

THE ESTABLISHMENT INVESTMENT TRUST PLC

Half-year report for the six months
ended 30 September 2012



The Establishment Investment Trust plc

Directors

Sir David Cooksey GBE (Chairman)
Gregory Shenkman
Henry Thornton
Richard Thornton
Tom Waring
Harry Wells

Investment Manager

BDT Invest LLP
33 St James's Square
London SW1Y 4JS
Tel: 020 3008 8727
Email: info@bdtinvest.com
www.bdtinvest.com

Monthly updates are announced on the website of the London Stock Exchange and are available from the Investment Manager

Corporate Secretary and Registered Office

Phoenix Administration Services Limited
Springfield Lodge
Colchester Road
Chelmsford
Essex CM2 5PW
Tel: 01245 398950
Fax: 01245 398951
Email: cosec@phoenixfundservices.com
www.phoenixfundservices.com

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 0871 664 0300

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

Registered Auditor

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Registered in England & Wales No. 4355437

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Objective of the Company

The investment 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 circa 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.

Financial Highlights

Performance comparisons in the current performance period
(1 April 2012 – 30 September 2012)

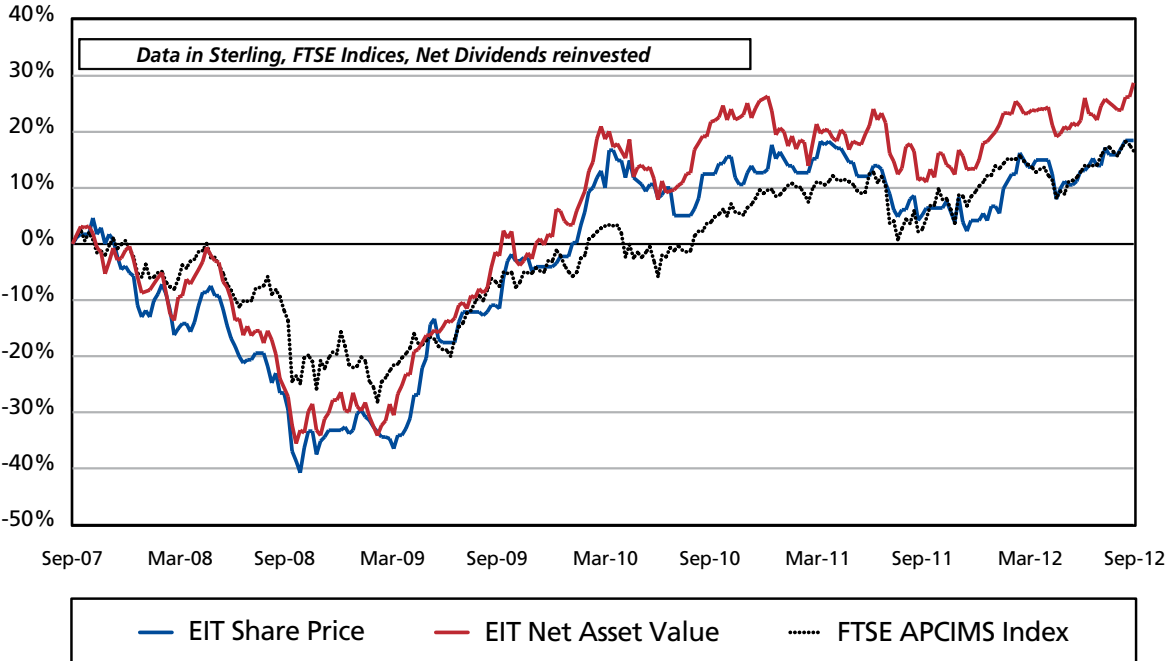
	30 September 2012	31 March 2012	Change over period
Share Price	185.00p	179.00p	3.35%
Net asset value	216.83p	209.09p	3.70%
Performance Fee Hurdle #	302.96p	288.50p	5.00%
Adjusted Market Capitalisation #	212.15p	204.62p	3.68%
FTSE APCIMS Stock Market Balanced Portfolio Index			2.14%
UK Equity *			1.77%
World Equity *			0.28%
Japan *			(9.01)%
Asia ex Japan Equity *			0.79%
UK Bond *			4.95%

The Adjusted Market Capitalisation of an Ordinary Share at 30 September 2012 is based on the average share price for September 2012 of 183.70p plus dividends paid of 28.45p since the last performance fee was paid. As this was below the Performance Fee Hurdle of 302.96p at the half-year end, no performance fee provision has been made.

* MSCI and FTSE Total Return Indices in Sterling.

Financial Highlights continued

Share Price performance relative to the Net Asset Value and FTSE APCIMS Stock Market Balanced Portfolio Index (FTSE APCIMS Index) from 1 October 2007 to 30 September 2012 (total return).



Chairman's Statement

During the first half of the financial year the share price rose by 3.4% while the net asset value increased by 3.7%. In addition a final dividend of 2.6p was paid to shareholders during the period thus lifting the total return on the share price and net asset value to 4.8% and 4.9% respectively. This compares to the 2.1% increase in the FTSE APCIMS Stock Market Balanced Portfolio Index and 0.3% gain in the MSCI World Index in sterling terms.

I am pleased to note that your investment manager increased exposure to gold bullion during the period under review, reversing the partial disposal in the third quarter of 2011. Gold Bullion Securities again account for approximately one eighth of the net assets of the Company.

The recent open ended commitment by both the European Central Bank and the Federal Reserve to continue printing money is a course of action that should be of great concern to investors for two important reasons. First, it is a course of action that, simply put, is impossible to reconcile with sound long term monetary policy. Second, this policy occurs at a time when regulators continue to apply rigid formulaic assessments and measures of risk where the most basic building block of the calculation rests upon the ludicrous assumption that cash is both risk free and, by implication, a store of value. This is patently not the case. Since the United States abandoned the Gold Standard in 1971, consumer prices in that country have increased by well over five times. In other words, cash today buys substantially less than one fifth of the goods today that it did 40 years ago. The Company holds exposure to physical gold because it is a proven store of value and central banks can't print it.

Elsewhere, the Company retains substantial exposure to domestically orientated businesses across the Asia Pacific region, both directly and via the investment manager's open ended funds. The subdued outlook for growth in the global economy obviously impacts the short term outlook of many countries in this open, trade orientated region but your Board continues to believe that the Asian equity markets offer great long term potential.

The Board has declared an interim dividend of 1.8p per Ordinary Share, a 5.9% increase on last year's interim dividend.

Sir David Cooksey GBE

Chairman

23 November 2012

Investment Manager's Report

The Chairman's statement notes the modest upward movement in the share price and net asset value of the Company during the six month period. The discount has remained stable over the period and stood at 14.7% on 30 September 2012. For comparative purposes, over the period, the MSCI UK Equity Index rose 1.8%, the MSCI World Equity Index rose 0.3%, the MSCI Asia ex Japan Equity Index gained 0.8% while the MSCI Japan Index declined 9.0%.

The sharp deceleration in the Chinese economy in 2012 appears to have come as a surprise to many. We discussed the implications of the post global financial crisis Chinese credit and investment boom in the annual report. Rudimentary macroeconomic analysis was more than sufficient to suggest that recent growth rates, generated almost exclusively by investment in the property and infrastructure sectors, were unsustainable.

Some superb work on balance sheets and cash flow generation from Forensic Asia, an Hong Kong based independent research firm, has shed light on the current slowdown in China from a corporate perspective. In brief, data from 2011 published accounts suggests that following the recent credit boom Chinese companies are left with highly leveraged balance sheets and exceptionally weak cashflow. The normal reaction of management to this state of affairs is to improve cashflow, reduce liabilities and reduce or defer capital expenditure (voluntarily or involuntarily if creditors have stepped in). This has clear implications for an economy where gross fixed capital formation accounts for roughly half gross domestic product.

Much slower economic growth in China and a collapse in the growth in demand for commodities – if not an outright decline – remains the base case of your investment manager. We remain fairly optimistic on the outlook for Chinese consumption and, indeed, consumption trends elsewhere in the region. The Company retains significant exposure to consumer businesses.

It is important to note that the stretched balance sheets and weak cashflows of corporate China is the exception, and not the rule, in Asia. The lessons of the Asian crisis of 1997-1998 have been learnt in countries such as the Philippines and Thailand and a long overdue investment cycle, especially in infrastructure, is underway across the Association of Southeast Asian Nations (ASEAN). The Company has significant investments in this area.

Your investment manager hopes to build on recent progress in the second half of the company's financial year.

BDT Invest LLP

23 November 2012

Income Statement

	Notes	Revenue £'000	Six months ended 30 September 2012 Unaudited Capital £'000	Total £'000
Gains/(losses) on investments		–	1,362	1,362
Exchange (losses)/gains on currency balances		–	(119)	(119)
Income	5	1,215	–	1,215
Investment management fees		(32)	(128)	(160)
Other expenses		(189)	(1)	(190)
Return on ordinary activities before tax		994	1,114	2,108
Tax on ordinary activities	8	(41)	–	(41)
Return on ordinary activities after tax for the financial period		953	1,114	2,067
Return per Ordinary Share	9	4.76p	5.57p	10.33p

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 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 during the period.

There was no loan outstanding or interest payable during the period.

The Establishment Investment Trust plc

Revenue £'000	Six months ended 30 September 2011 Unaudited		Revenue £'000	Year ended 31 March 2012 Audited	
	Capital £'000	Total £'000		Capital £'000	Total £'000
–	(3,669)	(3,669)	–	216	216
–	3	3	–	(149)	(149)
931	–	931	1,482	–	1,482
(31)	(124)	(155)	(60)	(241)	(301)
(165)	(3)	(168)	(326)	–	(326)
735	(3,793)	(3,058)	1,096	(174)	922
(40)	–	(40)	(72)	–	(72)
695	(3,793)	(3,098)	1,024	(174)	850
3.47p	(18.96)p	(15.49)p	5.12p	(0.87)p	4.25p

Reconciliation of Movements in Shareholders' Funds

	Share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
For the six months ended					
30 September 2012					
At 31 March 2012	5,000	14,701	20,780	1,338	41,819
Return on ordinary activities					
after tax for the financial period	–	–	1,114	953	2,067
Dividends paid	–	–	–	(520)	(520)
At 30 September 2012	5,000	14,701	21,894	1,771	43,366

	Share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
For the six months ended					
30 September 2011					
At 31 March 2011	5,000	14,701	20,954	1,134	41,789
Return on ordinary activities					
after tax for the financial period	–	–	(3,793)	695	(3,098)
Dividends paid	–	–	–	(480)	(480)
At 30 September 2011	5,000	14,701	17,161	1,349	38,211

	Share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
For the year ended 31 March 2012					
At 31 March 2011	5,000	14,701	20,954	1,134	41,789
Return on ordinary activities					
after tax for the financial year	–	–	(174)	1,024	850
Dividends paid	–	–	–	(820)	(820)
At 31 March 2012	5,000	14,701	20,780	1,338	41,819

Balance Sheet

	Note	30 September 2012 Unaudited £'000	30 September 2011 Unaudited £'000	31 March 2012 Audited £'000
Fixed assets				
Investments held at fair value through profit or loss		38,879	33,740	35,056
Current assets				
Debtors		255	255	216
Cash at bank		4,325	4,298	6,609
		4,580	4,553	6,825
Creditors: amounts falling due within one year		(93)	(82)	(62)
Net current assets		4,487	4,471	6,763
Net assets		43,366	38,211	41,819
Capital and reserves				
Called up share capital		5,000	5,000	5,000
Share premium		14,701	14,701	14,701
Capital reserve		21,894	17,161	20,780
Revenue reserve		1,771	1,349	1,338
Equity shareholders' funds		43,366	38,211	41,819
Net asset value per Ordinary Share	6	216.83p	191.05p	209.09p

Cash Flow Statement

	Six months ended 30 September 2012 Unaudited £'000	Six months ended 30 September 2011 Unaudited £'000	Year ended 31 March 2012 Audited £'000
Net cash inflow from operating activities	841	1,058	1,312
Taxation	(41)	(137)	(143)
Financial investment	(2,445)	1,781	4,336
Net cash (outflow)/inflow before financing	(1,645)	2,702	5,505
Equity dividends paid	(520)	(480)	(820)
(Decrease)/increase in cash in the period	(2,165)	2,222	4,685
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash in the period	(2,165)	2,222	4,685
Exchange movements	(119)	3	(149)
Opening net funds	6,609	2,073	2,073
Closing net funds	4,325	4,298	6,609
Represented by			
Cash at bank	4,325	4,298	6,609
Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities			
Net return before finance costs and taxation	2,108	(3,058)	922
(Gains)/losses on investments held at fair value	(1,362)	3,669	(216)
Losses/(gains) on exchange movements	119	(3)	149
(Increase)/decrease in other debtors	(20)	(1)	22
(Increase)/decrease in accrued income	(35)	435	439
Increase/(decrease) in creditors	31	16	(4)
Net cash inflow from operating activities	841	1,058	1,312

Notes to the Financial Statements

1. The financial information for the year ended 31 March 2012 included in this half-year report has been based upon the Company's full accounts, which for the year to 31 March 2012 carried an unqualified audit report and did not include statements under Sections 498(2) or 498(3) of the Companies Act 2006. Those accounts have been filed with the Registrar of Companies.
2. The financial statements for the six months ended 30 September 2012 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 2012.
3. The Income Statement for the six months ended 30 September 2012, the six months ended 30 September 2011 and the year ended 31 March 2012 have been prepared in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" issued by The Association of Investment Companies in January 2009, which has 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 2012, are unaudited and do not constitute full statutory accounts within the meaning of Section 434 of the Companies Act 2006.

5. Income

	Six months ended 30 September 2012 Unaudited £'000	Six months ended 30 September 2011 Unaudited £'000	Year ended 31 March 2012 Audited £'000
Overseas dividends	1,203	900	1,445
UK dividends	12	31	37
	1,215	931	1,482

6. Net asset value per Ordinary Share

	Six months ended 30 September 2012 Unaudited	Six months ended 30 September 2011 Unaudited	Year ended 31 March 2012 Audited
Net assets attributable	£43,366,000	£38,211,000	£41,819,000
Ordinary Shares in issue at the period end	20,000,000	20,000,000	20,000,000
Net asset value per Ordinary Share	216.83p	191.05p	209.09p

7. The aggregate maximum investments which may be made in BDT Products is 30% of net assets. Aggregate investments in BDT Products at 30 September 2012 totalled 18.10% of net assets. BDT Invest LLP rebates management fees in respect of BDT Products back to the Company. The Company additionally owns shares in BDT Investment Management Limited which equate to 0.55% of net assets.

Notes to the Financial Statements continued

8. Effective rate of tax

The effective rate of tax reported in the revenue column of the Income Statement for the six months ended 30 September 2012 is 4.12% (year ended 31 March 2012: 6.57% and six months ended 30 September 2011: 5.44%) based on revenue return before tax of £994,000 (year ended 31 March 2012: £1,096,000 and six months ended 30 September 2011: £735,000). These rates differ from the standard rate of tax, 24% (year ended 31 March 2012 and six months ended 30 September 2011: 26%) as a result of foreign income not being subject to UK Corporation Tax.

9. Return per Ordinary Share

	Six months ended 30 September 2012 Unaudited	Six months ended 30 September 2011 Unaudited	Year ended 31 March 2012 Audited
Total return per Ordinary Share			
Total return	£2,067,000	£(3,098,000)	£850,000
Weighted average number of Ordinary Shares in issue during the period	20,000,000	20,000,000	20,000,000
Total return per Ordinary Share	10.33p	(15.49)p	4.25p

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	£953,000	£695,000	£1,024,000
Weighted average number of Ordinary Shares in issue during the period	20,000,000	20,000,000	20,000,000
Revenue return per Ordinary Share	4.76p	3.47p	5.12p

Capital return per Ordinary Share

Capital return	£1,114,000	£(3,793,000)	£(174,000)
Weighted average number of Ordinary Shares in issue during the period	20,000,000	20,000,000	20,000,000
Capital return per Ordinary Share	5.57p	(18.96)p	(0.87)p

10. Interim dividend

The Directors have declared an interim dividend of 1.8p per Ordinary Share in respect of the year ending 31 March 2013. The shares will be quoted ex-dividend on 5 December 2012 and the dividend will be paid on 21 December 2012, to Shareholders on the register on 7 December 2012.

11. The Company holds (via a 17.04% ownership of BDT Investment Management Limited) an effective economic interest of 17.77% in the Investment Manager, BDT Invest LLP. Accordingly, the shares in BDT Investment Management Limited 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.

Notes to the Financial Statements continued

The valuation process during and as at the end of the half-year period to 30 September 2012 was 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 (excluding performance fees).

12. 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 Sections 1158 and 1159 of the Corporation Tax Act 2010.

By order of the Board

Phoenix Administration Services Limited

Corporate Secretary

23 November 2012

Interim Management Report

The Directors are required to provide an Interim Management Report in accordance with the UK Listing Authority's Disclosure Rules and Transparency Rules and consider that the Chairman's Statement and the Investment Manager's Report on pages 4 to 5 of this Report, the following statement on related party transactions and the Directors' Responsibility Statement below, together constitute the Interim Management Report for the Company for the six months ended 30 September 2012.

The principal risks to the Company are in respect of foreign currency; interest rates; market prices; liquidity and credit risk, and the Chairman's Statement and Investment Manager's Report set out any perceived uncertainties in respect of these and any other risks to the Company, for the remaining six months of the financial year.

The Directors confirm that no related party transactions were undertaken by the Company in the first six months of the current financial year. There have been no changes to the related party disclosures set out in the Annual Report of the Company for the year ended 31 March 2012.

The half-year report for the six months ended 30 September 2012 has not been reviewed by the Company's Auditors Grant Thornton UK LLP.

Directors' Responsibility Statement

The Directors listed at the front of this half-year report, being the persons responsible, confirm that to the best of their knowledge:

- (a) the condensed set of Financial Statements, which has been prepared in accordance with the Accounting Standards Board's pronouncements on interim reporting, gives a true and fair view of the assets, liabilities and financial position and profit of the Company;
- (b) the Interim Management Report includes a fair review; as required by Disclosure and Transparency Rule 4.2.7 R; of important events that have occurred during the first six months of the financial year, their impact on the condensed set of Financial Statements, and a description of the principal risks and perceived uncertainties for the remaining six months of the financial year; and
- (c) the Interim Management Report includes a fair review of the information concerning related parties transactions as required by Disclosure and Transparency Rule 4.2.8 R.

The half-year report was approved by the Board on 23 November 2012 and the above Responsibility Statement was signed on its behalf by:

Sir David Cooksey GBE
Chairman

Portfolio Holdings at 30 September 2012

(All Equity Shares unless otherwise stated)

Holding	Company	Fair value £'000	% of total assets
50,000	Gold Bullion Securities	5,304	12.23
300,000	BDT Invest Oriental Focus Fund 'B' †	4,396	10.14
666,423	BDT Invest Japanese Focus Fund 'B' †	3,454	7.96
530,000	ITC	1,695	3.91
1,600,000	China Taiping Insurance	1,551	3.58
4,000,000	Jasa Marga	1,488	3.43
12,960,000	BTS Group	1,474	3.40
800,000	Lafarge Malayan Cement	1,433	3.30
30,000,000	REXLot Holdings	1,390	3.20
180,000	Siam City Cement	1,383	3.19
1,710	Samsung Electronics	1,281	2.95
36,000	Jardine Matheson Holdings	1,269	2.93
1,780,000	First Pacific	1,196	2.76
3,350,000	Ayala Land	1,184	2.73
6,300,000	Holcim Indonesia	1,152	2.66
125,000	Housing Development Finance Corporation	1,137	2.62
1,500,000	Minth Group	976	2.25
802,500	Uni-President Enterprise	880	2.03
4,642,000	AMVIG Holdings	853	1.97
1,050,000	Want Want China Holdings	829	1.91
30,000	Rotork	679	1.57
260,000	Zee Entertainment	596	1.37
75,000	United Breweries	575	1.33
7,700,000	Metro Pacific Investments Corporation	477	1.10
2,500,000	Land & Houses	455	1.05
5,900	Baidu.com	427	0.98
8,000	Nestle India	413	0.95
65,000	Ayala	411	0.95
181,347	Bedlam Asset Management *	256	0.59
128,012	BDT Investment Management *	241	0.55
34,326	VGI Global Media	24	0.06
Total investments		38,879	89.65
Net current assets		4,487	10.35
Net assets		43,366	100.00

* Unlisted investments

† BDT Invest Irish domiciled and listed funds

Analysis of Investment Portfolio at 30 September 2012

Sector Analysis	Fair value £'000	% of total assets
Investment Companies	8,823	20.34
Construction & Building Materials	5,456	12.58
Steel & Other Metals	5,304	12.23
Speciality & Other Finance	3,795	8.75
Food Producers & Processors	2,698	6.22
Tobacco	1,695	3.91
Real Estate	1,639	3.78
Diversified Industrials	1,607	3.71
Insurance	1,551	3.58
Transport	1,473	3.40
Electronic & Electrical Equipment	1,282	2.95
Automobiles	976	2.25
Packaging	853	1.97
Support Services	679	1.57
Media & Photography	621	1.43
Software & Computer Services	427	0.98
Total investments	38,879	89.65
Net current assets	4,487	10.35
Net assets	43,366	100.00

Geographical Analysis (based on listing or domicile)	Fair value £'000	% of total assets
Ireland †	7,850	18.10
Hong Kong	6,795	15.67
United Kingdom	6,480	14.94
India	4,417	10.18
Thailand	3,336	7.70
Indonesia	2,640	6.09
Philippines	2,071	4.78
Malaysia	1,433	3.30
Korea	1,281	2.95
Singapore	1,269	2.93
Taiwan	880	2.03
United States	427	0.98
Total investments	38,879	89.65
Net current assets	4,487	10.35
Net assets	43,366	100.00

Classification of Assets	Fair value £'000	% of total assets
Equities	38,879	89.65
Net current assets	4,487	10.35
Net assets	43,366	100.00

† BDT Invest Irish domiciled and listed funds – BDT Invest Oriental Focus Fund 'B' and BDT Invest Japanese Focus Fund 'B'.

