British & American Investment Trust PLC

Annual Financial Report
for the year ended 31 December 2019

Registered number: 00433137

Directors
David G Seligman (Chairman)
Jonathan C Woolf (Managing Director)
Dominic G Dreyfus (Non-executive and Chairman of the Audit Committee)
Alex Tamlyn (Non-executive)

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Registered in England
No.00433137
29 June 2020

This is the Annual Financial Report as required to be published under DTR 4 of the UKLA Listing Rules.

Financial Highlights

For the year ended 31 December 2019

	2019			2018		
	Revenue return £000	Capital return £000	Total £000	Revenue return £000	Capital return £000	Total £000
Profit/(loss) before tax – realised	862	(1,461)	(599)	2,489	(2,991)	(502)
Profit/(loss) before tax – unrealised	–	1,657	1,657	–	(4,644)	(4,644)
Profit/(loss) before tax – total	862	196	1,058	2,489	(7,635)	(5,146)
Earnings per £1 ordinary share – basic	2.26p	0.78p	3.04p	8.68p	(30.54)p	(21.86)p
Earnings per £1 ordinary share – diluted	2.61p	0.56p	3.17p	7.20p	(21.81)p	(14.61)p
Net assets			6,504			7,919
Net assets per ordinary share – deducting preference shares at fully diluted net asset value*			19p			23p
– diluted			19p			23p
Diluted net asset value per ordinary share at 22 June 2020			22p			
Dividends declared or proposed for the period						
per ordinary share						
– interim paid			2.7p			2.7p
– final proposed			0.0p			6.0p
per preference share			1.75p			3.5p

*Basic net assets are calculated using a value of fully diluted net asset value for the preference shares. Basic net assets per ordinary share at 31 December 2018 have been restated using a value of fully diluted net asset value for the preference shares instead of using a value of par for the preference shares.

Chairman's Statement

I report our results for the year ended 31 December 2019.

As announced on 7th April, we have delayed the release of these results by two months in response to the Coronavirus (COVID-19) pandemic which broke out in the UK in March, at which time the Financial Conduct Authority (FCA) put in place extensions to listed company reporting deadlines.

This delay has allowed us to reduce as much as possible employee exposure to the virus through reduced work travel and professional adviser contact, and to minimise onward transmission at a time when maximum pressure on hospitals and the NHS was expected.

This later reporting date also enables us to report to shareholders in a fuller and more informed way when more has become known about the progression and effects of the pandemic and the impact on the markets and our portfolio of the government's unprecedented social and financial response to the pandemic.

To complement the extension to the deadline for reporting listed company annual results, regulations have also been put in place to extend the deadlines for the filing of Annual Returns at Companies House, the holding of AGMs and the release of interim results during the current year. Accordingly, our Annual General Meeting will now be held on 24th September 2020 and our interim results to 30th June 2020 will be published by end-October 2020.

Revenue

The return on the revenue account before tax amounted to £0.9 million (2018: £2.5 million), a decrease of 65 percent. This decrease was due a reduction in income received from subsidiary companies and from external investments. The reduced rate of subsidiary company income was a function of the lower asset prices and sales in those companies which reduced available distributable reserves in those companies.

Gross revenues totalled £1.2 million (2018: £3.1 million). In addition, film income of £106,000 (2018: £92,000) and property unit trust income of £14,000 (2018: £14,000) was received in our subsidiary companies. In accordance with IFRS10, these income streams are not included within the revenue figures noted above.

The total return before tax amounted to a profit of £1.1 million (2018: £5.1 million loss), which comprised net revenue of £0.9 million, a realised loss of £1.1 million and an unrealised gain of £1.7 million. The revenue return per ordinary share was 2.3p (2018: 8.7p) on an undiluted basis and 2.6p (2018: 7.2p) on a diluted basis.

Net Assets and Performance

Net assets at the year end were £6.5 million (2018: £7.9 million), a decrease of 18.0 percent and reflects the payment of £2.5 million in dividends to shareholders during the year. This compares to increases in the FTSE 100 and All Share indices of 12.1 percent and 14.2 percent, respectively, over the period. On a total return basis, after adding back dividends paid during the year, our net assets increased by 14.0 percent compared to 16.5 percent and 18.0 percent increases in the FTSE 100 and All Share indices, respectively.

At the half year, we reported substantial outperformance against the benchmark indices on a total return basis by approximately 12 percent. This was principally the result of solid gains of 40 percent in sterling terms in the value of our largest US investment, Geron Corporation. By year end, however, that increase had reduced somewhat to a gain of 30 percent, reflecting also a weakening of the US dollar over the period, and as a result our total return for the full year registered a modest underperformance against the benchmark indices on the same basis.

The growth in Geron Corporation's share price over the year reflected the beginning of a recovery in market perception of the company following the sudden and unexpected withdrawal of its partner Johnson & Johnson in September 2018. This had precipitated a collapse of over 80 percent in Geron's stock price in the fourth quarter of that year. It was the shock of this withdrawal and not any underlying problem with Geron's haematological cancer drug, Imetelstat, or the ongoing clinical trial programmes which engendered this decline in market value. As this shock began to dissipate in 2019 and encouraging results of the clinical trials were released during the year, the share price began to recover accordingly. Further important developments in Geron's business have occurred recently, including a major fundraising, the addition of a second Phase 3 clinical trial to its programme and further high level technical personnel hires from leading pharma companies. These have added to the continued recovery in Geron's share price and are discussed in more detail in the managing director's report below.

More generally, there was no absence of major themes and events driving investment sentiment in the UK and USA in 2019, many of them with competing effects on investment and markets. In the USA, these included the economic and market stimulating effects of the Trump administration's fiscal stimulus programme through corporate tax reductions, the contrastingly depressing effects of the ever developing and vacillating trade war with China, changes in the direction in the Federal Reserve's US dollar interest rate policy as economic growth prospects varied with each new and erratic White House policy initiative, and large movements in US dollar exchange rates as interest rates across the maturity spectrum tumbled to historic lows, presaging the advent of recession.

In the UK, these themes included the difficult and protracted Brexit negotiations, with missed and extended deadlines and the prospect of a no-deal exit from the European Union, dysfunction in parliament with the opposition taking control of the order paper and an unprecedented series of heavy government defeats, the end of the 10 year economic growth cycle which had been in place since the financial crisis of 2008 and finally the resignation of the prime minister as the impasse in Brexit overwhelmed the parliamentary process leading to the appointment of Boris Johnson who brought some order to the process at the last moment at the end of the year.

Not surprisingly, all these competing events resulted in multiple swings in sentiment and direction in equity markets and currencies during the year. The rising trend of the first half of the year, itself a recovery from the falls of the previous year and based on the provision of central bank liquidity through substantial interest rate reductions, dissipated in the second half of the year as investors' resilience to the events noted above evaporated. Investors' appetite was also finally further constrained by other worrying global developments which had been growing over time, including the mass and uncontrolled migration of peoples from Africa/the Middle East into Europe and from Central America in to the USA, the rising and increasingly domineering assertiveness of China politically and economically, the interference by Russia in the elections, sovereignty and security of other countries and the gradual erosion of norms relating to the international rules based system through popularism.

Notwithstanding all of the above, equity markets finished the year with sizeable gains as high liquidity levels continued to provide support in the absence of acceptable alternative yield-generating investments.

Dividend

As announced on 7th April, we do not to recommend the payment of a final dividend for the 2019 financial year.

In December 2019, we paid a half-year interim dividend on our ordinary shares of 2.70 pence, representing a yield of approximately 5.6 percent on the ordinary share price at the time of announcement and of approximately 6.5 percent averaged over the year as a whole.

This decision is made in the context of the economic and investment realities arising out of the COVID-19 pandemic, as explained in more detail in the managing director's report below. Additionally, however, as already announced in our 2019 interim statement and 2018 annual report, the continuation of our progressive dividend policy, which had been in place for over twenty years, would depend on a return in the share price of our major investment, Geron Corporation, to levels closer to those seen in 2018 to enable us to generate distributable income internally within our group. To date this has not occurred, although the recent improvements in the share price and in the company's general prospects as already noted bode well for a return to those former price levels at a date hopefully in the not too distant future.

Within these constraints and although the generation of reliable dividend income from external sources has now been placed in doubt for a time due to the COVID-19 pandemic, it is our intention to resume our dividend payments as soon as possible, as and when circumstances permit, potentially through ad hoc interim payments not necessarily on our normal dividend timetable, and eventually to catch up when and if possible on with-held or reduced payments.
In the first instance, we intend to pay an initial interim dividend of at least 1.75 pence per share in respect of the six months to 30th June 2020.

Recent events and outlook

The COVID-19 pandemic and the social, financial and economic policy responses put in place to minimise infections and deaths around the world have dominated the first six months of this year in a way which has been completely unimaginable to people, companies and governments.

With infection rates and deaths having finally plateaued and started to fall towards the end of the second quarter, the immediate and dramatic effect on equity markets seen in March, when markets fell by over 30 percent over 10 days, has now stabilised and a recovery of over 50 percent of those falls has now been seen.

Now the difficult task for governments of managing the safe release from lockdown and other social and work constraints is underway, together with plans to start reducing the many and unprecedented financial and fiscal support programmes which governments have put in place in most leading economies.

The long term effect of the pandemic in terms of damage to businesses and jobs and the prospects for economic recovery will not be evident for some time and will depend in part on whether a second wave of infections materialises this year, together with the success and timing of the development of vaccines or treatments to combat the disease.

With the current partial recovery in markets noted above, investors have been taking a relatively optimistic view of prospects for recovery, particularly given the high market levels seen just prior to the outbreak of the pandemic, despite the accumulation of worrying economic and political trends over the past two years.

Having divested the portfolio out of some of our general sterling-based fund investments over the past two years, our increased exposure to US biopharma investments which do not tend track general market movements so closely, should provide some element of protection against the continued anticipated volatility in equity markets over the coming period in what will hopefully be the wake of the COVID-19 pandemic. In the meantime, we pursue the aims of our investment programme to capture capital growth from the continued market re-rating of those biopharma company investments as they progress steadily towards commercialisation of their ground-breaking and valuable technologies.

As at 22 June 2020, our net assets had increased to £7.7 million, an increase of 18.0 percent since the beginning of the calendar year due principally to the 43.4 percent increase in the share price of Geron Corporation over this period. This is equivalent to 21.9 pence per share (prior charges deducted at fully diluted value) and 21.9 pence per share on a diluted basis. Over the same period the FTSE 100 decreased 17.2 percent and the All Share Index decreased 17.5 percent.

David Seligman

29 June 2020

Managing Director's report

With most of the world's largest economies effectively closed down for months in the second quarter of 2020 and possibly longer due to the medical emergency caused by the COVID-19 pandemic, the economic trends and themes which had been in place since the financial crisis of 2008 have been suddenly and violently interrupted.

In 2019, the 10 year recovery in equity and financial markets was still continuing, fuelled latterly by substantial corporate tax cuts in the USA and the maintenance of multi-year liquidity provision by central banks to keep an anaemic and slow recovery from the 2008 Great Recession in place, despite ever increasing economic and geo-political concerns which have been referred to here over the last two years.

At this point, with no effective treatments or vaccines available or in immediate prospect, the short term and unprecedented hit to jobs, business and economic growth will no doubt extend into the medium term to a greater or lesser extent, as the massive financial and fiscal support measures put in place by governments in recent months can only be sustained for a limited period of time. Most leading economies are likely to suffer larger and swifter declines in GDP in the current year than they experienced in 2008 and it is not yet clear when and in what form the eventual recovery can begin.

As noted above, our portfolio outperformed the benchmarks in the first half of 2019, principally due to a recovery in the value of our largest US investment, Geron Corporation, from its large fall at the end of 2018, but slightly underperformed by year end as Geron's recovery weakened somewhat while the US dollar strengthened by 7 percent. With Geron and our other US biopharma investments now representing a larger percentage of our portfolio (60 percent at 31st December 2019) following a reduction in our UK denominated fund investments over the past two years, the portfolio's exposure to movements in the US dollar exchange rate is somewhat greater than hitherto, although it is partly offset by a US dollar cash hedge.

In terms of income, our policy over the past few years of generating income from external investments and profitable asset sales in our subsidiary companies has become more difficult over time. Paying ever higher levels of dividend each year out of a shrinking asset base, due both to shareholder payments and asset values which have not performed in line with expectations, has become an increasing strain.

Additionally and recently in respect of our externally received income, a new constraint on corporate dividend payments has now arisen out of the COVID-19 pandemic. In late March, the major UK banks announced the cancellation of their 2020 dividends in the face of government pressure. This measure was to ensure the conservation of bank resources in furtherance of the government's emergency financial support programmes to companies and individuals. Since then, many other leading companies have similarly cancelled or suspended their dividend payments to protect their balance sheets and conserve cash resources, particularly in those industries with operations or revenues badly disrupted by the pandemic's effects, including transport, leisure, hospitality, energy, manufacturing and utilities. These have included many FTSE 100 index stocks and hitherto decades-long dividend paying companies. Currently, around 50 percent of FTSE index companies have now cut or cancelled their dividends, covering over £30 billion of dividends and representing more than 40 percent of the annual FTSE 100 and FTSE 250 dividend payment, with more cuts expected as the year progresses.

This systemic reduction in dividend payments will have a significant effect in the short to medium term on those savings institutions relying on investment income generation for their operations, including pension funds, assurance and other investment vehicles, such as ourselves. It is partly for this reason that we have judged it prudent not to pay a final dividend this year.

In relation to income generated internally from our subsidiaries, the level of distributable reserves in those subsidiaries is now insufficient to continue the quantum of distributions seen in earlier years, due principally to the disappointing performance of our US biopharma investments over the recent period. As and when these values return to expected and previously achieved levels, we will be able to recommence the generation of internal income for onward distribution to shareholders.

In this context, an appraisal of the current circumstances and prospects of our largest such holding, Geron Corporation, is set out below.

Geron Corporation

We are hopeful that our long-held and sometimes difficult strategic investment in Geron Corporation may soon reach a level of maturity. Although this seemed to be the case in 2018 when its five year collaboration with Johnson & Johnson was yielding encouraging Phase 2 trial results in the run-up to a contractual continuation point and the share price had increased by over 200 percent in anticipation of this in the first part of the year, it was not to be the case when Johnson & Johnson withdrew unexpectedly in September of that year.

In the time since, Geron Corporation has worked steadily to prove that Johnson & Johnson's withdrawal was not related to any underlying problem with its oncology drug or the clinical trials by continuing to publish ever improving trial results. This culminated in a successful Phase 2 clinical trial conclusion at the end of 2019 with excellent results in terms of blood transfusion free periods and patient life extension, outperforming all other available treatment options for the two haematological cancer conditions under investigation, Myelodysplastic Syndrome (MDS) and Myelofibrosis (MF).

Furthermore, Geron has recently announced FDA agreement for its second Phase 3 trial (in MF) which is another important milestone and most significantly has raised US$150 million through an equity issue which will provide sufficient funds to take it through both of its Phase 3 trials. Three large institutional investors, including two leading biotech sector investment funds, took significant positions in the issue which was very well received by the market with the share price since trading well above the issue price. Latterly, all of the major market analysts covering Geron have re-iterated the stock as a buy with a price target of 150 percent of its current level.

It is hoped, therefore, that this sufficiency of funding and the support of these large funds will deter further activity by professional short sellers of Geron stock, which through their large positions held over many years and which have regularly exceeded over 35 percent of total shares issued, have for so long prevented the true underlying value and future prospects of Geron being fairly recognised in the market. Instructively, regulatory reporting since the share issue last month shows a significant reduction in the outstanding short position of almost 50 percent to the lowest level seen for over 10 years.

Industries such as biotech, which by their nature in their early stages generate little income and whose futures depend entirely on the binary and time-consuming outcome of their drug development and clinical testing programmes, can be the victim of concerted and often unscrupulous short selling activities by professional traders and funds. They struggle as a result to make progress and to raise funds for their development over the long term in the face of these market activities. It is highly regrettable that potentially very successful enterprises, and particularly in a sector devoted to the development of life improving or saving medicines which are designed to benefit us all, should be faced with these additional and unnecessary challenges to their success.

Jonathan Woolf

29 June 2020

Income statement

For the year ended 31 December 2019

	2019			2018		
	Revenue return £ 000	Capital return £ 000	Total £ 000	Revenue return £ 000	Capital return £ 000	Total £ 000
Investment income (note 2)	1,243	-	1,243	3,056	-	3,056
Holding gains/(losses) on investments at fair value through profit or loss	-	1,657	1,657	-	(4,644)	(4,644)
Losses on disposal of investments at fair value through profit or loss*	-	(1,113)	(1,113)	-	(2,647)	(2,647)
Foreign exchange (losses)/gains	53	(57)	(4)	(61)	(62)	(123)
Expenses	(381)	(242)	(623)	(457)	(237)	(694)
Profit/(loss) before finance costs and tax	915	245	1,160	2,538	(7,590)	(5,052)
Finance costs	(53)	(49)	(102)	(49)	(45)	(94)
Profit/(loss) before tax	862	196	1,058	2,489	(7,635)	(5,146)
Tax	52	-	52	31	-	31
Profit/(loss) for the year	914	196	1,110	2,520	(7,635)	(5,115)
Earnings per share						
Basic – ordinary shares	2.26p	0.78p	3.04p	8.68p	(30.54)p	(21.86)p
Diluted – ordinary shares	2.61p	0.56p	3.17p	7.20p	(21.81)p	(14.61)p

The company does not have any income or expense that is not included in the profit/(loss) for the year. Accordingly, the ‘Profit/(loss) for the year’ is also the ‘Total Comprehensive Income for the year’ as defined in IAS 1 (revised) and no separate Statement of Comprehensive Income has been presented.

The total column of this statement represents the Income Statement, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

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

*Losses on disposal of investments at fair value through profit or loss include Losses on sales of £1,274,000 (2018 – £917,000 losses) and Gains on provision for liabilities and charges of £161,000 (2018 – £1,730,000 losses).

Statement of changes in equity

For the year ended 31 December 2019

	Share capital	Capital reserve	Retained earnings	Total
	£ 000	£ 000	£ 000	£ 000
Balance at 31 December 2017	35,000	(21,167)	1,701	15,534
Changes in equity for 2018				
(Loss)/profit for the period	-	(7,635)	2,520	(5,115)
Ordinary dividend paid (note 4)	-	-	(2,150)	(2,150)
Preference dividend paid (note 4)	-	-	(350)	(350)
Balance at 31 December 2018	35,000	(28,802)	1,721	7,919
Changes in equity for 2019				
Profit for the period	-	196	914	1,110
Ordinary dividend paid (note 4)	-	-	(2,175)	(2,175)
Preference dividend paid (note 4)	-	-	(350)	(350)
Balance at 31 December 2019	35,000	(28,606)	110	6,504

Registered number: 00433137

Balance Sheet

At 31 December 2019

	2019	2018
	£ 000	£ 000
Non-current assets		
Investments - fair value through profit or loss	6,704	8,722
Subsidiaries - fair value through profit or loss	5,335	5,269
	12,039	13,991
Current assets		
Receivables	1,588	3,417
Cash and cash equivalents	2,504	244
	4,092	3,661
Total assets	16,131	17,652
Current liabilities		
Trade and other payables	3,617	547
Bank loan	2,635	2,790
	(6,252)	(3,337)
Total assets less current liabilities	9,879	14,315
Non - current liabilities	(3,375)	(6,396)
Net assets	6,504	7,919
Equity attributable to equity holders		
Ordinary share capital	25,000	25,000
Convertible preference share capital	10,000	10,000
Capital reserve	(28,606)	(28,802)
Retained revenue earnings	110	1,721
Total equity	6,504	7,919

Approved: 29 June 2020

Cash flow statement

For the year ended 31 December 2019

	Year ended 2019	Year ended 2018
	£ 000	£ 000
Cash flows from operating activities		
Profit/(loss) before tax	1,058	(5,146)
Adjustments for:		
(Gains)/losses on investments	(544)	7,291
Dividends in specie	-	(290)
Proceeds on disposal of investments at fair value through profit and loss	16,316	13,635
Purchases of investments at fair value through profit and loss	(14,521)	(12,335)
Finance costs	102	94
Operating cash flows before movements in working capital	2,411	3,249
Decrease/(increase) in receivables	2,417	(712)
Decrease in payables	(363)	(773)
Net cash from operating activities before interest	4,465	1,764
Interest paid	(97)	(90)
Net cash from operating activities	4,368	1,674
Cash flows from financing activities		
Dividends paid on ordinary shares	(1,778)	(1,839)
Dividends paid on preference shares	(175)	(350)
Bank loan	(155)	(1,454)
Net cash used in financing activities	(2,108)	(3,643)
Net increase/(decrease) in cash and cash equivalents	2,260	(1,969)
Cash and cash equivalents at beginning of year	244	2,213
Cash and cash equivalents at end of year	2,504	244

Purchases and sales of investments are considered to be operating activities of the company, given its purpose, rather than investing activities.

1 Basis of preparation and going concern

The financial information set out above contains the financial information of the company for the year ended 31 December 2019. The company has prepared its financial statements under IFRS. The financial statements have been prepared on a going concern basis adopting the historical cost convention except for the measurement at fair value of investments, derivative financial instruments and subsidiaries.

The information for the year ended 31 December 2019 is an extract from the statutory accounts to that date. Statutory company accounts for 2018, which were prepared under IFRS as adopted by the EU, have been delivered to the registrar of companies and company statutory accounts for 2019, prepared under IFRS as adopted by the EU, will be delivered in due course.

The auditors have reported on the 31 December 2019 year end accounts and their reports were unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The directors, having made enquiries, consider that the company has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly, the directors believe that it is appropriate to continue to adopt the going concern basis in preparing the company's accounts.

2 Income

	2019 £ 000	2018 £ 000
Income from investments		
UK dividends	938	1,180
Overseas dividends	173	92
Scrip and in specie dividends	-	290
Dividend from subsidiary	74	1,445
Interest on fixed income securities	-	1
	1,185	3,008
Other income	58	48
Total income	1,243	3,056
Total income comprises:		
Dividends	1,185	3,007
Interest	-	1
Other interest	58	48
	1,243	3,056
Dividends from investments		
Listed investments	1,111	1,562
Unlisted investments	74	1,445
	1,185	3,007

Of the £1,185,000 (2018 – £3,007,000) dividends received, £879,000 (2018 – £997,000) related to special and other dividends received from investee companies that were bought after the dividend announcement. There was a corresponding capital loss of £1,027,000 (2018 – £1,007,000), on these investments.

Under IFRS 10 the income analysis is for the parent company only rather than that of the consolidated group. Thus film revenues of £106,000 (2018 – £92,000) received by the subsidiary British and American Films Limited and property unit trust income of £14,000 (2018 – £14,000) received by the subsidiary BritAm Investments Limited are shown separately in this paragraph.

3 Earnings per ordinary share

The calculation of the basic (after deduction of preference dividend) and diluted earnings per share is based on the following data:

	2019			2018		
	Revenue return	Capital return	Total	Revenue return	Capital return	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Earnings:						
Basic	564	196	760	2,170	(7,635)	(5,465)
Preference dividend	350	-	350	350	-	350
Diluted	914	196	1,110	2,520	(7,635)	(5,115)

Basic revenue, capital and total return per ordinary share is based on the net revenue, capital and total return for the period after tax and after deduction of dividends in respect of preference shares and on 25 million (2018: 25 million) ordinary shares in issue.

The diluted revenue, capital and total return is based on the net revenue, capital and total return for the period after tax and on 35 million (2018: 35 million) ordinary and preference shares in issue.

4 Dividends

	2019 £ 000	2018 £ 000
Amounts recognised as distributions to equity holders in the period:		
Dividends on ordinary shares:		
Final dividend for the year ended 31 December 2018 of 6.0p (2017:5.9p) per share	1,500	1,475
Interim dividend for the year ended 31 December 2019 of 2.7p (2018:2.7p) per share	675	675
	2,175	2,150
Proposed final dividend for the year ended 31 December 2019 of 0.0p (2018:6.0p) per share	-	1,500
Dividends on 3.5% cumulative convertible preference shares:		
Preference dividend for the 6 months ended 31 December 2018 of 1.75p (2017:1.75p) per share	175	175
Preference dividend for the 6 months ended 30 June 2019 of 1.75p (2018:1.75p) per share	175	175
	350	350
Proposed preference dividend for the 6 months ended 31 December 2019 of 0.00p (2018:1.75p) per share	-	175

We have set out below the total dividend payable in respect of the financial year, which is the basis on which the retention requirements of Section 1158 of the Corporation Tax Act 2010 are considered.

Dividends proposed for the period

	2019 £ 000	2018 £ 000
Dividends on ordinary shares:		
Interim dividend for the year ended 31 December 2019 of 2.7p (2018:2.7p) per share	675	675
Proposed final dividend for the year ended 31 December 2019 of 0.0p (2018:6.0p) per share	-	1,500
	675	2,175
Dividends on 3.5% cumulative convertible preference shares:		
Preference dividend for the year ended 31 December 2019 of 1.75p (2018:1.75p) per share	175	175
Proposed preference dividend for the year ended 31 December 2019 of 0.00p (2018:1.75p) per share	-	175
	175	350

5 Net asset values

		Net asset value per share
	2019	2018
Ordinary shares	£	£
		restated
Diluted	0.19	0.23
Undiluted	0.19	0.23*

		Net asset attributable
	2019	2018
	£ 000	£ 000
		restated
Total net assets	6,504	7,919
Less convertible preference shares at fully diluted value	(1,858)	(2,263)
Net assets attributable to ordinary shareholders	4,646	5,656*

The undiluted and diluted net asset values per £1 ordinary share are based on net assets at the year end and 25 million (undiluted) ordinary and 35 million (diluted) ordinary and preference shares in issue.

*Net assets attributable to ordinary shareholders at 31 December 2018 have been restated using a value of fully diluted net asset value for the preference shares instead of using a value of par for the preference shares.

Principal risks and uncertainties

The principal risks facing the company relate to its investment activities and include market risk (other price risk, interest rate risk and currency risk), liquidity risk and credit risk. The other principal risks to the company are loss of investment trust status and operational risk. These will be explained in more detail in the notes to the 2019 Annual Report and Accounts, but remain unchanged from those published in the 2018 Annual Report and Accounts.

Related party transactions

The company rents its offices from Romulus Films Limited, and is also charged for its office overheads.

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.

During the year the company entered into the investment transactions to sell stock for £nil (2018 – £346,709) to Second BritAm Investments Limited, for £540,141 (2018 – £nil) to British & American Films Limited and for £nil (2018 – £2,472) to BritAm Investments Limited.

There have been no other related party transactions during the period, which have materially affected the financial position or performance of the company.

Capital Structure

The company's capital comprises £35,000,000 (2018 – £35,000,000) being 25,000,000 ordinary shares of £1 (2018 – 25,000,000) and 10,000,000 non-voting convertible preference shares of £1 each (2018 – 10,000,000). The rights attaching to the shares will be explained in more detail in the notes to the 2019 Annual Report and Accounts, but remain unchanged from those published in the 2018 Annual Report and Accounts.

Directors' responsibility statement

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations. The directors confirm that to the best of their knowledge the financial statements prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and the (loss)/profit of the company and that the Chairman's Statement, Managing Director's Report and the Directors' report include a fair review of the information required by rules 4.1.8R to 4.2.11R of the FSA's Disclosure and Transparency Rules, together with a description of the principal risks and uncertainties that the company faces.

Annual General Meeting

This year's Annual General Meeting has been convened for Thursday 24 September 2020 at 12.15pm at Wessex House, 1 Chesham Street, London SW1X 8ND.