

# British & American Investment Trust PLC

Interim Report

30 June 2004

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## Group Financial Highlights

For the six months ended 30 June 2004

	<b>6 months to 30 June 2004 £'000</b>	6 months to 30 June 2003 £'000	Year ended 31 December 2003 £'000
Revenue return before taxation	<u>661</u>	<u>713</u>	<u>1,653</u>
Earnings per £1 ordinary shares – basic	<u>1.91p</u>	<u>2.14p</u>	<u>5.18p</u>
Earnings per £1 ordinary shares – fully diluted	<u>1.87p</u>	<u>2.03p</u>	<u>4.70p</u>
Investments at valuation and cash at bank	<u>34,182</u>	<u>30,526</u>	<u>34,063</u>
Interim dividend per ordinary share	<u>2.1p</u>	<u>2.0p</u>	<u>2.0p</u>
Net assets per ordinary share			
– Basic	<u>£0.95</u>	<u>£0.80</u>	<u>£0.93</u>
– Fully diluted	<u>£0.96</u>	<u>£0.86</u>	<u>£0.95</u>
Fully diluted net assets per ordinary share at 24 September 2004	<u>£0.99</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 (Non-executive)  
J. Anthony V. Townsend (Non-executive)  
Ronald G. Paterson (Non-executive)

## Chairman's Statement

I report our results for the 6 months to 30 June 2004.

The return on revenue account before tax amounted to £0.66 million (£0.71 million). This decline was almost entirely due to the reduction in the full year dividend from Prudential Corporation, our second largest investment.

Total return before taxation, which includes both realised and unrealised capital appreciation, recorded an increase of £1.1 million (£1.9 million).

The revenue return per ordinary share was 1.9 pence on an undiluted basis (2.1 pence) and 1.9 pence on a fully diluted basis (2.0 pence).

Group net assets were £33.6 million (£33.2 million at 31 December 2003), an increase of 1.2 percent. This compares to a decrease over the same six month period of 0.3 percent in the FTSE 100 share index and an increase of 1.0 percent in the FTSE All Share index. The net asset value per £1 ordinary share on a fully diluted basis was 96 pence, equivalent to 95 pence (prior charges deducted at par).

We intend to pay an interim dividend of 2.1 pence per ordinary share on 11 November 2004 to shareholders on the register at 15 October 2004. This represents an increase of 5.0 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 2004, the UK equity markets have traded within a relatively narrow range compared to previous periods of approximately 5 percent. The period was categorised by two declines at the end of each quarter followed by fairly swift recoveries to previous levels. The leading companies index finished the period slightly below its level at the beginning of the year while the All Share index finished slightly ahead, continuing the out-performance seen in the previous period albeit at more modest levels. This pattern of swings within a narrow range shows an underlying lack of direction which reflects the general uncertainties of economic outlook over the medium term after a period of recovery in 2003 combined with vulnerability to short term external shocks or surprises.

There have been no particularly notable sectoral patterns, although the service sectors, particularly financials, insurance and retail remained firm until midyear as growth rates stayed buoyant on the back of a strong housing market. Higher yielding stocks were also in favour as the Bank of England continued its programme of adjusting sterling interest rates upwards closer to perceived equilibrium levels.

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

Since the end of the second quarter, the pattern described above has continued and a strong upswing to the top of the trading range and slightly above took place over the summer months, albeit at low volumes. Markets, particularly in the USA, are now focusing on the upcoming presidential election period and have been relieved by continuing firm earnings reports, particularly in the technology sector which had been a cause for concern earlier in the year as economic growth flattened out in the USA. Since the last report, we have added to our small investment in US technology stocks with a further investment in Geron Corporation, a biopharmaceutical company active in the areas of reproductive medicine and oncology.

As at 24 September, group net assets, after deducting the interim dividend declared today, were £34.6 million, an increase of 2.8 percent since 30 June. This compares with an increase of 2.6 percent in the FTSE 100 index and 2.0 percent in the All Share index over the same period, and is equivalent to 98 pence per share (prior charges deducted at par) and 99 pence per share on a fully diluted basis.

Finally, I should report that, with effect from 1 October 2004, the roles of chairman and managing director will be separated and Anthony Townsend, our senior non-executive director, will become non-executive chairman. I will remain as managing director and fund manager. Anthony has been a director of the company since 1999 and has a wide range of experience in the financial and investment trust sectors. He recently retired as chairman of The Association of Investment Trust Companies and sits on the board of several other investment trusts, one of which he chairs. This change is intended to bring the company into compliance with recently introduced corporate governance requirements.

Jonathan C Woolf

28 September 2004

## Group Consolidated Statement of Total Return

Six months ended 30 June 2004

		6 months to 30 June 2004		
	Note	Revenue £'000	Capital £'000	Total £'000
<b>Income</b>	2	847	–	847
Realised gains on investments		–	139	139
Increase in unrealised appreciation		–	290	290
Other expenses		(186)	–	(186)
		<hr/>	<hr/>	<hr/>
Net return before finance costs and taxation		661	429	1,090
Interest payable and similar charges		–	–	–
		<hr/>	<hr/>	<hr/>
Return on ordinary activities before taxation		661	429	1,090
Taxation		(7)	–	(7)
		<hr/>	<hr/>	<hr/>
<b>Return on ordinary activities after tax</b>		654	429	1,083
Dividend and other appropriations in respect of preference shares		(175)	–	(175)
		<hr/>	<hr/>	<hr/>
Return attributable to ordinary shareholders		479	429	908
Dividend in respect of ordinary shares	3	(525)	–	(525)
		<hr/>	<hr/>	<hr/>
Transfer (from)/to reserves after dividends paid and proposed		(46)	429	383
		<hr/>	<hr/>	<hr/>
<b>Return per ordinary share</b>				
Basic		1.9p	1.7p	3.6p
Fully diluted	4	1.9p	1.2p	3.1p

6 months to 30 June 2003			Year ended 31 December 2003		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
903	–	903	2,013	–	2,013
–	145	145	–	508	508
–	1,093	1,093	–	3,950	3,950
<u>(160)</u>	<u>–</u>	<u>(160)</u>	<u>(330)</u>	<u>–</u>	<u>(330)</u>
743	1,238	1,981	1,683	4,458	6,141
<u>(30)</u>	<u>–</u>	<u>(30)</u>	<u>(30)</u>	<u>–</u>	<u>(30)</u>
713	1,238	1,951	1,653	4,458	6,111
<u>(2)</u>	<u>–</u>	<u>(2)</u>	<u>(9)</u>	<u>–</u>	<u>(9)</u>
711	1,238	1,949	1,644	4,458	6,102
<u>(175)</u>	<u>–</u>	<u>(175)</u>	<u>(350)</u>	<u>–</u>	<u>(350)</u>
536	1,238	1,774	1,294	4,458	5,752
<u>(500)</u>	<u>–</u>	<u>(500)</u>	<u>(1,250)</u>	<u>–</u>	<u>(1,250)</u>
<u>36</u>	<u>1,238</u>	<u>1,274</u>	<u>44</u>	<u>4,458</u>	<u>4,502</u>
2.1p	5.0p	7.1p	5.2p	17.8p	23.0p
2.0p	3.6p	5.6p	4.7p	12.7p	17.4p

## Group Balance Sheet

As at 30 June 2004

	<b>30 June 2004 £'000</b>	30 June 2003 £'000	31 December 2003 £'000
<b>FIXED ASSETS</b>			
Investments	<b>33,529</b>	29,588	32,482
<b>CURRENT ASSETS</b>			
Debtors	<b>229</b>	554	162
Cash at bank and in hand	<b>1,183</b>	722	1,581
	<b>1,412</b>	1,276	1,743
<b>CREDITORS: amounts falling due within one year</b>	<b>(1,314)</b>	(849)	(981)
<b>NET CURRENT ASSETS</b>	<b>98</b>	427	762
<b>CREDITORS: Amounts falling due after more than one year</b>	<b>–</b>	–	–
Net assets	<b>33,627</b>	30,015	33,244
	<b>33,627</b>	30,015	33,244
<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>12,065</b>	14,595	14,824
Capital reserve – unrealised	<b>(15,208)</b>	(21,388)	(18,396)
Profit and loss account	<b>1,770</b>	1,808	1,816
	<b>33,627</b>	30,015	33,244

## Group Investment Portfolio

As at 30 June 2004

Company	Nature of Business	Valuation £'000	Percentage of portfolio %
Liberty International plc	Property	4,490	13.39
Prudential plc	Life Assurance	3,798	11.33
Electra Investment Trust plc	Investment Trust	2,387	7.12
RIT Capital Partners plc	Investment Trust	2,211	6.59
The Alliance Trust plc	Investment Trust	2,021	6.03
Securities Trust of Scotland plc	Investment Trust	1,827	5.45
Dunedin Income Growth Investment Trust plc	Investment Trust	1,715	5.11
British Assets Trust plc	Investment Trust	1,493	4.45
Matrix Chatham Maritime Trust	Enterprise Zone Trust	1,250	3.73
St. James Place Capital – Unit Trust	Unit Trust	1,009	3.01
Murray International Trust plc	Investment Trust	754	2.25
Lloyds TSB plc	Banks retail	734	2.19
Geron Corporation Inc	Pharmaceuticals (USA)	666	1.99
The Scottish American Investment Company plc	Investment Trust	620	1.85
The Throgmorton Trust plc	Investment Trust	505	1.51
Rothschilds Continuation Finance - Notes	Financial	469	1.40
Invesco Income Growth Trust plc	Investment Trust	450	1.34
Shires Income plc	Investment Trust	409	1.22
British Sky Broadcasting Group PLC	Media	404	1.20
Royal & Sun Alliance Insurance Group PLC -  Cumulative Irredeemable Preference	Insurance - Non - Life	400	1.19
20 Largest investments		27,612	82.35
Other investments (number of holdings : 70)		5,917	17.65
<b>Total investments</b>		<b>33,529</b>	<b>100.00</b>

## Group Cashflow Statement

Six months ended 30 June 2004

	<b>6 months to 30 June 2004 £'000</b>	6 months to 30 June 2003 £'000	Year ended 31 December 2003 £'000
Net cash inflow from operating activities	<b>613</b>	473	1,726
Servicing of finance			
– interest paid	–	(30)	(30)
– preference dividends paid	<b>(175)</b>	(175)	(350)
Taxation paid	–	(246)	(267)
Investment purchases	<b>(1,711)</b>	(1,635)	(4,605)
Investment sales	<b>1,625</b>	1,291	4,563
Equity dividends paid	<b>(750)</b>	(750)	(1,250)
<b>Decrease in cash</b>	<b><u>(398)</u></b>	<u>(1,072)</u>	<u>(213)</u>

## Notes to the Group Results

Six months ended 30 June 2004

### 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 2004 £'000</b>	6 months to 30 June 2003 £'000	Year ended 31 December 2003 £'000
Turnover – film revenue	<b>71</b>	69	154
Income from investments	<b>694</b>	765	1,732
Interest receivable	<b>34</b>	18	37
Other income	<b>48</b>	51	90
	<b>847</b>	903	2,013

### 3. Dividends

	<b>6 months to 30 June 2004</b>		6 months to 30 June 2003	
	<b>Pence per share</b>	<b>£</b>	Pence share	per £
Ordinary shares – interim	<b>2.1</b>	<b>525,000</b>	2.0	500,000
Preference shares – fixed	<b>1.75</b>	<b>175,000</b>	1.75	175,000
		<b>700,000</b>		<b>675,000</b>

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 2004 £'000</b>	6 months to 30 June 2003 £'000	Year ended 31 December 2003 £'000
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#### Standard earnings per share

Calculated on the basis of:

Return after taxation and preference dividends	<u>479</u>	<u>536</u>	<u>1,294</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>654</u>	<u>711</u>	<u>1,644</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 2004 £'000</b>	30 June 2003 £'000	31 December 2003 £'000
Total net assets	<u>33,627</u>	<u>30,015</u>	<u>33,244</u>
Less preference shares	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>
Net assets attributable to ordinary shareholders	<u>23,627</u>	<u>20,015</u>	<u>23,244</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 24 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2003, 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 2004 which comprises the consolidated statement of total return, the group balance sheet, the group 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 2004.

Deloitte & Touche LLP  
Chartered Accountants  
London  
28 September 2004