial Highlights, the Chairman's Statement, the Managing Director's Report, the Group Investment Portfolio and the Directors responsibilities statement, and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company's members, as a body, 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'. Our review work has been undertaken so that we might state to the company's members those matters we are required to state to them 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 and the company's members as a body, for our review work, for this report, or for the conclusion we have formed.

Directors' Responsibilities

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

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with 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 to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 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 Services Authority.

GRANT THORNTON UK LLP
AUDITOR
London
30 August 2012