

SHAREHOLDER INFORMATION / 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. In selecting these Alternative Performance Measures, the Directors considered the key objectives and expectations of typical investors in an investment trust such as the Company.

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.

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 Company's discount is calculated by subtracting the share price of 764.00p from the NAV per share (with debt at fair value) of 834.58p and is usually expressed as a percentage of the NAV per share (8.46%). If the share price is higher than the NAV per share, this situation is called a premium.

Earnings before Interest and Tax ('EBIT')

A standard measure of operating profits and, therefore, the profits that are available to be distributed to both debt and equity investors. It is often compared with Enterprise Value in the 'EV / EBIT Ratio', similar to the price-to-earnings ratio.

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.

Enterprise Value ('EV')

Enterprise value is the sum of a company's market value plus debt less cash.

Free Cash Flow Yield ('FCF')

Free cash flow is the amount of cash profits that a business generates, adjusted for the minimum level of capital expenditure required to maintain the company in a steady-state. It measures how much a business could pay out to equity investors without impairing the core business. When free cash flow is divided by the market value, we obtain the free cash flow yield.

Gearing

Gearing refers to the level 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 9.5% represents borrowings of £89,161,000 expressed as a percentage of shareholders' funds of £941,680,000.

The current values of the Debenture Stock and Loan Notes consist of the following:

| | Debenture £'000 | 2036 GBP Loan £'000 | 2036 EUR Loan £'000 | 2037 EUR Loan £'000 | Total £'000 |
|-------------------------|--------------------|---------------------------|---------------------------|---------------------------|----------------|
| Value of issue | 15,000 | 30,000 | 22,962 | 17,526 | 85,488 |
| Unamortised issue costs | (36) | (115) | (88) | (135) | (374) |
| Exchange movement | – | – | 3,759 | 288 | 4,047 |
| Amortised book cost | 14,964 | 29,885 | 26,633 | 17,679 | 89,161 |
| Market value | 18,975 | 32,493 | 28,021 | 17,920 | 97,409 |
| Redemption value | 19,812 | 40,432 | 32,974 | 21,506 | 114,724 |

The values of the Loan Notes are calculated using net present values of future cash flows and the yields, taking account of the market spread and exchange rates. The redemption value includes the penalty payable on early redemption. The Debenture Stock is valued from the current listing on the London 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 the Company's assets, at a current market value, having deducted all liabilities and prior charges at their par value (or at their asset value). The total NAV per share is calculated by dividing shareholders' funds of £941,680,000 by the number of Ordinary Shares in issue excluding Treasury Shares of 111,844,491 at the year end.

Net Financial Value ('NFV')

The NFV is cash *plus* investment securities *plus* treasury shares less total debt less net pension liabilities. It measures the amount of net surplus cash and securities that a company carries on its balance sheet.

Ongoing Charges Ratio

As recommended by the AIC in its guidance, the Company's ongoing charges are its annualised expenses (excluding finance costs and certain non-recurring items) of £8,100,000 (being investment management fees of £6,434,000 and other expenses of £1,666,000 (see note 3)) expressed as a percentage of the average month-end net assets of £934,893,000 during the year as disclosed to the London Stock Exchange.

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 these are then held in treasury, reducing the freely traded shares ranking for dividends and enhancing returns and earnings per Ordinary Share to the remaining shareholders. When the Company repurchases its shares, it does so at a total cost below the prevailing NAV per share.

The estimated percentage added to NAV per share from buybacks of 0.4% is derived from the repurchase of shares in the market at a discount to the prevailing NAV at the point of repurchase. The shares were bought back at a weighted average discount of 10.1%.

Total Assets

Total assets include investments, cash, current assets and all other assets. An asset is an economic resource, being anything tangible or intangible that can be owned or controlled to produce positive economic value. The total assets less all liabilities will be equivalent to total shareholders' funds.

Total Return

Total return statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. The total return measures the combined effect of any dividends paid, together with the rise or fall in the share price or NAV. This is calculated by the movement in the NAV or share price plus dividend income reinvested by the Company at the prevailing NAV or share price.

NAV Total Return

NAV total return is calculated by assuming that dividends paid out are re-invested into the NAV on the ex-dividend date. This is accounted for in the "benefits from re-investing dividends" line. The NAV used here includes debt marked to fair value and is inclusive of accumulated income.

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|--|------|----------------------|----------------------|-----------|
| Closing NAV per share (p) | 64 | 834.58 | 769.91 | a |
| Dividends paid out (p) | 61 | 12.00 | 14.50 | b |
| Benefits from re-investing dividends (p) | | 0.68 | 2.15 | c |
| Adjusted NAV per share (p) | | 847.26 | 786.56 | d = a+b+c |
| Opening NAV per share (p) | 64 | 769.91 | 661.81 | e |
| NAV total return (%) | | 10.0% | 18.8% | = (d/e)-1 |

Share Price Total Return

Share price total return is calculated by assuming that dividends paid out are re-invested into new shares on the ex-dividend date. This is accounted for in the "benefits from re-investing dividends" line.

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|--|------|----------------------|----------------------|-----------|
| Closing price per share (p) | | 764.00 | 693.50 | a |
| Dividends paid out (p) | 61 | 12.00 | 14.50 | b |
| Benefits from re-investing dividends (p) | | 0.89 | 1.90 | c |
| Adjusted price per share (p) | | 776.89 | 709.90 | d = a+b+c |
| Opening price per share (p) | | 693.50 | 598.00 | e |
| Share price total return (%) | | 12.0% | 18.7% | = (d/e)-1 |

Underlying discount

Underlying discount is the product of (a) the share price discount to British Empire Trust's net asset value (8.5%); and (b) the weighted-average discount at which the portfolio trades (30.4%).