British & American Investment Trust PLC

Interim Report

30 June 2005

Contents

Directors

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

Registered number: 433137

Registered Office

Wessex House, 1 Chesham Street, London SW1X 8ND

Group Financial Highlights*

For the six months ended 30 June 2005

	Unaudited 6 months to 30 June 2005 £'000	Unaudited 6 months to 30 June 2004 £'000	Unaudited+ Year ended 31 December 2004 £'000
Revenue			
Return before tax	**1,068**	661	1,487
Earnings per £1 ordinary shares – basic	**3.55p**	1.91p	4.33p
Earnings per £1 ordinary shares – fully diluted	**3.03p**	1.87p	4.09p
Investments at fair value and cash at bank	**39,728**	34,122	37,793
Revenue reserve	**2,660**	2,470	2,548
Capital reserve - realised	**13,312**	12,065	13,114
Capital reserve - unrealised	**(11,018)**	(15,268)	(12,793)
Net assets per ordinary share			
– Basic	**£1.20**	£0.97	£1.11
– Fully diluted	**£1.14**	£0.98	£1.08
Fully diluted net assets per ordinary share at 23 September 2005	**£1.21**		
Dividends**			
Dividend per ordinary share	**2.3p**	2.1p	5.2p
Special dividend per ordinary share	**1.0p**	0.0p	0.0p
Dividend per preference share	**1.75p**	1.75p	3.5p

* The 30 June 2004 and 31 December 2004 figures are restated, in accordance with IFRS.

** Dividends *declared* for the period. Dividends shown in the accounts are, by contrast, dividends *paid* in the period (relating to declarations made in a previous period for that period).

\+ Year ended 31 December 2004 information has been derived from audited UK GAAP information adjusted for the impact of IFRS.

Chairman's Statement

I report our results for the 6 months to 30 June 2005.

These interim accounts are the first accounts in which we, as a listed PLC group, are obliged to report our results under the new International Financial Reporting Standards (IFRS). In terms of presentation, these new standards introduce a new primary financial statement entitled the 'Statement of Changes in Equity' which shows cash flow information in respect of shareholders' funds. There are also some changes in the treatment and presentation of other major items such as dividends for the period, which are now no longer shown on the face of the accounts or accrued. In addition, the company's investment portfolio is now valued, where not already the case, at bid rather than mid market price. Although the impact of this is minor in terms of our total portfolio valuation (approximately 0.2 percent), it nevertheless requires that these interim accounts and the full year accounts include a restatement of previous period results and a reconciliation thereof. You will note, therefore, that the accounts are considerably longer this year than usual. The impact of these new standards is discussed in more detail in the Managing Director's report below. We are not convinced that, for an investment trust, the new standards provide any benefits to shareholders in terms of clarity or transparency, and in some important areas are actually less informative or even confusing. We have, therefore, added back in the notes those items of information which we consider are important to allow shareholders to understand fully the operations and performance of the company.

The profit on revenue account before tax amounted to £1.1million (30 June 2004: £0.7 million), an increase of 62 percent. This represents a welcome return to revenue growth as UK companies resume dividend growth patterns and previous year declines in dividend receipts fall out of the comparisons. In addition, the increase in revenue reflects the receipt of special dividends from a number of our investee companies over the period.

Total profit before taxation, which includes income and both realised and unrealised capital appreciation, was £3.0 million (£1.1 million), reflecting the continued recovery in equity valuations over the period, noted below. The capital element of this total was represented by £0.2 million of realised gains and £1.8 million of unrealised gains.

The earnings per ordinary share was 3.5 pence on an undiluted basis (1.9 pence) and 3.0 pence on a fully diluted basis (1.9 pence).

Group net assets were £40.0 million (£37.9 million, at 31 December 2004), an increase of 5.5 percent. This compares to an increase over the same six month period of 6.2 percent in both the FTSE 100 share and All Share indices. The net asset value per £1 ordinary share was 120 pence (prior charges deducted at par) and 114 pence on a fully diluted basis.

We intend to pay an interim dividend of 2.3 pence per ordinary share on 17 November 2005 to shareholders on the register at 21 October 2005. This represents an increase of 9.5 percent from last year's interim dividend. A preference dividend of 1.75 pence will be paid to preference shareholders on the same date. In addition, we intend to pay a special dividend of 1 penny per ordinary share on 15 December 2005 to shareholders on the register at 21 October 2005 in recognition of the special dividends received from investee companies over the period.

As at 23 September 2005, group net assets (valued on mid-market basis where necessary) were £42.4 million, an increase of 6.0 percent since 30 June. This compares with an increase of 5.9 percent in the FTSE 100 index and 6.0 percent in the All Share index over the same period, and is equivalent to 129 pence per share (prior charges deducted at par) and 121 pence per share on a fully diluted basis.

Anthony Townsend

Managing Director’s Report

International Financial Reporting Standards

These interim accounts adopt the rules and format required by the International Financial Reporting Standards (IFRS). These new standards have been introduced for all publicly quoted company groups reporting with effect from 1 January 2005 with the aim of providing greater clarity and transparency in the accounts for shareholders. In the case of investment trusts such as ourselves, however, the new format is, in many respects, inappropriate and actually reduces the amount and clarity of important information for shareholders and in some cases can even be confusing. For example:

- revenue and capital gains/losses are now only shown as a single item on the balance sheet (as retained earnings). This obscures the value of carried forward earnings reserves which are an indicator of investment trusts' (or indeed any investment company's) dividend paying capacity going forward, which is a fundamental measure of investment trust analysis.

- the split between realised and unrealised gains/losses (both in the period and in reserves) is no longer shown. This obscures the sensitivity of the portfolio to future market movements and the potential exposure to tax in the event of loss of investment trust status. It also impedes the analysis of performance over time.

- the dividend for the period is no longer shown or accrued, but confusingly the dividend for the previous period is shown. Consequently, shareholders are no longer able to relate the dividend payment to the income from which it is earned.

- the quantum and split of investment purchases and sales is no longer shown. This obscures the level of activity over the period which is a measure of the fund manager's performance and also impacts long term performance criteria.

- the proportion of revenue attributable to income from securities is no longer shown on the face of the accounts. This figure is used to calculate one of the criteria of investment trust status.

The items listed above are not only important general measures of investment trust performance over the period or over time but in some cases are vital indicators of trusts' compliance with the rules governing their very qualification as investment trusts (Section 842, Income and Corporation Taxes Act 1988) and consequent liability to tax on capital gains. We have, therefore, retained and shown in the notes to the accounts or in the operations summary all that previously reported information considered important to shareholders' understanding of the operations of the company.

It is naturally disappointing to see that mandatory changes to accounting presentation and policy have, in the case of our industry, served to obscure or restrict the quality of information made available to shareholders. Notwithstanding the fact that these changes add little or no value to the understanding of our accounts, the requirement to reformat and restate previous years' results has inevitably involved the company in considerable additional professional costs and, in the current year, a report of almost double the size.

Performance

In the six months to 30 June 2005, the UK equity market advanced by 6 percent, showing consistent gains over the period with particularly strong growth in the latter part of the second quarter. These gains consolidated the substantial improvements in equity prices of the previous year and reflected the continued recovery in corporate profitability across most sectors against the generally benign global economic backdrop. Most particularly, however, exceptional growth and price advances were seen in the oil and natural resources sectors in response to high demand from newly industrialised countries, particularly China and India. These sectors now account for in excess of 25 percent of the FTSE 100 index, and their growth has served to magnify overall market performance. Both the general market index and the leading companies index performed equally well over the period.

Our portfolio slightly underperformed the market over the period by 0.7 percent. However, on a total return basis, after adding back dividends paid in the period, the portfolio returned 8.0 percent compared to 7.7 percent from the leading stocks index.

In the USA, the leading index finished the period approximately 4 percent lower after fluctuating modestly throughout the first six months of the year, although a decline of almost 10 percent occurred at the end of the first quarter which defined the overall performance for the period. This mid-period decline coincided with a rise in the price of crude oil to over $40 a barrel. The generally more subdued performance of the equity market in the USA compared with the UK reflected in part the programme of steady monetary tightening initiated by the Federal Reserve in 2004. This programme is itself a response to the record and still growing fiscal and trade imbalances being experienced in the USA. Furthermore, these imbalances are not helped by the economic consequences of other non-economic events such as the continuing conflict in Iraq and more recently the effects of hurricane Katrina in the Gulf of Mexico. General stock market performance also reflects these economic realities and the inevitable effects on investor sentiment of such record structural imbalances.

In the third quarter, the UK equity market continued its growth pattern while US stock prices recorded a modest advance. For the time being, the US market has not reacted significantly to the consequences of hurricane Katrina or the recent strong upward pressure on crude oil and petrol prices and stands approximately 1.4 percent ahead of its levels at the half year. In the UK, the leading companies index has advanced 5.9 percent over the same period, again reflecting the proportion of oil stocks in the index, and the general market index has shown equal growth at 6.0 percent. Against this background, we will continue to maintain our generalist investment approach in the UK while continuing to target specifically identified stocks in the USA. Given the economic and geo-political issues noted above and the declines in projected growth rates in the developed economies, we have retained slightly higher levels of cash than usual over the past year. This, together with some underweighting in oil and commodity stocks, may tend to result in modest capital underperformance in rising markets. However, as seen in the period under review, after taking income into account, outperformance on a total return basis was achieved.

In accordance with the SORP, and as noted in my report for the year ended 31 December 2004, investment management and related expenses have been split 50% to capital and 50% to revenue with effect from 1 January 2005.

Jonathan C Woolf

28 September 2005

Group Investment Portfolio

As at 30 June 2005

Company	Nature of Business	Valuation £'000	Percentage of portfolio %
Liberty International plc	Property	4,843	13.26
Prudential plc	Life Assurance	3,972	10.87
Electra Investment Trust plc	Investment Trust	2,615	7.16
RIT Capital Partners plc	Investment Trust	2,340	6.41
The Alliance Trust plc	Investment Trust	2,333	6.39
Dunedin Income Growth Investment Trust plc	Investment Trust	2,040	5.59
Geron Corporation Inc	Pharmaceuticals (USA)	1,857	5.08
British Assets Trust plc	Investment Trust	1,777	4.86
Matrix Chatham Maritime Trust	Enterprise Zone Trust	1,250	3.42
St. James Place Capital – Unit Trust	Unit Trust	1,154	3.16
Murray International Trust plc	Investment Trust	960	2.63
Lloyds TSB plc	Banks retail	851	2.33
The Scottish American Investment Company plc	Investment Trust	740	2.03
Shires Income plc	Investment Trust	560	1.53
Invesco Income Growth Trust plc	Investment Trust	544	1.49
Rothschilds Cont Finance PLC- Notes	Financial	537	1.47
New Intercontinental Hotels Group Plc	Leisure & Hotels	493	1.35
Royal & Sun Alliance Ins Group PLC- Cumulative Irredeemable Preference	Insurance - Non - Life	485	1.33
British Sky Broadcasting Group PLC	Media	475	1.30
William Hill PLC	Leisure & Hotels	432	1.18
20 Largest investments		30,258	82.84
Other investments (number of holdings : 83)		6,266	17.16
Total investments		36,524	100.00

Consolidated Income Statement

Six months ended 30 June 2005

	Note	Unaudited 6 months to 30 June 2005 Revenue return £'000	Capital return £'000	Total £'000
Investment income	2	**1,202**	**–**	**1,202**
Gains on fair value through profit or loss assets		**–**	**2,050**	**2,050**
Cost of investment transactions		**–**	**(11)**	**(11)**
Other expenses		**(134)**	**(66)**	**(200)**
Profit before tax		**1,068**	**1,973**	**3,041**
Taxation		**(6)**	**–**	**(6)**
Profit for the period		**1,062**	**1,973**	**3,035**
Earnings per ordinary share	4			
Basic		**3.5p**	**7.9p**	**11.4p**
Fully diluted		**3.0p**	**5.7p**	**8.7p**

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 Trust Companies.
All items in the above statement derive from continuing operations.
All income is attributable to the equity holders of the parent company. There are no minority interests.

+ Year ended 31 December 2004 information has been derived from audited UK GAAP information adjusted for the impact of IFRS.

Unaudited 6 months to 30 June 2004 Restated (see note 9)			Unaudited+ Year ended 31 December 2004 Restated (see note 8)		
Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
847	–	847	1,864	–	1,864
–	400	400	–	3,935	3,935
–	(8)	(8)	–	(19)	(19)
(186)	–	(186)	(377)	–	(377)
661	392	1,053	1,487	3,916	5,403
(7)	–	(7)	(55)	–	(55)
654	392	1,046	1,432	3,916	5,348
1.9p	1.6p	3.5p	4.3p	15.7p	20.0p
1.9p	1.1p	3.0p	4.1p	11.2p	15.3p

Consolidated Statement of Changes in Equity

Six months ended 30 June 2005

Unaudited
Six months ended 30 June 2005

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2004	**35,000**	2,869	37,869
Profit for the period	–	3,035	3,035
Ordinary dividend paid	–	(775)	(775)
Preference dividend paid	–	(175)	(175)
Balance at 30 June 2005	**35,000**	4,954	39,954

Unaudited
Six months ended 30 June 2004
Restated (see note 9)

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2003	**35,000**	(854)	34,146
Profit for the period	–	1,046	1,046
Ordinary dividend paid	–	(750)	(750)
Preference dividend paid	–	(175)	(175)
Balance at 30 June 2004	**35,000**	(733)	34,267

Unaudited+
Year ended 31 December 2004
Restated (see note 8)

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2003	**35,000**	(854)	34,146
Profit for the period	–	5,348	5,348
Ordinary dividend paid	–	(1,275)	(1,275)
Preference dividend paid	–	(350)	(350)
Balance at 31 December 2004	**35,000**	2,869	37,869

+ Year ended 31 December 2004 information has been derived from audited UK GAAP information adjusted for the impact of IFRS.

Consolidated Balance Sheet

As at 30 June 2005

	Unaudited 30 June 2005 £'000	Unaudited 30 June 2004 Restated (see note 9) £'000	Unaudited+ 31 December 2004 Restated (see note 8) £'000
Non current assets			
Investments - fair value through profit or loss (note 1)	**36,524**	33,469	35,610
Current assets			
Other receivables	**391**	229	187
Cash and cash equivalents	**3,495**	1,183	2,227
	3,886	1,412	2,414
Total assets	**40,410**	34,881	38,024
Current liabilities			
Other payables	**(456)**	(614)	(155)
Total assets less current liabilities	**39,954**	34,267	37,869
Net assets	**39,954**	34,267	37,869
Equity attributable to equity holders			
Called up ordinary share capital	**25,000**	25,000	25,000
Convertible preference share capital	**10,000**	10,000	10,000
Retained earnings	**4,954**	(733)	2,869
	39,954	34,267	37,869

+ Year ended 31 December 2004 information has been derived from audited UK GAAP information adjusted for the impact of IFRS.

Consolidated Cashflow Statement

Six months ended 30 June 2005

	Unaudited 6 months to 30 June 2005 £'000	Unaudited 6 months to 30 June 2004 Restated £'000	Unaudited+ Year ended 31 December 2004 Restated £'000
Net cash inflow from operating activities (note 11)	**1,131**	613	1,458
Net cash inflow/(outflow) from investing activities	**1,087**	(86)	813
Net cash inflow before financing	**2,218**	527	2,271
Net cash outflow from financing activities	**(950)**	(925)	(1,625)
Net increase/(decrease) in cash and cash equivalents	**1,268**	(398)	646
Cash and cash equivalents at start of period	**2,227**	1,581	1,581
Cash and cash equivalents at end of period	**3,495**	1,183	2,227

+ Year ended 31 December 2004 information has been derived from audited UK GAAP information adjusted for the impact of IFRS.

Notes to the Group Results

Six months ended 30 June 2005

1. Accounting policies

Basis of preparation

The results are based on unaudited Group consolidated accounts prepared under the historical cost convention as modified by the revaluation of investments. The results have been prepared in accordance with applicable International Financial Reporting Standards (IFRS), with the Statement of Recommended Practice, "Financial Statements of Investment Trust Companies" and accounting policies consistent with preceding annual accounts except as noted below. The disclosure required by IFRS 1 concerning the transition from UK GAAP to IFRS is given in notes 8, 9 and 10. These financial statements are presented in pounds sterling as this is the currency of primary economic environment in which the Group operates. The financial statements of the Group for the year ending 31 December 2005 will also be prepared in accordance with IFRS.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and the entities controlled by the company (its subsidiaries) made up to 31 December each year. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Significant accounting policies

In accordance with the expected long term division of returns, 50% (2004 - 100%) of investment management and related costs for the year is charged to the revenue account and 50% (2004 - nil%) is charged to capital reserves, net of any relevant corporation tax relief.

Changes in accounting policies

Changes in the fair value of all investments held at fair value are recognised in the Income Statement. On disposal, realised gains and losses are also recognised in the Income Statement. Derivatives designated at fair value showing a negative value are included in current liabilities.

In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AITC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income statement. In accordance with the Company's status as a UK investment company under section 266 of the Companies Act 1985, net capital returns may not be distributed by way of dividend. The net revenue is the measure the directors believe appropriate in assessing the Group's compliance with certain requirements set out in section 842 of the Income and Corporation Taxes Act 1988. In accordance with IFRS, the balance sheet no longer shows realised and unrealised capital reserves.

Investments have been valued at fair value in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'. Valuation of quoted investments is on a bid basis with closing prices for SETS stocks being sourced from The London Stock Exchange. Fair value for unquoted investments is established using various valuation techniques. Where no reliable fair value can be estimated for unquoted investments they are carried at cost less any provision for impairment. These changes have resulted in a reduction in value of investments and retained earnings of £36,000 (30 June 2004 - £60,000; 31 December 2004 - £53,000). In compliance with IAS 10 'Events after the Balance Sheet Date', ordinary and preference dividends declared after the period end are no longer treated as a liability at the period end. The effect is to reduce creditors and increase retained earnings by £1,000,000 (30 June 2004 - £700,000; 31 December 2004 - £950,000).

Notes to the Group Results (continued)

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.

2. Investment income

	Unaudited 6 months to 30 June 2005	Unaudited 6 months to 30 June 2004 Restated	Unaudited+ Year ended 31 December 2004 Restated
	£'000	£'000	£'000
Turnover – film revenue	**72**	71	197
Income from investments	**1,015**	694	1,513
Interest receivable	**56**	34	62
Other income	**59**	48	92
	1,202	847	1,864

3. Dividends*

	Unaudited 6 months to 30 June 2005		Unaudited 6 months to 30 June 2004	
	Pence per share	**£**	Pence per share	£
Ordinary shares – interim	**2.3**	**575,000**	2.1	525,000
Ordinary shares – special	**1.0**	**250,000**	0.0	–
Preference shares – fixed	**1.75**	**175,000**	1.75	175,000
		1,000,000		700,000

The directors have declared an interim dividend of 2.3p (2004 - 2.1p) per ordinary share, payable on 17 November 2005 to shareholders registered on 21 October 2005. The shares will be quoted ex-dividend on 19 October 2005.

The directors have further declared a special dividend of 1.0p (2004 - nil) per ordinary share, payable on 15 December 2005 to shareholders registered on 21 October 2005. The shares will be quoted ex-dividend on 19 October 2005.

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.

* Dividends shown in the Statement of Changes in Equity are those paid or approved in the period rather than declared.

+ Year ended 31 December 2004 information has been derived from audited UK GAAP information adjusted for the impact of IFRS.

Notes to the Group Results (continued)

4. Earnings per ordinary share

	Unaudited 6 months to 30 June 2005	Unaudited 6 months to 30 June 2004 Restated (see note 9)	Unaudited+ Year ended 31 December 2004 Restated (see note 8)
	£'000	£'000	£'000
Basic earnings per share			
Calculated on the basis of:			
Net profit after preference dividends	**887**	479	1,082
Net capital profit	**1,973**	392	3,916
Net total earnings after preference dividends	**2,860**	871	4,998
Ordinary shares in issue	**25,000**	25,000	25,000

Fully diluted earnings per share			
Calculated on the basis of:			
Net revenue profit	**1,062**	654	1,432
Net capital profit	**1,973**	392	3,916
Profit after taxation	**3,035**	1,046	5,348
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).

+ Year ended 31 December 2004 information has been derived from audited UK GAAP information adjusted for the impact of IFRS.

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 2005	Unaudited 30 June 2004 Restated	Unaudited+ 31 December 2004 Restated
	£'000	£'000	£'000
Total net assets	**39,954**	34,267	37,869
Less convertible preference shares	**(10,000)**	(10,000)	(10,000)
Net assets attributable to ordinary shareholders	**29,954**	24,267	27,869

In both cases the effective net assets of the group have been calculated taking investments at their market value. Diluted net asset value 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).

The 3.5% cumulative convertible preference shares issued by the company have been classified as equity instruments in accordance with IAS 32 - 'Financial Instruments - Disclosure and Presentation'. The directors are of the opinion that due to the fact the company has an unconditional right to avoid paying the preference dividend, the company has no contractual obligation to pay these dividends and thus they are correctly classified as equity and do not represent a financial liability.

6. Comparative information

The financial information for the year ended 31 December 2004 has been derived from audited UK GAAP information adjusted for the impact of IFRS and is therefore unaudited. The financial information for the period ended 30 June 2004 has been derived from unaudited UK GAAP information adjusted for the impact of IFRS. The interim information, together with the comparative information contained in this report for the year ended 31 December 2004, does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. However, the information has been reviewed by the company's auditors, Deloitte & Touche LLP, and their report appears on page 22. The UK GAAP statutory accounts for the year ended 31 December 2004 have been reported on by the company's auditors, Deloitte & Touche LLP, and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

+ Year ended 31 December 2004 information has been derived from audited UK GAAP information adjusted for the impact of IFRS.

Notes to the Group Results (continued)

7. Retained earnings

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

	Unaudited Revenue £'000	Unaudited Capital £'000	Unaudited Total £'000
At 1 January 2005 (as restated)	2,548	321	2,869
Movement during the period:			
Net profit for the period	1,062	1,973	3,035
Dividends paid on ordinary shares	(775)	–	(775)
Dividends paid on preference shares	(175)	–	(175)
At 30 June 2005	2,660	2,294	4,954

Analysis of capital item

	Unaudited Realised £'000	Unaudited Unrealised £'000	Unaudited Total £'000
At 1 January 2005 (as restated)	13,114	(12,793)	321
Movement during the period:			
Net profit for the period	198	1,775	1,973
At 30 June 2005	13,312	(11,018)	2,294

Notes to the Group Results (continued)

8. Restatement of balances for the year ended 31 December 2004

Balance Sheet

	Notes	Audited Previously reported (UK GAAP) 31 December 2004 £'000	Effect of transition to IFRS £'000	Restated (IFRS) 31 December 2004 £'000
Non current investments	1	35,663	(53)	35,610
Current assets		2,414	–	2,414
Current liabilities	2	(1,105)	950	(155)
Total assets less current liabilities		36,972		37,869
Net assets		36,972		37,869
Equity attributable to equity holders				
Called up share capital				
– ordinary shares		25,000	–	25,000
– preference shares		10,000	–	10,000
Capital reserves - realised	3	13,114	(13,114)	–
Capital reserves - unrealised	3	(12,740)	12,740	–
Revenue reserve/Retained earnings	1,2,3	1,598	1,271	2,869
Total equity		36,972		37,869

Notes

1. Investments (excluding derivatives) are designated as held at fair value under IFRS and are carried at bid prices. Previously, under UK GAAP approximately 77 percent by value were already carried at bid equivalent with the balance being carried at mid prices or cost. This results in a downward revaluation of £53,000 in investments and a decrease in retained earnings.

2. No provision has been made for the final dividend on the ordinary and preference shares for the year ended 31 December 2004 of £950,000. Under IFRS the final dividend is not recognised until approved by shareholders.

3. Under IFRS there is no differentiation between capital and revenue gains and losses. The previous headings of Capital reserve - realised and Capital reserve - unrealised are now included under the heading Retained earnings.

Notes to the Group Results (continued)

8. Restatement of balances for the year ended 31 December 2004 (continued)

Reconciliation of the Statement of Total Return to the Income Statement for the year ended 31 December 2004	Notes	2004 £'000
Total transfer to reserves per the Statement of Total Return (UK GAAP)		3,728
Add back ordinary and preference dividends paid and proposed	1	1,650
Investments held at fair value changed from mid to bid basis at 31 December 2003		23
Investments held at fair value changed from mid to bid basis at 31 December 2004	2	(53)
Net return per Income Statement (IFRS)		5,348

Notes

1. Under IFRS ordinary and preference dividends declared and paid during the period are dealt with through the Statement of Changes in Equity.

2. The investment valuations at 31 December 2003 and 31 December 2004 are valued at fair value under IFRS calculated at bid price rather than mid price where not already the case. These values are different from the previous valuations by £23,000 and £53,000 respectively.

Reconciliation of the Cash Flow Statement for the year ended 31 December 2004	Notes	Audited Previously reported cash flows (UK GAAP) 2004 £'000	Effect of transition to IFRS £'000	Adjusted cash flows (IFRS) 2004 £'000
Net cash inflow from operating activities	1	1,458	–	1,458
Returns on investments and servicing of finance	2	(350)	350	–
Taxation		–	–	–
Net cash inflow from financial investment		813	–	813
Equity dividends paid	2	(1,275)	1,275	–
Net cash inflow before financing		646	1,625	2,271
Financing	2	–	(1,625)	(1,625)
Increase in cash		646	–	646

Notes

1. Bank interest and taxation are now analysed within operating activities.

2. Ordinary and preference dividends paid are now analysed within financing.

Notes to the Group Results (continued)

9. Restatement of balances for the period ended 30 June 2004

Balance Sheet

	Notes	Unaudited Previously reported (UK GAAP) 30 June 2004 £'000	Effect of transition to IFRS £'000	Restated (IFRS) 30 June 2004 £'000
Non current investments	1	33,529	(60)	33,469
Current assets		1,412	–	1,412
Current liabilities	2	(1,314)	700	(614)
Total assets less current liabilities		33,627		34,267
Net assets		33,627		34,267
Equity attributable to equity holders				
Called up share capital				
– ordinary shares		25,000	–	25,000
– preference shares		10,000	–	10,000
Capital reserves - realised	3	12,065	(12,065)	–
Capital reserves - unrealised	3	(15,208)	15,208	–
Revenue reserve/Retained earnings	1,2,3	1,770	(2,503)	(733)
Total equity		33,627		34,267

Notes

1. Investments (excluding derivatives) are designated as held at fair value under IFRS and are carried at bid prices. Previously, under UK GAAP approximately 76 percent by value were already carried at bid equivalent with the balance being carried at mid prices or cost. This results in a downward revaluation of £60,000 in investments and a decrease in retained earnings.

2. No provision has been made for the interim dividend on the ordinary and preference shares for the period ended 30 June 2004 of £700,000 as this was not declared until after the balance sheet date. Under IFRS the interim dividend is not recognised until declared.

3. Under IFRS there is no differentiation between capital and revenue gains and losses. The previous headings of Capital reserve - realised and Capital reserve - unrealised are now included under the heading Retained earnings.

Notes to the Group Results (continued)

9. Restatement of balances for the period ended 30 June 2004 (continued)

Reconciliation of the Statement of Total Return to the Income Statement for the period ended 30 June 2004	Notes	2004 £'000
Total transfer to reserves per the Statement of Total Return (UK GAAP)		383
Add back ordinary and preference dividends paid and proposed	1	700
Investments held at fair value changed from mid to bid basis at 31 December 2003		23
Investments held at fair value changed from mid to bid basis at 30 June 2004	2	(60)
Net return per Income Statement (IFRS)		1,046

Notes

1. Under IFRS ordinary and preference dividends declared and paid during the period are dealt with through the Statement of Changes in Equity.

2. The investment valuations at 31 December 2003 and 30 June 2004 are valued at fair value under IFRS calculated at bid price rather than mid price where not already the case. These values are different from the previous valuations by £23,000 and £60,000 respectively.

Reconciliation of the Cash Flow Statement for the period ended 30 June 2004	Notes	Unaudited Previously reported cash flows (UK GAAP) 2004 £'000	Effect of transition to IFRS £'000	Adjusted cash flow (IFRS) 2004 £'000
Net cash inflow from operating activities	1	613	–	613
Returns on investments and servicing of finance	2	(175)	175	–
Taxation		–	–	–
Net cash outflow from financial investment		(86)	–	(86)
Equity dividends paid	2	(750)	750	–
Net cash (outflow)/inflow before financing		(398)	925	527
Financing	2	–	(925)	(925)
Decrease in cash		(398)	–	(398)

Notes

1. Bank interest and taxation are now analysed within operating activities.

2. Ordinary and preference dividends paid are now analysed within financing.

Notes to the Group Results (continued)

10. Restatement of balances for the year ended 31 December 2003

Balance Sheet

	Notes	Audited Previously reported (UK GAAP) 31 December 2003 £'000	Effect of transition to IFRS £'000	Restated (IFRS) 31 December 2003 £'000
Non current investments	1	32,482	(23)	32,459
Current assets		1,743	–	1,743
Current liabilities	2	(981)	925	(56)
Total assets less current liabilities		33,244		34,146
Net assets		33,244		34,146
Equity attributable to equity holders				
Called up share capital				
– ordinary shares		25,000	–	25,000
– preference shares		10,000	–	10,000
Capital reserves - realised	3	14,824	(14,824)	–
Capital reserves - unrealised	3	(18,396)	18,396	–
Revenue reserve/Retained earnings	1,2,3	1,816	(2,670)	(854)
Total equity		33,244		34,146

Notes

1. Investments (excluding derivatives) are designated as held at fair value under IFRS and are carried at bid prices. Previously, under UK GAAP approximately 76 percent were already carried at bid equivalent with the balance being carried at mid prices or cost. This results in a downward revaluation of £23,000 in investments and a decrease in retained earnings.

2. No provision has been made for the final dividend on the ordinary and preference shares for the year ended 31 December 2003 of £925,000. Under IFRS the final dividend is not recognised until approved by shareholders.

3. Under IFRS there is no differentiation between capital and revenue gains and losses. The previous headings of Capital reserve - realised and Capital reserve - unrealised are now included under the heading Retained earnings.

Notes to the Group Results (continued)

11. Reconciliation of profit before tax to net cash inflow from operating activities

	Unaudited 6 months to 30 June 2005 £'000	Unaudited 6 months to 30 June 2004 Restated (see note 9) £'000	Unaudited+ Year ended 31 December 2004 Restated (see note 8) £'000
Profit on ordinary activities before tax	3,041	1,053	5,403
Gains on investments designated as fair value through profit or loss*	(2,039)	(392)	(3,916)
Scrip dividends	(2)	(2)	(4)
Increase in payables	327	2	19
Increase in receivables	(197)	(46)	(40)
Tax on film revenue	(1)	(2)	(4)
UK tax recovered	2	–	–
Net cash inflow from operating activities	1,131	613	1,458

* The gains on investments held at fair value are after deducting purchase transaction costs. These costs are separately identified in the Income Statement.

+ Year ended 31 December 2004 information has been derived from audited UK GAAP information adjusted for the impact of IFRS.

Independent Review Report to British & American Investment Trust PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2005 which comprises the consolidated income statement, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 11. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which requires that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

International Financial Reporting Standards

As disclosed in note 1, the next annual financial statements of the Group will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. Accordingly, the interim report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

Deloitte & Touche LLP
Chartered Accountants
London
28 September 2005