Investors Capital Trust plc

2008 Annual Report and Accounts

From incorporation on 15 January 2007 to 31 March 2008
(business commenced on 1 March 2007)

F&C Investments

Contents

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The Association of Investment Companies

This document is important and requires your immediate attention. Shareholders who are in any doubt as to what action to take should consult an appropriate independent financial adviser immediately. If you have sold or otherwise transferred all of your Shares in the Company, you should immediately send this document and the accompanying form of proxy to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was, or is being, effected, for transmission to the purchaser or transferee.

Company Summary

The Company

The Company is an investment trust and its shares are listed on the London Stock Exchange. It is a member of the Association of Investment Companies ('AIC').

Assets attributable to shareholders at 31 March 2008 were £115.3m.

Objective and Policy

To provide an attractive return to shareholders each year in the form of dividends and/or capital returns, together with prospects for capital growth.

The Company's portfolio is managed in two parts. The first part comprises investments in UK equities and equity-related securities of large and mid-sized companies (the Equities Portfolio) and the second part comprises investments in fixed interest and other higher yielding stocks and securities (the Higher Yield Portfolio).

The Company's investment policy is set out in the Report of the Directors.

Management

The Board has appointed F&C Investment Business Limited (F&C) as investment manager. The notice period is 6 months. Further details of the management contract, including fees, are provided in the Notes to the Accounts.

Capital Structure

The Company's capital structure offers shareholders the opportunity to receive quarterly distributions in the form of either dividends, capital returns, or both, to suit their own particular circumstances. The Company has two classes of shares: A shares and B shares. The rights of each class are identical, save in respect of the right to participate in distributions of dividends and capital. The net asset value attributable to each class of shares is the same.

Only A shares are entitled to dividends paid by the Company. B shares, instead of receiving dividends, receive a capital distribution at the same time as, and in an amount equal to, each dividend paid on the A shares. For certain shareholders, there may be tax or other advantages in receiving a capital distribution rather than a dividend. Shares may be held and traded within units, each unit comprises three A shares and one B share.

In addition, the Company has a fixed rate bank loan of £33.5 million for a term to 28 September 2012.

How to Invest

F&C Asset Management plc operates a number of investment plans which facilitate investment in the securities of the Company. Details are contained on page 49.

You may also invest through a stockbroker.

ISA Status

The Company's shares are eligible for ISAs (including former PEPs).

Website

The internet address for the Company is www.investorscapital.co.uk

Telephone

F&C Investment Business Limited Investment Services 0845 600 3030

Financial Highlights for the Period from 1 March 2007

- Total distributions for the period to 31 March 2008 of 5.35p per share
- Distribution yield of 6.4 per cent at 31 March 2008, compared to the yield on the FTSE All-Share Capped 5% Index of 3.7 per cent
- Net asset value total return per share for the period was minus 3.1 per cent, compared to the FTSE All-Share Capped 5% Index total return of minus 4.7 per cent

Performance Summary

	Period from launch on 1 March 2007 to 31 March 2008	% change from launch
Total Return		
Net asset value total return per A and B share and per unit	**(3.1)%**	(3.1)%
FTSE All-Share Capped 5% Index	**(4.7)%**	(4.7)%
Revenue and Distributions		
Distributions per A share and B share	**5.35p**	–
Distributions per unit*	**21.40p**	–
Revenue reserves	**£2.3m**	–
Equities portfolio yield relative to FTSE All-Share Capped 5% Index	**108%**	–
Capital		
Total assets (less current liabilities)	**£149.5m**	(10.6)%
Net asset value per A share and B share	**89.6p**	(6.9)%
Net asset value per unit*	**358.5p**	(6.9)%
FTSE All-Share Capped 5% Index	**2,996.4**	(8.5)%
A and B share price	**83.0p**	(15.6)%
Unit price	**327.0p**	(16.9)%
(Discount)/Premium (% difference between price and net asset value)		
A and B shares	**(7.4)%**	–
Unit	**(8.8)%**	
Gearing (100=nil geared position)†		
Maximum potential ratio	**129.7**	
Actual ratio	**75.1**	
Total Expense Ratio		
as percentage of average shareholders' funds	**1.1%**	

	A shares		B shares		Units	
Period's Highs/Lows	2007/08 High	2007/08 Low	2007/08 High	2007/08 Low	2007/08 High	2007/08 Low
Net asset value per share	**103.8p**	**84.7p**	**103.8p**	**84.7p**	**415.0p**	**338.6p**
Share price	**98.5p**	**82.0p**	**98.5p**	**82.0p**	**393.5p**	**327.0p**
Premium/(discount)	**4.2%**	**(9.1)%**	**4.7%**	**(8.8)%**	**2.9%**	**(10.5)%**

* A unit consists of three A shares and one B share.

† The gearing ratio indicates the extra amount by which shareholders' funds would rise or fall if total assets were to rise or fall. A figure of 100 means that the Company has a nil geared position.

Maximum potential ratio = the ratio of total assets (including fixed interest and cash assets) to assets attributable to shareholders.

If securities held in the Company's Higher Yield Portfolio are included as fixed interest assets then the actual ratio will be as shown below.

Actual ratio = the ratio of total assets (less fixed interest and cash assets) to assets attributable to shareholders.

Sources: F&C Investment Business Limited and Datastream

Chairman's Statement

J M Haldane Chairman

Introduction

This is the Company's first Annual Report following the launch of the Company on 1 March 2007 as the successor vehicle to the original Investors Capital Trust plc. I would like to thank shareholders for their continued support, which resulted in one of the most successful rollovers of its type. I am also pleased to report that the Company has had a relatively successful inaugural period despite a challenging backdrop for financial markets; investment performance was better than the Index, and distributions of 5.35p per share represented a yield of 6.4 per cent at 31 March 2008.

Investment Objective and Policy

The Company's investment objective is to provide an attractive return to shareholders in the form of dividends and/or capital distributions, together with prospects for capital growth.

The Company's investment portfolio is managed in two parts. The first part comprises investments in UK equities and equity related securities (the Equities Portfolio) and the second part comprises investments in fixed interest and other higher yielding stocks and securities (the Higher Yield Portfolio). At the Company's launch, approximately 80 per cent of the investment portfolio was allocated to the Equities Portfolio with the balance allocated to the Higher Yield Portfolio. This allocation will vary as a result of market movements and circumstances.

At 31 March 2008, 57.7 per cent of total assets was allocated to the Equities Portfolio and 22.1 per cent to the Higher Yield Portfolio. The remaining 20.2 per cent was held as cash and cash equivalents reflecting the Manager's cautious view of markets.

Investment Performance

At the time of writing my interim report to shareholders in November last year I cautioned that the balance of risks to global economic growth appeared to have shifted to the downside as a result of tightening credit conditions and high oil prices. Indeed this proved to be the case. The second half of the Company's year came to be dominated by concerns over the extent to which difficulties within credit markets would impact the growth of the global economy. Increased levels of investor nervousness, together with evidence of a marked deterioration in the prospects for the US economy, resulted in weakness in both equity and fixed interest markets during the second half of the Company's year.

Against an increasingly uncertain background your Manager adopted a cautious investment strategy. It is pleasing to report that this strategy together with strong stock selection from the Equities Portfolio resulted in the Company's net asset value substantially out-performing the average of its peer group over the year. This is explained in more detail in the Manager's review elsewhere in this report.

During the period, the Company's Equities Portfolio produced a total return of –0.8 per cent which was ahead of the –4.7 per cent total return of the FTSE All-Share Capped 5% Index. The Higher Yield Portfolio returned +1.6 per cent

The Company's net asset value total return for the A and B shares, from the Company's launch on 1 March 2007 to 31 March 2008 was –3.1 per cent, after the cost of finance, which compares favourably with the –4.7 per cent return for the FTSE All-Share Capped 5% Index.

Chairman's Statement (continued)

Capital Structure

The Company has two classes of shares: A shares and B shares. The net asset value attributable to the A shares and to the B shares is the same. The rights of each class are identical, save that only the A shares are entitled to receive dividends, while the B shares instead receive a capital distribution at the same time as, and in an equal amount to, each dividend. For certain shareholders there will be tax and other advantages in receiving a capital distribution rather than a dividend. Shares may be held and traded within units, each unit comprising three A shares and one B share.

The dividend yield on the A shares is increased due to the existence of the B shares. The B shares are innovative securities that provide returns in the form of quarterly capital distributions rather than dividends. These capital distributions fall to be taxed in accordance with rules relating to the taxation of chargeable gains. The attractions of the B shares have been enhanced by the changes to the UK capital gains tax regime from 6 April 2008, in particular, the introduction of a single flat rate (18 per cent) of capital gains tax. A fact sheet is available from the Company's website (www.investorscapital.co.uk) that provides more details on the B shares. The 'Capital Structure' section of this Annual Report also provides further information on the A and B shares.

The Company has the ability to borrow in pursuit of its investment objectives. On 1 March 2007, the Company drew down an amount of £33.5 million on its loan facility with Lloyds TSB Scotland plc for a term to 28 September 2012. The Company entered into an interest rate swap to fix the all-in rate of interest on the loan at 5.86 per cent per annum. During the year, the impact of this borrowing has been partly offset by the Company's holding of cash.

Earnings

The Company achieved total revenue income of £8.3 million for the period from 1 March 2007 to 31 March 2008. The yield on the Equities Portfolio was 4.1 per cent at 31 March 2008, equivalent to a yield relative to the FTSE All-Share Index of 108 per cent.

Overall revenues for the period exceeded expectations. The Company held a higher than expected level of liquidity throughout the period reflecting the increasingly uncertain market backdrop. Consequently deposit income was higher than will ordinarily be the case. Despite the deterioration in the outlook for corporate earnings during the second half of the year, the underlying rate of dividend growth from the Company's Equities Portfolio remained robust. Income from the Higher Yield Portfolio, which comprised predominantly investment grade corporate bonds, was at the level anticipated.

After providing for the fourth quarter dividend, the Company had revenue reserves of £0.9 million at 31 March 2008.

Dividends and Capital Returns

Dividends to A shareholders and capital distributions to B shareholders are paid quarterly in August, November, February and May each year. In respect of the distributions for the Company's first three quarters, the dividends paid on the A shares and capital distributions on the B shares were 1.325p per share for each quarter. A fourth quarter dividend will be paid to A shareholders and capital distribution to B shareholders of 1.375p per share on 9 May 2008. This results in a dividend/capital distribution of 5.35p per share in respect of the period to 31 March 2008. This represents a distribution yield for A and B shareholders of 6.4 per cent based on the share price of 83p as at 31 March 2008 and compares favourably with the yield on the FTSE All-Share Index of 3.8 per cent at that date. For shareholders that hold units, the estimated distribution yield was 6.5 per cent based on a unit price of 327p as at 31 March 2008.

The Company operates a distribution reinvestment scheme, details of which are available from the Company's Registrars, to enable B shareholders to reinvest their capital distributions in further B shares if they wish.

Discount and buy backs

The Company's A and B share price discount to net asset value was 7.4 per cent at 31 March 2008 and reflects a widening since launch. Over the period, the price of the Company's A shares and B shares traded at an average discount to net asset value per share of 4.0 per cent and 4.2 per cent respectively. The Company has a stated buy back policy and, in accordance with this policy, the Company bought back net 6.2 million A shares and 4.1 million B shares during the period at an average discount of over 5 per cent to net asset value, thereby adding value for remaining shareholders.

Since the year end, the Company has bought back a further 300,000 A shares and 100,000 B shares. The Company is not alone among investment trusts in buying back its own shares in the recent difficult market conditions.

In order to fund the repurchase of shares and the capital distributions paid to B shareholders, the Company's share premium account was cancelled during the year and a Buy Back reserve and Special Capital reserve were created on approval by the Court of Session.

VAT

The Company will benefit from the recent ruling that management fees for investment trusts are exempt from VAT. Future management fees will not be subject to VAT and the Company has recovered from the Managers VAT applied to management fees paid since the Company's launch on 1 March 2007.

Outlook

At the time of writing financial markets appear to have regained some composure having taken encouragement from the actions of authorities on both sides of the Atlantic to address the ongoing dislocation in credit markets. Most notably the US fiscal and monetary response to the current crisis has been aggressive. These actions should provide financial markets with some comfort as to the extent of the downside risk to economic growth; however credit availability for both the corporate and household sectors has yet to improve significantly. Against this background, a cautious investment stance is believed to remain appropriate.

J Martin Haldane
Chairman
8 May 2008

Investment Managers and Investment Process

Rodger McNair
Lead Investment Manager

Gary Thomson
Investment Manager

Michael Campbell
Company Secretary

Rodger McNair

Lead Investment Manager

He heads the UK investment team in Edinburgh. He has over 20 years investment experience and was appointed lead manager of the predecessor Investors Capital Trust in June 1999.

Gary Thomson

Investment Manager

He works in the UK investment team in Edinburgh. He has over 9 years investment experience and assists in the management of Investors Capital Trust.

Michael Campbell

Company Secretary

He is a chartered accountant and has provided company secretarial services to Investors Capital Trust and its predecessor since 1995.

Investment Managers

Investors Capital Trust plc is managed by F&C Investment Business Limited, a wholly owned subsidiary of F&C Asset Management plc (F&C). F&C is a leading asset manager in both the UK and Europe with some £100 billion (at 31 March 2008) of funds under management. F&C is a company listed on the London Stock Exchange.

F&C provides management and other services to a range of investment trust clients.

Investment Process

The investment portfolio of Investors Capital Trust is split into an Equities Portfolio and a Higher Yield Portfolio.

Equities Portfolio

The Equities Portfolio is a portfolio of predominantly large capitalisation UK equities selected from the FTSE All-Share Index.

The investment philosophy is based on the knowledge that equity investment is one of the most reliable methods of preserving and growing capital over time.

Favoured companies are those which have the ability to sustain above-average growth in earnings and dividends over the longer term, have strong balance sheets and interest cover, are inherently cash-generative and have a stable and proven management team.

The style of management is to make long-term strategic investments; however the basic approach does not preclude the taking of a more pragmatic view of the valuation of companies through the business cycle.

Investors Capital Trust has a relatively concentrated portfolio and typically has modest portfolio turnover.

Higher Yield Portfolio

Day-to-day management of the fixed interest investments in the Higher Yield Portfolio is undertaken by the F&C Investment Business Limited specialist fixed interest team. The Higher Yield Portfolio is invested predominantly in corporate bonds. A disciplined in-house credit analysis process is adopted.

Manager's Review

Economic & Market Review

At the time of the Company's launch, in March 2007, the macroeconomic background appeared broadly supportive for both equity and fixed interest markets. The key UK corporate reporting season through March and April last year confirmed strong growth in both corporate earnings and dividends. Merger and acquisition activity also remained buoyant, fuelled by the low cost and ready availability of finance. However, concerns soon emerged over the nature and extent of problems stemming from the US sub-prime mortgage market. These concerns were to prove prescient as sharp falls in US house prices and rising foreclosures, mainly in the US sub-prime mortgage sector were, during the course of the year, to trigger turmoil in financial markets around the world.

At the heart of the problem was the collapse of the US housing bubble which had helped fuel the growth of the world's largest economy for the best part of a decade. In recent years the seemingly insatiable appetite for securitised debt saw US banks packaging their mortgages and selling the risks on to other investors, not just in the US, but around the world. Loan origination rather than credit analysis became the priority while lax lending standards and a mis-pricing of risk was the result. As balance sheets came under increasing pressure banks responded by tightening lending standards and hoarding their capital. This resulted in an acute scarcity of credit or in other words a ''credit crunch''. By September last year the ongoing effects of the credit crunch were seen in spectacular form with the demise of Northern Rock, one of the UK's largest mortgage lenders. With a much heavier reliance on wholesale funding markets than its peers, Northern Rock was forced to turn to the Bank of England for emergency funding. The subsequent run on the bank destroyed its retail franchise and ultimately led to the first nationalisation in modern times of a high street bank.

As a result of the deteriorating funding environment for banks, credit conditions for both the UK corporate and household sectors have worsened markedly. Tighter lending criteria and widening margins have offset the efforts of the Bank of England to bring down the cost of borrowing. Despite UK base rates being reduced twice during the second half of the Company's year and the recently announced initiative to allow banks to swap asset-backed securities for government debt, mortgage costs have continued to rise. This comes at a time when housing affordability is already at its worst level for decades. Evidence suggests that a meaningful correction is now in prospect for the UK housing market.

As a result of the wealth effects from falling house prices, tighter credit conditions and pressure on household finances from sharp price increases on essential items such as food, fuel and utility bills, we expect consumer spending to remain under pressure during the year ahead.

Against a background of slowing global growth all the evidence points to a challenging period ahead for the UK economy. With the UK budget in substantial deficit it would appear the Chancellor has little scope for manoeuvre on fiscal policy. However, in the event that economic conditions worsen we would expect a further policy response from the Bank of England as long as the inflation backdrop allows it to do so. With global commodity prices soaring the Bank of England has so far responded to the financial crisis in a measured way, cognisant of the risks of incipient inflation. In contrast, the US fiscal and monetary response has been aggressive, suggesting the US authorities are more concerned by the prospect of a debt-deflation driven rout similar to that experienced by Japan in the early 1990's, rather than the risk of rekindling inflation.

Following a strong start to the Company's financial period the UK equity market sold off sharply during the summer as concerns intensified over the deepening crisis in credit markets. A swift response from the US Federal Reserve brought some temporary respite; however the recovery proved to be short-lived with the equity market falling once again through the second half of the Company's year as economic and corporate news flow deteriorated. The UK equity market produced a negative total return of 4.7 per cent over the thirteen month period to 31 March 2008.

As the extent of the stresses affecting credit markets became evident there was a flight away from non-government bond issues, which caused spreads to widen significantly and, in some cases, prices to drop precipitately. Initially, securitised bonds and those of financial issuers were hardest hit but as it became evident that the global economy was set to suffer, corporate bonds, especially higher yield bonds, were also affected. Some semblance of stability has returned to markets since the Federal Reserve intervened to

Manager's Review (continued)

facilitate the rescue of Bear Stearns, the US investment bank, and gave reason to believe that the systemic risks to financial markets have declined.

Portfolio Review

The Company's Equities Portfolio has a bias towards companies which have strong balance sheets and good interest cover, generate surplus cash and have the ability to sustain real growth in dividends over the longer term. We believe that a portfolio with these characteristics is well placed to meet the Company's income requirement, particularly during times of economic uncertainty.

The total return of the Company's Equities Portfolio was minus 0.8 per cent over the thirteen month period to 31 March 2008. This represents a 3.9 per cent out-performance relative to the FTSE All-Share Capped 5% Index, the Company's benchmark. The strong relative performance of the Equities Portfolio has been driven by businesses that have been able to deliver robust profit growth despite the increasing headwinds facing the economy. The portfolio benefited from substantial holdings in both the UK listed tobacco stocks, Imperial Tobacco and British American Tobacco, which continue to deliver strong profit growth driven by a combination of robust revenue growth together with ongoing operating efficiencies. The portfolio was also well-served by its exposure to the aerospace sector, principally through BAE Systems and Cobham, both beneficiaries of the ongoing high levels of US defence spending. Within the oil and gas sector the strongest performance was delivered by BG, the exploration and production business, as a strong operating performance was complemented by a major new discovery off the Brazilian coast. Elsewhere, the portfolio's weighting in mining companies has been progressively reduced as we believe the risk-reward trade-off has become less favourable. During the early part of the year the decision to exit the property sector due to concerns over rising funding costs was beneficial, as this was one of the sectors to be hardest hit by the deepening credit crisis.

The Company's Higher Yield Portfolio was invested solely in fixed interest securities throughout the year. Consistent with our cautious overall investment strategy this portfolio has had a strong bias towards investment grade and government bonds. While the overall total return of 1.6 per cent from this portfolio was muted, this proved to be a creditable performance when viewed in the context of a very difficult market environment for bond markets.

The Company held a larger than usual cash balance during the year in order to reduce the Company's effective level of gearing. This position reflected concerns over the near term prospects for financial markets and served to offer some protection to the net asset value return to shareholders. The net asset value total return was negative 3.1 per cent over the period.

Outlook

The causes of the current economic problems in the US and, to a lesser extent, the UK are deep rooted and will take some time to work through. The necessary reduction of leverage in the financial system together with the recapitalisation of the banking industry is likely to be a slow process which will dampen economic growth and put downward pressure on the value of both real and financial assets. With such fundamental uncertainty over the prospects for two of the world's largest developed economies the prospects for global growth are difficult to gauge. It is nevertheless encouraging that hitherto there is little evidence of any spill-over into China, India or other emerging Asian economies.

It is important to remember that stock markets are forward looking and tend to adjust quickly to changing economic circumstances. Many of those areas of the equity market which are likely to be hardest hit by the effects of the credit crunch have already been aggressively de-rated. We believe that for investors with a medium-term horizon, there are some attractive opportunities beginning to emerge. However, the near-term outlook for corporate earnings remains challenging and, for that reason, we believe it is too early to move substantially away from the cautious strategy, both within the equities and higher yield components of the investment portfolio, which has served us well over the last year. The ''TMT'' bubble of the late 1990's reminds us that periods of excess can take somewhat longer to work through the financial system and that those areas of the market most acutely affected are not necessarily those to emerge first.

Rodger McNair
Investment Manager
F&C Investment Business Limited
8 May 2008

Classification of Investments

Total Portfolio Summary (at 31 March 2008)

	2008 Market Value £'000	% of Total Assets	% of Total Portfolio Income	% Yield
Equities Portfolio	**86,276**	**57.7**	**46.1**	**4.1**
Higher Yield Portfolio	**33,092**	**22.1**	**33.1**	**7.9**
Net Current Assets	**30,100**	**20.2**	**20.8**	
Total Assets (less Current Liabilities)	**149,468**	**100.0**	**100.0**	
Bank Term Loan & Interest Rate Swap	**(34,213)**	**(22.9)**		
Net Assets Attributable to Shareholders	**115,255**	**77.1**		

Equities Portfolio

Sector	2008 % Equities Portfolio	2008 FTSE All-Share Capped 5% Index
Oil & Gas	**15.1**	14.2
Basic Materials	**8.4**	12.1
Industrials	**12.7**	7.7
Consumer Goods	**8.6**	11.1
Healthcare	**7.2**	6.7
Consumer Services	**11.7**	10.4
Telecommunications	**7.8**	6.5
Utilities	**9.3**	4.4
Financials	**19.2**	26.0
Technology	**–**	0.9
Total	**100.0**	100.0

Higher Yield Portfolio

Security Ratings	2008 Higher Yield Portfolio Weighting %
Government	**1.1**
AAA	**4.1**
AA	**14.8**
A	**34.2**
BBB	**24.4**
BB	**7.2**
B	**14.2**
CCC or lower	**–**
	100.0

Equities Portfolio

At 31 March 2008

Company	2008 Market Value £'000	2008 % of Equities Portfolio
Vodafone Vodafone is the largest global provider of mobile telecommunications services.	5,420	6.3
BP BP is one of the world's largest integrated oil and gas companies.	5,275	6.1
Royal Dutch Shell Royal Dutch Shell is one of the world's largest integrated oil and gas companies.	5,048	5.9
HSBC HSBC provides a comprehensive range of banking and related financial services on a global basis.	4,743	5.5
GlaxoSmithKline GlaxoSmithKline is a global manufacturer and marketer of ethical pharmaceutical products.	4,271	4.9
Tesco Tesco is an international food retailer.	2,803	3.2
BG Group BG Group specialises in the exploration, production, transmission and distribution of gas, oil and liquefied natural gas.	2,720	3.2
Rio Tinto Rio Tinto is a globally diversified mining company.	2,687	3.1
National Grid National Grid owns and operates electricity and gas networks in the UK and US.	2,524	2.9
BAE Systems BAE Systems develops, delivers and supports advanced defence and aerospace systems.	2,413	2.8
Ten largest equity investments	**37,904**	**43.9**

Company	Sector	2008 Market Value £'000	2008 % of Equities Portfolio
Scottish & Southern Energy	Electricity	2,393	2.8
Imperial Tobacco	Tobacco	2,393	2.8
Barclays	Banks	2,305	2.7
Anglo American	Mining	1,954	2.3
Reckitt Benckiser	Household Goods	1,948	2.2
AstraZeneca	Pharmaceuticals & Biotech	1,908	2.2
Cobham	Aerospace & Defence	1,870	2.2
Reed Elsevier	Media	1,842	2.1
Bunzl	Support Services	1,738	2.0
BHP Billiton	Mining	1,656	1.9
Twenty largest equity investments		**57,911**	**67.1**
HBOS	Banks	1,620	1.9
Lloyds TSB	Banks	1,592	1.8
Unilever	Food Producers	1,510	1.8
Land Securities	Real Estate	1,481	1.7
Royal Bank of Scotland	Banks	1,337	1.5
Centrica	Gas, Water & MultiUtilities	1,313	1.5
BT Group	Fixed Line Telecom	1,308	1.5
Prudential	Life Insurance	1,120	1.3
William Hill	Travel & Leisure	1,117	1.3
Rexam	General Industrial	1,084	1.3
Thirty largest equity investments		**71,393**	**82.7**
Marks & Spencer	General Retailers	1,057	1.2
Compass	Travel & Leisure	1,000	1.2
Xstrata	Mining	984	1.1
Standard Chartered	Banks	962	1.1
International Power	Electricity	939	1.1
Severn Trent	Gas, Water & MultiUtilities	874	1.0
Carillion	Construction & Materials	856	1.0
Whitbread	Travel & Leisure	848	1.0
SIG	Support Services	838	1.0
Aviva	Life Insurance	816	1.0
Forty largest equity investments		**80,567**	**93.4**
Associated British Foods	Food Producers	788	0.9
British American Tobacco	Tobacco	745	0.9
IMI	Industrial Engineering	727	0.8
Spectris	Electronic Equipment	712	0.8
Enterprise Inns	Travel & Leisure	654	0.7
Legal & General	Life Insurance	568	0.7
Wolseley	Support Services	508	0.6
BSkyB	Media	431	0.5
J. D. Wetherspoon	Travel & Leisure	319	0.4
VT Group	Aerospace & Defence	257	0.3
Total equity investments		**86,276**	**100.0**

Higher Yield Portfolio

At 31 March 2008

Security	Sector	2008 Market Value £'000	2008 % of Higher Yield Portfolio
Segro 7.125% 17/02/10	Real Estate Investment Trust	970	2.9
Canandaigua Brand 8.5% 15/11/09	Beverage	931	2.8
Iron Mountain 7.25% 15/04/14	Support Services	819	2.5
Credit Suisse 8.25% 10/07/09 Perpetual	Banking	811	2.5
Xerox 9.75% 15/01/09	Office Equipment	791	2.4
Land Securities 4.625% 03/02/13	Real Estate Investment Trust	636	1.9
Wind Acquisition Finance 9.75% 01/12/15	Telecom – Wireless	630	1.9
ANZ 6.54% 15/06/12 Perpetual	Banking	611	1.8
Finance for Danish Industries 6% 06/02/12	Banking	598	1.8
Irish Nationwide Building Society 6.25% 26/06/12	Mortgage Banks & Thrifts	582	1.8
Ten largest higher yield investments		**7,379**	**22.3**
Johnsondiversey 9.625% 15/05/12	Support Services	556	1.7
Sutton Bridge 8.625% 30/06/22	Electricity Generation	545	1.7
W&DB Issuer FRN 15/07/20	Leisure	532	1.6
Paragon Group 7% 20/04/17	Mortgage Banks & Thrifts	502	1.5
NTL Cable 8.75% 15/04/14	Media – Cable	494	1.5
Bank Ned Gemeenten 4.375% 14/12/12	Banking	493	1.5
Society of Lloyds 6.875% 17/11/25	Multi-Line Insurance	439	1.3
TUI 5.125% 10/12/12	Support Services	433	1.3
Warner Music 8.125% 15/04/14	Media – Services	425	1.3
Ineos 7.875% 15/02/16	Chemicals	404	1.2
Twenty largest higher yield investments		**12,202**	**36.9**
Portugal Telecom 4.625% 07/04/09	Telecom – Integrated/Services	398	1.2
Nationwide 6.024% 06/02/13 Perpetual	Mortgage Banks & Thrifts	392	1.2
Fortune Brands 3.5% 30/01/09	Consumer Products	390	1.2
Alliance Boots 5.5% 26/05/09	Consumer Products	389	1.2
France Telecom 6% 29/03/12	Telecom – Integrated/Services	388	1.1
Old Mutual 5% 21/01/16	Life/Health Insurance	378	1.1
Merrill Lynch FRN 08/02/10	Brokerage	371	1.1
BAE Systems 11.875% 29/12/08	Aerospace/Defense	364	1.1
UK 5.0% Treasury 07/03/12	Sovereign	364	1.1
Investec Finance 7.75% 01/03/16	Banking	362	1.1
Thirty largest higher yield investments		**15,998**	**48.3**
Countrywide 5.875% 15/12/08	Mortgage Banks & Thrifts	360	1.1
Kraft Foods 5.75% 20/03/12	Food – Wholesale	351	1.1
National Australia 3.875% 04/06/15	Banking	344	1.0
Southern Gas Network FRN 21/10/15	Gas Distribution	340	1.0
Marks & Spencer 5.875% 29/05/12	Non-Food & Drug Retailers	336	1.0
Clydesdale Bank 4.875% 17/02/16	Banking	333	1.0
NXP FRN 15/10/13	Electronics	322	1.0
Resona Bank 5.986% 10/08/11 Perpetual	Banking	321	1.0
Fiat Finance & Trade 6.625% 15/02/13	Automotive	309	0.9
Standard Chartered 6% 25/01/18	Banking	287	0.9
Forty largest higher yield investments		**19,301**	**58.3**
Other higher yield investments (84)		**13,791**	**41.7**
Total higher yield investments		**33,092**	**100.0**

Capital Structure

At 31 March 2008

The Company has a capital structure comprising A shares and B shares. In addition, the Company has a bank loan.

The Company's capital structure offers shareholders the opportunity to receive quarterly returns in the form of either dividends, capital returns, or both, to suit their own particular circumstances.

The Company has two classes of shares: A shares and B shares. The rights of each class of shares are identical, save in respect of the right to participate in dividends and capital distributions. Irrespective of these distribution rights, the net asset value attributable to each class of shares is the same.

Only A shares carry a right to participate in dividends paid by the Company. B shares are not entitled to dividends but each B share instead carries the right to receive a capital distribution at the same time as, and in an amount equal to, each dividend paid in respect of A shares.

For certain shareholders, there may be tax or other advantages in receiving a capital distribution rather than a dividend. Dividends paid on the A shares will be taxed on receipt in the normal way for dividends. Capital distributions received on B shares will fall to be taxed in accordance with the rules relating to the taxation of chargeable gains. (See further information below.)

It is the Company's policy to maintain the ratio of A shares to B shares (excluding shares held in Treasury) within the range 72.5 : 27.5 and 77.5 : 22.5.

These two securities can be traded together in the form of a unit with each unit consisting of three A shares and one B share.

Bank Loan Facility

The Company has a sterling term bank loan in the amount of £33.5 million which matures on 28 September 2012. The rate of interest has been fixed at 5.8635 per cent per annum through an interest rate swap with the same terms and maturity as the bank loan. The returns of both the A shares and B shares are geared by this bank loan.

Further information on the B Shares

What is different about the B shares?

The B shares are just like any other ordinary share except that, instead of dividends, B shareholders receive capital distributions, so B shareholders will receive the same amount of cash on a quarterly basis as A shareholders, but when it comes to the tax on these capital distributions there are potential benefits. Effectively, no UK tax is due on receipt of the capital distributions. So a higher rate taxpayer, for example, will not be liable on receipt to the 25 per cent additional income tax that would normally be applicable on receipt of a dividend. This is because the capital distribution is taxed under UK Capital Gains Tax ('CGT') rules rather than Income Tax rules. It is only when the B shares are disposed of that the capital distributions received need to be taken into account as part of the CGT disposal calculation. From 6 April 2008, a flat rate of Capital Gains Tax applies of 18 per cent on disposals. If the shares continue to be held until death, no CGT arises in respect of the capital distributions. The value of the holding will, however, be taken into account for Inheritance Tax purposes, if applicable.

Further details are available on the website: **www.investorscapital.co.uk**

Capital Structure (continued)

Reinvestment of returns.

If you hold the B shares on the main shareholder register, there is a distribution reinvestment scheme which allows you, if you wish, to reinvest the capital distributions in further B shares rather than receive the cash. Such reinvestment will be made through a market purchase of existing shares. Please note that stamp duty of 0.5 per cent will be payable on the purchase of further shares.

A summary of the tax benefits.

The capital distributions paid on the B shares will be taxed for individuals under CGT rules rather than Income Tax rules. Holders of B shares therefore have more scope for tax planning (for example, by selling shares within the annual CGT exempt amount, or by offsetting gains against capital losses).

UK tax is not, in normal circumstances, due on receipt of the quarterly capital distributions and you do not need to include them on your tax return. Instead, when you dispose of B shares, an amount equivalent to the capital distributions you have received is deducted from the tax base cost as part of the CGT calculation. This treatment applies because the quarterly sums are treated as 'small capital receipts' under CGT rules; being either less than 5 per cent of the market value of the B shareholding at the date of receipt or less than £3,000.

An individual B shareholder's annual exempt amount for CGT purposes is not reduced or prejudiced by this treatment of capital distributions. Non-UK resident shareholders will not be subject to UK tax on capital distributions, although local tax could arise.

A detailed description of taxation of the B shares was contained in the Company's launch Prospectus, which is available on request.

The above is based on an understanding of HM Revenue and Customs legislation and practice at the time of publication. Tax rates and reliefs depend on the circumstances of the individual investor, are subject to government legislation and may change in the future. You should consult your tax adviser on your own individual tax circumstances.

Board of Directors

Martin Haldane

Chairman

age 66, was appointed in 2007, having been Chairman of the predecessor company. He was previously senior partner of Chiene & Tait, C.A. He is chairman of Shires Income plc and a non-executive director of other companies. He was deputy chairman of Scottish Life Assurance Company.

Herschel Post

(Senior Independent Director)

age 68, was appointed in 2007, having been a Director of the predecessor company. He was previously International Managing Director Business Development of Christie's International plc and Deputy Chairman of EFG Private Bank Limited. He is a director of Ahli United Bank (UK) plc, Euroclear UK & Ireland Limited, Threadneedle Asset Management Ltd and Euroclear plc. He was formerly chief executive officer and deputy chairman of Coutts & Co UK.

Michael Ingall

age 67, was appointed in 2007, having been a Director of the predecessor company. He was chairman of Rathbone Brothers plc. He is chairman of India Capital Growth Fund Limited and a director of SL Smaller Companies Trust plc and Mid Wynd International Investment Trust plc.

Kenneth Shand

age 48, was appointed a Director in 2007, having been a Director of the predecessor company. He is a partner and Head of the Corporate Department of Maclay Murray & Spens LLP, Solicitors. His practice focuses on corporate finance and mergers and acquisitions.

Report of the Directors

The Directors submit the Annual Report and Accounts of the Company for the period from incorporation on 15 January 2007 to 31 March 2008.

Results and Dividends

The results for the period are set out in the following accounts.

First, second and third quarter dividends, each of 1.325p per A share, were paid on 3 August 2007, 9 November 2007 and 8 February 2008 respectively. A fourth quarter dividend of 1.375p per A share is payable on 9 May 2008 to A shareholders on the register at close of business on 4 April 2008.

Principal Activity and Status

The Company is registered as a Public Limited Company in terms of the Companies Act 2006 (number: SC314671). The Company is an investment company under section 833 of the Companies Act 2006.

The Company carries on business as an investment trust. In the opinion of the Directors the Company has conducted its affairs so as to satisfy the conditions for approval as an investment trust under section 842 of the Income and Corporation Taxes Act 1988.

A review of the Group's business during the period, the position of the Company at the period end, and outlook for the coming year is contained in the Chairman's Statement and Manager's Review.

Investment Policy

The Company's objective is to provide an attractive return to shareholders in the form of dividends and/or capital returns, together with prospects for capital growth.

In pursuit of this objective, the Company's investment policy is to manage the Company's investment portfolio in two distinct parts. The first part of the Company's portfolio presently comprises investments in UK equities (the Equities Portfolio) and the second part comprises investments in fixed interest and other higher yielding stocks and securities (the Higher Yield Portfolio). The proportion of the Company's portfolio represented by the Equities Portfolio and the Higher Yield Portfolio will vary as a result of market movements and the proportion may also be varied by the Board and Manager over time depending upon market circumstances in pursuit of the Company's investment objective.

The Equities Portfolio is invested predominately in UK equities and equity-related securities of large and mid-sized companies. The Manager's objective for the Equities Portfolio will be to achieve a total return in excess of that of the FTSE All-Share Capped 5% Index. In managing the Equities Portfolio, the Manager will approach portfolio construction with the aim of selecting stocks which are expected to be core long-term holdings. This entails having relatively low turnover in the Equities Portfolio with approximately 50 holdings at any given time. The Manager expects few individual holdings to exceed five per cent. of the Equities Portfolio, and intends to spread stock weightings across the Equities Portfolio; the effect of this should be to spread investment risk.

The Higher Yield Portfolio is invested predominantly in corporate bonds (both investment grade and non-investment grade) but may also be invested, from time to time, in other higher yielding securities where the Manager believes performance could be enhanced and/or portfolio risk reduced without prejudicing the target yield. The Higher Yield Portfolio is diversified by stock, sector and credit risk and is expected to comprise over 50 holdings. A majority of the fixed interest securities within the Higher Yield Portfolio is expected to be Sterling denominated but securities with denominations other than Sterling will also be held to provide portfolio diversification, with overseas currency exposure being hedged.

Income may be enhanced from the Equities Portfolio by writing call options, but only where the portfolio has an existing holding and the holding is greater than the amount of stock subject to the call option. The Manager will limit the percentage of the Equities Portfolio used to generate call premium to 5 per cent. by value at any one time. The Company may use derivatives for efficient portfolio management from time to time.

The Company has the power under its Articles to borrow an amount up to 100 per cent. of the Company's Adjusted Capital and Reserves. The Directors currently intend that the aggregate borrowings of the Company will be limited to approximately 20 per cent. of the Company's gross assets immediately following drawdown. The Directors will, however, retain flexibility to increase or decrease the level of gearing to take account of changing market circumstances and in pursuit of the Company's investment objectives.

Any material change to the investment policy of the Company will only be made with shareholders' approval.

As required by the Listing Rules, the Company has stated that it has a policy to invest no more than 15 per cent of gross assets in other listed investment companies.

An explanation of how the Company has invested its assets with a view to spreading investment risk in accordance with its investment policy is contained under the heading *Management of Assets and Shareholder Value* below. An analysis of the portfolio is contained on page 9 and the largest investments are shown on pages 10 to 12.

Business Review

Strategy

The Company's investment objective is to provide an attractive return to shareholders each year in the form of dividends and/or capital returns, together with prospects for capital growth.

As part of its strategy, the Board has contractually delegated the management of the investment portfolio, and other services, to F&C Investment Business Limited.

The Company's performance in meeting its objectives is measured against key performance indicators ('KPIs') as set out below.

The Chairman's Statement and Manager's Review within this Report provide a review of investment performance, investment portfolio and market conditions during the period and the outlook for the coming year, both of which form part of this Business Review.

Principal Risks and Risk Management

The Company's assets consist mainly of listed equity and fixed interest securities and its principal risks are therefore market-related. More detailed explanations of these risks and the way in which they are managed are contained in the notes to the accounts.

Other risks faced by the Company include the following:

- External – events such as terrorism, protectionism, inflation or deflation, economic recessions and movements in interest rates and exchange rates could affect share prices in particular markets.
- Investment and strategic – incorrect strategy, asset allocation, stock selection and the use of gearing could all lead to poor returns for shareholders.
- Regulatory – breach of regulatory rules could lead to suspension of the Company's Stock Exchange listing, financial penalties, or a qualified audit report. Breach of Section 842 of the Income and Corporation Taxes Act 1988 could lead to the Company being subject to tax on capital gains.
- Operational – failure of the Manager's accounting systems or disruption to the Manager's business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence.
- Financial – inadequate controls by the Manager or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations. Breaching loan covenants could lead to a loss of shareholders' confidence and financial loss for shareholders.

The Board seeks to mitigate and manage these risks through continual review, policy setting and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Company's investment portfolio, and applies the principles detailed in the internal control guidance issued by the Financial Reporting Council. Details of the Company's internal controls are described in more detail later in the Report of the Directors.

Management of Assets and Shareholder Value

As stated above, the Board has contractually delegated the management of the investment portfolio to F&C Investment Business Limited.

The Company invests in companies which the Manager believes will generate a combination of long-term growth in capital and income for shareholders. The selection of investments is based on analysis of, amongst other things, market positioning and competitive advantage, financial strength, credit risk and cashflow characteristics.

Report of the Directors (continued)

Investment risks are spread through holding a wide range of securities in different industrial sectors. As at 31 March 2008, the portfolio was made up of 174 investments comprising 50 in the Equities Portfolio and 124 in the Higher Yield Portfolio. The Managers make use of third party risk systems to monitor investment risk. At each Board meeting, the Board receives a presentation from the fund manager.

The Company's borrowings consist of a fixed rate bank loan of £33.5 million, which is described in more detail in the notes to the accounts. The Board receives recommendations on gearing levels from the Manager and it is responsible for setting the gearing range within which the Manager may operate.

The Board and Manager recognise the importance of both marketing and share buy-backs in enhancing shareholder value. In terms of marketing, the Manager offers a range of private investor savings schemes, details of which can be found on page 49. In addition, meetings are held regularly with current and prospective shareholders and stockbroking analysts covering the investment trust sector. Share buy-backs help reduce the volatility of the discount and enhance the net asset value per share for continuing shareholders. Communication of up-to-date portfolio information is made through the Company's website.

Key Performance Indicators

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. The key performance indicators are as follows:

- Distribution level of A and B shares.
- Net asset value total returns relative to the total return on the FTSE All-Share Capped 5% Index.
- Discount of the share price of the A and B shares relative to net asset value.
- Total expenses as a ratio of shareholders' funds.

A historical record of these indicators is contained in the Performance Summary on page 2. Additional comments are provided in the Chairman's Statement and Manager's Review discussing the performance of the Company over the current period.

Subsidiary Company

The Company has a 100 per cent interest in Investors Securities Company Limited, a company which deals in investments. In the period to 31 March 2008, Investors Securities Company Limited made a profit before taxation of £nil.

Directors

The terms of Directors' appointments provide that Directors should retire and be subject to re-election at the first Annual General Meeting after their appointment and therefore all directors will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

In the opinion of the Board, following a performance evaluation process, it is in the interests of shareholders that those Directors offering themselves for re-appointment should be re-appointed.

The Directors who held office and their interests in the shares and other securities of the Company at 31 March 2008 were:

		31 March 2008 A Shares	31 March 2008 B Shares
J M Haldane	Beneficial	–	16,496
	Non-Beneficial	–	15,000
M L Ingall	Beneficial	–	58,394
H Post*	Beneficial	9,132	3,044
K D Shand	–	–	–

* Mr H Post's holding was held within units.

The office of Director does not require a shareholding.

There have been no changes in the holdings of the Directors between 31 March 2008 and 8 May 2008.

No Director has any material interest in any contract to which the Company is a party. No Director has a contract of service with the Company.

Directors' Deeds of Indemnity

The Company has entered into deeds of indemnity in favour of each of the Directors. The deeds give each Director the benefit of an indemnity to the extent permitted by the Companies Act against liabilities incurred by each of them in the execution of their duties and the exercise of their powers. A copy of each deed of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting.

Substantial Interests in Share Capital

At 8 May 2008 the following holdings representing more than 3 per cent of the Company's issued relevant share capital had been reported:

	A Shares Number held	Percentage held
Clients of F&C Asset Management plc	21,661,374	22.2
D. C. Thomson & Company Limited	8,824,869	9.0

	B Shares Number held	Percentage held
D. C. Thomson & Company Limited	2,941,623	9.6
Clients of F&C Asset Management plc	2,714,529	8.9

Management and Management Fees

Details of the contract between the Company and F&C Investment Business Limited in respect of management services provided are given in the notes to the accounts.

Since the end of the period, the Remuneration Committee has reviewed the appropriateness of the Manager's appointment. In carrying out its review the Committee considered the past investment performance of the Company and the ability of the Manager to produce satisfactory investment performance in the future. It also considered the length of the notice period of the investment management contract and fees payable to the Manager, together with the standard of other services provided which include company secretarial, accounting and marketing services. Following this review, it is the Directors' opinion that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

Related Party Transaction

The issue price for the Company's shares required to be reduced at the time of the Company's launch due to falling stock markets at that time and the Board stated that it would, if necessary, adjust the terms of the Investment Management Agreement (IMA) to reflect the change in values so as to maintain the intended economic effect of the IMA. Accordingly, the Company entered into an amendment agreement to the IMA with F&C Investment Business Limited (F&C) during the period. The amendment agreement replaces the opening net asset value (NAV) in the performance fee formula, defined in the IMA as 99p per share, with the opening NAV on 1 March 2007 of 96.26p.

The performance fee is payable every five years provided that the net asset value is 100p per share or above at the end of the five year period and is calculated as 15 per cent (up to a cap) of the amount by which the Company's net assets outperform its benchmark index.

Corporate Governance

Arrangements in respect of corporate governance have been put in place by the Board, which it believes are appropriate to an investment trust. The Company complied throughout the period with the provisions of the revised Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 ('the Code'). The Board has also taken into account the recommendations of the AIC Code of Corporate Governance ('the AIC Code') issued in May 2007. Since all the Directors are non-executive, the Company is not required to comply with the provisions of the revised Code in respect of Directors' remuneration, except in so far as they relate specifically to non-executive Directors.

Under the requirements of the Articles of Association, one-third of all Directors retire by rotation at each Annual General Meeting and each Director requires to retire at the third Annual General Meeting after the Annual General Meeting at which he was last elected. Directors are appointed for a specified term of no more than three years as recommended by the Code, subject to reappointment by shareholders. Full details of the duties of Directors are provided at the time of appointment.

The Board consists solely of non-executive Directors. Mr J M Haldane is Chairman and Mr H Post is the Senior Independent Director. All Directors are considered by the Board to be independent of the Company's Manager. New Directors receive an induction from the Manager on joining the Board, and all Directors are made aware of appropriate training courses.

Report of the Directors (continued)

Mr Haldane has served on the Board and the Board of the predecessor company together for more than nine years. Mr Haldane will seek re-election annually. The Board believes that longer serving Directors should not be prevented from forming part of an independent majority, which is consistent with the view expressed within the AIC Code. The Board does not consider that a Director's tenure necessarily reduces his ability to act independently and, following formal performance evaluations, believes that each Director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect the judgement of any Director. The Board believes that continuity and experience add significantly to the strength of the Board and therefore no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed.

The Company has no executive Directors or employees. A management agreement between the Company and its Manager, F&C Investment Business Limited, sets out the matters over which the Manager has authority and the limits beyond which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing, and corporate governance procedures, are reserved for the approval of the Board of Directors. The Board currently meets at least six times a year and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings. The Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights. All shareholdings are voted where practicable in accordance with the Manager's own corporate governance policy, which is to seek to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a principled approach to corporate governance.

Throughout the period a number of committees has been in operation. The committees are the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of the Audit and Nomination Committees comprises the full Board and is chaired by Mr Haldane. The Remuneration Committee comprises the full Board and is chaired by Mr Post. Terms of reference for these Committees are available on request.

The Audit Committee operates within clearly defined terms of reference. The Board has concluded that Mr Haldane, given his significant previous experience in the accounting profession, is best suited to the role of the chairman of the Audit Committee. The duties of the Audit Committee include reviewing the Financial Statements, the system of internal controls, and the terms of appointment of the auditors together with their remuneration. The objectivity of the auditors is reviewed by the Audit Committee which also reviews the terms under which the external auditors are appointed to perform non-audit services. It also provides a forum through which the auditors may report to the Board of Directors and meets at least twice a year. The Audit Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors, with particular regard to non-audit fees. Such non-audit fees amounted to £187,000 for the period ended 31 March 2008 and related mostly to acting as sponsor regarding the listing of the Company, as well as the provision of a review of the interim financial information and taxation services. Notwithstanding such services the Audit Committee considers Ernst & Young LLP to be independent of the Company.

The Remuneration Committee reviews the appropriateness of the Manager's continuing appointment together with the terms and conditions thereof on a regular basis.

The Nomination Committee is convened for the purpose of considering the appointment of additional Directors as and when considered appropriate. In considering appointments to the Board, the Nomination Committee takes into account the ongoing requirements of the Company and the need to have a balance of skills and experience within the Board.

During the period the performance of the Board and Committees was evaluated through a formal assessment process, led by the Chairman. The performance of the Chairman was evaluated by the other Directors under the leadership of the Senior Independent Director.

The following table sets out the number of Board and Committee meetings held during the period ended 31 March 2008 and the number of meetings attended by each Director.

	Board of Directors		Audit Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
J M Haldane	8	8	1	1	–	–	2	2
M L Ingall	8	6	1	1	–	–	2	2
H Post	8	7	1	1	–	–	2	2
K D Shand	8	6	1	1	–	–	2	1

Meetings of both the Audit Committee and the Remuneration Committee have been held following 31 March 2008

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Company maintains appropriate Directors' and Officers' liability insurance.

Going Concern

After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The Company does not have a fixed life. However, in the event that the net asset value total return performance of the Company is less than that of the FTSE All-Share Capped 5% Index over the relevant five year period, shareholders will be given the opportunity to vote on whether the Company should continue, by ordinary resolution at the Company's Annual General Meeting. The first five year period for these purposes shall terminate at the end of the Company's financial year in 2012.

Internal Control

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the guidance provided by the Turnbull Committee. The process is based principally on the Manager's existing risk-based approach to internal control whereby a test matrix is created that identifies the key functions carried out by the Manager and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The Board is provided with reports highlighting all material changes to the risk ratings and confirming the action, which has been, or is being, taken. A formal annual review of these procedures is carried out by the Audit Committee and includes consideration of internal control reports issued by the Manager and other service providers.

Such review procedures have been in place throughout the full financial period and up to the date of approval of the accounts and the Board is satisfied with their effectiveness. These procedures are designed to manage, rather than eliminate, risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board monitors the investment performance of the Company in comparison to its objective at each Board meeting. The Board also reviews the Company's activities since the last Board meeting to ensure that the Manager adheres to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to such policy and guidelines.

The Board has reviewed the need for an internal audit function. The Board has decided that the systems and procedures employed by the Manager, which are reported on by a firm of external auditors, together with the Manager's internal audit function, provide sufficient assurance that a sound system of internal control, which safeguards shareholders'

Report of the Directors (continued)

investment and the Company's assets, is maintained. In addition, the Company's financial statements are audited by external auditors. An internal audit function, specific to the Company, is therefore considered unnecessary.

Environment

The Company seeks to conduct its affairs responsibly and environmental factors are, where appropriate, taken into consideration with regard to investment decisions taken on behalf of the Company. The Company's Manager considers socially responsible investment and actively engages with investee companies.

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. The Manager holds meetings with the Company's largest shareholders and reports back to the Board on these meetings. The Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager of the Company. The Manager will give a short presentation on the Company at the Annual General Meeting.

Creditor Payment Policy

The Company's payment policy is to settle investment transactions in accordance with market practice and to ensure settlement of supplier invoices in accordance with stated terms. The Company did not have any trade creditors at the period end.

Auditors

The Directors appointed Ernst & Young LLP as auditors of the Company and a resolution confirming their re-appointment will be submitted at the forthcoming Annual General Meeting.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank debt, interest rate swap, foreign exchange currency contracts, debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in the notes to the accounts.

Recommendation

The Directors consider that the passing of the resolutions to be proposed at the Annual General Meeting and at the Separate Class Meetings are in the best interests of the Company and its shareholders as a whole and they unanimously recommend that all shareholders vote in favour of those resolutions. Information on shareholder voting rights is set out in the Notes to the Meetings.

Directors' Authority to Buy Back Shares

During the period to 31 March 2008 the Company purchased for treasury 7,671,296 A shares for a total consideration of £7,244,000, representing 7.4 per cent of the A shares in issue at Admission. 1,510,000 A shares were resold during the period from treasury, raising net proceeds of £1,372,000.

During the period to 31 March 2008, the Company purchased for treasury 3,238,432 B shares and for cancellation 828,000 B shares, for a total consideration of £3,790,000, representing 11.7 per cent of the B shares in issue at Admission.

The current authority of the Company to make market purchases of up to 14.99 per cent of each of the issued A shares and the B shares expires at the end of the Annual General Meeting and Resolution 10, as set out in the notice of the Annual General Meeting, seeks renewal of that authority. The renewed authority to make market purchases will be in respect of a maximum of 14.99 per cent of each of the issued A shares and issued B shares of the Company on the date of the passing of the resolution. The price paid for shares will not be less than the nominal value of 0.1p per share nor more than 5 per cent above the average of the middle market values of those shares for the five business days before the shares are purchased. This power will only be exercised if, in the opinion of the Directors, a purchase will result in an increase in net asset value per share and is in the interests of the shareholders. Any shares purchased under this authority will either be held in treasury or cancelled. This authority will expire on the later of 25 December 2009 and the conclusion of the next Annual General Meeting of the Company.

Since the period end the Company has purchased for treasury 300,000 A shares and for cancellation

100,000 B shares and there were 128,204,847 A shares and B shares in issue as at 8 May 2008; of which 76.2 per cent represents A shares and 23.8 per cent represents B shares. At that date, the Company held 6.2 per cent of the total A share capital in treasury and 9.6 per cent of the total B share capital in treasury.

Directors' Authority to Allot Shares

The Directors are seeking authority to allot A and B shares. Resolution 8 will, if passed, authorise the Directors to allot new A shares up to an aggregate nominal amount of £4,883 and new B shares up to an aggregate nominal amount of £1,527, being 5 per cent of the total issued A/B shares (excluding treasury shares) as at 8 May 2008. Resolution 9 will, if passed, authorise the Directors to allot new A shares up to an aggregate nominal amount of £4,883 and new B shares up to an aggregate nominal amount of £1,527, being 5 per cent of the total issued A/B shares (excluding treasury shares) as at 8 May 2008, for cash without first offering such shares to existing shareholders pro rata to their existing holdings. These authorities will continue until the conclusion of the Annual General Meeting in 2009. The Directors will only allot new shares pursuant to these authorities if they believe it is advantageous to the Company's shareholders to do so and will not result in a dilution of net asset value per share. The Directors consider that the authorisations proposed in resolutions 8 and 9 are necessary to retain flexibility, although they do not intend to exercise the powers conferred by these authorisations at the present time.

Amendment to the Articles of Association

Over the past year, and since incorporation of the Company at the beginning of 2007, company law in the United Kingdom has undergone major reform through the coming into force of parts of the Companies Act 2006 (the '2006 Act'). Accordingly, the Board considers it prudent to replace the Company's existing Articles of Association with new Articles which take account of these developments (the 'New Articles').

The 2006 Act is being brought into force in stages, beginning in January 2007, with full implementation scheduled by October 2009. At this year's Annual General Meeting, the Company proposes to adopt provisions which reflect changes in the law brought about by the 2006 Act in respect of, amongst other things, electronic communications, notice periods for meetings, proxy voting and directors' conflicts of interest.

A copy of the New Articles will be available for inspection at Exchange House, Primrose Street, London and the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting and on the date of the Annual General Meeting at 80 George Street, Edinburgh from 12.15 pm until the conclusion of the Separate Class Meetings. Separate Class Meetings of A and B shareholders are being convened to consent to and sanction the passing of the resolution contained in the Notice of the Annual General Meeting to adopt the New Articles.

A summary of the material changes proposed to be brought about by the adoption of the New Articles is set out in the Appendix to the Notice of Annual General Meeting. References to Article numbers are references to a particular Article in the New Articles.

Statement of Disclosure of Information to Auditors

As far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Individual Savings Accounts and Personal Equity Plans (PEPs)

The Company's shares are qualifying investments for Individual Savings Accounts (including former PEPs). It is the current intention of the Directors that the Company will continue to conduct its affairs to satisfy this requirement.

By order of the Board

For F&C Investment Business Limited

Company Secretary

80 George Street

Edinburgh EH2 3BU

8 May 2008

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of the Companies Act. An ordinary resolution for the approval of this report will be put to members at the forthcoming Annual General Meeting.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in the 'Independent Auditors' Report'.

Directors' Fees and Remuneration Committee

The Board consists solely of independent non-executive Directors and considers at least annually the level of the Board's fees, in accordance with the Combined Code on Corporate Governance. The Company Secretary provides information on comparative levels of Directors' fees to the Board in advance of each review. The Board concluded following the review of the level of Directors' fees for the forthcoming year that the amounts paid to Directors should increase by £1,000 for the Chairman and £750 for other Directors.

The Remuneration Committee is H Post, J M Haldane, M L Ingall and K D Shand. As the Company has no Executive Directors, the Remuneration Committee meets, at least annually, to review the remuneration and terms of appointment of the Investment Manager.

Policy on Directors' Fees

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other relevant investment trusts that are similar in size and have similar investment objectives and structures. Furthermore the level of remuneration should be sufficient to attract and retain the Directors needed to oversee properly the Company and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The present limit is £150,000 per annum in total and the approval of shareholders in a general meeting would be required to change this limit. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors' Service Contracts

It is the Board's policy that Directors do not have service contracts, but new Directors are provided with a letter of appointment.

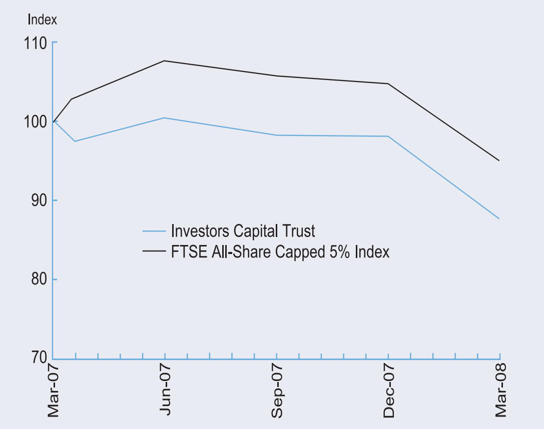
Director	Date of Original Appointment	Due date for Re-election
J M Haldane	17/01/2007	AGM 2008
M L Ingall	17/01/2007	AGM 2008
H Post	17/01/2007	AGM 2008
K D Shand	17/01/2007	AGM 2008

The terms of Directors' appointments provide that Directors should retire and be subject to re-election at the first Annual General Meeting after their appointment and Directors are thereafter obliged to retire by rotation, and to offer themselves for re-election by shareholders at least every three years after that. These requirements for retiral of Directors are also contained in the Company's Articles of Association. Directors having served on the Board for more than nine years will retire annually. There is no notice period and no provision for compensation upon early termination of appointment.

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Manager through the investment management agreement, as referred to in the 'Report of the Directors'. The graph below compares for the period from launch until 31 March 2008, the share price total return (assuming all dividends are reinvested) to A and B shareholders compared to the total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the FTSE All-Share Capped 5% Index is calculated. This index was chosen for comparison purposes, as it represents a comparable broad equity market index; however it should be noted that around 20 per cent of the Company's assets are in higher yielding securities. An explanation of the performance of the Company is given in the Chairman's Statement and Manager's Review.

Share Price Total Return and the FTSE All-Share Capped 5% Index Performance Graph



Directors' Emoluments for the Period (audited)

The Directors who served in the period from 17 January 2007 to 31 March 2008 received the following emoluments in the form of fees:

	2008 £
J M Haldane (Chairman)	29,000
M L Ingall	19,000
H Post	19,000
K D Shand	19,000
Total	86,000

On behalf of the Board

J Martin Haldane

Director

8 May 2008

Consolidated Income Statement

for the period from incorporation on 15 January 2007 to 31 March 2008*

	Notes	Revenue 2008 £'000	Capital 2008 £'000	Total 2008 £'000
Capital losses on investments				
Losses on investments held at fair value through profit or loss	11	–	(8,727)	(8,727)
Exchange differences	21	–	(734)	(734)
Revenue				
Investment income	2	8,314	554	8,868
Total income		8,314	(8,907)	(593)
Expenditure				
Investment management fee	4	(314)	(734)	(1,048)
Other expenses	5	(418)	–	(418)
Total expenditure		(732)	(734)	(1,466)
Profit/(loss) before finance costs and tax		7,582	(9,641)	(2,059)
Net finance costs				
Interest on bank loan and interest rate swap	7	(642)	(1,497)	(2,139)
		(642)	(1,497)	(2,139)
Profit/(loss) before tax		6,940	(11,138)	(4,198)
Tax	8	(685)	670	(15)
Profit/(loss) for the period attributable to equity shareholders		6,255	(10,468)	(4,213)
Earnings per share	10	4.68p	(7.83p)	(3.15p)

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies.

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

*The Company was incorporated on 15 January 2007 and commenced business on 1 March 2007. No operations were acquired or discontinued in the period.

The accompanying notes are an integral part of these financial statements.

Balance Sheets

as at 31 March 2008

		2008	
		Company	Group
	Notes	£'000	£'000
Non-current assets			
Investments held at fair value through profit or loss	11	119,618	119,368
Current assets			
Other receivables	13	3,207	3,207
Cash and cash equivalents	14	29,623	29,623
		32,830	32,830
Total assets		152,448	152,198
Current liabilities			
Other payables	15	(2,980)	(2,730)
Non-current liabilities			
Bank loan	16	(33,469)	(33,469)
Interest rate swap	16	(744)	(744)
		(34,213)	(34,213)
Total liabilities		(37,193)	(36,943)
Net assets		115,255	115,255
Share capital	17	138	138
Share premium	18	22	22
Capital redemption reserve		1	1
Buy back reserve		91,306	91,306
Special capital reserve		32,809	32,809
Capital reserve – realised		220	220
Capital reserve – unrealised		(11,504)	(11,504)
Revenue reserve		2,263	2,263
Equity shareholders' funds		115,255	115,255
Net asset value per A share	19	89.62p	89.62p
Net asset value per B share	19	89.62p	89.62p

Approved by the Board and authorised for issue on 8 May 2008 and signed on its behalf by:

J Martin Haldane, Director

The accompanying notes are an integral part of these financial statements.

Consolidated Cash Flow Statement

for the period from incorporation on 15 January 2007 to 31 March 2008*	2008 £'000
Cash flows from operating activities	
Loss before finance costs and tax	(2,059)
Adjustments for:	
Losses on investments held at fair value	8,727
Exchange differences	734
Increase in receivables	(1,567)
Increase in payables	187
Purchases of investments	(208,086)
Sales of investments	80,709
Net cash outflow from operating activities	(121,355)
Cash flows from financing activities	
Bank loan drawn down	33,461
Dividends paid on A shares	(3,992)
Capital returns paid on B shares	(1,304)
Interest on bank loan and interest rate swap	(2,131)
Issue of new shares	135,225
Issue of shares from treasury	1,372
Shares purchased for cancellation	(738)
Shares purchased for treasury	(10,351)
Net cash inflow from financing activities	151,542
Net increase in cash and cash equivalents	30,187
Currency losses	(564)
Opening cash and cash equivalents	–
Closing cash and cash equivalents	29,623

*The Company was incorporated on 15 January 2007 and commenced business on 1 March 2007.

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the period from incorporation on 15 January 2007 to 31 March 2008*

	Notes	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Buy back Reserve £'000	Special Capital Reserve £'000	Capital Reserve – Realised £'000	Capital Reserve – Unrealised £'000	Revenue Reserve £'000	Total £'000
Shares issued, net of costs	17	139	135,086	–	1,444	–	(72)	–	–	136,597
Gain/(loss) for the period		–	–	–	–	–	292	(10,760)	6,255	(4,213)
Dividends paid on A shares	9	–	–	–	–	–	–	–	(3,992)	(3,992)
Capital returns paid on B shares	9	–	–	–	–	(1,304)	–	–	–	(1,304)
Shares bought back (including costs)	17	(1)	–	1	(11,089)	–	–	–	–	(11,089)
Court conversion	18	–	(135,064)	–	100,951	34,113	–	–	–	–
Unrealised loss on revaluation of interest rate swap	16	–	–	–	–	–	–	(744)	–	(744)
At 31 March 2008		**138**	**22**	**1**	**91,306**	**32,809**	**220**	**(11,504)**	**2,263**	**115,255**

*The Company was incorporated on 15 January 2007 and commenced business on 1 March 2007.

The accompanying notes are an integral part of these financial statements.

Notes to the Accounts

1. Accounting policies

A summary of the principal accounting policies is set out below.

Basis of Accounting

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (''IFRS''), which comprise standards and interpretations approved by the International Accounting Standards Board (''IASB''), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee (''IASC'') that remain in effect, and to the extent that they have been adopted by the European Union.

Where presentational guidance set out in the Statement of Recommended Practice (''SORP'') for investment trusts issued by the Association of Investment Companies (''AIC'') in December 2005 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The notes and financial statements are presented in pounds sterling (functional and presentational currency) and are rounded to the nearest thousand except where otherwise indicated.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the period. The nature of the estimation means that actual outcomes could differ from those estimates.

Group accounts

The Group Accounts consolidate the accounts of the Company and its wholly-owned subsidiary, Investors Securities Company Limited. The Company has taken advantage of the exemption permitted by Section 230(4) of the Companies Act 1985 not to present its own income statement.

Subsidiaries are consolidated from the date of acquisition, being the date from which control is transferred to the Group, and cease to be consolidated from the date on which control is transferred out of the Group.

Presentation of income statement

In order to reflect better the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. In accordance with the Company's status as a UK investment company under section 833 of the Companies Act 2006, net capital profits may not be distributed by way of dividend. Additionally, the net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 842 Income and Corporation Taxes Act 1988.

Investments

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

Investments are classified as fair value through profit or loss. As the entity's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, listed equities and fixed income securities are designated as fair value through profit or loss on initial recognition.

Financial assets designated as at fair value through profit or loss are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Unlisted investments are valued at fair value by the Directors on the basis of all information available to them at the time of valuation.

Where securities are designated upon initial recognition as fair value through profit or loss, gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item.

1. Accounting policies (continued)

Current assets – investments

Listed investments held by Investors Securities Company Limited, the Company's dealing subsidiary, are valued at fair value through profit or loss. Gains and losses on the disposal of investments realised by the dealing subsidiary together with unrealised losses are applied to the revenue of the Group in the period in which they arise. Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned.

Other receivables

Other receivables do not carry any interest and are short term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash in banks and short term deposits that are held to maturity are carried at cost. Cash and cash equivalents consist of cash in hand and short term deposits in banks with an original maturity of three months or less.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. If the Group has issued compound financial instruments that contain both a liability and equity component, the Group separately recognises these components as a financial liability or equity. Financial liabilities and equity instruments are recorded at the proceeds received, net of issue costs.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the income statement. The amount in equity is released to income when the forecast transaction impacts profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. If incurred in connection with the maintenance or enhancement of the value of the Company's investment portfolio, the associated change in value is presented as a capital item in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity for cash flow hedges is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss in the period.

Derivatives embedded in other financial instruments or non-financial host contracts are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contracts and the financial instrument is not classified at fair value through profit or loss.

Other payables

Other payables are not interest bearing and are stated at their nominal value.

Notes to the Accounts (continued)

1. Accounting policies (continued)

Reserves

(a) Share premium – the surplus of net proceeds received from the issue of new shares over the par value of such shares is credited to this account. The majority of the balance of this account which arose as a result of the issue of new shares at launch was subsequently cancelled by the Court to create the Buyback reserve and Special capital reserve. Gains arising on the resale of shares from treasury will be credited to this reserve.

(b) Capital redemption reserve – the nominal value of any of the shares bought back for cancellation is added to this reserve. This reserve is non-distributable.

(c) Buyback reserve – created from the Court cancellation of the share premium account which had arisen from premiums paid on the A Shares. Available as distributable profits to be used for the buy back of Shares. The cost of any shares bought back is deducted from this reserve. The cost of any Shares resold from treasury is added back to this reserve.

(d) Special capital reserve – created from the Court cancellation of the share premium account which had arisen from premiums paid on the B Shares. Available for paying capital returns on the B Shares.

(e) Capital reserve realised – gains and losses on realisation of investments, including losses on transactions in own shares, are dealt with in this reserve together with the proportion of management fees, interest and taxation allocated to capital. This reserve also includes dividends of a capital nature.

(f) Capital reserve unrealised – increases and decreases in the valuation of investments and interest rate swaps held are accounted for in this reserve, together with unrealised exchange differences on forward foreign currency contracts.

(g) Revenue reserve – the net profit/(loss) arising in the revenue column of the Income Statement is added to or deducted from this reserve. Available for paying dividends on the A shares.

Income

Dividends are recognised as income on the date that the related investments are marked ex-dividend.

Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established.

Interest income from fixed interest securities is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Other investment income and deposit interest are included on an accruals basis.

Special dividends of a non-capital nature are recognised through the revenue column of the income statement. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, an amount equal to the cash dividend is recognised as income.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Investment trusts which have approval under Section 842 Income and Corporation Taxes Act 1988 are not liable for taxation on capital gains.

1. Accounting policies (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Expenses and interest

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue column of the income statement except where incurred in connection with the maintenance or enhancement of the value of the Company's investment portfolio taking account of the expected long term returns as follows:

- Interest payable on the bank term loan is allocated 30 per cent to revenue and 70 per cent to capital.
- Management fees have been allocated 30 per cent to revenue and 70 per cent to capital. Performance fees and, where the base management fee is chargeable at a rate higher than 0.75 per cent, that part of the base fee above 0.75 per cent, will be charged wholly to capital.

Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period 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 either the capital or revenue column of the income statement depending on whether the gain or loss is of a capital or revenue nature respectively.

Rates of exchange	31 March 2008
Euro	1.2543
Dollar	1.9875

2. Income

	2008 £'000
Income from investments	
UK dividend income	4,658
UK listed fixed interest	1,724
Overseas listed fixed interest	539
Special dividends credited to capital	554
	7,475
Other income	
Deposit interest	1,393
Total income	8,868
Total income comprises:	
Dividends (excluding those of a capital nature)	4,658
Interest on fixed interest securities	2,263
Deposit income	1,393
Income recognised through revenue	8,314
Dividends of a capital nature	554
Total income	8,868
Income from investments:	
Listed	7,475

No income in the period arose on securities sold ex-dividend within one month of purchase cum-dividend.

Notes to the Accounts (continued)

3. Business and geographical segments

The Directors are of the opinion that the Group is engaged in a single segment of business of investing in equity and higher yielding securities, issued mainly by companies operating in a single geographical segment.

4. Investment management fee

	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Investment management fee	**314**	**734**	**1,048**

The Company's investment manager is F&C Investment Business Limited. The contract between the Company and F&C Investment Business Limited may be terminated at any date by either party giving six months' notice of termination. In the event of the Company terminating the contract by giving less than six months' notice, F&C Investment Business Limited is entitled to compensation calculated as a proportion of the fees payable by the Company in respect of the previous financial year.

F&C Investment Business Limited receives an investment management fee comprising a base fee and a performance fee.

The base fee is a management fee at 0.9 per cent per annum of the net asset value of the Company payable quarterly in arrears, subject to being reduced to 0.75 per cent if the net asset value at the end of the financial year is less than £1 per share.

The performance fee will be payable every five years, and will be 15 per cent. of the amount by which the Company's net assets, adding back the capital returns paid in respect of the B Shares, outperform its benchmark, the FTSE All-Share Capped 5% Index. Payment of the performance fee is conditional on both the net assets at the end of the five year period being not less than £1 per share, and on distributions per share having been paid in each year of the five year period that are no less, unless the Board otherwise agrees, than the distributions per share paid in respect of the first year of that period. The performance fee is capped at a sum equal to the aggregate base fees paid over the relevant five year period.

The performance fee will be accrued over the five year calculation period based on the performance fee which would have been payable had the investment management agreement been terminated at the balance sheet date. Accordingly, as the NAV per share was below £1 at the balance sheet date, no performance fee was accrued at 31 March 2008. Other things being equal, had the Company's net asset value per share been in excess of £1, a performance fee accrual totalling £227,000, or 0.18p per share, would have been recognised at the balance sheet date.

Following a ruling by the European Court of Justice in June 2007 in favour of specific questions referred to it concerning UK investment trusts, a decision subsequently accepted by the UK Tax Authorities, the Company is exempt from paying VAT on its management fees. All VAT incurred by the Company prior to the ruling has been refunded in full.

5. Other expenses (including irrecoverable VAT thereon)

	2008 £'000
Directors' fees (Note 6)	**86**
Auditors' remuneration for:	
– statutory audit	**16**
– audit of initial accounts	**24**
– interim review	**2**
– taxation services (non-audit)	**10**
Other	**280**
	418

In addition to the expenses detailed above the Company's auditors received £175,000, relating to acting as sponsor regarding the listing of the Company and provision of taxation services at the Company's launch.

Total costs of £1,366,000 regarding the Company's launch were charged to the share premium account during the period.

6. Directors' fees

The emoluments of the Chairman, the highest paid Director, were at the rate of £24,000 per annum. Other Directors' emoluments amounted to £16,000 each per annum. Full details are provided in the Directors' Remuneration Report.

7. Finance costs

	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Finance costs attributable to £33.5 million term loan and interest rate swap	642	1,497	2,139

8a. Tax on ordinary activities

	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Corporation tax – current period	(685)	670	(15)

8b. Factors affecting tax charge for current period

A reconciliation of the current tax charge is set out below:

	2008 £'000
Loss before tax	(4,198)
Taxation on ordinary activities at the UK standard rate of corporation tax (30%)	1,259
Effects of:	
– Non taxable dividend income	1,398
– Capital payments on investments	166
– Non taxable capital losses	(2,838)
Current period tax charge	(15)

9. Dividends and capital returns

	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Amounts recognised as distributions to shareholders in the period ended 31 March 2008:			
First interim dividend paid at 1.325p per A share	1,349	–	1,349
First capital distribution paid at 1.325p per B share	–	450	450
Second interim dividend paid at 1.325p per A share	1,332	–	1,332
Second capital distribution paid at 1.325p per B share	–	444	444
Third interim dividend paid at 1.325p per A share	1,311	–	1,311
Third capital distribution paid at 1.325p per B share	–	410	410
	3,992	1,304	5,296
Amounts proposed but not yet paid at the period end:			
Fourth interim dividend for the period ended 31 March 2008 payable at 1.375p per A share	1,347	–	1,347
Fourth capital distribution for the period ended 31 March 2008 payable at 1.375p per B share	–	421	421
	1,347	421	1,768

Notes to the Accounts (continued)

10. Earnings per share

The Company's earnings per share are based on the loss for the period of £4,213,000 and on 100,626,875 A shares and 33,111,660 B shares, being the weighted average number of shares in issue of each share class during the period.

11. Investments held at fair value through profit or loss

	Company 2008 £'000	Group 2008 £'000
Listed securities	**119,368**	**119,368**
Subsidiary undertaking	**250**	**–**
	119,618	**119,368**

	Company			Group
	Listed/ Quoted £'000	Subsidiary/ Unlisted £'000	Total £'000	Listed/ Quoted Total £'000
Movements in the period:				
Purchases at cost	210,444	250	210,694	210,444
Sales – proceeds	(82,349)	–	(82,349)	(82,349)
– realised gains on sales	1,863	–	1,863	1,863
Increase in unrealised appreciation	(10,590)	–	(10,590)	(10,590)
Closing valuation at 31 March 2008	119,368	250	119,618	119,368
Closing book cost at 31 March 2008	129,958	250	130,208	129,958
Closing unrealised depreciation	(10,590)	–	(10,590)	(10,590)
Closing valuation at 31 March 2008	**119,368**	**250**	**119,618**	**119,368**

	Company 2008 £'000	Group 2008 £'000
Equity investments	**86,526**	**86,276**
Fixed interest – UK denominated	**22,156**	**22,156**
– Overseas denominated	**10,936**	**10,936**
	119,618	**119,368**
Net gain on realisation of investments	**1,863**	**1,863**
Movement in unrealised depreciation	**(10,590)**	**(10,590)**
Gains/(losses) on investments	**(8,727)**	**(8,727)**

The Group incurred transaction costs of £366,000 on the purchase of assets and £95,000 on the sale of assets in the period.

Net gain on realisation of investments during the period represents the difference between the net proceeds of sale and the book cost of the investments sold.

Movement in unrealised depreciation represents the decrease in the difference between the book cost of investments held and their market value at 31 March 2008.

12. Significant interests

As at 31 March 2008, the Company's subsidiary undertaking which deals in investments, is:

Name	Country of Incorporation or Registration	Class of Capital	Share Capital and Reserves £'000	Profit for the period £'000	% of Class held	% of Equity held	Valuation at 31.03.08 £'000
Investors Securities Company Limited	Scotland	Ordinary	250	–	100	100	250

At 31 March 2008, no investments were held by the dealing subsidiary.

13. Other receivables

	Company 2008 £'000	Group 2008 £'000
Due from brokers	1,640	1,640
Income receivable from shares and securities	1,516	1,516
Taxation recoverable	20	20
Sundry debtors	31	31
	3,207	3,207

14. Cash and cash equivalents

All cash balances were held in cash, current accounts or in banks on short term deposits with an original maturity of three months or less at the period end.

15. Other payables

	Company 2008 £'000	Group 2008 £'000
Due to brokers	2,358	2,358
Loan from subsidiary undertaking	250	–
Unrealised loss on foreign exchange currency contracts	170	170
Accrued expenses	139	139
Investment management fee	48	48
Tax payable	15	15
	2,980	2,730

Notes to the Accounts (continued)

16. Bank loan

	Company and Group 2008 £'000
£33.5 million term loan maturing 28 September 2012	**33,469**
Interest rate swap	**744**
	34,213

The term loan with Lloyds TSB Scotland plc carries interest at 0.375 per cent over LIBOR; this variable rate has been fixed through an interest rate swap, which matures on 28 September 2012, and results in an effective interest rate of 5.8635 per cent per annum. Interest on both the term loan and interest rate swap is payable quarterly. An administration fee of £39,000 was payable on drawdown and is being amortised over the life of the loan on an effective interest rate basis.

The term loan contains certain financial covenants with which the Company must comply. These include a financial covenant to the effect that the percentage of the total amounts drawn down under the term loan (together with any other borrowings) should not exceed 45 per cent of the Company's qualifying investments (including cash). The Company must also ensure that at all times it holds investments in not less than 30 different companies covering not less than five different industry sectors. The Company complied with the required financial covenants throughout the period.

The fair value of the interest rate swap at 31 March 2008 is estimated at a liability of £744,000. The swap is designated and effective as a cash flow hedge and the fair value thereof has been deferred in equity. An amount of £169,000 has been offset against hedged interest payments made in the period.

17. Share capital

	2008 £'000
Authorised share capital	
225,000,000 A Shares of 0.1p each	**225**
75,000,000 B Shares of 0.1p each	**75**
	300
Allotted, called up and fully paid	
104,124,440 A Shares of 0.1p each, listed at 1 March 2007	**104**
104,124,440 A Shares of 0.1p each, listed at 31 March 2008	**104**
7,671,296 A Shares of 0.1p each, repurchased during the period to be held in treasury	**(8)**
1,510,000 A Shares of 0.1p each, resold from treasury during the period	**2**
97,963,144 A Shares of 0.1p each in issue at 31 March 2008	**98**
34,708,135 B Shares of 0.1p each, listed at 1 March 2007	**35**
828,000 B Shares of 0.1p each, repurchased during the period for cancellation	**(1)**
33,880,135 B Shares of 0.1p each, listed at 31 March 2008	**34**
3,238,432 B Shares of 0.1p each, repurchased during the period to be held in treasury	**(3)**
30,641,703 B Shares of 0.1p each in issue at 31 March 2008	**31**
Total share capital, listed at 31 March 2008	**138**

17. Share capital (continued)

At incorporation, four subscriber shares (3 A Shares and 1 B Share) were subscribed for, fully paid, at a subscription price of £4. On 16 January 2007, 37,500,000 A Shares and 12,500,000 B Shares were each allotted, fully paid, at 0.1p each. The allotment of such A and B shares was cancelled and the shares subsequently reallotted under the Issue on 28 February 2007. The four subscriber shares were also cancelled.

On 28 February 2007, the Company issued 35,415,875 A Shares (excluding A Shares held within Units), 11,805,280 B Shares (excluding B Shares held within Units) and 22,902,855 Units (each comprising three A Shares and one B Share). The A and B Shares were allotted at 98.386p per Share and the Units at 393.544p per Unit. The total value of the assets acquired in relation to the allotment of these shares was investments with a market value of £131,872,000, cash of £3,661,000 and debtors of £1,058,000. The opening value of these assets at 1 March 2007 represented a net asset value of 96.26p per share.

Treasury shares

The movements in the shares held in treasury during the period were as follows:

	A Shares		B Shares	
	Number of shares	**Par value £'000**	**Number of shares**	**Par value £'000**
Opening balance	–	–	–	–
Purchased during the period	7,671,296	8	3,238,432	3
Re-sold during the period	(1,510,000)	(2)	–	–
Closing balance	**6,161,296**	**6**	**3,238,432**	**3**

During the period the Company bought back to hold in treasury 7,671,296 A Shares at a cost of £7,244,000, of which 1,510,000 A Shares were subsequently resold, receiving net proceeds of £1,372,000. The Company bought back 3,238,432 B Shares to hold in treasury at a cost of £3,052,000, and 828,000 B shares for cancellation at a cost of £738,000. At 31 March 2008 the Company held 6,161,296 A Shares and 3,238,432 B Shares in treasury.

Shareholder entitlements

The Company has two classes of shares: A Shares and B Shares. The rights of each class of shares are identical, save in respect of the right to participate in dividends and capital returns. A Shares are entitled to all dividends paid by the Company and no dividends may be paid to B Shareholders. B Shareholders are entitled to capital distributions from the Company at an amount per share equal to, but not exceeding, any dividend paid per share to A Shareholders.

The net asset value attributable to each class of share is the same. Apart from voting rights entitlements at separate class meetings, every A Share and every B Share carries equal voting rights. Upon a winding up or reconstruction of the Company, each A Share and each B Share shall have an equal right to share in the residual assets of the Company.

Notes to the Accounts (continued)

18. Share premium account and reserves	£'000
As at 15 January 2007	–
Premium on A Shares issued on 1 March 2007	102,339
Premium on B Shares issued on 1 March 2007	34,113
Costs of share issue	(1,366)
Cancelled by Court to create buy back reserve	(100,951)
Cancelled by Court to create special capital reserve	(34,113)
As at 31 March 2008	22

The Court of Session has confirmed the cancellation of the entire amount standing to the credit of the share premium account and the creation of two distinct reserves, the first reserve relating to that part of the cancelled share premium account arising from premiums paid on the A Shares (the ''buy back reserve'') and the second reserve relating to that part of the cancelled share premium account arising from premiums paid on the B Shares (the ''special capital reserve'').

The Company will apply these two reserves as follows:

- the buy back reserve will be available as distributable profits to be used for the buy back of both A and B shares; and
- the special capital reserve will be used for the purpose of paying capital returns on the B Shares.

Capital management

The Company's capital is represented by the issued share capital, share premium account, capital redemption reserve, buy back reserve, special capital reserve, capital reserve – realised, capital reserve – unrealised and revenue reserve. Details of the movement through each reserve are shown in the Statement of Changes in Equity. The Company is not subject to any externally imposed capital requirements.

The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objective, both of which are detailed in the Report of the Directors.

19. Net asset value per share

The Company's basic net asset value per share of 89.62p is based on the equity shareholders' funds of £115,255,000 and on 128,604,847 equity shares (consisting of 97,963,144 A Shares and 30,641,703 B Shares), being the number of shares in issue at the period end.

The Company's shares may also be traded as units, each unit consisting of three A Shares and one B Share. The basic net asset value per unit as at 31 March 2008 was therefore 358.48p.

The Company's treasury net asset value per share, incorporating the 6,161,296 A shares and 3,238,432 B shares held in treasury at the period end, was 89.31p. The Company's treasury net asset value per unit at the end of the period was 357.24p. The Company's policy is to only re-sell shares held in treasury at a price representing a discount of not more than 5 per cent to net asset value at the time of sale, together with other conditions. Accordingly, for the purpose of the calculation, such treasury shares are valued at the higher of net asset value less 5 per cent and the mid market share price at each period end.

20. Analysis of changes in net debt

	Cash flow £'000	Currency movements £'000	Non-cash movements £'000	**At 31 March 2008 £'000**
Cash and cash equivalents	30,187	(564)	–	**29,623**
Bank loan	(33,461)	–	(8)	**(33,469)**
	(3,274)	(564)	(8)	**(3,846)**

21. Financial instruments

The Company's financial instruments comprise equity and fixed interest investments, cash balances, receivables and payables that arise directly from its operations and borrowings which include an interest rate swap. As an investment trust the Company holds a portfolio of financial assets in pursuit of its investment objective. The Company makes use of borrowings to achieve enhanced returns. The downside risk of borrowings can be reduced by raising the level of cash balances held. At 31 March 2008, borrowings were exceeded in value by cash balances and fixed interest securities resulting in a net ungeared exposure to equities.

The Company is exposed to various types of risk that are associated with financial instruments. The most important types are credit risk, market price risk, liquidity risk, interest rate risk and foreign currency risk.

The Board reviews and agrees policies for managing its risk exposure. These policies are summarised below and have remained unchanged for the period under review.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company.

The Company's principal financial assets are bank balances and cash, other receivables and investments, which represent the Company's maximum exposure to credit risk in relation to financial assets. The Company did not have any exposure to any financial assets which were past due or impaired at the period end.

The Company is exposed to potential failure by counterparties to deliver securities for which the Company has paid, or to pay for securities which the Company has delivered. A list of pre-approved counterparties used in such transactions is maintained and regularly reviewed by the Manager, and transactions must be settled on a basis of delivery against payment. Broker counterparties are selected based on a combination of criteria, including credit rating, balance sheet strength and membership of a relevant regulatory body. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the high credit quality of the brokers used. The rate of default in the past has been insignificant.

All of the assets of the Company, other than the dealing subsidiary, are held by JPMorgan Chase Bank, the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to the securities held by the custodian to be delayed or limited. The Board monitors the Company's risk by reviewing the custodian's internal control reports as described in the Report of the Directors.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings, rated AA or higher, assigned by international credit rating agencies. Bankruptcy or insolvency of such financial institutions may cause the Company's ability to access cash placed on deposit to be delayed or limited. The Company has no significant concentration of credit risk with exposure spread over a number of counterparties.

Notes to the Accounts (continued)

21. Financial instruments (continued)

Market price risk

The fair value of equity and other financial securities held in the Company's portfolio fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. The Group's strategy for the management of market price risk is driven by the Company's investment policy as outlined within the Report of the Directors. The Board sets policies for managing this risk and meets regularly to review full, timely and relevant information on investment performance and financial results. The management of market price risk is part of the fund management process and is typical of equity and fixed interest investment. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with an objective of maximising overall returns to shareholders. Investment and portfolio performance are discussed in more detail in the Manager's Review and further information on the investment portfolio is set out in the sections of this report entitled 'Classification of Investments', 'Equities Portfolio' and 'Higher Yield Portfolio'.

Any changes in market conditions will directly affect the profit or loss reported through the Income Statement. A 10 per cent increase in the value of the Equities Portfolio as at 31 March 2008 would have increased net assets and income for the period by £8,653,000. A decrease of 10 per cent would have had an equal but opposite effect.

A 5 per cent increase in the value of the Higher Yield Portfolio as at 31 March 2008 would have increased net assets and income for the period by £1,655,000. A decrease of 5 per cent would have had an equal but opposite effect.

Liquidity risk

Liquidity risk is the risk that the Company will encounter in realising assets or otherwise raising funds to meet financial commitments. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given the liquid nature of the portfolio of investments and the level of cash and cash equivalents ordinarily held. Cash balances are held with reputable banks with a credit rating of AA or higher, usually on overnight deposit. The Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting.

In certain circumstances, the terms of the Company's bank loan entitle the lender to demand early repayment and, in such circumstances, the Company's ability to maintain dividend levels and the net asset value attributable to equity shareholders could be adversely affected. Such early repayment may be required in the event of a change of control of the Company or on the occurrence of certain events of default which are customary for facilities of this type. These include events of non payment, breach of other obligations, misrepresentations, insolvency and insolvency proceedings, illegality and a material adverse change in the financial condition of the Company.

The remaining contractual maturities of the financial liabilities at 31 March 2008, based on the earliest date on which payment can be required, were as follows:

	Three months or less £'000	More than three months but less than one year £'000	More than one year but less than two years £'000	More than two years £'000	Total £'000
Current Liabilities:					
Other payables	2,965	15	–	–	2,980
Long-term liabilities:					
Bank Loan and interest rate swap	491	1,473	1,964	38,409	42,337

Interest rate risk

Some of the Company's financial instruments are interest bearing. They are a mix of both fixed and variable rate instruments with differing maturities. As a consequence, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rate.

21. Financial instruments (continued)

Floating rate

When the Company retains cash balances the majority of the cash is held in deposit accounts. The benchmark rate which determines the interest payments received on cash balances is the bank base rate, which was 5.25 per cent at 31 March 2008.

Fixed rate

The Company holds fixed interest investments and has fixed interest liabilities.

	2008		
	£'000	Weighted average interest rate	Average duration until maturity
Fixed interest investments:			
Higher Yield Portfolio	**33,092**	**7.88%**	**3.2 years**
Fixed interest liabilities:			
£33.5 million term loan and interest rate swap	**34,213**	**5.86%**	**4.5 years**

The Company's Equities Portfolio does not contain any fixed interest or floating rate interest assets. Details of the Company's Equities Portfolio are given in Note 11 and in the section of this report entitled 'Equities Portfolio'.

The £33.5 million term loan has been classified as fixed interest as the variable rate loan has been fixed by an interest rate swap, of the same nominal value and duration as the loan.

Considering the effect on the term loan and interest rate swap, it is estimated that an increase of 100 basis points in interest rates as at the balance sheet date would have decreased their fair value by approximately £1,266,000. A decrease of 100 basis points would have increased their fair value by approximately £1,331,000.

Considering the effect on cash balances, an increase of 100 basis points in interest rates would have increased net assets and income for the period by £322,000. A decrease of 100 basis points would have had an equal but opposite effect. The calculations are based on the cash balances at the balance sheet date and are not representative of the period as a whole.

Notes to the Accounts (continued)

21. Financial instruments (continued)

Foreign currency risk

In order to achieve a diversified portfolio of higher yielding securities the Company invests partly in overseas securities which gives rise to currency risks. In the period to 31 March 2008, the Company entered into US Dollar and Euro foreign exchange currency contracts with a view to hedging these currency risks. Foreign currency exposure at 31 March 2008 was as follows:

	2008 Investments £'000	2008 Current Assets £'000	2008 Cash £'000	2008 Total £'000
US Dollar	2,532	(3)	–	2,529
Euro	8,404	(796)	–	7,608
	10,936	(799)	–	10,137

As at 31 March 2008 the foreign exchange currency contracts not yet realised were as follows:

	2008 Hedged amount £'000	2008 Unrealised loss £'000
US Dollars for Sterling	2,541	(4)
Euro for Sterling	7,595	(166)
	10,136	(170)

Total losses in the period from foreign exchange currency contracts and balances held in cash were £734,000. All foreign exchange currency contracts in place at 31 March 2008 are due to expire during the following year.

Given the policy to hedge currency risk by entering into forward foreign exchange currency contracts, the Board views the weakening or strengthening of Sterling against either the US Dollar or Euro as having a minimal impact on either income for the period or net asset value as at 31 March 2008.

Directors' Responsibility Statement and Independent Auditors' Report

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The Directors are required to prepare Group financial statements for each financial period which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those Group financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: *Accounting Policies* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of Investors Capital Trust plc

We have audited the group and parent company financial statements (the 'financial statements') of Investors Capital Trust plc for the period ended 31 March 2008 which comprise the Consolidated Income Statement, the Group and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Directors' Responsibility Statement.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial information, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if

Directors' Responsibility Statement and Independent Auditors' Report

we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions are not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Company Summary, Financial Highlights for the Period, Performance Summary, Chairman's Statement, Investment Managers and Investment Process, Manager's Review, Classification of Investments, Equities Portfolio, Higher Yield Portfolio, Capital Structure, Board of Directors, Report of the Directors, the unaudited part of the Directors' Remuneration Report, Directors' Responsibility Statement, Shareholder Information, How to Invest, Notice of Annual General Meeting, Appendix to the Notice of Annual General Meeting, Notice of Separate Class Meeting of the holders of A shares, Notice of Separate Class Meeting of the holders of B shares and Corporate Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of its loss for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2008;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Edinburgh
8 May 2008

Shareholder Information

Dividends

Dividends on A shares and capital distributions on B shares are paid quarterly in August, November, February and May each year. Shareholders who wish to have distributions paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandates may be obtained from Equiniti Limited (see Corporate Information page for contact details) on request. The Company operates the BACS system for the payment of distributions. Where distributions are paid directly into shareholders' bank accounts, dividend and capital distribution tax vouchers are sent directly to shareholders' registered addresses.

Reinvestment of Returns

The Company has established a distribution reinvestment scheme to enable B shareholders to reinvest their capital distributions in further B shares. B shares acquired through the distribution reinvestment scheme will be acquired through the secondary market and will be subject to stamp duty at 0.5 per cent of the acquisition price.

The B Shares Capital Return Reinvestment Plan scheme document and an application form can be obtained from Equiniti Limited (see Corporate Information page for contact details).

If you hold B shares through one of the F&C savings plans, you can elect to have the quarterly distributions automatically reinvested to buy further shares; contact F&C for further information.

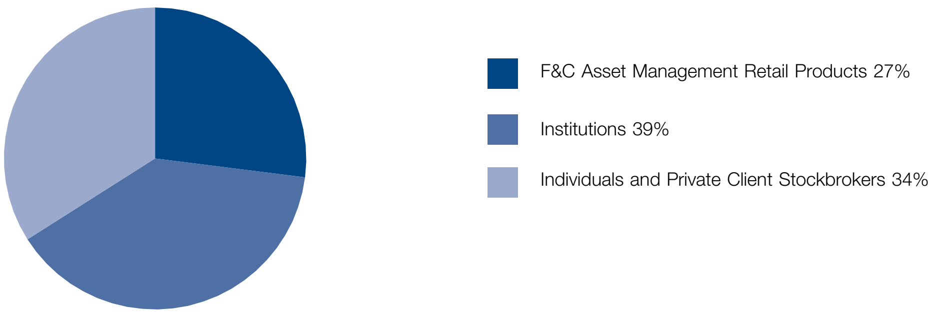
Share Prices and Daily Net Asset Value

The Company's securities are listed on the London Stock Exchange under 'Investment Trusts'. Prices are given daily in the *Financial Times* and other newspapers. The net asset value of the Company's shares can be obtained by contacting F&C Asset Management Investment Services on 0845 600 3030.

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to Equiniti Limited, under the signature of the registered holder

Profile of the Company's Ownership
% of Shares held at 31 March 2008



Shareholder Information (continued)

Financial Calendar 2008/09

25 June 2008	Annual General Meeting
August 2008	Interim Management Statement for quarter to 30 June 2008
8 August 2008	First quarter's distribution paid (XD Date 9 July 2008)
7 November 2008	Second quarter's distribution paid (XD Date 1 October 2008)
November 2008	Announcement of Interim Results
6 February 2009	Third quarter's distribution paid (XD Date 7 January 2009)
February 2009	Interim Management Statement for quarter to 31 December 2008
8 May 2009	Fourth quarter's distribution paid (XD Date 1 April 2009)
May 2009	Announcement of Annual Results
May 2009	Posting of Annual Report
June 2009	Annual General Meeting

Capital Gains Tax

The information below is to assist shareholders of the Company and the predecessor Company with capital gains tax.

The undernoted values as at 31 March 1982 are to assist shareholders and debenture stockholders, with regard to capital gains tax.

Ordinary Shares	25⅞p
4% Debenture Stock	23¼p
3.675% Preference Stock	34½p
7¼% Debenture Stock	55¼p

The undernoted amounts are to assist shareholders and warrantholders with regard to capital gains tax, following the capital reorganisation in December 1994:

	First day of dealing value	Apportion-ment factor
Growth Shares	84¼p	0.6844
Income Annuity Shares	36¼p	0.2912
Warrants	15p	0.0244

The income annuity shares are not considered to be wasting assets for capital gains tax purposes.
The undernoted amounts are to assist shareholders and warrantholders with regard to capital gains tax, following the capital reorganisation in June 2001:

	First day of dealing value	Apportion-ment factor
Zero Dividend Preference Shares	35¾p	0.3488
Income Shares	53¾p	0.5244
Capital Shares	13p	0.1268

In respect of **reo**® UK Tracker Fund shares received, their base cost will represent the remaining base cost after the apportionment, if any, of the base cost to the other share classes.

The undernoted amounts are to assist shareholders with regard to capital gains tax, following the capital reorganisation in February 2007:

	First day of dealing value
A Shares	95.875p
B Shares	95.875p

A Unit comprises of three A shares and one B share and capital gains tax calculations should be based on the separate A and B shareholdings. For a Unit holding, the base costs should be apportioned between the A shares and the B shares in the factors 0.75 and 0.25 respectively.

How to Invest

As well as investing in Investors Capital Trust plc directly through a stockbroker, you can enjoy some additional benefits by investing through one of the savings plans run by F&C Management Limited.

You can enjoy the convenience of making regular savings by Direct Debit, take advantage of our tax-efficient ISA wrappers, receive a simple statement every six months and let us automatically reinvest your dividends for you.

- **F&C Private Investor Plan**
  A flexible, low cost way to invest with a lump sum from £500 or regular savings from £50 a month.

- **F&C Investment Trust ISA**
  Invest up to £7,200 tax efficiently each year with a lump sum from £500 or regular savings from £50 a month. You can also transfer any existing ISAs (including former PEPs).

- **F&C Child Trust Fund ('CTF')**
  F&C is a leading provider of children's investment plans and is one of the few providers to offer an investment trust based CTF. Suitable for children born after 1 September 2002.

- **F&C Children's Investment Plan**
  Suitable for older children ineligible for a CTF, or if you need access to the funds before the child is 18. This flexible plan can easily be written under trust to help reduce inheritance tax liability. Investments can be made from a £250 lump sum or £25 a month.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and you may not receive back the full amount originally invested. Tax rates and reliefs depend on the circumstances of the original investor.

Low charges

All the plans are low cost and flexible. When you buy or sell shares in these plans the dealing fee is only 0.2%. Government stamp duty of 0.5% also applies on purchases. There are no initial or exit charges. The only annual management fee is on the ISA, which is £60+VAT (no matter how many tax years' ISAs you take out with F&C, or how many ISAs you transfer).

The F&C Child Trust Fund has no initial charges, dealing charges or annual management fee.

How to invest

For more information on any of these products, please contact F&C's Investor Services Team:

Call us on **0800 136 420**

email at **info@fandc.com**

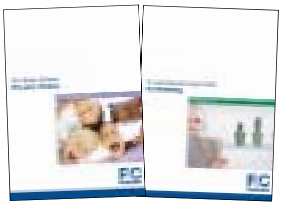
invest online at **www.fandc.co.uk**

Existing plan holders' enquiry line
0845 600 3030

Or write to:

F&C
Freepost RLRY-LYSR-KYBU
Clandeboye Business Park
West Circular Road
Bangor BT19 1AR

Calls may be recorded.



The information on this page has been approved by F&C Management Limited which is a member of the F&C Asset Management Group and is authorised and regulated by the Financial Services Authority ('FSA').

Notice of Annual General Meeting

Notice is hereby given that the First Annual General Meeting of Investors Capital Trust Public Limited Company will be held at 80 George Street, Edinburgh, on 25 June 2008 at 12.30 pm for the following purposes. To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 8 will be proposed as Ordinary Resolutions and Resolutions 9 to 11 as Special Resolutions:

Ordinary Resolutions

1. That the Report and Accounts for the period to 31 March 2008 be received.
2. To approve the Directors' Remuneration Report for the period to 31 March 2008.
3. That Mr J M Haldane be re-appointed as a Director.
4. That Mr M L Ingall be re-appointed as a Director.
5. That Mr H Post be re-appointed as a Director.
6. That Mr K D Shand be re-appointed as a Director.
7. That Ernst & Young LLP be re-appointed as Auditors and the Directors be authorised to determine their remuneration.
8. That the Directors be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 (as amended) (the ''Act'') to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal amount of £4,883 in respect of A shares and £1,527 in respect of B shares in substitution for any existing authority under Section 80 of the Act but without prejudice to any exercise of any such authority prior to the date of the passing of this resolution, such authority to expire on the date of the next Annual General Meeting of the Company after the passing of this resolution but so that such authority shall allow the Company to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

Special Resolutions

9. That, subject to the passing of Resolution 8 proposed at the Annual General Meeting of the Company convened for 25 June 2008 (''Resolution 8'') and in substitution for any existing power under Section 95 of the Companies Act 1985 (as amended) (the ''Act'') (but without prejudice to the exercise of any such power prior to the passing of this resolution), the Directors be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) to Section 94(3A) of the Act) wholly for cash by selling equity securities held by the Company as treasury shares or pursuant to the authority under Section 80 of the Act conferred on the Directors by Resolution 8 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

   (a) in connection with an offer of such securities by way of rights to the holders of equity securities in proportion (as nearly as may be practicable) to their respective holdings of such securities, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements or any legal or practical problems arising under the laws of any territory or the requirements of any regulatory or governmental body or authority or stock exchange; and

   (b) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £4,883 in respect of A shares and £1,527 in respect of B shares, and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2009 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution the words ''pursuant to the authority under Section 80 of the Act conferred on the Directors by Resolution 8'' were omitted.

10. That, in substitution for any existing authority under Section 166 of the Companies Act 1985 (as amended) (the ''Act'') (but without prejudice to the exercise of any such authority prior to the passing of this resolution), the Company be and is hereby generally and unconditionally authorised pursuant to and for the purposes of Section 166 of the Act to make one or more market purchases (within the meaning of Section 163(3) of the Act) of fully paid shares of 0.1p each in the share capital of the Company (''A and/or B Shares''), provided that:

    (a) the maximum aggregate number of A and B Shares hereby authorised to be purchased shall be 14.99 per cent of the issued A Shares and 14.99 per cent of the issued B Shares (excluding A and B Shares held in treasury) immediately prior to the passing of this resolution;

    (b) the minimum price which may be paid for an A or B Shares shall be 0.1p (exclusive of expenses);

    (c) the maximum price (exclusive of expenses) which may be paid for an A or B Share shall be an amount equal to 105 per cent of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for an A or B Share for the five business days immediately preceding the date of purchase; and

    (d) unless previously varied, revoked or renewed by the Company in general meeting, the authority hereby conferred shall expire on the earlier of (i) the conclusion of the next Annual General Meeting of the Company to be held in 2009 or (ii) 25 December 2009, save that the Company may, prior to such expiry, enter into contracts or arrangements to purchase A and/or B Shares under such authority which will or may be completed or executed wholly or partly after the expiration of such authority and may make purchases of A and/or B Shares pursuant to any such contracts or arrangements as if the authority conferred hereby had not expired.

11. Subject to the passing of the class consents at the separate class meetings of the A shareholders and the B shareholders of the Company to be held after the close of this meeting, the draft regulations produced to the meeting and, for the purposes of identification, initialled by the Chairman of the meeting be adopted as the articles of association of the Company in substitution for, and to the entire exclusion of, the existing articles of association of the Company.

By order of the Board
For F&C Investment Business Limited
Company Secretary
80 George Street
Edinburgh EH2 3BU

8 May 2008

Notice of Annual General Meeting (continued)

Notes

1. A member entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed they must not be appointed in respect of the same shares. To be effective, the duly executed enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the address shown on the proxy form not later than 48 hours before the time of the meeting or, in the case of an adjourned meeting, no later than 48 hours before the holding of that adjourned meeting (or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, no later than 24 hours before the time appointed for the taking of the poll). In the calculation of these time periods, no account is taken of any part of a day that is not a working day. The appointment of a proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder. Any power of attorney or any other authority under which this proxy is signed (or a duly certified copy of such power or authority) must be included with the proxy form. On a poll each A shareholder is entitled to one vote per A share held and each B shareholder is entitled to one vote per B share held.

2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting 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(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

3. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a ''CREST Proxy Instruction'') must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent (ID 7RA01) by the latest time for receipt of proxy appointments specified in Note 1 above. 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) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

4. 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.

5. A person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a ''Nominated Person'') may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.

   The statements of the rights of members in relation to the appointment of proxies in Notes 1 and 2 above do not apply to a Nominated Person. The rights described in those Notes can only be exercised by registered members of the Company.

6. In order to facilitate voting by corporate representatives at the Annual General Meeting, arrangements will be put in place at the meeting so that: (i) if a corporate Shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that corporate Shareholder present at the meeting then, on a poll, those corporate representatives will give voting directions to the Chairman of the meeting and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate Shareholder attends the meeting but the corporate Shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated from those corporate representatives in attendance on behalf of the corporate Shareholder who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate Shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – *www.icsa.org.uk* – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in sub-paragraph (i) of this Note.

7. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those holders of Shares entered on the Register of Members of the Company as at 6.00 p.m. on 23 June 2008 or, in the event that the meeting is adjourned, on the Register of Members as at 6.00 pm on the day two days prior to any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of Shares registered in their names at that time. Changes to the entries on the Register of Members after 6.00 p.m. on 23 June 2008 or, in the event that the meeting is adjourned, in the Register of Members as at 6.00 pm on the day two days prior to any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.

8. As at 8 May 2008 (being the last business day prior to the publication of this notice) the Company's issued share capital amounted to 104,124,440 A shares of which 6,461,296 are held in Treasury carrying one vote each and 33,780,135 B shares of which 3,238,432 are held in Treasury carrying one vote each. Therefore the total voting rights in the Company as at 8 May 2008 were 128,204,847 votes. Any person holding 3 per cent of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

9. The existing Articles of Association will be available for inspection at the Annual General Meeting.

10. The following document will be available for inspection at Exchange House, Primrose Street, London and the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting and on the date of the Annual General Meeting at the Annual General Meeting at least 15 minutes before it starts until the conclusion of the meeting:

    (a) a copy of the Articles of Association of the Company proposed to be adopted pursuant to resolution 11.

11. No Director has a contract of service with the Company. The Directors' letters of appointment will be available for inspection 15 minutes prior to, and during the Annual General Meeting.

Appendix to the Notice of Annual General Meeting

Summary of the proposed material changes to the Articles of Association of the Company

The principal changes which would arise from the adoption of the New Articles are set out below. References to Article numbers are references to a particular Article in the New Articles.

Electronic and web communications

The current Articles already allow communications to members in electronic form and permit the Company to take advantage of the provisions relating to website communications. The New Articles continue to do so and contain a number of provisions designed to maximise the Company's ability to use electronic systems for communication with shareholders.

Various provisions are included in the New Articles to allow the Company to communicate with shareholders via electronic means and to give the directors the discretion to use electronic communications to distribute notices of meetings, annual reports, accounts and summary financial statements.

Form of resolutions and convening meetings

The existing Articles contain provisions referring to ''extraordinary'' resolutions and ''extraordinary'' general meetings. These concepts have been abolished under the 2006 Act with effect from 1 October 2007. Meetings of shareholders other than annual general meetings are referred to simply as general meetings. Any resolution requiring a 75 per cent. majority will be a ''special'' resolution.

The current Articles enable members to act by written resolution. Under the 2006 Act, with effect from 1 October 2007, public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

The provisions of the existing Articles dealing with the convening of general meetings and annual general meetings and the length of notice required to convene such meetings are amended in the New Articles to conform to the new provisions of the 2006 Act. In particular, general meetings to consider special resolutions can now be convened on 14 clear days' notice whereas previously 21 clear days' notice was required. The annual general meeting of the Company still requires 21 clear days' notice.

Quorum

The existing Articles provide that two members present in person or by proxy and entitled to vote forms the quorum. Under the 2006 Act the quorum for a meeting can be two ''qualifying persons'' which includes corporate representatives. The New Articles adopt these new provisions and corporate representatives can now be counted to form the quorum of a meeting of the Company.

Proxies

Under the 2006 Act, proxies are entitled to vote on a show of hands, whereas under the existing Articles proxies are only entitled to vote on a poll. The time limits for the appointment of proxies have also been altered by the 2006 Act so weekends and bank holidays can be excluded for the purposes of the timing for delivery of proxies. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to different shares held by the shareholder. The New Articles reflect these changes.

Corporate representatives

The 2006 Act permits a corporate shareholder to appoint multiple corporate representatives who can attend, speak, vote and count towards a quorum at any general meeting. However, where multiple corporate representatives exercise votes in different ways, the 2006 Act provides that no votes have been exercised. The New Articles reflect the provisions in the 2006 Act.

Conflicts of interest

The New Articles shall, at Article 108A, retain the provisions of the existing Articles in relation to directors' conflicts of interest up to October 2008. However, with effect from the coming into force of sections 175 to 177 and 182 to 185 of the 2006 Act, these provisions will cease to apply and will be replaced by Article 108B to reflect the new provisions of the 2006 Act in relation to directors'

Appendix to the Notice of Annual General Meeting (continued)

conflicts of interests which are expected to come into force on 1 October 2008.

The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, insofar as the articles of association contain a provision to this effect. The 2006 Act also allows articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

There are safeguards in the New Articles which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and second, in taking the decision, the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles contain provisions relating to confidential information, attendance at board meetings and the availability of board papers to protect a director being in breach of duty if a conflict of interest or a potential conflict of interest arises.

It is proposed that the New Articles will, with effect from 1 October 2008, contain provisions, in Article 108B, giving the directors authority to approve situations involving directors' conflicts of interest and to allow conflicts of interest to be dealt with by the Board.

Register of members

The current Articles provide that the register of members shall not be closed for more than 30 days in any year. The 2006 Act repeals the provisions of the 1985 Act which allow a company to close the register of members with the result that the register must be open for inspection at all times. The New Articles reflect this provision.

Records to be kept

The provision in the existing Articles requiring the Board to keep accounting records is to be removed as this requirement is contained in the 2006 Act.

Distribution of assets otherwise than in cash

The current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that a provision about the powers of liquidators is really a matter for insolvency law rather than the articles of a company and that the Insolvency Act 1986 confers powers on the liquidator which enables it to do what is envisaged by the existing Articles.

Special Capital Reserve

The provisions in the current Articles relating to circumstances where the special capital reserve of the Company is not created by 30 September 2007 have been removed in the New Articles (it was created by 30 September 2007) and the provisions in the current Articles relating to the initial period (now past) have been removed in the New Articles.

Articles that duplicate statutory provisions

Certain other provisions in the current Articles which replicate provisions contained in companies legislation are amended to bring them into line with the 2006 Act.

Notice of Separate Class Meeting of the holders of A Shares

Notice is hereby given that a Separate Class Meeting of the holders of the A Shares in the capital of Investors Capital Trust plc will be held at 80 George Street, Edinburgh, on 25 June 2008 at 12.40 pm (or as soon thereafter as the Annual General Meeting convened for 12.30 pm on the same date and at the same place has concluded or been adjourned) to consider and, if thought fit, pass the following resolution as an extraordinary resolution:

Extraordinary Resolution

To consent to and sanction the passing of the special resolution, as set out in the notice of the annual general meeting (resolution 11) convened for 12.30 pm on 25 June 2008, adopting new articles of association.

By order of the Board
For F&C Investment Business Limited
Company Secretary
80 George Street
Edinburgh EH2 3BU

8 May 2008

Notes

1. An A shareholder entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed they must not be appointed in respect of the same shares. To be effective, the duly executed enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the address shown on the proxy form not later than 48 hours before the time of the meeting or, in the case of an adjourned meeting, no later than 48 hours before the holding of that adjourned meeting (or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, no later than 24 hours before the time appointed for the taking of the poll). In the calculation of these time periods, no account is taken of any part of a day that is not a working day. The appointment of a proxy will not prevent an A shareholder from attending the meeting and voting in person if he/she so wishes. An A shareholder present in person or by proxy shall have one vote on a show of hands and on a poll every A shareholder present in person or by proxy shall have one vote for every A share of which he is the holder. Any power of attorney or any other authority under which this proxy is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting 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(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

3. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a ''CREST Proxy Instruction'') must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent (ID 7RA01) by the latest time for receipt of proxy appointments specified in Note 1 above. 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) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

4. 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.

5. A person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a ''Nominated Person'') may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Separate Class Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.

   The statements of the rights of members in relation to the appointment of proxies in Notes 1 and 2 above do not apply to a Nominated Person. The rights described in those Notes can only be exercised by registered members of the Company.

6. In order to facilitate voting by corporate representatives at the Separate Class Meeting, arrangements will be put in place at the meeting so that: (i) if a corporate Shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that corporate Shareholder present at the meeting then, on a poll, those corporate representatives will give voting directions to the Chairman of the meeting and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate Shareholder attends the meeting but the corporate Shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated from those corporate representatives in attendance on behalf of the corporate Shareholder who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate Shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – *www.icsa.org.uk* – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in sub-paragraph (i) of this Note.

7. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those holders of A Shares entered on the Register of Members of the Company as at 6.00 p.m. on 23 June 2008 or, in the event that the meeting is adjourned, on the Register of Members as at 6.00 pm on the day two days prior to any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of A Shares registered in their names at that time. Changes to the entries on the Register of Members after 6.00 p.m. on 23 June 2008 or, in the event that the meeting is adjourned, in the Register of Members as at 6.00 pm on the day two days prior to any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.

8. As at 8 May 2008 (being the last business day prior to the publication of this notice) the Company's issued A share capital amounted to 104,124,440 A shares of which 6,461,296 are held in Treasury carrying one vote each. Therefore the total A share voting rights in the Company as at 8 May 2008 were 97,663,144 votes. Any person holding 3 per cent of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

9. The existing Articles of Association will be available for inspection at the Separate Class Meeting.

10. The following document will be available for inspection at Exchange House, Primrose Street, London and the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the conclusion of the Separate Class Meeting and on the date of the Separate Class Meeting at the Separate Class Meeting at least 15 minutes before it starts until the conclusion of the meeting:

    (a) a copy of the Articles of Association of the Company as proposed to be adopted pursuant to resolution 11 at the Annual General Meeting.

Notice of Separate Class Meeting of the holders of B Shares

Notice is hereby given that a Separate Class Meeting of the holders of the B Shares in the capital of Investors Capital Trust plc will be held at 80 George Street, Edinburgh, on 25 June 2008 at 12.45 pm (or as soon thereafter as the Separate Class Meeting of the holders of A Shares convened for 12.40 pm on the same date and at the same place has concluded or been adjourned) to consider and, if thought fit, pass the following resolution as an extraordinary resolution:

Extraordinary Resolution

To consent to and sanction the passing of the special resolution, as set out in the notice of the annual general meeting (resolution 11) convened for 12.30 pm on 25 June 2008, adopting new articles of association.

By order of the Board
For F&C Investment Business Limited
Company Secretary
80 George Street
Edinburgh EH2 3BU

8 May 2008

Notes

1. A B shareholder entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed they must not be appointed in respect of the same shares. To be effective, the duly executed enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the address shown on the proxy form not later than 48 hours before the time of the meeting or, in the case of an adjourned meeting, no later than 48 hours before the holding of that adjourned meeting (or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, no later than 24 hours before the time appointed for the taking of the poll). In the calculation of these time periods, no account is taken of any part of a day that is not a working day. The appointment of a proxy will not prevent a B shareholder from attending the meeting and voting in person if he/she so wishes. A B shareholder present in person or by proxy shall have one vote on a show of hands and on a poll every B shareholder present in person or by proxy shall have one vote for every B share of which he is the holder. Any power of attorney or any other authority under which this proxy is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting 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(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

3. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a ''CREST Proxy Instruction'') must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent (ID 7RA01) by the latest time for receipt of proxy appointments specified in Note 1 above. 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) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

4. 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.

5. A person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a ''Nominated Person'') may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Separate Class Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.

   The statements of the rights of members in relation to the appointment of proxies in Notes 1 and 2 above do not apply to a Nominated Person. The rights described in those Notes can only be exercised by registered members of the Company.

6. In order to facilitate voting by corporate representatives at the Separate Class Meeting, arrangements will be put in place at the meeting so that: (i) if a corporate Shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that corporate Shareholder present at the meeting then, on a poll, those corporate representatives will give voting directions to the Chairman of the meeting and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate Shareholder attends the meeting but the corporate Shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated from those corporate representatives in attendance on behalf of the corporate Shareholder who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate Shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – *www.icsa.org.uk* – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in sub-paragraph (i) of this Note.

7. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those holders of B Shares entered on the Register of Members of the Company as at 6.00 p.m. on 23 June 2008 or, in the event that the meeting is adjourned, on the Register of Members as at 6.00 pm on the day two days prior to any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of B Shares registered in their names at that time. Changes to the entries on the Register of Members after 6.00 p.m. on 23 June 2008 or, in the event that the meeting is adjourned, in the Register of Members as at 6.00 pm on the day two days prior to any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.

8. As at 8 May 2008 (being the last business day prior to the publication of this notice) the Company's issued B share capital amounted to 33,780,135 B shares of which 3,238,432 are held in Treasury carrying one vote each. Therefore the total B share voting rights in the Company as at 8 May 2008 were 30,541,703 votes. Any person holding 3 per cent of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

9. The existing Articles of Association will be available for inspection at the Separate Class Meeting.

10. The following document will be available for inspection at Exchange House, Primrose Street, London and the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the conclusion of the Separate Class Meeting and on the date of the Separate Class Meeting at the Separate Class Meeting at least 15 minutes before it starts until the conclusion of the meeting:

    (a) a copy of the Articles of Association of the Company as proposed to be adopted pursuant to resolution 11 at the Annual General Meeting.

Corporate Information

Directors
J M Haldane (Chairman)
M L Ingall
H Post
K D Shand

Registered Office
80 George Street
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Tel No. 0131 718 1000
Facsimile No. 0131 225 2375

Investment Managers and Company Secretary
F&C Investment Business Limited
80 George Street
Edinburgh EH2 3BU

Registrars and Transfer Office
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Registrars' Shareholder Helpline
Tel No. 0871 384 2470*

Registrars' Broker Helpline
Tel No. 0906 559 6025†

Brokers
Cenkos Securities plc
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London EC2R 7AS

Auditors
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Ten George Street
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Bankers
JPMorgan Chase Bank
125 London Wall
London EC2Y 5AJ

Solicitors
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16 Charlotte Square
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*Calls to this number are charged at 8p per minute from a BT Landline. Other telephony providers costs may vary.

†Calls to this number are charged at £1 per minute from a BT Landline. Other telephony providers costs may vary.

Summerhall Corporate 42467

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†Calls to this number are charged at £1 per minute from a BT Landline. Other telephony providers costs may vary.