

# **THE ESTABLISHMENT INVESTMENT TRUST PLC**

**Interim Report for the six months  
ended 30 September 2005**



### **Directors**

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

### **Investment Manager**

BDT Investment Management Limited  
4<sup>th</sup> Floor, 52 Jermyn Street  
London SW1Y 6LX

### **Company Secretary and Registered Office**

Phoenix Administration Services Limited  
2<sup>nd</sup> Floor, Springfield Lodge  
Colchester Road  
Chelmsford  
Essex CM2 5PW

### **Registrars**

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham Kent BR3 4TU

### **Registered Auditors**

RSM Robson Rhodes LLP  
186 City Road  
London EC1V 2NU

# The Establishment Investment Trust plc

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# The Establishment Investment Trust plc

## The Establishment Investment Trust plc

The Establishment Investment Trust plc is an investment trust listed on the London Stock Exchange. The Company invests primarily in equity and equity related securities (such as convertible bonds and warrants), although investment may also be made in collective investment schemes, bonds and other forms of debt instruments.

## Objective of the Company

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 Benchmark

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

## Financial highlights

### Performance comparisons in the current performance period (1 April 2005 - 30 September 2005)

	31 March 2005	30 September 2005	Change
<b>Share Price</b>	<b>133.50p</b>	<b>139.50p</b>	<b>+4.49%</b>
Net Asset Value	126.79p†	138.57p	+9.29%
Performance Fee Hurdle #	148.05p	155.46p	+5.00%
UK Equity *			+12.92%
World Equity *			+14.92%
Japan *			+22.96%
Asia ex Japan Equity *			+21.54%
UK Bond *			+5.16%
World Bond *			+4.30%

# As the Share Price (plus dividends paid) was below the Performance Fee Hurdle at the period end, no Performance Fee is payable.

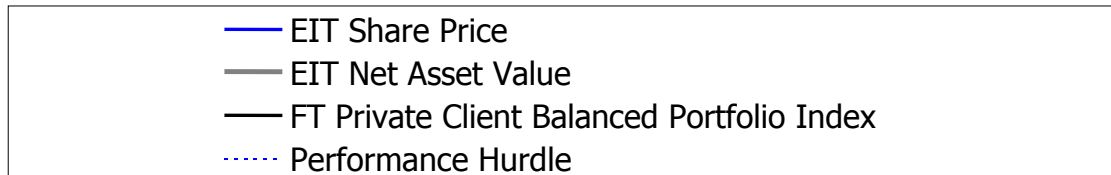
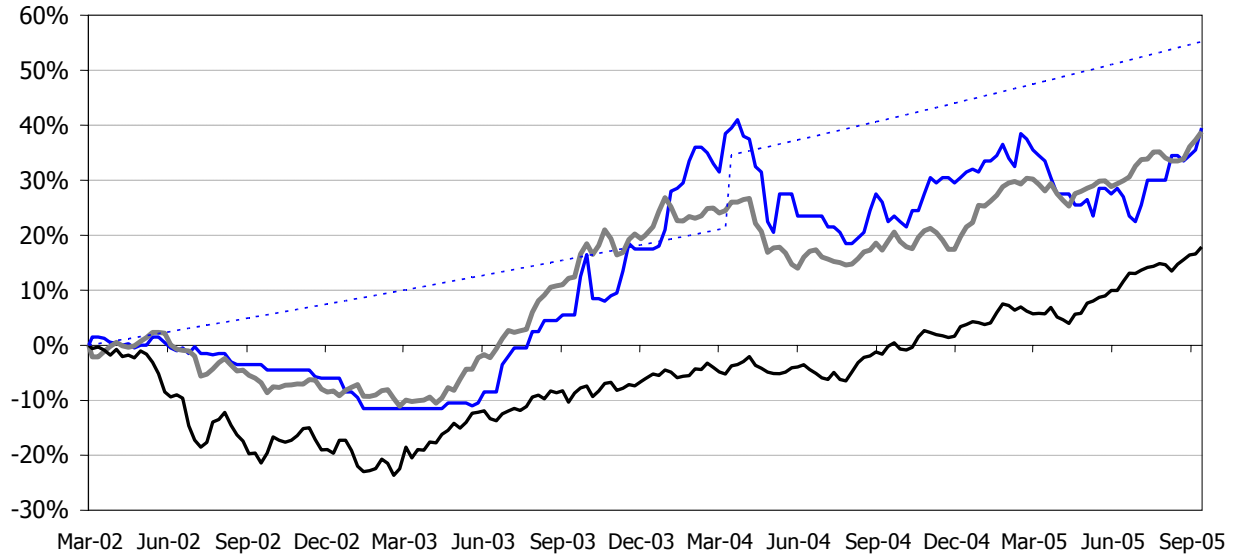
\* MSCI Indices converted into sterling. All total return indices.

† The net asset value as at 31 March 2005 has been restated in accordance with Financial Reporting Standards 21 and 26 as disclosed in note 2 to the interim accounts on page 13.

# The Establishment Investment Trust plc

## Financial highlights continued

**Share price performance relative to the net asset value,  
Performance Hurdle and FTSE APCIMS Private Client Balanced Portfolio Index  
for the period 18 March 2002 to 30 September 2005.**



# The Establishment Investment Trust plc

## Chairman's Statement

During the first half of the financial year the share price and net asset value rose by 4.5% and 9.3% respectively. A final dividend of 1.50p was paid to shareholders. World equity markets continued to rally during the period under review. The return of the Company and various indices are given on page 3 and a chart depicting the Company's performance relative to the FTSE APCIMS Private Client Balanced Portfolio Index since inception is on page 4.

While the positive total return generated by the Company fulfilled the primary investment objective, that of generating absolute returns, it lagged behind these broader market indices. The returns of the international indices were somewhat flattered by Sterling's 6.5% decline against the US Dollar. Since substantially more than half of the Company's assets were invested in Sterling instruments, or effectively hedged back into Sterling, during the period under review the Company did not benefit fully from this currency movement.

The Company's exposure to Japanese equities has been rising steadily over the past two years and, standing at approximately one quarter of the portfolio, is likely to remain a dominant feature for the foreseeable future. The reasons for your Investment Manager's optimism are outlined in their report. In June the Company invested at launch in BDT Invest Japanese Focus Fund, a long only absolute return vehicle. Early returns from this vehicle have been promising.

Shareholders will be aware that the Company owns an 18.5% (16% fully diluted) equity stake in the Investment Manager. The original option scheme established by BDT Invest in 2000 is now exhausted. The Investment Manager believes that to attract, and retain, talented personnel it is important to offer new and existing employees a meaningful stake in the management company. A new employee benefit trust has been established. The three founders of BDT Invest – Rob Brewis, Simon Dobson and Henry Thornton – have declared themselves ineligible for any options or shares under this new scheme and have requested that the Company, and all other non-employee shareholders, sell shares at the formula price to the employee benefit trust from time to time. Any such sales would be in the same proportion in relation to their shareholding that the founders themselves will be selling shares. Your Directors feel that this is a reasonable request and are comforted by the fact that the interests of the Company and the founders are so directly aligned.

Global equity markets have weathered the gradual monetary tightening by the Federal Reserve over the past year reasonably well but rising inflationary expectations, and reasonably clear indications that the Federal Reserve is also concerned by the pace of asset price inflation, raise the prospect that interest rates may need to climb significantly in the coming year. This prospect is discussed in the Report of the Investment Manager. The Directors remain of the opinion that the absolute return investment mandate of the Company, and the broad investment remit that this implies, should enable the Investment Manager to generate competitive returns in most market conditions.

The Board has proposed an interim dividend of 1.30p, an 18.2% increase over the prior year. This is consistent with the stated intent of the Board to grow dividends steadily over time.

**Dr J A C King**  
**Chairman**  
**10 November 2005**

# The Establishment Investment Trust plc

## Investment Manager's Report

The Chairman's statement notes the modest rise in the share price (4.5%) and the improvement in the net asset value (9.3%) during the first half of the financial year. The shares continue to trade at, or near, net asset value. This is encouraging to your managers since the average discount in the AITC global growth sector remains approximately 10%.

In the last annual report we attempted to justify the Company's substantial exposure to the Japanese equity market. This task has become somewhat easier in recent months as the Japanese market has moved from being a global performance laggard to something approaching a global performance leader. The trigger for the latest rally was Prime Minister Koizumi's emphatic election victory in September. The market is undoubtedly correct to be encouraged by the prospect of a functioning and united Liberal Democratic Party initiating some serious, long-term structural economic reforms. We would suggest, however, that the underlying strength of the market is as much a reflection of the ongoing trickle of positive economic data. This is suggesting that the fifteen year economic malaise is a thing of the past. There is also substantial anecdotal evidence that corporate Japan is becoming more "shareholder friendly". Finally we would highlight that domestic institutions, perhaps unsurprisingly after a decade long bear market, hold historically low positions in domestic equities relative to their positions in Government bonds.

In June the Company purchased at launch a sizeable position in the BDT Invest Japanese Focus Fund, a long only absolute return vehicle. Together with positions in the BDT Invest Japan Fund (a long/short fund), the BDT Invest Japanese Smaller Companies Fund and a number of direct equity holdings, the Company has approximately one quarter of its assets in Japan. We expect this will remain a feature of the portfolio in the foreseeable future.

We mentioned in the last annual report that we expected "the current round of monetary tightening will end sooner rather than later". More recently it has become clear that the Federal Reserve is increasingly concerned by the pace of domestic asset inflation - particularly in the property market. The extent to which the Federal Reserve may use monetary policy to target asset prices is unclear but this would be an important change in policy direction. This factor, combined with rising inflationary expectations, could result in interest rates going "higher for longer". This is especially true if Ben Bernanke, the proposed new Governor of the Federal Reserve, feels the need to establish his inflation fighting credentials early in his term.

Certainly interest rates across Asian economies are on a steady upward trend and, all other things being equal, this is a negative for economic growth and could, in time, place pressure on valuations. We also have concerns regarding the regional economic dynamo of late, the People's Republic of China. While official GDP data releases suggest that the Chinese economy continues to barrel along at breakneck speed, we are of the opinion that the over-investment of the past few years is impacting corporate profitability and that a natural cyclical economic downturn lies ahead.

The prospect of further tightening of US monetary policy and a slowdown in the Chinese economy do not, on the face of it, bode well for non Japanese Asian equities. While valuations do not look particularly onerous when compared to developed markets, it is an undeniable fact that the region has undergone a re-rating over the past few years. For example, Indian equities today trade on approximately fifteen times earnings compared to a single digit multiple three years ago. It is also the case that, after several years of strong earnings growth, the outlook for earnings growth in 2006 is moderate at best. The good news is that excessive leverage is conspicuous by its absence and dividend yields are both competitive and well covered. We continue to believe in the long term prospects of the regional markets but have rather less conviction regarding the shorter term prospects and have selectively trimmed our equity exposure during the past month.

## **The Establishment Investment Trust plc**

During the period under review we sold the German Government Bond and increased our position in short term Gilts to approximately 25%. Despite this, the Company's overall exposure to Sterling has decreased as we have unwound some of our hedges. The portfolio has very limited exposure to the Euro. Absolute return vehicles (both long/short and long only) continue to play an important role in the portfolio. They continue to generate solid returns and have reduced the overall volatility of the net asset value.

BDT Invest continues to trade profitably. Funds under management grew 18% to £365mn during the period under review.

Despite near term concerns regarding the smaller Asian markets, your Investment Manager remains hopeful of building on the first half gains in the second half of the Company's financial year.

**BDT Investment Management Limited**  
**Investment Manager**  
**10 November 2005**

## The Establishment Investment Trust plc

### Statement of Total Return

	Six months to 30 September 2005 Unaudited		
	Revenue £'000	Capital £'000	Total £'000
Gains / (losses) on investments	-	2,263	2,263
Transaction costs on investment purchases	-	(17)	(17)
Exchange differences	-	(49)	(49)
(Losses) / gains on forward currency contracts	-	(38)	(38)
Income	969	-	969
Investment management fee	(23)	(82)	(105)
Other expenses	<u>(130)</u>	<u>(6)</u>	<u>(136)</u>
<b>Net return/(deficit) before finance costs and taxation</b>	<b>816</b>	<b>2,071</b>	<b>2,887</b>
Interest payable and similar charges	<u>(9)</u>	<u>(36)</u>	<u>(45)</u>
<b>Return/(deficit) on ordinary activities before tax</b>	<b>807</b>	<b>2,035</b>	<b>2,842</b>
Tax on ordinary activities	<u>(223)</u>	<u>38</u>	<u>(185)</u>
<b>Return/(deficit) on ordinary activities after tax for the period</b>	<b><u>584</u></b>	<b><u>2,073</u></b>	<b><u>2,657</u></b>
<b>Return/(loss) per ordinary share</b>			<b><u><u>13.28p</u></u></b>

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

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

## The Establishment Investment Trust plc

Six months to 30 September 2004 Unaudited Restated (see note 12)			Year ended 31 March 2005 Audited Restated (see note 13)		
Revenue	Capital	Total	Revenue	Capital	Total
£'000	£'000	£'000	£'000	£'000	£'000
-	(1,461)	(1,461)	-	355	355
-	(31)	(31)	-	(57)	(57)
-	(81)	(81)	-	42	42
-	91	91	-	179	179
613	-	613	1,093	-	1,093
(22)	(87)	(109)	(43)	(113)	(156)
<u>(127)</u>	<u>(4)</u>	<u>(131)</u>	<u>(289)</u>	<u>(8)</u>	<u>(297)</u>
464	(1,573)	(1,109)	761	398	1,159
<u>-</u>	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>(23)</u>	<u>(29)</u>
464	(1,573)	(1,109)	755	375	1,130
<u>(76)</u>	<u>12</u>	<u>(64)</u>	<u>(194)</u>	<u>20</u>	<u>(174)</u>
<u>388</u>	<u>(1,561)</u>	<u>(1,173)</u>	<u>561</u>	<u>395</u>	<u>956</u>
		<u><u>(5.87p)</u></u>			<u><u>4.78p</u></u>

## The Establishment Investment Trust plc

### Balance Sheet

	<b>30 September 2005 Unaudited</b>	30 September 2004 Unaudited Restated (see note 12)	31 March 2005 Audited Restated (see note 13)
	<b>£'000</b>	£'000	£'000
Investments held at fair value	<u><b>31,187</b></u>	<u>22,638</u>	<u>27,681</u>
<b>Current assets</b>			
Debtors	<b>448</b>	4,208	2,142
Cash at bank and short-term deposits	<u><b>1,468</b></u>	<u>1,070</u>	<u>895</u>
	<b>1,916</b>	5,278	3,037
Creditors: amounts falling due within one year	<u><b>(5,389)</b></u>	<u>(4,468)</u>	<u>(5,361)</u>
<b>Net current (liabilities) / assets</b>	<u><b>(3,473)</b></u>	<u>810</u>	<u>(2,324)</u>
<b>Total assets</b>	<u><u><b>27,714</b></u></u>	<u><u>23,448</u></u>	<u><u>25,357</u></u>
<b>Capital and reserves</b>			
Called up share capital	<b>5,000</b>	5,000	5,000
Share premium account	<b>14,701</b>	14,701	14,701
Capital reserve - realised	<b>1,173</b>	(29)	328
Capital reserve - unrealised	<b>6,112</b>	3,285	4,884
Revenue reserve	<u><b>728</b></u>	<u>491</u>	<u>444</u>
<b>Equity shareholders' funds</b>	<u><u><b>27,714</b></u></u>	<u><u>23,448</u></u>	<u><u>25,357</u></u>
<b>Net asset value per Ordinary Share</b>	<u><u><b>138.57p</b></u></u>	<u><u>117.24p</u></u>	<u><u>126.79p</u></u>

## The Establishment Investment Trust plc

### Cash Flow Statement

	<b>Six months to 30 September 2005 Unaudited £'000</b>	Six months to 30 September 2004 Unaudited £'000	Year ended 31 March 2005 Audited £'000
Net cash inflow from operating activities	<b>670</b>	143	433
Taxation	<b>(75)</b>	(32)	(44)
Financial investment	<b>(1,581)</b>	291	(3,102)
	<b>(986)</b>	402	(2,713)
Equity dividends paid	<b>(300)</b>	(290)	(510)
Financing	<b>1,908</b>	-	3,153
<b>Increase / (decrease) in cash</b>	<b><u>622</u></b>	<u>112</u>	<u>(70)</u>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase / (decrease) in cash in the period	<b>622</b>	112	(70)
Cash inflow from movements in net debt	<b>(1,908)</b>	-	(3,153)
Foreign exchange movements	<b>(49)</b>	(81)	42
Opening net (debt) / funds	<b>(2,142)</b>	1,039	1,039
<b>Closing net (debt) / funds</b>	<b><u>(3,477)</u></b>	<u>1,070</u>	<u>(2,142)</u>
<b>Represented by</b>			
Cash at bank	<b>1,468</b>	1,070	895
Bank loan	<b>(4,945)</b>	-	(3,037)
	<b><u>(3,477)</u></b>	<u>1,070</u>	<u>(2,142)</u>

## The Establishment Investment Trust plc

### Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
<b>For the six months ended 30 September 2005</b>						
Net assets at 31 March 2005 (as restated see note 13)	5,000	14,701	328	4,884	444	25,357
Net profit from operating activities	-	-	845	1,228	584	2,657
Dividends paid	-	-	-	-	(300)	(300)
<b>Net assets at 30 September 2005</b>	<b>5,000</b>	<b>14,701</b>	<b>1,173</b>	<b>6,112</b>	<b>728</b>	<b>27,714</b>

	Share capital £'000	Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
<b>For the six months ended 30 September 2004</b>						
Net assets at 31 March 2004 (as restated see note 11)	5,000	14,701	566	4,251	393	24,911
Net (loss) / profit from operating activities	-	-	(595)	(966)	388	(1,173)
Dividends paid	-	-	-	-	(290)	(290)
<b>Net assets at 30 September 2004</b>	<b>5,000</b>	<b>14,701</b>	<b>(29)</b>	<b>3,285</b>	<b>491</b>	<b>23,448</b>

	Share capital £'000	Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
<b>For the year ended 31 March 2005</b>						
Net assets at 31 March 2004 (as restated see note 11)	5,000	14,701	566	4,251	393	24,911
Net (loss) / profit from operating activities	-	-	(238)	633	561	956
Dividends paid	-	-	-	-	(510)	(510)
<b>Net assets at 31 March 2005</b>	<b>5,000</b>	<b>14,701</b>	<b>328</b>	<b>4,884</b>	<b>444</b>	<b>25,357</b>

# The Establishment Investment Trust plc

## Notes to the Interim Accounts

1. The financial information for the year ended 31 March 2005 included in this half-year report has been based upon the Company's full accounts, which for the year to 31 March 2005 carry an unqualified audit report and did not include statements under Section 237(2) or (3) of the Companies Act 1985 and which have been filed with the Registrar of Companies.
2. The financial statements for the period to 30 September 2005 have been prepared on a basis consistent with the accounting policies adopted by the Company in its statutory accounts for the year ended 31 March 2005, except as follows:

UK GAAP is converging with International Financial Reporting Standards ('IFRS') and the following Financial Reporting Standards ('FRS') have been introduced.

FRS26: "Financial Instruments: Measurement" requires that quoted investments are valued at fair value (previously mid market). This is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. The Company's investments have accordingly been revalued to bid price. Unquoted investments are valued by the directors at fair value using market valuation techniques.

FRS26 also requires that where investments are held at fair value through the profit and loss account the transaction costs on investment purchases should be recognised as a separate item from gains and losses on investments and prior period results have accordingly been restated as disclosed in the Statement of Total Return. This has had no overall effect on net assets.

FRS21: "Events after the Balance Sheet Date" states that dividends declared and approved by the Company after the balance sheet date should not be recognised as a liability of the Company at the balance sheet date. Prior period results have accordingly been restated and this is shown in notes 11 to 13 on pages 14 to 16.

FRS22: "Returns per Ordinary Share" states that the Company is only permitted to show the total return per Ordinary Share on the Statement of Total Return. The revenue and capital returns per share for the periods to 30 September 2005, 30 September 2004 and 31 March 2005 are shown in note 6.

3. The Statement of Total Return for the six months to 30 September 2005, six months to 30 September 2004 and year to 31 March 2005 have been prepared in accordance with the Statement of Recommended Practice issued in January 2003, "Financial Statements of Investment Trust Companies" which have been adopted by the Company.
4. The Statement of Total Return includes the results of the Company and together with the Balance Sheet and Cash Flow Statement at 30 September 2005, are unaudited and do not constitute full statutory accounts within the meaning of Section 240 of the Companies Act 1985.
5. The net asset value per Ordinary Share is based on net assets at 30 September 2005 of £27,714,000 (31 March 2005: £25,357,000 as restated and 30 September 2004: £23,448,000 as restated) and on 20,000,000 Ordinary Shares in issue at 30 September 2005 (31 March 2005 and 30 September 2004: 20,000,000).
6. Returns per Ordinary Share:

The return per Ordinary Share is based on the net gain on ordinary activities after taxation of £2,657,000 for the six months to 30 September 2005 (31 March 2005: £956,000 as restated and 30 September 2004: £1,173,000 loss as restated) divided by 20,000,000 (31 March 2005 and 30 September 2004: 20,000,000) Ordinary Shares being the weighted average number of Ordinary Shares in issue during the period.

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

	<b>Six months ended 30 September 2005 Unaudited</b>	<b>Six months ended 30 September 2004 Unaudited Restated (see note 12)</b>	<b>Year ended 31 March 2005 Audited Restated (see note 13)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net revenue profit/(loss)</b>	<b>584</b>	388	561
<b>Net capital profit/(loss)</b>	<b>2,073</b>	<u>(1,561)</u>	<u>395</u>
<b>Net total profit/(loss)</b>	<b><u>2,657</u></b>	<u>(1,173)</u>	<u>956</u>
Weighted average number of Ordinary Shares in issue during the period	20,000,000	20,000,000	20,000,000
	<b>pence</b>	<b>pence</b>	<b>pence</b>
<b>Revenue return per Ordinary Share</b>	<b>2.92</b>	1.94	2.80
<b>Capital return per Ordinary Share</b>	<b>10.36</b>	<u>(7.81)</u>	<u>1.98</u>
<b>Total return per Ordinary Share</b>	<b><u>13.28</u></b>	<u>(5.87)</u>	<u>4.78</u>

# The Establishment Investment Trust plc

## Notes to the Interim Accounts *continued*

### 7. Interim Dividend

The Directors have declared an interim dividend of 1.30p per Ordinary Share in respect of the year ending 31 March 2006. The shares will be quoted ex-dividend on 16 November 2005 and the dividend will be paid on 16 December 2005, to shareholders on the register on 18 November 2005.

8. The investment in BDT Investment Management Limited (representing 18.5% of that company - 16.0% fully diluted) 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 the Manager, BDT Investment Management Limited, is calculated at the end of each quarter on the basis of fair value as determined by the directors of the Company. The valuation process is based on the average of book value of BDT Investment Management Limited, 4% of the value of funds under its management and four times its annual management charges.

9. Following the publication of the Investment Entities (Listing Rules and Conduct of Business) Instrument 2003, the Company announced on 20 October 2003 that it is the Company's policy to invest no more than 15% of its gross assets in other UK listed investment companies (including UK listed investment trusts) as defined in Listing Rule 15.

10. It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an Investment Trust Company set out in Section 842 of the Income and Corporation Taxes Act 1988.

### 11. Restatement of opening balances at 31 March 2004

		Previously reported 31 March 2004	Adjustments	Restated 31 March 2004
	Notes	£'000	£'000	£'000
<b>Fixed assets</b>				
Investments	1	24,224	(85)	24,139
Current assets		5,419	-	5,419
Creditors: amounts falling due within one year	2	<u>(4,937)</u>	<u>290</u>	<u>(4,647)</u>
<b>Net assets</b>		<u>24,706</u>	<u>205</u>	<u>24,911</u>
Capital and reserves				
Called up share capital		5,000	-	5,000
Share Premium account		14,701	-	14,701
Capital reserve - realised		566	-	566
Capital reserve - unrealised	1	4,336	(85)	4,251
Revenue reserve	2	<u>103</u>	<u>290</u>	<u>393</u>
<b>Equity Shareholders' Funds</b>		<u>24,706</u>	<u>205</u>	<u>24,911</u>
<b>Net asset value per Ordinary Share</b>		<u>123.53p</u>	<u>1.03p</u>	<u>124.56p</u>

#### Notes to the reconciliation

1. Investments are designated as held at fair value in accordance with FRS26 and are carried at bid prices which total their fair value of £24,139,000 (previously they were carried at mid prices). The aggregate differences, being a revaluation downwards of £85,000, also decreased the capital reserve - unrealised.

2. No provision has been made for the final dividend on the Ordinary Shares for the year ended 31 March 2004 of £290,000. Under FRS21 the final dividend is not recognised until approved by shareholders.

## The Establishment Investment Trust plc

### 12. (a) Restatement of balances as at and for six months ended 30 September 2004

	Notes	Previously reported 30 September 2004 £'000	Adjustments £'000	Restated 30 September 2004 £'000
<b>Fixed assets</b>				
Investments	1	22,713	(75)	22,638
Current assets		5,278	-	5,278
Creditors: amounts falling due within one year	2	<u>(4,688)</u>	<u>220</u>	<u>(4,468)</u>
<b>Net assets</b>		<u>23,303</u>	<u>145</u>	<u>23,448</u>
<b>Capital and reserves</b>				
Called up share capital		5,000	-	5,000
Share premium account		14,701	-	14,701
Capital reserve - realised		(29)	-	(29)
Capital reserve - unrealised	1	3,360	(75)	3,285
Revenue reserve	2	<u>271</u>	<u>220</u>	<u>491</u>
<b>Equity Shareholders' Funds</b>		<u>23,303</u>	<u>145</u>	<u>23,448</u>
<b>Net asset value per Ordinary Share</b>		<u>116.51p</u>	<u>0.73p</u>	<u>117.24p</u>

#### Notes to the reconciliation

1. Investments are designated as held at fair value in accordance with FRS26 and are carried at bid prices which total their fair value of £22,638,000 (previously they were carried at mid prices). The aggregate differences, being a revaluation downwards of £75,000, also decreased capital reserve - unrealised.

2. No provision has been made for the interim dividend on the Ordinary Shares for the six months ended 30 September 2004 of £220,000. Under FRS21 the interim dividend is not recognised until approved by shareholders.

### (b) Reconciliation of the Statement of Total Return (restated) for the six months ended 30 September 2004

	Notes	2004 £'000	Earnings Per Share impact (pence)
Total transfer to reserves per the Statement of Total Return (previously reported)		(1,403)	-
Add back dividends paid and proposed	1	220	-
Investments held at fair value changed from mid to bid basis at 31 March 2004	2	85	0.42
Investments held at fair value changed from mid to bid basis at 30 September 2004	2	<u>(75)</u>	<u>(0.37)</u>
<b>Net deficit per the Statement of Total Return (as restated)</b>		<u>(1,173)</u>	<u>0.05</u>

#### Notes to the reconciliation

1. Ordinary dividends declared and paid during the period are dealt with through the Statement of Changes in Equity.

2. The portfolio valuations at 31 March 2004 and 31 March 2005 are required to be valued at fair value under FRS26. These values are lower than the previous valuations by £85,000 and £75,000 respectively.

# The Establishment Investment Trust plc

## Notes to the Interim Accounts *continued*

### 13. (a) Restatement of balances as at and for the year ended 31 March 2005

	Notes	Previously reported 31 March 2005 £'000	Adjustments £'000	Restated 31 March 2005 £'000
<b>Fixed assets</b>				
Investments	1	27,776	(95)	27,681
Current assets		3,037	-	3,037
Creditors: amounts falling due within one year	2	<u>(5,661)</u>	<u>300</u>	<u>(5,361)</u>
<b>Net assets</b>		<u>25,152</u>	<u>205</u>	<u>25,357</u>
<b>Capital and reserves</b>				
Called up share capital		5,000	-	5,000
Share premium account		14,701	-	14,701
Capital reserve - realised		328	-	328
Capital reserve - unrealised	1	4,979	(95)	4,884
Revenue reserve	2	<u>144</u>	<u>300</u>	<u>444</u>
<b>Equity shareholder' Funds</b>		<u>25,152</u>	<u>205</u>	<u>25,357</u>
<b>Net asset value per Ordinary Share</b>		<u>125.76p</u>	<u>1.03p</u>	<u>126.79p</u>

#### Notes to the reconciliation

1. Investments are designated as held at fair value in accordance with FRS26 and are carried at bid prices which total their fair value of £27,681,000 (previously they were carried at mid prices). The aggregate differences, being a revaluation downwards of £95,000, also decreased capital reserve - unrealised.

2. No provision has been made for the final dividend on the Ordinary Shares for the year ended 31 March 2005 of £300,000. Under FRS21 the final dividend is not recognised until approved by shareholders.

### (b) Reconciliation of the Statement of Total Return (restated) for the year ended 31 March 2005

	Notes	2005 £'000	Earnings Per Share impact (pence)
Total transfer to reserves per the Statement of Total Return (previously reported)		446	-
Add back dividends paid and proposed	1	520	-
Investments held at fair value changed from mid to bid basis at 31 March 2004	2	85	0.42
Investments held at fair value changed from mid to bid basis at 31 March 2005	2	<u>(95)</u>	<u>(0.47)</u>
<b>Net return per the Statement of Total Return (as restated)</b>		<u>956</u>	<u>(0.05)</u>

#### Notes to the reconciliation

1. Ordinary dividends declared and paid during the year are dealt with through the Statement of Changes in Equity.

2. Portfolio valuations at 31 March 2004 and 31 March 2005 are required to be valued at fair value under FRS26. These values are lower than the previous valuations by £85,000 and £95,000 respectively.

By order of the Board

Phoenix Administration Services Limited  
Secretary  
10 November 2005

## The Establishment Investment Trust plc

### Portfolio Holdings at 30 September 2005

*(All Ordinary Shares unless otherwise stated)*

Holding	Company	Market value £'000	% of total assets
£5,000,000	Treasury 8.5% 07/12/2005	5,037	18.16
350,000	BDT Invest Japanese Focus Fund 'B'	2,269	8.19
11,920	MPC Pilgrim Fund - Class 'C'	2,202	7.94
£2,000,000	Treasury 7.75% 08/09/2006	2,064	7.44
134,000	BDT Investment Management Limited *	1,451	5.24
200,000	BDT Invest Emerging Markets Focus 'B'	1,402	5.06
100,000	BDT Invest Japan Fund Distributor - Sterling	1,385	5.00
750,000	SR Europe Investment Trust	1,189	4.29
2,100,000	Thoresen Thai Agencies NVDR's	991	3.58
1,584,000	Sincere Navigation Corp	822	2.97
3,000,000	GK Goh Holdings	733	2.64
900,000	Top Glove Corp	667	2.41
4,000	Bedlam Asset Management UK Fund	625	2.26
5,000	The Lindsell Train Investment Trust	615	2.22
60,000	BDT Invest Japanese Smaller Companies Fund 'B'	516	1.86
750,000	Siam Steel Service Center (Foreign)	454	1.64
770,000	Noble Group	407	1.47
20,000	Reliance Industries GDR	406	1.47
150,000	Liontrust Asset Management	401	1.45
135	NTT Urban Development Corp	392	1.40
8,800	Hyundai Heavy Industries	371	1.34
35,000	Marui	334	1.21
40,000	Sumitomo Realty & Development	334	1.21
119,577	Hon Hai Precision	314	1.14
48,000	Cheung Kong	306	1.11
9,000	Nidec Corp	302	1.10
40	Mitsubishi Tokyo Financial	295	1.07
415,000	Siam Commercial Bank (Foreign)	294	1.06
15,200	Hoya Corp	286	1.03
2,000	Keyence Corp	285	1.03
6,000	Aiful Corp	285	1.03
6,000	Petrochina ADR's	281	1.02
1,350,000	Denway Motors	275	0.99
230,000	BOC Hong Kong Holdings	260	0.94
160,000	Tenaga Nasional	259	0.93
1,750,000	Central Pattana Public (Foreign)	255	0.92
1,200,000	China Insurance International	254	0.92
276,499	Taiwan Semiconductor	250	0.90
262,500	Quanta Computer	243	0.87
400,000	Taiwan Fertilizer	242	0.87

## The Establishment Investment Trust plc

### Portfolio Holdings at 30 September 2005 continued (All Ordinary Shares unless otherwise stated)

Holding	Company	Market value £'000	% of total assets
523,600	Kim Eng Holdings	229	0.83
460,860	Chinatrust Financial Holdings	224	0.81
100,000	Isuzu Motors	208	0.75
1,200	Samsung Electronics GDR's	191	0.68
1,100,000	Pacific Century Premium Developments	190	0.68
400,000	Thoresen Thai Agencies (Foreign)	189	0.67
3,050	NCSOFT Corp	135	0.49
200,000	Bedlam Asset Management Plc*	50	0.18
36,785	Chinatrust Financial Holdings	18	0.06
	Total Investments	<u>31,187</u>	<u>112.53</u>
	Net current liabilities	<u>(3,473)</u>	<u>(12.53)</u>
	<b>Total assets</b>	<b><u>27,714</u></b>	<b><u>100.00</u></b>

\* Unlisted Investments

## The Establishment Investment Trust plc

### Portfolio Analysis at 30 September 2005

<b>Sector Analysis</b>	<b>Market value £'000</b>	<b>% of total assets</b>
Investment Companies	12,771	46.10
UK Government Bonds	7,101	25.60
Transport	2,002	7.22
Speciality & Other Finance	1,654	5.97
Electronic & Electronic Equipment	1,343	4.85
Real Estate	1,287	4.64
Banks	1,091	3.94
Chemicals	648	2.34
Engineering & Machinery	646	2.33
Steel & Other Metals	454	1.64
Software & Computer Services	378	1.36
General Retailers	334	1.21
Health	286	1.03
Oil & Gas	281	1.02
Electricity	259	0.93
Insurance	254	0.92
Automobiles	208	0.75
Construction & Building Materials	190	0.68
Total investments	<u>31,187</u>	<u>112.53</u>
Net current liabilities	<u>(3,473)</u>	<u>(12.53)</u>
<b>Total assets</b>	<b><u>27,714</u></b>	<b><u>100.00</u></b>

## The Establishment Investment Trust plc

### Portfolio Analysis at 30 September 2005 *continued*

<b>Geographical Analysis (based on listing or domicile)</b>	<b>Market value £'000</b>	<b>% of total assets</b>
	£'000	%
United Kingdom	11,431	41.24
Eire	4,187	15.11
Cayman Islands	3,587	12.94
Japan	2,721	9.82
Thailand	2,182	7.87
Taiwan	2,113	7.62
Singapore	1,369	4.94
Hong Kong	1,286	4.64
Malaysia	926	3.34
South Korea	697	2.52
India	406	1.47
United States	282	1.02
Total investments	<u>31,187</u>	<u>112.53</u>
Net current liabilities	<u>(3,473)</u>	<u>(12.53)</u>
	<b><u>27,714</u></b>	<b><u>100.00</u></b>

<b>Classification of Assets</b>	<b>Market value £'000</b>	<b>% of total assets</b>
Equities	24,086	86.93
Fixed Interest Securities	7,101	25.60
Net current liabilities	<u>(3,473)</u>	<u>(12.53)</u>
	<b><u>27,714</u></b>	<b><u>100.00</u></b>

**Investment Manager**

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Monthly updates are available from the Investment Manager

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The Establishment Investment Trust plc  
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