



## **British Assets Trust plc**

Interim Report

For the six months ended

31 March 2009

# Company Summary

## Objective

To achieve a total return in excess of a composite index, weighted as to 75 per cent FTSE All-Share Index and 25 per cent FTSE World (ex UK) Index, by investing principally in a diversified international portfolio of equities and equity-related securities. Within this overall objective, the Company aims to maintain a progressive dividend policy which will be dependent upon, *inter alia*, the rate of revenue growth within the investment portfolio, and the level of dividend cover.

## Investment Manager

F&C Investment Business Limited

## Total Assets less Current Liabilities

£317.8 million at 31 March 2009

## Equity Shareholders' Funds

£258.4 million at 31 March 2009

## Annualised Expense Ratio (excluding VAT recovery)

0.6 per cent of shareholders' funds

## ISA Status

The Company's shares are eligible for Individual Savings Accounts ('ISAs')

## Website

The Company's internet address is [www.british-assets.co.uk](http://www.british-assets.co.uk)



The Association of  
Investment Companies

# Performance Summary

	<b>Six months to 31 March 2009</b>	Year to 30 September 2008
<b>Total Return</b> (note 1)		
Net asset value (note 2)	<b>(20.3)%</b>	(26.8)%
Ordinary Share price	<b>(13.6)%</b>	(24.8)%
Composite index (note 3)	<b>(17.0)%</b>	(20.3)%
FTSE All-Share Index	<b>(18.3)%</b>	(22.3)%
FTSE World (ex UK) Index	<b>(13.1)%</b>	(14.4)%
<b>Capital Return</b>		
Net asset value	<b>(22.5)%</b>	(29.4)%
Ordinary Share price	<b>(16.7)%</b>	(28.4)%
	<b>31 March 2009</b>	30 September 2008
<b>Capital Values</b>		
Net asset value	<b>88.3p</b>	114.0p
Ordinary Share price	<b>84.0p</b>	100.8p
<b>Dividend Yield</b>	<b>7.2%</b>	5.9%
<b>Discount</b> – Basic	<b>4.9%</b>	11.6%
– Debt adjusted (note 4)	<b>2.0%</b>	8.0%
<b>Gearing</b> – Net of cash (note 5)	<b>26.9%</b>	20.5%
– Equity gearing (note 6)	<b>11.1%</b>	11.6%
	<b>Six months to 31 March 2009</b>	Six months to 31 March 2008
<b>Revenue and Dividends</b>		
Earnings per Ordinary Share	<b>3.1p</b>	2.8p
Interim dividends per Ordinary Share	<b>2.884p</b>	2.80p

## Notes

- All total returns are based on dividends reinvested.
- Net asset value total return is calculated as the total return attributable to an Ordinary Share.
- Composite index of 75 per cent FTSE All-Share Index and 25 per cent FTSE World (ex UK) Index.
- Discount of share price to net asset value with debt at market value.
- Gearing net of cash:  $(\text{Investments} - \text{Shareholders' Funds}) \div \text{Shareholders' Funds}$ .
- Equity gearing:  $(\text{Equity Investments} - \text{Shareholders' Funds}) \div \text{Shareholders' Funds}$ .

# Chairman's Statement

In the six month period to 31 March 2009 stockmarkets around the world fell sharply on continued concerns about the health of the financial sector and of the global economy. As growth in the world's major economies slowed, governments and central banks announced significant fiscal stimulus packages in an attempt to halt the economic decline. However, it is not yet clear how effective these measures will be.

Against this backdrop, the Company's net asset value total return fell by 20.3 per cent during the period. This compares to a fall of 17.0 per cent in the composite benchmark index of 75 per cent FTSE All-Share Index and 25 per cent FTSE World (ex UK) Index. The Company's share price total return fell by 13.6 per cent, reflecting a narrowing of the debt-adjusted discount, which was 2.0 per cent as at 31 March 2009 compared to 8.0 per cent as at 30 September 2008 (source: Fundamental Data).

The table below provides a breakdown of the estimated contributions to the net asset value total return for the period:

Attribution of return:	Percentage points
Market/benchmark return	-17.0
Stock selection	
UK equities	-1.9
Overseas equities	-0.4
Regional asset allocation	2.2
Corporate bonds	1.1
Gearing	-4.9
Cash/other	1.0
Expenses	-0.4
British Assets Trust net asset value total return	-20.3

As previously reported, during the period the Board agreed with the Managers that the overseas portfolios would be consolidated into two portfolios, a global developed markets portfolio, which is managed using quantitative stock selection techniques, and an actively managed global emerging markets portfolio. This change has meant moving away from regional portfolios based on geographic domicile. The reason for the change is to provide greater focus on the best individual investment opportunities overseas.

The emerging markets portfolio delivered positive performance during the period, in terms of both stock selection and asset allocation. This was, however, offset by negative stock selection elsewhere in the portfolio. The bulk of the underperformance in the UK was attributable to the Company's investment in Standard Life European Private Equity Trust plc which, along with the private equity funds of funds sector in general, fell heavily in value during the period. The corporate bond portfolio contributed positively to performance, outperforming its composite benchmark and is continuing to be an important contributor to the Revenue Account. The main reason for the overall underperformance during the period was the effect of gearing in a falling market.

## Earnings and Dividends

The Company's revenue earnings for the period were 3.1p per share (2008: 2.8p).

A first interim dividend of 1.442p per share was paid on 9 April 2009 and the Board has declared a second interim dividend of

1.442p per share which will be paid on 10 July 2009 to shareholders on the register on 12 June 2009. These interim dividends represent increases of 3.0 per cent over the equivalent quarterly interim dividends paid in the previous year.

Although the Revenue Account has been affected by dividend cuts by the major banks and reduced interest rates on bank deposits, it has benefited from good dividend growth in certain sectors, in particular oils, pharmaceuticals and telecoms. It has also benefited from the recovery of VAT on management fees and associated interest, as explained in more detail below.

### **Gearing**

At the end of the period the Company's level of gearing, net of cash, was 26.9 per cent, represented by equity gearing of 11.1 per cent and 15.8 per cent in corporate bonds.

The Company's borrowings are represented by £60 million 6.25 per cent Bonds which are due for redemption in 2031 and a £60 million bank revolving credit facility, £30 million of which was drawn down at the end of the period.

### **VAT on Management Fees**

Following the European Court of Justice ruling in June 2007 that investment trusts should be regarded as special investment funds, investment management fees paid by the Company are no longer subject to VAT.

During the period, the Managers continued to liaise with HM Revenue & Customs to recover on the Company's behalf VAT paid previously on management fees. The accounts for the period include the recovery of VAT and associated interest of £2.2 million. Of this amount, £2.0 million was credited to the Revenue Account, providing an enhancement of 0.7p per share to the revenue earnings for the period. The balance was credited to capital. The total recovery provided an enhancement of 0.8p per share to the net asset value per share for the period.

### **Outlook**

Much has been done by governments and companies globally in response to the deteriorating economic conditions. However, the continuing uncertainty about growth and dividends in the months ahead is likely to mean that stockmarkets will remain volatile during this period.

The Managers continue to focus on companies which they believe will provide a strong basis for both long term capital performance and dividend growth.



### **W R E Thomson**

Chairman

15 May 2009

# Unaudited Balance Sheet

	<b>As at 31 March 2009 £'000</b>	As at 30 September 2008* £'000	As at 31 March 2008 £'000
<b>Non-current assets</b>			
Investments at fair value through profit or loss	<b>328,029</b>	401,838	500,814
<b>Current assets</b>			
Debtors	<b>7,092</b>	4,263	53,028
Cash at bank and on deposit	<b>18,066</b>	17,962	7,775
	<b>25,158</b>	22,225	60,803
<b>Creditors</b>			
Amounts falling due within one year	<b>(35,338)</b>	(31,152)	(81,370)
<b>Net current liabilities</b>	<b>(10,180)</b>	(8,927)	(20,567)
<b>Total assets less current liabilities</b>	<b>317,849</b>	392,911	480,247
<b>Creditors</b>			
Amounts falling due after more than one year:			
6.25 per cent Bonds 2031	<b>(59,408)</b>	(59,395)	(59,382)
<b>Net assets</b>	<b>258,441</b>	333,516	420,865
<b>Capital and reserves</b>			
Called-up share capital	<b>73,153</b>	73,153	74,378
Capital redemption reserve	<b>15,188</b>	15,188	13,963
Capital reserve	<b>134,473</b>	209,320	298,353
Revenue reserve	<b>35,627</b>	35,855	34,171
<b>Shareholders' funds</b>	<b>258,441</b>	333,516	420,865
<b>Net asset value per share</b>	<b>88.3p</b>	114.0p	141.5p

\*Audited

## Unaudited Reconciliation of Movements in Shareholders' Funds

	<b>Six months ended 31 March 2009 £'000</b>	Six months ended 31 March 2008 £'000	Year ended 30 September 2008* £'000
Opening shareholders' funds	<b>333,516</b>	485,772	485,772
Share buy-backs	<b>-</b>	(4,839)	(10,607)
Dividends paid	<b>(9,154)</b>	(8,988)	(17,290)
Return attributable to shareholders	<b>(65,921)</b>	(51,080)	(124,359)
Closing shareholders' funds	<b>258,441</b>	420,865	333,516
<b>Geographic Distribution % of Shareholders' Funds</b>	<b>As at 31 March 2009</b>	As at 31 March 2008	As at 30 September 2008
UK	<b>74.5</b>	77.0	74.8
Overseas Regional Portfolios	<b>n/a</b>	34.3	36.8
Overseas Developed	<b>19.9</b>	n/a	n/a
Overseas Emerging Markets	<b>16.7</b>	n/a	n/a
Corporate Bonds	<b>15.8</b>	7.7	8.9
Cash	<b>7.6</b>	2.2	6.3
Borrowings	<b>(34.5)</b>	(21.2)	(26.8)
	<b>100.0</b>	100.0	100.0

\*Audited

# Unaudited Income Statement

	<b>Six months ended 31 March 2009</b>		
	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Losses on investments	–	(70,092)	(70,092)
Exchange differences	–	(2,665)	(2,665)
Income	9,133	–	9,133
Investment management fee (see note 4)	926	(253)	673
Other expenses	(347)	–	(347)
<b>Net return before finance costs and taxation</b>	<b>9,712</b>	<b>(73,010)</b>	<b>(63,298)</b>
Finance costs:			
6.625 per cent Bonds 2008	–	–	–
6.25 per cent Bonds 2031	(474)	(1,422)	(1,896)
Bank borrowings	(139)	(415)	(554)
<b>Return on ordinary activities before tax</b>	<b>9,099</b>	<b>(74,847)</b>	<b>(65,748)</b>
Tax on ordinary activities	(173)	–	(173)
<b>Return attributable to shareholders</b>	<b>8,926</b>	<b>(74,847)</b>	<b>(65,921)</b>
<b>Return per share</b>	<b>3.1p</b>	<b>(25.6)p</b>	<b>(22.5)p</b>

The total column of this statement is the Profit and Loss Account of the Company. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.

## Notes

- The unaudited interim results have been prepared on the basis of the accounting policies set out in the statutory accounts of the Company for the year ended 30 September 2008.
- The results for the first six months should not be taken as a guide to the results for the full year.
- There were no special dividends in the six months to 31 March 2009 (31 March 2008 – £873,000 all recognised through capital and 30 September 2008 – £873,000 all recognised through capital).
- Investment Management Fee

As a result of the European Court of Justice decision that investment management fees payable by investment trusts are not, and never should have been, liable to value added tax ("VAT"), the Company recovered VAT and associated interest of £2,207,000 during the period (31 March 2008 – nil and 30 September 2008 £1,490,000).

The amount of £2,207,000 includes interest of £936,000, which is recognised within income for the period, and a VAT recovery of £1,271,000, as shown in the table below, which has been allocated between revenue and capital in the same ratio as the VAT originally suffered.

	<b>Six months to 31 March 2009</b>			Six months to 31 March 2008			Year to 30 September 2008		
	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>	Revenue	Capital	Total	Revenue	Capital	Total
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	£'000	£'000	£'000	£'000	£'000	£'000
– basic fee	149	449	598	222	663	885	403	1,211	1,614
– VAT recoverable	(1,075)	(196)	(1,271)	–	–	–	(318)	(1,172)	(1,490)
	<b>(926)</b>	<b>253</b>	<b>(673)</b>	222	663	885	85	39	124



Six months ended 31 March 2008			Year ended 30 September 2008*		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	(56,246)	(56,246)	–	(137,257)	(137,257)
–	(562)	(562)	–	(1,460)	(1,460)
10,157	873	11,030	21,414	873	22,287
(222)	(663)	(885)	(85)	(39)	(124)
(369)	–	(369)	(869)	–	(869)
9,566	(56,598)	(47,032)	20,460	(137,883)	(117,423)
(505)	(1,514)	(2,019)	(505)	(1,514)	(2,019)
(474)	(1,422)	(1,896)	(944)	(2,832)	(3,776)
(20)	(45)	(65)	(231)	(615)	(846)
8,567	(59,579)	(51,012)	18,780	(142,844)	(124,064)
(68)	–	(68)	(295)	–	(295)
8,499	(59,579)	(51,080)	18,485	(142,844)	(124,359)
2.8p	(19.9)p	(17.1)p	6.2p	(48.0)p	(41.8)p

- The second interim dividend of 1.442p per Ordinary Share will be paid on 10 July 2009 to shareholders on the register on 12 June 2009. In accordance with accounting standards this dividend and the first interim dividend of 1.442p per Ordinary Share, paid on 9 April 2009, have not been accounted for in the results for the six months ended 31 March 2009.
- Return per share is based on a weighted average of 292,612,282 Ordinary Shares in issue during the period (31 March 2008 – 298,575,124 and 30 September 2008 – 297,162,555).
- There were 292,612,282 Ordinary Shares in issue at 31 March 2009 (31 March 2008 – 297,512,282 and 30 September 2008 – 292,612,282).
- These accounts have not been audited or reviewed by the Company's auditors.
- These are not statutory accounts in terms of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2008, which received an unqualified audit report, have been lodged with the Registrar of Companies. No statutory accounts in respect of any period after 30 September 2008 have been reported on by the Company's auditors or delivered to the Registrar of Companies.

\*Audited

# Summarised Unaudited Statement of Cash Flows

	<b>Six months ended 31 March 2009 £'000</b>	Six months ended 31 March 2008 £'000	Year ended 30 September 2008* £'000
Net cash inflow from operating activities	<b>10,272</b>	7,549	19,577
Servicing of finance	<b>(2,508)</b>	(3,927)	(6,474)
Investments sold less investments purchased	<b>4,299</b>	1,162	16,840
Dividends paid	<b>(9,154)</b>	(8,988)	(17,290)
Net cash inflow/(outflow) before financing	<b>2,909</b>	(4,204)	12,653
Financing:			
Ordinary Shares purchased for cancellation	-	(4,839)	(10,607)
6.625 per cent Bonds 2008 redeemed	-	(60,000)	(60,000)
Loan drawn down	-	30,000	30,000
Increase/(decrease) in cash	<b>2,909</b>	(39,043)	(27,954)
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase/(decrease) in cash	<b>2,909</b>	(39,043)	(27,954)
Exchange differences	<b>(2,726)</b>	(531)	(1,499)
6.625 per cent Bonds 2008 redeemed	-	60,000	60,000
Loan drawn down	-	(30,000)	(30,000)
Increase in 6.625 per cent Bonds 2008 liability†	-	(32)	(32)
Increase in 6.25 per cent Bonds 2031 liability†	<b>(13)</b>	(14)	(27)
Opening net debt	<b>(71,499)</b>	(71,987)	(71,987)
Closing net debt	<b>(71,329)</b>	(81,607)	(71,499)
<b>Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities</b>			
Net return before finance costs and taxation	<b>(63,298)</b>	(47,032)	(117,423)
Losses on investments	<b>70,092</b>	56,246	137,257
Exchange differences	<b>(393)</b>	(531)	1,460
Tax on investment income	<b>(153)</b>	(81)	(295)
Changes in working capital and other non-cash items	<b>4,024</b>	(1,053)	(1,422)
Net cash inflow from operating activities	<b>10,272</b>	7,549	19,577

\*Audited

† The Company's Bonds have been treated in accordance with FRS 4, which requires any discount and issue costs to be amortised over the life of the Bonds.

# Investment Portfolio

Company	Sector	Valuation £'000	% of Total Investments
BP	Oil & Gas Producers	25,140	7.7
Vodafone	Telecommunications	16,581	5.1
GlaxoSmithkline	Pharmaceuticals & Biotech	13,757	4.2
Royal Dutch Shell	Oil & Gas Producers	12,944	3.9
AstraZeneca	Pharmaceuticals & Biotech	11,558	3.5
BG	Oil & Gas Producers	9,248	2.8
HSBC	Banks	8,962	2.7
Imperial Tobacco	Tobacco	7,538	2.3
Cable & Wireless	Telecommunications	6,293	1.9
Scottish & Southern Energy	Electricity	6,070	1.9
<b>Ten largest investments</b>		<b>118,091</b>	<b>36.0</b>
Unilever	Food Producers & Processors	5,860	1.8
National Grid	Electricity	4,971	1.5
Inmarsat	Telecommunications	4,436	1.4
British American Tobacco	Tobacco	4,355	1.3
Rio Tinto	Mining	4,300	1.3
Tesco	Food & Drug Retailer	4,083	1.2
Man Group	General Financial	3,383	1.0
Prudential	Life Assurance	3,298	1.0
Petrobras	Oil & Gas Producers	2,547	0.8
Exxon Mobil	Oil & Gas Producers	2,492	0.8
<b>Twenty largest investments</b>		<b>157,816</b>	<b>48.1</b>
Centrica	Gas Water & Multiutilities	2,323	0.7
United Utilities	Gas Water & Multiutilities	2,301	0.7
Standard Life European Private Equity Trust	Investment Company	2,175	0.7
Samsung Electronics	Technology Hardware & Equipment	2,070	0.6
Cairn Energy	Oil & Gas Producers	1,986	0.6
Tullow Oil	Oil & Gas Producers	1,869	0.6
Johnson & Johnson	Pharmaceuticals & Biotech	1,819	0.6
Taiwan Semiconductor	Technology Hardware & Equipment	1,817	0.6
Aviva	Life Insurance	1,730	0.5
Royal Bank of Scotland	Banks	1,706	0.5
<b>Thirty largest investments</b>		<b>177,612</b>	<b>54.2</b>
<b>Other equity investments (138)</b>		<b>109,629</b>	<b>33.4</b>
<b>Corporate bonds (254)</b>		<b>40,788</b>	<b>12.4</b>
<b>Total investments</b>		<b>328,029</b>	<b>100.0</b>

## Statement of Principal Risks and Uncertainties

The Company's assets consist mainly of listed securities and its principal risks are therefore market related. The Company is also exposed to currency risk in respect of overseas markets in which it invests. Other risks faced by the Company include external, investment and strategic, regulatory, operational, and financial risks. These risks, and the way in which they are managed, are described in more detail under the heading Principal Risks and Risk Management within the Business Review in the Company's Annual Report for the year ended 30 September 2008. The Company's principal risks and uncertainties have not changed since the date of that report.

## Statement of Directors' Responsibilities in Respect of the Interim Report

We confirm that to the best of our knowledge:

- the financial statements have been prepared in accordance with the Statement 'Half-Yearly Financial Reports' issued by the UK Accounting Standards Board and give a true and fair view of the assets, liabilities, financial position and return of the Company;
- the Chairman's Statement (constituting the Interim Management Report) includes a fair review of the information required by the Disclosure and Transparency Rules ('DTR') 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the financial statements;
- the Statement of Principal Risks and Uncertainties shown above is a fair review of the information required by DTR 4.2.7R; and
- the financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Company during the period, and any changes in the related party transactions described in the last Annual Report that could do so. The only such transactions that have taken place during the period have been the payment of the investment management fee as disclosed in note 4.

On behalf of the Board

**W R E Thomson**

Director

15 May 2009

# How to Invest

As well as investing in British Assets Trust plc directly through a stockbroker, you can enjoy some additional benefits by investing through one of the savings plans run by F&C Asset Management plc ('F&C').

You can enjoy the convenience of making regular savings by Direct Debit, take advantage of our tax-efficient ISA wrapper, receive a simple statement every six months and let us automatically reinvest your dividends for you.

- **F&C Private Investor Plan**  
A flexible, low cost way to invest with a lump sum from £500 or regular savings from £50 a month.
- **F&C Investment Trust ISA**  
Invest up to £7,200 tax efficiently each year with a lump sum from £500 or regular savings from £50 a month. You can also transfer any existing ISAs to F&C.
- **F&C Child Trust Fund ('CTF')**  
F&C is a leading provider of children's investment plans and was the first provider to offer an investment trust based CTF. Suitable for children born after 1 September 2002.
- **F&C Children's Investment Plan**  
Suitable for older children ineligible for a CTF, or if you need access to the funds before the child is 18. This flexible plan can easily be written under trust to help reduce inheritance tax liability. Investments can be made from a £250 lump sum or £25 a month.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and you may not receive back the full amount originally invested. Tax rates and reliefs depend on the circumstances of the original investor. Freedom from tax in an ISA applies directly to the investor.

## Low charges

All the plans are low cost and flexible. When you buy or sell shares in these plans the dealing fee is only 0.2%. Government stamp duty of 0.5% also applies on purchases. There are no initial or exit charges. The only annual management fee is on the ISA, which is £60+VAT (no matter how many tax years' ISAs you take out with F&C, or how many ISAs you transfer).

The F&C Child Trust Fund has no initial charges, dealing charges or annual management fee.

## How to invest

For more information on any of these products, please contact F&C's Investor Services Team:

- Call us on **0800 136 420**  
email at **info@fandc.com**  
invest online at **www.fandc.co.uk**  
Existing plan holders' enquiry line **0845 600 3030**  
Existing plan holders email us at: **investor.enquiries@fandc.com**

*Calls may be recorded.*



*The information on this page has been approved by F&C Management Limited which is a member of the F&C Asset Management Group and is authorised and regulated by the Financial Services Authority ('FSA').*

# Corporate Information

## Directors

William R E Thomson, (Chairman)\*  
James M Long, TD  
James S MacLeod †  
Dr Christopher Masters, CBE  
Lynn C Ruddick  
I S M Russell, CBE  
James G West ‡

## Company Secretary

Gordon R Hay Smith, CA

## Investment Managers

F&C Investment Business Limited  
80 George Street  
Edinburgh EH2 3BU

## Auditors

Ernst & Young LLP  
Ten George Street  
Edinburgh EH2 2DZ

## Brokers

Cenkos Securities Limited  
6.7.8 Tokenhouse Yard  
London EC2R 7AS

## Solicitors

Dickson Minto WS  
16 Charlotte Square  
Edinburgh EH2 4DF

## Bankers

JPMorgan Chase Bank  
125 London Wall  
London EC2Y 5AJ

\* Chairman of the Management Engagement and Remuneration Committee and the Nomination Committee

† Chairman of the Audit Committee

‡ Senior Independent Director

**Registered Office**

80 George Street  
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Tel: 0207 628 8000  
Fax: 0131 225 2375

**Registrars and Transfer Office**

Equiniti Limited  
Aspect House  
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Lancing  
West Sussex BN99 6DA

Registrars' Shareholder Helpline: 0871 384 2462\*

Registrars' Broker Helpline: 0871 384 2779\*

\*Calls to these numbers are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.