British & American Investment Trust PLC

Annual Financial Report
for the year ended 31 December 2014

Registered number: 00433137

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	Registered in England
	No.433137
	29 April 2015

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 2014

			2014			2013 (restated)
	Revenue return £000	Capital return £000	Total £000	Revenue return £000	Capital return £000	Total £000
Profit/(loss) before tax – realised	2,416	(713)	1,703	2,696	(6,222)	(3,526)
(Loss)/profit before tax – unrealised	–	(3,226)	(3,226)	–	11,018	11,018
(Loss)/profit before tax – total	2,416	(3,939)	(1,523)	2,696	4,796	7,492
Earnings per £1 ordinary share – basic	8.48p	(15.76)p	(7.28)p	9.57p	19.18p	28.75p
Earnings per £1 ordinary share – diluted	7.06p	(11.25)p	(4.19)p	7.83p	13.70p	21.53p
Net assets			27,126			30,895
Net assets per ordinary share – deducting preference shares at par			69p			84p
– diluted			78p			88p
Diluted net asset value per ordinary share at 23 April 2015			98p			
Dividends declared or proposed for the period per ordinary share						
– interim paid			2.7p			2.7p
– final proposed			5.3p			5.1p
per preference share			3.5p			3.5p

Basic net assets and earnings per share are calculated using a value of par for the preference shares. Consequently, when the net asset value attributed to ordinary shares remains below par the diluted net asset value will show a higher value than the basic net asset value.

Chairman's Statement

I report our results for the year ended 31 December 2014. Shareholders should note that from this year the group's operations are being reported on as single company accounts under IFRS (International Financial Reporting Standards) and not as previously on a consolidated basis. This follows the introduction of the new reporting standard IFRS 10 which changes the accounting treatment of subsidiaries of investment companies. The implications of this, which are unhelpful for an investment trust group such as ourselves, are explained and commented on in more detail below and throughout these accounts. Most significantly, under the new reporting standard these accounts now only show income received in the parent company and not for the group as a whole, as previously. This change has also required us to restate the prior year results to allow a comparable presentation.

Revenue

The return on the revenue account before tax amounted to £2.4 million (2013: £2.7 million), a decrease of 10 percent. As reported at the interim stage, this reflected the lower level of external dividends sought during the period and their replacement by gains registered within the subsidiary companies and distributed within the group. Gross revenues totalled £2.9 million (2013: £3.0 million). In the previous presentation of our accounts, we were able to show the split in our income between portfolio investments and film, property and other income as received in our subsidiaries but this is unfortunately no longer the case under the new reporting standard, as further explained in the Managing Director's report below. However, because of the importance we attach to these alternative sources of income we show them separately in note 2 to the accounts. This shows that film income of £165,000 (2013: £139,000) and property unit trust income of £24,000 (2013: £22,000) was received in our subsidiary companies. It should be noted for the sake of clarity that this income is not included within the revenue figures noted above.

The total return before tax amounted to a loss of £1.5 million (2013: £7.5 million gain), which comprised net revenue of £2.4 million, a realised loss of £0.5 million and an unrealised loss of £3.2 million. The revenue return per ordinary share was 8.5p (2013: 9.6p) on an undiluted basis and 7.1p (2013: 7.8p) on a diluted basis.

Net Assets and Performance

Net assets at the year end were £27.1 million (2013: £30.9 million), a decrease of 12.2 percent. This compares to decreases in the FTSE 100 and All Share indices of 2.7 percent and 2.1 percent, respectively, over the period. On a total return basis, after adding back dividends paid during the year, our net assets decreased by 4.8 percent compared to a total return on the two indices of between approximately 0.5 percent and 1.0 percent. It is worth noting that over a period of two years our portfolio achieved a total return of 34 percent, compared to a total return of 21 percent by our benchmark indices.

This outturn has significantly narrowed the underperformance registered at the half year by approximately 7 percentage points. This is due in part to a recovery in the second half in the sterling value of our largest US investment, Geron Corporation, following a strengthening in the value of the US dollar by 9 percent.

Over the year, the value of our investment in Geron has varied significantly in response to a number of very important corporate events which have taken place. As previously reported, the value of this investment had increased substantially at the end of 2013 following the release in the final quarter of that year of very favourable clinical oncology trial results. However, in March of 2014, Geron's share price fell significantly following the imposition of a clinical hold on these trials by the US Federal Department of Health (FDA) pending clarification of certain observed abnormalities. Soon thereafter, in June 2014, this hold was partially lifted (and fully lifted in October 2014). In July 2014, the spin off to shareholders of Geron's important but mothballed regenerative medicine business took place providing additional value to investors as this business was then re-activated and separately quoted with its true value and potential better recognised. Finally, in November 2014, Geron entered into a transformational and very advantageous partnership with Johnson & Johnson, the world's largest pharmaceutical company, to develop its oncology platform for which it will receive milestone payments of almost $1 billion and a share of future royalties.

This has therefore been a momentous year for Geron and over that time its share price has moved dramatically, increasing at one point by 250 percent when the Johnson & Johnson partnership was announced, although over the year as a whole the share price has not changed significantly (in US dollar terms). A more detailed account of these developments is given in the Managing director's report below together with views on prospects going forward post the partnership with Johnson & Johnson.

More generally, global equity markets remained firm in 2014. As reported at the interim stage, the UK market was steady, trading within a tight range, despite the development of growing political and financial uncertainties worldwide. Equity markets had found continuing support from the high levels of liquidity being provided by central banks in the developed economies.

In the second half, however, increasing levels of market volatility were shown as geopolitical concerns began to be taken more seriously and the expectation of the first upward movement in interest rates in the USA and UK would soon occur after an unprecedentedly long period of unchanged and low rates. In the fourth quarter, the US and UK equity markets dipped by 10 percent only to recover swiftly to opening year levels as expectations of the proximity of interest rate rises then receded against a background of slowing economic growth in the USA arising out of the significantly stronger US dollar. Thus, the pattern of markets reacting primarily to expectations of changes in interest rates continued unabated in 2014.

The net asset value per ordinary share decreased to 78p (2013: 88p) on a diluted basis. Deducting prior charges at par, the net asset value per ordinary share decreased to 69p (2013: 84p).

Dividend

We are pleased to recommend an increased final dividend of 5.3p per ordinary share, which together with the interim dividend makes a total payment for the year of 8.0p (2013: 7.8p) per ordinary share. This represents an increase of 2.6 percent over the previous year's total dividend and a yield of 9.6 percent based on the share price of 83p at the end of the year. The final dividend will be payable on 26 June 2015 to shareholders on the register at 15 May 2015. A dividend of 1.75p will be paid to preference shareholders resulting in a total payment for the year of 3.5p per share.

Outlook

Equity markets in the UK and USA grew strongly in the first quarter of 2015 by 6 percent and in March exceeded the all time highs registered before the economic crash in 2008. The vast amounts of liquidity pumped into the markets by the central banks of the USA, UK and recently the Eurozone through their quantitative easing programmes have pushed up valuations in both equity and other investment markets as these newly created funds seek a home against a background of historically low and in some cases negative official interest rates.

It has to be asked how long this situation can continue as valuations start to be stretched and investment bubbles continue to inflate. In these conditions, any unexpected or even expected shock or change such as a rise in interest rates could lead to a sharp reversal in markets. As noted at the interim stage, we will measure any new investment decisions against the shorter term risks which the current situation poses. Given, however, that the market has continued to rise significantly despite growing uncertainties in the UK arising out of the forthcoming general election and more generally in the US, the Eurozone and globally, we have started to reduce our exposure to the market and sterling by selling down some of our larger and previously core investment holdings in the UK.

As at 23 April 2015, our net assets had increased to £34.3 million, an increase of 26.6 percent since the beginning of the calendar year. This increase reflects a rise in the value of our US investments. This is equivalent to 97 pence per share (prior charges deducted at par) and 98 pence per share on a diluted basis. Over the same period the FTSE 100 increased 7.4 percent and the All Share Index increased 7.8 percent.

Anthony Townsend

29 April 2015

Managing Director's report

2014 saw the occurrence of a number of notable events both in markets generally and in relation to our own portfolio.

As reported at the interim stage, most leading economies, including the UK, finally returned to their pre-recession levels. However, the return to growth had been long and anaemic and economies were still very reliant on the vast levels of liquidity provided by central banks through quantitative easing programmes and the accompanying ultra low interest rates to maintain momentum. By the autumn of 2014, the Federal Reserve had completed its programme of quantitative easing but the softness of the recovery there combined with a strong dollar and continuing weakness globally prompted indications that it was in no hurry to commence raising rates at any time in the near future.

Developed countries sought to boost economic growth through both domestic demand and exports through the use of ultra low and in some cases negative official interest rates as a tool to achieve competitive currency devaluation and, in the case of countries such as Switzerland, Germany, Denmark and Norway, as a countermeasure against safe haven deposit inflows.

Oil prices fell by almost 50 percent over the year in reaction to muted global demand, the failure of OPEC to control supply and increasing production in the US and Canada coming on stream from fracking and tar sands sources. And although this began to stimulate some activity in retail demand in the US, the deflationary effect both in the US and globally only served to support central banks' determination to continue their liquidity provision operations, culminating in early 2015 with the European Central Bank finally introducing its own programme of quantitative easing in response to deflationary pressures in the Eurozone and continuing economic weakness arising out of debt-related austerity programmes.

This combination of circumstances gave rise to a number of effects, most significantly the boom in equity prices which by the turn of the year had reached all time highs in the USA having more than doubled there since 2008 and almost doubled in the UK as investors sought a home for the vast amount of liquidity being created by the central banks in the absence of any meaningful increases in retail bank domestic lending operations. However, because of investors' growing concerns over the many instances of global financial and geopolitical instability, investors at the same time also increased their exposure to the sovereign bonds of safe haven issuers such as the USA, Switzerland and Germany to the extent that short term yields became negative and long term yields remained at all time lows of below 1 percent.

In our portfolio, the underperformance reported at the interim stage due to the extreme volatility noted above in our major US investment, Geron Corporation, was reduced as a result of an improvement in the second half in the sterling value of this investment. During the year, the value of this investment both fell and rose over 50 percent for the reasons discussed below, closing the year approximately 30 percent below the year opening price in dollar terms. Excluding this investment, the portfolio achieved a positive return of approximately 2.8 percent, outperforming the bench mark indices. Over a period of two years and including this investment our portfolio achieved a total return of 34 percent, compared to a total return of 21 percent by our benchmark indices.

Geron Corporation

As mentioned above, Geron experienced a number of very notable events over the year which both boosted and decreased significantly the value of this investment over the period:

- The previously reported success of its clinical trial results in the treatment of Myelofibrosis, a blood cancer, using its proprietary drug Imetelstat, by its investigators at the Mayo Clinic in the USA had boosted its share price by 250 percent in late 2013 only for it to fall by over 50 percent in March 2014 following the imposition of a clinical hold on these trials by the US Federal Department of Health (FDA) pending clarification of certain observed low grade liver function abnormalities. This hold was partially lifted in June 2014 and then fully lifted in October 2014. Despite this, however, Geron's share price did not return to the higher levels of over $5 prior to the imposition of the clinical hold but remained at approximately 50 percent below this level.
- In July 2014, Geron spun off its regenerative medicine (stem cell) business to shareholders in a new vehicle called Asterias Biotherapeutics. This important business which had previously represented a major part of Geron's operations and in which Geron was the acknowledged world leader had been inexplicably discontinued by Geron a year earlier. After its distribution to shareholders, including ourselves, the business was reactivated by new management, refinanced and separately listed. Since when, the market value of Asterias and accompanying options has more than doubled, thus creating additional value for Geron shareholders. We are most grateful to our own major shareholder, Romulus Films, who were instrumental in procuring the demerger and its financing.
- In November 2014, Geron announced a transformational partnership with Johnson & Johnson, the world's largest pharmaceutical company, to develop its Imetelstat oncology platform for which it will receive milestone payments of almost $1 billion and a share of future royalties. This is a very advantageous transaction for Geron as it transfers the development of its ground breaking oncology technology to one of the world's most financially, technically and operationally strong pharmaceutical companies, thereby eliminating many of the risks encountered by small biotech companies seeking to bring a major new and disruptive product to market. Geron's share price rose by 250 percent on the announcement of this transaction as the market recognised its benefits; however, this remains far below the value achieved at the end of 2013 when the initial clinical trial results were revealed and before the Johnson & Johnson partnership was announced. For this reason, we believe that there is scope for significant value appreciation in Geron and we will remain invested until such time as the benefits of the Johnson & Johnson partnership begin to be fully recognised and valued by the market. We will also maintain our investments in Asterias Biotherapeutics and its parent Biotime Inc, both of which have performed well over the last year, as the regenerative medicine business of these two companies develops further in this increasingly important market over the coming years.

Outlook

The persistently low levels of volatility in equity markets during most of 2014 were puzzling given the array of financial, economic and geopolitical uncertainties which had been getting steadily more acute over the period.

Towards the end of 2014 and into 2015 markets finally recognised these uncertainties and began reinvesting in safe haven instruments such as developed country bonds, accepting in some case even negative returns as security against the perceived risks of deflation, long term stagnation and political instability. Nevertheless, equity market investment has continued to be favoured in a bid to find yield, resulting in stretched valuations developing in these markets.

In the UK, we have the additional uncertainty of a very unpredictable and potentially politically destabilising general election in May. The prospect of this has already caused markets to show increased volatility with the FTSE 100 rising and falling up to 5 percent a number of times in March and April.

Such volatility is only likely to persist as the election approaches and when combined more generally with the record growth seen in most equity markets over the past seven years despite the growing global economic and geopolitical uncertainties, we have as a precaution started to reduce our exposure to the market and sterling by selling down some of our larger and previously core investment holdings in the UK. We will maintain this cautionary stance for the foreseeable future until it is clear whether the various risks alluded to above are mitigated through successful management by central banks and governments of the difficulties and imbalances currently being experienced by economies, markets and countries around the world.

International Financial Reporting Standard (IFRS) 10

The introduction in 2014 of the new accounting standard IFRS 10 which affects the accounting treatment of the subsidiaries of investment companies has required us to change the presentation of our accounts from consolidated group accounts to accounts of the parent company only. As a result, we no longer show all the assets and movements within the parent company and its subsidiaries grouped together, but instead we are now required to show only the assets and movements of the parent company plus a fair value investment valuation of the subsidiaries in the parent, without an account of the operations of those subsidiaries.

We understand that this change, which we believe is singularly unhelpful for an investment trust group such as ourselves for the reasons given below, was in response to representations made by the private capital industry whose typical structure comprises a group of disparate investment vehicles which they believe is not susceptible to a consolidation approach.

Because of a very late and substantial amendment introduced in December 2014 by the International Accounting Standards Board to the precise definitions contained in IFRS 10, we are advised that this now applies to our structure as a group of subsidiary investment companies below an authorised investment trust parent. It is most unfortunate that this late amendment has resulted in our having to apply two different bases of accounting within the same year (our 2014 interim accounts were prepared on a consolidated basis), but more importantly we believe that going forward having to present our accounts on the IFRS and non-consolidated basis is, in our case, very disadvantageous to our shareholders and potential investors, reducing greatly the level of transparency within the group and the visibility of our group's investment performance and potential.

For example, as the individual operations of the subsidiary companies are not reported upon in this new presentation, the level of film royalties earned by our film library subsidiary is no longer shown. Nor is the level of property related income received by another subsidiary shown. Instead, a fair value calculation of these assets is made (resulting this year in a write up of the value of the film library by £795,000 as part of the fair value investment valuation by the parent company in its subsidiaries). No reporting of the level or pattern of film or other income in the subsidiaries is made on which shareholders or potential investors could form a view of the quantum, balance, valuation and future income potential of these assets and the group as a whole. Similarly, all other operations of the subsidiary companies whether income or expenditure in nature (ie dividend or non-dividend income, management expenses or interest costs) and their investments are no longer reported upon and remain obscure.

We do not believe that this is at all helpful for investors in a listed investment trust seeking to evaluate and understand the existing value and future potential of their investment. For this reason, we have decided to include in a separate note an account of the film and property revenues received by the subsidiaries, both of which are important elements in our group's operations by providing an alternative and steady source of income which we know is of interest to investors and differentiates our group from other investment trusts.

Furthermore, we believe that this new presentation of our accounts is likely to add considerable volatility to the reporting of earnings in the years to come. This is because the income of the subsidiaries is no longer reported (as noted above) and consequently, unless the subsidiaries' income is distributed up to the parent during the year, our accounts will no longer show total group income. In previous years we have both distributed such income and not distributed it, depending on circumstances such as the availability of distributable reserves in the various parts of the group, the nature of the income (whether for example income or capital gain) and varying levels of expenditure in any one year. Clearly, it is a disadvantage for investors not to have the visibility of a relatively predictable pattern of group income and by extension an understanding of the distributable reserves potential within the group available for future dividend payments. Income generation and sustainability, portfolio yield and dividend potential are some of the most important metrics which investors use to analyse and evaluate investment trusts and these will be considerably less visible, if measurable at all on a group basis, under the new reporting format.

It is a great pity that by the introduction of IFRS 10 in an inflexible way the accounting standards profession has once again failed in our case to address the realities and requirements of all companies to which it seeks to apply its rules.

Jonathan Woolf

29 April 2015

Income statement

For the year ended 31 December 2014

	2014			2013 (restated)		
	Revenue return	Capital return	Total	Revenue return	Capital return	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Investment income (note 2)	2,871	-	2,871	3,073	-	3,073
Holding (losses)/gains on investments at fair value through profit or loss	-	(3,226)	(3,226)	-	11,018	11,018
Losses on disposal of investments at fair value through profit or loss	-	(313)	(313)	-	(6,013)	(6,013)
Foreign exchange losses	-	(147)	(147)	-	-	-
Expenses	(398)	(225)	(623)	(372)	(209)	(581)
(Loss)/profit before finance costs and tax	2,473	(3,911)	(1,438)	2,701	4,796	7,497
Finance costs	(57)	(28)	(85)	(5)	-	(5)
(Loss)/profit before tax	2,416	(3,939)	(1,523)	2,696	4,796	7,492
Tax	54	-	54	46	-	46
(Loss)/profit for the period	2,470	(3,939)	(1,469)	2,742	4,796	7,538
Earnings per share						
Basic – ordinary shares	8.48p	(15.76)p	(7.28)p	9.57p	19.18p	28.75p
Diluted – ordinary shares	7.06p	(11.25)p	(4.19)p	7.83p	13.70p	21.53p

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

The total column of this statement 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.

Statement of changes in equity

For the year ended 31 December 2014

	Share capital	Capital reserve	Retained earnings	Total
	£ 000	£ 000	£ 000	£ 000
Balance at 31 December 2012 - restated∗ (note 6(c))	35,000	(11,151)	1,758	25,607
Changes in equity for 2013 - restated∗				
Profit for the period	-	4,796	2,742	7,538
Ordinary dividend paid (note 4)	-	-	(1,900)	(1,900)
Preference dividend paid (note 4)	-	-	(350)	(350)
Balance at 31 December 2013 - restated∗ (note 6(a))	35,000	(6,355)	2,250	30,895
Changes in equity for 2014				
(Loss)/profit for the period	-	(3,939)	2,470	(1,469)
Ordinary dividend paid (note 4)	-	-	(1,950)	(1,950)
Preference dividend paid (note 4)	-	-	(350)	(350)
Balance at 31 December 2014	35,000	(10,294)	2,420	27,126

∗ restated – see note 6

Registered number: 00433137

Balance Sheet

For the year ended 31 December 2014

	2014	2013 (restated∗)	2012 (restated∗)
	£ 000	£ 000	£ 000
Non-current assets			
Investments - fair value through profit or loss	27,334	29,559	18,654
Subsidiaries - fair value through profit or loss	6,499	8,338	4,526
	33,833	37,897	23,180
Current assets			
Receivables	1,406	1,647	2,943
Derivatives - fair value through profit or loss	87	395	2,635
Cash and cash equivalents	250	225	716
	1,743	2,267	6,294
Total assets	35,576	40,164	29,474
Current liabilities			
Trade and other payables	1,414	3,690	1,293
Bank loan	2,743	1,448	-
	(4,157)	(5,138)	(1,293)
Total assets less current liabilities	31,419	35,026	28,181
Non - current liabilities	(4,293)	(4,131)	(2,574)
Net assets	27,126	30,895	25,607
Equity attributable to equity holders			
Ordinary share capital	25,000	25,000	25,000
Convertible preference share capital	10,000	10,000	10,000
Capital reserve	(10,294)	(6,355)	(11,151)
Retained revenue earnings	2,420	2,250	1,758
Total equity	27,126	30,895	25,607

∗ restated – see note 6

Approved: 29 April 2015

Cash flow statement

For the year ended 31 December 2014

	Year ended 2014	Year ended 2013
	£ 000	£ 000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(1,523)	7,492
Adjustments for:		
Losses/(profits) on investments	3,539	(5,005)
Scrip dividends	(25)	(9)
Income tax deducted at source	-	(83)
Proceeds on disposal of investments at fair value through profit and loss	5,866	22,129
Purchases of investments at fair value through profit and loss	(4,170)	(22,831)
Interest paid	85	5
Operating cash flows before movements in working capital	3,772	1,698
Increase in receivables	(784)	(2,031)
(Decrease)/increase in payables	(2,277)	428
NET CASH FROM OPERATING ACTIVITIES BEFORE INTEREST	711	95
Interest paid	(85)	(5)
NET CASH FROM OPERATING ACTIVITIES AFTER INTEREST BEFORE TAXATION	626	90
Taxation	54	46
NET CASH FROM OPERATING ACTIVITIES	680	136
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid on ordinary shares	(1,950)	(1,900)
Dividends paid on preference shares	-	(175)
Bank loan	1,295	1,448
NET CASH USED IN FINANCING ACTIVITIES	(655)	(627)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	25	(491)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	225	716
CASH AND CASH EQUIVALENTS AT END OF YEAR	250	225

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 2014. This is the first year that the company has presented its financial statements under IFRS. The last set of annual financial statements was for the year ended 31 December 2013, and the date of transition to IFRS was therefore 1 January 2013. Accordingly, a full reconciliation of the changes is shown in Note 6. The financial statements have been prepared on the historical cost basis except for the measurements at fair value of investments, derivative financial instruments and subsidiaries. The same accounting policies as those published in the group consolidated statutory accounts for 31 December 2013 have been applied in the company statutory accounts for the year ended 31 December 2014.

The information for the year ended 31 December 2014 is an extract from the statutory accounts to that date. Statutory group consolidated accounts for 2013, which were prepared under IFRS as adopted by the EU, and included company accounts prepared under UK GAAP, have been delivered to the registrar of companies and company statutory accounts for 2014, prepared under IFRS as adopted by the EU, will be delivered in due course.

The auditors have reported on the 31 December 2014 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

	2014 £ 000	2013 £ 000
Income from investments		
UK dividends	528	2,431
Overseas dividends	42	484
Scrip and in specie dividends	25	9
Dividend from subsidiary	2,151	-
Interest on fixed income securities	103	102
	2,849	3,026
Other income	22	47
Total income	2,871	3,073

Total income comprises:

Dividends	2,746	2,924
Interest	103	102
Gain on foreign exchange	-	46
Other interest	22	1
	2,871	3,073

Income from investments

Listed investments	595	2,924
Unlisted investments	2,151	-
	2,746	2,924

Of the £2,746,000 (2013 – £2,924,000) dividends received in the company accounts, £nil (2013 – £2,351,000) related to special and other dividends received from investee companies that were bought after the dividend announcement. There was a corresponding capital loss of £nil (2013 – £2,442,000), on these investments.

Under IFRS 10 the income analysis this year is for the parent company only rather than that of the consolidated group shown in previous years. Thus film revenues of £165,000 (2013 – £138,000) received by the subsidiary British and American Films Limited and property unit trust income of £24,000 (2013 – £22,000) 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:

	2014			2013 (restated)		
	Revenue return	Capital return	Total	Revenue return	Capital return	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Earnings:						
Basic	2,120	(3,939)	(1,819)	2,392	4,796	7,188
Preference dividend	350	-	350	350	-	350
Diluted	2,470	(3,939)	(1,469)	2,742	4,796	7,538

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 (2013: 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 (2013: 35 million) ordinary and preference shares in issue.

4 Dividends

	2014 £ 000	2013 £ 000
Amounts recognised as distributions to equity holders in the period:		
Dividends on ordinary shares:		
Final dividend for the year ended 31 December 2013 of 5.1p (2012:4.9) per share	1,275	1,225
Interim dividend for the year ended 31 December 2014 of 2.7p (2013:2.7p) per share	675	675
	1,950	1,900
Proposed final dividend for the year ended 31 December 2014 of 5.3p (2013:5.1p) per share	1,325	1,275
Dividends on 3.5% cumulative convertible preference shares:		
Preference dividend for the 6 months ended 31 December 2013 of 1.75p (2012:1.75p) per share	175	175
Preference dividend for the 6 months ended 30 June 2014 of 1.75p (2013:1.75p) per share	175	175
	350	350
Proposed preference dividend for the 6 months ended 31 December 2014 of 1.75p (2013:1.75p) per share	175	175

The preference dividends for the 6 months ended 31 December 2013 and the 6 months ended 30 June 2014 were paid as dividends in specie.

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements in accordance with IFRS.

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

	2014	2013
	£ 000	£ 000
Dividends on ordinary shares:		
Interim dividend for the year ended 31 December 2014 of 2.7p (2013:2.7p) per share	675	675
Proposed final dividend for the year ended 31 December 2014 of 5.3p (2013:5.1p) per share	1,325	1,275
	2,000	1,950
Dividends on 3.5% cumulative convertible preference shares:		
Preference dividend for the year ended 31 December 2014 of 1.75p (2013:1.75p) per share	175	175
Proposed preference dividend for the year ended 31 December 2014 of 1.75p (2013:1.75p) per share	175	175
	350	350

5 Net asset values

		restated	Net asset value per share (restated)		restated	Net assets attributable (restated)
	2014	2013	2012	2014	2013	2012
	£	£	£	£ 000	£ 000	£ 000
Ordinary shares						
Undiluted	0.69	0.84	0.62	20,895	17,126	15,607
Diluted	0.78	0.88	0.73	30,895	27,126	25,607

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.

The undiluted net asset value per convertible £1 preference share is the par value of £1. The diluted net asset value per ordinary share assumes the conversion of the preference shares to ordinary shares.

6 Transition to IFRS

This is the first year that the company has presented its separate financial statements under IFRS. The last set of annual financial statements was for the year ended 31 December 2013, and the date of transition to IFRS was therefore 1 January 2013. Accordingly, a full reconciliation of the changes is shown below.

6 (a) Restatement of balances for the year ended 31 December 2013

	Previously reported (UK GAAP) 31 December 2013	Effect of transition to IFRS	Restated (IFRS) 31 December 2013
	£000	£000	£000
Investments – fair value through profit or loss	29,559	-	29,559
Subsidiaries – fair value through profit or loss (note 1)	7,504	834	8,338
Current assets	2,267	-	2,267
Current liabilities	(5,138)	-	(5,138)
Total assets less current liabilities	34,192		35,026
Non - current liabilities	(4,131)		(4,131)
Net assets	30,061		30,895
Equity attributable to equity holders			
Ordinary share capital	25,000	-	25,000
Convertible preference share capital	10,000	-	10,000
Capital reserve (note 1)	(7,189)	834	(6,355)
Retained revenue earnings	2,250	-	2,250
Total equity	30,061		30,895

Note 1

Investments are designated as held at fair value under IFRS. Previously, under UK GAAP investments in subsidiaries included films rights recorded as an amortised intangible asset. This results in an upward revaluation of £834,000 in investments and an increase in capital reserves.

6 (b) Reconciliation of the Statement of Total Return to the Income Statement for the year ended 31 December 2013

	2013
	£000
Reported revenue gain under UK GAAP	2,742
Reported capital gain under UK GAAP	4,868
Total return under UK GAAP	7,610
Movement in fair value December 2012	(906)
Movement in fair value December 2013	834
Reported total return under IFRS	7,538

6 (c) Restatement of balances for the year ended 31 December 2012

	Previously reported (UK GAAP) 31 December 2012	Effect of transition to IFRS	Restated (IFRS) 31 December 2012
	£000	£000	£000
Investments – fair value through profit or loss	18,654	-	18,654
Subsidiaries – fair value through profit or loss (note 1)	3,620	906	4,526
Current assets	6,294	-	6,294
Current liabilities	(1,293)	-	(1,293)
Total assets less current liabilities	27,275		28,181
Non - current liabilities	(2,574)	-	(2,574)
Net assets	24,701		25,607
Equity attributable to equity holders			
Ordinary share capital	25,000	-	25,000
Convertible preference share capital	10,000	-	10,000
Capital reserve (note 1)	(12,057)	906	(11,151)
Retained revenue earnings	1,758	-	1,758
Total equity	24,701		25,607

Note 1

Investments are designated as held at fair value under IFRS. Previously, under UK GAAP investments in subsidiaries included films rights recorded as an amortised intangible asset. This results in an upward revaluation of £906,000 in investments and an increase in capital reserves.

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 2014 Annual Report and Accounts, but remain unchanged from those published in the 2013 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, are paid by Remus Films Limited and Romulus Films Limited and are recharged to the company.

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 (2013 – £35,000,000) being 25,000,000 ordinary shares of £1 (2013 – 25,000,000) and 10,000,000 non-voting convertible preference shares of £1 each (2013 – 10,000,000). The rights attaching to the shares will be explained in more detail in the notes to the 2014 Annual Report and Accounts, but remain unchanged from those published in the 2013 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 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 25 June 2015 at 4.00pm at Wessex House, 1 Chesham Street, London SW1X 8ND.