British & American Investment Trust PLC

Interim Report

30 June 2016

Contents

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)

Financial Highlights

For the six months ended 30 June 2016

	Unaudited 6 months to 30 June 2016 £'000	Unaudited 6 months to 30 June 2015 £'000	Audited Year ended 31 December 2015 £'000
Revenue			
Return before tax	**1,179**	679	2,701
Earnings per £1 ordinary shares – basic (note 4)	**4.06p**	2.06p	9.51p
Earnings per £1 ordinary shares – diluted (note 4)	**3.40p**	1.97p	7.80p
Capital			
Total equity	**21,377**	28,568	30,211
Revenue reserve (note 8)	**2,440**	1,611	2,799
Capital reserve (note 8)	**(16,063)**	(8,043)	(7,588)
Net assets per ordinary share (note 5)			
– Basic	**£0.46**	£0.74	£0.81
– Diluted	**£0.61**	£0.82	£0.86
Diluted net assets per ordinary share at 23 August 2016	**£0.65**		
Dividends*			
Dividend per ordinary share (note 3)	**2.7p**	2.7p	8.2p
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.

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 2016.

Revenue

The profit on the revenue account before tax amounted to £1.2 million (30 June 2015: £0.7 million), an increase of 74 percent. This significant increase reflects in part a higher level of dividends received in the period. However, as noted in my previous statements, due to the introduction of new International Reporting Standard IFRS10 in 2015, reported profits (which are the profits of the parent company only) are likely to show increased levels of volatility, as is the case for this period.

To assist shareholders in forming some opinion on the earnings performance of the group as a whole, we show in Note 2 to the accounts the film and other income of our subsidiaries. This shows that film income of £18,000 (30 June 2015: £29,000) and property unit trust income of £8,000 (30 June 2015: £10,000) was received.

A loss of £8.3 million (30 June 2015: £2.4 million gain) was registered on the capital account before capitalised expenses, incorporating a realised loss of £2.1 million (30 June 2015: £0.4 million gain) and an unrealised loss of £6.2 million (30 June 2015: £2.0 million gain). This significant unrealised loss was due to a fall in the value of our principal investment, Geron Corporation, which declined almost 50 percent over the period.

Revenue earnings per ordinary share were 4.1 pence on an undiluted basis (30 June 2015: 2.1 pence) and 3.4 pence on a fully diluted basis (30 June 2015: 2.0 pence).

Net Assets and Performance

Company net assets were £21.4 million (£30.2 million, at 31 December 2015), a decrease of 29.2 percent. Over the same six month period, the FTSE 100 index increased by 3.7 percent and the All Share index increased by 1.6 percent. On a total return basis, after adding back dividends paid during the period, company net assets decreased by 24.1 percent compared to an increase of the total return on the FTSE 100 index of approximately 6.6 percent. The net asset value per £1 ordinary share was 46 pence (prior charges deducted at par) and 61 pence on a fully diluted basis.

As noted above, the decrease in net assets relative to our benchmark was largely due to the decrease in the value of our principal investment, Geron Corporation. This decline occurred in the first three months of the year concurrently with the large falls in stock prices globally. However, US biotech company share prices declined more significantly than other sectors and for the most part did not recover into the second quarter along with other stocks. In the absence of any corporate or clinical trial news over the period, there was no catalyst for the Geron stock price to outperform the sector at that time.

In the first half of 2016, the UK and global stock markets experienced considerable volatility. The UK Equity market fell by over 12 percent in the first quarter with a slump in oil prices to multi year lows of below US$30 per barrel, indicating fears of a slowdown in world economic activity and difficulties for certain highly operationally geared oil producing companies going forward. Markets stabilised somewhat in March and into the second quarter as oil prices rose above their lows and settled at around US$50 per barrel. In the UK, however, market movements remained volatile as the European Referendum neared

Chairman’s Statement (continued)

and stock prices reacted to the swings in the opinion polls. The unexpected result to exit the European Union was a shock to markets world wide and a substantial fall in global equity markets occurred on 24th June after the result was announced. Falls of 8 percent in a day were experienced as the potential economic, trade and political ramifications were digested. Despite considerable concerns being expressed and a sharp fall of over 10 percent in the value of sterling, markets including the leading UK stocks with high levels of foreign income recovered relatively swiftly and by the half year had surpassed their pre-referendum levels to finish up on the period.

As at 23 August, company net assets were £22.7 million, an increase of 6.4 percent since 30 June. This compares with an increase of 5.6 percent in the FTSE 100 index and an increase of 6.5 percent in the All Share index over the same period, and is equivalent to 51 pence per share (prior charges deducted at par) and 65 pence per share on a fully diluted basis.

Dividend

We intend to pay an interim dividend of 2.7 pence per ordinary share on 10 November 2016 to shareholders on the register at 14 October 2016. 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

Many of the factors contributing to market instability noted in my last year-end statement are still in evidence. Although markets have been confronted by considerable levels of disruption over the last 6 months, including the slump in oil prices, the UK’s exit from the European Union, numerous acts of terror in European countries and a great deal of uncertainty from the US Federal reserve over the pace of increase in US dollar interest rates, markets have nevertheless absorbed these concerns and enter the second half ahead of their opening levels for the year.

As in previous years, the direction and longer term performance of equity markets is likely to hinge on the expectation and pace of interest rate rises in the US. Current expectations are now for fewer rises this year, possibly only one around the year end as was the case in 2015. This has been sufficient to support markets in recent weeks without raising allied concerns of a significant slowdown in US economic activity, and indeed, equity markets in the USA have reached new all time highs since the half year.

The UK, however, remains a special case as politicians begin to address the ramifications of life outside the European Union and new economic, fiscal and social policies are developed. It is generally accepted that an economic shock to the system over the short term will be experienced but hopefully the various advantages in terms of new global alliances with faster growing economies and other areas of economic and fiscal liberalisation will deliver enhanced growth over the longer term. We do not expect to undertake any new investment initiatives while the impact of these major changes remain unclear.

Anthony Townsend

Managing Director’s Report

In the first six months of 2016, our portfolio underperformed our benchmark indices significantly. As noted above, this was due to the substantial drop in the value of our largest US investment, Geron Corporation. This was disappointing, particularly after the significant outperformance this stock had generated for the portfolio in 2015, both in terms of its share price, which reflected a transformational corporate alliance with Johnson & Johnson, and a significant strengthening in the US dollar over the course of that year. In the absence of any new corporate information or clinical trial updates to date in 2016, Geron’s share price proved unable to recover from the significant drop experienced by most US biotech companies in the first quarter of 2016. Nevertheless, the support given to the company by the collaboration with Johnson & Johnson and the expectation of clinical trial updates towards the end of the year supports our expectation that the share price will return to the levels seen after the collaboration with Johnson & Johnson was announced in late 2014 to form a basis for future growth as the results of the trials are released and a path to commercialisation is developed.

As in previous years, the main drivers of market performance in 2016 have been the expectations surrounding and the subsequent results of economic performance in the USA and China. Various indicators have been taken as proxies for the outlook on this, primarily US dollar interest rates and expected movements thereof, and latterly oil prices.

As already described, oil prices fell to multi year lows in early 2016 and this was judged to be symptomatic of poor world growth particularly in China which worried markets generally, resulting in a sharp sell off in equity markets in the first quarter and a retreat from risk assets. As a result, investment in low risk sovereign bonds increased significantly and by the half year the bonds of most of the leading sovereign issuers were trading at negative short term yields and at historically low long term yields.

Early expectations in the year that the US Federal Reserve would continue a gradual programme of increases in US dollar rates in 2016 after the first such rise in December 2015 were tempered as uncertainties over US and world growth developed over the first half of 2016. This served to provide some support to equity markets in the second quarter as the prospect of higher rates receded that helped markets to recover from the selloff in the first quarter and push forward over the half year.

However, this has served to disguise somewhat the background instability on a number of fronts which persist and which could potentially have negative effects on growth and markets generally. While the effect on markets of the initial shock of the UK’s exit from the European Union has dissipated, the longer term uncertainties remain. The potential for European bank financial instability remains as does the unsustainable level of certain EU country sovereign debt levels when viewed in the context of continued poor levels of economic growth in the Eurozone area. While the European Central Bank continues its aggressive programme of monetary intervention, the scope for effective results of this strategy by the ECB and other central banks diminishes as time goes on. As rates fall further into negative territory, this increases the pressure on banks’ profitability and their ability and willingness to generate growth through lending is reduced.

Managing Director’s Report (continued)

There is much uncertainty whether even the low levels of growth experienced by the US, UK and other leading economies in recent years following the recession of 2008/9 can now be sustained. The results seen in the USA so far this year have been erratic with a further weakening in growth recently recorded for the second quarter. US corporates continue to report earnings downgrades compared to the previous year although the current quarter’s results have been marginally less negative. The substantial Central Bank liquidity provision driving bond markets forward and lowering investment grade yields has pushed equity markets in the USA to historical high levels since the half year. But it is not clear whether the tempered pace of the Federal Reserve’s interest rate programme will have any effect on economic growth beyond providing some support to financial markets and asset prices in the short term.

In the UK, as noted above, we have a very different set of challenges to address in the context of the EU exit. Local markets will inevitably remain hesitant until a path forward is identified and then will price the likely success of its implementation and longer term economic effects. For this reason, there is likely to be a decoupling of UK markets and sterling from movements elsewhere. While there is certainly much potential for the UK to take advantage of a new start by entering into new global trade alliances with those areas of the world experiencing significantly faster growth than the sclerotic European Union countries and a sense of revitalisation can be generated from the liberalisation opportunities in the fiscal, investment and social domains, such decoupling is more likely on the downside initially until a new paradigm for the UK economy is implemented.

Jonathan C Woolf

26 August 2016

Investment Portfolio

As at 30 June 2016

Company	Nature of Business	Valuation £'000	Percentage of portfolio %
Geron Corporation (USA)	Biomedical	6,264	21.67
Biotime Inc (USA)	Biotechnology	2,760	9.55
Dunedin Income Growth	Investment Trust	2,280	7.89
St. James's Place Global Equity	Unit Trust	2,063	7.14
Blackrock Income Strategies Trust	Investment Trust	1,725	5.97
Scottish American Investment Company	Investment Trust	1,148	3.97
Merchants Trust	Investment Trust	1,077	3.73
Invesco Income Growth Trust	Investment Trust	810	2.80
Prudential	Life Assurance	628	2.17
Asterias Biotherapeutics (USA)	Pharmaceuticals	605	2.09
Royal & Sun Alliance Insurance Group – Cum. irred. preference shares	Insurance – Non-Life	511	1.77
Shires Income	Investment Trust	413	1.43
Enquest PLC 5.5% SNR EMTN 15/02/2022	Oil & Gas producers	292	1.01
Jupiter Income Trust	Unit Trust	238	0.82
Rothschilds Cont. Finance – Notes	Financial	234	0.81
Oncocyte (USA)	Biotechnology	187	0.65
RIT Capital Partners	Investment Trust	164	0.57
Angle	Support Services	155	0.54
Barclays – 6% Non-Cum. Callable Pref. Shs	Bank retail	148	0.51
JZ Capital Partners	Investment Trust	125	0.43
20 Largest investments (excluding subsidiaries)		21,827	75.52
Investment in subsidiaries		6,269	21.68
Other investments (number of holdings: 23)		814	2.80
Total investments		28,910	100.00

Condensed Income Statement

Six months ended 30 June 2016

		Unaudited 6 months to 30 June 2016		
	Note	Revenue return £'000	Capital return £'000	Total £'000
Investment income	2	**1,696**	**–**	**1,696**
Holding (losses)/gains on investments at fair value through profit or loss		**–**	**(6,221)**	**(6,221)**
(Losses)/gains on disposal of investments at fair value through profit or loss		**–**	**(2,068)**	**(2,068)**
Foreign exchange (losses)/gains		**(124)**	**(55)**	**(179)**
Expenses		**(366)**	**(125)**	**(491)**
(Loss)/profit before finance costs and tax		**1,206**	**(8,469)**	**(7,263)**
Finance costs		**(27)**	**(6)**	**(33)**
(Loss)/profit before tax		**1,179**	**(8,475)**	**(7,296)**
Taxation		**12**	**–**	**12**
(Loss)/profit for the period		**1,191**	**(8,475)**	**(7,284)**
Earnings per ordinary share	4			
Basic		**4.06p**	**(33.90)p**	**(29.84)p**
Diluted		**3.40p**	**(24.21)p**	**(20.81)p**

The company does not have any income or expense that is not included in loss for the period and all items derive from continuing operations. Accordingly, the '(Loss)/profit for the period' is also the 'Total Comprehensive Income for the period' as defined in IAS 1(revised) and no separate Statement of Comprehensive Income has been presented.

The total column of this statement is the company's Income Statement, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidelines published by the Association of Investment Companies.

All profit and total comprehensive income is attributable to the equity holders of the company.

Unaudited 6 months to 30 June 2015			Audited Year ended 31 December 2015		
Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
909	–	909	3,206	–	3,206
–	1,959	1,959	–	3,925	3,925
–	398	398	–	(927)	(927)
–	18	18	(53)	(47)	(100)
(218)	(110)	(328)	(417)	(231)	(648)
691	2,265	2,956	2,736	2,720	5,456
(12)	(14)	(26)	(35)	(14)	(49)
679	2,251	2,930	2,701	2,706	5,407
12	–	12	28	–	28
691	2,251	2,942	2,729	2,706	5,435
2.06p	9.01p	11.07p	9.51p	10.83p	20.34p
1.97p	6.43p	8.40p	7.80p	7.73p	15.53p

Condensed Statement of Changes in Equity

Six months ended 30 June 2016

	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
				Unaudited Six months ended 30 June 2015
Balance at 31 December 2014	35,000	(10,294)	2,420	27,126
Profit for the period	–	2,251	691	2,942
Ordinary dividend paid	–	–	(1,325)	(1,325)
Preference dividend paid	–	–	(175)	(175)
Balance at 30 June 2015	35,000	(8,043)	1,611	28,568

	Share capital* £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
				Audited Year ended 31 December 2015
Balance at 31 December 2014	35,000	(10,294)	2,420	27,126
Profit for the period	–	2,706	2,729	5,435
Ordinary dividend paid	–	–	(2,000)	(2,000)
Preference dividend paid	–	–	(350)	(350)
Balance at 31 December 2015	35,000	(7,588)	2,799	30,211

*The company's share capital comprises £35,000,000 (2015 - £35,000,000) being 25,000,000 ordinary shares of £1 (2015 - 25,000,000) and 10,000,000 non-voting convertible preference shares of £1 each (2015 - 10,000,000).

Condensed Balance Sheet

As at 30 June 2016

	Unaudited 30 June 2016 £'000	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000
Non – current assets			
Investments - fair value through profit or loss (note 1)	**22,641**	27,788	37,497
Subsidiaries – fair value through profit or loss	**6,269**	6,207	6,789
	28,910	33,995	44,286
Current assets			
Receivables	**2,739**	1,337	1,587
Cash and cash equivalents	**137**	1,190	344
	2,876	2,527	1,931
Total assets	**31,786**	36,522	46,217
Current liabilities			
Trade and other payables	**(2,211)**	(1,903)	(9,124)
Bank loan	**(3,579)**	(1,724)	(2,339)
	(5,790)	(3,627)	(11,463)
Total assets less current liabilities	**25,996**	32,895	34,754
Non – current liabilities	**(4,619)**	(4,327)	(4,543)
Net assets	**21,377**	28,568	30,211
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	**(16,063)**	(8,043)	(7,588)
Retained revenue earnings	**2,440**	1,611	2,799
Total equity	**21,377**	28,568	30,211
Net assets per ordinary share - basic	**£0.46**	£0.74	£0.81
Net assets per ordinary share - diluted	**£0.61**	£0.82	£0.86

Condensed Cashflow Statement

Six months ended 30 June 2016

	Unaudited 6 months to 30 June 2016 £'000	Unaudited 6 months to 30 June 2015 £'000	Audited Year ended 31 December 2015 £'000
Cash flow from operating activities			
(Loss)/profit before tax	**(7,296)**	2,930	5,407
Adjustment for:			
Losses/(profits) on investments	**8,289**	(2,357)	(2,998)
Scrip dividends	**(4)**	(3)	(397)
Proceeds on disposal of investments at fair value through profit or loss	**26,366**	3,677	14,596
Purchases of investments at fair value through profit or loss	**(27,060)**	(1,357)	(13,349)
Interest	**33**	26	49
Operating cash flows before movements in working capital	**328**	2,916	3,308
Increase in receivables	**(76)**	(98)	(181)
(Decrease)/increase in payables	**(123)**	480	(258)
Net cash from operating activities before interest	**129**	3,298	2,869
Interest paid	**–**	(26)	(49)
Net cash from operating activities after interest before taxation	**129**	3,272	2,820
Taxation	**–**	12	28
Net cash flows from operating activities	**129**	3,284	2,848
Cash flow from financing activities			
Dividends paid on ordinary shares	**(1,375)**	(1,325)	(2,000)
Dividends paid on preference shares	**(175)**	–	(350)
Bank loan	**1,240**	(1,019)	(404)
Interest paid	**(26)**	–	–
Net cash used in financing activities	**(336)**	(2,344)	(2,754)
Net (decrease)/increase in cash and cash equivalents	**(207)**	940	94
Cash and cash equivalents at beginning of period	**344**	250	250
Cash and cash equivalents at end of period	**137**	1,190	344

Notes to the Company's Condensed Financial Statements
Six months ended 30 June 2016

1. Accounting policies

Basis of preparation

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 2015.

The annual financial statements of the company are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis of preparation and statement of compliance

The company's condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), 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.

The company used to publish group accounts for British & American Investment Trust PLC Group which were prepared under IFRS. Following an amendment introduced in IFRS 10 in December 2014, the group is no longer allowed to consolidate its subsidiaries and therefore instead of preparing group accounts it now prepares separate financial statements for the parent entity only. In order to promote consistency with the way that the group accounts were previously prepared, the company changed from UK GAAP to IFRS in 2014.

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 2015 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 made 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% (2015 – 50%) to revenue and 50% (2015 – 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' and 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 company 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 2016 £'000	Unaudited 6 months to 30 June 2015 £'000	Audited Year ended 31 December 2015 £'000
Income from investments	**1,683**	898	3,184
Other income	**13**	11	22
	1,696	909	3,206

Of the £1,626,000 (30 June 2015 – £826,000, 31 December 2015 – £3,050,000) dividends received in the company accounts, £1,349,000 (30 June 2015 – £nil, 31 December 2015 – £1,586,000) related to special and other dividends received from investee companies that were bought after the dividend announcement. There was a corresponding capital loss of £1,631,000 (30 June 2015 – £nil, 31 December 2015 – £869,000), 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 £18,000 (30 June 2015 - £29,000, 31 December 2015 - £88,000) received by the subsidiary British & American Films Limited and property unit trust income of £8,000 (30 June 2015 - £10,000, 31 December 2015 - £17,000) received by the subsidiary BritAm Investments Limited are shown separately in this paragraph for information purposes.

3. Proposed dividends

	Unaudited 6 months to 30 June 2016 Interim		Unaudited 6 months to 30 June 2015 Interim		Audited year ended 31 December 2015 Final	
	Pence per share	**£'000**	Pence per share	£'000	Pence per share	£'000
Ordinary shares	**2.7**	**675**	2.7	675	5.5	1,375
Preference shares – fixed	**1.75**	**175**	1.75	175	1.75	175
		850		850		1,550

The directors have declared an interim dividend of 2.7p (2015 – 2.7p) per ordinary share, payable on

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

3. Proposed dividends (continued)

10 November 2016 to shareholders registered on 14 October 2016. The shares will be quoted ex-dividend on 13 October 2016.

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 2016		Unaudited 6 months to 30 June 2015		Audited Year ended 31 December 2015	
	Pence per share	**£'000**	Pence per share	£'000	Pence per share	£'000
Ordinary shares – final	**5.5**	**1,375**	5.3	1,325	5.3	1,325
Ordinary shares – interim	–	–	–	–	2.7	675
Preference shares – fixed	**1.75**	**175**	1.75	175	3.5	350
		1,550		1,500		2,350

4. Earnings per ordinary share

	Unaudited 6 months to 30 June 2016 £'000	Unaudited 6 months to 30 June 2015 £'000	Audited Year ended 31 December 2015 £'000
Basic earnings per share			
Calculated on the basis of:			
Net revenue profit after preference dividends	**1,016**	516	2,379
Net capital (loss)/profit	**(8,475)**	2,251	2,706
Net total earnings after preference dividends	**(7,459)**	2,767	5,085
Ordinary shares in issue	**25,000**	25,000	25,000
Diluted earnings per share			
Calculated on the basis of:			
Net revenue profit	**1,191**	691	2,729
Net capital (loss)/profit	**(8,475)**	2,251	2,706
(Loss)/profit after taxation	**(7,284)**	2,942	5,435
Ordinary and preference shares in issue	**35,000**	35,000	35,000

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

4. 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).

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 company net assets attributable to shareholders as follows:

	Unaudited 30 June 2016 £'000	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000
Total net assets	**21,377**	28,568	30,211
Less convertible preference shares	**(10,000)**	(10,000)	(10,000)
Net assets attributable to ordinary shareholders	**11,377**	18,568	20,211

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.

6. Non – current liabilities

Guarantee of subsidiary liability	**Unaudited 30 June 2016 £'000**	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000
Opening provision	**4,543**	4,293	4,293
Increase in period	**76**	34	250
Closing provision	**4,619**	4,327	4,543

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)

7. 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 £9,309 (30 June 2015 – £8,876 and 31 December 2015 – £17,949) 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 2016 were £216,142 (30 June 2015 – £190,046 and 31 December 2015 – £418,571) in respect of salary costs and £28,250 (30 June 2015 – £24,000 and 31 December 2015 – £43,400) in respect of pensions.

At the period end an amount of £15,577 (30 June 2015 – £11,978 and 31 December 2015 – £(155,018)) was due from/(to) Romulus Films Limited and £39,829 (30 June 2015 – £44,027 and 31 December 2015 – £95,831) was due to Remus Films Limited.

During the period subsidiary BritAm Investments Limited paid dividends of £nil (30 June 2015 – £580,000 and 31 December 2015 – £580,000) to the parent company, British & American Investment Trust PLC.

British & American Investment Trust PLC has guaranteed the liabilities of £4,619,000 (30 June 2015 – £4,327,000 and 31 December 2015 – £4,543,000) due from Second BritAm Investments Limited to its fellow subsidiaries if they should fall due.

During the period the company paid interest of £7,357 (30 June 2015 – £10,533 and 31 December 2015 – £18,000) on the loan due to BritAm Investments Limited.

During the period the company received interest of £8,890 (30 June 2015 – £9,778 and 31 December 2015 – £19,000) from British and American Films Limited and £2,314 (30 June 2015 – £1,283 and 31 December 2015 – £3,000) 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, 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 2 of the financial statements. The aggregate value of these transactions were purchases of £18,272,000 (30 June 2015 – £nil and 31 December 2015 – £19,923,000), dividends received of £1,238,000 (30 June 2015 – £nil and 31 December 2015 – £1,586,000) and sales of £16,748,000 (30 June 2015 – £nil and 31 December 2015 – £10,816,000) made during the period and sales made after the period end of £nil (30 June 2015 – £nil and 31 December 2015 – £7,975,000) giving a net loss of £286,000 (30 June 2015 – £nil and 31 December 2015 – £454,000 gain). Details of any past related party transactions are contained in the company's Annual Report for the year ended 31 December 2015.

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

8. 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 2016	(7,588)	2,799
Allocation of profit for the period	(8,475)	1,191
Ordinary and preference dividends paid	–	(1,550)
At 30 June 2016	(16,063)	2,440

The capital reserve includes £98,000 of investment holding gains (30 June 2015 – £4,761,000 gain, 31 December 2015 – £6,733,000 gain).

9. 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.

Financial assets and financial liabilities at fair value through profit or loss at 30 June 2016	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments including derivatives:				
Investments held at fair value through profit or loss	20,226	2,301	114	22,641
Subsidiary held at fair value through profit or loss	–	–	6,269	6,269
Total financial assets and liabilities carried at fair value	20,226	2,301	6,383	28,910

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

9. Financial instruments (continued)

With the exception of the Biotime Promissory Note and BritAm Investments Limited and Second BritAm Investments Limited (unquoted subsidiaries) which are categorised as Level 3 and two investments in Unit Trusts which is categorised as Level 2 (2), all other investments are categorised as Level 1.

Biotime Promissory Note

To accommodate BioTime's listing application to the Tel Aviv Stock Exchange (TASE), the company elected and agreed to convert 40,000 Preferred Shares held into BioTime common shares on August 14, 2015 at the conversion price of $4.00 per common share. The company received 500,000 common shares and a promissory note in an amount of principal equal to $207,737 and bearing interest at the rate of 3% per annum. Repayments of the principal and payments of interest are made six-monthly with the final repayment of principal due on 4 March 2019.

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 2016	6,911
Purchases	–
Sales proceeds	(20)
Gains on sales	2
Investment holding losses	(510)
Closing fair value at 30 June 2016	6,383

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 12%. 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.

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 2015.

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 26 August 2016 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 2016 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 2016 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.

GRANT THORNTON UK LLP
AUDITOR
London
26 August 2016