

# British Empire

Securities and General Trust plc

AVI

Half Year Report 2008



# Company Summary

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**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.

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**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 Companies.

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**Investment Manager** Asset Value Investors Limited (Customer Services: 0845 850 0181\*)

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**Equity Shareholders' funds** £755 million at 31 March 2008

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## Capital structure

	Number 31 March 2008		Mid market price 31 March 2008 p	Market capitalisation 31 March 2008 £ million
160,080,089	Ordinary Shares		476.00	761.98
£8,514,940	10 <sup>3</sup> / <sub>8</sub> per cent Debenture Stock 2011		115.778	9.86
£15,000,000	8 <sup>1</sup> / <sub>8</sub> per cent Debenture Stock 2023		120.955	18.14
£2,690,869	Equities Index Unsecured Loan Stock 2013		250.00	6.73

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**ISA status** The Company's shares are eligible for Stocks and Shares ISAs.

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**Website** [www.british-empire.co.uk](http://www.british-empire.co.uk)

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\*Calls from BT landlines will cost a maximum of 4p per minute plus a 6p call set-up fee. The price of calls from other telephone companies will vary. The call price is correct at the time of printing.

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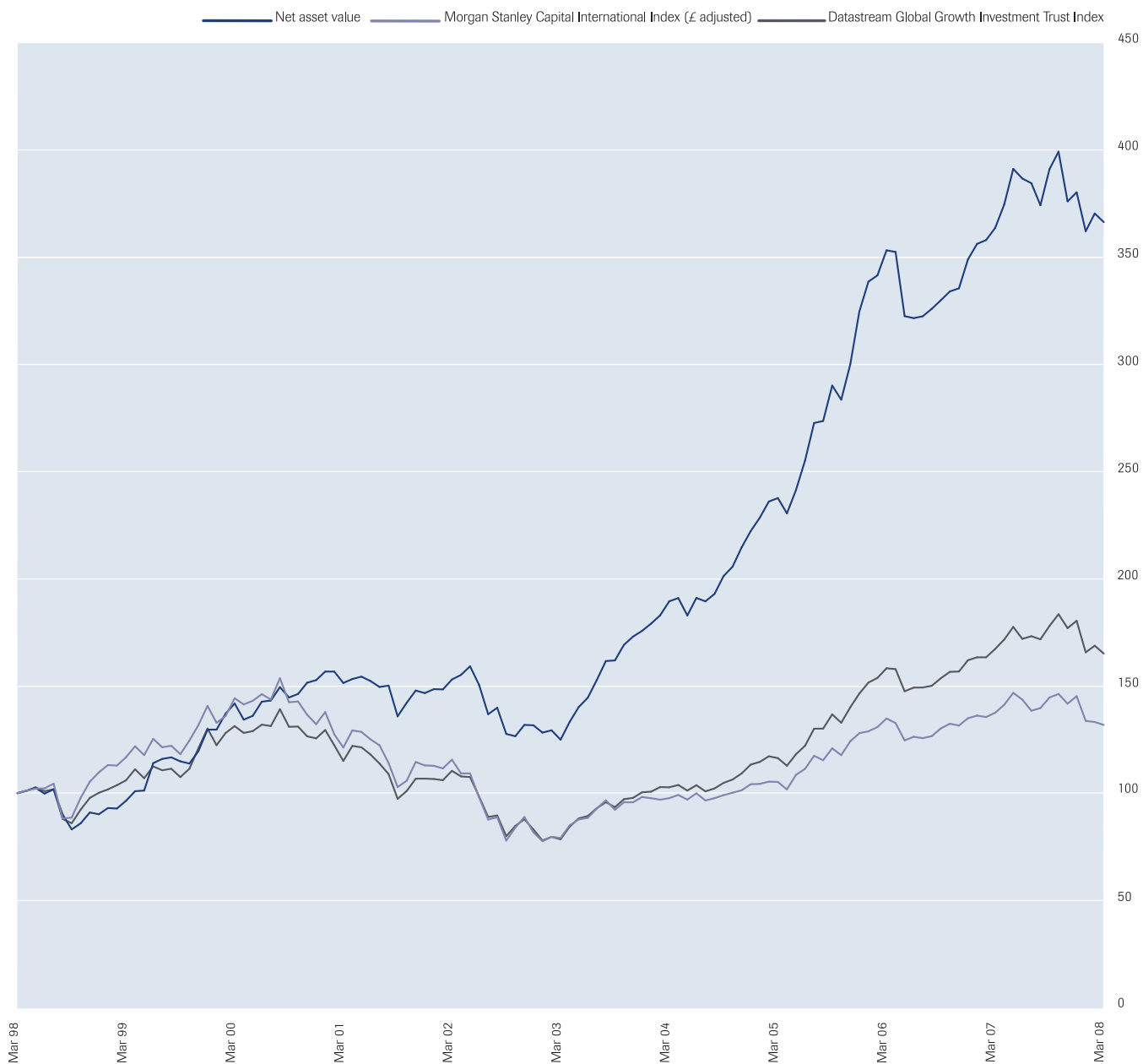
# Financial Highlights

## Performance summary

	At 31 March 2008	At 30 September 2007	% change
<b>Capital return</b>			
Net assets	<b>£754.96m</b>	£815.12m	(7.38)
Net asset value per share	<b>471.61p</b>	509.19p	(7.38)
Share price (mid market)	<b>476.00p</b>	476.00p	-
Premium/(discount)	<b>0.93%</b>	(6.52%)	-
<b>Revenue earnings and dividends</b>			
	Six months to 31 March 2008	Six months to 31 March 2007	
Revenue earnings per share	<b>2.92p</b>	2.71p	
Interim dividend per share	<b>1.75p</b>	1.40p	
<b>Performance comparison</b>			
	Six months to 31 March 2008	Year to 30 September 2007	
British Empire Securities and General Trust plc (NAV total return)	<b>(6.58)%</b>	17.51%	
Morgan Stanley Capital International World Index (£ adjusted total return)	<b>(8.83)%</b>	11.56%	
Datastream Global Growth Investment Trust Index*	<b>(7.23)%</b>	15.87%	

\* Index (based on total return) is subject to daily revision and this figure is at 4 April 2008

**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 Datastream, Bloomberg

## Chairman's Statement

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During my first few months as Chairman of your Company I am pleased to report that we have continued with our cautious investment policy and have benefitted from our underlying financial strength in difficult and volatile markets. Net asset value has fallen 6.6%, outperforming the Datastream Index (-7.2%) and the MSCI Index (-8.8%) all on a total return basis. The discount in share price to net asset value that stood at 6.5% at the end of September has now narrowed considerably. The share price at the end of March was at the same level as at the end of September.

Liquidity had been maintained at high levels during this period (between 11% and 16%), reflecting your Manager's belief that, despite the sharp fall in many markets, there has been no need yet to hurry in deploying our current levels of liquidity.

We are paying an interim dividend of 1.75p, an increase of 25% over last year's interim dividend of 1.40p. This will be payable on 6th June 2008 to shareholders on the register at 23rd May 2008 (ex-dividend 21st May 2008).

**Strone Macpherson**

*Chairman*

12 May 2008

# Investment Manager's Report

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For the first six months of the financial year, the Company's net asset value per share fell 6.6% compared with falls of 7.2% for the Datastream Global Growth Investment Trust Index and 8.8% for the MSCI World Index (£) (All figures are on a total return basis).

Over the five year period to 31 March 2008, the Company's net asset value per share rose 193.9% compared to an increase of 126.7% for the weighted sector average\*.

The five largest positive contributors to returns during the period were +0.36% Jardine Matheson, +0.28% Jardine Strategic, +0.25% Hutchison Whampoa, +0.25% ACE Aviation and +0.23% Compagnie Nationale à Portefeuille.

The five largest detractors from performance were -0.84% Deutsche Wohnen, -0.70% Novagold Resources, -0.53% Paris Orléans, -0.47% NTT Urban Development and -0.41% Nippon Residential Investment.

As at 31 March 2008, the geographical profile on a look-through basis was as follows: Continental Europe 31.3%, UK 21.0%, Japan 10.8%, Asia Pacific 10.0%, North America 8.3%, other 2.7% and liquidity 15.9%.

We have been wary of equity markets for some time because of the long bull market and consequent high valuations on many listed stocks. It is not surprising, therefore, to see markets giving back some of the gains of recent years although the cause of the collapse is always hard to determine in advance. As it turned out, it was lax lending standards and overly bullish assumptions in the sub-prime and debt derivative markets that have caused havoc. We have held net liquidity for some time as a precaution against weaker markets. It may still be just slightly too soon but we are seeing a much improved valuation environment for putting that money back to work.

Discounts in many of our favoured investment areas are widening significantly. This has created a headwind for us over the past two years. We are pleased that we have reached a point where the value in the portfolio has been substantially rebuilt without underperformance against our benchmark. We are now seeing many more opportunities in European investment holding companies on wide discounts. These companies are well diversified, generally have very little net debt and, in fact, many have net cash. Asian investment holding companies (including two of our larger holdings: Jardine Strategic and Jardine Matheson) are still on very wide discounts and have held up very well in recent market turmoil. Japanese equities seem to us to be exceedingly cheap and the Japanese property market (which underpins many of our holdings there) continues to advance. Discounts on investment trusts have widened over the past year but they are still narrower than in many other areas in which we invest. We have re-kindled our interest in UK property following sharp falls in the value of listed companies. We have built positions in UK housebuilders, REITs and property investment trusts on what we consider to be attractive discounts. High commodity prices may continue for many years but we have reduced our exposure to this area because of its high volatility and the short-term negative effects of a slowing global economy. We also have liquidity of 15.9%.

Value is being restored to the market in the sell-off, which is uncomfortable in the short term and it is difficult to make absolute returns in this environment. It is necessary, however, in order for us to have a good starting point for the next stage of returns and for us to invest our cash at what we consider to be an appropriate 'margin of safety'.

## **John Pennink**

*Asset Value Investors Limited*

12 May 2008

\* Source: JPMorganCazenove.

# Investment Portfolio

At 31 March 2008

Company	Nature of business	% of total shares in class	Cost £'000	Valuation £'000	% of total assets less current liabilities
<b>Investor AB 'A'</b>	Investment Holding Company	<b>0.9</b>	<b>25,323</b>	<b>31,284</b>	<b>3.98</b>
<b>Sofina</b>	Investment Holding Company	<b>1.4</b>	<b>26,063</b>	<b>30,450</b>	<b>3.87</b>
<b>Jardine Strategic Holdings</b>	Investment Holding Company	<b>0.3</b>	<b>8,432</b>	<b>27,278</b>	<b>3.47</b>
<b>Jardine Matheson Holdings</b>	Investment Holding Company	<b>0.3</b>	<b>16,855</b>	<b>25,028</b>	<b>3.18</b>
<b>Groupe Bruxelles Lambert</b>	Investment Holding Company	<b>0.2</b>	<b>22,100</b>	<b>22,297</b>	<b>2.84</b>
<b>Electra Private Equity</b>	Investment Company	<b>3.6</b>	<b>17,612</b>	<b>20,724</b>	<b>2.64</b>
<b>Holmen AB 'B'</b>	Forestry & Paper Company	<b>1.7</b>	<b>21,491</b>	<b>18,059</b>	<b>2.30</b>
<b>Lundbergforetagen AB 'B'</b>	Investment Holding Company	<b>1.6</b>	<b>12,867</b>	<b>17,409</b>	<b>2.21</b>
<b>Deutsche Wohnen</b>	Real Estate Company	<b>4.6</b>	<b>22,259</b>	<b>17,017</b>	<b>2.16</b>
<b>Paris Orléans</b>	Investment Holding Company	<b>2.9</b>	<b>11,720</b>	<b>16,871</b>	<b>2.15</b>
<b>Top ten investments</b>			<b>184,722</b>	<b>226,417</b>	<b>28.80</b>
<b>Compagnie Nationale à Portefeuille</b>	Investment Holding Company	<b>0.4</b>	<b>8,029</b>	<b>16,170</b>	<b>2.06</b>
<b>Teck Cominco 'B'</b>	Mining Company	<b>0.2</b>	<b>14,290</b>	<b>15,794</b>	<b>2.01</b>
<b>Bovis Homes</b>	Housebuilding Company	<b>2.1</b>	<b>16,268</b>	<b>15,592</b>	<b>1.98</b>
<b>Vivendi</b>	Media Company	<b>0.1</b>	<b>15,988</b>	<b>15,134</b>	<b>1.92</b>
<b>BIP Investment Partners</b>	Investment Holding Company	<b>4.7</b>	<b>8,060</b>	<b>15,075</b>	<b>1.92</b>
<b>Pargesa Holding</b>	Investment Holding Company	<b>0.3</b>	<b>14,301</b>	<b>14,683</b>	<b>1.87</b>
<b>Tupras Turkiye Petrol Rafinerileri</b>	Oil & Gas Company	<b>0.5</b>	<b>17,068</b>	<b>14,214</b>	<b>1.81</b>
<b>NTT Urban Development</b>	Real Estate Company	<b>0.6</b>	<b>15,932</b>	<b>13,541</b>	<b>1.72</b>
<b>Mitsubishi Estates</b>	Real Estate Company	<b>0.1</b>	<b>11,704</b>	<b>12,780</b>	<b>1.63</b>
<b>Land Securities</b>	Real Estate Company	<b>0.2</b>	<b>15,507</b>	<b>12,623</b>	<b>1.61</b>
<b>Top twenty investments</b>			<b>321,869</b>	<b>372,023</b>	<b>47.33</b>
<b>Swire Pacific 'B'</b>	Investment Holding Company	<b>0.4</b>	<b>9,312</b>	<b>12,218</b>	<b>1.55</b>
<b>Talisman Energy</b>	Oil & Gas Company	<b>0.1</b>	<b>12,794</b>	<b>11,820</b>	<b>1.50</b>
<b>Persimmon</b>	Housebuilding Company	<b>0.5</b>	<b>10,044</b>	<b>11,236</b>	<b>1.43</b>
<b>First Uranium</b>	Mining Company	<b>2.5</b>	<b>11,351</b>	<b>11,201</b>	<b>1.43</b>
<b>Wheelock &amp; Company</b>	Investment Holding Company	<b>0.4</b>	<b>5,209</b>	<b>11,060</b>	<b>1.41</b>
<b>Law Debenture</b>	Investment Company	<b>2.9</b>	<b>7,852</b>	<b>10,906</b>	<b>1.39</b>
<b>Tokyu Corp</b>	Transport & Property Company	<b>0.3</b>	<b>14,344</b>	<b>10,436</b>	<b>1.33</b>
<b>Edinburgh Dragon Trust</b>	Investment Company	<b>2.9</b>	<b>5,373</b>	<b>9,956</b>	<b>1.27</b>
<b>Cameco Corp</b>	Mining Company	<b>0.2</b>	<b>11,317</b>	<b>9,883</b>	<b>1.26</b>
<b>JP Morgan American Investment Trust</b>	Investment Company	<b>3.7</b>	<b>9,978</b>	<b>9,439</b>	<b>1.20</b>
<b>Top thirty investments</b>			<b>419,443</b>	<b>480,178</b>	<b>61.10</b>



Company	Nature of business	% of total shares in class	Cost £'000	Valuation £'000	% of total assets less current liabilities
<b>Katakura Industries</b>	Textile & Property Company	<b>2.8</b>	<b>7,493</b>	<b>9,324</b>	<b>1.19</b>
<b>Finsbury Worldwide Pharmaceutical Trust</b>	Investment Company	<b>3.4</b>	<b>9,781</b>	<b>8,849</b>	<b>1.13</b>
<b>Herald Investment Trust</b>	Investment Company	<b>3.7</b>	<b>10,746</b>	<b>8,654</b>	<b>1.10</b>
<b>Jazz Air Income Fund Units</b>	Transport Company	<b>1.7</b>	<b>9,764</b>	<b>8,081</b>	<b>1.03</b>
<b>Cie Du Bois Sauvage</b>	Investment Holding Company	<b>1.9</b>	<b>7,388</b>	<b>7,708</b>	<b>0.98</b>
<b>Impax Environmental Markets Ireland Fund 'A'</b>	Investment Company	<b>1.5</b>	<b>6,461</b>	<b>7,585</b>	<b>0.97</b>
<b>Monks Investment Trust</b>	Investment Company	<b>0.9</b>	<b>5,758</b>	<b>7,495</b>	<b>0.95</b>
<b>Forth Ports</b>	Harbours & Property Company	<b>0.8</b>	<b>5,124</b>	<b>7,395</b>	<b>0.94</b>
<b>Ackermans &amp; van Haaren</b>	Investment Holding Company	<b>0.4</b>	<b>1,916</b>	<b>7,165</b>	<b>0.91</b>
<b>Simmer and Jack Mines</b>	Mining Company	<b>2.0</b>	<b>8,037</b>	<b>6,897</b>	<b>0.88</b>
<b>Top forty investments</b>			<b>491,911</b>	<b>559,331</b>	<b>71.18</b>
<b>F&amp;C Commercial Property Trust</b>	Investment Company	<b>1.0</b>	<b>6,256</b>	<b>6,858</b>	<b>0.87</b>
<b>Daidoh</b>	Textile & Property Company	<b>3.1</b>	<b>6,560</b>	<b>6,846</b>	<b>0.87</b>
<b>JP Morgan Japanese Investment Trust</b>	Investment Company	<b>2.3</b>	<b>8,233</b>	<b>6,821</b>	<b>0.87</b>
<b>Merrill Lynch British Smaller Companies Trust</b>	Investment Company	<b>4.4</b>	<b>5,525</b>	<b>6,584</b>	<b>0.84</b>
<b>New India Investment Trust</b>	Investment Company	<b>10.0</b>	<b>4,231</b>	<b>6,566</b>	<b>0.84</b>
<b>Industrivarden AB 'C'</b>	Investment Company	<b>0.7</b>	<b>5,892</b>	<b>6,394</b>	<b>0.81</b>
<b>Nippon Residential Investment</b>	Real Estate Company	<b>1.3</b>	<b>8,945</b>	<b>5,425</b>	<b>0.69</b>
<b>CF Morant Wright Japan 'B'</b>	Investment Company	<b>5.9</b>	<b>5,292</b>	<b>5,416</b>	<b>0.69</b>
<b>Polar Capital Technology Trust</b>	Investment Company	<b>2.2</b>	<b>6,084</b>	<b>5,218</b>	<b>0.66</b>
<b>Synenco Energy Inc Class 'A'</b>	Oil & Gas Company	<b>2.8</b>	<b>9,763</b>	<b>4,982</b>	<b>0.63</b>
<b>Top fifty investments</b>			<b>558,692</b>	<b>620,441</b>	<b>78.95</b>
<b>JP Morgan Fleming Japanese Smaller Companies</b>	Investment Company	<b>7.3</b>	<b>5,337</b>	<b>4,806</b>	<b>0.61</b>
<b>New City Residence</b>	Real Estate Company	<b>1.8</b>	<b>6,916</b>	<b>4,566</b>	<b>0.58</b>
<b>Henex</b>	Investment Holding Company	<b>1.4</b>	<b>4,290</b>	<b>4,205</b>	<b>0.54</b>
<b>Total value of investments over 0.5%</b>			<b>575,235</b>	<b>634,018</b>	<b>80.68</b>
<b>Other equity investments (18)</b>			<b>29,017</b>	<b>23,995</b>	<b>3.05</b>
<b>Treasury 4% 07/03/2009</b>	UK Government security	-	<b>63,525</b>	<b>63,968</b>	<b>8.14</b>
<b>Treasury 5.75% 07/12/2009</b>	UK Government security	-	<b>57,920</b>	<b>58,263</b>	<b>7.41</b>
<b>Total investments</b>			<b>725,697</b>	<b>780,244</b>	<b>99.28</b>
<b>Net current assets</b>				<b>5,675</b>	<b>0.72</b>
<b>Total assets less current liabilities</b>				<b>785,919</b>	<b>100.00</b>

# Consolidated Income Statement

For the six months to 31 March 2008 (unaudited)

	Revenue return £'000	Capital return £'000	Total £'000
<b>Income</b>			
Investment income	<b>8,701</b>	-	<b>8,701</b>
(Losses)/gains on investments held at fair value	-	<b>(57,709)</b>	<b>(57,709)</b>
Gains/(losses) on Index Stock	-	<b>1,221</b>	<b>1,221</b>
Realised exchange (losses)/gains	-	<b>(482)</b>	<b>(482)</b>
	<b>8,701</b>	<b>(56,970)</b>	<b>(48,269)</b>
<b>Expenses</b>			
Investment management fee	<b>(1,223)</b>	<b>(1,339)</b>	<b>(2,562)</b>
Other expenses (including irrecoverable VAT)	<b>(512)</b>	-	<b>(512)</b>
Profit/(loss) before finance costs and tax	<b>6,966</b>	<b>(58,309)</b>	<b>(51,343)</b>
Finance costs	<b>(1,199)</b>	<b>(4)</b>	<b>(1,203)</b>
<b>Profit/(loss) before taxation</b>	<b>5,767</b>	<b>(58,313)</b>	<b>(52,546)</b>
Taxation	<b>(1,093)</b>	<b>37</b>	<b>(1,056)</b>
<b>Profit/(loss) for the period</b>	<b>4,674</b>	<b>(58,276)</b>	<b>(53,602)</b>
<b>Earnings per Ordinary Share</b> (see note 3)			
Basic – Ordinary Shares	<b>2.92p</b>	<b>(36.40)p</b>	<b>(33.48)p</b>

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 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.

The investment management fees shown for the periods to 31 March 2007 and 30 September 2007 include unrecovered VAT. No VAT on investment management fees has been charged since 30 September 2007 following the acceptance by HM Revenue & Customs of the ruling by the European Court of Justice.

For the six months to 31 March 2007 (unaudited)			For the year to 30 September 2007 (audited)		
Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
8,657	-	8,657	17,734	-	17,734
-	61,379	61,379	-	116,818	116,818
-	(1,281)	(1,281)	-	(1,281)	(1,281)
-	159	159	-	54	54
8,657	60,257	68,914	17,734	115,591	133,325
(1,213)	(1,262)	(2,475)	(2,438)	(3,049)	(5,487)
(542)	-	(542)	(1,124)	-	(1,124)
6,902	58,995	65,897	14,172	112,542	126,714
(1,187)	(4)	(1,191)	(2,410)	(7)	(2,417)
5,715	58,991	64,706	11,762	112,535	124,297
(1,373)	379	(994)	(2,716)	1,216	(1,500)
4,342	59,370	63,712	9,046	113,751	122,797
2.71p	37.09p	39.80p	5.65p	71.06p	76.71p

# Consolidated Statement of Changes in Equity

For the six months to 31 March 2007 (unaudited)

	Ordinary share capital £'000	Capital redemption reserve £'000	Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Merger reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 September 2006	16,008	2,927	28,078	496,223	98,162	41,406	18,487	701,291
Profit for the period	-	-	-	13,630	45,740	-	4,342	63,712
Ordinary dividend paid	-	-	-	-	-	-	(5,122)	(5,122)
Special dividend paid	-	-	-	-	-	-	(1,601)	(1,601)
<b>Balance at 31 March 2007</b>	<b>16,008</b>	<b>2,927</b>	<b>28,078</b>	<b>509,853</b>	<b>143,902</b>	<b>41,406</b>	<b>16,106</b>	<b>758,280</b>

For the year ended 30 September 2007 (audited)

	Ordinary share capital £'000	Capital redemption reserve £'000	Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Merger reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 September 2006	16,008	2,927	28,078	496,223	98,162	41,406	18,487	701,291
Profit for the period	-	-	-	74,011	39,740	-	9,046	122,797
Ordinary dividends paid	-	-	-	-	-	-	(7,363)	(7,363)
Special dividend paid	-	-	-	-	-	-	(1,601)	(1,601)
<b>Balance at 30 September 2007</b>	<b>16,008</b>	<b>2,927</b>	<b>28,078</b>	<b>570,234</b>	<b>137,902</b>	<b>41,406</b>	<b>18,569</b>	<b>815,124</b>

For the six months to 31 March 2008 (unaudited)

	Ordinary share capital £'000	Capital redemption reserve £'000	Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Merger reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 September 2007	<b>16,008</b>	<b>2,927</b>	<b>28,078</b>	<b>570,234</b>	<b>137,902</b>	<b>41,406</b>	<b>18,569</b>	<b>815,124</b>
Profit/(loss) for the period	-	-	-	<b>29,632</b>	<b>(87,908)</b>	-	<b>4,674</b>	<b>(53,602)</b>
Ordinary dividend paid	-	-	-	-	-	-	<b>(5,763)</b>	<b>(5,763)</b>
Special dividend paid	-	-	-	-	-	-	<b>(800)</b>	<b>(800)</b>
<b>Balance at 31 March 2008</b>	<b>16,008</b>	<b>2,927</b>	<b>28,078</b>	<b>599,866</b>	<b>49,994</b>	<b>41,406</b>	<b>16,680</b>	<b>754,959</b>

# Consolidated Balance Sheet

	At 31 March 2008 (unaudited) £'000	At 31 March 2007 (unaudited) £'000	At 30 September 2007 (audited) £'000
<b>Non current assets</b>			
Investments held at fair value through profit or loss	<b>780,244</b>	787,370	841,051
<b>Current assets</b>			
Investments	<b>6</b>	5	8
Sales for future settlement	<b>144</b>	2,293	4,036
Other receivables	<b>6,936</b>	4,434	4,285
Cash and cash equivalents	<b>1,980</b>	2,616	3,926
	<b>9,066</b>	9,348	12,255
<b>Total assets</b>	<b>789,310</b>	796,718	853,306
<b>Current liabilities</b>			
Purchases for future settlement	<b>(72)</b>	(3,501)	(2,922)
Other payables	<b>(3,319)</b>	(2,373)	(3,072)
	<b>(3,391)</b>	(5,874)	(5,994)
<b>Total assets less current liabilities</b>	<b>785,919</b>	790,844	847,312
<b>Non-current liabilities</b>			
10 <sup>3</sup> / <sub>8</sub> per cent Debenture Stock 2011	<b>(8,515)</b>	(8,515)	(8,515)
8 <sup>1</sup> / <sub>8</sub> per cent Debenture Stock 2023	<b>(14,890)</b>	(14,882)	(14,886)
Equities Index Stock 2013	<b>(7,131)</b>	(8,603)	(8,463)
Provision for deferred tax	<b>(424)</b>	(564)	(324)
<b>Net assets</b>	<b>754,959</b>	758,280	815,124
<b>Equity attributable to equity Shareholders</b>			
Ordinary Share capital	<b>16,008</b>	16,008	16,008
Capital redemption reserve	<b>2,927</b>	2,927	2,927
Share premium	<b>28,078</b>	28,078	28,078
Capital reserve realised	<b>599,866</b>	509,853	570,234
Capital reserve unrealised	<b>49,994</b>	143,902	137,902
Merger reserve	<b>41,406</b>	41,406	41,406
Revenue reserve	<b>16,680</b>	16,106	18,569
<b>Total equity</b>	<b>754,959</b>	758,280	815,124
<b>Net asset value per Ordinary Share: - basic</b> (see note 6)	<b>471.61p</b>	473.68p	509.19p
<b>Number of Ordinary Shares in issue</b>	<b>160,080,089</b>	160,080,089	160,080,089

# Consolidated Cash Flow Statement

	Six months to 31 March 2008 (unaudited) £'000	Six months to 31 March 2007 (unaudited) £'000	Year to 30 September 2007 (audited) £'000
Net cash inflow from operating activities (see below)	<b>5,211</b>	131	3,927
<b>Financing activities</b>			
Dividends paid	<b>(6,563)</b>	(6,723)	(8,964)
Buyback of Index Stock	<b>(112)</b>	(196)	(336)
Cash outflow from financing activities	<b>(6,675)</b>	(6,919)	(9,300)
<b>Decrease in cash and cash equivalents</b>	<b>(1,464)</b>	(6,788)	(5,373)
Exchange movements	<b>(482)</b>	159	54
<b>Change in cash and cash equivalents</b>	<b>(1,946)</b>	(6,629)	(5,319)
Cash and cash equivalents at beginning of period	<b>3,926</b>	9,245	9,245
<b>Cash and cash equivalents at end of period</b>	<b>1,980</b>	2,616	3,926

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

(Loss)/profit before taxation	<b>(52,546)</b>	64,706	124,297
(Gains)/losses on Index Stock held at fair value	<b>(1,221)</b>	1,281	1,281
Losses/(gains) on exchange movements	<b>482</b>	(159)	(54)
Losses/(gains) on investments held at fair value through profit or loss	<b>57,709</b>	(61,379)	(116,818)
Purchases of investments	<b>(242,416)</b>	(218,353)	(495,697)
Sales of investments	<b>246,557</b>	217,057	493,838
Increase in other receivables	<b>(2,674)</b>	(998)	(658)
Decrease in creditors	<b>(458)</b>	(1,887)	(1,131)
Taxation	<b>(228)</b>	(141)	(1,135)
Amortisation of Debenture issue expenses	<b>4</b>	4	7
Decrease/(increase) in value on investments – current assets	<b>2</b>	-	(3)
<b>Net cash inflow from operating activities</b>	<b>5,211</b>	131	3,927

# 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"). The accounting policies and methods of computation followed in these half year financial statements are consistent with the most recent annual financial statements.

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

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

## 2. Income

	<b>31 March 2008 £'000</b>	31 March 2007 £'000	30 September 2007 £'000
<b>Income from investments</b>			
Listed investments	<b>8,409</b>	8,459	17,251
<b>Other Income</b>			
Deposit interest	<b>294</b>	198	480
(Loss)/gain from dealing activities of subsidiary	<b>(2)</b>	-	3
	<b>292</b>	198	483
<b>Total income</b>	<b>8,701</b>	8,657	17,734

## 3. Earnings per Ordinary Share

	<b>31 March 2008 £'000</b>	31 March 2007 £'000	30 September 2007 £'000
<b>Total basic earnings per Ordinary Share</b>			
Total (loss)/profit	<b>(53,602,000)</b>	63,712,000	122,797,000
Weighted average number of Ordinary Shares in issue during the period	<b>160,080,089</b>	160,080,089	160,080,089
<b>Total earnings per Ordinary Share</b>	<b>(33.48)p</b>	39.80p	76.71p

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

### Basic revenue earnings per Ordinary Share

Revenue profit	<b>4,674,000</b>	4,342,000	9,046,000
Weighted average number of Ordinary Shares in issue during the period	<b>160,080,089</b>	160,080,089	160,080,089
<b>Basic revenue earnings per Ordinary share</b>	<b>2.92p</b>	2.71p	5.65p

### Basic capital earnings per Ordinary Share

Capital (loss)/profit	<b>(58,276,000)</b>	59,370,000	113,751,000
Weighted average number of Ordinary Shares in issue during the period	<b>160,080,089</b>	160,080,089	160,080,089
<b>Basic capital earnings per Ordinary Share</b>	<b>(36.40)p</b>	37.09p	71.06p

## 4. Comparative information

The financial information contained in this half year 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 2008 and 31 March 2007 has not been audited.

The information for the year ended 30 September 2007 has been extracted from the latest published audited financial statements. The audited financial statements for the year ended 30 September 2007 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.

## Notes to the Financial Statements continued

### 5. Retained earnings

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

	Revenue £'000	Capital £'000	Total £'000
At 30 September 2007	18,569	708,136	726,705
Movement during the period:			
Net income for the period	4,674	(58,276)	(53,602)
Ordinary dividend paid: Ordinary Shares	(5,763)	-	(5,763)
Special dividend paid: Ordinary Shares	(800)	-	(800)
<b>At 31 March 2008</b>	<b>16,680</b>	<b>649,860</b>	<b>666,540</b>

### 6. Net asset value per Ordinary Share

The net asset value per Ordinary Share is based on net assets of £754,959,000 (six months to 31 March 2007: £758,280,000; year ended 30 September 2007: £815,124,000) and on 160,080,089 (six months to 31 March 2007: 160,080,089, year ended 30 September 2007: 160,080,089) Ordinary Shares, being the number of Ordinary Shares in issue at the period ends.

### 7. Equities Index Unsecured Loan Stock 2013

During the period the Company bought back 39,362 units of Equity Index Unsecured Loan Stock 2013 for cancellation at a cost of £112,182.

### 8. Dividends

During the period the Company paid a final dividend of 3.60p per Ordinary Share and a special dividend of 0.50p per Ordinary Share for the year ended 30 September 2007 on 4 January 2008 to Ordinary Shareholders on the register at 7 December 2007 (ex-dividend 5 December 2007).

The interim dividend of 1.75p per Ordinary Share for the year ending 30 September 2008 will be paid on 6 June 2008 to Ordinary Shareholders on the register at the close of business on 23 May 2008 (ex-dividend 21 May 2008).

### 9. Contingent assets

The Board is taking steps to reclaim such back VAT on investment management fees as it can but cannot yet calculate the quantum accurately. However, as any recovery is unlikely to have a material impact on Net Asset Value the Directors have not recognised recoverable VAT in these financial statements.

## Responsibility Statement

The Directors listed on page 17, being the responsible persons, confirm to the best of their knowledge that:

- a) the condensed financial statements herein have been prepared in accordance with International Financial Reporting Standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- b) the Interim Management Report, which comprises the Chairman's Statement and Investment Manager's Report, includes a fair review of:
  - i. important events which have occurred during the first six months of the financial year and their impact on the condensed financial statements, and the principal risks and uncertainties for the remaining six months of the financial year; and
  - ii. related party transaction information under Disclosure & Transparency Rule 4.2.8 R.



# Independent Review Report to British Empire Securities and General Trust plc

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## **Introduction**

We have been engaged by the Company to review the financial statements in the half year financial report for the six months ended 31 March 2008 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 the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the financial statements.

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

## **Directors' Responsibilities**

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

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

## **Our Responsibility**

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

## **Scope of Review**

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

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the financial statements in the half year financial report for the six months ended 31 March 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

## **Ernst & Young LLP**

London

12 May 2008

# Investment Services to Shareholders

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## **Investing through an ISA 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) Stocks and Shares ISA, or Share Plan.

## **AVI ISA**

The AVI Stocks and Shares Individual Savings Account (ISA) is a savings account that allows you to invest up to £7,200 in stocks and shares in line with HM Revenue & Customs limitations. Up to £3,600 of the £7,200 ceiling may be held as cash.

## **AVI Share Plan**

The AVI Share Plan is a savings plan which aims to provide a simple and cost-effective 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  
John May

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