

# British & American Investment Trust PLC

Interim Report

30 June 2003

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## Group Financial Highlights

For the six months ended 30 June 2003

	<b>6 months to 30 June 2003 £'000</b>	6 months to 30 June 2002 £'000	Year ended 31 December 2002 £'000
Return before taxation	<u>713</u>	<u>831</u>	<u>1,476</u>
Earnings per £1 ordinary shares – basic	<u>2.14p</u>	<u>2.50p</u>	<u>3.54p</u>
Earnings per £1 ordinary shares – fully diluted	<u>2.03p</u>	<u>2.29p</u>	<u>3.52p</u>
Investments at valuation and cash at bank	<u>30,526</u>	<u>36,249</u>	<u>29,848</u>
Interim dividend per ordinary share	<u>2.0p</u>	<u>1.9p</u>	<u>1.9p</u>
Net assets per ordinary share			
– Basic	<u>£0.80</u>	<u>£1.01</u>	<u>£0.75</u>
– Fully diluted	<u>£0.86</u>	<u>£1.01</u>	<u>£0.82</u>
Fully diluted net assets per ordinary share at 23 September 2003	<u>£0.94</u>		

Registered number: 433137

**Registered Office**

Wessex House, 1 Chesham Street, London SW1X 8ND

# British & Americian Investment Trust PLC

## Directors

Jonathan C. Woolf (*Chairman and Managing Director*)

Dominic G. Dreyfus

J. Anthony V. Townsend

Ronald G. Paterson

## Chairman's Statement

I report our results for the 6 months to 30 June 2003.

The return on revenue account before tax amounted to £0.7million (£0.8 million). This decline was largely due to a fall in film revenues over the period as a result of a periodic upgrading of film materials by distributors to meet new transmission standards.

Total return before taxation, which includes both realised and unrealised capital appreciation, recorded an increase of £1.9million (£2.9 million deficit), reflecting the recovery in equity valuations over the period, noted below.

The revenue return per ordinary share was 2.1 pence on an undiluted basis (2.5 pence) and 2.0 pence on a fully diluted basis (2.3 pence).

Group net assets were £30.0 million (£28.7 million at 31 December 2002), an increase of 4.4 percent. This compares to an increase over the same six month period of 2.3 percent in the FTSE 100 share index and 4.1 percent in the FTSE All Share index. The net asset value per £1 ordinary share on a fully diluted basis was 86 pence, equivalent to 80 pence (prior charges deducted at par).

We intend to pay an interim dividend of 2.0 pence per ordinary share on 13 November 2003 to shareholders on the register at 17 October 2003. This represents an increase of 5.3 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 the six months to 30 June 2003, the UK equity market experienced two distinct phases, falling by 10 percent in the first quarter to a 5 year low and recovering in the second quarter to record a small increase over the period. As already reported to you, the decline in the early part of 2003, coming after a sustained period of decline in previous years, could be primarily attributed to the hostilities in the Middle East. Following the conclusion of hostilities in the second quarter and an improvement in sentiment for growth in the USA, markets in the US and UK reversed their first quarter declines. In the UK, this improvement was particularly evident in the valuations of cyclical and second line stocks as can be seen from the relative out-performance of the FTSE All Share index compared to the FTSE 100 index noted above. Sectors which particularly benefited from this turnaround were communications, technology and retailing. Financials also recovered in anticipation of firmer markets following a general acknowledgement that the multi-year declines in equity prices had been halted. However, prices of service sector companies with exposure to the travel and hospitality industries as well as industrials and utilities remained weak.

## **Chairman's Statement (continued)**

The recovery has continued strongly since the end of the second quarter with the same sectors mentioned above continuing to outperform. The improvement has been further underpinned in the USA by confirmation of the growth expectations in a number of improved profit reports and forecasts from US companies in recent weeks. The recovery is expected to be sustained in the absence of any unexpected shocks against the current background of generally favourable economic and political circumstances.

As at 23 September, group net assets, after deducting the interim dividend declared today, were £32.8 million, an increase of 9.2 percent since 30 June. This compares with an increase of 4.7 percent in the FTSE 100 index and 6.1 percent in the All Share index over the same period, and is equivalent to 91 pence per share (prior charges deducted at par) and 94 pence per share on a fully diluted basis.

Jonathan C Woolf

26 September 2003

## Group Consolidated Statement of Total Return

Six months ended 30 June 2003

	Note	6 months to 30 June 2003		
		Revenue £'000	Capital £'000	Total £'000
<b>Income</b>	2	<b>903</b>	–	<b>903</b>
Realised gains on investments		–	145	145
Increase/(decrease) in unrealised appreciation		–	1,093	1,093
Other expenses		(160)	–	(160)
Net return before finance costs and taxation		743	1,238	1,981
Interest payable and similar charges		(30)	–	(30)
Return on ordinary activities before taxation		713	1,238	1,951
Taxation		(2)	–	(2)
<b>Return on ordinary activities after tax</b>		<b>711</b>	<b>1,238</b>	<b>1,949</b>
Dividend and other appropriations in respect of preference shares		(175)	–	(175)
Return attributable to ordinary shareholders		536	1,238	1,774
Dividend in respect of ordinary shares	3	(500)	–	(500)
Transfer to reserves after dividends paid and proposed		36	1,238	1,274
<b>Return per ordinary share</b>				
Basic		2.1p	5.0p	7.1p
Fully diluted	4	2.0p	3.6p	5.6p

6 months to 30 June 2002			Year ended 31 December 2002		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
1,055	–	1,055	1,819	–	1,819
–	80	80	–	726	726
–	(3,799)	(3,799)	–	(10,445)	(10,445)
<u>(215)</u>	<u>–</u>	<u>(215)</u>	<u>(331)</u>	<u>–</u>	<u>(331)</u>
840	(3,719)	(2,879)	1,488	(9,719)	(8,231)
<u>(9)</u>	<u>–</u>	<u>(9)</u>	<u>(12)</u>	<u>–</u>	<u>(12)</u>
831	(3,719)	(2,888)	1,476	(9,719)	(8,243)
<u>(30)</u>	<u>–</u>	<u>(30)</u>	<u>(242)</u>	<u>–</u>	<u>(242)</u>
801	(3,719)	(2,918)	1,234	(9,719)	(8,485)
<u>(175)</u>	<u>–</u>	<u>(175)</u>	<u>(350)</u>	<u>–</u>	<u>(350)</u>
626	(3,719)	(3,093)	884	(9,719)	(8,835)
<u>(475)</u>	<u>–</u>	<u>(475)</u>	<u>(1,225)</u>	<u>–</u>	<u>(1,225)</u>
<u>151</u>	<u>(3,719)</u>	<u>(3,568)</u>	<u>(341)</u>	<u>(9,719)</u>	<u>(10,060)</u>
2.5p	(14.8)p	(12.3)p	3.5p	(38.9)p	(35.4)p
2.3p	(10.6)p	(8.3)p	3.5p	(27.8)p	(24.3)p

## Group Balance Sheet

As at 30 June 2003

	<b>30 June</b>	30 June	31 December
	<b>2003</b>	2002	2002
	<b>£'000</b>	£'000	£'000
<b>FIXED ASSETS</b>			
Investments	<b>29,588</b>	35,922	28,404
<b>CURRENT ASSETS</b>			
Debtors	<b>554</b>	324	323
Cash at bank and in hand	<b>722</b>	327	1,794
	<b>1,276</b>	651	2,117
<b>CREDITORS: amounts falling due within one year</b>	<b>(849)</b>	(1,339)	(1,779)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<b>427</b>	(688)	338
<b>CREDITORS: Amounts falling due after more than one year</b>	<b>–</b>	–	–
Net assets	<b>30,015</b>	35,234	28,742
	<b>30,015</b>	35,234	28,742
<b>CAPITAL AND RESERVES</b>			
Called up share capital			
– ordinary	<b>25,000</b>	25,000	25,000
– preference	<b>10,000</b>	10,000	10,000
Capital reserve – realised	<b>14,595</b>	12,842	14,309
Capital reserve – unrealised	<b>(21,388)</b>	(14,872)	(22,339)
Profit and loss account	<b>1,808</b>	2,264	1,772
	<b>30,015</b>	35,234	28,742



## Group Investment Portfolio

As at 30 June 2003

Company	Nature of Business	Valuation £'000	Percentage of portfolio %
Liberty International plc	Property	3,903	13.19
Prudential plc	Life Assurance	2,937	9.93
The Alliance Trust plc	Investment Trust	2,034	6.87
Securities Trust of Scotland plc	Investment Trust	1,832	6.19
Dunedin Income Growth Investment Trust plc	Investment Trust	1,640	5.54
RIT Capital Partners plc	Investment Trust	1,573	5.32
British Assets Trust plc	Investment Trust	1,500	5.07
Electra Investment Trust plc	Investment Trust	1,353	4.57
Matrix Chatham Maritime Trust	Enterprise Zone Trust	1,250	4.22
St. James Place Capital – Unit Trust	Unit Trust	860	2.91
Atrium Underwriting plc	Insurance	763	2.58
Great Portland Estates plc	Property	749	2.53
Murray International Trust plc	Investment Trust	688	2.33
The Scottish American Investment Company plc	Investment Trust	541	1.83
Rothschilds Continuation Finance – Notes	Financial	462	1.56
The Rank Group Plc – Preference	Leisure	439	1.48
Invesco Convertible Trust plc	Investment Trust	417	1.41
Shires Income plc	Investment Trust	413	1.40
The Throgmorton Trust plc	Investment Trust	350	1.18
Abbey National plc – Non Cumulative Preference	Banks retail	349	1.18
20 Largest investments		24,053	81.29
Other investments (number of holdings : 75)		5,535	18.71
<b>Total investments</b>		<b>29,588</b>	<b>100.00</b>

## Group Consolidated Cashflow Statement

Six months ended 30 June 2003

	<b>6 months to 30 June 2003 £'000</b>	6 months to 30 June 2002 £'000	Year ended 31 December 2002 £'000
Net cash inflow from operating activities	473	726	1,444
Servicing of finance			
– interest paid	(30)	(9)	(13)
– preference dividends paid	(175)	(175)	(350)
Taxation (paid)/recovered	(246)	34	21
Investment purchases	(1,635)	(316)	(2,438)
Investment sales	1,291	767	4,665
Equity dividends paid	(750)	(1,375)	(1,850)
Financing	–	–	–
<b>(Decrease)/increase in cash</b>	<b>(1,072)</b>	<b>(348)</b>	<b>1,479</b>

## Notes to the Group Results

Six months ended 30 June 2003

### 1. Accounting policies

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 Accounting Standards, with the Statement of Recommended Practice, "Financial Statements of Investment Trust Companies" and accounting policies consistent with preceding annual accounts.

### 2. Total income

	<b>6 months to 30 June 2003 £'000</b>	6 months to 30 June 2002 £'000	Year ended 31 December 2002 £'000
Turnover – film revenue	<b>69</b>	140	243
Income from investments	<b>765</b>	859	1,437
Interest receivable	<b>18</b>	5	38
Other income	<b>51</b>	51	101
	<b><u>903</u></b>	<u>1,055</u>	<u>1,819</u>

### 3. Dividends

	<b>6 months to 30 June 2003</b>		6 months to 30 June 2002	
	<b>Pence per share</b>	<b>£</b>	Pence per share	£
Ordinary shares – interim	2.0	500,000	1.9	475,000
Preference shares – fixed	1.75	175,000	1.75	175,000
		<u>675,000</u>		<u>650,000</u>

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.

## Notes to the Group Results (continued)

### 4. Return per ordinary share

	<b>6 months to 30 June 2003 £'000</b>	6 months to 30 June 2002 £'000	Year ended 31 December 2002 £'000
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#### Standard earnings per share

Calculated on the basis of:

Return after taxation and preference dividends	<u>536</u>	<u>626</u>	<u>884</u>
Ordinary shares in issue	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>

#### Fully diluted earnings per share

Calculated on the basis of:

Return after taxation	<u>711</u>	<u>801</u>	<u>1,234</u>
Ordinary and preference shares in issue	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>

Diluted net asset value is calculated taking into account the preference shares which are convertible, under certain circumstances, at any time during the period from 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 group net assets attributable to shareholders as follows:

	<b>30 June 2003 £'000</b>	30 June 2002 £'000	31 December 2002 £'000
Total net assets	<b>30,015</b>	35,234	28,742
Less preference shares	<b>(10,000)</b>	(10,000)	(10,000)
Net assets attributable to ordinary shareholders	<u><b>20,015</b></u>	<u>25,234</u>	<u>18,742</u>

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, under certain circumstances, at any time during the period from 1 January 2006 to 31 December 2025 (both dates inclusive).

6. The financial information set out above is unaudited and does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2002, which received an unqualified auditors' report, have been filed with the Registrar of Companies.

7. A copy of this statement has been sent today to the company's shareholders, and members of the public may obtain a copy on application to the company's registered office.

# **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 2003 which comprises the consolidated statement of total return, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 7. 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 require 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.

## **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 United Kingdom auditing standards 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 2003.

Deloitte & Touche LLP  
Chartered Accountants  
London  
26 September 2003