

# British Empire

Securities and General Trust p.l.c.

Investment Objective: 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.

## Performance Commentary

Investment management report with performance figures as at 30 June 2004.

Over the month NAV was up 4.5%<sup>1</sup>. This compares to an increase in the benchmark of 2.6%<sup>2</sup> and an increase of 2.9%<sup>1</sup> and 1.5%<sup>1</sup> for the MSCI World (£) and FTSE All Share indices respectively.

Financial year to date net asset value rose 18.0%<sup>1</sup> compared to a rise of 10.8%<sup>2</sup> for the Datastream index, 8.5%<sup>1</sup> for the MSCI World (£) and 12.5%<sup>1</sup> for the FTSE All Share.

Over three years NAV is up 25.4%<sup>1</sup> while the FTSE All Share is down 10.1%<sup>1</sup>.

## Manager's Comment

Performance was good on the month, helped by a strong rebound in Japanese stocks. A recent trip to Japan has confirmed for us the attractions of Japanese smaller companies. There are many publicly traded companies in Japan trading well below their net asset value. This is understandable in a deflationary environment in which return on assets is falling. There are some signs however that the Japanese economy may have finally turned the corner. The recent Tankan survey showed business confidence is rising and GDP growth has been strong. Japanese corporate profitability is up sharply following the cost cutting of recent years. And finally, property prices in central Tokyo seem to have bottomed out. There are still many problems, of course, especially in the banking sector but we feel that the assets are attractively priced in the market and conditions for the equity markets are improving.

## Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) <sup>1</sup>	245.5	2.8	36.2	33.0	94.8
Net Asset Value <sup>1</sup>	255.1	4.5	31.3	22.1	61.1
Net Asset Value Total Return <sup>1</sup>		4.5	32.2	25.4	67.6
Benchmark <sup>2</sup> (£)		2.6	16.0	-12.2	-7.8

Annual Returns (%)	2003	2002	2001	2000	1999
Price <sup>1</sup>	41.6	-12.2	0.8	26.0	52.6
MSCI World <sup>1</sup>	20.6	-27.4	-14.1	-5.8	28.6

1 Source: Fundamental Data

2 Datastream Global Growth Investment Trust Index(TR) Source: Thomson Financial

3 Benchmark index changed to Datastream Global Growth Investment Trust Index(TR)

## Further Information

Investment Manager – John Pennink, AVI Ltd.

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The share price can be found under 'INVESTMENT COMPANIES' in The Financial Times, The Times, The Daily Telegraph, The Scotsman and The Evening Standard.

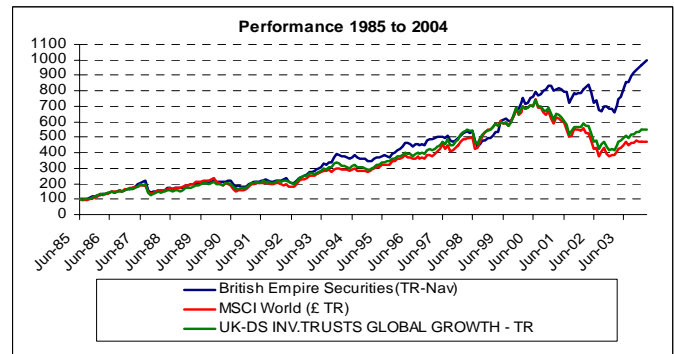
Information may be found on the following websites.

[www.british-empire.co.uk](http://www.british-empire.co.uk) or [www.assetvalueinvestors.com](http://www.assetvalueinvestors.com)

All figures as at 30 June 2004. All sources Asset Value Investor unless otherwise stated. British Empire Securities Trust is managed by Asset Value Investors Ltd. The price of shares and the income from them may go down as well as up; they can be affected by exchange rate movements between currencies and it is possible that investors may not get back the full amount invested on disposal of the shares. Past performance is no guarantee of future performance. Investments in emerging markets carries a greater degree of risk, in particular the volatility of the markets and the local custody and registration arrangements, which may be less developed than in more mature markets. There is no guarantee that the market price of shares in Investment Trusts will fully reflect their underlying Net Asset Value (NAV). This Investment Trust should be considered only as part of a balanced portfolio, of which it should not form a disproportionate part. Under no circumstances should this information be considered as an offer, or solicitation, to deal in investments. Issued by Asset Value Investors Ltd., which is authorised and regulated by the Financial Services Authority.

## Top Ten Equity Holdings

	%
Eurazeo	6.17
Hansa Trust plc	5.76
Henderson Electric & General	4.39
Prospect Japan Fund Ltd	3.99
Jardine Strategic Holdings Ltd	3.57
Law Debenture Corp	3.48
Wendel Investissement	2.81
Encana Corp	2.61
CNP	2.28
European Asset Value Fund	2.14
<b>TOTAL</b>	<b>37.20</b>



Source: Bloomberg, Thomson Financial, Fundamental Data

## Capital Structure as at 30 June 2004

Ordinary Shares	160,080,089
10 3/8% Debenture stock 2011	£11,883,322
8 1/8% Debenture stock 2023	£15,000,000
Equities index unsecured loan stock 2013	3,101,197

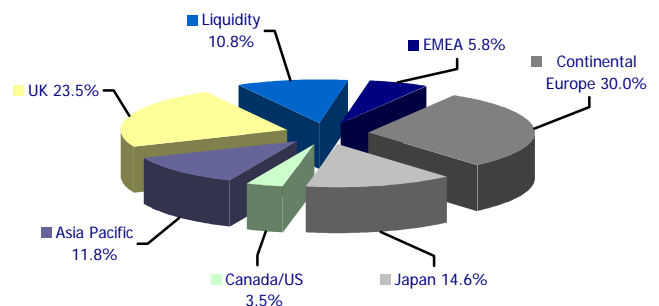
## Gross Assets/Gearing as at 30 June 2004

Gross Assets	£440.5mil.
Debt	£ 33.7mil.
Actual Gearing (Debt less cash divided by net asset value)	-3.2%

## Fund Codes

Bloomberg	Reuters Ticker / ISIN
BTEM	GB0001335081

## Geographic Breakdown (% of total assets)



Asset Value Investors