BRITISH EMPIRE SECURITIES AND GENERAL TRUST PLC

Results for the full year to 30 September 2012 and availability of Annual Report

Objective
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.

Financial Highlights
- Uncertain economic conditions continue to prevail
- Net asset value (NAV) on a total return basis increased by 10.3%
- Benchmark* Index increased by 13.8%
- Total ordinary dividends increased by 11.8%
- Special dividend of 3.5p
- At the end of the year net liquidity was 19.9%

Performance Summary

	30 September 2012	30 September 2011	% change
Capital Return			
Net asset value per Share	**500.47p**	462.51p	8.21
Share price (mid market)	**438.30p**	422.60p	3.72
Net asset value per Share (total return)			10.25
Indices			
Morningstar Investment Trust Global Growth Index*	**299.68**	263.38	13.78
Morgan Stanley Capital International World Index (£ adjusted total return)	**2,865.48**	2,428.27	18.00
Revenue and Dividends			
Income	**£30.87m**	£25.93m	19.05
Earnings per Share	**15.06p**	11.50p	30.96
Ordinary Dividends per Share	**9.50p**	8.50p	11.76
Special Dividend per Share	**3.50p**	2.00p	75.00
Discount			
(difference between share price and net asset value)	**12.42%**	8.63%	-
Ongoing Charges Ratio			
(as percentage of average shareholders' funds)			
Management, marketing and other expenses	**0.74%**	0.72%	-
Performance fee	**0.00%**	0.00%	-
2012 Year's Highs/Lows	High	Low	
Net asset value per Share	**506.60p**	**440.37p**	-
Share price (mid market)	**475.65p**	**387.05p**	-

* The Morningstar Investment Trust Global Growth Index (total return basis), formerly known as Fundamental Data Global Growth Investment Trust Index, is subject to revision and the figures are as at 26 October 2012.

Buy-backs
During the year the Company purchased 1,985,104 Ordinary Shares of which, at the year end, 66,000 had been cancelled. The Company did not purchase any of its Equities Index Unsecured Loan Stock 2013 or any of its Debenture Stock 2023 during the year.

Chairman's Statement

This report covers the period from 1 October 2011 to 30 September 2012.

The year under review has again been one in which markets have been difficult for the investment community but the Board is pleased to report that Asset Value Investors have not deviated from their established investment process and style; and in the second half of the year have outperformed the benchmark indices by an encouraging margin.

Our European holding company investments contributed 38% of our net total return for the year, despite the value of the euro declining against sterling; and our Asian holding companies a further 38% . The overall total return, after taking into account the currency effect and dividend income, amounted to some £75.9m.

For the year under review, the net asset value per share rose by 10.3% on a total return basis. This compares to an increase in our benchmark (the Morningstar Investment Trust Global Growth Index) of 13.8%. While this underperformance is disappointing, there was a marked improvement in the second half of the year, when the Company outperformed the index by over 3%. Most of the investments which we hold stand at discounts to their stated net asset value, and in the year under review, the average see through discount has narrowed from a peak of around 39% to approximately 30%. Our investee companies, on the whole, continued to trade well in difficult economic circumstances which was not always reflected in improving share prices. Nevertheless, improved dividend income generally reflected underlying trading performance.

There has again been good income growth over the year of some 19%. We are therefore pleased to be recommending an increased final dividend of 7.5p (2011 6.5p) which, together with the interim dividend of 2.0p (2011 2.0p), would bring total Ordinary dividends for this year to 9.5p, an increase of 11.8% over last year. In addition, to reflect some exceptional dividend receipts, we are again proposing a special dividend; this year of 3.5p and bringing total dividends for the year to 13.0p (2011: 10.5p).

At the year end net liquidity amounted to some 20% of the portfolio, reflecting the manager's cautious outlook. Further details of the breakdown of performance and changes in the portfolio are set out in the Investment Manager's Review.

The share price increased during the year from 423p to 438p. The share price return of 6.2% (again on a total return basis, including re-invested dividends) was below the net asset value return, because of a widening discount over the year.

The level of discount has oscillated between 4.5% and 14% and, at the year end, was 12.4%.

Recognising the wider discount the Company has, during the second half of this financial year, bought back a total of 1.985 million shares, at an average discount of 13.8%, adding some 0.8p per share (0.2%) to the net asset value to the benefit of all shareholders. These purchases included 1.2 million shares bought at 412.6p at a discount of circa 14% through the market from Caledonia Investments plc. Reflecting a change in its investment policy, Caledonia, until recently our largest shareholder, has sold its entire holding to a combination of existing and new shareholders.

We will continue to take steps, if necessary, to limit the volatility of the discount or premium, as we have done this year. The Board is therefore once again seeking to renew its authorities to buy back and issue shares.

The Board, meeting as the Nomination Committee, decided to appoint two new directors, Nigel Rich and Susan Noble, both of whom joined the board in March 2012. Nigel Rich is chairman of Segro plc and a non-executive director of a number of companies. He brings extensive experience of the Far East from his former executive career as managing director of Hong Kong Land and Jardine Matheson. Susan Noble was a director and senior European fund manager at Robert Fleming Asset Management, and latterly head of Global Equities at Goldman Sachs Asset Management; she brings long experience of European Equity Investments. She is a non-executive director of Alliance Trust plc. We welcome both of them to the Board.

In line with best practice, all of the directors come up for re-election each year. The Board has completed a further board evaluation, this year internally, and has considered again the directors' qualifications, performance and contribution to the Board. The Board can confirm that they each continue to be effective and to demonstrate commitment to the role. The Board therefore recommends that each should be re-elected with the exception of Rosamund Bloomfield-Smith who has asked not to stand for re-election this year. Rosamund was appointed to the Board in 2003 and has made a substantial contribution to our Board discussions over a long period, and we shall miss her input greatly. We wish her all success in her future activities.

Between the year end and 6 November, the latest date for which data is available, the company's net asset value increased by 4.1% compared with a benchmark return of 1.3%.

The overall liquidity of the portfolio at the year end of some 20% is at the higher end of the usual range and reflects continuing concern about the growing evidence of slowing economic growth in many parts of the world and continuing political concerns in the USA, China and elsewhere. The solution to the problem of sovereign debt in many countries is far from clear, and the uncertain outlook in China is also unsettling the global investor. That said, the Board believes that your company is well positioned, with good liquidity, to take advantage of any further difficult market conditions, while pursuing its long term policy of investing in quality undervalued assets.

Strone Macpherson
Chairman
12 November 2012

Investment Manager's Review

During the year, the Company's NAV rose by 10.3%, compared with an increase of 13.8% in the benchmark Morningstar Global Growth Index (both on a total return basis). While value investing as a strategy has been out of favour for the last couple of years, we may now be seeing the early signs of a shift in sentiment as evidenced by our outperformance of the index over the second half of the year and after the period end. With the weighted average discount remaining towards the wider end of its historical range, there are good prospects for further discount narrowing and outperformance.

After a strong first half showing from global markets there was continued progress in the second half of British Empire's financial year, albeit at a reduced rate. Your Company's performance relative to the benchmark, however, improved in the second half of the year compared with the first half, owing in large part to the narrowing of discounts on many of the Company's investments. The proximate causes for both the equity markets' positive performance and also the narrowing of discounts on our holdings have been policy pronouncements from the European Central Bank and the US Federal Reserve. These policies have eased fears of an imminent collapse, especially in the European banking system, and allowed investors the confidence to extend their investment time horizons. A willingness to invest for the long term is a necessary pre-condition for the outperformance of the value style which we follow at AVI, as patience is often required to gather returns on investments made on the basis of low valuations.

Valuations within our portfolio companies still appear to be attractive, with a weighted average discount on our investments of 30%. This is down from 39% one year ago but still wide by historical standards. An increasing proportion of general equity market trading is being conducted through the medium of Exchange Traded Funds (ETFs) and other index-based products. This has meant that markets have awarded increasingly high valuations to large cap stocks vis a vis their less well known peers and this has, in turn, led to a corresponding lack of interest and liquidity in the smaller cap names. At some point in time, the valuation differential between the large cap stable growth stocks and the rest of the market will become so great as to sow the seeds of its own undoing. We believe that investors will realise at some point that they all own the same expensive stocks and look to buy what is today cheap and unloved.

The degree to which the equity markets appear to be driven by hopes for further stimulus is concerning. Each round of monetary easing or support is being met by the markets with diminishing returns. At the same time, economic fundamentals have not significantly improved and offer limited support for the equity markets absent artificial stimulus. To the extent that the economy does not pick up, there may be a gap opening up between the level of certain stock market indices (close to an all-time high) and the rather more gloomy economic fundamentals. Our net liquidity has increased to circa 20%.

We still believe it is sensible to focus on buying companies on discounts for their long term appreciation potential. In this particularly challenging environment of economic and policy uncertainty we believe a tweaking of our tactics (but not of our overall strategy) to pay more attention to dividends, which are an increasing component of returns, and catalysts is appropriate. In addition to the attractive value in the portfolio, as noted above, British Empire shares have themselves traded on a significant discount at times throughout the year. This has represented an appealing investment opportunity and your Company has bought back 1.985m shares at an average discount of 13.8%.

Portfolio Review

During the year, your company's NAV increased by 10.3% compared with an increase of 13.8% in the benchmark Morningstar Global Growth Index (both on a total return basis). Whilst it is disappointing to have underperformed the benchmark over the year, it was encouraging that the Company has outperformed the benchmark over the second half of the year by over 3% and we remain confident that the significant value in our portfolio will be realised over time.

As far as returns go, two particular factors merit mention this year. First, shareholders will be aware that the dividends which have flowed into the Company's income account in recent years have increased sharply and this dividend income has formed a significant part of the total return during the financial year. This accounted for over a third of total return for the year. Second, on the other side of the ledger, the strength of the Pound against several currencies, but principally the Euro, has had a negative effect on total returns during the year, accounting for a drag of 3% on NAV returns.

Weighted Average Discount

As ever, this factor remains a major determinant of returns over any given period. It is clear that discounts remain at the wider end of the historic range. The wide discounts and absence of significant narrowing have acted as a headwind to performance in recent years as narrowing discounts can be an important boost to returns. The outperformance of the portfolio over the second half of the year has coincided with a narrowing of the discount from 35% to 30%.

European Holding Companies

This part of the portfolio contributed 38% of total gains achieved over the financial year. Local currency gains and dividend income were offset by negative foreign exchange translation effects. The Euro was by far the weakest currency in the portfolio against Sterling. 15% of the total portfolio is listed in Nordic countries. There remains a lot of value in European Holding Companies. Weighted average discounts are 33% compared with 38% one year ago.

Notable gains were made in Aker, a Norwegian listed company focused on the oil services industry through a 28% stake in Aker Solutions, a major oil services business, and a 49.9% stake in Det Norske, the second largest oil company in Norway. Both of these companies have had a good year. In the case of Aker Solutions a change of management and operational improvements have driven a share price re-rating, whilst at Det Norske being part of the consortium that made a large discovery in the North Sea boosted its share price enormously over the year. Aker holds some other investments in related industries and also has significant net cash on its balance sheet, having made asset disposals early in the year. It trades on a 41% discount and is committed to paying a relatively high dividend yield, currently 5.9%. A share price total return during the year of 66% has been driven by underlying NAV growth rather than discount compression. We consider that there is scope for further growth in the value of its businesses which suggests that the current wide discount level is unjustified.

Other strong contributors to performance based in Scandinavia include Investor AB 'A' and Orkla; both of which trade on wide discounts, have attractive dividend yields and strong balance sheets, as well as catalysts for discount narrowing.

There were some disappointing performances elsewhere in Europe. For example, CIR SpA in Italy, which we no longer hold, detracted from performance to the tune of £2.8m over the period. This is an example of a company that trades on a very wide discount. However, being based in Italy, it has suffered from negative investor sentiment, as well as a deteriorating operational outlook for some of its businesses.

Asian Holding Companies

Asian companies have been a source of strong returns for a number of years and once again they contributed significantly. 38% of this year's returns came from this group of companies, with the bulk of these coming from our investments in Jardine Matheson Holdings and Jardine Strategic Holdings.

Wheelock & Co was another notable contributor to performance. In recent months its share price appreciated sharply and thus the discount at which it trades narrowed. We used this strength to sell our holding and realise profits. We also took profits on part of our holdings in Swire Pacific and thereby further reduced our exposure to property markets in Hong Kong and China, both of which have been remarkably strong in recent years.

We have been adding companies that offer exposure to the Asian domestic consumer. During the year we had a position in Fraser & Neave which was the subject of corporate activity that allowed us to sell our holding for a reasonable profit.

Another recent addition is First Pacific, which is a Hong Kong listed holding company that owns stakes in four other listed companies in the Philippines and Indonesia. It is on a 45% discount and management are attempting to narrow the discount by way of share buybacks and generally increasing the investor awareness and understanding of the company.

Vivendi

Vivendi is the largest single holding in the portfolio. Its share price has been relatively flat over the year but this masks a rather more volatile time for the company as challenges in its French mobile phone business contributed to a decision to cut the dividend by a third. Vivendi owns a collection of businesses spanning mobile phones, broadband, television, music and computer games and the share price is significantly below the aggregate value of those businesses. Following management changes, the company has now embarked on a different strategy that we believe will see one or more of those businesses disposed of. This reflects a recognition by management that the present structure does not work, as a huge amount of value could be created for shareholders if the discount were successfully eliminated.

The company trades on very low multiples of earnings and, even after the cut in dividend, currently yields over 6%.

We added to our holding in Vivendi after the sharp sell-off in the shares earlier in the year and this, together with the dividend income, has meant that Vivendi made a small positive contribution to returns during the year.

Other

Losses within this sector have come from small Japanese companies, where we have been reducing our investments. Despite very wide discounts indeed, it seems unlikely that management will pursue the kind of strategy that could lead to those discounts being reduced.

Closed End Funds

The weighting in closed end funds has expanded over the year and we have been particularly focused on the listed private equity sector. Holdings in Pantheon and Electra have been supplemented with new investments including LMS Capital and AP Alternative Assets. These investments were made on average discounts above 30% and we are confident in the value of the underlying businesses. In addition, action is being taken to address wide discounts, with no new investments being made by the funds and capital being returned to shareholders from the sale of existing holdings.

Mining & Resources

Nexen was a large contributor to performance for the year under review as a result of a take over bid from CNOOC at a premium of circa 60% to the prevailing share price. This was almost matched by a very strong performance over the year from Amerisur Resources, a London listed oil exploration company with assets in South America.

It has been a challenge to make money out of gold mining stocks despite another year of decent gains in the gold spot price. We currently have 3% in gold mining companies, which is lower than a year ago. A loss on the sale of one holding was partially offset by the gains made in others

Property

Granite Real Estate, a Canadian listed REIT, performed well; with its share price rising by over 30% during the year. This has been driven by improving investor sentiment following the implementation of a more shareholder friendly strategy. The company yields almost 6% and is trading on a discount to NAV of circa 12%, which is far more attractive than most of its peer group of North American REITs.

Suntec REIT in Singapore is an example of a more recent investment. This company owns prime commercial property in Singapore and yields almost 6.5%. There is scope for this to be increased after the company completes its recently announced asset enhancement initiative.

Liquidity

A comment is warranted on the level of liquidity within the portfolio which has expanded from 10% one year ago to 20% as at 30 September 2012. Much of this increase has come about during the last few months of the financial year, as stronger markets and narrower discounts in some of our stocks allowed us to take profits and to build up our cash levels for investment into more attractive opportunities. We do not target a particular level of cash. However, at times cash will build up as the timing of sales and purchases do not always match.

Outlook

There is good value in our portfolio of stocks relative to the market, as evidenced by the continued very wide weighted average discount to NAV. In these holdings is embedded a store of value that can be released through corporate activity such as takeovers and reorganisations. Corporate activity may affect a small sub-set of our portfolio in any given period; as we have seen in the past year with Nexen, Allied Gold and Fraser &

Neave. A more general narrowing of discounts will occur when investors gain confidence in the economic and political environment and can make longer term investment decisions. Because the investment environment has been so influenced by central bank policies, many investors have become less interested in stockpicking and the major decision has been between 'risk-on' and 'risk-off'. This has led many of them into using only the most liquid index investments so as to be able to change their orientation quickly. Longer-term investment is discouraged for both corporate and stock market investors. For this reason, we consider the monetary activism as carried out by the US Federal Reserve, the Bank of England and the ECB to be misconceived. In delivering a transient shot in the arm to the markets we are also destroying the predictability and stability that we need to make sound investments and capital allocations both as investors and as a society.

Notwithstanding the economic and policy headwinds, we will continue to seek to invest in good companies at attractive valuations.

John Pennink
Asset Value Investors Limited
12 November 2012

Consolidated Statement of Comprehensive Income

of the Group for the year ended 30 September 2012

	2012 Revenue return £'000	**2012 Capital return £'000**	**2012 Total £'000**	2011 Revenue return £'000	2011 Capital return £'000	2011 Total £'000
Income						
Investment income (note 2)	**30,865**	**-**	**30,865**	25,929	–	25,929
Gains/(losses) on investments held at fair value	**-**	**55,533**	**55,533**	–	(91,472)	(91,472)
Unclaimed distribution monies	**-**	**52**	**52**	–	–	–
(Losses)/gains on Equities Index Stock 2013 held at fair value	**-**	**(243)**	**(243)**	–	145	145
Exchange losses on currency balances	**-**	**(1,242)**	**(1,242)**	–	(1,639)	(1,639)
	30,865	**54,100**	**84,965**	25,929	(92,966)	(67,037)
Expenses (note 3)						
Investment management fee	**(2,200)**	**(2,200)**	**(4,400)**	(2,471)	(2,471)	(4,942)
Back VAT on management and performance fees	**-**	**-**	**-**	111	69	180
Other expenses (including irrecoverable VAT)	**(1,235)**	**(58)**	**(1,293)**	(1,194)	–	(1,194)
Profit/(loss) before finance costs and tax	**27,430**	**51,842**	**79,272**	22,375	(95,368)	(72,993)
Finance costs (note 4)	**(1,486)**	**(7)**	**(1,493)**	(2,116)	(7)	(2,123)
Profit/(loss) before taxation	**25,944**	**51,835**	**77,779**	20,259	(95,375)	(75,116)
Taxation (note 5)	**(1,894)**	**9**	**(1,885)**	(1,854)	11	(1,843)
Profit/(loss) for the year	**24,050**	**51,844**	**75,894**	18,405	(95,364)	(76,959)
Earnings per Ordinary Share (note 6)	**15.06p**	**32.46p**	**47.52p**	11.50p	(59.57)p	(48.07)p

The Company did not have any income or expense that was not included in profit/(loss) for the year. Accordingly, the "Profit/(loss) for the year" is also the "Total comprehensive income for the year", as defined in IAS 1 (revised) and no separate Statement of Comprehensive Income 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.

Consolidated and Company Statements of Changes in Equity
for the year ended 30 September 2012

	Ordinary share capital £'000	Capital redemption reserve £'000	Share premium £'000	Capital reserve £'000	Merger reserve £'000	Revenue reserve £'000	Total £'000
Group							
For the year ended 30 September 2012							
Balance as at 30 September 2011	**16,008**	**2,927**	**28,078**	**620,938**	**41,406**	**31,028**	**740,385**
Ordinary Shares bought back and cancelled	**(7)**	**7**	**-**	**(264)**	**-**	**-**	**(264)**
Ordinary Shares bought back and held in treasury	**-**	**-**	**-**	**(7,982)**	**-**	**-**	**(7,982)**
Total comprehensive income for the year	**-**	**-**	**-**	**51,844**	**-**	**24,050**	**75,894**
Ordinary dividends paid	**-**	**-**	**-**	**-**	**-**	**(13,607)**	**(13,607)**
Special dividend paid	**-**	**-**	**-**	**-**	**-**	**(3,201)**	**(3,201)**
Balance as at 30 September 2012	**16,001**	**2,934**	**28,078**	**664,536**	**41,406**	**38,270**	**791,225**
For the year ended 30 September 2011							
Balance as at 30 September 2010	16,008	2,927	28,078	716,302	41,406	24,949	829,670
Total comprehensive income for the year	-	-	-	(95,364)	-	18,405	(76,959)
Ordinary dividends paid	-	-	-	-	-	(12,326)	(12,326)
Special dividend paid	-	-	-	-	-	-	-
Balance as at 30 September 2011	16,008	2,927	28,078	620,938	41,406	31,028	740,385
Company							
For the year ended 30 September 2012							
Balance as at 30 September 2011	**16,008**	**2,927**	**28,078**	**622,706**	**41,406**	**29,260**	**740,385**
Ordinary Shares bought back and cancelled	**(7)**	**7**	**-**	**(264)**	**-**	**-**	**(264)**
Ordinary Shares bought back and held in treasury	**-**	**-**	**-**	**(7,982)**	**-**	**-**	**(7,982)**
Total comprehensive income for the year	**-**	**-**	**-**	**51,841**	**-**	**24,053**	**75,894**
Ordinary dividends paid	**-**	**-**	**-**	**-**	**-**	**(13,607)**	**(13,607)**
Special dividend paid	**-**	**-**	**-**	**-**	**-**	**(3,201)**	**(3,201)**
Balance as at 30 September 2012	**16,001**	**2,934**	**28,078**	**666,301**	**41,406**	**36,505**	**791,225**
For the year ended 30 September 2011							
Balance as at 30 September 2010	16,008	2,927	28,078	718,073	41,406	23,178	829,670
Total comprehensive income for the year	-	-	-	(95,367)	-	18,408	(76,959)
Ordinary dividends paid	-	-	-	-	-	(12,326)	(12,326)
Special dividend paid		-	-	-	-	-	-
Balance as at 30 September 2011	16,008	2,927	28,078	622,706	41,406	29,260	740,385

Consolidated and Company Balance Sheets
as at 30 September 2012

	Company		Group	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Non-current assets				
Investments held at fair value through profit or loss	**809,196**	758,889	**807,181**	756,871
Current assets				
Other receivables	**5,776**	3,819	**5,776**	3,820
Cash and cash equivalents	**7,778**	5,660	**7,780**	5,662
	13,554	9,479	**13,556**	9,482
Total assets	**822,750**	768,368	**820,737**	766,353
Current liabilities				
Other payables	**(9,539)**	(6,238)	**(7,526)**	(4,223)
Equities Index Stock 2013 held at fair value through profit or loss	**(7,038)**	–	**(7,038)**	–
Total assets less current liabilities	**806,173**	762,130	**806,173**	762,130
Non-current liabilities				
8 $^{1/8}$ per cent Debenture Stock 2023	**(14,921)**	(14,914)	**(14,921)**	(14,914)
Equities Index Stock 2013 held at fair value through profit or loss	**-**	(6,795)	**-**	(6,795)
Provision for deferred tax	**(27)**	(36)	**(27)**	(36)
Net assets	**791,225**	740,385	**791,225**	740,385
Equity attributable to equity Shareholders				
Ordinary share capital	**16,001**	16,008	**16,001**	16,008
Capital redemption reserve	**2,934**	2,927	**2,934**	2,927
Share premium	**28,078**	28,078	**28,078**	28,078
Capital reserve	**666,301**	622,706	**664,536**	620,938
Merger reserve	**41,406**	41,406	**41,406**	41,406
Revenue reserve	**36,505**	29,260	**38,270**	31,028
Total equity	**791,225**	740,385	**791,225**	740,385
Net asset value per Ordinary Share – basic (note 7)	**500.47p**	462.51p	**500.47p**	462.51p
Number of shares in issue excluding Treasury	**158,094,985**	160,080,089	**158,094,985**	160,080,089

Consolidated and Company Cash Flow Statements

for the year ended 30 September 2012

	Company		Group	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Reconciliation of profit/(loss) before taxation to net cash inflow from operating activities				
Profit/(loss) before taxation	**77,779**	(75,116)	**77,779**	(75,116)
Losses/(gains) on Equities Index Stock 2013 held at fair value	**243**	(145)	**243**	(145)
Realised exchange losses on currency balances	**1,242**	1,639	**1,242**	1,639
(Gains)/losses on investments held at fair value through profit or loss	**(55,530)**	91,475	**(55,533)**	91,472
Purchases of investments	**(556,735)**	(626,817)	**(556,735)**	(626,817)
Sales of investments	**563,194**	634,405	**563,194**	634,405
Decrease/(increase) in other receivables	**733**	(219)	**733**	(219)
Increase/(decrease) in creditors	**925**	(322)	**927**	(319)
Taxation	**(3,444)**	(2,612)	**(3,443)**	(2,612)
Amortisation of Debenture issue expenses	**7**	7	**7**	7
Net cash inflow from operating activities	**28,414**	22,295	**28,414**	22,295
Financing activities				
Dividends paid	**(16,808)**	(12,326)	**(16,808)**	(12,326)
Payments for Ordinary Shares bought back and cancelled	**(264)**	-	**(264)**	-
Payments for Ordinary Shares bought back and held in Treasury	**(7,982)**	-	**(7,982)**	-
Buyback of Equities Index Stock 2013	**-**	(204)	**-**	(204)
Redemption of 10 $^{3/8}$ per cent Debenture Stock 2011	**-**	(8,484)	**-**	(8,484)
Cash outflow from financing activities	**(25,054)**	(21,014)	**(25,054)**	(21,014)
Increase in cash and cash equivalents	**3,360**	1,281	**3,360**	1,281
Exchange movements	**(1,242)**	(1,639)	**(1,242)**	(1,639)
Change in cash and cash equivalents	**2,118**	(358)	**2,118**	(358)
Cash and cash equivalents at beginning of year	**5,660**	6,018	**5,662**	6,020
Cash and cash equivalents at end of year	**7,778**	5,660	**7,780**	5,662

Notes

1. Accounting policies

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

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

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

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

International Accounting Standards (IAS/IFRS)		*Effective for periods beginning on or after*
IFRS 9	Financial Instruments: Classification & Measurement	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interest in other Entities	1 January 2013
IFRS 13	Fair-Value Measurement	1 January 2013

The Company is considering what impact, if any, the adoption of these standards/interpretations in future periods will have. Currently they do not believe that there will be a material impact on the 2013 consolidated financial statements.

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

As permitted by Section 408 of the Companies Act 2006 no Company Statement of Comprehensive Income has been prepared.

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

(e) Use of estimates
The preparation of financial statements requires the Group to make estimates and assumptions that affect items reported in the Group and Company balance sheet and Consolidated Statement of Comprehensive Income and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on best knowledge of current facts, circumstances and, to some extent, future events and actions, the Group's actual results may ultimately differ from those estimates, possibly significantly. Unquoted equity investments that the Group holds are not traded and, as such, the prices are more uncertain than those more widely traded securities. The unquoted investments are valued by reference to valuation

techniques approved by the Directors and in accordance with the International Private Equity and Venture Capital Valuation (IPEVC) guidelines as described in note 1(i).

(f) Income
Dividends receivable on equity shares are recognised as revenue for the year on an ex-dividend basis. Where an ex-dividend date is not available, dividends received on or before the year end are treated as revenue for the year. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount. Interest receivable from cash and short term deposits is accrued to the end of the year.

(g) Expenses
All expenses and interest payable are accounted for on an accruals basis. Expenses have been charged to revenue except as follows:
• The base management fee has been allocated 50% to revenue and 50% to capital within the Consolidated Statement of Comprehensive Income. The performance element of the management fee is charged 100% to capital within the Consolidated Statement of Comprehensive Income;
• Expenses which are incidental to the purchase or sale of an investment are recognised within the Consolidated Statement of Comprehensive Income as a capital item;
• Expenses are presented as capital where a connection with the maintenance or enhancement of the value of investments can be demonstrated.

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

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

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

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

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

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

In accordance with IFRS recognition and measurement principles, all the Group's investments are classified as investments designated at fair value through profit or loss and are described in these financial statements as investments held at fair value.

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

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

Investments held by the subsidiary undertaking are classified as "held for trading" and are valued at fair value in accordance with the policies above for listed and unlisted holdings. Profits or losses on investments "held for trading" are taken to revenue.

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

(j) Movements in fair value
Changes in fair value of investments not designated as held for trading are recognised in the Consolidated Statement of Comprehensive Income as a capital item. On disposal, realised gains and losses are also recognised in the Consolidated Statement of Comprehensive Income as capital items.

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

(l) Dividends payable
Interim and final dividends are recognised in the period in which they are paid.

(m) Foreign currency translation
Transactions in currencies other than sterling are recorded at the rates of exchange prevailing on the date of the transaction. Monetary items that are fair valued and are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Foreign exchange differences arising on translation are recognised in the Consolidated Statement of Comprehensive Income.

(n) Equities Index Unsecured Loan Stock 2013 (Index Stock)
In accordance with IFRS recognition and measurement principles, the Index Stock is classified as a financial liability designated at fair value through profit or loss and is valued at the closing offer price. Changes in its fair value are recognised in the Consolidated Statement of Comprehensive Income as a capital item. On cancellation, gains and losses are also recognised through the Consolidated Statement of Comprehensive Income as capital items. Interest paid on the Index Stock is charged to the Consolidated Statement of Comprehensive Income as a revenue item.

(o) Finance costs
Finance costs are accounted for on an effective interest basis and are recognised through the Consolidated Statement of Comprehensive Income as revenue items. This does not comply with the Statement of Recommended Practice for Financial Statements of Investment Trust Companies, which would require the finance costs of the Debenture Stock and the Index Stock to be allocated between revenue and capital in the same proportions as the Management Fee. However, the Directors consider that the treatment adopted, which is consistent with previous years, is the most appropriate given the liquidity of the Company and the nature of the Index Stock. Had the Company complied with the Statement of Recommended Practice, the result would have been an increase in revenue of £742,000.

(p) Debenture pricing
The 8 $^{1/8}$ per cent Debenture Stock 2023 is valued at amortised cost under the effective interest method and secured by a floating charge over all assets of the Company. Costs in relation to arranging the debt finance of the 8 $^{1/8}$ per cent Debenture Stock 2023 have been capitalised and are amortised over the term of the finance.

(q) Capital Reserve

Capital reserve – other The following are taken to this reserve:
• Gains and losses on the disposal of investments;
• Gains and losses on the Index Stock;
• 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.

(r) Segmental reporting
The Directors are of the opinion that the Group is engaged in a single segment of business, being the Investment business. Consequently, no business segmental analysis is provided.

2. Income

	2012 £'000	2011 £'000
Income from investments		
Listed investments	**30,849**	25,788
Other income		
Deposit interest	**16**	11
Interest received re VAT refunds on management fees	**-**	130
	16	141
Total income	**30,865**	25,929
Income from investments:		
Equity securities	**30,578**	23,576
Fixed interest securities	**271**	2,212
	30,849	25,788
Total income comprises:		
Dividends	**30,578**	23,576
Interest	**287**	2,353
	30,865	25,929

3. Management fee and other expenses

	2012 Revenue return £'000	2012 Capital return £'000	2012 Total £'000	2011 Revenue return £'000	2011 Capital return £'000	2011 Total £'000
Management fee†	**2,200**	**2,200**	**4,400**	2,471	2,471	4,942
Performance fee	-	-	-	–	–	–
Back VAT on management fee	**-**	**-**	**-**	(111)	(69)	(180)
	2,200	**2,200**	**4,400**	2,360	2,402	4,762
Other expenses:						
Directors' emoluments – fees	**129**	-	**129**	120	–	120
Auditor's remuneration:						
– audit	**25**	-	**25**	23	–	23
– taxation	**16**	-	**16**	9	–	9
– other services to the Group	**7**	-	**7**	8	–	8
Marketing costs	**166**	-	**166**	176	–	176
Printing and postage costs	**79**	-	**79**	73	–	73
Registrar fees	**108**	-	**108**	96	–	96
Sub-custodian fees	**264**	-	**264**	304	–	304
Advisory fees	**111**	-	**111**	63	-	63
Irrecoverable VAT	**80**	-	**80**	91	–	91
Other expenses	**250**	**58***	**308**	231	–	231
	1,235	**58**	**1,293**	1,194	–	1,194

†Net of the fee of £42,000 paid to Phoenix Administration Services Limited for company secretarial services.
*Other expenses charged to capital represent transaction fees incurred in relation to the share buy-backs which took place during the year.

For the year ended 30 September 2012, the fee calculated in accordance with the Investment Management Agreement amounted to 0.6%. Any out-performance in excess of the cap of 1% or under-performance in any year will be carried forward for use in the next three years fee calculations on a first-in first-out basis. There is an under-performance of 8.5688% to be carried forward for the period ending 30 September 2013.

4. Finance costs

	2012 Revenue return £'000	2012 Capital return £'000	2012 Total £'000	2011 Revenue return £'000	2011 Capital return £'000	2011 Total £'000
Bank overdraft interest	**3**	**–**	**3**	–	–	–
Interest on other loans	**1,483**	**–**	**1,483**	2,116	–	2,116
Amortisation of Debenture issue expenses	**–**	**7**	**7**	–	7	7
	1,486	**7**	**1,493**	2,116	7	2,123

5. Taxation

	2012 Revenue return	2012 Capital return	2012 Total	2011 Revenue return	2011 Capital return	2011 Total
(a) Analysis of charge in year						
Corporation tax	**–**	**–**	**–**	–	–	–
Foreign withholding tax	**3,852**	**–**	**3,852**	3,045	–	3,045
Overseas tax reclaimable	**(1,958)**	**–**	**(1,958)**	(1,185)	–	(1,185)
Prior year adjustment	**–**	**–**	**–**	(6)	–	(6)
Total current tax for period	**1,894**	**–**	**1,894**	1,854	–	1,854
Deferred tax	**–**	**(9)**	**(9)**	–	(11)	(11)
Total deferred tax for year	**–**	**(9)**	**(9)**	–	(11)	(11)
Total tax for year	**1,894**	**(9)**	**1,885**	1,854	(11)	1,843

(b) Factors affecting current tax charge for the period

The tax assessed for the period is the standard rate of corporation tax in the UK for a large company 25%* (2011: 27%).

	2012 £'000	2011 £'000
Profit/(loss) before tax	**77,779**	(75,116)
Corporation tax at 25%* (2011: 27%)	**19,445**	(20,281)
Effects of:		
Capital (gains)/losses not subject to tax	**(13,571)**	25,140
Revaluation of Equities Index Stock 2013	**7**	8
Non-taxable UK dividends	**(33)**	(43)
Non-taxable overseas dividends	**(7,612)**	(6,323)
Overseas tax suffered	**1,894**	1,860
Movement in unutilised management expenses	**1,764**	1,499
Prior year adjustment	**-**	(6)
Movement in deferred tax	**(9)**	(11)
Total tax charge for the period	**1,885**	1,843

*Under the Finance Act 2012, the rate of Corporation Tax was lowered to 24% from 26% on 1 April 2012. An average rate of 25% is applicable for the year ended 30 September 2012.

6. Earnings per Ordinary Share

	2012 Revenue	2012 Capital	2012 Total	2011 Revenue	2011 Capital	2011 Total
Basic	**15.06p**	**32.46p**	**47.52p**	11.50p	(59.57)p	(48.07)p

The total basic earnings per Ordinary Share is based on Group net profit for the financial year of £75,894,000 (2011: loss £(76,959,000) and on 159,727,619 (2011: 160,080,089) Ordinary Shares, being the weighted average number of Ordinary Shares in issue (excluding shares in treasury) during the year.

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

The basic revenue earnings per Ordinary Share is based on Group revenue after taxation for the financial year of £24,050,000 (2011: £18,405,000) and on 159,727,619 (2011: 160,080,089) Ordinary Shares, being the weighted average number of Ordinary Shares in issue (excluding shares in treasury) during the year.

The basic capital earnings per Ordinary Share is based on Group net profit for the financial year of £51,844,000 (2011: loss £95,364,000) and on 159,727,619 (2011: 160,080,089) Ordinary Shares, being the weighted average number of Ordinary Shares in issue (excluding shares in treasury) during the year.

7. Net asset value

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

	Net asset value per Share attributable Group and Company	
	2012	2011
	p	p
Ordinary Shares (basic)	**500.47**	462.51

	Net asset value attributable Group and Company	
	2012	2011
	£'000	£'000
Ordinary Shares (basic)	**791,225**	740,385

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

	2012 Ordinary Shares (basic) £'000	2011 Ordinary Shares (basic) £'000
Total net assets attributable at beginning of year	**740,385**	829,670
Ordinary Shares bought back and cancelled	**(264)**	-
Ordinary Shares bought back and held in treasury	**(7,982)**	-
Total comprehensive income for the year	**75,894**	(76,959)
Dividends appropriated in the year	**(16,808)**	(12,326)
Net assets attributable at end of year	**791,225**	740,385

Basic net asset value per Ordinary Share is based on net assets and on 158,094,985 (2011: 160,080,089) Ordinary Shares being the number of Ordinary Shares in issue excluding treasury shares at the year end.

At the year end the net asset value per Ordinary Share adjusted to include the Debenture Stock at market value rather than amortised cost was 498.19p (2011: 460.35p).

8. Financial instruments and capital disclosures

Risk management policies and procedures

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

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

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

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

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 in the event that the debt is repaid before maturity.

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 movement 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.

The interest liability of the Index Stock moves in accordance with movements in the income returns of the FTSE All-Share Index. This exposure may be reduced by investing in non-current assets expected to perform in line with the FTSE All-Share Index.

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.

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.

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 broker.

The total credit exposure of the Group at the year end as shown on the Balance Sheet was £13,556,000 (2011: £9,482,000).

Fair values of financial assets and financial liabilities
Except for the Group's Debenture Stocks measured at amortised cost as shown below, the financial assets and financial liabilities of the Group, are either carried in the balance sheet at their fair value (investments and Equities Index Unsecured Loan Stock 2013), 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).

	2012		2011	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
$8\ ^{1/8}$ per cent Debenture Stock 2023	**(14,921)**	**(18,525)**	(14,914)	(18,375)

Market values have been used to determine the fair value of the Group's Debenture Stock.

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

Capital management policies and procedures
The Company's capital management objectives are:
• to ensure that it will be able to continue as a going concern; and
• to achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying net asset value; through an appropriate balance of equity capital and debt.

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

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

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

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

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

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

At 30 September 2012 the Group had no financial commitments (2011: £nil).

At 30 September 2012 the Group had no contingent liability in respect of any investments carrying an obligation for future subscription or underwriting commitments (2011: £nil).

10. Related party disclosure
The related party transaction pursuant to the Investment Management Agreement with Asset Value Investors Limited is set out in the Directors' Report of the Annual Report for the year ended 30 September 2012. Management fees for the year amounted to £4,400,000 (2011: £4,942,000) and the performance fee for the year was £nil (2011: £nil).

As at the year end, the following amounts were outstanding in respect of management fees: £367,000 (2011: £412,000) and performance fees: £nil (2011: £nil).

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

At 30 September 2012 the Group had a contingent liability pursuant to an Indemnity given to Caledonia Investments plc (Caledonia) in respect of sums received from Caledonia by way of repayment of VAT (the VAT Refund) paid by the Company between 1991 and 1995 on investment management fees to Caledonia. This Indemnity is against any amounts of VAT (including any interest or penalties) Caledonia is liable to repay to HM

Revenue & Customs in respect of the VAT Refund together with all reasonable costs, charges and expenses incurred by Caledonia in enforcing its rights under the Indemnity. The Company's liability under the Indemnity shall not exceed the amount of the VAT Refund received from Caledonia which amounted to £619,178 (including simple interest of £263,337).

11. Investment objective and policy

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 price of which is assessed to be below their estimated net asset value or intrinsic worth. Although listed assets make up the bulk of the portfolio the Company may also invest in unlisted assets with the prior approval of the Board.

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

There are no geographic limits on exposure as the Company invests wherever it considers 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.

12. Board Diversity

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 be focussed on ensuring a diverse group of candidates is considered.

13. Comparative Information

The financial information contained in this announcement does not constitute statutory accounts for the year ended 30 September 2012 nor 30 September 2011 as defined by the Companies Act 2006 but is derived from those accounts. The statutory accounts for the year ended 30 September 2011 have been delivered to the Registrar of Companies and those for the year ended 30 September 2012 will be delivered following the Company's Annual General Meeting. The Independent Auditor's report on those accounts was unqualified and did not contain any statements under section 498 (2) or (3) of the Companies Act 2006.

14. Availability of Report & Accounts

A copy of the Company's Annual Report for the year ended 30 September 2012 will shortly be available to view and download from the Company's website www.british-empire.co.uk. Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into or forms part of this announcement.

Printed copies of the Annual Report will be sent to shareholders shortly. Additional copies may be obtained from the Corporate Secretary – Phoenix Administration services Limited, Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW.

The Annual General Meeting of the Company will be held on Thursday 13 December 2012 at 12 noon.

The Directors have proposed the payment of a final dividend of 7.5p (6.5p in 2011) per Ordinary share and the payment of a special dividend of 3.5p which, if approved by shareholders at the forthcoming Annual General Meeting, will be payable on 7 January 2013 to shareholders whose names appear on the register at the close of business on 7 December 2012 (ex-dividend 5 December 2011).

14. Declaration

The Directors of the Company, comprising Strone Macpherson (Chairman), Steven Bates, Rosamund Blomfield-Smith, Susan Noble, Nigel Rich and Andrew Robson, being the persons responsible, confirm to the best of their knowledge that:

- that the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and

- the Management Report (which comprises the Chairman's Statement and the Investment Manager's Review) includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that the Group faces.

Phoenix Administration Services Limited
12 November 2012