



## **Investors Capital Trust plc**

Interim Report

For the period to

30 September 2007

# Company Summary

## Objective

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

## Investment manager

F&C Investment Business Limited – Rodger McNair / Gary Thomson

## Total assets less current liabilities

£168.5 million at 30 September 2007

## Equity shareholders' funds

£135.1 million at 30 September 2007

## 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. Shares may be held and traded within units, each unit comprises three A shares and one B share.

A full explanation of the capital structure is given in the prospectus.

## Isa/PeP status

The Company's shares and units are eligible for Individual Savings Accounts (ISAs) and PEP transfers and can continue to be held in existing PEPs

## Website

The Company's internet address is [www.investorscapital.co.uk](http://www.investorscapital.co.uk)



# Financial Highlights and Performance Summary

- Net asset value per share total return of 6.0%
- Distribution yield of 5.6%\*
- Distributions paid quarterly

	<b>Period from launch on 1 March 2007 to 30 September 2007</b>
<b>Total Return†</b>	
Net asset value per share	6.0%
FTSE All-Share Capped 5% Index	6.0%
	<b>30 September 2007</b>
<b>Capital Values</b>	
Net asset value – A shares	100.7p
– B shares	100.7p
– Units	402.8p
Ordinary share price – A shares	95.5p
– B shares	96.0p
– Units	376.5p
<b>Discount</b> – A shares	5.2%
– B shares	4.7%
– Units	6.5%
<b>Distribution yield*</b> – A shares	5.6%
– B shares	5.6%
– Units	5.7%
<b>Gearing‡</b> – Potential	124.8
– Actual	87.7

\*Directors' estimate, based on the assumptions contained in the prospectus and in the absence of unforeseen circumstances.

†All total return calculations are on a yield basis with net dividends re-invested.

‡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 net cash assets) to shareholders' funds.

Actual ratio = the ratio of total assets (less fixed interest, net cash assets and interest rate swap) to shareholders' funds.

Sources: F&C Investment Business Limited and Datastream

# Chairman's Statement

## Introduction

This is my first report to shareholders 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 a successful rollover. Approximately 62 per cent of shareholders' funds rolled over into the new Company, which is significantly above recent rollovers of similar type investment trusts; the gross proceeds of the issue were £136.6m. There are presently over 7,000 shareholders in the Company, including those held in the F&C investment plans.

## 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 outset, 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 30 September 2007, 70.2 per cent of total assets was allocated to the Equities Portfolio, 17.4 per cent to the Higher Yield Portfolio and the remaining 12.4 per cent was held as cash.

## 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. B shares do not receive dividends but 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 comprises three A shares and one B share.

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 appear to have been enhanced by the changes to the capital gains tax regime announced by the Chancellor of the Exchequer in his Pre-Budget Statement last month. A fact sheet is available from the Company's website ([www.investorscapital.co.uk](http://www.investorscapital.co.uk)) that provides more details on the 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 £33.5m 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.

## Investment Performance

The Company's net asset value per A share and per B share at 30 September 2007 was 100.7p and per unit was 402.8p. This capital performance, together with dividends and capital distributions added back, resulted in a total

return of 6.0 per cent. for share and unit holders over the period since launch. This compares to returns from the FTSE All-Share Capped 5% Index which returned 6.0 per cent on a comparable basis. Over the period the Company was the best performer within the AIC UK High Income Sector.

The Company was launched against a broadly supportive background for both equity and fixed interest markets. However, the strong corporate reporting season through March and April soon gave way to heightened concerns over the nature and extent of the problems stemming from the sub-prime mortgage lending crisis in the United States. The combination of rising interest rates, lax lending standards and falling house prices led to many home owners being unable to meet their financial commitments and lenders being unable to recoup their losses. These risks were widely spread through the global financial system as a result of the proliferation of mortgage-backed securities. The ensuing credit crunch shook financial markets across the globe resulting in a sharp correction in both credit and equity markets during the summer. In response to the worsening liquidity situation the US Federal Reserve first cut the discount rate at which it lends to banks and then the main Fed Funds lending rate, the first such move since 2003. Reassured that the Federal Reserve would take whatever actions were necessary to restore order to financial markets, both equity and credit markets recovered sharply towards the end of the reporting period. During the period the Company's Equities Portfolio produced a total return of 8.5 per cent which was ahead of the 6.0 per cent rise in the FTSE All-Share Capped 5% Index. The Higher Yield Portfolio returned 2.0 per cent.

## **Earnings**

The Company achieved total revenue income of £4.9m for the period from the 1 March 2007 to 30 September 2007. The yield on the Equities Portfolio was 3.3 per cent. at 30 September 2007, equivalent to a yield relative to the FTSE All-Share Index of 113 per cent.

The growth in dividends from the Company's Equities Portfolio, whilst moderating, remained encouraging throughout the period under review. As a result of a more challenging economic backdrop we expect the rate of growth in dividends to continue to slow during the second half of the Company's year. Against an increasingly uncertain market backdrop the Company held a higher than anticipated level of liquidity throughout the period. Consequently deposit income was higher than will ordinarily be the case. Income from the Higher Yield Portfolio, which comprised predominantly investment grade corporate bonds, was at the level anticipated.

After providing for the second quarter dividend, the Company had revenue reserves of £1m at 30 September 2007.

## **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 Company's first and second quarters, the dividends declared on the A shares and capital distributions on the B shares were 1.325p per share for each quarter. The Directors estimated that, based on the assumptions contained in the Company's prospectus and in the absence of unforeseen circumstances, the Company would pay dividends to A shareholders and capital distributions to B shareholders of 1.325p per

# Chairman's Statement

share for the first three quarters and 1.375p per share in respect of the fourth quarter (payable in May). This would represent a dividend/capital distribution of 5.35p per share in respect of the period to 31 March 2008. This would produce an estimated distribution yield for A and B shareholders of 5.6 per cent. based on the share price of 96p as at 30 September 2007 and compares favourably with the yield on the FTSE All-Share Index of 2.9 per cent. at that date. For shareholders that hold units, the estimated distribution yield was 5.7 per cent. based on a unit price of 376.5p as at 30 September 2007.

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

## Discount and buy backs

The share price of the Company's A shares and B shares traded over the period at an average discount to net asset value per share of 2.8 per cent. and 3.2 per cent. respectively. This compares favourably with the average discount for all conventional investment trusts of 8.1 per cent. The Company has a stated buyback policy and, in accordance with this policy, the Company bought back 3.6m A shares and 1.2m B shares during the period at an average discount of 5 per cent. to net asset value, thereby adding value for remaining shareholders. Shares bought back are held in treasury.

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

## VAT

The European Court of Justice ruled in June in favour of specific questions referred to it concerning UK investment trusts. This decision has been accepted in principle by the UK Authorities although a number of procedural matters remain to be resolved. The decision could result in the Company being exempt from paying VAT on its management fees. No account has been taken of any repayment of VAT in the financial statements.

## Outlook

At the time of writing, market volatility has increased markedly, reflecting investor unease about the wider implications of credit market issues on the global economy. It will only be over coming months that the impact of the liquidity crisis and subsequent Central Bank actions will become clear. While the background of tighter credit conditions and high oil prices suggests that the balance of risks to global economic growth appears to have shifted to the downside, we view any near term market weakness as an opportunity to invest our available cash balances.



**J. Martin Haldane**

Chairman

7 November 2007

# Classification of Investments

## Total Portfolio Summary

	2007 Market Value £'000	% of Total Assets (less current liabilities)	% of Total Portfolio Income	% Yield
Equities Portfolio	118,410	70.2	54.1	3.3
Higher Yield Portfolio	29,265	17.4	29.8	6.9
Net Current Assets and Interest Rate Swap	20,843	12.4	16.1	
Total Assets (less Current Liabilities)	168,518	100.0	100.0	
Bank Term Loan	(33,466)	(19.9)		
Net assets	135,052	80.1		

## Equities Portfolio

Sector	2007 % Equities Portfolio	2007 FTSE All- Share Capped 5% Index
Oil & Gas	15.4	12.3
Basic Materials	8.8	10.5
Industrials	11.5	7.7
Consumer Goods	10.5	10.0
Healthcare	7.2	7.3
Consumer Services	10.0	11.9
Telecommunications	7.7	7.0
Utilities	8.7	4.4
Financials	20.2	27.8
Technology	–	1.1
Total	100.0	100.0

## Higher Yield Portfolio

Security Ratings	2007 Higher Yield Portfolio Weighting %
Government	8.8
AAA	3.1
AA	6.0
A	29.6
BBB	23.5
BB	8.9
B	20.1
CCC or lower	–
	100.0

# Equities Portfolio

Company	Sector	Market Value £'000	% of Equities Portfolio
Royal Dutch Shell	Oil & Gas Producers	7,422	6.3
Vodafone	Mobile Telecoms	7,365	6.2
BP	Oil & Gas Producers	7,322	6.2
HSBC	Banks	5,899	5.0
GlaxoSmithKline	Pharmaceuticals & Biotech	5,698	4.8
Royal Bank of Scotland	Banks	3,935	3.3
Tesco	Food Retailers	3,751	3.2
BG	Oil & Gas Producers	3,526	3.0
National Grid	Gas, Water & Multi-Utilities	3,463	2.9
Imperial Tobacco	Tobacco	3,427	2.9
<b>Ten largest equity investments</b>		<b>51,808</b>	<b>43.8</b>
Scottish & Southern Energy	Electricity	2,952	2.5
AstraZeneca	Pharmaceuticals & Biotech	2,914	2.5
British American Tobacco	Tobacco	2,873	2.4
Anglo American	Mining	2,799	2.4
Unilever	Food Producers	2,646	2.2
Lloyds TSB	Banks	2,526	2.1
Reed Elsevier	Media	2,468	2.1
BHP Billiton	Mining	2,461	2.1
BAE Systems	Aerospace & Defence	2,454	2.1
Reckitt Benckiser	Household Goods	2,431	2.0
<b>Twenty largest equity investments</b>		<b>78,332</b>	<b>66.2</b>
Aviva	Life Insurance	2,426	2.0
Rio Tinto	Mining	2,315	1.9
Xstrata	Mining	2,217	1.9
Barclays	Banks	2,045	1.7
Marks & Spencer	General Retailers	1,927	1.6
William Hill	Travel & Leisure	1,834	1.5
BT Group	Fixed Line Telecom	1,725	1.5
Bunzl	Support Services	1,667	1.4
Cobham	Aerospace & Defence	1,637	1.4
Centrica	Gas, Water & Multi-Utilities	1,619	1.4
<b>Thirty largest equity investments</b>		<b>97,744</b>	<b>82.5</b>
<b>Other equity investments (20)</b>		<b>20,666</b>	<b>17.5</b>
<b>Total equity investments</b>		<b>118,410</b>	<b>100.0</b>

# Higher Yield Portfolio\*

Issuer	Sector	Market Value £'000	% of Higher Yield Portfolio
UK 5.0% 07/03/12	Sovereign	2,399	8.2
Cattles 8.625% 07/12/07	Consumer Credit	1,164	4.0
Segro 7.125% 17/02/10	REITs	977	3.3
Canandaigua Brand 8.5% 15/11/09	Beverage	960	3.3
Ford Credit 7.25% 07/12/07	Auto Loans	896	3.1
Iron Mountain 7.25% 15/04/14	Support Services	883	3.0
Credit Suisse 8.25% 10/07/09 Perpetual	Banking	823	2.8
Xerox 9.75% 15/01/09	Office Equipment	771	2.6
Paragon Group 7% 20/04/17	Mortgage Banks & Thrifts	766	2.6
Wind Acquisition Finance 9.75% 01/12/15	Telecom – Wireless	761	2.6
<b>Ten largest higher yield investments</b>		<b>10,400</b>	<b>35.5</b>
ANZ 6.54% 15/06/12 Perpetual	Banking	643	2.2
Land Securities 4.625% 03/02/13	Real Estate	624	2.1
Irish Nationwide Building Society 6.25% 26/06/12	Mortgage Banks & Thrifts	607	2.1
W&DB Issuer FRN 15/07/20	Leisure	592	2.0
Finance for Danish Industries 6% 06/02/12	Banking	589	2.0
Johnsondiversey 9.625% 15/05/12	Support Services	558	1.9
Commerzbank 7.875% 07/12/07	Banking	551	1.9
Sutton Bridge 8.625% 30/06/22	Electricity Generation	543	1.9
NTL Cable 8.75% 15/04/14	Media – Cable	506	1.7
Warner Music 8.125% 15/04/14	Media – Services	486	1.7
<b>Twenty largest higher yield investments</b>		<b>16,099</b>	<b>55.0</b>
Bank Nederlandse Gemeenten 4.375% 14/12/12	Banking	473	1.6
Society Lloyds 6.875% 17/11/25	Multi-Line Insurance	452	1.6
Ineos 7.875% 15/02/16	Chemicals	450	1.5
Nationwide 6.024% 06/02/13 Perpetual	Mortgage Banks & Thrifts	419	1.4
Old Mutual 5% 21/01/16	Life/Health Insurance	388	1.3
Alliance Boots 5.5% 26/05/09	Consumer Products	387	1.3
France Telecom 6% 29/03/12	Telecom – Integrated/Services	384	1.3
Investec Finance 7.75% 01/03/16	Banking	378	1.3
Countrywide 5.875% 15/12/08	Mortgage Banks & Thrifts	373	1.3
TUI 5.125% 10/12/12	Support Services	369	1.3
<b>Thirty largest higher yield investments</b>		<b>20,172</b>	<b>68.9</b>
<b>Other higher yield investments (34)</b>		<b>9,093</b>	<b>31.1</b>
<b>Total higher yield investments</b>		<b>29,265</b>	<b>100.0</b>

\*The Higher Yield Portfolio consisted solely of Corporate Bonds and UK Treasury Stocks throughout the period.

# Unaudited Consolidated Income Statement

**Period from incorporation on  
15 January 2007 to 30 September 2007\***

Notes	<b>Revenue £'000</b>	<b>Capital £'000</b>	<b>Total £'000</b>
Gains on investments held at fair value	–	3,301	3,301
Exchange differences	–	60	60
Investment income	2    4,860	186	5,046
Investment management fee:			
Basic	(210)	(632)	(842)
Performance related	–	(7)	(7)
Other expenses	(227)	–	(227)
<b>Profit before finance costs and taxation</b>	<b>4,423</b>	<b>2,908</b>	<b>7,331</b>
<b>Net finance costs</b>			
Interest on bank loan and interest rate swap	(347)	(809)	(1,156)
	(347)	(809)	(1,156)
<b>Return on ordinary activities before taxation</b>	<b>4,076</b>	<b>2,099</b>	<b>6,175</b>
Tax on ordinary activities	(352)	352	–
<b>Return attributable to shareholders</b>	<b>3,724</b>	<b>2,451</b>	<b>6,175</b>
Return per share	3    2.7p	1.8p	4.5p

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

# Condensed Unaudited Consolidated Balance Sheet

	Notes	As at 30 September 2007 £'000
<b>Non-current assets</b>		
Investments held at fair value through profit or loss		147,675
Interest rate swap on bank loan	6	70
		<b>147,745</b>
<b>Current assets</b>		
Other receivables		2,860
Cash and cash equivalents		19,831
		<b>22,691</b>
<b>Total assets</b>		<b>170,436</b>
<b>Current liabilities</b>		
Other payables		(1,918)
		<b>(1,918)</b>
<b>Non-current liabilities</b>		
Bank loan	6	(33,466)
<b>Total liabilities</b>		<b>(35,384)</b>
<b>Net assets</b>		<b>135,052</b>
<b>Capital and reserves</b>		
Called-up share capital	7	139
Share premium	7	22
Buy back reserve	7	100,951
Treasury share reserve	7	(4,619)
Special capital reserve	7	33,663
Capital reserve – realised		281
Capital reserve – unrealised		2,240
Revenue reserve		2,375
<b>Shareholders' funds</b>		<b>135,052</b>
<b>Net asset value per A share</b>	8	<b>100.7p</b>
<b>Net asset value per B share</b>	8	<b>100.7p</b>
<b>Net asset value per unit</b>	8	<b>402.8p</b>

Approved by the Board and authorised for issue on 7 November 2007 and signed on its behalf by:



**J Martin Haldane**, Director

## Condensed Unaudited Consolidated Statement of Changes in Equity

		<b>Period from incorporation on 15 January 2007 to 30 September 2007</b>
	Notes	<b>£'000</b>
Opening equity shareholders' funds		–
Net profit for the period		<b>6,175</b>
Unrealised gain on revaluation of interest rate swap		<b>70</b>
Issue of share capital, net of costs		<b>135,225</b>
Share buy backs for treasury	7	<b>(4,619)</b>
Distributions paid	5	<b>(1,799)</b>
Closing equity shareholders' funds		<b>135,052</b>

## Condensed Unaudited Consolidated Cash Flow Statement

		<b>Period from incorporation on 15 January 2007 to 30 September 2007</b>
		<b>£'000</b>
Net cash flow from operating activities		<b>(142,215)</b>
Net cash flow from financing activities		<b>161,909</b>
Net increase in cash and cash equivalents		<b>19,694</b>
Currency gains/losses		<b>137</b>
Cash and cash equivalents at beginning of period		–
Cash and cash equivalents at end of period		<b>19,831</b>

# Notes to the Accounts (unaudited)

## 1. Accounting Policies

### Basis of Preparation

The unaudited interim results which cover the period from incorporation on 15 January 2007 to 30 September 2007 have been prepared in compliance with *IAS 34 Interim Financial Reporting* and adopting the accounting policies which will be set out in the statutory accounts of the Company for the period ending 31 March 2008. A summary of the main accounting policies is set out below.

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.

### 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 Company'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 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, including the Company's dealing subsidiary, Investors Securities Company Limited, are valued at fair value by the Directors on the basis of all information available to them at the time of valuation. Any investments held by Investors Securities Company Limited at the balance sheet date are valued at fair value.

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.

### Derivative Financial Instruments

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. 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. In line with the guidance published by the Association of Investment Companies, changes in the fair value of derivative financial instruments recognised in the income statement will generally be recognised through the revenue column, except where there is a clear connection between the derivative and the maintenance or enhancement of the Company's investments.

### Capital and Reserves

#### (a) Capital reserve realised

– gains and losses on realisation of investments are dealt with in this reserve.

#### (b) Capital reserve unrealised

– increases and decreases in the valuation of investments held are dealt with in this reserve.

# Notes to the Accounts (unaudited)

## 1. Accounting Policies (continued)

### Capital and Reserves (continued)

#### (c) Buy back 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 for cancellation is deducted from this reserve.

#### (d) Treasury share reserve

– the cost of any shares bought back to be held in treasury or subsequent re-sale of shares from treasury is deducted from or added to this reserve.

#### (e) 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.

### Income

(a) Dividends are recognised as income on the date that the related investments are marked ex-dividend. Income from fixed interest securities is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(b) Other investment income and deposit interest are included on an accruals basis.

### Expenses

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 and taking account of the expected long term returns as follows:

- Interest payable on the term bank loan is allocated 30 per cent to the revenue column of the income statement and 70 per cent to capital
- Management fees have been allocated 30 per cent to revenue and 70 per cent to capital; and
- Performance fees and, where the management fee is chargeable at a rate higher than 0.75 per cent per annum, that part of the management fee above 0.75 per cent, are 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 year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in 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.

### 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 year. 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 years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

2. Income for the period to 30 September is derived from:	<b>2007</b>
	<b>£'000</b>
Equity investments	<b>2,902</b>
Fixed interest investments	<b>1,164</b>
Deposit interest	<b>794</b>
	<b>4,860</b>

Further receipts of £186,000 were recognised in capital during the period. These consisted of additional capital payments received from investments transferred as consideration for the shares issued on 28 February 2007.

- The returns per share are based on 136,799,064 shares, being the weighted average shares in issue during the period.
- Earnings for the period to 30 September 2007 should not be taken as a guide to the results of the full year.
- A distribution of 1.325p per share for the quarter to 30 June 2007 was paid on both the A and B shares on 3 August 2007.

The distribution for the quarter to 30 September 2007 of 1.325p per share will be paid on 9 November 2007 to shareholders on the register on 5 October 2007.

- On 1 March 2007, the Company drew down an amount of £33.5m 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 5.8635 per cent per annum.
- 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 units at 393.544p per unit. The total value of the assets acquired in relation to the allotment of these shares were 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.

Over the period the Company bought back to hold in treasury 3,567,296 A shares at a cost of £3,448,000 and 1,188,432 B shares at a cost of £1,149,000. At 30 September 2007 the Company held 3,567,296 A shares and 1,188,432 B shares in treasury.

- The net asset value per share is based on 100,557,144 A shares and 33,519,703 B shares being the number of shares in issue at the period end.
- The Group results consolidate those of Investors Securities Company Limited, a wholly owned subsidiary which deals in securities.
- The Court of Session has confirmed the cancellation of the 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 intends to 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.

- These are not full statutory accounts in terms of Section 240 of the Companies Act 1985. The first full audited accounts for the period ending 31 March 2008, will be lodged with the Registrar of Companies following the Annual General Meeting in 2008.

# Independent Review Report to Investors Capital Trust plc

## Introduction

We have reviewed the accompanying consolidated balance sheet of Investors Capital Trust plc as of 30 September 2007 and the related statements of income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at 30 September 2007 and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

**Ernst & Young LLP**

Edinburgh

9 November 2007

# 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 and PEP 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 £7,000 tax efficiently each year with a lump sum from £500 or regular savings from £50 a month. You can also transfer any existing ISAs.
- **F&C Investment Trust PEP**  
Although you can no longer invest in a PEP, you can transfer existing PEPs without losing their tax efficient status.
- **F&C Child Trust Fund ('CTF')**  
F&C is a leading provider of children's investment plans and is currently the only provider 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. Freedom from tax in an ISA or PEP applies directly to the 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 or PEP, which is £60+VAT (no matter how many tax years' ISAs you take out with F&C, or how many ISAs or PEPs 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  
Freeport RLRY-LYSR-KYBU  
Clandeboyne 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').*

# Notes

# Corporate Information

## Directors

J M Haldane (Chairman)

M L Ingall

H Post

K D Shand

## Investment Managers

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Registrar's Broker Helpline: 0870 600 0158

## Secretary

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**For further information contact F&C's Investor Services Team on 0800 136 420**



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