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BRITISH EMPIRE SECURITIES AND GENERAL TRUST p.l.c.

1994

REPORT & ACCOUNTS

30TH SEPTEMBER

1994

AN INVESTMENT TRUST COMPANY MANAGED BY CLAN ASSET MANAGEMENT LIMITED

The Investment Objective

The Company's objective is to achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying net asset value.

CONTENTS

A MEMBER OF THE ASSOCIATION OF INVESTMENT TRUST COMPANIES

BOARD MEMBERS

CHAIRMAN

WILLIAM GAWNE FOSSICK

William Fossick, aged 53, has been a Director for 26 years and Chairman since 1988. He is a partner in Watson, Farley & Williams, solicitors to the Company. He is also a director of BES Trustees plc and French Property Trust plc.

DIRECTORS

CLIVE MACE GILCHRIST

Clive Gilchrist, aged 44, has been a Director for 10 years. He is Managing Director of BES Trustees plc, and recently retired as a Vice President of the National Association of Pension Funds.

SIR DAVID OLIPHANT KINLOCH Bt

Sir David Kinloch, aged 52, joined the Board in 1991. He is Deputy Chief Executive of Caledonia Investments plc. He is also Chairman of The Fleming Chinese Investment Trust PLC and Clan Asset Management Limited and a Director of Harry Ramsden's plc, Ivory & Sime plc, Sterling Industries PLC and Vaux Group plc.

ROBERT PETER LAURIE OBE, DL

Robert Laurie, aged 69, has been a Director for 41 years and was Chairman from 1973 to 1984. He was a member of the International Stock Exchange between 1953 and 1987.

IAIN GORDON TWEEDDALE

Iain Tweeddale, aged 48, has been a Director for 10 years. He is Managing Director of Laurentian Life plc. He has 9 years previous experience in stockbroking and 6 years as an investment manager.

ROGER HENRY ASHLEY WAIN

Roger Wain, aged 56, has been a Director for 10 years. He has been Chairman of Madison Trust Company Ltd, a corporate finance and investment house, since 1990. He is a non-executive director of Chesterfield Properties PLC and Centaur Communications Limited.

JOHN CANNELL WALTON

John Walton, aged 48, has worked in investment management for 26 years and has been a Director of the Company for 10 years. He is Managing Director of Clan Asset Management Limited, the Company's investment manager, and is also a director of French Property Trust plc.

HISTORY

1889 Company founded as The Transvaal Mortgage Loan & Finance Company Ltd.

1906 Name changed to British Empire Land Mortgage and Loan Company Ltd.

1966 British Empire Securities and General Trust, as the Company is now known, opts for Investment Trust status. Net assets £1 million.

1984 Open offer and change of management to Laurwood (renamed Clan Asset Management in 1991). Net assets £6 million.

1985 Rights Issue of 4 shares for 1. Net assets increased to £30 million.

1986 Acquisition of The Ashdown Investment Trust PLC involving the issue of 31.4 million Ordinary Shares and £11.9 million of 10⅜% Debenture Stock 2011.

1989 Offer for Schroder Global Trust plc leading to its unitisation.

1991 Net assets £86 million.

1994 Direct investment in property and the issue of £15 million nominal of 8⅛% Debenture Stock 2023.

SINCE RIGHTS ISSUE IN 1985*

- Net asset value per Share: up 264 per cent.
- FT-SE-A All-Share Index: up 154 per cent.
- Datastream Assets Index: up 138 per cent.

* Based on indices at 30th June 1985.

HIGHLIGHTS OF THE YEAR

- Net assets increase by £17 million to £141 million.
- Net assets per Share rise from 92.82p to 105.83p, an increase of 14%.*
- Gross income exceeds £5.9 million.
- Total dividend per Share 0.96p, an increase of 3.2 per cent on last year.
- BEST Securities: £319,000 profit after taxation.

* Fully diluted 89.83p to 101.67p.

COMPANY INFORMATION

Investment Manager	Clan Asset Management Limited Cayzer House 1 Thomas More Street London E1 9AR
Secretary and Registered Office	Sinclair Henderson Limited 23 Cathedral Yard Exeter Devon EX1 1HB
Corporate Advisers	Baring Brothers & Co Limited 8 Bishopsgate London EC2N 4AE
Bankers	Lloyds Bank Plc City Office 72 Lombard Street London EC3P 3BT
Stockbrokers	S G Warburg Securities 1 Finsbury Avenue London EC2M 2PA
Auditors	Ernst & Young Rolls House 7 Rolls Buildings Fetter Lane London EC4A 1NH
Registrars and Transfer Office	Bank of Scotland Apex House 9 Haddington Place Edinburgh EH7 4AL
Solicitors	Watson, Farley & Williams 15 Appold Street London EC2A 2HB

CHAIRMAN'S STATEMENT

Last year I commented on an outstanding performance by the Company with a substantial increase in net asset value and an outperformance of the indices against which we compare our investments. I am pleased to say that, in what has been a difficult year in many markets, the Company has again shown substantial outperformance of those indices and, perhaps more importantly for Shareholders, an increase of 14 per cent in the Company's net asset value.

Gross revenues for the period rose from £4.4 million to £5.9 million but this has been insufficient to offset the additional interest cost of the Company's new Debenture Stock to which I referred last year. However, although earnings per Share are down 12 per cent on last year, your Board has felt able to recommend an increase in the dividend slightly ahead of inflation to a total of 0.96p net per Share. Although we anticipate additional revenues from our direct property investments as mentioned below, the change in emphasis towards investment in lower yielding overseas markets as outlined in the Investment Manager's Report may reduce the Company's revenue in the current year. The Company's aim is to achieve capital growth and, whilst we have tried to do this without incurring a reduction in earnings, it is proving to be increasingly difficult. We have sufficient revenue reserves to meet likely shortfalls in dividend cover for the foreseeable future but, nevertheless, your Board will also be considering whether any change in the allocation of expenses between capital and income should be made in next year's Accounts. Your Board will also be considering the Statement of Recommended Practice, likely to be released shortly, which will for the first time prescribe a standard accounting framework for investment trusts.

Last year I referred to the acquisition of two property investments at St Andrew's Park, Norwich and in Kensington High Street. The property at St Andrew's Park, which was a development property the subject of a forward purchase agreement, was completed on time at the end of June and the tenant, a division of the Department of Environment, has taken possession. Accordingly we will have the benefit of a full year's rental contribution from both these properties in the year to 30th September 1995. The valuations of these properties obtained from DTZ Debenham Thorpe for the purposes of these Accounts show a satisfactory increase in aggregate market value over cost of 11.4 per cent.

The resolutions to be proposed at the Annual General Meeting include a proposal to increase the limit on Directors' remuneration to a maximum of £100,000. The remuneration of your Directors has remained at its present level since 1985 during which time the Company's net assets have grown from £30 million to over £140 million. The increases now proposed are from an effective £12,500 to £15,000 for myself as Chairman and from £5,000 to £8,000 for each of the Directors. In the future, your Board intends to review remuneration at two yearly intervals to avoid presenting Shareholders with the level of increase involved in these proposals.

The Company's objective is to achieve capital growth by focusing mainly on companies whose securities sell on a discount to estimated net asset value. During the last two years, our emphasis on overseas assets, recovery situations and commodity related shares has resulted in an exceptional performance. In terms of the investment cycle, this period has represented a favourable background for our investment strategy and it must be expected that the next stage of the cycle may prove more challenging. However, your Board remains confident that our distinctive focus on asset related securities will stand us in good stead in the future as it has in the past.

Our corporate trustee subsidiary, BES Trustees plc of which Clive Gilchrist is managing director, has made steady progress in its second full trading year. Turnover rose by 80 per cent in the year and ongoing fees on retained trusteeships more than doubled. In addition to acting as independent trustee, the company is often consulted on pension matters. We believe that the growing trend towards independent pension fund trustees will continue to benefit BES Trustees.

CHAIRMAN'S STATEMENT (continued)

I would like to draw your attention to the Clan Investment Trust Savings Scheme which offers a simple and inexpensive way to invest in your Company. The number of regular savers under the Scheme has increased dramatically over the last six months and we now have over 200 such savers contributing over £17,000 per month for the purchase of the Company's Shares. Lump sum savers have contributed over £400,000 in the purchase of Shares. Details of the Scheme are set out on the inside of the rear cover.

I am sure that Shareholders will wish to join the Board in congratulating our Investment Manager on another satisfactory performance. Since Clan Asset Management Limited took over responsibility for the management of the Company's portfolio in 1985, net asset value per Share has risen by 264 per cent and the Share price by 214 per cent.

I am pleased, as usual, to invite Shareholders to attend a buffet lunch after the Annual General Meeting. If you wish to accept, please complete the enclosed card and return it to the Company Secretary as soon as possible.

William Fossick
Chairman

15th November 1994

INVESTMENT MANAGER'S REPORT

Net asset value increased by 14 per cent during the year while the FT-SE-A All-Share Index and the FT-A World Index (£ adjusted) rose by 0.3 per cent and 0.2 per cent respectively.

It was a year of two contrasting phases: the first, supportive of asset related themes; the second, from February onwards, dominated by the collapse in global bond prices which ushered in a period of severe weakness in a number of equity sectors and in particular undermined European financial stocks.

We commented last year on the risks of rising interest rates in a much stronger global economy. This dictated a number of strategic responses which we hoped would limit the damage from such a reversal in bond yields. In sequence we took the following steps: the sale of the Company's long dated gilt-edged holdings; the borrowing at 8⅛ per cent to finance our two direct property investments; and the creation of liquidity representing 22 per cent of the portfolio by the end of February.

In addition, we continued to make a number of adjustments to the sector profile of the portfolio, emphasising commodities, particularly the base metals, gold and energy, and renewing our commitment to investment holding companies and Far Eastern closed-end funds where wide discounts were still available. Having made these moves we were nevertheless surprised by the scale of the sell-off in global bonds, particularly in European markets, and chastened by the consequent impact on the value of a number of our holdings.

Investment Profile in 1993/94

Direct Property Investments

As reported in the Chairman's Statement, the Norwich property was completed in June 1994 and occupied by a division of the Department of Environment at a rental of £8.90 per sq ft to give a yield of 9.3 per cent. A professional valuation indicates an uplift for both the Norwich and Kensington High Street properties to show an aggregate surplus of £1.4 million over cost, a satisfactory outperformance of equity markets to date.

Property-Related Companies

A disappointing sector with the exception of Sotogrande (see Highlights below), as European property securities fell sharply after an earlier recovery. Good relative performance is anticipated during the next few years as rentals recover after dramatic falls.

Mining, Metals and Gold

Our holding in RTZ performed well and was trimmed during the year. Since the year end the continued buoyancy of base metal prices and some recent weakness in the share price has encouraged us to rebuild the position in this outstanding company. Early in the year we acquired a holding in Santa Fe Pacific primarily for its gold mine development and exploration potential. Following the spin-off of the gold subsidiary, Santa Fe Pacific Gold, as a separate quoted entity we have increased our investment in this company, now one of North America's largest and lowest cost producers. We also bought a holding in Falconbridge in the immediate aftermath of the company's re-flotation as a listed company at a discount to the flotation price. Our holdings in two specialised steel producers have benefited from higher volumes and prices.

INVESTMENT MANAGER'S REPORT (continued)

Energy

The dramatic weakness in the oil price early in the year, exacerbated by the unravelling of the Metallgesellschaft futures debacle, gave an opportunity to increase and adjust our energy weighting. Our **Shell** holding was sold for a satisfactory profit and switched into **BP** for its upstream profile and exploration potential, while a holding in the soundly financed **Ranger Oil** has been purchased for its development and acreage prospects. Since the year end we have sold the investment in **Canadian Pacific** for a local currency profit of about 30 per cent. **California Energy** has continued to successfully develop geothermal and other energy projects. **SCF Partners**, following the highly profitable sale of the **Wheatley** partnership interest, has paid back substantially more than our original cost with further investments still to be realised.

Investment Holding Companies

Caledonia Investments, our largest holding, has outperformed the UK market by 26 per cent benefiting from the excellent performance of several of its investments. **Taittinger** has recently performed well in anticipation of recovery for its champagne and Parisian hotel interests. **Rue Impériale**, our second largest equity holding, is capitalised at a considerable discount to the underlying value of its key share stakes; in addition the company owns extensive property interests in Lyon. **Quebecor** has continued to produce good results, but this has not so far helped the shares.

Investment Trusts

Our caution on markets dictated a careful attitude to the sector whose low level of discount, not seen for over 20 years, suggested a much less favourable risk/reward ratio. Following last year's disposals we continued to reduce our investment in the sector which is now focused for the most part on emerging market trusts. Exceptions are **RIT Capital Partners** whose distinctive style remains undervalued by the market and **I & S UK Smaller Companies Trust**, an excellent recent performer.

Emerging Markets

Best performance this year came from Latin America, and especially from **Five Arrows Chile**. Following the outstanding performance of the Chilean market, this holding has been further reduced, while the exposure to Brazil, following the election of Sr Cardoso on a reform platform, has been increased. In the Far East, **Invesco Korea** has performed well while our large investment in **ASEAN Fund** should benefit from a reduction in its presently wide discount. Outside both major areas, we have purchased a small holding in **Oryx Fund** investing in Oman and are actively pursuing closed-end fund investments in Eastern Europe.

Japan

Following the sale of the holding in **EFM Japan** referred to in the interim statement, we have made direct investments in a number of undervalued asset securities, for example **Mitsubishi Estate**, **Nippon Fire** and **Toho**, representing about 6 per cent of the portfolio. We continue to hold **Fidelity Japan OTC** and **Nippon Assets** for their respective specialised focus.

Other Quoted Securities

Our investments in certain UK high yielding blue chips have given mixed fortune. **British Gas** has remained under the baleful influence of regulatory uncertainty, while **Redland** has produced good results yet has badly underperformed. **British Telecom** was purchased for its potential for recovery after a period of significant underperformance. We are fortunate in having been able to build a worthwhile stake in **Boosey & Hawkes** at an attractive level, and we have recently added to our 'media' investments by acquiring holdings in **Thorn EMI** and **Southern Newspapers**.

INVESTMENT MANAGER'S REPORT (continued)

Unlisted Securities

This small segment of our assets has benefited from an offer for Travel and General at a price double last year's valuation. Our only remaining significant unlisted investment, apart from SCF Partners mentioned above, is the 25 per cent holding in Clan Asset Management, your Investment Manager. British Empire supported Clan's newly created Luxembourg-based SICAV which raised US$18 million from institutional investors and will enable the Company to participate in a wider range of European investment holding companies on wide discounts. Clan's funds under management and fee income increased significantly during the year.

BEST Securities

Another active year produced profits after tax of £319,000, a return on average capital employed of 75 per cent from 73 different transactions.

Asset Profile

At the year end the asset profile on an underlying basis was broadly as follows: cash and short gilts 8 per cent; direct property 8 per cent; property related equities 6 per cent; mining, metals and gold 7 per cent; energy 9 per cent; investment holding companies 15 per cent; investment trusts 11 per cent; emerging markets 16 per cent; Japan 7 per cent and others 13 per cent. The emerging markets content includes certain investment trusts.

Highlights

Holding Companies: Cir

This Italian holding company tends to be identified with Olivetti, yet its largest investment is the well regarded French auto components company, Valeo. On a 60 per cent discount to estimated asset value, the Savings share was very undervalued and a profit of 59 per cent was subsequently realised.

Property: Sotogrande

Over several years we had been aware of the diminishing appraised value of this outstanding leisure property between Malaga and Gibraltar. The shares were purchased on a discount of about 50 per cent to a recent Richard Ellis valuation in the expectation that sales of plots and marina apartments would recover We have realised a profit of 55 per cent, but continue to have a significant indirect investment in the site via our holding in Cofir, which apart from its 42 per cent interest in Sotogrande, also owns controlling stakes in NH Hoteles and Bodegas Berberana, an important Rioja producer.

Gold: Pioneer Group

This long-established Boston mutual fund group owns a low-cost gold mine in Ghana. The shares were bought on the basis that the two major assets each broadly covered the capitalisation. Following increased interest in this anomaly we realised a profit of 52 per cent.

INVESTMENT MANAGER'S REPORT (continued)

The Year Ahead

Following such a positive relative performance over the past two years, it is with some trepidation that we enter the current financial year. As commented upon in the Chairman's Statement, it is possible that UK assets, and in particular previously underperforming consumer and other similar blue chips, will recover some of their lost ground in the months ahead. Given the Company's heavy overseas and special situations bias this would be a challenging background against which to perform. Nevertheless, we believe we should maintain our distinctive policy of focusing on our two broad areas of interest: 'real' assets and securities portfolios valued on major discounts. Indeed, in the context of faster world economic growth and particularly vibrant expansion of the 'emerging' economies, we expect such an emphasis to be rewarded.

The rapid moves towards the dismantling of Western tariff barriers seems to us to be considerably more beneficial to the emerging nations, with their low wages, access to increasingly mobile capital and technology and in many cases impressive educational standards, than for the advanced economies. Some Western companies will identify outstandingly profitable opportunities, yet overall the results for the West may be variable, especially if social costs are taken into account. The message for investors, providing the formidable fashion for emerging equities has not pushed ratings out of kilter, seems to be to back these markets, especially if access can be gained at a discount. It also seems strategically worthwhile to invest in those companies which provide services or products that will be increasingly in demand as living standards rise. Our portfolio contains a number of companies which should do well in this context.

As far as absolute valuations are concerned, price/earnings and price/book ratios still look somewhat stretched, while equities generally appear expensive in relation to bonds and to quality property. Following the setback to markets we have reduced liquidity, but remain cautious in what we expect to be a rising short-term interest rate environment across the globe.

Earnings reports are buoyant but they may now tend to disappoint as Western companies find it difficult to pass on rising commodity input prices. In fact, such cost pressures could well be a feature of the next few years, yet may not necessarily spark the inflation surges we have experienced in the past owing to intense competitive pressures in an ever freer world trading system. Such vastly increased competitive forces look likely to threaten the historically high share of profits in GDP in both the USA and UK, while the multiple applied to such profits also stands near the top end of its range. The secular trend of super-normal equity gains from mature economies is challenged; selectivity will be ever more vital.

Our response to these circumstances is to highlight securities in five areas:

- investment holding companies where often a shrewd long-term perspective and attractive assets are available on major discounts;
- commodity-related securities, particularly in the energy sector;
- property-related securities and hotel companies owning well-located assets;
- emerging markets, preferably gaining access on wide discounts; and
- media and royalty assets in order to capitalise upon increasing demand for programming 'software' from both mature and emerging countries.

Clan Asset Management Limited — 15th November 1994

TEN YEAR RECORD

Year ended 30th September	Group net profit after tax £	Earnings per Share p	Dividend per Share p	Net assets £	Net asset value per Share p
1985	341,189	.73	.50	29,749,680	29.28
1986	494,640	.44	.60	53,749,328	40.41
1987	1,595,261	1.20	.60	84,495,904	63.53
1988	377,288	.28	.66	65,938,093	49.58
1989	1,439,495	1.08	.71	82,315,468	61.89
1990	1,112,236	.84	.78	69,871,433	52.53
1991	1,397,440	1.05	.86	85,834,567	64.54
1992	1,300,657	.98	.89	80,428,716	60.47
1993	1,560,576	1.17	.93	123,451,952	92.82
1994	1,365,744	1.03	.96	140,792,438	105.83

On 27th May 1986 the Company acquired The Ashdown Investment Trust PLC for a consideration including the issue of 31,424,780 Ordinary Shares of the Company.

NET ASSET VALUE PERFORMANCE

The Company, the FT-SE-A All-Share Price Index and the Morgan Stanley Capital International Index (£ adjusted)

Source : Datastream International

The Company's net asset value per Share relative to the Datastream Investment Trust Net Assets Index*

Source : Datastream International

*Based on the asset performance of non-specialist investment trusts as published in the Daily List of the Consortium Investment Trust Service over the period from 13th May 1985 to 30th September 1994.

TOP 30 HOLDINGS
AT 30TH SEPTEMBER 1994

	Market Price	Value £'000	% of Assets
Caledonia Investments	689p	8,508	5.1
St Andrew's Park, Norwich*	–	7,650	4.6
Rue Impériale de Lyon	FFr3,620	7,213	4.3
Treasury Loan 9 per cent 1994	£100⅜	7,026	4.2
62-70 Kensington High Street London*	–	6,100	3.6
ASEAN Fund	US$16.20	5,329	3.2
RIT Capital Partners (Convertible)	175p	5,066	3.0
French Property Trust (Ordinary & Warrants)	80½p	4,259	2.5
I & S UK Smaller Companies Trust	106p	4,108	2.5
British Gas	298½p	3,880	2.3
Treasury Stock 7¼ per cent 1998	£96⅛	3,845	2.3
British Telecommunications	363½p	3,635	2.2
British Petroleum	399p	3,516	2.1
Scottish Hydro-Electric	335p	3,350	2.0
South America Fund	US$4.05	3,030	1.8
Boosey & Hawkes	342p	2,928	1.7
Redland	493½p	2,867	1.7
Second Alliance Trust	1,540p	2,849	1.7
New City & Commercial RPI Debenture	107½p	2,688	1.6
Corporación Financiera Reunida (Cofir)	Esp429	2,645	1.6
Thorn EMI	985p	2,610	1.6
Taittinger (non-voting)	FFr1,450	2,604	1.6
Santa Fe Pacific Corporation	US$22.625	2,582	1.5
Falconbridge	C$21.25	2,511	1.5
Mitsubishi Estate	Yen1,190	2,059	1.2
Five Arrows Chile	US$2.66	2,033	1.2
Quebecor	C$17.75	2,031	1.2
Clan European Asset Value Fund	US$9.97	1,991	1.2
Santa Fe Pacific Gold	US$17.375	1,928	1.2
MPG Investment Corporation	C$7.125	1,849	1.1
Total of Top 30 Holdings:			**£112,690,000**
Total assets less current liabilities:			**£167,475,000**

* Freehold properties are held in wholly owned subsidiary undertakings of the Company. They have been valued at 30th September 1994 by DTZ Debenham Thorpe.

REPORT OF THE DIRECTORS

Company's Business

The business of the Company is that of an investment trust. The Company has been treated as such by the Inland Revenue for the accounting period ended 30th September 1993. Since that date the Company's affairs have been conducted in such a manner as to enable it to continue to seek such approval. The Company also owns an investment dealing subsidiary, and has a controlling interest in BES Trustees plc, a company established to provide independent professional trustee services to pension funds.

During the year, through its subsidiaries Kensington High Street Properties Limited and St Andrew's Park, Norwich Limited the Group completed the acquisition of properties at 62-70 High Street, Kensington and St Andrew's Business Park, Norwich for an aggregate consideration of £12,345,611.

Reviews of Developments and Future Prospects

Reviews of developments and future prospects are contained in the Chairman's Statement and the Investment Manager's Report.

Status of Company

The Directors consider that the Company is not a close company and that it fulfils the conditions laid down by the Income and Corporation Taxes Act 1988 for an approved investment trust.

Directors' Authority to Issue Shares

At the Annual General Meeting a resolution will be proposed to give the Directors a general authority to allot unissued Shares of the Company having a nominal value not exceeding £1.5 million so as to expire on the earlier of the date of the next Annual General Meeting and 31st January 1996. The resolution does not authorise the Directors to issue equity Shares for cash, otherwise than by way of a rights issue to Shareholders. The Special Resolution is set out in the Notice of Annual General Meeting on pages 37 and 38.

Results and Dividends

The Consolidated Revenue Account shows that the gross income for the year amounted to £5,905,150. After expenses, interest, taxation and minority interest, there remains a balance which amounts to £1,365,744 which the Directors have appropriated as follows:

	£
Interim Dividend of 0.25p (1993 : 0.25p) on the Ordinary Shares paid on 10th June 1994	332,596
Recommended Final Dividend of 0.71p (1993 : 0.68p) on the Ordinary Shares	944,570
Balance taken to revenue reserve	£88,578

Subject to approval at the Annual General Meeting, the final dividend will be paid on 4th January 1995 to Shareholders on the register at the close of business on 8th December 1994.

REPORT OF THE DIRECTORS (continued)

Investment Manager

Clan Asset Management Limited acts as Investment Manager under the terms of an agreement dated 21st June 1991. Its remuneration is performance related and is measured by the increase or decrease in the net asset value per Ordinary Share of the Company compared with the increase or decrease in the net asset index of investment trusts as published by Datastream International Limited. The resultant figure of such calculation determines the percentage rate (which ranges from 0.4 per cent to 0.8 per cent) which is applied to the value of net assets of the Group attributable to the Shareholders plus long-term loan capital as shown by the audited Consolidated Balance Sheet of the Company as at the accounting reference date immediately preceding the period of management, but excluding the value of the Company's investment in Clan Asset Management Limited and in funds managed by that company. The agreement will continue in force unless terminated by either party giving not less than two years' prior written notice of termination to the other party.

Clan Asset Management Limited was founded in 1985 and is 75 per cent owned by Caledonia Investments plc and 25 per cent by the Company. Clan manages the Company, French Property Trust plc and a number of other funds. Funds currently under management total £222 million.

Clan specialises in investment in 'undervalued assets'. The aim is to find companies owning quality assets, with strong balance sheets, whose securities sell on a discount to well-researched estimates of asset value.

Attention to these key criteria:
- helps to prevent overpayment where, for example, a share price is influenced by over-optimistic expectations of future earnings;
- reduces risks, since a heavy discrepancy between market value and asset value usually protects the investment; and
- gives good potential for substantial capital gain, as internal or external action reduces the discount to asset values.

Directors

The present members of the Board are listed on page 2.

The Directors retiring by rotation are Mr R P Laurie and Mr J C Walton who, being eligible, offer themselves for re-election.

The interests of the Directors and their families in the securities of the Company are set out below:

	At 30th September 1994		At 1st October 1993	
	Ordinary Shares	Warrants	Ordinary Shares	Warrants
W G Fossick	100,000	10,000	100,000	10,000
	*50,000	*5,000	*50,000	*5,000
C M Gilchrist	20,000	2,000	20,000	2,000
Sir David Kinloch	-	-	-	-
R P Laurie	150,000	15,000	150,000	15,000
I G Tweeddale	5,000	500	5,000	500
R H A Wain	5,000	500	5,000	500
J C Walton	**153,795	13,502	152,438	13,502

* Held as Trustee (non-beneficial)
**Mr J C Walton's holding includes 64,000 Ordinary Shares and 6,000 Warrants held for his benefit in the Clan Asset Management Pension Scheme.

REPORT OF THE DIRECTORS (continued)

There were no changes in the interests shown above between 30th September 1994 and 15th November 1994, apart from Mr J C Walton's regular contribution of £100 per month to the Clan Investment Trust Savings Scheme.

Mr W G Fossick is a partner in Watson, Farley & Williams who act as the Company's solicitors. The firm was paid fees of £65,700 during the year. Mr C M Gilchrist is Managing Director of BES Trustees plc with a service contract terminable by either party giving to the other not less than one year's prior written notice of termination. In addition, Mr C M Gilchrist holds a 15 per cent interest in the share capital of this subsidiary. Sir David Kinloch is Chairman of Clan Asset Management Limited. There is an agreement with Lansdowne Management Services Limited under which it has agreed to provide the services of Mr R H A Wain as a Director of the Company; fees in respect of these services have been accounted for under Directors' emoluments. Mr J C Walton is Managing Director of Clan Asset Management Limited with a service contract which requires either party to give to the other not less than two years' prior written notice of termination.

During the year the Company maintained insurance cover against any liability incurred by the Directors and officers of the Company in carrying out their duties. The premium paid amounted to £6,029 in the year.

Save as aforesaid, no Director was a party to or had an interest in any contract or arrangement with the Company at any time during the year.

Substantial Holdings in the Company

At 15th November 1994 the Company had been notified that the following were interested in 3 per cent or more of the issued share capital of the Company:

	%
Caledonia Investments plc *	20.04
Sun Life Holdings plc	17.76
Equitable Life Assurance Society	12.48
Yale University	7.21
Lazard Frères Asset Management	5.99
Howard Hughes Medical Institute	4.81
Scottish & English Investors **	3.86
British Gas Staff and Corporation Pension Schemes	3.31

*As parent company of Clan Asset Management Limited, this interest includes Shares held by the Clan Asset Management Pension Scheme.

**Also included within the interest of Lazard Frères Asset Management.

Corporate Governance: Committees

Throughout the year a number of committees have been in operation. The committees are the Audit Committee, Management Engagement Committee and the Nomination Committee.

The Audit Committee operates within clearly defined terms of reference and comprises three non-executive Directors: Mr W G Fossick (Chairman), Mr I G Tweeddale and Mr R P Laurie. It is intended that the Audit Committee shall provide a forum through which the Group's external auditors may report to the Board of Directors.

REPORT OF THE DIRECTORS (continued)

Corporate Governance: Committees

The Management Engagement Committee comprises three non-executive Directors independent of the Investment Manager: Mr W G Fossick (Chairman), Mr C M Gilchrist and Mr R P Laurie. It is responsible for reviewing the terms of the Investment Manager's contract.

The Nomination Committee comprises the full Board and will be convened for the purpose of considering the appointment of additional Directors as and when considered appropriate.

Use of Voting Rights

The Investment Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights.

Code of Best Practice

The Board has considered the Code of Best Practice ("Code") recommended by the Cadbury Committee and considers the Company has complied in all respects with the Code during the year ended 30th September 1994 apart from the provisions relating to reporting by Directors on internal controls and going concern. The Company will not be able to comply with the internal controls' provisions until the necessary guidance has been issued. The guidelines on going concern were issued in November 1994. As these requirements do not yet need to be adopted, the Directors have deferred reporting on going concern until 1995.

The Company's Auditors, Ernst & Young, have reviewed the above statement in so far as it relates to the specific paragraphs of the Code specified by the London Stock Exchange for their review. The Auditors have reported to the Directors that based on their review, in their opinion the statement appropriately reflects the extent of the Company's compliance with the Code.

Auditors

Ernst & Young have expressed their willingness to continue in office as Auditors and a resolution will be proposed at the forthcoming Annual General Meeting for their re-appointment.

Secretary

Sinclair Henderson Limited is the Secretary of the Company under an administration service contract with Clan Asset Management Limited.

FOR AND ON BEHALF OF
SINCLAIR HENDERSON LTD.
SECRETARY

By Order of the Board
Sinclair Henderson Limited
Secretary

23 Cathedral Yard
Exeter
EX1 1HB

15th November 1994

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year and of the net revenue of the Company and its subsidiaries for that period. In preparing those financial statements, the Directors are required to:

- use suitable accounting policies which are consistently applied and supported by reasonable and prudent judgements and estimates;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and disclose particulars of any material departure from those standards and the reasons for it; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors have confirmed that the financial statements comply with the above requirements.

The Company is required to keep accounting records which are sufficient to disclose with reasonable accuracy, at any time, the financial position of the Company and its subsidiaries and which enable the Directors to ensure that the financial statements comply with the Companies Act 1985. The Directors are also responsible for safeguarding the assets of the Company and its subsidiaries and for taking reasonable steps to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS

To the Members of British Empire Securities and General Trust p.l.c.

We have audited the financial statements on pages 20 to 34, which have been prepared under the historical cost convention as modified by the revaluation of investments and on the basis of the accounting policies set out on page 25.

Respective responsibilities of Directors and Auditors

As described on page 18 the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 30th September 1994 and of the net revenue of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Chartered Accountants
Registered Auditor

Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

15th November 1994

CONSOLIDATED REVENUE ACCOUNT
FOR THE YEAR ENDED 30TH SEPTEMBER 1994

	Notes	£	1994 £	1993 £
Income from fixed asset investments	(2)			
Dividends (franked investment income)			1,558,001	2,136,183
Dividends (unfranked)			1,871,539	1,011,413
Interest (unfranked)			1,167,837	272,410
			4,597,377	3,420,006
Other interest receivable and similar income	(3)		1,307,773	956,836
Gross income			5,905,150	4,376,842
Administrative expenses	(4)		1,727,106	1,272,046
			4,178,044	3,104,796
Interest payable	(5)		2,473,252	1,235,505
Revenue on ordinary activities before taxation			1,704,792	1,869,291
Taxation	(6)		344,141	323,118
Revenue on ordinary activities after taxation	(7)		1,360,651	1,546,173
Minority interest			5,093	14,403
Revenue attributable to the Members of the Company			1,365,744	1,560,576
Ordinary dividends paid and proposed				
Interim of 0.25p per Ordinary Share (1993 : 0.25p) paid		332,596		332,514
Final of 0.71p per Ordinary Share (1993 : 0.68p) proposed		944,570		904,438
			1,277,166	1,236,952
Unappropriated surplus for the year transferred to revenue reserve	(18)		£88,578	£323,624
Earnings per Ordinary Share	(8)		1.03p	1.17p

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 30TH SEPTEMBER 1994

	1994 £	1993 £
Capital profit on investments		
Realised gains	20,842,174	20,758,373
Unrealised (losses) and gains	(5,068,557)	21,870,488
Unrealised gains on revaluation of properties	1,404,389	–
Enhanced scrip dividends	61,594	70,032
Amortisation of Debenture discount	(7,106)	–
Movement on capital reserves for the year	17,232,494	42,698,893
Revenue after taxation and minority interest available to Shareholders	1,365,744	1,560,576
Total recognised gains for the year	£18,598,238	£44,259,469
Distributable profits		
Revenue after taxation and minority interest	1,365,744	1,560,576
Dividends paid and proposed	(1,277,166)	(1,236,952)
	88,578	323,624
Non-distributable profits		
Movement on capital reserves	17,232,494	42,698,893
Total recognised gains for the year after dividends paid and proposed	£17,321,072	£43,022,517

CONSOLIDATED BALANCE SHEET
AT 30TH SEPTEMBER 1994

	Notes	£	1994 £	1993 £
Fixed asset investments	(9)			
Listed at market value:				
In the United Kingdom			85,993,134	89,167,795
Elsewhere			62,999,951	36,805,368
Unlisted:				
At Directors' valuation			2,347,579	2,931,560
Freehold investment properties			13,750,000	-
			165,090,664	128,904,723
Current assets				
Investments held by dealing subsidiary undertaking	(11)	117,903		461,098
Debtors	(12)	3,725,171		1,328,175
Cash on deposit		4,080,517		9,916,274
Cash at bank		1,270		30,250
		7,924,861		11,735,797
Creditors : amounts falling due within one year	(13a)	5,540,847		5,295,534
Net current assets			2,384,014	6,440,263
Total assets less current liabilities			167,474,678	135,344,986
Creditors : amounts falling due after more than one year	(13b)		26,677,244	11,883,322
Provision for liabilities and charges	(14)		1,519	1,142
			140,795,915	123,460,522
Minority interest			3,477	8,570
			£140,792,438	£123,451,952
Capital and reserves				
Called up share capital	(15)		13,303,802	13,300,566
Share premium account	(16)		22,645,911	22,629,733
Capital reserves	(17)		102,644,379	85,411,885
Revenue reserve	(18)		2,198,346	2,109,768
Shareholders' funds	(19)		£140,792,438	£123,451,952
Net asset value per Ordinary Share :				
- basic			105.83p	92.82p
- fully diluted			101.67p	89.83p

These financial statements were approved by the Board of Directors on 15th November 1994.

Signed on behalf of the Board of Directors

W G FOSSICK }
J C WALTON } Directors

BALANCE SHEET
AT 30TH SEPTEMBER 1994

	Notes	£	1994 £	1993 £
Fixed asset investments	(9)			
Listed at market value:				
In the United Kingdom			85,993,134	89,167,795
Elsewhere			62,999,951	36,805,368
Unlisted:				
At Directors' valuation			2,347,579	2,931,560
Investments in subsidiary undertakings	(10)		20,671,186	671,172
			172,011,850	129,575,895
Current assets				
Debtors	(12)	3,579,883		1,851,674
Cash on deposit		307,657		8,976,000
Cash at bank		703		28,718
		3,888,243		10,856,392
Creditors : amounts falling due within one year	(13a)	11,421,228		5,429,674
Net current (liabilities)/assets			(7,532,985)	5,426,718
Total assets less current liabilities			164,478,865	135,002,613
Creditors : amounts falling due after more than one year	(13b)		26,677,244	11,883,322
			£137,801,621	£123,119,291
Capital and reserves				
Called up share capital	(15)		13,303,802	13,300,566
Share premium account	(16)		22,645,911	22,629,733
Capital reserves	(17)		100,955,656	85,127,551
Revenue reserve	(18)		896,252	2,061,441
Shareholders' funds			£137,801,621	£123,119,291

These financial statements were approved by the Board of Directors on 15th November 1994.

Signed on behalf of the Board of Directors

W G FOSSICK }
J C WALTON } Directors

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH SEPTEMBER 1994

	Notes	£	1994 £	1993 £
Net cash inflow from operating activities	(20)		4,153,844	2,758,335
Returns on investments and servicing of finance				
Interest paid		(1,937,557)		(927,281)
Dividends paid		(1,237,034)		(1,183,740)
Net cash outflow from returns on investments and servicing of finance			(3,174,591)	(2,111,021)
Taxation				
Income tax (paid)/recovered		(45,420)		30,322
Foreign tax recovered		49,946		95,476
Total tax recovered			4,526	125,798
Investing activities				
Purchases of investments		(155,281,095)		(118,274,375)
Sales of investments		133,564,755		120,581,198
Enhanced scrip dividends		61,594		70,032
Net cash (outflow)/inflow from investing activities			(21,654,746)	2,376,855
Net cash (outflow)/inflow before financing			(20,670,967)	3,149,967
Financing				
8⅛% Debenture Stock 2023 issued		15,000,000		–
Less costs and discount on issue		(213,184)		–
	(13b)	14,786,816		–
Warrants exercised	(21)	19,414		719
Net cash inflow from financing			14,806,230	719
(Decrease)/increase in cash and cash equivalents	(22)		£(5,864,737)	£3,150,686

NOTES TO THE ACCOUNTS

1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

(a) **Accounting convention**
The financial statements are prepared under the historical cost convention as modified by the revaluation of investments.

(b) **Basis of consolidation**
The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings for the financial year ended 30th September 1994.

(c) **Investment income**
Dividend income is recognised in the Revenue Account when declared "ex-dividend" together with the related tax credit or avoir fiscal as appropriate. Income from fixed interest securities is dealt with on an accruals basis. Enhanced scrip dividend income is accounted for by recognising the "cash" element in the Revenue Account and the "bonus" element in the Capital Reserve Account.

(d) **Investments**
UK listed investments have been valued at middle-market quotations ruling at the close of business on 30th September 1994 and foreign listed investments have been valued at market prices and exchange rates at the same date. Unlisted investments have been included at Directors' valuation. Any profits or losses arising from the disposal of investments are taken directly to capital reserves. Investments held by the dealing subsidiary undertaking are stated at the lower of cost and market value.

(e) **Investment properties**
Investment properties are revalued annually and the aggregate surplus or deficit is transferred to capital reserves. No depreciation is provided in respect of freehold investment properties. The Directors consider that this accounting policy results in the financial statements giving a true and fair view. Depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

(f) **Foreign currencies**
Transactions in foreign currencies are recorded at the rate ruling at the date of settlement of the transaction. Foreign currency balances including investments denominated in foreign currencies are translated into sterling at the rate of exchange prevailing at the year end. Profits or losses on retranslation of investments at the year end are included within unrealised appreciation/depreciation of investments and are taken to capital reserves. All other profits and losses are dealt with through the Revenue Account.

(g) **Deferred taxation**
Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements, to the extent that it is probable that a liability or asset will crystallise in the future.

NOTES TO THE ACCOUNTS (continued)

2. Income from fixed asset investments		1994	1993
		£	£
	Listed investments	4,456,517	3,338,193
	Unlisted investments	140,860	81,813
		£4,597,377	£3,420,006

3. Other interest receivable and similar income		1994	1993
		£	£
	Deposit interest	321,828	414,482
	Investment dealing gains of subsidiary undertaking	290,008	413,062
	Fee income	151,825	83,722
	Rental income	525,329	–
	Underwriting commission	21,070	30,539
	Other income – exchange (losses)/gains	(2,287)	15,031
		£1,307,773	£956,836

4. Administrative expenses		1994	1993
	These include:	£	£
	Auditors' remuneration:		
	- audit fee	18,948	16,190
	- non audit work	21,009	6,638
	Directors' emoluments - fees	42,500	44,469
	Directors' emoluments - executive duties	85,358	85,808

In respect of the year the Company paid to Clan Asset Management Limited (a subsidiary of Caledonia Investments plc, which has an interest of 20 per cent in the issued share capital of the Company) at the maximum rate as calculated on the basis set out on page 15, management charges amounting in aggregate to £1,227,643 (1993 : £838,311).

Mr J C Walton receives emoluments from Clan Asset Management Limited for his services to that company. The proportion of his emoluments which relate to the management of the affairs of the Company or any of its subsidiary undertakings amounted to approximately £65,000 (1993 : £54,450). This amount has been taken into account, together with the £42,500 (1993 : £44,469) paid directly by the Company and its subsidiary, BES Trustees plc, to the non-executive Directors, in providing the following disclosure:

	1994	1993
	£	£
Chairman	12,500	12,500
Highest paid Director	80,000	81,265

NOTES TO THE ACCOUNTS (continued)

Directors' emoluments (including all subsidiary undertakings but excluding pension contributions) fell within the following ranges:

£ 0 - £ 5,000	4	2
£ 5,001 - £10,000	–	2
£10,001 - £15,000	1	1
£60,001 - £65,000	–	1
£65,001 - £70,000	1	–
£80,001 - £85,000	1	1

During the year Directors' emoluments (including pension contributions) amounting to £85,358 (1993 : £85,808) were paid to Mr C M Gilchrist in respect of executive duties performed on behalf of BES Trustees plc.

5. Interest payable

	1994 £	1993 £
On bank loans, overdrafts and other loans repayable within five years	25,784	2,611
On other loans	2,447,468	1,232,894
	£2,473,252	£1,235,505

6. Taxation

	1994 £	1993 £
Tax credits on franked investment income	311,633	457,256
Overseas taxation	124,874	70,593
Loss relief on surplus franked investment income	(79,874)	(208,732)
Deferred taxation	377	735
Adjustments in respect of prior years	(12,869)	3,266
	£344,141	£323,118

No charge to UK corporation tax arises for the Company for the year as management expenses are in excess of income subject to UK corporation tax. The excess has been relieved against surplus franked investment income giving rise to a tax credit.

The advance corporation tax on the dividends paid and payable for the current year has been offset against the tax suffered on the franked investment income. Franked investment income still available for offset against advance corporation tax on future dividends is £Nil (1993 : £445,421).

7. Revenue on ordinary activities after taxation

As permitted by section 230 of the Companies Act 1985, the Revenue Account of the Company is not presented as part of these financial statements. The consolidated net revenue after taxation for the financial year includes £111,976 (1993 : £1,155,995) which is dealt with in the financial statements of the Company.

NOTES TO THE ACCOUNTS (continued)

8. Earnings per Ordinary Share

The calculation of earnings per Ordinary Share is based on the weighted average number of Ordinary Shares in issue during the year of 133,027,114 (1993 : 133,005,257) and on Group revenue after taxation and minority interest of £1,365,744 (1993 : £1,560,576).

9. Fixed asset investments

(a) Movements

	1994 £	1993 £
Group and Company		
Valuation at 1st October 1993	128,904,723	85,408,453
Additions at cost	154,687,294	119,027,481
Disposals at cost	(114,837,185)	(97,401,699)
	168,754,832	107,034,235
Unrealised (depreciation) /appreciation on revaluation of investments	(5,068,557)	21,870,488
Unrealised appreciation on revaluation of properties	1,404,389	–
Valuation of investments at 30th September 1994	**£165,090,664**	**£128,904,723**

Freehold investment properties have been valued on an open market value basis on 30th September 1994 by DTZ Debenham Thorpe at £13,750,000. The historical cost to the Group of the freehold investment properties as disclosed in the Consolidated Balance Sheet was £12,345,611.

(b) Significant holdings

At 30th September 1994 the Company held an interest of 25 per cent in the issued £1 ordinary shares of Clan Asset Management Limited, a company incorporated in England. The most recent accounts made up to 31st March 1994 disclosed aggregate capital and reserves of £217,000 and a net profit after tax for the year of £330,000. At 30th September 1994 this holding was carried in the Company's financial statements at £1 million.

The above investment in Clan Asset Management Limited is not considered to be an associated undertaking as the remaining 75 per cent of the equity share capital is held by another party.

NOTES TO THE ACCOUNTS (continued)

At 30th September 1994 the Company held interests in excess of 10 per cent of a class of share capital in the companies listed below:

Company and country of incorporation or registration	Class of share	Percentage of class
Clan European Asset Value Fund Luxembourg	Shares	18.3
French Property Trust plc England	Ordinary	19.9
I & S UK Smaller Companies Trust Plc Scotland	Ordinary	18.5
Taittinger SA France	Non-voting	20.9

10. Investments in subsidiary undertakings

Company	£	Shares £	Loan Notes £
Balance at 1st October 1993	671,172	671,172	–
Movement in year	20,000,014	14	20,000,000
Balance at 30th September 1994	**£20,671,186**	**£671,186**	**£20,000,000**

Additional information on subsidiary undertakings:

Name of company	Country of registration and operation	Class of share	Percentage held	Nature of business
BES Trustees plc	England	Ordinary	85	Trustee services
BEST Securities Limited	England	Ordinary	100	Dealing company
BEST Futures Limited	England	Ordinary	100	Dormant
Actionmark Limited	England	Ordinary	100	In liquidation
St Andrew's Park, Norwich Limited	England	Ordinary	100	Property investment
Kensington High Street Properties Limited	England	Ordinary	100	Property investment
BEST Group Finance Limited	England	Ordinary	100	Group finance
BEST Number One Limited	England	Ordinary	100	Dormant
BEST Number Two Limited	England	Ordinary	100	Dormant
BEST Number Three Limited	England	Ordinary	100	Dormant

NOTES TO THE ACCOUNTS (continued)

11. Investments held by dealing subsidiary undertaking

Group	1994 £	1993 £
Listed in the United Kingdom	69,026	12,500
Elsewhere	48,877	448,598
	£117,903	£461,098

The aggregate market value of the above investments was £127,591 (1993: £511,579).

12. Debtors

	1994 £	1993 £
Group		
Sales for future settlement	2,519,974	393,068
Investment income receivable	574,613	412,071
Other debtors	78,328	99,202
Taxation recoverable	552,256	423,834
	£3,725,171	£1,328,175
Company		
Sales for future settlement	2,459,907	345,303
Investment income receivable	568,532	406,728
Amounts owed by subsidiary undertakings	–	671,911
Other debtors	6,353	10,869
Taxation recoverable	545,091	416,863
	£3,579,883	£1,851,674

13. Creditors

(a) Amounts falling due within one year:

	1994 £	1993 £
Group		
Purchases for future settlement	2,916,070	3,509,872
Dividend proposed	944,570	904,438
Other creditors	1,678,508	879,525
Taxation payable	1,699	1,699
	£5,540,847	£5,295,534
Company		
Purchases for future settlement	2,916,070	3,509,872
Dividend proposed	944,570	904,438
Amounts owed to subsidiary undertakings	6,105,120	171,468
Other creditors	1,455,468	843,896
	£11,421,228	£5,429,674

NOTES TO THE ACCOUNTS (continued)

(b) Amounts falling due after more than one year:

	1994	1993
	£	£
Group and Company		
Balance at 1st October 1993	11,883,322	11,883,322
8⅛% Debenture Stock 2023 issued	15,000,000	–
Less costs and discount on issue	(213,184)	–
Amortisation of Debenture discount	7,106	–
Balance at 30th September 1994	£26,677,244	£11,883,322

10⅛% Debenture Stock 2011	11,883,322	11,883,322
8⅛% Debenture Stock 2023	14,793,922	–
	£26,677,244	£11,883,322

In furtherance of the Company's investment policy, including the acquisition of the freehold properties at St. Andrew's Park, Norwich and 62-70 Kensington High Street, the Company raised £15 million nominal through the issue of 8⅛% Debenture Stock 2023, allotted on 18th November 1993 with net cash consideration of £14,786,816 being received. The Debenture is secured by a first floating charge over the assets of the Company and ranks *pari passu* in point of security with the 10⅛% Debenture Stock 2011.

The Debentures are repayable after more than five years.

14. Provision for liabilities and charges

The amounts of deferred taxation provided in the financial statements are set out below: (There were no unprovided amounts.)

	1994	1993
	£	£
Short-term timing differences	£1,519	£1,142

The movement in the provision for deferred taxation is as follows:	£
Balance at 1st October 1993	1,142
Transfer from Revenue Account	377
Balance at 30th September 1994	£1,519

NOTES TO THE ACCOUNTS (continued)

15. Called up share capital

		£
Authorised		
185,000,000 Ordinary Shares of 10p each		£18,500,000

	Number	£
Allotted and fully paid		
Balance at 1st October 1993	133,005,661	13,300,566
Warrants exercised	32,357	3,236
Balance at 30th September 1994	133,038,018	£13,303,802

During the year 32,357 Ordinary Shares were issued for a consideration of £19,414 on the exercising of 32,357 Warrants. 13,265,582 Warrants are in issue, each entitling the holder to subscribe for one Ordinary Share of the Company at a price of 60p in January of either of the years 1995 and 1996.

16. Share premium account

	£
Group and Company	
Balance at 1st October 1993	22,629,733
Warrants exercised	16,178
Balance at 30th September 1994	£22,645,911

17. Capital reserves

	1994 £	1993 £
Group		
Unrealised:		
Balance at 1st October 1993	17,366,674	(4,503,814)
(Depreciation)/appreciation of investments during the year	(5,068,557)	21,870,488
Appreciation on revaluation of properties	1,404,389	–
	13,702,506	17,366,674
Realised:		
Balance at 1st October 1993	68,045,211	47,216,806
Gains on realisation of investments	20,842,174	20,758,373
Enhanced scrip dividends	61,594	70,032
Amortisation of Debenture discount	(7,106)	–
	88,941,873	68,045,211
Balance at 30th September 1994	£102,644,379	£85,411,885

NOTES TO THE ACCOUNTS (continued)

		1994 £	1993 £
	Company		
	Unrealised:		
	Balance at 1st October 1993	17,366,674	(4,503,814)
	(Depreciation)/appreciation of investments during the year	(5,068,557)	21,870,488
		12,298,117	17,366,674
	Realised:		
	Balance at 1st October 1993	67,760,877	46,932,472
	Gains on realisation of investments	20,842,174	20,758,373
	Enhanced scrip dividends	61,594	70,032
	Amortisation of Debenture discount	(7,106)	–
		88,657,539	67,760,877
	Balance at 30th September 1994	£100,955,656	£85,127,551

		Group £	Company £
18. Revenue reserve	Balance at 1st October 1993	2,109,768	2,061,441
	Unappropriated surplus/(deficit) for the year	88,578	(1,165,189)
	Balance at 30th September 1994	£2,198,346	£896,252

		1994 £	1993 £
19. Reconciliation of movements in Shareholders' funds	Revenue available to Shareholders	1,365,744	1,560,576
	Dividends paid and proposed	(1,277,166)	(1,236,952)
	Retained surplus for the year	88,578	323,624
	Recognised gains on investment portfolio	17,232,494	42,698,893
	Total recognised gains for the year after dividends paid and proposed	17,321,072	43,022,517
	Warrants exercised	19,414	719
	Net addition to Shareholders' funds	17,340,486	43,023,236
	Shareholders' funds at 1st October 1993	123,451,952	80,428,716
	Shareholders' funds at 30th September 1994	£140,792,438	£123,451,952

NOTES TO THE ACCOUNTS (continued)

20. Reconciliation of operating profit to net cash inflow from operating activities

Group	1994 £	1993 £
Income before interest payable and taxation	4,178,044	3,104,796
Decrease in stock of investments	330,893	212,374
Increase in creditors	798,983	345,517
Increase in investment income receivable	(162,542)	(97,077)
Decrease in other debtors	20,874	6,125
Tax on franked investment income	(311,633)	(457,256)
Tax on unfranked investment income	(578,107)	(242,570)
Avoir fiscal	(122,668)	(113,574)
	£4,153,844	£2,758,335

21. Net cash inflow from warrants exercised

	1994 £	1993 £
Nominal value of share capital	3,236	120
Share premium	16,178	599
	£19,414	£719

22. Analysis of changes in cash and cash equivalents during the year

Group	1994 £	1993 £
Balance at 1st October 1993	9,946,524	6,795,838
Net cash(outflow)/inflow	(5,864,737)	3,150,686
Balance at 30th September 1994	£4,081,787	£9,946,524

The balance of cash and cash equivalents is shown in the Balance Sheet as cash on deposit of £4,080,517 (1993 : £9,916,274) and cash at bank of £1,270 (1993 : £30,250).

23. Contingent liabilities

At 30th September 1994 there were no outstanding commitments in respect of investments carrying an obligation for future subscriptions (1993 : £61,014).

The Company has guaranteed the overdraft facilities of two subsidiary undertakings to the extent of £2,050,000. The Company has also given an unlimited guarantee in respect of a subsidiary undertaking.

STATISTICAL INFORMATION

		1994 %	1993 %
Classification of fixed asset investments (based on market value)	Government Bonds	6.59	1.34
	Convertibles	3.07	6.67
	Direct property investments	8.33	–
	Investment trusts	21.37	36.01
	Property securities	–	4.89
	Other financial	6.15	14.53
	Miscellaneous	53.06	35.50
	Unlisted securities	1.42	1.06
		100.00	100.00

	* Underlying Basis	Actual Basis	*Underlying Basis	Actual Basis
United Kingdom	44.50	61.61	36.11	69.91
North America	13.00	12.93	19.79	12.14
Continental Europe	18.90	14.96	23.26	12.89
Japan	7.70	6.26	7.20	0.33
Other Far East	10.70	4.24	10.21	4.73
Others	5.20	–	3.43	–
	100.00	100.00	100.00	100.00

	1994	1993
Equities	92.82	93.17
Fixed interest	7.18	6.83
	100.00	100.00

		1994	1993
Classification of income from fixed asset investments	Equities	74.60	92.03
	Fixed interest	25.40	7.97
		100.00	100.00

		1994 Holders	1994 % of Capital	1993 Holders	1993 % of Capital
Analysis of Shareholders	Nominee companies	340	41.00	156	39.52
	Insurance companies	10	30.40	8	31.80
	Investment trusts	1	0.07	2	2.15
	Pension funds	–	–	2	0.39
	Other organisations	86	22.94	48	21.46
	Individuals	1,632	5.59	1,509	4.68
		2,069	100.00	1,725	100.00

*Underlying basis reflects the location of investments held by the Company and, in the case of investments in UK investment trusts, the estimated geographical distribution of the assets of those companies.

NOTES

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the One Hundred and Fifth Annual General Meeting of British Empire Securities and General Trust p.l.c. will be held at Saddlers' Hall, Gutter Lane, Cheapside, London EC2V 6BR at 12 noon on Friday, 16th December 1994 for the following purposes:

Ordinary Business

1. To receive and adopt the financial statements for the financial year ended 30th September 1994, together with the Reports of the Directors and Auditors thereon.
2. To declare a final dividend on the Ordinary Shares.
3. To re-elect Mr R P Laurie, a Director retiring by rotation under the Articles of Association.
4. To re-elect Mr J C Walton, a Director retiring by rotation under the Articles of Association.
5. To re-appoint Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration.

Special Business – Ordinary Resolution

6. That the aggregate amount of remuneration payable to all Directors, as contained in Article 74 of the Company's Articles of Association, be increased from a maximum of £50,000 per annum to a maximum of £100,000 per annum.

Special Business – Special Resolution

7. That the Directors of the Company be and are hereby authorised and empowered during the period expiring on the earlier of the date of the next Annual General Meeting of the Company and 31st January 1996 to exercise all the powers of the Company to allot relevant securities as defined in Section 80 of the Companies Act 1985 ("the Act") and as if Section 89(1) of the Act did not apply but so that such authority and power shall be limited to:

   (a) the allotment of relevant securities having a nominal value not exceeding £1,500,000; and

   (b) allotments in connection with a rights issue to Shareholders of equity securities as defined in Section 94 of the Act made in the manner set out in Section 89(1) of the Act but subject to the Directors having the right:

   (i) to sell, for the benefit of those Shareholders who are citizens of or resident in any overseas territory where in the opinion of the Directors it would, at the time of the offer, be illegal (by relevant law) or unduly costly or burdensome for the Company to make or for those Shareholders to accept an offer of equity securities of the Company, the equity securities to which they would otherwise be entitled; and

NOTICE OF ANNUAL GENERAL MEETING (continued)

(ii) to aggregate and sell for the benefit of the Company all fractions of a Share which may arise in apportioning the equity securities among the Shareholders

provided that such authority and power shall permit the Directors to make at any time before the end of such period any offer or agreement which would or might require the allotment of relevant securities or equity securities after the end of such period.

Registered Office
23 Cathedral Yard
Exeter EX1 1HB

By Order of the Board
Sinclair Henderson Limited
Secretary

23rd November 1994

NOTES:

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him/her. A proxy need not also be a member of the Company.
2. A form of proxy is enclosed for use in connection with the business set out above. This form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, to reach the Registrars at the address printed on the form of proxy not later than 12 noon on 14th December 1994.
3. The register of Directors' interests in the Ordinary Shares of the Company will be available for inspection at the registered office of the Company during normal business hours (Saturdays excepted) from the date of this notice until the date of the Annual General Meeting and at Saddlers' Hall for fifteen minutes prior to and during the Meeting.
4. There are no service contracts between any of the Directors and the Company. A copy of the service contract between Mr C M Gilchrist and BES Trustees plc, a subsidiary of the Company, will be available for inspection at the registered office of the Company during normal business hours (Saturdays excepted) from the date of this notice until the date of the Annual General Meeting and at Saddlers' Hall for fifteen minutes prior to and during the Meeting.

REGISTERED IN ENGLAND
Number 28203

LETTER TO WARRANTHOLDERS

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

When considering what action to take you should consult immediately your Stockbroker, Bank Manager, Solicitor, Accountant or other independent adviser authorised under the Financial Services Act 1986. If you have sold all your Warrants, please send this document to the Stockbroker, Bank Manager, or other agent through whom the sale was effected for transmission to the purchaser.

BRITISH EMPIRE SECURITIES AND GENERAL TRUST p.l.c.
(Registered in England No. 28203)

Registered Office
23 Cathedral Yard
EXETER EX1 1HB

To the holders of Warrants to subscribe for
Ordinary Shares of the Company ("Warrants")

23rd November 1994

Dear Warrantholder,

In accordance with the terms of issue of your Warrants you are hereby reminded that you have the right to exercise your subscription rights on 31st January 1995 by subscribing for new Ordinary Shares of 10p each of the Company at a price of 60p per Share on the basis of one Ordinary Share for every Warrant held.

You are also reminded that you will have a final opportunity to exercise your subscription rights on 31st January 1996.

It may be helpful for you to know that the price of one Ordinary Share of the Company on 15th November 1994 (the latest practicable date prior to the printing and despatch of this letter), derived from the London Stock Exchange Daily Official List, was 92½p as compared to the subscription price per share under the Warrants of 60p. On the same date the price of a Warrant as derived from the London Stock Exchange Daily Official List was 36½p.

Action to be taken

If you decide not to exercise your subscription rights at this time you need take no action and should disregard the remainder of this letter.

If you decide to exercise your subscription rights, you should complete the Notice of Exercise set out on the reverse of your Warrant Certificate and then lodge it, together with a remittance for the amount payable at the rate of 60p for each share subscribed, at the office of the Registrars of the Company in accordance with and subject to the instructions and conditions set out on your Warrant Certificate. If your Warrant Certificate has been lost, destroyed or defaced, you should write immediately to the office of the Registrars of the Company.

If you are in any doubt as to the action to take, you are advised to consult immediately your Stockbroker, Bank Manager, Solicitor, Accountant or other independent adviser authorised under the Financial Services Act 1986.

LETTER TO WARRANTHOLDERS (continued)

Other Information

Application will be made to the Council of the London Stock Exchange for the Ordinary Shares issued on subscription to be admitted to the Official List. The new Ordinary Shares will, upon issue, rank *pari passu* with the existing Ordinary Shares, but holders will not be entitled to any dividend or other distribution payable on the existing Ordinary Shares prior to the subscription date or in respect of any earlier accounting reference period. A certificate in respect of the new Ordinary Shares allotted to you, together with a certificate for any balance of Warrants in respect of which subscription rights remain exercisable, will be posted by the Company's Registrars in accordance with the instructions and at the risk of the persons entitled thereto not later than 28th February 1995. Pending the issue of certificates the Registrars will certify instruments of transfer against the register.

On the basis of current legislation, the exercise of the subscription rights attached to the Warrants should not constitute a disposal for capital gains tax purposes, but the base cost (if any) of the Warrants in respect of which the subscriptions rights are exercised will be attributed to the Ordinary Shares subscribed for. You are advised to consult your tax adviser if you are in any doubt as to your tax position.

THIS NOTICE IS GIVEN IN ACCORDANCE WITH THE TERMS AND CONDITIONS UNDER WHICH THE WARRANTS ARE ISSUED AND SHOULD NOT BE REGARDED AS A RECOMMENDATION TO TAKE, OR NOT TO TAKE, ANY PARTICULAR ACTION.

A reminder will be sent to you each subsequent year in which your subscription rights remain exercisable.

Yours faithfully

SINCLAIR HENDERSON LIMITED
Company Secretary

FINANCIAL CALENDAR

January	Final dividend posted.
April	Interim results and dividend announced.
June	Interim dividend posted.
November	Preliminary announcement of final results and dividend.
December	Annual General Meeting.

INFORMATION

The daily quotation for the Company's Ordinary Shares can be found in the Financial Times, The Times, the Daily Telegraph, The Guardian and the Evening Standard.

CLAN INVESTMENT TRUST SAVINGS SCHEME

Clan Asset Management Limited offers a simple and inexpensive way of investing in your Company through the Clan Investment Trust Savings Scheme.

The Scheme has two options:

- Regular Savings Option
  - monthly savings from as little as £25 per month.
- Single Investment Option
  - lump sum investment with a minimum of £250.

If you would like to receive information about the Scheme please call Clan on 0171-702 2495. Alternatively, please write to:

Clan Asset Management Limited
Cayzer House
1 Thomas More Street
London E1 9AR

Clan Asset Management Limited is a member of IMRO.

British Empire Securities and General Trust p.Lc

FORM OF PROXY
FOR USE AT THE ONE HUNDRED AND FIFTH ANNUAL GENERAL MEETING

I/We (Block Capitals please)..

....

a member/members of the above-named Company, hereby appoint the Chairman of the Meeting

....

as my/our proxy to vote for me/us on my/our behalf at the One Hundred and Fifth Annual General Meeting of the Company to be held at Saddlers' Hall, Gutter Lane, Cheapside, London EC2V 6BR on Friday, 16th December 1994 at 12 noon, and at any adjournment thereof.

Signature..

Dated 1994

Please indicate with an X in the spaces below how you wish your votes to be cast.

		For	Against
RESOLUTION 1	To receive and adopt the financial statements for the financial year ended 30th September 1994 together with the Reports of the Directors and Auditors thereon.		
RESOLUTION 2	To declare a final dividend on the Ordinary Shares.		
RESOLUTION 3	To re-elect Mr R P Laurie a Director.		
RESOLUTION 4	To re-elect Mr J C Walton a Director.		
RESOLUTION 5	To re-appoint Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration.		
RESOLUTION 6	To approve amendment to Article 74 in relation to Directors' remuneration.		
RESOLUTION 7	To authorise Directors to allot securities.		

NOTES:

1. *A member may appoint a proxy of his/her own choice. If such an appointment is made, delete the words the 'Chairman of the Meeting' and insert the name of the person appointed proxy in the space provided.*

2. *If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.*

3. *In the case of joint holders, the signature of any one holder will be sufficient but the name of all the joint holders should be stated.*

4. *If this form is returned without any indication as to how the person appointed proxy shall vote, he/she will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.*

5. *To be valid, this form must be completed and deposited at the office of the Company's Registrars not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting.*

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Edinburgh
EH7 OLA

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