# BRITISH EMPIRE TRUST PLC

('British Empire' or the 'Company')

LEI: 213800QUODCLWWRVI968

## Announcement of unaudited results for the half year ended 31 March 2019

### 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.

### FINANCIAL HIGHLIGHTS

- Net asset value ('NAV') total return per share decreased by -3.0%
- Share price total return -3.5%
- Benchmark index decreased on a total return basis by -2.1%
- Interim dividend maintained at 2.0p

### PERFORMANCE SUMMARY

| | |
|---|---|
| **Net asset value per share (total return) for six months to 31 March 2019**[1] | **-3.0%** |
| **Share price total return for six months to 31 March 2019** | **-3.5%** |

| | **31 March 2019** | 31 March 2018 | 30 September 2018 | % change since 30 September 2018 |
|---|---|---|---|---|
| **Benchmark** | | | | |
| MSCI All Country World ex-US Index (£ adjusted total return) | **464.38** | 448.10 | 474.26 | -2.1% |
| **Share Price Discount** | | | | |
| (difference between share price and net asset value)[2] | **9.08%** | 10.34% | 8.46% | |

| | Six months to 31 March 2019 | Six months to 31 March 2018 |
|---|---|---|
| **Earnings and Dividends** | | |
| Investment income | **£5.65m** | £5.94m |
| Revenue earnings per share | **2.87p** | 3.03p |
| Capital earnings per share | **-24.88p** | 14.34p |
| Total earnings per share | **-22.01p** | 17.37p |
| Ordinary dividends per share | **2.00p** | 2.00p |
| **Ongoing Charges Ratio (annualised)** | | |
| Management, marketing and other expenses (as a percentage of average shareholders' funds) | **0.88%** | 0.87% |

| **Period Highs/Lows** | High | Low |
|---|---|---|
| Net asset value per share | **845.37p** | **738.71p** |
| Net asset value per share (debt at fair value) | **838.00p** | **731.27p** |
| Share price (mid market) | **762.00p** | **660.00p** |

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

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

**Buy-backs**
During the period, the Company purchased 939,938 Ordinary Shares, all of which have been placed into treasury.

**Alternative Performance Measures**
For all Alternative Performance Measures included in this Report, please see definitions in the Glossary below.

## CHAIRMAN'S STATEMENT

This Half Year Report covers the period from 1 October 2018 to 31 March 2019.

**Investment Performance**
As set out in the Investment Manager's Review, the six months to 31 March were a challenging period and the volatility which I mentioned in last year's annual report continued unabated. December, in particular, was difficult and the share price hit a low point on Christmas Eve before staging a substantial recovery in the first quarter of 2019.

While it is disappointing to report a fall in share price and NAV over the period under review, the longer-term track record of the Investment Manager is strong and, as illustrated in their report by a number of examples, there is a good store of value in the portfolio.

**Income and Dividend**
The Company paid a final dividend for the accounting year ended 30 September 2018 of 11.0p per share on 4 January 2019.

In the six months under review, revenue earnings per share were 2.87p and the Company will pay an interim dividend of 2.0p per share on 28 June 2019, the same as last year. Shareholders should note that the Company usually receives the majority of its revenues in the second half of its accounting year, as many investee companies pay annual dividends in April and May each year.

**Debt Structure and Gearing**
On 29 April 2019, we announced that the Company had entered into an agreement with Scotiabank Europe PLC for a Japanese Yen 4.0 billion revolving credit facility for a period of three years. The facility was equivalent to £27.7 million on that date.

The facility was drawn down in full and funds will be used to repay the Company's £15m $8^1/_8$% Debenture Stock on 3 June 2019. The debt was due to mature on 2 July 2023. The total cost of redeeming the debt early will be £19.9 million including accrued interest. Following this refinancing exercise, the Company's weighted average interest on all borrowings will be reduced to 2.9%, compared with 4.3% before the refinancing.

The revolving credit facility introduces some flexibility in managing the Company's gearing, which in recent years has been entirely through long-term, fixed rate debt. Further, borrowing in Japanese Yen provides a natural hedge against exchange rate fluctuations.

While the cost of redemption initially reduced the NAV per share by 0.1% (or 0.8p per share) with debt at fair value, the refinancing exercise described above is expected to reduce the total annual interest cost by approximately £930,000 (or 0.8p per share), based on current short-term interest rates for the revolving credit facility. This will potentially marginally enhance both the revenue earnings and capital returns.

The facility was larger than the amount required to repay the debentures and the balance was deployed by the Investment Manager in Japanese equities.

**Discount**

Your Board continues to believe that it is in the best interests of shareholders to use share buy backs with the intention of limiting any volatility in the discount. During the six months under review, some 0.94 million shares were bought back. The share buybacks occurred in the period October to December, when market volatility was high.

**Board**

Steven Bates duly retired as a Director following the annual general meeting on 19 December 2018.

Graham Kitchen was appointed as a Director with effect from 1 January 2019. Graham was Global Head of Equities at Janus Henderson Investors until March 2018, having joined in 2005. Prior to that he held senior positions in fund management at Threadneedle Investments and Invesco as a UK Fund Manager. Graham is a non-executive director of the Mercantile Investment Trust plc and of Invesco Perpetual Select Trust plc. He also provides investment advice to a small number of charities.

I would like once again to record my thanks to Steven for his long and committed service to the Company and also to welcome Graham to the Board.

**Company Name**

The Board regularly reviews feedback both from existing shareholders and those who may buy shares in the future. After lengthy consideration of a number of alternatives, it is our intention to change the name of the Company to AVI Global Trust plc; this should take effect in the near future and an announcement will be made as soon as the name change has been completed. Over its long history, the Company's name has made reference to the scope of its investment mandate, having launched in July 1889 as the Transvaal Mortgage, Loan & Finance Company Limited, and being renamed on three occasions since then as your Company has evolved. Over the past 30 years, the Company has developed a global reach and the new name, we believe, will more accurately reflect where we invest and how the assets are managed.

**Outlook**

At the time of writing, the timing and terms of the United Kingdom's exit from the European Union ('Brexit'), or indeed whether this will occur, remain unclear.

The vast majority of the Company's underlying assets are located outside the United Kingdom. For at least as long as the outcome of Brexit remains uncertain, it is likely that exchange rates between Sterling and other major currencies will remain volatile, affecting the net asset value and the value of income when converted into Sterling. The effect of this is, to an extent, offset by our borrowings in Euros and Japanese Yen.

The Board considers that the structure of the Company as an investment trust with a diversified portfolio of international assets - notwithstanding the effect of currency exposures - provides reasonable mitigation to the uncertainty of Brexit. However, the situation is kept under regular review.

Since the period end, the NAV and share price have recovered the majority of losses incurred during the last three calendar months of 2018. Our Investment Manager continues to focus on investments in shares trading at a meaningful discount to underlying assets whose values are tangible and verifiable. This approach has proven fruitful and we have every reason to believe that it will continue to do so.

**Susan Noble**
**Chairman**
23 May 2019

## INVESTMENT MANAGER'S REPORT

**Performance Summary**

Over the six month period to 31 March 2019, your Company generated a net asset value ('NAV') total return of -3.0%, which compares to a total return of -2.1% in Sterling terms from the MSCI All Country World ex-US Index (the Comparator Benchmark).

During the last quarter of 2018, global stock markets suffered a sharp sell-off as investors worried about the combination of tightening monetary policy, slowing global economic growth and a trade dispute between China and the US. During this period of heightened volatility, your Company's portfolio suffered the dual effect of falling

NAVs and widening discounts. The weighted average discount on the portfolio widened from 30% as at 30 September to 33% as at 31 December 2018.

The first quarter of 2019 subsequently saw a strong recovery in markets. Evidence of slowing economic growth has put a lid on the prospect of further monetary tightening and the markets have priced in a positive outcome to the US/China trade discussions. A strong recovery in your Company's NAV (+8.5%) has been accompanied by a tightening of discounts, which has helped performance. However, the recovery in the first quarter was insufficient to compensate for the declines in the fourth quarter of 2018 (-10.6%). The weighted average portfolio discount was 32% as at 31 March 2019.

Your Company's portfolio is invested in listed equities around the world that tend to own high-quality assets. While the companies we invest in are not necessarily well known, the underlying businesses in which they invest will often be familiar, high-quality names. It is these underlying businesses that will, to a large extent, determine our investment returns over the long term. Whilst discounts may be volatile over short periods of time, our overwhelming focus – in the case of family-controlled holding companies – is on the growth in NAV. Other parts of the portfolio may have a greater emphasis on the potential for generating returns from discount contraction, and we continue to engage constructively with boards and management of our investee companies on ways in which discounts can be reduced or – sometimes – eliminated entirely. In all cases, thorough analysis of the underlying holdings and prospects for NAV growth forms the bedrock of our research process.

## Contributors and Detractors

| **Contributors** | **Contribution** |
|---|---|
| Cosan Ltd | +2.07% |
| Swire Pacific 'B' | +0.59% |
| Pershing Square Holdings | +0.43% |
| Tetragon Financial | +0.25% |
| Jardine Strategic Holdings | +0.22% |
| | |
| **Detractors** | |
| Riverstone Energy | -1.45% |
| Japan Special Situations Basket | -1.13% |
| Wendel | -0.80% |
| Tokyo Broadcasting System | -0.54% |
| Fondul Proprietatea | -0.33% |

Across the areas in which we invest (family-controlled holding companies, closed-end funds and Japanese cash-rich companies), the majority of companies delivered market-beating NAV performance as well as discount contraction. Whilst some holdings suffered from short-term discount widening, this is to be expected at times of market volatility and we usually consider this to be a source of deferred outperformance.

The broad macroeconomic and political environment around the world remains uncertain and there is much to worry about. However, from a fundamental valuation perspective, we believe that your Company's portfolio is good value and we are seeing an increasing number of attractive potential new opportunities.

The following section describes the main contributors and detractors to performance over the period. The view from the investment team at AVI remains one of high conviction in the current portfolio. Short-term volatility and uncertainty create good opportunities for long-term performance from a group of attractive businesses around the world. Given the opportunities that we are seeing, we remain fully invested and are utilising all of the gearing available to us (indeed, we recently announced a small increase in gearing). As volatility increases and discounts widen, we are seeing more opportunities to exploit. The weighted average discount on the portfolio has moved out towards the wider end of the historical range, which puts us in a position to benefit from discount narrowing in future.

## Top Contributors

### Cosan Ltd

**(Contribution to total return: +2.07%/Weight: 4.0%)**
*New York-listed holding company with investments in two São Paulo-listed holding companies: Cosan SA and Cosan Logística. Through these companies, Cosan Ltd has indirect exposure to the rail transport, sugar production and fuel distribution sectors*

Having been the largest detractor in the 2018 financial year, Cosan Ltd ('CZZ') made the greatest contribution during the period under review, as its share price rallied by +72%. NAV growth was strong at +61%, as Cosan SA (70% of NAV) and Cosan Logística (33%) achieved local returns of +32% and +50% respectively. For US Dollar-denominated CZZ, these returns were boosted by the Brazilian Real appreciating by +3% against the Dollar, as currency markets welcomed the election of Jair Bolsonaro, and in particular his Chicago-trained economic adviser, Paulo Guedes. A tightening of the CZZ discount from 33% to 28% further enhanced returns. Overall, CZZ added 207 basis points ('bps') to your Company's returns.

Cosan SA's fuel distribution business, Raízen Combustíveis (65% of Cosan SA's NAV), performed well in a challenging environment, gaining market share. Likewise, Rumo, the sole holding of Cosan Logística, reported strong +18% EBITDA growth, as rail transport continues to develop as the *modus operandi* for Brazilian agriculture.

By way of reminder, the investment in CZZ is predicated not just on the attractive nature of the underlying assets, but also on the enormous amount of value that can be unlocked through the simplification of the complex group structure, and the controlling shareholder's active approach to achieving this.

Turning our attention to the longer-term group evolution, in early 2019 it was announced that Cosan SA intends to take Comgás private, the Brazilian gas distributor in which it already owned an 82% stake. The transaction is an important initial step in the simplification of the group structure, allowing Cosan SA to have complete control of Comgás, recapitalise its balance sheet, and eventually spin it up the structure to CZZ. At the recent CZZ investor day, management re-affirmed a commitment to both simplifying the structure, and returning money through further buybacks (having already conducted a tender offer for 6% of outstanding shares in December).

Given its strong performance – and having added to it on weakness last year – the stake in CZZ was reduced during the period in order to crystallise some profits. We continue to see value in CZZ, with the 57% look-through discount unchanged through the interim period.

**Swire Pacific 'B'**
**(Contribution to total return: +0.59%/Weight: 4.9%)**
*Hong Kong-listed family holding company with exposure to Hong Kong property, aviation and beverage distribution*

Swire Pacific was the second-largest contributor to British Empire's returns over the half-year, adding 59bps to NAV. The NAV rose by +16%, but a widening of the discount by 1% reduced share price returns to +13%. Both of Swire Pacific's major listed holdings – Swire Properties (77% of NAV) and Cathay Pacific (12%) – posted positive returns, with share price gains of +14% and +16% respectively in HK Dollar terms.

Swire Properties had a particularly strong 2018 which was reflected in its results for the year. Sales of Cityplaza Three and Four and the Kowloon Bay site, completion of One Taikoo Place and South Island Place and fully-funded developments for the next phase of growth led the company to increase its dividend by 9%. Swire Properties continues to be a compelling opportunity, in our view, given: (a) its portfolio of prime Hong Kong property assets, which are let 26% below current market levels; (b) opportunities for growth as it takes advantage of the decentralisation theme with a fully funded development pipeline; (c) expansion into China; (d) a low and decreasing loan-to-value of 10%; and (e) a 35% discount to NAV.

Elsewhere in the portfolio, Cathay Pacific posted a net profit of HK$2bn, the first period of profitability since 2015. The airline, which has struggled with competition from low-cost Chinese rivals, is successfully executing a turnaround by reducing costs and increasing the number of routes that it serves. It has also benefited from the re-introduction of fuel surcharges in Hong Kong, which allow it to pass on a portion of fuel costs to customers.

As we have commented in the past, we believed that the recent appointment of Merlin Swire as Chairman would be a force for positive change with a more focused approach on capital allocation and returns. This has certainly been the case to date with further portfolio rationalisation since his arrival. Apart from the large sales seen at Swire Properties, we also saw the sale of stakes in a paints business (JV with Akzo Nobel) and a cold storage business, plus the take-private of aircraft engineering and maintenance company HAECO.

We view Swire Pacific as a deeply undervalued asset, and there are a number of different ways in which this value can be examined. Firstly, the 'B' shares (which British Empire owns) trade on a 44% discount to NAV. With Swire Properties also trading on a discount, the 'look-through' discount on the 'B' shares is in the order of 60%.

Secondly, we can look at the discount of the 'B' shares to the 'A' shares. The 'B' shares, which effectively carry five times the voting rights of the 'A' shares, were originally issued to give the Swire family control. Despite their greater voting power, the 'B' shares trade at a historically wide discount of 22% to the 'A's. While we accept that the lower liquidity in the 'B' shares should warrant some discount, we believe that the current level is excessive and thus would expect it to narrow over time.

The final way of looking at the value on offer is to analyse the stub value (i.e. the value of the portfolio when we exclude Swire Properties). The stub value of the Swire Pacific 'B' shares is currently negative: in other words, investors are implicitly assigning a negative value to the non-property assets in Swire Pacific's holdings – which we view as extraordinary given the quality of Swire Pacific's underlying businesses.

In sum, we remain excited about the prospects of outsized returns from Swire Pacific 'B' shares.

**Pershing Square Holdings**
**(Contribution to total return: +0.43%[1]/Weight: 9.4%)**
*London- & Euronext-listed closed-end fund investing in liquid, high-quality, large-cap US companies*

Pershing Square Holdings ('PSH') had a strong six months, with its NAV increasing by +17%, easily outpacing the S&P 500 which delivered a total return of -2% over the same period. PSH's discount widened from 24% to 27%, which somewhat tempered share price returns (+13%).

Just after the start of the financial year, we made an additional investment in PSH on a hedged basis by shorting[2] a *pro rata* amount of most of PSH's underlying holdings. This allows British Empire to be exposed to both NAV and discount movements on the unhedged portion (55% of the total position), and solely to discount movements on the hedged portion (45%). We view the hedged position as providing your portfolio with the potential for equity-like returns without taking additional equity-market risk. In the half-year to March, the unhedged position added 68bps to returns, and the hedged position detracted 25bps, driven by strong underlying performance and modest discount widening respectively.

In a US earnings reporting season that was decidedly mixed, all of PSH's portfolio companies posted fourth quarter 2018 earnings that both exceeded expectations and confirmed secular growth prospects. The majority of companies posted strong share price gains over the six months to March 2019: Starbucks (+32%), Restaurant Brands (+11%), Automatic Data Processing (+7%) and Hilton Worldwide (+3%).

Additional support was provided by smaller positions in Fannie Mae (+92%) and Freddie Mac (+94%). These positions are option-like plays on the US housing market and on the potential privatisation of both Fannie Mae and Freddie Mac; British Empire does not short these underlying investments within our hedged position given their non-equity market exposures.

However, the shoot-the-lights-out performer in the portfolio was Chipotle Mexican Grill ('CMG') whose share price rose by +56% over the interim period. CMG's fourth quarter earnings report was well-received, showing that same-store sales were up by +6% (including a +2% boost from traffic) and providing further evidence that the new CEO's strategy is bearing fruit. When we consider that Chipotle's restaurant unit sales remain some 20% below the peak – and we add in the fact that it has only just begun to harness the potential for online sales – the quantum of potential future growth and associated benefits from operating leverage appear extremely compelling.

Despite the strong performance, the discount remains unsustainably wide at c.27%. PSH announced that it will introduce dividend payments equating to a c.2.5% yield which, while a marginal positive, will not, we believe, be a major contributor to discount tightening. It is clear to us that share repurchases at these discount levels would be an optimal use of shareholder funds, and we are disappointed that none have yet been forthcoming.

[1] Pershing Square Holdings' contribution includes gains and losses made on the short total return swaps.
[2] For further information, please see the definition of Total Return Swap in the Glossary.

**Tetragon Financial**
**(Contribution to total return: +0.25%/Weight: 5.0%)**
*Euronext-listed closed-end fund investing in alternative assets and managers*

Tetragon Financial ('TFG') was the fourth-largest contributor for the half-year, adding 25bps to returns. The NAV total return was strong at +10%, although the discount widening from 39% to 42% reduced shareholder returns to +5%.

The alternative asset portfolio (59% of NAV) performed well, with solid contributions from CLO equity, real estate, private equity and hedge fund strategies. It was TFG Asset Management ('TFGAM'; 29% of NAV), however, that was the key contributor to returns. TFGAM owns a stable of six alternative asset managers, ranging from minority stakes to full ownership, and managing various strategies, including: hedge fund, infrastructure, CLO, real estate and mining finance. TFGAM provides the infrastructure needed to grow (such as legal and compliance) as well as money to fund working capital needs and co-investments. TFGAM benefits from the fees that the asset managers charge, as well as co-investment opportunities with high-quality managers.

During the period, GreenOak, one of TFGAM's largest managers and a globally-focused real estate manager, merged with Bentall Kennedy, a subsidiary of Sun Life Financial (a Canada-based insurer). The merged entity will manage about US$47bn in capital, and TFGAM will retain a 13% stake in the combined group. The deal provides GreenOak with a pathway for the next stage of its growth on the back of Sun Life's distribution network and deep pockets to seed larger funds.

Overall, we estimate that the merger lifted GreenOak's valuation by approximately 92% and boosted TFG's own NAV by just under 5%, helping to validate TFG's investment approach and confirming the conservative valuations at which TFGAM holds its investments.

Following this, TFG conducted a US$50m tender offer which generated NAV accretion of c.2%. Despite continued good performance, the shares continue to trade on a 42% discount to NAV. While we acknowledge that there are some governance issues – including a lack of voting rights and no high watermark on performance fees – we think that a 42% discount is an excessive punishment for these transgressions, particularly in the context of NAV total returns in excess of +11% annually since listing in 2007.

We continue to view TFG as an attractive source of returns with a low correlation to equity markets.

**Jardine Strategic Holdings**
**(Contribution to total return: +0.22%/Weight: 4.7%)**
*Singapore-listed family holding company with exposure to various sectors, including property, food retail and automobiles*

Jardine Strategic had a strong six months and increased British Empire's NAV by 22bps. These returns were driven by a combination of NAV growth (+2%) and a 1% tightening of the discount to 34%. Share price returns were +4% over the period.

Hongkong Land (26% of NAV) was the strongest performer in the portfolio, returning +10% over the six-month period. The group recorded another year of record profits, driven by increased rental income and sales from the development portfolio. The full-year dividend was increased by 10%, the largest percentage increase since 2010. Management's efforts over the last two years have been focused on increasing the development pipeline, with HK$6bn committed to capex in 2017/18 – compared to HK$3bn committed from 2012-16 – and 12 projects added to the development pipeline (largely in China), with the hope that development will account for 40% of profits in due time. The office portfolio in central Hong Kong also performed well, with average rents up by 5% and the prospect of rental reversion when leases expire providing a pathway for future rental growth.

Elsewhere, Dairy Farm (27% of NAV) had a difficult period, with the share price down by 5%. The retail operator has seen continued strong results in its health & beauty segment (26% of sales) with double-digit sales and earnings growth. However, the hypermarket segment (50% of sales) has been struggling in Southeast Asia and the group recognised impairments of US$453m (c.4% of market cap) against the business. It is undertaking a "multi-year transformation programme" to realign the business and better serve its customers. Results for holding company Jardine Cycle & Carriage (22% of NAV) were also mixed, with key holding Astra International posting lower margins and market share in its automobile division, and warning of further headwinds in 2019.

### Top Detractors

**Riverstone Energy**
**(Contribution to total return: -1.45%/Weight: 3.9%)**
*London-listed closed-end fund investing in the oil and gas exploration and production sector, primarily in North America*

Riverstone Energy ('RSE') had a difficult half-year, with its NAV declining by 17% and the discount widening from 21% to 30%, resulting in a share price decline of 27% (in GBP terms). In total, RSE reduced returns over the period by 145bps.

The obvious proximate cause for the disappointing portfolio performance was the 18% decline in the price of oil over the period, which both reduces the future value of oil & gas producers, and negatively affects investor sentiment towards the sector.

Centennial Resources ('CDEV'; 10% of NAV), RSE's sole listed asset, announced in December that it would scale back production in response to the lower oil prices; we interpreted this move as being inherently sensible, given that it would allow the company to drill oil at a higher price later and preserve balance sheet strength. However, poor communication and confusion over guidance meant that the market punished CDEV, with its share price declining by 60% in the half-year period. Centennial's CEO Mark Papa has much work to do to regain the confidence of the sell-side and investors.

To compound RSE's troubles, its tender offer in November was oversubscribed at the bottom end of the range, leading to fears of an overhang of stock and weighing on the discount.

Elsewhere in the portfolio, there were some minor points of positive news: Meritage Midstream (6% of NAV) was sold and Sierra Oil & Gas (3% of NAV) was also realised at carrying value, plus an earn-out depending on drilling results.

Despite the recent disappointing performance, we continue to view RSE as an attractive asset with strong prospects for NAV growth over the medium to long term which, coupled with returns from discount contraction, holds out the prospect of compelling returns from here.

**Japan Special Situations Basket**
**(Contribution to total return: -1.13%/Weight: 13.6%)**
*A basket of Japanese companies with cash and/or listed securities covering a large proportion of the market value*

The Japan Special Situations Basket detracted 113bps from returns, with performance driven primarily by a sell-off in Japanese equities. Concerns over a China slowdown led to the MSCI Japan Small Cap Index falling by -9% while our Comparator Benchmark fell by only -2%. Despite the difficult period, the basket marginally outperformed the MSCI Japan Small Cap by 58bps, and the even smaller TOPIX Small Index by 401bps. Since inception, the basket has outperformed the two indices by +8% and +9% respectively.

We launched the Japan Special Situations Basket in June 2017. The strategy of the basket is to take advantage of changing corporate governance practices in Japan which we believe will lead to the unlocking of considerable value. Japanese companies have historically had a mentality of hoarding cash, prioritising job security over shareholder returns.

Since the introduction of the Corporate Governance Code in 2015 and the constant push from regulators since, we have witnessed a gradual shift in attitudes. We have found that management of our Japanese investments are more receptive to our suggestions. They react positively to our letter writing, which provides a framework for discussions on how to improve valuations and, ultimately, achieve a higher share price.

Our most recent trip to Japan at the end of February strengthened our conviction in the strategy. We have seen multiple examples of companies taking actions to benefit shareholders, many of which would have been unheard of 10 years ago.

With the companies having 51% of their market caps covered by net cash (81% when including listed investment securities), we believe that there is a significant amount of value to be unlocked.

**Wendel**
**(Contribution to total return: -0.80%/Weight: 4.2%)**
*Paris-listed holding company with exposure to research & consultancy services, chemicals, packaging, telecom infrastructure and security services*

Wendel, the 315-year-old French holding company, was also a significant detractor from your Company's returns, reducing returns by 80bps. During the period, the share price fell by 12%, as weak NAV performance (-6%) was compounded by the discount widening from 27% to 32%.

Wendel's main listed holding, Bureau Veritas ('BV'; 43% of NAV), was volatile, falling by -20% in the first three months of the period, before recovering +17% as it reported annual results ahead of consensus, with strong cash generation. Overall, BV ended the period down -6%. On the unlisted side, the African telecommunication towers business, IHS (15%), achieved +20% organic sales growth; however, Nigerian exchange rate instability continues, and is the key remaining barrier to an IPO in the short term.

Security services firm Allied Universal (6% of NAV) continued on its highly successful M&A consolidation strategy, acquiring USSA, the fourth largest player in the oligopolistic US market. In early 2019, Wendel partially realised its stake for US$350m, and has now received cash proceeds, including distributions, in excess of its total initial investment. Stahl (16% of NAV), which produces chemicals for the treatment of leather goods, had a difficult 2018, with the latter half of the year characterised by weakness in automotive markets, as well as challenging Indian and Chinese consumer dynamics. Organic sales growth was still positive for the year at +2%, although margins contracted slightly. French paint company Cromology, a small holding at just 1% of NAV, remains the problem asset, with falling sales and increased input costs; Wendel management are actively working to find a solution.

Wendel reduced its stake in BV during the period from 41% to 36%, realising proceeds of EUR400m (8% of Wendel's market value). We believe this to be a highly sensible move given BV's outsized position in Wendel's portfolio and one which we had advocated, by letter, telephone and in person, to Wendel management last year. This decision is part of a broader set of proactive steps which André François-Poncet has taken since becoming CEO at the start of 2018: exiting tail-end investments at significant uplifts to carrying value, partially realising value from the successful investment in Allied Universal, and placing increased emphasis on active ownership. Following this, the portfolio is streamlined and the balance sheet strong, with EUR3bn of capacity for new investments.

The widening discount likely reflects several factors, including the high level of cash available to be invested, the lack of new opportunities, and concentration risk in BV. However, we view Wendel's ability to be inactive at times when valuations are rich to be an attractive feature of long-term oriented family-controlled companies. With this in mind, and given the quality of Wendel's existing assets, we believe the 32% discount to be too wide. It would appear that management agree, with Wendel recently announcing a 4% buyback.

**Tokyo Broadcasting System**
**(Contribution to total return: -0.54%/Weight: 3.6%)**
*Tokyo-listed broadcaster with a large listed securities portfolio, including holdings in Tokyo Electron and Recruit Holdings*

Having contributed positively in 2018, Tokyo Broadcasting System Holdings ('TBS') detracted 54bps from returns during the interim period, as its share price declined by -14%. A weak NAV performance (-6%) was compounded by a widening of the discount from 30% to 36%.

Semiconductor manufacturer Tokyo Electron (23% of NAV) was volatile, declining by -20% in the fourth quarter of 2018 only to rebound by +30% in the first quarter of 2019, with a net effect of a +4% return. Recruit Holdings (19% of NAV), an HR services company, declined by -16% over the interim period. TBS' core media business (9% of NAV) was more stable, with viewer ratings unchanged as the third most popular channel in Golden and Prime time slots, although profitability continues to be impacted by increased production costs.

By way of reminder, TBS' portfolio of real estate, securities and cash covers the market value of TBS 1.4x over – as such, we view TBS as being more akin to an asset manager with a media business on the side. During 2018 we conducted our first ever public activist campaign (www.improvingtbs.com), which included the submission of a shareholder proposal calling for the in specie distribution of 40% of TBS' stake in Tokyo Electron, its largest single equity holding.

Whilst our proposal was unsuccessful, in March 2019 TBS announced the sale of a portion of its securities portfolio. The value of the sale has not been announced, but the message is loud and clear; TBS is beginning to rethink its approach to capital allocation. We commend the board's decision and see it as an important first step in a longer-term process of reducing risk borne by TBS shareholders, improving balance sheet efficiency and unlocking corporate value. We continue to engage both in person and by letter with TBS' board, and remain excited about the prospect of future returns as Japanese corporate culture continues to evolve.

**Fondul Proprietatea**
**(Contribution to total return: -0.33%/Weight: 4.9%)**
*Bucharest-listed closed-end fund investing primarily in Romanian energy and infrastructure assets*

Fondul Proprietatea ('FP') went through what can be accurately characterised as a turbulent six months: in late December, the Romanian government announced Emergency Ordinance 114. The Ordinance, a populist move ostensibly introduced to stabilise the state budget, enumerated measures targeted at electricity & gas producers and utilities in particular – key areas of FP's portfolio. The Ordinance included, *inter alia*, a tax on revenues and a cap on prices for companies in the electricity & gas sector, as well as a levy on bank assets.

As it initially stood, the impact on FP was unambiguously negative, with its share price falling by 18% at the trough. FP's holding in listed integrated oil & gas player OMV Petrom was hit hard, while it seemed that Hidroelectrica (FP's largest asset at 39% of NAV) would be severely impacted through forced sales of up to two-thirds of its output on the regulated market at prices capped at cost-plus-5% (effectively punishing Hidroelectrica for being the lowest cost producer).

However, in the following weeks and months, it became increasingly evident that the backlash against the Ordinance would force the Romanian government to dilute some of the most draconian measures. For 2019, Hidroelectrica will have to sell just c.9% of its production on the regulated market. Indeed, Hidroelectrica's valuation was actually written up by 10% over the period (the net result of a very strong 2018 offset somewhat by the negative impact of the Ordinance). OMV Petrom's share price has also made a full recovery. FP's NAV was up by +5% in RON for the interim period, although a -6% weakening in the RON/USD exchange rate resulted in the NAV falling by 1% in USD terms (British Empire owns the USD-quoted shares). FP's discount finished at 35%, 3% wider than where it had been at the start of the financial year. As a result, shareholders earned returns of -6% over the period, and the position detracted 33bps from returns.

**Concluding Remarks**

We remain optimistic about the prospects for your Company's portfolio. The underlying companies have strong growth potential coupled with attractive valuations and, furthermore, the portfolio discount is at a wide level. NAV performance over the period held up well despite difficult markets and we believe that this further showcases the high-quality, defensive nature of the portfolio. As such, we believe that the future remains bright for British Empire Trust.

The macroeconomic outlook remains unclear for the near future, which creates uncertainty and, often, unnervingly volatile markets. While we do not pretend to be prognosticators or oracles, it is worth highlighting that the current portfolio is in good shape. It is well positioned for growth, and trades at compelling valuations, all of which we hope will lead to good performance over time. When we add in the element of activism that we bring to all our investments to varying degrees, we strongly believe that your Company is well positioned for the future.

**Joe Bauernfreund**
**Asset Value Investors Limited**
23 May 2019

## INVESTMENT PORTFOLIO
## AT 31 MARCH 2019

| Company | Nature of business | % of investee company | IRR (%, GBP)[1] | ROI (%, GBP)[2] | Cost £'000[3] | Equity exposure[4] £'000 | Equity exposure % of total assets less current liabilities |
|---|---|---|---|---|---|---|---|
| Pershing Square Holdings (total)^ | Investment Company | 1.6% | 12.5% | 17.6%+ | 84,570 | **92,926** | 9.4% |
| *Pershing Square Holdings (equity position)* | *Investment Company* | *0.9%* | *n/a* | *15.8%+* | *44,054* | ***51,368*** | *5.2%* |
| *Pershing Square Holdings (long swap position)* | *Investment Company* | *0.7%* | *n/a* | *1.8%+* | *40,516* | ***41,558*** | *4.2%* |
| EXOR | Investment Holding Company | 0.5% | 12.9% | 25.1% | 43,640 | **54,293** | 5.5% |
| Tetragon Financial | Investment Company | 3.6% | 10.0% | 22.3% | 45,463 | **49,416** | 5.0% |
| Fondul Proprietatea | Investment Company | 3.9% | 10.6% | 25.2% | 43,950 | **48,795** | 4.9% |
| Swire Pacific 'B' | Investment Holding Company | 1.0% | 11.2% | 25.8% | 40,328 | **47,999** | 4.9% |
| Jardine Strategic | Investment Holding Company | 0.1% | 5.9% | 7.4% | 45,138 | **46,245** | 4.7% |
| Third Point Offshore | Investment Company | 5.2% | -2.0% | -2.9% | 48,722 | **45,275** | 4.6% |
| Oakley Capital Investments | Investment Company | 10.9% | 23.7% | 21.7% | 36,591 | **43,936** | 4.5% |
| Symphony International Holdings | Investment Company | 15.7% | 15.2% | 63.8% | 26,636 | **41,629** | 4.2% |
| Wendel | Investment Holding Company | 0.9% | 13.1% | 34.0% | 36,080 | **41,121** | 4.2% |
| **Top ten investments** | | | | | **451,118** | **511,635** | **51.9%** |
| Pargesa | Investment Holding Company | 0.9% | 12.0% | 37.8% | 30,608 | **39,699** | 4.0% |
| Cosan Ltd | Investment Holding Company | 1.8% | 20.9% | 27.9% | 29,383 | **39,135** | 4.0% |
| JPEL Private Equity | Investment Company | 18.4% | 25.7% | 75.4% | 20,472 | **38,887** | 3.9% |
| Riverstone Energy | Investment Company | 5.1% | -0.2% | -0.6% | 38,370 | **37,984** | 3.9% |
| Tokyo Broadcasting System | Asset-backed Company | 1.5% | 0.1% | 0.2% | 37,434 | **35,742** | 3.6% |
| NB Private Equity Partners | Investment Company | 5.1% | 18.0% | 104.5% | 15,023 | **26,904** | 2.7% |
| Eurocastle Investment | Investment Company | 6.4% | -51.8% | -4.9% | 25,747 | **23,942** | 2.4% |
| Investor AB 'A' | Investment Holding Company | 0.2% | 13.8% | 105.0% | 7,005 | **20,602** | 2.1% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Vietnam Phoenix Fund 'C' | Investment Company | 23.3% | 22.0% | 52.7% | 20,065 | **20,501** | 2.1% |
| Aker ASA | Investment Holding Company | 0.4% | 18.8% | 160.8% | 6,073 | **18,626** | 1.9% |
| **Top twenty investments** | | | | | **681,298** | **813,657** | **82.5%** |
| Fujitec* | Asset-backed Company | 2.4% | -26.4% | -18.3% | 22,879 | **18,386** | 1.9% |
| Kinnevik | Investment Holding Company | 0.4% | 14.0% | 2.6% | 17,575 | **17,981** | 1.8% |
| Kato Sangyo* | Asset-backed Company | 1.4% | 2.8% | 3.6% | 13,639 | **13,906** | 1.4% |
| Kanaden* | Asset-backed Company | 4.8% | -12.2% | -11.6% | 12,901 | **11,154** | 1.1% |
| Daiwa Industries* | Asset-backed Company | 2.6% | -36.7% | -35.6% | 11,884 | **10,728** | 1.1% |
| Pasona Group* | Asset-backed Company | 2.2% | 30.5% | 28.0% | 8,434 | **10,723** | 1.1% |
| GP Investments | Investment Company | 16.5% | -13.8% | -34.0% | 16,162 | **10,716** | 1.1% |
| Teikoku Sen-I* | Asset-backed Company | 1.9% | 37.2% | 33.8% | 7,492 | **9,797** | 1.0% |
| Toshiba Plant Systems* | Asset-backed Company | 0.7% | 11.5% | 11.1% | 8,137 | **9,189** | 0.9% |
| Nishimatsuya Chain* | Asset-backed Company | 1.9% | -16.9% | -23.3% | 11,609 | **8,701** | 0.9% |
| **Top thirty investments** | | | | | **812,010** | **934,938** | **94.8%** |
| Tachi-S* | Asset-backed Company | 2.1% | -11.7% | -16.7% | 9,934 | **8,140** | 0.8% |
| Godrej Industries | Investment Holding Company | 0.2% | 246.0% | 9.3% | 6,473 | **7,063** | 0.7% |
| Sekisui Jushi* | Asset-backed Company | 0.9% | -9.0% | -4.1% | 5,709 | **5,452** | 0.6% |
| SK Kaken* | Asset-backed Company | 0.5% | -12.8% | -16.2% | 6,247 | **5,162** | 0.5% |
| Nuflare Technology* | Asset-backed Company | 1.0% | 17.3% | 6.3% | 4,792 | **5,075** | 0.5% |
| Digital Garage* | Asset-backed Company | 0.5% | 96.0% | 18.5% | 4,218 | **4,961** | 0.5% |
| Nissan Shatai* | Asset-backed Company | 0.4% | -10.2% | -10.0% | 4,389 | **3,897** | 0.4% |
| Better Capital (2009) | Investment Company | 2.0% | 24.9% | 47.7% | 1,962 | **2,982** | 0.3% |
| Konishi* | Asset-backed Company | 0.6% | -20.7% | -5.7% | 3,038 | **2,860** | 0.3% |
| Toagosei* | Asset-backed Company | 0.3% | -6.9% | -2.6% | 2,821 | **2,737** | 0.3% |
| **Top forty investments** | | | | | **861,593** | **983,267** | **99.7%** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Nakano Corporation* | Asset-backed Company | 2.1% | -16.7% | -23.0% | 3,199 | **2,350** | 0.2% |
| Ashmore Global Opportunities - GBP | Investment Company | 12.5% | 2.7% | 7.7% | 1,094 | **1,496** | 0.2% |
| Mitsuboshi Belting* | Asset-backed Company | 0.3% | -12.6% | -6.4% | 1,691 | **1,267** | 0.1% |
| **Total long equity exposure** | | | | | **862,577** | **988,380** | **100.2%** |
| | | | | | | | |
| **Pershing Square Holdings Hedges°** | | | | | | | |
| Total return swap – long positions | | | | | | **Included in ^ above** | |
| Total return swap – short positions | | | | | **(45,981)** | **(48,017)** | **-4.8%** |
| | | | | | | | |
| **Total net equity exposure** | | | | | **821,596** | **940,363** | **95.4%** |
| **Other net assets and liabilities** | | | | | | **45,646** | **4.6%** |
| **Total assets less current liabilities** | | | | | | **986,009** | **100.0%** |

* Constituent of Japanese Special Situations basket.
[1] Internal Rate of Return. Calculated from inception of British Empire's investment. Refer to Glossary below.
[2] Return on investment. Calculated from inception of British Empire's investment. Refer to Glossary below.
[3] Cost (refer to Glossary below) plus notional cost of long and short swap positions.
[4] Notional current equity value of investments and swaps.
^ Pershing Square Holdings' notional equity exposure includes investment in equity shares and long swap position.
[+] The ROI for Pershing Square Holdings does not include any contribution from the associated short total return swap positions.
° Value of Pershing Square Holdings hedges by shorting[#] a pro rata amount of underlying holdings in Automatic Data Processing, Chipotle Mexican Grill, Howard Hughes, Hilton Worldwide Holdings, Lowe's Companies, Restaurant Brands International, Starbucks and United Technologies.
[#] For further information, please see the definition of Total Return Swap in the Glossary.

## STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 March 2019 (unaudited)

| | | For the six months to 31 March 2019 | | | For the six months to 31 March 2018 | | | For the year to 30 September 2018 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Revenue return £'000 | Capital return £'000 | Total £'000 | Revenue return £'000 | Capital return £'000 | Total £'000 | Revenue return £'000 | Capital return £'000 | Total £'000 |
| **Income** | | | | | | | | | | |
| Investment income | 2 | **5,650** | **-** | **5,650** | 5,943 | - | 5,943 | 22,638 | - | 22,638 |
| (Losses)/gains on investments held at fair value | | **-** | **(25,363)** | **(25,363)** | - | 20,822 | 20,822 | - | 75,456 | 75,456 |
| Exchange losses on currency balances | | **-** | **(167)** | **(167)** | - | (767) | (767) | - | (632) | (632) |
| | | **5,650** | **(25,530)** | **(19,880)** | 5,943 | 20,055 | 25,998 | 22,638 | 74,824 | 97,462 |
| **Expenses** | | | | | | | | | | |
| Investment management fee | | **(928)** | **(2,166)** | **(3,094)** | (965) | (2,251) | (3,216) | (1,930) | (4,504) | (6,434) |
| Other expenses (including irrecoverable VAT) | | **(745)** | **(66)** | **(811)** | (808) | - | (808) | (1,666) | - | (1,666) |
| **Profit/(loss) before finance costs and taxation** | | **3,977** | **(27,762)** | **(23,785)** | 4,170 | 17,804 | 21,974 | 19,042 | 70,320 | 89,362 |
| Finance costs | | **(568)** | **(1,340)** | **(1,908)** | (565) | (1,330) | (1,895) | (1,145) | (2,697) | (3,842) |
| Exchange gains/(losses) on loan revaluation | | **-** | **1,451** | **1,451** | - | 67 | 67 | - | (575) | (575) |
| **Profit/(loss) before taxation** | | **3,409** | **(27,651)** | **(24,242)** | 3,605 | 16,541 | 20,146 | 17,897 | 67,048 | 84,945 |
| Taxation | | **(218)** | **-** | **(218)** | (114) | - | (114) | (964) | - | (964) |
| **Profit/(loss) for the period** | | **3,191** | **(27,651)** | **(24,460)** | 3,491 | 16,541 | 20,032 | 16,933 | 67,048 | 83,981 |
| **Basic and diluted Earnings per Ordinary Share** | 3 | **2.87p** | **(24.88p)** | **(22.01p)** | 3.03p | 14.34p | 17.37p | 14.83p | 58.72p | 73.55p |

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

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

There is no other comprehensive income, and therefore the profit for the six months after tax is also the total comprehensive income.

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

**STATEMENT OF CHANGES IN EQUITY**
for the six months ended 31 March 2019 (unaudited)

| | Ordinary share capital £'000 | Capital redemption reserve £'000 | Share premium £'000 | Capital reserve £'000 | Merger reserve £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **For the six months to 31 March 2019** | | | | | | | |
| Balance as at 30 September 2018 | **12,953** | **5,982** | **28,078** | **816,890** | **41,406** | **36,371** | **941,680** |
| Ordinary Shares bought back and held in treasury | **-** | **-** | **-** | **(6,715)** | **-** | **-** | **(6,715)** |
| Total comprehensive income for the period | **-** | **-** | **-** | **(27,651)** | **-** | **3,191** | **(24,460)** |
| Ordinary dividends paid (see note 6) | **-** | **-** | **-** | **-** | **-** | **(12,221)** | **(12,221)** |
| **Balance as at 31 March 2019** | **12,953** | **5,982** | **28,078** | **782,524** | **41,406** | **27,341** | **898,284** |
| **For the six months to 31 March 2018** | | | | | | | |
| Balance as at 30 September 2017 | 12,953 | 5,982 | 28,078 | 781,555 | 41,406 | 33,255 | 903,229 |
| Ordinary Shares bought back and held in treasury | - | - | - | (12,185) | - | - | (12,185) |
| Total comprehensive income for the period | - | - | - | 16,541 | - | 3,491 | 20,032 |
| Ordinary dividends paid (see note 6) | - | - | - | - | - | (11,557) | (11,557) |
| **Balance as at 31 March 2018** | 12,953 | 5,982 | 28,078 | 785,911 | 41,406 | 25,189 | 899,519 |
| **For the year ended 30 September 2018** | | | | | | | |
| Balance as at 30 September 2017 | 12,953 | 5,982 | 28,078 | 781,555 | 41,406 | 33,255 | 903,229 |
| Ordinary Shares bought back and held in treasury | - | - | - | (31,713) | - | - | (31,713) |
| Total comprehensive income for the year | - | - | - | 67,048 | - | 16,933 | 83,981 |
| Ordinary dividends paid (see note 6) | - | - | - | - | - | (13,817) | (13,817) |
| **Balance as at 30 September 2018** | 12,953 | 5,982 | 28,078 | 816,890 | 41,406 | 36,371 | 941,680 |

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

## BALANCE SHEET
as at 31 March 2019 (unaudited)

| | Notes | **At 31 March 2019 £'000** | At 31 March 2018 £'000 | At 30 September 2018 £'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Investments held at fair value through profit or loss | | **946,822** | 963,893 | 990,265 |
| | | **946,822** | 963,893 | 990,265 |
| **Current assets** | | | | |
| Total return swap assets | 8 | **1,063** | - | - |
| Sales for future settlement | | **110** | 1,249 | 401 |
| Other receivables | | **2,961** | 4,174 | 6,149 |
| Cash and cash equivalents | | **38,855** | 20,920 | 36,251 |
| | | **42,989** | 26,343 | 42,801 |
| **Total assets** | | **989,811** | 990,236 | 1,033,066 |
| **Current liabilities** | | | | |
| Total return swap liabilities | 8 | **(2,061)** | - | - |
| Purchases for future settlement | | **(97)** | (843) | (462) |
| Other payables | | **(1,644)** | (1,368) | (1,763) |
| | | **(3,802)** | (2,211) | (2,225) |
| **Total assets less current liabilities** | | **986,009** | 988,025 | 1,030,841 |
| **Non-current liabilities** | | | | |
| $8^{1}/_{8}$% Debenture Stock 2023 | 7 | **(14,968)** | (14,961) | (14,964) |
| 4.184% Series A Sterling Unsecured Loan Notes 2036 | 7 | **(29,889)** | (29,882) | (29,885) |
| 3.249% Series B Euro Unsecured Loan Notes 2036 | 7 | **(25,766)** | (26,245) | (26,633) |
| 2.93% Euro Senior Unsecured Loan Notes 2037 | 7 | **(17,102)** | (17,418) | (17,679) |
| | | **(87,725)** | (88,506) | (89,161) |
| **Net assets** | | **898,284** | 899,519 | 941,680 |
| **Equity attributable to equity Shareholders** | | | | |
| Ordinary share capital | | **12,953** | 12,953 | 12,953 |
| Capital redemption reserve | | **5,982** | 5,982 | 5,982 |
| Share premium | | **28,078** | 28,078 | 28,078 |
| Capital reserve | | **782,524** | 785,911 | 816,890 |
| Merger reserve | | **41,406** | 41,406 | 41,406 |
| Revenue reserve | | **27,341** | 25,189 | 36,371 |
| **Total equity** | | **898,284** | 899,519 | 941,680 |
| **Net asset value per Ordinary Share - basic** | 4 | **809.96p** | 785.90p | 841.95p |
| **Number of shares in issue excluding Treasury Shares** | 5 | **110,904,553** | 114,457,139 | 111,844,491 |

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

Registered in England & Wales No. 28203

## STATEMENT OF CASH FLOWS
for the six months ended 31 March 2019 (unaudited)

| | Six months to 31 March 2019 £'000 | Six months to 31 March 2018 £'000 | Year to 30 September 2018 £'000 |
|---|---|---|---|
| **Reconciliation of (loss)/profit before taxation to net cash (outflow)/inflow from operating activities** | | | |
| (Loss)/profit before taxation | **(24,242)** | 20,146 | 84,945 |
| Losses/(gains) on investments held at fair value through profit or loss | **25,363** | (20,822) | (75,456) |
| Decrease/(increase) in other receivables | **310** | 107 | (1,114) |
| Increase in other payables | **284** | 248 | 240 |
| Taxation received/(paid) | **2,660** | (47) | (1,649) |
| Amortisation of debenture issue expenses | **13** | 13 | 26 |
| **Net cash inflow/(outflow) from operating activities** | **4,388** | (355) | 6,992 |
| **Investing activities** | | | |
| Purchases of investments | **(149,011)** | (227,773) | (349,572) |
| Sales of investments | **168,016** | 231,088 | 381,615 |
| **Cash inflow from investing activities** | **19,005** | 3,315 | 32,043 |
| **Financing activities** | | | |
| Dividends paid | **(12,221)** | (11,557) | (13,817) |
| Payments for Ordinary Shares bought back and held in treasury | **(7,117)** | (13,301) | (32,427) |
| Issue of loans net of costs | **-** | 17,385 | 17,384 |
| Exchange (gain)/loss on Loan Notes | **(1,451)** | (67) | 575 |
| **Cash outflow from financing activities** | **(20,789)** | (7,540) | (28,285) |
| **Increase/(decrease) in cash and cash equivalents** | **2,604** | (4,580) | 10,750 |
| **Reconciliation of net cash flow movements in funds** | | | |
| Cash and cash equivalents at beginning of year | **36,251** | 25,496 | 25,496 |
| Exchange rate movements | **-** | 4 | 5 |
| Increase/(decrease) in cash and cash equivalents | **2,604** | (4,580) | 10,750 |
| **Cash and cash equivalents at end of year** | **38,855** | 20,920 | 36,251 |

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

## NOTES TO THE FINANCIAL STATEMENTS
for the six months ended 31 March 2019 (unaudited)

**1. Significant accounting policies**
The condensed financial statements of the Company have been prepared in accordance with International Accounting Standards (IAS) 34 – "Interim Financial Reporting" as adopted by the EU.

In the current period, the Company has applied a number of amendments to IFRS. These include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentation requirements. The Company has also applied, with associated amendments, for the first time the following standards:

• IFRS 9 Financial Instruments;
• IFRS 15 Revenue from Contracts with Customers.

The assessment of the impact of the adoption of these standards set out below.

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets, and replaces the multiple classification and measurement models in IAS 39. The financial instruments are managed and have their performance evaluated on a fair value basis, in accordance with the risk management and investment strategies of the Company consistent with prior periods. The adoption of IFRS 9 did not result in any change to the classification or measurement of financial instruments in either the current or prior periods.

The other receivables and prepayment are accounted for at amortised cost, meeting the criteria for classification in IFRS 9, hence there has been no change in the accounting for these assets. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than incurred credit losses as in the case of IAS39 applicable to all financial assets.

IFRS 15 specifies how and when revenue is recognised and enhances disclosures. Given the nature of the Company's revenue streams from financial instruments, the provisions of this standard did not have a material impact. There are no changes in the methodology of accounting for investment income and other income is recognised when the amounts fall due, both consistent with prior periods.

The adoption of these standards has not had any material impact on these financial statements and, apart from the above, the accounting policies used by the Company followed in these half-year financial statements are consistent with the most recent Annual Report for the year ended 30 September 2018.

**Going concern**

The financial statements have been prepared on a going concern basis and on the basis that approval as an investment trust company will continue to be met.

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future (being a period of at least 12 months from the date these financial statements were approved). Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern, having taken into account the liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, debt and investment commitments.

**Comparative information**

The financial information contained in this Half Year Report does not constitute statutory accounts as defined in the Companies Act 2006. The financial information for the half-year periods ended 31 March 2018 and 31 March 2019 has not been audited but has been reviewed by the Company's Auditor and its report can be found ~~below~~on the Company's website. The comparative figures for the financial year ended 30 September 2018 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's Auditor and delivered to the Registrar of Companies. The report of the Auditor was (i) unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

**2. Income**

| | 6 months to 31 March 2019 £'000 | 6 months to 31 March 2018 £'000 | Year to 30 September 2017 £'000 |
|---|---|---|---|
| **Income from investments** | | | |
| Listed investments | **5,679** | 6,006 | 22,296 |
| Total return swap dividends* | **(296)** | - | - |
| | **5,383** | 6,006 | 22,296 |
| **Other income** | | | |
| Deposit interest | **164** | 47 | 127 |
| Total return swap interest* | **124** | - | - |
| Interest on French withholding tax received | **-** | - | 54 |
| Exchange (losses)/gains on receipt of income** | **(21)** | (110) | 161 |
| Total other income | **267** | (63) | 342 |

| | | | |
|---|---|---|---|
| **Total income** | **5,650** | 5,943 | 22,638 |

* Income (paid)/received on underlying holdings in total return swaps.
** Exchange movements arise from ex-dividend date to payment date.

**3. Earnings per Ordinary Share**

| | 6 months to 31 March 2019 | | |
|---|---|---|---|
| | Revenue | Capital | Total |
| Net profit/(loss) (£'000) | **3,191** | **(27,651)** | **(24,460)** |
| Weighted average number of Ordinary Shares | | | **111,122,660** |
| **Earnings per Ordinary Share** | **2.87p** | **(24.88)p** | **(22.01)p** |

| | 6 months to 31 March 2018 | | |
|---|---|---|---|
| | Revenue | Capital | Total |
| Net profit (£'000) | 3,491 | 16,541 | 20,032 |
| Weighted average number of Ordinary Shares | | | 115,324,143 |
| **Earnings per Ordinary Share** | 3.03p | 14.34p | 17.37p |

| | Year to 30 September 2018 | | |
|---|---|---|---|
| | Revenue | Capital | Total |
| Net profit (£'000) | 16,933 | 67,048 | 83,981 |
| Weighted average number of Ordinary Shares | | | 114,182,431 |
| **Earnings per Ordinary Share** | 14.83p | 58.72p | 73.55p |

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

**4. Net asset value per Ordinary Share**

The net asset value per Ordinary Share is based on net assets of £898,284,000 (31 March 2018: £899,519,000; 30 September 2018: £941,680,000) and on 110,904,553 (31 March 2018: 114,457,139; 30 September 2018: 111,844,491) Ordinary Shares, being the number of Ordinary Shares in issue excluding shares held in treasury at the relevant period ends.

**5. Share capital**

During the period to 31 March 2019, 939,938 (six months to 31 March 2018: 1,696,404; year to 30 September 2018: 4,309,052) Ordinary Shares were bought back and placed in treasury for an aggregate consideration of £6,715,000 (six months to 31 March 2018: £12,185,000; year to 30 September 2018: £31,713,000).

No Ordinary Shares held in treasury were cancelled in the period (six months to 31 March 2018: nil; year ended 30 September 2018: nil).

**6. Dividends**

During the period, the Company paid a final dividend of 11.0p per Ordinary Share for the year ended 30 September 2018 on 4 January 2019 to Ordinary shareholders on the register at 7 December 2018 (ex-dividend 6 December 2018).

An interim dividend of 2.0p per Ordinary Share for the period ended 31 March 2019 has been declared and will be paid on 28 June 2019 to Ordinary shareholders on the register at the close of business on 7 June 2019 (ex-dividend 6 June 2019).

**7. Values of financial assets and financial liabilities**

**Valuation of financial instruments**

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

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

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

- Level 1 – valued using quoted prices, unadjusted in active markets for identical assets or liabilities.
- Level 2 – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included in Level 1.
- Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

**Financial assets**
The table below sets out fair value measurements of financial instruments as at the period end, by the level in the fair value hierarchy into which the fair value measurement is categorised.

| **Financial assets at fair value through profit or loss at 31 March 2019** | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| Equity investments | **926,321** | **20,501** | **-** | **946,822** |
| Total return swap assets | **-** | **1,063** | **-** | **1,063** |
| | **926,321** | **21,564** | **-** | **947,885** |

There have been no transfers during the period between Levels 1, 2 and 3.

| **Financial assets at fair value through profit or loss at 31 March 2018** | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| Equity investments | 932,570 | 31,323 | - | 963,893 |
| | 932,570 | 31,323 | - | 963,893 |

| **Financial assets at fair value through profit or loss at 30 September 2018** | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| Equity investments | 964,491 | 25,774 | - | 990,265 |
| | 964,491 | 25,774 | - | 990,265 |

**Fair value through profit or loss**
The inputs used to measure fair value are categorised into different levels of the hierarchy, and each investment is categorised entirely according to the lowest priority level that is significant to the fair value measurement of the relevant asset or liability. The Company's unquoted investments are categorised as Level 3 and their fair values are determined in accordance with the International Private Equity and Venture Capital Valuation guidelines and set out in the Annual Report 2018. These include recent market transactions, discounted cash flow analysis and anticipated returns.

**Financial liabilities**
**Valuation of Debenture Stock and Loan Notes**
The Company's $8^1/_8$% Debenture Stock and Loan Notes are measured at amortised cost, with the fair values set out below. Other financial assets and liabilities of the Company are carried in the Balance Sheet at an approximation to their fair value.

| | At 31 March 2019 | | At 31 March 2018 | | At 30 September 2018 | |
|---|---|---|---|---|---|---|
| | Book value £'000 | Fair value £'000 | Book value £'000 | Fair value £'000 | Book value £'000 | Fair value £'000 |
| $8^1/_8$% Debenture Stock 2023 | **(14,968)** | **(18,750)** | (14,961) | (19,200) | (14,964) | (18,975) |
| 4.184% Series A Sterling Unsecured Loan Notes 2036 | **(29,889)** | **(34,193)** | (29,882) | (33,762) | (29,885) | (32,493) |
| 3.249% Series B Euro Unsecured Loan Notes 2036 | **(25,766)** | **(28,890)** | (26,245) | (27,621) | (26,633) | (28,021) |
| 2.93% Euro Senior Unsecured Loan Notes 2037 | **(17,102)** | **(18,612)** | (17,418) | (17,683) | (17,679) | (17,920) |
| Total | **(87,725)** | **(100,445)** | (88,506) | (98,266) | (89,161) | (97,409) |

Quoted market prices have been used to determine the fair value of the Company's Debenture Stock and therefore it would be categorised as Level 1 under the fair value hierarchy. As there is no publicly available price for the Company's Loan Notes, their fair market value has been derived by calculating the relative premium (or discount) of the loan versus the publicly available market price of the reference market instrument and exchange rates. As this price is derived by a model, using observable inputs, it would be categorised as Level 2 under the fair value hierarchy. The fair value of the total return swaps is derived using the market price of the underlying instruments and exchange rates and therefore would be categorised as Level 2.

The financial liabilities in the table below are shown at their fair value, being the amount at which the liability may be transferred in an orderly transaction between market participants. The costs of early redemption of the Debenture Stock and Loan Notes are set out in the Glossary below.

| **Financial liabilities at 31 March 2019** | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|---|---|---|---|---|
| Debenture Stock | **(18,750)** | **-** | **-** | **(18,750)** |
| Loan Notes | **-** | **(81,695)** | **-** | **(81,695)** |
| Total return swap liabilities | **-** | **(2,061)** | **-** | **(2,061)** |
| | **(18,750)** | **(83,756)** | **-** | **(102,506)** |

| **Financial liabilities at 31 March 2018** | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|---|---|---|---|---|
| Debenture Stock | (19,200) | - | - | (19,200) |
| Loan Notes | - | (79,066) | - | (79,066) |
| | (19,200) | (79,066) | - | (98,266) |

| **Financial liabilities at 30 September 2018** | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|---|---|---|---|---|
| Debenture Stock | (18,975) | - | - | (18,975) |
| Loan Notes | - | (78,434) | - | (78,434) |
| | (18,975) | (78,434) | - | (97,409) |

**8. Derivatives**

The Company may use a variety of derivative contracts including total return swaps to enable the Company to gain long and short exposure to individual securities. Derivatives are valued by reference to the underlying market value of the corresponding security.

| | 31 March<br>2019<br>£'000 | 31 March<br>2018<br>£'000 | 30 September<br>2017<br>£'000 |
|---|---|---|---|
| **Total return swaps** | | | |
| Current assets | **1,063** | - | - |
| Current liabilities | **(2,061)** | - | - |
| Net value of derivatives | **(998)** | - | - |

The gross positive exposure on total return swaps as at 31 March 2019 was £41,558,000 (31 March 2018: £nil; 30 September 2018: £nil) and the total negative exposure of total return swaps was £48,017,000 (31 March 2018: £nil; 30 September 2018: £nil). The liabilities are secured against assets held with Jefferies Hoare Govett (the 'prime broker'). The collateral held as at 31 March 2019 was £19,400,000 (31 March 2018: £nil; 30 September 2018: £nil) which is included in cash and cash equivalents in the Balance Sheet.

**9. Related parties and transactions with the Investment Manager**

The Company paid management fees to Asset Value Investors Limited during the period amounting to £3,094,000 (six months to 31 March 2018: £3,216,000; year ended 30 September 2018: £6,434,000). At the half-year end, the following amounts were outstanding in respect of management fees: £nil (31 March 2018: £nil; 30 September 2018: £nil).

Fees paid to Directors for the six months ended 31 March 2019 amounted to £72,000 (six months to 31 March 2018: £73,000; year ended 30 September 2018: £146,000).

**10. Post Balance Sheet events**

On 29 April 2019, the Company announced its intention to redeem all of the outstanding 8.125% Debenture Stock at £129.224 per £100 in principal amount of Debenture Stock (the 'Redemption Price') on 3 June 2019 (the 'Redemption Date').

The basis for calculating the Redemption Price is set out in the Trust Deed and was calculated as £19,384,000 on 29 April 2019.

On 29 April 2019, the Company also entered into an agreement with Scotiabank Europe PLC for a Japanese Yen 4.0 billion revolving credit facility for a period of three years. The facility was equivalent to £27.7 million on that date. The facility was initially drawn down to repay the Debenture Stock.

The refinancing exercise is expected to reduce the total annual interest cost by approximately £930,000 (or 0.8 pence per share), based on current short-term interest rates for the revolving credit facility.

## PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks facing the Company are substantially unchanged since the date of the Annual Report 2018 and continue to be as set out on pages 10 to 12 of that report.

Risks faced by the Company include, but are not limited to, investment risk, portfolio diversification, gearing, discount, market risk, market price volatility, currency, liquidity risk, interest rate and credit and counterparty risk. Details of the Company's management of these risks and exposure to them are set out in the Annual Report 2018.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as adopted by the EU; and

- this Half Year Report includes a fair review of the information required by:

  a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

This Half Year Report was approved by the Board of Directors on 23 May 2019 and the above responsibility statement was signed on its behalf by Susan Noble, Chairman.

**Susan Noble**
**Chairman**
23 May 2019

## ~~INDEPENDENT REVIEW REPORT TO BRITISH EMPIRE TRUST PLC~~

**~~Conclusion~~**

~~We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2019 which comprises the Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flows and the related explanatory notes.~~

~~Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2019 is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting* as adopted by the EU and the~~

~~Disclosure Guidance and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA').~~

~~**Scope of review**~~

~~We conducted our review in accordance with International Standard on *Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.~~

~~A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.~~

~~**The impact of uncertainties due to the UK exiting the European Union on our review**~~

~~Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.~~

~~**Directors' responsibilities**~~

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

~~The annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.~~

~~**Our responsibility**~~

~~Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.~~

~~**The purpose of our review work and to whom we owe our responsibilities**~~

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

~~**Philip Merchant**~~
~~**for and on behalf of KPMG LLP**~~
~~Chartered Accountants~~
~~319 St Vincent Street~~
~~Glasgow~~
~~G2 5AS~~

~~23 May 2019~~

## GLOSSARY

**Alternative Performance Measure ('APM')**

An APM is a numerical measure of the Company's current, historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial framework.

**Comparator Benchmark**

The Company's Comparator Benchmark is the MSCI All Country World ex-US Total Return Index, expressed in Sterling terms. The benchmark is an index which measures the performance of global equity markets, both developed and emerging. The weighting of index constituents is based on their market capitalisation. Dividends paid by index constituents are assumed to be reinvested in the relevant securities at the prevailing market price. The Investment Manager's investment decisions are not influenced by whether a particular company's shares are, or are not, included in the benchmark. The benchmark is used only as a yard stick to compare investment performance.

**Cost**
The book cost of each investment is the total acquisition value, including transaction costs, less the value of any disposals or capitalised distributions allocated on a weighted average cost basis.

In the case of total return swaps, cost is defined as the notional cost of the position.

**Discount/Premium**
If the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

The discount and performance are calculated in accordance with guidelines issued by the AIC. The discount is calculated using the net asset values per share inclusive of accrued income with debt at market value.

**Earnings before Interest, Tax, Depreciation and Amortisation ('EBITDA')**
A proxy for the cash flow generated by a business – it is most commonly used for businesses that do not (yet) generate operating or shareholder profits.

**Gearing**
Gearing refers to the ratio of the Company's debt to its equity capital. The Company may borrow money to invest in additional investments for its portfolio. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

The gearing of 9.8% represents borrowings of £87,725,000 expressed as a percentage of shareholders' funds of £898,284,000.

As at 31 March 2019, the values of Debenture Stock and Loan Notes were:

| | Debenture 2023 £'000 | GBP Loan 2036 £'000 | EUR Loan 2036 £'000 | EUR Loan 2037 £'000 | Total £'000 |
|---|---|---|---|---|---|
| Value of issue | 15,000 | 30,000 | 22,962 | 17,526 | 85,488 |
| Unamortised issue costs | (32) | (111) | (85) | (132) | (360) |
| Exchange | - | - | 2,889 | (292) | 2,597 |
| Amortised book cost | 14,968 | 29,889 | 25,766 | 17,102 | 87,725 |
| Market value | 18,750 | 34,193 | 28,890 | 18,612 | 100,445 |
| Redemption value | 19,661 | 42,451 | 38,763 | 28,245 | 129,120 |

The values of the Loan Notes are calculated using net present values of future cash-flows, the yields taking account of the market spread and exchange rates. The redemption value includes the penalty payable on early redemption. The Debenture is valued from the current listing on the stock exchange and redemption value according to the Trust Deed.

**Internal Rate of Return ('IRR')**
The IRR is the annualised rate of return earned by an investment, adjusted for dividends, purchases and sales, since the holding was first purchased.

**Net Asset Value ('NAV')**
The NAV is shareholders' funds expressed as an amount per individual share. Shareholders' funds are the total value of all of the Company's assets, at their current market value, having deducted all liabilities and prior charges at their par value, or at their asset value as appropriate. The total NAV per share is calculated by dividing the NAV by the number of Ordinary Shares in issue excluding Treasury Shares.

**Ongoing Charges Ratio**
As recommended by the AIC in its guidance, ongoing charges are the Company's annualised expenses of £7,678,000 (excluding finance costs and certain non-recurring items) expressed as a percentage of the average monthly net assets of £875,318,000 of the Company during the year.

**Return on Investment ('ROI')**
The ROI is the total profits earned to date on an investment divided by the total cost of the investment.

**Shares bought back and held in treasury**
The Company may repurchase its own shares and shares repurchased may either be cancelled immediately or held in treasury. Shares repurchased, whether cancelled or held in treasury, do not qualify to receive dividends. Share repurchases may increase earnings per share. Further to the extent that shares are repurchased at a price below the prevailing net asset value per share, this will enhance the net asset value per share for remaining shareholders.

**Total Return – NAV and Share Price Returns**
The combined effect of any dividends paid, together with the rise or fall in the share price or NAV. Total return statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares in the Company or in the assets of the Company at the prevailing NAV, in either case at the time that the shares begin to trade ex-dividend.

**Total Return Swap**
A total return swap is a financial contract between two parties, whereby each party agrees to 'swap' a series of payments. The Company has entered into total return swaps with Jefferies International ('Jefferies') that can be divided into two categories. The first gives the Company effective exposure to 3,148,127 shares in Pershing Square Holdings ('PSH') in return for the Company making a series of floating rate interest payments to Jefferies. The second gives the Company "short" exposure to a number of PSH's investee companies (Automatic Data Processing, Chipotle Mexican Grill, Howard Hughes, Hilton Worldwide Holdings, Lowe's Companies, Restaurant Brands International, Starbucks, and United Technologies) in return for the Company receiving a series of floating rate interest payments from Jefferies.

A "short" position or "shorting" refers to simultaneously borrowing shares in a listed company and selling them - "shorting" is carried out to either reflect a negative view on a company, with profits coming from buying the shares back at a lower price, or - as in this example - to hedge another investment. By "shorting" PSH's underlying investments, the Company's exposure on this portion of its investment in PSH is mainly limited to movements in PSH's discount to NAV and not to share price changes in these underlying investments.

Note that separately from this hedged investment, the Company owns a larger position (3,895,808 shares) in PSH on an unhedged basis.

**Weight**
Weight is defined as being each position's value as a percentage of total assets less current liabilities.

## SHAREHOLDER INFORMATION

**Dividends**
Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandate forms may be obtained from Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA on request or downloaded from Equiniti's website www.shareview.co.uk. 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 020 7659 4800 or via the website: www.british-empire.co.uk.

## COMPANY INFORMATION

**Directors**
Susan Noble (Chairman)
Anja Balfour
Graham Kitchen
Nigel Rich CBE FCA
Calum Thomson FCA

**Secretary**
Link Company Matters Limited
Beaufort House
51 New North Road
Exeter
Devon EX4 4EP

**Registered Office**
Beaufort House
51 New North Road
Exeter
Devon EX4 4EP

Registered in England & Wales
No. 28203

**Investment Manager and AIFM**
Asset Value Investors Limited
25 Bury Street
London SW1Y 6AL

**Registrar and Transfer Office**
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Registrar’s Shareholder Helpline
Tel. 0371 384 2490
*Lines are open 8.30am to 5.30pm, Monday to Friday.*

Registrar’s Broker Helpline
Tel. 0906 559 6025
*Calls to this number cost £1 per minute from a BT Landline, other providers’ costs may vary.*
*Lines are open 8.30am to 5.30pm, Monday to Friday.*

**Corporate Broker**
Jefferies Hoare Govett
Vintners Place
68 Upper Thames Street
London EC4V 3BJ

**Auditor**
KPMG LLP
319 St Vincent Street
Glasgow G2 5AS

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

**Banker and Custodian**
JPMorgan Chase Bank NA
125 London Wall
London EC2Y 5AJ

A copy of the Half Year Report can be viewed and downloaded from the Company's website: www.british-empire.co.uk.

*The content of the Company's web-pages and the content of any website or pages which may be accessed through hyperlinks on the Company's web-pages or this announcement is neither incorporated into nor forms part of the above announcement.*

**National Storage Mechanism**

A copy of the Half Year Report will be submitted shortly to the National Storage Mechanism ('NSM') and will be available for inspection at the NSM, which is situated at www.morningstar.co.uk/uk/NSM.