



## **Investors Capital Trust plc**

Interim Report

For the six months to

30 September 2010

# 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').

## **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).

## **Investment manager**

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

## **Total assets less current liabilities**

£140.6 million at 30 September 2010

## **Equity shareholders' funds**

£104.1 million at 30 September 2010

## **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.

## **Isa/Pep status**

The Company's shares and units are eligible for Individual Savings Accounts (ISAs).

## **Website**

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



The Association of  
Investment Companies

# Financial Highlights and Performance Summary

- Net asset value per share total return for the six months of 1.2 per cent matching the FTSE All-Share Capped 5% Index total return of 1.2 per cent
- Distribution yield of 5.3 per cent on A and B shares at 30 September 2010, compared to the yield on the FTSE All-Share Capped 5% Index of 3.1 per cent
- Distributions paid quarterly

	<b>Six months to 30 September 2010</b>	<b>Period from launch on 1 March 2007 to 30 September 2010</b>
<b>Total Return†</b>		
Net asset value total return per A and B share and per Unit	<b>1.2%</b>	<b>5.2%</b>
FTSE All-Share Capped 5% Index total return	<b>1.2%</b>	<b>4.4%</b>

	<b>30 September 2010</b>	31 March 2010	% Change
<b>Capital Values¶</b>			
Net asset value per A share and B share	<b>81.6p</b>	83.1p	(1.8)%
Net asset value per Unit*	<b>326.4p</b>	332.4p	(1.8)%
FTSE All-Share Capped 5% Index	<b>2,987.6</b>	3,003.2	(0.5)%
Ordinary share price – A shares	<b>81.5p</b>	80.0p	1.9%
– B shares	<b>81.5p</b>	89.5p	(8.9)%
– Units*	<b>323.0p</b>	317.0p	1.9%
<b>Premium/(discount)§</b> – A shares	<b>(0.1)%</b>	(3.7)%	–
– B shares	<b>(0.1)%</b>	7.7%	–
– Units*	<b>(1.0)%</b>	(4.6)%	–
<b>Distribution yield</b> – A shares	<b>5.3%</b>	6.7%	–
– B shares	<b>5.3%</b>	6.0%	–
– Units*	<b>5.3%</b>	6.8%	–
<b>Gearing‡</b> – Potential	<b>135.0</b>	134.6	–
– Actual (Investment gearing)	<b>129.2</b>	124.6	–
– Actual (Equity gearing)	<b>91.9</b>	87.7	–

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

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

¶Capital values are calculated after payment of distributions to shareholders.

‡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 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 (investment gearing) = the ratio of total assets (less cash assets) to assets attributable to shareholders.

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

§Premium/(discount) represents percentage difference between net asset value and Share/Unit price.

Sources: F&C Investment Business Limited and Datastream

# Chairman's Statement

## Introduction

In my report to shareholders earlier this year I suggested that record high fiscal deficits in the developed world presented one of the most significant challenges for the global economy. Indeed, as the current reporting period began, financial markets weakened markedly as the sovereign debt crisis in Greece intensified and worries over the stability of the banking system returned. However, during the second half of the period those fears subsided and financial markets recovered as improving economic data, particularly from the US and China, together with better than expected profits growth from the corporate sector, helped counter investor concerns over an economic "double-dip" recession.

## 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.

At 30 September 2010, 68.0 per cent. of total assets was allocated to the Equities Portfolio and 27.7 per cent. to the Higher Yield Portfolio. The remaining 4.3 per cent. was held as cash and cash equivalents. This allocation will vary as a result of market movements and circumstances.

## Investment Performance

Returns from the Equities Portfolio and the Higher Yield Portfolio, combined with the effect of gearing, resulted in the net asset value total return for the A and B shares of 1.2 per cent. over the six months to 30 September 2010. This return matches the 1.2 per cent. total return for the FTSE All-Share Capped 5% Index. Since the Company's launch in March 2007, the net asset

value total return for the A and B shares has been 5.2 per cent. which exceeds the 4.4 per cent. return from the benchmark index.

During the six months to 30 September 2010 the Company's Equities Portfolio produced a total return of 0.8 per cent. which lagged the benchmark, the FTSE All-Share Capped 5% Index. Covering the period since the Company's launch in March 2007 the Equities Portfolio is 1.9 per cent. ahead of the benchmark index. The Higher Yield Portfolio is invested in predominantly investment grade corporate bonds and returned 4.3 per cent. in total return terms for the six months.

## Earnings, Dividends and Capital Distributions

The Company achieved total revenue income of £3.1m for the six months. The yield on the Equities Portfolio was 3.8 per cent. as at 30 September 2010, equivalent to a yield relative to the FTSE All-Share Capped 5% Index of 123 per cent.

While the Company's revenues are broadly in line with the level achieved during the comparable six month period last year, they remain lower than during 2008 due to the cumulative effect of dividend cuts during the economic downturn, most notably from the banking sector, together with the dividend suspension by BP and also the effect of falling corporate bond yields. As a result, the Board announced in July 2010 that it believed it prudent to revise the Company's dividend to a more sustainable level.

The dividend for the year ending 31 March 2011 is estimated, barring unforeseen circumstances, to be 4.28p per share (2010: 5.35p). The first three quarterly dividends will be paid in equal

instalments of 1.06p per share and a fourth quarterly dividend of 1.1p will be paid to A shareholders. B Shareholders will receive capital distributions of the same amount per share at the same time as A shareholders.

The Board recognises the importance of distributions for shareholders, but needs to balance the income capable of being earned from portfolio holdings with maintaining the Company's existing investment approach and other objective of providing prospects for capital growth. The Directors continue to believe that the yield on the Company's shares, relative to that available from the stock market as a whole, remains attractive for investors.

The revised annual distribution level represents a yield for A shareholders of 5.1 per cent. and for B shareholders of 5.0 per cent. based on the A share price of 84.5p per share and B share price of 86.0p as at 9 November 2010. For those shareholders that hold units (each comprising three A shares and one B share) the distribution yield on this unit holding was 5.2 per cent. based on a unit price of 327.0p as at 9 November 2010. These yields compare favourably with the yield on the FTSE All-Share Index of 2.9 per cent. at that date.

After providing for the second quarter dividend, the Company had revenue reserves of £0.9m at 30 September 2010; such reserves are relatively limited as the new Company was launched only in 2007.

Dividends to A shareholders and capital distributions to B shareholders are paid quarterly in August, November, February and May each year. 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.

### **Taxation of Capital Distributions paid to B shareholders**

The Company has been advised that the Finance Bill published last month is drafted so that proposed legislative changes which could affect the taxation of capital distributions on the B shares do not apply for income tax purposes. Accordingly, assuming the legislation is enacted in its current form, distributions on the B shares will continue to constitute capital receipts (taxed under UK capital gains tax rules) for non-corporate holders (including individuals). For corporate holders, distributions on the B shares will constitute dividends (which for most corporates are exempt from tax). This represents a favourable outcome for B shareholders in general. For certain shareholders there are tax and other advantages in receiving capital distributions from the B shares.

### **Discount and buy backs**

The Company's A share price was at a discount to net asset value of 0.1 per cent. at 30 September 2010. The Company's B shares were also at a discount to net asset value of 0.1 per cent. at the same date. Over the six month period, the price of the Company's A shares traded at an average premium to net asset value per share of 0.7 per cent. and the Company's B shares traded at an average premium of 5.7 per cent. No shares were bought back, issued, or re-sold from treasury, by the Company during the six month period.

### **Directors**

I am proposing to retire as Chairman and a Director of the Company on 31 December 2010,

# Chairman's Statement

having been Chairman since the Company's launch in 2007 and Chairman and a Director of the predecessor company. I am happy to report that the Board has asked Iain McLaren to succeed me as Chairman and is actively considering the appointment of a further Director.

## Outlook

Economic data suggests an ongoing, although somewhat fragile, recovery in the global economy. It is a concern that despite the unprecedented level of monetary and fiscal stimulus to developed economies, the pace of recovery is not more established. Record-high fiscal deficits continue to be one of the key challenges for policymakers, and macro-economic risks to financial markets remain.

Modest valuations, improving corporate earnings and an upturn in merger and acquisition activity suggest a reasonably supportive backdrop to UK equities. The Company's Equities Portfolio continues to favour companies with strong balance sheets and attractive dividend yields. The Higher Yield Portfolio retains a bias to shorter-dated investment grade corporate bonds.



**J. Martin Haldane**

Chairman

10 November 2010

# Classification of Investments

At 30 September 2010

## Total Portfolio Summary

	2010 Market Value £'000	% of Total Assets (less current liabilities)	% of Total Portfolio Income	% Yield
Equities Portfolio	95,634	68.0	61.5	3.8
Higher Yield Portfolio	38,878	27.7	37.7	5.0
Net Current Assets	6,039	4.3	0.8	
Total Assets (less Current Liabilities)	140,551	100.0	100.0	
Bank Term Loan and Interest Rate Swap	(36,443)	(25.9)		
Net Assets Attributable to Shareholders	104,108	74.1		

## Equities Portfolio

Sector	2010 % Equities Portfolio	2010 FTSE All- Share Capped 5% Index
Oil & Gas	11.8	14.7
Basic Materials	10.1	12.8
Industrials	7.5	7.6
Consumer Goods	14.6	12.1
Healthcare	9.7	8.0
Consumer Services	15.7	10.4
Telecommunications	5.8	6.0
Utilities	10.3	3.9
Financials	13.4	22.6
Technology	1.1	1.9
Total	100.0	100.0

## Higher Yield Portfolio

Security Ratings	2010 Higher Yield Portfolio Weighting %
AAA	4.2
AA	11.0
A	38.6
BBB	28.7
BB	7.1
B	4.4
CCC or lower	2.7
Not rated	3.3
	100.0

# Equities Portfolio

At 30 September 2010

Company	Sector	Market Value £'000	% of Equities Portfolio
GlaxoSmithKline	Pharmaceuticals & Biotech	5,757	6.0
British American Tobacco	Tobacco	5,221	5.5
HSBC Holdings	Banks	5,046	5.3
Vodafone	Mobile Telecoms	4,967	5.2
Royal Dutch Shell	Oil & Gas Producers	4,586	4.8
Rio Tinto	Mining	4,250	4.4
BP	Oil & Gas Producers	3,740	3.9
AstraZeneca	Pharmaceuticals & Biotech	3,559	3.7
BHP Billiton	Mining	3,347	3.5
Diageo	Beverages	3,084	3.2
<b>Ten largest equity investments</b>		<b>43,557</b>	<b>45.5</b>
National Grid	Gas, Water & MultiUtilities	3,052	3.2
Scottish & Southern Energy	Electricity	2,536	2.6
BG Group	Oil & Gas Producers	2,393	2.5
Reckitt Benckiser	Household Goods	2,348	2.4
Anglo American	Mining	2,091	2.2
Compass Group	Travel & Leisure	1,976	2.1
Bunzl	Support Services	1,876	2.0
Unilever	Food Producers	1,873	2.0
Tesco	Food Retailers	1,849	1.9
BAE Systems	Aerospace & Defence	1,617	1.7
<b>Twenty largest equity investments</b>		<b>65,168</b>	<b>68.1</b>
International Power	Electricity	1,566	1.6
Centrica	Gas, Water & MultiUtilities	1,495	1.6
Imperial Tobacco	Tobacco	1,392	1.5
Marks & Spencer	General Retailers	1,372	1.4
Lancashire Holdings	Non-Life Insurance	1,282	1.4
Whitbread	Travel & Leisure	1,240	1.3
Severn Trent	Gas, Water & MultiUtilities	1,228	1.3
William Hill	Travel & Leisure	1,218	1.3
Standard Life	Life Insurance	1,140	1.2
Rexam	General Industrial	1,082	1.1
<b>Thirty largest equity investments</b>		<b>78,183</b>	<b>81.8</b>
<b>Other equity investments (23)</b>		<b>17,451</b>	<b>18.2</b>
<b>Total equity investments</b>		<b>95,634</b>	<b>100.0</b>



# Higher Yield Portfolio\*

At 30 September 2010

Security	Sector	Market Value £'000	% of Higher Yield Portfolio
Iron Mountain 7.25% 15/04/14	Support Services	891	2.3
Land Securities 4.625% 03/02/13	Commercial Mortgage Backed	655	1.7
RWE Finance 6.375% 03/06/13	Electric – Integrated	637	1.6
Paragon Group 7% 20/04/17	Mortgage Banks & Thrifts	518	1.3
Ineos 7.875% 15/02/16	Chemicals	508	1.3
Skipton Building Society 2% 04/05/12	Government Guaranteed	506	1.3
Marstons FRN 15/07/20	ABS Miscellaneous	430	1.1
Yorkshire Water 6.5876% 21/02/23	Non-Electric Utilities	418	1.1
Kraft Foods 5.75% 20/03/12	Food – Wholesale	411	1.1
France Telecom 6% 29/03/12	Telecom – Integrated/Services	406	1.0
<b>Ten largest higher yield investments</b>		<b>5,380</b>	<b>13.8</b>
UBS 6.375% 20/07/16	Banking	400	1.0
Sutton Bridge 8.625% 30/06/22	Electric – Generation	399	1.0
Old Mutual 5% 21/01/16	Life Insurance	397	1.0
Altria Group 8.5% 10/11/13	Tobacco	388	1.0
Permanent Master ABS 15/07/42	Mortgage Backed	379	1.0
Macquarie Bank FRN 06/12/16	Banking	368	1.0
GE Capital 6% 11/04/13	Financial Services	368	1.0
Marks & Spencer 5.875% 29/05/12	Specialty Retail	368	1.0
Investec Finance 7.75% 01/03/16	Banking	368	1.0
Fiat Finance & Trade 6.625% 15/02/13	Automakers	362	0.9
<b>Twenty largest higher yield investments</b>		<b>9,177</b>	<b>23.7</b>
Santander 6.5325% 24/10/17	Banking	357	0.9
Bupa Finance 7.5% 04/07/16	Life Insurance	354	0.9
Society of Lloyds 6.875% 17/11/25	Multi-Line Insurance	351	0.9
Sherwood Castle 5% 15/11/10	ABS Credit Cards	351	0.9
Dr Pepper 6.12% 01/05/13	Beverage	344	0.9
Vodafone 4.625% 15/07/18	Telecom – Wireless	342	0.9
GlaxoSmithKline 4.85% 15/05/13	Pharmaceuticals	340	0.9
Southern Gas FRN 21/10/15	Gas Distribution	335	0.8
SLM 4.875% 17/12/12	Financial Services	333	0.8
Casino 6.375% 04/04/13	Food & Drug Retailers	331	0.8
<b>Thirty largest higher yield investments</b>		<b>12,615</b>	<b>32.4</b>
<b>Other higher yield investments (173)</b>		<b>26,263</b>	<b>67.6</b>
<b>Total higher yield investments</b>		<b>38,878</b>	<b>100.0</b>

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

# Condensed Unaudited Consolidated Statement of Comprehensive Income

Six months to 30 September 2010

		Revenue Return £'000	Capital Return £'000	Total £'000
	Notes			
(Losses)/gains on investments held at fair value		–	(938)	(938)
Exchange differences		–	453	453
Investment income	2	3,115	–	3,115
Investment management fee	3	(112)	(338)	(450)
Other expenses		(220)	–	(220)
<b>Profit/(loss) before finance costs and taxation</b>		<b>2,783</b>	<b>(823)</b>	<b>1,960</b>
<b>Net finance costs</b>				
Interest on bank loan and interest rate swap		(297)	(693)	(990)
<b>Total finance costs</b>		<b>(297)</b>	<b>(693)</b>	<b>(990)</b>
<b>Profit/(loss) before tax</b>		<b>2,486</b>	<b>(1,516)</b>	<b>970</b>
Tax on ordinary activities		(169)	169	–
<b>Profit/(loss) for the period</b>		<b>2,317</b>	<b>(1,347)</b>	<b>970</b>
<b>Other comprehensive income:</b>				
Net gain on cashflow hedged net of tax		–	202	202
<b>Total comprehensive income for the period</b>		<b>2,317</b>	<b>(1,145)</b>	<b>1,172</b>
Earnings/(losses) per share	4	1.8p	(1.0p)	0.8p

All of the profit/(loss) and comprehensive income for the period is attributable to the owners of the Company.

All items in the above statement derive from continuing operations.

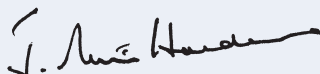
Six months to 30 September 2009			Year to 31 March 2010*		
Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
–	21,144	21,144	–	31,187	31,187
–	507	507	–	752	752
3,148	–	3,148	6,460	–	6,460
(102)	(307)	(409)	(217)	(506)	(723)
(187)	–	(187)	(414)	–	(414)
2,859	21,344	24,203	5,829	31,433	37,262
(297)	(693)	(990)	(593)	(1,385)	(1,978)
(297)	(693)	(990)	(593)	(1,385)	(1,978)
2,562	20,651	23,213	5,236	30,048	35,284
(179)	179	–	(425)	406	(19)
2,383	20,830	23,213	4,811	30,454	35,265
–	418	418	–	252	252
2,383	21,248	23,631	4,811	30,706	35,517
1.9p	16.5p	18.4p	3.8p	24.0p	27.8p

\* these figures are audited.

# Condensed Unaudited Consolidated Balance Sheet

	Notes	<b>As at 30 September 2010 £'000</b>	As at 30 September 2009 £'000	As at 31 March 2010* £'000
<b>Non-current assets</b>				
Investments held at fair value through profit or loss		<b>134,512</b>	122,368	132,099
		<b>134,512</b>	122,368	132,099
<b>Current assets</b>				
Other receivables		<b>1,386</b>	1,437	2,430
Cash and cash equivalents		<b>7,830</b>	11,939	9,278
		<b>9,216</b>	13,376	11,708
<b>Total assets</b>		<b>143,728</b>	135,744	143,807
<b>Current liabilities</b>				
Other payables		<b>(3,177)</b>	(1,732)	(1,122)
		<b>(3,177)</b>	(1,732)	(1,122)
<b>Non-current liabilities</b>				
Bank loan		<b>(33,485)</b>	(33,478)	(33,482)
Interest rate swap on bank loan		<b>(2,958)</b>	(2,994)	(3,160)
		<b>(36,443)</b>	(36,472)	(36,642)
<b>Total liabilities</b>		<b>(39,620)</b>	(38,204)	(37,764)
<b>Net assets</b>		<b>104,108</b>	97,540	106,043
<b>Capital and reserves</b>				
Called-up share capital	8	<b>134</b>	134	134
Share premium	8	<b>22</b>	22	22
Capital redemption reserve	8	<b>5</b>	5	5
Buy back reserve	8	<b>90,990</b>	90,990	90,990
Special capital reserve		<b>28,734</b>	30,363	29,514
Capital reserves		<b>(17,695)</b>	(26,007)	(16,550)
Revenue reserve		<b>1,918</b>	2,033	1,928
<b>Shareholders' funds</b>		<b>104,108</b>	97,540	106,043
<b>Net asset value per A share</b>	9	<b>81.6p</b>	76.4p	83.1p
<b>Net asset value per B share</b>	9	<b>81.6p</b>	76.4p	83.1p

Approved by the Board, and authorised for issue, on 10 November 2010 and signed on its behalf by:



**J Martin Haldane**, Director

\*these figures are audited.

## Condensed Unaudited Consolidated Statement of Changes in Equity

	<b>Six months to 30 September 2010 £'000</b>	Six months to 30 September 2009 £'000	Year to 31 March 2010* £'000
	Notes		
Opening equity shareholders' funds	<b>106,043</b>	76,086	76,086
Net profit for the period	<b>970</b>	23,213	35,265
Unrealised gain on revaluation of interest rate swap	<b>202</b>	418	252
Shares sold from treasury	–	1,427	1,426
Shares bought back for treasury	8	(194)	(194)
Dividends paid on A shares	7	(2,584)	(5,117)
Capital distributions paid on B shares	7	(826)	(1,675)
Closing equity shareholders' funds	<b>104,108</b>	97,540	106,043

\*these figures are audited.

## Condensed Unaudited Consolidated Cash Flow Statement

	<b>Six months to 30 September 2010 £'000</b>	Six months to 30 September 2009 £'000	Year to 31 March 2010* £'000
Net cash flow from operating activities	<b>1,714</b>	(9,673)	(7,787)
Net cash flow from financing activities	<b>(4,094)</b>	(3,649)	(8,016)
Net decrease in cash and cash equivalents	<b>(2,380)</b>	(13,322)	(15,803)
Currency gains	<b>932</b>	858	678
Cash and cash equivalents at beginning of period	<b>9,278</b>	24,403	24,403
Cash and cash equivalents at end of period	<b>7,830</b>	11,939	9,278

\*these figures are audited.

# Notes to the Condensed Accounts (unaudited)

## 1. Accounting Policies

The condensed unaudited consolidated financial statements have been prepared in accordance with *IAS 34 Interim Financial Reporting* and the accounting policies set out in the statutory accounts of the Group for the year ended 31 March 2010. The condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2010, which were prepared under full IFRS requirements, to the extent that they have been adopted by the European Union.

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council in October 2009. After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Group 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.

## 2. Income for the period is derived from:

	<b>30 September</b>	30 September	31 March
	<b>2010</b>	2009	2010
	<b>£'000</b>	£'000	£'000
Equity investments	<b>1,882</b>	1,923	3,784
Fixed interest investments	<b>1,183</b>	1,158	2,472
Premium on written call options	<b>21</b>	–	112
Deposit interest	<b>22</b>	45	83
Other income	<b>7</b>	22	9
	<b>3,115</b>	3,148	6,460

## 3. The Company's investment manager is F&C Investment Business Limited. 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, full details of which are contained in the Annual Report for the period ended 31 March 2010, will, subject to achieving stated performance criteria, be payable every five years.

There was no performance fee accrued at 30 September 2010, or that would have been accrued had the Company's net asset value per share been in excess of £1, all else being equal (30 September 2009 – £nil; 31 March 2010 – £nil).

## 4. The returns per share are based on the net profit/(loss) for the period and on 127,629,847 shares (period to 30 September 2009 – 126,472,333; year to 31 March 2010 – 127,049,504), being the weighted average shares in issue during the period.

## 5. Earnings for the six months to 30 September 2010 should not be taken as a guide to the results of the full year.

## 6. The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the view that the Company is engaged in a single segment of business, of investing in equity and higher yielding securities, and that therefore the Company has only a single operating segment. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Company. The key measure of performance used by the Board to assess the Company's performance is the total return on the Company's net asset value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the condensed consolidated financial statements.

## 7. Dividends

	Six months to 30 September 2010 £'000	Six months to 30 September 2009 £'000	Year to 31 March 2010 £'000
<b>In respect of the previous period:</b>			
Fourth interim dividend paid at 1.375p per A share	1,314	1,317	1,317
Fourth capital distribution paid at 1.375p per B share	441	413	413
<b>In respect of the period under review:</b>			
First interim dividend paid at 1.06p (prior year: 1.325p) per A share	1,013	1,267	1,267
First capital distribution paid at 1.06p (prior year: 1.325p) per B share	339	413	413
Second interim dividend paid at 1.325p per A share	–	–	1,267
Second capital distribution paid at 1.325p per B share	–	–	424
Third interim dividend paid at 1.325p per A share	–	–	1,266
Third capital distribution paid at 1.325p per B share	–	–	425
	<b>3,107</b>	<b>3,410</b>	<b>6,792</b>

A second interim dividend for the year to 31 March 2011, of 1.06p per A share, was paid on 5 November 2010 to A shareholders on the register on 15 October 2010. A second quarter capital distribution of 1.06p per B share was paid on 5 November 2010 to B shareholders on the register on 15 October 2010. Although these payments relate to the period ended 30 September 2010, under IFRS they will be accounted for in the six months to 31 March 2011, being the period during which they are paid.

8. Over the period the Company did not buy back to hold in treasury any A shares (period to 30 September 2009 – 240,000 A shares; year to 31 March 2010 – 240,000 A shares) or any B shares (period to 30 September 2009 – 80,000 B shares; year to 31 March 2010 – 80,000 B shares). The Company did not resell any shares from treasury (period to 30 September 2009 – 2,105,000 B shares; year to 31 March 2010 – 2,105,000 B shares).

At 30 September 2010 the Company held 6,489,000 A shares and 25,000 B shares in treasury (30 September 2009 – 6,489,000 A shares and 25,000 B shares; 31 March 2010 – 6,489,000 A shares and 25,000 B shares).

The Company did not issue any new shares during the period (period to 30 September 2009 – nil; year to 31 March 2010 – nil).

9. The net asset value per share is based on shareholders' funds at the period end and on 95,578,144 A shares and 32,051,703 B shares, being the number of shares in issue at the period end (30 September 2009 – 95,578,144 A shares and 32,051,703 B shares; 31 March 2010 – 95,578,144 A shares and 32,051,703 B shares).
10. The Group results consolidate those of Investors Securities Company Limited, a wholly owned subsidiary which deals in securities.
11. These are not full statutory accounts in terms of Section 434 of the Companies Act 2006 and are unaudited. Statutory accounts for the year ended 31 March 2010, which received an unqualified audit report and which did not contain a statement under Section 498 of the Companies Act 2006, have been lodged with the Registrar of Companies. No full statutory accounts in respect of any period after 31 March 2010 have been reported on by the Company's auditors or delivered to the Registrar of Companies.

# Independent Review Report to Investors Capital Trust plc

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 which comprises the Condensed Unaudited Consolidated Statement of Comprehensive Income, Condensed Unaudited Consolidated Balance Sheet, Condensed Unaudited Consolidated Statement of Changes in Equity, Condensed Unaudited Consolidated Cash Flow Statement and the Notes to the Accounts (unaudited). We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

## Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim

Financial Reporting", as adopted by the European Union.

## Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, 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 (UK and Ireland) 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 condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

## Ernst & Young LLP

London

10 November 2010



# Statement of Principal Risks and Uncertainties

The Company's assets consist mainly of listed securities and its principal risks are therefore market related. The most important types of risk associated with financial instruments are credit risk, market price risk, liquidity risk, interest rate risk and foreign currency risk. Other risks faced by the Company include external, investment and strategic, regulatory, operational and financial risks. These risks, and the way in which

they are managed, are described under the heading Principal Risks and Risk Management within the Report of the Directors in the Group's Annual Report for the year ended 31 March 2010. The Company's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remainder of the Group's financial year.

## Statement of Directors' Responsibilities in Respect of the Interim Report

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- the Chairman's Statement (constituting the Interim Management Report) together with the Statement of Principal Risks and Uncertainties include a fair review of the information required by the Disclosure and Transparency Rules ('DTR') 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and
- the Chairman's Statement together with the condensed set of consolidated financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board

**J Martin Haldane**

Director

10 November 2010

# 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 (F&C).

You can enjoy the convenience of making regular savings by Direct Debit, take advantage of our tax-efficient ISA wrapper, 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 £10,200 tax-efficiently each year with a lump sum from £500 or regular savings from £50 a month. You can also transfer any existing ISAs.
- **F&C Child Trust Fund ('CTF')**  
F&C is a leading provider of child trust funds. Suitable for children born between 1 September 2002 and 31 December 2010. Government payments into CTFs will stop on 1 January 2011 and children born after 31 December 2010 will not qualify for a CTF if announced changes are implemented.
- **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 per cent. Government stamp duty of 0.5 per cent also applies on purchases (where applicable). There are no initial or exit charges. The only annual management fee is on the ISA, which is £60+VAT (no matter how many ISAs you take out annually 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 either:

Contact **F&C's Investor Services Team** by

**Calling us on:** 0800 136 420  
**Emailing us on:** info@fandc.com  
**Investing online:** www.fandc.com

Contact our **Existing plan holders' enquiry line** by

**Calling us on:** 0845 600 3030  
**Emailing us on:** investor.enquiries@fandc.com  
**Writing to us at:**  
F&C Plan Administration Centre  
Block C  
Western House  
Lynch Wood Business Park  
Lynch Wood  
Peterborough PE2 6BP

Calls may be recorded.



*The above has been approved by F&C Management Limited which is authorised and regulated by the Financial Services Authority ('FSA'). Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount originally invested.*

# Corporate Information

## Directors

J M Haldane (Chairman)

I A McLaren\*

H Post

K D Shand

J P Williams

## Investment Managers

F&C Investment Business Limited

80 George Street

Edinburgh EH2 3BU

## Registered Office

80 George Street

Edinburgh EH2 3BU

Tel: 0131 718 1000

Fax: 0131 225 2375

## Registrars and Transfer Office

Equiniti

Aspect House

Spencer Road

Lancing

West Sussex BN99 6DA

Registrars' Shareholder Helpline: 0871 384 2470†

Registrars' Broker Helpline: 0871 384 2779‡

Registrars' Overseas Helpline: +44 121 415 7047\*\*

## Secretary

F&C Investment Business Limited

## Brokers

Centos Securities plc

6.7.8 Tokenhouse Yard

London EC2R 7AS

## Auditors

Ernst & Young LLP

1 More London Place

London SE1 2AF

## Bankers

JPMorgan Chase Bank

125 London Wall

London EC2Y 5AJ

## Solicitors

Dickson Minto W.S.

16 Charlotte Square

Edinburgh EH2 4DF

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

\*Chairman of the Audit Committee

†Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' cost may vary. Lines open 8.30 am to 5.30 pm, Monday to Friday.

‡Calls to this number are charged at £1 per minute from a BT landline. Other telephone providers' cost may vary. Lines open 8.30 am to 5.30 pm, Monday to Friday.

\*\*Local overseas call rates will apply.



### **Registered Office**

80 George Street  
Edinburgh EH2 3BU  
Tel: 0131 718 1000  
Fax: 0131 225 2375

### **Registrars and Transfer Office**

Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA

Registrars' Shareholder Helpline: 0871 384 2470\*

Registrars' Broker Helpline: 0871 384 2779†

Registrars' Overseas Helpline: +44 121 415 7047‡

\*Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' cost may vary.  
Lines open 8.30 am to 5.30 pm, Monday to Friday.

†Calls to this number are charged at £1 per minute from a BT landline. Other telephone providers' cost may vary.  
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