

British Empire

Securities and General Trust plc

AVI

Interim Report 2006

Company Summary

Objective

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

Status

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

Investment Manager

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

Equity holders' funds

£744 million at 31 March 2006

Capital structure

	Number 31 March 2006		Mid market price 31 March 2006 p	Market capitalisation 31 March 2006 £ million
160,080,089	Ordinary Shares		483.00	773.18
£8,514,940	10 ³ / ₈ per cent Debenture Stock 2011		124.573	10.61
£15,000,000	8 ¹ / ₈ per cent Debenture Stock 2023		135.107	20.27
£2,906,267	Equities Index Unsecured Loan Stock 2013		267.50	7.77

PEP/ISA status

The Company's shares are eligible for ISAs and PEP transfers and can continue to be held in existing PEPs.

Website

www.british-empire.co.uk

Financial Highlights

Performance summary

	As at 31 March 2006	As at 30 September 2005†	% change
Capital return			
Net assets	£744.20m	£618.74m	20.28
Net asset value per share	464.89p	386.51p	20.28
Share price (mid market)	483.00p	400.00p	20.75
Premium/(discount)	3.90%	3.49%	-

	Six months to 31 March 2006	Six months to 31 March 2005	
Revenue earnings and dividends			
Revenue earnings per share	2.08p	1.11p	
Interim dividend per share	0.80p	0.60p	

	Six months to 31 March 2006	Year to 30 September 2005	
Performance comparison			
British Empire Securities and General Trust plc (NAV total return)	21.06%	44.48%	
Morgan Stanley Capital International World Index (£ adjusted total return)	12.27%	22.24%	
Datastream Global Growth Investment Trust Index*	15.46%	30.58%	

* Index (based on total return) is subject to daily revision and the latest published figure is at 2 May 2006

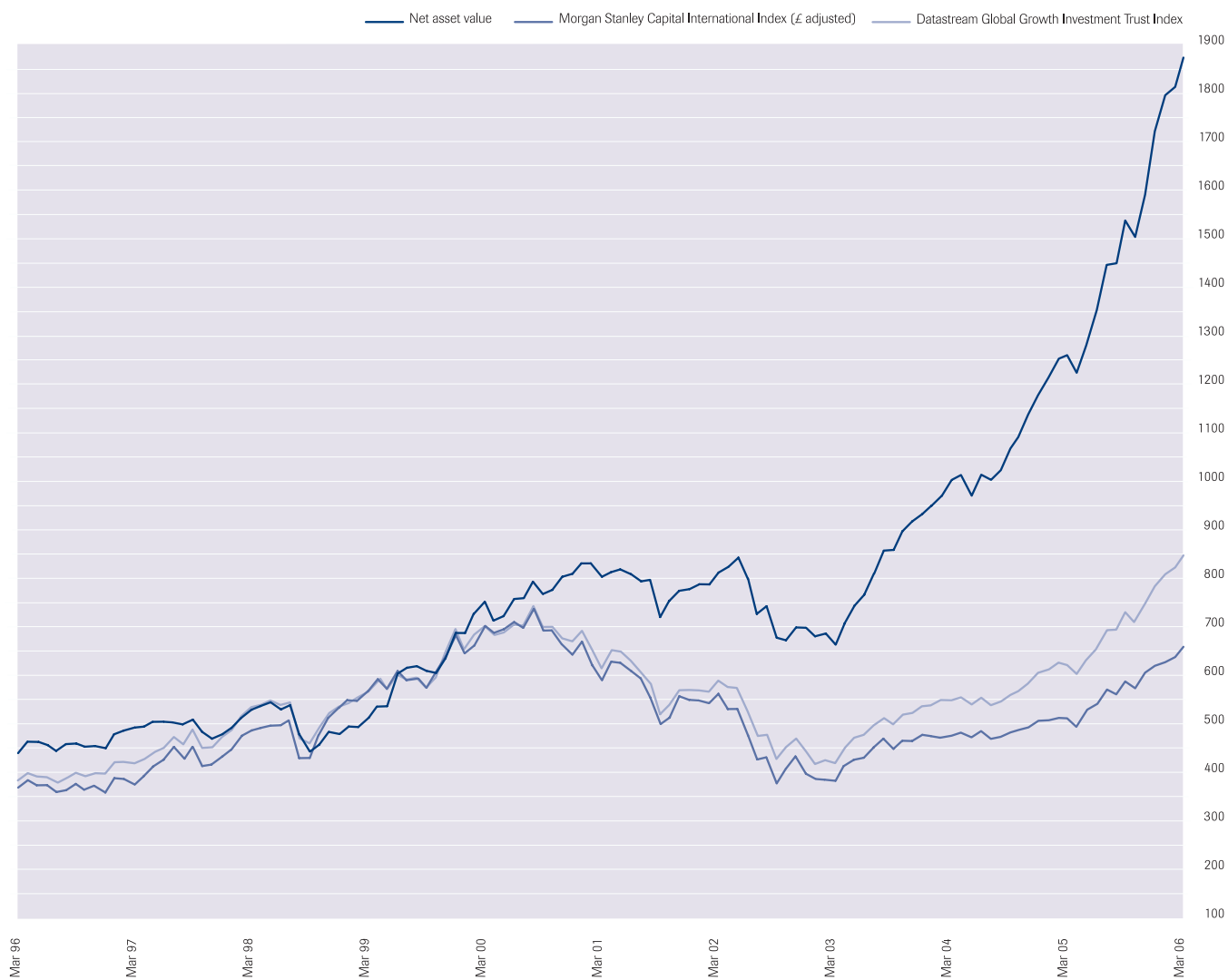
† The 30 September 2005 Net assets and Net asset value per share figures are restated, in accordance with International Financial Reporting Standards (see Note 8 on pages 18 and 19). Accordingly, the Company's percentage changes reflect these restated figures.

New Accounting Standards

New accounting standards known as International Financial Reporting Standards or 'IFRS' are now being adopted by UK listed companies and this should lead to a more consistent treatment of accounts between companies in the UK and abroad.

The Company has therefore produced its first set of accounts in this Interim Report under IFRS and this has necessitated showing a restatement of prior financial periods under the new standards. In consequence, the financial statements in this Interim Report are significantly longer than for previous reports and this will also be the case for the audited accounts for the year to 30 September 2006. Details of the changes brought about by IFRS are given in the Notes to the Interim Financial Statements on pages 12 to 19.

The Company's Net Asset Value relative to the Datastream Global Growth Investment Trust Index and the Morgan Stanley Capital International World Index (£ adjusted total return)



Sources: Fundamental Data, Thomson Financial Datatstream, Bloomberg

Chairman's Statement

Your Company has continued to perform well in the first half of the year with Net Asset Value up by 21.0 % against a rise of 15.5% in our benchmark index (total return basis).

We have been trading at a small premium to Net Asset Value over recent months reflecting a period of out-performance by John Pennink of Asset Value Investors, our manager. We remain of the view that many assets in which we are invested are themselves trading at a discount to their underlying worth representing an unrealised store of value for our shareholders. We would however, caution shareholders that there will be times when our investment style does not suit the mood of the market and that continuing out-performance should not be assumed.

There has been a significant level of merger and acquisition activity over the past six months from which your Company has benefited but we believe that this has further narrowed discounts in our favoured stocks. As a result we are erring on the side of caution in our stock selections while taking profits where discounts have narrowed.

Last year your Board concluded that the balance between our interim and final dividends had become too wide. As a result the Board decided that, subject to prevailing trading conditions, it would seek to pay interim dividends of around 35% of the previous year's total ordinary dividends. Consequently, in the light of the first half's results and continuing liquidity generating higher income, we are increasing the interim dividend this year from 0.6p per share to 0.8p per share. The interim dividend will be payable on 9 June 2006 to holders of Ordinary Shares on the register at 26 May 2006 (ex-dividend 24 May 2006).

We shall make our recommendation on the full year's dividend to shareholders later in the year in the light of the annual results and trading conditions at the time.

Iain Samuel Robertson CBE

Chairman

16 May 2006

Investment Manager's Report

For the first six months of the financial year, the Company's net asset value per share rose 21.0% compared with rises of 15.5% for the Datastream Global Growth Investment Trust Index (NAV total return), 12.3% for the MSCI World Index (£) and 12.7% for the FTSE All Share Index* (All figures are on a total return basis).

Over the five year period to 31 March 2005, the Company's net asset value per share rose 133.6% compared to an increase of 48.5% for the weighted sector average*.

The largest contributors to our +21.0% NAV performance during the reporting period were Paladin Resources +1.51%, Mitsubishi Estates +1.34%, Deutsche Wohnen +1.00%, PD Ports +0.75%, Forth Ports +0.59%, JPMF Japanese Smaller Companies +0.58%, Birch Mountain Resources +0.55%, Lundbergforetagen +0.54% and The Dejima Fund +0.54%.

There were no individual stocks contributing losses of more than 0.5% in size to the NAV.

As at 31 March 2006, the geographical profile on a look-through basis was as follows: Continental Europe 23.0%, UK 21.4%, Japan 16.1%, Asia Pacific 16.0%, Eastern Europe, Middle East and Africa 3.1%, North America 4.3% and liquidity 16.1%.

The trends we have remarked upon in past Manager's Reports have largely remained in place during the period under review. Easy monetary policy has led to rising asset prices and falling discounts on investment companies and has fuelled bid activity in the public markets. Economic activity in most major economies is strong. We are now in a situation in which the central banks of the US, Europe and Japan are all removing liquidity from the system in tandem for the first time since the 1980s. As monetary policy works with a lag of some months, we will not know whether the tightening of policy has been appropriate or excessive until after the fact. This is increasing uncertainty in the markets and also increasing the chances of financial dislocations. Inflation is low and interest rates are unlikely to increase enough to crush economic activity. Rising rates may, however, take some of the air out of more speculative areas of the market and 'risk aversion' may increase. In our investment universe, this could mean a return to wider discounts at some point. We have been cautious on the prospects for markets as a result and we have had net cash throughout the period. Despite the 'cash drag', we have more than fully participated in the market rise and outperformed the benchmark by 5.5%.

Our outperformance has been helped by strong gains in mining stocks and Japan. We have also benefited from corporate activity in Deutsche Wohnen, PD Ports, OUE, Placer Dome and Tethyan Copper. Over the reporting period, discounts on investment trusts and investment holding companies have narrowed.

As contrarians by nature, we are aware that outperformance by any sector or asset class ultimately carries the seeds of its own destruction as valuations are bid up. We are trying to be diligent about taking profits where stocks no longer fit our value criteria. We may as a result carry higher liquidity balances from time to time.

John Pennink

Asset Value Investors Limited

16 May 2006

* Sources: Fundamental Data, Thomson Financial Datastream, JPMorganCazenove, Bloomberg.

Consolidated Income Statement

for the six months to 31 March 2006

	For the six months to 31 March 2006 (unaudited)		
	Revenue return £'000	Capital return £'000	Total £'000
Income			
Investment income	7,145	-	7,145
Gains on investments held at fair value	-	131,749	131,749
Losses on Index Stock	-	(436)	(436)
Gains on forward sales of Euro	-	-	-
Realised exchange (losses)/gains	-	(1,556)	(1,556)
	7,145	129,757	136,902
Expenses			
Investment management fee (including recoverable VAT)	(1,005)	(3,606)	(4,611)
Other expenses	(570)	-	(570)
Profit before finance costs and tax	5,570	126,151	131,721
Finance costs	(1,198)	(4)	(1,202)
Profit before tax	4,372	126,147	130,519
Taxation	(1,047)	789	(258)
Profit for the period	3,325	126,936	130,261
Earnings per ordinary share (see note 2)			
Basic – ordinary shares	2.08p	79.30p	81.38p

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS. The revenue return and capital return columns are supplementary to this and are prepared under the guidance published by the Association of Investment Trust Companies.

All items in the above statement derive from continuing operations.

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

For the six months to 31 March 2005 (unaudited) Restated (see note 7)			For the year to 30 September 2005 (audited) Restated (see note 8)		
Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
4,607	-	4,607	13,110	-	13,110
-	77,108	77,108	-	188,196	188,196
-	(39)	(39)	-	(764)	(764)
-	-	-	-	1,221	1,221
-	86	86	-	(610)	(610)
4,607	77,155	81,762	13,110	188,043	201,153
(716)	(2,379)	(3,095)	(1,404)	(3,265)	(4,669)
(569)	-	(569)	(1,147)	-	(1,147)
3,322	74,776	78,098	10,559	184,778	195,337
(1,180)	(4)	(1,184)	(2,361)	(7)	(2,368)
2,142	74,772	76,914	8,198	184,771	192,969
(363)	251	(112)	(1,584)	922	(662)
1,779	75,023	76,802	6,614	185,693	192,307
1.11p	46.87p	47.98p	4.13p	116.00p	120.13p

Consolidated Statement of Changes in Equity

for the six months to 31 March 2006

	Ordinary share capital £'000	Capital redemption reserve £'000
Balance at 30 September 2004	16,008	2,927
Profit for the period	-	-
Ordinary dividend paid	-	-
Balance at 31 March 2005	16,008	2,927

	Ordinary share capital £'000	Capital redemption reserve £'000
Balance at 30 September 2004	16,008	2,927
Profit for the period	-	-
Ordinary dividend paid	-	-
Balance at 30 September 2005	16,008	2,927

	Ordinary share capital £'000	Capital redemption reserve £'000
Balance at 30 September 2005	16,008	2,927
Profit for the period	-	-
Ordinary dividend paid	-	-
Special dividend paid	-	-
Balance at 31 March 2006	16,008	2,927

For the six months to 31 March 2005 (unaudited)
Restated (see note 7)

Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Merger reserve £'000	Revenue reserve £'000	Total £'000
28,078	246,363	82,214	41,406	12,478	429,474
-	51,617	23,406	-	1,779	76,802
-	-	-	-	(2,081)	(2,081)
28,078	297,980	105,620	41,406	12,176	504,195

For the year to 30 September 2005 (audited)
Restated (see note 8)

Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Merger reserve £'000	Revenue reserve £'000	Total £'000
28,078	246,363	82,214	41,406	12,478	429,474
-	105,491	80,202	-	6,614	192,307
-	-	-	-	(3,042)	(3,042)
28,078	351,854	162,416	41,406	16,050	618,739

For the six months to 31 March 2006 (unaudited)

Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Merger reserve £'000	Revenue reserve £'000	Total £'000
28,078	351,854	162,416	41,406	16,050	618,739
-	96,633	30,303	-	3,325	130,261
-	-	-	-	(2,561)	(2,561)
-	-	-	-	(2,241)	(2,241)
28,078	448,487	192,719	41,406	14,573	744,198

Consolidated Balance Sheet

	Notes	As at 31 March 2006 (unaudited) £'000	As at 31 March 2005 (unaudited) £'000 Restated (see note 7)	As at 30 September 2005 (audited) £'000 Restated (see note 8)
Non current assets				
Investments held at fair value through profit or loss	1(g)	755,435	526,947	649,224
Current assets				
Investments		5	5	5
Sales for future settlement		20,408	4,036	2,426
Other receivables		2,640	2,596	2,893
Cash and cash equivalents		5,435	5,063	2,410
		28,488	11,700	7,734
Total assets		783,923	538,647	656,958
Current liabilities				
Purchases for future settlement		(3,974)	(1,123)	(3,754)
Other payables		(4,078)	(2,791)	(3,232)
Bank overdrafts and loans		-	-	-
		(8,052)	(3,914)	(6,986)
Total assets less current liabilities		775,871	534,733	649,972
Non-current liabilities				
10 ³ / ₈ per cent Debenture Stock 2011		(8,515)	(8,515)	(8,515)
8 ¹ / ₈ per cent Debenture Stock 2023		(14,875)	(14,868)	(14,871)
Index Stock		(8,138)	(7,155)	(7,702)
Provision for deferred tax		(145)	-	(145)
Net assets		744,198	504,195	618,739
Equity attributable to equity holders				
Ordinary share capital		16,008	16,008	16,008
Capital redemption reserve		2,927	2,927	2,927
Share premium		28,078	28,078	28,078
Capital reserve realised		448,487	297,980	351,854
Capital reserve unrealised		192,719	105,620	162,416
Merger reserve		41,406	41,406	41,406
Revenue reserve		14,573	12,176	16,050
Total equity		744,198	504,195	618,739
Net asset value per ordinary share: - basic	5	464.89p	314.96	386.51p
Number of shares in issue		160,080,089	160,080,089	160,080,089

Consolidated Cash Flow Statement

for the six months to 31 March 2006

	Six months to 31 March 2006 (unaudited) £'000	Six months to 31 March 2005 (unaudited) £'000 Restated (see note 7)	Year to 30 September 2005 (audited) £'000 Restated (see note 8)
Net cash inflow from operating activities (see below)	9,383	7,169	6,352
Financing activities			
Dividends paid	(4,802)	(2,081)	(3,042)
Buyback of Equity Index Stock	-	(169)	(348)
Cash outflow from financing activities	(4,802)	(2,250)	(3,390)
Increase in cash and cash equivalents	4,581	4,919	2,962
Exchange movements	(1,556)	86	(610)
Change in cash and cash equivalents	3,025	5,005	2,352
Cash and cash equivalents at beginning of period	2,410	58	58
Cash and cash equivalents at end of period	5,435	5,063	2,410

Reconciliation of profit before taxation to net cash inflow from operating activities

Profit before taxation	130,519	76,914	192,969
Losses on Index Stock held at fair value	436	39	764
Losses/(gains) on exchange movements	1,556	(86)	610
Gains on investments held at fair value through profit or loss	(131,749)	(77,108)	(188,196)
Purchases of investments	(295,536)	(173,308)	(420,652)
Sales of investments	303,312	181,286	421,682
Decrease/(increase) in other receivables	213	(850)	(1,028)
Increase in creditors	846	253	694
Taxation	(218)	25	(498)
Amortisation of reorganisation costs	4	4	7
Net cash inflow from operating activities	9,383	7,169	6,352

Notes to the Financial Statements

1. Significant accounting policies

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

These are the first financial statements prepared in accordance with IFRS. Previously the financial statements were prepared in accordance with UK Generally Accepted Accounting Principles ("UK GAAP") including the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Trust Companies ("AITC") in December 2005. UK GAAP differs in certain respects from IFRS. When preparing the financial statements to 31 March 2006 the directors have amended certain accounting and valuation methods applied in the UK GAAP financial statements to comply with IFRS.

Reconciliations of Balance Sheet, Statement of Total Return to the Income Statement and Cash Flow Statement at the date of conversion (1 October 2004) are shown in notes 6 to 8. These financial statements are presented in sterling because this is the currency of the primary economic environment in which the Group operates. The financial statements of the Company and Group for the year ending 30 September 2006 will also be prepared on the same basis in accordance with IFRS.

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principle accounting policies adopted are set out below. Where presentational guidance set out in the SORP 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) 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 31 March 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.

(c) Presentation of Income Statement

In order to reflect better the activities of an investment trust company and in accordance with guidance issued by the AITC, supplementary information which analyses the Income Statement between items of revenue and capital nature has been presented alongside the Income Statement. In accordance with the Company's status as a UK investment company under section 266 of the Companies Act 1985, net capital returns may not be distributed by way of dividend.

(d) Income

Dividends receivable on equity shares are recognised as revenue for the period on an ex-dividend basis. Where an ex-dividend date is not available, dividends receivable on or before the period end are treated as revenue for the period. Provision is made for any dividends not expected to be received. 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 that asset's net carrying amount. Interest receivable from cash and short term deposits is accrued to the end of the period.

(e) Expenses

All expenses and interest payable are accounted for on an accruals basis. An analysis of retained earnings broken down into revenue (distributable) items and capital (non-distributable) items is given in note 4. In arriving at this breakdown, expenses have been treated as revenue except as follows:

- The base management fee of 0.30% has been treated as revenue. The remainder of the management fee at the rate of 0.25% (or 0.30% if the Company out-performs its benchmark index or under-performs by no more than 5%) together with the performance element of the management fee are charged to capital;
- expenses which are incidental to the purchase of an investment are recognised within the income statement (capital) as an expense item;
- expenses which are incidental to the sale of an investment are deducted from the proceeds of the sale of that investment;
- expenses are presented as capital where a connection with the maintenance or enhancement of the value of investments can be demonstrated.

(f) 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 period. Taxable profit differs from profit before tax as reported in the Income Statement 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 substantively enacted by 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 Income Statement 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 Income Statement, 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.

(g) Investments

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 the 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. 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 investments are included within the changes in its fair value.

(h) Movements in fair value

Changes in fair value of all investments held at fair value are recognised in the Income Statement. On disposal, realised gains and losses are also recognised in the Income Statement.

(i) Cash and cash equivalents

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

(j) Dividends payable

Interim and final dividends are recognised in the period in which they are paid.

(k) Foreign currency translation

Transactions in currencies other than sterling are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items that are fair valued and are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

(l) Equities Index Unsecured Loan Stock 2013

In accordance with the IFRS recognition and measurement principles the Equities Index Unsecured Loan Stock 2013 is classified as a financial instrument designated at fair value through profit or loss and is valued at the closing offer price. Changes in the fair value are recognised in the Income Statement. On cancellation, realised gains and losses are also recognised through the Income Statement. Prior to the adoption of IFRS the capital value was determined by reference to the level of the FTSE All-Share Index at the close of business.

*Notes to the Financial Statements continued***2. Earnings per ordinary share**

The basic revenue earnings per Ordinary Share is based on Group revenue after taxation for the six months to 31 March 2006 of £3,325,000 (six months to 31 March 2005: £1,779,000 as restated; year ended 30 September 2005: £6,614,000 as restated) and on 160,080,089 (six months to 31 March 2005: 160,080,089, year ended 30 September 2005: 160,080,089) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the period.

The basic capital earnings per Ordinary Share is based on Group net gains for the six months to 31 March 2006 of £126,936,000 (six months to 31 March 2005: £75,023,000 as restated; year ended 30 September 2005: £185,693,000 as restated) and on 160,080,089 (six months to 31 March 2005: 160,080,089, year ended 30 September 2005: 160,080,089) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the period.

The total basic earnings per Ordinary Share is based on Group net gains for the six months to 31 March 2006 of £130,261,000 (six months to 31 March 2005: £76,802,000 as restated; year ended 30 September 2005: £192,307,000 as restated) and on 160,080,089 (six months to 31 March 2005: 160,080,089, year ended 30 September 2005: 160,080,089) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the period.

3. Comparative information

The financial information contained in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the six months ended 31 March 2006 and 31 March 2005 has not been audited. The information for the six months ended 31 March 2005 has been extracted from the latest published unaudited financial statements, as restated to comply with IFRS (see note 7).

The information for the year ended 30 September 2005 has been extracted from the latest published audited financial statements, as restated to comply with IFRS (see note 8). The audited financial statements for the year ended 30 September 2005 have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or reference to any matters to which the auditors drew attention by way of emphasis without qualifying the audit report or statement under section 237(2) or (3) of the Companies Act 1985. Those statutory accounts were prepared under UK GAAP and in accordance with the SORP.

4. Retained earnings

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

	Revenue £'000	Capital £'000	Total £'000
At 30 September 2005 (as restated)	16,050	514,270	530,320
Movement during the period:			
Net income for the period	3,325	126,936	130,261
Ordinary dividend paid: ordinary shares	(2,561)	-	(2,561)
Special dividend paid: ordinary shares	(2,241)	-	(2,241)
At 31 March 2006	14,573	641,206	655,779

5. Net asset value per ordinary share

The net asset value per Ordinary Share is based on the net assets of £744,198,000 (six months to 31 March 2005: £504,195,000 as restated; year ended 30 September 2005: £618,739,000 as restated) and on 160,080,089 (six months to 31 March 2005: 160,080,089, year ended 30 September 2005: 160,080,089) Ordinary Shares, being the number of Ordinary Shares in issue at the period end.

6. Restatement of opening balances as at 30 September 2004

At 1 October 2004 the Company adopted International Financial Reporting Standards. In accordance with IFRS 1, (First Time Adoption of International Financial Reporting Standards) the following is a reconciliation of the balances as at 30 September 2004 previously reported under the applicable UK Accounting Standards and with the SORP, to the restated IFRS results.

	Notes	(Audited) Previously reported 30 September 2004 £'000	Effect of transition to IFRS £'000	Restated 30 September 2004 £'000
Investments	1	461,541	(3,377)	458,164
Current assets		4,714	-	4,714
Creditors: amounts falling due within one year	2	(4,820)	2,081	(2,739)
Total assets less current liabilities		461,435	(1,296)	460,139
Creditors: amounts falling due after more than one year	3	(30,334)	(331)	(30,665)
Net assets		431,101	(1,627)	429,474

	Notes	(Audited) Previously reported 30 September 2004 £'000	Effect of transition to IFRS £'000	Restated 30 September 2004 £'000
Capital and reserves				
Called up ordinary share capital		16,008	-	16,008
Capital redemption reserve		2,927	-	2,927
Share premium		28,078	-	28,078
Capital reserve - realised		246,363	-	246,363
Capital reserve - unrealised	1, 3	85,922	(3,708)	82,214
Merger reserve		41,406	-	41,406
Revenue reserve	2	10,397	2,081	12,478
Total equity		431,101	(1,627)	429,474
Net asset value per ordinary share - Basic		269.30p	(1.02)p	268.28p

Notes to the reconciliation

- Investments are designated as held at fair value under IFRS and are carried at bid prices which total £458,164,000. They were carried at mid prices previously under UK GAAP. The aggregate differences, being a revaluation downwards of £3,377,000, also decreased Capital reserve - unrealised.
- No provision has been made for the final dividend on the Ordinary Shares for the year ended 30 September 2004 of £2,081,000. Under IFRS, the final dividend is not recognised until paid.
- The Equities Index Unsecured Loan Stock 2013 is designated as held at fair value under IFRS and carried at the offer price with a fair value of £7,286,000. Previously the capital value was determined by reference to the level of the FTSE All-Share Index. The difference, being a revaluation downwards of £331,000, also decreased capital reserve - unrealised.

*Notes to the Financial Statements continued***7.(a) Restatement of balances as at 31 March 2005**

At 1 October 2004 the Company adopted International Financial Reporting Standards. In accordance with IFRS 1, (First Time Adoption of International Financial Reporting Standards) the following is a reconciliation of the balances as at 31 March 2005 previously reported under the applicable UK Accounting Standards and with the SORP, to the restated IFRS results.

	Notes	(Unaudited) Previously reported 31 March 2005 £'000	Effect of transition to IFRS £'000	Restated 31 March 2005 £'000
Investments	1	529,292	(2,345)	526,947
Current assets		11,700	-	11,700
Creditors: amounts falling due within one year	2	(4,875)	961	(3,914)
Total assets less current liabilities		536,117	(1,384)	534,733
Creditors: amounts falling due after more than one year	3	(30,710)	172	(30,538)
Net assets		505,407	(1,212)	504,195

	Notes	(Unaudited) Previously reported 31 March 2005 £'000	Effect of transition to IFRS £'000	Restated 31 March 2005 £'000
Capital and reserves				
Called up ordinary share capital		16,008	-	16,008
Capital redemption reserve		2,927	-	2,927
Share premium		28,078	-	28,078
Capital reserve - realised		297,980	-	297,980
Capital reserve - unrealised	1, 3	107,793	(2,173)	105,620
Merger reserve		41,406	-	41,406
Revenue reserve	2	11,215	961	12,176
Total equity		505,407	(1,212)	504,195
Net asset value per ordinary share - Basic		315.72p	(0.76)	314.96p

Notes to the reconciliation

- Investments are designated as held at fair value under IFRS and are carried at bid prices which total £526,947,000. They were carried at mid prices previously under UK GAAP. The aggregate differences, being a revaluation downwards of £2,345,000, also decreased Capital reserve - unrealised.
- No provision has been made for the interim dividend on the Ordinary Shares for the six months ended 31 March 2005 of £961,000. Under IFRS, the interim dividend is not recognised until paid.
- The Equities Index Unsecured Loan Stock 2013 is designated as held at fair value under IFRS and carried at the offer price with a fair value of £7,155,000. Previously the capital value was determined by reference to the level of the FTSE All-Share Index. The difference, being a revaluation upwards of £172,000, also increased capital reserve - unrealised.

(b) Reconciliation of the Statement of Total Return to the Income Statement for the six months ended 31 March 2005

Under IFRS the Income Statement is the equivalent of the Statement of Total Return reported previously.

	Notes	£'000	Basic EPS impact pence
Total transfer to reserves per the Statement of Total Return		74,306	-
Add back dividends paid and proposed	1	961	-
Investments held at fair value changed from mid to bid basis at 30 September 2004	2	3,377	2.11
Investments held at fair value changed from mid to bid basis at 31 March 2005	2	(2,345)	(1.46)
Equity Index Stock held at fair value changed from Index value to offer basis at 30 September 2004	3	331	0.21
Equity Index Stock held at fair value changed from Index value to offer basis at 31 March 2005	3	172	0.10
Net profit per the Income Statement		76,802	0.96

Notes to the reconciliation

1. Ordinary dividends declared and paid during the period are dealt with through the Statement of Changes in Equity.
2. The portfolio valuations at 30 September 2004 and 31 March 2005 are required to be valued at fair value under IFRS. These values are lower than the previous valuations by £3,377,000 and £2,345,000 respectively.
3. The Equity Index Stock valuation at 30 September 2004 and 31 March 2005 is required to be valued at fair value under IFRS. The value at 30 September 2004 is lower than the previous valuation by £331,000 and the value at 31 March 2005 is higher than the previous valuation by £172,000.

(c) Reconciliation of the Cash Flow Statement for the six months ended 31 March 2005

	Notes	(Unaudited) Previously reported cash flows £'000	Effect of transition to IFRS £'000	Adjusted cash flows £'000
Net cash inflow from operating activities	1	267	6,902	7,169
Servicing of finance	1	(1,161)	1,161	-
Taxation	1	85	(85)	-
Capital expenditure and financial investment	1	7,978	(7,978)	-
Equity dividends paid	2	(2,081)	2,081	-
Net cash inflow before financing		5,088	2,081	7,169
Financing	2	(169)	(2,081)	(2,250)
Increase in cash		4,919	-	4,919

Notes to the reconciliation

1. Bank interest, debenture interest, Equity Index Stock interest, taxation and capital expenditure and financial investment have now been analysed within operating activities.
2. Ordinary dividends paid are now analysed within financing.

*Notes to the Financial Statements continued***8.(a) Restatement of balances as at 30 September 2005**

At 1 October 2004 the Company adopted International Financial Reporting Standards. In accordance with IFRS 1, (First Time Adoption of International Financial Reporting Standards) the following is a reconciliation of the balances as at 30 September 2005 previously reported under the applicable UK Accounting Standards and with the SORP, to the restated IFRS results.

	Notes	(Audited) Previously reported 30 September 2005 £'000	Effect of transition to IFRS £'000	Restated 30 September 2005 £'000
Investments	1	652,456	(3,232)	649,224
Current assets		7,734	-	7,734
Creditors: amounts falling due within one year	2	(11,788)	4,802	(6,986)
Total assets less current liabilities		648,402	1,570	649,972
Creditors: amounts falling due after more than one year	3	(31,366)	278	(31,088)
Provision for liabilities and charges		(145)	-	(145)
Net assets		616,891	1,848	618,739

	Notes	(Audited) Previously reported 30 September 2005 £'000	Effect of transition to IFRS £'000	Restated 30 September 2005 £'000
Capital and reserves				
Called up ordinary share capital		16,008	-	16,008
Capital redemption reserve		2,927	-	2,927
Share premium		28,078	-	28,078
Capital reserve - realised		351,854	-	351,854
Capital reserve - unrealised	1,3	165,370	(2,954)	162,416
Merger reserve		41,406	-	41,406
Revenue reserve	2	11,248	4,802	16,050
Total equity		616,891	1,848	618,739
Net asset value per ordinary share - Basic		385.36p	1.15p	386.51p

Notes to the reconciliation

- Investments are designated as held at fair value under IFRS and are carried at bid prices which total £649,224,000. They were carried at mid prices previously under UK GAAP. The aggregate differences, being a revaluation downwards of £3,232,000, also decreased. Capital reserve - unrealised.
- No provision has been made for the final ordinary and special dividends on the Ordinary Shares for the year ended 30 September 2005 of £2,561,000 and £2,241,000 respectively. Under IFRS, the final ordinary and special dividends are not recognised until paid.
- The Equities Index Unsecured Loan Stock 2013 is designated as held at fair value under IFRS and carried at the offer price with a fair value of £7,702,000. Previously the capital value was determined by reference to the level of the FTSE All-Share Index. The difference, being a revaluation upwards of £278,000, also increased capital reserve - unrealised.

(b) Reconciliation of the Statement of Total Return to the Income Statement for the year ended 30 September 2005

Under IFRS the Income Statement is the equivalent of the Statement of Total Return reported previously.

	Notes	£'000	Basic EPS impact pence
Total transfer to reserves per the Statement of Total Return		185,790	-
Add back dividends paid and proposed	1	5,763	-
Investments held at fair value changed from mid to bid basis at 30 September 2004	2	3,377	2.11
Investments held at fair value changed from mid to bid basis at 30 September 2005	2	(3,232)	(2.02)
Equity Index Stock held at fair value changed from Index value to offer basis at 30 September 2004	3	331	0.21
Equity Index Stock held at fair value changed from Index value to offer basis at 30 September 2005	3	278	0.17
Net profit per the Income Statement		192,307	0.47

Notes to the reconciliation

- Interim, final and special ordinary dividends declared and paid during the period are dealt with through the Statement of Changes in Equity.
- The portfolio valuations at 30 September 2004 and 30 September 2005 are required to be valued at fair value under IFRS. These values are lower than the previous valuations by £3,377,000 and £3,232,000 respectively.
- The Equity Index Stock valuation at 30 September 2004 and 30 September 2005 is required to be valued at fair value under IFRS. The value at 30 September 2005 is lower than the previous valuation by £331,000 and the value at 30 September 2005 is higher than the previous valuation by £278,000

(c) Reconciliation of the Cash Flow Statement for the year ended 30 September 2005

	Notes	(Unaudited) Previously reported cash flows £'000	Effect of transition to IFRS £'000	Adjusted cash flows £'000
Net cash inflow from operating activities	1	6,339	13	6,352
Servicing of finance	1	(2,357)	2,357	-
Taxation	1	119	(119)	-
Capital expenditure and financial investment		2,251	(2,251)	-
Equity dividends paid	2	(3,042)	3,042	-
Net cash inflow before financing		3,310	3,042	6,352
Financing	2	(348)	(3,042)	(3,390)
Increase in cash		2,962	-	2,962

Notes to the reconciliation

- Bank interest, debenture interest, Equity Index Stock interest, taxation and capital expenditure and financial investment have now been analysed within operating activities.
- Ordinary dividends paid are now analysed within financing.

9. Transaction costs

Investment transaction costs on purchases and sales of investments during the six months to 31 March 2006 amounted to £443,000 and £301,000 respectively (six months to 31 March 2005 £717,000 and £504,000 respectively, year ended 30 September 2005 £933,000 and £646,000 respectively).

Investment Portfolio

As at 31 March 2006

Company	Nature of business	% of class	Cost £'000	Valuation £'000	% of total assets less current liabilities
Investor AB 'A'	Investment Holding Company	0.8	18,025	25,236	3.25
Deutsche Wohnen	Real Estate Company	2.9	13,641	21,380	2.76
Jardine Strategic Holdings	Investment Holding Company	0.3	6,966	20,179	2.60
Vivendi Universal	Media Company	0.1	14,829	16,178	2.09
Paladin Resources	Mining Company	1.8	6,665	15,609	2.01
The Alliance Trust	Investment Company	0.8	13,936	15,470	1.99
Lundbergforetagen 'B'	Investment Holding Company	1.3	9,172	15,001	1.93
Forth Ports	Harbours & Property Company	1.7	10,970	14,493	1.87
Tokyu Corp	Transport Company	0.3	13,597	14,466	1.86
NTT Urban Development	Real Estate Company	0.4	12,933	13,867	1.79
Top ten investments			120,734	171,879	22.15
Prospect Japan Fund	Investment Company	10.4	6,201	13,685	1.76
Muenchener Rueckver	Insurance Company	0.1	11,435	13,280	1.71
Paris Orléans	Investment Holding Company	2.9	6,893	13,225	1.70
Jardine Matheson Holdings	Investment Holding Company	0.5	12,358	12,670	1.63
Swire Pacific 'B'	Investment Holding Company	0.4	10,172	12,501	1.61
Hansa Trust 'A'	Investment Company	9.4	3,011	12,269	1.58
Herald Investment Trust	Investment Company	3.6	10,746	12,215	1.57
Sofina	Investment Holding Company	0.6	8,975	11,936	1.54
Macarthur Coal	Mining Company	2.9	11,801	11,749	1.52
JPMorgan Fleming Japan Smaller Companies Trust	Investment Company	7.6	5,488	11,687	1.52
Top twenty investments			207,814	297,096	38.29
Heineken Holding	Investment Holding Company	0.2	9,926	11,566	1.49
Groupe Bruxelles Lambert	Investment Holding Company	0.1	11,346	11,440	1.47
Alarko Holding	Investment Holding Company	3.1	8,649	11,096	1.43
Compagnie Nationale à Portefeuille	Investment Holding Company	0.3	4,159	10,827	1.40
Kinross Gold	Mining Company	0.5	8,311	10,809	1.39
Law Debenture	Investment Company	2.8	7,325	10,596	1.37
Hutchison Whampoa	Investment Holding Company	1.0	11,450	10,584	1.36
Fording Canadian Coal Trust	Mining Company	0.3	5,370	10,478	1.35
Ackermans & van Haaren	Investment Holding Company	0.8	3,876	10,438	1.35
Overseas Union Enterprise	Investment Holding Company	1.3	5,018	9,304	1.20
Top thirty investments			283,244	404,234	52.10
BIP Investment Partners	Investment Holding Company	3.7	4,794	9,201	1.19
JPMorgan Fleming American Investment Trust	Investment Company	3.0	8,453	8,887	1.15
JPMorgan Fleming Japanese Investment Trust	Investment Company	1.5	5,124	8,736	1.13
Katakura Industries	Textile & Property Company	2.3	5,811	8,619	1.11
Edinburgh Dragon Trust	Investment Company	2.9	5,149	8,605	1.11

Company	Nature of business	% of class	Cost £'000	Valuation £'000	% of total assets less current liabilities
Wheelock & Company	Investment Holding Company	0.4	5,129	8,598	1.11
Kleinwort Capital Trust	Investment Company	10.6	4,360	8,520	1.10
Monks Investment Trust	Investment Company	1.0	6,651	7,953	1.03
Daidoh Ltd	Textile & Property Company	2.6	5,385	7,941	1.01
Mitsubishi Estates	Real Estate Company	0.1	3,645	7,925	1.01
Top forty investments			337,745	489,219	63.05
Hang Lung Group	Real Estate Company	0.5	5,330	7,863	1.01
Danubius Hotel & Spa	Hotel Company	6.3	5,915	7,855	1.01
Nippon Residential Investment	Real Estate Company	1.7	7,176	7,764	1.00
Impax Environmental Markets	Investment Company	5.8	4,923	7,723	1.00
Advance UK Trust	Investment Company	8.9	4,191	7,456	0.97
CF Morant Wright Japan 'B'	Investment Company	1.4	5,292	7,325	0.95
Jazz Air Income Fund	Income Trusts	1.3	7,366	7,163	0.92
Prospect Residential Investment Corp	Real Estate Company	4.3	6,954	7,065	0.91
RHJ International	Investment Holding Company	0.7	6,864	6,839	0.88
Second Alliance Trust	Investment Company	1.1	6,682	6,706	0.86
Top fifty investments			398,438	562,978	72.56
New India Investment Trust	Investment Company	10.1	4,298	6,693	0.86
Tethyan Copper	Mining Company	7.9	1,778	5,928	0.76
Vietnam Enterprise Investments	Investment Company	3.9	3,055	5,878	0.76
Rutland Trust	Investment Company	5.0	3,311	5,875	0.76
Eczacibasi Ilac	Pharmaceutical Company	1.4	3,256	5,252	0.68
Polar Capital Technology Trust	Investment Company	1.8	4,192	5,140	0.66
Merrill Lynch British Smaller Companies Trust	Investment Company	3.1	3,629	4,972	0.64
Aichi Bank	Financial Company	0.6	4,620	4,478	0.58
The Dejima Fund Limited	Investment Company	0.1	915	4,256	0.55
Aberforth Smaller Companies	Investment Company	0.6	2,876	4,101	0.53
LionOre Mining International	Mining Company	0.7	3,615	3,973	0.51
Total value of investments over 0.5%			433,983	619,524	79.85
Other equity investments (25)			23,849	36,386	4.69
Treasury 7.75% 08/09/2006	UK Government security	-	43,502	42,592	5.49
Treasury 7.5% 07/12/2006	UK Government security	-	30,887	30,603	3.95
Treasury 2% Index-Linked 19/07/2006	UK Government security	-	24,568	24,903	3.21
Impax Group 5.5% 31/03/2009	UK bond	-	653	1,427	0.18
Total investments			557,442	755,435	97.37
Net current assets				20,436	2.63
Total assets less current liabilities				775,871	100.00

Independent Review Report to British Empire Securities and General Trust plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 31 March 2006 which comprises the Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement and the related notes 1 to 9. We have read other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority. As discussed in note 1, the next annual financial statements of the Group will be prepared in accordance with those IFRSs adopted by the European Union. This interim report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' and the requirements of IFRS 1 'First Time Adoption of International Financial Reporting Standards' relevant to interim reports.

The accounting policies are consistent with those that the directors intend to use in the next financial statements.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2006.

Ernst & Young LLP

London
16 May 2006

Investment Services to Shareholders

Investing through an ISA, PEP or Share Plan

An easy, cost effective way to invest in British Empire Securities and General Trust plc is through the Asset Value Investors' (AVI) ISA, PEP or Share Plan.

AVI ISA

The AVI Individual Savings Account (ISA) is a savings account that allows you to invest up to £7,000 in stocks and shares each tax year until 5 April 2010 in line with HMRC Limitations. ISAs fall into two categories; a Mini ISA that allows you to invest up to £3,000 and a Maxi ISA that lets you take advantage of the full £7,000 limit.

AVI PEP

Personal Equity Plans (PEPs) were introduced in 1987 as an easy straightforward way to make medium to long-term investments on the stock market. Although April 1999 was the last date in which you could pay into a PEP, you can still transfer funds from any existing plan into an AVI PEP.

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 Securities and General Trust plc. Lump sum payments or regular monthly deposits can be made to the Share Plan.

Company Information

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Peter Allen
Steven Bates
Rosamund Blomfield-Smith
Strone Macpherson
John May

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