
BRITISH EMPIRE TRUST
INVESTING IN UNDERVALUED ASSETS

BRITISH EMPIRE TRUST PLC

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

British Empire Trust plc is managed by Asset Value Investors Limited ('AVI').

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

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

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COMPANY SUMMARY

British Empire Trust plc (**'British Empire'** or the **'Company'**)

The Company is an investment trust and its shares have a premium listing on the London Stock Exchange. It is a member of the Association of Investment Companies ('AIC').

The Company's net asset value as at 31 March 2017 was £905 million and the market capitalisation was £796 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)*

ISA Status

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

Retail Investors advised by IFAs

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

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

* Call charges may apply.

FINANCIAL HIGHLIGHTS

- Net asset value ('NAV') per share on a total return basis increased by 15.0%
- Share price total return 13.0%
- Benchmark index¹ increased by 10.8%
- Interim dividend maintained at 2.0p

PERFORMANCE SUMMARY

| | | | | |
|--|-----------------------------|-----------------------------|-------------------|----------------------------------|
| Net asset value per share (total return) for six months to 31 March 2017² | | | | 15.0% |
| Share price total return for six months to 31 March 2017 | | | | 13.0% |
| | 31 March 2017 | 31 March 2016 | 30 September 2016 | % change since 30 September 2016 |
| Indices | | | | |
| MSCI All Country World ex-US Index (£ adjusted total return) | 429.48 | 328.64 | 387.51 | 10.8 |
| MSCI All Country World ex-US Value Index (£ adjusted total return) | 260.46 | 192.99 | 227.08 | 14.7 |
| Morningstar Investment Trust Global Growth Index ³ | 213.76 | 163.15 | 191.09 | 11.9 |
| MSCI All Country World Index (£ adjusted total return) | 699.80 | 526.28 | 621.20 | 12.7 |
| Share Price Discount (difference between share price and net asset value) ⁴ | 11.43% | 12.74% | 9.64% | |
| | Six months to 31 March 2017 | Six months to 31 March 2016 | | |
| Earnings and Dividends | | | | |
| Investment income | £3.46m | £7.07m | | |
| Revenue earnings per share | 0.89p | 3.91p | | |
| Capital earnings per share | 91.52p | 28.04p | | |
| Total earnings per share | 92.41p | 31.95p | | |
| Ordinary dividends per share | 2.00p | 2.00p | | |
| Ongoing Charges Ratio (annualised) | | | | |
| Management, marketing and other expenses (as percentage of average net asset value) | 0.88% | 0.91% | | |
| Period Highs/Lows | | | | |
| Net asset value per share | 770.91p | 673.85p | | |
| Net asset value per share (debt at fair value) | 770.72p | 668.21p | | |
| Share price (mid market) | 686.50p | 600.00p | | |

¹ The lead benchmark is the MSCI All Country World ex-US Index.

² As per guidelines issued by the AIC, performance is calculated using net asset values per share inclusive of accrued income and debt marked to fair value.

³ 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 9 May 2017.

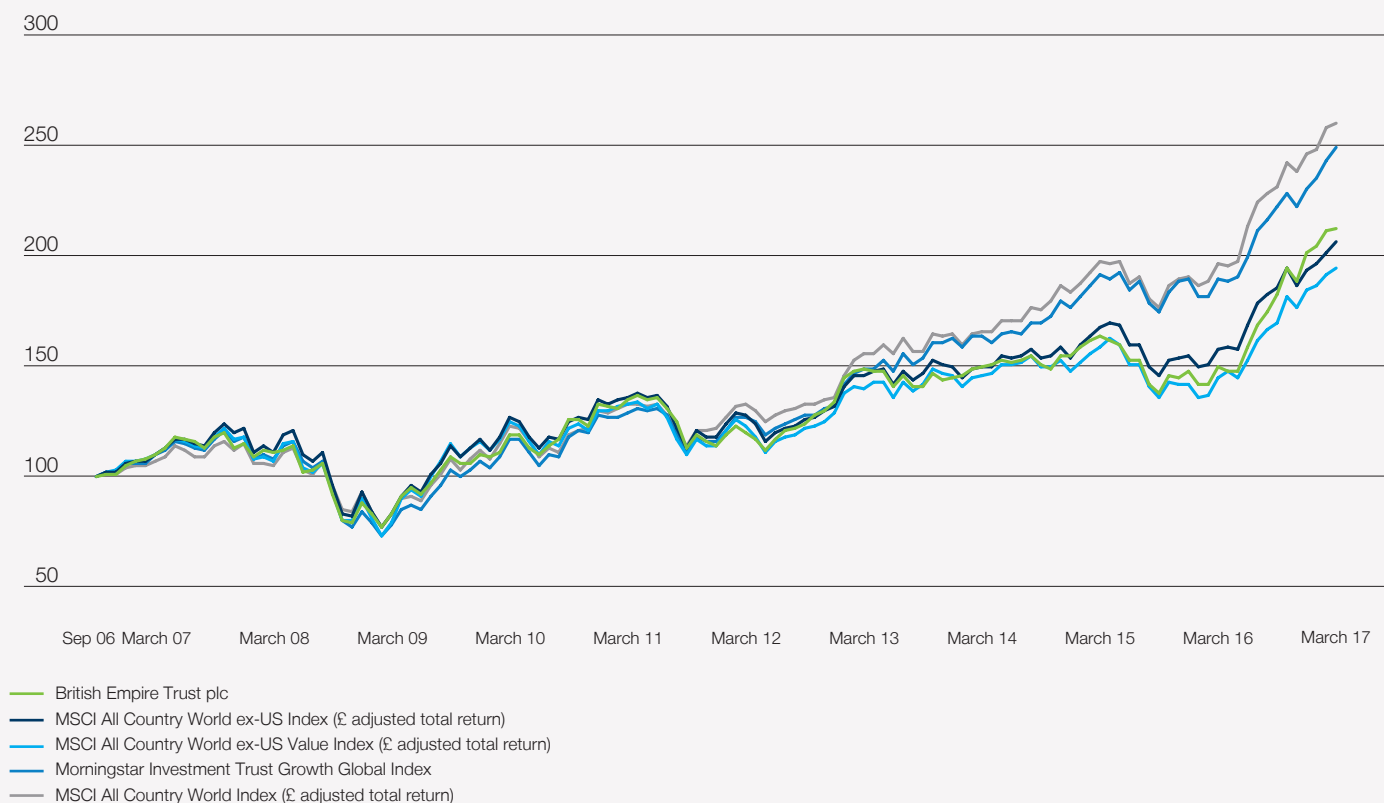
⁴ As per guidelines issued by the AIC, the discount is calculated using the net asset value per share inclusive of accrued income and with the debt at fair value.

Buy-backs and Cancellation

During the period, the Company purchased 5,698,000 Ordinary Shares, all of which have been placed into treasury. 30,487,924 Ordinary Shares held in treasury were cancelled.

NET ASSET VALUE

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



CAPITAL STRUCTURE

as at 31 March 2017

The Company's capital structure comprises Ordinary Shares, Debenture Stock and Unsecured Loan Notes.

| | | Mid market price | Market value | Fair value |
|--------------|--|------------------|--------------|------------|
| 120,170,665* | Ordinary Shares | 662.00p | £795.53m | – |
| £15,000,000 | 8½% Debenture Stock 2023 | 129.75p | £19.46m | – |
| £30,000,000 | 4.184% Series A Sterling Unsecured Loan 2036 | 104.94p** | – | £31.48m |
| €30,000,000 | 3.249% Series B Euro Unsecured Loan 2036 | 103.63c** | – | €31.09m |

* Excluding 9,355,500 shares held in treasury.

** Unlisted unsecured loan notes valued at fair value determined by reference to prevailing market interest and exchange values.

CHAIRMAN'S STATEMENT

I am pleased to report a further six months of strong investment performance by Asset Value Investors ('AVI'), with a net asset value total return of 15.0%. This exceeded the return of our benchmark by some 4.2 percentage points; it also comfortably exceeded the return of the MSCI All Country World Index and the average return of our peer group.

The Investment Manager's Report sets out the drivers of these investment returns in detail but, from your Board's perspective, it was encouraging to see that outperformance was driven largely by strong stock selection and from the closing of some substantial discounts to underlying value in several of our investee companies, helped by some significant corporate activity. The weighted average discount in the underlying portfolio, which at 30 September 2016 was 32%, stood at 26% at 31 March 2017. The current level is still substantially wider than the level experienced over a decade ago.

It is equally encouraging to note that money which has been realised has been successfully invested in further opportunities and the pipeline of potential investments remains interesting.

It is important to emphasise the fact that, as I said in last year's Annual Report, there has been no change in AVI's fundamental value investing style.

The discount to NAV at which the Company's shares stood at the half year end was 11.4% (year end 9.6%). We have continued to buy back shares to limit volatility in the discount and have bought back 5,698,000 shares in the period under review, increasing the NAV by 0.55%, and a further 526,000 shares (at 23 May) since the half year end. 30,487,924 shares held in treasury were cancelled during the period.

The unchanged interim dividend of 2.0 pence per share, which is not covered by earnings in this half year, will be paid on 30 June 2017. The net revenue in the portfolio is lower in the period under review than in the equivalent period last year. As I have noted in previous years, the Board remains of the view that the primary focus of AVI should be on seeking superior investment returns and that this should not be compromised by setting a particular income target. The Company does have substantial revenue reserves.

On 23 March 2017, we announced the appointment of Calum Thomson as a Director of the Company with effect from 1 April 2017, as part of the Board's long-term succession planning. Andrew Robson, the current Chairman of the Audit Committee, will retire from the Board on 31 May 2017, following publication of this Half Yearly Report. Andrew joined the Board in October 2008 and has made an outstanding contribution to the Company throughout his tenure. The Board would like to record its appreciation of his work over the years and wishes him well in the future. He will be replaced as Audit Committee Chairman by Calum with effect from 1 June 2017. Calum is a qualified accountant and for the past 21 years has been an audit partner at Deloitte LLP, specialising in the asset management sector. He is also a director of a number of other companies in the financial services sector.

Immediately after the period under review, on 3 April, we announced the appointment of Jefferies Hoare Govett, a division of Jefferies International Limited ('Jefferies'), as the Company's corporate broker and financial adviser. We have also appointed Jefferies to execute the Board's ongoing share buyback programme.

All resolutions at the Company's AGM on 20 December 2016 were duly carried with large majorities in favour of each resolution. Your Board would like to thank shareholders for their continued support.

AVI continues to identify interesting investment opportunities where the returns to investors are not especially dependent on domestic or international politics and where the involvement of the manager can itself contribute to a positive outcome. We are confident that there is a considerable store of value in the Company's investments and that AVI will continue to find fundamental value in the years ahead.

As ever when investment performance is strong, a word of caution is warranted – and indeed few would have predicted both Mr Trump's victory in the US presidential election and the subsequent strong performance of equity markets. It remains difficult to predict levels of economic growth and, in particular, equity market returns, against a background of continued uncertainty over the details of the UK's exit from the European Union and elections in several European countries in the coming months and, of course, the UK in June. Our Manager's primary focus remains one of finding fundamental value and, despite the political background noise, your Board remains confident that they will continue to do so.

Strone Macpherson
Chairman
25 May 2017

INVESTMENT MANAGER'S REPORT

Performance Summary

Following the strong performance which we reported over the course of the full financial year to 30 September 2016, it is pleasing to report another such period. NAV total returns for the six months to 31 March 2017 are as follows:

- British Empire +15.0%
- MSCI All Country World ex US Index +10.8%
- MSCI All Country World Index +12.7%
- Morningstar Investment Trust Global Growth Index +11.9%

In the following section, we describe in some detail the main contributors and detractors to performance over the period. A number of important observations emerge from that review. Firstly, we have started to see some significant moves in discounts. After a number of years in which discounts to NAV remained stubbornly wide, there has been a marked narrowing in several holdings. The weighted average portfolio discount at the year end in September 2016 was 32%. As at 31 March 2017, this figure stood at 26%. The narrowing of the discount is an important driver of performance and, encouragingly, the current level remains substantially wider than the narrowest levels seen back in 2006 when they reached 11%. This gives an indication of the potential for further discount contraction.

The second important feature to note is the volume of corporate activity that we are observing across the portfolio. Corporate activity can take a number of different forms. Some companies are selling off assets and realising some of the hidden value in their portfolios; in certain cases our own shareholder activism and engagement with boards have led to the creation of shareholder value; in others, controlling shareholders have been active in the management of portfolio holdings; and elsewhere we have seen the ultimate liquidation event that sees capital returned to shareholders at a zero discount following the full disposal of a company's assets.

This high level of corporate activity is an attractive feature of the current market environment. Broadly speaking, our portfolio is invested in a variety of different companies that we believe own high quality assets whose value is not fully reflected in their share prices – they trade at discounts to our estimate of their realisable value. An environment in which assets are being sold, or where value is being squeezed from a business via active ownership, is one in which discounts can continue to narrow. Over the past 12 months, we have sold out of, or reduced our ownership in, a number of investments that benefited enormously from corporate events. These include Aker, AP Alternative Assets and Vietnam Phoenix Fund (formerly known as DWS Vietnam). Each of these companies experienced substantial discount contraction, as well as NAV growth, on the back of a variety of corporate events. The capital coming back to us from these investments has enabled us to make a number of new investments that have attractive prospective return profiles.

Contributors and Detractors

| | Contribution | % of total assets less current liabilities at 31 March 2017 |
|----------------------------|--------------|---|
| Contributors | | |
| AP Alternative Assets | 3.5% | 3.5% |
| JPEL Private Equity | 1.4% | 5.3% |
| Jardine Strategic | 1.2% | 5.9% |
| NB Private Equity Partners | 1.2% | 5.3% |
| Investor AB 'A' | 1.1% | 5.1% |
| Detractors | | |
| Adler Real Estate | -0.2% | 4.0% |
| Empiric Student Property | -0.2% | –* |
| Swire Pacific 'B' | -0.2% | 2.4% |
| LMS Capital | -0.2% | 0.5% |
| Hudson's Bay | -1.6% | 3.0% |

* Sold prior to 31 March 2017.

Source Asset Value Investors.

In the full year report, we described how currencies played a part in the 31% return generated over the 2016 financial year. Sterling devaluation following the Brexit vote in June 2016 contributed approximately one-half of those returns. Whilst we are happy to benefit from such moves in currencies, in reality our strategy is to focus on specific company fundamentals – valuations, discount and events to unlock those discounts. It is therefore interesting to note that the returns over this period saw minimal benefit from the effects of currency moves and were almost entirely driven by stock selection and discount contraction.

As discounts remain relatively wide, portfolio companies are well placed to monetise the high-quality businesses which they own and realise value from their portfolios. We are therefore confident that this portfolio will continue to deliver returns for our shareholders.

AP Alternative Assets

AP Alternative Assets was by some distance our largest contributor over the period, adding 353bps to the Company's NAV as our position increased in value by 48% in USD terms (after accounting for sales) or 55% in GBP. The long-awaited IPO of Athene Insurance (the sole asset owned by AP Alternative) came at a premium to its carrying value and Athene Insurance's shares subsequently traded materially higher.

We first invested in AP Alternative in mid-2012, attracted by the 40% discount and management's unambiguous message that they saw no better investment than buying back their own shares at such a cheap rating. Launched in 2006 at a time when US private equity and hedge fund managers were coming to Europe in search of permanent capital, AP Alternative was established to co-invest alongside Apollo's private equity funds and in its credit and hedge funds, and had just under a third of its NAV invested in a privately-held life insurance company called Athene. The financial crisis saw sharp mark-downs in its heavily-leveraged private equity investments exacerbated by further leverage at the AP Alternative level. Apollo's response was aggressively proactive, buying up debt issued by their portfolio companies at deep discounts to par, and the portfolio had been much stabilised by the time we invested.

Late-2012 saw a restructuring under which AP Alternative injected its Apollo-managed investments into Athene in exchange for additional Athene shares to become a single-asset holding company. We viewed Athene, a provider of fixed (mainly equity-indexed) annuities, as an attractive high-growth business with clear and embedded cost of capital and competitive advantages over peers. We added materially to our position in AP Alternative thereafter despite its shares trading at premiums approaching 30% at times to reported NAVs, as our analysis suggested the value of Athene was appreciably understated by the official valuation at which it was held. We have reduced our position in AP Alternative since Athene's IPO but continue to see upside in Athene.

Over the life of our investment to the period end, AP Alternative has recorded a return on investment of 117% and an annualised IRR of 46% (145% and 55% respectively in GBP).

JPEL Private Equity

JPEL Private Equity was our next most important contributor, adding 136bps to NAV. Continued strong NAV growth, two exits from its secondary direct portfolio and the first return of capital (4% of NAV) under the new realisation policy saw the market reappraise the company's prospects and the discount narrowed from 26% to 16%. December saw the sale of Innovia, the company responsible for the new UK plastic five pound notes, to Canadian strategic buyer CCL Industries. Innovia was a co-investment made in 2014 by JPEL alongside lead sponsor Arle, and the impressive returns (3.2x invested capital/IRR of 50%) help validate the renewed investment programme begun by JPEL at the beginning of 2014. The sale of Innovia came at a 100% uplift to carrying value, boosting JPEL's NAV by 3.6%. This was followed in March with the sale of Datamars, the animal tagging business, for a return on invested capital of 3.5x and an IRR of 51%. These realisations helped fund a subsequent return of capital of 19% of NAV. We continue to see upside and further liquidity in JPEL's attractively valued and fast-growing direct portfolio.

Jardine Strategic

We added substantially to Jardine Strategic ('JS') in recent months and at times it has been the Company's largest position. We believed that JS's underlying holdings were good value and would benefit from an improving business environment. Jardine Cycle & Carriage ('JCNC') (28% of JS's NAV) has been trading at a discount much wider than average, currently at 21% versus a 13% long-term average, despite improving performance from Astra International (83% of JCNC's NAV) which had strong results from its core automotive and heavy equipment businesses. In addition, Dairy Farm's share price (28% of JS's NAV) rose 28% over the six months as efforts to improve margins gained traction and a better operating environment began to emerge in some markets as they saw some price inflation. JS's third major holding, Hongkong Land (27% of JS's NAV), also performed well over the period as its discount narrowed to 27%. At one point during the six months it was trading at a particularly wide discount of 43% versus its long-term average of 33%, which we thought priced in far too aggressive a yield expansion given both the capitalisation rates we used to value the portfolio and the potential for rental increases in Central, Hong Kong, where supply over the coming years is limited. Improving performance of their underlying holdings, as outlined above, led to an increase in JS's NAV of 12%.

While not central to our investment case, we were also cognisant of the potential for JS to be included in the MSCI indices. We analysed the actual and required liquidity requirements closely and believed index inclusion was probable, and that we would see discount narrowing as investors positioned themselves ahead of, and after, the announcement in the first week of February 2017. Our thesis played out as JS was included in the MSCI indices and we saw the discount narrow from 37% at the end of September 2016 to 28% at the half year. Benefiting from both discount contraction and NAV growth, JS was our third largest contributor, adding 120bps to NAV.

INVESTMENT MANAGER'S REPORT

NB Private Equity Partners

Our position in NB Private Equity Partners ('NBPE') added 120bps, benefiting from solid NAV growth and discount narrowing (in from 23% to 15%). A sector wide re-rating in the wake of Harbourvest's contested bid for SVG Capital in the second half of 2016, and the announcement in late-March by NBPE of the long-awaited enfranchisement of its shareholders, helped drive the discount tighter. Having engaged constructively with the board and management of NBPE on the issue over a sustained period of time, we are pleased with the proposed introduction of full voting rights for ordinary shareholders. The move will be accompanied by an upgrade of the company's listing to the Premium segment of the London Stock Exchange which, in tandem with a switch of trading currency from USD to GBP, will result in index-tracker buying. Further additional demand is likely to arise from non-passive buyers previously unwilling or unable to own shares with limited voting rights, and we expect the result to be a structurally narrower discount than would otherwise have been the case. We continue to view NBPE shares as undervalued given the historical track record and attractive portfolio composition.

Investor AB

Investor, a long-term constituent of your portfolio, contributed 112bps with positive returns from both NAV growth (12%) and discount contraction (24% to 18%). We have long held the view that Investor, with its superior long-term NAV growth and quality portfolio, should trade at a narrower, or similar, discount to its Scandinavian peers. This has not been the case in recent years and we attribute this in part to a lack of transparency on Investor's unlisted portfolio. Management have taken steps to combat this, such as holding a Capital Markets Day for the first time in seven years and providing estimated market values for unlisted assets (beginning in late-April). The latter is particularly important given the disparity between accounting values used in its publicly stated NAV and fair values. While this will have no effect on our estimated NAV which already reflects our assessment of the fair value of the unlisted assets, it should support continued discount narrowing as the market also begins to recognise their true value. We are supporters of the active ownership role Investor has with its portfolio companies and, provided that the discount remains compelling, we will continue to align our capital with the Wallenberg family for many years to come.

Aker ASA

Aker's strong performance continued from last year, with its NAV growing by 10% over the period and the discount narrowing from 31% to 24%. This added 112bps to BTEM's NAV. We took advantage of the improved rating to sell almost half our position at discounts as low as 22%, a level which compares favourably to our average purchase discount of 44% and its previous all-time low discount of 12%. Over the past 18 months, Aker's management has undertaken a series of value enhancing corporate actions including the disposal of highly-valued assets, the acquisition of distressed assets, and the transformative merger of Det Norske with BP Norway to form Aker BP. These are tremendous examples of how the long-term perspective of active family ownership can create enormous value for both the family and outside shareholders.

Swire Pacific

Swire Pacific, the Asian holding company with operations in property, aviation, beverage manufacturing and marine services, was our third-largest detractor over the period, reducing NAV by 21bps as the share price fell 11%. During the period, the company announced a 46% dividend cut (the first since its 2008 financial year) on the back of poor operating numbers from some of the underlying holdings. While Swire Properties (75% of Swire Pacific NAV) performed in line with peers as profits were flat on a year-on-year basis, the aviation division reported an 85% drop in earnings, driven primarily by Cathay Pacific, which has been hit by intensifying competition in Asia, a suspension of fuel surcharges, and a stronger Hong Kong dollar which reduced Hong Kong's attractiveness as a tourist destination and had a negative impact on Cathay's foreign revenues. The group was also affected by revenue declines and impairment charges at the marine division, where the fall in oil prices has reduced demand from offshore energy companies for the division's services.

Over the period, the discount to NAV on Swire's B share class expanded from 23% to 36%. Additionally, the value of the 82% stake in Swire Properties now covers 100% of Swire Pacific's market value. Investors are therefore effectively getting the non-property businesses for no cost. This is a situation that does not occur frequently and is a reflection of how out-of-favour the company is with investors. Given the stable nature of Swire Properties, we think a narrower discount is justifiable, although the timing of a re-rating may be difficult to predict while some of the other businesses continue to struggle.

LMS Capital

Although the impact of a NAV write-down and widening discount at LMS Capital was mitigated by its relatively small weight in the Company's portfolio, the position deducted 23bps from NAV over the period. Write-downs at Medhost (increased uncertainty in the US healthcare sector), ICU Eyewear (failed sale process and ongoing capital requirements) and Nationwide Energy Partners (regulatory upheaval) led to a sharp fall in NAV. The discount to NAV widened as a change in policy about return of capital removed a key support. There is, however, some solace to be had from the two remaining tender offers that will be triggered upon certain levels of further disposals being reached.

Hudson's Bay

Hudson's Bay was the largest detractor over the period, reducing the Company's NAV by 157bps as the share price fell 36% in local currency. As has been widely reported, the department store industry has been facing a tough time as sales have begun to deteriorate, especially in the US where the strong Dollar has impacted tourist spending, a key demographic for Hudson's Bay's high end department stores. Due to a poor operating environment, the stated strategy of unlocking the value of the substantial property portfolio has been met with scepticism by analysts and investors. However, Hudson's Bay has already set up two joint ventures in which they have sold stakes to third party investors and which are operating as separate property owning entities. The flow of rent from the operating company and the return of dividends from these joint ventures gives us comfort on valuations, and a listing of the largest of these vehicles, HBS Global, is expected in the next 12 months. This should underscore the huge value in the property assets that far exceeds the current share price of Hudson's Bay.

Over time, we expect further monetisation of the company's real estate to occur. Hudson's Bay equity stakes in the two property joint ventures, which have attracted third party investors, are valued at approximately CAD16.4 per Hudson's Bay share, on top of which they own the Saks Fifth Avenue store and the Lord & Taylor Fifth Avenue store. This compares to a share price of CAD10.8 as at the end of the reporting period. We have added on weakness.

Outlook

Our concentrated portfolio provides look-through exposure to a diversified group of high-quality companies around the world. Our strategy of investing in these companies via holding company structures means that we are investing in them at valuations that are well below those of broad equity markets. Corporate events, such as trade sales, IPOs and restructurings of underlying portfolio companies, or restructurings at the holding company level itself, allow for the true value of these businesses to become more fully reflected in the market's valuation of the holding company. Corporate events therefore are a means by which discounts narrow and NAVs increase.

In the current environment we are experiencing elevated levels of corporate activity and this, together with relatively wide discounts, is a sound combination for driving the future performance of your Company. We continue to be excited by the opportunities which we are finding. There is still plenty of value in our universe and we are confident of delivering further returns for our shareholders.

Thank you for your continued support.

Joe Bauernfreund
Asset Value Investors Limited
25 May 2017

INVESTMENT PORTFOLIO

INVESTMENTS AT 31 MARCH 2017

| Company | Nature of business | % of investee company | Cost £'000 | Valuation £'000 | % of total assets less current liabilities |
|------------------------------------|----------------------------|-----------------------|----------------|--------------------|--|
| Wendel | Investment Holding Company | 1.28 | 46,237 | 61,027 | 6.25 |
| Jardine Strategic | Investment Holding Company | 0.16 | 48,314 | 57,982 | 5.94 |
| NB Private Equity Partners | Investment Company | 9.99 | 29,524 | 51,442 | 5.27 |
| JPEL Private Equity | Investment Holding Company | 15.58 | 28,127 | 51,410 | 5.28 |
| Investor AB 'A' | Investment Holding Company | 0.47 | 17,330 | 49,449 | 5.07 |
| Riverstone Energy | Investment Company | 4.57 | 36,089 | 47,852 | 4.90 |
| Pargesa | Investment Holding Company | 1.10 | 37,981 | 47,850 | 4.90 |
| Symphony International Holdings | Investment Company | 12.91 | 28,075 | 45,624 | 4.68 |
| Tetragon Financial | Investment Company | 4.23 ¹ | 36,830 | 39,886 | 4.09 |
| Adler Real Estate | Real Estate Company | 6.88 | 39,226 | 38,950 | 3.99 |
| Top ten investments | | | 347,733 | 491,472 | 50.37 |
| Aker ASA | Investment Holding Company | 1.69 | 19,674 | 38,613 | 3.96 |
| Better Capital (2009) | Investment Company | 17.44 | 26,659 | 37,139 | 3.81 |
| Toyota Industries | Investment Holding Company | 0.28 | 31,886 | 35,527 | 3.64 |
| Kinnevik AB | Investment Holding Company | 0.69 | 29,706 | 34,722 | 3.56 |
| AP Alternative Assets | Investment Company | 1.55 | 12,643 | 33,863 | 3.47 |
| Exor | Investment Holding Company | 0.31 | 26,194 | 30,805 | 3.16 |
| Hudson's Bay | Retail Holding Company | 2.53 | 37,907 | 29,534 | 3.03 |
| Digital Garage | Investment Holding Company | 3.67 | 24,766 | 28,631 | 2.93 |
| DIC Asset | Real Estate Company | 4.85 | 20,924 | 26,385 | 2.70 |
| Tokyo Broadcasting | Investment Holding Company | 0.93 | 25,363 | 25,245 | 2.60 |
| Top twenty investments | | | 603,455 | 811,936 | 83.23 |
| SC Fondul Proprietatea – GDR | Investment Company | 0.46 | 20,387 | 24,646 | 2.53 |
| Swire Pacific 'B' | Investment Holding Company | 0.56 | 22,618 | 23,161 | 2.37 |
| Vietnam Phoenix Fund 'C' | Investment Company | 22.30 ² | 11,223 | 18,874 | 1.93 |
| GP Investments | Investment Company | 14.62 | 14,739 | 17,023 | 1.74 |
| Athene Holding | Investment Company | 0.25 | 2,923 | 7,702 | 0.79 |
| SC Fondul Proprietatea | Investment Company | 0.03 | 7,125 | 7,641 | 0.78 |
| Dragon Capital Vietnam Property | Real Estate Company | 15.40 | 3,526 | 6,278 | 0.64 |
| LMS Capital | Investment Company | 12.05 | 8,225 | 4,881 | 0.50 |
| Ashmore Global Opportunities – GBP | Investment Company | 12.57 ² | 2,455 | 2,928 | 0.30 |
| Dolphin Capital Investors | Real Estate Company | 2.52 | 7,480 | 1,709 | 0.18 |
| Top thirty investments | | | 704,156 | 926,779 | 94.99 |

| Company | Nature of business | % of investee company | Cost £'000 | Valuation £'000 | % of total assets less current liabilities |
|--|------------------------|-----------------------|----------------|--------------------|--|
| EF Realisation Company | Investment Company | 8.44 | 1,698 | 1,595 | 0.16 |
| Vietnam Phoenix Fund 'B' ³ | Open-Ended Fund | – | 334 | 1,045 | 0.11 |
| Total equity investments | | | 706,188 | 929,419 | 95.26 |
| UK Government Treasury Bill – 11/09/2017 | UK Government Security | – | 22,998 | 22,967 | 2.35 |
| Fixed income investments | | | 22,998 | 22,967 | 2.35 |
| Total investments | | | 729,186 | 952,386 | 97.61 |
| Net current assets | | | | 23,363 | 2.39 |
| Total assets less current liabilities | | | | 975,749 | 100.00 |

¹ Represents % of non-voting shares.

² Represents % of the total voting rights of the company.

³ Open-ended fund with non-voting unlisted securities.

STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 March 2017 (unaudited)

| | | For the six months to 31 March 2017 | | |
|--|-------|-------------------------------------|----------------------------|----------------|
| | Notes | Revenue return £'000 | Capital return £'000 | Total £'000 |
| Income | | | | |
| Investment income | 2 | 3,461 | – | 3,461 |
| Gains on investments held at fair value | | – | 116,397 | 116,397 |
| Foreign exchange forward contract loss | | – | – | – |
| Exchange losses on currency balances | | – | (780) | (780) |
| | | 3,461 | 115,617 | 119,078 |
| Expenses | | | | |
| Investment management fee | | (906) | (2,113) | (3,019) |
| Other expenses (including irrecoverable VAT) | | (875) | – | (875) |
| | | 1,680 | 113,504 | 115,184 |
| Profit before net finance costs and tax | | | | |
| Finance costs | | (496) | (1,167) | (1,663) |
| Exchange gains on loan notes | | – | 293 | 293 |
| | | 1,184 | 112,630 | 113,814 |
| Profit before taxation | | | | |
| Taxation | | (91) | – | (91) |
| | | 1,093 | 112,630 | 113,723 |
| Profit for the period | | | | |
| Earnings per Ordinary Share (basic and diluted) | | | | |
| | 3 | 0.89p | 91.52p | 92.41p |

The total column of this statement is the Income Statement of the Company prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union. The supplementary revenue and capital columns are presented in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies ('AIC SORP').

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

There is no comprehensive income, and therefore the profit for the period is also the total comprehensive income.

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

| For the six months to 31 March 2016 | | | For the year to 30 September 2016 | | |
|-------------------------------------|-------------------------|----------------|-----------------------------------|-------------------------|----------------|
| Revenue return £'000 | Capital return £'000 | Total £'000 | Revenue return £'000 | Capital return £'000 | Total £'000 |
| 7,071 | – | 7,071 | 20,689 | – | 20,689 |
| – | 42,507 | 42,507 | – | 196,289 | 196,289 |
| – | (3,558) | (3,558) | – | (3,557) | (3,557) |
| – | (16) | (16) | – | (371) | (371) |
| 7,071 | 38,933 | 46,004 | 20,689 | 192,361 | 213,050 |
| (740) | (1,727) | (2,467) | (1,511) | (3,527) | (5,038) |
| (738) | – | (738) | (1,524) | – | (1,524) |
| 5,593 | 37,206 | 42,799 | 17,654 | 188,834 | 206,488 |
| (313) | (748) | (1,061) | (815) | (1,930) | (2,745) |
| – | (824) | (824) | – | (2,992) | (2,992) |
| 5,280 | 35,634 | 40,914 | 16,839 | 183,912 | 200,751 |
| (91) | 1,580 | 1,489 | 1,908 | 1,579 | 3,487 |
| 5,189 | 37,214 | 42,403 | 18,747 | 185,491 | 204,238 |
| 3.91p | 28.04p | 31.95p | 14.32p | 141.72p | 156.04p |

STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2017 (unaudited)

| | 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 ended 31 March 2016 | | | | | | | |
| Balance as at 30 September 2015 | 16,001 | 2,934 | 28,078 | 573,862 | 41,406 | 35,261 | 697,542 |
| Ordinary Shares bought back and held in treasury | – | – | – | (15,363) | – | – | (15,363) |
| Total comprehensive income for the year | – | – | – | 37,214 | – | 5,189 | 42,403 |
| Ordinary dividends paid (see note 6) | – | – | – | – | – | (12,914) | (12,914) |
| Balance as at 31 March 2016 | 16,001 | 2,934 | 28,078 | 595,713 | 41,406 | 27,536 | 711,668 |
| For the year ended 30 September 2016 | | | | | | | |
| Balance as at 30 September 2015 | 16,001 | 2,934 | 28,078 | 573,862 | 41,406 | 35,261 | 697,542 |
| Ordinary Shares bought back and held in treasury | – | – | – | (42,302) | – | – | (42,302) |
| Total comprehensive income for the year | – | – | – | 185,491 | – | 18,747 | 204,238 |
| Ordinary dividends paid (see note 6) | – | – | – | – | – | (15,505) | (15,505) |
| Balance as at 30 September 2016 | 16,001 | 2,934 | 28,078 | 717,051 | 41,406 | 38,503 | 843,973 |
| For the six months to 31 March 2017 | | | | | | | |
| Balance as at 30 September 2016 | 16,001 | 2,934 | 28,078 | 717,051 | 41,406 | 38,503 | 843,973 |
| Ordinary Shares bought back and held in treasury | – | – | – | (36,869) | – | – | (36,869) |
| Ordinary Shares held in treasury cancelled | (3,048) | 3,048 | – | – | – | – | – |
| Total comprehensive income for the year | – | – | – | 112,630 | – | 1,093 | 113,723 |
| Ordinary dividends paid (see note 6) | – | – | – | – | – | (15,471) | (15,471) |
| Balance as at 31 March 2017 | 12,953 | 5,982 | 28,078 | 792,812 | 41,406 | 24,125 | 905,356 |

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

BALANCE SHEET

as at 31 March 2017 (unaudited)

| | At 31 March 2017 £'000 | At 31 March 2016 £'000 | At 30 September 2016 £'000 |
|--|---------------------------------|---------------------------------|-------------------------------------|
| Non-current assets | | | |
| Investments held at fair value through profit or loss | 952,386 | 773,313 | 886,369 |
| | 952,386 | 773,313 | 886,369 |
| Current assets | | | |
| Sales for future settlement | 6,128 | 1,407 | 18,422 |
| Other receivables | 3,683 | 6,529 | 4,032 |
| Cash and cash equivalents | 19,225 | 2,446 | 13,799 |
| | 29,036 | 10,382 | 36,253 |
| Total assets | 981,422 | 783,695 | 922,622 |
| Current liabilities | | | |
| Purchases for future settlement | (4,452) | (1,123) | (6,393) |
| Other payables | (1,221) | (2,404) | (1,580) |
| | (5,673) | (3,527) | (7,973) |
| Total assets less current liabilities | 975,749 | 780,168 | 914,649 |
| Non-current liabilities | | | |
| 8½% Debenture Stock 2023 | (14,954) | (14,947) | (14,950) |
| 4.184% Series A Sterling Unsecured Loan 2036 | (29,874) | (29,868) | (29,871) |
| 3.249% Series B Euro Unsecured Loan 2036 | (25,565) | (23,685) | (25,855) |
| | (70,393) | (68,500) | (70,676) |
| Net assets | 905,356 | 711,668 | 843,973 |
| Equity attributable to equity shareholders | | | |
| Ordinary share capital | 12,953 | 16,001 | 16,001 |
| Capital redemption reserve | 5,982 | 2,934 | 2,934 |
| Share premium | 28,078 | 28,078 | 28,078 |
| Capital reserve | 792,812 | 595,713 | 717,051 |
| Merger reserve | 41,406 | 41,406 | 41,406 |
| Revenue reserve | 24,125 | 27,536 | 38,503 |
| Total equity | 905,356 | 711,668 | 843,973 |
| Net asset value per Ordinary Share | 753.39p | 543.65p | 670.52p |
| Number of shares in issue excluding Treasury Shares | 120,170,665 | 130,905,526 | 125,868,665 |

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

Registered in England & Wales No. 28203

STATEMENT OF CASH FLOWS

for the six months ended 31 March 2017 (unaudited)

| | Six months to 31 March 2017 £'000 | Six months to 31 March 2016 £'000 | Year to 30 September 2016 £'000 |
|--|--|--|--|
| Reconciliation of profit before taxation to net cash inflow/(outflow) from operating activities | | | |
| Profit before taxation | 113,814 | 40,914 | 200,751 |
| Unrealised exchange losses on currency balances | – | (3,164) | (3,180) |
| Gains on investments held at fair value through profit or loss | (116,397) | (42,507) | (196,289) |
| Purchases of investments | (231,751) | (309,677) | (431,807) |
| Sales of investments | 293,207 | 285,963 | 433,677 |
| Decrease/(increase) in other receivables | 31 | (3,930) | (513) |
| (Decrease)/increase in other payables | (359) | (56) | 568 |
| Taxation | 228 | 3,010 | 4,089 |
| Amortisation of debenture issue expenses | 10 | 6 | 16 |
| Exchange rate (gain)/loss on Loan Notes | (293) | 824 | 2,992 |
| Net cash inflow from operating activities | 58,490 | (28,617) | 10,304 |
| Financing activities | | | |
| Dividends paid | (15,471) | (12,914) | (15,505) |
| Payments for Ordinary Shares bought back and held in treasury | (37,747) | (15,382) | (40,383) |
| Issue of loans net of costs | – | 52,726 | 52,726 |
| Cash (outflow)/inflow from financing activities | (53,218) | 24,430 | (3,162) |
| Increase/(decrease) in cash and cash equivalents | 5,272 | (4,187) | 7,142 |
| Reconciliation of net cash flow movements in funds: | | | |
| Cash and cash equivalents at beginning of year | 13,799 | 6,649 | 6,649 |
| Exchange rate movements | 154 | (16) | 8 |
| Increase in cash and cash equivalents | 5,272 | (4,187) | 7,142 |
| Increase/(decrease) in net cash | 5,426 | (4,203) | 7,150 |
| Cash and cash equivalents at end of year | 19,225 | 2,446 | 13,799 |
| Cash and cash equivalents received/(paid) during the period includes: | | | |
| – dividends received | 3,565 | 6,969 | 18,998 |
| – interest received | – | 26 | 30 |
| – interest paid | (1,641) | (1,043) | (2,717) |

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

NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 31 March 2017 (unaudited)

1. Significant accounting policies

The condensed financial statements of the Company have been prepared in accordance with International Accounting Standards (IAS) 34 –“Interim Financial Reporting” as adopted by the EU. The accounting policies used by the Company followed in these half-year financial statements are consistent with the most recent annual report for the year ended 30 September 2016.

Going concern

The Directors have reviewed the Company’s current financial resources and the projected expenses of the Company 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 (being a period of at least 12 months from the date this Half Year Report is approved) and that it is appropriate to prepare the Company’s financial statements on a going concern basis.

Comparative information

The financial information contained in this Half Year Report does not constitute statutory accounts as defined in the Companies Act 2006. The financial information for the half-year periods ended 31 March 2016 and 31 March 2017 has not been audited but has been reviewed by the Company’s Auditor and its report can be found on page 20. The comparative figures for the financial year ended 30 September 2016 are not the Company’s statutory accounts for that financial year. Those accounts have been reported on by the Company’s Auditor and delivered to the registrar of companies. The report of the Auditor was (i) unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. Income

| | At 31 March 2017 £'000 | At 31 March 2016 £'000 | At 30 September 2016 £'000 |
|--------------------------------|---------------------------------|---------------------------------|-------------------------------------|
| Income from investments | | | |
| Listed investments | 3,461 | 6,969 | 19,473 |
| Other income | | | |
| Deposit interest | – | 25 | 30 |
| Underwriting commission | – | – | 77 |
| Other income | – | 77 | 1,109 |
| | – | 102 | 1,216 |
| Total income | 3,461 | 7,071 | 20,689 |

NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 31 March 2017 (unaudited)

3. Earnings per Ordinary Share

| | At 31 March 2017 | | |
|--|------------------|----------------|--------------------|
| | Revenue | Capital | Total |
| Net profit (£'000) | 1,093 | 112,630 | 113,723 |
| Weighted average number of Ordinary Shares | | | 123,062,195 |
| Earnings per Ordinary Share | 0.89p | 91.52p | 92.41p |

| | At 31 March 2016 | | |
|--|------------------|---------|-------------|
| | Revenue | Capital | Total |
| Net profit (£'000) | 5,189 | 37,214 | 42,403 |
| Weighted average number of Ordinary Shares | | | 132,729,324 |
| Earnings per Ordinary Share | 3.91p | 28.04p | 31.95p |

| | At 30 September 2016 | | |
|--|----------------------|---------|-------------|
| | Revenue | Capital | Total |
| Net profit (£'000) | 18,747 | 185,491 | 204,238 |
| Weighted average number of Ordinary Shares | | | 130,884,588 |
| Earnings per Ordinary Share | 14.32p | 141.72p | 156.04p |

There are no dilutive instruments issued by the Company. Both the basic and diluted earnings per share for the Company are represented above.

4. Net asset value per Ordinary Share

The net asset value per Ordinary Share is based on net assets of £905,356,000 (31 March 2016: £711,668,000; 30 September 2016: £843,973,000) and on 120,170,665 (31 March 2016: 130,905,526; 30 September 2016: 125,868,665) Ordinary Shares, being the number of Ordinary Shares in issue excluding shares held in treasury at the period ends.

5. Share capital

During the period, 5,698,000 (six months to 31 March 2016: 3,357,685; year ended 30 September 2016: 8,394,546) Ordinary Shares were bought back and placed in treasury for an aggregate consideration of £36,869,000 (six months to 31 March 2016: £15,363,000; year ended 30 September 2016: £42,301,575).

30,487,924 Ordinary Shares held in treasury were cancelled in the period (six months to 31 March 2016: nil; year ended 30 September 2016: nil).

6. Dividends

During the period, the Company paid a final dividend of 9.7p per Ordinary Share and a special dividend of 2.8p per Ordinary Share for the year ended 30 September 2016 on 6 January 2017 to ordinary shareholders on the register at 2 December 2016 (ex-dividend 1 December 2016).

An interim dividend of 2.0p per Ordinary Share for the period ended 31 March 2017 has been declared and will be paid on 30 June 2017 to ordinary shareholders on the register at the close of business on 9 June 2017 (ex-dividend 8 June 2017).

7. Values of financial assets and financial liabilities

Valuation of financial instruments

The Company measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value is the amount at which the asset could be sold or the liability transferred in an orderly transaction between market participants, at the measurement date, other than a forced or liquidation sale.

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.

Financial assets

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 2017 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|------------------|------------------|------------------|----------------|
| Equity investments | 903,222 | 25,152 | 1,045 | 929,419 |
| Fixed interest bearing securities | 22,967 | – | – | 22,967 |
| | 926,189 | 25,152 | 1,045 | 952,386 |

There have been no transfers during the period between levels 1 and 2 fair value measurements. Transfers into or out of level 3 fair value measurements are disclosed below in the table of level 3 investment movements.

| Financial assets at fair value through profit or loss at 31 March 2016 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|------------------|------------------|------------------|----------------|
| Equity investments | 768,033 | 5,280 | – | 773,313 |
| | 768,033 | 5,280 | – | 773,313 |

| Financial assets at fair value through profit or loss at 30 September 2016 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|------------------|------------------|------------------|----------------|
| Equity investments | 838,130 | 48,239 | – | 886,369 |
| | 838,130 | 48,239 | – | 886,369 |

The following table summarises the Company's level 3 investments that were accounted for at fair value in the six months to 31 March 2017.

| | At 31 March 2017 Level 3 £'000 | At 31 March 2016 Level 3 £'000 | At 30 September 2016 Level 3 £'000 |
|--|---|---|---|
| Opening fair value of investments | – | – | – |
| Transfer from level 2 to level 3 investment | 40,636 | – | – |
| Total (losses)/gains recognised in the Statement of Comprehensive Income | (6,884) | – | – |
| Sales | (32,707) | – | – |
| Closing fair value of investments | 1,045 | – | – |

NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 31 March 2017 (unaudited)

Fair value through profit or loss

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 and set out in the Annual Report 2016. These include recent market transactions, discounted cash flow analysis and anticipated returns. The transfers from level 2 to 3 is the result of the restructuring of an investment becoming segmented between realisable value (level 3) and the investment trading in an inactive market level 2).

Financial liabilities

The Company's 8 $\frac{1}{8}$ % Debenture Stock 2023 and unsecured loan notes are measured at amortised cost, with the fair values set out below. Creditors are carried in the Balance Sheet at amortised cost.

| | At 31 March 2017 | | At 31 March 2016 | | At 30 September 2016 | |
|--|---------------------|---------------------|---------------------|---------------------|-------------------------|---------------------|
| | Book value £'000 | Fair value £'000 | Book value £'000 | Fair value £'000 | Book value £'000 | Fair value £'000 |
| 8 $\frac{1}{8}$ % Debenture Stock 2023 | (14,954) | (19,463) | (14,947) | (19,238) | (14,950) | (19,470) |
| 4.184% Series A Sterling Unsecured Loan 2036 | (29,874) | (31,482) | (29,868) | (32,251) | (29,871) | (32,888) |
| 3.249% Series B Euro Unsecured Loan 2036 | (25,565) | (26,593) | (23,685) | (28,082) | (25,855) | (29,284) |
| | (70,393) | (77,538) | (68,500) | (79,571) | (70,676) | (81,642) |

Quoted market prices have been used to determine the fair value of the Company's Debenture Stock. As there is no publicly available price for the Company's Loan Notes, their fair market value has been derived by calculating the relative premium (or discount) of the loan notes versus the publicly available market price of the reference market instrument, discounted cash flows and exchange rates.

8. Related parties and transactions with the Investment Manager

The Company paid management fees to Asset Value Investors Limited during the period amounting to £3,460,000 (six months to 31 March 2016: £2,467,000; year ended 30 September 2016: £5,038,000). At the half-year end, the following amounts were outstanding in respect of management fees: £nil (31 March 2016: £nil; 30 September 2016: £nil).

Fees paid to Directors for the six months ended 31 March 2017 amounted to £67,000 (six months to 31 March 2016: £67,000; year ended 30 September 2016: £133,000).

Strone Macpherson was Chairman of Close Brothers Group plc during the period, the ultimate parent of Winterflood Securities Limited. Winterflood was the Company's Corporate Broker until 29 March 2017 and was paid a retainer of £25,000 per annum by the Company. £nil was outstanding at the period end. Commissions earned by Winterflood Securities Limited in managing the Company's buy-back programme are offsettable against this retainer. Commissions of £73,000 were earned in the period, fully offsetting the retainer.

Mr Macpherson is a trustee of The King's Fund which will be providing a venue and facilities for the purposes of holding the Company's Annual General Meeting. The Company has paid The King's Fund £4,000 during the period and a further £1,000 is committed.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks facing the Company are substantially unchanged since the date of the Annual Report 2016 and continue to be as set out on pages 9 to 11 of that report.

Risks faced by the Company include, but are not limited to, investment risk, portfolio diversification, gearing, discount, market risk, market price volatility, currency, liquidity risk, interest rate and credit and counterparty risk. Details of the Company's management of these risks and exposure to them are set out in the Annual Report 2016.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as adopted by the EU; and
- this Half Year Report includes a fair review of the information required by:
 - a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication 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 year; and
 - b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

This Half Year Report was approved by the Board of Directors on 25 May 2017 and the above responsibility statement was signed on its behalf by Strone Macpherson, Chairman.

Strone Macpherson
Chairman
25 May 2017

INDEPENDENT REVIEW REPORT TO BRITISH EMPIRE TRUST PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2017 which comprises the Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure Guidance and Transparency Rules (the 'DTR') of the UK's Financial Conduct Authority (the 'UK FCA'). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly 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 UK. 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 condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2017 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Philip Merchant for and on behalf of KPMG LLP

Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

25 May 2017

SHAREHOLDER INFORMATION

Dividends

Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandate forms may be obtained from Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA on request or downloaded from Equiniti's website www.shareview.com. 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 British Empire Trust plc. 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

Directors

Strone Macpherson (Chairman)
Steven Bates
Susan Noble
Nigel Rich
Andrew Robson
Calum Thomson

Secretary

Capita Company Secretarial
Services Limited
Beaufort House
51 New North Road
Exeter
Devon EX4 4EP

Registered Office

Beaufort House
51 New North Road
Exeter
Devon EX4 4EP

Registered in England & Wales
No. 28203

Investment Manager and AIFM

Asset Value Investors Limited
25 Bury Street
London SW1Y 6AL

Registrar and Transfer Office

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Registrar's Shareholder Helpline

Tel. 0371 384 2490
Lines are open 8.30am to 5.30pm, Monday to Friday.

Registrar's Broker Helpline

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

Corporate Broker

Jefferies Hoare Govett
68 Upper Thames Street
London EC4V 3BJ

Auditor

KPMG LLP
319 St Vincent Street
Glasgow G2 5AS

Depository

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

Banker and Custodian

JPMorgan Chase Bank NA
125 London Wall
London EC2Y 5AJ

Solicitors

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



AVI

AVI