British Empire

Securities and General Trust plc

AVI

Annual Report 2014

AVI

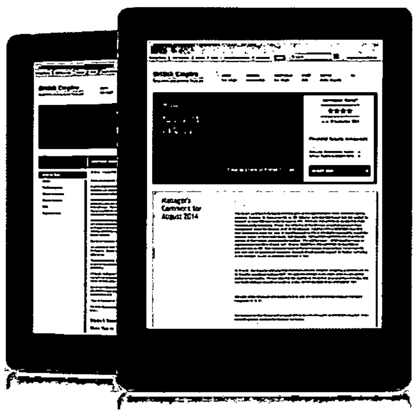
British Empire Securities and General Trust plc

Established in 1889, the Company's investment objective is to achieve capital growth through a focused portfolio of investments, particularly in companies whose shares stand at a discount to estimated underlying net asset value.

British Empire Securities and General Trust plc ('British Empire' or the 'Company') is managed by Asset Value Investors Limited ('AVI').

AVI aims to deliver superior returns while managing risks and specialises in securities that, for a number of reasons, may be selling on anomalous valuations.

Your Company continues to seek (and find) investment opportunities with real value and excellent prospects for good medium to long term capital appreciation.



For more information visit
www.british-empire.co.uk

Company summary

The Company
The Company is an investment trust and its shares are premium listed on the London Stock Exchange. It is a member of the Association of Investment Companies.

The Group's net asset value as at 30 September 2014 was £827 million and the market capitalisation was £739 million.

Objective
The investment objective of the Company is to achieve capital growth through a focused portfolio of investments, particularly in companies whose shares stand at a discount to estimated underlying net asset value.

Investment Manager
Asset Value Investors Limited
(Customer Services: 0845 850 0181)*

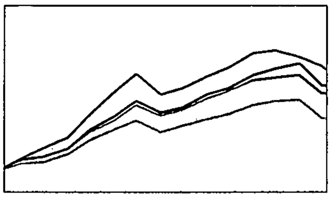
Capital Structure
The Company has Ordinary Shares and Debenture Stock in issue. A full explanation of the capital structure is given on page 27.

ISA Status
The Company's shares are eligible for Stocks & Shares ISAs.

Retail Investors advised by IFAs
The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers ('IFAs') in the UK to ordinary retail investors in accordance with the Financial Conduct Authority ('FCA') rules in relation to non-mainstream investment products and intends to continue to do so. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an authorised investment trust.

The Company is an Alternative Investment Fund ('AIF') under the European Union's Alternative Investment Fund Managers' Directive ('AIFMD'). Its Alternative Investment Fund Manager ('AIFM') is Asset Value Investors. Further disclosures required under the AIFMD can be found on the Company's website: www.british-empire.co.uk.

*Call charges may apply.



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Company Performance,
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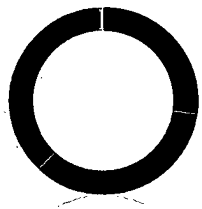
Pages 04-11
Chairman's Statement,
Strategy and Outlook



Pages 16-26
Investment Manager's Review

Strategic Report / Company Performance

Financial Highlights

- Net asset value ('NAV') per share on a total return basis increased by 6.8%
- Benchmark[1] index increased by 5.1%
- Total ordinary dividends maintained at 10.5p
- Share price total return 8.9%
- Year end net liquidity 1.7%

Performance Summary

	30 September 2014	30 September 2013	% change
Net asset value per share (total return)			**6.81**
Share price total return			**8.92**
Indices			
Morgan Stanley Capital International All Country World ex-US Index (£ adjusted total return)			**5.11**
Morningstar Investment Trust Global Index[2]			**9.21**
Morgan Stanley Capital International All Country World Index (£ adjusted total return)			**11.77**
Earnings and Dividends			
Income	**£18.21m**	£28.80m	
Revenue earnings per share	**9.29p**	13.90p	
Capital earnings per share	**23.76p**	49.24p	
Total earnings per share	**33.05p**	63.14p	
Ordinary dividends per share	**10.50p**	10.50p	
Special dividend per share	**–**	2.50p	
Discount			
(difference between share price and net asset value)[3]	**10.28%**	11.78%	
Ongoing Charges Ratio			
Management, marketing and other expenses (as percentage of average shareholders' funds)[4]	**0.90%**	0.69%	
2014 Year's Highs/Lows	High	Low	
Net asset value per share	**600.18p**	543.53p	
Net asset value per share (debt at fair value)	**597.70p**	541.15p	
Share price (mid market)	**522.75p**	473.30p	

[1]The lead benchmark is the Morgan Stanley Capital International All Country World ex-US Index.

[2]The Morningstar Investment Trust Global Index (total return basis), formerly known as Fundamental Data Global Growth Investment Trust Index, is subject to revision and the figures are as at 15 October 2014.

[3]As per guidelines issued by the Association of Investment Companies ('AIC'), the discount is calculated using the net asset value per share inclusive of accrued income and with the debt at fair value. In previous years, the discount was calculated using the net asset value per share inclusive of accrued income with the debt at par value.

[4]For further details see page 5.

Buy-backs

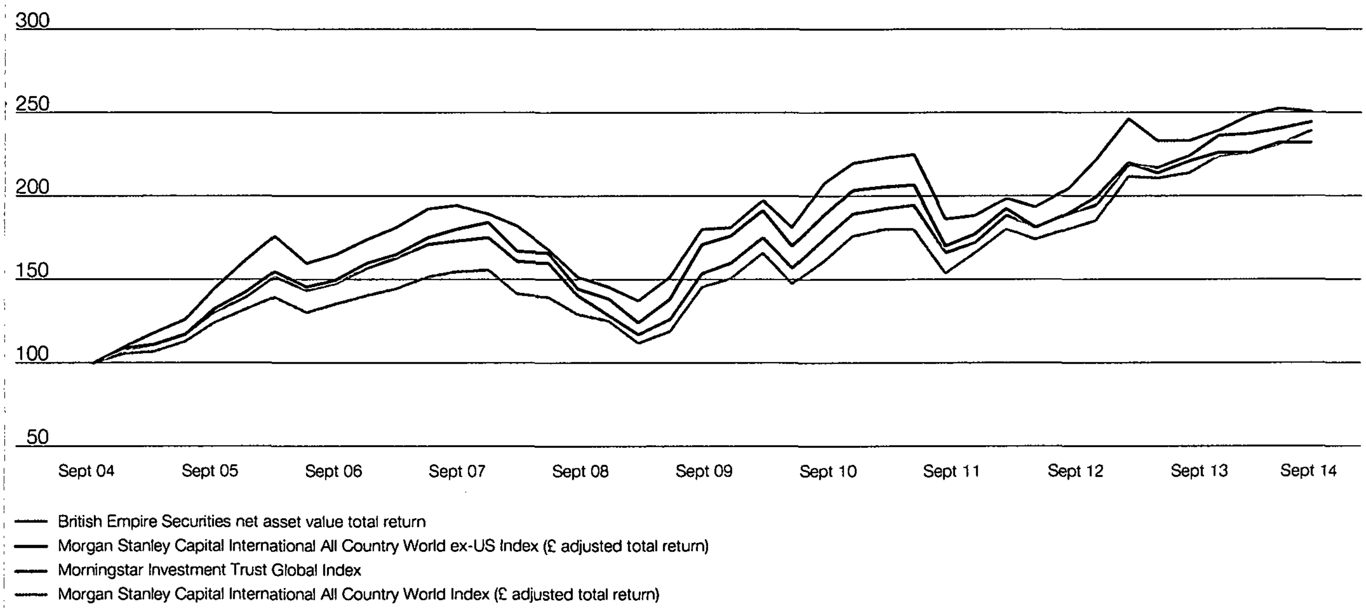
During the year the Company purchased 9,394,016 Ordinary Shares, all of which have been placed into treasury.

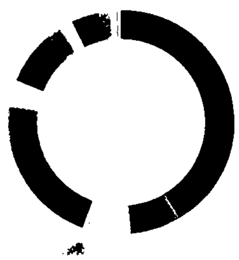
Historical record

Year ended 30 September	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Group net revenue return £'000	**13,827**	21,775	24,050	18,405	12,712	12,774	13,548	9,046	8,520	6,614
Revenue earnings per share (p)	**9.29**	13.90	15.06	11.50	7.94	7.98	8.46	5.65	5.32	4.13
Ordinary dividends per share (p)	**10.50**	10.50	9.50	8.50	7.50	6.00	5.75	5.00	4.00	2.20
Special dividend per share (p)	**–**	2.50	3.50	2.00	–	1.25	1.50	0.50	1.00	1.40
Net assets £'000†	**826,984**	844,455	791,225	740,385	829,670	735,188	633,856	815,124	701,291	618,739
Basic net asset value per share (p)	**575.92**	551.97	500.47	462.51	518.28	459.26	395.96	509.19	438.08	386.51

†The figures for 2005 have been restated in accordance with IFRS.

The Company's net asset value relative to the Morgan Stanley Capital International All Country World ex-USA Index (£ adjusted total return), **the Morningstar Investment Trust Global Index and the Morgan Stanley Capital International All Country World Index** (£ adjusted total return)





Portfolio value by country of listing

	2014 %	2013 %
United Kingdom	**22.7**	11.6
Canada	**10.2**	12.6
Belgium	**8.8**	7.5
Singapore	**7.2**	8.8
France	**6.7**	7.9
Sweden	**6.2**	7.9
Netherlands	**5.8**	4.1
Japan	**5.2**	–
Norway	**4.6**	8.1
Germany	**4.0**	2.2
Hong Kong	**2.9**	9.7
Cayman Islands	**2.3**	0.6
Austria	**2.2**	–
Switzerland	**2.1**	1.3
Australia	**2.0**	–
Korea	**2.0**	–
Turkey	**2.0**	1.8
Liquidity	**1.7**	15.2
Romania	**1.1**	–
Malaysia	**0.3**	0.7

Source Asset Value Investors. Percentages are of net asset value, calculated after deducting liabilities to Debenture Stock 2023.

Strategic Report / Chairman's Statement

Strone Macpherson
Chairman

This report covers the period from 1 October 2013 to 30 September 2014 and is the second which we have produced under the UK's "narrative reporting" framework. As last year, we have elected to include the Chairman's Statement within the Strategic Report in order to minimise duplication. You will also find enclosed with this Annual Report a letter asking whether you would prefer to receive future communications in electronic form rather than printed. I encourage you to consider the electronic option in the interests of efficiency.

Overall, the year has again been one of progress, the NAV total return being 6.8% and with some outperformance against our core benchmark. There has been substantial change in the portfolio, with 19 new investments purchased at wide discounts to NAV. The Company has also continued to buy back its own shares. The discount has reduced over the year from 11.8% to 10.3%. There has been much work done, and costs incurred, in completing the transition to the new regulatory framework and in refreshing the investment information provided to existing and potential investors through the various channels now available.

Regulation

With effect from 17 July 2014, the Company entered into the arrangements necessary to ensure compliance with the European Union's Alternative Investment Fund Managers' Directive. The Company's Board approved the appointment of our existing Investment Manager, AVI, as the Company's Alternative Investment Fund Manager under the terms of a new investment management agreement between the Company and AVI; key commercial terms, including the management fee and notice period, remained unchanged. AVI has been approved as an AIFM by the UK's Financial Conduct Authority. The Board has also appointed J.P. Morgan Europe Limited to act as the Company's Depositary (a new function required by the AIFMD). JPMorgan Chase Bank, NA will remain as the Company's Custodian. In common with other investment trusts, we incurred substantial costs in implementing these regulatory changes. The net effect of the new regulations will unfortunately add some additional annual costs from now on, primarily as a result of the new requirement to employ a depositary. Against these costs, shareholders will benefit from some extra protection from the effects of unforeseen events and in the security of assets. I would like to record the Board's thanks to AVI and to all of our suppliers for their efforts in bringing this process to a satisfactory conclusion.

Changes to Articles of Association
As part of the arrangements to comply with the AIFMD, we have also reviewed with external advisers the Articles of Association of the Company, which were last reviewed and updated in 2009, to ensure that they remain in line with current best practice. A number of amendments this year have been recommended which will be put forward at the AGM as a Special Resolution, as described on pages 33 and 34. The amendments are technical in nature and I hope that you will support them.

NAV
For the year under review, the NAV of the Company rose by 6.8% on a total return basis. This compares with an increase in our lead benchmark, the MSCI All Country World ex-US Index, of 5.1%. The Morningstar Investment Trust Global Index and the MSCI All Country World Index were up by 9.2% and 11.8% respectively, reflecting the continuing strong performance of the US markets where we have limited exposure.

The strength of the US markets and the weakness of the Euro have held back the level of returns. The key theme driving the strong relative performance compared with the lead benchmark was the overall returns of our investments in European holding companies and closed-end funds as described in more detail in the Investment Manager's Review.

Between the year end and 5 November 2014, the latest date for which data is available, the Company's net asset value decreased by 1.1% compared with a return of -0.3% by the MSCI All Country World ex-US Index on a total return basis.

At the time of writing, liquidity stands at 9.0%, compared with 1.7% at the year end and a range of 1.5% to 15.1% during the year under review.

Since the year end, the Company has hedged part of its exposure to the Japanese Yen.

Income
Your Company is managed with a target of producing superior capital growth and the Board believes that it would be inappropriate to set any income requirement for the Investment Manager which could compromise their ability to deliver this primary objective.

As indicated in the Half Year Report to 31 March 2014, net income and earnings per share this year are lower than last year, driven by a number of different factors. Underlying portfolio income was lower as the Investment Manager made significant adjustments to the holdings, details of which are set out in the Investment Manager's Review. Key changes included sales of Vivendi and Orkla, both of which had paid substantial ordinary and special dividends in past years, and which were sold at low discounts. The new investments generally have lower dividend yields, but were purchased on low valuations.

Costs
The ratio of ongoing charges rose during the year due to a number of reasons.

As I reported last year, with effect from 1 October 2013, the base annual management fee increased from 0.6% to 0.7% of net assets. No further performance fees will be payable.

Your Company has incurred significant legal and other costs this year as the result of the implementation of the AIFMD. In addition, in the light of the Retail Distribution Review, your Company has increased its marketing budget and reviewed thoroughly its approach to, and investment in, explaining its investment strategy. It has increased the frequency of meetings with investors and reviewed its website strategy to ensure that the news provided by the Investment Manager to investors through all channels is coherent and clear and that the Investment Manager's valuable time is most productively spent.

As stated in the Half Year Report, the Board has reviewed its policy of charging a proportion of management costs to capital. Previously, the annual management fee was allocated 50% to revenue and 50% to capital, but 100% of the cost of servicing debt was charged to revenue. It is clear that a much higher proportion of long-term total returns has been the result of capital growth rather than revenue and this is expected to continue. Therefore, from this financial year, the Board has decided that 70% of the annual management fee and 70% of the cost of servicing the Company's debt will be allocated to capital and 30% allocated to revenue. This is in line with the policy set out in the Statement of Recommended Practice for Investment Trusts issued by the Association of Investment Companies and the practice adopted by similar investment companies. This change in policy has resulted in a modest increase in the revenue available for distribution by way of dividend than would otherwise have been the case.

Strategic Report / Chairman's Statement

Dividend
The Company has accumulated significant revenue reserves in past years with a view to ensuring that AVI can maintain the freedom to pursue the primary objective of the Company, which is capital growth. Our reserves give us flexibility in our dividend policy without constraining the Investment Manager in the pursuit of this goal. Given the changes in the portfolio, the lower net income and the additional regulatory and other costs charged to revenue this year, we are using our reserves this year to maintain the core dividend.

A dividend of 2.0 pence per share was paid at the half year stage and the Board is recommending a final dividend of 8.5 pence. The total ordinary dividends paid and proposed for the year amount to 10.5 pence per share, which is unchanged from last year's ordinary dividends. There will be no special dividend this year.

Discount
The year ended with the discount at 10.3%, down from 11.8% one year ago and 13.7% at the half year end. During the year, the discount has been between 10.3% and 14.3%. As indicated in the Half Year Report, the Board has conducted an internal review and an independent external review of its buy back strategy and alternatives, and these have endorsed the current approach. Over the year, the Company has bought back 9.4m shares, which has not prevented us from making a significant number of new investments, and has enhanced NAV per share by 0.8%.

Board
Again this year, in line with accepted best practice, each of the Directors is subject to re-election. Your Board carries out an annual review of its effectiveness and every three years carries out an independent external review, led by a specialist in this field. This external review concluded that the Directors' qualifications, effectiveness, performance and contribution to the Board are of a high standard. All of the Directors are therefore offering themselves for re-election.

Administration
With effect from 1 April 2014, Capita Company Secretarial Services took over as corporate Company Secretary and AVI has also sub-contracted certain fund administration services to Capita Asset Services. On behalf of the Board, I would like to thank our previous suppliers, Phoenix Administration Services, for their diligent service over the last 10 years.

Outlook
It is most encouraging that, even after several years of equity markets recovering from the financial crisis, the Investment Manager is continuing to find quality businesses to invest in and at significant discounts to their NAV.

The bigger picture around the world looks rather more uncomfortable than even a few months ago. The prospect of rising interest rates in the US is becoming more real, yet the near-term economic outlook for Continental Europe seems to have worsened considerably and strengthened the likelihood of easy monetary policy for some time to come. In addition to these factors, there has been a welcome but unexpected weakness in the oil price. There is potential danger in the Ukraine and in the Middle East with ISIS. There is also less certainty about China's rate of economic growth and the impact of this on the world economy. The weaker Euro should eventually benefit the strong exporters within Europe. In the UK, of course, we face a year of political change, with a general election only a few months away and the recent party conferences have made clear the significant decisions which the electorate faces.

Your Board formally considers the continuing appointment of AVI each year and remains vigorous in evaluating and monitoring AVI's style and investment progress against this background. It is confident that AVI can continue to produce good returns in the long term. Your Board is also encouraged by the strongly positive feedback from visits to institutional investors by your Investment Manager made over the past few months as a result of the enhanced marketing initiatives.

Increasing levels of corporate activity in the past have often been the catalyst for realising the value of the sort of investments which your Investment Manager specialises in. The portfolio looks to contain a good store of value and is, overall, well positioned.

The Strategic Report has been approved and signed on the Board's behalf.

Strone Macpherson
Chairman
7 November 2014

Strategic Report / Overview of Strategy

Aim

The Company is an investment trust. Its investment objective is to achieve capital growth through a focused portfolio of mainly listed investments, particularly in companies whose shares stand at a discount to estimated underlying net asset value.

Total returns to 30 September 2014

Company

1 Year	10 Years
6.8%	149.2%

Benchmark
MSCI All Country World ex-US Index

1 Year	10 Years
5.1%	130.8%

Other comparators

Morningstar Investment Trust Global Index

1 Year	10 Years
9.2%	143.2%

MSCI All Country World Index

1 Year	10 Years
11.8%	137.4%

Investment Approach
The Company's assets are managed by Asset Value Investors Limited. AVI aims to deliver superior returns while managing risks and specialises in investment in securities that for a number of reasons may be selling on anomalous valuations.

The Investment Manager has the flexibility to invest around the world and is not constrained by any fixed geographic or sector weightings but does seek to maintain a concentrated yet diversified portfolio. No more than 10% of the Company's investments may be in unlisted securities. AVI's investment philosophy, which is described in more detail on page 16 of the Annual Report, is to:-

- Invest in companies trading on discounts to net asset value.
- Identify good quality underlying assets with appreciation potential at compelling valuations.
- Focus on balance sheet strength.
- Look for catalysts to narrow discounts.
- Focus on bottom-up stock picking.
- Be willing to hold cash from time to time if investments do not meet AVI's strict investment criteria.

Key Performance Indicators ('KPIs')
The Company's Board of Directors meets regularly and at each meeting reviews performance against a number of key measures.

Net asset value total return
The Directors regard the Company's net asset value total return as being the overall measure of value delivered to shareholders over the long term. Total return reflects both net asset value growth of the Company and also dividends paid to shareholders. The Investment Manager's investment style is such that performance is likely to deviate materially from that of any broadly based equity index. The Board considers the most important comparator to be the MSCI All Country World ex-US Index, which was adopted as the Company's benchmark from 1 October 2013. The Company will also continue to report performance against the MSCI All Country World Index and the Morningstar Investment Trust Global Growth Index, which is a peer group index and was the Company's benchmark index until 30 September 2013.

During the year under review, the net asset value per share showed a total return of 6.8%, which was ahead of our benchmark total return of 5.1%. While absolute returns were held back by a lack of exposure to US markets and by the weakness of the Euro, a number of key investment themes delivered strong returns. A full description of performance and the investment portfolio is contained in the Investment Review, commencing on page 16 of the Annual Report.

The discount at which the Company's shares trade compared with net asset value
The Board believes that an important driver of an investment trust's discount or premium over the long term is investment performance. However, there can be volatility in the discount or premium. Therefore, the Board takes powers each year to buy back and issue shares with a view to limiting the volatility of the share price discount or premium.

During the year under review, the discount has moved in a range from 10.3% to 14.3% based on closing prices and, as at 30 September 2014, stood at 10.3%.

During the year under review, no new shares were issued and 9.4m shares were bought back and placed into treasury at discounts ranging from 10.1% to 14.8% and adding an estimated 0.83% to net asset value per share to the benefit of continuing shareholders.

Value for money
The Board continues to be conscious of expenses and works hard to maintain a sensible balance between strong service and costs.

For the year ended 30 September 2014, the ongoing charges ratio was 0.90%, compared with 0.69% in 2013.

As reported in last year's Annual Report, the change in the management fee arrangements has increased the ongoing charges by approximately 0.1 percentage points, but that change also eliminated the performance fee, which could in any year have amounted to up to 0.4 percentage points. The performance fee is not included in the definition of ongoing charges. The balance of the increase is primarily due to professional fees incurred in fulfilling the requirements of AIFMD (as described in the Chairman's Statement) and the additional marketing costs incurred in reviewing and reshaping the Company's marketing strategy following the Retail Distribution Review.

Discount

30 September 2014	30 September 2013
10.3%	11.8%

Estimated percentage added to net asset value per share from buybacks

2014	2013
0.8%	0.4%

Ongoing charges ratio

2014	2013
0.90%	0.69%*

*Comparative adjusted for revised fee arrangements is 0.79%.

Strategic Report / Overview of Strategy

Positions the Company typically holds

40-50

Top ten investments represent

41%

of the portfolio

Investment Risk

When considering the total return of the investments, the Board must also take account of the risk which has been taken in order to achieve that return. There are many ways of measuring investment risk, and the Board takes the view that understanding and managing risk is much more important than setting any numerical target. The Board looks at risk from many different angles, an overview of which is set out below.

A plethora of statistical tools exist to measure risk, none of which offers a complete insight into the actual risks in a portfolio, as all rely on historical data and there is no single agreed definition of what risk is. The Investment Manager presents reports on portfolio returns and a set of contribution and risk statistics at each Board meeting. The objective of using these techniques is not to be prescriptive, but to understand levels of risk and how they have changed over time.

The purpose of this focus on risk is to ensure that the returns earned are commensurate with the risks assumed. The investment approach followed by the Investment Manager has led, over the long term, to returns in excess of those given by the market, while taking less risk in so doing.

Portfolio diversification

Conventional wisdom holds that the most effective way of reducing risk is to hold a diversified portfolio of assets. The Company typically holds 40-50 positions, which could be considered a relatively concentrated (and therefore risky) portfolio. It is important to note that, in line with its investment objective, the Company's holdings are mostly in stocks which are themselves owners of multiple underlying businesses. Thus, the portfolio is much more diversified on a look-through basis than if it were invested in companies with a single line of business, for example. For the same reason, the top 10 portfolio positions, representing 41% of assets at the year end, are in practice highly diversified on a look-through basis. This diversification is evident at country, sector and currency levels.

Gearing and liquidity

Historically, the Company has held large liquidity positions, mostly held in government bonds, when the Investment Manager cannot find sufficient value in its investment universe. This position is normally in the range of 0-25% but could *in extremis* be higher. This use of liquidity allows an expression of caution to be reflected in the portfolio at times of high valuation without altering the basic investment strategy. As such, it is an important mechanism for the management of overall portfolio risk. The Company is permitted to use gearing, and has a £15m debenture, but has regularly retained a net liquidity position. The liquidity position at any given time does not necessarily reflect a view on market direction but is driven by the Investment Manager's view of available investments which fit its investment criteria.

Taking account of the £15m debenture liability, the Company's debt-to-equity ratio as at 30 September 2014 was 1.8% (2013: 1.8%) but, as described above, the Company regularly maintains a net liquidity position. The Board and AVI do not expect gearing to be significantly higher than this level for the foreseeable future and have no current intentions to engage in further borrowing.

Foreign exchange
Foreign exchange risk arises if there are falls against the Pound Sterling in the currencies in which the Company's investments are denominated. These risks are managed by the Investment Manager mainly by way of portfolio diversification but the Investment Manager may, with Board approval, hedge currency risk.

Discount
The shares of investment trusts frequently trade at a discount to their published net asset value. The Board seeks to manage the risk of any widening of the discount by regularly reviewing the level of discount at which the Company's shares trade, and it will, if necessary and appropriate, limit any significant widening through measured buybacks of shares.

The value of the Company's shares will additionally be subject to the interaction of supply and demand, prevailing net asset values and the general perceptions of investors. The share price will accordingly be subject to unpredictable fluctuations and the Company cannot guarantee that the share price will appreciate in value.

Other risks
Further risks which can impact on performance are a loss of key personnel (especially within the investment management team); regulatory (principally breaches of either UKLA Listing Rules or Section 1159 of the Corporation Tax Act 2010) and failure of systems or controls. In managing these risks, the Company reviews staffing, succession planning and activity levels of the Investment Manager at least annually to ensure that there are adequate qualified staff/capacity available, and in particular requires the Investment Manager to notify the Board promptly of any changes in senior staff. The Company also reviews the relevant systems and controls at the Investment Manager and at other third party suppliers, including the Custodian and Administrator.

During the year, Capita was appointed as Administrator and Company Secretary to the Company, and J.P. Morgan Europe was appointed as Depositary. The Board monitors the risks inherent in the changing of a supplier, and also considers the risk controls at new suppliers. There were no material changes to the Company's risk profile during the year, other than normal movements in market risk, and an increased risk from cyber-crime. The Company has asked its principal suppliers to provide details of their cyber-crime controls.

The principal financial risks are examined in more detail in note 17 to the financial statements on pages 58 to 63.

Environmental and Social Issues
The Company recognises that social, human rights, community and environmental issues can have an effect on some of its investee companies. AVI's Stewardship Policy also recognises that the social and environmental consequences of corporate activity are important factors in determining the creation and maximisation of shareholder value over the long term.

The Company is an investment trust and so its own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

The Directors do not have service contracts and the Company has no employees. There are five Directors, four male and one female. Further information on the Board's policy on recruitment of new Directors is contained on page 37.

Future Strategy
The Board and the Investment Manager have long believed in their focus on investment in high quality undervalued assets and that, over time, this style of investment has been well rewarded. The Company has regularly held considerable levels of liquidity and expects that, from time to time, it will do so in the future.

The Company's overall future performance will, inter alia, be affected by: the Investment Manager's decisions; investee companies' earnings, dividends and asset values; and by stock market movements globally. Stock markets are themselves affected by a number of factors, including: economic conditions; central bank and other policymakers' decisions; political and regulatory issues; and currency movements.

The Company's performance relative to its peer group and benchmarks will depend on the Investment Manager's ability to allocate the Company's assets effectively, and manage its liquidity or gearing appropriately. More specifically, the Company's performance will be affected by the movements in the share prices of its investee companies in comparison to their own net asset values.

The overall strategy remains unchanged.

Strategic Report / Investment Portfolio

We seek to build a portfolio that is diversified in the underlying businesses in which it invests by sector, country and market capitalisation.

Investments at 30 September 2014

Company	Nature of business	% of class	Cost £'000	Valuation £'000	% of total assets less current liabilities
Jardine Matheson Holdings	Investment Holding Company	0.2	31,594	55,260	6.56
Investor AB 'A'	Investment Holding Company	0.8	27,673	51,352	6.10
Groupe Bruxelles Lambert	Investment Holding Company	0.5	38,354	41,129	4.89
Aker	Investment Holding Company	2.6	30,850	37,904	4.50
Sofina	Investment Holding Company	1.4	24,812	31,722	3.77
NB Private Equity Partners	Investment Company	8.4	23,738	28,822	3.42
Harbourvest Global Private Equity	Investment Company	4.5	21,712	28,104	3.34
First Pacific	Investment Holding Company	0.9	26,793	23,887	2.84
Hitachi	Conglomerate	0.1	24,281	23,486	2.79
TUI	Investment Holding Company	0.9	24,736	23,009	2.73
Top ten investments			**274,543**	**344,675**	**40.94**
Symphony International Holdings	Investment Company	8.8	18,559	22,351	2.65
Ecofin Water & Power	Investment Company	6.3	20,265	21,402	2.54
Marwyn Value Investors	Investment Company	15.7	18,042	20,924	2.49
Mitsui Fudosan	Real Estate Company	0.1	20,136	20,281	2.41
AP Alternative Assets	Investment Company	1.3	7,828	19,069	2.27
Rallye	Investment Holding Company	1.5	18,209	19,027	2.26
DWS Vietnam Fund	Investment Company	12.2	16,888	18,962	2.25
Dundee Corp	Investment Holding Company	3.8	24,173	18,852	2.24
Hudson's Bay	Retail Holding Company	1.0	18,233	17,851	2.12
Power Corp Canada	Investment Holding Company	0.3	17,755	17,794	2.11
Top twenty investments			**454,631**	**541,188**	**64.28**
Private Equity Holding	Investment Company	14.1	13,727	17,509	2.08
Doğan Şirketler Grubu Holdings	Investment Holding Company	3.6	25,386	16,846	2.00
Westfield Corp	Real Estate Investment Company	0.2	16,221	16,743	1.99
KT Corporation	Telecommunications Conglomorate	0.3	16,163	16,678	1.98
Vivendi	Media & Telecoms Conglomerate	0.1	16,941	16,578	1.97
Pantheon International Participations	Investment Company	4.1	7,489	16,182	1.92
Wm Morrison	Consumer Services Conglomerate	0.4	23,557	15,772	1.87
JP Morgan Private Equity	Investment Company	9.2	15,214	15,320	1.82
Dolphin Capital Investors	Real Estate Investment Company	6.8	16,850	15,069	1.79
Dorel Industries 'B'	Consumer Goods Conglomerate	2.9	18,713	15,054	1.79
Top thirty investments			**624,892**	**702,939**	**83.49**

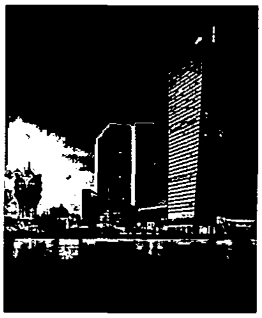
Company	Nature of business	% of class	Cost £'000	Valuation £'000	% of total assets less current liabilities
Eurazeo	Investment Holding Company	0.4	13,173	12,734	1.51
LMS Capital	Investment Company	10.1	10,210	12,732	1.51
Immofinanz	Real Estate Investment Company	0.6	16,500	12,519	1.49
Brookfield Canada Office Properties	Real Estate Investment Company	2.9	13,318	11,284	1.34
Ashmore Global Opportunities – GBP	Investment Company	16.3	10,734	9,845	1.17
Westgrund	Real Estate Investment Company	4.8	9,907	9,826	1.17
SC Fondul Proprietatea	Investment Company	0.4	8,798	8,860	1.05
Paris Orleans	Investment Holding Company	0.8	6,962	7,223	0.86
Buwog	Real Estate Investment Company	0.5	5,419	5,751	0.68
Forterra Trust	Real Estate Investment Company	2.6	4,669	4,469	0.53
Top forty investments			**724,582**	**798,182**	**94.80**
Dragon Capital Vietnam Property	Real Estate Investment Company	15.4	4,729	4,278	0.51
Pantheon International Participations (Redeemable Shares)	Investment Company	1.2	2,314	4,247	0.50
Dream Unlimited 'A'	Real Estate Company	0.6	3,358	3,496	0.42
Mitra Energy*	Oil & Gas Company	2.8	5,169	2,616	0.31
Ashmore Global Opportunities – USD	Investment Company	0.5	181	185	0.02
Total equity investments			**740,333**	**813,004**	**96.56**
Fixed income investments					
Treasury 2.75% 22/01/15	UK Government Security	–	6,043	6,041	0.72
US Treasury T-Bill 0% 11/12/14	US Government Security	–	19,888	19,738	2.35
Total fixed income investments			**25,931**	**25,779**	**3.07**
Total investments			**766,264**	**838,783**	**99.63**
Net current assets				**3,156**	**0.37**
Total assets less current liabilities			**766,264**	**841,939**	**100.00**

*Unlisted investment.

Strategic Report / Ten Largest Equity Investments

The top ten equity investments make up 41% of the portfolio, with underlying businesses spread across a diverse range of sectors and regions.

1



Jardine Matheson Holdings

Nature of business
Investment Holding Company
Valuation
£55.3m
Valuation basis
Market price
% of total assets less current liabilities
6.6%

An Asian holding company which controls Mandarin Oriental, Hongkong Land, Jardine Cycle & Carriage and Dairy Farm. The group also has a significant investment in insurance as well as other private investments. Jardine Matheson is trading on a 28% discount to the sum of its parts.

Copyright / Mandarin Oriental Hotel Group
Photography / George Apostolidis

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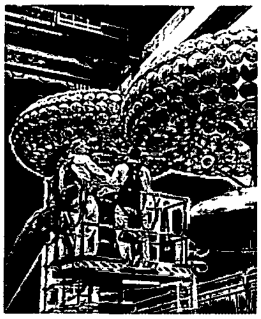

Investor AB 'A'

Nature of business
Investment Holding Company
Valuation
£51.4m
Valuation basis
Market price
% of total assets less current liabilities
6.1%

A Swedish industrial holding company which owns significant shareholdings in public multi-national companies and private companies. Investor takes an active ownership role in many companies and at year end was on a 27% discount to NAV.

Copyright / Investor AB 'A'

3

Groupe Bruxelles Lambert

Nature of business
Investment Holding Company
Valuation
£41.1m
Valuation basis
Market price
% of total assets less current liabilities
4.9%

The listed Belgian holding company of Albert Frère which owns a portfolio of European blue chip companies including Total, Lafarge and Pernod Ricard. It is trading on a 26% discount to NAV.

Copyright / Pernod Ricard

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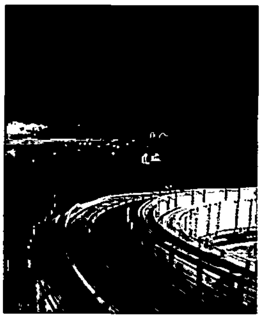

Aker

Nature of business
Investment Holding Company
Valuation
£37.9m
Valuation basis
Market price
% of total assets less current liabilities
4.5%

A Norwegian-listed holding company trading on a 25% discount to NAV. 80% of its NAV is in listed companies and cash including interests in Aker Solutions, DetNor, Ocean Yield and Kvaerner.

Copyright / Aker Solutions
Photography / Rolf Estensen

5

Sofina

Nature of business
Investment Holding Company
Valuation
£31.7m
Valuation basis
Market price
% of total assets less current liabilities
3.8%

A diversified Belgian holding company trading on a 32% discount to estimated NAV. Over half the portfolio comprises listed companies, however they also own a portfolio of private equity holdings.

Copyright / Colruyt Group

6

NB Private Equity Partners

Nature of business
Investment Company
Valuation
£28.8m
Valuation basis
Market price
% of total assets less current liabilities
3.4%

A London and Euronext-listed closed-end fund investing mostly in US-based private equity co-investments and debt. NBPE's discount narrowed from 27% at time of purchase to 16% due to its transition from a fund of private equity funds to making direct investments, and due to the growing income from its debt holdings. The company's re-rating is expected to continue as its legacy funds portfolio is run off and as the market recognises the highly attractive returns from the new investments.

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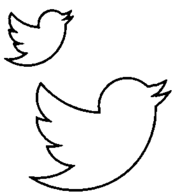


Harbourvest Global Private Equity

Nature of business
Investment Company
Valuation
£28.1m
Valuation basis
Market price
% of total assets less current liabilities
3.3%

A highly-diversified London and Euronext-listed closed-end fund investing in private equity limited partnerships. A focus on top quartile managers resulted in a strong NAV growth track record, while realisations aided by buoyant IPO, credit and M&A markets have been achieved at substantial uplifts to carrying value and confirmed the conservative nature of the valuations. On a discount of 19%, and with the forthcoming introduction of voting rights and a consolidation of the two listings, we see further upside in the shares.

Copyright / Twitter

8

First Pacific

Nature of business
Investment Holding Company
Valuation
£23.9m
Valuation basis
Market price
% of total assets less current liabilities
2.8%

A Hong Kong-listed holding company which is benefiting from continued Asian consumer growth. The company has controlling interests in listed companies which include PLDT, Metro Pacific Investments and Philex Mining in the Philippines as well as Indofood in Indonesia. The company trades on a 43% discount to its NAV.

Copyright / First Pacific

9

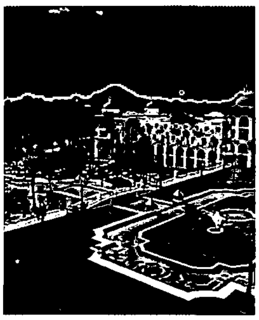
Hitachi

Nature of business
Conglomerate
Valuation
£23.5m
Valuation basis
Market price
% of total assets less current liabilities
2.8%

A Japanese holding company which is currently Japan's largest electronics manufacturer with a diverse product offering. Business lines include power generation, construction machinery, social infrastructure, high functional materials and IT systems. Hitachi is trading on a 26% discount to the sum of its parts.

Copyright / Hitachi

10



TUI

Nature of business
Investment Holding Company
Valuation
£23.0m
Valuation basis
Market price
% of total assets less current liabilities
2.7%

TUI AG is a German-listed holding company whose principal asset is its 54% stake in London-listed tour operator TUI Travel. TUI AG also owns a portfolio of branded hotels and resorts and operates a cruise line. In addition, TUI AG owns a 22% stake in Hapag-Lloyd, a container shipping business. If consummated, the proposed merger with TUI Travel scheduled to close by end-2014 should eradicate much of the near-30% discount to our estimated NAV at which TUI AG's shares trade, while the proposed disposal of the non-core stake in Hapag-Lloyd in 2015 should also aid in a re-rating.

Copyright / TUI

All discounts are estimated by AVI as at 30 September 2014.

Investment Manager's Review

Overview of AVI's Investment Philosophy

British Empire is managed by
Asset Value Investors Ltd
The aim of AVI is to deliver superior investment returns while managing risks.
AVI specialises in investing in securities that for a number of reasons may be selling on anomalous valuations.

AVI's investment philosophy is to:

- **Invest in companies trading on discounts to net asset value.**
Our focus is to find listed companies that own assets such as listed securities, property, cash and other businesses. We then estimate the value of all of those assets. After deducting any liabilities such as debt or pension liabilities, we arrive at an estimate of net asset value for that company. We will consider investing in companies where the discount between the current share price and our estimate of the value of that business is wide. The types of company which we typically find include investment holding companies, conglomerates, closed-end funds and property companies. Our approach naturally leads to investment in a variety of companies with diverse underlying businesses.

- **Identify good quality underlying assets with appreciation potential at compelling valuations.**
There are many companies trading on discounts to net asset value. Our aim is to identify companies that own high quality businesses where there is not only a wide discount, but also where we consider there to be a reasonable likelihood of those assets appreciating in value.

- **Focus on balance sheet strength.**
Debt works very well when markets are appreciating. However, debt can also destroy a lot of value when markets are falling and the business environment for a particular company deteriorates. We consider very carefully the balance sheet strength of the companies in which we invest. Factors which we look at include the actual quantum of debt relative to the assets of the companies, the maturity profile of the debt and the cashflows that the businesses generate.

- **Look for catalysts to narrow discounts.**
Once we find a good quality business on an attractive valuation, we then consider whether it is likely that the discount will narrow. Many companies trade on a discount for a reason and if that reason persists, then the discount may persist. Catalysts differ for the various types of company in which we invest. For example, in the case of a closed-end fund, where we are a large shareholder we can influence a board to pursue a strategy for discount narrowing. In the case of a family controlled company where we cannot exert influence to the same extent, our analysis would involve trying to understand the interests and objectives of the controlling shareholder, and whether our interests were aligned with theirs.

- **Focus on bottom-up stock picking.**
We are not asset allocators attempting to invest a pool of money across various asset classes. We are equity investors focusing on a particular style of value investing. We do not hug benchmarks and we will not own a company just because it is in a benchmark. We seek to invest in companies that meet the criteria described above.

- **Be willing to hold cash if investments do not meet our criteria.**
Very simply put, if we cannot find companies that meet our valuation and quality criteria we will not invest our shareholders' money. We will preserve capital until an appropriate investment opportunity arises.

Our focus on buying high-quality businesses trading at wide discounts to their net asset value has served us well over the long term. There are periods of time, however, when our style is out of favour and the types of companies in which we invest are ignored by the broader market. This requires us to be patient and to remain true to our style, so that when other investors begin to appreciate the value in those companies, we are well placed to benefit. In the short term, this means that there could be some volatility in our returns. However, we are confident that we own high quality businesses, which are trading on cheap valuations and which generate reasonable cash dividends for us as we wait for the value to be appreciated by the market.

Members of the investment team at AVI invest their own money in funds which they manage. As at 30 September 2014, AVI, its directors and staff owned approximately 872,000 (2013: 780,000) shares in British Empire Securities and General Trust plc.

NAV total return per share

6.8%

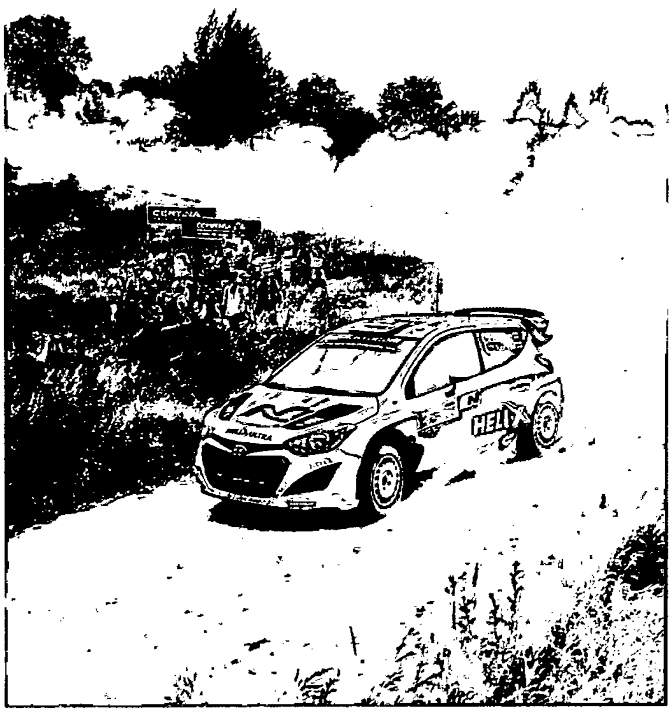
NAV rose by 6.8%, compared with an increase of 5.1% in the benchmark Morgan Stanley Capital International All Country World ex-US Index (£ adjusted total return).

John Pennink
John has managed the Company's portfolio for the past twelve years and is the Chief Executive Officer of Asset Value Investors Limited. He is a Chartered Financial Analyst.

Joe Bauernfreund
Joe is an Executive Director of Asset Value Investors Limited. He has been working with John Pennink in the management of the portfolio over the past seven years.

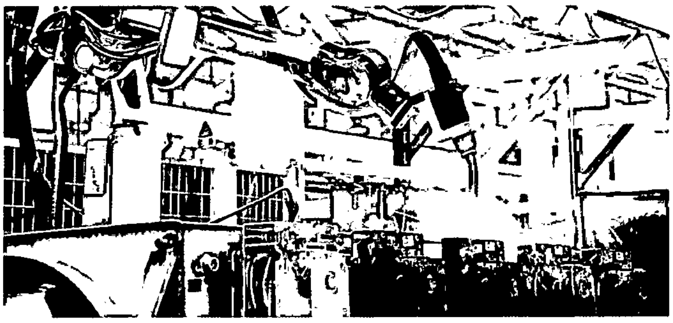
Hyundai / Korea
Hyundai Motor Company is a Korean conglomerate with economic interests in Hyundai car production, car financing and a controlling 34% interest in Kia Motors. In 2014, Hyundai launched two new models, the Sonata and the Genesis.

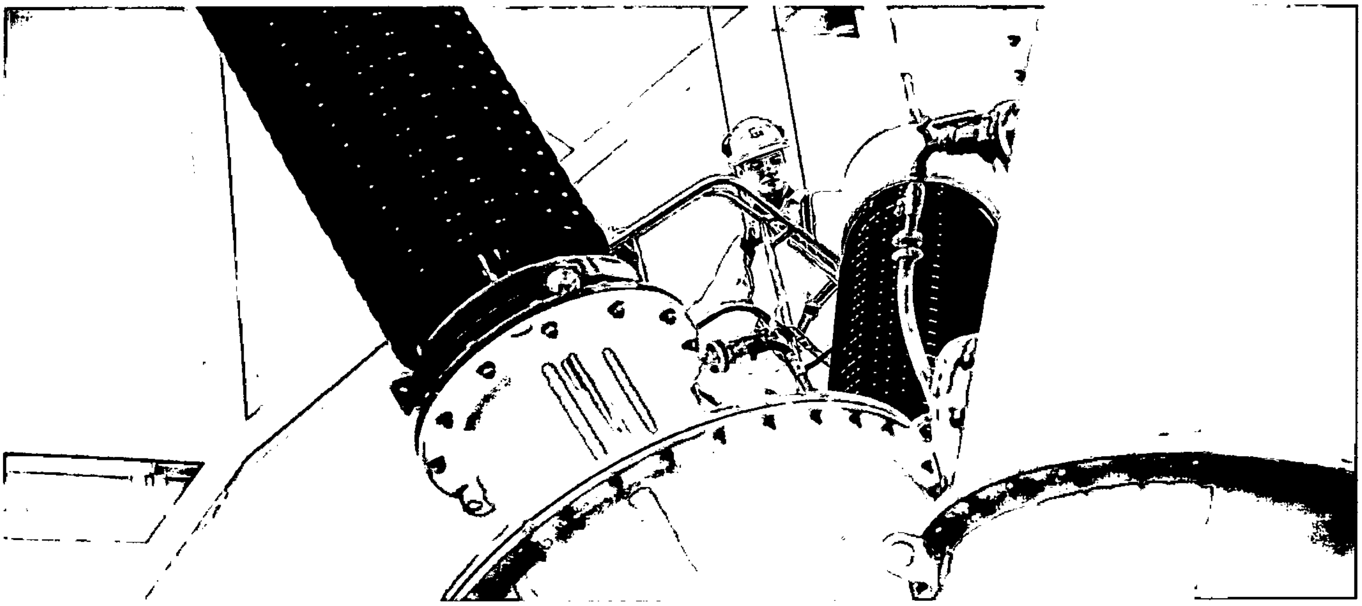
For more information visit
www.hyundai.co.uk



Investment Manager's Review

Portfolio Review





Investor AB 'A' / Sweden
Investor's operations are conducted in two business areas: Core Investments and Financial Investments. The mix of well-established, leading companies, growth companies, wholly-owned subsidiaries and financial investments spreads risks well and provides a solid base for generating healthy long-term returns to shareholders.

ABB, a core listed investment, forms 12% of Investor's NAV. ABB provides power and automation technologies, operating under segments that include power products, power systems, automation products, process automation and robotics.

Copyright / Investor AB 'A'

For more information visit
www.investorab.com

NAV 10 year total return growth per share

149%

Over 10 years your Company's NAV has grown by 149%.

Your Company's NAV rose by 6.8% during the financial year ended 30 September 2014, whilst the benchmark – the MSCI All Country World ex-US Index – increased by 5.1% (both on a total return basis).

The share price total return was 8.9%. This was in excess of the NAV return due to the narrowing of the discount at which the Company's shares trade over the course of the financial year. One year ago, the discount on British Empire Securities & General Trust shares stood at 11.8%, whilst it was 10.3% at the current year end.

The Morningstar Investment Trust Global Index and the MSCI All Country World Index returned 9.2% and 11.8% respectively (both on a total return basis).

Over 10 years, your Company's NAV has returned 149% versus 131% for the MSCI All Country World ex-US Index, 143% for the Morningstar Global Index, and 137% for the MSCI All Country World Index.

In the Half Year Report, we discussed how the general pick-up in corporate activity in developed markets around the world supports our style of investing. This trend has continued in the second half of this year and your Company has continued to benefit. The term "corporate activity" encompasses a broad range of activities including mergers & acquisitions, spin-offs, disposals, Initial Public Offerings ('IPOs') and corporate re-organisations. The abundance of corporate activity reflects the high level of cash on corporate balance sheets and easy access to other forms of transaction finance, as well as the confidence of investors and corporate decision makers. From our perspective as investors in companies trading at discounts to net asset value, we view these events as drivers of both narrowing discounts and increasing net asset values. After several years in which corporate activity has been muted and discounts have remained wide, it is encouraging to see that these have started to narrow in several cases and this has been a contributing factor to the Company's outperformance.

As a consequence of increased activity and narrowing discounts, we have seen the portfolio turnover increase over the past year. The turnover level has historically been in the region of 40%, whereas over the past 12 months it has been closer to 60%. This is a result of selling out of holdings trading at narrow discounts to NAV, where we see greater risk of discount widening than further narrowing.

Encouragingly, however, the narrowing of discounts has not been a universal trend as it was in 2006. This has meant that, as we have taken profits on some holdings, we have been able to recycle capital into other opportunities still trading on wide discounts. Although 7 holdings (making up 12% of the portfolio) were sold during the year on single-digit discounts to NAV, we have invested in 19 new holdings on far wider discounts. In this way, the weighted average discount on the portfolio has remained at relatively wide levels. At the year end, it was 28.6%, which compares to a level of 28.4% one year ago.

We believe that this is an indicator of the store of value in your Company's portfolio. Several of our investments have plans to dispose of assets in the coming months. Examples include Eurazeo, which has just announced plans to sell two of its holdings comprising one-third of its NAV; Tui AG, which is attempting to merge with Tui Travel Plc, its 54% owned subsidiary; and Athene Insurance, the sole asset owned by AP Alternative Assets, will have an IPO in New York within the next year. Private equity funds continue to sell assets at prices above carrying values.

In addition, we have benefited from a number of corporate reorganisations during the year. Vivendi has been in the process of selling several of its businesses. During the year, it sold three divisions – Activision Blizzard, SFR and GVT; Aker ASA's listed subsidiary, Aker Solutions, split itself into two companies as it sought to extract greater value from its businesses; Westfield, the Australian property company, listed its domestic assets into a separate company allowing for its international assets to be listed in a market where the shares are likely to be rated more highly by investors; Immofinanz demerged Buwog, its German property assets, into a separately listed vehicle.

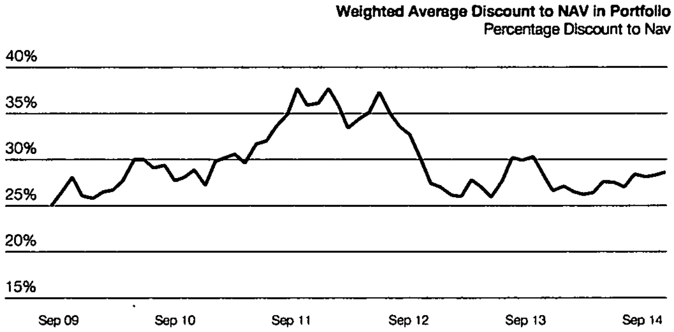
The largest contributors to performance during the year were Investor AB, Vivendi, Hyundai preference shares, NB Private Equity and Jardine Matheson. Of these, Hyundai preference shares were sold entirely during the year, realising a profit of 34% over cost, whilst Vivendi was reduced significantly as the majority of our holding was sold on a single digit discount to NAV, thereby yielding a profit of 14% on cost.

The largest detractors from performance were Wm Morrison, Doğan Holdings, Mitra Energy, Dundee Corporation and Immofinanz. Wm Morrison and Immofinanz were new investments made during the year, whilst the others have been in the portfolio for longer periods of time.

Investment Manager's Review

Portfolio Review

Weighted average discount



Source Estimated by Asset Value Investors.

Portfolio review

Sector	Local CCY Return	FX	Dividend Income	Contribution to Return
Holding Companies – Europe	4.4%	-1.3%	0.9%	4.0%
Holding Companies – Asia	1.1%	-0.1%	0.2%	1.3%
Mining & Resources	-0.4%	0.0%	0.0%	-0.4%
Closed-end Funds	2.9%	0.0%	0.6%	3.4%
Property	0.8%	-0.9%	0.3%	0.2%
Other	-1.7%	-0.7%	0.2%	-2.2%
Conglomerates	1.4%	-0.6%	0.1%	0.9%
Cash/Government Bonds/Expenses	-0.1%	0.0%	-0.2%	-0.4%
Grand Total	8.5%	-3.6%	2.0%	6.8%

Source Asset Value Investors. Please note that, due to rounding effects some numbers may not reconcile exactly. The attribution and returns are generated from Asset Value Investors' internal reporting system and there may be small differences between the figures shown in this table and those shown in the accounts, primarily due to differing approaches to the recognition of income.

European Holding Companies
This was the largest area of investment for your Company, making up 24% of the portfolio on average over the year, and contributing 4% to our overall performance over the period.

Investor AB had the largest positive influence amongst the European family holding companies, making a 1.2 percentage point contribution to overall returns. This long-standing investment has continued to deliver strong performance with an increase in NAV over the year of over 29%. At the same time, the discount at which Investor AB shares trade narrowed slightly over the year and thus the share price return was 32%.

GBL and Sofina, the two Belgian holding companies, contributed 0.5 percentage points each to overall returns with share price returns of 15.4% and 19.6% respectively. Both saw their discounts narrow. In the case of GBL, the discount narrowed over the year from 29% to 26% and in the case of Sofina, from 38% to 32%.

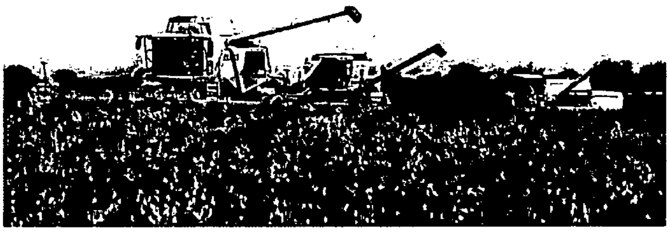
The performance of these three companies highlights the benefits of investing alongside families that are committed to growing value for all investors with an approach to investing that has delivered strong returns over the long term. Notwithstanding the superior long-term records of these groups, for us the question of whether to invest comes down to valuation. With our focus on buying high quality assets on discounts, we also have to believe that the valuations of the underlying businesses are fundamentally attractive and represent good value in and of themselves.

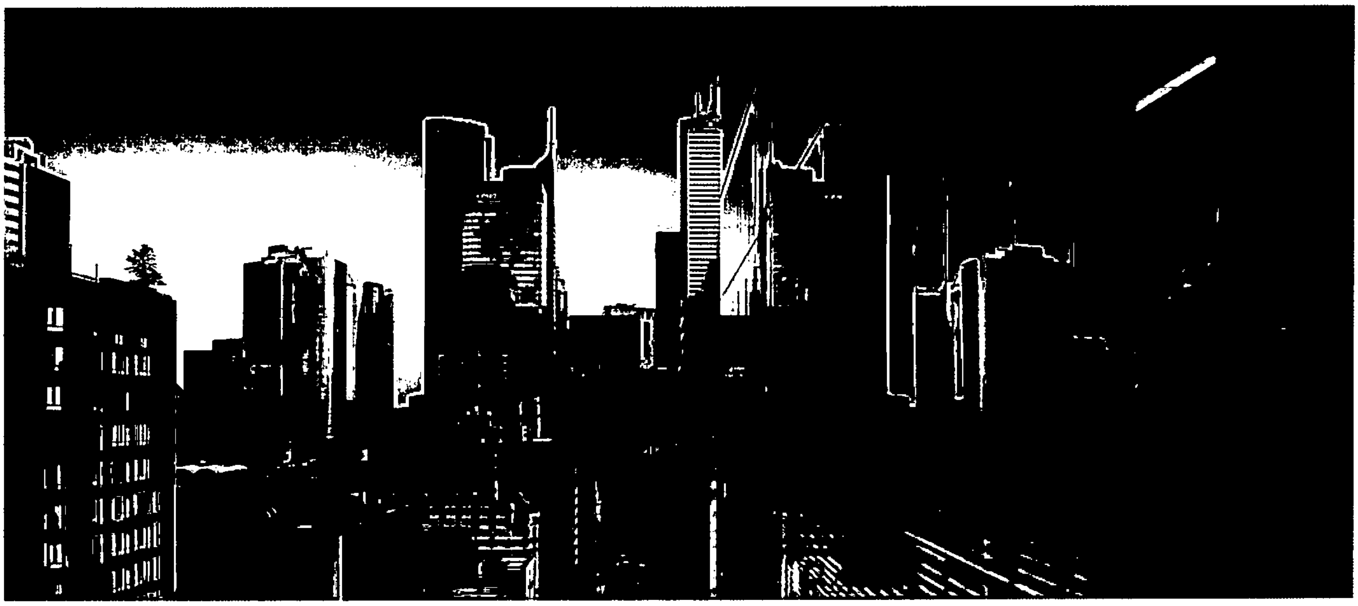
During the year, we successfully sold two European holding companies after their discounts narrowed and their valuations became excessive in our view. Kinnevik and Orkla both contributed 0.4 percentage points each to our performance, and were both sold early on in the financial year on single digit discounts.

One detractor from performance amongst this group of companies was TUI AG, a German-listed holding company whose principal asset is its 54% stake in London-listed tour operator TUI Travel. TUI AG also owns a portfolio of branded hotels and operates a cruise line. In addition, TUI AG owns a 22% stake in Hapag-Lloyd, a container shipping business that recently merged its operations with Chilean peer CSAV - the combined entity is scheduled to hold its IPO in the first half of next year and will provide TUI AG with an opportunity to exit a business it has long regarded as non-core. Most importantly, the consummation of a proposed merger with TUI Travel, if approved, will create a vertically-integrated tourism company and should unlock the value currently trapped within the inefficient holding company structure. Our position declined in value by 7% over the year, but TUI AG shares were trading on a near 30% discount at year-end.

"

The general pick-up in corporate activity in developed markets around the world supports our style of investing.



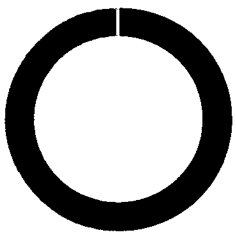


Dundee Corp / Canada
Dundee Corp, a Canadian listed holding company, has been increasing its exposure to agricultural assets including land and livestock. In 2014 Dundee Corp increased its strategic stake in Union Group to 40%. Union Group, an unlisted company, has significant interests in real asset businesses in Latin America, in particular in the agriculture, infrastructure & logistics, minerals, energy, oil & gas and real estate sectors.

For more information visit
www.dundeecorp.com

Investment Manager's Review

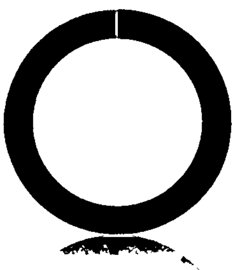
Portfolio Review



Portfolio value on a look through basis

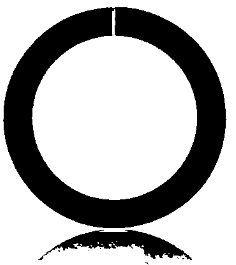
	2014 %	2013 %
● Canada/US	**27.5**	22.9
● EMEA	**2.0**	1.8
● Continental Europe	**32.7**	33.5
● Japan	**5.2**	-
● Asia Pacific	**19.2**	24.1
● United Kingdom	**11.7**	2.5
● Liquidity	**1.7**	15.2

Based on location of companies' underlying assets.



Equity portfolio value by market capitalisation

	2014 %	2013 %
● <£1 billion	**40.1**	32.5
● >£1 billion & <£5 billion	**28.0**	35.9
● >£5 billion & <£10 billion	**11.3**	7.4
● >£10 billion	**20.6**	24.2



Portfolio value by sector

	2014 %	2013 %
● Investment Holding Companies	**45.2**	44.8
● Investment Companies	**29.6**	16.7
● Real Estate Companies	**12.5**	11.5
● Conglomerates	**6.6**	8.4
● Other	**4.1**	1.6
● Mining & Resources	**0.3**	1.8
● Liquidity	**1.7**	15.2

Source Asset Value Investors. Percentages for the Geographic Breakdown and the Sector Breakdown are net asset value, calculated after deducting liabilities to Debenture Stock holders from the liquidity figure. The percentages for Market Capitalisation are of the portfolio excluding liquidity.

Closed-End Funds

Closed-end funds continue to form an important part of your Company's portfolio, accounting for 30% of assets at year-end and contributing 3.4 percentage points to our overall performance.

Our investments in this category are primarily focused in the listed private equity sector, where we still see significant potential for further upside in our holdings from both discount contraction and NAV growth. Supportive equity and credit markets are now aiding realisations from portfolios that have been held back by the lack of exits in the wake of the financial crisis. These realisations are typically being made at substantial uplifts to carrying value, providing a tailwind to NAV growth but also validating reported NAVs, which investors have been viewing with scepticism. This should aid in narrowing unjustifiably wide discounts.

The two largest contributors were NB Private Equity Partners and Harbourvest Global Private Equity, our positions in which rose in value by 30% and 23% (in GBP) respectively over the financial year.

NB Private Equity Partners is a closed-end fund managed by Neuberger Berman, actively investing in US private equity and debt. The company also owns a private equity funds portfolio to which no new commitments have been made since a new policy was adopted in 2010. This refocused the portfolio on a twin strategy of making equity co-investments in, and providing junior debt to, companies backed by leading private equity sponsors. High cash-flows from the mature funds portfolio are being redeployed into investments under the new strategy, which now account for two-thirds of the portfolio. While several funds in the listed private equity sector now pay distributions to shareholders, NB Private Equity Partners is unique in that its dividend yield of 4.2% is covered by the cash-flows from its debt portfolio. We expect both the continuing portfolio transition and growing investor awareness of how the attractive yield is generated to drive a further re-rating in the company's shares from the current 16% discount (versus 27% at the time of our first purchase).

The second-strongest performer, Harbourvest Global Private Equity, is a highly-diversified London and Euronext-listed closed-end fund investing in private equity limited partnerships. A focus on top quartile managers has translated to a strong track record of NAV growth, while realisations aided by buoyant IPO, credit, and M&A markets are being achieved at average uplifts of 40% over carrying value, confirming the conservative nature of underlying managers' valuations. On a discount of 19%, and with the near-term catalyst of the introduction of voting rights and a consolidation of the two listings, we see further strong upside in the shares.

Our position in LMS Capital, to which we added over the year, saw a return of +17% on the back of a rising share price and a tender offer at NAV following the sale of its investment in Updata Infrastructure. The company's realisation strategy has seen over half of our investment cost returned to us since we first bought shares in 2012 for an overall return of +31%, an impressive performance given that we believe much of the portfolio value remains to be crystallised upon exits.

Of the 15 closed-end funds held over the year, only Ashmore Global Opportunities delivered a negative return. Despite three returns of capital at NAV made as part of its realisation policy, the position registered a 4.3% decline, caused in large part by the write-down of its investment in a Brazilian ethanol producer on the back of a government decision not to remove caps on gasoline prices.

During the first half of the year, we took advantage of a narrowing discount to sell out of our long-standing and successful investment in Electra Private Equity.

Asian Holding Companies

This area of the portfolio contributed 1.3 percentage points to overall return, with the largest performances coming from Jardine Matheson and Hyundai Motor Company preference shares. These two holdings increased in value by 11% and 34% over the year respectively.

The stake in Hyundai Motor Company was acquired via the preference shares which were trading on a 47% discount to the ordinary share. Over an eight month period, the discount between the preference shares and the ordinary shares narrowed to its tightest historic level at 28% whilst the discount between the ordinary shares and the NAV remained unchanged. We sold this position less than seven months after acquiring it and realised a 34% profit.

Jardine Matheson continues to deliver strong performance. In a year of fairly muted performance for Asian markets (the MSCI Asia Pacific ex-Japan total return was +6%), Jardine Matheson's NAV total return (including dividends) was 13.2% and its share price total return was 11%.

Conglomerates

This area contributed 1 percentage point to overall performance and it made up on average 10.5% of the portfolio over the course of the year. The main contributor to performance from this segment of the portfolio was Vivendi, whose share price increased by 12.4% over the period. At the start of the year, Vivendi made up 7% of your Company, whereas by the year end we had reduced this to 2%. During the course of the year, Vivendi announced the sales of several businesses which it owned and this has been well received by investors. The company has moved away from a conglomerate structure in favour of a more focused media business and this process has resulted in a sharp contraction in the discount at which Vivendi trades. We used the narrowing discount to exit a large part of our investment on discounts of between 5% and 10% to estimated NAV.

Other Investments

In addition to the Asian and European holding companies, we also held investments in Wm Morrison, the UK supermarket chain, in one Turkish holding company (Doğan), in two Canadian holding companies (Dundee Corporation and Power Corp) and in Hudson's Bay, the Canadian retailer.

This area of the portfolio detracted 2.2 percentage points from performance, with the largest cost coming from the investment in Wm Morrison. We believed that the company, with asset backing from its freehold estate and following a sharp decline in its share price, looked good value early in 2014. The shares have continued to fall as the operational challenges facing the supermarket industry from the low-cost operators continue unabated. There are early signs that Wm Morrison may be gaining back some market share. Capital is being released from its property portfolio and the shares are trading below the value of that real estate. Sentiment towards the company and the broader sector is extremely bearish. In the event that sentiment turns, there should be upside in the shares from current very depressed levels.

The second largest negative contributor in this section was Doğan Holdings, which is active in the Turkish media and energy sectors. Our position in Doğan decreased in value by 27% over the year, as the weak economic backdrop and perceived political risk in the local media sector weighed on the shares. Nevertheless, we were encouraged by management's decisive action to tackle the inefficient group structure by buying out minorities in their main listed media asset at an attractive price. At a 67% discount to our estimated NAV and with cash at the holding company level almost covering the share price, the shares are cheaply valued.

Investment Manager's Review

Portfolio Review

Dundee Corp was a relatively disappointing holding for us over the year as it returned a negative 16.4% in Pound Sterling terms. Some of this reflects a strong Pound Sterling, which strengthened by over 9% during the period against the Canadian Dollar. We have confidence in the quality of the underlying assets, which include gold and other precious metals, a private wealth management business and property. Whilst some of these have been out of favour this year, we believe the very wide discount of 44% more than reflects this and there should be scope for improved performance in future given the very good long-term track record of the company.

Mitra Energy, British Empire's only unlisted holding and a 0.7% of NAV position at the start of the year, was written down by 63% over the year due to proposals being announced for a reverse take-over and associated discounted equity raise to shore up the company's balance sheet.

Property
Property had an average weighting over the period of 15%, contributing 0.2 percentage points over the twelve months with assets in North America, Europe, Asia and Australia.

There were positive returns from British Land in the UK, from Westfield in Australia, and from Suntec REIT in Singapore. These were offset by negative returns at Immofinanz and Forterra Trust.

GAGFAH, our largest contributor within property, was sold in July. The share price rose by 37% over the year up until our sale as several identified hurdles were met and the company traded in line with NAV.

We also sold our Hong Kong property positions during the year. Planning permission for affordable housing has not yet been granted to Henderson Land and with no clarity on time horizon we exited our position. Great Eagle, our other Hong Kong property position, successfully sold three hotels into a REIT structure. Disappointingly, management decided to reinvest the proceeds instead of returning capital to shareholders as anticipated.

In Europe, Immofinanz, an Austrian listed company, spun off its German and Austrian residential arm, Buwog, to existing shareholders while retaining a 49% stake. Our holding in Buwog is performing well, with a share price rise of 13% since listing in April. Immofinanz, with exposure to Russia and Eastern Europe, is trading on a 50% discount to NAV.

As discussed earlier, we purchased retail asset owner Westfield. This company separated its assets into two companies: Scentre owning its Australian and New Zealand assets, while Westfield retained its other global assets. We sold our Scentre position as it traded on a single digit discount to NAV and we maintain our Westfield shares, giving us exposure to high quality retail assets in North America and Europe on a 20% discount to NAV.

The holding in Forterra Trust proved costly, with our position declining in value by 38% over the year. Delays to the completion of their flagship retail and office development, The Place, Shanghai, weighed on the shares. Once complete, however, the development will allow for the resumption of dividend payments and we see considerable upside with the shares on a 63% discount to NAV.

Liquidity
Net liquidity at the year end was 1.7%, whilst it was 15.1% at the start of the year, reflecting the deployment of cash into the opportunities described in this report.

Share Buybacks
During the year, the Company purchased 9.394m of its own shares. These are being held in treasury. The effect of the buybacks was to increase NAV per share by 0.83 percentage points.

GAGFAH / Germany
GAGFAH owns and manages a geographically diversified residential property portfolio throughout Germany. With a portfolio of approximately 145,000 units, GAGFAH is one of the largest residential property companies listed in Germany.

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For more information visit
www.gagfah.de

Investment Manager's Review

Outlook for the Portfolio

Economic activity in the developed economies has remained subdued since the financial crisis in 2008. It has taken years for many of these economies to regain their pre-crisis levels and there are some that still have a way to go to attain that level. Perhaps the anaemic recovery is to be expected given the overhang of unprecedented levels of debt across the developed world in combination with ageing populations. Whatever the cause of the disappointing growth, it has left the perception of a degree of slack in the developed economies and given cover to Central Banks to pursue highly accommodative monetary policies. Easy monetary policies have continued for six years following the initial crisis. We will, of course, never know the counter-factual case of how economies would have fared in the absence of ultra-low interest rates and Central Bank bond buying. The effects of these policies on markets, however, have been pronounced. The low yields available on high-quality government bonds have led to a search for yield elsewhere. Yields on other asset classes have been forced down and risk premia compressed. Asset price valuations have been elevated and volatility has been exceptionally low.

Can this state of affairs continue?

Despite being tested by rising geopolitical risks, in the Middle East and Ukraine in particular, markets have remained calm up until the last few weeks. It may be that the accommodative monetary policies have anaesthetised investors against such short-term pain, although recent gyrations in markets are testing that thesis.

Undoubtedly, monetary policy in major developed economies will remain 'easy' for the next year in comparison with long-term historical averages. A challenge for investors, however, may arise from the increasingly divergent economic outlook for the developed economies. Persistent deflationary pressures in the Eurozone are likely to lead to further monetary stimulus, while in the US the economic recovery is slow but steady and is driving expectations for a gradual scaling-back of monetary stimulus. The US Federal Reserve is expected to end its asset purchases in late 2014 and to start raising US policy rates in the middle of 2015. The UK economy is also performing relatively well and the Bank of England is also expected to commence raising rates in 2015.

Central Banks will, no doubt, be hoping to execute their next moves without unduly alarming the markets. This may prove difficult as investors begin to react to the divergent outlook not only for economies but also interest rates and currency cross rates. We should probably expect that volatility will increase from historical lows in many markets and that some high valuation levels may not be sustainable.

From our perspective, the end of quantitative easing should have a positive impact, as investors become more discerning about which stocks to own. Correlations between securities have decreased and this is an environment in which good stock pickers ought to do well. The "lower for longer" backdrop and buoyant credit and IPO markets remain supportive of companies wishing to extract value from their assets by way of disposals, spin-offs, reorganisations and returns of capital.

In this environment, the opportunity for discounts to contract and for NAVs to grow is strong. This is what we have been seeing within our universe of stocks during the period. It is reflected by the fact that a larger number of holdings than in recent history were sold at very narrow discounts. In many cases, the growth in the NAVs of these companies has also been in excess of that of benchmarks as companies have taken advantage of strong capital markets to realise value for their shareholders.

Encouragingly, we are still able to identify opportunities to invest our capital in companies that we believe have fundamentally attractive valuations, have the potential to deliver strong NAV growth over the long term and also have genuine catalysts for discounts to narrow. Whilst it is true that there have been several examples of marked discount contraction in the portfolio, it remains a stock specific trend rather than a structural trend as it was in 2006. For these reasons, the level of liquidity in the portfolio is lower than it has been in recent years.

Valuation levels have risen along with the market, and downside risk is consequently greater. We seek to defend ourselves from such a risk in a number of ways. The first is to be certain that we are not overpaying for the companies we own; that their valuations are not overly stretched and appear reasonable relative to historic metrics as well as the prospects for that company. The second is by focusing on discounts. We do not wish to hold on to stocks where discounts have narrowed and the risk of capital loss from the discount widening is high. And, thirdly, we try to identify stocks where the wide discounts are genuine mis-pricings rather than value traps. By having a process that seeks to understand why discounts exist, we try to avoid value traps – companies where there are good reasons for discounts to exist – and only invest in those where the discounts are a genuine opportunity for outperformance.

The continued outperformance of the US market over Europe is now an extended multi-year phenomenon. US valuations look increasingly expensive versus Europe. At some point, this trend may be subject to reversal. Although we cannot be confident of the timing, any such move would be positive for your Company's portfolio.

As ever, the short-term direction of stock markets is hard to predict. Our investment process has delivered outperformance over the long term. After a period in which our style has been out of favour, it appears that the current market environment is more conducive to our approach. We are confident in the quality of the portfolio and in its potential to deliver strong returns for shareholders in future years.

Capital Structure *as at 30 September 2014*

The Company's capital structure comprises Ordinary Shares and Debenture Stock.

Ordinary Shares

At 30 September 2014, there were 160,014,089 (2013: 160,014,089) Ordinary Shares of 10p each in issue, of which 16,419,217 (2013: 7,025,201) were held in treasury and therefore the total voting rights attaching to Ordinary Shares in issue were 143,594,872.

Income entitlement
The profits of the Company (including accumulated revenue reserves) available for distribution and resolved to be distributed shall be distributed by way of interim, final and (where applicable) special dividends among the holders of Ordinary Shares, subject to the payment of interest to the holders of Debenture Stock.

Capital entitlement
After meeting the liabilities of the Company and the amounts due to Debenture Stock holders on a winding-up, the surplus assets shall be paid to the holders of Ordinary Shares and distributed among such holders rateably according to the amounts paid up or credited as paid up on their shares.

Voting entitlement
Each Ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every Ordinary Share held.

The Notice of Meeting and Form of Proxy stipulate the deadlines for the valid exercise of voting rights and, other than with regard to Directors not being permitted to vote their shares on matters in which they have an interest, there are no restrictions on the voting rights of Ordinary Shares.

Transfers
There are no restrictions on the transfer of the Company's shares other than a) transfers by Directors and Persons Discharging Managerial Responsibilities and their connected persons during prohibited periods, under the rules of the UK Listing Authority or which may constitute insider dealing, b) transfers to more than four joint transferees and c) transfers of shares which are not fully paid up or on which the Company has a lien provided that such would not prohibit dealings taking place on an open and proper basis.

The Company is not aware of any agreements between shareholders nor any agreements or arrangements with shareholders which would change in the event of a change of control of the Company.

Debenture Stock

At 30 September 2014, there was in issue £15,000,000 (2013: £15,000,000) $8^1/_8$ per cent Debenture Stock 2023, repayable on 2 July 2023.

Income entitlement
Holders of the Debenture Stock are entitled to interest paid half-yearly at the rate of $8^1/_8$ per cent per annum.

Capital entitlement
The Debenture Stock holders are entitled to repayment of principal and outstanding interest on the redemption date or, if earlier, on the occurrence of an event of default. The Debenture Stock is secured by a floating charge on all of the assets of the Company. If the Company is liquidated the Debenture Stock is redeemable by the Company at a price which is the higher of par and that price at which the Gross Redemption Yield on the Relevant Date is equal to the Gross Redemption Yield at 3p.m. on that date of the $8^3/_4$ per cent Treasury Stock 2017 or such other government stock as the Trustees, upon advice, may agree, together with interest accrued up to and including the date of redemption. Had the Company been liquidated on 30 September 2014, the redemption premium would have amounted to £3.3 million over and above the mid-market price.

The mid-market price of the $8^1/_8$ per cent Debenture Stock 2023 as at 30 September 2014 was 123.50p (2013: 123.50p).

Voting entitlement
The holders of Debenture Stock have no right to attend or to vote at general meetings of the Company.

Directors

Strone Macpherson
Independent Non-Executive Chairman

Age: 66 Length of Service: 11 years
Appointed Chairman: December 2007

Experience:
Chairman of Close Brothers Group plc, Chairman of Estover Energy Limited, Trustee and Treasurer of the King's Fund and a Governor of Heriot Watt University. Formerly a Director at Flemings, Executive Deputy Chairman of Misys plc, Chairman of JPMorgan Smaller Companies Investment Trust plc, and a non-executive Director of Axa UK plc.

Last re-elected to the Board:
2013

Committee membership:
Audit Committee, Management Engagement Committee (Chairman), Nomination Committee (Chairman)

Remuneration:
£35,000

Employment by the Investment Manager:
None

Other connections with the Company or Investment Manager:
None

Shared Directorships with any other Company Directors:
None

Shareholding in Company:
40,000 Ordinary Shares

Steven Bates
Senior Independent Non-Executive Director ('SID')

Age: 57 Length of Service: 8 years
Appointed SID: November 2012

Experience:
Chairman of Vietnam Opportunities Fund, of Baring Emerging Europe plc and of F&C Capital & Income Investment Trust plc and a Director of RENN Universal Growth Investment Trust plc and of Magna Umbrella Fund. He is also a Director of Guardian Management UK Limited, an investment management company specialising in emerging markets. He sits on, or is adviser to, various committees in the wealth management and pension fund areas. He was Head of Global Emerging Markets at JP Morgan Asset Management until 2002.

Last re-elected to the Board:
2013

Committee membership:
Audit Committee, Management Engagement committee, Nomination Committee

Remuneration:
£25,300

Employment by the Investment Manager:
None

Other connections with the Company or Investment Manager:
None

Shared Directorships with any other Company Directors:
None

Shareholding in Company:
20,000 Ordinary Shares

Andrew Robson
Independent Non-Executive Director

Age: 55 Length of Service: 6 years
Appointed Audit Committee Chairman: October 2008

Experience:
Non-Executive Director of JPMorgan Smaller Companies Investment Trust plc, Shires Income plc, Mobeus Income & Growth 4 VCT plc and Witan Pacific Investment Trust PLC. Also a Director of First Integrity Limited and Peckwater Limited. Formerly Group Finance Director of eFinancial Group Limited, and a Director of Robert Fleming & Co Ltd, SG Hambros and M&G Equity Investment Trust plc.

Last re-elected to the Board:
2013

Committee membership:
Audit Committee (Chairman), Management Engagement Committee, Nomination Committee

Remuneration:
£27,000

Employment by the Investment Manager:
None

Other connections with the Company or Investment Manager:
None

Shared Directorships with any other Company Directors:
None

Shareholding in Company:
4,300 Ordinary Shares

Susan Noble
Independent Non-Executive Director

Age: 57 Length of Service: 2 years

Experience:
Director of the Alliance Trust plc and Associate Director of Manchester Square Partners. Trustee of the Hospice of St Francis, Berkhamsted and a member of the Finance Committee of Mencap. Formerly a Managing Director of Goldman Sachs Asset Management, Head of European Equities and Head of Global Equities. Also a Director and Senior European Portfolio Manager at Robert Fleming Asset Management.

Last re-elected to the Board:
2013

Committee membership:
Audit Committee, Management Engagement Committee, Nomination Committee

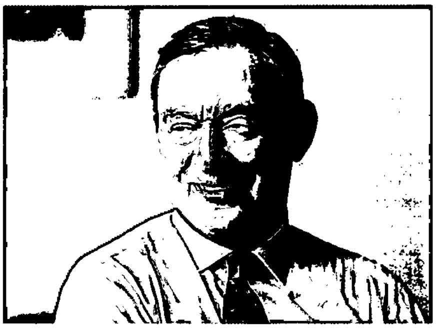
Remuneration:
£23,000

Employment by the Investment Manager:
None

Other connections with the Company or Investment Manager:
None

Shared Directorships with any other Company Directors:
None

Shareholding in Company:
8,628 Ordinary Shares



Nigel Rich
Independent Non-Executive Director

Age: 69 Length of Service: 2 years

Experience:
Chairman of Segro plc, Non-Executive Director of Matheson & Co Ltd and Pacific Assets Trust plc. Formerly Chairman of Xchanging plc, Ocean Group/Exel plc, CP Ships Limited and Hamptons Group Limited, and also formerly Managing Director of Jardine Matheson Holdings and the Group Chief Executive, Trafalgar House plc.

Last re-elected to the Board:
2013

Committee membership:
Audit Committee, Management Engagement Committee, Nomination Committee

Remuneration:
£23,000

Employment by the Investment Manager:
None

Other connections with the Company or Investment Manager:
None

Shared Directorships with any other Company Directors:
None

Shareholding in Company:
15,000* Ordinary Shares

*3,000 held by Cynthia Rich.

Attendance at meetings

Name	Board	Audit	Management Engagement	Nomination
Strone Macpherson	9 (9)	4 (4)	1 (1)	1 (1)
Steven Bates	9 (9)	4 (4)	1 (1)	1 (1)
Susan Noble	9 (9)	4 (4)	1 (1)	1 (1)
Nigel Rich	9 (9)	4 (4)	1 (1)	1 (1)
Andrew Robson	9 (9)	4 (4)	1 (1)	1 (1)

The number in brackets denotes the number of meetings each was entitled to attend.

Report of the Directors

The Directors present their report and the Group audited financial statements for the year ended 30 September 2014.

Status
The Company is registered as a public limited company under the Companies Acts and is an investment company under Section 833 of the Companies Act 2006. It is a member of the Association of Investment Companies.

The Company has been approved as an investment company under Sections 1158/1159 of the Corporation Tax Act 2010. The Directors are of the opinion, under advice, that the Company continues to conduct its affairs as an Approved Investment Trust under the Investment Trust (Approved Company) (Tax) Regulations 2011.

The Company is a qualifying company for the purposes of Stocks & Shares Individual Savings Accounts.

With effect from July 2014, the Company's Investment Manager was authorised as an AIFM by the FCA under the AIFMD regulations. The Company has provided updated disclosures on its website, www.british-empire.co.uk, incorporating the requirements of the AIFMD regulations.

Investment Objective, Policy and Restrictions
The objective of the Company is to achieve capital growth through a focused portfolio of investments, particularly in companies whose shares stand at a discount to estimated underlying net asset value.

Investments are principally in companies listed on recognised stock exchanges in the UK and/or overseas, which may include investment holding companies, investment trusts and other companies, the share prices of which are assessed to be below their estimated net asset value or intrinsic worth. Although listed assets make up the bulk of the portfolio the Company may also invest in unlisted assets with the prior approval of the Board.

The Company generally invests on a long-only basis but may hedge exposures through the use of derivative instruments and may also hedge its foreign currency exposures.

There are no geographic limits on exposure, as the Company invests wherever it considers that there are opportunities for capital growth. Risk is spread by investing in a number of holdings, many of which themselves are diversified companies.

The Company will not invest in any holding that would represent more than 15% of the value of its total investments at the time of investment.

Potential investments falling within the scope of the Company's investment objective will differ over the course of market cycles. The number of holdings in the portfolio will vary depending upon circumstances and opportunities within equity markets at any particular time.

The Company may gear its assets through borrowings which may vary substantially over time according to market conditions but which will not exceed twice the nominal capital and reserves of the Company.

Gearing Levels
As set out on page 10, taking account of the £15m debenture liability, the Company's debt-to-equity ratio as at 30 September 2014 was 1.8%, but the Company regularly maintains a net liquidity position. To allow for flexibility in the future, the limits set under AIFMD are higher than this, and state that it is expected that no more than 50% of NAV would be employed as gearing under the Gross method and no more than 30% of NAV under the Commitment method. Up to date information is available in an AIFMD Investor Disclosure Document on the Company's website www.british-empire.co.uk. Further, the Company's formal Investment Policy and Restrictions, as set out above, allow a much higher level of gearing, being twice the nominal capital and reserves of the Company, while the Articles of Association permit gearing of up to three times the nominal capital and reserves.

Results and Dividends
Group profit for the year was £49,208,000 which included a profit of £13,827,000 attributable to revenue (2013: profit of £98,918,000 which included a profit of £21,775,000 attributable to revenue). The profit for the year attributable to revenue has been applied as follows:

	Company £'000	Group £'000
Revenue available for dividends	15,589	13,827
Interim dividend of 2.00p per Ordinary Share paid on 27 June 2014	(2,946)	(2,946)
Recommended final dividend payable on 6 January 2015 to shareholders on the Register as at 5 December 2014 (ex dividend 4 December 2014):		
– Final dividend of 8.50p per Ordinary Share	(12,116)*	(12,116)*
	527	(1,235)

*Based on shares in circulation on 5 November 2014.

Directors

The Directors of the Company are listed on pages 28 and 29. All served throughout the period under review.

In accordance with the recommendations of the AIC's Code of Corporate Governance Principle 3, all of the Directors of the Board will retire at the forthcoming Annual General Meeting and offer themselves for re-election.

As set out on page 37, the Board carries out an annual review of each Director and of the Board as a whole, which this year was facilitated by an independent expert. Following this review, it was agreed that all Directors should stand for re-election.

The beneficial interests of the current Directors and their connected persons in the securities of the Company as at 30 September 2014 are set out in the Directors' Remuneration Implementation Report on page 70.

No Director was a party to, or had an interest in, any contract or arrangement with the Company. Nigel Rich is a director of Matheson & Co Ltd, a subsidiary of Jardine Matheson which is an investee company.

Subsidiary Companies

The Company owns one subsidiary, BEST Securities Limited, an investment dealing company. During the year, the subsidiary paid a dividend to the Company amounting to £1,762,269 being the total balance of its revenue reserve. As at the year end, the subsidiary had assets amounting to £250,000 of share capital.

Management Arrangements

Asset Value Investors Limited is the Company's appointed Investment Manager, and was engaged under the terms of an Investment Management Agreement effective from 5 May 2004 and varied with effect from 1 October 2008 and 1 October 2013. On 17 July 2014, this agreement was terminated, and a new Investment Management Agreement (the 'IMA'), under which AVI was appointed as the Company's Alternative Investment Fund Manager (in compliance with the requirements of the Alternative Investment Fund Managers' Directive), was put into place. The IMA is terminable by one year's notice from either party, other than for "cause".

The management fee provisions under the new IMA are in all material respects equivalent to those in the previous agreement.

The Investment Manager is entitled to a management fee of 0.70% of the net assets of the Company, calculated quarterly by reference to the net assets at the preceding quarter end and paid monthly.

On 2 July 2014, J.P. Morgan Europe Limited was appointed as Depositary under an agreement with the Company and AVI, and is paid a fee on a sliding scale between 0.5 basis points and 4 basis points based on the assets of the Company. The Depositary Agreement is terminable on 90 calendar days' notice from either party.

Capita Company Secretarial Services Limited was appointed as corporate Company Secretary on 1 April 2014 for an annual fee of £55,000. The Agreement with Capita is for an initial period of one year, following which it may be terminated by either party on six months' written notice. With the Board's consent, with effect from 1 April 2014 AVI has sub-contracted certain fund administration services to Capita Asset Services. The cost of these sub-contracted services is borne by AVI from its own resources and not by the Company. Prior to 1 April 2014, the Company Secretary and administrator was Phoenix Administration Services Limited.

Interests in Share Capital

Information on the structure, rights and restrictions relating to share capital is given on page 27.

At 30 September 2014 and 5 November 2014, the following holdings representing more than 3% of the Company's issued share capital had been reported to the Company:

	Number held at 30 September 2014	Percentage held at 30 September 2014	Percentage held at 5 November 2014
1607 Capital Partners, LLC	9,686,241	6.66	6.80
Brewin Dolphin Limited	8,490,065	5.83	5.96
Halifax Share Dealing Services	7,917,968	5.44	5.56
Alliance Trust Savings Limited	6,705,841	4.61	4.70
Lazard Asset Management LLC	5,952,848	4.09	4.18
Wells Capital Management	4,687,959	3.22	3.29
AXA Investment Managers UK Limited	4,549,094	3.13	3.19

No other changes have been notified since 30 September 2014.

Report of the Directors

continued

Financial Risk Management
The principal financial risks and the Company's policies for managing these risks are set out in note 17 to the financial statements.

Greenhouse Gas Emissions
The Company's environmental statements are set out in the Strategic Report on page 11.

Auditor
Ernst & Young LLP have indicated their willingness to continue in office and a Resolution will be proposed at the forthcoming Annual General Meeting to re-appoint them as Auditor and authorise the Directors to determine the Auditor's remuneration for the ensuing year.

Ernst & Young LLP have held office as Auditor to the Company since June 1993. The Audit Committee periodically reviews the appointment of Ernst & Young LLP and the Board recommends their reappointment. Further information on the work of the Auditor is in the Report of the Audit Committee on pages 65 and 66.

Special Business at the Annual General Meeting

The Notice of the Annual General Meeting to be held on 17 December 2014 (the 'Notice') is set out on pages 73 to 76.

Resolution 11 – Authority to allot shares
The Directors seek to renew the general and unconditional authority to allot up to 47,511,781 Ordinary Shares of 10p each, representing approximately one-third of the issued Ordinary Share capital (excluding shares held in treasury). The Directors would only exercise this authority if they considered it to be in the best interests of the Company generally. This authority would expire 15 months after the date of the passing of the resolution or, if earlier, at the next Annual General Meeting of the Company.

As at the date of this report, 17,478,745 shares are held in treasury, representing 10.92% of the issued share capital.

Resolution 12 – Authority to issue shares outside of pre-emption rights
The Directors seek to renew the authority to allot, other than on a pre-emptive basis, Ordinary Shares (including the grant of rights to subscribe for, or to convert any securities into Ordinary Shares) up to a maximum of 7,126,767 Ordinary Shares, being approximately 5% of the Ordinary Shares (excluding shares held in treasury) currently in issue, and to transfer or sell Ordinary Shares held in treasury.

The Directors would only exercise this authority if they consider it to be advantageous to the Company. The Directors do not currently intend to issue shares or sell shares from treasury other than at or above NAV.

Resolution 13 – Share buy-back facility
At the Annual General Meeting held on 19 December 2013, the Directors were authorised to make market purchases of up to 14.99% of the shares in circulation at the date of that meeting. At the forthcoming Annual General Meeting, the Directors will seek to renew the authority for up to 14.99% of Ordinary Shares in issue (excluding shares held in treasury), representing 21,366,048 Ordinary Shares as at the date of this Report. Purchases would be made in accordance with the provisions of the Companies Act and Listing Rules. The authority would expire 15 months after the date of the passing of the resolution or, if earlier, at the next Annual General Meeting of the Company.

Details of shares bought back during the year under review can be found in note 14 to the financial statements.

Ordinary Shares bought back may be held in treasury for cancellation or sale at a future date rather than being cancelled upon purchase. The Directors would not exercise the authority granted under this Resolution unless they consider it to be in the best interests of shareholders.

Resolution 14 – Changes to the Company's Articles
Regulations implementing the Alternative Investment Fund Managers' Directive (the 'AIFMD Regulations') came into force in the UK on 22 July 2013. The Board is proposing to make amendments to the Company's Articles of Association (the 'Articles') in response to the AIFMD Regulations coming into force. The Board is also proposing certain other amendments to allow for the use of different distribution channels for the payment of dividends and to account for situations in which a person becomes entitled to a share by "operation of law". The shareholders are asked to note that a limited number of other changes have been made in connection with the foregoing amendments which are minor, technical, drafting, clarifying or inconsequential in nature.

The principal changes proposed to be introduced in the Articles, and their effect, are set out below.

(i) Information to be made available to investors – The AIFMD Regulations require that prior to any new or existing investor making an investment in the Company certain prescribed information is to be made available to them. Therefore, the Articles will include language with the effect that such information shall be made available to prospective and existing shareholders from time to time in such manner as may be determined by the Board (including, where so determined, on the Company's website or by electronic notice).

(ii) Net Asset Value – The Articles will now provide that the net asset value of the Company shall be calculated at least annually and be disclosed to shareholders from time to time in such manner as may be determined by the Board. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFMD Regulations.

(iii) Valuation – In line with early guidance from the Financial Conduct Authority, the Articles will now provide that appropriate procedures shall be put in place for the valuation of the Company's assets in accordance with prevailing accounting standards.

(iv) Annual Report and Financial Statements – The Articles will now provide that the Company's annual report and accounts may be prepared either in accordance with generally acceptable accounting principles of the UK or such other international accounting standards as may be permitted under the law of the UK. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFMD Regulations.

(v) Liability for loss of assets held in custody – The AIFMD Regulations require that the Company has a depositary. Under the AIFMD Regulations, the depositary has strict liability for the loss of the Company's financial assets in respect of which it has safe-keeping duties. This rule applies even where the depositary has delegated the actual custody of an asset to another entity. The Company may wish to hold assets in a country where the depositary is required by local law to use a local sub-custodian to hold the relevant asset. The depositary may not wish the Company to acquire or retain such an asset, unless it can discharge its strict liability to the local sub-custodian. A discharge of strict liability in these circumstances will only be possible if the Company's 'rules or instruments of incorporation' (for example, the Articles) permit such a discharge. The Board is cognisant that situations may arise where allowing the depositary to discharge its strict liability will be commercially necessary. An amendment to the Articles is therefore proposed with the effect of enabling the Board, should the need arise and subject to applicable laws, to allow a depositary to discharge its strict liability for loss of certain of the Company's assets. This proposed amendment provides the Company with commercial flexibility and the Board will exercise its discretion in the usual way in determining whether or not to provide such a discharge.

(vi) Dividend payment procedure – There has been significant focus on payment methods for dividends in recent years and it appears that new payment methods may be adopted over the short to medium term (for example, through mobile phone payment systems). It is therefore proposed to amend the Articles to provide flexibility in relation to such anticipated developments.

The changes which the Board is proposing will consequently enable the Company to determine:

- which one or more payment methods are to be used;
- which one or more payment methods (if any) are to be used as a default; and
- whether or not shareholders will be able to elect for a payment method other than the default.

Report of the Directors

continued

(vii) Right to cease sending payment – In relation to cessation of payment of dividends, the proposed amendments update the Articles to reflect the proposed changes to the dividend payment procedure outlined above and clarify that where amounts due to shareholders are rejected or refunded, such amounts may be held in a non-interest bearing account in the Company's name until such shareholder nominates a valid address or account to which payment may be made. The Articles continue to provide that monies unclaimed for six months after having been declared may be invested or otherwise made use of for the benefit of the Company until claimed, and that dividends unclaimed for 12 years from the date on which they became due for payment shall, if the Directors so resolve, be forfeited and cease to remain owing.

(viii) Rights of, and communications to, persons entitled by transmission – The Articles relating to persons entitled to a share by transmission have been amended such that the relevant provisions apply also to persons entitled to a share by operation of law (as well on the death or bankruptcy of a member) and provide that this shall apply in all cases only on the provision of such evidence as the Board may properly require to establish title to a share (whether such entitlement is a consequence of death or bankruptcy of a holder or otherwise by operation of law). The amendments proposed also clarify that such person shall be entitled to notice of meetings before he/she is registered as the new holder (subject to the provision of evidence establishing title and an address within the United Kingdom to which communications may be sent) but, as at present, such persons shall not be entitled to attend and vote at such meeting before being registered.

Resolution 15 – Electronic communications
The Company is seeking to take advantage of the provisions of the Companies Act 2006 to allow electronic communications with its shareholders, including making important documents available through its website, and an ordinary resolution authorising this is included in the Notice of Meeting.

The resolution, if passed, would allow the Company to use electronic communications with shareholders by placing documents such as the Annual Report on a website rather than sending them in hard copy. The Company will notify those shareholders who have elected for electronic communication, by post or email if they have provided an email address, that the document is available on the website. Shareholders can, however, ask for a hard copy of any document at any time.

If this resolution is passed, the new arrangements are expected to result in potential administrative, printing and postage cost savings for the Company, whilst preserving shareholders' rights to receive hard copy documents if they so wish.

Recommendation
Details of the above resolutions are contained in the Notice.

The Directors consider that all of the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its members as a whole. The Directors unanimously recommend that shareholders vote in favour of all of the resolutions, as they intend to do in respect of their own beneficial holdings.

Corporate Governance

The Listing Rules and the Disclosure and Transparency Rules ('Disclosure Rules') of the UK Listing Authority require listed companies to disclose how they have applied the principles and complied with the provisions of the corporate governance code to which the issuer is subject. The provisions of the UK Corporate Governance Code ('UK Code') issued by the Financial Reporting Council ('FRC') in September 2012 are applicable for the year under review. The related Code of Corporate Governance ('AIC Code') issued by the Association of Investment Companies ('AIC') in February 2013 provides specific corporate governance guidelines to investment trusts. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide'). The FRC has confirmed that AIC member companies who report against the AIC Code and who follow the AIC Guide will meet the obligations in relation to the UK Code and associated disclosure requirements of the Disclosure Rules.

The AIC Code can be viewed at http://www.theaic.co.uk/sites/default/files/AICCodeofCorporateGovernanceFeb2013.pdf

The UK Code can be viewed at http://www.frc.org.uk/our-work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-September-2012.pdf

The Board considers that reporting against the principles and recommendations of the AIC Code and the AIC Guide (which incorporates the UK Code) provides shareholders with full details of the Company's Corporate Governance compliance.

The UK Code includes provisions relating to the role of the chief executive and of the executive Directors' remuneration. However, as all of the Directors are non-executive, these provisions are not applicable. The UK Code also sets out the case for establishing an internal audit function. For the reasons set out in the AIC Guide, the Board considers that an internal audit function is not relevant to the Company, being an externally managed investment company.

Throughout the year ended 30 September 2014 the Company complied with the provisions of the AIC Code and AIC Guide.

Report of the Directors
continued

The Principles of the AIC Code

The AIC Code is made up of twenty-one principles split into three sections covering:
- The Board
- Board Meetings and relations with the Investment Manager
- Shareholder Communications

The Board

AIC Code Principle	Compliance Statement
1. The Chairman should be independent.	The Chairman, Strone Macpherson, was independent of the Investment Manager at the time of his appointment and remains so. There is a clear division of responsibility between the Chairman, the Directors, the Investment Manager and the Company's other third party service providers. The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role and is responsible for ensuring that all Directors receive accurate, timely and clear information.
2. A majority of the Board should be independent of the manager.	The Board consists of five non-executive Directors, each of whom is independent of the Investment Manager. No member of the Board is a Director of another investment company managed by the Company's Investment Manager, nor has any Board member been an employee of the Company, its Investment Manager or any of its service providers. Strone Macpherson is Chairman of Close Brothers Group plc, the ultimate parent of Winterflood Securities Limited which is the Company's Corporate Broker which receives a retainer of £25,000 per annum, paid by the Company.
3. Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.	All Directors will submit themselves for annual re-election by shareholders. The individual performance of each Director standing for re-election is evaluated annually by the remaining members of the Board and, if considered appropriate, a recommendation is made that shareholders vote in favour of their re-election at the AGM.
4. The Board should have a policy on tenure, which is disclosed in the annual report.	The Board, meeting as the Nomination Committee, considers the structure of the Board and recognises the need for progressive refreshing of the Board. The Board does not have a formal policy requiring that Directors should stand down after a fixed period. It considers that a long association with the Company and experience of a number of investment cycles can be valuable to its deliberations and does not compromise a Director's independence. The terms and conditions of the Directors' appointments are set out in Letters of Appointment which are available for inspection on request at the registered office of the Company and at the AGM.

AIC Code Principle	Compliance Statement
5. There should be full disclosure of information about the Board.	All of the Directors are resident in the UK and their biographical details, set out on pages 28 and 29 of this Report, demonstrate the wide range of skills and experience that they bring to the Board. Details of the Board's Committees and their composition are set out on page 42 of this Report. The Audit Committee membership comprises all of the Directors, all of whom are considered independent. The Chairman of the Company is a member of the Audit Committee, but does not chair it. His membership of the Audit Committee is considered appropriate given the Chairman's extensive knowledge of the financial services industry. The Board considers that, as it is comprised of non-executive Directors, it is not necessary to establish a separate Remuneration Committee. Whilst the whole Board considers Directors' remuneration, the Chairman will absent himself from the discussion on his remuneration.
6. The Board should aim to have a balance of skills, experience, length of service and knowledge of the company.	The Nomination Committee conducts annually a skills audit to enable the Board to identify any skill shortages to be filled by new Directors. The experience of the current Directors is detailed in the biographies of the Directors, set out on pages 28 and 29 of this Report. When considering new appointments, the Board reviews the skills of the Directors and seeks to add persons with complementary skills or who possess skills and experience which fill any gaps in the Board's knowledge or experience and who can devote sufficient time to the Company to carry out their duties effectively. The Company is committed to ensuring that any vacancies arising are filled by the most qualified candidates and recognises the value of diversity in the composition of the Board. When Board positions become available as a result of retirement or resignation, the Company will ensure that a diverse group of candidates is considered.
7. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	The Board, meeting as the Nomination Committee, has a formal process to evaluate its own performance and that of its Chairman annually. The Chairman leads the assessment which covers the functioning of the Board as a whole, the effectiveness of the Board Committees and the independence of each Director. Where necessary the Chairman discusses the responses with each Director individually. The Chairman absents himself from the Board's review of his effectiveness as the Company Chairman. During 2014, an independent review of the Board was undertaken by Boardroom Review, the results of which were considered by the Board. There is no connection between Boardroom Review and the Company or any of the Directors. The Board has agreed that an independent review of the Board will be commissioned regularly and a further review will be commissioned in 2017. The review considered the Board's objectives and how the contributions made individually and collectively to Board meetings helped the Company to achieve its objectives. The Board's strengths and weaknesses were considered. The Board is satisfied that the structure, mix of skills and operation of the Board continue to be effective and relevant for the Company.

Report of the Directors

continued

The Board continued

AIC Code Principle	Compliance Statement
8. Director remuneration should reflect their duties, responsibilities and the value of their time spent.	The Board periodically reviews the fees paid to the Directors and compares these with the fees paid by the Company's peer group and the investment trust industry generally, taking into account the level of commitment and responsibility of each Board member. Details on the remuneration arrangements for the Directors of the Company can be found in the Directors' Remuneration Implementation Report on pages 69 and 70 and in note 3 to the financial statements. As all of the Directors are non-executive, the Board considers that it is acceptable for the Chairman of the Company to chair meetings when discussing Directors' fees. The Chairman's remuneration is determined by the Board in his absence. The Board periodically takes advice from external independent advisers on Directors' remuneration. All Directors own shares in the Company. No stock options or other performance-related elements have been awarded.
9. The Independent Directors should take the lead in the appointment of new Directors and the process should be disclosed in the annual report.	The Nomination Committee is comprised of the whole Board which is made up entirely of Independent Directors and, subject to there being no conflicts of interest, all members of the Committee are entitled to vote on candidates for the appointment of new Directors and on recommending for shareholders' approval the Directors seeking re-election at the AGM.
10. Directors should be offered relevant training and induction.	New appointees to the Board are provided with a full induction programme. The programme covers the Company's investment strategy, policies and practices. The Directors are also given key information on the Company's regulatory and statutory requirements as they arise, including information on the role of the Board, matters reserved for its decision, the terms of reference for the Board Committees, the Company's corporate governance practices and procedures and the latest financial information. It is the Chairman's responsibility to ensure that the Directors have sufficient knowledge to fulfil their role and Directors are encouraged to participate in training courses where appropriate. The Directors have access to the advice and services of a Company Secretary through its appointed representative which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for ensuring good information flows between all parties.
11. The Chairman (and the Board) should be brought into the process of structuring a new launch at an early stage.	Principle 11 applies to the launch of new investment companies and is therefore not applicable to the Company.

Board Meetings and relations with the Investment Manager

AIC Code Principle	Compliance Statement
12. Boards and managers should operate in a supportive, co-operative and open environment.	The Board meets regularly throughout the year and a representative of the Investment Manager is in attendance at each meeting and most Committee meetings. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants.
13. The primary focus at regular board meetings should be a review of investment performance and associated matters, such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.	The Board has agreed a schedule of matters specifically reserved for decision by the Board. This includes establishing the investment objectives, strategy and benchmarks, the permitted types or categories of investments, the markets in which transactions may be undertaken, the level of permitted gearing and borrowings, the amount or proportion of the assets that may be invested in any category of investment or in any one investment, and the Company's treasury and share buyback policies. The Board, at its regular meetings, undertakes reviews of key investment and financial data, revenue projections and expenses, analyses of asset allocation, transactions and performance comparisons, share price and net asset value performance, marketing and shareholder communication strategies, the risks associated with pursuing the investment strategy, peer group information and industry issues. The Audit and Management Engagement Committees of the Board respectively, review the Company's risk matrix and the performance and cost of the Company's third party service providers.
14. Boards should give sufficient attention to overall strategy.	The Board is responsible for strategy and has established a predetermined annual programme of agenda items under which it reviews the objectives and strategy for the Company at each meeting. In addition to the regular Board meetings, the Board meets specifically on one additional day each year to focus on strategy and any other issues that require in-depth attention.
15. The Board should regularly review both the performance of, and contractual arrangements with, the manager (or executives of a self-managed company).	The Management Engagement Committee meets at least once a year. It reviews annually the performance of the Investment Manager. The Committee considers the quality, cost and remuneration method of the service provided by the Investment Manager against its contractual obligations and the Board receives regular reports on compliance with the Investment Restrictions which it has set. It also considers the performance analysis provided by the Investment Manager. In view of the level of data available from independent service providers, and the appraisal undertaken by the Board, the Board does not consider an independent appraisal of the Investment Manager's service to be necessary. The Audit Committee reviews the Investment Manager's compliance and control systems in operation insofar as they relate to the affairs of the Company and the Board undertakes periodic reviews of the arrangements with and the services provided by the Custodian, to ensure that the safeguarding of the Company's assets and security of the shareholders' investment is being maintained.

Report of the Directors
continued

Board Meetings and relations with the Investment Manager continued

AIC Code Principle	Compliance Statement
16. The Board should agree policies with the manager covering key operational issues.	The Investment Management Agreement between the Company and the Investment Manager sets out the limits of the Investment Manager's authority, beyond which Board approval is required. The Board has also agreed detailed investment guidelines with the Investment Manager, which are considered at each Board meeting. Representatives of the Investment Manager attend each meeting of the Board to address questions on specific matters and to seek approval for specific transactions which the Investment Manager is required to refer to the Board, for example investing in unquoted investments. The Board has delegated discretion to the Investment Manager to exercise voting powers on its behalf, other than for contentious or sensitive matters which are to be referred to the Board for consideration. The Board has reviewed the Investment Manager's Stewardship Policy, which includes its Corporate Governance and Voting Guidelines, and which is published on the Investment Manager's web-site: www.assetvalueinvestors.com. Reports on commissions paid by the Investment Manager are submitted to the Board regularly.
17. Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.	The Board considers any imbalances in the supply of and the demand for the Company's shares in the market and takes appropriate action when considered necessary. The Board considers the discount or premium to NAV of the Company's share price at each Board meeting and reviews the changes in the level of discount or premium and in the share price since the previous Board meeting and over the previous twelve months. At each meeting the Board reviews reports from the Investment Manager's marketing department on marketing and shareholder communication strategies. It also considers their effectiveness as well as measures of investor sentiment and any recommendations on share buy-backs.
18. The Board should monitor and evaluate other service providers.	The Management Engagement Committee reviews, at least annually, the performance of all of the Company's third party service providers, including the level and structure of fees payable and the length of the notice period, to ensure that they remain competitive and in the best interests of shareholders, as well as reviewing service providers' anti-bribery and corruption policies to address the provisions of the Bribery Act 2010, together with their policies on whistle-blowing and cyber-crime prevention. The Audit Committee reviews reports from the principal service providers on compliance and the internal and financial control systems in operation and relevant independent audit reports thereon.

Shareholder Communications

AIC Code Principle	Compliance Statement
19. The Board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the Board's views to shareholders.	A detailed analysis of the substantial shareholders of the Company is provided to the Directors at each Board meeting. Representatives of the Investment Manager regularly meet with institutional shareholders and private client asset managers to discuss strategy and to understand their issues and concerns and, if applicable, to discuss corporate governance issues. The results of such meetings are reported at the following Board meeting. Regular reports from the Company's broker are submitted to the Board on investor sentiment and industry issues. Shareholders wishing to communicate with the Chairman, or any other member of the Board, may do so by writing to the Company, for the attention of the Company Secretary at the Registered Office. All shareholders are encouraged to attend the AGM, where they are given the opportunity to question the Chairman, the Board and representatives of the Investment Manager. The Investment Manager will make a presentation to shareholders covering the investment performance and strategy of the Company at the forthcoming AGM. The Directors welcome the views of all shareholders and place considerable importance on communications with them.
20. The Board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.	All substantive communications regarding any major corporate issues are discussed by the Board taking into account representations from the Investment Manager, the Auditor, legal advisers, broker and Company Secretary.
21. The Board should ensure that shareholders are provided with sufficient information for them to understand the risk/reward balance to which they are exposed by holding the shares.	The Company places great importance on communication with shareholders and aims to provide them with a full understanding of the Company's investment objective, policy and activities, its performance and the principal investment risks by means of informative Annual and Half Year reports and Interim Management Statements. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares and the publication of a monthly fact sheet. The Annual Report provides information on the Investment Manager's investment performance, portfolio risk and operational and compliance issues. Further details on the risk/reward balance are set out in the Strategic Report under Investment Risk on pages 10 and 11, and in note 17 to the financial statements. The Investment Portfolio is listed on pages 12 and 13. The Company's website, www.british-empire.co.uk, is regularly updated with monthly factsheets and provides useful information about the Company including the Company's Financial Reports and Announcements.

Report of the Directors

continued

Board Committees

The Board has agreed a schedule of matters specifically reserved for decision by the full Board, subject to which the Board has delegated specific duties to Committees of the Board which operate within written terms of reference. Capita Company Secretarial Services Limited acts as Company Secretary to each Committee. No persons other than the Committee members are entitled to attend at Committee meetings unless formally invited by the Committee. Copies of the terms of reference for Board Committees are available from the Company Secretary.

Management Engagement Committee

The Management Engagement Committee meets at least once each year and comprises the whole Board, being independent Directors. The main functions of the Committee are to define the terms of the Investment Management Agreement, ensuring that they follow good industry practice, are competitive and are in the best interests of shareholders. The Committee monitors the Investment Manager's compliance with the terms of the Investment Management Agreement and the Investment Manager's performance. Following a formal annual review, and bearing in mind the long-term outperformance of the Company, the Board concluded that, in its opinion, the continuing appointment of AVI, the Investment Manager, on the terms agreed, is in the interests of its shareholders as a whole.

The Committee also reviews the services and performance of the Company's other third-party service providers. A review of the Investment Manager and the other service providers undertaken during the year concluded that the services provided to the Company were satisfactory and that the Agreements entered into with them were operating in the best interests of the shareholders.

Nomination Committee

The Nomination Committee comprises the whole Board and convenes to undertake the annual appraisal of the performance of the Board, its Committees and the Directors and, if agreed, to propose the re-election of the Directors, each of whom will retire at the Annual General Meeting. It also meets to consider the appointment of new Directors to the Board. Candidates for nomination may be sourced from outside the Company using third party search and selection services as well as potential candidates known to Directors through their extensive knowledge of the industry.

The Board has agreed to follow the recommendations of the AIC Code Principle 3 that the Directors of FTSE 350 companies should be subject to annual re-election by shareholders.

Audit Committee

The Audit Committee meets at least twice each year and comprises the whole Board, being independent Directors. All members of the Committee have recent and relevant financial experience. The Audit Committee has set out a formal Report on pages 65 and 66 of the Annual Report.

Stewardship Policy

In principle, the Board delegates investee company communication and voting to the Investment Manager, to be managed as part of the investment management process. The Board has reviewed the Investment Manager's Stewardship Policy, which includes its Corporate Governance and Voting Guidelines, and is published on the Investment Manager's website: www.assetvalueinvestors.com.

Anti-Bribery and Corruption Policy

The Company has adopted an Anti-Bribery and Corruption Policy and has reviewed the statements regarding compliance with the Bribery Act 2010 by the Company's Investment Manager and key service providers. These statements are reviewed regularly by the Management Engagement Committee.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS') and have elected to prepare the parent Company financial statements on the same basis. They are also responsible for ensuring that the Annual Report includes information required by the Disclosure Rules of the UK Listing Authority.

The Group and Company financial statements are required by law and IFRS to present fairly the financial position of the Group and Company and the financial performance and cash flows of the Group and Company for the relevant period. The Companies Act 2006 (the 'Act') provides, in relation to such financial statements, that references in the relevant part of the Act to financial statements giving a true and fair view are references to their achieving a fair presentation. In preparing the Group and Company financial statements the Directors are required to:

- select suitable accounting policies and apply them consistently in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- make judgements and estimates which are reasonable and prudent;
- state whether the financial statements have been prepared in compliance with IFRS, subject to any material departures disclosed and explained therein;
- provide additional disclosures where compliance with the specific requirements of IFRS are considered to be insufficient to enable users to understand the impact of particular transactions, events and conditions on the financial position and performance; and
- prepare financial statements on a going concern basis unless it is inappropriate to presume that the Group or Company will continue in business.

Financial statements of the Company are published on the Company's website at www.british-empire.co.uk. The Directors are responsible for ensuring the maintenance and integrity of the information relating to the Company published on this website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are also responsible for ensuring that the Company complies with the provisions of the Disclosure Rules of the UK Listing Authority which, with regard to corporate governance, require the Company to disclose how it has applied the principles, and complied with the provisions, of the corporate governance code applicable to the Company.

Disclosure of information to the Auditor

The Directors who held office at the date of approval of the Report of the Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all of the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and establish that the Company's Auditor is aware of that information.

Going Concern

The Directors have carefully reviewed the Group's current financial resources and the projected expenses of the Group for the next 12 months. On the basis of that review and as the majority of net assets are securities which are traded on recognised stock exchanges, the Directors are satisfied that the Company's resources are adequate for continuing in business for the foreseeable future and that it is appropriate to prepare the Group's financial statements on a going concern basis.

Declaration

The Directors listed on pages 28 and 29, being the persons responsible, hereby confirm to the best of their knowledge:

- that the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;
- that in the opinion of the Board, the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's performance, business model and strategy; and
- the Strategic Report and the Investment Manager's Review include a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that the Group faces.

FOR AND ON BEHALF OF
CAPITA COMPANY SECRETARIAL
SERVICES LIMITED
SECRETARY

By Order of the Board

Capita Company Secretarial Services Limited
Corporate Secretary
7 November 2014

Consolidated Statement of Comprehensive Income

of the Group for the year ended 30 September 2014

	Notes	2014 Revenue return £'000	2014 Capital return £'000	2014 Total £'000	2013 Revenue return £'000	2013 Capital return £'000	2013 Total £'000
Income							
Investment income	2	**18,208**	**–**	**18,208**	28,796	–	28,796
Gains on investments held at fair value	8	**–**	**41,595**	**41,595**	–	80,029	80,029
Losses on Equities Index Unsecured Loan Stock 2013 held at fair value		**–**	**–**	**–**	–	(1,166)	(1,166)
Exchange (losses)/gains	16	**–**	**(1,210)**	**(1,210)**	–	776	776
		18,208	**40,385**	**58,593**	28,796	79,639	108,435
Expenses							
Investment management fee	3	**(1,773)**	**(4,136)**	**(5,909)**	(2,353)	(2,353)	(4,706)
Other expenses (including irrecoverable VAT)	3	**(1,715)**	**–**	**(1,715)**	(1,332)	(144)	(1,476)
Profit before finance costs and tax		**14,720**	**36,249**	**50,969**	25,111	77,142	102,253
Finance costs	4	**(369)**	**(868)**	**(1,237)**	(1,360)	(7)	(1,367)
Profit before taxation		**14,351**	**35,381**	**49,732**	23,751	77,135	100,886
Taxation	5	**(524)**	**–**	**(524)**	(1,976)	8	(1,968)
Profit for the year		**13,827**	**35,381**	**49,208**	21,775	77,143	98,918
Earnings per Ordinary Share	7	**9.29p**	**23.76p**	**33.05p**	13.90p	49.24p	63.14p

On a total basis, the Company did not have any income or expense that was not included in consolidated profit for the year. Accordingly, the "Profit for the year", on a total basis, is also the "Total Comprehensive Income for the year" for the Company, as defined in IAS 1 (revised) and no separate Statement of Comprehensive Income for the Company has been presented.

The total column of this statement is the profit and loss account of the Group. The revenue return and capital return columns are supplementary and are prepared under the guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of British Empire Securities and General Trust plc. There are no minority interests.

The accompanying notes are an integral part of the financial statements.

Consolidated and Company Statements of Changes in Equity

for the year ended 30 September 2014

	Ordinary share capital £'000	Capital redemption reserve £'000	Share premium £'000	Capital reserve £'000	Merger reserve £'000	Revenue reserve £'000	Total £'000
Group							
For the year ended 30 September 2014							
Balance as at 30 September 2013	**16,001**	**2,934**	**28,078**	**716,486**	**41,406**	**39,550**	**844,455**
Ordinary Shares bought back and held in treasury	–	–	–	**(47,058)**	–	–	**(47,058)**
Total comprehensive income for the year	–	–	–	**35,381**	–	**13,827**	**49,208**
Ordinary dividends paid (see note 6)	–	–	–	–	–	**(15,831)**	**(15,831)**
Special dividends paid (see note 6)	–	–	–	–	–	**(3,790)**	**(3,790)**
Balance as at 30 September 2014	**16,001**	**2,934**	**28,078**	**704,809**	**41,406**	**33,756**	**826,984**
For the year ended 30 September 2013							
Balance as at 30 September 2012	16,001	2,934	28,078	664,536	41,406	38,270	791,225
Ordinary Shares bought back and held in treasury	–	–	–	(25,193)	–	–	(25,193)
Total comprehensive income for the year	–	–	–	77,143	–	21,775	98,918
Ordinary dividends paid (see note 6)	–	–	–	–	–	(14,972)	(14,972)
Special dividends paid (see note 6)	–	–	–	–	–	(5,523)	(5,523)
Balance as at 30 September 2013	16,001	2,934	28,078	716,486	41,406	39,550	844,455
Company							
For the year ended 30 September 2014							
Balance as at 30 September 2013	**16,001**	**2,934**	**28,078**	**718,248**	**41,406**	**37,788**	**844,455**
Ordinary Shares bought back and held in treasury	–	–	–	**(47,058)**	–	–	**(47,058)**
Total comprehensive income for the year	–	–	–	**33,619**	–	**15,589**	**49,208**
Ordinary dividends paid (see note 6)	–	–	–	–	–	**(15,831)**	**(15,831)**
Special dividends paid (see note 6)	–	–	–	–	–	**(3,790)**	**(3,790)**
Balance as at 30 September 2014	**16,001**	**2,934**	**28,078**	**704,809**	**41,406**	**33,756**	**826,984**
For the year ended 30 September 2013							
Balance as at 30 September 2012	16,001	2,934	28,078	666,301	41,406	36,505	791,225
Ordinary Shares bought back and held in treasury	–	–	–	(25,193)	–	–	(25,193)
Total comprehensive income for the year	–	–	–	77,140	–	21,778	98,918
Ordinary dividends paid (see note 6)	–	–	–	–	–	(14,972)	(14,972)
Special dividends paid (see note 6)	–	–	–	–	–	(5,523)	(5,523)
Balance as at 30 September 2013	16,001	2,934	28,078	718,248	41,406	37,788	844,455

The accompanying notes are an integral part of the financial statements.

Consolidated and Company Balance Sheets

as at 30 September 2014

		Company		Group	
	Notes	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Non-current assets					
Investments held at fair value through profit or loss	8	**839,033**	848,366	**838,783**	846,354
		839,033	848,366	**838,783**	846,354
Current assets					
Receivables	10	**3,225**	8,349	**3,225**	8,349
Cash and cash equivalents		**5,994**	7,124	**5,994**	7,126
		9,219	15,473	**9,219**	15,475
Total assets		**848,252**	863,839	**848,002**	861,829
Current liabilities					
Payables	11	**(6,313)**	(4,437)	**(6,063)**	(2,427)
		(6,313)	(4,437)	**(6,063)**	(2,427)
Total assets less current liabilities		**841,939**	859,402	**841,939**	859,402
Non-current liabilities					
$8^1/_8$ per cent Debenture Stock 2023	12	**(14,936)**	(14,928)	**(14,936)**	(14,928)
Provision for deferred tax	13	**(19)**	(19)	**(19)**	(19)
Net assets		**826,984**	844,455	**826,984**	844,455
Equity attributable to equity shareholders					
Ordinary share capital	14	**16,001**	16,001	**16,001**	16,001
Capital redemption reserve		**2,934**	2,934	**2,934**	2,934
Share premium		**28,078**	28,078	**28,078**	28,078
Capital reserve		**704,809**	718,248	**704,809**	716,486
Merger reserve		**41,406**	41,406	**41,406**	41,406
Revenue reserve		**33,756**	37,788	**33,756**	39,550
Total equity	15	**826,984**	844,455	**826,984**	844,455
Net asset value per Ordinary Share – basic	15	**575.92p**	551.97p	**575.92p**	551.97p
Number of shares in issue excluding Treasury Shares	14	**143,594,872**	152,988,888	**143,594,872**	152,988,888

These financial statements were approved by the Board of British Empire Securities and General Trust plc on 7 November 2014 and were signed on its behalf by:

PSS Macpherson

PSS Macpherson Chairman

The accompanying notes are an integral part of the financial statements.

Company Number: 28203

Consolidated and Company Cash Flow Statements

for the year ended 30 September 2014

		Company		Group	
	Notes	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Reconciliation of profit before taxation to net cash inflow from operating activities					
Profit before taxation		**49,732**	100,886	**49,732**	100,886
Losses on Equities Index Unsecured Loan Stock 2013 held at fair value		**–**	1,166	**–**	1,166
Realised exchange losses/(gains) on currency balances		**1,210**	(776)	**1,210**	(776)
Gains on investments held at fair value through profit or loss		**(39,833)**	(80,026)	**(41,595)**	(80,029)
Purchases of investments		**(700,340)**	(711,162)	**(700,340)**	(711,162)
Sales of investments		**754,801**	744,465	**754,801**	744,465
Decrease/(increase) in other receivables		**1,146**	(1,620)	**1,146**	(1,620)
(Decrease)/increase in creditors		**(1,455)**	442	**305**	445
Taxation		**(426)**	(920)	**(426)**	(920)
Amortisation of debenture issue expenses		**8**	7	**8**	7
Net cash inflow from operating activities		**64,843**	52,462	**64,841**	52,462
Financing activities					
Dividends paid	6	**(19,621)**	(20,495)	**(19,621)**	(20,495)
Payments for Ordinary Shares bought back and held in treasury		**(45,142)**	(25,193)	**(45,142)**	(25,193)
Redemption of Equities Index Unsecured Loan Stock 2013	12	**–**	(8,204)	**–**	(8,204)
Cash outflow from financing activities		**(64,763)**	(53,892)	**(64,763)**	(53,892)
(Decrease)/increase in cash and cash equivalents		**80**	(1,430)	**78**	(1,430)
Exchange movements		**(1,210)**	776	**(1,210)**	776
Change in cash and cash equivalents		**(1,130)**	(654)	**(1,132)**	(654)
Cash and cash equivalents at beginning of year		**7,124**	7,778	**7,126**	7,780
Cash and cash equivalents at end of year	16	**5,994**	7,124	**5,994**	7,126

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. These comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee ('IASC') that remain in effect, to the extent that IFRS have been adopted by the European Union.

The functional currency of the Group is Pounds Sterling because this is the currency of the primary economic environment in which the Group operates. The financial statements are also presented in Pounds Sterling rounded to the nearest thousand, except where otherwise indicated.

(a) Basis of preparation
The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice (the 'SORP') for investment trusts issued by the AIC in January 2009 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

(b) Adoption of new and revised standards
At the date of authorisation of these financial statements, the following Standards, which have not been applied in these financial statements, were in issue but were not yet effective (and in some cases had not yet been adopted by the EU):

International Accounting Standards (IAS/IFRS)		*Effective for periods beginning on or after*
IAS 27	Reissued as IAS27 Consolidated and Separate Financial Statements (as amended in 2011)	1 January 2014
IAS 28	Investments in Associates and Joint Ventures	1 January 2014
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014

The Company does not believe that there will be a material impact on the consolidated financial statements from the adoption of these standards/ interpretations.

(c) Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary) made up to 30 September each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

As permitted by Section 408 of the Companies Act 2006, no Company Statement of Comprehensive Income has been prepared. The profit for the year for the Company is £49,208,000 (2013: £98,918,000).

(d) Presentation of Statement of Comprehensive Income
In order to reflect better the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. The Company is registered as a UK Investment Company under Section 833 of the Companies Act 2006. Additionally, net revenue is the measure which the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1159 of the Corporation Tax Act 2010.

(e) Use of estimates
The preparation of financial statements requires the Group to make estimates and judgements that affect items reported in the Group and Company Balance Sheet and Consolidated Statement of Comprehensive Income and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on best knowledge of current facts, circumstances and, to some extent, future events and actions, the Group's actual results may ultimately differ from those estimates, possibly significantly. Unquoted equity investments that the Group holds are not traded and, as such, the prices are more uncertain than those more widely traded securities. The unquoted investments are valued by reference to valuation techniques approved by the Directors and in accordance with the International Private Equity and Venture Capital Valuation ('IPEVC') guidelines as described in note 1(i).

(f) Income
Dividends receivable are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is included in capital. UK dividends are included net of tax credits. Overseas dividends are included gross of any withholding tax.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

Interest receivable from fixed interest securities is included in revenue on a time apportionment basis using the effective interest method.

(g) Expenses
All expenses and interest payable are accounted for on an accruals basis. Expenses have been charged to revenue except as follows:
- the management fee has been allocated 30% (2013: 50%) to revenue and 70% (2013: 50%) to capital within the Consolidated Statement of Comprehensive Income;
- expenses which are incidental to the purchase or sale of an investment are recognised within the Consolidated Statement of Comprehensive Income as a capital item; and
- expenses are presented as capital where a connection with the maintenance or enhancement of the value of investments can be demonstrated.

(h) Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that were enacted or substantially enacted at the Balance Sheet date.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Consolidated Statement of Comprehensive Income is the "marginal basis". Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Consolidated Statement of Comprehensive Income, then no tax relief is transferred to the capital return column.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is charged or credited in the Consolidated Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with within equity.

Investment trusts which have approval as such under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

(i) Investments held at fair value through profit or loss
When a purchase or sale is made under a contract, the terms of which require delivery within the timeframe of the relevant market, the investments concerned are recognised or derecognised on the trade date.

The Group's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis in accordance with the documented investment strategy and information is provided internally on that basis to the Group's Board of Directors. Accordingly, upon initial recognition, the investments are designated by the Group as 'held at fair value through profit or loss' and are described in the financial statements as investments held at fair value.

All investments are designated as held at fair value upon initial recognition and are measured at subsequent reporting dates at fair value, which for listed investments is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

Fair values for unquoted investments, or investments for which the market is inactive, are established by using various valuation techniques in accordance with the IPEVC guidelines. These may include recent arm's length market transactions, the current fair value of another instrument which is substantially the same, discounted cash flow analysis and option pricing models. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is utilised. Where no reliable fair value can be estimated for such instruments, they are carried at cost subject to any provision for impairment.

Foreign exchange gains and losses for fair value through profit or loss on investments are included within the changes in their fair value.

Notes to the Financial Statements

continued

(j) Movements in fair value

Changes in fair value of investments are recognised in the Consolidated Statement of Comprehensive Income as a capital item. On disposal, realised gains and losses are also recognised in the Consolidated Statement of Comprehensive Income as capital items.

(k) Cash and cash equivalents

Cash comprises cash in hand and at the bank and short-term deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(l) Dividends payable

Dividends are recognised in the period in which they are declared.

(m) Foreign currency translation

Transactions in currencies other than Pounds Sterling are recorded at the rates of exchange prevailing on the date of the transaction. Items that are denominated in foreign currencies are retranslated at the rates prevailing on the Balance Sheet date. Foreign exchange differences arising on translation are recognised in the Consolidated Statement of Comprehensive Income.

(n) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest method and have been allocated 30% (2013: 100%) to revenue and 70% (2013: nil) to capital. This complies with the Statement of Recommended Practice for Financial Statements of Investment Trust Companies, which require the finance costs of the Debenture Stock to be allocated between revenue and capital in the same proportions as the management fee.

(o) Debenture pricing

The 8¹/₈ per cent Debenture Stock 2023 is valued at amortised cost under the effective interest method and secured by a floating charge over all assets of the Company. Costs in relation to arranging the debt finance of the 8¹/₈ per cent Debenture Stock 2023 have been capitalised and are amortised over the term of the finance. Further details of the Debenture Stock are disclosed in notes 12 and 17.

(p) Capital Reserve

Capital reserve – other – The following are taken to this reserve:

- gains and losses on the disposal of investments;
- amortisation of issue expenses;
- costs of share buybacks;
- exchange difference of a capital nature; and
- expenses, together with the related taxation effect, allocated to this reserve in accordance with the above policies.

Capital reserve – investment holding gains – The following are taken to this reserve:

- increase and decrease in the valuation of investments held at the year end.

(q) Merger Reserve

The merger reserve represents the share premium on shares issued on the acquisition of Selective Assets Trust plc on 13 October 1995.

(r) Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being the investment business. Consequently, no business segmental analysis is provided.

2. Income

	2014 £'000	2013 £'000
Income from investments		
Listed investments	**18,195**	28,709
Other income		
Deposit interest	**13**	15
Interest received on Norwegian withholding tax reclaims	**–**	66
Underwriting commission	**–**	6
	13	87
Total income	**18,208**	28,796
Income from investments		
Equity securities	**18,068**	28,489
Fixed interest securities	**127**	220
	18,195	28,709
Total income comprises:		
Dividends	**18,068**	28,489
Interest	**140**	301
Underwriting commission	**–**	6
	18,208	28,796

3. Investment management fee and other expenses

	2014 Revenue return £'000	2014 Capital return £'000	2014 Total £'000	2013 Revenue return £'000	2013 Capital return £'000	2013 Total £'000
Management fee†	**1,773**	**4,136**	**5,909**	2,353	2,353	4,706
	1,773	**4,136**	**5,909**	2,353	2,353	4,706
Other expenses:						
Directors' emoluments – fees	**133**	**–**	**133**	132	–	132
Auditor's remuneration – audit	**34**	**–**	**34**	24	–	24
Auditor's remuneration – taxation	**13**	**–**	**13**	12	–	12
Auditor's remuneration – other services to the Group	**8**	**–**	**8**	17	–	17
Marketing costs	**475**	**–**	**475**	204	–	204
Printing and postage costs	**68**	**–**	**68**	80	–	80
Registrar fees	**94**	**–**	**94**	100	–	100
Custodian fees	**275**	**–**	**275**	275	–	275
Depositary fees	**28**	**–**	**28**	–	–	–
Advisory and professional fees	**261**	**–**	**261**	149	–	149
Irrecoverable VAT	**162**	**–**	**162**	83	–	83
Other expenses	**164**	**–**	**164**	256	144	400
	1,715	**–**	**1,715**	1,332	144	1,476

†Net of the fee of £nil (2013: £42,000) paid to Phoenix Administration Services Limited for company secretarial services.

For the year ended 30 September 2014, the fee calculated in accordance with the Investment Management Agreement amounted to 0.7% (2013: 0.6%) of the net asset value calculated on a quarterly basis.

Details of the Investment Management Agreement and fees paid to the Investment Manager are contained in the Report of the Directors.

Notes to the Financial Statements
continued

4. Finance costs	2014 Revenue return £'000	2014 Capital return £'000	2014 Total £'000	2013 Revenue return £'000	2013 Capital return £'000	2013 Total £'000
Bank overdraft interest	**3**	**7**	**10**	17	–	17
Interest on other loans	**366**	**853**	**1,219**	1,343	–	1,343
Amortisation of debenture issue expenses*	**–**	**8**	**8**	–	7	7
	369	**868**	**1,237**	1,360	7	1,367

*See note 12.

5. Taxation	2014 Revenue return £'000	2014 Capital return £'000	2014 Total £'000	2013 Revenue return £'000	2013 Capital return £'000	2013 Total £'000
(a) Analysis of charge in year						
Corporation tax	**–**	**–**	**–**	–	–	–
Foreign witholding tax	**1,027**	**–**	**1,027**	3,215	–	3,215
Overseas tax reclaimable	**(503)**	**–**	**(503)**	(1,239)	–	(1,239)
Total current tax for year (see note 5(b))	**524**	**–**	**524**	1,976	–	1,976
Deferred tax	**–**	**–**	**–**	–	(8)	(8)
Total deferred tax for year	**–**	**–**	**–**	–	(8)	(8)
Total tax for year	**524**	**–**	**524**	1,976	(8)	1,968

(b) Factors affecting current tax charge for the period
The tax assessed for the year is lower than the standard rate of corporation tax in the UK for a large company of 22% (2013: 23.52%).

	2014 Revenue return £'000	2014 Capital return £'000	2014 Total £'000	2013 Revenue return £'000	2013 Capital return £'000	2013 Total £'000
Profit before tax	**14,351**	**35,381**	**49,732**	23,751	77,135	100,886
Corporation tax rate of 22%* (2013: 23.52%)	**3,157**	**7,784**	**10,941**	5,586	18,142	23,728
Effects of:						
Capital gains not subject to tax	**–**	**(8,885)**	**(8,885)**	–	(18,971)	(18,971)
Revaluation of Equities Index Unsecured Loan Stock 2013	**–**	**–**	**–**	7	–	7
Non-taxable UK dividends	**(238)**	**–**	**(238)**	–	–	–
Non-taxable overseas dividends	**(3,131)**	**–**	**(3,131)**	(6,701)	–	(6,701)
Overseas tax suffered	**524**	**–**	**524**	1,976	–	1,976
Disallowable management expenses	**7**	**–**	**7**	–	–	–
Movement in unutilised management expenses	**205**	**1,101**	**1,306**	1,108	829	1,937
Movement in deferred tax	**–**	**–**	**–**	–	(8)	(8)
Total tax charge for the year (note 5(a))	**524**	**–**	**524**	1,976	(8)	1,968

*Under the Finance Act 2013, the rate of corporation tax was lowered to 21% from 23% on 1 April 2014. An average rate of 22% is applicable for the year ended 30 September 2014.

(c) Unrecognised tax losses

The Company has a tax loss of £32,589,000 carried forward at the Balance Sheet date which is available indefinitely for offset against future taxable profits. A potential deferred tax asset of £6,517,800 (based on 20% tax rate) has not been recognised in respect of this tax loss as there is uncertainty over whether there will be sufficient future taxable profits against which this tax loss can be offset.

6. Dividends	2014 £'000	2013 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 30 September 2013 of 8.50p (2012: 7.50p) per Ordinary Share	**12,885**	11,836
Special dividend for the year ended 30 September 2013 of 2.50p (2012: 3.50p) per Ordinary Share	**3,790**	5,523
Interim dividend for the year ended 30 September 2014 of 2.00p (2013: 2.00p) per Ordinary Share	**2,946**	3,136
	19,621	20,495

Set out below are the interim, final and special dividends paid or proposed on Ordinary Shares in respect of the financial year, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered.

Interim dividend for the year ended 30 September 2014 of 2.00p (2013: 2.00p) per Ordinary Share	**2,946**	3,136
Proposed final dividend for the year ended 30 September 2014 of 8.50p (2013: 8.50p) per Ordinary Share	**12,116***	12,924
Proposed special dividend for the year ended 30 September 2014 of nil (2013: 2.50p) per Ordinary Share	**–**	3,801
	15,062	19,861

*Based on shares in circulation on 5 November 2014.

7. Earnings per Ordinary Share	2014 Revenue	2014 Capital	2014 Total	2013 Revenue	2013 Capital	2013 Total
Basic	**9.29p**	**23.76p**	**33.05p**	13.90p	49.24p	63.14p

The total basic earnings per Ordinary Share is based on Group net profit for the financial year of £49,208,000 (2013: £98,918,000) and on 148,907,851 (2013: 156,665,364) Ordinary Shares, being the weighted average number of Ordinary Shares in issue (excluding shares in treasury) during the year.

The total basic earnings per Ordinary Share figures detailed above can be further analysed between revenue and capital, as below.

The basic revenue earnings per Ordinary Share is based on Group revenue after taxation for the financial year of £13,827,000 (2013: £21,775,000) and on 148,907,851 (2013: 156,665,364) Ordinary Shares, being the weighted average number of Ordinary Shares in issue (excluding shares in treasury) during the year.

The basic capital earnings per Ordinary Share is based on Group net profit for the financial year of £35,381,000 (2013: £77,143,000) and on 148,907,851 (2013: 156,665,364) Ordinary Shares, being the weighted average number of Ordinary Shares in issue (excluding shares in treasury) during the year.

Notes to the Financial Statements
continued

8. Investments held at fair value through profit or loss

	Listed investments £'000	Unlisted investments £'000	Group total investments £'000	Investment in subsidiary £'000	Company total investments £'000
(a) Securities					
Opening book cost	**768,555**	**9,530**	**778,085**	**250**	**778,335**
Opening investment holding gains/(losses)	**71,616**	**(3,347)**	**68,269**	**1,762**	**70,031**
Opening fair value	**840,171**	**6,183**	**846,354**	**2,012**	**848,366**
Movements in the year:					
Purchases at cost:					
Equities	**480,270**	**935**	**481,205**	**–**	**481,205**
Bonds	**221,125**	**–**	**221,125**	**–**	**221,125**
Sales – proceeds:					
Equities	**(645,942)**	**(196)**	**(646,138)**	**–**	**(646,138)**
Bonds	**(105,358)**	**–**	**(105,358)**	**–**	**(105,358)**
– realised gains/(losses) on sales	**42,445**	**(5,100)***	**37,345**	**–**	**37,345**
Movement in investment holding gains/(losses)					
– reversal of unrealised (appreciation)/depreciation upon realisation	**(8,061)**	**5,235**	**(2,826)**	**(1,762)**	**(4,588)**
– movement in unrealised appreciation/(depreciation)	**11,517**	**(4,441)**	**7,076**	**–**	**7,076**
Closing fair value	**836,167**	**2,616**	**838,783**	**250**	**839,033**
Closing book cost	**761,095**	**5,169**	**766,264**	**250**	**766,514**
Closing investment holding gains/(losses)	**75,072**	**(2,553)**	**72,519**	**–**	**72,519**
Closing fair value	**836,167**	**2,616**	**838,783**	**250**	**839,033**

*The realisation of the loss relating to the Company's holding in Resaca Exploitation which was included in opening investment holding losses.

	Group £'000	Company £'000
(b) Gains on investments		
Gains on sales of securities based on historical cost	**37,345**	**37,345**
Movement in investment holding gains for the year	**4,250**	**2,488**
Net gains on investments	**41,595**	**39,833**

(c) Transaction costs

Investment transaction costs on purchases and sales of investments during the year to 30 September 2014 amounted to £1,411,000 and £881,000 respectively (2013: £778,000 and £626,000 respectively).

9. Subsidiary undertaking

The Group consists of the Company and its one subsidiary, BEST Securities Limited.

Name of undertaking	Principal activity	Country of incorporation and operation	Description of shares held	Proportion of nominal value of issued shares and voting rights held by: Company (%)	Group (%)
BEST Securities Limited	Dealing Subsidiary	England	Ordinary	100	100

10. Other receivables

	Company		Group	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Sales for future settlement	–	3,305	–	3,305
Overseas tax recoverable*	**2,542**	2,640	**2,542**	2,640
Prepayments and accrued income	**669**	2,403	**669**	2,403
VAT recoverable	**14**	1	**14**	1
	3,225	8,349	**3,225**	8,349

*This relates to withholding tax in a number of countries which is in the process of being reclaimed and which the Company expects to receive in due course.

No amounts are past due or impaired. The carrying value approximates to fair value.

11. Other payables

	Company		Group	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Purchases for future settlement	**2,080**	90	**2,080**	90
Amounts owed for share buybacks	**2,786**	870	**2,786**	870
Amounts owed to subsidiary undertakings	**250**	2,013	–	–
Other creditors	**1,197**	1,464	**1,197**	1,467
	6,313	4,437	**6,063**	2,427

The carrying value approximates to fair value.

12. Non-current liabilities

	Group and Company	
	2014 £'000	2013 £'000
8 1/8 per cent Debenture Stock 2023	**14,936**	14,928
	14,936	14,928

The movement on the 8 1/8 per cent Debenture Stock 2023 represents the amortisation of issue expenses. The market value of the Debenture Stock as at 30 September 2014 was £18.5 million (2013: £18.5 million). The effect on the NAV per share of deducting the Debenture Stock at market value rather than par is disclosed in note 15.

The mid-market price of the 8 1/8 per cent Debenture Stock 2023 as at 30 September 2014 was 123.50p (2013: 123.50p).

The Debenture Stock is secured by a floating charge over all of the assets of the Company.

Further information on the Debenture Stock is set out on page 27.

Notes to the Financial Statements

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13. Provision for deferred tax

	Group and Company	
	2014 £'000	2013 £'000
Provided		
In respect of the origination and reversal of temporary differences	–	(8)
	–	(8)
The movement in the provision for deferred taxation is as follows:		
Opening balance	**19**	27
Charge to capital account	–	(8)
Closing balance	**19**	19

	2014 £'000	2013 £'000
The deferred tax provision is made up as follows:		
Equities Index Unsecured Loan Stock 2013	**19**	19
Closing balance	**19**	19

14. Called-up share capital (Group and Company)

	Ordinary Shares of 10p each	
	Shares	Nominal Value £'000
Authorised:		
Balance throughout year	**245,000,000**	**24,500**
Allotted, called up and fully paid:		
Balance at beginning of year	**160,014,089**	**16,001**
Cancellation of Ordinary Shares	–	–
Balance at end of year	**160,014,089**	**16,001**
Treasury Shares:		
Balance at beginning of year	**(7,025,201)**	
Buyback of Ordinary Shares into treasury	**(9,394,016)**	
Balance at end of year	**(16,419,217)**	
Total Ordinary Share capital excluding Treasury Shares	**143,594,872**	

During the year, 9,394,016 (2013: 5,106,097) Ordinary Shares with a nominal value of £939,401.60 and representing 5.87% of the issued share capital, were bought back and placed in treasury for an aggregate consideration of £47,058,009 (2013: £25,192,951). No Ordinary Shares were bought back for cancellation (2013: nil).

15. Net asset value

The net asset value per share and the net asset value attributable to the Ordinary Shares at the year end are calculated in accordance with their entitlements in the Articles of Association and were as follows:

	Net asset value per share attributable Group and Company	
	2014 p	2013 p
Ordinary Shares (basic)	**575.92**	551.97

	Net asset value attributable Group and Company	
	2014 £'000	2013 £'000
Ordinary Shares (basic)	**826,984**	844,455

The movement during the year of the Group assets attributable to the Ordinary Shares was as follows:

	2014 Ordinary Shares (basic) £'000	2013 Ordinary Shares (basic) £'000
Total net assets attributable at beginning of year	**844,455**	791,225
Ordinary Shares bought back and held in treasury	**(47,058)**	(25,193)
Total comprehensive income for the year	**49,208**	98,918
Dividends appropriated in the year	**(19,621)**	(20,495)
	826,984	844,455

Basic net asset value per Ordinary Share is based on net assets and on 143,594,872 (2013: 152,988,888) Ordinary Shares, being the number of Ordinary Shares in issue excluding Treasury Shares at the year end.

At the year end, the net asset value per Ordinary Share adjusted to include the Debenture Stock at market value rather than amortised cost was 573.42p (2013: 549.62p).

16. Analysis of cash and cash equivalents at end of year

	At 30 September 2013 £'000	Cash flow £'000	Exchange movement £'000	At 30 September 2014 £'000
Group				
Cash at bank and on deposit	7,126	78	(1,210)	**5,994**
Company				
Cash at bank and on deposit	7,124	80	(1,210)	**5,994**

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17. Financial instruments and capital disclosures

Risk management policies and procedures

The investment objective of the Group 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.

The Group's financial instruments comprise equity and fixed interest investments, cash balances and borrowings. The Group makes use of borrowings to achieve improved performance in rising markets. The risk of borrowings may be reduced by raising the level of cash balances or fixed interest investments held.

The Group may also enter into derivative transactions which comprise forward foreign exchange contracts (the purpose of which is to manage currency risk arising from the Group's investing activities) and quoted options on indices appropriate to sections of the portfolio (the purpose of which is to provide protection against falls in the capital values of the holdings). The Group has not used derivatives during the current financial year as part of its investment strategy.

The Board sets out its investment policies on page 30.

The Board and Investment Manager consider and review the risks inherent in managing the Group's assets which are detailed below.

Currency exposure	Sterling £'000	Euro £'000	CAD$ £'000	US$ £'000	Other £'000	Total £'000
At 30 September 2014						
Investments held at fair value through profit or loss that are monetary items	**6,041**	**–**	**–**	**19,738**	**–**	**25,779**
Other receivables	**46**	**740**	**79**	**352**	**2,008**	**3,225**
Cash and cash equivalents	**5,852**	**–**	**141**	**–**	**1**	**5,994**
Other payables	**(3,983)**	**–**	**–**	**(2,080)**	**–**	**(6,063)**
$8^1/_8$% Debenture Stock 2023	**(14,936)**	**–**	**–**	**–**	**–**	**(14,936)**
Provision for deferred tax	**(19)**	**–**	**–**	**–**	**–**	**(19)**
Currency exposure on net monetary items	**(6,999)**	**740**	**220**	**18,010**	**2,009**	**13,980**
Investments held at fair value through profit or loss that are equities	**116,173**	**227,409**	**84,331**	**194,967**	**190,124**	**813,004**
Total net currency exposure	**109,174**	**228,149**	**84,551**	**212,977**	**192,133**	**826,984**

This exposure is representative at the Balance Sheet date and may not be representative of the year as a whole.

	Sterling £'000	Euro £'000	CAD$ £'000	US$ £'000	Other £'000	Total £'000
At 30 September 2013						
Investments held at fair value through profit or loss that are monetary items	86,865	–	–	43,183	–	130,048
Other receivables	1,035	1,085	3,535	309	2,385	8,349
Cash and cash equivalents	6,688	–	1	–	437	7,126
Other payables	(2,337)	–	–	(90)	–	(2,427)
8 1/8% Debenture Stock 2023	(14,928)	–	–	–	–	(14,928)
Provision for deferred tax	(19)	–	–	–	–	(19)
Currency exposure on net monetary items	77,304	1,085	3,536	43,402	2,822	128,149
Investments held at fair value through profit or loss that are equities	59,762	150,054	107,028	132,920	266,542	716,306
Total net currency exposure	137,066	151,139	110,564	176,322	269,364	844,455

The value of the Group's assets and the total return earned by the Company's shareholders can be significantly affected by foreign exchange rate movements as some of the Group's assets are denominated in currencies other than Pounds Sterling, the currency in which the Company's financial statements are prepared. It is not the Group's usual policy to hedge this risk. Income denominated in foreign currencies is converted to Pounds Sterling upon receipt.

During the year, the Company did not enter into any forward foreign exchange contracts. There were no open forward foreign exchange contracts as at 30 September 2014.

Over the year, the Pound Sterling strengthened against the Group's principal investing currencies, the US Dollar by 0.11% (2013: 0.28%), the Canadian Dollar by 8.84% (2013: 4.76%) and the Euro by 7.28% (2013: weakened 4.69%).

A 5% rise or decline of the Pound Sterling against foreign currency denominated (i.e. non Pound Sterling) assets and liabilities held at the year end would have decreased/increased the total return and net asset value by £35,891,000 (2013: £35,369,000).

Interest rate risk

Interest rate movements may affect:

- the fair value of investments in fixed-interest rate securities;
- the level of income receivable on cash deposits;
- the interest payable on variable rate borrowings; and
- the fair value of the Company's long term debt.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions. The Company, generally, does not hold significant cash balances, with short-term borrowings being used when required.

The Debenture Stock, issued by the Company as a planned level of gearing, pays a fixed rate of interest and is carried in the Company's Balance Sheet at amortised cost rather than at fair value. Hence, movements in interest rates will not affect equity but may have an impact on the Company's share price and discount/premium, which is not likely to be material. Further information on the Debenture Stock is shown in note 12.

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The exposure at 30 September of financial assets and financial liabilities to interest rate risk is shown by reference to:

- floating interest rates
- fixed interest rates

	At 30 September 2014 £'000	At 30 September 2013 £'000
Exposure to floating interest rates:		
Cash and cash equivalents	**5,994**	7,126

If the above level of cash was maintained for a year, a 1% increase/decrease in LIBOR would increase/decrease the revenue return and net assets by £60,000 (2013: £71,000).

	£'000
Exposure to fixed interest rates:	
Investments held at fair value through profit or loss	25,779
$8^1/_8$ per cent Debenture Stock 2023 (fair value based on market prices)	(18,525)
	7,254

The impact of holding the Debenture Stock at fair value would be to reduce the Group's net assets by £3,589,000.

The maturity dates and the nominal interest rates on the investments held at fair value through profit or loss are shown in the Investment Portfolio on page 13. The weighted average effective interest rate on these investments is 0.15% (2013: 0.20%).

The Company's fixed income portfolio at the year end was valued at £25,779,000 (2013: £130,048,000). A 1% increase/decrease in relevant market interest rates would be expected to decrease/increase the portfolio's value by approximately £58,000 (2013: £378,000), all other factors being equal.

The fair value of the Company's Debenture Stock at the year end was £18,525,000 (2013: £18,525,000). A 1% increase/decrease in the applicable interest rates would be expected to decrease/increase the fair values of the Debenture Stock by approximately £1,198,000 (2013: £1,208,000), all other factors being equal.

Market price risk

The management of market price risk is part of the fund management process and is typical of equity investment. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with the objective of maximising overall returns to shareholders. Further information on the Investment Portfolio is set out on pages 12 and 13.

If the fair value of the Group's investments at the year end increased or decreased by 10%, then it would have had an effect on the Group's capital return and equity equal to £83,878,000 (2013: £84,635,000).

Liquidity risk

The Company's assets mainly comprise readily realisable securities which can be easily sold to meet funding commitments, if necessary. Unlisted investments in the portfolio are subject to liquidity risk. The risk is taken into account by the Directors when arriving at their valuation of these items.

The remaining contractual payments on the Group's financial liabilities at 30 September, based on the earliest date on which payment can be required was as follows:

	In 1 year or less £'000	In more than 1 year but not more than 2 years £'000	In more than 2 years but not more than 3 years £'000	In more than 3 years but not more than 10 years £'000	Total £'000
At 30 September 2014					
8¹/₈% Debenture Stock 2023	**(1,219)**	**(1,219)**	**(1,219)**	**(22,007)***	**(25,664)**
Other payables	**(6,063)**	**–**	**–**	**–**	**(6,063)**
Deferred tax	**(19)**	**–**	**–**	**–**	**(19)**
	(7,301)	**(1,219)**	**(1,219)**	**(22,007)**	**(31,746)**

	In 1 year or less £'000	In more than 1 year but not more than 2 years £'000	In more than 2 years but not more than 3 years £'000	In more than 3 years but not more than 11 years £'000	Total £'000
At 30 September 2013					
8¹/₈% Debenture Stock 2023	(1,219)	(1,219)	(1,219)	(23,228)*	(26,885)
Other payables	(2,427)	–	–	–	(2,427)
Deferred tax	–	(19)	–	–	(19)
	(3,646)	(1,238)	(1,219)	(23,228)	(29,331)

*Comprises the remaining interest payments to 2023, together with the principal to be repaid in 2023.

Credit risk
Credit risk is mitigated by diversifying the counterparties through whom the Investment Manager conducts investment transactions. The credit standing of all counterparties is reviewed periodically with limits set on amounts due from any one counterparty.

The total credit exposure of the Group at the year end as shown on the Balance Sheet and Investment Portfolio was £34,998,000 (2013: £145,522,000).

The total credit exposure represents the carrying value of fixed income, cash and receivable balances and totals £34,998,000 (2013: £145,522,000), as detailed in the table on page 58.

Fair values of financial assets and financial liabilities
Except for the Group's Debenture Stock measured at amortised cost as shown below, the financial assets and financial liabilities of the Group are either carried in the Balance Sheet at their fair value (investments), or the Balance Sheet amount is a reasonable approximation of fair value (due from brokers, dividends receivable, accrued income, cash at bank and due to brokers).

	2014		2013	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
8¹/₈% Debenture Stock 2023	**(14,936)**	**(18,525)**	(14,928)	(18,525)

Quoted market prices have been used to determine the fair value of the Group's Debenture Stock.

The fair value of the Group's unquoted investments is measured by the Directors using valuation methodologies in accordance with IPEVC guidelines.

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Valuation of financial instruments

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

- Level 1 – valued using quoted prices unadjusted in active markets for identical assets or liabilities.
- Level 2 – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included within Level 1.
- Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

The tables below set out fair value measurements of financial instruments as at the year end, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Financial assets at fair value through profit or loss at 30 September 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	**810,388**	**–**	**2,616**	**813,004**
Fixed interest bearing securities	**25,779**	**–**	**–**	**25,779**
	836,167	**–**	**2,616**	**838,783**

Financial assets at fair value through profit or loss at 30 September 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	710,123	–	6,183	716,306
Fixed interest bearing securities	130,048	–	–	130,048
	840,171	–	6,183	846,354

The valuation techniques used by the Company are explained in the accounting policies note on page 49. There have been no transfers during the year between Levels 1 and 2.

A reconciliation of fair value measurements in Level 3 is set out below.

Level 3 financial assets at fair value through profit or loss at 30 September	2014 £'000	2013 £'000
Opening fair value	**6,183**	4,492
Transfer from Level 1 to Level 3 investment	**–**	5,296
Purchases at cost	**935**	–
Sales – proceeds	**(196)**	–
Total gains/(losses) included in gains on investments in the Consolidated Statement of Comprehensive Income		
- on sold assets	**(5,100)**	–
Movement in investment holding gains/(losses)		
– reversal of unrealised depreciation upon realisation	**5,235**	–
– movement in unrealised appreciation/(depreciation)	**(4,441)**	(3,605)
Closing fair value	**2,616**	6,183

The closing fair value as at 30 September 2014 comprises an investment in Mitra Energy Limited which is held at Directors' valuation. The valuation at year-end was based on the proposed exchange ratio for a reverse take-over by Mitra Energy of Petra Petroleum, a Canadian-listed company.

Capital management policies and procedures
The structure of the Company's capital is described in note 14 and details of the Company's reserves are shown in the Statement of Changes in Equity on page 45.

The Company's capital management objectives are:
- to ensure that it will be able to continue as a going concern; and
- 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; through an appropriate balance of equity capital and debt.

The Board, with the assistance of the Investment Manager, regularly monitors and reviews the broad structure of the Group's capital on an ongoing basis. These reviews include:
- the level of gearing, which takes account of the Group's position and the Investment Manager's views on the market; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Group's objectives, policies and processes for managing capital are unchanged from last year.

The Group is subject to externally imposed capital requirements:
a) as a public company, the Company is required to have a minimum share capital of £50,000; and
b) in accordance with the provisions of sections 832 and 833 of the Companies Act 2006, the Company, as an investment company:
(i) is only able to make a dividend distribution to the extent that the assets of the Company are equal to at least one and a half times its liabilities after the dividend payment has been made; and
(ii) is required to make a dividend distribution each year such that it does not retain more than 15% of the income that it derives from shares and securities.

These requirements are unchanged since last year and the Group has complied with them at all times.

18. Contingencies, guarantees and financial commitments
In June 2007, the European Court of Justice ruled that investment management fees should be exempt from VAT, and in early November 2007 HM Revenue & Customs decided not to contest that ruling. The Board is taking steps to reclaim such Back VAT on investment management fees as it can and has recovered £3,603,575 up to the date of this report.

While most of the Back VAT has now been recovered, the Company is taking further steps to recover Back VAT and interest, but does not anticipate any further significant recovery in the near term.

At 30 September 2014, the Group had no financial commitments (2013: £nil).

At 30 September 2014, the Group had no contingent liability in respect of any investments carrying an obligation for future subscription or underwriting commitments (2013: £nil).

At 30 September 2014, the Group had a contingent liability pursuant to an Indemnity given to Caledonia Investments plc ('Caledonia') in respect of sums received from Caledonia by way of repayment of VAT (the 'VAT Refund') paid by the Company between 1991 and 1995 on investment management fees to Caledonia. This Indemnity is against any amounts of VAT (including any interest or penalties) Caledonia is liable to repay to HM Revenue & Customs in respect of the VAT Refund, together with all reasonable costs, charges and expenses incurred by Caledonia in enforcing its rights under the Indemnity. The Company's liability under the Indemnity shall not exceed the amount of the VAT Refund received from Caledonia which amounted to £619,178 (including simple interest of £263,337).

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19. Related party disclosure
The related party transaction pursuant to the Investment Management Agreement with Asset Value Investors Limited is set out in the Report of the Directors on page 31. Management fees for the year amounted to £5,909,000 (2013: £4,706,000).

As at the year end, the following amounts were outstanding in respect of management fees: £495,000 (2013: £392,000).

Strone Macpherson is Chairman of Close Brothers Group plc, the ultimate parent of Winterflood Securities Limited which acts as the Company's Corporate Broker which is paid a retainer of £25,000 per annum by the Company of which £nil was outstanding at the year end.

20. Post balance sheet events
Since the year end the Company has completed the following transactions in its own shares:

Shares bought back and held in treasury

Date	Number of Ordinary Shares	Cost £'000
3 October 2014	159,359	817
10 October 2014	343,000	1,747
16 October 2014	88,500	436
17 October 2014	59,000	289
24 October 2014	215,217	1,066
31 October 2014	194,452	986
	1,059,528	5,341

There are no further post balance sheet transactions that require disclosure or adjustment in the financial statements.

Report of the Audit Committee

Role of the Audit Committee
The Audit Committee's main functions are:
- To monitor the internal financial control and risk management systems on which the Company is reliant.
- To consider whether there is a need for the Group to have its own internal audit function.
- To monitor the integrity of the half-year and annual financial statements of the Group by reviewing and challenging, where necessary, the actions and judgements of the Investment Manager and the Administrator.
- To meet the independent Auditor of the Group to review their proposed audit programme of work and the subsequent Audit Report and to assess the effectiveness of the audit process and the levels of fees paid in respect of both audit and non-audit work.
- To make recommendations to the Board in relation to the appointment, re-appointment or removal of the Auditor, and to negotiate their remuneration and terms of engagement on audit and non-audit work.
- To monitor and review annually the external Auditor's independence, objectivity, effectiveness, resources and qualification.

The Audit Committee meets at least twice each year and comprises the whole Board. It operates within defined terms of reference.

Composition of Audit Committee
The Audit Committee comprises the whole Board, all of whom are independent. All members of the Committee have recent and relevant financial experience and two are Chartered Accountants.

Significant Issues
In planning its own work, and reviewing the audit plan of the Auditor, the Audit Committee takes account of the most significant issues and risks, both operational and financial, likely to impact on the Group's financial statements.

The valuation of the investment portfolio is a significant risk factor. Of the portfolio, 99.7% can be verified against daily market prices. The valuation of the remainder of the portfolio is verified by the Investment Manager on a regular basis and reviewed by the Audit Committee and by the Auditor.

A further significant risk control issue is to ensure that the investment portfolio accounted for in the financial statements reflects physical ownership of the relevant securities. The Company uses the services of an independent Custodian (JPMorgan Chase Bank, NA) to hold the assets of the Company. The investment portfolio is reconciled regularly by the Administrator to the Custodian's records, and that reconciliation is also reviewed by the Auditor. In July 2014, the Company appointed a Depositary (J.P. Morgan Europe Limited), whose responsibilities include oversight of the safekeeping of the Company's assets.

Financial statements issued by the Company need to be fair, balanced and understandable. The Audit Committee reviews the Annual Report as a whole and makes recommendations to the Board. The Committee is aware that several sections of the Annual Accounts are not subject to formal statutory audit, including the Strategic Report and Investment Manager's review. Financial information in these sections is reviewed by the Committee, and subject to a review by the Auditor.

The Company's half-yearly report is approved by the Audit Committee prior to publication, and is also reviewed by the Auditor.

The Audit Committee assesses annually whether it is appropriate to prepare the Group's financial statements on a going concern basis, and makes its recommendation to the Board. The Board's conclusions are set out in the Report of the Directors.

During 2014, the Audit Committee reviewed the policy of allocating the costs of the management fee and finance costs between the revenue and capital accounts in the financial statements. Previously, the annual management fee was allocated 50% to revenue and 50% to capital, and finance costs were allocated 100% to revenue. The AIC SORP states that any allocation should be in line with expected returns, and the allocation of finance costs should be the same as the allocation of the annual management fee. The Audit Committee examined historic returns and concluded that the proportion of long-term total returns that has resulted from capital growth rather than revenue has been much higher than 50%. This can be expected to continue into the future. The Audit Committee therefore recommended to the Board that 70% of the annual management fee and 70% of the finance costs should be allocated to capital, and 30% to revenue. The recommendation was accepted by the Board.

Internal Controls
The Board through the Audit Committee is responsible for ensuring that suitable internal controls systems to prevent and detect fraud and error are designed and implemented by the third party service providers to the Company and is also responsible for reviewing the effectiveness of such controls. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and Group in line with the FRC's Internal Control: Guidance to Directors (the Turnbull Guidance) and the FRC's Guidance on Audit Committees published in September 2012. This process has been in place for the year under review and up to the date of approval of this report, and accords with the guidance. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed. The risks of any failure of such controls are identified in a Risk Matrix, and a schedule of Key Risks, which are regularly reviewed by the Board and which identifies the likelihood and severity of the impact of such risks and the controls in place to minimise the probability of such risks occurring.

Report of the Audit Committee

continued

The following are the key components which the Company has in place to provide effective internal control:

- The Board has agreed clearly defined investment criteria, which specify levels of authority and exposure limits. Reports on compliance with these criteria are regularly reviewed by the Board.
- The Board has a procedure to ensure that the Company can continue to be approved as an investment company by complying with sections 1158/1159 of the Corporation Tax Act 2010.
- The Investment Manager and Administrator prepare forecasts and management accounts which allow the Board to assess the Company's activities and review its performance.
- The contractual agreements with the Investment Manager and other third party service providers, and adherence to them, are regularly reviewed.
- The services and controls at the Investment Manager and at other third party suppliers are reviewed at least annually. Audited control reports on the Custodian and Administrator are received and reviewed. Amongst other matters, the Audit Committee seeks to ensure that the Group is recovering withholding tax on overseas dividends to the fullest extent possible.
- The Investment Manager's Compliance Officer continually reviews the Investment Manager's operations. The Investment Manager also employs a compliance consultant. Compliance reports are submitted to the Committee at least annually.
- During 2014, the Audit Committee has paid particular attention to the developing threat of cyber-crime, and requested information from its main suppliers in their management of the threat. The Audit Committee is also conscious that there have been several changes in its, and its Investment Manager's, third party suppliers, notably a new Administrator and, for the first time, a Depositary. The Committee is monitoring the service and control levels pursuant to these changes.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. They do not eliminate the risk of failure to achieve business objectives and, by their nature, can only provide reasonable and not absolute assurance against mis-statement or loss.

As neither the Company nor the Group has any employees, the Company does not have a whistleblowing policy and procedure in place. The Company delegates its main functions to third party providers, each of whom report on their policies and procedures to the Audit Committee.

The Audit Committee believes that the Company does not require an internal audit function, principally because the Company delegates its day-to-day operations to third parties, which are monitored by the Committee, and which provide control reports on their operations at least annually.

External Audit Process

The Audit Committee meets at least twice a year with the Auditor. The Auditor provides a planning report in advance of the annual audit, a report on the annual audit, and a report on their review of the half-year financial statements. The Committee has an opportunity to question and challenge the Auditor in respect of each of these reports.

In addition, at least once a year, the Audit Committee has an opportunity to discuss any aspect of the Auditor's work with the Auditor in the absence of the Investment Manager.

After each audit, the Audit Committee reviews the audit process and considers its effectiveness. The review of the 2013 audit concluded that the audit process had worked well, and that the significant issues had been adequately addressed.

Auditor Assessment and Independence

The Company's external Auditor is Ernst & Young LLP. Ernst & Young has been the Company's Auditor since 1993. During 2013, the Audit Committee conducted a full review of the services provided by the Auditor, and the related fees, and concluded that there was no need, at that stage, to conduct a competitive tender. The Committee is satisfied that those conclusions remain valid for 2014. However, the Committee is mindful of the latest Corporate Governance provisions relating to auditor tenure, and will keep this matter under consideration. The current Senior Statutory Auditor is due to rotate after the 2017 audit.

The Committee also reviewed Ernst & Young's independence policies and procedures including quality assurance procedures. It was considered that those policies and procedures remained fit for purpose.

Total fees payable to the Auditor were £55,000 (2013: £53,000). Of these, the fees for audit services were: £34,000 (2013: £24,000). The increase in audit fees recognises a significant increase in workload for the Auditor.

The Audit Committee has approved and implemented a policy on the engagement of the Auditor to supply non-audit services, taking into account the recommendations of the Accounting Practices Board, and does not believe there to be any impediment to the Auditor's objectivity and independence. All non-audit work to be carried out by the Auditor must be approved by the Audit Committee in advance. The cost of non-audit services provided by the Auditor for the financial year ended 30 September 2014 was £21,000 (2013: £29,000). This comprised £13,000 in relation to tax compliance; £6,000 in relation to the half-year review; and £2,000 in relation to other services. These non-audit services are assurance related, and the Committee believes Ernst & Young are best placed to provide them on a cost effective basis. The fees for non-audit services are considered not material in the context of the accounts as a whole.

The Audit Committee is satisfied that Ernst and Young remains independent. The Committee confirms that the non-audit work undertaken by the Company's Auditor satisfies and does not compromise the tests of the Auditor's independence, objectivity, effectiveness, resources and qualification. The cost of these services are considered by the Committee to be proportionate in relation to the fees for audit services.

AS Robson
Audit Committee Chairman
7 November 2014

Directors' Remuneration Policy

This Policy provides details of the remuneration policy for the Directors of the Company. All Directors are non-executive, appointed under the terms of Letters of Appointment, and none has a service contract. The Company has no employees.

A resolution to approve this Remuneration Policy was proposed at the Annual General Meeting of the Company held on 19 December 2013. The resolution was passed, and the Remuneration Policy provisions set out below will apply until they are next put to shareholders for renewal of that approval, which must be at intervals of not more than three years, or the Remuneration Policy is varied in which event shareholder approval for the new Remuneration Policy will be sought.

The non-executive Directors of the Company are entitled to such rates of annual fees as the Board at its discretion shall from time to time determine, subject to the aggregate annual fees not exceeding £200,000, and reimbursement of reasonable fees and expenses incurred by them in the performance of their duties. In line with the majority of investment trusts, no component of any Director's remuneration is subject to performance factors. There are no provisions in Directors' Letters of Appointment for recovery or withholding of fees or expenses. Annual fees are pro-rated where a change takes place during a financial year.

Table of Directors' Remuneration Components

Component	Director	Rate	Purpose of reward	Operation
Annual Fee	All Directors	£23,000	For commitment as Directors of a public company	Determined by the Board at its discretion (see note 1)
Additional Fee	Chairman of the Board	£12,000	For additional responsibility and time commitment	Determined by the Board at its discretion (see note 1)
Additional Fee	Chairman of the Audit Committee	£4,000	For additional responsibility and time commitment	Determined by the Board at its discretion (see note 1)
Additional Fee	Senior Independent Director	£2,300	For additional responsibility and time commitment	Determined by the Board at its discretion (see note 1)
Expenses	All Directors	n/a	Reimbursement of expenses paid by them in order to perform their duties	Reimbursement upon submission of appropriate invoices

Notes:
1. The Board only exercises its discretion in setting rates of fees after an analysis of fees paid to Directors of other companies having similar profiles to that of the Company, and consultation with third party advisers.
2. The Company has no employees. Accordingly, there are no differences in policy on the remuneration of Directors and the remuneration of employees.
3. No Director is entitled to receive any remuneration which is performance-related. As a result there are no performance conditions in relation to any elements of the Directors' remuneration in existence to set out in this Remuneration Policy.
4. There have been no changes to the Company's remuneration policy for Directors since the issue of the Company's last Annual Report.

Directors' Remuneration Policy

continued

The rates of annual fees for Directors were last increased with effect from 1 April 2013.

The table below shows the rates of annual fees payable to non-executive Directors applicable at 30 September 2014.

Fees	2014
Chairman	**35,000**
Board Member	**23,000**
Additional responsibilities	
Chairman of Audit Committee	**4,000**
Senior Independent Director	**2,300**

Recruitment Remuneration Principles

1. The remuneration package for any new Chairman or non-executive Director will be the same as the prevailing rates determined on the bases set out above. The fees and entitlement to reclaim reasonable expenses will be set out in Directors' Letters of Appointment.

2. The Board will not pay any introductory fee or incentive to any person to encourage them to become a Director, but may pay the fees of search and selection specialists in connection with the appointment of any new non-executive Director.

3. The Company only intends to appoint non-executive Directors for the foreseeable future.

4. The maximum aggregate fees currently payable to all Directors is £200,000.

Service Contracts – none of the Directors has a service contract with the Company. Non-executive Directors are engaged under Letters of Appointment.

Loss of Office – Directors' Letters of Appointment expressly prohibit any entitlement to payment on loss of office.

Scenarios – the Chairman and non-executives Directors' remuneration is fixed at annual rates, and there are no other scenarios where remuneration will vary. It is accordingly not considered appropriate to provide different remuneration scenarios for each Director.

Statement of consideration of conditions elsewhere in the Company – as the Company has no employees, the process of consulting with employees on the setting of the Remuneration Policy is not relevant.

Other Items

None of the Directors has any entitlement to pensions or pension related benefits, medical or life insurance schemes, share options, long-term incentive plans, or performance related payments. No Director is entitled to any other monetary payment or any assets of the Company except in their capacity (where applicable) as shareholders of the Company.

Directors' and Officers' liability insurance cover is maintained by the Company, at its expense, on behalf of the Directors.

The Company has also provided indemnities to the Directors in respect of costs or other liabilities which they may incur in connection with any claims relating to their performance or the performance of the Company whilst they are Directors.

The Directors' interests in contractual arrangements with the Company are as shown in the Directors' Remuneration Report. Except as noted in the Report of the Directors no Director was interested in any contracts with the Company during the period or subsequently.

Review of the Remuneration Policy

The Board has agreed that there would be a formal review before any change to remuneration policy; and at least once a year the Remuneration Policy will be reviewed to ensure that it remains appropriate. This year, the Board's review concluded that there should be no change to the remuneration policy.

Report on Remuneration Implementation

This Report is prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

A resolution to approve this Report on Remuneration Implementation will be proposed at the Annual General Meeting of the Company to be held on 17 December 2014.

As the Company has no employees and the Board is comprised wholly of non-executive Directors, the Board has not established a separate Remuneration Committee. Directors' remuneration is determined by the Board as a whole, at its discretion within an aggregate ceiling of £200,000 per annum. Each Director abstains from voting on their own individual remuneration.

Directors' fees for the year ended 30 September 2014 were at a level of £35,000 per annum for the Chairman and £23,000 per annum for other Directors. The Chairman of the Audit Committee received an additional fee of £4,000 per annum and the Senior Independent Director an additional fee of £2,300 per annum. There have been no changes relating to Directors' remuneration made during the year and no changes were proposed in the annual review of Directors' fees for the year to 30 September 2015.

Directors' Emoluments (audited information)
Directors are only entitled to fees at such rates as are determined by the Board from time to time and in accordance with the Directors' Remuneration Policy as approved by the shareholders.

None of the Directors has any entitlement to pensions or pension related benefits, medical or life insurance schemes, share options, long-term incentive plans, or performance related payments. No Director is entitled to any other monetary payment or any assets of the Company. Accordingly the Single Total Figure table below does not include columns for any of these items or their monetary equivalents.

As the Company does not have a Chief Executive Officer or any executive Directors, there are no percentage increases to disclose in respect of their total remuneration, and it has not reported on these aspects of remuneration that relate to executive directors.

The Directors who served during the year received the following emoluments:

Directors' & Officers' liability insurance is maintained and paid for by the Company on behalf of the Directors.

In line with market practice, the Company has agreed to indemnify the Directors in respect of costs, charges, losses, liabilities, damages and expenses, arising out of any claims or proposed claims made for negligence, default, breach of duty, breach of trust or otherwise, or relating to any application under Section 1157 of the Companies Act 2006, in connection with the performance of their duties as Directors of the Company. The indemnities would also provide financial support from the Company should the level of cover provided by the Directors' & Officers' insurance maintained by the Company be exhausted.

Voting at Annual General Meeting
A binding Ordinary Resolution approving the Directors' Remuneration Policy and a non-binding Ordinary Resolution adopting the Directors' Remuneration Implementation Report for the year ended 30 September 2013 were approved by shareholders at the Annual General Meeting held on 19 December 2013. The votes cast by proxy were as follows:

Remuneration Policy	
For – % of votes cast	99.41%
Against – % of votes cast	0.31%
At Chairman's discretion – % of votes cast	0.28%
Total votes cast	53,620,537
Number of votes withheld	81,035

Remuneration Implementation Report	
For – % of votes cast	99.47%
Against – % of votes cast	0.30%
At Chairman's discretion – % of votes cast	0.23%
Total votes cast	53,607,286
Number of votes withheld	94,286

Single Total Figure Table

	Fees paid (£)		Taxable benefits (£)		Total (£)	
Name of Director	2014	2013	2014	2013	2014	2013
Strone Macpherson	**35,000**	33,430	**–**	–	**35,000**	33,430
Andrew Robson	**27,000**	25,890	**–**	–	**27,000**	25,890
Steven Bates	**25,300**	24,117	**–**	–	**25,300**	24,117
Susan Noble	**23,000**	22,120	**–**	–	**23,000**	22,120
Nigel Rich	**23,000**	22,120	**–**	–	**23,000**	22,120
Rosamund Blomfield-Smith*	**–**	4,275	**–**	–	**–**	4,275
					£133,300	£131,952

*Resigned as a Director on 13 December 2012.

Report on Remuneration Implementation

continued

Sums Paid to Third Parties (audited information)

None of the fees referred to in the above table were paid to any third party in respect of the services provided by any of the Directors.

Other Benefits

Taxable Benefits – Article 117 of the Company's Articles of Association provides that Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings.

Pensions related benefits – Article 118 permits the Company to provide pension or similar benefits for Directors and employees of the Company. However, no pension schemes or other similar arrangements have been established and no Director is entitled to any pension or similar benefits.

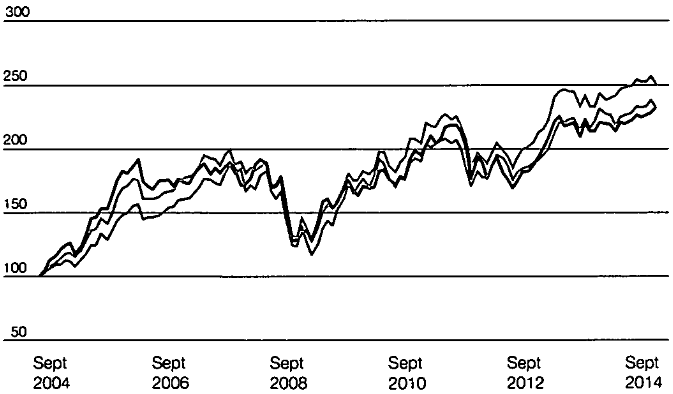
Loss of Office

Directors do not have service contracts with the Company but are engaged under Letters of Appointment. These specifically exclude any entitlement to compensation upon leaving office for whatever reason.

Share Price Total Return

The chart below illustrates the total shareholder return for a holding in the Company's shares as compared to the MSCI All Country World ex-US Index (£ adjusted total return) which the Board has adopted as the measure for both the Company's performance and that of the Investment Manager for the year.

Ten years to 30 September 2014



Relative Importance of Spend on Pay

The table below shows the proportion of the Company's income spent on pay.

	2014	2013	Difference
Spend on Directors' fees*	**£133,300**	£131,952	1.02%
Management fee and other expenses	**£7,624,064**	£6,180,957	23.35%
Distribution to shareholders:			
(a) dividends	**£15,062,080**	£19,861,309	(24.16)%
(b) share buy back	**£47,058,009**	£25,192,951	86.79%

*As the Company has no employees the total spend on remuneration comprises only the Directors' fees.

Note: the items listed in the table above are as required by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ss.20 with the exception of the management fee and other expenses, which has been included because the Directors believe it will help shareholders' understanding of the relative importance of the spend on pay. The figures for this measure are the same as those shown in note 3 to the financial statements.

Statement of Directors' Shareholding and Share Interests (audited information)

Neither the Company's Articles of Association nor the Directors' Letters of Appointment require a Director to own shares in the Company. The interests of the Directors and their connected persons in the equity and debt securities of the Company at 30 September are shown in the table below:

	Ordinary Shares		Debenture Stock	
Director	2014	2013	2014	2013
Strone Macpherson	**40,000**	40,000	-	-
Andrew Robson	**4,300**	2,800	-	-
Steven Bates	**20,000**	20,000	-	-
Susan Noble	**8,628**	8,628	-	-
Nigel Rich	**15,000**	15,000	-	-

There have been no changes to Directors' interests between 30 September 2014 and the date of this Report.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Policy and Remuneration Implementation summarises, as applicable, for the year to 30 September 2014:

(a) the major decisions on Directors' remuneration;
(b) any substantial changes relating to Directors' remuneration made during the year; and
(c) the context in which the changes occurred and decisions have been taken.

PSS Macpherson
Chairman
7 November 2014

Independent Auditor's Report

to the Members of British Empire Securities and General Trust plc

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and parent company's affairs as at 30 September 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited
We have audited the financial statements of British Empire Securities and General Trust plc for the year ended 30 September 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Changes in Equity, Consolidated and Company Balance Sheets, Consolidated and Company Statement of Cash Flows and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions that we have formed.

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on pages 42 and 43, the Directors are responsible for the preparation of the group and company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group and company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all of the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of risks of material misstatement
We identified the following risks of material misstatement that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team:

- valuation of the group's investment portfolio; and
- existence and ownership of the group's investment portfolio.

Our application of materiality
We apply the concept of materiality both in planning and performing our audit, in evaluating the effect of misstatements, if any, on our audit and on the financial statements and in forming our audit opinion. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that, individually or in aggregate in light of surrounding circumstances, could reasonably be expected to influence the readers the economic decisions of the users of the financial statements. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

When establishing our overall audit strategy, we determined materiality for the Group to be £8.3 million, which is 1% of total equity. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75% of materiality, namely £6.2 million. Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in the financial statements did not exceed our planning materiality level.

Given the importance of the distinction between revenue and capital for the group and company, we have applied a separate performance materiality of £0.7m for the income statement, being 5% of the return on ordinary activities before taxation.

We have reported to the Audit Committee all audit differences in excess of £0.4 million, as well as differences below that threshold that, in our view warranted reporting on qualitative grounds.

Independent Auditor's Report

to the Members of British Empire Securities and General Trust plc

continued

An overview of the scope of our audit

Our response to the risks identified above was as follows:

- we agreed 100% of year end prices for quoted investments to an independent source;
- we considered the appropriateness of the valuation techniques applied to unlisted investments and obtained evidence to corroborate valuation conclusions; and
- we obtained independent confirmation from the custodian of the investment portfolio, and agreed them to the books and records of the Company.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all of the information and explanations that we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 43, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Ernst & Young LLP

Ashley Coups (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

7 November 2014

Notice of Annual General Meeting

This Document is Important and Requires your Immediate Attention

If you are in any doubt about the action to take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000 (as amended) without delay. If you have sold or transferred all of your Ordinary Shares in the capital of British Empire Securities and General Trust plc (the 'Company') and, as a result, no longer hold any shares in the Company, please send this document and the accompanying form of proxy as soon as possible to the purchaser or transferee or to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice is hereby given that the One Hundred and Twenty-Fifth Annual General Meeting of British Empire Securities and General Trust plc will be held at Grocers' Hall, Princes Street, London EC2R 8AD at 12 noon on Wednesday, 17 December 2014 to consider the following business:

Ordinary Business

1. To receive and adopt the financial statements of the Company for the financial year ended 30 September 2014 together with the Strategic Report and the Reports of the Directors and Auditor.

2. To approve a final ordinary dividend of 8.50p per Ordinary Share.

3. To re-elect Strone Macpherson as a Director of the Company.

4. To re-elect Steven Bates as a Director of the Company.

5. To re-elect Andrew Robson as a Director of the Company.

6. To re-elect Susan Noble as a Director of the Company.

7. To re-elect Nigel Rich as a Director of the Company.

8. To re-appoint Ernst & Young LLP as the Company's Auditor.

9. To authorise the Directors to determine the Auditor's remuneration.

10. To receive and adopt the Directors' Remuneration Implementation Report.

Special Business

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

11. THAT, the Directors of the Company be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all of the powers of the Company to allot Ordinary Shares of 10p each in the capital of the Company ('Ordinary Shares') and to grant rights to subscribe for or to convert any security into Ordinary Shares in the Company up to a maximum of 47,511,781 Ordinary Shares provided that such authority shall expire on the date which is 15 months after the date of the passing of this resolution or, if earlier, at the conclusion of the next Annual General Meeting of the Company, save that the Company may before such expiry make offers or agreements which would or might require Ordinary Shares to be allotted, or rights to be granted, after such expiry and the Directors may allot Ordinary Shares, or grant such rights, in pursuance of such offers or agreements as if the authority conferred hereby had not expired; and all unexercised authorities previously granted to the Directors to allot Ordinary Shares be and are hereby revoked.

To consider and, if thought fit, pass the following resolutions as Special Resolutions:

12. THAT, subject to the passing of resolution 11 above, the Directors of the Company be and are hereby generally authorised and empowered pursuant to Sections 570 and 573 of the Companies Act 2006 (the 'Act') to allot equity securities (as defined in Section 560 of the Act) (including the grant of rights to subscribe for, or to convert any securities into, Ordinary Shares of 10p each in the capital of the Company ('Ordinary Shares') and the sale of Ordinary Shares held by the Company in treasury) wholly for cash pursuant to any existing authority given in accordance with Section 551 of the Act, as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited:

(a) to the allotment of equity securities in connection with an offer of such securities by way of rights to holders of Ordinary Shares on the register of members of the Company on a fixed record date in proportion (as nearly as may be practicable) to their respective holdings of Ordinary Shares but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to Treasury Shares, fractional entitlements or any legal or practical problems arising under the laws of, or the requirements of, any territory or any regulatory or governmental body or authority or stock exchange; and

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities equating to a maximum of 7,126,767 Ordinary Shares being approximately 5% of the equity share capital currently in issue,

and the authority hereby granted shall expire on the date which is 15 months after the date of the passing of this resolution or, if earlier, the date of the next Annual General Meeting of the Company, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

13. THAT, the Company be and is hereby generally and unconditionally authorised for the purposes of Section 701 of the Companies Act 2006 (the 'Act') to make one or more market purchases (within the meaning of Section 693(4) of the Act) of Ordinary Shares of 10p each in the capital of the Company ('Ordinary Shares') either for cancellation or to hold as Treasury Shares (within the meaning of Section 724 of the Act) provided that:

Notice of Annual General Meeting

continued

(a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 21,366,048;

(b) the Directors be authorised to determine at their discretion that any Ordinary Shares purchased be cancelled or held by the Company as Treasury Shares;

(c) the minimum price which may be paid for a share shall be 10p (exclusive of associated expenses);

(d) the maximum price which may be paid for an Ordinary Share shall equate to 105% of the average of the middle market quotations of the Ordinary Shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days immediately preceding the date on which the relevant share is contracted to be purchased (exclusive of associated expenses) or in the case of a series of buy-backs the greater of the last independent trade or the highest independent bid; and

(e) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on the date which is 15 months after the date of the passing of this resolution or if earlier the date of the next Annual General Meeting of the Company save that the Company may prior to such expiry enter into a contract or arrangement to purchase Ordinary Shares under this authority which will or may be completed or executed wholly or partly after the expiry of this authority and may make a purchase of Ordinary Shares pursuant to any such contract or arrangement as if the authority hereby conferred had not expired.

14. THAT the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

15. THAT the Company be authorised, subject to and in accordance with the provisions of the Companies Act 2006 (the 'Act'), to send, convey, or supply all types of notices, documents or information to shareholders by electronic means, including making such notices, documents or information available on a website.

**FOR AND ON BEHALF OF
CAPITA COMPANY SECRETARIAL
SERVICES LIMITED
SECRETARY**

By Order of the Board

Capita Company Secretarial Services Limited
Corporate Secretary

Beaufort House
51 New North Road
Exeter, Devon EX4 4EP

7 November 2014

Notes

1. Attending the Annual General Meeting in person

If you wish to attend the Annual General Meeting in person, you should sign the attendance card enclosed with this document and hand it to the Company's registrars on arrival at the Annual General Meeting.

2. Appointment of Proxy

Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company.

3. Appointment of Proxy

A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. Where two or more valid appointments of proxy are received in respect of the same share in relation to the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others. If the Company is unable to determine which is last sent, the one which is last received shall be so treated. If the Company is unable to determine either which is last sent or which is last received, none of such appointments shall be treated as valid in respect of that share. The termination of the authority of a person to act as proxy must be notified to the Company in writing.

To be valid, any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA by 12 noon on Monday, 15 December 2014.

The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 8 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so. If you require additional proxy forms, please contact the Registrar's helpline on 0871 384 2490* (+44 121 415 7047 from outside the UK). Lines are open 8.30am to 5.30pm Monday to Friday.

Alternatively, you may, if you wish, register the appointment of a proxy electronically by logging on to www.sharevote.co.uk. To use this service you will need your Voting ID, Task ID and Shareholder Reference Number printed on the accompanying form of proxy. Full details of the procedure are given on the website.

To be valid, the appointment of a proxy electronically must be made by 12 noon on Monday, 15 December 2014.

4. Appointment of Proxy by Joint Shareholders

In the case of joint shareholders, where more than one of the joint shareholders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint shareholders appear in the Company's register of members in respect of the joint shareholding, with the first named being the most senior.

5. Nominated Persons

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies does not apply to Nominated Persons as such rights can only be exercised by registered shareholders of the Company.

6. Entitlement to Attend and Vote

To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 6.00 pm on Monday, 15 December 2014 (or, in the event of any adjournment, 6.00 pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

7. Issued Share Capital and Total Voting Rights

As at 5 November 2014 the Company's issued share capital consisted of 160,014,089 Ordinary Shares, carrying one vote each, of which 17,478,745 were in treasury. Therefore, the voting rights in the Company as at 5 November 2014 equate to a total of 142,535,344 votes.

8. CREST Members

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

**Phone calls to this number cost 8p per minute plus network extras.*

Notice of Annual General Meeting

continued

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 12 noon on Monday, 15 December 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

9. Corporate Members

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

10. Rights to Publish Statements under Section 527 of the Companies Act 2006

Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:

(i) the audit of the Company's financial statements (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or

(ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with section 437 of the Companies Act 2006.

The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

11. Questions and Answers

Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

However, where appropriate, the Chairman may offer to provide an answer to a question after the conclusion of the Annual General Meeting.

12. Information on the Company's Website

In accordance with section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.british-empire.co.uk

13. Display Documents

None of the Directors has a contract of service with the Company. The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (except weekends and public holidays) until the date of the meeting and at the place of the meeting for a period of fifteen minutes prior to and during the meeting:

a) copies of the letters of appointment of the Directors;
b) a copy of the existing Articles of Association of the Company; and
c) a copy of the amended Articles of Association proposed to be adopted pursuant to Resolution 14 set out in this Notice, showing all the changes to the current Articles of Association.

The full terms of the proposed amendments to the Articles will also be available for inspection at the offices of Herbert Smith Freehills LLP, Exchange Square, Primrose Street, London EC2A 2EG from the date of this Notice until the close of the forthcoming Annual General Meeting.

Shareholder Information

Dividends
Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandate forms may be obtained from Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA on request. The Company operates the BACS system for the payment of dividends. Where dividends are paid directly into shareholders' bank accounts, dividend tax vouchers are sent to shareholders' registered addresses.

Share Prices
The Company's Ordinary Shares are listed on the London Stock Exchange under 'Investment Trusts'. Prices are given daily in The Financial Times, The Times, The Daily Telegraph, The Scotsman and The Evening Standard.

Change of Address
Communications with shareholders are mailed to the last address held on the share register. Any change or amendment should be notified to Equiniti Limited at the address given above, under the signature of the registered holder.

Daily Net Asset Value
The net asset value of the Company's shares can be obtained by contacting Customer Services on 0845 850 0181 or via the website: www.british-empire.co.uk

AVI ISA
The AVI Stocks & Shares Individual Savings Account ('ISA') is a savings account that allows you to invest in stocks and shares in line with HM Revenue & Customs limitations.

AVI Share Plan
The AVI Share Plan is a savings plan which aims to provide a simple and low cost way for private investors to purchase shares in the British Empire Securities and General Trust. Lump sum payments or regular monthly deposits can be made to the Share Plan.

For further information contact Customer Services
on 0845 850 0181
Call charges may apply

Provisional Financial Calendar 2014/2015

17 December 2014	Annual General Meeting
6 January 2015	Final dividend paid on Ordinary Shares
May 2015	Announcement of half year results
May 2015	Posting of Half Year Report
June 2015	Interim Dividend paid on Ordinary Shares
November 2015	Announcement of annual results
November 2015	Posting of Annual Report
December 2015	Annual General Meeting

Company Information

Directors
Philip Strone Stewart Macpherson
(Chairman)
Steven Andrew Ralph Bates
Andrew Stephen Robson
Susan Margaret Noble
Nigel Mervyn Sutherland Rich

Secretary
Capita Company Secretarial
Services Limited
Beaufort House
51 New North Road
Exeter
Devon EX4 4EP
Tel: 01392 477500

Registered Office
Beaufort House
51 New North Road
Exeter
Devon EX4 4EP

Registered in England & Wales
No. 28203

Investment Manager and AIFM
Asset Value Investors Limited
25 Berkeley Square
London W1J 6HN

Registrar and Transfer Office
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Registrar's Shareholder Helpline
Tel. 0871 384 2490
Calls to this number cost 8p per minute from a BT landline, other providers' costs may vary. Lines are open 8.30am to 5.30pm, Monday to Friday.

Registrar's Broker Helpline
Tel. 0906 559 6025
Calls to this number cost £1 per minute from a BT landline, other providers' costs may vary. Lines are open 8.30am to 5.30pm, Monday to Friday.

Corporate Broker
Winterflood Securities Limited
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC2R 2GA

Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF

Depositary
J.P. Morgan Europe Limited
25 Bank Street
London E14 5JP

Banker and Custodian
JPMorgan Chase Bank NA
125 London Wall
London EC2Y 5AJ

Solicitor
Herbert Smith Freehills
Exchange Square
Primrose Street
London EC2A 2HS

London Stock Exchange
LISTED
PREMIUM