

THE ESTABLISHMENT INVESTMENT TRUST PLC



Annual Report and Financial Statements
for the year ended 31 March 2019



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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.
- Up to 30% of net assets may be invested in investment products managed by the Company's Investment Manager. The Company may also hold positions in investment products managed by third parties.
- Up to a maximum of 15% of net assets (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 for the Year

Performance for the year ended 31 March 2019

	At 31 March 2019	Total return*
Share price (mid market)**	205.00p	+3.7%
Net asset value per share**	227.25p	-2.9%
FTSE UK Private Investor Balanced Index***		+7.3%
MSCI UK Equity***		+7.6%
MSCI AC World Index***		+10.8%
MSCI AC Asia ex Japan Equity***		+2.4%

* Source: Bloomberg

** Alternative Performance Measures ('APMs')

*** These percentages are total returns in sterling

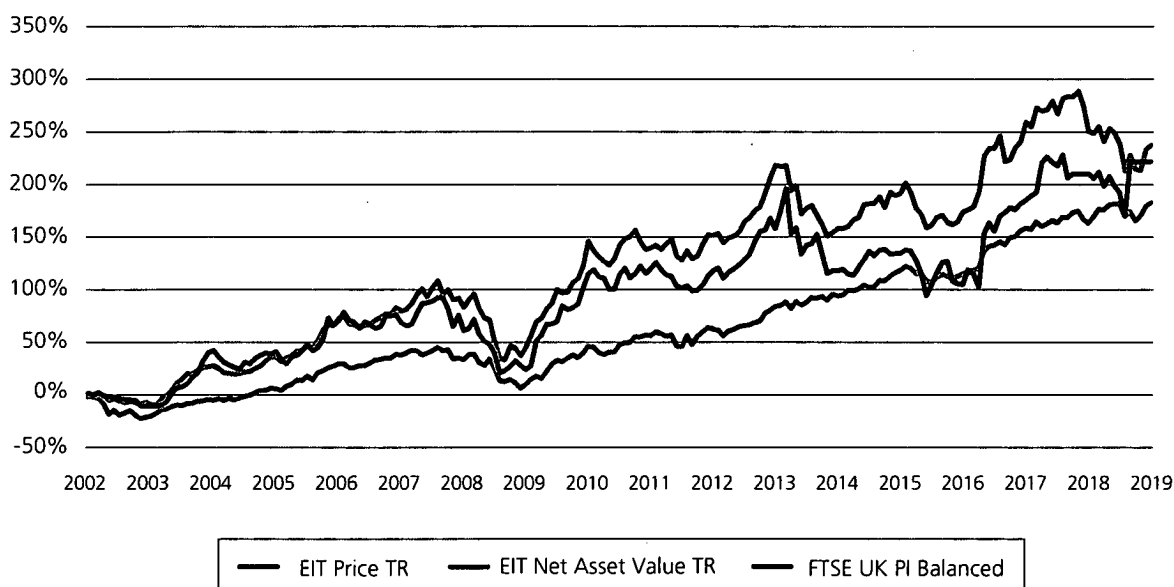
Alternative Performance Measures ('APMs')

The disclosures, as indicated by footnote ** above, are considered to represent the Company's APMs. In addition to the above APMs, other performance measures have been used by the Company to assess its performance. Those can be found in the key performance indicators section of this annual report, on page 14. Definitions of these, together with how they have been calculated, can be found on page 59.

The APMs, as disclosed in this Annual Report, are not calculated under Generally Accepted Accounting Principles ('GAAP') nor are they intended to substitute for measures under GAAP.

Performance

Share Price performance relative to the Net Asset Value
and FTSE UK Private Investor Balanced Index
from inception on 18 March 2002 to 31 March 2019 (total return)



Data in GBP sterling, FTSE Index, Net Dividends
Share price and net asset value total returns above include dividends paid.

Cumulative performance to 31 March 2019^{(a)(b)}

	1 year %	3 years %	5 years %	10 years %
Share Price Total Return	+3.70	+55.18	+47.82	+167.34
Net Asset Value Total Return	-2.94	+20.31	+30.42	+139.83
FTSE UK Private Investor Balanced Index Total Return	+7.32	+30.53	+45.34	+157.92

(a) Source: Bloomberg.

(b) These are considered to be KPIs.

Dividends per Ordinary Share payable

	31 March 2018	31 March 2019	Change (%)
Interim and final dividends	6.00p	4.75p	-20.8
Special dividend	4.30p	—	n/a
Total dividends	10.30p	4.75p	-53.9

Revenue highlights

	31 March 2018 £'000	31 March 2019 £'000	Change (%)
Income from investments	1,731	1,562	-9.8
Revenue return for the financial year	1,220	1,117	-8.4
Revenue return per Ordinary Share	6.10p	5.59p	-8.4

Chairman's Statement

Future of the Company

On 20 November 2018, the Board announced it would not be recommending Shareholders to vote in favour of continuation of the Company in its current form when the continuation vote is put forward at the forthcoming Annual General Meeting in July 2019.

While the Company has achieved respectable returns for Shareholders since listing in 2002, the Board together with the Investment Manager concluded that continuing in its current form is no longer an attractive option for Shareholders. The small size of the Company, limited liquidity, a perennial and persistent discount, the increasing regulatory and governance obligations and increased costs all present mounting and significant challenges.

Accordingly, proposals were invited to determine an attractive solution and exit for Shareholders. A total of 17 submissions were received through our brokers, Stockdale, now Shore Capital, and the independent directors, operating through the Management Engagement Committee, undertook an extensive review and met with a short list of investment managers offering credible options.

Subsequently, on 12 April 2019, the Board announced that it intended to put forward proposals (the "Proposals") that would put the Company into voluntary liquidation and offer Shareholders the choice of electing for any of, or any combination of, the following options:

- the default option of rolling some or all of their investment into new shares at formula asset value ("FAV") to be issued by Henderson International Income Trust plc ("HINT"), and/or
- rolling some or all of their investment into shares to be issued by VT Garraway Asian Centric Global Growth Fund (the "Garraway Fund"); and/or
- receiving cash at net asset value ("NAV").less costs.

HINT is a closed-ended investment trust that seeks to provide Shareholders with a growing total annual dividend, paid quarterly, as well as capital appreciation. It is designed to help UK investors diversify their equity income streams by investing in a focused and internationally diversified portfolio of 50-80 companies outside the UK. HINT invests in undervalued companies that are out of favour which pay investors a dividend income whilst they wait for value to be realised.

The Garraway Fund is a new open-ended investment fund which aims to provide Shareholders with capital growth and income over the longer term. It will invest in a diversified global portfolio of equities, combining both developed and Asian markets; along with the flexibility to invest in government bonds and precious metal ETFs. Quarterly distributions will be paid. Henry Thornton, the Company's outgoing investment manager will be joining Garraway Capital Management as a fund manager, responsible for Asian equities.

The Board are pleased that members of the Thornton family, and trustees of Thornton family trusts, whose holdings, in aggregate, amount to 7,581,964 ordinary shares in EIT – equivalent to 37.9 per cent of the Company's issued share capital - have indicated their support for the Proposals.

Full details of the Proposals are included in a Circular that will be sent separately to Shareholders.

The Board strongly recommends that Shareholders vote against continuation at the Annual General Meeting on 10 July 2019.

Assuming Shareholders vote against continuation, a General Meeting will be held immediately after the Annual General Meeting of the Company to consider and approve the Proposals and, if approved, a further General Meeting will be held on 18 July 2019 to appoint a liquidator to wind up the Company.

Shareholders should note that those who do not make an election will be deemed to have elected to receive their entitlements in new shares to be issued by HINT.

The proposals provide that Shareholders taking up the rollover options into HINT and the Garraway fund should be deemed not to constitute a disposal for the purposes of the UK taxation of chargeable gains.

Results for the year

For the year ended 31 March 2019, including the 10.3p of dividends paid during the year, the Company delivered share price and NAV total returns of +3.7% (2018: 8.9%) and -2.9% (2018: -2.5%) respectively.

Markets suffered from volatility during the last financial year, primarily dictated by the US Federal Reserve's changes in monetary policy and interest rate expectations. Global markets sold off sharply during the latter half of 2018 as the Fed attempted Quantitative Tightening "QT" by selling bonds off their balance sheet and talking up potential interest rate increases. However, some slowing of the US economy, a global growth scare and deteriorating trade flows compelled the Fed to perform a "volte face" restoring confidence in a more benign monetary and interest rate outlook; hence providing the catalyst for a sharp rebound in markets in the first calendar quarter of 2019. Market sentiment has also been badly affected by US / China relations, the tit-for-tat imposition of trade tariffs and a general slide towards protectionism and regulation, threatening the landscape of free trade and the benefits of globalisation.

Dividends

The Board has declared a second interim dividend for the year ended 31 March 2019 of 1.75p per Ordinary Share, which will be paid on 4 July 2019 to Shareholders on the register as at 14 June 2019 in lieu of a final dividend for the year. The dividend has been declared as an interim dividend so that it can be paid ahead of the calculation date of the Formula Asset Value ("FAV") required for the rollover option into HINT. In addition, the Board has declared an interim dividend in respect of the period from 1 April 2019 to 31 May 2019 of 1.25p per Ordinary Share, which will also be paid on 4 July 2019 to Shareholders on the register as at 14 June 2019. The reason for the additional interim dividend is to ensure that the Company meets the investment trust distribution requirement in the period to commencement of liquidation. Therefore, the aggregate amount which Shareholders will receive equates to 3.0p per Ordinary Share.

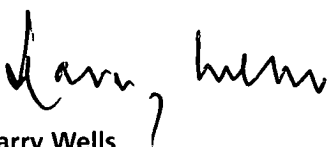
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The Establishment Trust was originally created by Richard Thornton as a Luxembourg SICAV and then relaunched as an investment trust listing on the London Stock Exchange in March 2002 with a market capitalisation of £20 million. As many Shareholders know, Richard was a legendary investor, intrepid early mover and convert to the potential of Asian and Japanese markets, co-founder of GT Management and founder of Thornton & Co and to quote Tom Griffin, his partner at GT had "an uncanny sixth sense about markets". Richard was a great proponent of investment trusts, believed that they should hold a stake in their investment manager, use gearing as a valuable weapon and that the investment manager should be represented on the board; the latter being less compatible with modern governance. He insisted on portfolio discipline especially taking losses early before accidents became disasters; run your winners, cut your losses. His great mantra was that money times confidence sets the level of any market.

Chairman's Statement continued

Since launch and over the 17 years of the Company's life, the portfolio has been managed by Richard's son, Henry Thornton, first at BDT Invest and then at Blackfriars Asset Management. On behalf of Shareholders, I would like to thank Henry for his efforts in achieving solid NAV total returns of 7.4% per annum since launch until 31 March 2019 and wish him well with his new venture at VT Garraway.

I would like to thank Shareholders for their support to the Company since its inception. I would also like to thank my fellow directors and our Company Secretary, PraxisIFM Fund Services (UK) Limited, Broker, Shore Capital and our legal advisers, Stephenson Harwood for their unstinting efforts in constructing a scheme and proposals designed in the best interests of Shareholders, which facilitates an attractive rollover choice between closed and open end funds or a cash exit.

A handwritten signature in black ink, appearing to read 'Harry Wells', with a stylized flourish at the end.

Harry Wells

Chairman

3 June 2019

Board Members

Harry Wells a), b), c) Chairman, has over 40 years' experience within the investment industry primarily as a stockbroker specialising in Asia, based in London and Hong Kong, latterly as a Managing Director of Salomon Smith Barney. He is also Chairman of CC Japan Income & Growth Trust plc and Martin Currie Asia Unconstrained Trust plc. He holds an MA from Cambridge University, is a Fellow of the Chartered Institute for Securities & Investment and a Member of the Royal Institution of Chartered Surveyors.

Jim Ryall a), b), c) has 30 years of experience in investment banking, private equity and broking. For the last ten years he has been a partner at EFP Capital specializing in both structuring and international fund raising for institutional and private clients. Prior to this he was the CEO of Hamilton Lane in London responsible for fund raising and the group's non-US client base. The majority of his investment banking experience was with Flemings in London, and Jardine Fleming in Hong Kong and Malaysia, where he was country head with global responsibility for the Malaysian and Singapore equity markets. He was a commissioned officer in the Royal Marines and holds a BA from the University of Warwick.

Gregory Shenkman a), b), c) Audit and Risk Committee Chairman and Senior Independent Director, has 40 years' experience in investment banking including corporate finance, advisory, debt and equity capital markets and equity brokerage business, latterly as a managing director and global partner at the Rothschild Investment Banking Group. He was, for five years, the regional head of Rothschild's Asian businesses. He is a Director of Martin Currie Asia Unconstrained Trust plc. He holds an MA from Cambridge University.

Susan Thornton has 40 years' experience within the investment industry and has previously held senior positions at a number of financial institutions including GT Management and Robert Fleming. Prior to her retirement, Susan was a Director of Fleming International Investment Management Limited with responsibility for global clients' European investments. She is currently a Trustee of a number of charities.

Tom Waring is the Chief Executive Officer of Blackfriars Asset Management Limited. Tom 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 business. He has over 30 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 Investment in Asia, Partner and International CEO of Nicholas Applegate Capital Management, Group Managing Director of Credit Lyonnais International Asset Management and Managing Director of Royal Trust Asset Management (Asia) Limited. He holds a BA from the University of Warwick.

a) Independent; b) Audit and Risk Committee member; c) Management Engagement Committee member.

Portfolio Holdings at 31 March 2019*(All Equity Shares unless otherwise stated)*

Holding	Company	Fair value £'000	Percentage of net assets	Percentage of net assets (portfolio look through basis)
362,500	Blackfriars Oriental Focus Fund 'B'*	6,188	13.6	–
42,000	Unilever	1,846	4.1	4.1
53,500	British American Tobacco	1,709	3.8	3.8
254,000	Taiwan Semiconductor Manufacturing	1,553	3.4	4.1
51,450	Samsung Electronics	1,552	3.4	4.0
92,000	GlaxoSmithKline	1,469	3.2	3.2
67,126	Housing Development Finance Corporation	1,465	3.2	3.9
55,000	Imperial Brands	1,443	3.2	3.2
5,150,000	Land & Houses	1,335	2.9	3.5
36,200	Tencent Holdings	1,280	2.8	3.4
492,700	Samsonite International	1,212	2.7	3.2
492,000	Minth Group	1,189	2.6	3.2
767,000	JNBY Design	1,187	2.6	3.1
216,217	Siam City Cement	1,173	2.6	3.1
40,811	Shinhan Financial	1,159	2.6	3.1
2,010,000	Industrial & Commercial Bank of China	1,133	2.5	3.0
334,763	ITC	1,101	2.4	2.9
79,870	Ayala Corporation	1,095	2.4	2.9
599,000	Johnson Electric Holdings	1,068	2.3	2.8
212,783	Zee Entertainment	1,048	2.3	2.8
2,640,000	Astra International	1,040	2.3	2.8
514,596	Uni-President Enterprise	961	2.1	2.5
236,000	Sands China	912	2.0	2.4
3,300,000	My EG	877	1.9	2.3
289,000	China Overseas Land and Investments	843	1.9	2.2
2,650,000	Megawide Construction	832	1.8	2.2
345,000	Haier Electronics Group	769	1.7	2.0
49,500	Larsen & Toubro	758	1.7	2.0
75,000	Sunny Optical Technology Group	689	1.5	1.8
4,825	Alibaba Group	677	1.5	1.8
78,000	eMemory Technology	627	1.4	1.7
18,900	KB Financial Group	534	1.2	1.4
2,800	SK Telecom	475	1.0	1.2
60,000	Hanon Systems	459	1.0	1.2
520,000	China Construction Bank Corporation	343	0.8	0.9
3,934,345	Access Engineering	222	0.5	0.7
28,371,274	Silver Heritage***	–	–	–
–	Other investments**	–	–	0.3
Total investments		42,223	92.9	92.7
Net current assets		3,226	7.1	7.3
Net assets		45,449	100.0	100.0

* Blackfriars Asset Management's Irish domiciled and listed fund.

** 'Other investments' are investments held by Blackfriars Oriental Focus Fund 'B' which are not directly held by the Company.

*** Holding in Silver Heritage written off.

Analysis of Investment Portfolio at 31 March 2019

Sector analysis	Fair value £'000	Percentage of net assets	Percentage of net assets (portfolio look through basis)
Consumer Discretionary	7,357	16.2	19.5
Financials	7,064	15.5	18.7
Consumer Staples	7,060	15.5	16.5
Investment Companies	6,188	13.6	–
Information Technology	5,063	11.1	13.3
Industrials	3,116	6.9	8.2
Technology	2,193	4.8	5.8
Health Care	1,469	3.2	3.2
Materials	1,173	2.6	3.1
Real Estate	843	1.9	2.2
Telecommunication Services	475	1.1	1.2
Construction & Engineering	222	0.5	1.0
Total investments	42,223	92.9	92.7
Net current assets	3,226	7.1	7.3
Net assets	45,449	100.0	100.0

Geographical analysis (based on listing or domicile)	Fair value £'000	Percentage of net assets	Percentage of net assets (portfolio look through basis)
Hong Kong	7,536	16.6	19.9
United Kingdom	6,467	14.2	14.3
Ireland *	6,188	13.6	–
India	4,372	9.6	11.6
Korea	4,179	9.2	10.9
China	3,766	8.3	9.9
Taiwan	3,141	6.9	8.3
Thailand	2,508	5.5	6.6
Philippines	1,927	4.3	5.1
Indonesia	1,040	2.3	2.8
Malaysia	877	1.9	2.3
Sri Lanka	222	0.5	0.7
Vietnam	–	–	0.3
Total investments	42,223	92.9	92.7
Net current assets	3,226	7.1	7.3
Net assets	45,449	100.0	100.0

* Blackfriars Asset Management's Irish domiciled and listed fund, Blackfriars Oriental Focus Fund 'B', is invested in Asia ex Japan equities.

Classification of assets	Fair value £'000	Percentage of net assets	Percentage of net assets (portfolio look through basis)
Equities	42,223	92.9	92.7
Net current assets	3,226	7.1	7.3
Net assets	45,449	100.0	100.0

Investment Manager's Report

For the financial year to 31 March 2019 the share price fell 1.4% while the Net Asset Value declined by 7.8%. Including dividends totalling 10.3p paid during the year, the total returns of the share price and the net asset value were 3.7% and -2.9% respectively. For comparative purposes, the MSCI AC Asia ex Japan Index rose 2.4%, the MSCI AC World Index gained 10.8% and the FTSE UK Private Investor Balanced Index advanced 7.3%. At year end, the discount stood at 9.8%.

Since launch in March 2002, the share price and net asset value have compounded at 7.1% and 7.4% respectively in total return terms. This is net of costs which have averaged 1.5% per annum over the past decade. For comparative purposes, the MSCI AC Asia ex Japan Index has compounded at 9.8%, the MSCI AC World Index at 7.1% and the FTSE UK Private Investor Balanced Index at 6.3%. Dividend growth (excluding recent special dividends) has compounded at 9% since launch.

Over the life of the Company, your Investment Manager has always maintained a heavy commitment to Asia ex Japan equities but has also invested in Japanese equities, gold bullion ETFs, a variety of hedge funds, a number of investment trusts and more recently has held a number of high yielding UK equities.

Voluntary Liquidation

On 20 November 2018, the Board and the Investment Manager announced that they would not recommend that Shareholders vote in favour of continuation of the Company at the forthcoming AGM in July 2019.

On 12 April 2019 the Board announced that it intends to put forward proposals to put the company into voluntary liquidation. Three options, or any combination of them, are available for Shareholders:

1. Receiving shares in VT Garraway Asian Centric Global Growth Fund (Garraway fund). This is a newly established open-ended vehicle which aims to provide capital growth and income over the longer term. It will invest in both developed equity markets and Asian equities. The Garraway Fund will also invest in market neutral products and has the ability to purchase gold bullion ETFs and hold government bonds if the investment manager considers this appropriate, for example due to excessive equity valuations. Equity exposure will always be a minimum of 65%. Henry Thornton, who has managed the Company's portfolio since launch, is joining the growing investment team at Garraway and will be managing the Asian portfolio and sitting on the investment committee steering overall asset allocation.
2. Receiving shares in Henderson International Income Trust plc (HINT). This closed-ended investment trust seeks to provide Shareholders with a growing total annual dividend, paid quarterly, as well as capital appreciation. It is designed to help UK investors diversify their equity income streams by investing in a focused and internationally diversified portfolio of 50-80 companies outside the UK. Henderson International Income Trust plc invests in undervalued companies that are out of favour which pay investors a dividend income whilst they wait for value to be realised. Ben Lofthouse is the lead fund manager.
3. Receiving cash at net asset value less costs of liquidation. This option constitutes a disposal for capital gains tax purposes.

The Board has signed heads of terms with the boards of both HINT and the Garraway Fund. The Proposals have been agreed in principle and will be effected by way of a scheme of reconstruction of EIT under section 110 of the Insolvency Act 1986, resulting in the voluntary liquidation of EIT and a tax efficient rollover of assets of EIT into either HINT or the Garraway Fund. The transaction will be subject to, inter alia, regulatory consent and approval from Shareholders of EIT and HINT.

Shareholders who do not make an election will be deemed to have elected to receive their entitlements in new shares to be issued by HINT.

Neither the option to roll into HINT nor into the Garraway Fund is subject to a minimum rollover amount and neither option should constitute a disposal for capital gains tax purposes.

Financial Results

The portfolio generated gross income of £1,562,000 during the year, a 10% decrease from the £1,731,000 generated in the preceding year. Excluding fees payable to the Investment Manager, expenses amounted to £279,000, a decrease of 13.1% relative to the previous year. The total fees payable to the Investment Manager (excluding research costs) decreased 5.5% to £342,000 (of which 80% are charged to capital). The Company recorded a revenue return on ordinary activities after tax of £1,117,000 (2018: £1,220,000). The Company made a capital loss after tax of £2,923,000 (2018: £2,437,000). Therefore the total loss after tax for the Company was £1,806,000 (2018: £1,217,000).

Blackfriars Asset Management Limited

Investment Manager

3 June 2019

Other Information

Results and dividend

The revenue return for the financial year ended 31 March 2019 after taxation amounted to £1,117,000 (2018: £1,220,000). The Company made a capital loss after tax for the financial year ended 31 March 2019 of £2,923,000 (2018: capital loss of £2,437,000). Therefore, the total loss after tax for the Company for the financial year ended 31 March 2019 was £1,806,000 (2018: loss of £1,217,000).

An interim dividend of 3.0p per Ordinary Share was paid on 21 December 2018 to Shareholders on the register at the close of business on 30 November 2018. A second interim dividend of 1.75p per ordinary share has been declared and will be payable on 4 July 2019 to Shareholders on the register on 14 June 2019.

In aggregate dividends of 4.75p (2018: 10.3p) have been paid and declared in respect of the year ended 31 March 2019.

Risks and uncertainties

The review of the year is presented in the Chairman's Statement on page 5 and the Investment Manager's Report on pages 10 and 11. The financial instruments disclosures are set out in note 17 to the Financial Statements on pages 56 and 57, which, together with the information below, provide details of the principal risks and uncertainties facing the Company.

Investment risk

The Company is predominantly a vehicle for overseas equity investment with the attendant risks relating to strategy, country, industrial sector and stock selection applicable to any international or regional equity portfolio.

The prime risk of investing in the Company is a fall in equity prices and adverse movements in foreign currency exchange rates, as currency movements can have a significant impact on capital values. Whilst foreign currency exposures against sterling are reviewed on a regular basis, these are inherent in investing in overseas securities. At present the Company has no currency hedging contracts in place nor plans to arrange them. The Investment Manager will take into account the possibility of currency gain or loss when evaluating investments for the Company.

Risk Management

Equity markets are subject to fluctuation and, as such, investment in equities is inherently risky. The Investment Manager is experienced and employs its expertise in selecting the stocks in which the Company invests. The Investment Manager spreads the investment risk over a wide portfolio of investments.

Regulatory risk

Breaches of Section 1158 of the Corporation Tax Act could result in loss of investment trust status. Loss of investment trust status would lead to the Company being subject to tax on any gains on the disposal of its investments. Breaches of the FCA's rules applicable to listed entities could result in financial penalties or suspension of trading of the Company's shares on the London Stock Exchange. Breaches of the Companies Act 2006, The Financial Services and Markets Act, Accounting Standards, The Listing Rules, Disclosure Guidance and Transparency Rules or Prospectus Rules could result in financial penalties or legal proceedings against the Company or its Directors. Failure of the Investment Manager to meet its regulatory obligations could have adverse consequences for the Company.

Risk Management

The Company has contracted out relevant services to appropriately qualified third party professionals. The Investment Manager reports on regulatory matters to the Board on a quarterly basis. The assessment of regulatory risks forms part of the Board's risk assessment programme.

Counterparty risk

The Company bears the risk of settlement default by clearing houses and exchanges and the risk of delayed repossession or disputed title of the Company's assets in the event of failure of the Custodian, together with operational and regulatory risks, and the risk of errors and omissions.

Risk Management

The Investment Manager undertakes transactions only with brokers pre-approved by the Investment Manager and on the basis of delivery against payment.

Additional risks are set out in note 17 to the Financial Statements on pages 56 and 57, which covers interest rate risk, equity price risk, liquidity risk and credit risk.

Role of the Board

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

As part of the review of operational risks, the Board satisfies itself that the Investment Manager has processes in place to ensure limits are not breached. Performance and risk controls are the focus of Boardroom discussion with the Investment Manager. The Board reviews the management of the portfolio and monitors the Investment Manager's adherence to the investment mandate. This is achieved by comparing the absolute return generated by the portfolio with comparable investments and various indices, the breakdown of the portfolio into equities, investment funds, bonds, cash and examination of the level of concentration within the equity portfolio by sector and geography.

Comparable investments and various indicies

The Board seeks to assess and contain risk by understanding and monitoring the Investment Manager's investment style, investment process and long-term performance record. Stock specific risk is reduced through adequate diversification and the Investment Manager is required to obtain Board approval prior to the purchase of any products managed by the Investment Manager, which may not exceed 30% of the portfolio.

Other Information continued

The Board reviews the performance of certain equity indices and peer group competitors to evaluate whether the Investment Manager is generating competitive returns in differing market conditions. In assessing performance at its regular meetings, the Board requires a clear, consistent expression of strategy.

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. The Company shows its performance against the FTSE UK Private Investor Balanced Index in the chart on page 3 of this Annual Report.

The Board considers the extent to which the Company might gear up its portfolio with debt or increase liquidity in difficult markets. Strategic decisions, such as the level of borrowing, can have a significant impact on performance. The Company's policy is to limit gearing to a maximum of 50% of net assets, although, at present, the Company has no gearing. Ultimately, the positioning of the portfolio is decided by the Investment Manager, operating within the investment guidelines established by the Board.

Viability statement

The Directors believe that the Company has adequate financial resources to continue in operation for at least 12 months from the date of this Report, however the continuation of the Company is subject to approval by Shareholders at the next Annual General Meeting. **The Directors are recommending that Shareholders vote against the continuation of the Company in its current form when the continuation vote is put forward at the Annual General Meeting in July 2019 and is putting forward proposals to Shareholders which will result in the liquidation of the Company.** While the Company has achieved respectable returns for Shareholders since listing in 2002, the Board, together with the Investment Manager, have concluded that continuing in its current form is not an attractive option for Shareholders. The small size of the Company, limited liquidity and the persistent discount, besides the increasing regulatory and governance obligations and increased costs all present significant challenges.

Key performance indicators ("KPIs")

The Board has measured the success of the Company by reference to the following KPIs:

1. Long term capital growth

The Board monitors the Company's net asset value on a total return basis. A review of performance is undertaken at each quarterly Board meeting and the reasons for relative over and under performance against various comparators is discussed. The net asset value total return from inception on 18 March 2002 to 31 March 2019 was 7.4%. Further details on the Company's long term performance are provided on page 3.

2. Progressive dividend policy

The Company's total dividends from revenue for the year ended 31 March 2019 will be 4.75p (2018: 6.0p) per Ordinary Share. Dividend growth (excluding recent special dividends) has compounded at 9% per annum since launch.

3. Control of expenses

The Board receives monthly management accounts which contain analysis of expenditure and are reviewed at quarterly Board meetings. The Management Engagement Committee formally reviews the fees payable to the Company's main service providers on an annual basis. The Company's ongoing charges for the year ended 31 March 2019 were 1.42% of the Company's average net assets (2018: 1.28%).

Social, community, environmental and human rights issues

Having no employees, the Company, as an investment company, has no direct impact on social, community, environmental or human rights matters. The Investment Manager takes into account relevant factors when making investment decisions.

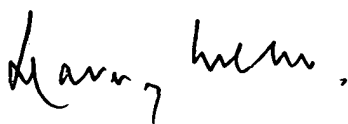
Employees

The Company has no employees. The Company has one female and four male non-executive Directors. The Board's policy on diversity is contained in the corporate governance report.

Strategic Report

The Strategic Report comprises the information set out on pages 2 to 15 of this Annual Report and was approved by the Board of Directors on 3 June 2019.

For and on behalf of the Board



Harry Wells
Chairman

3 June 2019

Directors' Report – Statutory Information

The Directors submit their report together with the audited Financial Statements of the Company for the year ended 31 March 2019.

Strategic Report

The Directors' Report should be read in conjunction with the Strategic Report on pages 2 to 15 which contains information on the Company's results and dividends, risks and uncertainties, key performance indicators, social issues, employees, events since the year end and possible future developments.

Corporate governance

The Corporate Governance Statement on pages 22 to 26 forms part of this report.

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.

The manner in which the Company conducts its affairs meets the requirements for approval as an investment trust under section 1158 of the Corporation Tax Act 2010. In the opinion of the Directors, the Company has met the on-going requirements of section 1158 for the year ended 31 March 2019 and intends to continue to do so.

Alternative Investment Fund Managers Directive ("AIFMD")

The Company is classified as an alternative investment fund under AIFMD and the Company has been entered on the register of small UK AIFMs.

Life of the Company

The Company does not have a fixed life. At the Annual General Meeting of the Company held in July 2016, Shareholders approved an ordinary resolution for the continuation of the Company in its current form. A similar resolution will be proposed at the Annual General Meeting to be held on 10 July 2019 and **the Board have recommended that Shareholders vote against this resolution at the Annual General Meeting. Assuming the continuation vote is not passed, a General Meeting will follow the Annual General Meeting on the same day, at which proposals will be put forward for the future.** This will be set out in the circular to be sent to Shareholders.

Directors

The Directors of the Company at the date of this Report are shown on page 7. All Directors are non-executive. Harry Wells was appointed as a Director in February 2002 and as Chairman on 7 July 2015, Tom Waring was appointed in May 2008, Gregory Shenkman was appointed in August 2011, Susan Thornton in July 2014 and Jim Ryall in June 2015. All of the Directors at the year end served in office throughout the year under review.

Substantial shareholdings

The Company had been notified, or is aware, of the following significant holdings of 3% or more of the Company's shares at 31 March 2019:

	Number of Ordinary shares	As at 31 March 2019 % of issued shares
Susan Thornton*	3,550,269	17.75
The Trustees of RC Thornton Will Trust**	1,805,542	9.03
Rysaffe Trustees Company (CI) Limited (for R C Thornton 1971 settlement)	1,600,623	8.00
Miton Worldwide Growth Investment Trust plc	1,385,000	6.93
Meritus Trust Company Limited	1,416,178	7.08
Charles Stanley & Co Limited	998,976	4.99
1607 Capital Partners LLC	951,681	4.76
The Rabbit Trust	709,975	3.55

* Susan Thornton has a direct interest in 1,805,541 Ordinary Shares and, in addition, has an interest in 1,744,728 Ordinary Shares held by the Thornton Foundation of which she is a trustee.

** Susan Thornton is also a trustee of RC Thornton Will Trust.

Since the year end, the Company has been formally notified that CG Asset Management Limited has acquired an interest in 1,050,282 Ordinary Shares (a 5.25% shareholding).

Investment management

Blackfriars Asset Management Limited ("Blackfriars") is the Company's Investment Manager. The Directors are satisfied that the Investment Manager has the suitable skills and experience to manage the Company's investments. However, as described in the Chairman's Statement, the Company is putting forward proposals which will include the voluntary liquidation of the Company. Notice has been given of termination of the appointment of Blackfriars as the Company's Investment Manager, with such notice expiring on 18 July 2019. Blackfriars is regulated by the Financial Conduct Authority of the United Kingdom.

Further details on the investment management agreement can be found in note 7 to the Financial Statements on pages 49 and 50.

Company Secretary and Administrator

PraxisIFM Fund Services (UK) Limited has been appointed as the secretary of the Company and is also responsible for the Company's administrative matters.

Share capital

At 31 March 2018 and 31 March 2019, 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 financial year or between 31 March 2019 and the date of this report. At 31 March 2019 the Ordinary Share price was 208p (2018: 208.0p).

Directors' Report – Statutory Information continued

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

Voting

The Ordinary Shares confer the right to receive notice and to attend and vote at any General Meeting of the Company. Each Ordinary Share carries the right to one vote. There are no restrictions on voting rights. The deadline for the valid exercise of voting rights is set out in the notes to the Notice of Annual General Meeting and in the Proxy Form.

Dividends

Any dividend declared by the Directors shall be paid at the same rate on each Ordinary Share of the Company.

Transfers

There are no restrictions on the transfers of Ordinary Shares in the Company and no limitations on the holding of Ordinary Shares or requirements to obtain the approval of the Company, or other Shareholders for any transfer.

Winding up

On a winding up, the assets of the Company shall be divided amongst the Shareholders on the basis determined by the Liquidator, with the sanction of a resolution of the Shareholders. The Company is not aware of any agreements with or between Shareholders restricting the transfer of Ordinary Shares, or which would take effect in the event of a change of control of the Company.

Non-mainstream pooled investments ("NMPIs")

FCA rules determine which investment products can be promoted to ordinary retail investors. As a result of these rules, certain investment products are classified as NMPIs. There are restrictions on their promotion to retail investors.

The Company conducts its affairs so that its shares can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the FCA's rules in relation to NMPIs. The Company intends to continue to do so for the foreseeable future.

The Company's shares are excluded from the FCA's restrictions applying to non-mainstream investment products because the Company has investment trust status.

Environmental matters

The Company is an investment company. As such, it does not have any physical assets, property, employees or operations of its own. The Company does not provide goods, nor services in the normal course of business and it does not have customers. In consequence, the Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other sources of emissions under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Statement of Directors' Responsibilities in respect of the Annual Report, the Directors' Remuneration Report and Financial Statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Policy and Implementation Reports and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year. In conformity with the law, the Directors have elected to prepare Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under

company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the net return of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- in compliance with the Companies Act 2006, prepare a Directors' Report, a Strategic Report and a Directors' Remuneration Report.

The Directors are responsible for keeping adequate accounting records, sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable the Directors to ensure that the Financial Statements and Directors' Remuneration Report comply with the Companies Act 2006. 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 Financial Statements are published on www.blackfriarsam.com, which is a website maintained by the Company's Investment Manager. The Directors are responsible for the maintenance and integrity of the Company's information that is available on the website. The Directors do not take responsibility for the maintenance of the Investment Manager's website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

Directors' confirmation statement

Each of the Directors, whose names and functions are listed on page 7, confirms that, to the best of the knowledge of that Director:

- the Financial Statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Having taken advice from the Audit and Risk Committee, the Directors consider that the Annual Report and Financial Statements taken as a whole are fair, balanced and understandable and provide information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

Going Concern

Operational resources

The majority of the Company's net assets are held in cash and securities that are traded on recognised stock exchanges. The Directors are satisfied that the Company has sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of the financial statements.

Directors' Report – Statutory Information continued

Continuation of the Company

On 20 November 2018, **the Directors and the Investment Manager announced that they would not recommend Shareholders vote in favour of continuation of the Company in its current form when the continuation vote is put forward at the next Annual General Meeting.** Instead, they invited proposals to be submitted for alternative plans for the Company's future. The Directors received a number of proposals and, following a review of the options available, on 12 April 2019, the Directors announced that they intended to put forward proposals for putting the Company into voluntary liquidation and offering Shareholders the option of electing for any of, or a combination of:

- the default option of rolling some or all of their investment into new shares at formula asset value ("FAV") to be issued by Henderson International Income Trust plc ("HINT"), and/or
- rolling some or all of their shares into shares to be issued by VT Garraway Asian Centric Global Growth Fund ("Garraway Fund"); and/or
- receiving cash at net asset value less costs.

The continuation vote will be put forward for consideration by Shareholders at the Annual General Meeting on 10 July 2019. **The Board strongly recommends that Shareholders vote against continuation.** Should they do so, there will be a subsequent General Meeting of the Company at which approval will be sought for the Proposals. In addition, the Proposals will be subject to final approval at a further General Meeting of the Company expected to be held on 18 July 2019.

Given that the Company has significant financial resources and that the continuation vote and the Proposals are yet to be voted on by Shareholders, the Directors consider it appropriate for the Company to prepare the accounts on a going concern basis. However, there is clearly a material uncertainty, which casts doubt on the likelihood that the Company will continue as a going concern. The financial statements do not include any adjustments that would result if the Company's accounts were not prepared on a going concern basis.

The Directors are satisfied that the Company has sufficient financial resources to continue in business and meeting its liabilities as they fall due over the period of at least 12 months from the date of approval of the financial statements.

This going concern summary should be read in conjunction with the Viability Statement on page 14.

Disclosure of information to the Auditor

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

Auditor

On 6 July 2017, a resolution was passed to appoint BDO LLP as auditor to the Company. A resolution will be proposed at the forthcoming Annual General Meeting to re-appoint BDO LLP as Independent Auditor and to authorise the Directors to determine the Auditor's remuneration.



By order of the Board

Anthony Lee

For and on behalf of

PraxisIFM Fund Services (UK) Limited

Company Secretary

3 June 2019

Directors' Report – Corporate Governance Statement

The Listing Rules and the Disclosure Guidance and Transparency Rules ("Disclosure Rules") of the UK Listing Authority require listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code ("the Code"), as issued by the Financial Reporting Council ("FRC"). The provisions of the Code issued by the FRC in April 2016 are applicable to the year under review. The Code can be viewed at www.frc.org.uk.

The related Association of Investment Companies ("AIC") Corporate Governance Guide for Investment Companies ("the AIC Code") published by the AIC in February 2015 provides specific corporate governance guidelines to investment trusts. The FRC has confirmed that AIC member companies who follow and report in conformity with the AIC Code will be meeting their obligations in relation to the UK Corporate Governance Code. The AIC Code can be viewed at www.theaic.co.uk.

Compliance

The Board supports and applies the standards of corporate governance set out in the AIC Code. Throughout the year ended 31 March 2019, the Company complied with the provisions of the AIC Code, except when, as explained below, the Company has not complied or does not feel it appropriate for a company of its size to do so. It should be noted that, as an investment trust, all the Directors are non-executive and all of the Company's day to day responsibilities are delegated to third parties.

The Board of Directors

At 31 March 2019, the Board consisted of five members, three of whom were considered to be independent. Particulars of the Directors are set out on page 7. Gregory Shenkman is the current Senior Independent Director and 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 and Risk Committee meets at least twice each year. The Management Engagement Committee meets at least once a year and the Nominations and Remuneration Committees meet as and when required.

The actual number of formal meetings of the Board and its Committees during the year under review is given below, together with each individual Director's attendance at those meetings. The first number in the table is for the meetings attended by the individual Director and the second number is for the number of meetings that Director was eligible to attend. There were also several ad hoc meetings during the year.

	Board Meeting 5	Nominations Committee 1	Audit and Risk Committee 2	Management Engagement Committee 3
Number held				
Harry Wells	5/5	1/1	2/2	3/3
Jim Ryall	5/5	1/1	2/2	3/3
Gregory Shenkman	5/5	1/1	2/2	3/3
Susan Thornton	5/5	1/1	n/a	n/a
Tom Waring	5/5	1/1	n/a	n/a

n/a = not applicable – not eligible to attend except as an observer

The Board also held two committee meetings to deal with approval of documents. The Board sets out guidelines within which the Investment Manager implements the investment policy and has a schedule

of matters reserved for consideration by the Directors. A full report on the investment portfolio and its 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, which is responsible to the Board for ensuring its compliance with Board procedures, company law and other relevant matters. The appointment or replacement of the Company Secretary is a matter for the Board as a whole. The Directors are authorised to take independent professional advice, if necessary, at the Company's expense.

All of the Directors are able to allocate sufficient time to the Company to discharge their responsibilities effectively. Upon joining the Board, any new Directors receive an induction. Relevant training is available to Directors on an ongoing basis.

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 power 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 the Company Secretary operate in a mutually supportive and co-operative manner in so far as their responsibilities permit.

Board independence

The Board recognises that its prime purpose is to direct the business to maximise Shareholder value within a framework of proper controls. The majority of the Board is independent. As stated above, Tom Waring is also a Director of the Investment Manager and as such is not considered to be independent. Susan Thornton represents a significant shareholder and, as such, is not considered by the Board to be independent under the AIC Code. However, in the opinion of the other Directors, Mr Waring and Mrs Thornton act strongly in the interests of the Company and refrain from voting on any matters where there is a possible or actual conflict of interest. Although Mr Wells has been a Director since the Company's launch, he is considered to be independent by the Board of Directors.

Board diversity

The Company's policy is that the Board should have a broad range of skills. Due consideration is given to industry guidance on boardroom diversity.

Evaluation of the performance of the Board

During the financial year ended 31 March 2019 the Board conducted an annual evaluation of the performance of the Board, its Committees, individual Directors and third party service providers. A review of the Chairman's performance was conducted by the Senior Independent Director, Gregory Shenkman. As part of the evaluation process the individual Directors completed evaluation programmes and the results were discussed by the Board. The Board is satisfied, from the results of the evaluation, that the Chairman, the other 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 to supervise management of the Company in an effective manner.

Directors' Report – Corporate Governance Statement continued

Election and re-election of Directors

The biographies of the Directors are set out on page 7 of this Report.

Pursuant to the Company's Articles of Association at least one third of the Directors will retire from office at each Annual General Meeting. If any Director has at the start of the Annual General Meeting been in office for more than three years since his or her last appointment or reappointment he or she will retire. A retiring Director is eligible for re-election.

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

- Tom Waring because of his connection with the Investment Manager is required by the Listing Rules to retire annually at each AGM.
- Harry Wells in accordance with Principle 3 of the AIC Code which recommends that Directors who have served for more than nine years to retire annually at each AGM.

The Board acknowledges the AIC's Code provisions relating to Directors' tenure. Directors serving longer than nine years will be 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. The Directors do not consider longevity of service as an impairment to independence or judgement but were this to become the case, the relevant Director would stand down.

The Board greatly values the experience and contribution provided by the Directors standing for re-election and fully supports the proposal that these Directors be re-elected or elected.

The Nominations Committee

The Nominations Committee comprises the whole Board and considers appointments to the Board. The Directors have between them many years' collective experience within the financial services industry and a broad knowledge of individuals, who would have the necessary skills to promote and develop the Company. Accordingly, the Nominations 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 UK Corporate Governance Code's provisions relating to directors' remuneration do not apply. Details of the Directors' fees are given in the Directors' Remuneration Implementation Report on pages 31 to 32.

D&O Insurance

The Company arranges appropriate Directors' and Officers' liability insurance cover in respect of legal action against the Directors and Officers. An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties.

Audit and Risk Committee

A report on page 27 provides details of the role, composition and meetings of the Audit and Risk Committee together with a description of the work of the Audit and Risk Committee in discharging its responsibilities.

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 its own 'whistle blowing' procedures. The Audit and Risk Committee has reviewed the 'whistle blowing' 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 and Risk Committee. Although the Directors can thereby provide reasonable assurance against material misstatement or loss, they acknowledge that risk cannot be eliminated altogether. Their approach to managing internal control and risk conforms to the recommendations of the Financial Reporting Council's "Risk Management, Internal Control and Related Financial Business Reporting" guidance. The Board confirms that in this manner it has reviewed the effectiveness of internal controls for the year under review, taking into account matters arising up to the date of the Report.

Management Engagement Committee

Mr Wells is Chairman of the Management Engagement Committee.

The Management Engagement Committee comprises Gregory Shenkman, Jim Ryall and Harry Wells. The Management Engagement Committee considers the terms of engagement and the remuneration payable to the Investment Manager and other third party service providers to the Company, (see note 7 to the Financial Statements).

Internal Control

There is an ongoing process for identifying, evaluating and managing those risks which are significant for the Company. This process has been in place for the year ended 31 March 2019 and up to the date of this Annual Report, and is regularly reviewed by the Board. A formal review, utilising a detailed risk assessment programme, takes place at least annually.

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, the Investment Manager and the Administrator, 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 in the FRC's guidance. The Board has monitored the operation and effectiveness of the Company's system of internal controls during the year through its ongoing identification, assessment and management of the Company's key risks. The Company's risk matrix is reviewed at least annually by the Audit and Risk Committee.

The Board has contractually delegated the management of the investment portfolio to Blackfriars Asset Management Limited, the day-to-day administration and company secretarial functions to PraxisIFM Fund Services (UK) Limited, and the custodial services, which include the safeguarding of the Company's assets, to The Northern Trust Company.

Directors' Report – Corporate Governance Statement continued

These contracts were 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 and Risk Committee.

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and how they are being managed is set out in the Strategic Report.

Shareholder Relations

The Company, through the Investment Manager and the Broker, 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.

Voting Policy

The Investment Manager researches 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 the Investment Manager to vote the shares of invested companies on routine business, having regard to both the Investment Manager's interests and those of the Company. The Investment Manager, however, is required to consult with the Chairman, or with the Board, if appropriate, before voting on any contentious or sensitive issues. The Board has reviewed the Investment Manager's policy on compliance with the UK Stewardship Code

Commissions

The Board reviews the details of dealing commissions paid.

Annual General Meeting ('AGM')

The AGM of the Company will be held on 10 July 2019 at 12 noon. All Shareholders are encouraged to attend. The business of the meeting is set out in the Notice of AGM on page 62.

Details of proxy voting in respect of each resolution will be available at the meeting and subsequently on the website at www.blackfriarsam.com. It is not proposed to state individual proxy voting figures at the Meeting after each resolution is voted on, and those attending will instead be provided with a summary of the voting on all resolutions.

Report of the Audit and Risk Committee

Role, composition and meetings

The Company's Audit and Risk Committee comprises Gregory Shenkman (Chairman), Harry Wells and Jim Ryall.

All members of the Committee are independent and have considerable experience of the investment industry, which the Board considers relevant to their roles on the Committee. 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 and Risk Committee Chairman. The Company's external Auditor also attends Committee meetings at least once a year and reports on the Auditor's 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 and Risk Committee include the review of internal controls and risk matrix, accounting policies, Financial Statements, the Auditor's appointment, independence and remuneration and the carrying value of any unquoted investments. The Audit and Risk Committee also agrees any non-audit work carried out by the Auditor and the fees payable for such work.

Attendance at the Audit and Risk Committee meetings during the year is set out on page 22.

Provision of non-audit services

The Audit and Risk Committee and the Board consider the nature and terms of any non-audit work undertaken by the Auditor. The Company's Auditor, BDO LLP, did not perform any non-audit work for the Company during the year. As detailed later in this report, subject to approval at the Company's Annual General Meeting, BDO LLP will be re-appointed as the Company's external Auditor. Grant Thornton UK LLP has been selected to provide UK tax compliance services to the Company as these services may not be provided by an appointed external Auditor.

Financial Statements and significant accounting matters

The Audit and Risk Committee considered the following significant accounting issues in relation to the Company's Financial Statements for the year ended 31 March 2019.

Valuation of investments

Over 90% of the Company's assets are quoted investments. The valuation of these investments is a material matter in the production of the Financial Statements. The Audit and Risk Committee reviewed the procedures in place for ensuring accurate valuation of investments and discussed the valuation of the Company's investments at Board meetings and at the year end with the Investment Manager and the Secretary. The Audit and Risk Committee is satisfied that the valuations adopted at the year end were appropriate.

Income

The Audit and Risk Committee reviewed the procedures in place for income recognition and discussed those procedures with the Investment Manager and the Administrator. The Audit and Risk Committee is satisfied that appropriate procedures are in place for income recognition.

Report of the Audit and Risk Committee continued

Tax status

The Company may suffer tax on gains on the realisation of investments if investment trust status is not maintained. The Audit and Risk Committee reviewed and confirmed the compliance of the Company during the year with the eligibility conditions and ongoing requirements, which enable investment trust status to be maintained.

Going concern status

The Audit and Risk Committee has reviewed the Company's circumstances in detail and has agreed it is appropriate to prepare the accounts on a going concern basis as discussed on pages 19 and 20.

Audit tenure

In line with good corporate governance, the Audit and Risk Committee conducted an audit tender for the audit for the year ending 31 March 2018. The appointment of BDO LLP was approved by Shareholders at the Annual General Meeting held on 6 July 2017. The appointment of the external Auditor is reviewed annually by the Audit and Risk Committee and the Board and is subject to approval by Shareholders.

Effectiveness of external audit

The Audit and Risk Committee is responsible for reviewing the effectiveness of the external audit process. The Audit and Risk Committee reviewed the external Auditor's audit plan prior to the commencement of the audit and received a presentation of the results of the audit following completion of the main audit testing. The Audit and Risk Committee performed a review of the external Auditor following the presentation of the results of the audit. The review included a discussion of the audit process and the ability of the external Auditor. The Audit and Risk Committee is satisfied that the audit for the year ended 31 March 2019 has been performed effectively.

The Board has accepted the Audit and Risk Committee's recommendation that a proposal to re-appoint BDO LLP, as independent Auditor be proposed at the forthcoming Annual General Meeting.

Gregory Shenkman
Audit and Risk Committee Chairman

Directors' Remuneration Policy

Introduction

This policy provides details of the remuneration for the Directors of the Company (the "Remuneration Policy"). This Remuneration Policy was approved by Shareholders at the AGM held on 6 July 2017. The provisions set out in this policy will apply until they are next due to be put forward for Shareholder approval in July 2020. The Company's Remuneration Policy must be put forward for Shareholder approval at least every three years. In the event of any proposed significant variation to the policy, Shareholder approval will be sought for the proposed new policy prior to its implementation.

All the Directors are non-executive Directors and the Company has no employees.

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 the Company's Articles of Association require re-election 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.

Fees

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.

The maximum aggregate Directors' fees pursuant to the Company's Articles of Association are £150,000 per financial year. The remuneration terms are reviewed annually by the independent Directors. No Director may vote on his or her own remuneration. Directors are not eligible for pension entitlements, share options, long-term incentive schemes or other benefits.

The Directors shall also be entitled to be reimbursed for all expenses incurred in performance of their duties. These expenses are unlikely to be significant.

Fees are payable from the date of appointment as a Director of the Company and cease on date of termination of appointment. The Directors are not entitled to compensation for loss of office.

The Board does not pay any incentive fees to any person to encourage them to become a Director of the Company. The Board may, however, pay fees to external agencies to assist the Board in the search for and selection of Directors.

Directors' Remuneration Policy continued

Current and future policy

Component	Applicable to:	Current annual rate ¹	Purpose of reward	Operation
Annual fee	Chairman	See note 1 below	Chairman of a plc	Subject to Board determination
Annual fee	Chairman of the Audit and Risk Committee	See note 1 below	Services as non-executive Director plus additional responsibilities	Subject to Board determination
Annual fee	Other Directors	See note 1 below	Services as non-executive Director	Subject to Board determination
Expenses	All Directors	Not applicable	Reimbursement of expenses incurred in the performance of duties	Submission of appropriate supporting documentation

1 Annual rates are at the discretion of the Board subject to aggregate maximum payable to all Directors of £150,000.

Statement of consideration of conditions elsewhere in the Company

The Company only has non-executive Directors. The Company has no employees. Therefore, the process of consulting with employees on the setting of the Remuneration Policy is not applicable.

Review of the Remuneration Policy

The Remuneration Policy will be reviewed on an annual basis by the Remuneration Committee and any material changes are subject to approval by Shareholders. The remuneration payable to the Directors will take into account a number of factors, inter alia, the experience of the Directors, the complexity of the Company and prevailing market rates for the investment trust sector.

Directors' Remuneration Implementation Report

Introduction

The Company has prepared this report, in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The Directors' Remuneration Implementation Report will be put forward for approval by Shareholders on an annual basis. The result of the Shareholder resolution on the Implementation Report is non-binding on the Company, although it gives Shareholders an opportunity to express their views, which will be taken into account by the Board.

The regulations require the company's external Auditor to audit certain of the disclosures provided herein. Where disclosures have been audited, they are indicated as such. The Auditor's opinion on these disclosures is included in the report of the Independent Auditor on pages 34 to 40.

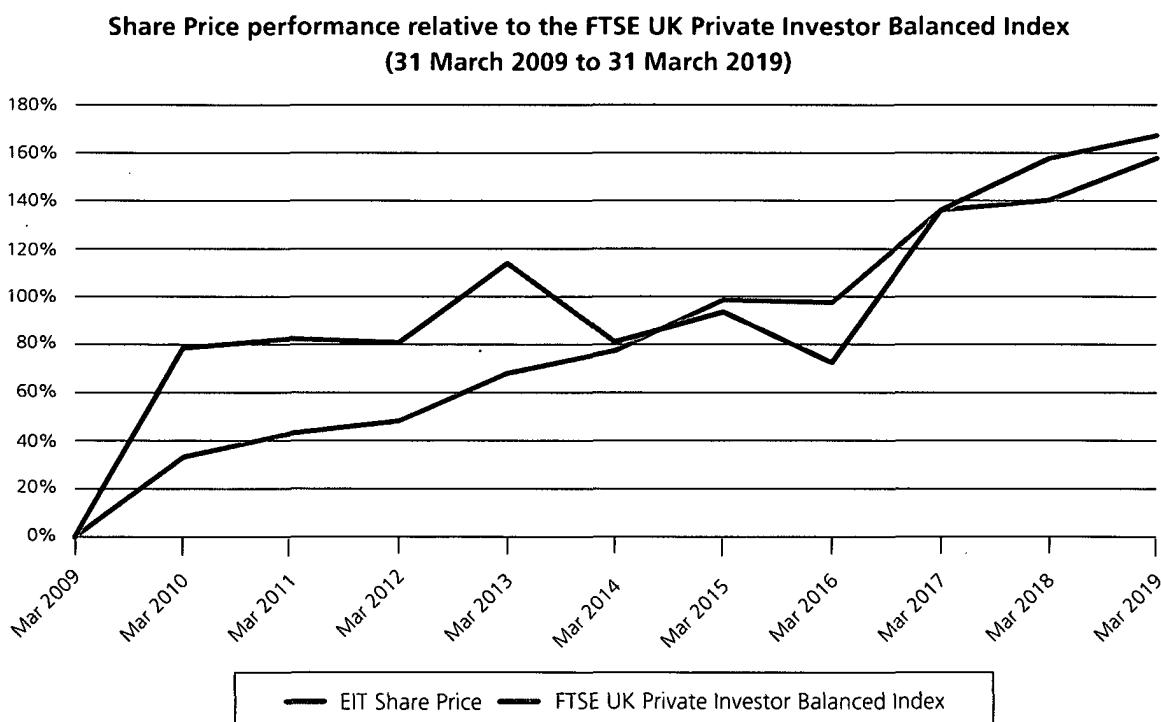
Remuneration Committee

All Directors are non-executive and the Board as a whole fulfils the function of a Remuneration Committee.

During the year ended 31 March 2019, the fees payable to the Directors were: £22,000 to the Chairman, £19,250 to the Chairman of the Audit and Risk Committee and £16,500 to the other Directors. Following the year end, a review of Directors' remuneration has been performed. Directors' fees were last increased from 1 April 2017. The Remuneration Committee and the Board have concluded that despite the increased regulatory and compliance burden, there will be no increase in fees. However, the Remuneration Committee and the Board have agreed that supplementary fees of £5,000 each will be payable to the members of the Management Engagement Committee, with a further £5,000 supplement to the Chairman for the considerable additional work performed in connection with the Proposals being put forward to Shareholders in July 2019.

Performance Graph

The following chart compares the Company's share price total return to the FTSE UK Private Investor Balanced Index.



Directors' Remuneration Implementation Report continued

Directors' emoluments and benefits for the year ended 31 March 2019 (audited)

	Fees 2019 £	Taxable benefits 2019 £	Fees 2018 £	Taxable benefits 2018 £
Harry Wells (Chairman)	22,000	–	22,000	–
Gregory Shenkman (Chairman of the Audit and Risk Committee)	19,250	–	19,250	–
Susan Thornton	16,500	–	16,500	–
Tom Waring ^(a)	–	–	–	–
James Ryall	16,500	–	16,500	–
Total	74,250	–	74,250	–

(a) Tom Waring is a director of Blackfriars Asset Management Limited ("Blackfriars"), the Investment Manager to the Company. Due to his connection with Blackfriars, he has waived his entitlement to Directors' fees during the above periods.

The fee rates for the year ended 31 March 2019 were set out in the Annual Report for the year ended 31 March 2018. A non-binding ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report for the year ended 31 March 2018 was put forward at the Annual General Meeting held on 12 July 2018. The resolution was passed with proxies representing 100% of the shares voted being in favour of the resolution.

An ordinary resolution to approve the Directors' Remuneration Policy was last put forward at the Annual General Meeting held on 6 July 2017. The resolution was passed with proxies representing 100% of the shares voted being in favour of the resolution.

Other than the Directors' fees, there were no other taxable benefits payable to the Directors.

Relative importance of spend on pay

The following table sets out the total level of Directors' remuneration compared to the distributions to Shareholders by way of dividends, and the management fees and other expenses incurred by the Company. No buy backs of the Company's own shares were performed during the year (2018: £nil).

	2019 £'000	2018 £'000
Spend on Directors' fees	74	74
Management fees and other expenses	653	709
Dividends paid to Shareholders	2,060	2,100

The information in the table above is required by the regulations in the Large and Medium sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 with the exception of management fees and other expenses which have been included to show the total operating expenses of the Company.

Directors' interests (audited)

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 2019	31 March 2018
Gregory Shenkman	3,415	3,415
Susan Thornton ^(a)	3,550,269	3,550,269
Tom Waring	3,891	3,891
Harry Wells ^(b)	30,000	30,000
Jim Ryall	—	—

(a) Susan Thornton has a direct interest in 1,805,541 Ordinary Shares and, in addition, has an interest in 1,744,728 Ordinary Shares, held as a Trustee of The Thornton Foundation. Susan Thornton is a trustee of RC Thornton Will Trust, which holds an interest in 1,805,542 Ordinary Shares in the Company.

(b) Held in SIPP.

No changes in the above interests have been notified to the Company between 31 March 2019 and the date of this Report.

There is no requirement for the Directors to own the Ordinary Shares of the Company.

Disclosure of interests

Tom Waring is a director of the Investment Manager, Blackfriars Asset Management Limited, which receives fees under the terms of the Investment Management Agreement as set out in note 6 to the Financial Statements.

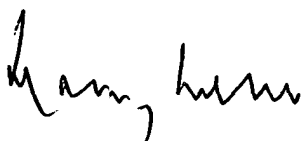
All of the Directors are non-executive and no Director has at any time during the accounting year had a contract of service with the Company. Save as disclosed above and in note 6 to the Financial Statements, no Director was a party to, or had an interest in any contract or arrangement with the Company.

Annual statement

In accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Board confirms that the Directors' Remuneration Implementation Report and Policy Report summarises, as applicable, for the year to 31 March 2019:

- (a) the major decisions on Directors' remuneration;
- (b) any substantial changes relating to Directors' remuneration made during the year; and
- (c) the context in which the changes occurred and decisions have been taken.

By order of the Board



Harry Wells
Chairman

3 June 2019

Independent auditor's report to the members of The Establishment Investment Trust plc

Opinion

We have audited the financial statements of The Establishment Investment Trust plc (the 'Company') for the year ended 31 March 2019 which comprise the Income Statement, Statement of Financial position, Statement of Changes in Equity, Statement of Cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its Profit or loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 2 to 15 that describe the principal risks and explains how they are being managed or mitigated;
- the directors' confirmation set out on page 26 in the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 47 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 14 in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Material uncertainty relating to going concern

We draw attention to note 1(k) to the financial statements, which indicates that the the Directors of the Company and the Investment Manager announced that they would not recommend that shareholders vote in favour of continuation of the Company in its current form when the continuation vote is put forward at the next Annual General Meeting and proposals have now been received for alternative plans for the Company's future. As stated on page 19 and note 1(k), a material uncertainty exists that may cast a significant doubt on the likelihood that the Company will continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key audit matter	How we addressed the key audit matter in the audit
<p>Valuation and ownership of investments: (Page 45 and Note 1(b) on page 52)</p> <p>Investments represent the most significant balance in the financial statements; there is a potential risk that the Company has not appropriate confirmation of title over investments.</p> <p>The Manager is responsible for preparing the valuation of investments, which are reviewed and approved by the Board. Notwithstanding this review, there is a potential risk of misstatement in the investment valuations due to errors in the calculations.</p>	<p>We responded to this matter by testing the valuation and ownership of 100% of the portfolio of investments. We performed the following procedures:</p> <p>In respect of the investment valuations, we have:</p> <ul style="list-style-type: none"> • Confirmed the year-end bid price was used by agreeing to externally quoted prices. • Assessed if there were contra-indicators, such as liquidity constraints, to suggest bid price is not the most appropriate indication of fair value by analysing the trading volume of individual stocks. • Obtained direct confirmation from the custodian regarding all investments held at the balance sheet date.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements. The application of these key considerations gives rise to three levels of materiality, the quantum and purpose of which are tabulated opposite.

Materiality measure	Purpose	Key considerations and benchmarks	2019 Quantum (£)
<i>Financial statement materiality: (1% of net assets)</i>	Assessing whether the financial statements as a whole present a true and fair view.	<ul style="list-style-type: none"> The value of gross investments. The level of judgement inherent in the valuation. The range of reasonable alternative valuations 	£450,000 (2018: £490,000)
<i>Performance materiality (75% of the financial statement materiality)</i>	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	<ul style="list-style-type: none"> Financial statement materiality. Risk and control environment. 	£340,000 (2018: £350,000)
<i>Specific materiality – classes of transactions and balances which impact on net revenue returns. (10% of the net revenue returns to the ordinary shareholders)</i>	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	<ul style="list-style-type: none"> Net revenue returns to the ordinary shareholders. 	£122,000 (2018: £130,000)

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £6,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Company's activities, and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014 and updated in February 2018 with consequential amendments and FRS 102. We also considered the Company's qualification as an Investment Trust under UK tax legislation.

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

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of the Investment Manager and the administrator;
- review of minutes of board meetings throughout the period; and
- considering the effectiveness of the control environment in monitoring compliance with laws and regulations

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 19** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit and Risk committee reporting set out on page 27** – the section describing the work of the audit and risk committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 22** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 62, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit and risk committee, we were first appointed by the Company on 6 July 2017 to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit and risk committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

BDO LLP

Peter Smith (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
3 June 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

For the year ended 31 March

	Notes	2019			2018		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments held at fair value through profit or loss	11	–	(2,661)	(2,661)	–	(1,854)	(1,854)
Gains/(losses) on foreign exchange movements		–	43	43	–	(267)	(267)
Income	3	1,562	–	1,562	1,731	–	1,731
Investment management fees	4	(69)	(273)	(342)	(72)	(290)	(362)
Other expenses	5	(279)	(32)	(311)	(321)	(26)	(347)
Return/(loss) before tax		1,214	(2,923)	(1,709)	1,338	(2,437)	(1,099)
Taxation for the year	8	(97)	–	(97)	(118)	–	(118)
Return/(loss) for the financial year		1,117	(2,923)	(1,806)	1,220	(2,437)	(1,217)
Return/(loss) per Ordinary Share	10	5.59p	(14.62)p	(9.03)p	6.10p	(12.19)p	(6.09)p

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

The total columns in this statement represent the Income Statement 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.

As all the gains and losses of the Company have been reflected in the above statement, the return for the financial year is also the total comprehensive income for the year.

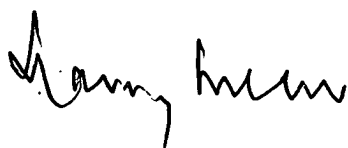
The notes on pages 45 to 58 form part of these Financial Statements.

Statement of Financial Position

At 31 March

	Notes	2019 £'000	2018 £'000
Fixed assets			
Investments at fair value through profit or loss	11	42,223	47,130
Current assets			
Debtors	12	209	136
Cash at bank		3,129	2,118
		3,338	2,254
Payables: amounts falling due within one year	13	(112)	(69)
Net current assets		3,226	2,185
Net assets		45,449	49,315
Capital and reserves			
Called up share capital	14	5,000	5,000
Share premium		14,701	14,701
Capital reserve	15	24,947	28,730
Revenue reserve		801	884
Equity Shareholders' funds		45,449	49,315
Net asset value per Ordinary Share	16	227.25p	246.58p

The Financial Statements on pages 41 to 58 were approved by the Board on 3 June 2019 and were signed on its behalf by:



Harry Wells
Chairman
3 June 2019

Registered in England No. 4355437

The notes on pages 45 to 58 form part of these Financial Statements.

Statement of Changes in Equity

For the year ended 31 March 2019

	Note	Share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 March 2018		5,000	14,701	28,730	884	49,315
Return/(loss) for the financial year		–	–	(2,923)	1,117	(1,806)
Dividends paid in the year	9	–	–	(860)	(1,200)	(2,060)
At 31 March 2019		5,000	14,701	24,947	801	45,449

For the year ended 31 March 2018

	Note	Share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 March 2017		5,000	14,701	32,027	904	52,632
Return/(loss) for the financial year		–	–	(2,437)	1,220	(1,217)
Dividends paid in the year	9	–	–	(860)	(1,240)	(2,100)
At 31 March 2018		5,000	14,701	28,730	884	49,315

The notes on pages 45 to 58 form part of these Financial Statements.

Statement of Cash Flows

For the year ended 31 March

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Return for the financial year*		(1,806)	(1,217)
Adjustments for:			
Taxation		97	118
Losses on investments held at fair value through profit or loss		2,693	1,880
(Gains)/losses on exchange movements		(43)	267
(Increase)/decrease in trade debtors		(41)	43
Increase/(decrease) in trade creditors		43	(29)
Cash inflow from operations		943	1,062
Taxation		(97)	(118)
Net cash generated from operating activities		846	944
Cash flows from investing activities			
Purchase of investments		(13,455)	(21,449)
Sale of investments		15,669	21,833
Research costs**		(32)	(26)
Net cash generated from investing activities		2,182	358
Cash flows from financing activities			
Equity dividends paid	9	(2,060)	(2,100)
Net cash used for financing activities		(2,060)	(2,100)
Net increase/(decrease) in cash and cash equivalents		968	(798)
Foreign exchange movements		43	(267)
Cash and cash equivalents at beginning of year		2,118	3,183
Cash and cash equivalents at end of year		3,129	2,118

* Cash inflow from dividends was £1,522,000 (2018: £1,756,000).

** See note 5 and 7.

The notes on pages 45 to 58 form part of these Financial Statements.

Notes to the Financial Statements

1. Accounting policies

The Company is incorporated in England and is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company's registered office is Mermaid House, 2 Puddle Dock, London, EC4V 3DB.

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 Financial Statements have been prepared in accordance with applicable United Kingdom accounting practices, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102') and with the AIC Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014, and updated in February 2018.

All of the Company's operations are of a continuing nature.

The policies applied in these financial statements are consistent with those applied in the preceding year.

(b) Valuation of 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 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.

Any investments which are suspended from trading are measured by the Directors at estimated fair value, taking into account the relevant circumstances.

Unquoted investments are valued by the Directors at fair value. The Company held no unquoted investments at the year end.

The Company held all its investments as part of the investment portfolio and measured at fair value.

(c) Reporting currency

The accounts are presented in Sterling which is the functional currency of the Company. Sterling is the reference currency for this UK registered and listed company.

(d) Income

Dividends are credited to the revenue account on an ex-dividend basis or, if later, as soon as entitlement has been established. The Company owns no fixed interest investments.

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

Notes to the Financial Statements continued

1. Accounting policies continued

(e) Dividends

Dividends paid by the Company are accounted for in the Financial Statements in respect of the year in which they are paid, in the case of interim dividends, or when they are approved by Shareholders in the final dividends.

(f) 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;
- expenses which are incidental to the sale of an investment are deducted from the proceeds of the sale of that investment;
- research costs and any other expenses incurred in connection with the acquisition or disposal of an investment are allocated to capital reserve – through the Income Statement;
- finance costs are accounted for on an accruals basis using the effective interest method; and
- 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.

(g) Taxation

Irrecoverable withholding tax on overseas dividends is recognised on an accrual basis in the Income Statement. Deferred taxation is provided on all differences, which have originated but not reversed by the Statement of Financial Position date, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, based on 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.

Tax payable is based on the taxable profit for the year. Taxable profit may differ from net profit as reported in the Income statement because it excludes items of income or expenditure that are taxable or deductible in other periods and it further excludes items that are not taxable or deductible.

(h) 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 or revenue column of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature.

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 included as an exchange gain or loss in the capital column of the Income Statement and taken to the capital reserve.

(i) Reserves

The following are taken to capital reserve:

Investment holding gains:

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

Other:

- 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.

The following are taken to revenue reserve:

- the net revenue for the year is transferred to the revenue reserve and the final dividends are funded from this reserve.

(j) Distributable reserves

Distributable reserves comprise revenue reserves and the realised capital reserve.

(k) Going concern

The financial statements have been prepared on a going concern basis. As discussed further on page 20 of the Directors' Report, on 20 November 2018, the Directors of the Company and the Investment Manager announced that they would not recommend that Shareholders vote in favour of continuation of the Company in its current form when the continuation vote is put forward at the next Annual General Meeting.

Given that the Company has significant financial resources and that the continuation vote and the Proposals are yet to be voted on by Shareholders, the Directors consider it appropriate for the Company to prepare the accounts on a going concern basis. The material uncertainty over continuation casts doubt on the likelihood that the Company will continue as a going concern. The financial statements do not include any adjustments that would result, if the Company's accounts were not prepared on a going concern basis.

(l) Estimates and assumptions

The preparation of the Financial Statements requires the directors to make estimates and assumptions that affect items reported in the Statement of Financial Position and Income Statement. Although these estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions, the Company's actual results may ultimately differ from those estimates, possibly significantly.

(m) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business being the investment business. A geographical split of the portfolio can be seen on page 9.

Notes to the Financial Statements continued

2. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current and future periods, depending on circumstance.

The Directors do not believe that any significant accounting judgements or estimates have been applied to this set of financial statements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities.

3. Income

	2019 £'000	2018 £'000
Income from investments:		
Overseas dividends	1,164	1,359
UK dividends	380	360
Other income	18	12
Total	1,562	1,731

4. Investment management fees

	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fees	81	321	402	86	345	431
Less management fee rebates	(12)	(48)	(60)	(14)	(55)	(69)
Total	69	273	342	72	290	362

To avoid 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 Blackfriars Asset Management Limited managed products ("Blackfriars products") in respect of the Company's investments in those funds. The Investment Manager has agreed that any performance fees that it earns from Blackfriars' products in respect of the Company's investment in those funds will be rebated to the Company.

As at 31 March 2019 the Company had investments in the following Blackfriars products:

362,500 shares in Blackfriars Oriental Focus Fund 'B' at a total cost of £4,337,087 and a valuation at 31 March 2019 of £6,187,664.

Details of the investment management agreement are disclosed in note 7.

5. Other expenses

	2019 £'000	2018 £'000
Revenue expenses:		
Administration and secretarial services	72	73
Directors' fees (see note 6)	74	74
Directors' national insurance	3	3
Auditor's remuneration – statutory	17	17
UK taxation compliance services	8	8
Overseas tax compliance services	7	17
Custodian fees	37	30
Registrar fees	16	21
Broker fees	31	31
Other expenses	14	47
Total revenue expenses	279	321
Capital expenses:		
Research costs	32	26
Total capital expenses	32	26
Total other expenses	311	347

No other non-audit services were performed during the year.

6. Directors' emoluments

	2019 £'000	2018 £'000
Directors' fees	74	74

The Chairman and Directors received emoluments of £22,000 and £16,500 (2018: £22,000 and £16,500) per annum respectively, and the Chairman of the Audit Committee receives a further £2,750 (2018: £2,750) per annum. Tom Waring waived his entitlement to Directors' fees equivalent to £16,500 (2018: £16,500).

7. Disclosure of interests*Investment management*

In accordance with an investment management agreement between the Company and Blackfriars Asset Management Limited ("Blackfriars") dated 8 July 2014 Blackfriars has provided investment management services to the Company with effect from 15 July 2014 for which Blackfriars 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 Adjusted Market Capitalisation per Share on the last business day of any calendar month is the average of the mid-market prices of a Share on each business day in such calendar month. The Adjusted Market Capitalisation of the Company on the last business day of any calendar month is the Adjusted Market Capitalisation per Share on that day multiplied by the number of Shares in issue on that day.

The Company has entered into a Research Purchasing Agreement with the Investment Manager to meet the cost of sell side research. Research costs incurred by the Company in the year are disclosed in note 5.

Notes to the Financial Statements continued

7. Disclosure of interests continued

No performance fee is in place in the investment management agreement with Blackfriars.

Blackfriars' appointment as Investment Manager is subject to termination by the Company on six months' notice, such notice has been served and will expire on 18 July 2019.

The amount charged for investment management fees during the year is shown in note 4 and £55,662 (2018: £30,791) of the fee for the current year was outstanding as a creditor as at the Statement of Financial Position date.

Company Secretary and Administrator

With effect from 1 June 2017, the Company Secretary and Administrator received a fee payable monthly at a rate of one twelfth of £37,500 plus one twelfth of 0.085% of the Company's Market Capitalisation at the end of each month subject to a minimum monthly fee of £6,000 plus applicable VAT.

8. Taxation

	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas tax suffered	97	–	97	118	–	118

The current taxation charge for the year is different from the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below.

	2019 £'000	2018 £'000
Net return before tax	(1,709)	(1,099)
Theoretical tax at UK corporation tax rate of 19% (2018: 19%)	(325)	(209)
Effects of:		
– Capital gains not subject to corporation tax	503	408
– UK dividends which are not taxable	(72)	(68)
– Overseas dividends which are not taxable	(221)	(258)
– Irrecoverable overseas tax	97	118
– Movement in excess expenses	115	127
Actual tax charge	97	118

The Company is an Investment Trust and, whilst it obtains exemption under section 1159 of the Corporation Tax Act 2010, is not subject to UK taxation on capital gains.

In the opinion of the Directors the Company has complied with the requirements of section 1159 of the Corporation Tax Act 2010.

Factors that may affect future tax charges

The Company has not recognised a deferred tax asset of £1,058,000 (2018: £836,000) based on a tax rate of 17% (2018: 17%) and unutilised expenses. These expenses could only be utilised to offset against taxable profits, if the Company were to generate taxable profits in the future.

9. Dividends*(i) Dividends paid during the financial year*

	2019 £'000	2018 £'000
Final dividend for the year ended 31 March 2018 of 3.0p per Ordinary Share (2017: 3.2p)	600	640
Interim dividend for the year ended 31 March 2019 of 3.0p per Ordinary Share (2018: 3.0p)	600	600
Special dividend for the year ended 31 March 2018 of 4.3p per Ordinary Share (2017: 4.3p)	860	860
	2,060	2,100

(ii) Dividends declared in respect of the financial year

The total dividends payable in respect of the financial year, which form the basis for complying with section 1159 of the Corporation Tax Act 2010 are set out below:

	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interim dividend paid for the year ended 31 March 2019 of 3.0p per Ordinary Share (2018: 3.0p)	600	–	600	600	–	600
Special dividend for the year ended 31 March 2019 of nil per Ordinary Share (2018: 4.3p)	–	–	–	–	860	860
Second interim dividend payable for the year ended 31 March 2019 of 1.75p per Ordinary Share (2018: nil)	350	–	350	–	–	–
Proposed final dividend for the year ended 31 March 2019 of nil per Ordinary Share (2018: 3.0p)	–	–	–	600	–	600
	950	–	950	1,200	860	2,060

Notes to the Financial Statements continued

10. Return per Ordinary Share

	2019			2018		
	Revenue	Capital	Total	Revenue	Capital	Total
Return after tax	£1,117,000	(£2,923,000)	(£1,806,000)	£1,220,000	(£2,437,000)	(£1,217,000)
Weighted average number of Ordinary Shares in issue	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Return per Ordinary Share	5.59p	(14.62)p	(9.03)p	6.10p	(12.19)p	(6.09)p

11. Investments held at fair value through profit or loss

	2019 £'000	2018 £'000
Investments listed on a recognised investment exchange	42,223	47,130
Opening book cost	38,287	35,937
Opening unrealised gains on investments	8,843	14,140
Opening valuation	47,130	50,077
Movements in year:		
Purchases at cost	13,455	20,106
Sales of investments – cost	(15,781)	(17,756)
Movement in unrealised gains on investments	(2,581)	(5,297)
Closing valuation	42,223	47,130
Closing book cost	35,961	38,287
Closing unrealised gains on investments	6,262	8,843
Total investments held at fair value through profit or loss	42,223	47,130

Investment transaction costs on purchases and sales of investments during the year to 31 March 2019 amounted to £17,000 and £38,000 respectively (2018: £65,000 and £76,000 respectively).

Losses on investments in year per Income Statement

	2019 £'000	2018 £'000
(Losses)/gains on disposal of investments	(80)	3,314
Capital distributions received	–	129
Movement in unrealised gains of investments held	(2,581)	(5,297)
Balance at 31 March	(2,661)	(1,854)

Significant holdings

Included in the above are the following investments in investment funds 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 2019.

Investment	Country of registration and listing	Class of capital	% of class held	% of fund held
Blackfriars Oriental Focus Fund	Republic of Ireland	'B' US Dollar	55.37%	34.98%

The Company has arrangements in place with the Investment Manager to avoid double charging of fees and expenses on investments made in other products managed by the Investment Manager (see note 4).

12. Debtors

	2019 £'000	2018 £'000
VAT recoverable	18	–
Prepayments and accrued income	159	136
Sales for future settlement	32	–
Total	209	136

13. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Accrued expenses	112	69
Total	112	69

14. Share capital

	Number of shares 000's	2019 £'000	Number of shares 000's	2018 £'000
Authorised: Ordinary Shares of 25p each	30,000	7,500	30,000	7,500
Issued and fully paid: Ordinary Shares of 25p each	20,000	5,000	20,000	5,000

Notes to the Financial Statements continued

15. Capital reserve

Capital expenditure and other gains/(losses)

	2019 £'000	2018 £'000
Opening balance	19,887	17,887
(Losses)/gains on disposal of investments	(80)	3,314
Capital distributions received	–	129
Net foreign exchange gains/(losses)	43	(267)
Research costs	(32)	(26)
Investment management fees charged to capital	(273)	(290)
Dividends paid in year	(860)	(860)
Balance at 31 March	18,685	19,887

Investments held

	2019 £'000	2018 £'000
Opening balance	8,843	14,140
Movement in unrealised gains on investments	(2,581)	(5,297)
Balance at 31 March	6,262	8,843
Capital reserve	24,947	28,730

16. Net asset value per share

	2019	2018
Net assets attributable	£45,449,000	£49,315,000
Ordinary Shares in issue	20,000,000	20,000,000
Net asset value per ordinary share	227.25p	246.58p

17. 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 is of primary importance to the investment objective. In pursuit of this objective, the Company may be exposed to various forms of risk, as described below.

The Board has policies on diversification of investment, gearing (bank borrowing), dividends and risk management, which it reviews in accordance with prevailing market conditions. Current policies are set out in the Strategic Report. 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 Strategic Report).

The Board and its Investment Manager consider and review the risks inherent in managing the Company's assets which are detailed below:

Currency risk

The majority of the Company's assets are denominated in a currency other than sterling. Changes in the exchange rate between sterling and other currencies may lead to a depreciation of the value of the Company's assets as expressed in sterling and may reduce the returns to the Company from its investments and, therefore, negatively impact the sterling level of dividends paid to Shareholders.

Currency exposure at 31 March 2019

	US Dollar £'000	HK Dollar £'000	GB Pounds Sterling £'000	Indian Rupee £'000	Korean Won £'000	Taiwan Dollar £'000	Philippine Peso £'000	Thai Baht £'000	Other £'000	Total £'000
Debtors	-	-	69	-	108	-	-	-	32	209
Cash at bank	2,962	-	142	-	-	1	-	-	24	3,129
Creditors	-	-	(112)	-	-	-	-	-	-	(112)
Foreign currency exposure on net monetary items	2,962	-	99	-	108	1	-	-	56	3,226
Equities held at fair value through profit or loss	6,865	10,625	6,467	4,372	4,179	3,141	1,927	2,508	2,139	42,223
Total net foreign currency exposure	9,827	10,625	6,566	4,372	4,287	3,142	1,927	2,508	2,195	45,449

Currency exposure at 31 March 2018

	US Dollar £'000	HK Dollar £'000	GB Pounds Sterling £'000	Indian Rupee £'000	Korean Won £'000	Taiwan Dollar £'000	Philippine Peso £'000	Thai Baht £'000	Other £'000	Total £'000
Debtors	-	-	50	3	79	-	4	-	-	136
Cash at bank	1,536	-	63	-	4	506	-	-	9	2,118
Creditors	-	-	(69)	-	-	-	-	-	-	(69)
Foreign currency exposure on net monetary items	1,536	-	44	3	83	506	4	-	9	2,185
Equities held at fair value through profit or loss	7,817	10,719	7,568	4,919	4,878	3,790	1,917	2,740	2,782	47,130
Total net foreign currency exposure	9,353	10,719	7,612	4,922	4,961	4,296	1,921	2,740	2,791	49,315

Over the year, sterling weakened against the US dollar by 7.42% (2018: strengthened 11.90%), weakened against the Hong Kong dollar by 7.40% (2018: strengthened 13.02%), weakened against the Indian Rupee by 1.72% (2018: strengthened 12.84%), weakened against the Korean Won by 0.78% (2018: strengthened 6.25%) and weakened against the Thai baht by 5.69% (2018: strengthened 1.65%).

Notes to the Financial Statements continued

17. Financial instruments and capital disclosures continued

A 5% rise or decline of sterling against foreign currency denominated (i.e. non-sterling) assets held at the year end would have decreased/increased the net asset value by £1,944,000 or 4.28% of net asset value (2018: £2,085,000 or 4.23% of net asset value). It is not practical to estimate the impact on the income statement 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 exposed to a very low level of interest rate risk through its cash deposits with The Northern Trust Company. The Company had no borrowings at the year end (2018: nil) and therefore sensitivity analysis to changes in LIBOR are not applicable.

Equity price risk

If the fair value of the Company's investments at the year end increased/decreased by 10% then it would have the effect of £4,222,000 or 21.11 pence per Ordinary Share (2018: £4,713,000 or 23.57 pence per Ordinary Share) on the capital return.

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 may be achieved by the use of bank overdrafts.

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.

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 short-term deposit rating of P-1 with Moody's and A-1+ with S&P. No cash was held in money market funds during the years ended 31 March 2019 and 31 March 2018.

Substantially all of the assets of the Company at the year end were held by the Custodian or its sub-custodians. Bankruptcy or insolvency of the Custodian or its sub-custodians may cause the Company's rights with respect to securities held by the Custodian to be delayed or limited. The Custodian segregates the Company's assets from its own assets and only uses sub-custodians on its approved list of sub-custodians. At the year end, the Custodian held £42,223,000 (2018: £47,130,000) in respect of quoted investments.

The total credit exposure (representing current assets) of the Company at the year end as shown on the Statement of Financial Position was £3,338,000 (2018: £2,254,000).

Valuation of financial instruments

FRS 102 (see note 1) requires that the classification of financial instruments be valued by reference to the source of inputs used to derive the fair value. The Company has adopted the fair value hierarchy disclosures as set out in the March 2016 amendment to FRS 102 classifications and their descriptions are below:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The classification of the Company's investments held at fair value is detailed in the table below:

	31 March 2019				31 March 2018			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	42,223	–	–	42,223	46,547	–	583	47,130

The investment in Silver Heritage is classified as Level 3 at the year end and is valued at nil (2018: holding in Finetex EnE).

The valuation techniques used by the Company are explained in the accounting policies note 1(b) on page 45.

Reconciliation of the Level 3 classification is shown below:

	31 March 2019 £'000
Balance as at the beginning of the year	583
Sales proceeds	(37)
Realised loss on investments	(546)
Balance as at 31 March	–

Capital management policies and procedures

The capital managed by the Company represents only the Equity Shareholders' funds of £45,449,000 (2018: £49,315,000).

The Company currently has no borrowings.

The Company's objectives, policies and procedures for managing capital are set out in the share capital section of the Directors' Report on pages 17 and 18.

The use of distributable reserves is disclosed in note 20.

18. Guarantees, financial commitments and contingent liabilities

There were no financial commitments outstanding at the year end (2018: none).

There were no contingent liabilities outstanding at the year end (2018: none).

Notes to the Financial Statements continued

19. Related party disclosure

Blackfriars Asset Management Limited ("Blackfriars") acts as Investment Manager to the Company and provides investment management services. The fees paid to Blackfriars are disclosed in note 4 and further details of the relationship between the Company and Blackfriars are set out in note 7.

Full details of Directors' interests are set out in the Directors' Remuneration Implementation Report on page 32. Tom Waring is a director of Blackfriars.

20. Distributable reserves

The Company's distributable reserves consist of realised capital reserve attributable to realised profits and revenue reserve. Dividends may be paid from either of these reserves.

21. Post balance sheet event

There are no post balance sheet events to be disclosed.

Alternative Performance Measures ('APMs')

Discount

The amount, expressed as a percentage, by which the share price is less than the NAV per share.

		Page	As at 31 March 2019
NAV per Ordinary Share	a	2	227.25
Share price (mid market)	b	2	205.00
Discount	(b÷a)-1		-9.79%

Ongoing charges

A measure, expressed as a percentage of average NAV, of the regular, recurring annual costs of running an investment company.

		Page	As at 31 March 2019
Average NAV	a	n/a	45,972
Annualised expenses	b	n/a	653
Ongoing charges	b÷a		1.42%

Total return

A measure of performance that includes both income and capital returns. This takes into account capital gains and reinvestment of dividends paid out by the Company into its Ordinary Shares on the ex-dividend date.

For the year ended 31 March 2019		Page	NAV	Share price (mid market)
Opening at 1 April 2018	a	n/a	246.58	208.00
Closing at 31 March 2019	b	n/a	227.25	205.00
Dividend adjustment factor	c	n/a	1.0532	1.0522
Adjusted closing (d = b x c)	d	n/a	239.34	215.70
Total return	(d÷a)-1		-2.94%	3.70%

n/a = not applicable

Glossary

AIC	Association of Investment Companies.
Alternative Investment Fund or "AIF"	An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.
Alternative Investment Fund Managers Directive or "AIFMD"	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.
Annual General Meeting or "AGM"	A meeting held once a year which shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the company in which they are invested.
Custodian	An entity that is appointed to safeguard a company's assets.
Discount	The amount, expressed as a percentage, by which the share price is less than the net asset value per share.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders.
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
Gearing	A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.
Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Investment company	A company formed to invest in a diversified portfolio of assets.
Investment Trust	An investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. The Company is an investment trust.
Liquidity	The extent to which investments can be traded readily.
Net assets	An investment company's assets less its liabilities.
Net asset value (NAV) per Ordinary Share	Net assets divided by the number of Ordinary shares in issue (excluding any shares held in treasury).
Ongoing charges	A measure of the regular, recurring annual costs of running an investment company, expressed as a percentage of average net assets.

Ordinary Shares	The Company's ordinary shares in issue.
Portfolio	A collection of different investments held in order to deliver returns to shareholders and to spread risk.
Premium	The amount, expressed as a percentage, by which the share price is more than the net asset value per share.
Share buyback	A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.
Share price	The price of a share as determined by a relevant stock market.
Share price total return	Share price total return shows performance which is affected by movements in discounts and premiums. It also takes into account the Company's payout dividends.
Total return	A measure of performance that takes into account both income and capital returns. This may take into account capital gains, dividends, interest and other realised variables over a given period of time.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of The Establishment Investment Trust plc will be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London, EC2M 7SH on 10 July 2019 at 12 noon for the following purposes:

Ordinary Business

1. To receive and adopt the Report of the Directors and the audited Financial Statements for the year ended 31 March 2019.
2. To approve the Directors' Remuneration Implementation Report included in the Annual Report for the year ended 31 March 2019.
3. To re-elect Tom Waring as a Director of the Company.
4. To re-elect Harry Wells as a Director of the Company.
5. To approve the continuation of the Company as an investment trust.
6. To re-appoint BDO LLP as Independent Auditor to the Company.
7. To authorise the Directors to fix the remuneration of the Auditor until the conclusion of the next Annual General Meeting of the Company.

By order of the Board

Anthony Lee

For and on behalf of

PraxisIFM Fund Services (UK) Limited

Company Secretary

3 June 2019

Notes to the Notice of Annual General Meeting

- 1) This Annual Report and Financial Statements is sent to holders of Ordinary shares, all of whom are entitled to attend, speak and vote at the above-mentioned Annual General Meeting ("AGM").
- 2) Members entitled to attend and vote at the AGM are also entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak, and vote on their behalf. Where multiple proxies are appointed, they must be appointed to exercise the rights in relation to different Ordinary shares. Proxies need not be members of the Company.
- 3) A form of proxy is sent to members with the Annual Report and Financial Statements. To be valid the form of proxy and any power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of that power of attorney or authority) must be sent to the Company's registrar – Link Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4TU – so as to arrive no later than 12 noon on 8 July 2019. Where multiple proxies are being appointed the form of proxy should be copied and a separate one completed for each proxy identifying, that the form of proxy is a multiple form and the different Ordinary shares that each proxy represents. Completion and return of form(s) of proxy will not preclude a member from attending, speaking and voting in person at the AGM.
- 4) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- 5) In order for any proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent, Link Asset Services (ID: RA10), by 12 noon on 8 July 2019. In this respect the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) at which the issuer's agent is able to retrieve the message in the manner prescribed by CREST.
- 6) CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by the particular time the CREST member requires.
- 7) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.
- 8) A person who is not a member of the Company and receives this notice of meeting as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 ("Act") does not have a right to appoint proxies. However, if a nominated person has an agreement with the member who nominated them, the nominated person may have a right to be appointed as a proxy or a right to instruct the member as to the exercise of voting rights at the AGM.
- 9) Shareholders entered on the Register of Members of the Company at the close of business on 8 July 2019, or close of business on the day two days prior to the time of an adjourned meeting, shall be entitled to attend and vote at the AGM. Any changes to the Register of Members after such dates shall be disregarded in determining the rights of any Shareholders to attend and vote at the AGM.
- 10) Under section 319(A) of the Act, the Company must cause to be answered any question relating to the business being dealt with at the AGM put by a member attending the AGM unless answering the question would interfere unduly with the preparation for the meeting, would involve the disclosure of confidential information, an answer has already been given on a website, or is undesirable in the interests of the Company or the good order of the AGM.
- 11) Members may not use any electronic address provided in this notice or any related document(s) to communicate with the Company for any purpose other than as specifically stated.
- 12) As at 3 June 2019, the latest practicable date prior to the publication of this notice, the Company's issued share capital comprised 20,000,000 Ordinary shares of 25p each, of which none are held in treasury. Each Ordinary share carries a right to one vote at general meetings of the Company and accordingly the total number of voting rights in the Company as at 3 June 2019 is 20,000,000.
- 13) Information regarding the AGM, including the information required by section 311A of the Act, can be found on the Company's web pages by following the appropriate links at www.blackfriarsam.com
- 14) No Director has a service agreement with the Company.
- 15) Member(s) have a right in accordance with section 388 of the Act to require the Company to give to members of the Company entitled to receive the above notice of meeting, notice of any resolution which they may properly move at the meeting. Under section 338A of the Act member(s) may request the Company to include in the business to be dealt with at the meeting any matter, other than a proposed resolution, which may be properly included in that business.
- 16) Members may require the Company, under section 527 of the Act, to publish on a website a statement setting out any matter relating to the audit of the Company's Accounts being laid before the meeting, including the Auditor's report and the conduct of the audit at the Company's expense. Where the Company is required to place such a statement on a website it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on that website, and include the statement in the business to be dealt with at the meeting.

Company Information

Directors

Harry Wells (Chairman)
Gregory Shenkman
Jim Ryall
Susan Thornton
Tom Waring

Investment Manager

Blackfriars Asset Management Limited
Landmark, 4th Floor
London EC4N 6HL
Tel: 020 7332 2270
www.blackfriarsam.com

Corporate Secretary and Registered Office

PraxisIFM Fund Services (UK) Limited
Mermaid House
2 Puddle Dock
London EC4V 3DB
Tel: 020 7653 9690
www.praxisifm.com

Solicitors

Stephenson Harwood
1 Finsbury Circus
London EC2M 7SH

Registered Auditor

BDO LLP
55 Baker Street
London W1U 7EU

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Custodian

The Northern Trust Company
50 Bank Street
Canary Wharf
London E14 5NT

Broker

Shore Capital
Bond Street House
14 Clifford Street
London EC2V 7AN

The Company's web pages can be accessed by logging on to: www.blackfriarsam.com

Individual Savings Account ('ISA')

The Company's shares are eligible to be held in an ISA account subject to HM Revenue & Customs' limits
Registered in England No. 4355437



Form of Proxy

The Establishment Investment Trust plc

I/We _____
of _____

(BLOCK CAPITALS PLEASE)

being (a) member(s) of The Establishment Investment Trust plc appoint the chairman of the meeting or (see note 1) _____
of _____

as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London, EC2M 7SH on 10 July 2019 at 12 noon and at any adjournment thereof.

Please indicate with an X in the spaces provided how you wish your votes to be cast on the resolutions specified.

Resolution	For	Against	Withheld	Discretionary
1. To receive and adopt the Report of the Directors and the audited Financial Statements for the year ended 31 March 2019.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Implementation Report included in the Annual Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Tom Waring as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Harry Wells as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To approve the continuation of the Company as an investment trust.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint BDO LLP as Independent Auditor to the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise the Directors to fix the remuneration of the Auditor until the conclusion of the next Annual General Meeting of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on any resolution as he may think fit.

Signature Dated this day of 2019

NOTES

- If you so desire you may delete the words 'chairman of the meeting' and insert the name of your own choice of proxy, who need not be a member of the Company. Please initial such alteration.
- The proxy form must be lodged at the Company's registrars, Link Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time fixed for the meeting. In default the proxy cannot be treated as valid.
- Alternatively, in the case of CREST members, voting may be effected by using the CREST electronic proxy appointment service. CREST members who wish to utilise the CREST service may do so by following the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's agent, Link Asset Services (whose CREST ID is RA10) by the specified latest time for receipt of proxy appointments. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) at which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed.
- A corporation must execute the proxy under its common seal or under the hand of an officer or attorney duly authorised.
- If this proxy form is executed under a power of attorney or other authority, such power of attorney or other authority or a notorially certified copy thereof must be lodged with the Registrars with the proxy form.

In the case of joint holders, the vote of the senior shall be accepted to the exclusion of the other joint holders, seniority being determined by the order in which the names stand in the register in respect of the joint holding.

