BRITISH & AMERICAN INVESTMENT TRUST PLC

GROUP FINANCIAL HIGHLIGHTS
For the six months ended 30 June 2014

	Unaudited 6 months to 30 June 2014 £'000	Unaudited 6 months to 30 June 2013 £'000	Audited Year ended 31 December 2013 £'000
Revenue			
Return before tax	**313**	1,355	2,940
Earnings per £1 ordinary shares – basic (note 4)	**0.55p**	4.72p	10.35p
Earnings per £1 ordinary shares – diluted (note 4)	**0.89p**	3.87p	8.40p
Capital			
Total equity	**25,847**	24,152	30,024
Revenue reserve (note 6)	**796**	1,200	1,933
Capital reserve (note 6)	**(9,949)**	(12,048)	(6,909)
Net assets per ordinary share (note 5)			
- Basic	**£0.63**	£0.57	£0.80
- Diluted	**£0.74**	£0.69	£0.86
Diluted net assets per ordinary share at 26 August 2014	**£0.71**		
Dividends*			
Dividends per ordinary share (note 3)	**2.7p**	2.7p	7.8p
Dividends 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 will be posted to shareholders and be available for download at the company's website: www.baitgroup.co.uk.

GROUP INVESTMENT PORTFOLIO
As at 30 June 2014

Company	Nature of Business	Valuation £'000	Percentage of portfolio %
Geron Corporation (USA)	Biomedical	6,535	23.44*
Dunedin Income Growth	Investment Trust	2,730	9.79
RIT Capital Partners	Investment Trust	2,500	8.97
British Assets Trust	Investment Trust	2,029	7.28
Prudential	Life Assurance	1,961	7.03
St. James's Place Global Equity	Unit Trust	1,852	6.64
Biotime Series A Convertible preferred stock	Biotechnology	1,170	4.20
BioTime Inc	Biotechnology	1,151	4.13
Scottish American Investment Company	Investment Trust	1,020	3.66
Invesco Income Growth Trust	Investment Trust	842	3.02
Alliance Trust	Investment Trust	780	2.80
F&C Asset Management – 6.75% FRN Sub. Bonds 2026	General Financial	647	2.32
Earthport	Software and computer services	571	2.05
Royal & Sun Alliance Insurance Group – 7.375% Cum. irred. preference shares £1	Insurance – Non-Life	524	1.88
Shires Income	Investment Trust	514	1.84
Merchants Trust	Investment Trust	505	1.81
Rothschilds Cont. Finance – 9% Perp. Sub. Gtd. Loan Notes	Financial	490	1.76
Barclays – 9% PIB Capital Bonds	Bank retail	273	0.98
Jupiter Income Trust	Unit Trust	225	0.81
Barclays – 6% Non-cum. preference shares	Bank retail	154	0.55
20 Largest investments		26,473	94.96
Other investments (number of holdings : 24)		1,405	5.04
Total investments		27,878	100.00

*21.04% held by the company and 2.40% held by subsidiaries. In addition the Group holds net purchases of £408,000 of put options in Geron Corporation as part of its hedging strategy.

Unaudited Interim Report
As at 30 June 2014

Registered number : 433137

Directors	**Registered office**
J Anthony V Townsend (Chairman)	Wessex House
Jonathan C Woolf (Managing Director)	1 Chesham Street
Dominic G Dreyfus (Non-executive)	London SW1X 8ND
Ronald G Paterson (Non-executive)	Telephone: 020 7201 3100
	Website: www.baitgroup.co.uk

Chairman's Statement

I report our results for the 6 months to 30 June 2014.

Revenue

The profit on the revenue account before tax amounted to £0.3 million (30 June 2013: £1.4 million), a decrease of 77 percent. This reflects the lower level of external dividends sought during the period and their replacement by gains registered within the subsidiary companies which were paid up through the group. Our group structure allows us to distribute gains made in subsidiary companies to shareholders and we have made use of this ability as and when it has been considered appropriate.

A loss of £2.9 million (30 June 2013: £0.9 million gain) was registered on the capital account before capitalised expenses, incorporating a realised gain of £0.3 million (30 June 2013: £1.0 million loss) and an unrealised loss of £3.2 million (30 June 2013: £1.9 million gain).

Revenue earnings per ordinary share were 0.6 pence on an undiluted basis (30 June 2013: 4.7 pence) and 0.9 pence on a fully diluted basis (30 June 2013: 3.9 pence).

Net Assets and performance

Group net assets were £25.8 million (£30.0 million, at 31 December 2013), a decrease of 13.9 percent. Over the same six month period, the FTSE 100 index decreased by 0.1 percent and the All Share index decreased by 0.3 percent. On a total return basis, after adding back dividends paid during the period, group net assets decreased by 9.1 percent compared to a total return on the FTSE 100 index of approximately 3.2 percent. The net asset value per £1 ordinary share was 63 pence (prior charges deducted at par) and 74 pence on a fully diluted basis.

The decrease in net assets during the period was largely due to the reversal in the value of our principal investment, Geron Corporation, following a hold imposed on its clinical trials by the US FDA in March, as noted in my report in April. The clinical hold was partially lifted in June resulting in a partial recovery in Geron's valuation, as discussed in more detail in the Managing Director's report below.

The UK stock market finished the period almost unchanged having traded within a tight range of less than 5 percent throughout. Despite growing levels of global political and financial uncertainty during the period, arising out of the worsening situation between Russia and Ukraine and the expectation of a reduction in monetary stimulus in the USA, volatility levels in leading financial markets have remained consistently and unusually low. As a result, equity markets have remained steady, consolidating the gains experienced in 2012 and 2013 as global economies started to emerge from recession.

Since the period end, however, this state of relative calm has changed and the UK and US equity markets have shown greater levels of volatility moving up and down by 5 percent in a matter of weeks as these concerns have finally begun to weigh on investors. The economic and investment themes of the period are set out in more detail in the Managing Director's report below.

As at 26 August, group net assets were £24.7 million, a decrease of 4.3 percent since 30 June. This compares with an increase of 1.2 percent in the FTSE 100 index and an increase of 1.2 percent in the All Share index over the same period, and is equivalent to 59 pence per share (prior charges deducted at par) and 71 pence per share on a fully diluted basis.

Dividend

We intend to pay an interim dividend of 2.7 pence per ordinary share on 6 November 2014 to shareholders on the register at 10 October 2014. 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

As noted above, the outlook for financial markets has worsened since June as investors have focused more closely on uncertainties stemming from global political instabilities and rising expectations that interest rates in the US and UK will shortly be increased after an unprecedentedly long period of stability. Again, the precise timing of this remains a conundrum for the markets, and recent evidence of slowing growth globally has weighed against an earlier rather than later change. Nevertheless, it is widely accepted that in the absence of a major shock, 2015 will see the first rise in rates in both the UK and USA. Both the US Federal Reserve and the Bank of England have been anxious to state that future rises in rates will only be gradual and the eventual equilibrium rate will be likely to be lower than those which have prevailed in the past in order not to deter continued investment in their still relatively fragile economies.

In the UK there is also the additional uncertainty of two important elections, the Scottish independence vote in September of this year and the general election in May 2015. The outcomes of these elections could have a significant effect on the UK's ongoing and longer term economic policies and this uncertainty is likely to have a depressing effect on financial markets and investment during this period.

Against this background, therefore, we intend to measure any new investment decisions against the shorter term risks the uncertainties noted above present.

Anthony Townsend

28 August 2014

Managing Director's Report

In the first six months of 2014, most leading economies, including the UK, finally returned to their pre-recession levels. This had been the longest recession in almost a century. Nevertheless, central banks have continued to supply emergency-type levels of liquidity to markets through unprecedented low interest rates and, in the case of the USA, its continuing - if tapering - asset purchase programme. This reflects ongoing concerns that the levels of growth post the recession have not been as strong as expected and the effect on employment while positive has not been as strong or consistent as expected and has certainly not shown any evidence of incipient labour market tightening or wage inflation.

Markets have reacted accordingly, being buoyed by the continuing supply of liquidity, and shaking off concerns at the mounting evidence of political instability in areas such as Eastern Europe, the Middle East, sub-Saharan Africa and the South China Sea. As has been the case for some time now, it has been the prospect and timing of a change in monetary stance by the US Federal Reserve and interest rate rises which has been the focus for markets to gauge their direction and appetite. Consequently, as noted above, equity markets have consolidated the gains made over the last two years displaying a remarkably low level of volatility despite uncertainties building up on a number of fronts, whether political or economic. As a result, investors have continued to seek yield, widening their risk tolerance and rotating out of the safe haven instruments which had found favour in the prior years of financial turmoil.

Our portfolio, however, experienced significantly higher levels of volatility over the period, due to its exposure to Geron Corporation. As previously reported, this stock had appreciated considerably at the end of 2013 allowing us to out-perform substantially following extremely favourable clinical trial results in blood cancer from its proprietary drug, Imetelstat. However, this performance was reversed in March 2014 when the trials were put on clinical hold by the US FDA. This hold was partially released in June 2014 and Geron's stock price also partially recovered but did not regain the levels seen at the end of 2013. Further information is awaited on the situation, but over the past six months the share price has risen and fallen by over 50 percent. This volatility was the primary cause of our portfolio's under-performance over the period, which was further exacerbated by the strong rise in Sterling against the US dollar by over 6 percent.

Since 30 June, Geron has completed the distribution to its shareholders of its regenerative medicine business which is now owned by a new company Asterias Biotherapeutics. We therefore have received our entitlement to a share in this business which we believe, as noted in prior reports, has significant potential and value as the medical intervention of the future. Asterias and its parent company, Biotime Inc, in which we also hold investments has a comprehensive catalogue of patents and intellectual property covering the entire field of regenerative medicine.

As noted in the Chairman's statement above, in view of the current deterioration in the investment climate and the growing number of potentially negative developments around the world and in the UK, we will moderate any new investment activity in the short term while managing our portfolio to deliver a balance of income and growth.

Jonathan C Woolf

28 August 2014

CONSOLIDATED INCOME STATEMENT
Six months ended 30 June 2014

	Note	**Unaudited 6 months to 30 June 2014**			Unaudited 6 months to 30 June 2013			Audited Year ended 31 December 2013		
		Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Investment income	2	**475**	**-**	**475**	1,546	-	1,546	3,294	-	3,294
Holding (losses)/gains on investments at fair value through profit or loss		**-**	**(3,208)**	**(3,208)**	-	1,908	1,908	-	9,745	9,745
Gains/(losses) on disposal of investments at fair value through profit or loss		**-**	**271**	**271**	-	(959)	(959)	-	(3,545)	(3,545)
Expenses		**(145)**	**(103)**	**(248)**	(191)	(97)	(288)	(349)	(209)	(558)
(Loss)/profit before finance costs and tax		**330**	**(3,040)**	**(2,710)**	1,355	852	2,207	2,945	5,991	8,936
Finance costs		**(17)**	**-**	**(17)**	**-**	**-**	**-**	(5)	**-**	(5)
(Loss)/profit before tax		**313**	**(3,040)**	**(2,727)**	1,355	852	2,207	2,940	5,991	8,931
Taxation		**-**	**-**	**-**	-	-	-	(2)	**-**	(2)
(Loss)/profit for the period		**313**	**(3,040)**	**(2,727)**	1,355	852	2,207	2,938	5,991	8,929
Earnings per ordinary share	4									
Basic		**0.55p**	**(12.16)p**	**(11.61)p**	4.72p	3.41p	8.13p	10.35p	23.96p	34.31p
Diluted		**0.89p**	**(8.68)p**	**(7.79)p**	3.87p	2.44p	6.31p	8.40p	17.12p	25.52p

The group does not have any income or expense that is not included in the consolidated income statement 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 Group's Income Statement, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidelines published by the Association of Investment Companies.

All profit and total comprehensive income is attributable to the equity holders of the parent company. There are no non-controlling interests.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Six months ended 30 June 2014

	Unaudited Six months ended 30 June 2014			
	Share capital £'000	**Capital reserve £'000**	**Retained earnings £'000**	**Total £'000**
Balance at 31 December 2013	35,000	(6,909)	1,933	30,024
(Loss)/profit for the period	-	(3,040)	313	(2,727)
Ordinary dividend paid	-	-	(1,275)	(1,275)
Preference dividend paid	-	-	(175)	(175)
Balance at 30 June 2014	35,000	(9,949)	796	25,847

	Unaudited Six months ended 30 June 2013			
	Share capital £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2012	35,000	(12,900)	1,245	23,345
Profit for the period	-	852	1,355	2,207
Ordinary dividend paid	-	-	(1,225)	(1,225)
Preference dividend paid	-	-	(175)	(175)
Balance at 30 June 2013	35,000	(12,048)	1,200	24,152

	Audited Year ended 31 December 2013			
	Share capital £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2012	35,000	(12,900)	1,245	23,345
Profit for the period	-	5,991	2,938	8,929
Ordinary dividend paid	-	-	(1,900)	(1,900)
Preference dividend paid	-	-	(350)	(350)
Balance at 31 December 2013	35,000	(6,909)	1,933	30,024

CONSOLIDATED BALANCE SHEET
As at 30 June 2014

	Unaudited 30 June 2014 £'000	Unaudited 30 June 2013 £'000	Audited 31 December 2013 £'000
Non-current assets			
Investments – fair value through profit or loss (note 1)	**27,878**	22,681	31,057
Current assets			
Receivables	**200**	1,684	195
Derivatives – fair value through profit or loss	**845**	3,249	459
Cash and cash equivalents	**1,050**	691	317
	2,095	5,624	971
Total assets	**29,973**	28,305	32,028
Current liabilities			
Trade and other payables	**(1,101)**	(2,538)	(287)
Bank loan	**(2,588)**	-	(1,448)
Derivatives – fair value through profit or loss	**(437)**	(1,615)	(269)
	(4,126)	(4,153)	(2,004)
Total assets less current liabilities	**25,847**	24,152	30,024
Net assets	**25,847**	24,152	30,024
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	**(9,949)**	(12,048)	(6,909)
Retained revenue earnings	**796**	1,200	1,933
Total equity	**25,847**	24,152	30,024
Net assets per ordinary share – basic	**£0.63**	£0.57	£0.80
Net assets per ordinary share – diluted	**£0.74**	£0.69	£0.86

CONSOLIDATED CASHFLOW STATEMENT
Six months ended 30 June 2014

	Unaudited 6 months to 30 June 2014 £'000	Unaudited 6 months to 30 June 2013 £'000	Audited Year ended 31 December 2013 £'000
Cash flow from operating activities			
(Loss)/profit before tax	**(2,727)**	2,207	8,931
Adjustment for:			
Losses/(profits) on investments	**2,937**	(949)	(6,200)
Scrip dividends	**(33)**	(3)	(9)
Income tax deducted at source	**-**	-	(85)
Proceeds on disposal of investments at fair value through profit or loss	**5,802**	14,696	29,769
Purchases of investments at fair value through profit or loss	**(5,319)**	(13,008)	(31,077)
Interest paid	**17**	-	5
Operating cash flows before movements in working capital	**677**	2,943	1,334
Increase in receivables	**(1,185)**	(3,518)	(2,472)
Increase in payables	**1,393**	1,751	1,347
Net cash from operating activities before interest	**885**	1,176	209
Interest paid	**(17)**	-	(5)
Net cash from operating activities after interest	**868**	1,176	204
Net cash from operating activities before income taxes	**868**	1,176	204
Net cash flows from operating activities	**868**	1,176	204
Cash flow from financing activities			
Dividends paid on ordinary shares	**(1,275)**	(1,225)	(1,900)
Dividends paid on preference shares	**-**	-	(175)
Bank loan	**1,140**	-	1,448
Net cash used in financing activities	**(135)**	(1,225)	(627)
Net increase/(decrease) in cash and cash equivalents	**733**	(49)	(423)
Cash and cash equivalents at beginning of period	**317**	740	740
Cash and cash equivalents at end of period	**1,050**	691	317

NOTES TO THE GROUP RESULTS

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 group's annual Report and financial statements at 31 December 2013.

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

Basis of consolidation

These consolidated condensed financial statements incorporate the financial statements of the company and its subsidiary undertakings made up to 30 June 2014. The directors have considered the requirements of IFRS10 as applied to investment entities which is applicable for the first time this accounting period. The directors have assessed the nature of and substance of the activities undertaken by the subsidiary companies and judge that they do not fulfil the requirements to be treated as investment entities themselves and they undertake investment related activities in support of the parent company's purpose. Accordingly it is judged appropriate to continue to consolidate the group subsidiary companies and not measure them at fair value through profit or loss as the subsidiary companies.

Significant accounting policies

In order to better to 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 group manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the group 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.

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.

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.

Property EZT income is recognised on the date the distribution is receivable. Film royalty income is recognised on receipt of royalty statements covering periods ending in the financial period.

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% (2013 – 50%) to revenue and 50% (2013 – 50%) to capital, in order to reflect the directors' long-term view of the nature of the expected investment returns of the company.

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 Group is engaged in a single segment of business, that is investment business, and therefore no segmental reporting is provided.

2. Investment income

	Unaudited 6 months to 30 June 2014 £'000	Unaudited 6 months to 30 June 2013 £'000	Audited Year ended 31 December 2013 £'000
Income from investments	**475**	1,546	3,191
Other income	**-**	-	103
	475	1,546	3,294

3. Proposed dividends

	Unaudited 6 months to 30 June 2014 Interim		Unaudited 6 months to 30 June 2013 Interim		Audited Year ended 31 December 2013 Final	
	Pence per share	**£'000**	Pence per share	£'000	Pence per share	£'000
Ordinary shares	**2.7**	**675**	2.7	675	5.1	1,275
Preference shares – fixed	**1.75**	**175**	1.75	175	1.75	175
		850		850		1,450

The directors have declared an interim dividend of 2.7p (2013 – 2.7p) per ordinary share, payable on 6 November 2014 to shareholders registered on 10 October 2014. The shares will be quoted ex–dividend on 9 October 2014.

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 2014		Unaudited 6 months to 30 June 2013		Audited Year ended 31 December 2013	
	Pence per share	**£'000**	Pence per share	£'000	Pence per share	£'000
Ordinary shares – final	**5.1**	**1,275**	4.9	1,225	4.9	1,225
Ordinary shares – interim	-	-	-	-	2.7	675
Preference shares – fixed	**1.75**	**175**	1.75	175	3.5	350
		1,450		1,400		2,250

4. Earnings per ordinary share

	Unaudited 6 months to 30 June 2014 £'000	Unaudited 6 months to 30 June 2013 £'000	Audited Year ended 31 December 2013 £'000
Basic earnings per share			
Calculated on the basis of:			
Net revenue profit after preference dividends	**138**	1,180	2,588
Net capital (loss)/profit	**(3,040)**	852	5,991
Net total earnings after preference dividends	**(2,902)**	2,032	8,579
Ordinary shares in issue	**25,000**	25,000	25,000
Diluted earnings per share			
Calculated on the basis of:			
Net revenue profit	**313**	1,355	2,938
Net capital (loss)/profit	**(3,040)**	852	5,991
Profit after taxation	**(2,727)**	2,207	8,929
Ordinary and preference shares in issue	**35,000**	35,000	35,000

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

5. Net asset value attributable to each share

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

	Unaudited 30 June 2014 £'000	Unaudited 30 June 2013 £'000	Audited 31 December 2013 £'000
Total net assets	**25,847**	24,152	30,024
Less convertible preference shares	**(10,000)**	(10,000)	(10,000)
Net assets attributable to ordinary shareholders	**15,847**	14,152	20,024

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. Retained earnings

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

	Capital reserve £'000	Retained earnings £'000
1 January 2014	(6,909)	1,933
Allocation of (loss)/profit for the period	(3,040)	313
Ordinary and preference dividends paid	-	(1,450)
At 30 June 2014	(9,949)	796

The capital reserve includes £6,047,000 of investment holding gains (30 June 2013 – £1,213,000, 31 December 2013 – £9,548,000 gain).

7. Financial instruments

Financial instruments carried at fair value

All investments are carried at fair value. Other financial assets and liabilities of the group 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.

Level 3: Unobservable inputs for the asset or liability.

Financial assets and financial liabilities at fair value through profit or loss at 30 June 2014	**Level 1** £'000	**Level 2** £'000	**Level 3** £'000	**Total** £'000
Investments including derivatives:				
Investments held at fair value through profit or loss	26,459	-	-	26,459
Derivatives	408	-	-	408
Unquoted investments	-	-	1,419	1,419
Total financial assets and liabilities carried at fair value	**26,867**	**-**	**1,419**	**28,286**

There were no level 2 investments during the 6 months to 30 June 2014.

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.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1: investments and derivatives are measured by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 3: investments inputs are not based on observable market data (unobservable inputs).

The valuation techniques used by the company are explained in the accounting policies in the year end accounts.

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 2014	248
Purchases	1,199
Sales proceeds	(65)
Gains on sales	65
Increase in investment holding losses	(28)
Closing fair value at 30 June 2014	1,419

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 2013.

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 group 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 in the section preceding the Chairman's Statement.

The half-yearly report was approved by the Board on 28 August 2014 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 reviewed the condensed set of consolidated financial statements in the half-yearly financial report of British & American Investment Trust PLC for the six months ended 30 June 2014 which comprises the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cashflow Statement and the related Notes to the Group Results. We have read the other information contained in the half yearly financial report being the Group Financial Highlights, the Chairman's Statement, the Managing Director's Report, the Group Investment Portfolio and the Directors responsibilities 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's members, as a body, 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'. Our review work has been undertaken so that we might state to the company's members 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 and the company's members as a body, 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 group 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 to the company 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'. 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.

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 2014 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
28 August 2014