

BRITISH EMPIRE TRUST_{plc}

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BRITISH EMPIRE 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 Trust plc 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 our new website
www.british-empire.co.uk

COMPANY SUMMARY

British Empire Trust plc (‘British Empire’ or 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 Company's net asset value as at 30 September 2015 was £698 million and the market capitalisation was £613 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 31.

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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STRATEGIC REPORT / AT A GLANCE

VALUE INVESTING

Your money is principally invested in companies with three key features

- Their shares trade at discounts to net asset value
- They have quality underlying assets and strong balance sheets
- There is likely to be a catalyst that will narrow the discount

See information on AVI page 18

THE INVESTMENTS

Your money is principally invested in four types of companies

- Holding Companies
- Investment Companies
- Property Companies
- Conglomerates

Our Investment Manager can invest anywhere in the world. In practice, they find most opportunities in Europe and the Far East

See Investment Manager's Review, page 18

BENCHMARK

Our Investment Manager picks good value investments wherever they can find them. The return of the portfolio is measured against the MSCI World ex-US Index return

See Chart page 5

DIVIDENDS

Our Investment Manager focuses on capital growth, but the Company has either maintained or increased its ordinary dividends for the past 30 years. When there are exceptionally high income receipts, the Company occasionally pays a special dividend

See Chairman's Statement, page 6

DISCOUNTS AND BUY-BACKS

The Company's shares have been trading at a discount to their net asset value. The Company manages the volatility of the discount through a policy of buying back its own shares

See Chairman's Statement, page 6

PERFORMANCE

Over the past 10 years, British Empire has produced an average annual return of 4.5%. Against the benchmark there has been a recent period of under-performance. Longer-term, we believe our Investment Manager's style of investing will provide higher than average returns for investors.

See KPIs page 10
See Investment Manager's Review page 18

FEES

Our Investment Manager charges 0.7% of net assets. There is no performance fee. Our total annual costs (known as Ongoing Charges) are 0.9% of net assets.

See KPIs page 10

GEARING

Though the Company has some Debenture Stock in issue, it has, in recent years, normally held a net cash position, although more recently it has been fully invested. The Board is currently assessing the merits of further long-term borrowing.

See Chairman's Statement, page 6

GOVERNANCE AND RISK

The Company has a Board of Directors responsible for oversight of the Investment Manager and also the risks and controls operated by the Company. All investment involves risk. The aim is to secure adequate returns without undue risk.

See Strategic Report, page 12
See Governance, page 32

ACCOUNTS

The Company has net assets of £697.5m and revenue earnings of £16.3m.

See financial statements page 46

STRATEGIC REPORT / COMPANY PERFORMANCE

FINANCIAL HIGHLIGHTS

- Net asset value ("NAV") per share on a total return basis decreased by 8.3%
- Benchmark¹ index decreased by 5.6%
- Total ordinary dividends increased to 11.7p – an increase of 11.4%
- Share price total return decrease of 9.2%

PERFORMANCE SUMMARY

	30 September 2015	30 September 2014	% change
Net asset value per share (total return)			(8.31)
Share price total return			(9.23)
Indices			
Morgan Stanley Capital International All Country World ex-US Index (£ adjusted total return) ¹	302.67	320.56	(5.58)
Morningstar Investment Trust Global Index ²	147.35	142.10	3.69
Morgan Stanley Capital International All Country World Index (£ adjusted total return)	473.10	471.07	0.43
Earnings and Dividends			
Revenue income	£20.93m	£19.97m ³	
Revenue earnings per share	11.75p	10.47p ³	
Capital earnings per share	(59.95p)	22.58p ³	
Total earnings per share	(48.20p)	33.05p ³	
Ordinary dividends per share	11.70p	10.50p	
Discount			
(difference between share price and net asset value) ⁴	11.59%	10.28%	
Ongoing Charges Ratio			
Management, marketing and other expenses (as percentage of average shareholders' funds)	0.89%	0.90%	
2015 Year's Highs/Lows	High	Low	
Net asset value per share	622.93p	515.83p	
Net asset value per share (debt at fair value)	619.78p	512.61p	
Share price (mid market)	555.0p	446.0p	

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 20 October 2015

³ The revenue return figures for 2014 include an amount of £1.76 million from the reserves of the subsidiary company offsetting capital returns by the same amount. Revenue earnings per share at the overall group level were 9.29p. See page 51 for more information

⁴ 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

Buy-backs

During the year, the Company purchased 9,331,661 Ordinary Shares, all of which have been placed into treasury

Historical record

Year ended 30 September	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net revenue return £'000*	16,268	13,827	21,775	24,050	18,405	12,712	12,774	13,548	9,046	8,520
Revenue earnings per share (p)*	11 75	9 29	13 90	15 06	11 50	7 94	7 98	8 46	5 65	5 32
Ordinary dividends per share (p)	11 70	10 50	10 50	9 50	8 50	7 50	6 00	5 75	5 00	4 00
Special dividend per share (p)	–	–	2 50	3 50	2 00	–	1 25	1 50	0 50	1 00
Net assets £'000	697,542	826,984	844,455	791,225	740,385	829,670	735,188	633,856	815,124	701,291
Basic net asset value per share (p)	519 53	575 92	551 97	500 47	462 51	518 28	459 26	395 96	509 19	438 08

* The figures for 2006 to 2014 are Group returns and earnings those for 2015 are the Company return and earnings These are comparable on a like for like basis

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

Portfolio value by country of listing

	2015 %	2014 %		2015 %	2014 %
United Kingdom	29 4	22 8	Cayman Island	3 3	2 3
Sweden	9 9	6 2	Norway	3 1	4 6
Japan	8 9	5 3	Spain	3 0	0 0
Netherlands	8 0	5 8	Hong Kong	2 0	2 9
France	7 5	6 7	Liquidity	0 8	1 7
Canada	7 0	10 3	Australia	0 0	2 0
Belgium	4 9	8 8	Austria	0 0	2 2
Switzerland	4 4	2 1	Korea	0 0	2 0
Germany	3 9	4 0	Romania	0 0	1 1
Singapore	3 9	7 2	Turkey	0 0	2 0

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 2014 to 30 September 2015. As in previous years, we have elected to include the Chairman's Statement within the Strategic Report in order to minimise duplication. In addition, we have announced two initiatives since the Company's year-end, which I shall report on first.

Investment Manager

Joe Bauernfreund became the portfolio manager of British Empire Trust ('BTEM') with effect from 1 October 2015, continuing the natural progression that has seen only three portfolio managers in the last 30 years. Joe joined BTEM's Investment Manager, Asset Value Investors ('AVI'), in 2002 and has been an influential member of the investment team assisting the previous portfolio manager, John Pennink. Over the past two years, Joe has taken on increasing responsibility for the portfolio composition as co-manager alongside John. Joe's experience and expertise have demonstrated his ability to manage the investment strategy. The Directors and John have together decided that it is now appropriate that Joe should become the sole portfolio manager. Joe has succeeded John as Chief Investment Officer at AVI.

John, who was the portfolio manager from 2003 to September 2015, will remain as CEO and Chairman of AVI. The Board would like to thank John for his impressive contribution of a compounded total return of 10.2%¹ per annum to BTEM's investment portfolio. The Board is confident that Joe has the skills needed to navigate BTEM's investment portfolio successfully through the volatile and challenging equity markets that we face today. We see his appointment as a natural succession and are confident in his ability, supported by the team at AVI, to produce strong investment returns over the long term.

Joe will continue to utilise a bottom up, high conviction approach in the management of the fund, with stock selection driven by long-term company fundamentals. He will continue to invest in companies that are undervalued and characterised by low investor expectations with the belief that, over the long term, the market will recognise their fair value. John will continue to be involved in the investment process and his experience will be available to Joe in the future.

Strategic Partnership for AVI

The second development is that AVI has entered into a strategic partnership with Goodhart Partners LLP (for further information see www.goodhartpartners.com). They will acquire a minority stake in AVI (subject to regulatory approval) and will provide resources to support its growth.

Goodhart is a private investment management organisation which has partnerships with a number of specialist investment management businesses. Goodhart has explored in detail the drivers of the past investment performance of AVI, compared it with other value-oriented managers and fully endorses AVI's investment strategy and process. We regard this as a very positive step in the further development of AVI.

¹ Source: Morningstar 30 September 2002 to 30 September 2015

Investment Performance

Over the accounting year, your Company's NAV total return per share declined by 8.3%, compared with 5.6% for the benchmark index. This overall return shows a steady rise in NAV in the first half of the accounting year and then a steeper decline in the second half. Performance suffered in the second half of the year amid the general market sell-off, with exposure to energy-related assets and the strength of the Pound reducing returns further.

The Board recognises that "value investing" has been underperforming "growth" for probably the longest period on record, with the quantum of such underperformance not having been seen since the dotcom bubble of the late 1990s. This created a significant headwind for returns.

In the light of this, your Board has continued to review and analyse AVI's investment performance and it is evident that BTEM has outperformed the MSCI World ex-US Value Index since the financial crisis. In summary, this analysis, which is supported by Goodhart, shows

- AVI's specialist investment strategy seeks to exploit specific opportunities and inefficiencies in markets
- AVI does not inhabit the middle ground occupied by benchmark constrained managers
- AVI has a disciplined and intuitively sensible investment process. The investment team are experts at investing in a proprietary universe of stocks that is neglected by other investors but fundamentally attractive
- AVI's process and investment universe leads to a portfolio that is difficult to compare effectively with easily available benchmarks. This makes assessment of performance challenging over shorter periods, underlining the need for clear and transparent communication of the strategy and its results. The investment process has been proven over an unusually long period
- In recent years, there have been a number of headwinds to performance. AVI's investment style has been out of favour and macro factors have had a disproportionately negative impact on returns relative to global benchmark indices
- Investors have become overly focused on macro themes over recent years and this has been to the detriment of managers focusing on securities from the 'bottom up'
- Investment style factors have been shown to move in cycles and the recent headwind will turn to a tailwind eventually. In the meantime, the valuation of the portfolio is attractive
- Over the three years to the end of September 2015, BTEM lagged its official benchmark, which can be largely explained by the high level of cash in 2013

STRATEGIC REPORT / CHAIRMAN'S STATEMENT

Having reviewed AVI's approach and, while taking full account of recent investment performance, your Board believes AVI has the ability to generate attractive returns for investors over the long term, whilst continuing to offer effective diversification compared with other equity strategies

Between the year end and 31 October 2015, the Company's net asset value increased by 5.0%, compared with a return of 5.4% by the MSCI All Country World ex-US Index, both on a total return basis

Long-Term Borrowings

The Company has, from time to time, held large liquidity positions but recently BTEM has been more fully invested. In light of current interest rates, which are low by historical standards, the Board is assessing the merits of some further long-term borrowing

Simplification of Company Name

As part of the Board's continuing review of the wider perception of the Company, the Directors have concluded that the Company's name should be simplified. From 5 November 2015, the Company's name has been shortened from "British Empire Securities and General Trust plc" to "British Empire Trust plc". A change of name is permitted by the Company's Articles of Association and does not require a shareholder vote. The Directors believe that the new name is simpler, while recognising the Company's long heritage

Income and Dividend

Your Company is managed with a target of producing superior capital growth and your 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

At the half-year stage, I noted in my Chairman's Statement that revenues generally continue to be lower than they were, particularly in the years ended September 2012 and 2013. However, earnings per share were somewhat higher than expected six months ago

Underlying revenue earnings per share have improved to 11.75 pence per share, compared with last year's 9.29 pence. The Board is therefore proposing an increased final dividend of 9.7 pence per share, making the total ordinary dividends for the year 11.7 pence, an increase of 11.4% in the total dividend compared with the last accounting year

Discount

Over the accounting year the net asset value has again been volatile. We have continued our share buyback programme with the aim of limiting volatility in the discount. During the year under review, 9,331,661 shares were bought back at an average discount of 11.0%. Buying back shares at a discount resulted in the NAV per share being enhanced for continuing shareholders by 0.77%. The discount at the year end stood at 11.6% compared to 10.3% at the prior year end

Board

Once again this year, and 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. This year, having employed an external expert last year, the review was carried out using the Board's own internal resources. The 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

Annual General Meeting

I look forward to seeing shareholders at our AGM, which this year will be held at 10.30am at 11 Cavendish Square, London W1G 0AN

Outlook

As a Board, we are delighted with the appointment of Joe Bauernfreund as named manager of the British Empire Trust portfolio, and with the prospect of the proposed partnership of Asset Value Investors with Goodhart Partners

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

The forecasts for the global economy are certainly no clearer than when we last reported to you. Arguably, the most recent trends show weakness in activity in many countries, and the possibility of a period of deflation in Europe and the US remains a threat, as does the slow-down in China

In this difficult and volatile environment your Board strongly believes in careful stock picking and looking for and finding value. This is the core skill of Asset Value Investors, which has been proven over many years. The Board believes that shareholders will be rewarded when growth stocks become less fashionable and investor interest in, and appetite for, good value returns

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

Strone Macpherson
Chairman
6 November 2015



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 2015

Company	1 Year	-8.3%
	10 Years	55.9%
Benchmark MSCI All Country World ex-US Index	1 Year	-5.6%
	10 Years	64.6%

OTHER COMPARATORS

Morningstar Investment Trust Global Index	1 Year	3.7%
	10 Years	94.0%
MSCI All Country World Index	1 Year	0.4%
	10 Years	92.7%

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 is described in more detail on page 18 of the Annual Report.

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.

A full description of performance and the investment portfolio is contained in the Investment Review, commencing on page 18 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 8.0% to 13.9% based on closing prices and, as at 30 September 2015, stood at 11.6%.

During the year under review, no new shares were issued and 9.3m shares were bought back and placed into treasury, adding an estimated 0.77% 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 2015, the ongoing charges ratio was 0.9%, unchanged from the prior year.

DISCOUNT

30 September 2015	30 September 2014
11.6%	10.3%

**ESTIMATED PERCENTAGE ADDED TO
NET ASSET VALUE PER SHARE FROM BUYBACKS**

2015	2014
0.8%	0.8%

ONGOING CHARGES RATIO

2015	2014
0.9%	0.9%

STRATEGIC REPORT / OVERVIEW OF STRATEGY

POSITIONS THE COMPANY TYPICALLY HOLDS

40-50

TOP TEN INVESTMENTS REPRESENT

40%

of the portfolio

Principal Risks

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. It has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

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 40% 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 in government bonds, when the Investment Manager cannot find sufficient value in its investment universe. This position has normally been 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. The Company is permitted to use gearing, and has a £15 million debenture. The Board is currently assessing the merits of further long-term borrowing.

Taking account of the £15 million debenture liability, the Company's debt-to-equity ratio as at 30 September 2015 was 2.2% (2014: 1.8%)

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, Disclosure and Transparency Rules or Section 1159 of the Corporation Tax Act 2010) and failure of systems or controls. In managing these risks, the Company reviews staffing and succession planning 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.

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 received from its principal suppliers reports on their cyber-crime controls.

The principal financial risks are examined in more detail in note 17 to the financial statements on pages 61 to 65.

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 39.

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'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 2015

Company	Nature of business	% of investee company	Cost £'000	Valuation £'000	% of total assets less current liabilities
Investor AB 'A'	Investment Holding Company	0.67	21,707	41,256	5.79
Sofina	Investment Holding Company	1.37	24,812	34,489	4.84
NB Private Equity Partners	Investment Company	5.38*	26,075	32,229	4.52
Harbourvest Global Private Equity	Investment Company	4.62	21,865	30,635	4.30
Investment AB Kinnevik 'B'	Investment Holding Company	0.64	30,548	28,186	3.96
Jardine Matheson Holdings	Investment Holding Company	0.13	18,627	27,497	3.86
Mitsui Fudosan	Real Estate Company	0.13	24,478	23,644	3.32
AP Alternative Assets	Investment Company	1.30	7,829	23,523	3.30
Wendel	Investment Holding Company	0.62	22,680	23,001	3.23
DWS Vietnam Fund	Investment Company	14.15	17,862	22,862	3.21
Top ten investments			216,483	287,322	40.33
JP Morgan Private Equity	Investment Company	11.06	19,193	22,755	3.19
Symphony International Holdings	Investment Company	9.57	20,746	22,439	3.15
Aker ASA	Investment Holding Company	2.55	31,189	21,716	3.05
Eurazeo	Investment Holding Company	0.67	20,752	21,356	3.00
Pargesa	Investment Holding Company	0.70	24,055	20,840	2.92
Toyota Industries	Investment Holding Company	0.19	22,827	19,446	2.73
Hitachi	Conglomerate	0.12	27,169	18,674	2.62
Marwyn Value Investors	Investment Company	13.42	14,986	18,216	2.56
Ecofin Water and Power Opportunities	Investment Company	6.87	21,931	16,437	2.31
DIC Asset	Real Estate Investment Company	4.01	17,880	16,343	2.29
Top twenty investments			437,211	485,544	68.15
Power Corp of Canada	Investment Holding Company	0.25	17,755	14,146	1.98
First Pacific	Investment Holding Company	0.82	24,476	14,040	1.97
LMS Capital	Investment Company	13.18	13,547	13,972	1.96
Inmobiliaria Colonial	Real Estate Investment Company	0.88	12,615	12,880	1.81
SC Fondul Proprietatea	Investment Company	0.02	14,241	12,112	1.70
Better Capital (2009)	Investment Company	5.99	10,788	12,008	1.68
Adler Real Estate	Real Estate Investment Company	2.71	17,654	11,314	1.59
Empiric Student Property	Real Estate Investment Company	3.35	10,821	11,053	1.55
Dundee Corporation	Investment Holding Company	4.55	27,602	10,674	1.50
BlackRock World Mining Trust	Investment Company	2.87	16,663	10,458	1.47
Top thirty investments			603,373	608,201	85.36

Company	Nature of business	% of investee company	Cost £'000	Valuation £'000	% of total assets less current liabilities
Pantheon International Participations - Redeemable Shares	Investment Company	2.51	6,951	9,851	1.38
Dolphin Capital Investors	Real Estate Investment Company	7.19	21,352	9,593	1.35
Private Equity Holding	Investment Company	8.60	8,028	9,584	1.35
Brookfield Canada Office Properties	Real Estate Investment Company	2.87	13,319	9,079	1.28
Sacyr	Investment Holding Company	1.12	15,578	8,430	1.18
Detour Gold	Gold Mining Company	0.70	7,920	8,402	1.18
Rallye SA	Investment Holding Company	1.55	19,077	8,147	1.14
Dorel Industries 'B'	Consumer Goods Conglomerate	1.48	9,512	6,411	0.90
SVG Capital	Investment Company	0.76	5,405	6,085	0.85
Dragon Capital Vietnam Property Fund	Real Estate Investment Company	15.40	4,729	4,319	0.61
Top forty investments			715,244	688,102	96.58
Ashmore Global Opportunities - GBP Shares	Investment Company	11.8*	3,666	3,967	0.56
Total equity investments			718,910	692,069	97.14
UK Government Treasury Bill - 04/01/2016	UK Government Security	0.00	14,981	14,978	2.10
Fixed income investments			733,891	707,047	99.24
Net current assets				5,438	0.76
Total assets less current liabilities				712,485	100.00

* Represents % of total voting rights of the company

STRATEGIC REPORT / TEN LARGEST EQUITY INVESTMENTS

The top ten equity investments make up 40% of the portfolio, with underlying businesses spread across a diverse range of sectors and regions

View our investment platforms
[www.british-empire.co.uk/
how-to-invest/platforms](http://www.british-empire.co.uk/how-to-invest/platforms)

INVESTOR AB 'A'

Nature of business	Valuation
Investment Holding Company	£41.3m
% of total assets less current liabilities	Valuation basis
5.8%	Market Price

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 25% discount to NAV.

Copyright / Investor AB 'A'
Photography / Husqvarna Group

NB PRIVATE EQUITY PARTNERS

Nature of business	Valuation
Investment Company	£32.2m
% of total assets less current liabilities	Valuation basis
4.5%	Market Price

A London and Euronext listed closed-end fund investing mostly in US based private equity co-investments and debt. We expect NBPE's discount to narrow 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.

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Photography / Neuberger Berman

SOFINA

Nature of business	Valuation
Investment Holding Company	£34.5m
% of total assets less current liabilities	Valuation basis
4.8%	Market Price

A diversified Belgian holding company trading on a 30% discount to estimated NAV. Over half the portfolio comprises listed companies; they also own a portfolio of private equity holdings.

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HARBOURVEST GLOBAL PRIVATE EQUITY

Nature of business	Valuation
Investment Company	£30.6m
% of total assets less current liabilities	Valuation basis
4.3%	Market Price

A highly-diversified London and Euronext-listed closed-end fund investing in private equity limited partnerships. A focus on top quartile managers has 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.

Photography / Getty Images representing Big Heart Pet

INVESTMENT AB KINNEVIK – B

Nature of business	Valuation
Investment Holding Company	£28.2m
% of total assets less current liabilities	Valuation basis
4.0%	Market Price

Kinnevik is a Swedish holding company that focuses on building digital consumer brands with investments in unlisted and listed assets. Investments are made around four key areas: Communication, E-commerce & Marketplaces, Entertainment, and Financial Services. Kinnevik trades at a 22% discount to NAV.

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MITSUMI FUDOSAN CO

Nature of business	Valuation
Real Estate Company	£23.6m
% of total assets less current liabilities	Valuation basis
3.3%	Market Price

A Japanese listed property company operating in the ownership, leasing, development and operations of office and retail properties, throughout Japan, with a focus in metropolitan Tokyo. The company also has a strong presence in residential condominium sales and sponsors three Japanese REITs. Mitsui Fudosan is trading on a 28% discount to its NAV.

Copyright / Mitsui Fudosan Co
Photography / Mitsui Fudosan Co

WENDEL

Nature of business	Valuation
Investment Holding Company	£23.0m
% of total assets less current liabilities	Valuation basis
3.2%	Market Price

Wendel is a French listed holding company with exposure to a diverse range of industrial sectors. Major business lines include industrial certification and inspection services, building material production and mobile telephone infrastructure through their investments in Bureau Veritas, Saint-Gobain and IHS. The company is trading on a discount of 29% to NAV.

Copyright / Wendel
Photography / IHS

JARDINE MATHESON HOLDINGS

Nature of business	Valuation
Investment Holding Company	£27.5m
% of total assets less current liabilities	Valuation basis
3.9%	Market Price

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 21% discount to the sum of its parts.

Copyright / Jardine Cycle & Carriage
Photography / Astra International

AP ALTERNATIVE ASSETS

Nature of business	Valuation
Investment Company	£23.5m
% of total assets less current liabilities	Valuation basis
3.3%	Market Price

Originally established to co-invest alongside Apollo's private equity funds, the company now owns just one asset following a restructuring: a stake in unlisted Athene Insurance. Athene continues to perform well and generate healthy returns. Although AP Alternative Assets now trades in line with its NAV, we believe the carrying valuation of Athene to be very conservative and that an IPO will unlock value comfortably in excess of the current share price.

Photography / Getty Images representing Athene Holdings Ltd

DWS VIETNAM FUND

Nature of business	Valuation
Investment Company	£22.9m
% of total assets less current liabilities	Valuation basis
3.2%	Market Price

An Insh-listed OTC-traded closed-end fund. Following a prolonged period of engagement with the board, the company has taken action to narrow the discount with the cancellation of treasury shares and a renewed buyback programme. On a discount of 20% at our financial year-end with open-ended proposals now set to be put forward in 2016, we continue to believe the shares are attractively priced.

Photography / Getty Images representing Vinamilk Thanh Hoa Co. Ltd

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 at 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 at 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 at 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 2015, AVI, its directors and staff owned approximately 900,800 (2014 872,000) shares in British Empire Trust plc.

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John Pennink

John has managed the Company's portfolio for the past thirteen 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 eight years and has been co-manager during the past two years.

Joe Bauernfreund became British Empire's named portfolio manager with effect from 1 October 2015, continuing the natural progression that has seen only three portfolio managers at British Empire Trust in the last 30 years. John Pennink will remain as CEO and Chairman of AVI.

For more information visit
[www.bowers-wilkins.co.uk/
speakers/home_audio/nautilus](http://www.bowers-wilkins.co.uk/speakers/home_audio/nautilus)

SOFINA / BOWERS & WILKINS

B&W Group specialises in the manufacture and marketing of high quality loudspeaker systems. The group continued its efforts in terms of innovation with the development of the Nautilus, which was very well received by consumers and critics alike. With five years of research, the science behind Nautilus came out of Bowers & Wilkins' research and development lab in Steyning. Commonly known as the University of Sound, it was the world's first facility dedicated exclusively to analysing the reproduction of sound.

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INVESTMENT MANAGER'S REVIEW

PORTFOLIO OVERVIEW

HARBOURVEST GLOBAL PRIVATE EQUITY / TYNTEC

tyntec is a telecom-web convergence enabler for interaction between the mobile and internet worlds for personal and business use. This year, tyntec launched its REST API for Number Information Services ('NIS'), granting developers the full capabilities of tyntec's Global Number Portability and Global Number Verification services. Using the REST API, businesses are able to validate customer mobile data, ensure user registration and activation, deploy user authentication, manage employee mobile access, as well as optimise SMS and voice routing. The company's ongoing effort to broaden its API offering is a testament to tyntec's commitment to simplifying the integration of telephony functionality and gleaned intelligence for all businesses across the board.

For more information visit
www.tyntec.com

Photography / Top and right: Getty Images representing tyntec

NAV 10 YEAR TOTAL RETURN GROWTH PER SHARE

55.6%

Over 10 years your Company's NAV has grown by 55.6%

The second half of the Company's financial year has been marked by intense volatility across equity markets around the world as a slowdown in economic growth in China and fears that the Federal Reserve in the US would raise interest rates caused a sharp sell-off in markets

Having returned 7.2% during the first half of the year, your Company's NAV total return in the second half of its financial year was -14.5%, making the total return for the full year -8.3%

The Company's formal benchmark (MSCI All Country World ex-US) returned -5.6% over the full year

Over three years the NAV total return has been 10.7% against a 15.8% return for the benchmark and over five years your Company has delivered a total return of 11.2% against the benchmark's 16.4%

The past five years have been challenging for your Company. Whilst markets in general have rallied strongly, our performance in NAV terms has failed to keep pace. This is frustrating for all shareholders of course, but nevertheless we remain committed to our philosophy and to the value style of investing we have been pursuing with long-term success since 1985. We wanted to explain why this is not simply a worn mantra, but remains today as valid as it has over the long run

We are committed to building a portfolio of stocks that are cheap and likely to make money for investors over the long term. We do not acquire stocks simply because they are in an index and, indeed, our portfolio does not resemble a broad market index in any way. Being entirely benchmark agnostic means that our performance will necessarily deviate from that of a broad market index for periods of time. Over the long term we would expect that our focus on quality companies and cheap valuations will result in stronger performance than such indices. This has been the case over the long term. That it has not happened over the past few years, we put down to the particular features of a market that has been driven more by macro factors than by fundamentals. By continuing to build a portfolio that focuses on absolute levels of valuation, and with an approach that defines "risk" as permanent loss of capital rather than underperforming an index, we are confident that we will once again demonstrate the benefits of our approach to investing

Over the long term, studies have shown that value investing outperforms growth. This has not been the case over the seven years since the financial crisis. However, your Company's performance has been greater than that of the MSCI World ex-US Value Index over seven and ten years. The reason for our confidence that the trend will reverse at some point, and that value will once again outperform growth, is based on valuations. The key determinant of long-term returns is the valuation that an investor pays for an asset at the outset. Looking across equity markets around the world today, it is clear that some markets are highly valued, whilst others are less so

Since the market lows reached in March 2009 following the financial crisis, the MSCI All Country World Index is up by 130.3% in GBP terms. Over the same period, your company's benchmark, the MSCI All Country World ex-US index is up by 88.7% in GBP terms. This highlights one particular feature of the market environment over the past six and a half years: performance has been particularly strong in the US. As shareholders know, we have today and have always had very little exposure to US markets and hence when comparing our performance to many in our peer group of global growth trusts, we have been at a distinct disadvantage. We have made no secret of not investing in the US, a decision which reflects the absence of companies there which meet our investing criteria. Indeed, our formal benchmark is explicitly an ex-US index

INVESTMENT MANAGER'S REVIEW

PORTFOLIO OVERVIEW

The US market has done well because the country has been the engine of developed market growth in recent years. In the run up to the financial crisis, the US dollar had weakened, which left US exporters in a good position at the low point of the cycle. In the aftermath of that crisis, the policy response from the Federal Reserve was extreme, with interest rates dropping to and remaining effectively at zero. These two factors combined to make the recovery stronger than that seen in other developed economies. In contrast, Europe has lagged the US as its economy has been weaker and the policy response from the Central Bank has been slower in coming. In addition, the Euro area had to contend with crises surrounding the stability and viability of its currency which added further volatility.

Investors have therefore found good reasons to allocate capital to the US and to worry about anaemic growth, deflation and structural issues in Europe. This has been the correct decision. Over the past five years, US markets have returned 14.2% pa in GBP terms, whilst Europe, Japan and Asia ex-Japan have returned 5.9%, 8.1% and 1.5% respectively. Despite, or perhaps because of, the relatively stronger returns in the US, the result today is that US markets look expensive. On the basis of very long-term valuation measures which adjust for short-term earnings oscillations, the US is very highly valued. The best known of these measures, (Schiller/CAPE) shows that on 10 year figures the US is trading at an earnings multiple of almost 23 times, which is higher than most European and Asian countries.

As investors who believe that the price paid for a stock is the most important predictor of its future return, our fundamental perspective supports the argument in favour of cheaper international markets over the US. Cheapness alone will not give us much of a clue about the timing of when the current trend might reverse and, while we acknowledge that the bias against value can persist for a time, ultimately we believe that there will be mean-reversion in favour of cheaper markets.

In trying to understand why markets have behaved as they have, we need to consider the impact of ultra-low interest rates and quantitative easing on market behaviour. These policies reflect the continuation of weak growth across the world which, in the absence of a sharp pick-up in economic activity, may hold back central banks from attempting to normalise interest rates. Recent events in the US have illustrated how challenging it is for the Federal Reserve to move away from zero interest rates. In the UK too, where growth has been relatively better, the data is not entirely supportive of an interest rate hike. The simple fact is that after years of massive stimulus, growth remains weak and evidence of inflation is absent. In this environment, not only have investors tended to allocate capital to the US and hence push up valuations to expensive levels there, but they have also concentrated on certain types of company. In an economic environment where growth is scarce, it is perhaps unsurprising that the markets have favoured companies with high growth potential – such as technology or biotech business, or large cap, high-quality defensive businesses where cash flows are deemed to be stable and where dividends can provide superior returns to the near zero interest rates on offer by government bonds.

These are not the type of asset-backed companies trading on discounts to NAV which we prefer. With popularity come high valuations, while with disinterest come low valuations. After a multi-year trend that has clearly favoured companies outside our investment universe, the gap between valuations on companies within our portfolio and those of the broader market is extremely wide. Whilst we cannot be precise about when this trend will reverse, we are confident that it will do so as it always has in the past. It is also worth noting that the companies which we favour may trade at substantial discounts to underlying asset value, but that does not mean that they offer no growth. On the contrary, many of our underlying assets show the same characteristics of sustainable growth which have done so well over the last several years. It is the fact that both the assets and the growth of our businesses are hidden which has put investors off. We think that offers an unusual opportunity.

PORTFOLIO REVIEW

Academic studies suggest that this is an exceptionally promising starting point for long-run returns

The final piece of the puzzle in understanding the level of absolute returns over recent years is foreign exchange. The strength of the Pound has been a significant headwind. With a portfolio that is overwhelmingly international in nature, your Company's returns have been hurt by the weakness of the Euro, the Nordic currencies and the Canadian Dollar. In absolute terms, over the last three years almost 6% of NAV has been lost in translation back into Sterling. Many of the companies which we own have performed well in local currency terms, as readers will see in the following section. For the most part, the companies which we have invested in have not been "bad" companies. However, macro-economic policy has distorted exchange rates and that has had a greater impact on absolute Sterling returns than historically. Ultimately, businesses operating in countries where the currency is weakening may benefit from a boost to profits and in some cases we expect profit growth to be accompanied by a turnaround in currencies too.

Your Company's portfolio is valued cheaply relative to the rest of the market. The weighted average discount to underlying assets is currently 28%. This compares to approximately the 10% level at which it traded in 2006 – the last time "value" embarked on a multi-year outperformance of growth, and the last time the rest of the world outperformed the US. In addition, your Company's portfolio is cheaper than the broader market given the discount at which it trades as well as the level of earnings multiples on the businesses which we own.

Academic studies suggest that this is an exceptionally promising starting point for long-run returns. The headwinds that we have faced as a result of our investment style and our geographic areas of focus have been huge. Despite the reasons why these headwinds have persisted, we do not believe that they will persist forever. Ultimately, capital will flow out of expensive assets in search of more attractive valuations. This will be a strong tail-wind to our performance in the same way the reverse has been a head-wind. The fact that we have made these arguments in the past makes it no less likely that we will be proven correct in coming years. We remain excited by the potential in your Company's portfolio. The following section describes many of the companies we own and highlights the successes and challenges that we have experienced in the past 12 months.

European Holding Companies

This area was the second largest part of the portfolio, with an average weight of 29.2% over the year. It was the greatest detractor to returns for your Company, contributing -3.0% to our overall performance.

Our performance in this area was disappointing and can largely be attributed to three companies, Aker ASA, Rallye and Sacyr, which together subtracted 4.3% from our returns. However, other investments in European Holding Companies returned +5.5% (contributing 1.3% to our performance) and outperforming the MSCI Europe, which fell 1.98% in Sterling terms.

Sacyr is a Spanish holding company with investments in Spanish property, various toll road concessions, infrastructure and also Repsol, the Spanish integrated oil company. We invested in Sacyr on the premise that the market was undervaluing Sacyr's stake in Testa, a prime Spanish property company and that management would reduce their exposure to Repsol. We were proved correct in regard to the Testa sale when, in June, Sacyr announced that they had agreed to sell the asset to Merlin Properties for 19.0% uplift to the last reported NAV. At this time, Repsol traded at around €17, and given its poor strategic fit in Sacyr's portfolio, it made sense to us for management to dispose of this stake. However, Sacyr did not do so and that decision was painfully wrong in the short term, with Repsol falling by 36.7% to the end of September, reducing Sacyr's NAV by approximately 29%. Today, the company is trading on a discount of 37% and the valuation of Repsol looks cheap, albeit that it is dependent on the oil price. We retain our holding in the company, believing there to be substantial upside.

Rallye's principal asset is Casino, a food and electronics retailer with operations predominantly in France, Thailand, Brazil, Colombia and Argentina. Casino has good market positioning with a variety of brands that target different consumers. For example, their French brand Monoprix aims its products at wealthy Parisians while Leader Price is a discount store targeted towards the more price conscious consumer. The greatest drag on Casino's performance over the last year has been the difficulties in Latin America, particularly with regard to the weakening currencies. The Colombian Peso fell by 25.9% and the Brazilian Real fell by 30.0%, which together reduced our estimated value of Casino by 12.3%. In addition to this, the French business has been struggling, particularly their hypermarket banner, Geant, which has had to reduce prices drastically to retain its market share. Encouragingly, Rallye has taken the opportunity to increase its stake in Casino on share price weakness.

INVESTMENT MANAGER'S REVIEW

PORTFOLIO REVIEW

Portfolio value on a look through basis

	2015	2014
	%	%
Canada/US	24.1	27.5
Continental Europe	37.7	31.5
Japan	8.9	5.3
Asia Pacific	15.5	22.3
United Kingdom	13.0	11.7
Liquidity	0.8	1.7

Based on location of companies' underlying assets

Equity portfolio value by market capitalisation

	2015	2014
	%	%
<£1 billion	48.9	38.7
>£1 billion – <£5 billion	26.0	29.3
>£5 billion – <£10 billion	6.1	11.3
>£10 billion	18.8	20.5

Portfolio value by sector

	2015	2014
	%	%
Investment Holding Companies	42.0	45.1
Investment Companies	38.3	29.6
Real Estate Companies	14.1	12.6
Conglomerates	3.6	6.7
Other	0.0	4.1
Mining & Resources	1.2	0.3
Liquidity	0.8	1.7

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.

Gearing at Rallye has compounded the downside, but we believe that given the extent to which emerging market assets and currencies have sold off, there could be a lot of upside in Rallye's share price.

Aker ASA has been in the portfolio for over seven years now and, given the cyclical nature of its business, we expect there to be periods of underperformance. We did not foresee the savage fall in the oil price over the last 18 months and its impact on Aker's share price, which fell sharply. However, we remain optimistic about Aker's businesses. They are well funded and cash flow generative. The holding company has been adding to its positions in some of its businesses at sharply reduced valuations and this ought to create value over the long term. We see Aker as one of the survivors of the oil industry and, given that it trades at a 44% discount to its asset value, we find the investment case compelling at recent price levels.

TUI was our most successful investment amongst the European holding companies. Our thesis that it would merge with its subsidiary, London-listed TUI Travel, to unlock the holding company discount played out earlier than anticipated. Although the price of getting the merger through was some dilution to TUI's NAV, this was more than offset by the discount contracting from 35% at purchase to 10% at exit. We sold TUI early in the financial year, for a total return of +34% in local currency (+28% in GBP) over the financial year.

Investor, Sofina and Eurazeo contributed 0.44%, 0.43% and 0.17% respectively to NAV. Once again they delivered market-beating NAV performance, with NAV growth in aggregate of 8.2%. In addition, their discounts contracted by 3.7 percentage points on average. We sold out of GBL, whose discount contracted by 5.4 percentage points over the year, but kept our exposure to the same assets through an investment in GBL's parent company, the more cheaply valued Pargesa. The discount disparity between GBL and Pargesa is the largest it has been for over ten years, with GBL trading on a 20.6% discount and Pargesa on 33.7%. It makes no sense for there to be such a big gap between two companies that offer exposure to the same pool of underlying assets. We think it highly likely that the discount on Pargesa will move back to far narrower levels and close the gap with GBL.

Closed-end Funds

With an average exposure of 35% for the year, closed-end funds were our largest allocation and added 0.9% to our overall return. Ten of our 16 closed-end fund positions made a positive contribution for the financial year. The weighted average total return of +2.48% modestly outperformed the FTSE All-Share Equity Investment Instruments Index's 2.11%.

Listed Private Equity was again a source of robust returns, adding 2.1% to NAV, but our exposures to energy/mining-exposed funds hurt us, with positions in BlackRock World Mining, Ecofin Water & Power Opportunities and Fondul Proprietatea detracting from returns.

The largest contribution across our closed-end funds came from AP Alternative Assets, which registered a 23.3% return and added 0.54% to NAV. The company's sole remaining asset, a stake in unlisted Athene Insurance, continues to perform well and generate healthy returns. As a result of integration issues following the acquisition of Aviva's US annuities business, Athene had to restate its GAAP financials which delayed plans for an IPO. Now that Athene has caught up with its reporting, the company has confirmed it will file for its IPO in early 2016. Although AP Alternative Assets now trades in line with its NAV, we believe the carrying valuation of Athene to be very conservative and that an IPO will unlock value comfortably in excess of the current share price.

Our position in J.P. Morgan Private Equity was our next largest contributor with a total return of 18.1%, adding 0.42% to NAV. Following the imminent redemption of the company's ZDPs, shareholders will have the option to move into a redemption share class which will see the discount effectively eliminated over time as the proceeds from realisations are returned to shareholders. We have been encouraged by the newer investments made in terms of entry multiples and growth characteristics, and the high visibility and transparency as a consequence of them being mature single assets bought in secondary transactions (effectively direct co-investments rather than stakes in diversified funds). Since we re-established a holding in the company, the NAV has grown by 13% and the discount has narrowed from 31% to 27%.

SVG Capital was another strong performer, contributing 0.37% to NAV as our position recorded a gain of 19.6% over the financial year. Since 2012, SVG Capital has been transitioning from a quasi-direct private equity investor (only investing in Permira funds) to a fund-of-funds model, albeit much more concentrated than peers such as Harbourvest's and Pantheon's closed-end vehicles, holding just 8-10 fund relationships rather than the hundreds held by these competitors. Our investment thesis when we acquired our position in November 2014 was that continued secondary market sales of the large position in publicly-quoted Hugo Boss would reduce that part of SVG's discount attributable to excessive portfolio concentration, while realisations from the rest of the mature portfolio would drive increases in NAV and fund further capital returns to shareholders.

Our thesis has largely panned out, with the stake in Hugo Boss being sold in its entirety, the announcement of Freescale Semiconductor's merger with NXP Semiconductor, and various realisations of unlisted holdings all contributing to NAV growth of 19% since we acquired our stake. The company has persisted with its shareholder-value driven approach exhibited since its near-death experience in the financial crisis with substantial capital returns being made through tender offers and buy-backs. Having sold two-thirds of our holding at an average weighted discount of 12% to then-prevailing NAVs, we think the shares are attractively priced at a discount of 25% following the market sell off towards British Empire's financial year-end.

Other significant contributors to performance amongst our listed private equity holdings were NB Private Equity Partners and Harbourvest Global Private Equity ('HGPE'), each adding 0.29% to our NAV. Towards the end of the period, HGPE completed its long-awaited move to introduce voting rights and gain a full listing on the London Stock Exchange. This should bring long-term benefits to liquidity and improve the broader appeal of the company. In the short term, we expect index tracker demand to have a positive impact on the rating with the change to a Sterling quote facilitating entry into the FTSE All-Share Index towards the end of the year. We continue to encourage NB Private Equity, our largest listed private equity holding, to make a similar move.

Our stakes in closed-end funds tend to be very sizeable and we use this leverage to engage actively with the management and boards of investee companies. This will usually take the form of constructive recommendations regarding the efficacy of various discount control mechanisms, but we will not hesitate to adopt a more aggressive stance to defend our interests and extract value when required.

One such instance occurred during the period when LMS Capital, in which AVI owns a 15% stake, announced proposals to cease returning realisation proceeds from its private equity portfolio to shareholders, and instead re-invest them in oil & gas assets under a new management team. We wrote a lengthy letter to the board and other significant shareholders detailing our concerns, the board responded by postponing the General Meeting called to vote on the new investment policy. After further discussions with the board, we were pleased to see the proposals officially withdrawn shortly afterwards. Since then, the company's holding in Wesupply, representing 6% of NAV, has been sold, adding to the substantial cash balance that we estimate now stands at 32% of NAV. We expect further realisations and a significant return of capital at NAV later this year. Despite the 7% rise in the share price since the withdrawal of the proposals, the portfolio is being implicitly valued at a discount of 32% after adjusting for the company's cash balance.

Another example of AVI's engagement is DWS Vietnam, an Irish-listed OTC-traded closed-end fund in which we also own a 15% stake and which added 0.25% to our NAV over the year. Our investment thesis was based on the company holding a portfolio of attractively-priced listed securities, and a track record of private equity holdings being sold at significant uplifts to carrying values. It was our contention that the wide discount of almost 40%, in large part due to the egregious management contract featuring a performance fee with no high water-mark, would disappear as the fund approached its wind-up vote at the end of 2016. Indeed, the manager, Duxton Asset Management, had persistently said in meetings with investors that they wanted to open-end the fund ahead of the wind-up vote, and that no new private equity investments would be made given the relatively short time until the vote. To mitigate the risk of the managers failing to follow through with their promises, AVI has engaged in an active, persistent, and dogged year-long campaign that has so far resulted in the removal of three directors employed by the manager, and the cancellation

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of 10% of shares held in treasury thus allowing for the resumption of an aggressive share buyback programme. The board has made a public statement that proposals to open-end the fund will be put forward in 2016. In the coming weeks, there will be a vote held to elect two new independent directors proposed by AVI.

The three largest closed-end fund detractors all had exposure to energy/mining. Fondul Proprietatea, the Romanian-listed fund that now has a secondary listing in London, suffered due to its 40% exposure to the oil & gas sector. Its NAV decline of 9% was further exacerbated by the Romanian Leu falling by 5% versus the British Pound, costing British Empire 0.29% of NAV in total.

Our position in Ecofin Water & Power Opportunities ('ECWO') was down by 24%, costing us 0.68% of NAV as its top holding. US and Australian-listed shale oil play Lonestar Resources, fell by 69% in a torrid market for smaller Oil & Gas Exploration & Production ('E&P') stocks. Given the substantial amount of Lonestar's expected production that is hedged, the low-cost nature of its drilling activities in the Eagle Ford basin in Texas, and the company's access to significant liquidity from the large undrawn balance on its credit facility, the share price reaction seems overdone and we note that Lonestar trades on a significant valuation discount to US E&P peers. In an effort to correct this mispricing, Lonestar is in the process of moving to a main board NYSE or NASDAQ listing. ECWO has also suffered from share price declines in its energy infrastructure holdings despite these investments only having indirect linkage to oil and gas prices.

Lastly, extremely weak commodities markets proved costly for our position in BlackRock World Mining ('BRWM'). We established a position in the fund in February 2015, a few months after the write-down of a royalty investment had led to the discount deteriorating from a level close to NAV to low double digits. In hindsight, this was too early an entry point given the further savage falls in the sector, with BRWM's price falling by 30% adjusted for dividends over our holding period. The position cost us 0.62% of NAV. We have added to the position on the way down, and take comfort from the fact that, with many commodities trading below their marginal cost of production, the industry's return on capital has fallen to historically low levels, preventing reinvestment. Capital expenditure has been cut sharply, and the sector is looking very cheap on a number of metrics. If BRWM's dividend is maintained for 2015, as seems likely, this equates to a dividend yield of over 10% based on the year-end share price.

Asian Holding Companies

This area contributed -2.0% to overall return with an average weight in the portfolio of 8.9% over the year. Asian markets were particularly weak, with the MSCI Asia ex-Japan Index, in Sterling, falling by 8.3% over our financial year and falling by 47.7% from the April high to the end of September.

First Pacific was the largest detractor, reducing overall performance by 1.0%. The stock suffered from weak emerging markets and with debt held mostly in USD the NAV fell by 9% solely on currency movements. Philippine Long Distance Telephone Co ('PLDT'), First Pacific's largest investment accounting for 47% of its NAV, has been struggling of late. PLDT derived a large amount of revenue from fixed line rental which has been cannibalised by the increase in smart phone usage and wireless broadband. PLDT was slow to recognise this, lagging behind its duopoly peer Globe Telecom which has taken market share in the mobile internet segment. First Pacific's mining investment also performed poorly, falling by 52.9% over the year. As a consequence of this, the discount has widened substantially from 43.1% to 51.3%. We have engaged with management in order to encourage them to be more proactive in managing their discount. As yet there has been no activity on this front. Nevertheless, we believe the current valuations of the underlying assets to be cheap and this, combined with an extremely wide discount, should provide a good basis for returns from these levels.

Jardine Matheson also suffered from the emerging market fall out, although its discount has contracted from 28.4% to 21.1% over the year. Its NAV return in USD was -28.0% which, compared with the MSCI Asia ex-Japan Index falling by 12.2%, was disappointing. We had reduced our holding in this company earlier in the year, which has proven to be a sensible decision. The fall in the Indonesian Rupiah and the general weakness of Indonesia hit its holding in Astra International. A reversal of this trend would be a big boost to NAV and we therefore retain a reasonable position in Jardine, which has been a tremendous long-term value creator for shareholders.

We initiated a holding in Toyota Industries during the financial year. In addition to the holding in Toyota Motor and a number of other auto and auto parts businesses, it also operates two world leading businesses – forklifts and compressors. It trades on a discount to NAV of over 40% and will benefit from dividend increases at Toyota Motor. In addition, the continued success of its operating business has been under-appreciated by the market. Improvements in corporate governance and in operating performance ought to be strong drivers of both NAV growth and discount contraction.

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mitsui fudosan co ltd / lalaport

Mitsui Fudosan is a Japanese real estate company which owns, leases, develops and operates properties across all sectors, with a focus on metropolitan Tokyo. LaLaport Tokyo Bay was Mitsui Fudosan's first retail centre. For the following 30 years, the company has grown the concept with LaLaport branded retail centres now located throughout Japan. LaLaport represents a space where the community comes together to socialise and have their shopping needs covered, all under one roof.

Copyright / MitsuiFudosan.co.jp
Photography / Above: Mitsui Shopping Park LaLaport Tokyo Bay
Left: Mitsui Shopping Park LaLaport Iwata, Iwata City

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For more on Wendel's investment visit
www.wendelgroup.com/en/company/bureau-ventas

WENDEL / BUREAU VERITAS

Created in 1828, Bureau Veritas is a global leader in Testing, Inspection and Certification ('TIC') delivering high quality services to help clients meet the growing challenges of quality, safety, environmental protection and social responsibility. As a trusted partner, Bureau Veritas offers innovative solutions that go beyond simple compliance with regulations and standards, reducing risk, improving performance and promoting sustainable development. Bureau Veritas operates in Asset Management, Classification, Inspection/Audits, Training, Certification, Consulting and Testing and Analysis.

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Photography / Top and bottom: Bureau Veritas

Property

Property had an average weighting of 11%, with exposure to Europe, Asia and North America, and detracted 0.93 percentage points from performance over the twelve months

Property across most regions has performed well since 2012 in a low interest rate environment as investors sought secure income. In many developed markets this has led to listed property companies trading on premia to NAV, and thus falling outside our investment remit. Despite this, we believe we can still find real estate companies in certain sectors which trade at a discount to our valuation estimates and provide NAV growth and discount contraction.

German residential property companies have been a source of success for us in past years and over the last 12 months another, Westgrund, contributed 0.30% to performance. We acquired our stake in September 2014 via a capital raising when the company purchased a 12,000 unit portfolio. This stake was acquired at a discount of 28% to NAV, versus peers which were trading at an average premium of 10% to NAV. We believed the company had good growth prospects and our valuation would be supported by corporate activity. This proved to be the case as our shares in Westgrund were acquired by another German residential company, Adler, in a cash plus equity deal which valued our shares at €5 per share versus our initial acquisition cost of €3.50. We still own our stake in Adler Real Estate and are confident that it will provide good performance in the future as transactions in the market point towards further NAV growth.

The major European office markets such as London and Paris have recovered well since 2012, posting record low valuation yields. However, the European periphery has been slower to react and we believe that this is an area where we can source undervalued companies at present. We have a stake in a Spanish listed property company, Inmobiliaria Colonial, which arguably owns the best quality office portfolio in Madrid and Barcelona. While yields have come in quite quickly from 6% to 4.25% in Madrid, capital values are still 30% below peak valuations. We expect the next leg up in Colonial to be driven by rental growth in a supply constrained office market, which has seen almost no new development since the global financial crisis. We are looking for further opportunities in Spain which will benefit from improving consumer confidence and from the supply constrained office markets.

Dolphin Capital Investors returned negative 56.8% over the year. The company develops luxury hotel and golf resorts in Southern Europe and Central America. However, after the sale of one large asset in Cyprus fell through it became apparent the company required extra funding. We were involved in extensive discussions with management and other major shareholders to bring about changes in order to

support an equity raise. These changes included replacing the board, reducing the management fee significantly and tightening the investment strategy to focus on five core projects. Management incentives are now closely aligned to returning capital to shareholders through asset sales, which we believe is key to extracting value from this company.

We have reduced our exposure to Canadian real estate, with 1.3% of the portfolio invested as at the year end. Property values are under pressure as demand for office and residential space is slowing, especially in Western Canada, due to pressures on the oil industry. However, through our continued holding in Brookfield Canada Office Properties, we believe we own a prime office portfolio which is hard to replicate at a discount of 23% to NAV. The company has been successful in managing lease expiries in a difficult rental market which will support current valuations. While performance over the last 12 months has been disappointing, with the share price falling 9% in local currency, the current 23% discount is at the wide end of the historical range. The largest shareholder, Brookfield Asset Management, has a history of buying in subsidiary companies, which we believe offers potential for discount contraction.

Over the course of the year we also owned two Canadian-listed, property-related, companies whose performance diverged significantly, Dundee Corp and Hudson's Bay. Dundee Corp has large exposure to land and developments via their holdings in DREAM Unlimited and direct investments. Land values have suffered due to the slowing Canadian economy, which in addition to their exposure to commodities has led to a negative contribution of 1.4% over the year.

Conversely, Hudson's Bay has been one of our most successful investments over the financial year. Our original investment thesis was based upon the market not reflecting the full value of the real estate portfolio that the retailer owned. Over the course of the year Hudson's Bay embarked upon several transactions, which proved that the value of their real estate portfolio was well above market expectations. As news of transactions came through we sold our position at an average price of C\$27.1, a gain of 53% in local currency since the start of the financial year.

Last year we initiated a position in Mitsui Fudosan, a Japanese company which owns a prime office and shopping centre portfolio throughout Japan. Trading on a discount of 28%, we believe the company is trading significantly below its real worth as transactions in the market point towards yields of below 4%. With the first shoots of improved corporate governance coming through in Japan and the boon of the 2020 Olympics to come, we believe Mitsui will provide discount contraction and NAV growth in the future.

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We continue to look for undervalued property companies, but are mindful of the interest rate environment which drives short-term sentiment for property stocks. Despite this, we are seeing opportunities to invest further in well run companies with strong balance sheets and attractive assets which we believe will deliver strong performance.

Conglomerates and Other

Conglomerates made up approximately 4.2% of the portfolio over the year and generated -1.1%. Morrison was not a successful investment overall as it generated a negative total return of 19.1%. It did, however, generate a positive contribution of +0.28% during the financial year, as we benefited from a partial recovery in the price.

The main detractor of performance amongst this group of companies was Hitachi, which has been a disappointing investment despite delivering strong profit growth, substantial corporate governance improvements and increases in returns on equity. It looks cheap on absolute valuation metrics, with a current PE multiple below 10x and on a discount to sum of the parts of 44%. We have recently added to our holding following a sharp selloff over the summer.

OUTLOOK

Value, as an investment style, has underperformed the broader equity markets for a number of years. This has left many of our holdings unloved and, we believe, undervalued. This undervaluation sets up the possibility of strong future performance.

At the time of writing, economic data appear to be weakening, increasing fears of a decline in profits and so weakening the case for equities. The worsening data makes it more difficult for Central Banks – in particular the Federal Reserve – to start raising interest rates. A continuation of ultra-low interest rates could be positive for equities despite valuations in some markets not being particularly cheap. However, after seven years of historically unprecedented monetary accommodation, the real risk to global markets must surely be that investors start to question the omnipotence of Central Banks, at which point bad economic news should translate directly into bad news for equities.

While we claim little insight into the future direction of markets, we do know that we are still able to find attractively priced assets. The valuations which we see in our portfolio are both relatively and absolutely low, and we believe that this provides us with a substantial long-term margin of safety regardless of wider market gyrations.

For more information visit
<http://www.electrolux.co.uk/>

INVESTOR AB 'A' / ELECTROLUX

The global appliances industry is highly competitive due to low growth in mature markets and a tough industry structure. Emerging markets growth is high, supported by a fast-growing middle class and increased appliance penetration. Industry margins are low but returns are healthy thanks to high capital turnover. With a successful completion of the GE Appliances acquisition, Electrolux will be the global industry leader.

Photography / Getty Images representing Electrolux

CAPITAL STRUCTURE as at 30 September 2015

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

Ordinary Shares

At 30 September 2015, there were 160,014,089 (2014 160,014,089) Ordinary Shares of 10p each in issue, of which 25,750,878 (2014 16,419,217) were held in treasury and therefore the total voting rights attaching to Ordinary Shares in issue were 134,263,211

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 2015, there was in issue £15,000,000 (2014 £15,000,000) 8¹/₂% 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 8¹/₂% 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 3pm on that date of the 8³/₄ 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 2015, the redemption premium would have amounted to £4.3 million over and above the mid-market price

The mid-market price of the 8¹/₂% Debenture Stock 2023 as at 30 September 2015 was 128.50p (2014 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 67 Length of Service 12 years
Appointed Chairman December 2007

External appointments

Chairman of Close Brothers Group plc,
Chairman of Estover Energy Limited and
Trustee and Treasurer of the King's Fund

Experience

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

Steven Bates

Senior Independent Non-Executive
Director ('SID')

Age 58 Length of Service 9 years
Appointed SID November 2012

External appointments

Chairman of VinaCapital Vietnam Opportunities
Fund plc, of Barings Emerging Europe plc and
of F&C Capital & Income Investment Trust
plc and a Director of Biotech Growth Trust
PLC and of Magna Umbrella Fund. He is also
a Director of GuardCap Asset Management
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

Experience

He was Head of Global Emerging Markets
at JP Morgan Asset Management until 2002

Andrew Robson

Independent Non-Executive Director

Age 56 Length of Service 7 years
Appointed Audit Committee Chairman
October 2008

External appointments

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

Experience

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
2014

Committee membership

Audit Committee
Management Engagement Committee
Nomination Committee

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

Last re-elected to the Board
2014

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

Last re-elected to the Board
2014

Committee membership

Audit Committee
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 58 Length of Service 3 years

External appointments
Director of Alliance Trust plc, Newton Investment Management Limited and Newton Capital Management Limited, an Associate Director of Manchester Square Partners and a Trustee of the Hospice of St Francis, Berkhamsted

Experience
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
2014

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
9,070 Ordinary Shares

Nigel Rich
Independent Non-Executive Director

Age 70 Length of Service 3 years

External appointments
Chairman of SEGRO plc, Non-Executive Director of Matheson & Co Ltd and Pacific Assets Trust plc

Experience
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
2014

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

Committee membership key
Chairman
Member

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 30 September 2015

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.

On 5 November 2015, the Company's name was changed by Board resolution from British Empire Securities and General Trust plc to British Empire Trust plc.

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.

The Company's Investment Manager is authorised as an AIFM by the FCA under the AIFMD regulations. The Company has provided 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.

Results and Dividends

Company loss for the year was £(66,711,000) which included a profit of £16,268,000 attributable to revenue (2014: profit of £49,208,000 which included a profit of £15,589,000 attributable to revenue). The profit for the year attributable to revenue has been applied as follows:

	Company £'000
Revenue available for dividends	
Interim dividend of 2.0p per Ordinary Share paid on 26 June 2015	2,740
Recommended final dividend payable on 6 January 2016 to shareholders on the Register as at 4 December 2015 (ex dividend 3 December 2015)	
– Final dividend of 9.7p per Ordinary Share	12,976*
	15,716

* Based on shares in circulation on 4 November 2015

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 12, taking account of the £15m debenture liability, the Company's debt-to-equity ratio as at 30 September 2015 was 2.2%. 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. The Board is currently assessing the merits of further long-term borrowing. 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.

Directors

The Directors of the Company are listed on pages 32 and 33. 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 39, the Board carries out an annual review of each Director and of the Board as a whole. The Board considers that all Directors contribute effectively, possess the necessary skills and experience and continue to demonstrate commitment to their roles as non-executive Directors of the Company. Following the performance review, it was agreed that all Directors should stand for re-election, and the re-election of each of the Directors is recommended by the Board.

The beneficial interests of the current Directors and their connected persons in the securities of the Company as at 30 September 2015 are set out in the Directors' Remuneration Implementation Report on page 74.

Nigel Rich is a director of Matheson & Co Ltd, a subsidiary of Jardine Matheson which is an investee company.

Subsidiary Company

The Company owns one subsidiary, BEST Securities Limited, an investment dealing company. During the year, the share capital of the subsidiary was reduced from £250,000 to £1 through the cancellation of 249,999 shares and £249,999 was repaid to the Company. As at the year end, the subsidiary had assets amounting to £1. As permitted under IFRS 10 Consolidated Financial Statements, the Company's results are not consolidated (see notes 1(a) and 1(d)).

Interests in Share Capital

Information on the structure, rights and restrictions relating to share capital is given on page 31.

At 30 September 2015 and 4 November 2015, 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 2015	Percentage held at 30 September 2015	Percentage held at 4 November 2015
1607 Capital Partners, LLC	11,349,612	8.45	8.48
Brewin Dolphin	8,202,205	6.11	6.13
Halifax Share Dealing	7,525,119	5.60	5.63
Alliance Trust Limited	6,746,321	5.02	5.04
Wells Capital Management, Inc	6,474,842	4.82	5.04
Lazard Asset Management LLC	6,446,023	4.80	4.82
Charles Stanley & Co Limited	5,788,559	4.31	4.33
AXA Investment Managers UK	4,469,525	3.33	3.34

On 12 October 2015, the Company was informed that the interest of Wells Capital Management, Inc had increased to 6,747,536 shares. No other changes have been notified since 30 September 2015.

Management Arrangements

Asset Value Investors Limited is the Company's appointed Alternative Investment Fund Manager, and is engaged under the terms of an Investment Management Agreement ('IMA') dated 17 July 2014. The IMA is terminable by one year's notice from either party, other than for "cause".

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.

J.P. Morgan Europe Limited was appointed as Depositary under an agreement with the Company and AVI dated 2 July 2014, 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.

JPMorgan Chase Bank, National Association, London Branch, has been appointed as the Company's Custodian under an agreement dated 2 July 2014. The agreement will continue for so long as the Depositary Agreement is in effect and will terminate automatically upon termination of the Depositary Agreement, unless the parties agree otherwise.

Capita Company Secretarial Services Limited was appointed as corporate Company Secretary on 1 April 2014 for an annual fee of £55,000, which is subject to an annual RPI increase. The Agreement may be terminated by either party on six months' written notice.

With the Board's consent, with effect from 1 April 2014 AVI 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.

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 13

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 can be found in the Report of the Audit Committee on pages 68 to 70

Special Business at the Annual General Meeting

The Notice of the Annual General Meeting to be held on 17 December 2015 (the 'Notice') is set out on pages 77 to 80

Resolution 11 – Authority to allot shares

The Directors seek to renew the general and unconditional authority to allot up to 44,588,572 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 4 November 2015, 26,248,371 shares are held in treasury, representing 16.40% 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 6,688,285 Ordinary Shares, being approximately 5% of the Ordinary Shares (excluding shares held in treasury) in issue as at 4 November 2015, 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 the prevailing NAV

Resolution 13 – Share buy-back facility

At the Annual General Meeting held on 17 December 2014, 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 20,051,481 Ordinary Shares as at 4 November 2015. 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

Details of the above resolutions are contained in the Notice

Recommendation

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

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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 2014 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 2015 addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are specific 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/uploads/files/AICCodeofCorporateGovernanceFeb15.pdf>

The UK Code can be viewed at <http://www.frc.org.uk/our-work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.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.

Throughout the year ended 30 September 2015 the Company has complied with the provisions of the AIC Code and the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to the role of the Chief Executive, Executive Directors' remuneration and the need for an internal audit function. For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no Executive Directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

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 the relationship 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. Steve Bates is the Senior Independent Director. Strone Macpherson is Chairman of Close Brothers Group plc, the ultimate parent of Winterflood Securities Limited which is the Company's Corporate Broker and which receives a retainer of £25,000 per annum, paid by the Company. The Board has determined that this does not compromise his independence.
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 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. Strone Macpherson has served as a Director for over 12 years and Steve Bates has now served for 9 years. The remaining members of the Board have considered the length of their service and any impact that this might have on their continuing independence. They have determined that both Mr Macpherson and Mr Bates continue to be demonstrably independent of the Investment Manager. The Board is, however, mindful of the need to refresh the Board periodically through the retirement and appointment of Directors. Two new Directors have been appointed within the last four years. 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 32 and 33 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 44 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 32 and 33 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, and the review is led by the Senior Independent Director.

During 2014, an independent review of the Board was undertaken by Boardroom Review, the results of which were considered by the Board. 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 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 Directors' 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 of the remuneration arrangements for the Directors of the Company can be found in the Directors' Remuneration Implementation Report on pages 73 and 74 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 the relationship 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, when appropriate, 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. The Board has agreed arrangements under which the Directors, in the furtherance of their duties, may take independent professional advice at the Company's expense.
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 website 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. The Directors have carried out a review of the effectiveness of the Company's systems of internal control as they have operated over the year and up to the date of approval of the Annual Report. Given the nature of the business, the Company is reliant on its service providers and their internal controls. The Company has in place a system for assessing the adequacy of those controls. Other than circumstances surrounding the Westgrund corporate action, noted in the Report of the Audit Committee on page 68, there were no material matters arising from the review of the Company's controls that required further investigation and no significant failings or weaknesses were identified.

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 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 on investor sentiment and industry issues from the Company's broker are submitted to the Board. The Directors are available to meet shareholders. 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 Board aims to provide shareholders 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. 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 by the Investment Manager 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 Principal Risks on pages 12 and 13, and in note 17 to the financial statements. The Investment Portfolio is listed on pages 14 and 15. 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 Committee meetings unless formally invited by the Committee. Copies of the terms of reference for Board Committees are available from the Company Secretary and on the Company's website.

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 has taken note of the changes referred to in the Chairman's Statement on pages 6 and 7. It 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 performance 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 68 to 70 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 Company financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Company financial statements for each financial year. Under that law they are required to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS') and have elected to prepare the 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 Company financial statements are required by law and IFRS to present fairly the financial position of the Company and the financial performance and cash flows of the 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 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 Company will continue in business.

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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.

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The information required under Listing Rule 9.8.4(10) in relation to contracts of significance in which a Director is or was materially interested, is set out on page 38. The Directors confirm that no additional disclosures are required in relation to Listing Rule 9.8.4.

Going Concern

The Directors have carefully reviewed the current financial resources and the projected expenses of the Company and its subsidiary 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 financial statements on a going concern basis.

Viability

The Directors consider viability as part of their continuing programme of monitoring risk. The Directors consider three years to be a reasonable time horizon to consider the continuing viability of the Company, although they do have due regard to viability over the longer term and particularly to key points outside this time frame, such as the due date for the repayment of long-term debt. The Company is an investment trust whose portfolio is invested in readily realisable listed securities and with some short-term cash deposits. The following facts support the Directors' view of the viability of the Company.

- In the year under review, expenses (including finance costs and taxation) were covered some 2 times by investment income.
- The Company has a highly liquid investment portfolio.

- The Company's long-term debt falls due for repayment in 2023, with a principal liability of £15 million in 2023. This debt was covered some 47 times as at the end of September 2015 by the Company's total assets. The Directors are of the view that the Company will have sufficient resources to meet the costs of annual interest and eventual repayment of principal on this debt.
- The Company has a large margin of safety over the covenants on its debt.

Given the high levels of cover set out above, the Directors have a reasonable expectation that the Company can continue in operation and meet its liabilities over the period for which the long-term debt is outstanding. The Company's viability depends on the global economy and markets continuing to function. The Directors do also consider the possibility of a wide ranging collapse in corporate earnings and/or the market value of listed securities. To the latter point, it should be borne in mind that a significant proportion of the Company's expenses are in *ad valorem* investment management fees, which would naturally reduce if the market value of the Company's assets were to fall.

In order to maintain viability, the Company has a robust risk control framework which, following guidelines from the Financial Reporting Council, has the objectives of reducing the likelihood and impact of poor judgement in decision-making, risk-taking that exceeds the levels agreed by the Board, human error, or control processes being deliberately circumvented.

Declaration

The Directors listed on pages 32 and 33, 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 Company, 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 Company together with a description of the principal risks and uncertainties that the Company faces.

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.

By Order of the Board

Capita Company Secretarial Services Limited

Corporate Secretary

6 November 2015

 FOR AND ON BEHALF OF
CAPITA COMPANY SECRETARIAL
SERVICES LIMITED
SECRETARY

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2015

	Notes	2015 Revenue return £'000	2015 Capital return £'000	2015 Total £'000	2014* Revenue return £'000	2014* Capital return £'000	2014* Total £'000
Income							
Investment income	2	20,934	–	20,934	19,970	–	19,970
(Losses)/gains on investments held at fair value	8	–	(76,232)	(76,232)	–	39,833	39,833
Foreign exchange forward contract loss		–	(27)	(27)	–	–	–
Exchange losses on currency balances	16	–	(294)	(294)	–	(1,210)	(1,210)
		20,934	(76,553)	(55,619)	19,970	38,623	58,593
Expenses							
Investment management fee	3	(1,707)	(3,983)	(5,690)	(1,773)	(4,136)	(5,909)
Other expenses (including irrecoverable VAT)	3	(1,366)	–	(1,366)	(1,715)	–	(1,715)
Profit/(loss) before finance costs and tax		17,861	(80,536)	(62,675)	16,482	34,487	50,969
Finance costs	4	(375)	(883)	(1,258)	(369)	(868)	(1,237)
Profit/(loss) before taxation		17,486	(81,419)	(63,933)	16,113	33,619	49,732
Taxation		(1,218)	(1,560)	(2,778)	(524)	–	(524)
Profit/(loss) for the year		16,268	(82,979)	(66,711)	15,589	33,619	49,208
Earnings/(loss) per Ordinary Share	7	11 75p	(59 95p)	(48 20p)	10 47p	22 58p	33 05p

* Prior year figures presented for the Company only, where previously consolidated figures were disclosed. The revenue return figures for 2014 include an amount of £1.76 million from the reserves of the subsidiary company offsetting capital returns by the same amount. Revenue earnings per share at the overall group level were 9.29p. See note 1(d) for more information.

All items in the above statement derive from continuing operations.

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

There were no items of other comprehensive income in the year and therefore the profit/(loss) for the year is also the total comprehensive income/(loss) for the year.

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2015

	Ordinary share capital £'000	Capital redemption reserve £'000	Share premium £'000	Capital reserve £'000	Merger reserve £'000	Revenue reserve £'000	Total £'000
For the year ended 30 September 2015							
Balance as at 30 September 2014	16,001	2,934	28,078	704,809	41,406	33,756	826,984
Ordinary Shares bought back and held in treasury	-	-	-	(47,968)	-	-	(47,968)
Total comprehensive income for the year	-	-	-	(82,979)	-	16,268	(66,711)
Ordinary dividends paid (see note 6)	-	-	-	-	-	(14,763)	(14,763)
Balance as at 30 September 2015	16,001	2,934	28,078	573,862	41,406	35,261	697,542
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

The accompanying notes are an integral part of the financial statements

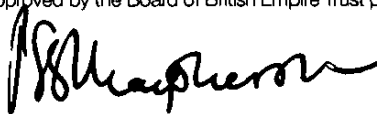
BALANCE SHEET

as at 30 September 2015

	Notes	2015 £'000	2014 £'000
Non-current assets			
Investments held at fair value through profit or loss	8	707,047	839,033
		707,047	839,033
Current assets			
Other receivables	10	4,121	3,225
Cash and cash equivalents		6,649	5,994
		10,770	9,219
Total assets		717,817	848,252
Current liabilities			
Purchases for future settlement		–	(2,080)
Foreign exchange forward contracts		(3,181)	–
Other payables		(2,151)	(4,233)
		(5,332)	(6,313)
Total assets less current liabilities		712,485	841,939
Non-current liabilities			
8 1/8% Debenture Stock 2023	12	(14,943)	(14,936)
Provision for deferred tax	13	–	(19)
Net assets		697,542	826,984
Equity attributable to equity shareholders			
Ordinary share capital	14	16,001	16,001
Capital redemption reserve		2,934	2,934
Share premium		28,078	28,078
Capital reserve		573,862	704,809
Merger reserve		41,406	41,406
Revenue reserve		35,261	33,756
Total equity		697,542	826,984
Net asset value per Ordinary Share – basic		519 53p	575 92p
Number of shares in issue excluding Treasury		134,263,211	143 594 872

The financial statements were approved by the Board of British Empire Trust plc on 6 November 2015 and were signed on its behalf by

PSS Macpherson
Chairman



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

Registered in England & Wales No. 28203

CASH FLOW STATEMENT

for the year ended 30 September 2015

	Notes	2015 £ 000	2014 £ 000
Reconciliation of (loss)/profit before taxation to net cash inflow from operating activities			
(Loss)/profit before taxation		(63,933)	49,732
Realised exchange losses on currency balances		325	1,210
Losses/(gains) on investments held at fair value through profit or loss		76,232	(39,833)
Purchases of investments		(454,845)	(700,340)
Sales of investments		508,265	754,801
Return of capital from subsidiary		250	–
(Increase)/decrease in other receivables		(40)	1,146
Increase/(decrease) in creditors		2,729	(1,455)
Taxation		(3,634)	(426)
Amortisation of debenture issue expenses		7	8
Net cash inflow from operating activities		65,356	64,843
Financing activities			
Dividends paid	6	(14,763)	(19,621)
Payments for Ordinary Shares bought back and held in treasury		(49,613)	(45,142)
Cash outflow from financing activities		(64,376)	(64,763)
Increase in cash and cash equivalents		980	80
Exchange movements including forward contracts		(325)	(1,210)
Change in cash and cash equivalents		655	(1,130)
Cash and cash equivalents at beginning of year		5,994	7,124
Cash and cash equivalents at end of year		6,649	5,994
Cash and cash equivalents received/(paid) during the period includes			
– Dividends received		20 883	18,195
– Interest received		22	13
– Interest paid		(1,251)	(1,229)

The accompanying notes are an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The financial statements of the Company and subsidiary have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. 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.

(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 recommendations of the SORP.

The financial statements have been prepared on a going concern basis and on the basis that approval as an investment trust company will continue to be met.

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern, having taken into account the liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, borrowing facilities and investment commitments (of which there are none of significance). Therefore, the financial statements have been prepared on the going concern basis.

IFRS 10 sets out the principles for the presentation and preparation of consolidated financial statements and establishes a single control model that applies to all entities including special purpose entities. In addition, IFRS 10 includes an exception from consolidation for entities which meet the definition of an investment entity and requires such entities to recognise substantially all investments at fair value through profit or loss. The Company has made the significant accounting judgement that it does meet the criteria of an investment entity, as discussed in note 1(q). Accordingly the Company is no longer required to prepare consolidated financial statements and so has prepared individual company accounts, with only individual company comparatives as required by IAS 1.

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements. The standard did not have a significant effect on the financial statements of the Company. The Company's one subsidiary, BEST Securities Limited, has not been consolidated. For further information please see note 9.

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

(b) Accounting developments

The accounting policies adopted are consistent with the previous financial year, except that the following new standards have been adopted in the current year.

IFRS 10 and IFRS 12 as discussed in note 1(a) Basis of preparation.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts in the Balance Sheet, the Statement of Comprehensive Income and the disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods. There were no accounting estimates or significant judgements in the current period.

(c) 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 an 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.

(d) Changes to accounting principles

The Company has applied, for the first time, IFRS 10 Consolidated Financial Statements. Under IFRS 10 the subsidiary has been classified as an investment entity. As a result it is no longer consolidated and is instead held at fair value.

Impact on Statement of Comprehensive Income

As a result of this change in treatment, the total return generated by the subsidiary is no longer presented on a line-by-line basis but combined and shown within the Statement of Comprehensive Income.

This has resulted in the prior year figures shown in the Statement of Comprehensive Income being presented for the Company, where previously consolidated figures were shown.

The impact of this change on the prior year figures by line item is:

- unrealised gains on investments held at fair value reduced by £1,762,000, and
- investment income increased by £1,762,000.

No other prior year figures for the primary financial statements have been affected.

(e) 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 Company'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 Company's Board of Directors. Accordingly, upon initial recognition, the investments are designated by the Company 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.

If a significant movement in fair value occurs subsequent to the close of trading up to midnight on the traded Stock Exchange on the year end date, valuation techniques will be applied to determine the fair value. A significant event is any event that occurs after the last market price for a security, close of market or close of the foreign exchange, but before the Company's valuation time that materially affects the integrity of the closing prices for any security, instrument, currency or securities affected by that event so that they cannot be considered 'readily available' market.

Fair values for unquoted investments or investments for which the market is inactive, are established by using various valuation techniques in accordance with the International Private Equity and Venture Capital Valuation (the 'IPEV') 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.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets are presented in the Statement of Comprehensive Income within gain on investment at fair value through profit or loss in the period in which they arise.

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

(f) Movements in fair value of investment

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

All investments held are classified as at "fair value through profit or loss".

Investments are initially recognised at cost, being the fair value of the consideration given. After initial recognition, investments are measured at fair value, with unrealised gains and losses on investments and impairment of investments recognised in the Statement of Comprehensive Income and allocated to capital.

All investments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy in note 17, described as follows, based on the lowest significant applicable input:

- Level 1 reflects financial instruments quoted in an active market.
- Level 2 reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.
- Level 3 reflects financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument and not based on available observable market data. For investments that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest significant applicable input) at the date of the event that caused the transfer.

(g) Cash and cash equivalents

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

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

(h) Dividends payable to shareholders

Dividends to shareholders are recognised as a liability in the period in which they are paid or approved in general meetings and are taken to the Statement of Changes in Equity. Dividends declared and approved by the Company after the Balance Sheet date have not been recognised as a liability of the Company at the Balance Sheet date.

(i) 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 Statement of Comprehensive Income.

(j) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest method and have been allocated 30% (2014: 30%) to revenue and 70% (2014: 70%) to capital. This complies with the SORP, which requires the finance costs of the Debenture Stock to be allocated between revenue and capital in the same proportions as the management fee.

(k) Debenture pricing

The 8 $\frac{1}{8}$ % 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 8 $\frac{1}{8}$ % 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.

(l) 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.

(m) Merger reserve

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

(n) Investments in subsidiaries

Investments in subsidiaries are stated at fair value

(o) Income

Dividends received from UK registered companies are accounted for net of imputed tax credits. Dividends from overseas companies are shown gross of any non-recoverable withholding taxes which are disclosed separately in the Statement of Comprehensive Income

Dividends receivable on quoted equity shares are taken to revenue on an ex-dividend basis. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Fixed returns on non-equity shares are recognised on a time-apportioned basis

Special dividends are taken to revenue or capital account depending on their nature. In deciding whether a dividend should be regarded as a capital or revenue receipt, the Board reviews all relevant information as to the reasons for the sources of the dividend on a case by case basis

All other income is accounted for on a time-apportioned accruals basis using the effective interest rate method and is recognised in the Statement of Comprehensive Income

(p) Taxation

The charge for taxation is based on the net revenue for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method without discounting, on all timing differences between taxable profits and total comprehensive income that have arisen but not been reversed by the Balance Sheet date. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods

(q) Significant accounting judgements

As discussed in note 1(a) "Basis of preparation" IFRS 10 includes an exemption from consolidation of subsidiaries for all entities that meet the definition of an investment entity, and instead measure them at fair value through profit or loss. The primary criteria that must be met in order to meet the definition of an investment company is as follows

- an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both,
- an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis, and
- an entity that obtains funds from one or more investors for the purpose of providing those investors with investment services

The Board has agreed with the recommendation of the Audit Committee that the Company meets the definition of an investment entity as it satisfies each of the criteria above and that this accounting treatment better reflects the Company's activities as an investment trust. The Company's principal activity as an investment trust and its investment approach is detailed in the Strategic Report. The criteria and these conclusions are re-assessed by the Board annually

NOTES TO THE FINANCIAL STATEMENTS

continued

2 Income	2015 £'000	2014 £'000
Income from investments		
Listed investments	20,883	18,195
Other income		
Deposit interest	22	13
Other income	29	–
Realisation of investment holding gains of subsidiary	–	1,762
	51	1,775
Total income	20,934	19,970
Income from investments		
Equity securities	20,877	18,068
Fixed interest securities	6	127
	20,883	18,195
Total income comprises		
Dividends	20,877	18,068
Interest	28	140
Other income	29	1,762
	20,934	19,970

3 Investment management fee and other expenses	2015 Revenue return £'000	2015 Capital return £'000	2015 Total £'000	2014 Revenue return £'000	2014 Capital return £'000	2014 Total £'000
Management fee	1,707	3,983	5,690	1,773	4,136	5,909
	1,707	3,983	5,690	1,773	4,136	5,909
Other expenses						
Directors' emoluments – fees	135	–	135	133	–	133
Auditor's remuneration – audit	30	–	30	34	–	34
Auditor's remuneration – taxation	13	–	13	13	–	13
Auditor's remuneration – withholding tax, interim review and debenture review services	32	–	32	8	–	8
Marketing costs	424	–	424	475	–	475
Printing and postage costs	110	–	110	68	–	68
Registrar fees	71	–	71	94	–	94
Custodian fees	123	–	123	275	–	275
Depositary fees*	127	–	127	28	–	28
Advisory and professional fees	140	–	140	261	–	261
Irrecoverable VAT	88	–	88	162	–	162
Other expenses	73	–	73	164	–	164
	1,366	–	1,366	1,715	–	1,715

* The Depositary was appointed 2 July 2014

For the year ended 30 September 2015, the fee calculated in accordance with the Investment Management Agreement amounted to 0.7% (2014 0.7%) of the net asset value calculated on a quarterly basis

Details of the Investment Management Agreement and fees paid to the Investment Manager are set out in the Report of the Directors

4 Finance costs

	2015 Revenue return £'000	2015 Capital return £'000	2015 Total £'000	2014 Revenue return £'000	2014 Capital return £'000	2014 Total £'000
Bank overdraft interest	10	23	33	3	7	10
Interest on other loans	365	853	1,218	366	853	1,219
Amortisation of debenture issue expenses*	-	7	7	-	8	8
	375	883	1,258	369	868	1,237

* See note 12

5 Taxation

	Year ended 30 September 2015			Year ended 30 September 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Analysis of charge for the year						
Corporation tax	-	-	-	-	-	-
Overseas tax not recoverable	1,218	1,579	2,797	524	-	524
Deferred tax release	-	(19)	(19)	-	-	-
	1,218	1,560	2,778	524	-	524

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 20%. The differences are explained below

	Year ended 30 September 2015			Year ended 30 September 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return on ordinary activities after interest payable but before appropriations	17,486	(81,419)	(63,933)	16,113	33,619	49,732
Theoretical tax at UK corporation tax rate of 20.5% (2014: 22%)	3,585	(16,691)	(13,106)	3,545	7,396	10,941
Effects of the non-taxable items						
- UK franked investment income	(690)	-	(690)	(238)	-	(238)
- Tax-exempt overseas investment income	(3,485)	-	(3,485)	(3,131)	-	(3,131)
- Other non-taxable income	(7)	-	(7)	-	-	-
- (Losses)/gains on investments, exchange gains on capital items and movement on fair value of derivative financial instruments	-	15,693	15,693	-	(8,886)	(8,886)
- Excess management expenses carried forward	604	998	1,602	(183)	1,416	1,233
- Expenses not deductible for tax	-	-	-	7	74	81
- Overseas tax not recoverable	1,218	1,579*	2,797	524	-	524
- Accrued income taxable on receipt	(7)	-	(7)	-	-	-
- Deferred tax	-	(19)	(19)	-	-	-
	1,218	1,560	2,778	524	-	524

* Tax deducted on receipt of capital on acquisition of Westgrund by Adler

NOTES TO THE FINANCIAL STATEMENTS

continued

At 30 September 2015 the Company had unrelieved management expenses of £40,457,000, (30 September 2014 £32,589,000) that are available to offset future taxable revenue. A deferred tax asset of £8,091,000 has not been recognised because the Company is not expected to generate sufficient taxable income in future periods in excess of the available deductible expenses and accordingly the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus losses.

Deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments because the Trust meets (and intends to continue for the foreseeable future to meet) the conditions for approval as an Investment Trust company.

Unrecognised tax losses

The Company has a tax loss of £40,896,000 (2014 £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 £8,179,200 (2014 £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

	2015 £'000	2014 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 30 September 2014 of 8 50p (2013 8 50p) per Ordinary Share	12,023	12,885
Special dividend for the year ended 30 September 2014 of nil (2013 2 50p) per Ordinary Share	–	3,790
Interim dividend for the year ended 30 September 2015 of 2 00p (2014 2 00p) per Ordinary Share	2,740	2,946
	14,763	19,621

Set out below are the interim and final 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.

	2015 £'000	2014 £'000
Interim dividend for the year ended 30 September 2015 of 2 00p (2014 2 00p) per Ordinary Share	2,740	2,946
Proposed final dividend for the year ended 30 September 2015 of 9 70p (2014 8 50p) per Ordinary Share	12,976*	12,116
	15,716	15,062

* Based on shares in circulation on 4 November 2015.

7 Earnings per Ordinary Share

	2015 Revenue	2015 Capital	2015 Total	2014 Revenue	2014 Capital	2014 Total
Basic	11 75p	(59 95p)	(48 20p)	10 47p	22 58p	33 05p

The total basic earnings per Ordinary Share is based on Company net (loss)/profit for the financial year of (£66,711,000) (2014 £49,208,000) and on 138,417,127 (2014 148,907,851) 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 revenue after taxation for the financial year of £16,268,000 and the basic capital earnings per Ordinary Share is based on a net loss for the year of (£82,979,000). The weighted average number of shares in issue for the year was 138,417,127.

The equivalent figures for the 2014 accounting year were basic revenue earnings per Ordinary Share of £15,589,000 basic capital earnings per Ordinary Share a net profit of £33,619,000 and the weighted average number of shares in issue for that year was 148,907,851.

There are no dilutive instruments issued by the Company (2014 none).

8 Investments held at fair value through profit or loss

	Listed investments £'000	Unlisted investments £'000	Investment in subsidiary £'000	Total investments £'000
(a) Securities				
Opening book cost	761,095	5,169	250	766,514
Opening investment holding gains/(losses)	75,072	(2,553)	–	72,519
Opening fair value	836,167	2,616	250	839,033
Movements in the year				
Purchases at cost				
Equities	288,772	–	–	288,772
Bonds	163,993	–	–	163,993
Sales – proceeds				
Equities	(331,023)	(137)	–	(331,160)
Bonds	(177,109)	–	–	(177,109)
– realised gains/(losses) on sales	28,162	(5,032)	–	23,130
Distribution from subsidiary	–	–	(250)	(250)
Movement in investment holding gains/(losses)				
– reversal of unrealised depreciation upon realisation	–	2,553	–	2,553
– movement in unrealised depreciation	(101,915)	–	–	(101,915)
Closing fair value	707,047	–	–	707,047
Closing book cost	733,891	–	–	733,891
Closing investment holding losses	(26,844)	–	–	(26,844)
Closing fair value	707,047	–	–	707,047

Company
£'000

(b) Gains on investments

Gains on sales of securities based on historical cost	23,130
Movement in investment holding losses for the year	(99,362)
Net losses on investments	(76,232)

(c) Transaction costs

Investment transaction costs on purchases and sales of investments during the year to 30 September 2015 amounted to £764,304 and £659,280 respectively (2014 £1,411,000 and £881,000 respectively)

9 Subsidiary undertaking

The Company has one wholly owned 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

NOTES TO THE FINANCIAL STATEMENTS

continued

10 Other receivables	2015 £'000	2014 £'000
Overseas tax recoverable*	3,398	2,542
Prepayments and accrued income	709	669
VAT recoverable	14	14
	4,121	3,225

* 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	2015 £'000	2014 £'000
Purchases for future settlement	–	2,080
Amounts owed for share buybacks	1,130	2,786
Amounts owed to subsidiary undertakings	–	250
Unrealised forward exchange rate contracts	3,181	–
Other creditors	1,021	1,197
	5,332	6,313

The carrying value approximates to fair value.

12 Non-current liabilities	2015 £'000	2014 £'000
8 1/8% Debenture Stock 2023	14,943	14,936
	14,943	14,936

The movement on the 8 1/8% Debenture Stock 2023 represents the amortisation of issue expenses. The market value of the Debenture Stock as at 30 September 2015 was £19.3 million (2014: £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% Debenture Stock 2023 as at 30 September 2015 was 128.50p (2014: 123.50p).

The Debenture Stock is secured by a floating charge over all of the assets of the Company. Under the terms of the Trust Deed, total borrowings are not to exceed 150% of capital and reserves.

Further information on the Debenture Stock is set out on page 31.

13 Provision for deferred tax

	2015 £ 000	2014 £ 000
Provided		
In respect of the origination and reversal of temporary differences	19	–
	–	–
The movement in the provision for deferred taxation is as follows		
Opening balance	19	19
(Release)/charge to capital account	(19)	–
Closing balance	–	19
	2015 £'000	2014 £'000
The deferred tax provision is made up as follows		
Equities Index Unsecured Loan Stock 2013	–	19
Closing balance	–	19

14 Called-up share capital

	Ordinary Shares of 10p each	
	Number of Shares	Nominal Value £'000
Allotted, called up and fully paid	160,014,089	16,001
Treasury Shares		
Balance at beginning of year	(16,419,217)	
Buyback of Ordinary Shares into treasury	(9,331,661)	
Balance at end of year	(25,750,878)	
Total Ordinary Share capital excluding Treasury Shares	134,263,211	

During the year, 9,331,661 (2014: 9,394,016) Ordinary Shares with a nominal value of £933,166.10 (2014: £939,401.60) and representing 5.83% of the issued share capital, were bought back and placed in treasury for an aggregate consideration of £47,967,720 (2014: £47,058,009). No Ordinary Shares were bought back for cancellation (2014: nil).

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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	
	2015 p	2014 p
Ordinary Shares (basic)	519 53	575 92

	Net asset value attributable	
	2015 £ 000	2014 £ 000
Ordinary Shares (basic)	697,542	826,984

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

	2015 Ordinary Shares (basic) £ 000	2014 Ordinary Shares (basic) £ 000
Total net assets attributable at beginning of year	826,984	844,455
Ordinary Shares bought back and held in treasury	(47,968)	(47,058)
Total comprehensive income for the year	(66,711)	49,208
Dividends appropriated in the year	(14,763)	(19,621)
	697,542	826,984

Basic net asset value per Ordinary Share is based on net assets and on 134,263,211 Ordinary Shares (2014 143,594,872), 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 amortised cost was 516 31p (2014 573 42p)

16 Analysis of cash and cash equivalents at end of year

	At 30 September 2014 £'000	Cash flow £'000	Exchange movement £'000	At 30 September 2015 £'000
Company				
Cash at bank and on deposit	5,994	949	(294)	6,649

17 Financial instruments and capital disclosures

Risk management policies and procedures

The investment objective of the Company 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 Company's financial instruments comprise equity and fixed interest investments, cash balances and borrowings. The Company 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 Company may also enter into derivative transactions which comprise forward foreign exchange contracts (the purpose of which is to manage currency risk arising from the Company'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 Board sets out its investment policies on page 34.

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

Currency exposure	Sterling £'000	Euro £'000	CAD\$ £ 000	US\$ £'000	Other £'000	Total £ 000
At 30 September 2015						
Investments held at fair value through profit or loss						
that are monetary items	14,978	–	–	–	–	14,978
Other receivables	468	2,381	33	222	1,017	4,121
Cash and cash equivalents	6,514	–	135	–	–	6,649
Other payables	(5,332)	–	–	–	–	(5,332)
8½% Debenture Stock 2023	(14,943)	–	–	–	–	(14,943)
Currency exposure on net monetary items	1,685	2,381	168	222	1,017	5,473
Investments held at fair value through profit or loss						
that are equities	154,387	168,189	48,712	123,395	197,386	692,069
Total net currency exposure	156,072	170,570	48,880	123,617	198,403	697,542

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 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	(4,233)	–	–	(2,080)	–	(6,313)
8½% Debenture Stock 2023	(14,936)	–	–	–	–	(14,936)
Provision for deferred tax	(19)	–	–	–	–	(19)
Currency exposure on net monetary items	(7,249)	740	220	18,010	2,009	13,730
Investments held at fair value through profit or loss						
that are equities	116,423	227,409	84,331	194,967	190,124	813,254
Total net currency exposure	109,174	228,149	84,551	212,977	192,133	826,984

The value of the Company'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 Company's assets are denominated in currencies other than Pounds Sterling, the currency in which the Company's financial statements are prepared. Income denominated in foreign currencies is converted to Pounds Sterling upon receipt.

NOTES TO THE FINANCIAL STATEMENTS

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Over the year, Sterling strengthened against two of the Company's principal investing currencies, the Canadian Dollar by 12.1% (2014: 8.84%) and the Euro by 5.7% (2014: 7.28%), but weakened against the US Dollar by 6.6% (2014: strengthened by 0.11%).

A 5% rise or decline of 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 £27,073,000 (2014: £35,891,000).

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.

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 2015 £'000	At 30 September 2014 £'000
Exposure to floating interest rates		
Cash and cash equivalents	6,649	5,994

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 £66,000 (2014: £60,000).

	£'000
Exposure to fixed interest rates	
Investments held at fair value through profit or loss	14,943
8 1/8% Debenture Stock 2023 (fair value based on market prices)	(19,275)
	(4,332)

The impact of holding the Debenture Stock at fair value would be to reduce the Company's net assets by £4,332,000.

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 15. The weighted average effective interest rate on these investments is 0% (2014: 0.15%).

The Company's fixed income portfolio at the year end was valued at £14,978,000 (2014: £25,779,000). A 1% increase/decrease in relevant market interest rates would be expected to decrease/increase the portfolio's value by approximately £150,000 (2014: £58,000), all other factors being equal.

The fair value of the Company's Debenture Stock at the year end was £19,275,000 (2014: £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 £1,122,000 (2014: £1,198,000), 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 14 and 15.

If the fair value of the Company's investments at the year end increased or decreased by 10% then it would have had an effect on the Company's capital return and equity equal to £70,705,000 (2014: £83,878,000).

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 Company'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 2015					
8½% Debenture Stock 2023	(1,219)	(1,219)	(1,219)	(20,788)*	(24,445)
Other payables	(5,332)	–	–	–	(5,332)
Deferred tax	–	–	–	–	–
	(6,551)	(1,219)	(1,219)	(20,788)	(29,777)
	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 2014					
8½% Debenture Stock 2023	(1,219)	(1,219)	(1,219)	(22,007)*	(25,664)
Other payables	(6,313)	–	–	–	(6,313)
Deferred tax	(19)	–	–	–	(19)
	(7,551)	(1,219)	(1,219)	(22,007)	(31,996)

* 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 Company at the year end as shown on the Balance Sheet and Investment Portfolio was £25,748,000 (2014: £34,998,000).

The total credit exposure represents the carrying value of fixed income, cash and receivable balances and totals £25,748,000 (2014: £34,998,000), as detailed in the table on page 61.

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Fair values of financial assets and financial liabilities

Except for the Company's Debenture Stock measured at amortised cost as shown below, the financial assets and financial liabilities of the Company 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)

	2015		2014	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
8½% Debenture Stock 2023	(14,943)	(19,275)	(14,936)	(18,525)

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

The fair value of the Company's unquoted investments is measured by the Directors using valuation methodologies in accordance with IPEVC guidelines and in accordance with the Company's accounting policies as set out on pages 50 to 53

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 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	687,750	4,319	–	692,069
Fixed interest bearing securities	14,978	–	–	14,978
	702,728	4,319	–	707,047

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	810,638	–	2,616	813,254
Fixed interest bearing securities	25,779	–	–	25,779
	836,417	–	2,616	839,033

The valuation techniques used by the Company are explained in the accounting policies note on page 51

The Company entered into a forward currency exchange contract to purchase 9.5 billion Japanese Yen and sell £49 million for future settlement. As at 30 September 2015, the unrealised loss is £3,181,000, detailed in the table below. The Company realised a profit of £3,154,000 on previous forward currency positions during the period.

Financial liabilities at amortised cost at 30 September 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000
Foreign exchange forward contracts	–	(3,181)	–

Financial liabilities at amortised cost at 30 September 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000
Foreign exchange forward contracts	–	–	–

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

Level 2 financial assets at fair value through profit or loss at 30 September	2015 £'000	2014 £'000
Opening fair value	–	–
Transfer from Level 1 to Level 2	4,319	–
Closing fair value	4,319	–

Level 3 financial assets at fair value through profit or loss at 30 September	2015 £'000	2014 £'000
Opening fair value	2,616	6,183
Purchases at cost	–	935
Sales – proceeds	(137)	(196)
Total gains/(losses) included in gains on investments in the Statement of Comprehensive Income		
– on sold assets	(5,032)	(5,100)
Movement in investment holding gains/(losses)		
– reversal of unrealised depreciation upon realisation	2,553	5,235
– movement in unrealised appreciation/(depreciation)	–	(4,441)
Closing fair value	–	2,616

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 47

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 Company's capital on an ongoing basis. These reviews include

- the level of gearing which takes account of the Company'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 Company's objectives, policies and processes for managing capital are unchanged from last year

The Company is subject to externally imposed capital requirements

- as a public company the Company is required to have a minimum share capital of £50,000, and
- in accordance with the provisions of sections 832 and 833 of the Companies Act 2006 the Company, as an investment company
 - 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
 - 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 Company has complied with them at all times

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18 Contingencies, guarantees and financial commitments

At 30 September 2015, the Company had no financial commitments (2014: £nil)

At 30 September 2015, the Company had no contingent liability in respect of any investments carrying an obligation for future subscription or underwriting commitments (2014: £nil)

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 35. Management fees for the year amounted to £5,690,000 (2014: £5,909,000)

As at the year end, the following amounts were outstanding in respect of management fees: £454,000 (2014: £495,000)

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

Fees paid to the Company's Directors are disclosed in the Report on Remuneration Implementation on page 73. At the year end, £5,000 was outstanding due to Directors (2014: nil)

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
9 October 2015	93,000	438
16 October 2015	125,000	592
23 October 2015	176,165	839
30 October 2015	103,328	493

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

AIFM DISCLOSURES

The Company's AIFM is Asset Value Investors Limited

The AIFMD requires certain information to be made available to investors in Alternative Investment Funds ('AIFs') before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. Those disclosures that are required to be made pre-investment are included within a Pre-Investor Information Document ('PIID') which can be found on the Company's website www.assetvalueinvestors.com. There have been no material changes to the disclosures contained within the PIID since publication in October 2015.

All authorised AIFMs are required to comply with the AIFMD Remuneration Code. The FCA's General Guidance on the AIFM Remuneration Code has established that the first full performance year did not commence until 1 January 2015. Accordingly there is no data to disclose in respect of the remuneration of the AIFM for this year.

Leverage

For the purposes of the AIFMD, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and is calculated under the Gross and Commitment Methods, in accordance with AIFMD. Under the Gross Method, exposure represents the sum of the Company's positions without taking account of any netting or hedging arrangements. Under the Commitment Method, exposure is calculated after certain hedging and netting positions are offset against each other.

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD as at 30 September 2015. This gives the following figures:

Leverage exposure	Gross Method	Commitment Method
Maximum limit	150%	130%
Actual level	107%	99%

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 Company to have its own internal audit function
- To monitor the integrity of the half-year and annual financial statements of the Company by reviewing and challenging, where necessary, the actions and judgements of the Investment Manager and the Administrator
- To meet the independent Auditor of the Company 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. It operates within defined terms of reference.

Composition of Audit Committee

The Audit Committee comprises the whole Board, being independent Directors. 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 Company's financial statements.

The valuation of the investment portfolio is a significant risk factor. However, 100% of the portfolio can be verified against daily market prices.

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. The checking process for the financial information in these sections is reviewed by the Committee, and 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 Company'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 2015, the Audit Committee considered the latest revisions to the UK Corporate Governance Code, including the requirement to include a viability statement in the Annual Report. The statement is set out on page 45.

As explained below, the Audit Committee considers carefully the internal control systems. The Company relies heavily on third party suppliers. The Audit Committee noted in its report last year there were 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 continues to monitor the service and control levels pursuant to these changes. During 2015, the Audit Committee again paid particular attention to the developing threat of cyber-crime.

The Committee reviewed special dividends received to determine their allocation to the revenue or capital account in the Statement of Comprehensive Income.

Given the nature of the Company's investments, substantial funds can be received from corporate actions at investee companies. The implementation of the corporate actions can be complex and challenging. The Committee investigates any errors and aims to ensure there is no loss to the Company and that the systems are improved to eliminate such errors.

The Company suffers withholding tax on many of its dividends received, some of which is irrecoverable. The Committee aims to ensure any recoverable withholding tax is received in a timely manner. However, such recovery can be difficult in some jurisdictions, and the Company has incurred professional service fees in this area. In particular, in the current year, we have sought with the assistance of Ernst and Young LLP to recover some significant French withholding tax.

In March 2015, the Company's holding in Westgrund was acquired by Adler. The transaction completed, and €14.3 million plus Adler shares were received by the Company on 3 July 2015. However, the Custodian reversed this payment and instead €10.5 million was credited to the Company's account. The Company has been informed that this was because the original payment was paid by the sub-custodian gross, in error, since under German regulations, tax should have been withheld, only some of which would be recoverable. The Board understands that this tax treatment is currently being reviewed by the German Federal Ministry of Finance. The Company expects to recover €1.6 million. If it is deemed that no tax should have been withheld, a further €2.1 million would be recoverable by the Company. Given the substance of the transaction, all income and related tax have been treated as capital items. The circumstances surrounding the original error remain under investigation by the Company. The Board will monitor any decisions made by the German Federal Ministry of Finance.

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 subsidiary in line with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published in September 2014 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 identify the likelihood and severity of the impact of such risks and the controls in place to minimise the probability of such risks occurring.

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. The Audit Committee receive and review assurance reports on the controls of the Custodian and Administrator undertaken by professional service providers and reviewed by the Audit Committee.
- The Audit Committee seeks to ensure that the Company 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.

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 subsidiary 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 2014 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. However, the Committee is mindful of the forthcoming reforms relating to auditor tenure. The current Senior Statutory Auditor is due to rotate after the 2017 audit and the Committee currently expects to conduct a tender for audit services during 2017.

During the year, the Audit Quality Review ('AQR') team within the Financial Reporting Council ('FRC') reported to the Audit Committee that it had concluded a review of the audit of the Company performed by Ernst & Young in respect of the year to 30 September 2013. The FRC's activities include the independent inspection of the overall quality of the auditing function in the UK, and the AQR team carries out a number of reviews of company audits annually. The Audit Committee carefully considered the AQR's findings, and discussed them with Ernst & Young. The findings were constructive, and were noted for subsequent years, but were not considered significant in the context of the audit as a whole.

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.

Fees payable to the Auditor

Total fees payable to the Auditor were £75,000 (2014: £55,000). This significant increase was primarily due to an exercise to recover withholding tax on dividends received from France.

Of the total fees, the fees for audit services were £30,000 (2014: £34,000). The reduction in fee reflected an increase in the verification work on the Annual Report as a whole undertaken by the Investment Manager.

REPORT OF THE AUDIT COMMITTEE

continued

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 2015 was £45,000 (2014: £21,000). The cost of the French withholding tax recovery exercise was £22,000. Other costs comprised £13,000 in relation to tax compliance, £7,500 in relation to the half-year review, and £2,500 in relation to other services, including the audit reports required in respect of the Debenture.

These non-audit services are assurance related, and the Committee firmly believes Ernst & Young are best placed to provide them on a cost effective basis to the benefit of shareholders. The non-audit fees were exceptionally high this year due to the French withholding tax exercise. 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. Given the assurance nature of the fees and the specific work required in respect of withholding tax and taxation services, 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
6 November 2015

A handwritten signature in dark ink, appearing to read 'AS Robson', followed by a long horizontal line extending to the right.

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 its approval by shareholders.

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 2015

Fees	2015
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-executive 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 Report of the Directors. 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 2015

Statement from the Chairman

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 2015 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 2016.

There will be no significant change in the way the current, approved, Remuneration Policy will be implemented in the course of the next financial year.

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:

Single Total Figure Table

Name of Director	Fees paid (£)		Taxable benefits (£)		Total (£)	
	2015	2014	2015	2014	2015	2014
Strone Macpherson	35,000	35,000	–	–	35,000	35,000
Andrew Robson	27,000	27,000	–	–	27,000	27,000
Steven Bates	25,300	25,300	–	–	25,300	25,300
Susan Noble	23,000	23,000	–	–	23,000	23,000
Nigel Rich	23,000	23,000	–	–	23,000	23,000
					£133,300	£133,300

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 2014 were approved by shareholders at the Annual General Meetings held on 19 December 2013 and 17 December 2014 respectively. The votes cast by proxy were as follows:

Remuneration Policy (AGM 2013)

For – % of votes cast	99.41%
Against – % of votes cast	0.31%
At Chairman's discretion – % of votes cast	0.28%
Total votes cast	53,620,337
Number of votes withheld	11,035

Remuneration Implementation Report (AGM 2014)

For – % of votes cast	99.48%
Against – % of votes cast	0.27%
At Chairman's discretion – % of votes cast	0.25%
Total votes cast	48,648,844
Number of votes withheld	78,767

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 2015

Relative Importance of Spend on Pay

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

	2015	2014	Difference
Spend on Directors' fees*	£133,300	£133,300	–
Management fee and other expenses	£7,056,778	£7,624,064	(7.4)%
Distribution to shareholders			
(a) dividends	£15,715,660	£15,062,080	4.3%
(b) share buy back	£47,967,720	£47,058,009	1.9%

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

Director	Ordinary Shares		Debenture Stock	
	2015	2014	2015	2014
Strone Macpherson	40,000	40,000	–	–
Andrew Robson	4,300	4,300	–	–
Steven Bates	20,000	20,000	–	–
Susan Noble	9,070	8,628	–	–
Nigel Rich	15,000	15,000	–	–

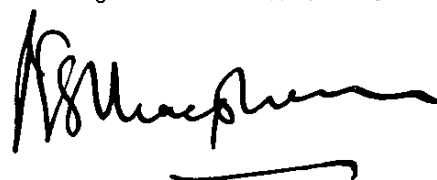
There have been no changes to Directors' interests between 30 September 2015 and the date of this Report

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 2015

- (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
6 November 2015



INDEPENDENT AUDITOR'S REPORT

to the Members of British Empire Trust plc

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 September 2015 and of its profit for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards, and
- have been prepared in accordance with the requirements of the Companies Act 2006

What we have audited

We have audited the financial statements of British Empire Trust plc for the year ended 30 September 2015 which comprises the Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Cash Flow Statement 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.

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 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 we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on pages 44 and 45, the Directors are responsible for the preparation of the 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 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 Company'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 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. The risks that we have identified are consistent with those risks that were identified in the prior year. The Audit Committee have set out their assessment of the significant issues in relation to the financial statements on page 68. The table below also includes our responses to the risks.

Risk Identified	Our Response
The investment portfolio at the year end comprised of quoted equity investments of £707 million. The valuation of the assets held in the investment portfolio is the key driver of the Company's investment return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	We assessed the controls in place at the accounting administrator, Capita Asset Services, to confirm there were no significant exceptions in security pricing or position reconciliations. We agreed all the year-end prices of the investments to an independent source using our proprietary pricing tool operated by our team of pricing specialists. We agreed the number of shares held for each security to confirmations of legal title received from the Company's custodian JP Morgan and third party evidence.

INDEPENDENT AUDITOR'S REPORT

to the Members of British Empire Trust plc
continued

Our application of materiality

We determined planning materiality for the Company to be £6,975k (2014 £8,270k) which is 1% of total equity. This provided a basis for determining the nature, timing and extent of our risk assessment procedures, identifying and assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have derived our materiality calculation based on a proportion of total equity as we consider it to be the most important financial metric on which shareholders would judge the performance of the Company.

On the basis of our risk assessments, together with our assessment of the Company'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 Company should be 75% of planning materiality, being £5,232k (2014 £6,202k). Our objective in adopting this approach was to ensure that total undetected and uncorrected audit differences in all accounts did not exceed our planning materiality level.

Given the importance of the distinction between revenue and capital for the Company we have also applied a separate testing materiality of £656k (2014 £538k) for the revenue column of the Statement of Comprehensive Income, being 5% of the return on ordinary activities before taxation.

We agreed with the Audit Committee that we would report all audit differences in excess of £349k (2014 £413k) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

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

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 company 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.

In addition, we have not identified anything material to add or to draw attention to in relation to:

- The Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- The Directors' explanation in the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 45, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.



Ashley Coups (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP,
Statutory Auditor
London

6 November 2015

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 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-Sixth Annual General Meeting of British Empire Trust plc will be held at 11 Cavendish Square, London W1G 0AN at 10.30am on Thursday, 17 December 2015 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 2015 together with the Strategic Report and the Reports of the Directors and Auditor
- 2 To approve a final ordinary dividend of 9.70p 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 44,588,572 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 6,688,285 Ordinary Shares being approximately 5% of the equity share capital in issue at 4 November 2015,

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.

NOTICE OF ANNUAL GENERAL MEETING

continued

- 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 1p 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
- (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 20,051,481,
 - (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 be the higher of (i) 5% above 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), and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange, 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

By Order of the Board

Capita Company Secretarial Services Limited
Corporate Secretary



FOR AND ON BEHALF OF
CAPITA COMPANY SECRETARIAL
SERVICES LIMITED
SECRETARY

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

6 November 2015

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 10.30am on Tuesday, 15 December 2015.

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 0371 384 2490 (+44 121 415 7047 from outside the UK). Lines are open 8.30am to 5.30pm Monday to Friday (excluding UK public holidays).

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 10.30am on Tuesday, 15 December 2015.

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 6.00pm on Tuesday, 15 December 2015 (or, in the event of any adjournment, 6.00pm 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 4 November 2015, the Company's issued share capital consisted of 160,014,089 Ordinary Shares, carrying one vote each, of which 26,248,371 were in treasury. Therefore, the voting rights in the Company as at 4 November 2015 equate to a total of 133,765,718 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.

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 10 30am on Tuesday, 15 December 2015. 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. Copies of the letters of appointment of the Directors 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.

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 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 2015/2016

17 December 2015	Annual General Meeting
6 January 2016	Final dividend paid on Ordinary Shares
May 2016	Announcement of half year results
May 2016	Posting of Half Year Report
June 2016	Interim dividend paid on Ordinary Shares
November 2016	Announcement of annual results
November 2016	Posting of Annual Report
December 2016	Annual General Meeting

COMPANY INFORMATION

Directors

Strone Macpherson (Chairman)
Steven Bates
Andrew Robson
Susan Noble
Nigel 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
25 Churchill Place
Canary Wharf
London E14 5EY

Depository

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

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