

THE ESTABLISHMENT INVESTMENT TRUST PLC

Report and Accounts
For the year ended 31 March 2009



THE ESTABLISHMENT INVESTMENT TRUST PLC

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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.

Investment Policy

- To invest primarily in equities issued by companies listed on regulated markets. With the prior approval of the Board, the Company may invest in unlisted securities.
- The Company holds, and expects to retain, a 15% economic interest in its Investment Manager, BDT Invest LLP via its investment in BDT Investment Management Limited.
- Up to 30% of net assets may be invested in investment products managed by BDT Invest LLP. The Company may also hold positions in investment products managed by third parties.
- Up to a maximum of 15% (at cost at the date of investment) may be invested in any one security.
- The Company may borrow up to a maximum of 50% of net assets.

Highlights for the Year

Performance comparisons 31 March 2008 - 31 March 2009

	31 March 2008	31 March 2009	Change
Share price	145.00p	106.00p	-26.90%
Net asset value	164.39p	123.13p	-25.10%
Performance Fee Hurdle #	197.05p	216.75p	+10.00%
Adjusted Market Capitalisation #	161.24p	123.99p	-23.10%
UK Equity *			-28.36%
World Equity *			-20.23%
Japan *			-11.05%
Asia ex Japan Equity *			-22.24%
UK Bond *			+10.32%

The Adjusted Market Capitalisation of an Ordinary Share at 31 March 2009 is based on the average share price for March 2009 of 109.54p plus dividends paid of 14.45p since the last performance fee was paid. As this was below the Performance Fee Hurdle of 216.75p at the year end, no performance fee is payable.

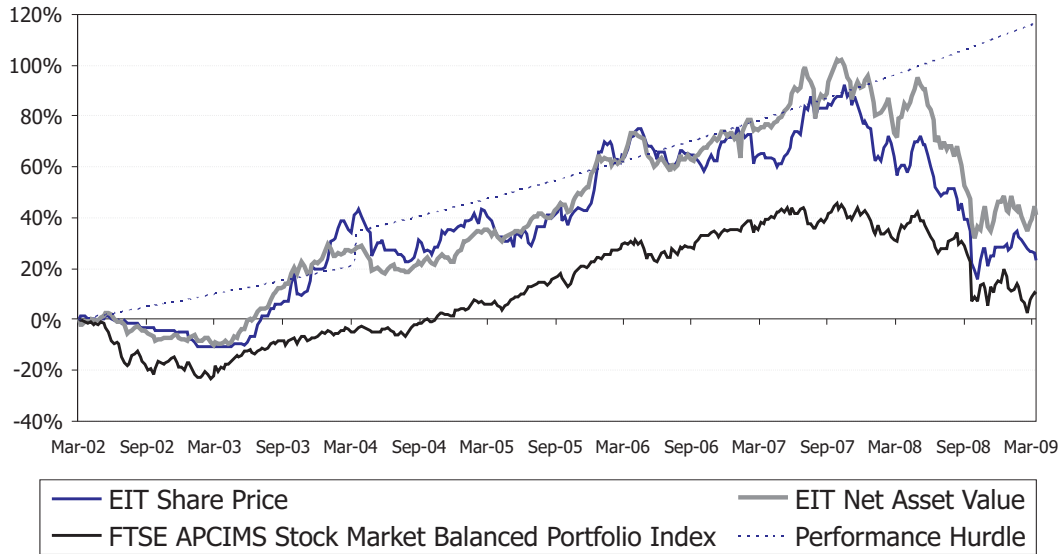
The Performance Fee Hurdle for the year to 31 March 2010 is 238.43p.

* MSCI Indices converted into Sterling, except the UK Bond which is a FTSE index. All total return indices.

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Performance

**Share price performance relative to the net asset value, Performance Hurdle and FTSE APCIMS Stock Market Balanced Portfolio Index since inception
18 March 2002 to 31 March 2009 (total return)**



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Chairman's Statement

During the second half of the financial year the share price and net asset value declined by 10.9% and 7.0% respectively. For the full financial year the share price declined by 26.9% while the net asset value decreased by 25.1%. Dividends totalling 3.1p were paid to shareholders during the period reducing the net asset value total return decline to 22.7%. This compares to the 17.6% decline in the FTSE APCIMS Stock Market Balanced Portfolio Index and the 20.2% decline in the MSCI World Index in Sterling terms.

The setback in the share price and asset value during the last financial year is disappointing but perhaps unsurprising given the sharp deterioration in the global economy brought about by the unprecedented collapse of many western banking systems. Since launch in March 2002 the Company's share price has registered a compound return of 3.2% including dividends and the net asset value has registered a compound return of 5.1% including dividends. These returns may be compared with the 1.4% and -1.5% compound returns generated by the FTSE APCIMS Stock Market Balanced Portfolio 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 0.2% and 6.5% respectively over the same period.

The Deputy Chairman noted in the interim report that Asian markets had retreated to valuation levels normally seen at market lows and during the past few months both equity markets and the net asset value have staged a decent recovery from these distressed levels. While this is encouraging in itself, your Board believes that the outlook for global growth will remain subdued for a prolonged period as western consumers rebuild their savings, the process of deleveraging in the financial sector continues and earlier promises and exhortations of fiscal stimulus from increasingly indebted western governments are quietly reversed.

The Company's equity positions remain focused on the Asia Pacific region. While this trade orientated region has been hit very hard by the collapse in global trade, it is the Board's belief that the lack of leverage in the banking and household sectors will enable Asia to emerge from the current downturn in a very strong position. In these uncertain times, your Investment Manager continues to hold a sensible degree of liquidity.

The Board has proposed a final dividend of 1.9p per Ordinary Share taking the total dividend for the financial year to 3.3p per Ordinary Share. This represents a 6.5% 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

5 June 2009

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Directors

Dr. James King Chairman ^{a), b), c)} aged 70, 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 69, was involved in the venture capital business from 1981 when he founded Advent Venture Partners and retired as its Chairman in 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, Eurasian Natural Resources Corporation plc and Bechtel Limited. He holds an MA in Metallurgy from Oxford University.

Henry Thornton aged 45 is a founder member and Chairman of the Investment Manager, BDT Invest LLP and was a founder member and Chief Executive Officer of its predecessor 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 77, has had nearly 50 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.

Tom Waring ^{a), b), c)} aged 48, was formerly Group Head of Investments and Senior Executive Director of Bahrain based Gulf Finance House (GFH), a major listed Islamic investment bank, with responsibility for GFH's asset management, venture capital and private equity businesses. He has over 25 years' investment management industry experience and was previously based in London as CEO of First State Investments International Limited, the international subsidiary of Commonwealth Bank of Australia. He was also formerly CEO of First State Investments in Asia, Partner and International CEO of Nicholas Applegate Capital Management, Group Managing Director of Credit Lyonnais International Asset Management (HK) Limited and Managing Director of Royal Trust Asset Management (Asia) Limited.

Harry Wells ^{a), b)} aged 55, 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. 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.

Mr T Waring was appointed in May 2008, Mr H Thornton in April 2005 and all other Directors in February 2002.

a) Independent

b) Audit Committee member

c) Management Engagement Committee member

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Portfolio Holdings at 31 March 2009

(All Equity Shares unless otherwise stated)

Holding	Company	Fair value £'000	% of total assets
1,377,000	China Insurance	1,544	6.27
22,000	iShares COMEX Gold Trust	1,387	5.63
20,000,000	L.P.N. Development	1,023	4.15
5,701,000	First Ship Lease Trust	981	3.98
725,000	SR Europe Investment Trust	979	3.97
1,055,000	Top Glove Corporation	965	3.92
37,430,000	REXLot Holdings	819	3.33
1,070,000	Lafarge Malayan Cement	815	3.31
100,000	BDT Invest Oriental Focus Fund 'B'	770	3.13
2,240,000	Minth Group	752	3.05
28,700	Bharat Heavy Electricals	595	2.41
1,038,000	Farglory Land Development	579	2.36
66,000	Standard Chartered	557	2.26
10,000	Petrochina Co Ltd (ADR)	556	2.26
504,001	Taiwan Semiconductor	533	2.16
39,800	Jardine Matheson	505	2.05
450,000	Siam Commercial Bank (NVDR)	482	1.96
24,000	Housing Development Finance	464	1.89
1,075,000	Yuanta Financial	343	1.39
1,000,000	EZRA Holdings	310	1.26
60,000	BDT Invest Japanese Smaller Companies Fund 'B'	293	1.19
300	NTT Docomo	283	1.15
2,000	Lindsell Train Investment Trust	276	1.12
30,000	Rotork	254	1.03
3,100	Samsung Fire & Marine Insurance	250	1.02
128,012	BDT Investment Management Limited *	246	1.00
40,000	Cheung Kong	240	0.97
4,400,000	Jasa Marga	239	0.97
65,000	Mitsubishi UFJ Financial	219	0.89
1,000	Nintendo	201	0.82
1,000,000	GK Goh	200	0.81
16,000	Daiichi Sankyo	186	0.76
100	Sony Financial Holdings	186	0.75
37,000	Nippon Electric Glass	179	0.73
20,000	Stanley Electric	155	0.63
662,066	Siam Steel Service Center	145	0.59
200,000	Bedlam Asset Management Plc *	142	0.58
75	Japan Tobacco	138	0.56
2,000	Hirose Electric	133	0.54
5,000	Tokyo Electron	129	0.52
1,500,000	Selangor Dredging Berhad	112	0.45
7,000	Mitsubishi UFJ Lease & Finance	101	0.41
145,000	SR Europe Investment Trust (Subscription Shares)	7	0.03
	Total investments	19,273	78.26
	Net current assets	5,386	21.87
	Provision for liabilities and charges	(33)	(0.13)
	Net assets	24,626	100.00

* Unlisted investments

Investment holding losses attributable to unlisted investments during the year amounted to £ 1,101,749

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Analysis of Investment Portfolio at 31 March 2009

Sector Analysis	Fair value £'000	% of total assets
Investment Companies	5,065	20.57
Speciality & Other Finance	2,331	9.47
Banks	2,062	8.37
Insurance	1,980	8.04
Transport	1,291	5.24
Construction & Building Materials	1,054	4.28
Electronic & Electronic Equipment	1,000	4.06
Automobiles	752	3.05
Real Estate	691	2.81
Engineering & Machinery	595	2.41
Oil & Gas	556	2.26
Non Cyclical Consumer Goods	324	1.32
Financials	320	1.30
Communications	283	1.15
Support Services	254	1.03
Mortgage Finance	240	0.97
Cyclical Consumer Goods	201	0.82
Steel & Other Materials	145	0.59
Technology	129	0.52
Total investments	19,273	78.26
Net current assets	5,386	21.87
Provision for liabilities and charges	(33)	(0.13)
Net assets	24,626	100.00
Geographical Analysis (based on listing or domicile)	Fair value £'000	% of total assets
Hong Kong	3,912	15.88
United Kingdom	2,967	12.05
Singapore	1,996	8.10
United States	1,943	7.89
Japan	1,910	7.76
Malaysia	1,892	7.68
Thailand	1,650	6.70
Taiwan	1,455	5.91
India	1,059	4.30
Korea (North & South)	250	1.02
Indonesia	239	0.97
Total investments	19,273	78.26
Net current assets	5,386	21.87
Provision for liabilities and charges	(33)	(0.13)
Net assets	24,626	100.00
Classification of Assets	Fair value £'000	% of total assets
Equities	19,273	78.26
Net current assets	5,386	21.87
Provision for liabilities and charges	(33)	(0.13)
Net assets	24,626	100.00

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Investment Manager's Report

The Chairman's statement notes the 26.9% decline in the share price and the 25.1% decline 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 11.8% to a discount of 13.9%. For comparative purposes the MSCI United Kingdom Index declined 28.4%, the MSCI World Index 20.2%, the MSCI Japan Index 11.1% and the MSCI Asia ex Japan Index 22.2%. While your Investment Manager could, and should, have done a better job protecting shareholders' funds, it proved an extremely difficult period for all investors.

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

The half year report to shareholders highlighted that the collapse in equity markets had compressed valuations in the Asia Pacific region towards levels only seen in the aftermath of the Asian Crisis, TMT bust and the SARS outbreak. Equity markets in the region remain volatile and, as ever, continue to look to Wall Street for direction but your Investment Manager is encouraged that the MSCI Asia ex Japan Index, unlike other developed markets, failed to break down below the October 2008 low in March this year. Indeed, in Sterling terms there has been a reasonably strong recovery across the region and this has been reflected in the steady recovery in the net asset value.

Your Investment Manager continues to believe that Asia is suffering more from a cyclical downturn than anything particularly sinister. Admittedly the Korean banking system looks excessively leveraged and the finances of the Indian Government leave much to be desired but, in broad terms, we would argue that there is a distinct lack of leverage across the region. In a deflationary environment this is likely to prove a powerful advantage. With the probable exception of China and India, it is likely that every economy in the region will suffer negative growth in 2009 but there are signs that economic activity is beginning to stabilise at lower levels, although it is unlikely that there will be a rapid return to growth for this open and trade orientated region given the dire outlook for the American and European economies.

Governments around the world reacted to the financial crisis in a predictable manner by cutting interest rates and initiating fiscal stimulus policies. A policy of attempting to solve a problem of excessive debt by adding to that stock of debt is, of course, a complete nonsense as Mr Darling and others are finding out. In China, the only country in the world with the wherewithal to execute a monetary and fiscal stimulus, the same policy appears to have been very successful - indeed we would argue it has been too successful. Anecdotal evidence suggests that increased lending by the state controlled banking system has gone directly to State Owned Enterprises who continue to produce things people don't want and pile up inventories of both raw material and finished goods. Economic growth of 6.1% in the first quarter of 2009 sounds terrific but we note that China's GDP data does not contain an inventory component and suspect that much of the reported growth is merely inventory building. State Owned Enterprises dominate the commodity and heavy industry sectors and the extension of excessive credit to these industrial giants will merely prolong the pain for all players, both within and outside of China.

We continue to avoid these late cycle industries instead attempting to focus the portfolio investments of the Company on domestically orientated, consumer facing concerns. China Insurance, L.P.N. Development and REXLot Holdings would be good examples while other investments such as Lafarge Malayan Cement and Bharat Heavy Electricals provide good exposure to rising infrastructure spending across the region.

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Investment Manager's Report continued

BDT Invest

The Company owns an effective 15% stake in the Investment Manager and also a 4% stake in Bedlam Asset Management. These investments are revalued every quarter according to the revised formula set out in the last interim report. The latest calculation (an average of book value, 2% of funds under management and 2x annual management charges) valued both firms at approximately book value. The two investments account for 1.6% of the Company's assets.

BDT Invest's funds under management stood at approximately £80m at 31 March 2009. BDT Invest currently manages five products across Japan and Asia. 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.

The Future

The recent strong performance of equity markets has come as a relief but your Investment Manager does not believe the broad upward move in markets is sustainable. The deleveraging cycle that lies ahead will prove both long and difficult in developed countries and it is extremely unlikely that the unusually high global growth rates witnessed between 2004 and mid 2008 will return any time soon. The Company's portfolio is focussed on companies that your Investment Manager believes can deliver sustainable growth in earnings and dividends almost regardless of the outlook for global growth. The Company retains a precautionary degree of liquidity and measured exposure to gold bullion.

Financial Results

The portfolio generated gross income of £1,336,000 during the year, an increase from the £1,246,000 generated in the previous year. Excluding fees payable to the Investment Manager, expenses amounted to £322,000, a decrease from the £328,000 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 decreased from £326,000 to £252,000. In consequence the Company recorded a revenue return on ordinary activities after tax of £757,000.

BDT Invest LLP

Investment Manager

5 June 2009

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Report of the Directors

The Directors submit their report together with the audited financial statements of the Company for the year ended 31 March 2009.

Activities and status

The principal activity of the Company is to carry on the business of an investment trust company. The Company is an investment company as defined in section 833 of the Companies Act 2006.

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 2008. Such approval is given retrospectively in respect of each 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

At the Annual General Meeting of the Company held on 23 July 2007, an ordinary resolution was approved for the continuation of the Company in its current form as an investment trust for a further period of three years. Accordingly, a resolution on the continuation of the company will next be put to shareholders at the Annual General Meeting of the Company in 2010.

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 Financial instruments and capital disclosures set out in note 18 to the financial statements on pages 40 to 42 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 return achieved. To provide a reference for shareholders the Company shows its performance against the FTSE APCIMS Stock Market Balanced Portfolio Index in the chart on page 2.

The Directors monitor the critical risks and uncertainties faced by the Company through the review of a matrix of risks, key controls and mitigating factors.

The Board monitors the Investment Manager and reviews the management of the portfolio. This is achieved by comparing the absolute return generated by the portfolio, the breakdown of the portfolio into equities, investments funds, bonds, commodities and cash and the level of concentration within the equity portfolio. The Board reviews the performance of certain equity indices to further evaluate whether the Investment Manager is generating competitive returns in differing market conditions. In assessing performance, the Board in its regular meetings looks for a clear, consistent expression of strategy.

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Report of the Directors *continued*

Business Review continued

Performance and risk control are the focus of Boardroom discussion with the Investment Manager. The Board also debates the extent to which your Company should gear its balance sheet or indeed raise liquidity in difficult markets. Ultimately, however, the positioning of the portfolio is decided by the Investment Manager, who operates within several broad limits established by the Board.

The Company invests in a managed international portfolio of securities with the objective of achieving long-term capital growth. The Board seeks to contain risk by understanding and monitoring the Investment Manager's investment style, investment process and long-term performance record. Stock specific risk is reduced to a large extent by adequate diversification, while the Investment Manager will ask the Board for approval prior to the purchase of any BDT Invest LLP products. As part of the review of operational risks the Board satisfy itself that the Investment Manager has processes in place to ensure that limits are not breached.

Strategic decisions, such as the level of borrowing, can have a significant impact on performance. The Company's policy is to limit gearing to 50% of net assets. Currently gearing is nil but the Company does have in place an £8m multi-currency revolving credit facility with the Bank of Scotland (see note 18 to the financial statements) which if used to the full extent would represent 32.3% of net assets at the year end.

The majority of investments of the Company are made outside of the United Kingdom and the impact of currency movements can have a significant impact on capital values. The Investment Manager will take into account the possibility of currency gain or loss when evaluating investments for the Company. Changes in interest rates are relevant to both the overall macroeconomic assessment and certain individual investments. Counterparty credit risk is not considered to be significant since the Investment Manager undertakes transactions only with pre-approved brokers and on the basis of delivery against payment.

Environmental, employment, social and community issues

The Company has no employees and has no direct impact on domestic social matters. Its investments are, in the main, focussed in a region which has varying degrees of political and corporate governance standards. It is therefore impractical for the Company to adopt a policy on environmental, employment, social and community issues and it is considered that the best performing investments are likely to be in those entities which have regard for the impact of these issues on their businesses.

Results and dividend

An interim dividend of 1.40p per Ordinary Share was paid on 19 December 2008 to shareholders on the register at the close of business on 5 December 2008 (ex-dividend 3 December 2008).

The revenue return for the financial year ended 31 March 2009 after taxation amounted to £757,000 (2008: £662,000). A final dividend of 1.90p (2008: 1.70p) is proposed in respect of the year ended 31 March 2009. The dividend, subject to approval by shareholders, will be paid on 7 August 2009 to shareholders whose names appear on the register at the close of business on 17 July 2009 (ex-dividend 15 July 2009).

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Report of the Directors *continued*

Directors

The Directors of the Company at the date of this Report are shown on page 4. With the exception of Mr Tom Waring, who was appointed a Director of the Company on 28 May 2008, all served in office throughout the year under review.

In accordance with the UKLA Listing Rules, Mr Henry Thornton will retire at the forthcoming Annual General Meeting and being eligible, offer himself for re-election.

In accordance with the Company's Articles of Association and the Combined Code, Mr Richard Thornton will retire at the Annual General Meeting and being eligible offer himself 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 2009	31 March 2008
Dr. James King	10,000	10,000
Sir David Cooksey	50,000	50,000
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
Tom Waring	—	n/a
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 2009 and the date of this Report.

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 member of the Investment Manager, BDT Invest LLP, which receives fees under the terms of the Investment Management Agreement as set out in note 6 to the financial statements.

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.

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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 Directors' holdings listed on page 11, the Company had been notified or was aware of the following significant holdings of 3% or more of the Company's shares carrying unrestricted voting rights as at 31 March and 31 May 2009:

		As at 31 March 2009 % of Issued Shares		As at 31 May 2009 % of Issued Shares
Midas Capital Partners Limited	1,885,000*	9.42	1,810,000*	9.05
<i>*includes iimia Investment Trust plc</i>	<i>850,000</i>	<i>4.25</i>	<i>850,000</i>	<i>4.25</i>
Rysaffe Trustees Company (CI) Limited (for R C Thornton 1971 settlement)	1,600,623	8.00	1,600,623	8.00
The Argus Insurance Company Limited	1,568,509	7.84	1,568,509	7.84
Rothschild Trust (Bermuda) Limited (as trustee of a trust dated 26 March 1996)	1,416,178	7.08	1,416,178	7.08
Newton Investment Management Limited	1,058,342	5.29	1,058,342	5.29
Troy Asset Management Limited	877,731	3.76	877,731	4.39
Notara Anstalt (as trustee of The Rabbit Trust)	709,975	3.55	709,975	3.55

Investment management

BDT Invest LLP, the Company's Investment Manager, is regulated by the Financial Services Authority in the United Kingdom and currently has approximately £80m in assets under discretionary management.

BDT Invest LLP provides Investment Management services for the Company, details of which can be found in note 6 to the financial statements on page 33.

The Directors, having evaluated the performance of the Investment Manager, have decided that BDT Invest LLP should continue as Investment Manager on the existing terms. 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.

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Report of the Directors *continued*

Share capital

At 31 March 2008 and 31 March 2009, the authorised share capital was £7,500,000 divided into 30,000,000 Ordinary Shares of 25p each, of which 20,000,000 Ordinary Shares of 25p each were issued and fully paid. There were no changes to the capital structure during the year or between 31 March 2009 and the date of this Report. At 31 March 2009 the Ordinary Share price was 106p (2008:145p).

The following sets out the respective rights and obligations attaching to the Ordinary Shares of the Company:

Income entitlement

The revenue earnings of the Company are distributed to holders of Ordinary Shares by way of dividends (if any) as may from time to time be declared by the Directors.

Capital entitlement

On a winding up a Liquidator would divide up the assets of the Company on such basis as the holders of Ordinary Shares shall approve in General Meeting.

Voting entitlement

Each Ordinary shareholder is entitled to one vote on a show of hands and on a poll to one vote for each Ordinary Share held. Notices of Meetings and Proxy Forms set out the deadlines for the valid exercise of voting rights. There are no restrictions on voting rights other than Directors not being permitted to vote on matters in which they have an interest, and shareholders having unpaid call(s) on their shares or having not provided information on interests in their shares.

Transfers

There are no restrictions on transfers except dealings by Directors, Persons Discharging Managerial Responsibilities and those connected to them which constitute insider dealing or are prohibited by the UKLA Listing Rules, and transfers in favour of more than 4 joint holders.

The Company is not aware of any agreements with/between shareholders restricting transfer of Ordinary Shares, or would take effect in the event of a change of control of the Company.

Powers of the Board

The Board may exercise all such powers of the Company and do on behalf of the Company all such acts as are within the scope of the Memorandum and Articles of Association of the Company and not, by Statute or the Articles, required to be exercised or done by the Company in General Meeting, subject, nevertheless, to the provisions of the Statutes and the Articles and to such directions as may be prescribed by the Company by Special Resolution, but so that no such direction and no alteration to the Articles shall invalidate any prior act of the Board which would have been valid if that direction or alteration had not been given or made.

The Board has the power to pay gratuity or pension or allowance on retirement, to any Director or former Executive Director or member of his family. However, as the company has no Executive Directors it has not exercised this power and none of the Directors are eligible for pension entitlements or other benefits from the Company. The Directors' Remuneration Report is set out on pages 21 and 22.

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Report of the Directors continued

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 2009 the Company had no trade creditors (2008: nil).

Credit Facility

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.

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 Practice, 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 United Kingdom 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.

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

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 UK accounting standards and give a true and fair view of the assets, liabilities, financial position and return 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.

Auditors

Grant Thornton UK LLP, have indicated their willingness to continue in office. A resolution will be proposed at the forthcoming Annual General Meeting to re-appoint Grant Thornton UK LLP as auditor and authorise the Directors to determine the auditor's remuneration.

Annual General Meeting

The seventh Annual General Meeting of the Company will be held on Monday 27 July 2009 at 2.30pm at the offices of BDT Invest LLP, 52 Jermyn Street, London SW1Y 6LX. The business of the meeting is set out in the Notice of Annual General Meeting on page 44.

On behalf of the Board

Phoenix Administration Services Limited

Secretary

5 June 2009

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 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

At 31 March 2009 the Board consisted of six members, all of whom were non-executive and four of whom were 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 they feel that contact through the Chairman is inappropriate or the Chairman is not available.

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

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

	Board	Audit Committee	Management Engagement
Number held	5	2	2
Sir David Cooksey	5	2	1
Dr. James King	2	1	1
Henry Thornton	5	n/a	n/a
Richard Thornton	5	n/a	n/a
Tom Waring	3	2	2
Harry Wells	5	2	n/a

The Board lays down guidelines within which the Investment 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 Investment Manager and discussed at Board meetings. The Investment 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, company law and the UKLA Listing Rules. 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.

Corporate Governance Statement continued

Board Structure

There is a clear division of responsibilities between the Chairman, the Board, the Investment 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, setting the agenda and ensuring that the Directors receive accurate, timely and clear information. The Board decides matters concerning the Company's investment objective, gearing, capital structure, governance, the appointment of service providers and liaison with shareholders. It is the sole responsibility of the Investment Manager to take decisions on the purchase and sale of individual investments. Representatives of the Investment Manager and the Company Secretary attend each Board meeting. The Board, the Investment Manager and Company Secretary operate in a supportive and co-operative 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 Investment 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 which was led by Dr. James King. As Dr. King was absent for part of the year, as a result of a lengthy period of hospital treatment, the Board has elected to waive the requirement to conduct an appraisal of his performance. 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.

Election of Directors

The following Directors will retire and being eligible offer themselves for election at the forthcoming Annual General Meeting:

- Mr Henry Thornton because of his connection with the Manager is required by the Listing Rules to stand for re-election.
- Mr Richard Thornton in accordance with the Articles of Association and the Combined Code which require Directors to submit themselves for re-election at least every three years.

The biographies of the Directors are set out on page 4 of this Report. The Board acknowledges the AIC's Code provisions relating to Directors' tenure. Directors serving longer than nine years are subject to annual re-election. The Board does not, however, have a pre-set criterion for retirement based on length of service believing that recommendation for re-election should be on an individual basis following rigorous review. 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 ESTABLISHMENT INVESTMENT TRUST PLC

Corporate Governance Statement continued

The Board greatly values the experience and contribution provided by the Directors standing for election and fully 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 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.

Remuneration

Under the Listing Rules, 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 21 and 22. The Company arranges appropriate Directors and Officers liability insurance cover in respect of any legal action against the Directors.

Audit Committee

The Company's Audit Committee comprises Sir David Cooksey (as Chairman), Dr James King, Mr Tom Waring 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 Investment Manager who report on the proper conduct of the Investment Manager's business and internal controls in accordance with the regulatory environment in which both the Company and the Investment Manager operate. Minutes of meetings are formally recorded and reported to the Board by the Audit Committee Chairman. The Company's external auditors also attend Committee meetings at least once a year and report on their 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 auditors' appointment and independence, their remuneration and the carrying value of any unquoted investments. The Audit Committee also agrees any non-audit work carried out by the external auditors 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 Grant Thornton UK LLP during the year that the auditors' independence was not compromised during the year nor is it likely to be compromised in the foreseeable future. The Board has accepted the Audit Committee's recommendation that a proposal to re-appoint Grant Thornton UK LLP, as 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. As the Company has no employees it also does not consider there is a need for 'whistleblowing' procedures. The Audit Committee reviews the 'whistleblowing' procedures of the Investment 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

THE ESTABLISHMENT INVESTMENT TRUST PLC

Corporate Governance Statement *continued*

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 Financial Reporting Council's Internal Control Guidance for Directors. 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 Tom Waring (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 Invest LLP and Phoenix Administration Services Limited, (see note 6 to the financial statements).

The terms of reference for Committees of the Board may be inspected at the Registered Office of the Company during normal business hours.

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 2009, up to the date of this Annual Report 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 has responsibility for safeguarding the Company's assets and there are 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 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. The Company's Risk Matrix is reviewed at each meeting of the Audit Committee.

The Board has contractually delegated the management of the investment portfolio to the Investment Manager, BDT Invest LLP, 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 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.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Corporate Governance Statement continued

Shareholder Relations

The Company, through the Investment 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 Annual Report.

Voting Policy

The Investment Manager researches both the companies and markets in which the Company invests and accordingly the Board considers the Investment Manager to be best placed to vote the shares of invested companies where such rights exist. The Board has therefore authorised Mr Henry Thornton to vote the shares of invested companies on routine business, having regard to both their interests and those of the Company. Mr Henry Thornton however is required to consult with the Chairman, or with the Board if appropriate, before voting on any contentious or extra-ordinary issues.

Annual General Meeting

The Annual General Meeting of the Company will be held on Monday 27 July 2009 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 proxy voting in respect of each resolution will be provided to shareholders at the Meeting and subsequently on the web pages of the Company. However, rather than having the Chairman read out individual proxy voting figures at the Meeting after each resolution is voted on, shareholders will instead be provided with a printed summary of the voting on all resolutions.

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, 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 forthcoming Annual General Meeting.

The law requires a Company's auditors to audit certain of the disclosures provided herein. Where disclosures have been audited, they are indicated as such. The auditors' opinion on these is included in the report of the independent Auditors on pages 23 and 24.

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 2010 and subsequent years.

The maximum aggregate Directors' fees (see note 5 to the financial statements) pursuant 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 aggregate maximum, eligible Directors are 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.

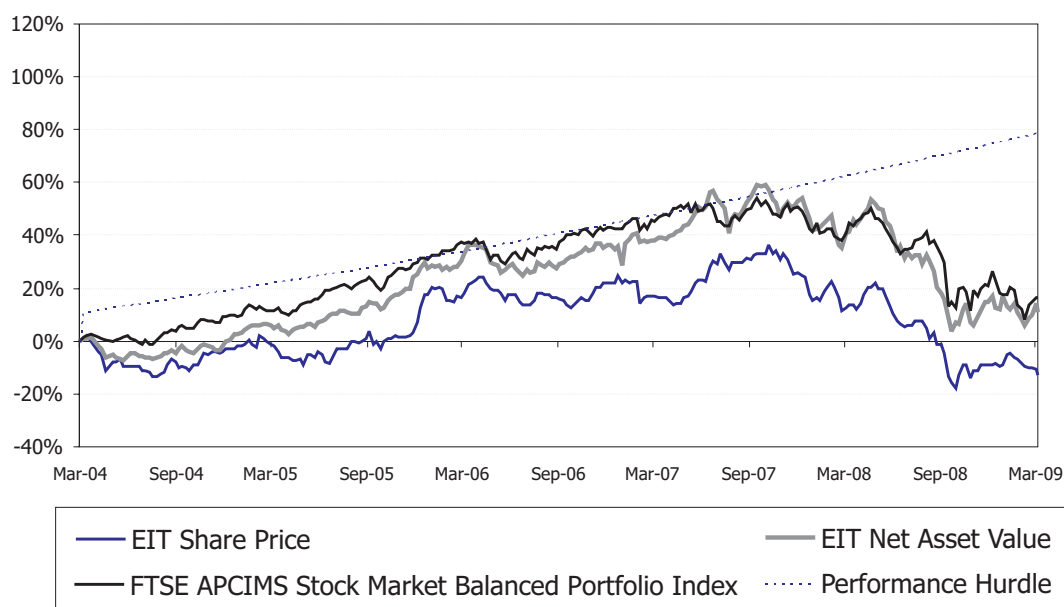
Your Company's Performance

The graph on page 22 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 Portfolio Index is calculated. This index was chosen for comparison purposes as it is more appropriate than a pure equity index to measure investment performance.

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Directors' Remuneration Report *continued*

Share price performance relative to the FTSE APCIMS Stock Market Balanced Portfolio Index for the five years to 31 March 2009 (total return)



Directors' emoluments and benefits for the year ended 31 March 2009 (audited)

	31 March 2009	31 March 2008
	£	£
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 (Resigned 30 September 2007)	n/a	5,000
Henry Thornton	n/a	n/a
Richard Thornton	10,000	10,000
Tom Waring (appointed 28 May 2008)	8,449	n/a
Harry Wells	10,000	10,000
Total	<u>55,949</u>	<u>52,500</u>

No Directors' performance fee is payable for the year to 31 March 2009 (2008: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
5 June 2009

THE ESTABLISHMENT INVESTMENT TRUST PLC

Report of the Independent Auditor to the members of The Establishment Investment Trust plc

We have audited the financial statements (the 'financial statements') of The Establishment Investment Trust plc for the year ended 31 March 2009 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movement in Shareholders' Funds and notes 1 to 21. 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 members, 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 members those matters we are required to state to them in an auditor's 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 members 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 United Kingdom law and 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 the Investment Manager's Report 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 2006 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 Highlights for the Year, Performance, the Chairman's Statement, the Portfolio Holdings, the Investment Portfolio, the Investment Manager's Report, the Report of the Directors, the Corporate Governance Statement and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report

THE ESTABLISHMENT INVESTMENT TRUST PLC

Report of the Independent Auditor *continued*

if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 Company's financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Company's 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 Company's 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 Company's 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 the Company's affairs as at 31 March 2009 and of its loss 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.

Grant Thornton UK LLP

Registered Auditor and Chartered Accountants

London

5 June 2009

THE ESTABLISHMENT INVESTMENT TRUST PLC

Income Statement for the years ended 31 March

	Notes	2009			2008		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	11	—	(8,951)	(8,951)	—	439	439
Losses on derivatives		—	—	—	—	(72)	(72)
Exchange gains/(losses) on currency balances		—	748	748	—	(134)	(134)
Income	2	1,336	—	1,336	1,246	—	1,246
Investment management fees	3	(15)	(37)	(52)	(51)	(123)	(174)
Other expenses	4	(314)	(8)	(322)	(326)	(2)	(328)
Net return/(loss) before finance costs and tax		1,007	(8,248)	(7,241)	869	108	977
Interest payable and similar charges	7	(13)	(56)	(69)	(52)	(210)	(262)
Return/(loss) on ordinary activities before tax		994	(8,304)	(7,310)	817	(102)	715
Tax on ordinary activities	8	(237)	(85)	(322)	(155)	100	(55)
Return/(loss) on ordinary activities after tax for the financial year		757	(8,389)	(7,632)	662	(2)	660
Return/(loss) per Ordinary Share	10	3.78p	(41.94)p	(38.16)p	3.31p	(0.01)p	3.30p

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. The revenue and capital columns are supplementary to this and are prepared under the guidance published by the Association of Investment Companies.

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 29 to 43 form part of these financial statements.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Reconciliation of Movements in Shareholders' Funds for the years ended 31 March 2008 and 31 March 2009

	Share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
For the year ended 31 March 2009					
At 31 March 2008	5,000	14,701	12,488	689	32,878
Return on ordinary activities after tax for the financial year	—	—	(8,389)	757	(7,632)
Dividends paid (see note 9)	—	—	—	(620)	(620)
At 31 March 2009	5,000	14,701	4,099	826	24,626

	Share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
For the year ended 31 March 2008					
At 31 March 2007	5,000	14,701	12,490	647	32,838
Return on ordinary activities after tax for the financial year	—	—	(2)	662	660
Dividends paid (see note 9)	—	—	—	(620)	(620)
At 31 March 2008	5,000	14,701	12,488	689	32,878

The notes on pages 29 to 43 form part of these financial statements.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Balance Sheet as at 31 March

		2009		2008	
Notes	£'000	£'000	£'000	£'000	£'000
Fixed assets					
Investments held at fair value through profit or loss	11		19,273		33,612
Current assets					
Debtors	12	133		213	
Cash at bank		5,505		5,109	
		5,638		5,322	
Creditors: amounts falling due within one year	13	(252)		(6,049)	
Net current assets/(liabilities)			5,386		(727)
Total assets less current liabilities			24,659		32,885
Provision for liabilities and charges	8		(33)		(7)
Net assets			24,626		32,878
Capital and reserves					
Called up share capital	14		5,000		5,000
Share premium			14,701		14,701
			19,701		19,701
Capital reserve	15		4,099		12,488
Revenue reserve			826		689
Equity shareholders' funds			24,626		32,878
Net asset value per Ordinary Share	16		123.13p		164.39p

The financial statements on pages 25 to 43 were approved by the Board on 5 June 2009 and were signed on its behalf by:

Dr. James King
Chairman

The notes on pages 29 to 43 form part of these financial statements.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Cash Flow Statement for the years ended 31 March

	Notes	2009 £'000	2008 £'000
Net cash inflow from operating activities	17a	1,046	680
Servicing of finance	17b	(103)	(269)
Taxation		(113)	(55)
Financial investment	17b	5,053	2,039
Net cash inflow before financing		5,883	2,395
Equity dividends paid		(620)	(620)
Financing activities	17b	(5,168)	958
Increase in cash in the year		95	2,733
Reconciliation of net cash flow to movement in net funds/(debt)			
Increase in cash in the year		95	2,733
Cash outflow/(inflow) from movement in net debt		5,168	(958)
Change in funds resulting from cash flows		5,263	1,775
Exchange movements		748	(134)
Opening net debt		(506)	(2,147)
Closing net funds/(debt)	17c	5,505	(506)

The notes on pages 29 to 43 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 UK Generally Accepted Accounting Practice (UK GAAP) and with the AIC Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' dated January 2009. 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 Invest LLP (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 Invest LLP, 2% of the value of funds under its management and two times its annual management charges.

Derivatives

Investment in derivatives are held at fair value and changes in fair value are recognised in the Income Statement.

(b) Reporting currency

The accounts are presented in Sterling which is the functional currency of the Company 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 interest rate on the debt security.

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

(d) Dividends

Dividends paid by the Company are recognised in the financial statements in respect of the period in which they are paid.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements continued

1 Accounting policies 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 – 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 management performance fee has been allocated 100% to capital reserve – 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 – within the Income Statement.
- finance costs are accounted for on an accruals basis using the effective interest rate method. 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 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) Capital Reserve

Capital reserve - other

The following are taken to this reserve:

- Gains and losses on the disposal of investments;
- Exchange differences of a capital nature;
- Expenses, together with the related taxation effect, allocated to this reserve in accordance with the above policies.

Capital reserve – investment holding gains

The following are taken to this reserve:

- Increase and decrease in the valuation of investments held at the year end.

(i) Going concern

The Company has adequate resources to continue in existence for the foreseeable future and 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

	2009	2008
	£'000	£'000
Income from investments		
Overseas dividends	1,140	755
Overseas fixed interest income	49	88
UK dividends	114	148
UK fixed interest income	5	206
	<u>1,308</u>	<u>1,197</u>
Other income		
Deposit interest	<u>28</u>	<u>49</u>
Total income comprises:		
Dividends	1,254	903
Interest	82	343
	<u>1,336</u>	<u>1,246</u>

3 Investment management fees

	2009			2008		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fee	50	202	252	65	261	326
Rebate of investment management fee (see below)	(9)	(38)	(47)	(14)	(56)	(70)
Rebate of investment performance fee (see below)	—	(127)	(127)	—	(82)	(82)
Back VAT on investment management fee	(26)	—	(26)	—	—	—
	<u>15</u>	<u>37</u>	<u>52</u>	<u>51</u>	<u>123</u>	<u>174</u>

For the avoidance of double charging investment 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 Invest LLP 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 2009 the Company had investments in the following BDT Invest products:

60,000 shares in BDT Invest Japanese Smaller Companies Fund 'B' at a total cost of £311,381

100,000 shares in BDT Invest Oriental Focus Fund 'B' at a total cost of £561,167

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements continued

3 Investment management fees continued

The amounts rebated on the investment management fee are shown above, of which £5,086 (2008: £9,071) relates to the Company's investment in BDT Invest Japan Fund, £3,560 (2008: £4,295) relates to the Company's investment in BDT Invest Japanese Smaller Companies Fund 'B', £14,855 (2008: £18,356) relates to the Company's investment in BDT Invest Oriental Focus Fund 'B', and £24,226 (2008: £38,100) relates to the Company's investment in BDT Invest Asia Fund Distributor.

The amounts rebated on the performance fee earned by the Investment Manager are shown above, of which £126,680 relates to the Company's investment in BDT Invest Asia Fund (2008: £82,329 BDT Invest Oriental Focus Fund). Details of the investment management agreement are disclosed in note 6.

4 Other expenses

	2009	2008
	£'000	£'000
Administration fee	75	75
Directors' emoluments (see note 5)	56	53
Auditors' remuneration for:		
– audit of the financial statements of the Company	18	19
– other services relating to taxation	4	4
Custodian fees	36	50
London Stock Exchange and FSA fees	11	10
Other	114	115
	314	326
Capital charges	8	2
	322	328

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements *continued*

5 Directors' emoluments

	2009 £'000	2008 £'000
Directors' fees	<u>56</u>	<u>53</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. Director's 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. In view of his connection with the Investment Manager, Mr Henry Thornton is not entitled to a Directors' performance fee.

There is no Directors' performance fee payable for the year to 31 March 2009 (2008: £nil).

There were no pension contributions paid or payable.

The Company has no employees.

6 Disclosure of interests

In accordance with an investment management agreement between the Company and BDT Invest LLP ("BDT Invest") dated 1 November 2007, and a Novation Agreement with BDT Investment Management Limited, dated 31 October 2007, BDT Invest provides 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 £17,190 (2008: £19,759) 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 seventh Performance Period of the Company in respect of the Ordinary Shares is 197.05p 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 2009 (2008: £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.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements continued

7 Interest payable and similar charges

	2009			2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
On loans and overdrafts	<u>13</u>	<u>56</u>	<u>69</u>	<u>52</u>	<u>210</u>	<u>262</u>

8 Taxation

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

	2009			2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax	211	85	296	66	—	66
Overseas tax - double tax relief	(103)	—	(103)	(55)	—	(55)
	<u>108</u>	<u>85</u>	<u>193</u>	<u>11</u>	<u>—</u>	<u>11</u>
Irrecoverable overseas tax	103	—	103	56	—	56
Tax relief on expenses charged to capital	—	—	—	100	(100)	—
Withholding tax refunds	—	—	—	(4)	—	(4)
Tax charge in respect of current year	<u>211</u>	<u>85</u>	<u>296</u>	<u>163</u>	<u>(100)</u>	<u>63</u>
Deferred tax - current year	26	—	26	(8)	—	(8)
Tax charge per accounts	<u>237</u>	<u>85</u>	<u>322</u>	<u>155</u>	<u>(100)</u>	<u>55</u>

The current taxation charge for the year is different from the standard rate of corporation tax in the UK (28%). The differences are explained below.

	2009 £'000	2008 £'000
Net (loss)/return on ordinary activities before taxation	<u>(7,310)</u>	<u>715</u>
Theoretical tax at UK corporation tax rate 28%* (2008:30%)	<u>(2,047)</u>	214
Effects of:		
- Capital losses not subject to corporation tax	2,410	(69)
- UK Dividends which are not taxable	(32)	(45)
- Overseas tax written back	—	(21)
- Overseas dividends taxable on receipt	(26)	(1)
- Marginal rate relief	(9)	(17)
Actual current tax charge	<u>296</u>	<u>63</u>

*Under the Finance Act 2008, the rate of Corporation Tax was lowered to 28% from 30% on 1 April 2008. 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

	2009	2008
	£'000	£'000
Deferred tax provided		
Accrued income taxable on receipt	33	7
The movement in the provision is as follows:		
	£'000	£'000
Provision at start of year	7	15
Deferred tax debit as per movement in revenue account	26	(8)
Provision at end of year	33	7

Deferred tax has been provided at 28% 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 2009 of 1.90p (2008: 1.70p) per Ordinary Share, subject to shareholder approval, payable on 7 August 2009 to shareholders registered on 17 July 2009 (ex-dividend 15 July 2009).

An interim dividend for the year ended 31 March 2009 of 1.40p per Ordinary Share (2008: 1.40p) was paid on 19 December 2008 to shareholders registered on 5 December 2008 (ex-dividend 3 December 2008).

Total dividends of £620,000 (2008: £620,000) paid during the year comprise the final dividend for the year ended 31 March 2008 amounting to £340,000 (2008: £340,000) and the interim dividend for the year ended 31 March 2009 amounting to £280,000 (2008: £280,000).

	2009	2008
10 Return per Ordinary Share		
Total return per Ordinary Share		
Total return	£(7,632,000)	£660,000
Weighted average number of Ordinary Shares in issue during the year	20,000,000	20,000,000
Total return per Ordinary Share	(38.16)p	3.30p

The total return per Ordinary Share detailed above can be further analysed between revenue and capital, as below:

Revenue return per Ordinary Share

Revenue return	£757,000	£662,000
Weighted average number of Ordinary Shares in issue during the year	20,000,000	20,000,000
Revenue return per Ordinary share	3.78p	3.31p

Capital return per Ordinary Share

Capital return	£(8,389,000)	£(2,000)
Weighted average number of Ordinary Shares in issue during the year	20,000,000	20,000,000
Capital return per Ordinary Share	(41.94)p	(0.01)p

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements *continued*

11 Investments held at fair value through profit or loss

	2009	2008
	£'000	£'000
Investments listed on a recognised investment exchange	18,885	32,122
Unlisted investments	388	1,490
Valuation at year end	19,273	33,612
Opening book cost	28,733	26,966
Opening investment holding gains	4,879	7,911
Opening valuation	33,612	34,877
Movements in the year:		
Purchases at cost	19,372	29,498
Sales – proceeds	(24,760)	(31,202)
– (losses)/gains on sales	(2,744)	3,471
Decrease in investment holding gains for the year	(6,207)	(3,032)
Closing valuation	19,273	33,612
Closing book cost	20,601	28,733
Closing investment holding (losses)/gains	(1,328)	4,879
	19,273	33,612
Sale proceeds	24,760	31,202
Investments at cost	(27,504)	(27,731)
(Losses)/gains on sales based on historical cost	(2,744)	3,471
Investment holding gains recognised in previous year	(979)	(2,608)
(Losses)/gains on sales based on carrying value at previous year's balance sheet date	(3,723)	863
Investment holding losses for the year	(5,228)	(424)
Net (losses)/gains on investments	(8,951)	439

Investment transaction costs on purchases and sales of investments during the year to 31 March 2009 amounted to £67,000 and £64,000 respectively (2008: £88,000 and £106,000 respectively).

Significant holdings

Included in the above are the following investments in which the Company has an interest of 10% or more of the nominal value of the shares of that class in the investee company as at 31 March 2009.

Investments	Country of registration	Class of capital	% of class held	% of fund held
BDT Invest Oriental Focus Fund*	Republic of Ireland	'B' US Dollar	30.18%	15.55%

*Country of listing - Republic of Ireland

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

12 Debtors

	2009	2008
	£'000	£'000
VAT recoverable	6	—
Prepayments and accrued income	127	213
	<u>133</u>	<u>213</u>

13 Creditors: amounts falling due within one year

	2009	2008
	£'000	£'000
Multi-currency revolving credit facility	—	5,615
Accruals and deferred income	59	88
Amounts due to brokers	—	335
Corporation tax payable	193	11
	<u>252</u>	<u>6,049</u>

14 Called up share capital

	2009		2008	
	No. of shares 000's	£'000	No. of shares 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 2009.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements continued

15 Capital reserve

The capital reserve includes investment holding losses of £1,328,000 (2008: gains £4,879,000).

The Institute of Chartered Accountants in England and Wales has issued guidance (TECH 01/08) stating that profits arising out of a change in fair value of assets, recognised in accordance with Accounting Standards, may be distributed provided the relevant assets can be readily convertible into cash. In accordance with the Company's status as a UK investment company under section 833 of the Companies Act 2006, the capital reserve may not be distributed by way of dividend, but may be utilised for the purposes of share buy backs. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash. In order to maintain investment trust status, the company may only distribute by way of dividend accumulated revenue profits.

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	
2009	2008	2009	2008
p	p	£'000	£'000
123.13	164.39	24,626	32,878

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	32,878
Total recognised losses for the year	(7,632)
Dividends paid during the year	(620)
Total net assets attributable at end of year	24,626

The net asset value per Ordinary Share is based on net assets of £24,626,000 (2008: £32,878,000) and on 20,000,000 Ordinary Shares (2008: 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

	2009	2008
	£'000	£'000
Net (loss)/return before finance costs and taxation	(7,241)	977
Losses/(gains) on investments held at fair value	8,951	(439)
(Gains)/losses on exchange movements	(748)	134
Decrease/(increase) in other debtors	64	(2)
Decrease in accrued income	16	25
Increase/(decrease) in creditors	4	(15)
	<hr/>	<hr/>
Net cash inflow from operating activities	1,046	680

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

	2009	2008
	£'000	£'000
Servicing of finance		
Interest paid allocated to income	(21)	(56)
Interest paid allocated to capital	(82)	(213)
	<hr/>	<hr/>
Net cash outflow from servicing of finance	(103)	(269)
Financial investment		
Purchase of investments	(19,707)	(29,163)
Sale of investments	24,760	31,202
	<hr/>	<hr/>
Net cash inflow from financial investment	5,053	2,039
Financing activities		
Loans drawn down	(5,168)	958
	<hr/>	<hr/>
Net cash(outflow)/inflow from financing activities	(5,168)	958

(c) Analysis of net (debt)/funds

	At		At
	1 April	Cash	31 March
	2008	flow	2009
	£'000	£'000	£'000
Cash at bank	5,109	95	5,505
Multi-currency revolving credit facility	(5,615)	5,168	—
	<hr/>	<hr/>	<hr/>
Total	(506)	5,263	5,505

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements continued

18 Financial instruments and capital disclosures

Risk management policies and procedures

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.

When judged appropriate by the Investment Manager, the Company may use the multi-currency revolving credit facility provided by the Bank of Scotland of up to £8,000,000 (2008: £8,000,000) principally in order to gear the portfolio, but also to facilitate more efficient portfolio management. The Board has policies on diversification of investment, gearing (both bank borrowing and the effect of derivatives), dividends and risk management, which it reviews in accordance with prevailing market conditions. Current policies are set out on page 1 and as part of the Business Review on pages 9 and 10. The Company's assets are managed so as to diversify both the market risk (including price risk) and liquidity risk that occurs in any equity portfolio and the Board monitors this process (see Business Review). Neither interest rate risk nor currency risk are considered as separate risks for the reasons explained in that Review. The Board and its Investment Manager consider and review the number of risks inherent with managing the Company's assets which are detailed below.

Foreign currency exposure as at 31 March 2009

	Sterling £'000	Taiwan Dollar £'000	US Dollar £'000	HK Dollar £'000	Japanese Yen £'000	Other £'000	Total £'000
Investments held at fair value through profit or loss that are monetary items	—	—	—	—	—	—	—
Short-term debtors	6	—	48	—	24	55	133
Cash at bank	149	516	4,840	—	—	—	5,505
Short-term creditors	(252)	—	—	—	—	—	(252)
Multi-currency revolving credit facility	—	—	—	—	—	—	—
Provision for liabilities and charges (deferred tax)	(33)	—	—	—	—	—	(33)
Foreign currency exposure on net monetary items	<u>(130)</u>	<u>516</u>	<u>4,888</u>	<u>—</u>	<u>24</u>	<u>55</u>	<u>5,353</u>
Investments held at fair value through profit or loss that are equities	1,904	1,456	3,218	3,912	2,203	6,580	19,273
Total net foreign currency exposure	<u>1,774</u>	<u>1,972</u>	<u>8,106</u>	<u>3,912</u>	<u>2,227</u>	<u>6,635</u>	<u>24,626</u>

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements continued

18 Financial instruments and capital disclosures continued

Foreign currency exposure as at 31 March 2008

	Sterling £'000	Taiwan Dollar £'000	US Dollar £'000	Euro £'000	Japanese Yen £'000	Other £'000	Total £'000
Investments held at fair value through profit or loss that are monetary items	999	—	—	3,183	—	—	4,182
Short-term debtors	125	—	—	53	20	15	213
Cash at bank	4,068	1,031	—	—	—	10	5,109
Short-term creditors	(65)	—	(30)	—	(4)	(335)	(434)
Multi-currency revolving credit facility	—	—	(4,528)	—	(1,087)	—	(5,615)
Provision for liabilities and charges (deferred tax)	(7)	—	—	—	—	—	(7)
Foreign currency exposure on net monetary items	<u>5,120</u>	<u>1,031</u>	<u>(4,558)</u>	<u>3,236</u>	<u>(1,071)</u>	<u>(310)</u>	<u>3,448</u>
Investments held at fair value through profit or loss that are equities	4,146	3,727	7,942	—	3,421	10,194	29,430
Total net foreign currency exposure	<u>9,266</u>	<u>4,758</u>	<u>3,384</u>	<u>3,236</u>	<u>2,350</u>	<u>9,884</u>	<u>32,878</u>

Over the year Sterling weakened against the Company's principal investing currencies, the US Dollar by 27.88% (2008: strengthened 1.33%), the Euro by 13.93% (2008: weakened 14.88%), the Japanese Yen by 28.44% (2008: weakened 14.58%) and the Taiwan Dollar by 19.50% (2008: weakened 6.97%).

A 5% rise or decline of Sterling against foreign currency denominated (i.e. non-Sterling) assets held at the year end would have increased/decreased the net asset value by £1,142,000 or 4.64% of net asset value (2008: £1,181,000 or 3.59% of net asset value). The impact on the profit or loss account is impossible to estimate since the profit and loss is the net result of all the transactions in the portfolio throughout the year.

Interest rate risk

The Company is only exposed to significant interest rate risk through its multi-currency revolving credit facility with the Bank of Scotland and cash deposits with the Northern Trust Company. The Company had no borrowings at the year end (2008: £5,615,000) and therefore sensitivity analyses to changes in LIBOR are not applicable. At 31 March 2008 the annual interest rate for the US Dollar loan was 4.415% and for the Japanese Yen loan was 2.170% and if that level of borrowing had been maintained for a full year, a 1 percentage point change in LIBOR (up or down) would have decreased or increased the revenue return by £11,000 or 0.06 pence per Ordinary Share and increased or decreased the capital return by £45,000 or 0.22 pence per Ordinary Share.

Cash deposits at the year end were equivalent to £5,505,000 (2008: £5,109,000) and if that level of deposits were maintained for a year, a 1% point change in LIBOR (up or down) would increase or decrease net revenue by £55,000 or 0.28 pence per Ordinary Share (2008: £51,000 or 0.26 pence per Ordinary Share).

Other price risk

If the fair value of the Company's investments (see Portfolio Holdings on page 5) at the year end increased/decreased by 10% then it would have the effect of £1,927,000 or 9.64 pence per Ordinary Share (2008: £3,361,000 or 16.81 pence per Ordinary Share) on the capital return.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements *continued*

18 Financial instruments and capital disclosures *continued*

Liquidity risk

Liquidity risk is generally not significant in normal market conditions as the majority of the Company's investments are listed on recognised stock exchanges and for the most part readily realisable securities which can be sold easily to meet funding commitments if necessary. Short-term flexibility is achieved by the use of overdrafts and the multi-currency revolving credit facility. The current agreement in respect of the multi-currency revolving credit facility expires on 29 September 2010.

Credit risk

Credit risk is mitigated by diversifying the counterparties through whom the Investment Manager conducts investment transactions. The credit-standing of all counterparties is reviewed periodically with limits set on amounts due from any one broker. Derivative transactions are only carried out with investment banks with strong credit ratings.

Cash is only held at banks and in money market funds that have been identified by the Board as reputable and of high credit quality. Northern Trust has a credit rating of A1 (Moody's) and AA- (S&P).

The total credit exposure of the Company at the year end as shown on the Balance Sheet was £5,638,000 (2008: £5,322,000).

Capital management policies and procedures

The Company's objectives, policies and procedures for managing capital are set out in the Business Review.

19 Guarantees, financial commitments and contingent liabilities

In June 2007 the European Court of Justice ruled that investment management fees should be exempt from VAT, and in early November HM Revenue & Customs decided not to contest that ruling. The Board had ensured that appropriate steps were taken to reclaim Back VAT paid to its Investment Manager.

During the year BDT Invest LLP paid Back VAT to the Company of £25,808 and this has been recognised in these financial statements.

There were no financial commitments outstanding at the year end (2008: none).

There were no contingent liabilities outstanding at the year end (2008: none).

20 Total expense ratio

	2009		2008	
	£'000	%	£'000	%
Total operating expenses*	574	2.04	654	1.86

*Total operating expenses (capital & income) prior to the reduction in expenses of £47,000 (2008: £70,000) in respect of management fee waiver, £127,000 (2008: £82,000) in respect of performance fee waiver and £26,000 in respect of Back VAT on investment management fees (2008: £nil) (see note 3).

The above total expense ratio is based on the average total assets/shareholders' funds of £28,156,000 (2008: £35,159,000) calculated at the end of each month during the year.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notes to the Financial Statements continued

21 Related party disclosure

BDT Invest LLP 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 11.

THE ESTABLISHMENT INVESTMENT TRUST PLC

Notice of Annual General Meeting

Notice is hereby given that the seventh Annual General Meeting of The Establishment Investment Trust plc will be held at the offices of BDT Invest LLP, 52 Jermyn Street, London, SW1Y 6LX on Monday 27 July 2009 at 2.30 pm for the following purposes:

Ordinary Business

1. to receive the Accounts and the Reports of the Directors and auditor for the year ended 31 March 2009;
2. to approve the Directors' Remuneration Report;
3. to declare a final dividend of 1.90p per Ordinary Share;
4. to re-elect Mr Henry Thornton as a Director of the Company;
5. to re-elect Mr Richard Thornton as a Director of the Company;
6. to re-appoint Grant Thornton UK LLP as auditor to the Company and to authorise the Directors to determine the auditor's remuneration.

Dated this fifth day of June 2009

By order of the Board

Phoenix Administration Services Limited

Secretary

Notes

- 1) A member of the Company entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and to exercise all or any of the member's rights to speak and vote at the meeting, instead of that member. Proxies need not be members of the Company. A form of proxy for use at the above meeting is provided separately. To be valid the form of proxy must be completed and deposited at the office of the Company's Registrars not less than 48 hours before the time fixed for holding the meeting or adjourned meeting. The return of the form of proxy duly completed will not preclude a member from attending and voting at the meeting.
- 2) Members (and any proxies or corporate representatives appointed) agree, by attending the Annual General Meeting, that they are expressly requesting and willing to receive any communications relating to the Company's securities at the Annual General Meeting.
- 3) The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at 6pm on 25 July 2009 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6pm on 25 July 2009 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

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Notice of Annual General Meeting *continued*

- 4) A corporate member of the Company intending to appoint more than one person to attend and vote at the Annual General Meeting as its Corporate Representatives pursuant to the provisions of section 323 "Representation of corporations at meetings" of the Companies Act 2006 (the 'Act'), should note that pursuant to section 323(4) of the Act "Where the corporation authorises more than one person and more than one of them purport to exercise a power under subsection (3):

(a) if they purport to exercise the power in the same way, the power is treated as exercised in that way,

(b) if they do not purport to exercise the power in the same way, the power is treated as not exercised."

To mitigate the effect of section 323(4)(b) of the Act, a corporate member may wish to consider appointing multiple proxies to attend and vote at the meeting since, pursuant to the provisions of section 324 of the Act, proxies have the same rights to attend, speak and vote at a general meeting, as members of the Company.

- 5) To appoint proxies or give/amend an instruction to an appointed proxy via the CREST system, the CREST message must be received by the issuer's agent (ID: RA10) by 2.30pm on 25 July 2009 and time of receipt will be taken as the time (as determined by the timestamp applied by the CREST Applications Host) that the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST Sponsored Members, and CREST Members who have appointed voting service providers, should refer to their sponsor/voting service provider for advice on appointing proxies via CREST. Regulation 35 of the Uncertificated Securities Regulations 2001 will apply to all proxy appointments sent by CREST. For information on CREST procedures and system timings, please refer to the CREST Manual.

- 6) If a corporate member of the Company appoints more than one corporate representative at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

- 7) The following documents will be available for inspection at the Registered Office of the Company during usual business hours on any weekday (except Public Holidays) until the date of the meeting and at the place of the meeting for a period of 15 minutes prior to and during the meeting:

(a) A statement of all transactions of each Director and of their family interests in the share capital of the Company; and

(b) The Memorandum and Articles of Association of the Company.

None of the Directors has a contract of service with the Company.

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Company Information

Directors

Dr. James King (Chairman)
Sir David Cooksey
Henry Thornton
Richard Thornton
Tom Waring
Harry Wells

Investment Manager

BDT Invest LLP
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.phoenixfundservices.com
email: info@phoenixfundservices.com

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: 0871 664 0300

*calls cost 10p per minute plus network extras
(from outside the UK: +44 208 639 3399)*

Registered auditor

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

Brokers

J.P. Morgan Cazenove
20 Moorgate
London
EC2R 6DA

Custodian

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

Shareholder relations

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

The Company's Web site can be accessed by logging on to: www.bdtinvest.com

Individual Savings Account ('ISA')

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

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Investment Manager

BDT Invest LLP
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
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The Establishment Investment Trust plc
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