British & American Investment Trust PLC

Interim Report

30 June 2018

Contents

Directors

David G. Seligman *(Chairman)*

Jonathan C. Woolf *(Managing Director)*

Dominic G. Dreyfus *(Non-executive and Chairman of the Audit Committee)*

Ronald G. Paterson *(Non-executive) – retired 30 June 2018*

Alex Tamlyn *(Non-executive) – appointed as Director 1 July 2018*

Registered number: 433137

Registered Office

Wessex House, 1 Chesham Street, London SW1X 8ND

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Member of the Association of Investment Companies (AIC)

Financial Highlights

For the six months ended 30 June 2018

	Unaudited 6 months to 30 June 2018 £'000	Unaudited 6 months to 30 June 2017 £'000	Audited Year ended 31 December 2017 £'000
Revenue			
Return before tax	**864**	1,152	2,210
Earnings per £1 ordinary shares – basic (note 5)	**2.81p**	3.97p	7.58p
Earnings per £1 ordinary shares – diluted (note 5)	**2.51p**	3.34p	6.41p
Capital			
Total equity	**17,518**	21,863	15,534
Revenue reserve (note 9)	**929**	1,474	1,701
Capital reserve (note 9)	**(18,411)**	(14,611)	(21,167)
Net assets per ordinary share (note 6)			
– Basic	**£0.30**	£0.47	£0.22
– Diluted	**£0.50**	£0.62	£0.44
Diluted net assets per ordinary share at 25 September 2018	**£0.75**		
Dividends*			
Dividend per ordinary share (note 4)	**2.7p**	2.7p	8.6p
Dividend per preference share (note 4)	**1.75p**	1.75p	3.5p

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

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

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

Chairman's Statement

I report our results for the 6 months to 30 June 2018.

Revenue

The profit on the revenue account before tax amounted to £0.9 million (30 June 2017: £1.2 million), a decrease of 25.0 percent. This difference was primarily due to a reduction in investment income received during the period, with costs decreasing by a relatively similar amount of 22.0 percent compared to the previous year.

The figures presented above relate to the parent company only and not to the consolidated group, as required by accounting rule IFRS10. For information purposes, we show in Note 3 to the accounts the film and other income of our subsidiaries. This shows that film income of £36,000 (30 June 2017: £36,000) and property unit trust income of £7,000 (30 June 2017: £7,000) was received.

A gain of £2.8 million (30 June 2017: £0.3 million loss) was registered on the capital account before capitalised expenses, comprising a realised loss of £0.6 million (30 June 2017: £1.5 million loss) and an unrealised gain of £3.4 million (30 June 2017: £1.2 million gain).

Revenue earnings per ordinary share were 2.8 pence on an undiluted basis (30 June 2017: 4.0 pence) and 2.5 pence on a fully diluted basis (30 June 2017: 3.3 pence).

Net Assets and Performance

Company net assets were £17.5 million (£15.5 million, at 31 December 2017), an increase of 12.8 percent. Over the same six month period, the FTSE 100 index decreased by 0.7 percent and the All Share index decreased by 0.5 percent. On a total return basis, after adding back dividends paid during the period, company net assets increased by 23.4 percent compared to an increase of the total return on the FTSE 100 index of approximately 1.5 percent. The net asset value per £1 ordinary share was 30 pence (prior charges deducted at par) and 50 pence on a fully diluted basis.

The increase in net assets relative to our benchmark reflected gains of 91 percent in the value of our largest US holding, Geron Corporation. As noted in my statement of 27th April, Geron's share price had increased substantially in the first quarter of 2018 by 136 percent and these significant gains were largely retained by the period end. The increase in Geron's value reflected a positive update of Geron's clinical trials and an accelerated third quarter 2018 date for the final decision by Johnson & Johnson, Geron's development partner, on taking forward its commitment to develop and commercialise Geron's oncology drug, Imetelstat. This outstanding performance by our largest investment, more than reversing the declines of 2017, overshadowed that of our other investments. In the UK, our investments broadly tracked our benchmark index, while our other two major US investments performed weakly following capital raising exercises, although this was not sufficient to offset significantly the strong performance by Geron. In the period since the half year, Geron's value has risen by a further 86 percent to its highest level for 9 years in anticipation of the imminent decision by Johnson & Johnson by the current quarter end.

More generally, the multi-year pattern of growth in equity markets in the UK and USA broke down in the first half of 2018. The extraordinarily long period of low volatility seen in 2017 in particular, which had delivered steadily and strongly rising markets throughout the year, came to an abrupt halt in the first quarter of 2018 as the markets experienced two corrections of around 10 percent. Erratic policy making in trade and foreign relations from a White House under considerable political and legal investigatory

Chairman's Statement (continued)

pressure and, in the UK, a strong headwind in the Brexit negotiations with the EU Commission, weighed on sentiment despite continued strong performance from corporates in the USA. The artificial boost to economic growth in the USA provided by the administration's reduction in taxes at a time of relatively robust growth, raised the prospect of higher interest rates to curb anticipated inflation concerns and, for the longer term, an unsustainable increase in the already high US government deficit. This caused equity markets to falter and the US dollar yield curve to flatten in anticipation of recessionary conditions ahead in the medium term.

Equity markets in the USA and UK ended the period relatively unchanged as prices recovered their poise towards the end of the second quarter. In the UK however, the main driver of this recovery related to the decrease in the value of sterling following its rapid rise in the first quarter to a high of £1.43 against the US dollar, which was equivalent to the level prevailing immediately prior to the announcement of the Brexit referendum result in June 2016. Since that time, UK equity market prices have tracked closely changes in Sterling's value as FTSE index companies derive a significant proportion of their earnings and therefore valuations in foreign currencies.

Dividend

We intend to pay an interim dividend of 2.7 pence per ordinary share on 29 November 2018 to shareholders on the register at 9 November 2018. This represents an unchanged dividend from last year's interim dividend. A preference dividend of 1.75 pence will be paid to preference shareholders on the same date.

Board

I am very pleased to welcome Alex Tamlyn who joins our board on 1st July following Ronald Paterson's retirement on 30th June. The board and I thank Ronald for his many years of service and experience which has been of great value to the company.

Alex is a Partner and Head of Capital Markets EMEA at DLA Piper where he specialises in corporate finance, UK and international securities offerings, schemes of arrangement, corporate governance and securities. As with Ronald before him, Alex will bring to the board many years of experience in corporate finance and securities regulation.

Outlook

The uncertainties for equity markets which have characterised 2018 to date are likely to continue for some time, despite continued strength being shown in corporate profitability. We are currently focused on the important near term inflection point in our largest investment's fortunes which will inform our investment strategy over the medium and longer term.

As at 25 September, company net assets were £26.1 million, an increase of 49.2 percent since 30 June. This compares with a decrease in the FTSE 100 index of 1.7 percent and a decrease of 1.7 percent in the All Share index over the same period, and is equivalent to 65 pence per share (prior charges deducted at par) and 75 pence per share on a fully diluted basis.

David Seligman

27 September 2018

Managing Director's Report

The erratic positions on world trade being taken by the White House, threatening a trade war between the world's two largest trading blocks, the USA and China, together with further threats against the third largest block, the European Union, produced two episodes of correction (10 percent) in the first quarter of 2018 in equity markets in the USA and the UK. By the end of second quarter, however, these markets had recovered to their end 2017 levels which themselves represented historic highs and the culmination of 10 years of steady growth since the recession of 2008/9. This has equated to the longest equity bull market period in history as these markets progressed steadily upwards without a decrease of at least 20 percent during that time.

In the UK, short term movements in the equity market, in addition to reflecting volatile events in international affairs, have also reacted to the ebbs and flows of the Brexit negotiations. At times when the negotiations were proceeding steadily, with a so-called soft Brexit in prospect, £ sterling would firm and the UK equity market would soften as the value of UK leading stocks reflects the high content (75 percent) of their foreign currency earnings. Conversely, at time when the negotiations have stalled or are proceeding badly, which has been the pattern of the last few months, £ sterling has fallen and the equity market has risen in anticipation of the future costs of a no-deal Brexit together with the prospect of lower interest rates to offset an anticipated economic downturn.

During this long and unprecedented period of capital growth in the two equity markets in which we invest, our portfolio has tracked these markets on a total return basis, despite the value of our largest investment over that period, Geron Corporation, having badly languished. The significant drag that this has represented on our performance has, however, been largely offset by our programme to enhance income over the period.

With the substantial recovery in the value of Geron's stock price since the first half of 2018 to levels last seen in 2009, our portfolio has now performed better in terms of capital growth and our investment in Geron now stands at a profit in our books.

As already reported, this recovery in Geron's share price has been the result of a positive update in the first quarter of Geron's clinical trials and an accelerated third quarter 2018 date for the final decision by Johnson & Johnson, Geron's development partner, on taking forward its commitment to develop and commercialise Geron's oncology drug, Imetelstat. These developments were announced in March of this year and since then there have been a number of other indications which suggest that the imminent decision by Johnson & Johnson is likely to be favourable. Such a decision would also indicate Johnson & Johnson's confidence not only in the efficacy of Imetelstat but also in its ability to obtain regulatory clearance to market it. Consequently, investors have been pushing the price of Geron stock forward over the past few months, despite the existence of a substantial position of short sold stock which has accumulated over the years and which, in recent months, has risen dramatically to over 60 million shares, representing one third of all of Geron's issued stock.

The ultimate value of Geron will depend on the nature of the marketing clearance it obtains and the number of cancer indications which it will cover. Currently, the clinical trials cover two hematologic (blood) cancer indications with unmet medical need, MF (Myelofibrosis) and MDS (Myelodysplastic syndrome), each with a $1billion dollar market. Johnson & Johnson has also let it be known in its presentations that it plans to trial Imetelstat for AML (Acute Myeloid Leukemia), a blood cancer with an even larger patient population and a $2 billion market. Furthermore, as Johnson & Johnson has acquired exclusive world rights from Geron covering all cancer types, solid tumours as well as liquid (blood) tumours, there may also be other substantial patient populations in the future which Imetelstat could serve, including the possibility of combination therapies with other already approved oncology drugs. A foretaste of this possibility has already been seen in combination trials with the chemotherapy drug Paclitaxel (or Taxol) for breast and other cancers (developed by Bristol Myers Squib and marketed by many leading pharma companies, including Pfizer) and a number of patents applications filed by other leading pharma compnies, such as Abbvie, Novartis and Johnson & Johnson itself, to cover the use of Imetelstat as a combination with their own oncology drugs such Venetoclax, a blockbuster AML cancer drug. The progress of these developments and their likely impact on Imetelstat's prospects over the coming years will inform our own strategy with regard to Geron as our largest and strategic portfolio investment.

In the meantime, against the generally uncertain background described above arising out of the exceptionally long bull market in equities and instability in international economic affairs precipitated by erratic policy making by the USA, we have continued to make modest reductions in our investments in other areas to take advantage of high historic valuations and have taken the opportunity over the period to reduce our levels of gearing.

Jonathan C Woolf

27 September 2018

Investment Portfolio

As at 30 June 2018

Company	Nature of Business	Valuation £'000	Percentage of portfolio %
Geron Corporation (USA)	Biomedical	6,822	30.67
Dunedin Income Growth	Investment Trust	2,560	11.51
Biotime Inc (USA)	Biotechnology	2,169	9.75
Asterias Biotherapeutics (USA)	Pharmaceuticals	1,123	5.05
Merchants Trust	Investment Trust	1,060	4.76
Aberdeen Diversified Income & Growth	Investment Trust	860	3.87
Invesco Income Growth Trust	Investment Trust	580	2.61
JZ Capital Partners	Investment Trust	146	0.66
Braemar Shipping Services	Transport	120	0.54
Invesco Perpetual Enhanced	Investment Trust	84	0.38
B.S.D. Crown	Software and computer services	67	0.30
OncoCyte (USA)	Biotechnology	59	0.26
Angle	Pharmaceuticals & Biotechnology	50	0.23
ADVFN	Other financial	38	0.17
City Merchants High Yield Trust	Investment Trust	32	0.14
Biotime Promissory Note (USA)	Biotechnology	30	0.14
Audioboom Group	Media	19	0.09
Walker Crips Group	Financial services	15	0.07
Sherborne Investors	Financial services	12	0.05
Sarossa Capital	Biotechnology	5	0.02
20 Largest investments (excluding subsidiaries)		15,851	71.27
Investment in subsidiaries		6,375	28.66
Other investments (number of holdings: 6)		15	0.07
Total investments		22,241	100.00

Condensed Income Statement

Six months ended 30 June 2018

		Unaudited 6 months to 30 June 2018		
	Note	Revenue return £'000	Capital return £'000	Total £'000
Investment income	3	**1,104**	**–**	**1,104**
Holding gains/(losses) on investments at fair value through profit or loss		**–**	**3,549**	**3,549**
Losses on disposal of investments at fair value through profit or loss		**–**	**(643)**	**(643)**
Foreign exchange (losses)/gains		**(12)**	**(12)**	**(24)**
Expenses		**(203)**	**(116)**	**(319)**
Profit/(loss) before finance costs and tax		**889**	**2,778**	**3,667**
Finance costs		**(25)**	**(22)**	**(47)**
Profit/(loss) before tax		**864**	**2,756**	**3,620**
Taxation		**14**	**–**	**14**
Profit/(loss) for the period		**878**	**2,756**	**3,634**
Earnings per ordinary share	5			
Basic		**2.81p**	**11.03p**	**13.84p**
Diluted		**2.51p**	**7.87p**	**10.38p**

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

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

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

Unaudited 6 months to 30 June 2017			Audited Year ended 31 December 2017		
Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
1,420	–	1,420	2,732	–	2,732
–	1,230	1,230	–	(5,249)	(5,249)
–	(1,487)	(1,487)	–	(1,442)	(1,442)
17	17	34	53	53	106
(258)	(133)	(391)	(526)	(272)	(798)
1,179	(373)	806	2,259	(6,910)	(4,651)
(27)	(14)	(41)	(49)	(33)	(82)
1,152	(387)	765	2,210	(6,943)	(4,733)
16	–	16	35	–	35
1,168	(387)	781	2,245	(6,943)	(4,698)
3.97p	(1.55)p	2.42p	7.58p	(27.77)p	(20.19)p
3.34p	(1.11)p	2.23p	6.41p	(19.84)p	(13.43)p

Condensed Statement of Changes in Equity

Six months ended 30 June 2018

	Unaudited Six months ended 30 June 2018			
	Share capital* £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2017	35,000	(21,167)	1,701	15,534
Profit for the period	–	2,756	878	3,634
Ordinary dividend paid	–	–	(1,475)	(1,475)
Preference dividend paid	–	–	(175)	(175)
Balance at 30 June 2018	35,000	(18,411)	929	17,518

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

	Audited Year ended 31 December 2017			
	Share capital* £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2016	35,000	(14,224)	1,906	22,682
Profit/(loss) for the period	–	(6,943)	2,245	(4,698)
Ordinary dividend paid	–	–	(2,100)	(2,100)
Preference dividend paid	–	–	(350)	(350)
Balance at 31 December 2017	35,000	(21,167)	1,701	15,534

*The company's share capital comprises £35,000,000 (2017 - £35,000,000) being 25,000,000 ordinary shares of £1 (2017 - 25,000,000) and 10,000,000 non-voting convertible preference shares of £1 each (2017 - 10,000,000).

Condensed Balance Sheet

As at 30 June 2018

	Unaudited 30 June 2018 £'000	Unaudited 30 June 2017 £'000	Audited 31 December 2017 £'000
Non – current assets			
Investments - fair value through profit or loss (note 1)	**15,866**	24,408	15,565
Subsidiaries – fair value through profit or loss	**6,375**	6,569	5,277
	22,241	30,977	20,842
Current assets			
Receivables	**4,055**	2,089	2,399
Cash and cash equivalents	**725**	789	2,213
	4,780	2,878	4,612
Total assets	**27,021**	33,855	25,454
Current liabilities			
Trade and other payables	**(2,006)**	(2,512)	(1,010)
Bank loan	**(2,717)**	(4,363)	(4,244)
	(4,723)	(6,875)	(5,254)
Total assets less current liabilities	**22,298**	26,980	20,200
Non – current liabilities	**(4,780)**	(5,117)	(4,666)
Net assets	**17,518**	21,863	15,534
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	**(18,411)**	(14,611)	(21,167)
Retained revenue earnings	**929**	1,474	1,701
Total equity	**17,518**	21,863	15,534
Net assets per ordinary share - basic (note 6)	**£0.30**	£0.47	£0.22
Net assets per ordinary share - diluted (note 6)	**£0.50**	£0.62	£0.44

Condensed Cashflow Statement

Six months ended 30 June 2018

	Unaudited 6 months to 30 June 2018 £'000	Unaudited 6 months to 30 June 2017 £'000	Audited Year ended 31 December 2017 £'000
Cash flow from operating activities			
Profit/(loss) before tax	**3,620**	765	(4,733)
Adjustment for:			
(Gains)/losses on investments	**(2,906)**	257	6,691
Proceeds on disposal of investments at fair value through profit or loss	**7,699**	7,186	13,867
Purchases of investments at fair value through profit or loss	**(5,967)**	(7,686)	(11,570)
Interest	**47**	41	82
Operating cash flows before movements in working capital	**2,493**	563	4,337
Increase in receivables	**(269)**	(254)	(780)
(Decrease)/increase in payables	**(491)**	820	4
Net cash from operating activities before interest	**1,733**	1,129	3,561
Interest paid	**(44)**	(36)	(75)
Net cash flows from operating activities	**1,689**	1,093	3,486
Cash flow from financing activities			
Dividends paid on ordinary shares	**(1,475)**	(1,425)	(2,100)
Dividends paid on preference shares	**(175)**	(175)	(350)
Bank loan	**(1,527)**	873	754
Net cash used in financing activities	**(3,177)**	(727)	(1,696)
Net (decrease)/increase in cash and cash equivalents	**(1,488)**	366	1,790
Cash and cash equivalents at beginning of period	**2,213**	423	423
Cash and cash equivalents at end of period	**725**	789	2,213

Notes to the Company's Condensed Financial Statements

Six months ended 30 June 2018

1. Accounting policies

Basis of preparation and statement of compliance

This interim report is prepared in accordance with IAS 34 'Interim Financial Reporting' and on the basis of the accounting policies set out in the company's Annual Report and financial statements at 31 December 2017.

The company's condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which comprise standards and interpretations approved by the IASB and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect, and to the extent they have been adopted by the European Union.

In accordance with IFRS 10, the group does not consolidate its subsidiaries and therefore instead of preparing group accounts it prepares separate financial statements for the parent entity only.

The financial statements have been prepared on the historical cost basis except for the measurement at fair value of investments, derivative financial instruments, and subsidiaries. The same accounting policies as those published in the statutory accounts for 31 December 2017 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 at fair value through profit or loss are included in 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 closing prices or last traded prices, depending upon the convention of the exchange on which the investment is quoted at the close of business on the balance sheet date. Investments in units of unit trusts or shares in OEICs are valued at the closing price released by the relevant investment manager.

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

Investments of the company in subsidiary companies are held at the fair value of their underlying assets and liabilities.

This includes the valuation of film rights in British and American Films Limited and thus the fair value of its immediate parent BritAm Investments Limited. In determining the fair value of the film rights, estimates are made. These include future film revenues which are estimated by the management. Estimations made have taken into account historical results, current trends and other relevant factors.

Where a subsidiary has negative net assets it is included in investments at £nil value and a provision is made for it on the balance sheet where the ultimate parent company has entered into a guarantee to pay the liabilities if they fall due.

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

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

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

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

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

– expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated, and accordingly investment management and related costs have been allocated 50% (2017 – 50%) to revenue and 50% (2017 – 50%) to capital, in order to reflect the directors' long-term view of the nature of the expected investment returns of the company.

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

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

2. Segmental reporting

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

3. Income

	Unaudited 6 months to 30 June 2018 £'000	Unaudited 6 months to 30 June 2017 £'000	Audited Year ended 31 December 2017 £'000
Income from investments	**1,083**	1,407	2,707
Other income	**21**	13	25
	1,104	1,420	2,732

Of the £783,000 (30 June 2017 – £1,406,000, 31 December 2017 – £2,304,000) dividends received from listed investments in the company accounts, £641,000 (30 June 2017 – £860,000, 31 December 2017 – £1,891,000) related to special and other dividends received from investee companies that were bought after the dividend announcement. There was a corresponding capital loss of £573,000 (30 June 2017 – £898,000, 31 December 2017 – £1,949,000), on these investments.

Under IFRS 10 the income analysis is for the parent company only rather than that of the consolidated group shown in previous years.Thus film revenues of £36,000 (30 June 2017 – £36,000, 31 December 2017 – £101,000) received by the subsidiary British & American Films Limited and property unit trust income of £7,000 (30 June 2017 – £7,000, 31 December 2017 – £15,000) received by the subsidiary BritAm Investments Limited are shown separately in this paragraph for information purposes.

4. Proposed dividends

	Unaudited 6 months to 30 June 2018 Interim		Unaudited 6 months to 30 June 2017 Interim		Audited year ended 31 December 2017 Final	
	Pence per share	**£'000**	Pence per share	£'000	Pence per share	£'000
Ordinary shares	**2.7**	**675**	2.7	675	5.9	1,475
Preference shares – fixed	**1.75**	**175**	1.75	175	1.75	175
		850		850		1,650

The directors have declared an interim dividend of 2.7p (2017 – 2.7p) per ordinary share, payable on

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

4. Proposed dividends (continued)

29 November 2018 to shareholders registered on 9 November 2018. The shares will be quoted ex-dividend on 8 November 2018.

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 2018		Unaudited 6 months to 30 June 2017		Audited Year ended 31 December 2017	
	Pence per share	**£'000**	Pence per share	£'000	Pence per share	£'000
Ordinary shares – final	**5.9**	**1,475**	5.7	1,425	5.7	1,425
Ordinary shares – interim	–	–	–	–	2.7	675
Preference shares – fixed	**1.75**	**175**	1.75	175	3.5	350
		1,650		1,600		2,450

5. Earnings per ordinary share

	Unaudited 6 months to 30 June 2018 £'000	Unaudited 6 months to 30 June 2017 £'000	Audited Year ended 31 December 2017 £'000
Basic earnings per share			
Calculated on the basis of:			
Net revenue profit after preference dividends	**703**	993	1,895
Net capital gain/(loss)	**2,756**	(387)	(6,943)
Net total earnings after preference dividends	**3,459**	606	(5,048)
	Number'000	Number'000	Number'000
Ordinary shares in issue	**25,000**	25,000	25,000
Diluted earnings per share			
Calculated on the basis of:			
Net revenue profit	**878**	1,168	2,245
Net capital gain/(loss)	**2,756**	(387)	(6,943)
Profit/(loss) after taxation	**3,634**	781	(4,698)
	Number'000	Number'000	Number'000
Ordinary and preference shares in issue	**35,000**	35,000	35,000

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

5. Earnings per ordinary share (continued)

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

6. Net asset value attributable to each share

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

	Unaudited 30 June 2018 £'000	Unaudited 30 June 2017 £'000	Audited 31 December 2017 £'000
Total net assets	**17,518**	21,863	15,534
Less convertible preference shares	**(10,000)**	(10,000)	(10,000)
Net assets attributable to ordinary shareholders	**7,518**	11,863	5,534

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

Basic net assets and earnings per share are calculated using a value of par for the preference shares.

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

7. Non – current liabilities

Guarantee of subsidiary liability	**Unaudited 30 June 2018 £'000**	Unaudited 30 June 2017 £'000	Audited 31 December 2017 £'000
Opening provision	**4,666**	4,432	4,432
Increase in period	**114**	685	234
Closing provision	**4,780**	5,117	4,666

The provision is in respect of a guarantee made by the company for liabilities between its wholly owned subsidiaries, Second BritAm Investments Limited, BritAm Investments Limited and British and American Films Limited. The guarantee is to pay out the liabilities of Second BritAm Investments Limited if they fall due. There is no current intention for these liabilities to be called.

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

8. Related party transactions

Romulus Films Limited and Remus Films Limited have significant shareholdings in the company (6,902,812 (27.6%) ordinary shares held by Romulus Films Limited, 7,868,750 (31.5%) ordinary shares held by Remus Films Limited). Romulus Films Limited also holds 10,000,000 cumulative convertible preference shares.

The company rents its offices from Romulus Films Limited, and is also charged for its office overheads. During the period the company paid £17,000 (30 June 2017 – £11,000 and 31 December 2017 – £24,000) in respect of those services.

The salaries and pensions of the company's employees, except for the three non-executive directors and one employee, 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 2018 were £172,000 (30 June 2017 – £236,000 and 31 December 2017 – £473,000) in respect of salary costs and £23,000 (30 June 2017 – £33,000 and 31 December 2017 – £58,000) in respect of pensions.

At the period end an amount of £44,000 (30 June 2017 – £370,000 and 31 December 2017 – £28,000) was due to Romulus Films Limited and £8,000 (30 June 2017 – £389,000 and 31 December 2017 – £153,000) was due to Remus Films Limited.

During the period subsidiary BritAm Investments Limited paid dividends of £300,000 (30 June 2017 – £300,000 and 31 December 2017 – £400,000) to the parent company, British & American Investment Trust PLC.

British & American Investment Trust PLC has guaranteed the liabilities of £4,780,000 (30 June 2017 – £5,117,000 and 31 December 2017 – £4,666,000) due from Second BritAm Investments Limited to its fellow subsidiaries if they should fall due.

During the period the company paid interest of £nil (30 June 2017 – £5,000 and 31 December 2017 – £5,000) and £3,000 (30 June 2017 – £nil and 31 December 2017 – £2,000) on the loan due to BritAm Investments Limited and Second BritAm Investments Limited respectively and which are included in the balances at 30 June 2018.

During the period the company received interest of £7,000 (30 June 2017 – £8,000 and 31 December 2017 – £16,000) from British and American Films Limited, £nil (30 June 2017 – £4,000 and 31 December 2017 – £4,000) from Second BritAm Investments Limited and £14,000 (30 June 2017 – £nil and 31 December 2017 – £5,000) from BritAm Investments Limited.

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

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

9. 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 2018	(21,167)	1,701
Allocation of profit for the period	2,756	878
Ordinary and preference dividends paid	–	(1,650)
At 30 June 2018	(18,411)	929

The capital reserve includes £2,624,000 of investment holding losses (30 June 2017 – £2,307,000 gain, 31 December 2017 – £5,653,000 loss).

10. Financial instruments

Financial instruments carried at fair value

All investments are carried at fair value. Other financial assets and liabilities of the company are held at amounts that approximate to fair value. The book value of cash at bank and bank loans included in these financial statements approximate to fair value because of their short-term maturity.

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities.

These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly:

(1) Prices of recent transactions for identical instruments.
(2) Valuation techniques using observable market data.

Level 3: Unobservable inputs for the asset or liability.

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

10. Financial instruments (continued)

Financial assets and financial liabilities at fair value through profit or loss at 30 June 2018	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments including derivatives:				
Investments held at fair value through profit or loss	15,831	–	35	15,866
Subsidiary held at fair value through profit or loss	–	–	6,375	6,375
Total financial assets and liabilities carried at fair value	15,831	–	6,410	22,241

With the exception of the Biotime Promissory Note, Sarossa Capital, BritAm Investments Limited (unquoted subsidiary) and Second BritAm Investments Limited (unquoted subsidiary), which are categorised as Level 3, all other investments are categorised as Level 1.

Fair Value Assets in Level 3

The following table shows the reconciliation from the opening balances to the closing balances for fair value measurement in level 3 of the fair value hierarchy.

	Level 3 £'000
Opening fair value at 1 January 2018	5,333
Purchases	–
Sales proceeds	(22)
Gain on sales	4
Investment holding gains	1,095
Closing fair value at 30 June 2018	6,410

Subsidiaries

The fair value of the subsidiaries is determined to be equal to the net asset values of the subsidiaries at year end plus the uplift in the revaluation of film rights in British and American Films Limited, a subsidiary of BritAm Investments Limited.

The fair value of the film rights have been determined by estimating the present value of the pre-tax film revenues in the next 10 years discounted at a discount rate of 5%. The directors' valuation of British & American Films Limited has been based on pre-tax profits as sufficient group relief exists to mitigate the tax effect.

There have been no transfers between levels of the fair value hierarchy during the period. Transfers between levels of fair value hierarchy are deemed to have occurred at the date of the event or change in circumstances that caused the transfer.

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

11. Financial information

The financial information contained in this report does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The financial information for the period ended 30 June 2018 and 30 June 2017 have not been audited by the Company's Auditor pursuant to the Auditing Practices Board guidance. The information for the year to 31 December 2017 has been extracted from the latest published Annual Report and Financial Statements, which have been lodged with the Registrar of Companies, contained an unqualified auditors' report and did not contain a statement required under Section 498(2) or (3) of the Companies Act 2006.

Directors' statement

Principal risks and uncertainties

The principal risks and uncertainties faced by the company continue to be as described in the previous annual accounts. Further information on each of these areas, together with the risks associated with the company's financial instruments are shown in the Directors' Report and notes to the financial statements within the Annual Report and Accounts for the year ended 31 December 2017.

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 27 September 2018 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 2018 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 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

HAZLEWOODS LLP
AUDITOR

Cheltenham
27 September 2018