British & American Investment Trust PLC

Annual Report and Accounts

for the year ended 31 December 1999

Registered number: 433137

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Directors and Officials

Directors
Jonathan C Woolf (Chairman and Managing Director)
Claude E Fielding (Non-executive)
Dominic G Dreyfus (Non-executive)
J Anthony V Townsend (Non-executive)

Secretary and registered office
DN Humphrey FCCA
214 The Chambers
Chelsea Harbour
London SW10 0XF

Auditors
Arthur Andersen
Chartered Accountants
20 Old Bailey
London EC4M 7AN

Registrars
IRG plc
Balfour House
390/398 High Road
Ilford
Essex 1G1 1NQ

Solicitors
Eversheds
Senator House
85 Queen Victoria Street
London EC4V 4JL

Stockbrokers
Walker, Crips, Weddle, Beck plc
Sophia House
76/80 City Road
London EC1Y 2BJ

Biographical details of directors

Chairman and Managing Director

Jonathan C Woolf

Director of Romulus Films Limited and associated companies, formerly merchant banker with S G Warburg & Co. Ltd.

Non Executive

Claude E Fielding

Solicitor, Consultant to Theodore Goddard, Director of Romulus Films Ltd and of Richard Attenborough Productions Ltd and associated companies.

Dominic Dreyfus

Director, BCI Soditic Trade Finance Ltd, managing director Soditic Limited. Formerly Membre du Directoire, Warburg Soditic SA, Geneva.

J Anthony V Townsend

Director, chairman of Adam & Harvey Group Plc and a non-executive director of BRIT Insurance Holdings Plc, five Finsbury investment trusts and two other investment trust companies. A deputy chairman of the Association of Investment Trust Companies.

Notice of meeting

NOTICE IS HEREBY GIVEN THAT the fifty second Annual General Meeting of the company will be held at 214 The Chambers, Chelsea Harbour, London SW10 0XF on Wednesday 14 June 2000 at 12.15pm for the following purposes:

1 To receive and consider the directors' report and group accounts for the year ended 31 December 1999 and the report of the auditors thereon.

2 To re-elect CE Fielding as a director.

3 To elect JAV Townsend as a director.

4 To declare a final dividend of 2.75p per £1 ordinary share.

5 To appoint Arthur Andersen as auditors of the company until the conclusion of the next general meeting at which accounts of the company are presented.

6 To authorise the directors to approve the remuneration of the auditors.

By Order of the Board

DN Humphrey
Secretary
10 April 2000

214 The Chambers
Chelsea Harbour
London SW10 OXF

Notes:
Any member of the company entitled to attend and vote at the meeting may appoint another person (whether a member or not) as his proxy to attend and, on a poll, to vote instead of him.

Under the company's articles of association only holders of the ordinary shares are entitled to attend and vote at this meeting.

The register of directors' interests and copies of the directors' service agreements will be available for inspection at the registered office of the company during normal business hours from the date of this notice until the conclusion of the Annual General Meeting.

Chairman's statement

I am pleased to report our results for the year ended 31 December 1999.

The return on revenue account before tax amounted to £2.1 million (1998: £2.0 million). Gross income amounted to £2.6 million (1998: £2.5 million), of which £2.3 million (1998: £2.3 million) represented income from investments including deposit interest and £0.3 million (1998: £0.2 million) film and other income.

Total return before tax, including realised and unrealised capital appreciation, amounted to £9.9 million (1998: £3.9 million).

The return on revenue account per ordinary share was 5.9p (1998: 5.1p) on an undiluted basis and 5.2p (1998: 4.6p), on a fully diluted basis.

Group net assets increased to £53.1 million (1998: £46.1 million), an increase of 15.1 percent. This compares to an increase over the same period of 17.8 percent in the FT-SE 100 share index, 21.2 percent in the All Share index and 7.5 percent in the FT-SE Actuaries Investment Trust index.

The net asset value per ordinary share increased to 152p (132p) on a fully diluted basis. Deducting prior charges at par, the net asset value per ordinary share increased to 172p (1998: 145p).

We are pleased to recommend a final dividend of 2.75p per ordinary share. Together with the interim dividend this makes a total payment for the year, excluding special dividends, of 4.275p (1998: 3.875p), representing an increase of 10.3 percent over the previous year's dividend. In addition, a special Millennium dividend of 5p per ordinary share was paid on 31 January in recognition of the restructuring of First Leisure PLC. In total, ordinary shareholders will have received 9.275p per share of dividends, representing a payment of £2.3 million. A dividend of 1.75p will be paid to preference shareholders resulting in a total payment for the year of 3.5p per share.

The UK equity market experienced considerable volatility in 1999 and followed closely the lead set by US equity markets throughout the year. As reported at the interim stage, performance in the first half of the year was firm with strong progress seen in leading stocks. This growth was reversed in the third quarter with sharp falls experienced in leading and particularly technology stocks which had strongly outperformed in the first half. Expectations developed that the markets would remain flat for the rest of the year as liquidity dried up ahead of the Millennium; however, the opposite occurred and despite worries over Millennium-related software problems and a programme of monetary tightening in the US and the UK, markets and volumes showed growth at unprecedented levels in the last two months of 1999. In November and December, the FT-SE 100 index rose 25 percent and this effect was even more pronounced in the technology stocks, with the Nasdaq index rising 46 percent in that two month period.

As at 31 March 2000, group net assets were £51.4 million, a reduction of £1.7 million since the beginning of the calendar year, reflecting in part the payment of the special dividend in January of £1.25 million. This is equivalent to 165.6 pence per share (prior charges deducted at par) and 146.9 pence per share on a fully diluted basis.

The outlook for the coming year in the UK remains firm. Gains seen in the markets at the end of 1999 have to date been consolidated and in some cases extended, although significantly higher levels of volatility and swings in sentiment between so called 'old economy' and new technology stocks have emerged. Confidence in continued high levels of economic growth in the UK and developed economies through technology-led expansion persists as a strong support to markets and the continued programme of monetary tightening in the US and UK in response to fears of unsustainably high economic growth levels has not so far materially dampened enthusiasm for investment.

However, as the recently higher levels of volatility would indicate, the risks of a substantial and long-awaited correction in equity markets and particularly in those sectors which have outperformed and have become over-valued have notably increased. Irrespective of their individual business potential, valuations of those companies which are considered to offer exposure to new technology and future methods of conducting business operations have become stretched beyond all rational justification. This has been in response to high levels of retail investor interest and often limited stock supply. In due course, a more balanced supply of stock and a return to a more discriminating basis of investment should serve to restore valuations to more sustainable levels.

Jonathan C Woolf

10 April 2000

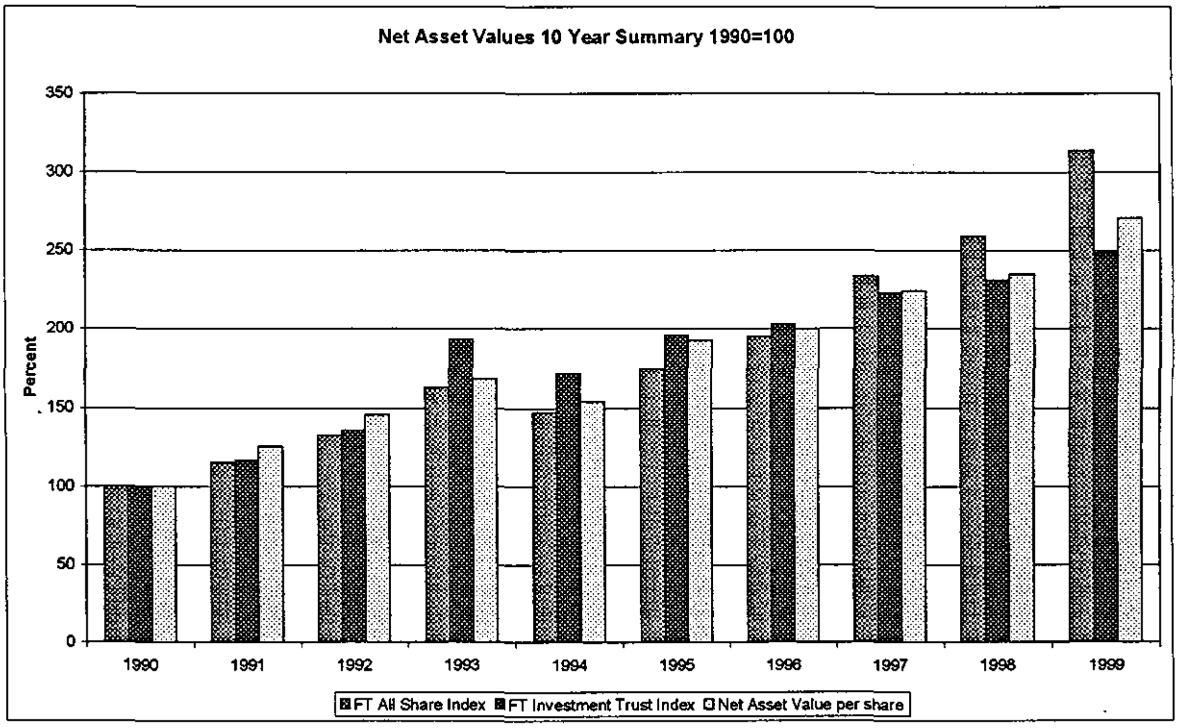
Financial Highlights

For the year ended 31 December 1999

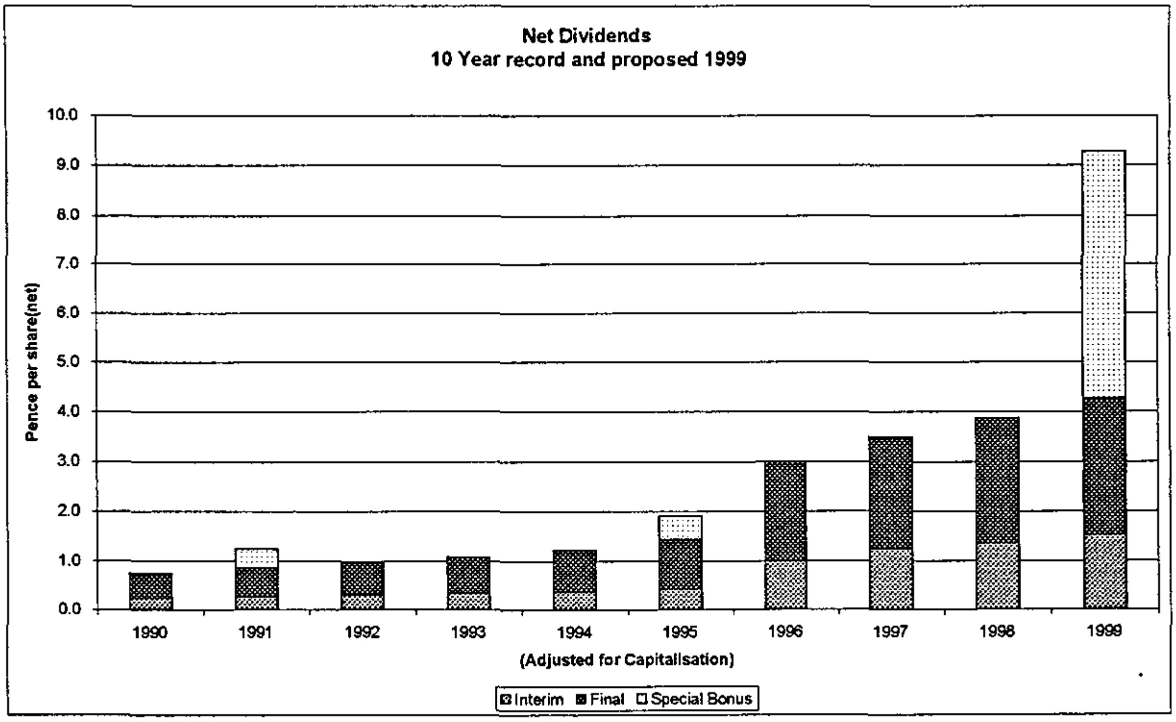
	1999			1998		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Return before taxation	2,094	7,811	9,905	1,956	1,794	3,750
Earnings per £1 ordinary share – basic	5.93p	31.25p	37.18p	5.06p	7.17p	12.23p
Earnings per £1 ordinary share - fully diluted	5.24p	22.32p	27.56p	4.61p	5.13p	9.74p
Net asset value			53,117			46,140
Net assets per ordinary share						
- deducting preference shares at par			172p			145p
- fully diluted			152p			132p
Fully diluted net asset value per ordinary share at 31 March 2000 (30 April 1999)			147p			152p

Net Asset and Dividend Growth

Net asset values



Net dividends



Distribution of investments and cash

The distribution of investments and cash balances are as follows:

	At valuation		
	31 March 2000 £000	31 December 1999 £000	31 December 1998 £000
Investment Trusts	24,465	24,800	21,218
Life Assurance	8,591	10,648	8,421
Leisure	5,004	8,595	7,508
Property	3,048	3,250	-
Debentures and Loan Stocks	2,034	2,029	1,638
Preference	1,208	1,335	732
Unit trusts	1,298	1,183	899
Convertibles	840	795	1,346
Insurance	385	475	-
Pharmaceuticals and healthcare	-	266	350
Overseas	39	250	404
Other financial	239	190	3,279
Eurobonds	-	-	704
Retailers – general	209	-	-
Breweries, pubs and restaurants	126	-	-
Chemicals	105	-	-
Food producers	97	-	-
Banks, retail	74	-	-
Electricity	73	-	-
Transport	66	-	-
Listed investments	47,901	53,816	46,499
Unlisted investments	320	320	320
Total portfolio	48,221	54,136	46,819
Balances at banks and stockbrokers	2,608	720	(519)
	50,829	54,856	46,300

Group investment portfolio

At 31 December 1999

Company	Nature of business	Valuation £000	% of Portfolio
Prudential Corporation	Life Assurance	9,764	18.04
First Leisure Corporation	Leisure	(i) 5,074	9.37
		(ii) 2,722	5.03
Liberty International Holdings	Property	3,251	6.00
Securities Trust of Scotland	Investment Trust	2,777	5.13
Alliance Trust	Investment Trust	2,664	4.92
Electra Investment Trust	Investment Trust	2,469	4.56
British Assets Trust	Investment Trust	2,355	4.35
Dunedin Income Growth	Investment Trust	2,255	4.17
Aberdeen Preferred – Loan Stock	Fixed Interest Stock	1,293	2.39
Aberdeen Preferred – Ordinary	Investment Trust	1,170	2.16
St James Place Unit Trust	Unit Trust	1,094	2.02
Scottish American Investment Co.	Investment Trust	1,071	1.98
Geared Income Investment Trust	Investment Trust	992	1.83
Murray International Trust	Investment Trust	978	1.81
RIT Capital Partners – Ordinary	Investment Trust	941	1.74
Shires Income	Investment Trust	893	1.65
St James Place Capital	Life Assurance	884	1.63
BFS Absolute Return	Investment Trust	746	1.38
RIT Capital Partners – Loan Stock	Investment Trust	548	1.01
Witan Investments	Investment Trust	525	0.97
20 Largest investments		44,466	82.14
Other investments		9,670	17.86
Total investments		54,136	100.00

Note:

(i) Held by British & American Investment Trust PLC

(ii) Held by BritAm Investments Limited

Directors' report
For the year ended 31 December 1999

Financial statements
To be presented at the fifty-second Annual General Meeting of the company to be held on 14 June 2000.

The directors present their annual report on the affairs of the group together with the accounts and auditors' report for the year ended 31 December 1999.

Directors' responsibilities
Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Business review
The activities of the company and its subsidiary undertakings during the accounting year were as follows:

Company	Activities
British & American Investment Trust PLC	Investment trust
BritAm Investments Limited	Investment holding
British and American Investments	Investment holding
British & American Films Limited	*Film investment company*

Business review (continued)

The review of the business is included in the Chairman's Statement on page 4 and information on movements on investments since the year end is included on page 8.

The Company carried on the business of an investment trust. It is approved by the Inland Revenue as such, which enables it to realise its investments free from taxation on capital gains. Approval is retrospective and has been received in respect of the financial year to 31 December 1998. The Company has since directed its affairs to enable it to continue to seek approval.

Results and dividends

The directors set out below the results and dividends for the year ended 31 December 1999.

	Revenue £000	Capital £000	Total £000
Return for the financial year before taxation	2,094	7,811	9,905
Tax	(260)	-	(260)
Return for the financial year after taxation	1,834	7,811	9,645

Dividends	Pence per share	£000	
Interim per £1 ordinary share (paid 18 November 1999)	1.525	381	
3.5% preference shares paid	1.75	175	
Special millennium per £1 ordinary share (paid 31 January 2000)	5.00	1,250	
Final proposed per £1 ordinary share	2.75	688	
3.5% preference shares	1.75	175	
			(2,669)
Transfer to other reserves			(7,811)
Transferred from revenue reserve			(835)

The dividends proposed above will be paid on 22 June to ordinary shareholders on the register at 25 April 2000 and to 3.5% preference shareholders on the register at 31 December 1999.

Directors and their interests

The present directors of the company are as set out on page 1. The director retiring by rotation is Mr CE Fielding who, being eligible, offers himself for re-election. Sir John Woolf was employed under an employment agreement which had no specific period of notice of termination. Sir John Woolf died on 28 June 1999. Mr JC Woolf is employed under an employment agreement which requires twelve months notice of termination. Mr Fielding, Mr Dreyfus and Mr Townsend do not have contracts of service with the company. Mr Townsend was appointed as director of the company on 6 October 1999.

The directors during the year ended 31 December 1999 had interests in the shares of the company as follows:

	1999		*1998*	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Ordinary shares of £1				
Sir John Woolf (deceased)	1,380,812	14,745,312	1,380,812	14,745,312
JC Woolf	-	62,500	-	62,500
CE Fielding	10,000	43,750	10,000	43,750
DG Dreyfus	5,000	-	5,000	-
JAV Townsend	-	-	-	-
Non voting convertible preference shares of £1				
Sir John Woolf (deceased)	-	10,000,000	-	10,000,000

Included in Sir John Woolf (deceased) non-beneficial holding are 6,796,562 (27.2%) (1998: 6,796,562 (27.2%)) ordinary shares held by Romulus Films Ltd, 7,868,750 (31.5%) (1998: 7,868,750 (31.5%)) ordinary shares held by Remus Films Ltd and 80,000 (0.32%) (1998: 80,000 (0.32%)) ordinary shares held by PKL Pictures Limited. Romulus Films Ltd also holds 10,000,000 convertible preference shares (1998: 10,000,000). Mediterranean Holdings Ltd has also notified an interest in all the holdings of Romulus Films Ltd and Remus Films Ltd.

Except in the ordinary course of business no director had an interest in any contract in relation to the company's business at any time during the year.

Other information

In addition to the directors' interests in shares detailed above, at 10 April 2000 the directors had been notified of the following holdings in excess of 3% of either class.

	Number of shares held	% holding
Unwin Investments Limited	1,146,562	4.59

These were held in the ordinary shares of the company.

Creditor Payment Policy

The company's payment policy is to agree terms of payment before business is transacted, to ensure suppliers are aware of their terms and to settle invoices in accordance with them.

Year 2000

No significant issues relating to the year 2000 have been identified to date. No costs associated with year 2000 compliance have been incurred.

Audit Committee

There is an audit committee consisting of the whole Board and chaired by D.G. Dreyfus.

Auditors

Binder Hamlyn joined and have been members of Andersen Worldwide since 1994. They have accordingly resigned as auditors of the company during the year and the directors have appointed Arthur Andersen in their place for the current year. The directors will place an ordinary resolution proposing that Arthur Andersen be appointed as auditors before the annual general meeting.

Approved by the Board

Jonathan Woolf
Managing Director

214 The Chambers
Chelsea Harbour
London
SW10 0XF

10 April 2000

Auditors' report

To the Shareholders of British & American Investment Trust PLC:

We have audited the accounts on pages 16 to 33 which have been prepared under the historical cost convention as modified by the revaluation of investments and the accounting policies set out on pages 19 to 20.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 10, preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company and the group is not disclosed.

We review whether the corporate governance statement on page 34 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 December 1999 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

20 Old Bailey
London
EC4M 7AN

10 April 2000

Consolidated statement of total return (incorporating the revenue account)

For the year ended 31 December 1999

		1999			1998		
	Notes	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Income	2	2,555	-	2,555	2,480	-	2,480
Realised gains on investments	10	-	3,288	3,288	-	3,243	3,243
Increase/(decrease) in unrealised appreciation	10	-	4,523	4,523	-	(1,449	(1,449)
Other expenses	3	(376)	-	(376)	(375)	-	(375)
Net return before finance costs and taxation		2,179	7,811	9,990	2,105	1,794	3,899
Interest payable and similar charges	6	(85)	-	(85)	(149)	-	(149)
Return on ordinary activities before tax for the financial year		2,094	7,811	9,905	1,956	1,794	3,750
Tax on ordinary activities	7	(260)	-	(260)	(341)	-	(341)
Return on ordinary activities after tax for the financial year		1,834	7,811	9,645	1,615	1,794	3,409
Dividends and other appropriations in respect of preference shares	8	(350)	-	(350)	(350)	-	(350)
Return attributable to ordinary shareholders		1,484	7,811	9,295	1,265	1,794	3,059
Dividends in respect of ordinary shares	8	(2,319)	-	(2,319	(969)	-	(969)
Transfer (from) to reserves		(835)	7,811	6,976	296	1,794	2,090
Return per ordinary share							
Basic	9	5.93p	31.25p	37.18p	5.06p	7.17p	12.23p
Fully-diluted	9	5.24p	22.32p	27.56p	4.61p	5.13p	9.74p

The revenue column of this statement is the consolidated profit and loss account of the group. The accompanying notes are an integral part of this statement of total return. All revenue and capital items in the above statement for the year ended 31 December 1999 and the year ended 31 December 1998 derive from continuing operations. No operations were acquired in the year.

Balance sheets

31 December 1999

	Notes	Group		Company	
		1999 £000	1998 £000	1999 £000	1998 £000
Fixed assets					
Investments	10	54,136	46,819	53,208	45,986
Current assets					
Debtors	13	551	1,206	1,302	1,047
Cash at bank and in hand		1,970	731	875	413
		2,521	1,937	2,177	1,460
Creditors: amounts falling due within one year	14	(3,540)	(1,366)	(2,233)	(1,348)
Net current assets		(1,019)	571	(56)	112
Total assets less current liabilities		53,117	47,390	53,152	46,098
Creditors: amounts falling due after more than one year	15	-	(1,250)	-	-
Net assets		53,117	46,140	53,152	46,098
Capital and reserves					
Called-up share capital	16	35,000	35,000	35,000	35,000
Other reserves					
- Capital reserve – realised	17	7,943	4,654	5,186	3,472
- Capital reserve – unrealised	17	7,421	2,897	12,739	6,846
Revenue reserve	17	2,753	3,589	227	780
Total shareholders' funds	18	53,117	46,140	53,152	46,098
Total shareholders' funds attributable to:					
Equity shareholders		43,117	36,140	43,152	36,098
Preference shareholders		10,000	10,000	10,000	10,000
Net asset value per ordinary share:	19				
- Basic		172	145		
- Fully diluted		152	132		

The financial statements on pages 16 to 33 were approved by the board of directors on 10 April 2000.

Jonathan C Woolf
Managing Director

The accompanying notes are an integral part of these balance sheets.

Consolidated cash flow statement

For the year ended 31 December 1999

	Notes	1999 £000	1999 £000	1998 £000	1998 £000
Net cash inflow from operating activities	22		2,011		1,609
Servicing of finance					
Interest paid		(86)		(153)	
Preference dividends paid		(437)		(363)	
Net cash outflow from servicing of finance			(523)		(516)
Taxation					
UK tax recovered			99		10
Financial investment					
Purchases of investments		(6,380)		(6,546)	
Sales of investments		7,038		6,000	
Net cash inflow/(outflow) from capital expenditure and financial investment			658		(546)
Equity dividends paid			(1,006)		(906)
Cash inflow/(outflow) before management of liquid resources and financing			1,239		(349)
Financing			-		(500)
Increase/(decrease) in cash	21		1,239		(849)
Reconciliation of net cash flow to movement in net funds					
Increase/(decrease) in cash		1,239		(849)	
Change in net funds			1,239		(849
Net funds at 1 January			731		1,580
Net funds at 31 December			1,970		731

The accompanying notes are an integral part of these statements.

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding period, is set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of investments. The accounts have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'.

b) Basis of consolidation

The consolidated statement of total return and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 1999.

No profit and loss account is published for British & American Investment Trust PLC as provided by S230 of the Companies Act 1985. The company's loss for the year after dividends paid and proposed was £553,071 (1998: £136,427).

In the company's accounts, investments in subsidiary undertakings are stated in accordance with the policies outlined under (c) below.

Realised gains on sales of investments in the group accounts are based on historic cost to the group and on brought forward market value at company level.

c) Valuation of investments

Quoted investments are valued at middle market prices. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value. Unquoted investments are valued by the Board at the directors' latest valuation.

Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to capital reserve – realised. Unrealised surpluses and deficits on the revaluation of investments are taken to capital reserve - unrealised as explained in note 1(i) below.

The company invests in index options from time to time. Realised surpluses or deficits on exercise or disposal of these options are taken to capital reserve-realised. Unrealised surpluses or deficits on the revaluation of options are taken to capital reserve-unrealised as explained in note 1(i) below.

d) Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date.

The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security.

1 Accounting policies (continued)

e) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment.
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- *expenses are charged to capital reserve - realised where a connection with the maintenance or enhancement of* the value of the investments can be demonstrated.
- expenses of management are charged to the revenue account.

f) Finance costs

Finance costs, including dividends and other finance costs of non-equity shares, are accounted for on an accruals basis, and in accordance with the provisions of Financial Reporting Standard 4 "Capital Instruments". Finance costs of debt, insofar as they relate to the financing of the company's investments or to financing activities aimed at maintaining or enhancing the value of the company's investments, are allocated 100% to revenue account.

g) Deferred taxation

Provision is made for deferred taxation under the liability method where, in the opinion of the directors, a liability is likely to arise in the foreseeable future. No provision is made for any potential liability to corporation tax on chargeable gains in subsidiary undertakings which would arise if investments were sold at their balance sheet values, except where it is certain that such gains will crystallise.

h) Foreign currency

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the transaction. Overseas listed investments are translated at the rate of exchange at the balance sheet date. Realised exchange gains and losses are taken to the revenue account.

i) Capital reserves

Capital reserve - realised

This is the accumulated gains and losses on the realisation of investments.

Capital reserve - unrealised

This is the difference between the historical cost of investments and their market value at the balance sheet date.

2 Income

Income from investments	1999 £000	1998 £000
Franked investment income	1,955	1,594
Overseas dividends	1	5
Foreign income dividends	14	235
Scrip dividends	2	80
Other	266	125
	2,238	2,039
Other income		
Film revenues	208	242
Deposit interest	101	186
Other	8	13
	317	441
Total income	2,555	2,480
Total income comprises:		
Dividends	1,972	1,913
Interest	344	295
Film revenues	208	242
Property units	23	17
Placing and underwriting commission	-	12
Tax supplement	5	1
Profit on exchange	3	-
	2,555	2,480
Income from investments:		
Listed UK	2,237	2,034
Listed overseas	1	5
	2,238	2,039

3 Other expenses

	1999 £000	1998 £000
Staff costs - including directors (Notes 4 and 5)	224	227
Auditors' remuneration for:		
- audit	27	27
- other services to the company and its subsidiaries	76	79
Other	30	23
Irrecoverable VAT	19	19
	376	375

4 Directors' remuneration

	1999 £000	1998 £000
Fees:		
CE Fielding	11	9
DG Dreyfus	9	7
JAV Townsend	2	-
Salaries:		
Sir John Woolf (deceased)	20	39
JC Woolf	39	37
	81	92

The directors do not receive any performance related pay nor any benefits in kind. None of the directors has any share options and no pension contributions are paid on their behalf. There are no long term incentive schemes for any directors.

5 Staff costs

	1999 £000	1998 £000
Wages and salaries	188	190
Social security costs	18	18
Pensions and post-retirement benefits	18	19
	224	227

The average number of persons (including directors) employed during the year was 7 (1998: 7).

	1999 Number	1998 Number
Investment	3	3
Administration	4	4
	7	7

6 Interest payable and similar charges

	1999 £000	1998 £000
On bank loan repayable within five years, not by instalments	85	149

7 Tax on ordinary activities

	1999 £000	1998 £000
Corporation tax at 30.25%	34	-
Tax attributable to franked investment income	213	335
Overseas taxation	13	6
	260	341

8 Dividends

	1999 £000	1998 £000
Dividends on ordinary shares:		
Interim paid of 1.525p per £1 share (1998: 1.375p per share)	381	344
Millennium special of 5p per £1 share (1998: nil)	1,250	-
Final proposed of 2.75p per £1 share (1998: 2.5p per share)	688	625
	2,319	969
Dividends on 3.5% convertible preference shares:		
1.75p paid	175	137
1.75p proposed	175	175
Accumulated	-	125
Released	-	(87)
	350	350

The dividends on ordinary shares are based on 25,000,000 ordinary £1 shares in the year to 31 December 1999. Dividends on preference shares are based on 10,000,000 non-voting 3.5% convertible preference shares of £1 in the year to 31 December 1999.

The holders of the 3.5% convertible preference shares will be paid a dividend of £175,000 being 1.75p per share. The payment will be made on the same date as the dividend to the ordinary shareholders.

9 Return per ordinary share

	1999			1998		
	Revenue	*Capital*	*Total*	*Revenue*	*Capital*	*Total*
Group:						
Basic	5.93p	31.25p	37.18p	5.06p	7.17p	12.23p
Fully-diluted	5.24p	22.32p	27.56p	4.61p	5.13p	9.74p

Basic revenue return per ordinary share is based on the net revenue on ordinary activities after taxation and after deduction of dividends in respect of preference shares of £1,484,000 (1998: £1,265,000) and on 25 million (1998: 25 million) ordinary shares in issue.

Basic capital return per ordinary share is based on capital gains, both realised and unrealised, for the financial year of £7,811,000 (1998: £1,794,000) and on 25 million (1998: 25 million) ordinary shares in issue.

The fully diluted return per share is based on the same profits after taxation as for the basic earnings per ordinary share and on 35 million (1998: 35 million) ordinary and convertible preference shares in issue.

10 Investments at valuation

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Investments listed on a recognised investment exchange	53,816	46,499	49,588	42,345
Unlisted investments				
- Subsidiary undertakings (Note 11)	-	-	3,620	3,641
- Property units	320	320	-	-
	54,136	46,819	53,208	45,986

Group:	Listed in UK £000	Listed overseas £000	Listed index option £000	Property units £000	Total £000
Opening book cost	16,145	40	386	320	16,891
Opening unrealised appreciation	29,949	(27)	6	-	29,928
Opening valuation	*46,094*	13	392	320	*46,819*
Movements in the year:					
Purchases at cost	6,073	-	866	-	6,939
Sales - proceeds	(6,263)	-	(1,170)	-	(7,433)
- realised gains on sales	3,100	-	188	-	3,288
Increase/(decrease) in unrealised appreciation	4,562	14	(53)	-	4,523
Closing valuation	53,566	27	223	320	54,136
Closing book cost	*19,055*	40	*270*	320	*19,685*
Closing unrealised appreciation	34,511	(13)	(47)	-	34,451
	53,566	27	223	320	54,136

10 Investments at valuation (continued)

Company:	Listed in UK £000	Listed overseas £000	Listed index option £000	Unlisted £000	Total £000
Opening book cost	33,118	40	386	5,610	39,154
Opening unrealised appreciation	8,822	(27)	6	(1,969)	6,832
Opening valuation	41,940	13	392	3,641	45,986
Movements in the year:					
Purchases at cost	5,466	-	866	-	6,332
Sales - proceeds	(5,546)	-	(1,170)	-	(6,716)
- realised gains on sales	804	-	188	-	992
Increase/(decrease) in unrealised appreciation	6,674	14	(53)	(21)	6,614
Closing valuation	49,338	27	223	3,620	53,208
Closing book cost	34,563	41	269	5,610	40,483
Closing unrealised appreciation	14,775	(14)	(46)	(1,990)	12,725
	49,338	27	223	3,620	53,208

The potential taxation liability in subsidiary undertakings in respect of unrealised capital appreciation on which deferred taxation has not been provided at 31 December 1999 is estimated at £531,000 (31 December 1998: £506,000).

11 Subsidiary undertakings

The company and the group have investments in the following subsidiary undertakings:

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares and voting rights held by: Company (%)	Group (%)
British and American Investments	Ordinary £1	100	100
BritAm Investments Limited	Ordinary £1	100	100
British and American Films Limited	Ordinary £1	100	100

British and American Investments and BritAm Investments Limited are investment holding companies. British and American Films Limited is a film distribution company.

All of these subsidiary undertakings are included in the consolidation. All are incorporated in England and Wales.

12 Significant interests

The group's holding in the following companies is more than 10% of the group's assets at the balance sheet date.

Name of undertaking	Country of incorporation and operation	Description of shares held	Percentage of undertaking held by: Company	Group
First Leisure Corporation plc	England	Ordinary	1.36	2.09
Prudential Corporation plc	England	Ordinary	0.04	0.04

The company and group had a holding of 6.61% in the 8¼% Subordinated Unsecured Loan Stock 2023 of Aberdeen Preferred Income Trust plc at the balance sheet date.

The company or group had no holding of 3% or more of any class of capital in any company other than its subsidiaries that is material in the context of the financial statements other than as stated above.

13 Debtors

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
Amounts due from brokers	187	734	187	734
Trade debtors	19	151	-	-
Amount owed by subsidiary undertakings	-	-	788	28
Income tax and ACT recoverable	72	130	65	129
Group relief receivable	-	-	14	-
Prepayments and accrued income	75	47	75	41
Other debtors	198	144	173	115
	551	1,206	1,302	1,047

14 Creditors: amounts falling due within one year

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Bank loan (note 15)	1,250	-	-	-
Amounts due to brokers	-	385	-	386
Corporation tax payable	34	-	-	-
Other taxes and social security	2	1	2	1
Other creditors	10	16	5	13
Accruals and deferred income	132	76	114	60
Proposed dividends	2,112	888	2,112	888
	3,540	1,366	2,233	1,348

15 Creditors: amounts falling due after more than one year

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Bank loan	-	1,250	-	-

The bank loan of £1,250,000 is secured on the listed investments held by a subsidiary company. Any sales or redemption of these investments will be applied in reducing the loan. The loan will be repaid in full in December 2000. Interest is payable at 1½% above the bank's base rate.

16 Called-up share capital

	1999	1998
	£000	£000
Authorised:		
25,000,000 ordinary shares of £1 each	25,000	25,000
10,000,000 non voting 3.5% convertible preference shares of £1 each	10,000	10,000
Allotted, called-up and fully-paid:		
25,000,000 ordinary shares of £1 each	25,000	25,000
10,000,000 non-voting 3.5% convertible preference shares of £1 each	10,000	10,000
	35,000	35,000

16 Called-up share capital (continued)

The non-voting convertible preference shares entitle holders of such shares to receive notice of, but not attend or vote at, any general meeting of the company, unless the business of the meeting includes consideration of any resolution (a) for winding up the company (b) for the purchase of the company's own shares or (c) abrogating or varying the rights attached to such shares.

On a winding up, the rights to dividends and amounts receivable are first to be applied in paying arrears of preference dividends, the balance to rank pari passu with those of the holders of the ordinary shares.

Conversion right of non-voting 3.5% convertible preference shares

If at any time during the period from 1 January 2006 to 31 December 2025 (both dates inclusive) and prior to the giving of the conversion notice, the Company shall have published audited annual accounts showing shareholders' funds (on a consolidated basis if such accounts are published on a consolidated basis) of not less than £50 million, each holder of non-voting convertible preference shares shall have the right in the period from 1 January 2006 to 31 December 2025 (both dates inclusive) to convert all or any of the non-voting convertible preference shares held into fully paid ordinary shares at the rate of one ordinary share for each non-voting convertible preference share.

17 Reserves

	Capital reserve - realised £000	Capital reserve - unrealised £000	Revenue reserve £000
Group			
Beginning of year	4,654	2,897	3,589
Return after ordinary dividends for the year	-	-	(836)
Increase in unrealised appreciation	-	4,524	-
Gain on realisation of investments	3,289	-	-
End of year	7,943	7,421	2,753
Company			
Beginning of year	3,472	6,846	780
Return after ordinary dividends for the year	-	-	(553)
Increase in unrealised appreciation	-	5,893	-
Gain on realisation of investments	1,714	-	-
End of year	5,186	12,739	227

18 Reconciliation of movements in shareholders' funds

	Group	
	1999 £000	1998 £000
Return for the financial year	1,834	1,615
Dividends and other appropriations	(2,669)	(1,319)
	(835)	296
Transfer from dividend equalisation reserve	-	(50)
Other recognised gains relating to the year	7,812	1,792
Net additions to shareholders' funds	6,977	2,038
Opening shareholders' funds	46,140	44,102
Closing shareholders' funds	53,117	46,140

19 Net asset value per share

The net asset value per ordinary share has been calculated by reference to total net assets, less net assets attributable to preference shares, divided by 25,000,000 ordinary shares.

Fully diluted net asset value per share has been calculated by reference to total net assets divided by 35,000,000 ordinary and preference shares.

In both cases, the effective net assets of the group have been calculated by including investments at their market value. The analysis of shareholders' funds on the face of the balance sheet has been computed in accordance with the provisions of Financial Reporting Standard 4 'Capital Instruments', which reflects the rights under the Articles of Association of the respective classes of share on a return of assets.

	Net asset value per share		Net asset value	
	1999 Pence	1998 Pence	1999 £000	1998 £000
Net assets attributable to ordinary shareholders	172	145	43,117	36,140
Preference shares			10,000	10,000
Net assets attributable to ordinary and preference shareholders	152	132	53,117	46,140

20 Net asset value per share (continued)

The movement during the year of the assets attributable to each class of share were as follows:-

	Ordinary shares £000	Convertible preference shares £000	Total £000
Total net assets attributable at beginning of year	36,140	10,000	46,140
Total recognised gains	9,295	350	9,645
Ordinary dividends appropriated	(2,318)	-	(2,318)
Preference dividends appropriated	-	(350)	(350)
Total net assets attributable at end of year	43,117	10,000	53,117

21 Analysis of net funds

	Balance 1 January 1999 £000	Cash flow £000	Balance 31 December 1999 £000
Cash at bank	731	1,238	1,969
Liquid resources – cash at brokers	-	1	1
Bank loan	(1,250)	-	(1,250)
	(519)	1,239	720

22 Reconciliation of operating revenue to net cash inflow from operating activities

	Group	
	1999 £000	1998 £000
Net revenue before finance costs and taxation	2,179	2,105
Scrip dividends	(2)	(65)
Increase in other creditors	52	31
Increase/(decrease) in debtors	49	(88)
Tax on investment income	(254)	(367)
Tax on film revenue	(13)	(7)
Net cash inflow from operating activities	2,011	1,609

23 Related party transactions

The company rents its offices from Romulus Films Limited, and is also charged for its office overheads. During the year the company paid £7,522 (1998: £7,801) in respect of those services.

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. Amounts charged by these companies in the year to 31 December 1999 were £186,206 (1998: £190,477) in respect of salary costs and £19,562 (1998: £18,926) in respect of pensions.

Romulus Films Limited and Remus Films Limited have significant shareholdings in the company - see page 12.

24 Derivatives and other financial instruments

The Group's financial instruments comprise:

- Cash at bank, UK and foreign equities, debentures and loan stocks, preference shares, convertible stock, unit trusts, index options and property units. These are held in accordance with the Group's investment objectives and policies.

- Bank loans and convertible preference shares. These are held to finance the Group's operations.

- Various financial instruments including trade debtors, creditors, accruals and prepayments arise directly from the Group's operations.

As an investment trust, the Group invests in securities for the long-term. Accordingly, it is, and has been throughout the year, the Group's policy that no short-term trading in investment or other financial instruments is undertaken.

The main risks arising from the Group's financial instruments are market price risk, interest rate risk, and liquidity risk. The Board reviews and agreed policies for managing each of these risks and they are summarised below. The policies have remained unchanged since the beginning of 1999.

Market price risk

The Group's exposure to market risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Group might suffer through holding market positions in the face of price movements. From time to time investments in index options are made as a means to hedge such risk.

Interest rate risk

The Group finances its operation from internal resources, including cash deposits, preference shares and bank loans. The preference shares of £10.0 million pay a fixed dividend (see Note 16). The bank loan of £1.25 million is at a floating rate of interest (see Note 15). The majority of the Group's financial assets are equity shares or other investments which pay dividends rather than interest and do not have a maturity date.

24 Derivatives and other financial instruments (continued)

Liquidity risk

The Group's assets almost entirely comprise listed realisable securities, which can be sold to meet funding requirements as necessary. Short-term flexibility is achieved through the use of surplus cash, which is held in cash at bank. As detailed in Note 14, all of the Group's total borrowings at the year-end will mature in the next twelve months.

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities, other than short-term creditors such as trade creditors and accruals, at 31 December 1999 was as follows:

	£000
In one year or less, or on demand	1,250
In more than five years	10,000
	11,250

All financial instruments held or issued for investment purposes are carried in the financial statements at fair value. Market values have been used to determine the fair value of index options. Listed investments are valued at middle market prices. Unlisted investments are valued by the Board at the directors' latest valuation.

Statement of compliance with the Combined Code of Best Practice

For the year ended 31 December 1999

The directors agree with the spirit and intentions of the Combined Code of Best Practice issued by the Hampel Committee on Corporate Governance and the London Stock Exchange and the Principles of Best Practice. However, because of the size and the nature of the group's operations and the number of directors, they are of the opinion that full compliance with the detailed provisions of the Combined Code would not be practical and would not serve to enhance the control and management of and financial reporting on the company and its subsidiaries.

The company has complied throughout the year with the Provisions of the Code of Best Practice set out in section 1 of the Combined Code except for the following matters:

Code Paragraph A.1.2

A number of matters have been and continue to be reserved to the Board in practice, but there has been no formal schedule throughout the year. The Board is formulating such a schedule, which will be implemented during the current year.

Code Paragraph A.1.3

The directors have not in the past had occasion to take independent professional advice in the furtherance of their duties and no formal procedures are in place. The Board has introduced formal procedures during the current year.

Code Paragraph A.5

There are no formal procedures for the appointment of new directors to the Board. The Board has introduced formal procedures during the current year.

Code Paragraphs B.1 to B.3

The remuneration of executive directors is decided by the Board as a whole, which comprises a majority of non-executive directors. In the directors' view, this provides adequate and effective scrutiny. There is no performance-related element of directors' remuneration.

Report by the Board on directors' remuneration

Directors' remuneration, which is fully and clearly disclosed in note 4 to the financial statements, is based on the Board's view of an appropriate market rate. Information on directors' service contracts is shown in the directors' report on page 12.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Internal financial control

The Board of Directors has overall responsibility for ensuring that the group maintains a system of internal financial control to provide it with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal financial control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The key features of the internal financial control system that operated throughout the year covered by the financial statements are described under the following headings.

- **Control environment.** The Board has in place an organisational structure with clearly defined and understood lines of responsibility and delegation of authority from the Board to operating management. There are established policies and procedures to foster a strong ethical climate.

- **Identification and evaluation of business risks and control objectives.** The Board has the primary responsibility for identifying the major business risks facing the group and developing appropriate policies to manage those risks. The risk management approach is used to determine key control objectives.

- **Information systems.** There is a financial reporting system which compares actual results with expected and the previous year on a monthly basis to identify any significant deviations. Monthly cash flow requirements are closely monitored to determine that the group has adequate funding for its future needs. Financial reviews of the operations are undertaken on a quarterly basis.

- **Main control procedures.** The Board has not adopted a formal schedule of matters which are required to be brought to it for decision but ensures that it maintains full and effective control over appropriate strategic, financial, organisational and compliance issues as all matters of this nature are dealt with at Board level. The Board has identified a number of key areas which are subject to regular reporting to the Board including treasury operations, investment performance and cost control. The controls include defined procedures for seeking and obtaining approval for major transactions and organisational changes as well as organisational controls involving the segregation of incompatible duties and controls relating to the security of assets.

- **Monitoring.** The Board has delegated to executive management implementation of the system of internal financial control. The operation of the system is monitored.

Maintenance of a sound system of internal control

The board has applied Principle D.2 of the Combined Code by establishing a continuous process for identifying, evaluating and managing the risks the group faces. The board regularly reviews the process, which has been in place from the start of the year to the date of approval of this report and which is in accordance with Internal Control: Guidance for Directors on the Combined Code published in September 1999. The board is responsible for the group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In compliance with Provision D.2.1 of the Combined Code, the board continuously reviews the effectiveness of the group's system of internal control. The board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The board has also performed a specific assessment for the purpose of this annual report. This assessment considers all significant aspects of internal control arising during the period covered by the report.

The auditors, Arthur Andersen, have confirmed that, in their opinion: with respect to the directors' statements on internal financial control above and going concern on page 35, the directors have provided the disclosures required by paragraphs D.2 and D.1.3 of the Combined Code and such statements are consistent with the information of which they were aware from their audit work on the financial statements; and that the directors' other statements on page 34 appropriately reflect the company's compliance with the other paragraphs of the Combined Code specified for their review. They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the company's system of internal control or its corporate governance procedures nor on the ability of the company to continue in operational existence.

FORM OF PROXY

(For use by ordinary shareholders)

I/We .... (Please complete in BLOCK CAPITALS)

of ....

being (a) member(s) of the above company, hereby appoint the Chairman of the meeting or .... to be my/our proxy to vote on my/our behalf at the Annual General Meeting of the company to be held at 214 The Chambers, Chelsea Harbour, London SW10 0XF at 12.15 pm on Wednesday 14 June 2000 and at any adjournment thereof.

Signed..

Dated ....2000.

RESOLUTIONS		FOR	AGAINST
1.	To adopt the report and accounts		
2.	To re-elect CE Fielding		
3.	To elect JAV Townsend		
4.	To approve the report by the Board on directors' remuneration		
5.	To declare a final dividend of 2.75p per £1 ordinary share		
6.	To appoint Arthur Andersen as auditors		
7.	*To authorise the directors to fix the remuneration of the auditors*		

NOTES

1 Please indicate with an X in the spaces above how you wish your votes to be cast. If the form is returned without any indication as to how the proxy shall vote on any particular matter, the proxy will vote or abstain as he thinks fit.

2 This proxy must reach the registrars of the company not less than 24 hours before the meeting.

3 A corporation's proxy must be either under its common seal or under the hand of a duly authorised officer or attorney.

4 A space is provided to appoint a proxy other than the person named above.

This form of proxy should only be completed by the ordinary shareholders.