British Empire

Securities and General Trust plc

AVI

Half Year Report 2014

British Empire Securities and General Trust plc

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

British Empire Securities and General Trust plc ('British Empire') 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.

Company Summary

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

The Group's net asset value as at 31 March 2014 was £845 million and the market capitalisation was £725.72 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)*

*Call charges may apply.

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.

Website
The Company's internet website is:
www.british-empire.co.uk

Financial Highlights

	At 31 March 2014	At 30 September 2013	% change
Capital Return			
Net assets	**£844.52m**	£844.46m	–
Net asset value per Share	**566.73p**	551.97p	2.7
Net asset value per Share (Debt at fair value)	**564.32p**	549.62p	2.7
Share price (mid market)	**487.00p**	484.90p	0.4
Discount (Debt at fair value)[#]	**13.7%**	11.8%	

	Six months to 31 March 2014	Six months to 31 March 2013
Earnings and Dividends		
Revenue earnings per Share	**1.35p**	2.64p
Capital earnings per Share	**22.55p**	82.88p
Total earnings per Share	**23.90p**	85.52p
Interim dividend per Share	**2.00p**	2.00p

	Six months to 31 March 2014	Year to 30 September 2013
Performance Comparison		
British Empire Securities and General Trust plc (NAV total return)[†]	**4.8%**	13.1%
Morgan Stanley Capital International All-Country World ex-US Index[ˆ] (£ adjusted total return)	**2.4%**	16.6%
Morgan Stanley Capital International All-Country World Index (£ adjusted total return)	**5.6%**	18.0%
Morningstar Investment Trust Global Index (total return)*	**5.5%**	18.9%

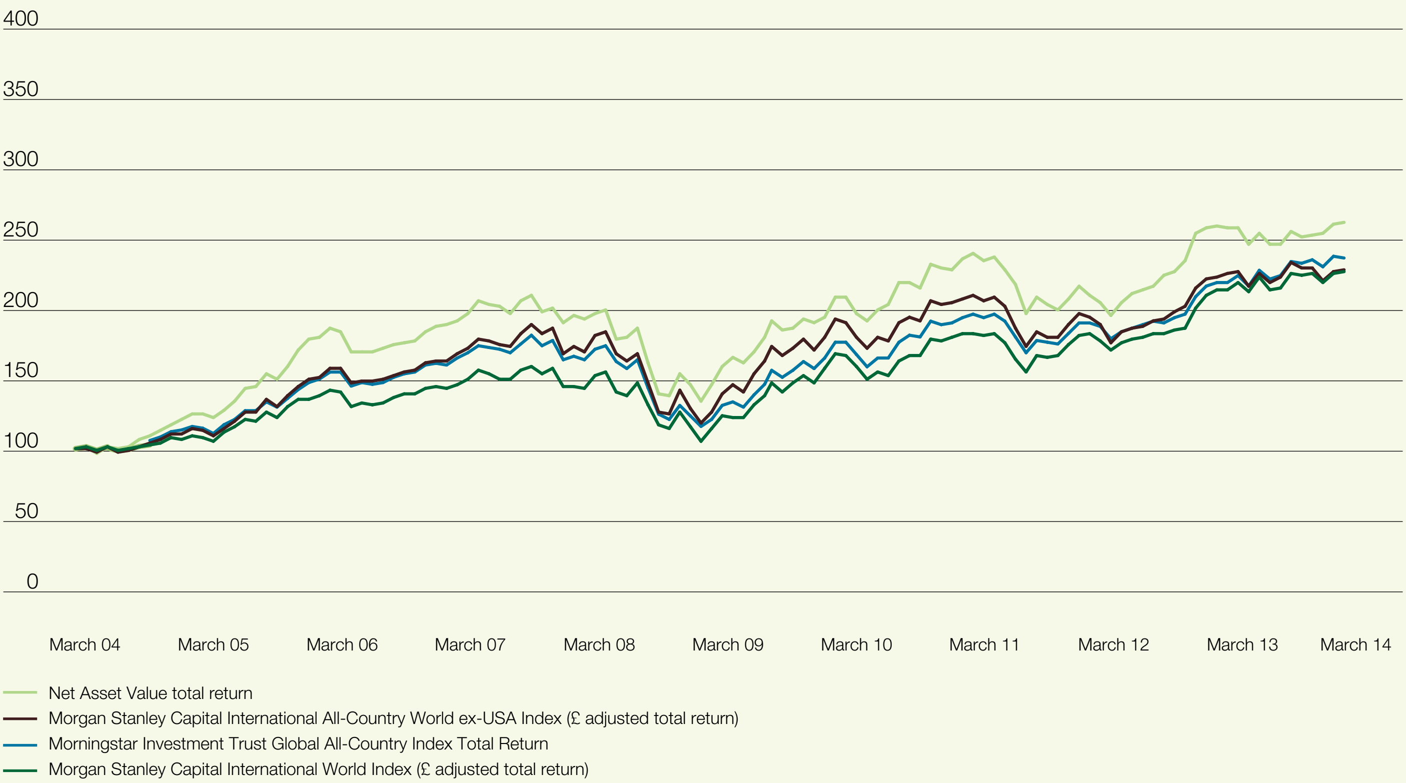
* The Morningstar Investment Trust Global Index (total return basis) is subject to revision and the figures are at 14 April 2014.

† Source: Morningstar
ˆ Benchmark Index

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 debt at fair value. In previous years, the discount was calculated using the net asset value per share inclusive of accrued income with debt at par value.

Net Asset Value

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



Capital Structure
as at 31 March 2014

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

		Mid market price p	Market capitalisation £ million
149,018,008*	Ordinary Shares	487.00	725.72
£15,000,000	8 1/8 per cent Debenture Stock 2023	123.50	18.53

* excluding 10,996,081 shares held in treasury

Chairman's Statement

This report covers the period from 1 October 2013 to 31 March 2014.

During the half year under review, the net asset value of the Company's shares rose by 4.8% on a total return basis, which compares with an increase in the benchmark Morgan Stanley Capital International All-Country World ex-US Index ('Index') of 2.4%.

Overall the NAV this financial year (to 28 May) has increased by 7.9%, some 2.2% ahead of the Index (5.7%). At the date of this report, net liquidity* stands at 1.8%, compared with 7.7% at 31 March and a range of 15.0% to 7.0% during the half year.

The accompanying report from the Investment Manager, Asset Value Investors (AVI), gives more detail on the factors which have affected the performance and outcome over the period, and includes some notable features. There have been significant changes in the constituents of the portfolio, both over the period and over the past twelve months, with turnover (72%) well above the prior year's figure of 41%. There are, encouragingly, increasing levels of corporate activity in many markets which have benefitted stocks which we own (whether it be private equity funds realising assets at valuations above their carrying value, or corporate restructuring). Sterling has been unexpectedly strong during this period against many currencies, which has provided a headwind to the level of absolute return.

As a result of changes to the portfolio, income has been somewhat lower than in the comparable period last year. However, your Board has decided to maintain the interim dividend at 2.0p per share, the same as last year, even though it was not fully covered by earnings in the first half. The Company has prudently accumulated significant revenue reserves in past years with a view to ensuring that AVI can maintain the freedom to pursue the primary objective of the Company, which is capital growth. These reserves give us some flexibility in our dividend policy, without constraining the Investment Managers in their pursuit of capital growth.

The level of discount during the half year has been between 13.8% and 10.8%. Since the beginning of the current financial year, the Company has bought back a total of 3,970,880 shares, adding some 0.34% to the net asset value per share to the benefit of continuing shareholders. The Board conducted an internal review and an independent external review of its share buyback strategy and possible alternatives. These reviews have endorsed the current approach. The Board will continue to use share buy backs as a useful tool to reduce the volatility of the discount.

The European Union's Alternative Investment Fund Managers' Directive ("AIFMD") came into force on 22 July 2013, with a further year until 22 July 2014 available to us to ensure compliance. The Company has taken detailed legal and regulatory advice, working closely with AVI, to ensure that it will meet the deadline. AVI has been appointed as the Company's Alternative Investment Fund Manager. JP Morgan will take on additional responsibilities as Depositary, as required under the directive, in addition to its current role as Custodian. The Board's thanks go to the managers and advisers for successfully completing the considerable amount of work which these changes have entailed.

Having assessed the opportunities arising from the recent Retail Distribution Review, the Board is also reviewing with AVI its communications strategy across all channels including the report and accounts, website, monthly notes and analyst meetings.

Regulatory changes, and notably preparation for the AIFMD and consequences of RDR, are having an impact on our administrative and marketing expenses this year. We will continue to monitor these closely.

The Board has again reviewed its policy of charging a proportion of management costs to capital. Previously, the annual management fee has been allocated 50% to revenue and 50% to capital, but 100% of the cost of servicing debt has been charged to revenue. It is clear that a much higher proportion of long-term total returns has been the result of capital growth rather than revenue and this is expected to continue. Therefore, from this financial year, the Board has decided that 70% of the annual management fee and 70% of the cost of servicing the Company's debt will be allocated to capital and 30% allocated to revenue. This is in line with the policy set out in the Statement of Recommended Practice for Investment Trusts issued by the Association of Investment Companies and the practice adopted by similar investment companies. Over the course of a full year this is likely to lead to a modest increase in income allocated to the revenue account above what would otherwise have been the case.

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

The improving levels of corporate activity and the sense in the investment community that earnings have not matched the recent multiple expansion in many markets are, after a period of some years, bringing more focus to, and renewed interest in, the AVI style of investing in good quality assets trading at significant discounts.

There are inevitably great uncertainties both in the UK, with the prospect of several important votes in the near future (the Scottish Referendum, the General Election and the anticipated EU referendum) and internationally with the prospective ending of the quantitative easing experiment and rising interest rates.

Overall, however, the Board is confident that AVI's clear investment philosophy and approach will continue to reward shareholders over the longer term.

Strone Macpherson
Chairman
30 May 2014

* Net liquidity is: the fixed income investments less the Debenture (at par value) plus or minus the net current assets/ (liabilities), divided by the net assets of the Company.

Investment Manager's Report

Performance Summary

For the first six months of the financial year, the Company's net asset value per share rose by 4.8% compared with a gain of 2.4% for the Company's benchmark, the Morgan Stanley Capital International ("MSCI") All-Country World Index ("ACWI") ex-US (£) (all figures are on a total return basis).

The returns on the MSCI All Country World Index (£) and on the Morningstar Investment Trust Global Index were 5.6% and 5.5% respectively.

The largest positive contributors during the period were Vivendi +1.2%, Investor AB 'A' +0.9%, Jardine Matheson Holdings +0.8%, Sofina +0.7% and Groupe Bruxelles Lambert ("GBL") +0.6%.

The largest detractors from performance were Dundee Corp -0.7%, Doğan Şirketler Grubu Holding (Doğan) -0.6% and Morrison (WM) Supermarkets -0.4%.

Over the ten year period to 31 March 2014 the Company's net asset value per share rose by 163.3% compared with gains of 129.2% for the MSCI ACWI ex-US Index (£), 127.8% for the MSCI AC World Index (£) and 141.1% for the Morningstar Investment Trust Global Index (all figures are on a total return basis).

As at 31 March 2014, the geographical profile of the portfolio was as follows: Continental Europe 39%, UK 17%, Asia Pacific ex-Japan 12%, Americas 12%, EMEA 6%, Japan 5% and Cayman Islands 2% (based on country of listing).

Net liquidity at the end of the period was 7.7% of net assets compared to 14.9% as at 30 September 2013.

The discount (debt at fair value) on the Company's shares was 13.7% at 31 March 2014. The discount has averaged 12.64% during the period, and over this time, 3,970,880 shares were bought back by the Company at an average discount of 12.98%, thereby adding 0.34% to NAV.

Portfolio Review

The financial year has started well for us and it is pleasing to be able to report performance that is ahead of our benchmark. In recent years, discounts on the type of company which we research have remained wide and whilst this has allowed us to build a portfolio with a good store of value, it is the narrowing of discounts that boosts our performance. In the last 12-18 months we have commented on the pick up in corporate activity and how this is a positive phenomenon for our style of investing. Disposals through trade sales or IPOs allow companies to realise the value of their assets and a healthy transactional market like this can often lead to a narrowing of discounts at which holding companies, conglomerates and closed-end funds trade.

During the period under review there have been several cases of corporate activity that have led to a narrowing of discounts on investments held by the Company. Vivendi is a good example of this. In the past year the company has embarked on a programme of asset disposals intended to transform it into a focused media business. This involved the disposal of its interests in Maroc Telecom and Activision Blizzard, as well as the recently announced sale of SFR, its mobile telephone business in France. The Company benefitted from the bidding battle for SFR, by way of a holding in Bouygues – one of the bidding parties. We reduced the Company's holding in Vivendi at prices very close to our estimates of its asset value, and also sold out of our holding in Bouygues on the back of a very sharp rise in its share price when it looked likely to have succeeded in winning SFR. It ultimately failed in its attempt and so our sale was timely.

Henex is another example of the potential for discount narrowing that exists within the portfolio. This family-controlled holding company was taken private by the controlling shareholder in October 2013 at a very small discount to NAV and a large uplift in share price. Sofina, an important investment for the Company, is part of the same family group, and the elimination of the discount at Henex has boosted sentiment toward Sofina, leading to a narrowing of its discount from 38% to 30% over the period. In addition, the company has delivered outperformance in terms of NAV growth, with its diversified portfolio of quality European companies.

Shortly after the period end Lafarge announced a merger with Holcim. Lafarge is one of the largest investments of another significant holding for the Company, GBL, making up over 20% of its NAV and the positive market reaction to the merger provided a welcome boost to GBL's net asset value. In addition, as one of the key shareholders in Lafarge, Albert Frère, the patriarch of GBL, was involved in exploring ways to create value for shareholders and this transaction serves as a reminder that often the shareholders behind such family controlled holding companies are actively seeking ways to create value for all shareholders. Like Sofina, GBL has been one of the key contributors to performance during the period and its discount remains at 29% – a level we consider to be very attractive.

Asian holding companies have also been a source of positive returns for us during the period. Jardine Matheson Holdings, your Company's largest investment, has recovered strongly from the weakness in its share price during the summer of 2013 when fears of the potential effect of the US "tapering" its quantitative easing programme hit the share prices of Asian stocks. As fears over the effects of tapering receded, an increase in share price of almost 15% during the period led Jardine Matheson to be a key contributor to performance.

The continuing pick up in corporate activity has also benefitted the listed private equity funds that we own. Almost 20% of your Company is invested in closed-end funds, with the vast majority of these being funds that invest in private equity assets. The current environment is one in which private equity companies are able to sell assets at prices that are often in excess of carrying values. Whilst NAV performance has benefitted from these transactions, the improved confidence around the sector has drawn attention from other investors and this has led to a narrowing of average discounts from 24% to 17% over the last 12 months amongst listed private equity funds we own. During the period, we sold out of our holding in Electra Private Equity, a company we have held since 2006 and which has seen a very strong performance in recent years. During 2008 we were able to increase our holding in Electra Private Equity at discounts to NAV that reached in excess of 60% and recently sold out at a discount of 12%.

With an international portfolio of companies, our portfolio is vulnerable to the effects of foreign exchange. Typically over the long run these tend to even out. Nevertheless, over shorter periods of time the effects of a strong Pound can weigh on performance. Doğan and Dundee Corp are Turkish and Canadian family-controlled holding companies respectively. In both cases, the effects of weak share prices have been compounded by weak currencies. Discounts on both companies remain wide: 63% in the case of Doğan and 42% in the case of Dundee Corp – levels we consider to be very attractive and prices at which we have added to our holdings.

As a consequence of the increased levels of activity, turnover on the portfolio has increased. For the twelve months to 31 March 2013, the turnover on the portfolio was just above 40%. In the past twelve months, portfolio turnover has risen to 72%. We view this as a positive development. It reflects an increase in opportunities for us in an environment where companies are more able to realise full value for their assets. This also helps in narrowing discounts. Encouragingly, whilst we have sold several investments at or above NAV, we have been able to reinvest the proceeds into companies trading on wide discounts. Thus the weighted average portfolio discount remains at a similar level to that at 30 September 2013 – 27.5% and we see very good potential for continued good performance as the discount has material scope to narrow in the current corporate environment.

Outlook

Recent years have been challenging for our style of investment with wide discounts and lack of corporate activity holding back relative performance.

There has been a marked change in recent months. We see evidence that investors are becoming more interested in our type of companies. This often happens after several years of strong equity market performance. Companies trading on discounts are cheaper ways to access markets. The pick up in corporate activity is another positive feature of the current market environment. In such an environment investors come round to our way of thinking – buying good quality assets at wide discounts is a sensible approach to investing.

John Pennink
Joe Bauernfreund
Asset Value Investors Limited
30 May 2014

Investment Portfolio

Investments at 31 March 2014

Company	Nature of business	% of class	Cost £000	Valuation £000	% of total assets less current liabilities
Jardine Matheson Holdings	Investment Holding Company	0.2	31,594	56,871	6.62
Investor AB 'A'	Investment Holding Company	0.8	27,653	51,989	6.05
Groupe Bruxelles Lambert	Investment Holding Company	0.5	38,354	43,595	5.07
Sofina	Investment Holding Company	1.4	24,812	34,332	3.99
Aker	Investment Holding Company	2.4	28,719	34,225	3.98
Vivendi	Media & Telecoms Conglomerate	0.1	30,689	32,455	3.78
Hyundai Motor (Preference Shares)	Auto Manufacturing	0.8	21,568	26,131	3.04
NB Private Equity Partners	Investment Company	4.8	22,852	25,189	2.93
First Pacific	Investment Holding Company	1.0	30,019	24,866	2.89
Gagfah	Real Estate Company	1.1	18,511	21,468	2.50
Top ten investments			**274,771**	**351,121**	**40.85**
British Land	Real Estate Investment Company	0.3	21,615	21,096	2.46
Harbourvest Global Private Equity	Investment Company	3.8	17,621	20,424	2.38
Immofinanz	Real Estate Company	0.6	20,680	20,267	2.36
Hitachi	Conglomerate	0.1	22,162	19,976	2.32
Morrison (WM) Supermarkets	Retail Holding Company	0.4	23,557	19,961	2.32
Mitsui Fudosan	Real Estate Company	0.1	20,251	19,673	2.29
AP Alternative Assets	Investment Company	1.2	7,112	18,930	2.20
Rallye	Investment Holding Company	1.4	17,098	18,710	2.18
Hudson's Bay	Retail Holding Company	1.0	17,693	17,286	2.01
Dundee Corp	Investment Holding Company	4.0	24,173	17,226	2.00
Top twenty investments			**466,733**	**544,670**	**63.37**
Power Corporation of Canada	Investment Holding Company	0.3	17,755	17,040	1.98
Symphony International Holdings	Investment Company	7.4	14,994	16,677	1.94
Doğan Şirketler Grubu Holdings	Investment Holding Company	3.6	24,429	16,512	1.92
Dolphin Capital Investors	Real Estate Investment Company	6.4	15,908	16,460	1.92
Dorel Industries 'B'	Consumer Goods Conglomerate	3.0	18,713	16,359	1.90
Suntec REIT	Real Estate Investment Company	0.8	13,516	14,824	1.73
Pantheon International Participations	Investment Company	4.0	7,489	14,801	1.72
DWS Vietnam Fund	Investment Company	9.2	12,551	13,574	1.58
Marwyn Value Investors	Investment Company	8.3	8,591	12,107	1.41
Crombie Real Estate Investment Trust	Real Estate Investment Company	2.3	13,672	11,908	1.39
Top thirty investments			**614,351**	**694,932**	**80.86**

Company	Nature of business	% of class	Cost £000	Valuation £000	% of total assets less current liabilities
Private Equity Holding AG	Investment Company	8.6	8,903	11,613	1.35
Brookfield Canada Office Properties	Real Estate Investment Company	2.9	13,276	11,345	1.32
LMS Capital	Investment Company	7.5	9,076	10,706	1.24
Dream Unlimited 'A'	Real Estate Company	0.3	8,070	9,523	1.11
Paris Orléans	Investment Holding Company	0.8	6,962	7,773	0.90
Ashmore Global Opportunities – GBP	Investment Company	9.6	7,148	6,486	0.75
ThyssenKrupp	Conglomerate	0.1	6,253	6,330	0.74
Mitra Energy*	Oil & Gas Company	2.3	4,632	5,566	0.65
Forterra Trust	Real Estate Investment Company	2.6	4,670	5,474	0.64
Pantheon International Participations (Redeemable Shares)	Investment Company	1.3	2,423	4,323	0.50
Top forty investments			**685,764**	**774,071**	**90.06**
Vietnam Property Fund	Investment Company	7.5	2,844	2,148	0.25
Macquarie International Infrastructure Fund	Investment Company	3.2	196	1,844	0.22
Resaca Exploitation*	Oil & Gas Company	9.3	5,176	1	0.00
Total equity investments			**693,980**	**778,064**	**90.53**
Fixed income investments					
UK Treasury 2.75% 22/01/2015	UK Government Security	–	24,459	24,449	2.85
Treasury 2% 22/01/2016	US Government Security	–	21,528	21,485	2.50
German Treasury Bill 0% 23/07/2014	German Government Security	–	20,663	20,662	2.40
Total investments			**760,630**	**844,660**	**98.28**
Net current assets				**14,814**	**1.72**
Total assets less current liabilities				**859,474**	**100.00**

* Unquoted Investments

Consolidated Statement of Comprehensive Income

of the Group for the six months ended 31 March 2014

	For the six months to 31 March 2014 (unaudited)		
	Revenue return £'000	Capital return £'000	Total £'000
Income			
Investment income (see note 2)	4,230	–	4,230
Gains on investments held at fair value	–	37,145	37,145
Losses on Equities Index Unsecured Loan Stock 2013 held at fair value	–	–	–
Exchange (losses)/gains on currency balances	–	(457)	(457)
	4,230	36,688	40,918
Expenses			
Investment management fee	(884)	(2,063)	(2,947)
Other expenses (including irrecoverable VAT)	(789)	(133)	(922)
Profit before finance costs and tax	2,557	34,492	37,049
Finance costs	(188)	(430)	(618)
Profit before taxation	2,369	34,062	36,431
Taxation	(333)	–	(333)
Profit for the period	2,036	34,062	36,098
Earnings per Ordinary Share (see note 3)	1.35p	22.55p	23.90p

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

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

All items in the above statement derive from continuing operations.

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

	For the six months to 31 March 2013 (unaudited)			For the year to 30 September 2013 (audited)		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
	7,193	–	7,193	28,796	–	28,796
	–	133,017	133,017	–	80,029	80,029
	–	(1,166)	(1,166)	–	(1,166)	(1,166)
	–	151	151	–	776	776
	7,193	132,002	139,195	28,796	79,639	108,435
	(1,176)	(1,176)	(2,352)	(2,353)	(2,353)	(4,706)
	(654)	(26)	(680)	(1,332)	(144)	(1,476)
	5,363	130,800	136,163	25,111	77,142	102,253
	(739)	(4)	(743)	(1,360)	(7)	(1,367)
	4,624	130,796	135,420	23,751	77,135	100,886
	(454)	–	(454)	(1,976)	8	(1,968)
	4,170	130,796	134,966	21,775	77,143	98,918
	2.64p	82.88p	85.52p	13.90p	49.24p	63.14p

Consolidated Statement of Changes in Equity

for the six months ended 31 March 2014

	Ordinary share capital £'000	Capital redemption reserve £'000	Share premium £'000	Capital reserve £'000	Merger reserve £'000	Revenue reserve £'000	Total £'000
For the six months to 31 March 2013 (unaudited)							
Balance as at 30 September 2012	16,001	2,934	28,078	664,536	41,406	38,270	791,225
Ordinary Shares bought back and held in treasury	–	–	–	(4,878)	–	–	(4,878)
Total comprehensive income for the period	–	–	–	130,796	–	4,170	134,966
Ordinary dividend paid	–	–	–	–	–	(11,836)	(11,836)
Special dividend paid	–	–	–	–	–	(5,523)	(5,523)
Balance at 31 March 2013	16,001	2,934	28,078	790,454	41,406	25,081	903,954
For the year ended 30 September 2013 (audited)							
Balance as at 30 September 2012	16,001	2,934	28,078	664,536	41,406	38,270	791,225
Ordinary Shares bought back and held in treasury	–	–	–	(25,193)	–	–	(25,193)
Total comprehensive income for the period	–	–	–	77,143	–	21,775	98,918
Ordinary dividends paid	–	–	–	–	–	(14,972)	(14,972)
Special dividend paid	–	–	–	–	–	(5,523)	(5,523)
Balance at 30 September 2013	16,001	2,934	28,078	716,486	41,406	39,550	844,455
For the six months to 31 March 2014 (unaudited)							
Balance as at 30 September 2013	**16,001**	**2,934**	**28,078**	**716,486**	**41,406**	**39,550**	**844,455**
Ordinary Shares bought back and held in treasury	**–**	**–**	**–**	**(19,355)**	**–**	**–**	**(19,355)**
Total comprehensive income for the period	**–**	**–**	**–**	**34,062**	**–**	**2,036**	**36,098**
Ordinary dividend paid	**–**	**–**	**–**	**–**	**–**	**(12,885)**	**(12,885)**
Special dividend paid	**–**	**–**	**–**	**–**	**–**	**(3,790)**	**(3,790)**
Balance at 31 March 2014	**16,001**	**2,934**	**28,078**	**731,193**	**41,406**	**24,911**	**844,523**

Consolidated Balance Sheet

at 31 March 2014

	At 31 March 2014 (unaudited) £'000	At 31 March 2013 (unaudited) £'000	At 30 September 2013 (audited) £'000
Non-current assets			
Investments held at fair value through profit or loss	**844,660**	915,399	846,354
Current assets			
Sales for future settlement	**–**	181	3,305
Other receivables	**4,005**	5,396	5,044
Cash and cash equivalents	**51,415**	8,362	7,126
	55,420	13,939	15,475
Total assets	**900,080**	929,338	861,829
Current liabilities			
Purchases for future settlement	**(36,834)**	(1,298)	(90)
Other payables	**(2,436)**	(9,134)	(2,337)
Bank overdraft	**(1,336)**	–	–
	(40,606)	(10,432)	(2,427)
Total assets less current liabilities	**859,474**	918,906	859,402
Non-current liabilities			
$8^{1}/_{8}$ per cent Debenture Stock 2023	**(14,932)**	(14,925)	(14,928)
Provision for deferred tax	**(19)**	(27)	(19)
Net assets	**844,523**	903,954	844,455
Equity attributable to equity Shareholders			
Ordinary share capital	**16,001**	16,001	16,001
Capital redemption reserve	**2,934**	2,934	2,934
Share premium	**28,078**	28,078	28,078
Capital reserve	**731,193**	790,454	716,486
Merger reserve	**41,406**	41,406	41,406
Revenue reserve	**24,911**	25,081	39,550
Total equity	**844,523**	903,954	844,455
Net asset value per Ordinary Share – basic (see note 6)	**566.73p**	575.32p	551.97p
Number of Shares in issue excluding treasury	**149,018,008**	157,121,038	152,988,888

Registered in England & Wales No. 28203

Consolidated Cash Flow Statement

for the six months ended 31 March 2014

	Six months to 31 March 2014 (unaudited) £'000	Six months to 31 March 2013 (unaudited) £'000	Year to 30 September 2013 (audited) £'000
Net cash inflow from operating activities			
Profit before taxation	**36,431**	135,420	100,886
Losses on Equities Index Unsecured Loan Stock 2013 held at fair value	**–**	1,166	1,166
Realised exchange losses/(gains) on currency balances	**457**	(151)	(776)
Gains on investments held at fair value through profit or loss	**(37,145)**	(133,017)	(80,029)
Purchases of investments	**(389,076)**	(321,126)	(711,162)
Sales of investments	**467,964**	342,704	744,465
Decrease/(increase) in other receivables	**676**	(806)	(1,620)
Increase in creditors	**99**	7,242	445
Taxation	**30**	(564)	(920)
Amortisation of Debenture issue expenses	**4**	4	7
Net cash inflow from operating activities	**79,440**	30,872	52,462
Financing activities			
Dividends paid	**(16,675)**	(17,359)	(20,495)
Payments for Ordinary Shares bought back and held in treasury	**(19,355)**	(4,878)	(25,193)
Redemption of Equities Index Unsecured Loan Stock 2013	**–**	(8,204)	(8,204)
Cash outflow from financing activities	**(36,030)**	(30,441)	(53,892)
Increase/(decrease) in cash and cash equivalents	**43,410**	431	(1,430)
Exchange movements	**(457)**	151	776
Change in cash and cash equivalents	**42,953**	582	(654)
Cash and cash equivalents at beginning of period	**7,126**	7,780	7,780
Cash and cash equivalents at end of period	**50,079**	8,362	7,126

Notes to the Financial Statements

for the six months ended 31 March 2014

1. Significant accounting policies

The financial statements of the Group have been prepared in accordance with International Financial reporting Standards ("IFRS") as adopted by the European Union. The accounting policies and methods of computation followed in these half year financial statements are consistent with the most recent annual financial statements for the year ended 30 September 2013, except as described below:

Adoption of new and revised standards

The Company has adopted IFRS 13 'Fair Value Measurement' with an initial application date of 1 January 2013. This adoption will also be reflected in the Company's consolidated financial statements as at and for the year ending 30 September 2014.

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. It also replaces and expands the disclosure requirements about fair value measurements in other IFRS's, including IFRS 7 'Financial Instruments: Disclosures'. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value. The adoption of this standard has therefore had no impact on the financial statements.

Expenses

The management fee has been allocated 30% to revenue and 70% to capital within the Consolidated Statement of Comprehensive Income.

Finance costs

Finance costs are accounted for on an effective interest rate basis and have been allocated 30% to revenue and 70% to capital within the Consolidated Statement of Comprehensive Income. This complies with the Statement of Recommended Practice for Financial Statements of Investment Trust Companies, which require the finance costs of the Debenture stock to be allocated between revenue and capital in the same proportions as the Management Fee.

Going concern

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

The financial information contained in this report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The half year financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

These financial statements are presented in sterling as this is the currency of the primary economic environment in which the Group operates.

Notes to the Financial Statements

for the six months ended 31 March 2014

2. Income	Six months to 31 March 2014 £'000	Six months to 31 March 2013 £'000	Year to 30 September 2013 £'000
Income from investments			
Listed investments	**4,222**	7,180	28,709
Other income			
Deposit interest	**8**	7	15
Interest received on Norwegian WHT reclaims	**–**	–	66
Underwriting commission	**–**	6	6
Total income	**4,230**	7,193	28,796

3. Earnings per Ordinary Share	Six months to 31 March 2014	Six months to 31 March 2013	Year to 30 September 2013
Total earnings per Ordinary Share			
Total profit	**£36,098,000**	£134,966,000	£98,918,000
Weighted average number of Ordinary Shares in issue during the period	**151,042,618**	157,806,227	156,665,364
Total earnings per Ordinary Share	**23.90p**	85.52p	63.14p

The total earnings per Ordinary Share detailed above can be further analysed between revenue and capital as below:

Revenue earnings per Ordinary Share			
Revenue profit	**£2,036,000**	£4,170,000	£21,775,000
Weighted average number of Ordinary Shares in issue during the period	**151,042,618**	157,806,227	156,665,364
Revenue earnings per Ordinary Share	**1.35p**	2.64p	13.90p
Capital earnings per Ordinary Share			
Capital profit	**£34,062,000**	£130,796,000	£77,143,000
Weighted average number of Ordinary Shares in issue during the period	**151,042,618**	157,806,227	156,665,364
Capital earnings per Ordinary Share	**22.55p**	82.88p	49.24p

4. Comparative information

The financial information contained in this half year report does not constitute statutory accounts as defined in section 435(1) of the Companies Act 2006. The financial information for the half year periods ended 31 March 2013 and 31 March 2014 has not been audited. The figures and financial information for the year ended 30 September 2013 are an extract from the latest published audited financial statements and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and include the report of the auditors, which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

5. Retained earnings

The table below shows the movement in the retained earnings analysed between revenue and capital items.

	Revenue £'000	Capital £'000	Total £'000
At 30 September 2013	39,550	716,486	756,036
Movement during the period:			
Ordinary Shares bought back and held in treasury	–	(19,355)	(19,355)
Total comprehensive income for the period	2,036	34,062	36,098
Ordinary dividend paid: Ordinary Shares	(12,885)	–	(12,885)
Special dividend paid: Ordinary Shares	(3,790)	–	(3,790)
At 31 March 2014	**24,911**	**731,193**	**756,104**

6. Net asset value per Ordinary Share

The net asset value per Ordinary Share is based on net assets of £844,523,000 (31 March 2013: £903,954,000; 30 September 2013: £844,455,000) and on 149,018,008 (31 March 2013: 157,121,038; 30 September 2013: 152,988,888) Ordinary Shares, being the number of Ordinary Shares in issue excluding treasury at the period ends.

7. Share capital

During the period 3,970,880 (six months to 31 March 2013: 973,947; year ended 30 September 2013: 5,106,097) Ordinary Shares were bought back and placed in treasury for an aggregate consideration of £19,355,529 (six months to 31 March 2013: £4,877,525; year ended 30 September 2013: £25,192,951). No Ordinary Shares were bought back and cancelled in the period (six months to 31 March 2013: nil; year ended 30 September 2013: nil).

8. Dividends

During the period the Company paid a final dividend of 8.5p per Ordinary Share and a special dividend of 2.5p per Ordinary Share for the year ended 30 September 2013 on 6 January 2014 to Ordinary Shareholders on the register at 6 December 2013 (ex-dividend 4 December 2013).

The interim dividend of 2.00p per Ordinary Share for the year ending 31 March 2014 will be paid on 27 June 2014 to Ordinary Shareholders on the register at the close of business on 13 June 2014 (ex-dividend 11 June 2014).

9. Contingent assets

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

10. Principal financial risks

The principal financial risks which the Company faces include exposure to:

– Market price risk
– Foreign currency risk
– Interest rate risk
– Liquidity risk
– Credit risk

Further details of the Company's management of these risks and exposure to them is set out in Note 18 of the Company's Annual Report for the year ended 30 September 2013, as issued on 11 November 2013. There have been no changes to the management of or exposure to these risks since that date.

Notes to the Financial Statements

for the six months ended 31 March 2014

11. Fair values of financial assets and financial liabilities

Except for the Company's 8⅛% Debenture Stock 2023 which is measured at amortised cost under the effective interest method, financial assets and financial liabilities of the Company are carried in the Balance Sheet at their fair value. The fair value is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than a forced or liquidation sale.

Set out below is a comparison of the carrying amounts and fair values of financial instruments:

	At 31 March 2014		At 30 September 2013	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial assets:				
Equity Investments – quoted	**772,497**	**772,497**	710,123	710,123
Equity Investments – unquoted	**5,567**	**5,567**	6,183	6,183
Fixed interest bearing securities	**66,596**	**66,596**	130,048	130,048
Total assets	**844,660**	**844,660**	846,354	846,354
Financial liabilities:				
8⅛% Debenture Stock 2023	**(14,932)**	**(18,525)**	(14,928)	(18,525)
Total liabilities	**(14,932)**	**(18,525)**	(14,928)	(18,525)

Fair value hierarchy

The Company measures fair values using the following 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 in 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 period 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 31 March 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	**772,497**	**–**	**5,567**	**778,064**
Fixed interest bearing securities	**66,596**	**–**	**–**	**66,596**
	839,093	**–**	**5,567**	**844,660**

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

There have been no transfers during the period between levels 1 and 2 fair value measurements and no transfers into or out of level 3 fair value measurements.

The following table summarises the Company's level 3 investments that were accounted for at fair value in the six months to 31 March 2014.

	At 31 March 2014 Level 3 £'000	At 30 September 2013 Level 3 £'000
Opening fair value of investments	**6,183**	4,492
Transfer from level 1 to level 3 investment	**–**	5,296
Purchase at cost	**–**	–
Sales proceeds	**–**	–
Total gains or losses included in gains on investments in the Consolidated Statement of Comprehensive Income		
– on sold assets	**278**	–
– on assets held at the period end	**(894)**	(3,605)
Closing fair value of investments	**5,567**	6,183

If the inputs used to measure fair value are categorised into different levels of the hierarchy, the investment is categorised entirely according to the lowest priority level that is significant to the fair value measurement of the relevant asset or liability. The Company's unquoted investments are categorised as level 3 and their fair values are determined in accordance with the International Private Equity and Venture Capital Valuation guidelines.

Level 3 valuations comprise an investment in Mitra Energy Limited ("Mitra") and Resaca Exploitation, both held at Directors' valuation.

Mitra's valuation is based on an average of peer NAV multiples, and peer EV/Resources multiples. A liquidity discount of 25% is applied and, as a cross-check, a simple average of peer share price moves over the period is calculated to lend support to the valuation.

Resaca Exploitation has been valued at $0.07 per share based on the final expected liquidation payment following the sale of assets to Legacy Reserves in 2013.

12. Related parties and transactions with the manager

The Company paid management fees to Asset Value Investors Limited during the period amounting to £2,947,000 (six months to 31 March 2013: £2,352,000; year ended 30 September 2013: £4,706,000).

Fees paid to Directors for the six months ended 31 March 2014 amounted to £67,000 (six months to 31 March 2013: £65,000; year ended 30 September 2013: £132,000).

At the half year end, the following amounts were outstanding in respect of management fees: £490,000 (half year end 31 March 2013: £392,000; year ended 30 September 2013: £392,000).

Interim Management Report

There have been no changes to the related party disclosures set out in the Annual Report of the Company for the year ended 30 September 2013, except as above.

The Directors consider that the Chairman's Statement on page 3 of this Report, the Investment Manager's Report on pages 4 and 5, the above statement on related party disclosures and the Directors' Responsibility Statement below, together constitute the Interim Management Report of the Company for the half year to 31 March 2014 and satisfy the requirements of the FCA's Disclosure Rules and Transparency Rules ("DTR") 4.2.3 to 4.2.11.

Directors' Responsibility Statement

The non-executive Directors listed on page 21 confirm that to the best of their knowledge:

a) the condensed set of financial statements, which has been prepared in accordance with IAS 34, gives a true and fair view of the assets, liabilities, financial position and profit of the Company for the period ended 31 March 2014;
b) the Interim Management Report includes a fair review, under the FCA's Disclosure and Transparency Rules DTR 4.2.7R, of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
c) the Interim Management Report includes a fair review of the information concerning related parties transactions as required by DTR 4.2.8R.

Strone Macpherson
Chairman
30 May 2014

Independent Review Report to British Empire Securities and General Trust plc

Introduction
We have been engaged by the Company to review the financial statements in the half year financial report for the six months ended 31 March 2014 which comprises the Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement and the related notes 1 to 12. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities
The half year financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half year financial report in accordance with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The financial statements included in this half year financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility
Our responsibility is to express to the Company a conclusion on the financial statements in the half year financial report based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the financial statements in the half year financial report for the six months ended 31 March 2014 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
30 May 2014

Notes

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

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

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

Company Information

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Steven Andrew Ralph Bates
Andrew Stephen Robson
Susan Margaret Noble
Nigel Mervyn Sutherland Rich

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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.

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Printed on Chorus Silk and Explorer; both papers containing 100% virgin fibre sourced from well-managed, responsible FSC® certified forests. The paper is FSC® certified. The factory is an EMAS and FSC® certified CarbonNeutral® company, and its Environmental Management System is certified to ISO14001. 100% of the inks used are vegetable oil based and 95% of press chemicals are recycled for further use and on average 99% of any waste associated with this production will be recycled.