

THE ESTABLISHMENT INVESTMENT TRUST PLC

Report and Accounts
For the year ended 31 March 2007



THE ESTABLISHMENT INVESTMENT TRUST PLC

Contents

	Page
Objective of the Company	1
Highlights for the Year	1
Performance	2
Chairman's Statement	3
Directors	4
Portfolio Holdings	5
Investment Portfolio	6
Investment Manager's Report	7
Report of the Directors	9
Corporate Governance Statement	14
Directors' Remuneration Report	19
Report of the Independent Auditors	21
Income Statement	23
Reconciliation of Movements in Shareholders' Funds	24
Balance Sheet	25
Cash Flow Statement	26
Notes to the Financial Statements	27
Notice of Annual General Meeting	45
Company Information	47

THE ESTABLISHMENT INVESTMENT TRUST PLC

Objective of the Company

The objective of the Company is to achieve long-term capital growth from a managed international portfolio of securities. The preservation of capital is of primary importance to the investment objective.

The Company aims to achieve absolute returns and is not managed by reference to any equity or bond index or benchmark.

Highlights for the Year

Performance comparisons 31 March 2006 - 31 March 2007

	31 March 2006	31 March 2007	Change
Share price	159.00p	154.50p	-2.83%
Net asset value	159.94p	164.19p	+2.66%
Performance Fee Hurdle #	162.85p	179.14p	+10.00%
Adjusted Market Capitalisation #	161.20p	161.70p	+0.3%
UK Equity *			+9.9%
World Equity *			+2.0%
Japan *			-9.0%
Asia ex Japan Equity *			+8.8%
UK Bond *			+0.4%
World Bond *			-4.7%

The Adjusted Market Capitalisation of an Ordinary Share at 31 March 2007 is based on the average share price for March 2007 of 153.45p plus dividends paid of 8.25p since the last performance fee was paid. As this was below the Performance Fee Hurdle of 179.14p at the year end, no performance fee is payable.

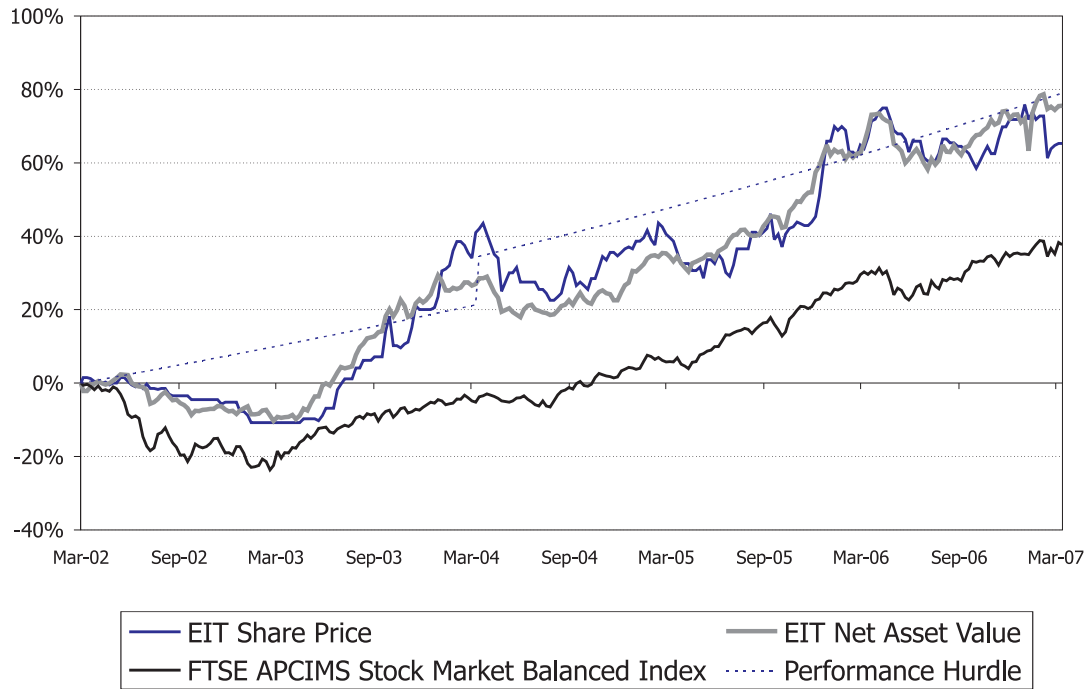
The Performance Fee Hurdle for the year to 31 March 2008 is 197.05p.

* MSCI Indices converted into sterling. All total return indices.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Performance

**Share price performance relative to the net asset value, Performance Hurdle and FTSE APCIMS Stock Market Balanced Index since inception
18 March 2002 to 31 March 2007 (total return)**



THE ESTABLISHMENT INVESTMENT TRUST PLC

Chairman's Statement

During the second half of the financial year the share price and net asset value rose by 0.3% and 6.8% respectively. For the full financial year the share price declined by 2.8% while the net asset value increased by 2.7%. In addition dividends totalling 2.9p were paid to shareholders during the period lifting the net asset value total return to 4.5%. This compares to the 6.3% increase in the FTSE APCIMS Stock Market Balanced Index (formerly the FTSE APCIMS Private Client Balanced Portfolio Index) and the 2.0% increase in the MSCI World Index in sterling terms.

Since launch in March 2002 the Company's share price has registered a return of 54.5% excluding dividends or 65.3% including dividends. The net asset value has registered a return of 64.2%, this rises to 75.0% including dividends. These returns are significantly greater than 38.5% and 18.5% total returns generated by the FTSE APCIMS Stock Market Balanced Index and the MSCI World Index in sterling terms. In Asia, where the core of the Company's equity investments have been made, the MSCI Japan Index and the MSCI Asia ex Japan Index have returned 37.3% and 69.1% respectively over this period.

These longer term returns have more than fulfilled the absolute return mandate of the Company and are considerably higher than either reported inflation or any measure of the "risk free" rate of return.

Your Board thus has no hesitation in recommending that shareholders approve the continuation vote at this year's annual general meeting.

The Board has proposed a final dividend of 1.7p per Ordinary Share which, if approved by shareholders at the forthcoming Annual General Meeting, will take the total dividend for the financial year to 3.0p per Ordinary Share. This represents a 3.4% increase over the prior year and is consistent with the stated intent of the Board to grow dividends steadily over time.

Dr. James King

Chairman

11 June 2007

THE ESTABLISHMENT INVESTMENT TRUST PLC

Directors

Dr James King Chairman ^{a), b), c)} aged 68, is Chairman of Argus Group Holdings, Keytech Limited, The Bermuda Telephone Company Limited, Grotto Bay Properties Limited, and Hiscox Insurance (Bermuda) Limited. He is also a director of Butterfield Bank UK Limited and Hiscox Limited.

Sir David Cooksey Senior Independent Director ^{a), b), c)}, aged 67, has been involved in the venture capital business since 1981 when he founded Advent Venture Partners. He retired as chairman in 2006. He was the first chairman of the British Venture Capital Association in 1983/1984. He was also chairman of the European Private Equity & Venture Capital Association in 2005/2006. His early career was in industrial engineering and general management in the De La Rue Company. He retired as the senior non-executive director of the Bank of England in 2005 after 11 years' service. He is chairman of London & Continental Railways Limited and a director of Resolution plc. He holds an MA in Metallurgy from Oxford University.

Rhoderick Swire ^{a), b), c)}, aged 56, is Chairman of Pantheon Holdings Limited. He is the chairman of The Lindsell Train Investment Trust plc and of Clyde Marine plc, and is a director of The China Navigation Company Limited and Pantheon International Participations plc. In 1981 he joined GT Management PLC to oversee and manage venture capital investments. Before joining GT Management PLC he was an executive at John Swire & Sons Limited for four years, working in Hong Kong, Sydney and London. He obtained a BSc in Engineering and Economics from Birmingham University and qualified as a chartered accountant with Peat Marwick.

Henry Thornton aged 43, is a founder member and Chief Executive Officer of the Investment Manager, BDT Investment Management Limited. He joined Thornton Management (Asia) in 1985. In 1989 he was appointed investment director of Royal Trust Asset Management (Asia), a position he retained during subsequent acquisitions by Credit Lyonnais International Asset Management and Nicholas Applegate Capital Management. In 1999 he was appointed head of emerging markets at Colonial First State First Investments, a position he retained until his resignation in April 2000.

Richard Thornton, aged 75, has had 47 years' experience as an international investor. After serving some years as assistant manager of the Foreign and Colonial Investment Trust he was a co-founder of GT Management in 1969, now a part of Amvescap. In 1985 he founded Thornton and Co which was acquired by Dresdner Bank in 1988 and retired as President of Thornton and Co in 1994. From 1985 he was a director, and then chairman, of The Establishment Trust, the predecessor of The Establishment Investment Trust plc of which he was the first Chairman between March 2002 and 31 March 2005. He is a graduate of Oxford University and a Barrister at Law.

Harry Wells ^{a), b)}, aged 53, has over 30 years' experience of investment markets, primarily specialising in Asia, based both in London and Hong Kong, latterly as a managing director of Salomon Smith Barney until retiring from stockbroking in 2001. He is a director of Martin Currie Pacific Trust Plc and Consolidated Africa Mining plc. He holds an MA degree from Cambridge University, is a Fellow of the Securities & Investment Institute and a member of the Royal Institution of Chartered Surveyors.

All Directors are non-executive.

Apart from Henry Thornton who was appointed a Director on 1 April 2005, all Directors have served on the Board since the Company's launch in March 2002.

a) Independent

b) Audit Committee member

c) Management Engagement Committee member

THE ESTABLISHMENT INVESTMENT TRUST PLC

Portfolio Holdings at 31 March 2007

(All Equity Shares unless otherwise stated)

Holding	Company	Fair value £'000	% of total assets
£4,500,000	Treasury 4% 07/03/2009	4,384	13.35
50,000	BDT Invest Asia Fund Distributor - US Dollar	2,825	8.60
€4,000,000	Bundesobligation 3.5% 10/10/2008	2,693	8.20
£2,000,000	Treasury 5% 07/03/2008	1,992	6.07
200,000	BDT Invest Emerging Markets Focus Fund 'B' - US Dollar	1,749	5.33
128,012	BDT Investment Management Limited*	1,692	5.15
725,000	SR Europe Investment Trust	1,584	4.82
2,546,550	Siam Steel Service Center	1,419	4.32
1,900,000	China Insurance	1,142	3.48
60,000	BDT Invest Japan Fund Distributor - Sterling	945	2.88
2,316,000	Thoresen Thai Agencies	932	2.84
4,000	Bedlam Asset Management UK Fund	708	2.16
5,800	Hyundai Heavy Industries	591	1.80
200,000	Bedlam Asset Management Plc*	552	1.68
408,860	Top Glove Corp	540	1.64
25,000	Sumitomo Realty & Development	482	1.47
325,000	IJM Corp	412	1.26
45,000	Nippon Electric Glass	401	1.22
60,000	BDT Invest Japanese Smaller Cos Fund 'B'	388	1.18
930,000	United Tractors	385	1.17
390,000	Formosa Plastics	376	1.15
755,000	Uni-President Enterprise Corp	368	1.12
100,000	Aero Inventory	368	1.12
15,000	Itochu Techno-Solutions	365	1.11
1,385,000	Lafarge Malayan Cement	355	1.08
1,000,000	GK Goh	353	1.08
10,000	T&D	351	1.07
700,000	Minth Group	345	1.05
20,000	LG Corp	345	1.05
320,000	Taiwan Semiconductor	334	1.02
1,324,300	Fuhwa Financial	324	0.99
3,800	Samsung Fire & Marine Insurance	323	0.98
295,000	Cathay Financial	312	0.95
2,000	Lindsell Train Investment Trust	312	0.95
48,000	Cheung Kong	310	0.94
9,250	KT & G Corp	305	0.93
25,000	THK Co	300	0.91
450,000	Lite-On Technology Corp	295	0.90
300,000	Siam Commercial Bank	295	0.90
6,000	Fanuc	284	0.86
100,000	Isuzu Motors	255	0.78
40	Mitsubishi UFJ Financial	230	0.70
80,000	Hiroshima Bank	224	0.68
13,200	Hoya Corp	222	0.68
40,000	Nissan Motor	218	0.66
2,470,000	Solomon Systech International	198	0.60
6,000	Nidec Corp	197	0.60
15,000	Mitsubishi Corp	177	0.54
70	Japan Tobacco	175	0.53
246,000	Pos Malaysia & Services	171	0.52
561,000	Imagi International	154	0.47
6,000	Nitto Denko Corp	143	0.44
645,420	Vigilant Technology	77	0.23
	Total investments	34,877	106.21
	Net current assets	(2,024)	(6.16)
	Provision for liabilities and charges	(15)	(0.05)
	Net assets	32,838	100.00

* Unlisted investments

Unrealised appreciation attributable to unlisted investments during the year amounted to £134,000.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Investment Portfolio at 31 March 2007

Sector Analysis	Fair value £'000	% of total assets
Investment Companies	11,295	34.39
UK Government Bonds	6,376	19.42
EuroBonds	2,693	8.20
Insurance	1,777	5.41
Steel & Other Materials	1,419	4.32
Financials	1,063	3.24
Industrial	1,003	3.05
Engineering & Machinery	976	2.97
Electronic & Electronic Equipment	933	2.84
Transport	932	2.84
Software & Computer Services	810	2.46
Construction & Building Materials	767	2.34
Chemicals	721	2.20
Speciality & Other Finance	677	2.07
Automobiles	600	1.83
Banks	519	1.58
Cyclical Consumer Goods	395	1.20
Food Producers & Processors	368	1.12
Real Estate	310	0.94
Tobacco	305	0.93
Information Technology & Hardware	295	0.90
Non Cyclical Consumer Goods	175	0.53
Support Services	171	0.52
Media & Photography	154	0.47
Basic Materials	143	0.44

Total investments	34,877	106.21
Net current liabilities	(2,024)	(6.16)
Provision for liabilities and charges	(15)	(0.05)

Net assets	32,838	100.00
-------------------	---------------	---------------

Geographical Analysis (based on listing or domicile)

	Fair value £'000	% of total assets
United Kingdom	17,576	53.52
Japan	4,024	12.25
Europe	2,693	8.20
Thailand	2,646	8.06
Hong Kong	2,149	6.54
Taiwan	2,009	6.13
South Korea	1,564	4.76
Malaysia	1,478	4.50
Indonesia	385	1.17
Singapore	353	1.08

Total investments	34,877	106.21
Net current liabilities	(2,024)	(6.16)
Provision for liabilities and charges	(15)	(0.05)

Net assets	32,838	100.00
-------------------	---------------	---------------

Classification of Assets

	Fair value £'000	% of total assets
Equities	25,808	78.59
Fixed Interest Securities	9,069	27.62
Net current liabilities	(2,024)	(6.16)
Provision for liabilities and charges	(15)	(0.05)

Net assets	32,838	100.00
-------------------	---------------	---------------

THE ESTABLISHMENT INVESTMENT TRUST PLC

Investment Manager's Report

Review

The Chairman's Statement notes the 2.8% decline in the share price and the 2.7% improvement in the net asset value of the Company during the past year. During the past twelve months the Ordinary Shares have moved from a discount of 0.6% to a discount of 5.9%. For comparative purposes the MSCI United Kingdom Index returned 9.8%, considerably more than the MSCI World Index (2.0%) or the MSCI Japan Index (-9.0%). The MSCI Asia ex Japan Index, containing fashionable markets such as India and China, managed an 8.9% rise in sterling terms.

Performance is shown graphically on page 2. The chart tracks the net asset value and share price against the FTSE APCIMS Stock Market Balanced Index since the formation of the Company and highlights the performance hurdle to more accurately reflect the long-term investment objective of the Company – to achieve absolute returns for our shareholders.

The growth in the Company's share price and assets over the past five years has been more than respectable. The share price and net asset value have registered compound annual growth rates of 11.0% and 12.4% respectively including reinvested dividends. This substantially exceeds the annual return generated by the MSCI World Equity and Bond Indices (3.5% and 2.2% respectively), the MSCI UK Equity and Bond Indices (7.0% and 5.2% respectively) and the FTSE APCIMS Stock Market Balanced Index (6.7%). Since the majority of equity investments have been made in the Asia Pacific region, it is worth noting that the MSCI Japan and Asia ex Japan Indices generated annual returns of 6.8% and 11.0% respectively during the period.

A fundamental role of your Investment Manager is to balance the potential rewards of an investment against the risks involved and an evaluation of the portfolio's beta, the most common measure of risk, over the past five years against major equity markets is pertinent. The portfolio exhibits a beta, or correlation, of approximately 0.4x against the MSCI World, UK, Japan and Asia ex Japan Indices. All other things being equal, this implies that the assets of the Company have been exposed to just 40% of "market risk". A low risk profile combined with absolute returns that exceed global equity markets' returns are entirely consistent with the investment mandate.

BDT Invest

The Company owns a 15.3% (fully diluted) stake in the Investment Manager. This investment has already generated a cash return of over 200% via loan note repayments, dividends and a share repurchase. The investment is revalued every quarter according to the formula set out in the prospectus. The latest formula calculation, an average of book value, 4% of funds under management and 4x annual management charges (excluding performance fees), values BDT Invest at 3.2% of funds under management. The investment accounts for 5.5% of the Company's assets.

Funds under management stood at approximately £340m at 31 March 2007. BDT Invest currently manages seven products across Japan, Asia and Emerging Markets. Six of these products have absolute return mandates. The long term investment outlook for these areas remains compelling. For the financial year ended 31 December 2006 BDT Invest recorded a profit after tax of £937,892 on turnover of £5,526,260. A final dividend of 65p per share has been declared and this will contribute over £80,000 to the Company's revenues in the current financial year.

BDT Invest remains a small company and future prospects are dependent upon a number of factors including the ever-changing regulatory landscape, the necessity to deliver solid investment performance, the capability to market effectively, the ability to attract and retain high quality individuals and competent financial management. BDT Invest is, of course, subject to the continued ebbs and flows of capital markets.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Investment Manager's Report continued

The Future

The strategy outlined above has produced competitive results over the past five years but your Investment Manager is conscious that returns over shorter time frames have been less competitive than many other investment trusts. It is, therefore, an opportune time to reconsider and outline our strategy for the future.

Your Investment Manager remains convinced that a portfolio of Japanese and Asian equities will provide strong and competitive returns over the next few years, albeit for different reasons. Japan has been disappointing over the past eighteen months but at a corporate level we continue to sense that management attitudes are changing. There is more focus upon issues such as efficient balance sheets, returns on equity targets and increased dividend payments. In the longer term this focus is likely to improve shareholder returns.

Elsewhere in the region China and India are emerging as important economic drivers for the region and Asia is some way down the road of weaning itself away from the western consumer. Although share prices have risen substantially, as they begin to reflect the likelihood of more sustainable self sufficient economic growth, your Investment Manager continues to identify individual companies in the region that are likely to deliver excellent returns in the years ahead. For that reason your Investment Manager, with the consent and support of the Board, has begun to focus the direct equity portion of the portfolio on a smaller number of positions.

The logic of holding a number of absolute return focussed vehicles remains sound. Holdings such as SR Europe, the Lindsell Train Investment Trust and the Bedlam UK Fund have not only provided geographical and management style diversification but, more importantly, these holdings have delivered excellent returns to the Company. The BDT Invest products in the portfolio have also delivered competitive returns since purchase.

At the end of the financial year the Company held approximately one quarter of its assets in short dated bonds and cash, which is proving a little painful given an environment in which risk aversion continues to decline. While the timing of your Investment Manager may be slightly adrift; it is the ability of the Company to place a substantial portion of its portfolio in risk free assets that is absolutely fundamental to the successful execution of the investment mandate of the Company.

It is this last point that continues to differentiate your Company from the vast majority of vehicles in the investment trust universe.

Financial Results

The portfolio generated gross income of £1,345,000 during the year, an increase from the £1,149,000 generated in the preceding period. Excluding fees payable to the investment manager, expenses amounted to £349,000, an increase from the £259,000 recorded in the previous year. The Company charges 80% of the annual management fee and 100% of any performance fee to capital. The total fees payable to the investment manager increased from £275,000 to £315,000. In consequence the Company recorded a revenue return on ordinary activities after tax of £763,000.

The Board has approved a 3.4% increase in the total dividend for the year.

BDT Investment Management Limited

Investment Manager

11 June 2007

THE ESTABLISHMENT INVESTMENT TRUST PLC

Report of the Directors

The Directors submit their report together with the audited financial statements of the Company for the year ended 31 March 2007.

Activities and status

The principal activity of the Company is to carry on the business of an investment trust company. The Company is registered under section 266 of the Companies Act 1985 as an investment company.

HM Revenue and Customs (HMRC) has approved the Company as an investment trust for the purpose of section 842 of the Income and Corporation Taxes Act 1988 (ICTA 1988), for the year ended 31 March 2006. Such approval is given retrospectively in respect of each fiscal accounting period although this does not preclude HMRC from opening a subsequent enquiry into the Company's tax return.

The Directors have continued to conduct the affairs of the Company with a view to maintaining approval as an investment trust for the purposes of section 842 of ICTA 1988, in order to obtain exemption from United Kingdom taxation on capital gains.

Life of the Company

As stated in the Company's 2002 Prospectus, the Company does not have a fixed life but the Board considers it desirable that shareholders should have the opportunity to review the future of the Company at the Annual General Meeting (AGM) in 2007 and at every third AGM thereafter. Accordingly, at the forthcoming AGM of the Company to be held on 23 July 2007, an ordinary resolution will be put to the shareholders to approve the continuation of the Company in its current form as an investment trust. In the event that the resolution is not passed, the Directors will formulate proposals for the future of the Company for consideration by shareholders.

Business Review

The review of the year and commentary on the future outlook are presented in the Chairman's Statement on page 3, the Investment Manager's Report on pages 7 and 8, and the Fund Risk Profile set out in note 18 on pages 38 to 44 which together provide details of the key performance indicators and principal risks and uncertainties facing the Company.

As the Company's objective is to achieve long-term capital growth whilst preserving capital, performance is not measured against any specific equity or bond index but on the absolute returns achieved from time to time. To provide a reference for shareholders however the Company shows its performance against the FTSE APCIMS Stock Market Balanced Index in the chart on page 2.

Results and dividend

An interim dividend of 1.30p per Ordinary Share was paid on 15 December 2006 to shareholders on the register at the close of business on 1 December 2006 (ex-dividend 29 November 2006).

The revenue return for the financial year ended 31 March 2007 after taxation amounted to £763,000 (2006: £580,000). A final dividend of 1.70p (2006: 1.60p) is proposed in respect of the year ended 31 March 2007. The dividend, subject to approval by shareholders, will be paid on 25 July 2007 to shareholders whose names appear on the register at the close of business on 6 July 2007 (ex-dividend 4 July 2007).

THE ESTABLISHMENT INVESTMENT TRUST PLC

Report of the Directors *continued*

Directors

The Directors of the Company, all of whom served throughout the year under review, are listed on page 4 of this Report.

In accordance with the UK Listing Authority's Listing Rule 15.2.7(3) Mr Henry Thornton will retire at the forthcoming Annual General Meeting and being eligible, offer himself for re-election.

In accordance with Principle A.7.1 of the Combined Code, Dr James King and Sir David Cooksey will retire at the forthcoming Annual General Meeting and offer themselves for re-election.

Directors' interests

The interests of the Directors in the Ordinary Shares of the Company on the dates shown were as follows:

	Ordinary Shares of 25p each	
	31 March 2006	31 March 2007
Dr. James King	10,000	10,000
Sir David Cooksey	50,000	50,000
Rhoderick Swire	49,400	49,400
Henry Thornton	100,000	100,000
Henry Thornton ^(a)	709,975	709,975
Henry Thornton and Richard Thornton ^(b)	1,744,728	1,744,728
Richard Thornton	3,611,083	3,611,083
Harry Wells	26,000	26,000
Harry Wells ^(c)	4,000	4,000

(a) Non-beneficial interest in shares held by The Rabbit Trust

(b) As Trustees of The Thornton Foundation

(c) As a Trustee of The Pauline Lamb Grandchildren's Trust

No changes in the above interests have been notified to the Company between 31 March 2007 and 6 June 2007.

None of the Directors has been granted or has exercised any rights to subscribe for Ordinary Shares of the Company.

Disclosure of interests

Mr Henry Thornton is a shareholder and a director of the Investment Manager, BDT Investment Management Limited ("BDT"), which receives fees under the terms of the Investment Management Agreement as set out in note 6 to the financial statements. Mr Richard Thornton is also a shareholder of BDT.

All of the Directors are non-executive and no Director has at any time during the accounting period had a contract of service with the Company. Save as disclosed above and in note 6 to the financial statements, no Director was a party to, or had an interest in any contract or arrangement with the Company.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Report of the Directors *continued*

Waiver of emoluments

In view of his connection with the Investment Manager Mr Henry Thornton has waived in full his entitlement to fees as a Director of the Company.

Substantial shareholdings

In addition to the holdings of the Directors listed on page 10, at 6 June 2007 the Company had been notified of the following holdings of 3% or more of the Company's capital carrying unrestricted voting rights:

	No. of Ordinary Shares	% of Issued Share Capital
Rysaffe Trustees Company (CI) Limited (for R C Thornton 1971 settlement)	1,600,623	8.00
The Argus Insurance Company Limited	1,568,509	7.84
Rothschild Trust (Bermuda) Limited (as trustee of a trust dated 26 March 1996)	1,416,178	7.08
Notara Anstalt (as trustee of the The Rabbit Trust)	709,975	3.55
Iimia Investment Trust PLC	615,000	3.07

Investment management

The Directors, having evaluated the performance of the Investment Manager, have decided that BDT Investment Management Limited should continue as Investment Manager on the existing terms (as detailed in note 6 to the financial statements). The Directors are satisfied that the Investment Manager has suitable skills and experience to manage the Company's investments and believe that its continuing appointment is in the interests of all shareholders.

Share capital

At 31 March 2006 and 31 March 2007, the authorised share capital was £7,500,000 divided into 30,000,000 Ordinary Shares of 25p each, and the issued share capital was £5,000,000 divided into 20,000,000 Ordinary Shares of 25p each. There were no changes to the capital structure during the year or between 31 March 2007 and 6 June 2007.

Creditors' payment policy

It is the Company's policy to obtain the best terms for all business, including purchases of investments, and to abide by those terms. At 31 March 2007 the Company had no trade creditors (2006: nil).

THE ESTABLISHMENT INVESTMENT TRUST PLC

Report of the Directors *continued*

Statement of Directors' Responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the return of the Company for that period. In preparing these financial statements, which have been prepared in accordance with UK generally accepted accounting principles, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable United Kingdom law and accounting standards; and
- prepare the financial statements on a going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Report of the Directors and other information included in the annual report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

Financial statements of the Company are published on www.bdtinvest.com/eit.html. The Directors are responsible for ensuring the maintenance and integrity of the information relating to the Company published on this website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Confirmation

The Directors listed on page 4, being the persons responsible within the Company, hereby confirm to the best of their knowledge:

- a) that the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- and
- b) the management report, comprising the Chairman's Statement, Business Review and Investment Manager's Report, includes a fair review of the development and performance of the business and the position of the Company, together with the principal risks and uncertainties that the Company faces.

Disclosure of information to auditors

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

THE ESTABLISHMENT INVESTMENT TRUST PLC

Report of the Directors continued

Auditors

RSM Robson Rhodes LLP, chartered accountants, have announced their intention to merge with Grant Thornton UK LLP with effect from 1 July 2007. RSM Robson Rhodes LLP have indicated their willingness to continue in office. In accordance with section 385 of the Companies Act 1985, a resolution will be proposed at the forthcoming Annual General Meeting to reappoint RSM Robson Rhodes LLP or its successor firm as auditors and authorise the Directors to determine the auditors' remuneration for the ensuing year.

On behalf of the Board

Phoenix Administration Services Limited

Secretary

11 June 2007

THE ESTABLISHMENT INVESTMENT TRUST PLC

Corporate Governance Statement

The Board supports high standards of corporate governance and the following is the Directors' Statement of Compliance with the Combined Code on Corporate Governance issued by the Financial Reporting Council ("FRC") in July 2003 and June 2006 ("the Combined Code") and the Principles contained within the Code of Corporate Governance published by the Association of Investment Companies (AIC) ("the AIC Principles").

The Board has carried out a review of the provisions of the Combined Code and the AIC Principles and confirms that it has complied throughout the period under review with the Combined Code, and has followed the AIC Principles, subject to those aspects explained below where the Company has not complied or does not feel it appropriate for a Company of this size to do so.

The Board of Directors

For the year to 31 March 2007 the Board consisted of six members, all of whom are non-executive and four of whom are independent of the Investment Manager. Particulars of the Directors are set out on page 4. The Board has appointed Sir David Cooksey as Senior Independent Director who is available to shareholders if contact through the Chairman is inappropriate or he is unavailable.

The Directors normally meet as a Board on a quarterly basis, the Audit Committee at least twice each year, the Management Engagement Committee at least once each year and the Nomination and Remuneration Committees meet as and when required.

The number of meetings of the Board and Committees is given below, together with individual Director's attendance at those meetings:

	Board	Audit Committee	Management Engagement
Number held	4	2	1
Sir David Cooksey	4	2	1
Dr. James King	4	2	-
Rhoderick Swire	4	2	1
Henry Thornton	4	n/a	n/a
Richard Thornton	3	n/a	n/a
Harry Wells	4	2	n/a

The Board lays down guidelines within which the Manager implements investment policy and has a schedule of matters reserved for the resolution of the Directors. A full report on the investment holdings and performance is received from the Manager and discussed at Board meetings. The Manager also reports regularly to the Board on the Company's financial position.

All Board members have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring its compliance with board procedures. The appointment and replacement of the Company Secretary is a matter for the Board as a whole. The Directors also have the facility to take independent professional advice if necessary, at the Company's expense.

Board Structure

There is a clear division of responsibilities between the Chairman, the Board, the Manager and other third party service providers. No single director has unfettered powers of decision. The Chairman is responsible for leadership of the Board ensuring its effectiveness on all aspects of its role, sets the agenda and ensures that the Directors receive accurate, timely and clear information. The Board leads on matters concerning the Company's investment objective, gearing, capital structure,

THE ESTABLISHMENT INVESTMENT TRUST PLC

Corporate Governance Statement continued

governance, the appointment of service providers and liaison with shareholders. It is the sole responsibility of the Manager to take decisions on the purchase and sale of individual investments. Representatives of the Manager, the Secretary and Administrator attend each Board meeting. The Board, the Manager and Secretary operate in a supportive and cooperative manner.

Board Independence

The Board recognises that its prime purpose is to direct the business so as to maximise shareholder value within a framework of proper controls. It is predominantly an independent Board and whilst one Director, Henry Thornton, is also a director of the Investment Manager, in the opinion of the other Directors he acts strongly in the interest of the Company and refrains from voting on any matters that concern the interests of the Manager.

Evaluation of the performance of the Board

Subsequent to the year end, the Board conducted an evaluation of the performance of the Board, its Committees, individual Directors and third-party service providers. The evaluation was led by Dr James King, other than in respect of appraisal of his own performance which was led by Sir David Cooksey. The Board is satisfied from the results of the appraisals that the individual Directors, the Board Committees and third party service providers function effectively, collectively and individually, and that the Board contains an appropriate balance of skills and experience for the effective management of the Company.

Re-election of Directors

All directors are subject to election by shareholders at the first Annual General Meeting after their appointment. UKLA Listing Rule 15.2.7(3) requires a Director who is associated with the Investment Manager to stand for re-election annually. Principle A.7.1 of the Combined Code requires all Directors to submit themselves for re-election at least every three years.

The following Directors will retire and stand for re-election at the forthcoming Annual General Meeting in accordance with the above-mentioned provisions:

Mr Henry Thornton in accordance with the UKLA Listing Rule 15.2.7(3); and
Dr James King and Sir David Cooksey in accordance with principle A.7.1 of the Combined Code.

The biographies of the Directors are set out on page 4 of this Report. None of the Directors consider longevity of service as an impairment to independence or judgement but were this to become the case the relevant Director(s) would stand down.

The Board greatly values the experience and contribution to its deliberations, of the Directors standing for re-election and supports the proposal that these Directors be re-elected at the forthcoming Annual General Meeting of the Company.

The Nomination Committee

The Board as a whole fulfils the function of a Nomination Committee which considers appointments to the Board. The Directors have between them many years' collective experience within the industry and a broad knowledge of individuals who would have the necessary skills to promote and develop

THE ESTABLISHMENT INVESTMENT TRUST PLC

Corporate Governance Statement continued

the Company. Accordingly the Nomination Committee does not consider it necessary to engage the services of third party search consultants unless no such suitably skilled individuals can be identified by the members of the Committee.

Under Listing Rule LR 15.4.15, where an investment trust company has no executive directors, the Code's provisions relating to directors' remuneration do not apply. Details of the Directors' fees are given in the Directors' Remuneration Report on pages 19 and 20. The Company arranges appropriate insurance cover in respect of any legal action against the Directors.

Accountability and Audit

Financial Reporting

The Company has authorised the Investment Manager to vote on shares held in investee companies at its discretion having regard to the best interests of the Company on ordinary business proposed by investee companies. However, the Investment Manager is required to consult with the Chairman before voting on any special business.

Details of the Company's multi-currency revolving credit facility with the Bank of Scotland are disclosed in note 18 to the financial statements. The covenants relating to the facility are continuously monitored and monthly compliance certificates submitted to the bank. The Company continued to meet all bank-borrowing covenants relating to the facility throughout the year.

Internal Control

There is an ongoing process for identifying, evaluating and managing those risks which are significant for the Company reflecting the guidance provided by the Financial Reporting Council's (FRC) 'Internal Control Revised Guidance for Directors on the Combined Code'. This process has been in place for the year ended 31 March 2007 and up to the date of approval of the annual report and financial statements and is regularly reviewed by the Board.

The Board has ultimate responsibility for the system of internal control and for reviewing its effectiveness. An independent custodian is appointed with responsibility for safeguarding the Company's assets with clearly defined responsibilities between the Board, the Custodian and the Investment Manager, with detailed operating procedures in place. The internal controls operated by the Board include the authorisation of the investment strategy and regular reviews of the investment performance and financial results. The system is designed to manage rather than eliminate the risk of being unable to meet business objectives and can provide reasonable but not absolute assurance against material misstatements or loss, as explained by the FRC's guidance. The Board has monitored the operation and effectiveness of the Company's system of internal controls during the period through its ongoing identification, assessment and management of the Company's key risks, and an annual review of the Company's Risk Matrix is undertaken by the Audit Committee.

The Board has contractually delegated the management of the investment portfolio to the Investment Manager, BDT Investment Management Limited, the day to day administration and company secretarial functions to Phoenix Administration Services Limited, and the custodial services, which include the safeguarding of the Company's assets, to The Northern Trust Company. These contracts are only entered into after full consideration by the Board of the services undertaken.

The Investment Manager has established an internal control framework to provide reasonable assurance on the effectiveness of internal controls operated on behalf of its clients. The Investment Manager's compliance department assesses and reports to the Board on the effectiveness of the internal controls and the business risk exposure of the Investment Manager.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Corporate Governance Statement continued

The Investment Manager, Administrator and the Custodian of the Company's assets all maintain their own systems of internal and financial controls which are reviewed annually by the Audit Committee.

Audit Committee

The Company's Audit Committee comprises Sir David Cooksey (as Chairman), Dr James King, Mr Rhoderick Swire and Mr Harry Wells. All members of the Committee are independent and have considerable experience of the investment industry. The Committee meets at least twice each year with representatives of the Manager who report on the proper conduct of the Manager's business and internal controls in accordance with the regulatory environment in which both the Company and the Manager operate. Minutes of meetings are formally recorded and reported to the Board by the Audit Committee Chairman. The Company's external auditor also attends Committee meetings at least once a year and reports on its work procedures, the quality and effectiveness of the Company's accounting procedures and its findings in relation to the Company's statutory audit. The responsibilities of the Audit Committee include the review of internal controls and risk matrix, accounting policies, financial statements, the auditor's appointment and remuneration and the carrying value of any unquoted investments. The Audit Committee also agrees any non-audit work carried out by the external auditor and the fees payable for such work.

The Audit Committee and the Board consider the nature and terms of any non-audit work undertaken by the auditors and are satisfied from a review of both the audit and non-audit work undertaken for the Company by RSM Robson Rhodes LLP during the year that the auditor's independence was not compromised during the year nor is likely to be compromised in the foreseeable future. The Board has accepted the Audit Committee's recommendation that a proposal to reappoint the Auditors be considered at the forthcoming Annual General Meeting.

Since the Company's investment management, accounting and custodial activities are carried out by third party service providers, the Board does not consider it necessary to have a separate internal audit function, and as the Company has no employees it does not consider there is a need for 'whistleblowing'. The Audit Committee reviews the 'whistleblowing' procedures of the Manager. It satisfies itself about the effectiveness of internal controls by requiring service providers to report and give assurance on their controls to the Audit Committee. Although the Directors can thereby provide reasonable assurance against material misstatement or loss, they acknowledge that risk cannot be eliminated altogether. Their approach to managing internal control and risk conforms to the recommendations of the Internal Control Guidance for Directors ('Turnbull Guidance'). The Board confirms that in this manner it has reviewed the effectiveness of the Company's internal controls for the period under review, taking into account matters arising up to the date of the Report. The Directors are satisfied that all members of the Audit Committee have recent and relevant experience.

Management Engagement Committee

Mr Rhoderick Swire (as Chairman), Sir David Cooksey and Dr James King comprise the Management Engagement Committee which considers the terms of engagement with, and the fees and other remuneration payable to BDT Investment Management Limited and Phoenix Administration Services Limited, (see note 6 to the financial statements).

THE ESTABLISHMENT INVESTMENT TRUST PLC

Corporate Governance Statement continued

Shareholder Relations

The Company, through the Manager, has regular contact with its institutional shareholders and the views of shareholders are communicated to the Board. The Board supports the principle that the Annual General Meeting (AGM) of shareholders provides a constructive opportunity to facilitate communication with the Company's investors, and the Board encourages shareholders to attend and participate in the AGM. The provisions of the Combined Code in relation to the forthcoming AGM have been implemented in this Report.

The following may be inspected at the Registered Office of the Company during normal business hours:

The Terms of Reference for Committees of the Board
The terms and conditions of appointment of the Directors

Social, Economic and Environmental Matters

As an investment trust, the Company has no direct impact on social, economic and environmental issues.

Annual General Meeting

The Annual General Meeting of the Company will be held on Monday 23 July 2007 and all shareholders are encouraged to attend. In accordance with the Combined Code, the Notice of Meeting is circulated more than 20 working days before the meeting. Details of the Proxy votes received in respect of each resolution will be available to shareholders at the meeting and subsequently on the Company's website.

Going Concern

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

THE ESTABLISHMENT INVESTMENT TRUST PLC

Directors' Remuneration Report

The Company has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this report will be put to shareholders at the Annual General Meeting.

The law requires a Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in the report of the independent Auditors on pages 21 and 22.

Remuneration Committee

All Directors are non-executive and the Board as a whole fulfils the function of a Remuneration Committee. Following consideration of the Directors' fees, the Board concluded that the amounts should remain unchanged for the present.

Policy on Directors' Fees

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and a similar investment objective. It is intended that this policy will continue for the year ending 31 March 2008 and subsequent years.

The maximum aggregate Directors' fees (see note 5 to the financial statements) according to the Company's Articles of Association is £150,000 per financial year. The remuneration terms are reviewed annually by the independent Directors. No Director may vote on his own remuneration. Subject to the maximum aggregate Directors' fees shown above, each Director is entitled to a pro rata share of any performance fee, which shall be equal to 1% of the amount by which the increase in the Adjusted Market Capitalisation of an Ordinary Share (plus dividends paid since the last Performance Fee was paid) exceeds that of the Performance Hurdle. Directors are not eligible for pension entitlements, share options, long-term incentive schemes or other benefits.

Directors' Service Contracts

It is the Board's policy that none of the Directors has a service contract. The terms of their appointment provide that a Director shall retire and be subject to election at the first Annual General Meeting after their appointment and at least every three years after that. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

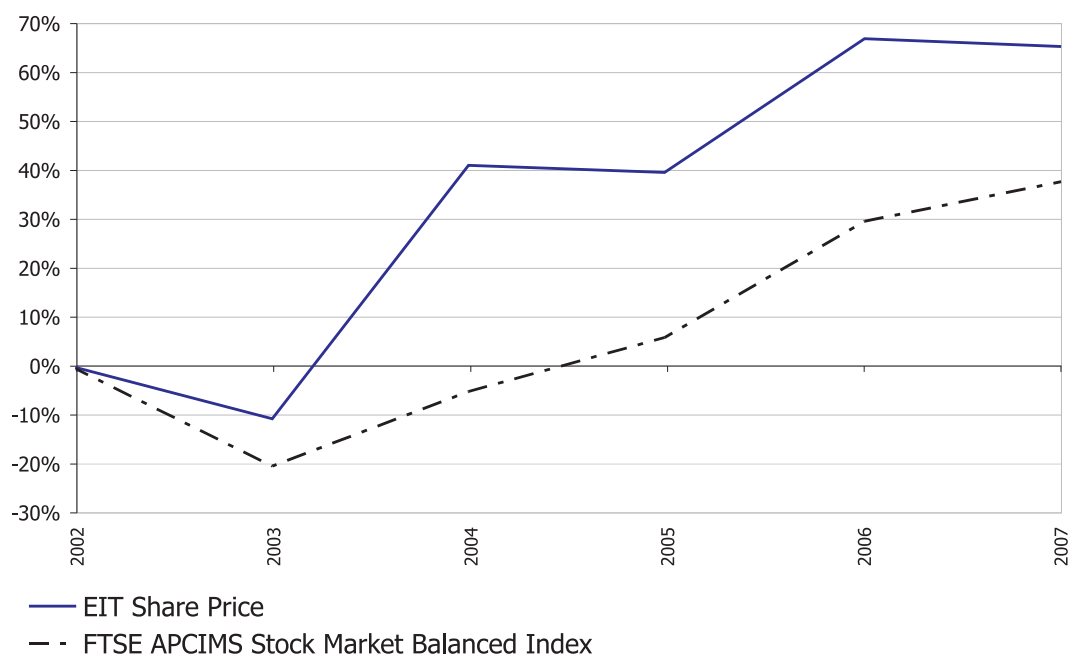
Your Company's performance

The graph on page 20 compares the total return (assuming all dividends are reinvested) to shareholders compared to the total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the FTSE APCIMS Stock Market Balanced Index is calculated. This index was chosen for comparison purposes, as it is more appropriate than a pure equity index to measure investment performance.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Directors' Remuneration Report *continued*

Share price performance relative to the FTSE APCIMS Stock Market Balanced Index for the five years to 31 March 2007 (total return)



Directors' emoluments and benefits for the year ended 31 March 2007 (audited)

	31 March 2007	31 March 2006
	£	£
Dr James King (Chairman of the Board)	15,000	15,000
Sir David Cooksey (Chairman of the Audit Committee)	12,500	12,500
Rhoderick Swire	10,000	10,000
Henry Thornton	n/a	n/a
Richard Thornton	10,000	10,000
Harry Wells	10,000	10,000
Total	<u>57,500</u>	<u>57,500</u>

There is no Directors' performance fee payable for the year to 31 March 2007 (2006:nil).

Because of his connection with the Investment Manager, Mr Henry Thornton has waived his entitlement to Directors' emoluments amounting to £10,000 per annum.

On behalf of the Board

Phoenix Administration Services Limited

Secretary

11 June 2007

THE ESTABLISHMENT INVESTMENT TRUST PLC

Report of the Independent Auditors

Independent Auditors' report to the Shareholders of The Establishment Investment Trust plc

We have audited the financial statements on pages 23 to 44. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement and Manager's Review that is cross-referred from the Business Review section of the Report of the Directors.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Investment Manager's Report, the Portfolio Holdings, the Investment Portfolio, Highlights for the Year, Performance and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Report of the Independent Auditors continued

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 March 2007 and of its return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

RSM Robson Rhodes LLP

Chartered Accountants and Registered Auditors

London, England

11 June 2007

THE ESTABLISHMENT INVESTMENT TRUST PLC

Income Statement for the years ended 31 March

		2007			2006		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	11	—	760	760	—	6,904	6,904
Exchange differences		—	147	147	—	(54)	(54)
Losses on forward currency contracts		—	—	—	—	(38)	(38)
Income	2	1,345	—	1,345	1,149	—	1,149
Investment management fees	3	(55)	(121)	(176)	(46)	(65)	(111)
Other expenses	4	(298)	(51)	(349)	(252)	(7)	(259)
Net return before finance costs and tax		992	735	1,727	851	6,740	7,591
Interest payable and similar charges	7	(37)	(128)	(165)	(23)	(81)	(104)
Return on ordinary activities before tax		955	607	1,562	828	6,659	7,487
Tax on ordinary activities	8	(192)	60	(132)	(248)	(48)	(296)
Return on ordinary activities after tax for the financial year		763	667	1,430	580	6,611	7,191
Return per Ordinary Share	10	3.81p	3.34p	7.15p	2.90p	33.05p	35.95p

All revenue and capital items in the above statement derive from continuing operations.

The total columns in this statement represent the profit and loss accounts of the Company.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

No operations were acquired or discontinued in the year.

The notes on pages 27 to 44 form part of these financial statements.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Reconciliation of Movements in Shareholders' Funds for the years ended 31 March 2006 and 31 March 2007

	Share capital £'000	Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
For the year ended 31 March 2007						
Net assets at 31 March 2006	5,000	14,701	2,786	9,037	464	31,988
Return on ordinary activities after tax for the financial year	—	—	1,793	(1,126)	763	1,430
Dividends paid (see note 9)	—	—	—	—	(580)	(580)
Net assets at 31 March 2007	5,000	14,701	4,579	7,911	647	32,838
	Share capital £'000	Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
For the year ended 31 March 2006						
Net assets at 31 March 2005	5,000	14,701	328	4,884	444	25,357
Return on ordinary activities after tax for the financial year	—	—	2,458	4,153	580	7,191
Dividends paid (see note 9)	—	—	—	—	(560)	(560)
Net assets at 31 March 2006	5,000	14,701	2,786	9,037	464	31,988

The notes on pages 27 to 44 form part of these financial statements.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Balance Sheet as at 31 March

		2007		2006	
Notes	£'000	£'000	£'000	£'000	£'000
Fixed assets					
Investments held at fair value through profit or loss	11		34,877		31,875
Current assets					
Debtors	12	234		130	
Cash at bank		2,350		2,606	
		2,584		2,736	
Creditors: amounts falling due within one year	13	(4,608)		(2,618)	
Net current (liabilities)/assets			(2,024)		118
Total assets less current liabilities			32,853		31,993
Provision for liabilities and charges	8		(15)		(5)
Net assets			32,838		31,988
 Capital and reserves					
Called up share capital	14		5,000		5,000
Share premium			14,701		14,701
			19,701		19,701
Capital reserve – realised	15		4,579		2,786
Capital reserve – unrealised	15		7,911		9,037
Revenue reserve			647		464
Equity shareholders' funds			32,838		31,988
Net asset value per Ordinary Share			164.19p		159.94p

The financial statements on pages 23 to 44 were approved by the Board on 11 June 2007 and were signed on its behalf by:

Dr. James King

Chairman

The notes on pages 27 to 44 form part of these financial statements.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Cash Flow Statement for the years ended 31 March

	Notes	2007 £'000	2006 £'000
Net cash inflow from operating activities	17a	714	755
Servicing of finance	17b	(142)	(101)
Taxation		(447)	(205)
Financial investment	17b	(2,242)	2,710
Net cash (outflow)/inflow before financing		(2,117)	3,159
Equity dividends paid		(580)	(560)
Financing activities	17b	2,630	(834)
(Decrease)/increase in cash in the year		(67)	1,765
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the year		(67)	1,765
Cash (inflow)/outflow from movement in net debt		(2,630)	834
Change in net cash resulting from cash flows		(2,697)	2,599
Exchange movements		147	(54)
Opening net cash/(debt)		403	(2,142)
Closing net (debt)/cash	17c	(2,147)	403

The notes on pages 27 to 44 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year is set out below:

(a) Basis of accounting

The accounts are prepared on the historical cost basis of accounting, except for the measurement at fair value of investments. The accounts have been prepared in accordance with applicable accounting standards and with the AIC Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' dated January 2003 revised December 2005. All of the Company's operations are of a continuing nature.

Valuation of fixed asset investments

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

The Company's investments have been designated at fair value through profit or loss, and are recognised on the trade date and are initially measured at fair value. Investments are measured at subsequent reporting dates at fair value, and changes in fair value are included in the Income Statement as a capital item. For listed investments fair value is deemed to be either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

Unquoted investments are valued by the Directors at fair value using market valuation techniques.

The investment in BDT Investment Management Limited (representing 15.3% of that company) is held as part of the investment portfolio. Accordingly, the shares are accounted for and disclosed in the same way as other investments in the portfolio. The valuation of the Company's investment in BDT Investment Management Limited is calculated at the end of each quarter on the basis of fair value as determined by the Directors of the Company. The valuation process is based on the average of book value of BDT Investment Management Limited, 4% of the value of funds under its management and four times its annual management charges.

(b) Reporting currency

The accounts are presented in Sterling which is the functional currency and presentational currency of the Company. Sterling is the functional currency because it is the currency of the primary economic environment in which the Company operates.

(c) Income

Dividends are credited to the revenue account on an ex-dividend basis or as soon as entitlement has been established, if later. The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security.

Bank and deposit interest is accounted for on an accruals basis.

(d) Dividends

Dividends declared and approved by the Company after the balance sheet date are not recognised as a liability of the Company at the balance sheet date.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements continued

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are recognised through the Income Statement as revenue items except as follows:

- the investment management fee has been allocated 80% to capital reserve – realised and 20% to the revenue account within the Income Statement reflecting the Board's expected long-term split of returns in the form of capital gains and income respectively from the investment portfolio.
- the investment performance fee has been allocated 100% to capital reserve – realised within the Income Statement.
- expenses which are incidental to the sale of an investment are deducted from the proceeds of the sale of investment.
- any other expenses incurred in connection with the acquisition or disposal of an investment are allocated to capital reserve – realised within the Income Statement.
- finance costs are accounted for on an accruals basis. Finance costs of debt in so far as they relate to the financing of the Company's investments have been allocated 80% to the capital reserve – realised and 20% to the revenue account within the Income Statement. This allocation is in line with the Board's expected long-term split of returns in the form of capital gains and income respectively from the investment portfolio.

(f) Taxation

Deferred taxation is provided on all differences which have originated but not reversed by the balance sheet date, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

(g) Foreign currency

Transactions and investment income denominated in foreign currencies are recorded in Sterling at actual exchange rates at the date of the transaction or receipt. Monetary assets and liabilities denominated in foreign currencies at the year end are recorded in Sterling at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve. The value of investments in foreign currencies is expressed in Sterling at the rates of exchange prevailing at the year end. Surpluses and deficits arising from conversion at this rate of exchange are taken directly to capital reserves.

(h) Going concern

In accordance with the Articles of Association, an Ordinary Resolution will be put to shareholders to vote on the continuation of the Company in its current form, at the Annual General Meeting to be held on Monday 23 July 2007. If this resolution is passed, then a similar resolution will be proposed at every third subsequent Annual General Meeting of the Company.

The Directors are recommending that shareholders vote in favour of this resolution. The Company also has adequate resources to continue in existence for the foreseeable future. For these reasons, the Board believes that it is appropriate for the accounts to be prepared on a going concern basis.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements continued

2 Income

	2007 £'000	2006 £'000
Income from investments		
Overseas dividends	808	777
Overseas fixed interest income	79	73
UK dividends	309	73
UK fixed interest income	85	156
	<u>1,281</u>	<u>1,079</u>
Other income		
Deposit interest	<u>64</u>	<u>70</u>
Total income comprises:		
Dividends	1,117	850
Interest	228	299
	<u>1,345</u>	<u>1,149</u>

During the period the Company purchased and sold the following investments within one month. This increased the Company's net income by £415,774 (subject to withholding tax) at the expense of capital by £373,348, details are as follows:

Investment	Net income received	(Loss)/gain to capital
300,000 Bank Leumi Le-Israel	63,225	(65,755)
3,000,000 China Steel	181,050	(174,779)
2,500,000 Evergreen Marine	72,490	(73,441)
200,000 Novatek Microelectronics	25,585	5,171
1,416,000 Sincere Navigation	73,424	(64,544)
	<u>415,774</u>	<u>(373,348)</u>

3 Investment management fees

	2007			2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	63	252	315	55	220	275
Rebate of investment management fee (see below)	(8)	(32)	(40)	(9)	(34)	(43)
Rebate of investment performance fee (see below)	—	(99)	(99)	—	(121)	(121)
	<u>55</u>	<u>121</u>	<u>176</u>	<u>46</u>	<u>65</u>	<u>111</u>

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements *continued*

3 Investment management fees *continued*

For the avoidance of double charging management fees, the Investment Manager has agreed to rebate any periodic management fee that it receives from the Company by the amount of fees receivable by it from BDT Investment Management Limited products ("BDT Invest products") in respect of the Company's investments in those funds. The Investment Manager has agreed that any performance fees that it earns from BDT Invest products in respect of the Company's investment in those funds will be rebated to the Company.

As at 31 March 2007 the Company had investments in the following BDT Invest products:

- 60,000 shares in BDT Invest Japan Fund Distributor at a total cost of £600,000;
- 60,000 shares in BDT Invest Japanese Smaller Companies 'B' Fund at a total cost of £311,381;
- 200,000 shares in BDT Invest Emerging Markets Focus 'B' at a total cost of £1,122,334;
- 50,000 shares in BDT Invest Asia Fund Distributor at a total cost of £2,717,834.

The amounts rebated on the investment management fee are shown above, of which £9,876 (2006: £17,226) relates to the Company's investment in BDT Invest Japan Fund, £5,792 (2006: £6,830) relates to the Company's investment in BDT Invest Japanese Smaller Companies Fund, £14,025 (2006: £11,913) relates to the Company's investment in BDT Invest Emerging Markets Focus 'B' Fund and £10,135 (2006: £7,035) relates to the Company's investment in BDT Invest Japanese Focus Fund 'B'. The amounts rebated on the performance fee earned by the Investment Manager are shown above, of which £51,822 (2006: £112,140) relates to the Company's investment in BDT Invest Japan Fund, £6,181 (2006: £8,561) relates to the Company's investment in BDT Invest Emerging Markets Focus 'B' Fund and £41,093 (2006: nil) relates to the Company's investment in BDT Invest Asia Fund. Details of the investment management agreement are disclosed in note 6.

4 Other expenses

	2007	2006
	£'000	£'000
Administration fee	70	65
Directors' emoluments (see note 5)	58	58
Auditors' remuneration for:		
– audit of the financial statements of the Company	16	19
– other services relating to taxation	4	4
Custodian fees	33	32
London Stock Exchange and FSA fees	10	10
Other	107	64
	298	252
Capital charges	51	7
	349	259

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements *continued*

5 Directors' emoluments

	2007 £'000	2006 £'000
Directors' fees	<u>58</u>	<u>58</u>

The Chairman and Directors receive emoluments of £15,000 and £10,000 per annum respectively, and the Chairman of the Audit Committee receives a further £2,500 per annum. Directors fees totalling £10,000 have been waived in full by Mr Henry Thornton. In addition, the Directors are entitled to a performance fee at the rate of 1% and calculated on the same basis as for the investment management performance fee (as described in note 6) subject to a total remuneration cap of £150,000 for all Directors in each performance period. Mr Henry Thornton is not entitled to a Directors' bonus.

There is no Directors' performance fee payable for the year to 31 March 2007 (2006: £nil).

There were no pension contributions paid or payable.

The Company has no employees.

6 Disclosure of interests (see page 10 also)

In accordance with an investment management agreement dated 11 February 2002 between the Company and BDT Investment Management Limited ("BDT Invest"), BDT Invest has been appointed to provide investment management services to the Company for which BDT Invest receives an annual fee of 1% of the Adjusted Market Capitalisation of the Company, calculated on the last Business Day of each calendar month and payable in arrears in respect of each calendar month. The amount charged during the year is shown in note 3 and £23,266 (2006: £22,191) of the fee for the year was outstanding as at the balance sheet date.

A performance fee is payable at the rate of 10% of the amount by which the growth in the Adjusted Market Capitalisation per Ordinary Share of the Company (plus dividends paid since the last performance fee was paid) exceeds the Performance Hurdle. The "Performance Hurdle" for the fifth Performance Period of the Company in respect of the Ordinary Shares is 162.85p per Ordinary Share grown by the Performance Rate of Return calculated on the basis of the number of days elapsed in the relevant Performance Period. The "Performance Rate of Return" for each Performance Period is calculated at the rate of 10% compound per annum. The performance fee is payable in arrears in respect of each Performance Period.

There is no performance fee payable for the year to 31 March 2007 (2006: £nil).

BDT Invest's appointment as Investment Manager is subject to termination by the Company on six months' notice.

In accordance with an administration agreement dated 11 February 2002 between the Company and Phoenix Administration Services Limited ("Phoenix"), Phoenix has been appointed to provide administration and company secretarial services to the Company for which Phoenix receives an annual fee of £75,000, increased from £70,000 on 1 March 2007.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements continued

7 Interest payable and similar charges

	2007			2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
On loans and overdrafts	<u>37</u>	<u>128</u>	<u>165</u>	<u>23</u>	<u>81</u>	<u>104</u>

8 Taxation

The tax charge on the profit on ordinary activities for the year was as follows:

	2007			2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax	112	—	112	235	178	413
Overseas tax - double tax relief	<u>(112)</u>	<u>—</u>	<u>(112)</u>	<u>(82)</u>	<u>—</u>	<u>(82)</u>
	—	—	—	153	178	331
Irrecoverable overseas tax	126	—	126	78	—	78
Tax relief on expenses charged to capital	60	(60)	—	20	(20)	—
Prior year adjustment	<u>(4)</u>	<u>—</u>	<u>(4)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Tax charge in respect of current year	182	(60)	122	251	158	409
Deferred tax - current year	<u>10</u>	<u>—</u>	<u>10</u>	<u>(3)</u>	<u>(110)</u>	<u>(113)</u>
Tax charge per accounts	<u>192</u>	<u>(60)</u>	<u>132</u>	<u>248</u>	<u>48</u>	<u>296</u>

The tax charge against capital for the year ended 31 March 2006 reflects tax arising on gains on overseas domiciled funds treated as income gains for tax purposes.

The current taxation charge for the year is different from the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2007 £'000	2006 £'000
Revenue on ordinary activities before taxation	<u>955</u>	<u>828</u>
Theoretical tax at UK corporation tax rate 30% (2006:30%)	287	248
Effects of:		
- UK Dividends which are not taxable	(93)	(22)
- Adjustments for overseas tax	2	(3)
- Tax on expenses charged to capital	60	20
- Prior year adjustments	(4)	5
- Allowable expenses in capital account	(74)	—
- Current year excess expenses	<u>14</u>	<u>—</u>
Actual current tax charge	<u>192</u>	<u>248</u>

The Company is an Investment Trust and whilst it obtains exemption under section 842 of the Income & Corporation Taxes Act 1988 is not subject to UK taxation on capital gains.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements continued

8 Taxation continued

Provisions for liabilities and charges / deferred taxation

	2007	2006
	£'000	£'000
Deferred tax provided		
Accrued income taxable on receipt	15	5
	<u>15</u>	<u>5</u>

The movement in the provision is as follows:

	£'000	£'000
Provision at start of year	5	118
Deferred tax debit as per movement in revenue account	10	(3)
Deferred tax debit as per movement in capital account	—	(110)
Provision at end of year	15	5
	<u>15</u>	<u>5</u>

Deferred tax has been provided at 30% because of uncertainty as to the average rate of tax that will apply at the time when the underlying timing differences reverse.

In the opinion of the Directors the Company has complied with the requirements of section 842 of the Income & Corporation Taxes Act 1988.

9 Dividends and other appropriations

The Directors have proposed the payment of a final dividend for the year ended 31 March 2007 of 1.70p (2006: 1.60p) per Ordinary Share, subject to shareholder approval, payable on 25 July 2007 to shareholders registered on 6 July 2007 (ex-dividend 4 July 2007).

An interim dividend for the year ended 31 March 2007 of 1.30p per Ordinary Share (2006: 1.30p) was paid on 15 December 2006 to shareholders registered on 1 December 2006 (ex-dividend 29 November 2006).

Total dividends of £580,000 (2006: £560,000) paid during the year comprise the final dividend for the year to 31 March 2006 amounting to £320,000 (2006: £300,000) and the interim dividend for the year ended 31 March 2007 amounting to £260,000 (2006: £260,000).

10 Return per Ordinary Share

The total return per Ordinary Share is based on total return on ordinary activities after taxation of £1,430,000 (2006: £7,191,000) divided by 20,000,000 Ordinary Shares (2006: 20,000,000) being the weighted average number of Ordinary shares in issue during the year.

The revenue return per Ordinary Share is based on net revenue on ordinary activities after taxation of £763,000 (2006: £580,000) divided by 20,000,000 Ordinary Shares (2006: 20,000,000) being the weighted average number of Ordinary Shares in issue during the year.

The capital return per Ordinary Share is based on net capital profit for the financial year of £667,000 (2006: £6,611,000) divided by 20,000,000 Ordinary Shares (2006: 20,000,000) being the weighted average number of Ordinary Shares in issue during the year.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements *continued*

11 Investments

	2007	2006
	£'000	£'000
Investments listed on a recognised investment exchange	32,633	29,765
Unlisted investments	2,244	2,110
Valuation at year end	34,877	31,875
Opening book cost	22,838	22,670
Opening unrealised appreciation	9,037	5,011
Opening valuation	31,875	27,681
Movements in the year:		
Purchases at cost	26,757	23,242
Sales – proceeds	(24,515)	(25,952)
– realised gains on sales	1,886	2,878
(Decrease)/increase in unrealised appreciation for the year	(1,126)	4,026
Closing valuation	34,877	31,875
Closing book cost	26,966	22,838
Closing unrealised appreciation	7,911	9,037
	34,877	31,875
Sale proceeds	24,515	25,952
Investments at cost	(22,629)	(23,074)
Realised gains on sales based on historical cost	1,886	2,878
Less gains recognised as unrealised in previous year	(2,663)	(2,051)
Realised (losses)/profits on sales based on carrying value at previous year's balance sheet date	(777)	827
Unrealised appreciation for the year	1,537	6,077
Net gains on investments	760	6,904

Investment transaction costs on purchases and sales of investments during the year to 31 March 2007 amounted to £65,000 and £92,000 respectively (2006: £31,000 and £46,000 respectively).

Significant holdings

Included in the above are the following investments in which the Company has an interest of 20% or more of the nominal value of the shares of that class in the investee company as at 31 March 2007.

Investments	Country of registration	Class of capital	% of class held
BDT Invest Asia Fund*^	Cayman Islands	Distributor - US Dollar	72.46%
BDT Invest Japan Fund Ltd*^	Cayman Islands	Distributor - Sterling	43.32%
BDT Invest Emerging Markets Focus Fund*^	Republic of Ireland	'B' US Dollar	31.95%

*Country of listing - Republic of Ireland

^Whilst the above investment represents a significant holding in its share class the holding represents less than 20% of the entire share capital of the fund.

The Company has arrangements in place with the Investment Manager to avoid double charging of fees and expenses on investments made in other BDT Invest products (see note 3).

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements continued

11 Investments continued

Holding in BDT Investment Management Limited

As at 31 December 2006, the latest year end for BDT Investment Management Limited, the audited aggregate capital and reserves amounted to £2,013,102 (2005: £1,947,280) and the profit for that year ended amounted to £937,892 (2005: £2,215,024). The total amount of dividends paid during the year was £479,050 (2005: £1,217,080) equating to a dividend of £0.65 (2005: £1.60) per share. The earnings per share was £1.22 (2005: £2.90) and the dividend was covered 1.87 times (2005: 1.81).

12 Debtors

	2007	2006
	£'000	£'000
VAT recoverable	10	20
Prepayments and accrued income	224	110
	<u>234</u>	<u>130</u>

13 Creditors: amounts falling due within one year

	2007	2006
	£'000	£'000
Bank loan	4,497	2,203
Accruals and deferred income	111	84
Corporation tax payable	—	331
	<u>4,608</u>	<u>2,618</u>

14 Called up share capital

	2007		2006	
	No. of shares		No. of shares	
	000's	£'000	000's	£'000
Authorised: Ordinary Shares of 25p each	<u>30,000</u>	<u>7,500</u>	<u>30,000</u>	<u>7,500</u>
Issued and fully paid: Ordinary Shares of 25p each	<u>20,000</u>	<u>5,000</u>	<u>20,000</u>	<u>5,000</u>

There has been no change in the capital structure during the year to 31 March 2007.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements continued

15 Capital reserve

	2007	2007	2007
	Realised	Unrealised	Total
	£'000	£'000	£'000
Balance at beginning of year	2,786	9,037	11,823
Net realised loss on investments	(777)	—	(777)
Unrealised appreciation arising in year	—	1,537	1,537
Transfer on disposal of investments	2,663	(2,663)	—
Foreign currency exchange differences	147	—	147
Capital charges	(51)	—	(51)
Management fee allocated to capital	(220)	—	(220)
Rebate of performance fee in relation to the Company's investment in:			
BDT Invest Japan Fund	52	—	52
BDT Invest Emerging Markets Focus 'B' Fund	6	—	6
BDT Invest Asia Fund	41	—	41
Loan interest charged to capital	(128)	—	(128)
Tax relief on expenses charged to capital	60	—	60
Balance at end of year	<u>4,579</u>	<u>7,911</u>	<u>12,490</u>

16 Net asset value per share

The net asset value per Ordinary Share and the net asset value at the year end calculated in accordance with the Articles of Association were as follows:

Net asset value per share attributable		Net asset value attributable	
2007	2006	2007	2006
p	p	£'000	£'000
<u>164.19</u>	<u>159.94</u>	<u>32,838</u>	<u>31,988</u>

The movements during the year of the assets attributable to each Ordinary Share were as follows:

	Ordinary Shares £'000
Total net assets attributable at beginning of year	31,988
Total recognised gains for the year	1,430
Dividends paid during the year	<u>(580)</u>
Total net assets attributable at end of year	<u>32,838</u>

The net asset value per Ordinary Share is based on net assets of £32,838,000 (2006: £31,988,000) and on 20,000,000 Ordinary Shares (2006: 20,000,000) being the number of Ordinary Shares in issue at the year end.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements continued

17 Cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2007	2006
	£'000	£'000
Net return finance costs and taxation	1,727	7,591
Gains on investments held at fair value	(760)	(6,904)
(Gains)/losses on exchange movements	(147)	54
(Increase)/decrease in other debtors	(31)	1,998
(Increase)/decrease in accrued income	(78)	17
Increase/(decrease) in creditors	3	(2,001)
	714	755
	714	755

(b) Analysis of cash flows for headings netted in the cash flow statement

	2007	2006
	£'000	£'000
Servicing of finance		
Interest paid allocated to income	(30)	(22)
Interest paid allocated to capital	(112)	(79)
	(142)	(101)
	(142)	(101)

	2007	2006
	£'000	£'000
Financial investment		
Purchase of investments	(26,757)	(23,242)
Sale of investments	24,515	25,952
	(2,242)	2,710
	(2,242)	2,710

	2007	2006
	£'000	£'000
Financing activities		
Loans drawn down/(repaid)	2,630	(834)
	2,630	(834)
	2,630	(834)

(c) Analysis of net debt

	At 1 April 2006	Cash flow	Exchange movement	At 31 March 2007
	£'000	£'000	£'000	£'000
Cash at bank	2,606	(67)	(189)	2,350
Bank loan	(2,203)	(2,630)	336	(4,497)
	403	(2,697)	147	(2,147)
	403	(2,697)	147	(2,147)

Notes to the Financial Statements continued

18 Fund risk profile

The investment objective of the Company is to achieve long-term capital growth from a managed international portfolio of securities. The preservation of capital will be of primary importance to the investment objective. In pursuit of this objective, the Company may be exposed to various forms of risk, as described below.

The Company's financial instruments comprise:

Equity shares held in accordance with the Company's investment objective and policies.

Fixed interest securities, cash and liquid resources as well as debtors and creditors arising from its operations.

The Company may enter into forward currency contracts in order to manage the risks arising from its investment activities. During the year no contracts were entered into.

The Company, as stated in the Report of the Directors on page 9, conducts its affairs so as to enable it to qualify as an investment trust. As part of the rules governing this status, no investment at the time of purchase can represent more than 15% by value of the Company's portfolio of investments.

The risks arising from the Company's financial instruments are market price risk, which comprises interest rate risk, equity price changes and foreign currency exposure. The Board reviews and agrees policies with the investment manager, BDT Investment Management Limited, for managing each of these risks. These policies have remained unchanged since 1 April 2006.

There is no detailed disclosure of credit risk as this is not considered material in the context of the Company's overall activities.

Market price risk

Market price risk arises mainly from the uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements and changes in exchange rates. The Board meets quarterly to consider the asset allocation of the portfolio and the risk associated with particular markets and industry sectors.

The investment manager is responsible for actively monitoring the portfolio and seeks to ensure that individual stocks meet an acceptable risk-reward profile.

Currency risk

The Company's total return and balance sheet can be significantly affected by foreign exchange movements because some of the Company's assets and income are denominated in currencies other than the Company's base currency (sterling).

The Board have identified three principal areas where foreign currency risk could impact the Company:

- Movements in rates affecting the value of investments
- Movements in rates affecting short-term timing differences
- Movements in rates affecting the income received

Notes to the Financial Statements continued

18 Fund risk profile continued

The Company might also be subject to short-term exposure from exchange rate movements, for example between the date when the investment is bought or sold and the date when settlement of the transaction occurs. Investment income denominated in foreign currencies is not converted into sterling.

Interest rate risk

The Company's assets include fixed interest stocks, the values of which are regularly reviewed by the Board. The Company has a multi-currency revolving credit facility to the sterling equivalent of up to £5 million with the Bank of Scotland at floating rates of interest.

Liquidity risk

The Company's investments mainly comprise listed equities and are for the most part readily realisable securities, which can be easily sold to meet funding commitments if necessary. Short-term flexibility is achieved by the use of overdrafts and the multi-currency revolving credit facility as required.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements *continued*

18 Fund risk profile *continued*

Currency exposure

Financial Assets

The Company's financial assets comprise equity investments, fixed interest securities, short term trade receivables and cash balances.

As at 31 March 2007 the Company's currency cash-flow profile of those financial assets was as follows:

	£'000 Sterling	£'000 US\$	£'000 JPY	£'000 Euro	£'000 Other	£'000 Total
Investments held at fair value through profit or loss	12,615	4,574	4,412	2,693	10,583	34,877
Cash at bank	361	1,122	—	—	867	2,350
Debtors	117	3	14	45	28	207
	<u>13,093</u>	<u>5,699</u>	<u>4,426</u>	<u>2,738</u>	<u>11,478</u>	<u>37,434</u>

As at 31 March 2006 the Company's currency cash-flow profile of those financial assets was as follows:

	£'000 Sterling	£'000 US\$	£'000 JPY	£'000 Euro	£'000 Other	£'000 Total
Investments held at fair value through profit or loss	10,754	5,135	4,466	2,801	8,719	31,875
Cash at bank	1,753	—	—	—	853	2,606
Debtors	29	2	16	46	—	93
	<u>12,536</u>	<u>5,137</u>	<u>4,482</u>	<u>2,847</u>	<u>9,572</u>	<u>34,574</u>

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements continued

18 Fund risk profile continued

Currency exposure continued

Financial Liabilities

The Company's financial liabilities comprise of its Bank of Scotland loan facility and other short-term trade payables.

As at 31 March 2007 the Company's currency cash-flow profile of those financial liabilities was as follows

	£'000 Sterling	£'000 US\$	£'000 JPY	£'000 Euro	£'000 Other	£'000 Total
Bank of Scotland loan facility	—	(3,569)	(928)	—	—	(4,497)
Creditors	(74)	(35)	(2)	—	—	(111)
	<u>(74)</u>	<u>(3,604)</u>	<u>(930)</u>	<u>—</u>	<u>—</u>	<u>(4,608)</u>

As at 31 March 2006 the Company's currency cash-flow profile of those financial liabilities was as follows:

	£'000 Sterling	£'000 US\$	£'000 JPY	£'000 Euro	£'000 Other	£'000 Total
Bank of Scotland loan facility	—	(1,153)	(1,050)	—	—	(2,203)
Creditors	(67)	(15)	(2)	—	—	(84)
	<u>(67)</u>	<u>(1,168)</u>	<u>(1,052)</u>	<u>—</u>	<u>—</u>	<u>(2,287)</u>

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements continued

18 Fund risk profile continued

Interest rate risk profile of financial assets and financial liabilities

As at 31 March 2007, the carrying amount, by the earlier of contractual re-pricing or maturity date, of the Company's financial instruments was as follows:

	In 1 year or less £'000	In more than 1 year but not more than 2 years £'000	In more than 2 years but not more than 3 years £'000	In more than 3 years but not more than 4 years £'000	In more than 5 years £'000	Total £'000
Fair value interest rate risk						
Financial assets held at fair value through profit or loss						
- Non-current assets	1,992	7,077	—	—	—	9,069
The effective interest rate of financial assets held at fair value in one year or less is 5.02% and in 1 to 2 years is 4.43%.						
Cash flow interest rate risk						
Loans and receivables						
- Cash at bank	327	—	—	—	—	327
Financial liabilities						
- Multi-currency revolving credit facility	(4,497)	—	—	—	—	(4,497)
No interest rate risk						
Financial assets held at fair value through profit or loss						
- Non-current assets	25,808	—	—	—	—	25,808
Loans and receivables						
- Cash at bank	2,023	—	—	—	—	2,023
- Debtors	207	—	—	—	—	207
Other financial liabilities						
- Creditors	(111)	—	—	—	—	(111)

The cash balance of £327,000 held on deposit received interest at the Northern Trust deposit rate of 3.75% per annum as at the year end date. Cash balances of Taiwan dollars (sterling equivalent £841,000), India Rupees (sterling equivalent £25,000) and sterling £35,000 were held on a non-interest bearing accounts. A cash balance of US dollars (sterling equivalent £1,122,000) was held on a non-interest bearing account with HSBC in advance of an application to invest in BDT Invest Asia (Distributor) Fund.

The interest rates on the sums drawn down under the loan facility are at the Bank of Scotland market interest rate plus interest margin. As at the year end 31 March 2007, the all in annual interest rate for the US Dollar loan was 6.624% and the Japanese Yen loan was 1.880%.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements continued

18 Fund risk profile continued

Interest rate risk profile of financial assets and financial liabilities continued

As at 31 March 2006, the carrying amount, by the earlier of contractual re-pricing or maturity date, of the Company's financial instruments was as follows:

	In 1 year or less £'000	In more than 1 year but not more than 2 years £'000	In more than 2 years but not more than 3 years £'000	In more than 3 years but not more than 4 years £'000	In more than 5 years £'000	Total £'000
--	-------------------------------	---	--	--	----------------------------------	----------------

Fair value interest rate risk

Financial assets held at fair value
through profit or loss

- Non-current assets	2,028	—	2,801	—	—	4,829
----------------------	-------	---	-------	---	---	-------

The effective interest rate of financial assets held at fair value in less than one year is 7.64% and in 2 to 3 years is 3.49%.

Cash flow interest rate risk

Loans and receivables

- Cash at bank	1,554	—	—	—	—	1,554
----------------	-------	---	---	---	---	-------

Financial liabilities

- Multi-currency revolving credit facility	(2,203)	—	—	—	—	(2,203)
--	---------	---	---	---	---	---------

No interest rate risk

Financial assets held at fair value
through profit or loss

- Non-current assets	27,046	—	—	—	—	27,046
----------------------	--------	---	---	---	---	--------

Loans and receivables

- Cash at bank	1,052	—	—	—	—	1,052
----------------	-------	---	---	---	---	-------

- Debtors	93	—	—	—	—	93
-----------	----	---	---	---	---	----

Other financial liabilities

- Creditors	(84)	—	—	—	—	(84)
-------------	------	---	---	---	---	------

The cash balance of £1,554,000 held on deposit received interest at the Northern Trust deposit rate of 3.00% per annum as at the year end date. Cash balances of Taiwan dollars (sterling equivalent £853,000) and sterling £199,000 were held on non-interest bearing accounts.

The interest rates on the sums drawn down under the loan facility are at the Bank of Scotland market interest rate plus interest margin. As at the year end 31 March 2006, the all in annual interest rate for the US dollar loan was 5.814% and the Japanese Yen loan was 1.395%.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements continued

18 Fund risk profile continued

Borrowing facilities

The Company has a facility agreement with the Bank of Scotland for a multi-currency revolving credit facility to the sterling equivalent of up to £5 million. It has been secured by a floating charge over the Company's assets.

Fair values of financial assets and financial liabilities

The Directors are of the opinion that all financial assets and liabilities of the Company are stated at fair value in the balance sheet as at 31 March 2007 and 31 March 2006.

19 Financial commitments and contingent liabilities

As at the year end there was a financial commitment outstanding of USD 2,200,000 (sterling equivalent £1,122,000) relating to an application for shares in BDT Invest Asia Fund Distributor (2006: none).

There were no contingent liabilities outstanding at the year end (2006: none).

20 Total expense ratio

	2007		2006	
	£'000	%	£'000	%
Total operating expenses*	664	2.09	534	1.90

*Total operating expenses (capital & income) prior to the reduction in expenses of £40,000 (2006: £43,000) in respect of management fee waiver and £99,000 (2006: £121,000) in respect of performance fee waiver (see note 3).

The above total expense ratio is based on the average total assets/shareholders' funds of £31,717,000 (2006: £28,096,000) calculated at the end of each month during the year.

21 Related party disclosure

BDT Investment Management Limited acts as investment manager to the Company. The amounts paid to BDT Invest are disclosed in note 3 and further details of the relationship between the Company and BDT Invest are set out in note 6. Full details of Directors' interests are set out in the Report of the Directors on page 10.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notice of Annual General Meeting

Notice is hereby given that the fifth Annual General Meeting of The Establishment Investment Trust plc will be held at the offices of BDT Investment Management Limited, 52 Jermyn Street, London, SW1Y 6LX on Monday 23 July 2007 at 4.00 pm for the following purposes:

Ordinary Business

1. to receive the Accounts and the Reports of the Directors and auditors for the year ended 31 March 2007;
2. to approve the Directors' Remuneration Report;
3. to declare a final dividend of 1.70p per Ordinary Share;
4. to re-elect Mr Henry Thornton as a Director of the Company;
5. to re-elect Dr James King as a Director of the Company;
6. to re-elect Sir David Cooksey as a Director of the Company;
7. to reappoint RSM Robson Rhodes LLP or its successor firm as auditors to the Company and to authorise the Directors to determine the auditors' remuneration.

Special Business

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

8. to approve the continuation of the Company as an investment trust.

Dated this 11th day of June 2007

By order of the Board

Phoenix Administration Services Limited

Secretary

Notes

- 1) A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend in their place and, on a poll, vote instead of that shareholder. A proxy need not be a shareholder of the Company.
- 2) Shareholders are invited to complete and return the reply paid form of proxy which accompanies this report. Lodgement of the form of proxy will not prevent a shareholder from attending and voting at the meeting if they subsequently so decide.
- 3) To be valid, the form of proxy and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority) must be completed and received at the relevant address below not later than 48 hours before the time set for the meeting or adjourned meeting or; in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting; for the taking of the poll at which it is to be used:
 - a) If sent by post: Capita Registrars Proxy Processing Centre, Telford Road, Bicester OX26 4LD
 - b) If delivered by hand: Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notice of Annual General Meeting continued

- 4) Entitlement to attend and vote at the Annual General Meeting or any adjournment thereof, and the number of votes which may be cast thereat, will be determined by reference to the register of shareholders of the Company at 6.00 pm on 21 July 2007 or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting. Changes to the register of shareholders after such time will be disregarded.
- 5) No Director has a service contract with the Company.
- 6) The register of Directors' interests will be available for inspection at the Annual General Meeting for fifteen minutes prior to and during the meeting.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Company Information

Directors

Dr. James King (Chairman)
Sir David Cooksey
Rhoderick Swire
Henry Thornton
Richard Thornton
Harry Wells

Investment Manager

BDT Investment Management Limited
52 Jermyn Street
London
SW1Y 6LX
Tel: 020 7659 1300

Company Secretary and registered office

Phoenix Administration Services Limited
Springfield Lodge
Colchester Road
Chelmsford
Essex
CM2 5PW
Tel: 01245 398 950
www.phoenixadmin.co.uk
email: info@phoenixadmin.co.uk

Solicitors

Stephenson Harwood
One, St. Paul's Churchyard
London
EC4M 8SH

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
HD8 0LA
Tel: 0870 162 3100

Registered auditor

RSM Robson Rhodes LLP
30 Finsbury Square
London
EC2P 2YU

Brokers

JPMorgan Cazenove
20 Moorgate
London
EC2R 6DA

Custodian

The Northern Trust Company
London Branch
155 Bishopsgate
London
EC2M 3XS

Shareholder relations

The Company's share price for Ordinary Shares is listed daily in the Financial Times.

Company Web site: <http://www.bdtinvest.com/eit.html>

Individual Savings Account ('ISA')

The Company's shares are eligible to be held in an ISA account subject to HM Revenue & Customs' limits.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Investment Manager

BDT Investment Management Limited
52 Jermyn Street
London SW1Y 6LX
Tel: 020 7659 1300
Email: info@bdtinvest.com
www.bdtinvest.com

Monthly updates are available from the Investment Manager

Company Secretary and registered office

Phoenix Administration Services Limited
Springfield Lodge
Colchester Road
Chelmsford
Essex
CM2 5PW
Tel: 01245 398950
Fax: 01245 398951
www.phoenixadmin.co.uk

The Establishment Investment Trust plc
Registered in England 4355437