

THE ESTABLISHMENT INVESTMENT TRUST PLC

Interim Report for the six months
ended 30 September 2006



THE ESTABLISHMENT INVESTMENT TRUST PLC

Directors

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

Investment Manager

BDT Investment Management Limited
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Company Secretary and Registered Office

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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.

Benchmark

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

Financial Highlights

Performance comparisons in the current performance period (01 April 2006 - 30 September 2006)

	31 March 2006	30 September 2006	Change
Share Price	159.00p	154.00p	-3.14%
Net Asset Value	159.94p	153.75p	-3.87%
Performance Fee Hurdle #	162.85p	170.97p	+5.00%
FTSE APCIMS Private Client Balanced Portfolio Index			+0.52%
UK Equity *			+1.56%
World Equity *			-3.44%
Japan *			-11.97%
Asia ex Japan Equity *			-1.99%
UK Bond *			+1.53%
World Bond *			-2.67%

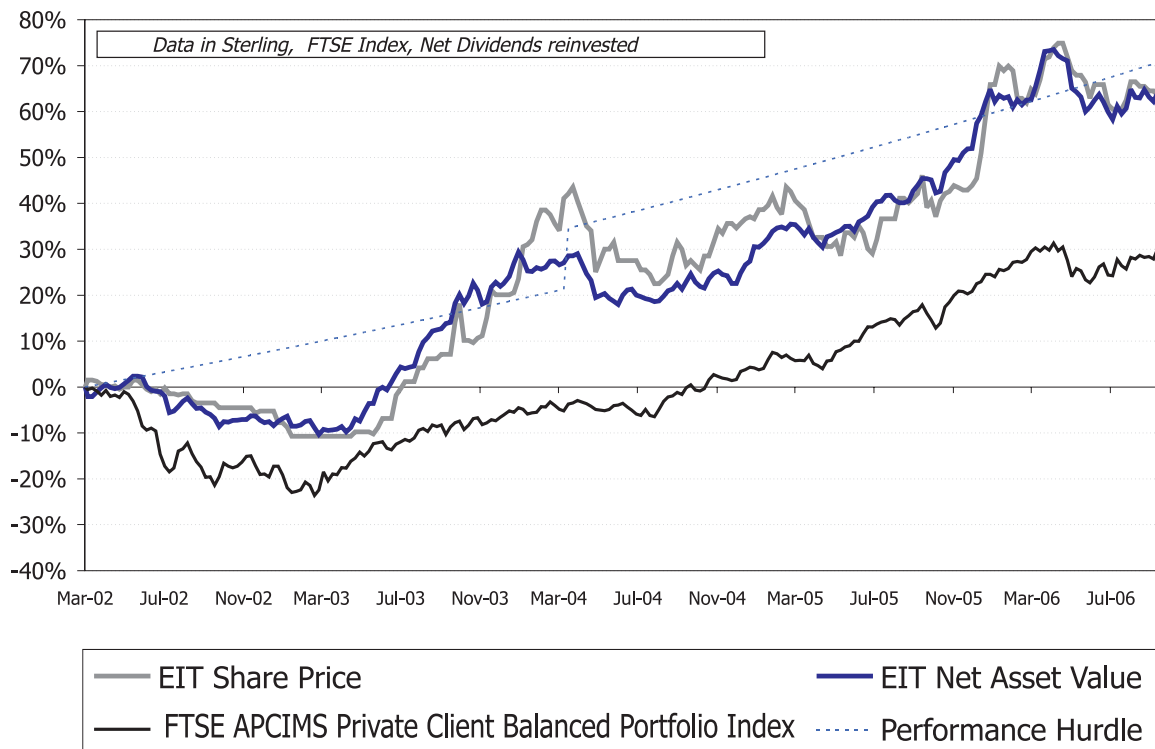
As the mid market price of an Ordinary Share (plus dividends paid) was below the Performance Fee Hurdle at the period end, no Performance Fee has been accrued.

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

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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 2006.**



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Chairman's Statement

The first six months of the financial year are best described as inconclusive with both the share price and the net asset value declining by 3.1% and 3.9% respectively. The Company continues to invest predominantly outside of the United Kingdom and the appreciation of sterling, which rose by 7.7% against the US Dollar during the period under review, impacted returns.

The Company's biggest single equity commitment by country remains Japan and the 12% decline in the MSCI Japan Index (in sterling terms) during the first half of the Company's financial year has proved unhelpful. Returns from other Asian markets where the Company has sizeable investments, such as Thailand, Korea and Malaysia, also proved somewhat disappointing. These issues are covered in the Report of the Investment Manager.

Shareholders will be aware that global markets proved volatile during the period under review and the Board is pleased to note that the net asset value of the Company demonstrated comparative stability. Thus while the MSCI Asia ex Japan and the MSCI Japan Indices recorded peak to trough declines of close to 20%, the net asset value of the Company suffered a peak to trough decline of less than 10%. The Company retains an absolute return mandate and it is encouraging to note that the portfolio performed in a comparatively steady manner during this volatile period.

The Board has approved an interim dividend of 1.30p per share, at the same level as last year.

Dr J A C King
Chairman
16 November 2006

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Investment Manager's Report

The share price and net asset value declined by 3.1% and 3.9% during the period under review. In addition a final dividend of 1.60p, or approximately 1% of the net asset value, was paid to Shareholders in July. The modest setback in the net asset value occurred during a volatile period for global equity markets. Equities had started 2006 as they left 2005 - rising strongly - but fears of a rapid rise in inflation due to a combination of strong economic growth and the surge in oil and other commodity prices culminated in a sharp setback in equities between early May and mid June. In sterling terms both Japan and the Asia ex Japan regions suffered declines of approximately one fifth. While we were not unduly concerned by the sharp fall in the Asia ex Japan universe - market volatility has long been a feature of the regional markets - we were surprised by the speed and extent of the fall in Japanese equity prices.

As we have outlined in previous reports to Shareholders, your Manager believes that Japan is in the early stages of a new bull market following the "once in a generation" fourteen year bear market that ended in May 2003. This optimistic view is principally based upon our expectations that the domestic economy will deliver steady and predictable growth in the years ahead, something that was patently not the case during the long bear market when property prices were in freefall and financial institutions essentially bankrupt. During this period the Japanese market traded rather like a cyclical stock, rallying during periods of strong global economic growth. Despite hard evidence that revenues, return on equity and profitability are improving across the entire economy it appears that investors are not yet willing to discard Japan's cyclical status. We believe this to be a mistake by them and an opportunity for the Company.

Elsewhere in the region investors remain narrowly focussed upon the long term growth potential of China and India. While there is no doubt that these two huge countries are developing rapidly and will play an ever more pivotal role in the global economy, the level of investor enthusiasm has reached a point where any disappointment is likely to prove painful to the owners of equities. In other words the risk reward ratio, or trade off, has deteriorated significantly. Aside from Japan, the equity investments of the Company are focussed in markets and companies around the region where growth prospects remain equally bright but valuations are rather more compelling.

The Company continues to own a number of absolute return focussed investments and also has a substantial exposure to sovereign bonds and liquid assets.

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We believe the portfolio to be well positioned to build on the solid returns achieved since launch in early 2002 and look forward to the second half of the Company's financial year with confidence.

BDT Investment Management Limited
Investment Manager

16 November 2006

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Income Statement

	Six months to 30 September 2006 Unaudited		
	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	-	(1,497)	(1,497)
Exchange differences	-	54	54
Losses on forward currency contracts	-	-	-
Income	1,008	-	1,008
Investment management fees	(27)	(51)	(78)
Other expenses	<u>(149)</u>	<u>(44)</u>	<u>(193)</u>
Net return/(loss) before finance costs and taxation	832	(1,538)	(706)
Interest payable and similar charges	<u>(14)</u>	<u>(51)</u>	<u>(65)</u>
Return/(loss) on ordinary activities before tax	818	(1,589)	(771)
Tax on ordinary activities	<u>(178)</u>	<u>31</u>	<u>(147)</u>
Return/(loss) on ordinary activities after tax for the period	<u>640</u>	<u>(1,558)</u>	<u>(918)</u>
Return/(loss) per Ordinary Share	<u>3.20p</u>	<u>(7.79p)</u>	<u>(4.59p)</u>

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

No operations were acquired or discontinued during the period.

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.

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	Six months to 30 September 2005 Unaudited			Year ended 31 March 2006 Audited		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	
-	2,246	2,246	-	6,904	6,904	
-	(49)	(49)	-	(54)	(54)	
-	(38)	(38)	-	(38)	(38)	
969	-	969	1,149	-	1,149	
(23)	(82)	(105)	(46)	(65)	(111)	
<u>(130)</u>	<u>(6)</u>	<u>(136)</u>	<u>(252)</u>	<u>(7)</u>	<u>(259)</u>	
816	2,071	2,887	851	6,740	7,591	
<u>(9)</u>	<u>(36)</u>	<u>(45)</u>	<u>(23)</u>	<u>(81)</u>	<u>(104)</u>	
807	2,035	2,842	828	6,659	7,487	
<u>(223)</u>	<u>38</u>	<u>(185)</u>	<u>(248)</u>	<u>(48)</u>	<u>(296)</u>	
<u>584</u>	<u>2,073</u>	<u>2,657</u>	<u>580</u>	<u>6,611</u>	<u>7,191</u>	
<u>2.92p</u>	<u>10.36p</u>	<u>13.28p</u>	<u>2.90p</u>	<u>33.05p</u>	<u>35.95p</u>	

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Reconciliation of Movements in Shareholders' Funds

	Share capital £'000	Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
For the six months ended 30 September 2006						
Net assets at 31 March 2006	5,000	14,701	2,786	9,037	464	31,988
Net profit/(loss) from operating activities	-	-	36	(1,594)	640	(918)
Dividends paid	-	-	-	-	(320)	(320)
Net assets at 30 September 2006	5,000	14,701	2,822	7,443	784	30,750

	Share capital £'000	Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
For the six months ended 30 September 2005						
Net assets at 31 March 2005	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)
Net assets at 30 September 2005	5,000	14,701	1,173	6,112	728	27,714

	Share capital £'000	Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
For the year ended 31 March 2006						
Net assets at 31 March 2005	5,000	14,701	328	4,884	444	25,357
Net profit from operating activities	-	-	2,458	4,153	580	7,191
Dividends paid	-	-	-	-	(560)	(560)
Net assets at 31 March 2006	5,000	14,701	2,786	9,037	464	31,988

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Balance Sheet

	30 September 2006 Unaudited £'000	30 September 2005 Unaudited £'000	31 March 2006 Audited £'000
Fixed assets			
Investments held at fair value through profit or loss	<u>29,654</u>	<u>31,187</u>	<u>31,875</u>
Current assets			
Debtors	216	448	130
Cash at bank	<u>5,311</u>	<u>1,468</u>	<u>2,606</u>
	5,527	1,916	2,736
Creditors: amounts falling due within one year	<u>(4,425)</u>	<u>(5,270)</u>	<u>(2,617)</u>
Net current assets/(liabilities)	<u>1,102</u>	<u>(3,354)</u>	<u>119</u>
Total assets less current liabilities	30,756	27,833	31,994
Provision for liabilities and charges	<u>(6)</u>	<u>(119)</u>	<u>(6)</u>
Net assets	<u><u>30,750</u></u>	<u><u>27,714</u></u>	<u><u>31,988</u></u>
Capital and reserves			
Called up share capital	5,000	5,000	5,000
Share premium account	14,701	14,701	14,701
Capital reserve - realised	2,822	1,173	2,786
Capital reserve - unrealised	7,443	6,112	9,037
Revenue reserve	<u>784</u>	<u>728</u>	<u>464</u>
Equity shareholders' funds	<u><u>30,750</u></u>	<u><u>27,714</u></u>	<u><u>31,988</u></u>
Net asset value per Ordinary Share	<u><u>153.75p</u></u>	<u><u>138.57p</u></u>	<u><u>159.94p</u></u>

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Cash Flow Statement

	Six months to 30 September 2006 Unaudited £'000	Six months to 30 September 2005 Unaudited £'000	Year ended 31 March 2006 Audited £'000
Net cash inflow from operating activities	661	598	755
Returns on investments and servicing of finance	(42)	(42)	(101)
Taxation	(105)	(75)	(205)
Financial investment	<u>1,009</u>	<u>(1,467)</u>	<u>2,710</u>
	1,523	(986)	3,159
Equity dividends paid	(320)	(300)	(560)
Net cash inflow/(outflow) from financing activities	<u>1,448</u>	<u>1,908</u>	<u>(834)</u>
Increase in cash	<u><u>2,651</u></u>	<u><u>622</u></u>	<u><u>1,765</u></u>
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period	2,651	622	1,765
Cash (inflow)/outflow from movement in debt	(1,448)	(1,908)	834
Exchange movements	54	(49)	(54)
Opening net cash/(debt)	<u>403</u>	<u>(2,142)</u>	<u>(2,142)</u>
Closing net cash/(debt)	<u><u>1,660</u></u>	<u><u>(3,477)</u></u>	<u><u>403</u></u>
Represented by			
Cash at bank	5,311	1,468	2,606
Bank loan	<u>(3,651)</u>	<u>(4,945)</u>	<u>(2,203)</u>
	<u><u>1,660</u></u>	<u><u>(3,477)</u></u>	<u><u>403</u></u>
Reconciliation of operating profit to net cash inflow from operating activities			
(Loss) / profit before finance costs and taxation	(706)	2,887	7,591
Losses / (gains) on investments held at fair value	1,497	(2,246)	(6,904)
(Gains) / losses on exchange movements	(54)	49	54
Decrease in other debtors	6	1,953	1,998
(Increase) / decrease in accrued income	(91)	(49)	17
Increase / (decrease) in creditors	9	(1,996)	(2,001)
Net cash inflow from operating activities	<u><u>661</u></u>	<u><u>598</u></u>	<u><u>755</u></u>

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Notes to the Interim Accounts

1. The financial information for the year ended 31 March 2006 included in this half-year report has been based upon the Company's full accounts, which for the year to 31 March 2006 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 2006 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 2006.
3. The Income Statements for the six months ended 30 September 2006, six months to 30 September 2005 and year to 31 March 2006 have been prepared in accordance with the Statement of Recommended Practice issued in January 2003 revised December 2005, "Financial Statements of Investment Trust Companies" which have been adopted by the Company.
4. The Income Statement includes the results of the Company and together with the Reconciliation of Movements in Shareholders' Funds, Balance Sheet and Cash Flow Statement at 30 September 2006, 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 2006 of £30,750,000 (31 March 2006: £31,988,000 and 30 September 2005: £27,714,000) and on 20,000,000 Ordinary Shares in issue at 30 September 2006 (31 March 2006 and 30 September 2005: 20,000,000).
6. Returns per Ordinary Share:

The total return per Ordinary Share is based on net losses on ordinary activities after taxation of £918,000 for the six months to 30 September 2006 (31 March 2006: gain £7,191,000 and 30 September 2005: gain £2,657,000) divided by 20,000,000 Ordinary Shares (31 March 2006 and 30 September 2005: 20,000,000) being the weighted average number of Ordinary Shares in issue during the period.

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

Revenue return:

The revenue return per Ordinary Share is based on net revenue on ordinary activities after taxation of £640,000 for the six months to 30 September 2006 (31 March 2006: £580,000 and 30 September 2005: £584,000) divided by 20,000,000 Ordinary Shares (31 March 2006 and 30 September 2005: 20,000,000) being the weighted average number of Ordinary Shares in issue during the period.

Capital return:

The capital return per Ordinary Share is based on net capital losses on ordinary activities after taxation of £1,558,000 for the six months to 30 September 2006 (31 March 2006: gain £6,611,000 and 30 September 2005: gain £2,073,000) divided by 20,000,000 Ordinary Shares (31 March 2006 and 30 September 2005: 20,000,000) being the weighted average number of Ordinary Shares in issue during the period.

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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 2007. The shares will be quoted ex-dividend on 29 November 2006 and the dividend will be paid on 15 December 2006, to shareholders on the register on 1 December 2006.

8. The investment in BDT Investment Management Limited (representing 15.3%, fully diluted, 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 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 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 the Listing Rules.

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.

By order of the Board
Phoenix Administration Services Limited
Secretary
16 November 2006

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Portfolio Holdings at 30 September 2006

(All Equity Shares unless otherwise stated)

Holding	Company	Market value £'000	% of total assets
EUR4,000,000	Bundesobligation 3.5% 10/10/2008	2,710	8.81
50,000	BDT Invest Asia Fund Distributor	2,680	8.72
1,893,939	Hiscox UK Opportunities 'A' Income Fund	2,102	6.84
128,012	BDT Investment Management Limited *	1,857	6.04
200,000	BDT Invest Emerging Markets Focus 'B'	1,556	5.06
725,000	SR Europe Investment Trust	1,403	4.56
900,000	Top Glove Corp	1,143	3.72
2,546,550	Siam Steel Service Centre (Foreign)	1,016	3.30
60,000	BDT Invest Japan Distributor Limited	932	3.03
2,230,000	China Insurance	927	3.02
120,000	BDT Invest Japanese Focus Fund 'B'	779	2.53
2,500,000	Thoresen Thai Agencies	869	2.83
4,000	Bedlam Asset Management UK Fund	702	2.28
200,000	Bedlam Asset Management Plc *	604	1.96
35,000	Sumitomo Realty & Development	548	1.78
60,000	BDT Invest Japan Smaller Cos Fund 'B'	448	1.46
5,800	Hyundai Heavy	428	1.39
3,000	Cheil Communications	356	1.16
755,000	Uni-President Enterprise	355	1.15
415,000	Siam Commercial Bank	355	1.15
5,400	Hite Brewery	354	1.15
30,000	Nippon Electric Glass	354	1.15
320,000	Cathay Pacific Airways	351	1.14
600,000	Sincere Navigation Corp	348	1.13
23,000	High Tech Computer Corp	326	1.06
6,000	Yamada Denki	322	1.05
9,250	KT & G Corp	300	0.98
7,000	Kookmin Bank	292	0.95
22,000	NOK Corp	290	0.94
1,000,000	GK Goh	285	0.93
264,529	Cathay Financial	284	0.92
2,000	Lindsell Train Investment Trust	280	0.91
50	Sumitomo Mitsui Financial	276	0.90
48,000	Cheung Kong	276	0.90
40	Mitsubishi UFJ Financial	274	0.89
2,200	Keyence Corp	271	0.88
800,000	Mint Group	269	0.88
13,200	Hoya Corp	265	0.86
300,000	Taiwan Fertilizer	261	0.85
80,000	Hiroshima Bank	252	0.82
6,000	Fanuc	250	0.81

THE ESTABLISHMENT INVESTMENT TRUST PLC

Portfolio Holdings at 30 September 2006 continued
(All Equity Shares unless otherwise stated)

Holding	Company	Market value £'000	% of total assets
6,000	Nidec Corp	242	0.79
40,000	Nissan Motor Co	240	0.78
100,000	Isuzu Motors	175	0.57
96,000	Malayan Banking	155	0.50
625,000	Bank of Ayudhya	153	0.50
11,800	SK Telecom	149	0.49
1,855,000	Kalbe Farma	142	0.46
23,560	Reliance Communication	95	0.31
645,420	Vigilant Technology	84	0.27
591,100	Lafarge Malayan Cement	75	0.24
190,900	Road Builder	73	0.24
21,977	Novatek Microelectronics Corp	55	0.18
230,000	Lee Kee	42	0.14
1,767	Reliance Energy	10	0.03
1,178	Reliance Capital	8	0.03
23,560	Reliance Natural Resources	6	0.02
	Total investments	<u>29,654</u>	<u>96.44</u>
	Net current assets	1,102	3.58
	Provision for liabilities and charges	(6)	(0.02)
	Net assets	<u><u>30,750</u></u>	<u><u>100.00</u></u>

* unlisted investments

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Portfolio Analysis at 30 September 2006

Sector Analysis	Market value £'000	% of total assets
Investment Companies	14,486	47.11
EuroBonds	2,710	8.81
Banks	1,757	5.71
Transport	1,568	5.10
Insurance	1,211	3.94
Electronic & Electronic Equipment	1,172	3.81
Steel & Other Materials	1,058	3.44
Real Estate	824	2.68
Automobiles	684	2.23
Engineering & Machinery	428	1.39
Media & Photography	356	1.16
Food Producers & Processors	355	1.15
Beverages	354	1.15
Information Technology Hardware	326	1.06
General Retailers	322	1.05
Tobacco	300	0.98
Speciality & Other Finance	293	0.96
Diversified Industrials	290	0.94
Health	265	0.86
Chemicals	261	0.85
Telecommunications	244	0.80
Construction & Building Materials	148	0.48
Pharmaceuticals	142	0.46
Software & Computer Services	84	0.27
Electricity	10	0.03
Gas Distribution	6	0.02
Total investments	<u>29,654</u>	<u>96.44</u>
Net current liabilities	1,102	3.58
Provision for liabilities and charges	(6)	(0.02)
Net assets	<u>30,750</u>	<u>100.00</u>

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Portfolio Analysis at 30 September 2006 continued

Geographical Analysis (based on listing or domicile)	Market value £'000	% of total assets
United Kingdom	13,427	43.66
Japan	3,759	12.22
Europe	2,710	8.81
Thailand	2,393	7.78
Hong Kong	1,865	6.08
Taiwan	1,629	5.29
Malaysia	1,446	4.70
South Korea	1,438	4.68
United States	441	1.44
Singapore	285	0.93
Indonesia	142	0.46
India	119	0.39
Total investments	<u>29,654</u>	<u>96.44</u>
Net current liabilities	1,102	3.58
Provision for liabilities and charges	(6)	(0.02)
Net assets	<u>30,750</u>	<u>100.00</u>

Classification of Assets	Market value £'000	% of total assets
Equities	26,944	87.63
Fixed Interest Securities	2,710	8.81
Net current liabilities	1,102	3.58
Provision for liabilities and charges	(6)	(0.02)
Net assets	<u>30,750</u>	<u>100.00</u>

THE ESTABLISHMENT INVESTMENT TRUST PLC

Investment Manager

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