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Susan Noble
Chairman



This report covers the period from 1 October 2017 to 30 September 2018.

Investment Performance

Our accounting year to 30 September 2018 was challenging for equity investors as volatility returned to the markets. Our Investment Manager is an active stock picker, focused on finding discounted assets rather than being driven by equity markets in general – and this has proven beneficial over the period under review. As described in the Investment Manager's Review, the portfolio management team has been particularly active this year in seeking to extract value from portfolio investments. This has borne fruit and I am happy to report that the portfolio once again delivered strong performance over the period, with a net asset value total return of 10.0%, which was 4.8 percentage points higher than the return of the benchmark, the MSCI All Country World ex-US Index. The drivers of this investment performance are set out in more detail in the Investment Manager's Review on page 19.

Income and Dividend

Returns from your Company's investments may be achieved by increases in the value of underlying investments, a narrowing of the discount to underlying asset value, distributions or a combination of these elements. The Investment Manager does not specifically target returns in the form of dividends from investee companies and this means that your Company's revenue account may vary considerably from year to year. The Company has substantial revenue reserves and also has the power to distribute realised capital profits, should the Board believe that this is warranted. The Company has either maintained or increased its ordinary dividend for the past 30 years, and expects to continue to do so in the future.

Your Board has elected to increase the final dividend to 11.0p per share, which will result in a total dividend for the year of 13.0p per share. This year's interim and final dividends were fully covered by net revenue earned during the accounting year.

Gearing

The Investment Manager believes that there continue to be significant investment opportunities available at attractive valuations. While we are mindful of the extended rally in many equity markets since the global financial crisis, long-term debt remains available at interest rates which appear very attractive by historical standards. This is despite recent rises in interest rates around the world.

During the year under review, the Board approved a further modest increase in debt, of €20m unsecured private placement loan notes which were issued on 1 November 2017. If all of the Company's current debt had been deployed, gearing would have been 9.5% of net assets, based on the value of assets as at 30 September 2018.

Discount

The discount¹ at which the Company's shares trade has generally been in the range of 7% to 12% over the year and at the year-end was 8.5%. Your Board and Investment Manager continue to believe that it is in the best interests of shareholders to use share buybacks with the aim of limiting the volatility in the discount and this year some 4.3m shares were bought back. A direct effect of the buybacks was to increase NAV per share for remaining shareholders by 0.4% over the accounting year.

While share buybacks seek to address any oversupply of shares, it is equally important to stimulate demand. Our Investment Manager has continued to make great efforts to explain the investment philosophy both to existing shareholders and to potential investors.

Board

In this, my first annual report to you as Chairman of British Empire Trust plc, I would like again to thank my predecessor, Strone Macpherson, for his long service to the Company and for his sound guidance.

¹ Based on the share price on the relevant day as at close of business on the London Stock Exchange.

OUR EDGE

AVI specialises in finding companies which own attractive businesses where, for one reason or another, the market does not fully recognise the value of these assets. A particular emphasis is put on identifying investments where there is a clear catalyst for narrowing the discount, which provides a boost to our portfolio's performance above and beyond any underlying growth achieved in the assets. AVI believes its strategy and investment style differentiate it from other managers in the market because of the following:



 Please visit our website for more information: www.british-empire.co.uk

On 20 December 2017, we announced the appointment of Anja Balfour as a non-executive Director. Anja has over 20 years' experience in managing Japanese and International Equity portfolios for Stewart Ivory, Baillie Gifford and Axa Framlington. Since stepping down from full-time investment management in 2010, she has gained considerable experience as a non-executive director and is currently a director of Martin Currie Asia Unconstrained Trust plc, of Schroder Japan Growth Fund plc and of F&C Global Smaller Companies plc. Anja is an excellent addition to the Board.

Steven Bates will be retiring from the Board following the AGM. Steven has served on the Board for over 12 years and during that time the Company has consistently benefited from his wise counsel and full engagement, for which we thank him. We have started a search for his successor as a Director.

Outlook

After a long period where markets have been resilient or even complacent about the risks which abound in the global economy, it was perhaps inevitable that we would enter a period of greater uncertainty.

Equity and bond markets have experienced a bout of heightened market volatility since the end of your Company's financial year, which has been driven by, among other things, the threat of a global trade war, the effects of rising interest rates as quantitative easing is slowly removed, and uncertainty over Brexit.

The potential effect of these major issues is very difficult to predict.

However, our Investment Manager's approach is emphatically not to second-guess markets but to seek investment opportunities in individual companies where the share price does not reflect the tangible value of a holding's underlying assets and/or their prospects for growth. While we have reported another good year, there remain many opportunities for investment returns, both within the portfolio and in the broader range of potential investments which our Investment Manager constantly monitors. This focus on company fundamentals should provide both strong returns over the long term and a degree of protection against the vagaries of markets.

Annual General Meeting

I look forward to seeing shareholders at the AGM, which this year will be held on Wednesday, 19 December 2018 at 11.00am at 11 Cavendish Square, London W1G 0AN.



Susan Noble
Chairman
9 November 2018