**British & American Investment Trust PLC**

Annual Financial Report
for the year ended 31 December 2021

Registered number: 00433137

| **Directors** | **Registered office** |
|---|---|
| David G Seligman (Chairman) | Wessex House |
| Jonathan C Woolf (Managing Director) | 1 Chesham Street |
| Dominic G Dreyfus (Non-executive and Chairman of the Audit Committee until 7 February 2022) | Telephone: 020 7201 3100 |
| Alex Tamlyn (Non-executive and acting Chairman of the Audit Committee) | Registered in England |
| Julia Le Blan (Non-executive from 1 June 2022) | No.00433137 |
| | 28 April 2022 |

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 2021

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Revenue return £000 | Capital return £000 | Total £000 | Revenue return £000 | Capital return £000 | Total £000 |
| Profit/(loss) before tax – realised | 978 | (810) | 168 | 879 | (1,230) | (351) |
| Profit before tax – unrealised | – | 1,028 | 1,028 | – | 1,388 | 1,388 |
| Profit before tax – total | 978 | 218 | 1,196 | 879 | 158 | 1,037 |
| Earnings per £1 ordinary share – basic | 2.66p | 0.87p | 3.53p | 2.23p | 0.63p | 2.86p |
| Earnings per £1 ordinary share – diluted | 2.90p | 0.62p | 3.52p | 2.59p | 0.45p | 3.04p |
| Net assets | | | 6,727 | | | 6,720 |
| Net assets per ordinary share – deducting preference shares at fully diluted net asset value* | | | 19p | | | 19p |
| – diluted | | | 19p | | | 19p |
| Diluted net asset value per ordinary share at 25 April 2022 | | | 17p | | | |
| Dividends declared or proposed for the period: | | | | | | |
| per ordinary share | | | | | | |
| – interim paid | | | 3.5p | | | 2.7p |
| – final proposed | | | 0.0p | | | 0.0p |
| per preference share | | | 3.5p | | | 1.75p |

*Basic net assets are calculated using a value of fully diluted net asset value for the preference shares.

## Chairman's Statement

I report our results for the year ended 31 December 2021.

### Revenue

The return on the revenue account before tax amounted to £1.0 million (2020: £0.9 million), similar to 2020 but a significantly lower level from prior years when higher levels of dividends from external investments were being received and the portfolio value was higher. In 2021, a large majority of dividend income was received from our subsidiary companies in accordance with our strategy of realising gains when available on our principal US investments for later distribution as dividends.

Gross revenues totalled £1.4 million (2020: £1.4 million). In addition, film income of £171,000 (2020: £84,000) and property unit trust income of £2,000 (2020: £14,000) was received in our subsidiary companies. This reduction in property income reflected the sale of one of our investments during the year. 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 £1.2 million (2020: £1.0 million profit), which comprised net revenue of £1.0 million, a realised loss of £0.8 million and an unrealised gain of £1.0 million. The revenue return per ordinary share was 2.7p (2020: 2.2p) on an undiluted basis and 2.9p (2020: 2.6p) on a diluted basis.

### Net Assets and Performance

Net assets at the year end were £6.7 million (2020: £6.7 million), unchanged after payment of £0.9 million in dividends to shareholders during the year. This compares to increases in the FTSE 100 and All Share indices of 14.3 percent and 14.5 percent, respectively, over the period. On a total return basis, after adding back dividends paid during the year, our net assets increased by 18.3 percent compared to increases of 18.4 percent and 18.3 percent in the FTSE 100 and All Share indices, respectively.

During this second year of significant disruption due to the Covid pandemic, when markets rallied strongly from the substantial falls of the previous year, we were able to match these gains on a total return basis while also returning cash via dividends to shareholders at more than three times the market level of return. This was made possible by a second year of substantial gains in sterling terms (over 40 percent in 2021 and 60 percent in 2020) in one of our two largest US investments, Lineage Cell Therapeutics Inc (a combination of two previously held regenerative medicine stem cell companies, Biotime Inc and Asterias Biotherapeutics Inc). This was despite losses of over 20 percent in the year in the value of our other large US investment, Geron Corporation. In addition, a periodic and independent revaluation of the feature films held in our subsidiary company, yielded a favourable upwards revaluation based on the strength and consistency of historic revenues and the buoyant market conditions in recent years for intellectual copyright content such as films and music.

More generally, equity markets in the USA and UK continued to build strongly and consistently in the second half of 2021 on the recovery seen in the first half, as reported on at length at the interim stage. The highly successful global vaccination programme initiated at the beginning of the year allowed the social and corporate disruptions of the previous year gradually to be mitigated and markets and leading economy GDPs mostly regained their pre-Covid levels, which at the time had been at all time highs, at varying stages during the year. In addition, central banks kept interest rates at their historically low levels for longer than expected and only in recent months have begun what is likely to be an extended process of returning rates closer to more normal levels.

The list of structural damage and disruption to economies and societies caused by the Covid pandemic is extremely long and widespread. It includes permanently lost production, substantially increased levels of government and private debt, increased fiscal deficits, higher taxes, significantly higher levels of inflation leading to severe cost of living pressures particularly related to energy prices, employment shortages, long-term disruption or alteration to supply lines, trade, travel, working practices and the creation of asset bubbles in sectors such as housing and natural resources.

However, all consideration of these many problems has been recently and substantially overshadowed by Russia's invasion of Ukraine in February 2022, representing an unacceptable and unprovoked challenge to the global rules-based system which has been in place since the Second World War. The immediately resulting economic and humanitarian effects have already been substantial. The unprecedentedly severe sanctions swiftly imposed by Western countries on Russia in response to limit and ultimately deter its illegal war of aggression will inevitably have substantial global consequences for a considerable period to come, whatever the final military outcome. This includes a major recalibration after many years of relative weakness in the West's defensive posture through NATO and a potential re-alignment of global alliances and operations giving rise to political, strategic, economic and social effects for years if not generations to come, even if a more wide-scale European conflict can be avoided.

**Dividend**

In 2021, dividends of 3.5 pence per ordinary share and 3.5 pence per preference share were paid as two interim payments during the year. This represented an increase of 30 percent for ordinary shareholders over the previous year and a yield of approximately 11 percent on the ordinary share price averaged over a period of 12 months.

It is our intention to pay further interim dividends this year as close as possible in amount and timing to the dividends paid in 2021, as and when the profitable sales of investments permit. The position regarding these investments is set out in more detail in the Managing Director's report below.

**Board of Directors**

On 10th February 2022, we sadly announced the untimely death of Dominic Dreyfus, non-executive director since 1995 and chairman of the Audit Committee since its formation in 2001. He had battled for some time with his illness and throughout continued to show the great sense of duty, commitment and professionalism which had marked his long and successful time on our board and as an exceptional chairman of our Audit Committee. He will be greatly missed by the board and his other colleagues.

On 27th April 2022, we were pleased to announce the appointment of Julia Le Blan as a non-executive director and chairman of the Audit Committee with effect from 1st June 2022. Julia is a chartered accountant and has worked in the financial services industry for over 30 years. She was formerly a partner at Deloitte with particular familiarity with the investment trust industry, having sat for two terms on the AIC's technical committee. Julia is currently a director of the Biotech Growth Trust plc and Aberforth Smaller Companies Trust plc.

**Recent events and outlook**

The long list of problems enumerated above which have piled up following two years of Covid pandemic would have provided uncertainty enough from an investment perspective, but now markets are faced with the first major war of aggression on the continent of Europe by a nuclear-armed superpower, seemingly intent on prosecuting its aims at no matter what cost to civilians, the world order, peace and indeed itself.

Even at this early stage it is evident that very little will stay the same in terms of global relationships, trade and supply lines which have formed the engine of world growth over the last decades. Recent projections from the World Trade Organisation (WTO) and the IMF, for example, cut their estimates of world trade growth for the current year by between a third and a half due to the war and are forecasting a cut to world GDP of approximately 1 percent, representing a decline of over one quarter. And there is no reason to expect that such effect on world growth will be limited to the current year given the likely long term and widespread effects of the war on so many aspects of international behaviour and endeavour.

Nevertheless, after a short and sharp reversal of up to 8 percent in February at the outbreak of the war, equity markets (except in Russia and in China for other reasons) resumed their steady climb by the end of the first quarter to regain their pre-Covid levels in the UK if not exactly so in the USA. The continued ultra-low interest rate regimes in developed countries and a newly adopted expectation that rates may not now be raised as high or as quickly as previously thought to combat the currently high levels of inflation because of the war has contributed to this persistent strength in the markets.

Despite this seeming steadfastness in major markets in the face of these challenges, to say nothing of the fact that Covid continues to remain a strong and disruptive threat in many parts of the world, particularly in China, we cannot ignore these major challenges going forward and will continue to limit our activities and major focus to our US biopharma investments which do not tend to track general market movements and which we believe hold significant investment promise as they progress ever closer towards commercialisation of their ground-breaking and valuable technologies.

As at 25 April 2022, our net assets had decreased to £6.0 million, a decrease of 10.8 percent since the beginning of the calendar year. This is equivalent to 17.1 pence per share (prior charges deducted at fully diluted value) and 17.1 pence per share on a diluted basis. Over the same period the FTSE 100 decreased 0.1 percent, the All Share Index decreased 2.4 percent and NASDAQ decreased 18.8 percent.

David Seligman

28 April 2022

**Managing Director's report**

At the interim stage, this report focussed on the likely after-effects of Covid in terms of financial, fiscal, production and growth prospects in the short to medium term. Swollen government budget deficits and substantially increased debt levels when combined with rapidly increasing inflation and disruption to world trade and supply lines were in the process of creating a very unstable platform for a longer-term rebound in growth and prosperity.

The financial and social costs of combating Covid were always going to have to be reckoned with at some stage but it had been expected, and markets had supported that expectation, that these costs could be handled in a manageable way over an extended period of time. Central banks imagined that the immediate short- term consequences of considerably higher inflation could be handled through a gradual tightening of interest rates from their ultra-low levels and that the measured introduction of tax rises would address fiscal imbalances. While the major and much vaunted plans in the USA and UK for capital expenditure and ‘levelling up’ might have to wait a little, the judgement was that if well calibrated, these classic interventions would both cool down and rebalance the resurgent demand which was causing inflation, employment shortages, trade dislocations and assets bubbles without resulting in a return to recession.

Up to the end of the year, this approach was generally seen as working, despite inflation threatening to move above the higher levels of 4 to 5 percent which had been expected. Markets continued their steady recovery, as noted above, encouraged by the strong resumption of corporate activity in most sectors and the gradualist application of financial and fiscal measures. The threat of inflation getting out of control and more stringent measures having to be taken was always there in the background but, when set against the historically low short-term and indeed long-term interest rate environment, the availability of cheap money continued to support the markets.

All this changed, however, in the first quarter of 2022 with the wholly unexpected and unjustifiable invasion of Ukraine by Russia on 24th February and the unprecedentedly wide-ranging and united response by Western governments in terms of sanctions and the supply of weaponry and other support to Ukraine. All the best-laid financial and fiscal plans to return to post-Covid normality were immediately overturned as inflation moved even higher, to levels not seen for 40 years in the USA and 30 years in the UK, on the back of rocketing energy, food and fertiliser prices adding to the effects of the already existing supply chain disruptions in products such as semi-conductors, processed metals, rare earth and other natural resources. This has prompted renewed expectations of accelerated and higher interest rate rises and re-introduced significant volatility to financial markets.

Consequently, any prior visibility into the near or medium term future which might have existed at the year-end quickly dissipated. Furthermore, with the war still in its early stages and already of a size, ferocity and brutality not seen in Europe since the Second World War, it is impossible to predict how much more and substantial damage this unnecessary and criminal action by Russia’s terrorist regime will cause in the months to come to global security, society, growth, trade and markets, quite apart from the total upheaval which has already occurred in the decades-long international rules-based order. The world’s previously progressive path towards globalisation, climate change reduction and nuclear weapons stability has now been put in real jeopardy.

**US Biotech Investments**

For some time now, the performance of our portfolio has been closely linked to the fortunes of our major investments in US biotech companies which by their nature are volatile. 2021 was no exception to this.

**Lineage Cell Therapeutics Inc** ("LCTX") achieved a second year of substantial price growth in 2021 of 40 percent. At the year end, LCTX announced an important and transformative partnership with Roche and Genentech in respect of one of its regenerative medicine treatments for ocular disease, specifically Dry Eye Age-Related Macular Degeneration (AMD), a chronic disease resulting in blindness with no approved medications and currently in Phase 2 clinical trials. Under this partnership, Roche/Genentech pay for the future development and trial costs of the treatment and LCTX receives an upfront payment of $50 million and a further up to $670 million of milestone payments together with a royalty share.

Partnerships with big and leading pharma companies such as these are fundamental to and the principal goal of independent biotech companies such as LCTX. These partnerships provide not only funding for and confirmation of the value of their technologies but also, and sometimes most importantly, validation, influence and expertise in the further development, clinical trials and eventual commercialisation of these new technologies.

These days, partnerships of this kind are typically struck at the Phase 2 or early Phase 3 clinical trial stages as the safety and efficacy of the treatments begin to be seen and when substantial funding starts to be required by the biotechs as the trials grow in size and complexity. It is at this point of partnership that a substantial increase is seen in the biotech's share price and LCTX's share price moved up by almost 50 percent on the news, building on the significant rises already seen over the year. It could, however, have been expected to rise considerably further given the size and prestige of the pharma companies involved in the partnership but surprisingly the price has in fact dropped in the months since to return to the levels of the beginning of 2021.

In the patent absence of any bad news, it is believed that this was a market-inspired movement based on the rumour that the company would be seeking to raise additional funds on the back of its improved share price to fund its other lines of activity, even though no such fund raising was indicated by the company itself, the company had just received a substantial cash payment and no such fundraising has materialised in the four months since the price reversal. Comments on this sort of undeserved and contrary market movement have been made in this report in the past and are made again below in greater detail in respect of our other major biotech investment, Geron Corporation.

**Geron Corporation** ("GERN"), languished in value in 2021, falling by 20 percent by the year end to a level recorded two years prior to that. This was despite having in 2021 commenced a second Phase 3 clinical trial in Myelofibrosis ("MF") to add to its first Phase 3 trial in Myelodysplastic Syndrome ("MDS") now nearing completion, both being chronic haematologic cancer diseases with poor outcomes. In addition during the year, the company (i) published continued strong results in both of its trials which substantially out-performed current best available treatments in terms of efficacy and patient survival, (ii) announced an application for fast-track consideration and approval under the UK's new and more adaptable post-Brexit medicines licensing regime at the MRHA, (iii) announced further high calibre hirings from leading pharma companies, including its former partner Johnson and Johnson, in multiple departments including those related to clinical trials, product registration, corporate development and international marketing, indicating its confidence and that of the new appointments in the progress and eventual success of the trials and (iv) continued to maintain strong levels of cash to fund the ongoing and expanding trials.

Nevertheless, Geron's share price has over this time disappointingly failed to match this significant progress to potential trial success and commercialisation. Comments have been made in this report a number of times in the past on the seeming dislocation between Geron's market value and the real world progress in its activities. Over the years, there have been a number of contrary trends and movements in the share price and in addition a history of well above average amounts of short trading activity and short positions being taken in this stock. As an example, a tumultuous and most abnormal one-day trading spike occurred on 18th June 2021 with a price rise of 60 percent and volume traded of 20 times normal following which the price returned to its prior level. No reason for this was given at the time and there has been no explanation since.

Biotech companies generate little or no income in what can be long drawn out and multi-year development stages. The absence of income (which for normal trading companies provides a minimum level of share price support) together with the ongoing and growing need for funding to support that development, makes biotech and other early-stage development companies particularly prone to be the target of short selling traders and funds which can take valuable advantage of this inherent weakness and periodic vulnerability.

To illustrate this, last month Geron unexpectedly announced a secondary share issue despite having previously confirmed the availability of a sufficient cash runway through to the completion of its first Phase 3 trial in MDS, scheduled for the first quarter of 2023. Geron's share price had shown significant and consistent weakness in the months prior to the announcement of this share issue, falling by 40 percent while the Nasdaq fell by 15 percent and the Biotech index fell by 20 percent. In the weeks prior to the share issue, the short position which had been relatively steady over the previous six months grew by almost 50 percent. On 1st April 2022, Geron issued 53 million shares with warrants attached at an overall discount to the market price of over 20 percent. However, on the following day and most unusually Geron's share price rose above the issue price by over 50 percent and in the following two weeks the short position fell by over 20 percent with this higher price level being sustained since the issue. Participants in the issue thus made an immediate return of 50 percent or approximately $30 million on their commitments, plus similar future profits on the warrants and any additional gains they may have realised on closing out any short position they may have held over the prior months during which Geron's share price declined by 40 percent by taking up the issue of new shares.

While circumstantial, the above occurrences would nevertheless tend to support the widely held view that in the US market, a very lucrative and potentially unscrupulous strategy can be effected by the aggressive short selling of those stocks which are perceived to have a near-term funding need and then closing such positions through the new shares issued at a discount by the company. This sort of strategy effectively negates the positive developments built up over time by such companies which could otherwise have assisted the raising of new finance at a more realistic price level and preserved value for existing long-term shareholders (such as ourselves, for example) who see the underlying value in the company's assets, achievements and prospects. Practices of this kind can only do damage to companies seeking to develop new, useful and in the case of biotech much needed and potentially life-saving technologies and should be actively discouraged by the regulators. It would be relatively easy to prevent such damaging profiteering by, for example, prohibiting funds or traders from participating in a share issue of any company in which they or their clients hold a short position.

As a pointed coda to this, a recently announced takeover of a biotech company very closely similar to Geron illustrates how, and perhaps because of the above described market activity, Geron's share price fails to capture even a small part of its future potential. On 12th April 2022, the major British pharmaceutical company, GlaxoSmithKline, announced the takeover of Sierra Oncology for $1.9 billion. Sierra's only product, Momelotinib, is a monoclonal antibody drug in just completed Phase 3 trials for the palliative symptom relief treatment of MF. As noted above, Geron is in Phase 3 trials of its MF treatment, Imetelstat, which has actually and more powerfully demonstrated life extending and potentially disease modifying (curative) effects on MF in its trials. The price paid for Sierra is based on estimated peak annual sales of $750 million. In their most recent quarterly results presentation this month, Geron's management estimated potential peak annual sales of £3 billion for its combined treatments of MF and the closely-related MDS diseases, both in Phase 3 trials, with the MDS trial being less than 12 months behind Sierra's MF trial. On a comparable basis and without any discount for uncertainty, this would value Geron at $4.5 billion which is approximately 8 times its current market capitalisation. It represents a share price of $11.50, which is considerably in excess of even the high end of the price target range of $4.00 to $7.00 which leading industry brokers have maintained on Geron for some time and compares to a current share price of $1.50.

The proper realisation by the market of the true potential and therefore value of our major US biotech investments plays a significant part in our own ongoing dividend distribution policy. Levels of income reserves available to us for distribution to shareholders have reduced in recent years following the Covid pandemic when overall market income returns diminished significantly. Additionally, the portfolio size on which we generate income is now much smaller following the high and above market levels of distributions made to shareholders over many years and the erratic capital performance of our US investments, as described above. Going forward we have positioned ourselves to take advantage of the capital growth we expect in these investments to fund a major part of our future dividends.

**Film Library Valuation**

As noted in the Chairman's statement above, we have conducted a 5 year periodic review of the value of the revenue earning feature films owned by our group subsidiary company, including Oliver!, The Day of the Jackal and The Odessa File.

This review has been based on an updated financial calculation of the discounted future estimated cash flows projected to be generated by the films over the full period of copyright (previously only for 10 years), adjusted for recent trends in revenue receipts and long-term interest rates. In addition, an independent valuation by an industry professional has been received, taking into account the nature of the rights held, the periods of copyright, the quality and long-term marketability of the films and current values achieved in the film distribution and media rights acquisition markets.

As a result of this combined review, the valuation of the films has been increased by 170 percent to £2 million.

Jonathan Woolf

28 April 2022

**Income statement**

For the year ended 31 December 2021

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Revenue return £ 000 | Capital return £ 000 | Total £ 000 | Revenue return £ 000 | Capital return £ 000 | Total £ 000 |
| **Investment income (note 2)** | 1,439 | - | 1,439 | 1,372 | - | 1,372 |
| Holding gains on investments at fair value through profit or loss | - | 1,028 | 1,028 | - | 1,388 | 1,388 |
| Losses on disposal of investments at fair value through profit or loss* | - | (585) | (585) | - | (960) | (960) |
| Foreign exchange gains/(losses) | (4) | 22 | 18 | (44) | (13) | (57) |
| Expenses | (422) | (243) | (665) | (400) | (242) | (642) |
| **Profit before finance costs and tax** | 1,013 | 222 | 1,235 | 928 | 173 | 1,101 |
| Finance costs | (35) | (4) | (39) | (49) | (15) | (64) |
| **Profit before tax** | 978 | 218 | 1,196 | 879 | 158 | 1,037 |
| Tax | 36 | - | 36 | 29 | - | 29 |
| **Profit for the year** | 1,014 | 218 | 1,232 | 908 | 158 | 1,066 |
| **Earnings per share** | | | | | | |
| Basic – ordinary shares | 2.66p | 0.87p | 3.53p | 2.23p | 0.63p | 2.86p |
| Diluted – ordinary shares | 2.90p | 0.62p | 3.52p | 2.59p | 0.45p | 3.04p |

The company does not have any income or expense that is not included in the profit/(loss) for the year. Accordingly, the ‘Profit 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 £270,000 (2020 – £613,000 losses) and Losses on provision for liabilities and charges of £315,000 (2020 – £347,000 losses).

**Statement of changes in equity**

For the year ended 31 December 2021

| | Share capital | Capital reserve | Retained earnings | Total |
|---|---|---|---|---|
| | £ 000 | £ 000 | £ 000 | £ 000 |
| **Balance at 31 December 2019** | 35,000 | (28,606) | 110 | 6,504 |
| **Changes in equity for 2020** | | | | |
| Profit for the period | - | 158 | 908 | 1,066 |
| Ordinary dividend paid (note 4) | - | - | (675) | (675) |
| Preference dividend paid (note 4) | - | - | (175) | (175) |
| **Balance at 31 December 2020** | 35,000 | (28,448) | 168 | 6,720 |
| **Changes in equity for 2021** | | | | |
| Profit for the period | - | 218 | 1,014 | 1,232 |
| Ordinary dividend paid (note 4) | - | - | (875) | (875) |
| Preference dividend paid (note 4) | - | - | (350) | (350) |
| **Balance at 31 December 2021** | 35,000 | (28,230) | (43) | 6,727 |

Registered number: 00433137

**Balance Sheet**

At 31 December 2021

| | 2021 | 2020 |
|---|---|---|
| | £ 000 | £ 000 |
| **Non-current assets** | | |
| Investments - fair value through profit or loss | 6,124 | 6,436 |
| Subsidiaries - fair value through profit or loss | 6,707 | 5,719 |
| | 12,831 | 12,155 |
| **Current assets** | | |
| Receivables | 535 | 1,605 |
| Cash and cash equivalents | 83 | 394 |
| | 618 | 1,999 |
| **Total assets** | 13,449 | 14,154 |
| **Current liabilities** | | |
| Trade and other payables | 2,129 | 3,003 |
| Bank loan | 619 | 687 |
| | (2,748) | (3,690) |
| **Total assets less current liabilities** | 10,701 | 10,464 |
| **Non - current liabilities** | (3,974) | (3,744) |
| **Net assets** | 6,727 | 6,720 |
| **Equity attributable to equity holders** | | |
| Ordinary share capital | 25,000 | 25,000 |
| Convertible preference share capital | 10,000 | 10,000 |
| Capital reserve | (28,230) | (28,448) |
| Retained revenue earnings | (43) | 168 |
| **Total equity** | 6,727 | 6,720 |

**Approved: 28 April 2022**

**Cash flow statement**

For the year ended 31 December 2021

| | Year ended 2021 £ 000 | Year ended 2020 £ 000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax | 1,196 | 1,037 |
| Adjustments for: | | |
| Gains on investments | (443) | (428) |
| Dividends in specie | (78) | - |
| Proceeds on disposal of investments at fair value through profit and loss | 1,708 | 2,619 |
| Purchases of investments at fair value through profit and loss | (1,610) | (2,415) |
| Finance costs | 39 | 64 |
| Operating cash flows before movements in working capital | 812 | 877 |
| Decrease in receivables | 551 | 34 |
| Decrease in payables | (549) | (192) |
| **Net cash from operating activities before interest** | 814 | 719 |
| Interest paid | (7) | (31) |
| **Net cash from operating activities** | 807 | 688 |
| **Cash flows from financing activities** | | |
| Dividends paid on ordinary shares | (875) | (675) |
| Dividends paid on preference shares | (175) | (175) |
| Bank loan | (68) | (1,948) |
| **Net cash used in financing activities** | (1,118) | (2,798) |
| **Net decrease in cash and cash equivalents** | (311) | (2,110) |
| **Cash and cash equivalents at beginning of year** | 394 | 2,504 |
| **Cash and cash equivalents at end of year** | 83 | 394 |

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 2021. 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 2021 is an extract from the statutory accounts to that date. Statutory company accounts for 2020, which were prepared under IFRS as adopted by the EU, have been delivered to the registrar of companies and company statutory accounts for 2021, prepared under IFRS as adopted by the EU, will be delivered in due course.

The auditors have reported on the 31 December 2021 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

| | 2021 | 2020 |
|---|---|---|
| | £ 000 | £ 000 |
| Income from investments | | |
| UK dividends | 391 | 221 |
| Dividend from subsidiary | 907 | 1,066 |
| | 1,298 | 1,287 |
| Other income | 71 | 85 |
| Other | 70 | - |
| Total income | 1,439 | 1,372 |
| Total income comprises: | | |
| Dividends | 1,298 | 1,287 |
| Other interest | 141 | 85 |
| | 1,439 | 1,372 |
| Dividends from investments | | |
| Listed investments | 391 | 221 |
| Unlisted investments | 907 | 1,066 |
| | 1,298 | 1,287 |

Of the £1,298,000 (2020 – £1,287,000) dividends received, £204,000 (2020 – £90,000) related to special and other dividends received from investee companies that were bought after the dividend announcement. There was a corresponding capital loss of £249,000 (2020 – £324,000), 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 £171,000 (2020 – £84,000) received by the subsidiary British & American Films Limited and property unit trust income of £2,000 (2020 – £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:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Revenue return | Capital return | Total | Revenue return | Capital return | Total |
| | £ 000 | £ 000 | £ 000 | £ 000 | £ 000 | £ 000 |
| Earnings: | | | | | | |
| Basic | 664 | 218 | 882 | 558 | 158 | 716 |
| Preference dividend | 350 | - | 350 | 350 | - | 350 |
| Diluted | 1,014 | 218 | 1,232 | 908 | 158 | 1,066 |

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 (2020: 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 (2020: 35 million) ordinary and preference shares in issue.

**4 Dividends**

| | 2021 | 2020 |
|---|---|---|
| | £ 000 | £ 000 |
| Amounts recognised as distributions to equity holders in the period | | |
| Dividends on ordinary shares: | | |
| Final dividend for the year ended 31 December 2020 of 0.0p (2019: 0.0p) per share | - | - |
| First interim dividend for the year ended 31 December 2021 of 2.7p (2020: 2.7p) per share | 675 | 675 |
| Second interim dividend for the year ended 31 December 2021 of 0.8p (2020: 0.0p) per share | 200 | - |
| | 875 | 675 |
| Proposed final dividend for the year ended 31 December 2021 of 0.0p (2020: 0.0p) per share | - | - |

| | | |
|---|---|---|
| Dividends on 3.5% cumulative convertible preference shares: | | |
| Preference dividend for the 6 months ended 31 December 2020 of 0.00p (2019: 0.00p) per share | - | - |
| Preference dividend for the 6 months ended 30 June 2021 of 1.75p (2020: 1.75p) per share | 175 | 175 |
| Preference dividend for the 6 months ended 31 December 2021 of 1.75p (2020: 0.00p) per share | 175 | - |
| | 350 | 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

| | 2021 £ 000 | 2020 £ 000 |
|---|---|---|
| Dividends on ordinary shares: | | |
| First interim dividend for the year ended 31 December 2021 of 2.7p (2020: 2.7p) per share | 675 | 675 |
| Second interim dividend for the year ended 31 December 2021 of 0.8p (2020: 0.0p) per share | 200 | - |
| Proposed final dividend for the year ended 31 December 2021 of 0.0p (2020: 0.0p) per share | - | - |
| | 875 | 675 |
| Dividends on 3.5% cumulative convertible preference shares: | | |
| Preference dividend for the year ended 31 December 2021 of 1.75p (2020: 1.75p) per share | 175 | 175 |
| Preference dividend for the year ended 31 December 2021 of 1.75p (2020: 0.00p) per share | 175 | - |
| | 350 | 175 |

The non-payment in December 2019 and in December 2020 of the dividend of 1.75 pence per share on the 3.5% cumulative convertible preference shares, consequent upon the non-payment of a final dividend on the ordinary shares for the year ended 31 December 2019 and for the year ended 31 December 2020, has resulted in arrears of £350,000 on the 3.5% cumulative convertible preference shares.

1st interim dividend declared for the year ended 31 December 2021 of 2.7 pence per ordinary share was paid on 24 June 2021 to shareholders on the register at 11 June 2021. A preference dividend of 1.75 pence was paid to preference shareholders on the same date.

2nd interim dividend declared for the year ended 31 December 2021 of 0.8 pence per ordinary share was paid on 9 December 2021 to shareholders on the register at 12 November 2021. A preference dividend of 1.75 pence was payable to preference shareholders on the same date.

The 2nd interim dividend declared and paid in the second half of 2021 was paid from available distributable reserves shown in the published interim accounts of 30 June 2021.

**5 Net asset values**

| Ordinary shares | Net asset value per share 2021 £ | 2020 £ |
|---|---|---|
| Diluted | 0.19 | 0.19 |
| Undiluted | 0.19 | 0.19 |

| | 2021 £ 000 | 2020 £ 000 |
|---|---|---|
| Total net assets | 6,727 | 6,720 |
| Less convertible preference shares at fully diluted value | (1,922) | (1,920) |
| Net assets attributable to ordinary shareholders | 4,805 | 4,800 |

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.

**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 2021 Annual Report and Accounts, but remain unchanged from those published in the 2020 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 £772,000 (2020 – £nil) to British & American Films Limited and for £532,000 (2020 – £455,000) to BritAm Investments Limited.

During the year the company entered into the investment transaction to purchase stock for £1,243,000 (2020 – £nil) from 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 (2020 – £35,000,000) being 25,000,000 ordinary shares of £1 (2020 – 25,000,000) and 10,000,000 non-voting convertible preference shares of £1 each (2020 – 10,000,000). The rights attaching to the shares will be explained in more detail in the notes to the 2021 Annual Report and Accounts, but remain unchanged from those published in the 2020 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 Tuesday 28 June 2022 at 12.15pm at Wessex House, 1 Chesham Street, London SW1X 8ND.