British Empire

Securities and General Trust plc

Annual Report & Accounts 2009

British Empire Securities and General Trust plc

Annual Report & Accounts 2009

AVI

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.

Contents

Financial Highlights

Capital Return

	30 September 2009	30 September 2008	% change
Net asset value per Share	**459.26p**	395.96p	15.99
Share price (mid market)	**431.50p**	396.00p	8.96
Total assets less current liabilities	**£764.31m**	£662.98m	15.28
Net asset value per Share (total return)			17.83

Indices

Fundamental Data Global Growth Investment Trust Index*	**241.90**	221.80	9.06
Morgan Stanley Capital International World Index (£ adjusted total return)	**2292.03**	2090.77	9.63

Revenue and Dividends

Income	**£20.70m**	£23.35m	(11.35)
Earnings per Share	**7.98p**	8.46p	(5.67)
Ordinary Dividends per Share	**6.00p**	5.75p	4.35
Special Dividend per Share	**1.25p**	1.50p	(16.67)

(Discount)/Premium

(Difference between share price and net asset value)	**(6.04)%**	0.01%	–

Total Expense Ratio (as a percentage of average shareholder's funds)

Management fees, marketing and other expenses	**0.80%**	0.83%	–
Performance fee	**0.38%**	0.00%	–

2009 Highs/Lows

	High	Low	
Net asset value per Share	**459.51p**	**310.77p**	–
Share price (mid market)	**435.30p**	**299.00p**	–

Buy-backs

During the year the Company purchased 51,539 units of Equities Index Unsecured Loan Stock 2013 for cancellation for £97,232 and £31,500 in nominal value of its 10 3/8 per cent Debenture Stock 2011 for cancellation for £36,791 including accrued interest of £488. The Company did not purchase any of its Ordinary Shares or 8 1/8 per cent Debenture Stock 2023 for cancellation during the year.

* Index (based on total return) is subject to daily revision and this figure is at 14 October 2009.

Net asset value on a total return basis increases

17.83%

Net asset value on a total return basis outperforms Fundamental Data Index by

8.77%

Ordinary dividend increased

4.35%

Company Summary

The Company

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. The Group's net asset value at 30 September 2009 was £735 million and the market capitalisation was £691million.

Objective

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

Investment Manager

Asset Value Investors Limited
Customer Services: 0845 850 0181
Call charges may apply

Capital Structure

The Company has Ordinary Shares, Debenture Stock and Equities Index Loan Stock in issue.
A full explanation of the capital structure is given on pages 19 and 20.

ISA Status

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

Website

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

Company Information

Directors

Strone Macpherson (Chairman)
Andrew Robson
Steve Bates
Rosamund Blomfield-Smith
John May

Registered Office

Springfield Lodge
Colchester Road
Chelmsford
Essex CM2 5PW

Investment Manager

Asset Value Investors Limited
Bennet House
54 St James's Street
London SW1A 1JT

Registrars and Transfer Office

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

Registrar's Shareholder Helpline
Tel. 0871 384 2490
Calls charged at 8p per minute plus network charges.

Registrar's Broker Helpline
Tel. 0906 559 6025
Calls charged at £1 per minute plus network charges.

Corporate Broker

Winterflood Securities Limited
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC2R 2GA

Secretary

Phoenix Administration Services Limited
Springfield Lodge
Colchester Road
Chelmsford
Essex CM2 5PW
Tel: 01245 398950
www.phoenixfundservices.com
cosec@phoenixfundservices.com

Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers and Custodian

JP Morgan Chase Bank
125 London Wall
London EC2Y 5AJ

Solicitors

Herbert Smith
Exchange Square
Primrose Street
London EC2A 2HS

Company History

Historical Record

Year ended 30 September	Group net revenue return £'000	Earnings per Share (p)	Ordinary dividend per Share (p)	Special dividend per Share (p)	Net assets £'000†	Basic net asset value per Share (p)†
2000	3,882	2.15	1.30	–	356,337	202.11
2001	5,942	3.37	1.40	0.50	325,970	186.18
2002	3,868	2.29	1.50	0.40	277,419	173.30
2003	2,726	1.70	1.55	–	348,326	217.59
2004	3,651	2.28	1.70	–	429,474	268.28
2005	6,614	4.13	2.20	1.40	618,739	386.51
2006	8,520	5.32	4.00	1.00	701,291	438.08
2007	9,046	5.65	5.00	0.50	815,124	509.19
2008	13,548	8.46	5.75	1.50	633,856	395.96
2009	12,774	7.98	6.00	1.25	735,188	459.26

† The figures for 2005 and 2004 have been restated in accordance with IFRS. Figures for earlier years have not been restated.

1889 Company founded as The Transvaal Mortgage Loan and Finance Company Limited.

1906 Name changed to British Empire Land Mortgage and Loan Company Limited.

1966 British Empire Securities and General Trust, as the Company is now known, opts for Investment Trust status. Net assets £1 million.

1984 Open offer and change of management to Asset Value Investors Limited (formerly Laurwood Limited). Net assets £6 million.

1985 Rights Issue of 4 shares for 1. Net assets increased to £30 million.

1986 Acquisition of The Ashdown Investment Trust PLC involving the issue of 31.4 million Ordinary Shares and £11.9 million of 10 3/8% Debenture Stock 2011.

1989 Offer for Schroder Global Trust plc leading to its unitisation.

1995 Acquisition of Selective Assets Trust plc involving the issue of 45,451,489 Ordinary Shares and 20,130,104 units of Equities Index Unsecured Loan Stock 2013.

1999 Holding of 6.8% in Rue Impériale de Lyon was sold for £45.9 million, realising a profit of £25.6 million.

2001 Company exceeds the MSCI World Index by 20 percentage points.

2005 The Company's NAV exceeds the MSCI World Index for a seventh consecutive year, by 26 percentage points on a total return basis.

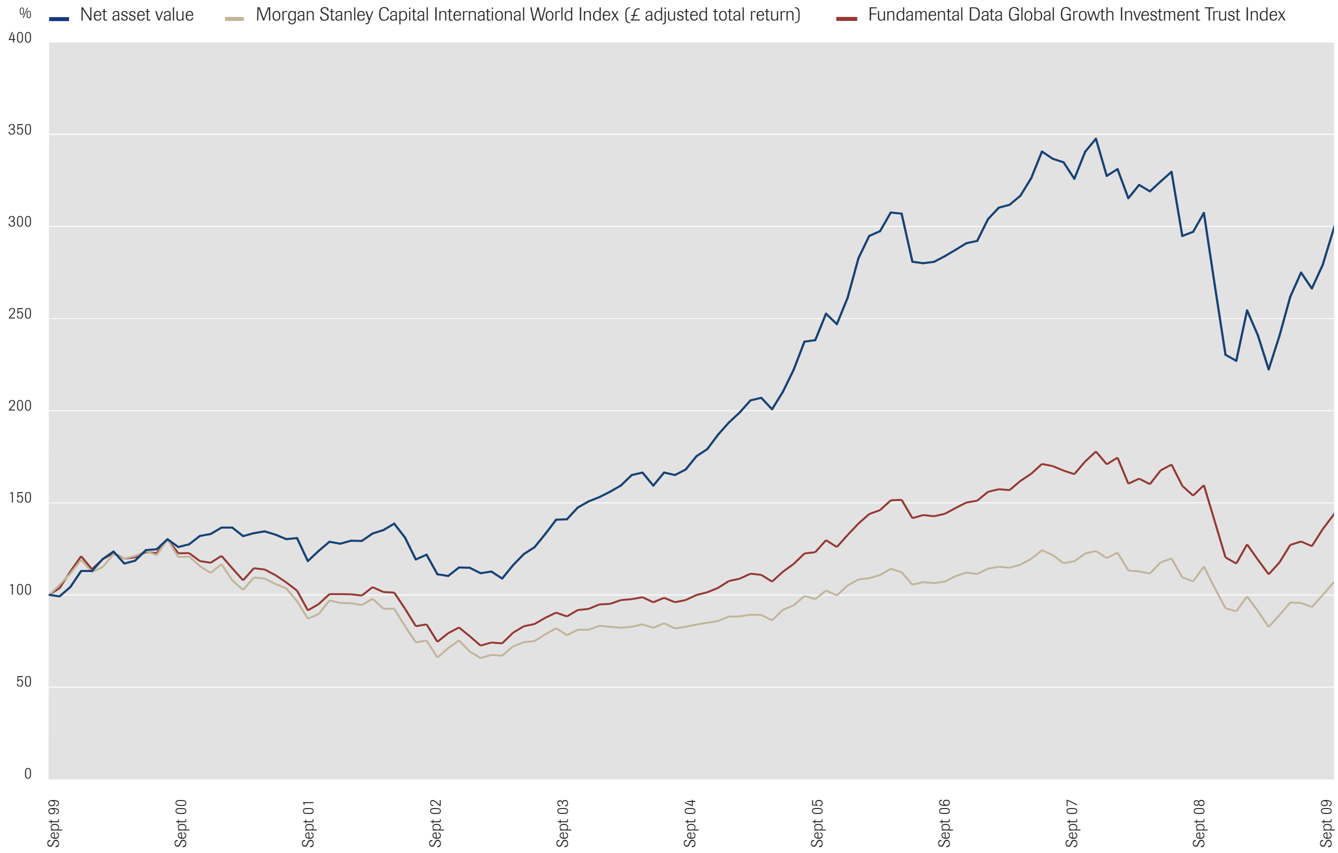
2007 NAV per Share reaches 517.8p. The Company's positive performance continues, 5.9 percentage points above the MSCI World Index on a total return basis.

2008 NAV per Share reaches 521.1p, a record level, before market turmoil causes it to fall.

2009 A volatile year in which NAV total return per share fell over 10% in the first half of the fiscal year, then gained over 31% in the second half, ending the year with a NAV per share of 459.3p.

Relative Net Asset Value

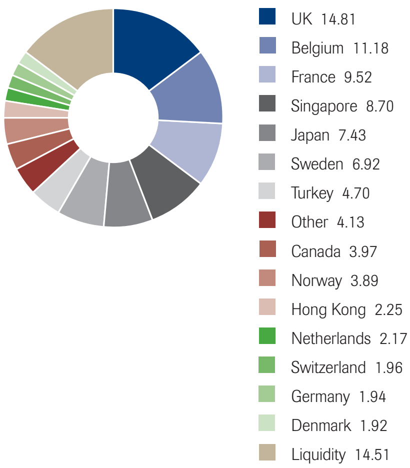
to Fundamental Data Global Growth Investment Trust Index and Morgan Stanley Capital International World Index (£ adjusted total return)



Source: Fundamental Data, Bloomberg

Portfolio by Country

(%) as at 30 September 2009



Chairman's Statement

Strone Macpherson
Chairman

"The period has been perhaps the most remarkable one for the investment community in a generation"

The period under review which covers 1st October 2008 to 30th September 2009 has been perhaps the most remarkable one for the investment community in a generation. As the financial crisis unfolded the first and second quarters proved to be exceptionally volatile and difficult and our total return Net Asset Value (NAV) was down over 10% at the half year end (our benchmark, the Fundamental Data Global Growth Investment Trust Index, was down nearly 16%).

However, the second half of our financial year, from the end of March through to the end of September was in stark contrast. Following stimulatory measures taken by central banks in many countries, financial markets globally recovered their poise in remarkable fashion and appetite for risk increased substantially.

Over our financial year as a whole, our NAV total return has been 17.8%, significantly outperforming our benchmark index which advanced by a more modest 9.1%, while the broad MSCI World Index rose by 9.6%.

Over three years, your Company's NAV total return per share has been 9.1% against 3.5% for the benchmark, over five years 79.5% against 52.5% for the benchmark and over 10 years 215.4% against 52.3% for the benchmark.

The recent difficult market conditions have also produced attractive investment opportunities for us. As the Manager's report sets out later, we have been able to add further to some of our long term holdings at distressed valuations, representing a good store of value for the future. We have once again "stuck to our knitting", investing mainly in companies with little or no gearing but standing at a substantial discount to their NAV.

With this sharp recovery in markets since the half year end, the Company's portfolio of investments stood at the year end at an average discount of approximately 22% to their underlying asset value, the discount having narrowed appreciably over the period from 29% at last year end. Shareholders will also note that after a period of relative strength, our Japanese property related investments have been reduced, resulting in our exposure to Japan falling from 12.2% to 7.4%.

The Company's shares have traded over the past year within a relatively narrow range around NAV between 10% premium (6% 2007/8) and 10% discount (12% 2007/8). We continue to monitor carefully the level of both premium and discount and will, if necessary and appropriate, take steps to limit the volatility of any discount through measured buybacks of shares. In line with this continuing policy, the Board is again seeking to renew its powers to buy back the Company's shares.

In contrast to 2007/8, our income from UK gilts has declined by some 49.2% during 2008/9 as portfolio liquidity has declined and interest rates reduced. Underlying dividend income has fallen by 1.9% with the result that gross revenues of £20.7m in 2008/9 are lower than the £23.3m achieved in 2007/8. The base Investment Management fee is, however, also lower, because of the reduced value of the portfolio, so net revenue per share is down a more modest 5.7%. We have benefited from a VAT repayment of £960,163, which compares to last year's repayment of £2,066,939. The VAT repayment amounts to 0.60p per share in total, of which 0.52p is attributable to income. There remains the possibility that we may recover further moneys, but given the uncertainty of this, no further VAT reimbursement has been recognised in these accounts.

We are recommending a final dividend of 4.20p (4.00p in 2008) which, together with the interim dividend of 1.80p (1.75p in 2008), brings the ordinary dividends for the year to 6.00p (5.75p in 2008), an increase of 4.3%. On top of this we are recommending a special dividend of 1.25p, down from 1.50p last year, principally because of the smaller VAT repayment. On this basis overall total dividends would therefore be 7.25p, the same as last year. Nevertheless, we caution that dividend progress in the future may be more difficult than in recent years, given the expected continuing weak world economy and low interest rate environment.

During what has been a turbulent year, liquidity levels have moved between a low of 5% (in March) and about 15%, affording investors some cushion against the worst effects of the extreme distress seen in the markets between last autumn and the early spring.

In an unusual development, the Board decided to reduce temporarily the Company's exposure to the yen and the euro after a period of extreme sterling weakness, and profits from these decisions, which have now been closed off, amounted to £7.9m.

At the Nomination Committee, the Board has again completed a formal evaluation of the Directors, the Chairman, the Board itself and its Committees. Steve Bates retires by rotation at this year's Annual General Meeting and will offer himself for re-election. The Nomination Committee has considered again his qualifications, performance and contribution to the Board and its Committees and confirms that he continues to be effective and demonstrates commitment to his role and the board recommends to the shareholders that he be re-elected. The Board has also carried out the same thorough review process of myself as Chairman and has concluded, after reviewing my qualifications, performance and contribution as Chairman that I should be put forward for re-election.

Resolution 11 in the Notice of Meeting proposes that the Company adopt new Articles of Association. New Articles of Association were adopted in 2008 to reflect changes in company law brought about by the initial stages of the implementation of the Companies Act 2006 (the 2006 Act). The adoption of the new Articles at this year's AGM incorporates further amendments to reflect the changes in company law brought about by the final stages of the implementation of the 2006 Act, which came into effect on 1 October 2009, the Companies (Shareholders' Rights) Regulations 2009 which came into effect on 3 August 2009, and other minor technical or clarifying changes. A summary of the proposed changes is set out in the Appendix to this Annual Report.

Since the year end, the markets have given back some of their gains with the Company's Net Asset Value declining 3.2%[1] while the Fundamental Data Global Growth Investment Trust Index declined by 3.1%[1] and the MSCI World Index declined by 4.7%[1]. At the time of writing, our liquidity levels had risen to almost 20%[1].

Performance over the year was strong, but your board remains concerned that the need for both financial institutions and individuals to continue to deleverage and for governments to finance their unprecedented indebtedness, may undermine the sustainability of any improvement in economies and financial markets. The threat of significantly higher taxation and large cuts in government spending may also combine to make the investment environment difficult for some time. It is also unclear what the medium term effects of the current easy monetary conditions will be on a range of asset classes. These uncertainties reinforce the board's wish to spread the Company's investments even more judiciously by currency and activity.

Despite these cautious remarks, your board is confident that the Company's investment manager, AVI, will continue, by careful selection of stocks, to produce satisfactory returns for shareholders over the medium and long term.

Strone Macpherson
Chairman
16 November 2009

(1) Data to 31 October 2009

Top Ten Investments

Sofina

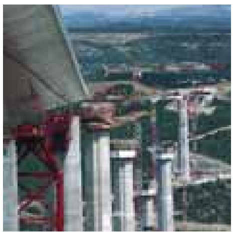
A Belgian holding company for the Boël family investing predominantly in listed assets in Europe. The company has a diversified portfolio of high quality listed assets, net cash and trades on a 33% discount to estimated NAV.

Sector	European Holding Company
Geography	Belgium
Market Capitalisation £m	2,115
Percentage of Portfolio	4.9
Cost	GBP 32.1m
Valuation	GBP 37.5m

Jardine Strategic Holdings

Jardine Strategic, controlled by Jardine Matheson, an investment vehicle for the Keswick family, trades on a 40% discount to an attractive collection of Asian listed companies, including Hong Kong Land, Dairy Farm and Mandarin Oriental.

Sector	Asian Holding Company
Geography	Singapore
Market Capitalisation £m	11,714
Percentage of Portfolio	4.6
Cost	GBP 8.9m
Valuation	GBP 35.4m



Groupe Bruxelles Lambert

A Belgian holding company with interests in energy, utilities, materials and alcoholic beverages through French blue-chip listed companies. Albert Frère, is the family patriarch and he has an enviable long term record of value creation. It trades on a 31% discount to estimated NAV and has net cash on the balance sheet.

Sector	European Holding Company
Geography	Belgium
Market Capitalisation £m	9,330
Percentage of Portfolio	4.5
Cost	GBP 33.9m
Valuation	GBP 34.6m

Vivendi

A French large cap media company with subsidiaries operating in the music, games, television, films and telecommunications industries. The company is more defensive than many other media companies as a result of a high percentage of revenues coming from subscriptions. The company trades on an estimated 27% discount to its sum of the parts valuation and has a 7% dividend yield.

Sector	Media & Telecommunications
Geography	France
Market Capitalisation £m	23,806
Percentage of Portfolio	4.5
Cost	GBP 33.6m
Valuation	GBP 34.6m

Investor AB 'A'

A Swedish industrial holding company that owns shareholdings in major public multinational companies and conducts private equity activities in Europe, North America and Asia. The Wallenberg family manages the group conservatively with no net debt currently. The company trades on a 30% discount to estimated NAV.

Sector	European Holding Company
Geography	Sweden
Market Capitalisation £m	8,657
Percentage of Portfolio	4.3
Cost	GBP 27.1m
Valuation	GBP 33.2m

Jardine Matheson Holdings

The other Singapore listed company in the Jardine control chain. Jardine Matheson owns 81% of Jardine Strategic which, in turn, owns 53% of Jardine Matheson. Jardine Strategic has the higher discount but Jardine Matheson is more liquid with a higher dividend yield.

Sector	Asian Holding Company
Geography	Singapore
Market Capitalisation £m	12,074
Percentage of Portfolio	4.1
Cost	GBP 17.5m
Valuation	GBP 31.1m

Electra Private Equity

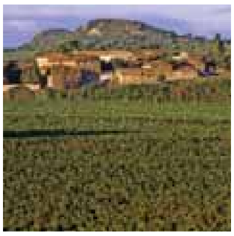
A UK incorporated closed end fund investing in private equity situations mainly in the UK, continental Europe and the US. The company trades at a discount of 23% to estimated NAV and has a strong financial position with over 15% of the portfolio in cash at 30 June 2009.

Sector	Investment Trust
Geography	United Kingdom
Market Capitalisation £m	433
Percentage of Portfolio	2.9
Cost	GBP 21.3m
Valuation	GBP 22.0m

Paris Orléans

The listed holding company of the Rothschild family which holds its stake in the banking business as well as other interests such as wine-making, private equity and property development. The company trades at a 24% discount to estimated NAV.

Sector	European Holding Company
Geography	France
Market Capitalisation £m	1,290
Percentage of Portfolio	2.6
Cost	GBP 12.8m
Valuation	GBP 20.2m



Tüpraş Türkiye Petrol Rafinerileri

A Turkish petroleum refining company, producing, importing and exporting a variety of petroleum products. The company is controlled by the Koç family and is not expensive on 6.8x PE Ratio. The company has net cash on the balance sheet and a dividend yield of over 10%.

Sector	Energy
Geography	Turkey
Market Capitalisation £m	2,599
Percentage of Portfolio	2.3
Cost	GBP 20.4m
Valuation	GBP 17.6m

Swire Pacific 'B'

An Asian holding company with interests including real estate, aviation, beverages, industrial businesses, marine services and trading. The company is controlled by John Swire and Sons and trades on a discount of over 30% to the value of its assets, predominately investment property in Hong Kong.

Sector	Asian Holding Company
Geography	Hong Kong
Market Capitalisation £m	10,743
Percentage of Portfolio	2.3
Cost	GBP 11.3m
Valuation	GBP 17.2m

Investment Manager

John Pennink is a Chartered Financial Analyst (CFA), Chief Executive Officer of Asset Value Investors Limited and the Fund Manager responsible for the British Empire Securities and General Trust portfolio

Asset Value Investors Limited

Asset Value Investors Limited ("AVI"), the Company's investment manager, specialises in quoted 'undervalued asset' securities. AVI manages, in addition to British Empire Securities and General Trust, The European Asset Value Fund (SICAV), CF Asset Value Investors Global Fund (OEIC), AVI Value Fund (LLC) and other managed accounts. Funds under management have grown from £6m in 1985 to above £1.6bn today.

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

Favoured investments

- are not heavily promoted and therefore are not well known;
- sell on wide discounts to estimated asset value; and
- own quality assets that are expected to appreciate.

AVI has long experience in the undervalued assets arena

particularly in:

- the European investment holding company sector;
- the closed-end fund sector; and
- property companies.

Over the long term, each of AVI's funds has significantly outperformed its respective benchmark index.

Investment Manager's Review

During the year, your Company's net asset value increased by 17.8% on a total return basis, which compares to total returns of 9.1% in the Fundamental Data Global Growth Investment Trust Index and 9.6% in the MSCI World Index.

The equity markets have continued to rise through our year end, despite healthy scepticism in many quarters as to whether the rally can continue. The lack of belief in the equity market rally derives from the assumption that, economically, we are not out of the woods yet and that the recovery will be weak. A weak economy, however, does not necessarily mean a falling equity market. The US Federal Reserve has recently pledged to keep rates low for an extended period of time, which is taken to mean at least two years. If the economy is weak, companies will not increase capital expenditure and consumers will rein in consumption. The liquidity created may, thus, need to find a home in asset markets, a category which includes equities. The weaker the economy, the more excess liquidity that may potentially need to find a home.

Central Banks around the world believe that interest rates may safely be left low because there is no inflation in consumer prices. Excess productive capacity and a struggling consumer will likely keep a lid on inflation in goods commonly consumed by individuals. However, inflation may also be understood as the rapid growth in the supply of money and credit. Excess money may find its way into various asset classes and these same Central banks may therefore be blowing more bubbles. This is, to a certain extent, intentional, as Western banks need the value of their assets to be re-flated in order to regain their solvency.

As an investor, it will be difficult to know which asset classes will benefit from these anticipated easy monetary conditions. With capital investment depressed and consumption curtailed, one has to be wary of companies exposed to weak demand. Physical property would be a logical beneficiary but there was too much debt loaded onto these assets in the boom times and this is still in the process of unwinding. Gold, as an unleveraged asset and preserver of value against de-based currencies, may attract attention and we have a small exposure there. Defensive high dividend yielding stocks may also interest us if the economy does not recover as quickly as expected. Emerging markets and commodities are areas in which there may be growth despite restrained growth in over-leveraged developed markets. Overall, it would seem wise in this environment to have a spread of assets that could benefit from the easy money/low growth environment without taking too many big bets. Discounts are not as wide as the mid-thirties levels experienced at the beginning of 2009 in the depths of the crisis but in the low to mid-twenties are still attractive.

Portfolio Review

At the year end on 30 September 2009, the weighted average discount on the underlying portfolio was 22% and liquidity was 14.5%†.

At the half year on 31 March 2009, the weighted average discount on the underlying portfolio was just under 30% and our liquidity was 6.4%. The wide discounts available at that time encouraged us to become more fully invested. With less cash in the portfolio and with the advantage of narrowing discounts, we were positioned to benefit from the rising market and to outperform broad market indices.

Investment Holding Companies

The weighted average discount to NAV on the investment holding companies was 31%, down from 35% last year and above the 24% of the previous year. In general, we have concentrated our holdings on strongly financed companies.

We continue to have big positions in some of the large European holding companies such as Groupe Bruxelles Lambert/Pargesa Holdings

† Liquidity is calculated as fixed income investments plus net current assets divided by total assets less current liabilities.

(6.5%); Sofina (4.9%) and Investor AB (4.3%). These companies all had net cash on their balance sheets going in to the financial crisis and they were able to subscribe to rights issues at some of their portfolio companies. Despite their strong position, their good long term track records and the strong underlying quality of their portfolios they all remain on discounts to NAV of c30%.

Jardine Matheson Holdings/Jardine Strategic Holdings (8.70%)

We continue to have a large weighting in the Jardine companies. The shares are currently trading on discounts of 30% (Jardine Matheson) and 40% (Jardine Strategic). In addition, valuations of the underlying companies such as Dairy Farm, Jardine Cycle & Carriage and Hong Kong Land, look attractive and this portfolio of companies ought to benefit from continued growth within the Asian economies.

Bouygues (1.71%)

A recent addition to the portfolio is Bouygues. The Bouygues family-controlled French conglomerate has major interests in construction and mobile telephones and a 30% stake in Alstom, which provides equipment and services to the railway and power generation industries. Over the past year, its exposure to the cyclical construction business, as well as the impending grant of a fourth mobile phone operating licence in France, has harmed its share price. However, the company trades on valuation multiples that are both lower than its peers and low in absolute terms, it has a sustainable dividend yield of close to 5% and there is upside in the construction business both from an improved economic environment and from fiscal stimulus infrastructure projects in France.

Investment Companies

Discounts on our investment trust holdings were 19% on average against 10% for the investment trust sector as a whole. This is the same level as a year ago. During the year we made a successful investment in 3i Quoted Private Equity, which was taken over by 3i in order to gain access to the large amount of cash that was on its balance sheet.

Electra Private Equity (2.7%)

We took advantage of market weakness during the end of 2008 to add to our position in Electra. Electra is better positioned than many investment trusts that focus on the private equity sector. It has net cash of 15% of NAV and does not have the over-commitment problems affecting some other trusts. It is currently trading on a 23% discount to NAV and, having made few new investments over the last few years, appears well placed to invest at potentially attractive valuations.

Real Estate Companies

Deutsche Wohnen (1.94%)

Deutsche Wohnen trades on a discount of around 30% to the value of its portfolio of residential property in Germany. The company had a relatively high level of debt and was unable to generate high cash returns, which led to poor share price performance. However, following a rights issue, and potential refinancing of existing debt, the company's financial situation has improved. In addition, the company has made significant cost savings, and seems likely to make decent cash returns from its portfolio going forward.

Japan

Our weighting in Japan has been reduced over the year to 7.4% as compared to 12.2% last year. We had a good deal of exposure to Japanese property and much of this was sold during the latter half of the year, following a period of strong performance, albeit for a loss. Our remaining exposure comprises a mix of investment trusts, deep value smaller companies and Nintendo.

Nintendo (1.55%)

A new holding in Japan for the portfolio is Nintendo. Its shares have fallen sharply since November 2007 and are now 2/3 rds lower than they were then. There have been concerns that sales of the Wii have peaked and that competitors may be bringing out more advanced technologies. However, we feel these fears are overdone and that Nintendo will continue to generate strong cash flow. The company has built up a cash pile that now equates to around 40% of its market

1

Portfolio investments

Swire Pacific *1* is active in the aviation sector. In addition to stakes in Cathay Pacific and Dragon Air, Swire has a controlling stake in Hong Kong Aircraft Engineering Company, the leading regional aeronautical engineering and maintenance company.

Aksigorta *2* is a Turkish insurance company controlled by the Sabanci Group. Aksigorta is in the process of spinning off non-core assets to shareholders which should demonstrate the undervaluation of its insurance business.

Ackermans & van Haaren *3* Ackerman owns a 75% interest in Belgium private bank, Bank Delen. The Bank's conservative investment style has stood it in good stead during the recent crisis, and this has enabled it to grow assets under management. Bank Delen has won the Euromoney "Best Private Bank: Belgium" award for the past 3 years.

2

3

Investment Manager's Review continued

4

5

Other Portfolio Investments

Nintendo *4* is a world leader in game consoles and software. The company has been de-rated following slowing sales momentum in certain key product areas but with a very strong balance sheet and new products on the way the shares look undervalued.

A P Møller – Maersk *5* is a Danish conglomerate focused on container shipping and the oil and gas industry.

Cairn Energy *6* is rapidly ramping up oil production in India through its 62% owned subsidiary, Cairn India. There is further opportunity to expand in Rajasthan as well as upside exploration potential in Greenland.

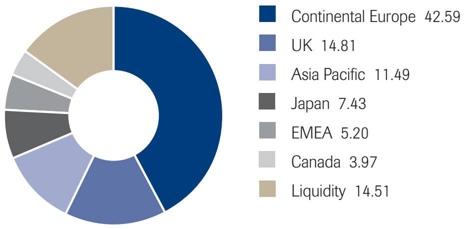
Redback Mining *7* is a growing gold producer with assets in Ghana and Mauritania.

6

7

capitalisation, and despite a dividend yield of over 5%, the company's strong operating performance allows it to continue to build up its cash. Nintendo does not need to retain all this cash on its balance sheet. At some point in the future, management may decide to return some cash to shareholders, which ought to be good for the share price.

Portfolio by Region (%) as at 30 September 2009



Other

Vivendi (4.52%)

Vivendi is an example of a company in the "Other" category of the portfolio. It is a media conglomerate with interests in music, telecoms, video games and pay-tv. The core businesses provide relatively stable and defensive cash flows. In addition, the group has exposure to growth opportunities in emerging economies, principally through its interest in Maroc Telecom. The shares are currently trading approximately 27% below our estimate of sum of the parts (SOP) value, and in addition provide a dividend yield over 7%. Management is committed to the dividend and also to seeking out further growth opportunities in emerging economies, without jeopardising the company's current credit rating. We find the shares cheap on the basis of the current multiples to cash flow, its high dividend yield and a wide discount to its SOP value.

Geographical Profile

Gross Assets of £764m were distributed as follows: Continental Europe 42.6%, UK 14.8%, Asia Pacific 11.5%, Japan 7.4%, EMEA 5.2%, Canada 4.0% and Liquidity of 14.5%.

Outlook

The need to reduce the overall level of private sector indebtedness should restrain economic growth in many Western Countries. In addition the economic crisis has led to the increasing involvement of governments in the economy. The resultant higher levels of both taxes and regulations will also serve to reduce potential growth rates. While current liquidity conditions and ultra low interest rates are positive for the market, there is a danger that, at some point, the market loses touch with the earnings that are its necessary support. It will be easy to make mistakes as an investor as it is very hard at this juncture to tell the difference between the short-term effects of government stimulus and inventory re-stocking and a sustainable recovery. The market may currently be betting on the latter but any signs that government stimulus is being withdrawn or is no longer effective could cause a relapse in the markets.

The two markets most implicated in 'quantitative easing' are the US and the UK. Ultra low interest rates and abundant money supply growth may lead to weaker currencies for both nations over time. A weaker Pound would be beneficial for our Sterling based investors as most of our assets are invested in foreign currencies. The uncertainties relating to major government intervention in the markets is likely to lead to more volatility as markets try to understand and adapt to these new conditions. We will try to build in our 'margin of safety' through the purchase of good quality assets on a substantial discount. Where that is not possible, we may have to sell assets and increase our liquidity position. With the equity markets significantly ahead of their crisis lows, and the risks of policy mistakes high, we are now less fully invested then we were at the half year.

John Pennink
Asset Value Investors Limited
16 November 2009

Investment Portfolio as at 30 September 2009

Portfolio by Market Capitalisation

(GBP) as at 30 September 2009

Portfolio by Sector

(%) as at 30 September 2009

Company	Nature of business	% of class	Cost £'000	Valuation £'000	% of total assets less current liabilities
Sofina	Investment Holding Company	1.8	32,118	37,477	4.90
Jardine Strategic Holdings	Investment Holding Company	0.3	8,853	35,365	4.63
Groupe Bruxelles Lambert	Investment Holding Company	0.4	33,932	34,582	4.52
Vivendi	Media Company	0.2	33,637	34,560	4.52
Investor AB 'A'	Investment Holding Company	0.8	27,111	33,179	4.34
Jardine Matheson Holdings	Investment Holding Company	0.3	17,454	31,092	4.07
Electra Private Equity	Investment Company	5.1	21,293	21,959	2.87
Paris Orléans	Investment Holding Company	3.2	12,814	20,174	2.64
Tüpraş Türkiye Petrol Rafinerileri	Oil Refining Company	0.7	20,431	17,561	2.30
Swire Pacific 'B'	Investment Holding Company	0.3	11,276	17,164	2.25
Top ten investments			**218,919**	**283,113**	**37.04**
Aksigorta	Insurance Company	2.5	14,021	16,736	2.19
Heineken Holding NV	Investment Holding Company	0.3	11,673	16,585	2.17
Aker	Investment Holding Company	1.3	17,208	15,087	1.97
Pargesa Holding	Investment Holding Company	0.2	15,095	14,961	1.96
Deutsche Wohnen	Real Estate Company	5.4	23,071	14,794	1.94
Orkla	Investment Holding Company	0.2	14,331	14,672	1.92
A.P. Møller - Maersk	Investment Holding Company	0.1	14,455	14,653	1.92
BP	Oil & Gas Company	0.0	12,578	14,007	1.83
Exor SpA Preference	Investment Holding Company	0.9	19,664	13,495	1.77
Bouygues	Investment Holding Company	0.1	11,617	13,095	1.71
Top twenty investments			**372,632**	**431,198**	**56.42**

Company	Nature of business	% of class	Cost £'000	Valuation £'000	% of total assets less current liabilities
Nintendo	Consumer Goods Company	0.1	12,003	11,841	1.55
Reed Elsevier	Media & Publishing Company	0.2	10,219	10,470	1.37
Holmen AB 'B'	Forestry & Paper Company	0.2	12,327	10,338	1.35
Barrick Gold Corp	Mining Company	0.0	9,304	10,175	1.33
BIP Investment Partners	Investment Holding Company	4.5	7,852	10,065	1.32
Herald Investment Trust	Investment Company	3.9	10,773	9,886	1.29
Lundbergforetagen AB 'B'	Investment Holding Company	0.1	6,776	9,400	1.23
Yamana Gold	Mining Company	0.2	7,837	8,216	1.08
Daibiru Corp	Real Estate Company	1.3	8,161	8,130	1.06
Red Back Mining	Mining Company	0.5	5,037	7,801	1.02
Top thirty investments			**462,921**	**527,520**	**69.02**
Cairn Energy	Oil & Gas Company	0.2	6,637	7,483	0.98
Forth Ports	Harbours & Property Company	1.4	7,669	7,470	0.98
Katakura Industries	Textile & Property Company	2.9	7,636	7,313	0.96
CF Morant Wright Japan 'B'	Investment Company	1.8	5,292	6,863	0.90
Polar Capital Technology Trust	Investment Company	2.3	5,933	6,686	0.87
Morrison (WM) Supermarkets	General Retail Company	0.1	6,458	6,643	0.87
Finsbury Worldwide Pharmaceutical Trust	Investment Company	2.3	5,565	6,629	0.87
BlackRock Smaller Companies Trust	Investment Company	4.6	5,946	6,345	0.83
JP Morgan Japanese Investment Trust	Investment Company	2.3	8,233	6,190	0.81
Daidoh	Textile & Property Company	3.2	6,739	5,517	0.72
Top forty investments			**529,029**	**594,659**	**77.81**
Cie Du Bois Sauvage	Investment Holding Company	2.0	7,723	4,585	0.60
Showa Aircraft Industry	Transport and Property Company	2.6	5,636	4,530	0.59
Ackermans & van Haaren	Investment Holding Company	0.3	2,065	4,520	0.59
Henex	Investment Holding Company	0.9	4,748	4,368	0.57
JPMorgan Japanese Smaller Companies	Investment Company	7.3	5,337	4,295	0.56
First Uranium Corp	Mining Company	1.5	9,057	4,111	0.54
Mitra Energy*	Oil & Gas Company	3.0	4,079	4,109	0.54
Simmer and Jack Mines	Mining Company	2.1	8,710	3,784	0.50
Law Debenture	Investment Company	1.1	3,080	3,700	0.48
Impax Environmental Markets Ireland Fund 'A'	Investment Company	0.9	3,041	3,677	0.48
Top fifty investments			**582,505**	**636,338**	**83.26**

Investment Portfolio continued

Company	Nature of business	% of class	Cost £'000	Valuation £'000	% of total assets less current liabilities
Fixed income investments					
Treasury 4.75% 07/06/2010	UK Government Security	–	50,988	51,475	6.73
Treasury 5.75% 07/12/2009	UK Government Security	–	50,318	50,490	6.61
Other equity investments – 16 holdings			**25,913**	**17,056**	**2.23**
Total investments			**709,724**	**755,359**	**98.83**
Net current assets				**8,954**	**1.17**
Total assets less current liabilities				**764,313**	**100.00**

*Unquoted investment

Capital Structure as at 30 September 2009

The Company's capital structure comprises Ordinary Shares, two tranches of Debenture Stock, and Equities Index Unsecured Loan Stock ('Index Stock').

Ordinary Shares

At 30 September 2009 there were 160,080,089 (2008: 160,080,089) Ordinary Shares of 10p each in issue.

Income entitlement:

The profits of the Company (including accumulated revenue reserves) available for dividend and resolved to be distributed shall be paid by way of interim, final and (where applicable) special dividends among the holders of Ordinary Shares, subject to the payment of interest to the holders of Debenture Stock and Index Stock.

Capital entitlement:

After meeting the liabilities of the Company and the amounts due to Debenture and Index Stockholders on a winding up, the surplus assets shall be paid to the holders of Ordinary Shares and distributed among such holders rateably according to the amounts paid up or credited as paid up on their shares.

Voting entitlement:

Each Ordinary Shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every Ordinary Share held.

The Notice of Meeting and Form of Proxy stipulate the deadlines for the valid exercise of voting rights and, other than with regard to Directors not being permitted to vote their shares on matters in which they have an interest, there are no restrictions on the voting rights of Ordinary Shares.

Transfers

There are no restrictions on the transfer of Ordinary Shares except for dealings which would or could constitute insider dealing or, in the case of Directors and Persons Discharging Managerial Responsibilities, would otherwise be prohibited under the UKLA Listing Rules.

The Company is not aware of any agreements between Shareholders nor any agreements or arrangements with Shareholders which would change in the event of a change of control of the Company.

Debenture Stock

At 30 September 2009 there were two tranches of Debenture Stock: £8,483,440 (2008: £8,514,940) 10 3/8 per cent Debenture Stock 2011 and £15,000,000 (2008: £15,000,000) 8 1/8 per cent Debenture Stock 2023. The Company purchased £31,500 10 3/8 per cent Debenture Stock 2011 for cancellation on 20 February 2009.

Income entitlement:

Holders of the respective Debenture Stocks are entitled to interest paid half-yearly at the rate of 10 3/8 per cent and 8 1/8 per cent per annum.

Capital entitlement:

The Stockholders are entitled to repayment of principal and outstanding interest on the redemption date or, if earlier, on the occurrence of an event of default. The Debenture Stock is secured by a floating charge on all the assets of the Company. If the Company is liquidated the Debenture Stock is redeemable by the Company, in the case of the 10 3/8 per cent Debenture Stock at a premium based on its market price and in the case of the 8 1/8 per cent Debenture Stock on the equivalent gilt yield. Had the Company been liquidated on 30 September 2009 such premiums would have amounted, in aggregate, to £7.0 million.

The mid-market prices of the 10 3/8 per cent Debenture Stock 2011 and 8 1/8 per cent Debenture Stock 2023 as at 30 September 2009 were 114.75p and 134.79p respectively.

Capital structure continued

Voting entitlement:
The holders of Debenture Stock have no right to attend or to vote at general meetings of the Company.

Equities Index Unsecured Loan Stock 2013 ("Index Stock")

At 30 September 2009 there were 2,584,457 units of Index Stock in issue (2008: 2,635,996). During the year the Company purchased a total of 51,539 units of Index Stock for cancellation.

Investment characteristics:
Units of Index Stock entitle the holders to an income return that matches that of the FTSE All-Share Index (the 'Index') and, at maturity, a capital return that also matches that of the Index. Neither return is fixed and each moves up or down with the United Kingdom stock market.

Income entitlement:
Holders of the Index Stock receive interest paid quarterly. Interest is calculated by reference to the yield on the Index having regard to the movement in the ex-dividend adjustment factor during the relevant quarter as published in the Financial Times. The interest paid for the year to 30 September 2009 amounted to £94.34 per 1,000 units.

Capital entitlement:
The Company shall redeem the whole of the Index Stock on the tenth Stock Exchange dealing day after 31 March 2013, barring any circumstances which may lead to an earlier redemption, at its capital value. The capital value means, in respect of one unit of Index Stock, the higher of 10 per cent of its nominal amount of £1.74338 and the Index number at the date of calculation divided by 1,000 expressed in pounds and rounded up to five decimal places. If the Index Stock is redeemed early by the Company, payment will be effected at the capital value.

The capital value of the Index Stock as at 30 September 2009 amounted to £2.63479 per unit and the offer market price of the Index Stock as at 30 September 2009 was £2.20 per unit.

Voting entitlement:
The holders of Index Stock have no right to attend or to vote at general meetings of the Company.

Board of Directors

Strone Macpherson 1

Status: Independent Non-Executive Chairman
Age: 61 Length of Service: 7 years
Experience: Chairman of Close Brothers plc, Tribal Group plc and JPMorgan Smaller Companies Investment Trust plc and a Director of Kleinwort Benson Private Bank Limited. Formerly a Director at Flemings and Executive Deputy Chairman of Misys plc.
Last re-elected to the Board: 2006
Committee membership: Audit Committee; Management Engagement Committee (Chairman), Nomination Committee (Chairman).
Remuneration: £27,000 pa
Employment by the Manager: None
Other connections with the Trust or Manager: None
Shared Directorships with any other Trust Directors: JPMorgan Fleming Smaller Companies Investment Trust plc
Shareholding in Company: 40,000 Ordinary Shares

Andrew Robson 2

Status: Independent Non-Executive Director
Age: 50 Length of Service: 1 year
Experience: A Director of JPMorgan Smaller Companies Investment Trust plc, M&G Equity Investment Trust plc and Shires Income plc. Formerly Group Finance Director of eFinancial Group Limited, and a Director of Robert Fleming & Co Ltd and SG Hambros.
Last re-elected to the Board: 2008
Committee membership: Audit Committee (Chairman), Management Engagement Committee, Nomination Committee.
Remuneration: £21,000 pa from April 2009
Employment by the Manager: None
Other connections with the Trust or Manager: None
Shared Directorships with any other Trust Directors: JPMorgan Fleming Smaller Companies Investment Trust plc
Shareholding in Company: 1,800 Ordinary Shares

John May 3

Status: Non-Independent Non-Executive Director
Age: 54 Length of Service: 6 years
Experience: A Director of Caledonia Investments plc and Rathbone Brothers plc. Formerly an Executive Director of Hambros Bank Limited and Joint Managing Director of Hambro Countrywide plc
Last re-elected to the Board: 2007
Committee membership: Nomination Committee.
Remuneration: £18,000 pa
Employment by the Manager: None
Other connections with the Trust or Manager: Director of Caledonia Investments, a substantial shareholder
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 6,900 Ordinary Shares

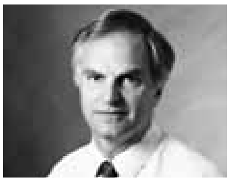
Rosamund Blomfield-Smith 4

Status: Independent Non-Executive Director
Age: 60 Length of Service: 7 years
Experience: Chairman of Moat Housing Group, a Non-executive Director of Thames Water and an independent Board member of the Wales Audit Office. Governor of The University of the West of England and of Hartpury Agricultural College. Formerly Head of Corporate Finance at Arbuthnot Latham Limited and a Director of N M Rothschild & Sons and ING Barings.
Last re-elected to the Board: 2008
Committee membership: Audit Committee, Management Engagement Committee, Nomination Committee.
Remuneration: £18,000 pa
Employment by the Manager: None
Other connections with the Trust or Manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 3,100 Ordinary Shares

Steven Bates 5

Status: Independent Non-Executive Director
Age: 52 Length of Service: 4 years
Experience: Director of Zephyr Management, an investment management business specialising in emerging markets. Chief Investment Officer of Salisbury Partners LLP, Non-executive Director of Baring Emerging Europe plc and Renaissance US Growth Investment Trust plc. Previously an Executive Director of JPMorgan Asset Management responsible for emerging markets investments
Last re-elected to the Board: 2006
Committee membership: Audit Committee; Management Engagement Commitee, Nomination Committee.
Remuneration: £18,000 pa
Employment by the Manager: None
Other connections with the Trust or Manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 20,000 Ordinary Shares


1


2


3


4


5

Attendance at meetings

Name	*Board*	*Audit*	*Management Engagement*	*Nomination Committee*
S Macpherson	8	3	2	1
S Bates	8	3	2	1
R Blomfield-Smith	8	3	2	1
J May	8	n/a	n/a	1
A Robson	8	3	1	1
Number of meetings held	8	3	2	1

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 30 September 2009.

Status

The Company is registered as a public limited company under the Companies Acts and is an investment company under Section 833 of the Companies Act 2006. It is a member of the Association of Investment Companies.

The Company has been approved as an investment trust company under Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30 September 2008. The Directors are of the opinion, under advice, that the Company has conducted its affairs for the year ended 30 September 2009 so as to be able to obtain approval as an investment trust under Section 842 for that year.

The Company is a qualifying trust for the purposes of Stocks & Shares Individual Savings Accounts.

Investment Objective, Policy, Restrictions and Business Review

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

Investments are principally in companies listed on recognised stock exchanges in the UK and/or overseas, which may include investment holding companies, investment trusts and other companies, the share price of which is assessed to be below their estimated net asset value or intrinsic worth. Although listed assets make up the bulk of the portfolio the Company may also invest in unlisted assets with the prior approval of the Board.

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

There are no geographic limits on exposure as the Company invests wherever it considers there are opportunities for capital growth. Risk is spread by investing in a number of holdings, many of which themselves are diversified companies.

The Company will not invest in any holding that would represent more than 15% of the value of its total investments at the time of investment.

Potential investments falling within the scope of the Company's investment objective will differ over the course of market cycles. The number of holdings in the portfolio will vary depending upon circumstances and opportunities within equity markets at any particular time.

The Company may gear its assets through borrowings which may vary substantially over time according to market conditions but which will not exceed twice the nominal capital and reserves of the Company.

Reviews of the Company's NAV performance during the year in comparison to the benchmark (the Company's key performance indicator), are contained in the Chairman's Statement on pages 6 to 7 and the Investment Manager's Review on pages 11 to 15.

The principal financial risks facing the business and how these are managed are set out in note 19 in the Notes to the Accounts on pages 48 to 52.

The non-financial risks which can impact on performance are a loss of key personnel (especially within the investment management team); regulatory (principally breaches of either UKLA Listing Rules or Section 842 ICTA 1988); and failure of systems or controls. In managing these risks the Company reviews staffing and activity levels of the Investment Manager and Administrator at least annually to ensure there are adequate qualified staff/capacity available, and in particular requires the Investment Manager to promptly notify the Board of any changes in senior staff. The Company also reviews the systems of the Investment Manager and Administrator as part of its half yearly compliance checks; which is additionally reported on by the Company's independent auditor as part of the annual audit.

The value of the Company's shares will additionally be subject to the interaction of supply and demand, prevailing net asset values and the general perceptions of investors. The share price will accordingly be subject to unpredictable fluctuations and the Company cannot guarantee that the share price will appreciate in value.

Results and Dividends

Group profit for the year was £113,017,000 which included a profit of £12,774,000 attributable to revenue (2008: loss of £171,904,000 which included a profit of £13,548,000 attributable to revenue). The profit for the year attributable to revenue has been applied as follows:

	Company £'000	Group £'000
Revenue available for dividends	12,777	12,774
Interim dividend of 1.80p per Ordinary Share paid on 12 June 2009	(2,881)	(2,881)
Recommended final dividend payable on 8 January 2010 to Shareholders on the Register as at 11 December 2009 (ex dividend 9 December 2009):		
- Final dividend of 4.20p per Ordinary share	(6,723)	(6,723)
- Special dividend of 1.25p per Ordinary share	(2,001)	(2,001)
	(11,605)	(11,605)

Directors

The Directors of the Company, all of whom were in office throughout the year under review, are listed on page 21. In addition Mr P Allen was a Director of the Company until he retired from the Board on 31 March 2009.

Mr Macpherson and Mr Bates retire by rotation in accordance with Article 107 of the Company's Articles of Association. Having conducted a review of their performance during the year, the Board considers that they have provided both commitment and a full contribution to the affairs of the Company throughout the year.

The Board recommends that shareholders vote in favour of the re-election of Mr Macpherson and Mr Bates.

The interests (all beneficial) of the current Directors and their connected persons in the securities of the Company as at 30 September 2009 are set out below:

	Ordinary Shares 30/9/09	Ordinary Shares 1/10/08	Loan Stock 30/9/09	Loan Stock 1/10/08
PSS Macpherson	**40,000**	40,000	–	–
SAR Bates	**20,000**	20,000	–	–
RE Blomfield-Smith	**3,100**	3,100	–	–
JM May	**6,900**	6,900	–	–
AS Robson	**1,800**	nil	–	–

There were no changes to the above interests between the year end and the date of this report. Mr May is a Director of Caledonia Investments plc which owned at 1 November 2009 17.8 per cent of the Ordinary Shares of the Company. Save as aforesaid, no Director was a party to or had an interest in any contract or arrangement with the Company.

Information on the appointment of Directors and their compensation for loss of office, as required by the Takeover Directive, is given on page 53.

Subsidiary Companies

The Company owns one active dealing subsidiary, BEST Securities Limited. In the year to 30 September 2009, BEST Securities Limited made a loss after taxation of £3,348 (2008: loss £4,678).

Report of the Directors continued

The Investment Manager

Asset Value Investors Limited is the Company's appointed Investment Manager ("Manager"), engaged under the terms of an Investment Management Agreement ("IMA") effective from 1 October 2003 and varied with effect from 1 October 2008. The IMA is terminable by one year's notice from either party, other than for "cause". The Manager has complied with the terms of the IMA throughout the year to 30 September 2009.

Under the IMA the Manager is entitled to a base management fee of 0.60% of the net assets of the Company at the end of the preceding financial period. A performance fee at 6% is also payable for any outperformance in the net asset value (on a total return basis) over the benchmark at the year end, with a cap on aggregate fees of 1% of net assets of the Company per annum. Any underperformance or outperformance in excess of the cap is carried forward for use in the next 3 years' fee calculations.

The Company has adopted the Fundamental Data Global Growth Investment Trust Index as the benchmark against which the Company's performance is measured.

Interests in Share Capital

Information on the structure, rights and restrictions relating to share capital, as required by the Takeover Directive, is given on pages 19 and 20.

At 30 September 2009 and 1 November 2009 the following holdings representing more than 3 per cent of the Company's issued share capital had been reported to the Company:

	Number held at 30 September 2009	Percentage Held	Number held at 1 November 2009
Caledonia Investments plc	**28,523,979**	17.82	28,523,979
Funds managed by Brewin Dolphin Securities Ltd	**10,680,448**	6.67	10,650,017
Alliance Trust Plc	**6,854,298**	4.28	6,813,697
Legal and General Group Plc	**6,664,831**	4.16	6,545,481
Brown Shipley & Company Limited	**5,656,642**	3.53	5,753,298
Axa Group	**4,977,293**	3.11	4,493,293

Auditor

Ernst & Young LLP have indicated their willingness to continue in office and a Resolution will be proposed at the forthcoming Annual General Meeting to re-appoint them as Auditor and authorise the Directors to determine the Auditor's remuneration for the ensuing year.

Special Business at the Annual General Meeting

Resolution 8 - Authority to allot Shares

The Directors seek to renew the general and unconditional authority to allot up to 23,996,005 Ordinary Shares of 10p each, representing approximately 15 per cent of the issued Ordinary Share capital. The Directors would only exercise this authority if they considered it to be in the best interests of the Company generally.

Resolution 9 - Authority to issue Shares outside of pre-emption rights

The Directors seek to renew the authority to allot, other than on a pre-emptive basis, new Ordinary Shares up to an aggregate nominal amount of £800,400, being approximately 5 per cent of the Ordinary Share capital currently in issue, and to transfer or sell of Shares held in treasury. The Directors would only exercise this authority if they consider it to be advantageous to the Company.

Resolution 10 - Share Buy-Back Facility

This Directors seek to renew the authority to make market purchases of up to 23,996,005 Ordinary Shares (in accordance with the provisions of the Companies Act and Listing Rules) representing approximately 14.99 per cent of the issued Ordinary Share capital at the date of this Report. Ordinary Shares bought back may be held in treasury, up to a maximum of 10 per cent of the Ordinary Share capital then in issue, for cancellation or sale at a future date rather than being cancelled upon purchase. The Directors would not exercise the authority granted under this Resolution unless they consider it to be in the best interests of Shareholders or would result in an increase in net asset value per Share. Treasury shares would not be sold at a discount greater than 5% below the net asset value per Ordinary Share for the day preceding such sale.

Resolution 11 - New Articles of Association

Resolution 11 proposes that the Company adopt new Articles of Association which incorporate amendments to reflect the changes in company law brought about by the final stages of the implementation of the Companies Act 2006, which came into effect on 1 October 2009, the Companies (Shareholders' Rights) Regulations 2009, which came into effect on 3 August 2009, and other minor technical or clarifying changes. The principal changes in the new Articles of Association relate to the Company's constitution and share capital and enhanced shareholder rights. A summary of the proposed changes is set out in the Appendix to this Annual Report.

Corporate Governance

The UK Listing Authority's Disclosure Rules and Transparency Rules (Disclosure Rules) require listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code on Corporate Governance (Combined Code), as issued by the Financial Reporting Council (FRC). The provisions of the Combined Code issued by the FRC in June 2008 are applicable to the year under review. The related AIC Code of Corporate Governance (the AIC Code) issued by the Association of the Investment Companies (AIC) provides specific corporate governance guidelines to investment trusts. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for investment Companies (AIC Guide). The FRC has confirmed that AIC member companies who report against the AIC Code and who follow the AIC Guide for Investment Companies will be meeting obligations in relation to the Combined Code and associated disclosure requirements of the Disclosure Rules. The AIC Code can be viewed at: http://www.theaic.co.uk/Documents/Technical/AICCodeofCorporateGovernanceMarch2009.pdf

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Combined Code includes provisions relating to the role of the chief executive and of the executive directors' remuneration. However, as all the Directors are non-executive, these provisions are not applicable. The Combined Code also sets out the case for establishing an internal audit function. For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers that an internal audit function is not relevant to the Company, being an externally managed investment company.

Report of the Directors continued

Throughout the year ended 30 September 2009 the Company complied with the provisions of the AIC Code other than for the following matters and any exceptions detailed in the schedule below reporting on the Company's compliance with the AIC Code's Principles:

- the Board has elected not to designate a senior non-executive Director, as it considers that each Director has different strengths and qualities on which they may provide leadership;
- the results of proxy voting at General Meetings will be provided at the conclusion of the meeting to those attending instead of being reported after the voting for each Resolution. Details of proxy voting will also be made available on the Company's website after the relevant meeting.
- owing to the short timeframe between the Company's financial year end and the publication of this Report, the Company is not able to meet the Combined Code's recommendation that the Notice of the AGM and related papers be sent to shareholders at least 20 working days before the meeting.

The Principles of the AIC Code

The AIC Code is made up of twenty-one principles split into three sections covering:
- The Board
- Board Meetings and relations with the Investment Manager
- Shareholder Communications

The Board

AIC Code Principle	Compliance Statement
1. The Chairman should be independent.	The Chairman, Mr PSS Macpherson, was independent of the Investment Manager at the time of his appointment and remains so. There is a clear division of responsibility between the Chairman, the Directors, the Investment Manager and the Company's other third party service providers. The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role and is responsible for ensuring that all Directors receive accurate, timely and clear information. Mr AS Robson, the chairman of the Audit Committee, and any of the other independent Directors, are available to shareholders if they have concerns that cannot be resolved through discussions with the Chairman.
2. A majority of the board should be independent of the manager	The Board consists of five non-executive Directors, each of whom is regarded as independent of the Investment Manager. No member of the Board has been an employee of the Company, its Manager or any of its service providers. Mr Macpherson is Chairman of Close Brothers plc which is the ultimate parent of Winterflood Securities Limited, the Company's Corporate Broker. Mr Macpherson and Mr Robson are both non-executive directors of JPMorgan Smaller Companies Investment Trust plc. Mr JM May is an executive director of Caledonia Investments plc a listed investment trust which has a large shareholding in the Company. The Board does not consider that these appointments compromise their ability or judgement as Directors of the Company. Each Director is independent in character and judgement and there are no relationships or circumstances relating to the Company that are likely to affect their judgement. A procedure is in place for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. There has been no professional advice taken by the Directors during the year which has incurred expense to the Company.
3. Directors should be elected for a fixed term of no more than three years. Nomination for re-election should not be assumed but be based on disclosed procedures.	Under the Company's Articles of Association Directors are appointed until the first AGM following their appointment when it is required that they be elected by the Company's members. Thereafter all Directors submit themselves for re-election at least every three years. The individual performance of those Directors standing for re-election are evaluated by the remaining members of the Board before a recommendation is put to the shareholders to vote in favour of their re-election. The Board, through the Nomination Committee, considers the structure of the Board and recognises the need for progressive refreshing of the Board.

4. The board should have a policy on tenure, which is disclosed in the annual report.	The terms and conditions of the Directors' appointments are set out in letters of engagement which are available for inspection on request at the registered office of the Company and at the AGM. The Board acknowledges the Code provisions relating to tenure but considers that a long association with the Company and experience of a number of investment cycles can be valuable to its deliberations and does not compromise a Director's independence. Directors serving longer than nine years are subject to annual re-election following rigorous review.
5. There should be full disclosure of information about the board	The biographical details of each Director can be found on page 21 of this Report. The Board has elected not to designate a senior non-executive Director, as it considers that each Director has different strengths and qualities on which they may provide leadership.
6. The board should aim to have a balance of skills, experience, ages and length of service.	During the annual review and evaluation of the performance of the Board as a whole and of each Director, a review of the composition and balance of the Board is also undertaken to ascertain the range of skills and experience attributable to the Board members. When considering the appointment of a new Director the Board factors in the existing skills and seeks to engage persons with complementary skills and experience. The experience of the current Directors is detailed in the biographies of the Directors.
7. The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	The Board, meeting as the Nomination Committee, has formalised a process to evaluate its own performance and that of its Chairman on an annual basis. Board evaluation questionnaires are completed by each Director. The Chairman leads the assessment which covers the functioning of the Board as a whole and the effectiveness of the Board Committees and where necessary discusses the responses with each Director individually. The Chairman absents himself from the Board's review of his effectiveness as the Chairman. The Board is satisfied from the results of the evaluation that the structure, mix of skills and operation of the Board continue to be satisfactory and appropriate for the Company. The Board has not considered it necessary to employ the services or to incur the additional expense of an external third party to conduct the evaluation process.
8. Director remuneration should reflect their duties, responsibilities and the value of their time spent.	The Remuneration Committee periodically reviews the fees paid to the Directors and compares these with the fees paid by the Company's peer group and the investment trust industry generally, taking into account the level of commitment and responsibility of each Board member. Details on the remuneration arrangements for the Directors of the Company can be found in the Directors' Remuneration Report on page 53 and in note 3 to the Accounts.
9. The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.	The Board plans for its own succession. The Nomination Committee, which comprises the whole Board, considers the criteria for future Board appointments and the methods of recruitment, selection and appointment. When seeking a suitable candidate the Committee will seek assistance from the Board's own contacts, its professional advisors and specialist recruitment consultants. Mr May, as a non-independent Director, participates in the discussions at Nomination Committee meetings but does not vote on candidates for the appointment of new independent Directors.
10. Directors should be offered relevant training and induction.	New appointees to the Board are provided with a full induction programme. The programme covers the Company's investment strategy, policies and practices. The Directors are also given key information on the Company's regulatory and statutory requirements as they arise including information on the role of the Board, matters reserved for its decision, the terms of reference for the Board Committees, the Company's corporate governance practices and procedures and the latest financial information. It is the Chairman's responsibility to ensure that the Directors have sufficient knowledge to fulfil their role and Directors are encouraged to participate in training courses where appropriate.

Report of the Directors continued

11. The chairman (and the board) should be brought into the process of structuring a new launch at an early stage.	Not applicable.

Board Meetings and relations with the Investment Manager

12. Boards and managers should operate in a supportive, co-operative and open environment	The Board meets at least eight times per year and a representative of the Investment Manager is in attendance at each meeting and most Committee meetings. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants.
13. The primary focus at regular board meetings should be a review of investment performance and associated matters, such as gearing, asset allocation, marketing/ investor relations, peer group information and industry issues.	The Board has agreed a schedule of matters specifically reserved for decision by the Board. This includes; investment objectives, strategy and benchmarks; permitted investment types; gearing and borrowings allowable; treasury policy and the approval of the Company's financial statements and published reports. Prior to each meeting, Directors are provided with a comprehensive set of papers giving detailed information on the Company's transactions and financial position and all Directors have timely access to all relevant management, financial and regulatory information. A representative of the Investment Manager attends each Board meeting enabling the Board to seek clarification on specific investment issues.
14. Boards should give sufficient attention to overall strategy.	The Board is responsible for strategy and has established a predetermined annual programme of agenda items under which it reviews the objectives and strategy for the Company at each meeting. In addition to the regular board meetings the Board meets specifically on one additional day each year to focus on strategy and any other issues that require in-depth attention.
15. The board should regularly review both the performance of, and contractual arrangements with, the manager	The Management Engagement Committee meets twice a year to review the performance of the Investment Manager and particularly its performance against that of the benchmark, the Fundamental Data Global Growth Investment Trust Index. The Committee considers the quality and cost of the service provided by the Investment Manager against its contractual obligations and the Board receives regular reports on compliance with the Investment Restrictions set by the Board. The Audit Committee reviews the Manager's compliance and control systems in operation in so far as they relate to the affairs of the Company.
16. The board should agree policies with the manager covering key operational issues.	The Board has agreed detailed investment guidelines with the manager which are considered at Board meetings. A representative of the Manager will also attend each meeting of the Board to address questions on specific matters. The Board has delegated discretion to the Investment Manager to exercise voting powers on its behalf, other than for contentious or sensitive matters which are to be referred to the Board for instructions. The Management Agreement between the Company and the Manager sets out the limits of the Manager's authority beyond which Board approval is required.

17. Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.	The Board considers any imbalances in the supply of and the demand for the Company's shares within the market and takes appropriate action when considered necessary.
18. The board should monitor and evaluate other service providers.	The Management Engagement Committee reviews, at least annually, the performance of all the Company's third party providers including the level and structure of fees payable and the length of the notice period, to ensure that they remain competitive and in the best interests of shareholders. The Audit Committee reviews reports from the service providers on compliance and the internal and financial control systems in operation and relevant independent audit reports thereon. Annual inspection visits are undertaken at the offices of the Company's Administrator, the Registrars and the Share Purchase Scheme Administrators

Shareholder Communications

19. The board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the board's view to shareholders.	A detailed analysis of the substantial shareholders of the Company is provided to the Directors at each board meeting. Representatives of the Manager regularly meet with institutional shareholders and private client asset managers. Shareholders wishing to communicate with the Chairman, or any other member of the Board may do so by writing to the Company, for the attention of the Company Secretary at the Registered Office. All shareholders are encouraged to attend the AGM, where they are given the opportunity to question the Chairman, the Board and representatives of the Investment Manager. The Directors welcome the views of all Shareholders and place considerable importance on communications with Shareholders. Board representatives and the Investment Manager meet with the Company's major Shareholders throughout the year. At the Annual General Meeting the Investment Manager will make a brief presentation to Shareholders covering the investment performance and strategy of the Company.
20. The board should normally take responsibility for, and have direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.	All substantive communications regarding major corporate issues are discussed by the Board taking into account representations from the Manager, the Auditor, legal advisors, stockbroker and the Company Secretary.
21. The board should ensure that shareholders are provided with sufficient information for them to understand the risk: reward balance to which they are exposed by holding the shares.	The Chairman is responsible for ensuring that there is effective communication with shareholders. The Manager reports on its marketing strategy for the Company and on any communications with its shareholders. The Company places great importance on communication with shareholders and aims to provide shareholders with a full understanding of the Company's activities, performance and principle risks by means of informative Annual and Half Year reports and the Interim Management Statement. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares and by regular updating of the Company's website.

Report of the Directors continued

Board Committees

The Board has agreed a schedule of matters specifically reserved for decision by the full Board subject to which the Board has delegated specific duties to Committees of the Board which operate within written terms of reference. Phoenix Administration Services Limited acts as Company Secretary to each Committee. No persons other than the Committee members are entitled to attend at Committee meetings unless formally invited by the Committee. Copies of the terms of reference for Board Committees are available from the Company Secretary.

Management Engagement Committee

The Management Engagement Committee meets at least twice each year and comprises the independent Directors, Mr PSS Macpherson (Chairman), Mrs RE Blomfield-Smith, Mr SAR Bates and Mr AS Robson. The main functions of the Committee are to define the terms of the Investment Management Agreement, ensuring that they follow good industry practice, are competitive and in the best interests of shareholders; and to monitor the Manager's compliance with the terms of the Management Agreement and its investment performance. The Committee also reviews the services and performance of the Company's other third-party service providers. A review of the Investment Manager and the other service providers undertaken in November 2009, concluded that the services provided to the Company were satisfactory and that the Agreements entered into with them were operating in the best interests of the shareholders.

Nomination Committee

The Nomination Committee comprises the whole Board and convenes to undertake the annual appraisal of the performance of the Board, its Committees and the Directors and to propose the re-election of those Directors required to retire every three years at the Annual General Meeting. It also meets to consider the appointment of new Directors to the Board. Candidates for nomination may be sourced from outside of the Company using third party search and selection services as well as potential candidates known to Directors through their extensive knowledge of the industry.

Audit Committee

The Audit Committee meets at least twice each year and comprises the independent Directors, Mr AS Robson (Committee Chairman), Mr SAR Bates, Mrs RE Blomfield-Smith and Mr PSS Macpherson. All members of the Committee have recent and relevant financial experience.

The Audit Committee's main functions are:

- To monitor the internal financial control and risk management systems on which the Company is reliant;
- To consider whether there is a need for the Company to have its own internal audit function;
- To monitor the integrity of the half-year and annual financial statements of the Company by reviewing and challenging, where necessary, the actions and judgements of the Investment Manager;
- To meet with the independent Auditor the Company to review their proposed audit programme of work and the subsequent Audit Report and to assess the effectiveness of the Audit process and the levels of fees paid in respect of both audit and non-audit work;
- To make recommendations to the Board in relation to the appointment, re-appointment or removal of the Auditor, and to negotiate their remuneration and terms of engagement on audit and non-audit work;
- To monitor and review annually the external Auditor's independence, objectivity, effectiveness, resources and qualification.

The Audit Committee has approved and implemented a policy on the engagement of the auditors to supply non-audit services, taking into account the recommendations of the Accounting Practices Board and does not believe there to be any impediment to the auditors' objectivity and independence. The Committee confirms that the Company's independent Auditor satisfies the tests of independence, objectivity, effectiveness, resources and qualification .

The Committee is responsible for ensuring that suitable internal control systems are designed and implemented by the third party service providers to the Company to prevent and detect fraud and error and is also responsible for reviewing the effectiveness of such controls. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company in line with the Turnbull guidance 'Internal Control: Guidance for Directors on the Combined Code'. This process has been in place for the year under review and up to the date of approval of this Report, and accords with the guidance. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed. The risks of any failure of such controls are identified in a Risk Matrix which is regularly reviewed by the Board and which identifies the likelihood and severity of the impact of such risks and the controls in place to minimise such risks occurring.

The following are the key components which the Company has in place to provide effective internal control:

- The Board has agreed clearly defined investment criteria, which specifies levels of authority and exposure limits and reports on compliance with these criteria are regularly reviewed by the Board.
- The Investment Manager and Administrator prepare forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- The contractual agreements with the Investment Manager and other third party service providers, and adherence to them are regularly reviewed;
- The Investment Manager's Compliance Officer continually reviews the Investment Manager's operations;

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. They do not eliminate the risk of failure to achieve business objectives and, by their nature, can only provide reasonable and not absolute assurance against mis-statement and loss.

As neither the Company nor the Group has any employees, the Company does not have a whistleblowing policy and procedure in place. The Company delegates its main functions to third party providers each of whom report on their policies to the Audit Committee.

Environmental, Social and Community Issues

As the Company has no employees, accordingly it has no direct impact on social matters and invests in a variety of regions with varying degrees of political and corporate governance standards. As such it is impractical for investment trusts in general to adopt a policy on environmental, social and community issues. However, where the Board deems an issue to be of importance or sensitivity it may, through the Investment Manager, use its voting rights and contact with senior executives of an investee company to make its views known.

Report of the Directors continued

Creditor Payment Policy

The Company's payment policy is to settle investment transactions in accordance with market practice and to ensure settlement of supplier invoices in accordance with stated terms. The Company did not have any trade creditors at the year end.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare Group financial statements in accordance with those International Financial Reporting Standards which have been adopted by the EU ("IFRS") and have elected to prepare the parent Company financial statements on the same basis. They are also responsible for ensuring that the Annual Report includes information required by the Rules of the UK Listing Authority.

The Group and Company financial statements are required by law and IFRS to present fairly the financial position of the Group and Company and the financial performance and cash-flows of the Group and Company for the relevant period. The Companies Act 2006 ("Act") provides, in relation to such financial statements that, references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the Group and Company financial statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether the financial statements have been prepared in compliance with IFRS, subject to any material departures disclosed and explained therein;
- provide additional disclosures where compliance with the specific requirements of IFRS are considered to be insufficient to enable users to understand the impact of particular transactions, events and conditions on the financial position and performance; and
- prepare financial statements on a going concern basis unless it is inappropriate to presume that the Group or Company will continue in business.

Financial statements of the Company are published on the Company's website at www.british-empire.co.uk . The Directors are responsible for ensuring the maintenance and integrity of the information relating to the Company published on this website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the Auditor

The Directors who held office at the date of approval of the Report of the Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all of the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and establish that the Company's Auditor is aware of that information.

Going Concern

After considering the Company's current financial resources, as the majority of the Net Assets of the Company are securities which are traded on recognised stock exchanges, the Directors are satisfied that its resources are adequate for continuing in business for the foreseeable future and that it is appropriate to prepare the financial statements on a going concern basis.

Declaration

The non-executive Directors listed on page 21, being the persons responsible, hereby confirm to the best of their knowledge:

- that the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the Management Report (which comprises the Chairman's Statement and the Investment Manager's Review includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that the Group faces.

By Order of the Board

TR Smith
for and on behalf of
Phoenix Administration Services Limited
Secretary
16 November 2009

Registered Office:
Springfield Lodge
Colchester Road
Chelmsford, Essex CM2 5PW

Consolidated Income Statement of the Group for the year ended 30 September 2009

	Notes	2009 Revenue return £'000	2009 Capital return £'000	2009 Total return £'000	2008 Revenue return £'000	2008 Capital return £'000	2008 Total return £'000
Income							
Investment income	2	**20,702**	**–**	**20,702**	23,352	–	23,352
Gains/(losses) on investments held at fair value	8	**–**	**96,382**	**96,382**	–	(181,055)	(181,055)
Gains on forward currency contracts held at fair value		**–**	**7,897**	**7,897**	–	–	–
(Losses)/gains on Index Stock		**–**	**(380)**	**(380)**	–	2,825	2,825
Realised loss on buyback of 10 3/8 per cent Debenture Stock 2011		**–**	**(5)**	**(5)**	–	–	–
Realised exchange losses on currency balances		**–**	**(801)**	**(801)**	–	(618)	(618)
		20,702	**103,093**	**123,795**	23,352	(178,848)	(155,496)
Expenses							
Investment management fee	3	**(1,902)**	**(1,902)**	**(3,804)**	(2,445)	(2,445)	(4,890)
Performance fee	3	**–**	**(2,313)**	**(2,313)**	–	–	–
Back VAT on management and performance fees	3	**837**	**123**	**960**	761	1,306	2,067
Write back of VAT – prior year	3	**–**	**–**	**–**	–	127	127
Other expenses (including irrecoverable VAT)	3	**(1,061)**	**(5)**	**(1,066)**	(1,288)	–	(1,288)
Profit/(loss) before finance costs and tax		**18,576**	**98,996**	**117,572**	20,380	(179,860)	(159,480)
Finance costs	4	**(2,431)**	**(7)**	**(2,438)**	(2,442)	(7)	(2,449)
Profit/(loss) before taxation		**16,145**	**98,989**	**115,134**	17,938	(179,867)	(161,929)
Taxation	5	**(3,371)**	**1,254**	**(2,117)**	(4,390)	(5,585)	(9,975)
Profit/(loss) for the period		**12,774**	**100,243**	**113,017**	13,548	(185,452)	(171,904)
Earnings per Ordinary Share							
Basic - Ordinary Shares	7	**7.98p**	**62.62p**	**70.60p**	8.46p	(115.84)p	(107.38)p

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 accompanying notes are an integral part of the financial statements.

Consolidated and Company Statement of Changes in Equity

for the year ended 30 September 2009

	Ordinary share capital £'000	Capital redemption reserve £'000	Share premium £'000	Capital reserve £'000	Merger reserve £'000	Revenue reserve £'000	Total £'000
Group							
For the year ended 30 September 2008							
Balance as at 30 September 2007	16,008	2,927	28,078	708,136	41,406	18,569	815,124
(Loss)/profit for the period	-	-	-	(185,452)	-	13,548	(171,904)
Ordinary dividends paid (see note 6)	-	-	-	-	-	(8,564)	(8,564)
Special dividend paid (see note 6)	-	-	-	-	-	(800)	(800)
Balance as at 30 September 2008	16,008	2,927	28,078	522,684	41,406	22,753	633,856
For the year ended 30 September 2009							
Balance as at 30 September 2008	**16,008**	**2,927**	**28,078**	**522,684**	**41,406**	**22,753**	**633,856**
Profit for the period	**-**	**-**	**-**	**100,243**	**–**	**12,774**	**113,017**
Ordinary dividends paid (see note 6)	**-**	**-**	**-**	**-**	**-**	**(9,284)**	**(9,284)**
Special dividend paid (see note 6)	**-**	**-**	**-**	**-**	**-**	**(2,401)**	**(2,401)**
Balance as at 30 September 2009	**16,008**	**2,927**	**28,078**	**622,927**	**41,406**	**23,842**	**735,188**
Company							
For the year ended 30 September 2008							
Balance as at 30 September 2007	16,008	2,927	28,078	709,918	41,406	16,787	815,124
(Loss)/profit for the period	-	-	-	(185,457)	-	13,553	(171,904)
Ordinary dividends paid (see note 6)	-	-	-	-	-	(8,564)	(8,564)
Special dividend paid (see note 6)	-	-	-	-	-	(800)	(800)
Balance as at 30 September 2008	16,008	2,927	28,078	524,461	41,406	20,976	633,856
For the year ended 30 September 2009							
Balance as at 30 September 2008	**16,008**	**2,927**	**28,078**	**524,461**	**41,406**	**20,976**	**633,856**
Profit for the period	**-**	**-**	**-**	**100,240**	**-**	**12,777**	**113,017**
Ordinary dividends paid (see note 6)	**-**	**-**	**-**	**-**	**-**	**(9,284)**	**(9,284)**
Special dividend paid (see note 6)	**-**	**-**	**-**	**-**	**-**	**(2,401)**	**(2,401)**
Balance as at 30 September 2009	**16,008**	**2,927**	**28,078**	**624,701**	**41,406**	**22,068**	**735,188**

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

Consolidated and Company Balance Sheets as at 30 September 2009

	Notes	Company 2009 £'000	Company 2008 £'000	Group 2009 £'000	Group 2008 £'000
Non-current assets					
Investments held at fair value through profit or loss	8	**757,383**	665,792	**755,359**	663,765
Current assets					
Investments	10	**–**	–	**–**	3
Other receivables	11	**5,161**	5,119	**5,163**	5,121
Cash and cash equivalents		**7,235**	3,380	**7,237**	3,381
		12,396	8,499	**12,400**	8,505
Total assets		**769,779**	674,291	**767,759**	672,270
Current liabilities					
Other payables	12	**(5,466)**	(11,314)	**(3,446)**	(9,293)
Total assets less current liabilities		**764,313**	662,977	**764,313**	662,977
Non-current liabilities					
$10\frac{3}{8}$ per cent Debenture Stock 2011	13	**(8,484)**	(8,515)	**(8,484)**	(8,515)
$8\frac{1}{8}$ per cent Debenture Stock 2023	13	**(14,900)**	(14,893)	**(14,900)**	(14,893)
Equities Index Stock 2013	13	**(5,686)**	(5,403)	**(5,686)**	(5,403)
Provision for deferred tax	14	**(55)**	(310)	**(55)**	(310)
Net assets		**735,188**	633,856	**735,188**	633,856
Equity attributable to equity Shareholders					
Ordinary share capital	15	**16,008**	16,008	**16,008**	16,008
Capital redemption reserve	16	**2,927**	2,927	**2,927**	2,927
Share premium	16	**28,078**	28,078	**28,078**	28,078
Capital reserve	16	**624,701**	524,461	**622,927**	522,684
Merger reserve	16	**41,406**	41,406	**41,406**	41,406
Revenue reserve	16	**22,068**	20,976	**23,842**	22,753
Total equity	17	**735,188**	633,856	**735,188**	633,856
Net asset value per Ordinary Share – basic	17	**459.26p**	395.96p	**459.26p**	395.96p
Number of shares in issue		**160,080,089**	160,080,089	**160,080,089**	160,080,089

The financial statements on pages 34 to 52 were approved by the Board of Directors and were authorised for issue on 16 November 2009 and were signed on its behalf by:

PSS Macpherson *Chairman* AS Robson *Director*

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

Registered in England & Wales No. 28203

Consolidated and Company Cash Flow Statements for the year ended 30 September 2009

	Notes	Company 2009 £'000	Company 2008 £'000	Group 2009 £'000	Group 2008 £'000
Net cash inflow from operating activities					
Profit/(loss) before taxation		**115,136**	(161,927)	**115,134**	(161,929)
Losses/(gains) on Equities Index Stock 2013 held at fair value		**380**	(2,825)	**380**	(2,825)
Loss on buyback of 10 3/8 per cent Debenture Stock 2011		**5**	–	**5**	–
Realised exchange losses on currency balances		**801**	618	**801**	618
(Gains)/losses on investments held at fair value through profit or loss		**(96,379)**	181,060	**(96,382)**	181,055
Purchases of investments		**(289,003)**	(408,565)	**(289,003)**	(408,565)
Sales of investments		**290,013**	408,642	**290,013**	408,642
Decrease/(increase) in other receivables		**1,576**	(640)	**1,576**	(640)
Increase/(decrease) in creditors		**2,202**	(898)	**2,203**	(896)
Taxation		**(8,264)**	(5,800)	**(8,262)**	(5,800)
Amortisation of Debenture issue expenses		**7**	7	**7**	7
Decrease in value of investments - current assets		**–**	–	**3**	5
Net cash inflow from operating activities		**16,474**	9,672	**16,475**	9,672
Financing activities					
Dividends paid	6	**(11,685)**	(9,364)	**(11,685)**	(9,364)
Buyback of Equity Index Stock	13	**(97)**	(235)	**(97)**	(235)
Buyback of 10 3/8 per cent Debenture Stock 2011	13	**(36)**	–	**(36)**	–
Cash outflow from financing activities		**(11,818)**	(9,599)	**(11,818)**	(9,599)
Increase in cash and cash equivalents		**4,656**	73	**4,657**	73
Exchange movements		**(801)**	(618)	**(801)**	(618)
Change in cash and cash equivalents		**3,855**	(545)	**3,856**	(545)
Cash and cash equivalents at beginning of year		**3,380**	3,925	**3,381**	3,926
Cash and cash equivalents at end of year	18	**7,235**	3,380	**7,237**	3,381

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

Notes to the Accounts

1. Accounting policies

The financial statements of the Group and the Company 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.

The functional currency of the Group is pounds sterling because this is the currency of the primary economic environment in which the Group operates. The financial statements are also presented in pounds sterling.

(a) Basis of preparation

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

(b) Adoption of new and revised standards

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

International Accounting Standards (IAS/IFRS)		*Effective date*
IAS 1 (revised)	Presentation of Financial Statements	1 January 2009
	Comprehensive revision including requiring a statement of comprehensive income	
IAS 23	Borrowing Costs (revised March 2007)	1 January 2009
IAS 27	Consolidated Financial Statements (revised)	1 July 2009
IFRS 2	Share based payment: Vesting conditions	1 January 2009
IFRS 7	Financial Instruments: Disclosures – Improving disclosures about Financial Statements	1 January 2009
IFRS 8	Operating Segments	1 January 2009

(c) Basis of consolidation

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

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

(d) Presentation of Income Statement

In order to reflect better the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a 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 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend. Additionally, net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 842 of the Income and Corporation Taxes Act 1988.

(e) Income

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

(f) Expenses

All expenses and interest payable are accounted for on an accruals basis. Expenses have been charged to revenue except as follows:

- The base management fee which has been allocated 50% to revenue and 50% to capital within the Income Statement. The performance element of the management fee is charged 100% to capital within the Income Statement;
- Expenses which are incidental to the purchase or sale of an investment are recognised within the Income Statement as a capital item;
- Expenses are presented as capital where a connection with the maintenance or enhancement of the value of investments can be demonstrated.

(g) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the 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 substantially 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. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with within equity.

Investment trusts which have approval as such under Section 842 of the Income and Corporation Taxes Act 1988 are not liable for taxation on capital gains.

(h) Investments held at fair value through profit or loss

When a purchase or sale is made under a contract, the terms of which require delivery within the timeframe of the relevant market, the investments concerned are recognised or derecognised on the trade date.

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

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

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

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

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

(i) Movements in fair value

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

(j) Cash and cash equivalents

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

(k) Dividends payable

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

Notes to the acounts continued

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

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

(n) Finance costs
Finance costs are accounted for on an accruals basis and are recognised through the Income Statement as revenue items. This does not comply with the Statement of Recommended Practice for Financial Statements of Investment Trust Companies, which would require the finance costs of the Debenture Stocks and the Index Stock to be allocated between revenue and capital in the same proportions as the Management Fee. However, the Directors consider that the treatment adopted, which is consistent with previous years, is the most appropriate given the liquidity of the Company and the nature of the Index Stock.

(o) Debenture pricing
The 8 1/8 per cent Debenture Stock 2023 and 10 3/8 per cent Debenture Stock 2011 are valued at amortised cost under the effective interest method and secured by a floating charge over all assets of the Company. Costs in relation to arranging the debt finance of the 8 1/8 per cent Debenture Stock 2023 have been capitalised and are amortised over the term of the finance. Further details of the Debenture Stocks are disclosed in notes 13 and 19.

(p) Capital Reserve
Capital reserve – other The following are taken to this reserve:

- Gains and losses on the disposal of investments;
- Exchange difference of a capital nature;
- Expenses, together with the related taxation effect, allocated to this reserve in accordance with the above policies: and

Capital reserve – investment holding gains The following are taken to this reserve:

- Increase and decrease in the valuation of investments held at the year end.

2. Income

	2009 £'000	2008 £'000
Income from investments		
Listed investments	19,964	22,954
Other income		
Deposit interest	741	403
Loss from dealing activities of subsidiary	(3)	(5)
	738	398
Total income	20,702	23,352
Income from investments:		
Equity securities	17,219	17,550
Fixed interest securities	2,745	5,404
	19,964	22,954
Total income comprises:		
Dividends	17,219	17,550
Interest	3,486	5,807
Other income	(3)	(5)
	20,702	23,352

3. Management fee and other expenses

	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Management fee	**1,902**	**1,902**	**3,804**	2,445	2,445	4,890
Performance fee	**-**	**2,313**	**2,313**	-	-	-
Back VAT on management fee (see note 20)	**(837)**	**(123)**	**(960)**	(761)	(1,306)	(2,067)
Write back of VAT - prior year	**–**	**–**	**–**	–	(127)	(127)
	1,065	**4,092**	**5,157**	1,684	1,012	2,696
Other expenses:						
Directors' emoluments - fees	**111**	**–**	**111**	108	-	108
Auditor's remuneration: - audit	**31**	**–**	**31**	30	-	30
- taxation	**15**	**–**	**15**	12	-	12
- other services to the Group	**13**	**–**	**13**	12	-	12
Marketing costs	**211**	**–**	**211**	338	-	338
Printing and postage costs	**62**	**–**	**62**	81	-	81
Registrar fees	**81**	**–**	**81**	90	-	90
Sub-custodian fees	**188**	**–**	**188**	212	-	212
Other expenses (including irrecoverable VAT)	**349**	**5**	**354**	405	-	405
	1,061	**5**	**1,066**	1,288	-	1,288

For the year ended 30 September 2009, the fee calculated in accordance with the Investment Management Agreement amounted to 0.9649% (including the under-performance carried forward from 2008). Any out-performance in excess of the cap of 1% or under-performance in any year will be carried forward for use in the next three years fee calculations on a first-in first-out basis. There is no out-performance or under-performance carried forward for the period ending 30 September 2010.

Brief details of the Investment Management Agreement and fees are contained in the Report of the Directors.

4. Finance costs

	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Bank overdraft interest	**85**	**–**	**85**	39	-	39
Interest on other loans	**2,346**	**–**	**2,346**	2,403	-	2,403
Amortisation of Debenture issue expenses	**–**	**7**	**7**	-	7	7
	2,431	**7**	**2,438**	2,442	7	2,449

5. Taxation

(a) Analysis of charge in year

	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Corporation tax	**3,955**	**(1,246)**	**2,709**	4,361	5,597	9,958
Double taxation relief	**(1,343)**	**–**	**(1,343)**	(1,297)	(2,620)	(3,917)
	2,612	**(1,246)**	**1,366**	3,064	2,977	6,041
Foreign withholding tax	**1,996**	**–**	**1,996**	1,723	2,620	4,343
Overseas tax reclaimable	**(620)**	**–**	**(620)**	(409)	-	(409)
Prior year adjustment	**(370)**	**–**	**(370)**	14	-	14
Total current tax for period (see note 5(b))	**3,618**	**(1,246)**	**2,372**	4,392	5,597	9,989
Deferred tax	**(247)**	**(8)**	**(255)**	(2)	(12)	(14)
Total deferred tax for year	**(247)**	**(8)**	**(255)**	(2)	(12)	(14)
Total tax for year	**3,371**	**(1,254)**	**2,117**	4,390	5,585	9,975

Notes to the acounts continued

(b) Factors affecting current tax charge for the period

The tax assessed for the period is the standard rate of corporation tax in the UK for a large company 28% (2008: 29%*).

	2009 £'000	2008 £'000
Profit/(loss) before tax	**115,134**	(161,929)
Corporation tax at 28% (2008: 29%*)	**32,237**	(46,959)
Effects of:		
Capital (gains)/losses not subject to tax	**(28,972)**	57,750
Revaluation of Equity Index Stock 2013	**8**	8
Non-taxable UK dividends	**(458)**	(806)
Non-taxable overseas dividends	**(321)**	–
Non allowable expenses charged to capital	**1**	–
Overseas dividends taxable on receipt	**247**	(18)
Prior year adjustment	**(370)**	14
Current tax charge for the period (note 5(a))	**2,372**	9,989

*Under the Finance Act 2008, the rate of Corporation Tax was lowered to 28% from 30% on 1 April 2008. An average rate of 29% is applicable for the year ended 30 September 2008.

6. Dividends

	2009 £'000	2008 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 30 September 2008 of 4.00p (2007 – 3.60p) per Ordinary Share	**6,403**	5,763
Special dividend for the year ended 30 September 2008 of 1.50p (2007 – 0.50p) per Ordinary Share	**2,401**	800
Interim dividend for the year ended 30 September 2009 of 1.80p (2008 – 1.75p) per Ordinary Share	**2,881**	2,801
	11,685	9,364

Set out below are the interim, final and special dividends paid or proposed on Ordinary Shares in respect of the financial year , which is the basis on which the requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered.

Interim dividend for the year ended 30 September 2009 of 1.80p (2008 - 1.75p) per Ordinary Share	**2,881**	2,801
Proposed final dividend for the year ended 30 September 2009 of 4.20p (2008 - 4.00p) per Ordinary Share	**6,723**	6,403
Proposed special dividend for the year ended 30 September 2009 of 1.25p (2008 - 1.50p) per Ordinary Share	**2,001**	2,401
	11,605	11,605

International Accounting Standard (IAS) 10 "Events after the Balance Sheet date" requires dividends to be recognised in the period in which they are paid.

7. Earnings per Ordinary Share

	2009 Revenue	2009 Capital	2009 Total	2008 Revenue	2008 Capital	2008 Total
Basic	**7.98p**	**62.62p**	**70.60p**	8.46p	(115.84)p	(107.38)p

The total basic earnings per Ordinary Share is based on Group net gains for the financial year of £113,017,000 (2008: loss £171,904,000) and on 160,080,089 (2008: 160,080,089) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year.

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

The basic revenue earnings per Ordinary Share is based on Group revenue after taxation for the financial year of £12,774,000 (2008: £13,548,000) and on 160,080,089 (2008: 160,080,089) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year.

The basic capital earnings per Ordinary Share is based on Group net gains for the financial year of £100,243,000 (2008: loss £185,452,000) and on 160,080,089 (2008: 160,080,089) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year.

8. Investments held at fair value through profit or loss

(a) Securities

	Listed investments £'000	Unlisted investments £'000	Group total investments £'000	Subsidiary £'000	Company total investments £'000
Opening book cost	731,562	53	731,615	250	731,865
Opening investment holding (losses)/gains	(68,312)	462	(67,850)	1,777	(66,073)
Opening fair value	663,250	515	663,765	2,027	665,792
Movements in the year:					
Adjustment of opening book cost to reflect de-listing*	(6,935)	6,935	–	–	–
Adjustment of opening investment holding losses to reflect de-listing*	4,626	(4,626)	–	–	–
Purchases at cost	282,216	4,080	286,296	-	286,296
Sales - proceeds	(290,529)	(555)	(291,084)	-	(291,084)
- realised (losses)/gains on sales	(17,605)	502	(17,103)	-	(17,103)
Increase/(decrease) in investment holding gains	115,932	(2,447)	113,485	(3)	113,482
Closing fair value	750,955	4,404	755,359	2,024	757,383
Closing book cost	698,709	11,015	709,724	250	709,974
Closing investment holding gains/(losses)	52,246	(6,611)	45,635	1,774	47,409
Closing fair value	750,955	4,404	755,359	2,024	757,383

The unlisted investments are held at Directors' valuation.

(b) Gains on investments

	Group £'000	Company £'000
Sales proceeds	291,084	291,084
Investments at cost	(308,187)	(308,187)
Realised losses on sales of securities based on historical cost	(17,103)	(17,103)
Less investment holding gains recognised as unrealised in previous year	31,549	31,549
Realised gains on sales of securities based on carrying value at previous year's balance sheet date	14,446	14,446
Investment holding gains for the year	81,936	81,933
Net gains on investments	96,382	96,379

*Adjusted to reflect the de-listing of New City Residence during the year.

(c) Transaction costs

Investment transaction costs on purchases and sales of investments during the year to 30 September 2009 amounted to £611,000 and £381,000 respectively (2008: £875,000 and £561,000 respectively).

Notes to the acounts continued

9. Subsidiary undertaking

Name of undertaking	Principal activity	Country of incorporation and operation	Description of shares held	Proportion of nominal value of issued shares and voting rights held by: Company (%)	Group (%)
BEST Securities Limited	Dealing Subsidiary	England	Ordinary	100	100

10. Investments held by dealing subsidiary

	Group 2009 £'000	2008 £'000
Listed (at fair value)	**–**	3

11. Other receivables

	Company 2009 £'000	2008 £'000	Group 2009 £'000	2008 £'000
Sales for future settlement	**1,071**	–	**1,071**	–
Overseas tax recoverable	**958**	492	**958**	492
Income tax recoverable	**–**	92	**–**	92
Prepayments and accrued income	**2,616**	2,460	**2,616**	2,460
VAT recoverable	**1**	9	**1**	9
Other debtors	**515**	2,066	**517**	2,068
	5,161	5,119	**5,163**	5,121

12. Other payables

	Company 2009 £'000	2008 £'000	Group 2009 £'000	2008 £'000
Purchases for future settlement	**25**	2,732	**25**	2,732
Amounts owed to subsidiary undertakings	**2,022**	2,023	**–**	-
Other creditors	**3,419**	6,559	**3,421**	6,561
	5,466	11,314	**3,446**	9,293

13. Non-current liabilities: Debenture Stocks and Equities Index Stock

	Company 2009 £'000	2008 £'000	Group 2009 £'000	2008 £'000
10 3/8 per cent Debenture Stock 2011	**8,484**	8,515	**8,484**	8,515
8 1/8 per cent Debenture Stock 2023	**14,900**	14,893	**14,900**	14,893
Equities Index Stock 2013	**5,686**	5,403	**5,686**	5,403
	29,070	28,811	**29,070**	28,811

The movement on the 8 1/8 per cent Debenture Stock 2023 represents the amortisation of issue expenses. During the year £31,500 in nominal value of its 10 3/8 per cent Debenture Stock 2011 were bought back by the Company for cancellation at an average price of 116.79p per unit, leaving 8,483,440 units in issue at the year end. The consideration paid was £36,791. The combined market value of the two Debenture Stocks as at 30 September 2009 was £29.9 million (2008: £28.6 million). The effect on the net asset value of deducting Debenture Stocks at market value rather than par is disclosed in note 17.

The mid-market prices of the 10 3/8 per cent Debenture Stock 2011 and 8 1/8 per cent Debenture Stock 2023 as at 30 September 2009 were 114.75p and 134.79p respectively.

The Debenture Stocks are secured by a floating charge over all the assets of the Company.

During the year, 51,539 units of Index Stock were bought back by the Company for cancellation, at an average price of 188.65p per unit, leaving 2,584,457 units in issue at the year end. The consideration paid was £97,232 (2008: £234,883).

The mid-market price of the Index Stock as at 30 September 2009 was 211.25p.

14. Provision for deferred tax

The amounts of deferred taxation provided in the financial statements are set out below:

	Group and Company	
	2009 £'000	2008 £'000
Provided		
In respect of the origination and reversal of temporary differences	**(255)**	(14)
The movement in the provision for deferred taxation is as follows:		
Opening balance	**310**	324
Charge to revenue account	**(247)**	(2)
Charge to capital account	**(8)**	(12)
Closing balance	**55**	310

The deferred tax provision is made up as follows:

	2009 £'000	2008 £'000
Income taxable in different periods	**–**	298
Double tax relief on accrued dividends	**–**	(51)
Equities Index Unsecured Loan Stock 2013	**55**	63
	55	310

15. Called-up share capital

	Group and Company	
	2009 and 2008 Shares	2009 and 2008 £'000
Ordinary Shares of 10p each:		
Authorised	**245,000,000**	**24,500**
Allotted, called-up and fully paid:		
At 30 September 2009 and 30 September 2008	**160,080,089**	**16,008**

Notes to the acounts continued

16. Reserves

Group	Capital redemption reserve £'000	Share premium account £'000	Capital reserve £'000	Merger reserve £'000	Revenue reserve £'000
At 1 October 2008	**2,927**	**28,078**	**522,684**	**41,406**	**22,753**
Exchange losses	**–**	**–**	**(801)**	**–**	**–**
Gains on investments held at fair value	**–**	**–**	**96,382**	**–**	**–**
Gains on forward foreign exchange contracts	**–**	**–**	**7,897**	**–**	**–**
Losses on Index Stock	**–**	**–**	**(380)**	**–**	**–**
Losses on Debenture Stock 2011	**–**	**–**	**(5)**	**–**	**–**
Amortisation of Debenture issue expenses	**–**	**–**	**(7)**	**–**	**–**
Performance fee charged to capital	**–**	**–**	**(2,313)**	**–**	**–**
Management fee charged to capital	**–**	**–**	**(1,902)**	**–**	**–**
Back VAT due to capital	**–**	**–**	**123**	**–**	**–**
Capital charges	**–**	**–**	**(5)**	**–**	**–**
Tax relief to capital	**–**	**–**	**1,246**	**–**	**–**
Deferred tax charge to capital	**–**	**–**	**8**	**–**	**–**
Ordinary dividends paid	**–**	**–**	**–**	**–**	**(9,284)**
Special dividend paid	**–**	**–**	**–**	**–**	**(2,401)**
Revenue profit for the year	**–**	**–**	**–**	**–**	**12,774**
At 30 September 2009	**2,927**	**28,078**	**622,927**	**41,406**	**23,842**

Company	Capital redemption reserve £'000	Share premium account £'000	Capital reserve £'000	Merger reserve £'000	Revenue reserve £'000
At 1 October 2008	**2,927**	**28,078**	**524,461**	**41,406**	**20,976**
Exchange losses	**–**	**–**	**(801)**	**–**	**–**
Gains on investments held at fair value	**–**	**–**	**96,379**	**–**	**–**
Gains on forward foreign exchange contracts	**–**	**–**	**7,897**	**–**	**–**
Losses on Index Stock	**–**	**–**	**(380)**	**–**	**–**
Losses on Debenture Stock 2011	**–**	**–**	**(5)**	**–**	**–**
Amortisation of Debenture issue expenses	**–**	**–**	**(7)**	**–**	**–**
Performance fee charged to capital	**–**	**–**	**(2,313)**	**–**	**–**
Management fee charged to capital	**–**	**–**	**(1,902)**	**–**	**–**
Back VAT due to capital	**–**	**–**	**123**	**–**	**–**
Capital charges	**–**	**–**	**(5)**	**–**	**–**
Tax relief to capital	**–**	**–**	**1,246**	**–**	**–**
Deferred tax charge to capital	**–**	**–**	**8**	**–**	**–**
Ordinary dividends paid	**–**	**–**	**–**	**–**	**(9,284)**
Special dividend paid	**–**	**–**	**–**	**–**	**(2,401)**
Revenue profit for the year	**–**	**–**	**–**	**–**	**12,777**
At 30 September 2009	**2,927**	**28,078**	**624,701**	**41,406**	**22,068**

17. Net asset value

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

	Net asset value per Share attributable Company		Net asset value per Share attributable Group	
	2009 p	2008 p	2009 p	2008 p
Ordinary Shares (basic)	**459.26**	395.96	**459.26**	395.96

	Net asset values attributable Company		Net asset values attributable Group	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Ordinary Shares (basic)	**735,188**	633,856	**735,188**	633,856

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

	2009 Ordinary Shares (basic) £'000	2008 Ordinary Shares (basic) £'000
Total net assets attributable at beginning of year	**633,856**	815,124
Total profit/(loss) for the year	**113,017**	(171,904)
Dividends appropriated in the year	**(11,685)**	(9,364)
Net assets attributable at end of year	**735,188**	633,856

Basic net asset value per Ordinary Share is based on net assets and on 160,080,089 (2008: 160,080,089) Ordinary Shares being the number of Ordinary Shares in issue at the year end.

At the year end the net asset value per Share adjusted to include the Debenture Stocks at market value rather than par was 455.16p (2008: 392.73p).

Notes to the acounts continued

18. Analysis of cash and cash equivalents at end of year

	At 1 October 2008 £'000	Cash flow £'000	Exchange movement £'000	At 30 September 2009 £'000
Group				
Cash at bank and on deposit	3,381	4,657	(801)	**7,237**
Company				
Cash at bank and on deposit	3,380	4,656	(801)	**7,235**

19. Financial instruments and capital disclosures

Risk management policies and procedures

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

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

The Group may also enter into derivative transactions which comprise forward foreign exchange contracts (the purpose of which is to manage currency risk arising from the Group's investing activities) and quoted options on indices appropriate to sections of the portfolio (the purpose of which is to provide protection against falls in the capital values of the holdings). The Group has used derivatives during the current financial year as part of its investment strategy.

The Board sets out its investment policies on page 22.

The Board and the Company's Investment Manager consider and review the number of risks inherent in managing the Group's assets which are detailed below.

Foreign currency exposure

At 30 September 2009

	Sterling £'000	Euro £'000	JPY £'000	US$ £'000	Other £'000	Total £'000
Investments held at fair value through profit or loss that are monetary items	**101,965**	**–**	**–**	**–**	**–**	**101,965**
Current assets - Investments held at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**	**–**
Other receivables	**2,364**	**1,620**	**435**	**381**	**363**	**5,163**
Cash and cash equivalents	**7,236**	**–**	**–**	**–**	**1**	**7,237**
Other payables	**(3,421)**	**–**	**(25)**	**–**	**–**	**(3,446)**
$10^{3}/_{8}$ per cent Debenture Stock 2011	**(8,484)**	**–**	**–**	**–**	**–**	**(8,484)**
$8^{1}/_{8}$ per cent Debenture Stock 2023	**(14,900)**	**–**	**–**	**–**	**–**	**(14,900)**
Equities Index Unsecured Loan Stock 2013	**(5,686)**	**–**	**–**	**–**	**–**	**(5,686)**
Provision for deferred tax	**(55)**	**–**	**–**	**–**	**–**	**(55)**
Foreign currency exposure on net monetary items	**79,019**	**1,620**	**410**	**381**	**364**	**81,794**
Investments held at fair value through profit or loss that are equities	**132,478**	**213,296**	**37,625**	**70,566**	**199,429**	**653,394**
Total net foreign currency exposure	**211,497**	**214,916**	**38,035**	**70,947**	**199,793**	**735,188**

At 30 September 2008	Sterling £'000	Euro £'000	JPY £'000	US$ £'000	Other £'000	Total £'000
Investments held at fair value through profit or loss that are monetary items	110,285	-	-	-	-	110,285
Current assets - Investments held at fair value through profit or loss	1	-	-	-	2	3
Other receivables	3,577	423	478	323	320	5,121
Cash and cash equivalents	3,381	–	-	-	-	3,381
Other payables	(6,833)	(870)	-	(608)	(982)	(9,293)
10 3/8 per cent Debenture Stock 2011	(8,515)	-	-	-	-	(8,515)
8 1/8 per cent Debenture Stock 2023	(14,893)	-	-	-	-	(14,893)
Equities Index Unsecured Loan Stock 2013	(5,403)	-	-	-	-	(5,403)
Provision for deferred tax	(310)	-	-	-	-	(310)
Foreign currency exposure on net monetary items	81,290	(447)	478	(285)	(660)	80,376
Investments held at fair value through profit or loss that are equities	128,495	142,181	64,837	50,098	167,869	553,480
Total net foreign currency exposure	209,785	141,734	65,315	49,813	167,209	633,856

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

During the year, the Company entered into three forward foreign exchange contracts. Two transactions consisted of buying sterling and selling Japanese yen, the other contract consisted of buying sterling and selling euros. These contracts were closed in June 2009 and July 2009. As at 30 September 2009, the net realised gains on these three contracts amounted to £7,897,000. There were no open forward foreign exchange contracts as at 30 September 2009.

Over the year sterling weakened against the Group's principal investing currencies, the US Dollar by 10.27% (2008: 12.51%), the Euro by 13.77% (2008: 11.42%) and the Japanese Yen by 24.33% (2008: 19.24%).

A 5% rise or decline of sterling against foreign currency denominated (i.e. non sterling) assets held at the year end would have decreased/increased the net asset value by £26,185,000 or 3.56% of net asset value (2008: £21,204,000 or 3.35% of net asset value).

Interest rate risk

Interest rate movements may affect:

- the fair value of investments in fixed-interest rate securities;
- the level of income receivable on cash deposits;
- the interest payable on variable rate borrowings; and
- the fair value of the Company's long-term debt in the event that the debt is repaid before maturity.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions. The Company, generally, does not hold significant cash balances, with short term borrowings being used when required.

The two series of debentures issued by the Company both carry fixed rates of interest and were issued as a planned level of gearing. These debenture stocks are carried in the Company's balance sheet at amortised cost rather than at fair value. Hence movement in interest rates will not affect equity but may have an impact on the Company's share price and discount/premium which is not likely to be material. Further information on the debenture stocks is shown in note 13.

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

Notes to the acounts continued

The exposure at 30 September of financial assets and financial liabilities to interest rate risk is shown by reference to:

- floating interest rates - when the interest rate is due to be re-set;
- fixed interest rates - when the financial instrument is due for repayment.

	At 30 September 2009 £'000	At 30 September 2008 £'000
Exposure to floating interest rates:		
Cash and cash equivalents	**7,237**	3,381

If the above level of cash was maintained for a year, a 1% increase/decrease in LIBOR would increase/decrease the revenue return by £72,000 or 0.05p per share (2008: £34,000 or 0.02p per share).

Exposure to fixed interest rates:		
Investments held at fair value through profit or loss	**101,965**	110,285
10 3/8 per cent Debenture Stock 2011 (fair value based on market prices)	**(9,734)**	(9,649)
8 1/8 per cent Debenture Stock 2023 (fair value based on market prices)	**(20,218)**	(18,933)
	72,013	81,703

The maturity dates and the nominal interest rates on the investments held at fair value through profit or loss are shown in the portfolio statement on page 18. The weighted average effective interest rate on these investments is 1.79% (2008: 4.48%).

The Company's fixed income portfolio at the year end was valued at £101,965,000 (2008: £110,285,000) and it had a modified duration (interest rate sensitivity) of approximately 0.42 years (2008: 0.88 years). A 1% increase /decrease in relevant market interest rates would be expected to decrease/increase the portfolios value by approximately £437,000 (2008: £970,000), all other factors being equal.

The fair value of the Company's debenture stocks at the year end was £29,952,000 (2008: £28,582,000) and it had a modified duration (interest rate sensitivity) of approximately 5.9 years (2008: 6.3 years). A 1% increase /decrease in LIBOR would be expected to decrease/increase the fair values of the debenture stocks by approximately £1,774,000 (2008: £1,800,000), all other factors being equal.

Market price risk

The management of market price risk is part of the fund management process and is typical of equity investment. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with the objective of maximising overall returns to shareholders. Further information on the investment portfolio is set out on pages 16 to 18.

If the fair value of the Group's investments at the year end increased or decreased by 10% then it would have had an effect on the Group's capital return equal to £75,536,000 or 47.19p per Ordinary Share (2008: £66,377,000 or 41.46p per Ordinary Share).

If the fair value of the Equity Index Unsecured Loan Stock 2013 at the year end increased or decreased by 10% then it would have had an effect on the Group's capital return equal to £569,000 or 0.36p per Ordinary Share (2008: £540,000 or 0.34p per Ordinary Share).

Liquidity risk

The Company's assets mainly comprise readily realisable securities which can be easily sold to meet funding commitments if necessary. Unlisted investments in the portfolio are subject to liquidity risk. The risk is taken into account by the Directors when arriving at their valuation of these items.

The remaining contractual maturities of the Group's financial liabilities at 30 September, based on the earliest date on which payment can be required was as follows:

At 30 September 2009	In 1 year or less £'000	In more than 1 year but not more than 2 years £'000	In more than 3 years but not more than 4 years £'000	In more than 13 years but not more than 14 years £'000	Total £'000
10 3/8 per cent Debenture Stock 2011	**–**	**(8,484)**	**–**	**–**	**(8,484)**
8 1/8 per cent Debenture Stock 2023	**–**	**–**	**–**	**(14,900)**	**(14,900)**
Equities Index Unsecured Loan Stock 2013	**–**	**–**	**(5,686)**	**–**	**(5,686)**
Other payables	**(3,446)**	**–**	**–**	**–**	**(3,446)**
Deferred tax	**–**	**(55)**	**–**	**–**	**(55)**
	(3,446)	**(8,539)**	**(5,686)**	**(14,900)**	**(32,571)**

At 30 September 2008	In 1 year or less £'000	In more than 1 year but not more than 2 years £'000	In more than 2 years but not more than 3 years £'000	In more than 4 years but not more than 5 years £'000	In more than 14 years but not more than 15 years £'000	Total £'000
10 3/8 per cent Debenture Stock 2011	-	-	(8,515)	-	-	(8,515)
8 1/8 per cent Debenture Stock 2023	-	-	-	-	(14,893)	(14,893)
Equities Index Unsecured Loan Stock 2013	-	-	-	(5,403)	-	(5,403)
Other payables	(9,293)	-	-	-	-	(9,293)
Deferred tax	-	(310)	-	-	-	(310)
	(9,293)	(310)	(8,515)	(5,403)	(14,893)	(38,414)

Credit risk

Credit risk is mitigated by diversifying the counterparties through whom the Investment Manager conducts investment transactions. The credit-standing of all counterparties is reviewed periodically with limits set on amounts due from any one broker.

The total credit exposure of the Group at the year end as shown on the Balance Sheet was £12,400,000 (2008: £8,502,000). Further details of the Group's credit exposure can be found within note 11 to the accounts.

Fair values of financial assets and financial liabilities

Except for the Group's Debenture Stocks measured at amortised cost as shown below, the financial assets and financial liabilities of the Group, are either carried in the balance sheet at their fair value (investments and Equities Index Unsecured Loan Stock 2013), or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends receivable, accrued income, cash at bank and due to brokers).

	2009		2008	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
10 3/8 per cent Debenture Stock 2011	**(8,484)**	**(9,734)**	(8,515)	(9,649)
8 1/8 per cent Debenture Stock 2023	**(14,900)**	**(20,218)**	(14,893)	(18,933)

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

The fair value of the Group's unquoted investments is measured by the Directors using valuation methodologies in accordance with International Private Equity and Venture Capital Valuation Guidelines.

Notes to the acounts continued

Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying net asset value; through an appropriate balance of equity capital and debt.

The Board, with the assistance of the Investment Manager, regularly monitors and reviews the broad structure of the Group's capital on an ongoing basis. These reviews include:

- the level of gearing, which takes account of the Group's position and the Investment Manager's views on the market; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

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

The Group is subject to externally imposed capital requirements:

- as a public company, the Company has a minimum share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

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

20. Contingencies, guarantees and financial commitments

In June 2007 the European Court of Justice ruled that investment management fees should be exempt from VAT, and in early November HM Revenue & Customs decided not to contest that ruling. The Board is taking steps to reclaim such back VAT on investment management fees as it can and has recovered £3,027,102 up to the date of this report. For the current period to 30 September 2009 £960,163 has been recovered and shown within these financial statements. This has been allocated £837,466 as revenue and £122,697 as capital within the Income Statement in line with VAT previously written-off on investment management and performance fees previously charged. Interest amounting to £686,803 relating to these recoveries has also been received by the Company.

While most of the Back VAT has now been recovered, the Company will continue to pursue recovery of outstanding Back VAT, and interest, as far as is practical. The Directors consider it inappropriate to recognise any Back VAT not yet recovered, in these financial statements.

At 30 September 2009 the Group had a financial commitment in respect of a sub rights issue on Deutsche Wohnen of £12,361,000.

At 30 September 2009 the Group had no contingent liability in respect of any investments carrying an obligation for future subscription or underwriting commitments (2008: £nil).

21. Related party disclosure

The related party transaction with Asset Value Investors Limited is set out in the Directors Report on page 24. Management fees for the year amounted to £3,804,000 (2008: £4,890,000) and the performance fee for the year was £2,313,000 (2008: £nil).

As at the year end, the following amounts were outstanding in respect of management fees: £317,000 (2008: £408,000) and performance fees: £2,313,000 (2008: £nil).

At 30 September 2009 the Group had a contingent liability pursuant to an Indemnity given to Caledonia Investments Limited (Caledonia) in respect of sums received from Caledonia by way of repayment of VAT (the VAT Refund) paid by the Company between 1991 and 1995 on investment management fees to Caledonia, against any amounts of VAT (including any interest or penalties) for which Caledonia is liable to repay to HM Revenue & Customs in respect of the VAT Refund together with all reasonable costs, charges and expenses incurred by Caledonia in enforcing its rights under the Indemnity. The Company's liability under the Indemnity shall not exceed the amount of the VAT Refund received from Caledonia which amounted to £619,178 (including simple interest of £263,337).

Directors' Remuneration Report

This Report is prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. As the Board of Directors is comprised solely of non-executive Directors, it is exempt under the Listing Rules from appointing a Remuneration Committee. The determination of Directors' fees is a matter dealt with by the whole Board.

It is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfill in respect of Board and Committee responsibilities and the time committed to the Company's affairs. The Board reviews the level of Directors' fees periodically and fees were last increased with effect from 1 October 2006. The annual aggregate limit on fees payable to the Board of Directors under the Company's Articles of Association is currently £200,000.

No element of the Directors' remuneration is performance related, no Director past or present has any entitlement to pensions and the Company has not awarded any share options or long-term performance incentives to any of the Directors. The Directors' interests in contractual arrangements with the Company are as shown on page 23. Subject to these exceptions, no other Directors were interested in contracts with the Company during the period or subsequently. None of the Directors has a service contract with the Company and no Director is entitled to compensation on leaving office.

The Board requires that Directors shall not remain in office for longer than three years without submitting themselves for re-election.

A resolution to receive and adopt the Directors' Remuneration Report will be proposed at the Annual General Meeting.

Directors and Officers liability insurance cover is maintained by the Company on behalf of the Directors.

The Company has agreed, in principle and subject to independent professional advice reflecting relevant market practice, to indemnify the Directors in respect of costs, charges, losses, liabilities, damages and expenses, arising out of any claims or proposed claims made for negligence, default, breach of duty, breach of trust or otherwise, or relating to any application under section 1157 of the Companies Act 2006, in connection with the performance of their duties as Directors of the Company.

Total Shareholder return

The chart below illustrates the total Shareholder return for a holding in the Company's shares as compared to the Fundamental Data Global Growth Investment Trust Index, which the Board has adopted as the measure for both the Company's performance and that of the Manager for the year.

Directors' emoluments (audited information)

The Directors who served in the year received the following emoluments in the form of fees:

	2009 £'000	2008 £'000
PSS Macpherson – Chairman #	27.0	25.1
AS Robson †	19.5	2.5
SAR Bates	18.0	18.0
RE Blomfield-Smith	18.0	18.0
JM May	18.0	18.0
PR Allen ‡	10.5	21.0
IS Robertson CBE *	–	5.8
	111.0	108.4

† Appointed a Director 11 August 2008.
‡ Retired 31 March 2009
* Retired 18 December 2007.
# Chairman from 18 December 2007.

The Audit Committee Chairman receives an additional £3,000 p.a. for the additional work involved. Mr PR Allen was Chairman of the Audit Committee until his retirement on 31 March 2009 when Mr AS Robson was appointed to the position.

Sums paid to Third Parties (audited information)

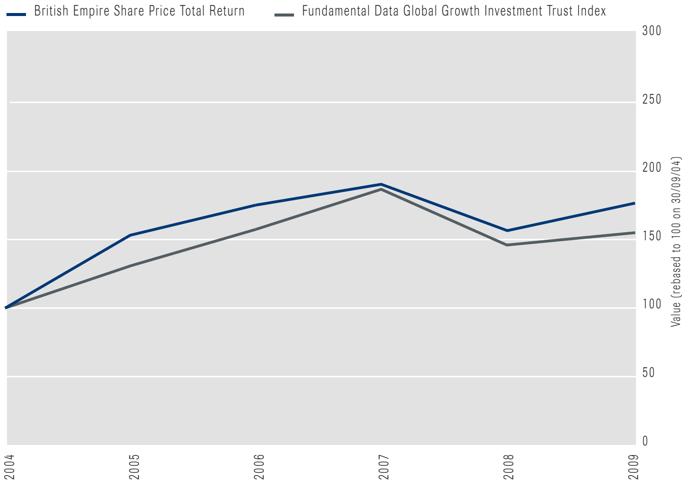
Of the fees disclosed above, £18,000 (2008: £18,000) was payable to Caledonia Group Services Limited in respect of making available the services of Mr JM May.

By order of the Board

TR Smith
for and on behalf of
Phoenix Administration Services Limited
Secretary
16 November 2009

Share Price Total Return

vs Fundamental Data Global Growth Investment Trust Index Total Return
– Five years to 30 September 2009



Source: Fundamental Data & Thomson Financial Datastream

Independent Auditor's Report to the Members of British Empire Securities and General Trust plc

We have audited the Group and Parent Company financial statements of British Empire Securities and General Trust plc for the year ended 30 September 2009 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 32, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2009 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Report of the Directors, set out on page 32, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matters

We have reported separately on the subsidiary Company financial statements of Best Securities Limited for the year ended 30 September 2009 and on the information in the Directors' Remuneration Report that is described as having been audited.

Julian Young *Senior Statutory Auditor*
ERNST & YOUNG LLP
Statutory Auditor
London
16 November 2009

Notice of Annual General Meeting

Notice is hereby given that the One Hundred and Twentieth Annual General Meeting of British Empire Securities and General Trust plc will be held at Grocers' Hall, Princes Street, London EC2R 8AD at 12.00 noon on Thursday 17 December 2009 to consider the following business:

Ordinary Business

1. To receive and adopt the financial statements of the Company for the financial year ended 30 September 2009 together with the Reports of the Directors and the Auditors.

2. To approve a final Ordinary Dividend of 4.20 pence per Ordinary Share.

3. To approve a Special Dividend for the year of 1.25 pence per Ordinary Share.

4. To re-elect Mr Strone Macpherson as a Director of the Company.

5. To re-elect Mr Steven Bates as a Director of the Company.

6. To re-appoint Ernst & Young LLP as the Company's Auditor and authorise the Directors to determine the Auditor's remuneration.

7. To receive and adopt the Directors' Remuneration Report.

Special Business

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

8. THAT, the Directors of the Company be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot Ordinary Shares of 10p each in the capital of the Company ('ordinary shares') and to grant rights to subscribe for or to convert any security into ordinary shares in the Company up to a maximum of 23,996,005 ordinary shares provided that such authority shall expire on the date which is 18 months after the date of the passing of this resolution or, if earlier, at the conclusion of the next Annual General Meeting of the Company in 2010, save that the Company may before such expiry make offers or agreements which would or might require ordinary shares to be allotted, or rights to be granted, after such expiry and the Directors may allot ordinary shares, or grant such rights, in pursuance of such offers or agreements as if the authority conferred hereby had not expired; and all unexercised authorities previously granted to the Directors to allot ordinary shares be and are hereby revoked.

To consider and, if thought fit, pass the following resolutions as Special Resolutions:

9. THAT, subject to the passing of resolution 8 above, the Directors of the Company be and are hereby generally authorised and empowered pursuant to Sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in Section 560 of the Act) (including the grant of rights to subscribe for, or to convert any securities into, Ordinary Shares in the capital of the Company ('ordinary shares') and the sale of ordinary shares held by the Company in treasury) wholly for cash pursuant to any existing authority given in accordance with Section 551 of the Act, as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited:

(a) to the allotment of equity securities in connection with an offer of such securities by way of rights to holders of ordinary shares on the register of members of the Company on a fixed record date in proportion (as nearly as may be practicable) to their respective holdings of ordinary shares but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements or any legal or practical problems arising under the laws of, or the requirements of, any territory or any regulatory or governmental body or authority or stock exchange; and

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £800,400 being approximately 5 per cent of the equity share capital currently in issue; and such authority shall expire on the date of the next Annual General Meeting of the Company to be held in 2010, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

Notice of Annual General Meeting continued

10. THAT, the Company be and is hereby generally and unconditionally authorised for the purposes of Section 701 of the Companies Act 2006 (the "Act") to make one or more market purchases (within the meaning of Section 693(4) of the Act) of Ordinary Shares of 10p each in the capital of the Company ('ordinary shares') either for cancellation or to hold as treasury shares (within the meaning of Section 724 of the Act) provided that:

(a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 23,996,005;

(b) the Directors be authorised to determine at their discretion that any ordinary shares purchased be cancelled or held by the Company as treasury shares save that the maximum number of ordinary shares held in treasury shall not exceed 10 per cent of the issued ordinary share capital of the Company at any time;

(c) the minimum price which may be paid for a share shall be 10 pence (exclusive of associated expenses);

(d) the maximum price which may be paid for an Ordinary Share is an amount equal to 105 per cent of the average of the middle market quotations of the Ordinary Shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days immediately preceding the date on which the relevant share is contracted to be purchased (exclusive of associated expenses); and

(e) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on the date which is 18 months after the date of the passing of this resolution save that the Company may prior to such expiry enter into a contract or arrangement to purchase Ordinary Shares under this authority which will or may be completed or executed wholly or partly after the expiry of this authority and may make a purchase of ordinary shares pursuant to any such contract or arrangement as if the authority hereby conferred had not expired.

11. THAT, the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification, be approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Memorandum and Articles of Association.

By Order of the Board

TR Smith
for and on behalf of
Phoenix Administration Services Limited
Secretary

Springfield Lodge,
Colchester Road,
Chelmsford, Essex CM2 5PW
16 November 2009

Notes

1. Attending the Annual General Meeting in person

If you wish to attend the Annual General Meeting in person, you should sign the attendance card enclosed with this document and hand it to the Company's registrars on arrival at the Annual General Meeting.

2. Appointment of Proxy

Shareholders are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the Annual General Meeting. A proxy need not be a shareholder of the Company but must attend the Annual General Meeting to represent a shareholder. To be validly appointed a proxy must be appointed using the procedure set out in these notes and in the notes to the accompanying proxy form.

If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman of the Annual General Meeting) and instruct that person accordingly.

Shareholders can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Shareholders cannot appoint more than one proxy to exercise the rights attached to the same shares. A shareholder who wishes to appoint more than one proxy, should contact Equiniti Limited, the Company's Registrars, whose details are set out on the inside back cover.

Shareholders may instruct their proxy to abstain from voting on any resolution by marking the "vote withheld" option when appointing their proxy. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "for" or "against" the resolution. The return of a completed proxy form or other instrument of proxy will not prevent a shareholder from attending the Annual General Meeting and voting in person.

A person who is not a shareholder but who has been nominated by a shareholder to enjoy information rights does not have a right to appoint a proxy under the procedures set out in these notes - see note 6. Nominated Persons below.

3. Appointment of Proxy using a Proxy Form
A proxy form for voting on the resolutions to be proposed at the Annual General Meeting is enclosed. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA no later than 48 hours before the time of the Annual General Meeting or any adjournment of that meeting.

4. Appointment of Proxy by Joint Shareholders
In the case of joint shareholders, where more than one of the joint shareholders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint shareholders appear in the Company's register of members in respect of the joint shareholding, with the first named being the most senior.

5. Entitlement to Attend and Vote
To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the votes they may cast), shareholders must be registered in the register of members of the Company at 6.00 p.m. on 15 December 2009 (or, if the Annual General Meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.

6. Nominated Persons
Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between such person and the shareholder nominating such person, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise such right, the Nominated Person may, under any such agreement, have a right to give instructions to the registered shareholder as to the exercise of voting rights.

7. Questions and Answers
Pursuant to section 319A of the Companies Act 2006, the Company must provide an answer to any question which is put by a member attending the AGM relating to the business being considered, except if a response would not be in the interest of the Company or for the good order of the meeting or if to do so would involve the disclosure of confidential information. The Company may however elect to provide an answer to a question, within a reasonable period of days after the conclusion of the AGM.

8.Information on the Company's website
In accordance with section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.british-empire.co.uk

Appendix

SUMMARY OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF BRITISH EMPIRE SECURITIES AND GENERAL TRUST PLC (THE "COMPANY")

A summary of the material amendments to the Company's current Articles of Association, in relation to the final commencements of the Companies Act 2006 (the "2006 Act"), is set out below. The Articles of Association proposed to be adopted at the AGM in substitution for the Company's existing Articles are referred to below as the "New Articles".

This Appendix does not summarise non-material changes and, in particular, it does not summarise changes of a minor or technical nature.

A copy of the New Articles will be available for inspection at the registered office of the Company and at the offices of Herbert Smith LLP at Exchange House, Primrose Street, London EC2A 2HS during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of the notice of the AGM until the conclusion of the AGM, and at the venue of the Annual General Meeting from 11.30 a.m. until the conclusion of the meeting. The proposed New Articles will also be available for inspection at any time on the Company's website: www.british-empire.co.uk.

General

The New Articles will, if adopted, enable the Company to comply with and take full advantage of the deregulations contained in the provisions of the 2006 Act and the Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations").

Resolution 11 is to approve the adoption of the New Articles.

Provisions of the Company's memorandum of association

The 2006 Act reduces the constitutional importance of the Company's Memorandum of Association.

The Company's constitution is currently contained in both its Memorandum of Association and its Articles of Association. Since 1 October 2009, the objects clause and all other provisions in the Memorandum have automatically been treated as part of the Articles of Association. The Memorandum now simply records the names of the subscribers and the number of shares which each subscriber agreed to take in the Company. The provisions in the Articles of Association which were formerly part of the Memorandum can be removed by special resolution.

A company's objects will now be unrestricted unless its articles of association provide otherwise. The Company is therefore proposing to remove its objects clause from its Articles of Association, together with all other provisions that were formerly included in its Memorandum.

Authorised share capital and unissued shares

The 2006 Act abolishes the concept of authorised share capital. To reflect this abolition, the New Articles do not include any reference to the maximum number of shares that the Company may allot, or any references to authorised share capital or to unissued shares.

Despite the abolition of the concept of authorised share capital, the Company's Directors will still be required to obtain the usual Shareholder authorisation in order to allot shares.

Redeemable shares

Under the 2006 Act, a company's articles of association need not include the terms on which redeemable shares may be redeemed. A company's directors may determine the terms, conditions and manner of redemption of redeemable shares provided that they are authorised to do so by the company's articles of association. The New Articles contain an authorisation for the redemption of redeemable shares. The Company currently has no plans to issue redeemable shares but, should those plans change, the Directors would require shareholder authority to issue new shares in the usual way.

Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the 2006 Act, a public company no longer requires specific authorisation in its articles of association to purchase its own shares, to consolidate or sub-divide its shares or to reduce its share capital. However, shareholder authority is still required. The New Articles include provisions to reflect these changes.

Transfer of shares

Under the 2006 Act, share transfers must be registered as soon as possible and the Company is not entitled to close its register. However, the Company's existing Articles of Association allow the Company to suspend the registration of transfers of shares and to close the register for a period not exceeding 30 days in any one year.

This provision has been removed in the New Articles.

Shareholder participation in meetings at different places and by electronic means

In order to comply with the Shareholders' Rights Regulations, the New Articles contain provisions which allow shareholders to participate in meetings not only by attendance at satellite meeting locations but also by other electronic means of participation.

Votes of members

The Shareholders' Rights Regulations clarify the various powers of proxies and representatives of corporate members in respect of resolutions taken on a show of hands. Where a proxy has been duly appointed by one member, he has one vote on a show of hands. However, if he has been appointed by more than one member to vote for the resolution and by more than one member to vote against the resolution, the proxy has only one vote for and one vote against the resolution. The New Articles contain provisions which clarify these rights.

Voting record date

The New Articles include a new provision allowing the Company, when convening a meeting, to specify a time not more than 48 hours before the time of the meeting (excluding any part of the day that is not a working day), by which a person must be entered on the register of shareholders in order to have the right to attend or vote at the meeting. This new provision is in line with a requirement for listed companies introduced by the Shareholders' Rights Regulations.

Validity of votes

Following the implementation of the Shareholders' Rights Regulations, proxies are expressly required to vote in accordance with instructions given to them by members. The New Articles contain a provision stating that the Company is not required to enquire whether a proxy or corporate representative has voted in accordance with instructions given to him and that votes cast by a proxy or corporate representative will be valid even if he has not voted in accordance with his instructions.

Termination of proxy authority

In accordance with the Shareholders' Rights Regulations, the New Articles include a provision providing that the termination of a proxy's authority should be in writing.

Alternate directors

The New Articles include a provision which makes it clear that an alternate director is subject to the same restrictions as the Director who appointed him. This is a clarificatory amendment in line with best practice guidance received by the Board.

Provisions for employees on cessation or transfer of business

The 2006 Act stipulates that the powers of directors to make provision for a person employed or formerly employed by a company or any of its subsidiaries in connection with the cessation or transfer of the whole or part of the undertaking of that company or its subsidiary may only be exercised by the directors if they are so authorised by the company's articles or by the company in a general meeting.

The New Articles include a provision granting the Directors this power.

Quorum for board meetings

The New Articles contain a provision which states that a Director cannot be counted in the quorum in relation to a matter or resolution on which he is not entitled to vote, but that he may be counted in the quorum for the other matters or resolutions to be considered or voted on at the same meeting. This is a clarificatory amendment in line with best practice guidance received by the Board.

Notices and other communication

The New Articles include a provision permitting the Company at any time and at its sole discretion to choose to send or supply notices, documents and information only in hard copy form to some or all shareholders. This is to cater for situations where the provision of corporate information in electronic form or via a website may amount to a breach of the securities laws of another jurisdiction.

Board minutes

The 2006 Act requires board minutes to be retained for at least 10 years. The New Articles reflect this requirement.

Change of name

Under the 2006 Act, a company can now change its name by means provided for by its articles of association. Previously, a company could only change its name by special resolution. The New Articles include a provision designed to take advantage of this flexibility.

Form of resolution

The 2006 Act has abolished the concept of "extraordinary" resolutions and general meetings. Accordingly, the New Articles do not include references to such resolutions or meetings. Meetings of shareholders (other than annual general meetings) are referred to simply as "general meetings" in the New Articles.

Chairman's casting vote

Pursuant to the Shareholders' Rights Regulations, a traded company is no longer permitted to allow the chairman a casting vote in the event of an equality of votes. Accordingly, the New Articles do not provide for the Chairman to have a casting vote.

Stock

The Company's current Articles of Association provide that the Company may, by ordinary resolution, convert any fully paid shares into stock and re-convert any stock into fully paid up shares. The New Articles reflect the 2006 Act, which abolishes the power to convert shares into stock.

Permitted interests and voting

The New Articles allow a Director to vote on a resolution giving him an indemnity or funding for expenditure incurred in defending proceedings, provided that all other Directors have been given or are to be given arrangements on substantially the same terms. This is in line with best practice guidance received by the Board.

Shareholder Information

Dividends

Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandates may be obtained from Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA on request. The Company operates the BACS system for the payment of dividends. Where dividends are paid directly into Shareholders' bank accounts, dividend tax vouchers are sent to Shareholders' registered addresses.

Share Prices

The Company's Ordinary Shares are listed on the London Stock Exchange under 'Investment Trusts'. Prices are given daily in The Financial Times, The Times, The Daily Telegraph, The Scotsman and The Evening Standard.

Change of Address

Communications with Shareholders are mailed to the last address held on the Share register. Any change or amendment should be notified to Equiniti Limited at the address given above, under the signature of the registered holder.

Daily Net Asset Value

The net asset value of the Company's shares can be obtained by contacting Customer Services on 0845 850 0181 or via the website: www.british-empire.co.uk

AVI ISA

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

AVI Share Plan

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

For further information contact Customer Services on 0845 850 0181

Call charges may apply

Financial Calendar 2009/2010

17 December 2009	Annual General Meeting
8 January 2010	Final and Special Dividends paid on Ordinary Shares
▪ May 2010	Announcement of half year results
▪ May 2010	Posting of Half Year Report
▪ June 2010	Interim Dividend paid on Ordinary Shares
▪ November 2010	Announcement of annual results
▪ November 2010	Posting of Annual Report
▪ December 2010	Annual General Meeting

Design: Alembic Design Consultants Printing: Corporate Ink

AVI