



## **Investors Capital Trust plc**

Interim Report

For the six months to

30 September 2014

# 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

## Total assets (less current liabilities)

£142.3 million at 30 September 2014

## Equity shareholders' funds

£124.3 million at 30 September 2014

## 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 repayment 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 repayment 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 £18 million for a term to 28 September 2017.

## Isa 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 0.7 per cent, compared to the FTSE All-Share Capped 5% Index total return of 1.1 per cent.
- Expected distribution yield of 4.7 per cent on A shares and B shares at 30 September 2014, based on indicated dividends for the year ended 31 March 2015. This compares with the yield on the FTSE All-Share Index of 3.3 per cent.
- Distributions paid quarterly. Interim dividends in respect of the period increased by 2.5 per cent compared to the prior year.

	<b>Six months to 30 September 2014</b>	<b>Period from launch on 1 March 2007 to 30 September 2014</b>	
<b>Total Return†</b>			
Net asset value total return per A and B share and per Unit	<b>0.7%</b>	<b>57.9%</b>	
FTSE All-Share Capped 5% Index total return	<b>1.1%</b>	<b>48.6%</b>	
	<b>30 September 2014</b>	31 March 2014	% Change
<b>Capital Values‡</b>			
Net asset value per A share and B share (debt at fair value) <sup>x</sup>	<b>101.34p</b>	102.84p	-1.5
Net asset value per Unit (debt at fair value) <sup>x</sup>	<b>405.36p</b>	411.36p	-1.5
FTSE All-Share Capped 5% Index	<b>3,711.21</b>	3,740.28	-0.8
Ordinary share price – A shares	<b>95.5p</b>	95.0p	+0.5
– B shares	<b>95.5p</b>	102.3p	-6.6
– Units*	<b>366.0p</b>	375.0p	-2.4
<b>(Discount)/premium§</b> – A shares	<b>(5.8)%</b>	(7.6)%	
– B shares	<b>(5.8)%</b>	(0.5)%	
– Units*	<b>(9.7)%</b>	(8.8)%	
<b>Distribution yield</b> – A shares	<b>4.7%</b>	4.6%	
– B shares	<b>4.7%</b>	4.3%	
– Units*	<b>4.9%</b>	4.7%	
<b>Net Gearing‡</b>	<b>9.3%</b>	10.0%	

\* 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 figure indicates the extra amount by which shareholders' funds would rise or fall if total assets were to rise or fall. A figure of zero per cent means that the Company has a nil geared position. A negative number means the Company holds net cash after offsetting gearing.

Net gearing = the percentage figure of investments held divided by assets attributable to shareholders.

<sup>x</sup> A reconciliation between the net asset value (debt at fair value) and the net asset value per the Balance Sheet is shown in note 6 to the accounts.

§ 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

Over the past six months the global economic recovery has been lacklustre and increasingly divergent. Economic growth is strengthening in some regions of the world whilst weakening in others. Indeed since my last report to shareholders earlier this year, growth expectations have been reduced for most major economies with the exception of the United States and the United Kingdom. In recent weeks the US Federal Reserve confirmed it was ending its quantitative easing programme, citing confidence in the breadth and depth of the US recovery. In the UK, with the political uncertainty surrounding the Scottish referendum removed, the economy appears to remain on track to be one of the fastest growing of the developed economies this year. In marked contrast, in the Eurozone, economic growth appears to have stalled, raising concerns of recession and deflation in that region. Elsewhere, recent data has confirmed that the Japanese economy, the third largest in the world, has already slipped back into recession. Geopolitical risks to financial markets have also intensified throughout the year, most notably with widespread and rising unrest across the Middle East and with Russia's intervention in Ukraine. Despite this more challenging background, financial markets have been resilient, supported by reasonably healthy corporate sector fundamentals and, where needed, by the ongoing policy accommodation from Central banks and policymakers around the world.

## 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.

As at 30 September 2014, 82.6 per cent. of total assets was allocated to the Equities Portfolio and 13.1 per cent. to the Higher Yield Portfolio. The remaining 4.3 per cent. was held as cash and cash equivalents.

## Investment Performance

Returns from the Equities Portfolio and the Higher Yield Portfolio, combined with the effect of borrowings, resulted in the net asset value total return for the A and B shares of 0.7 per cent. over the six months to 30 September 2014. This return was behind the 1.1 per cent. total return for the benchmark 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 57.9 per cent. which exceeds the 48.6 per cent. return from the benchmark index and reflects strong outperformance from the Equities Portfolio.

During the six months to 30 September 2014, the Company's Equities Portfolio produced a total return of 1.1 per cent. which matched the benchmark index return. The Higher Yield Portfolio is invested in predominantly investment grade corporate bonds and returned 2.4 per cent. in total return terms for the six months to 30 September 2014.

## Earnings, Dividends and Capital Distributions

The Company earned total revenue income of £3.1m for the six months. The yield on the Equities Portfolio was 3.5 per cent. as at

30 September 2014, compared to the yield on the FTSE All-Share Index of 3.3 per cent.

Income from the Equities Portfolio rose compared with the same six month period last year. This increase was due to the higher level of one-off special dividends received during the period, most notably from Compass Group, Intercontinental Hotels and Booker. In total, special dividends added £306,000 to the revenue account during the period. The majority of investee companies continued to demonstrate good dividend growth during the period although the pace of dividend growth from the market as a whole has continued to slow. With around two-thirds of the UK stock market revenues coming from overseas, the combination of strong sterling and falling commodity prices over the past year has proven to be a drag on the earnings of the UK market as a whole. However, in recent months, sterling has subsequently weakened appreciably against the US dollar.

Over the past six months there has been a further reduction in assets allocated to the Higher Yield Portfolio in favour of the Equities Portfolio and this trend is expected to continue going forward. However, income from the Higher Yield Portfolio actually increased, compared to the same period in the prior year, due to an increase in its exposure to non-investment grade bonds.

The Company's dividend for the year ending 31 March 2015 is estimated, barring unforeseen circumstances, to be 4.48p per share (2014: 4.37p). The first three quarterly dividends will be paid in equal instalments of 1.11p per share and a fourth quarterly dividend of approximately

1.15p is expected to be paid to A shareholders. B Shareholders will receive capital repayments of the same amount per share at the same time as dividends are received by A shareholders.

The expected annual distribution level represents a yield for both A shareholders and B shareholders of 4.7 per cent. based on share prices as at 30 September 2014. For those shareholders that hold units (each comprising three A shares and one B share) the distribution yield on this unit holding would be 4.9 per cent. These yields compare favourably with the yield on the FTSE All-Share Index of 3.3 per cent. at that date.

After providing for the second quarter dividend, the Company had revenue reserves of £3.8m at 30 September 2014.

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

### **Discount and buy backs**

The Company's A share price and B share price both stood at a discount of 5.8 per cent. at 30 September 2014. Over the six month period, the price of the Company's A shares traded at an average discount to net asset value per share of 7.6 per cent. and the Company's B shares traded at an average discount of 4.4 per cent.

During the six month period, the Company bought back to be held in treasury 500,000 A shares at a discount to net asset value, thereby enhancing value for existing shareholders.

# Chairman's Statement

## **Alternative Investment Fund Managers (AIFM) Directive**

As highlighted in the Annual Report, the AIFM Directive is European legislation which creates a European-wide framework for regulating managers of alternative investment funds. Closed-ended investment companies fall within the remit of these new regulations. During the period, the Board entered into arrangements with the Manager, F&C Investment Business Limited, to act as the Company's Alternative Investment Fund Manager, at no additional cost to the Company. The Company also appointed JP Morgan to act as Depositary. Both appointments commenced during July 2014.

## **Outlook**

Since the financial crisis of 2008, global liquidity has been a key driver of the re-rating of equity markets and it remains an important influence today. Against a background of subdued global growth expectations and continuing low inflation,

both equity and credit markets have taken comfort from the accommodative stance adopted by policymakers. While the economic backdrop is muted, interest rates remain close to record low levels and corporate sector fundamentals reasonably healthy, suggesting the recent upturn in merger and acquisition activity will continue to be supportive for equity markets.

The Company's Equities Portfolio continues to favour companies which have the ability to grow earnings and dividends over the long term, have strong balance sheets, generate surplus cash flow beyond the needs of the business and have a proven management team with a commitment to dividend growth. This approach has served investors well over the longer term.

**Iain McLaren**

Chairman

27 November 2014

# Classification of Investments

At 30 September 2014

## Total Portfolio Summary

	2014 Market Value £'000	% of Total Assets	% of Total Portfolio Income	% Yield
Equities Portfolio	117,467	82.6	80.6	3.5
Higher Yield Portfolio	18,676	13.1	18.9	3.4*
Net Current Assets	6,133	4.3	0.5	
Total Assets (less Current Liabilities)	142,276	100.0	100.0	
Bank Term Loan at fair value	(17,771)	(12.5)		
Net Assets Attributable to Shareholders	124,505	87.5		

## Equities Portfolio

Sector	2014 % Equities Portfolio	2014 FTSE All- Share Capped 5% Index
Oil & Gas	12.9	12.5
Basic Materials	7.7	8.1
Industrials	12.8	10.2
Consumer Goods	16.0	14.6
Healthcare	9.4	8.9
Consumer Services	12.6	10.7
Telecommunications	6.0	4.7
Utilities	6.3	4.1
Financials	15.4	24.8
Technology	0.9	1.4
Total	100.0	100.0

## Higher Yield Portfolio

Security Ratings	2014 Higher Yield Portfolio Weighting %
AAA	7.3
AA	4.4
A	14.7
BBB	35.9
BB	22.9
B	10.1
Not rated	4.7
	100.0

\* The yield quoted on the Higher Yield Portfolio is the average weighted yield of all holdings calculated to their respective call dates. If the holdings in the portfolio are not called on those dates, then the yield will differ from that stated. The average duration until maturity on the Higher Yield Portfolio was 3.4 years at 30 September 2014.

# Equities Portfolio

At 30 September 2014

Company	Sector	Market Value £'000	% of Equities Portfolio
HSBC Holdings	Banks	6,525	5.5
Royal Dutch Shell	Oil & Gas Producers	6,428	5.5
British American Tobacco	Tobacco	6,142	5.2
GlaxoSmithKline	Pharmaceutical & Biotech	5,961	5.1
BP	Oil & Gas Producers	5,506	4.7
Rio Tinto	Mining	4,077	3.5
AstraZeneca	Pharmaceutical & Biotech	3,667	3.1
BT Group	Fixed Line Telecommunications	3,630	3.1
Vodafone Group	Mobile Telecommunications	3,383	2.9
BHP Billiton	Mining	3,302	2.8
<b>Ten largest equity investments</b>		<b>48,621</b>	<b>41.4</b>
Diageo	Beverages	2,984	2.5
Compass Group	Travel & Leisure	2,816	2.4
Reckitt Benckiser Group	Household Goods	2,789	2.4
National Grid	Gas,Water & Multi-Utilities	2,729	2.2
SABMiller	Beverages	2,599	2.2
BG Group	Oil & Gas Producers	2,359	2.0
BBA Aviation	Industrial Transport	2,229	1.9
Lloyds Banking Group	Banks	2,195	1.9
Prudential	Life Insurance	2,195	1.9
Imperial Tobacco Group	Tobacco	2,179	1.9
<b>Twenty largest equity investments</b>		<b>73,695</b>	<b>62.7</b>
Unilever	Food Producers	2,083	1.8
Booker Group	Food & Drug Retailers	2,009	1.7
BAE Systems	Aerospace & Defence	1,975	1.7
Severn Trent	Gas,Water & Multi-Utilities	1,923	1.6
Whitbread	Travel & Leisure	1,845	1.6
Berendsen	Support Services	1,718	1.5
Barclays	Banks	1,699	1.5
Aviva	Life Insurance	1,685	1.4
Land Securities Group	Real Estate	1,594	1.4
Centrica	Gas,Water & Multi-Utilities	1,582	1.3
<b>Thirty largest equity investments</b>		<b>91,808</b>	<b>78.2</b>
<b>Other equity investments (25)</b>		<b>25,659</b>	<b>21.8</b>
<b>Total equity investments</b>		<b>117,467</b>	<b>100.0</b>

# Higher Yield Portfolio\*

At 30 September 2014

Security	Sector	Market Value £'000	% of Higher Yield Portfolio
Paragon Group 7% 20/04/17	Mortgage Banks & Thrifts	676	3.6
British Telecom 2.25% 14/02/19	Telecom – Integrated/Services	402	2.1
Permanent Master ABS 15/07/42	Mortgage Backed	388	2.1
UBS 6.375% 20/07/16	Banking	388	2.1
Abbey National Treasury Service FRN 16/02/15	Banking	352	1.9
Southern Gas FRN 21/10/15	Gas Distribution	348	1.9
Bupa Finance 7.5% 04/07/16	Life Insurance	338	1.8
Mitchells & Butler 1.05438% 15/12/28	Tobacco	322	1.7
Yorkshire Building Society FRN 23/03/16	Banking	321	1.7
Marstons FRN 15/07/20	Restaurants & Bars	319	1.7
<b>Ten largest higher yield investments</b>		<b>3,854</b>	<b>20.6</b>
AA Bond Co 4.7201% 02/07/43	ABS Automobile	314	1.7
Petrobas Global Finance 4.875% 17/03/20	Oil & Gas	308	1.7
Glencore Funding 4.125% 30/05/23	Metals/Mining Excluding Steel	302	1.6
Clydesdale Bank FRN 08/06/15	Banking	292	1.6
Unitymedia 5.125% 21/01/23	Media – Cable	288	1.5
MacQuarie Bank 3.5% 18/12/20	Banking	268	1.4
Anglian Water Osprey Finance 7% 31/01/18	Non-Electric Utilities	268	1.4
Lloyds 6.9625% 29/05/20	Banking	256	1.4
Smurfit Kappa Acquisition 5.125% 15/09/18	Forestry/Paper	252	1.4
Cegedim 6.75% 01/04/20	Health Services	251	1.3
<b>Twenty largest higher yield investments</b>		<b>6,653</b>	<b>35.6</b>
Kion Finance 6.75% 15/02/20	Machinery	250	1.3
Empark Funding 6.75% 15/12/19	Support Services	245	1.3
Leeds Building Society FRN 20/03/15	Banking	238	1.3
Investec Bank 9.625% 17/02/22	Banking	234	1.3
Bharti Airtel International 4% 10/12/18	Telecom – Wireless	226	1.2
Kelda Finance 3 5.75% 17/02/20	Non-Electric Utilities	219	1.2
Barclays 6.75% 16/01/23	Banking	219	1.2
Coventry Building Society FRN 10/02/15	Banking	214	1.1
Pendragon 6.875% 01/05/20	Specialty Retail	209	1.1
Goldman Sachs 6.125% 14/02/17	Banking	208	1.1
<b>Thirty largest higher yield investments</b>		<b>8,915</b>	<b>47.7</b>
<b>Other higher yield investments (84)</b>		<b>9,761</b>	<b>52.3</b>
<b>Total higher yield investments</b>		<b>18,676</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 2014			
Notes	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value	–	(1,436)	(1,436)
Exchange differences	–	203	203
Investment income	2 3,139	–	3,139
Investment management fee – basic	3 (142)	(331)	(473)
Investment management fee – performance	3 –	–	–
Other expenses	(176)	–	(176)
<b>Profit/(loss) before finance costs and taxation</b>	<b>2,821</b>	<b>(1,564)</b>	<b>1,257</b>
<b>Net finance costs</b>			
Interest on bank loan	(89)	(208)	(297)
<b>Total finance costs</b>	<b>(89)</b>	<b>(208)</b>	<b>(297)</b>
<b>Profit/(loss) before tax</b>	<b>2,732</b>	<b>(1,772)</b>	<b>960</b>
Tax on ordinary activities	(17)	17	–
<b>Profit/(loss) for the period</b>	<b>2,715</b>	<b>(1,755)</b>	<b>960</b>
<b>Total comprehensive income for the period</b>	<b>2,715</b>	<b>(1,755)</b>	<b>960</b>
Earnings per share	4 2.21p	(1.43)p	0.78p

All of the profit 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 2013			Year to 31 March 2014*		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	1,959	1,959	–	7,741	7,741
–	152	152	–	227	227
2,947	–	2,947	5,466	–	5,466
(138)	(411)	(549)	(278)	(837)	(1,115)
–	–	–	–	(395)	(395)
(189)	–	(189)	(386)	–	(386)
2,620	1,700	4,320	4,802	6,736	11,538
(89)	(208)	(297)	(178)	(415)	(593)
(89)	(208)	(297)	(178)	(415)	(593)
2,531	1,492	4,023	4,624	6,321	10,945
(12)	12	–	(26)	26	–
2,519	1,504	4,023	4,598	6,347	10,945
2,519	1,504	4,023	4,598	6,347	10,945
2.04p	1.22p	3.26p	3.73p	5.14p	8.87p

\*these figures are audited.

# Condensed Unaudited Consolidated Balance Sheet

		<b>As at 30 September 2014 £'000</b>	As at 30 September 2013 £'000	As at 31 March 2014* £'000
<b>Non-current assets</b>				
Investments held at fair value through profit or loss	8	<b>136,143</b>	133,840	139,566
		<b>136,143</b>	133,840	139,566
<b>Current assets</b>				
Receivables		<b>1,327</b>	721	1,280
Cash and cash equivalents		<b>5,237</b>	6,777	5,904
		<b>6,564</b>	7,498	7,184
<b>Total assets</b>		<b>142,707</b>	141,338	146,750
<b>Current liabilities</b>				
Payables		<b>(431)</b>	(892)	(2,198)
		<b>(431)</b>	(892)	(2,198)
<b>Non-current liabilities</b>				
Bank loan	9	<b>(18,000)</b>	(18,000)	(18,000)
		<b>(18,000)</b>	(18,000)	(18,000)
<b>Total liabilities</b>		<b>(18,431)</b>	(18,892)	(20,198)
<b>Net assets</b>		<b>124,276</b>	122,446	126,552
<b>Capital and reserves</b>				
Share capital	10	<b>134</b>	134	134
Share premium	10	<b>153</b>	80	153
Capital redemption reserve	10	<b>5</b>	5	5
Buy back reserve	10	<b>86,868</b>	87,575	87,356
Special capital reserve		<b>23,236</b>	24,640	23,952
Capital reserves		<b>9,081</b>	5,993	10,836
Revenue reserve		<b>4,799</b>	4,019	4,116
<b>Equity shareholders' funds</b>		<b>124,276</b>	122,446	126,552
<b>Net asset value per A share</b>	11	<b>101.16p</b>	99.13p	102.59p
<b>Net asset value per B share</b>	11	<b>101.16p</b>	99.13p	102.59p

Approved by the Board, and authorised for issue, on 27 November 2014 and signed on its behalf by:

**Iain McLaren**, Director

\*these figures are audited.

## Condensed Unaudited Consolidated Statement of Changes in Equity

		<b>Six months to 30 September 2014</b>	Six months to 30 September 2013	Year to 31 March 2014*
	Notes	<b>£'000</b>	£'000	£'000
Opening equity shareholders' funds		<b>126,552</b>	121,498	121,498
Net profit for the period		<b>960</b>	4,023	10,945
Shares resold from treasury	10	<b>–</b>	319	657
Shares bought back for treasury	10	<b>(488)</b>	(696)	(1,180)
Dividends paid on A shares	7	<b>(2,032)</b>	(2,010)	(3,992)
Capital repayments paid on B shares	7	<b>(716)</b>	(688)	(1,376)
Closing equity shareholders' funds		<b>124,276</b>	122,446	126,552

\*these figures are audited.

## Condensed Unaudited Consolidated Cash Flow Statement

		<b>Six months to 30 September 2014</b>	Six months to 30 September 2013	Year to 31 March 2014*
		<b>£'000</b>	£'000	£'000
Net cash flow from operating activities		<b>2,512</b>	4,877	7,152
Net cash flow from financing activities		<b>(3,400)</b>	(3,377)	(6,622)
Net (decrease)/increase in cash and cash equivalents		<b>(888)</b>	1,500	530
Currency gains		<b>221</b>	131	228
Net cash and cash equivalents at beginning of period		<b>5,904</b>	5,146	5,146
Net cash and cash equivalents at end of period		<b>5,237</b>	6,777	5,904

\*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 2014. 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 2014, 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. 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>2014</b>	2013	2014
	<b>£'000</b>	£'000	£'000
Equity investments	<b>2,650</b>	2,480	4,511
Fixed interest investments	<b>481</b>	455	933
Deposit interest	<b>6</b>	12	17
Underwriting commission and other income	<b>2</b>	–	5
	<b>3,139</b>	2,947	5,466

- The Company's investment manager is F&C Investment Business Limited. With effect from 1 April 2014, F&C Investment Business Limited receives an investment management fee of 0.75 per cent per annum of the net asset value of the Company payable quarterly in arrears. For prior periods the fee comprised a base fee of 0.90 per cent per annum and a performance fee. Full details can be found in the Company's Annual Report and Accounts for the year ended 31 March 2014.
- The earnings per share are based on the net profit for the period and on 123,100,749 shares (period to 30 September 2013 – 123,445,475; year to 31 March 2014 – 123,435,344), being the weighted average shares in issue during the period.
- Earnings for the six months to 30 September 2014 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 Group is engaged in a single segment of business, of investing in equity and higher yielding securities, and that therefore the Group 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 Group. The key measure of performance used by the Board to assess the Group's performance is the total return on the Group's net asset value measuring debt at fair value. The reconciliation between the measure of profit or loss used by the Board and that contained in the financial statements is as follows:

	30 September 2014		30 September 2013		31 March 2014	
	£'000	Pence per share	£'000	Pence per share	£'000	Pence per share
Shareholders' funds per financial statements	124,276	101.16	122,446	99.13	126,552	102.59
Closing fair value adjustment on fixed-rate term loan	229	0.18	208	0.17	308	0.25
Shareholders' funds with debt at fair value	124,505	101.34	122,654	99.30	126,860	102.84
Profit for the period per financial statements	960	0.78	4,023	3.26	10,945	8.87
Movement in fair value on fixed-rate term loan	(79)	(0.06)	394	0.32	494	0.40
Profit for the period with debt at fair value	881	0.72	4,417	3.58	11,439	9.27

## 7. Dividends

	Six months to 30 September 2014	Six months to 30 September 2013	Year to 31 March 2014
	£'000	£'000	£'000
<b>In respect of the previous period:</b>			
Fourth interim dividend paid at 1.1225p (2013: 1.1p) per A share	1,025	1,017	1,018
Fourth capital repayment paid at 1.1225p (2013: 1.1p) per B share	360	346	346
<b>In respect of the period under review:</b>			
First interim dividend paid at 1.11p (2013: 1.0825p) per A share	1,007	993	993
First capital repayment paid at 1.11p (2013: 1.0825p) per B share	356	342	342
Second interim dividend paid at 1.0825p per A share	–	–	993
Second capital repayment paid at 1.0825p per B share	–	–	344
Third interim dividend paid at 1.0825p per A share	–	–	988
Third capital repayment paid at 1.0825p per B share	–	–	344
	2,748	2,698	5,368

A second interim dividend for the year to 31 March 2015, of 1.11p per A share, was paid on 7 November 2014 to A shareholders on the register on 3 October 2014. A second quarter capital repayment of 1.11p per B share was paid on 7 November 2014 to B shareholders on the register on 3 October 2014. Although these payments relate to the period ended 30 September 2014, under IFRS they will be accounted for in the six months to 31 March 2015, being the period during which they are paid.

# Notes to the Condensed Accounts (unaudited)

## 8. Investments held at fair value through profit or loss

	<b>Group (Level 1) £'000</b>
Opening book cost	112,547
Opening fair value adjustment	27,019
<hr/>	
Opening valuation	139,566
Movement in the period:	
Purchases at cost	8,928
Sales – proceeds	(10,915)
– gains on sales	715
Decrease in fair value adjustment	(2,151)
<hr/>	
Closing valuation at 30 September 2014	136,143
<hr/>	
Closing book cost at 30 September 2014	111,275
Closing fair value adjustment at 30 September 2014	24,868
<hr/>	
<b>Closing valuation at 30 September 2014</b>	<b>136,143</b>

Accounting standards recognise a hierarchy of fair value measurements for financial instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The classification of financial instruments depends on the lowest significant applicable input, as follows:

- **Level 1** – quoted (unadjusted) prices in active markets for identical assets or liabilities.
- **Level 2** – other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly. The Group held no such instruments during the period under review.
- **Level 3** – techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data. The Group held no such instruments during the period under review.

There were no transfers between levels of the fair value hierarchy during the six months ended 30 September 2014.

9. The Company has an £18 million secured term loan from JPMorgan Chase Bank. The facility has a term to 28 September 2017 and has a fixed interest rate of 3.15 per cent per annum, with an arrangement fee payable in addition of £18,000 per annum.

The fair value of the £18 million term loan, on a marked to market basis, was £17,771,000 at 30 September 2014 (30 September 2013 – £17,792,000; 31 March 2014 – £17,692,000).

- 10.** Over the period the Company bought back 500,000 A shares to hold in treasury (period to 30 September 2013 – 750,000 A shares; year to 31 March 2014 – 1,250,000 A shares) and nil B shares (period to 30 September 2013 – nil B shares; year to 31 March 2014 – nil B shares). The Company did not resell any A shares or B Shares from treasury (period to 30 September 2013 – 325,000 B Shares; year to 31 March 2014 – 655,000 B Shares).

At 30 September 2014 the Company held 11,289,000 A shares and nil B shares in treasury (30 September 2013 – 10,289,000 A shares and 330,000 B shares; 31 March 2014 – 10,789,000 A shares and nil B shares).

The Company did not issue any new shares during the period (period to 30 September 2013 – nil; year to 31 March 2014 – nil).

- 11.** The net asset value per share is based on shareholders' funds at the period end and on 90,778,144 A shares and 32,076,703 B shares, being the number of shares in issue at the period end (30 September 2013 – 91,778,144 A shares and 31,746,703 B shares; 31 March 2014 – 91,278,144 A shares and 32,076,703 B shares).
- 12.** Other than the bank term loan, as disclosed in note 9, the fair values of the Group's financial assets and liabilities are not materially different from their carrying values in the financial statements.

The Group's financial risk management objectives and policies are consistent with those disclosed in the Group's consolidated financial statements for the year ended 31 March 2014.

- 13.** The Group results consolidate those of Investors Securities Company Limited, a wholly owned subsidiary which deals in securities.
- 14.** The Company's auditor, Ernst & Young LLP, has not audited or reviewed the Interim Report to 30 September 2014 pursuant to the Auditing Practices Board guidance on 'Review of Interim Financial Information'. 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 2014, 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 2014 have been reported on by the Company's auditor or delivered to the Registrar of Companies.

# 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 Uncertainties and Risk Management' within the Business Model and Strategy in the Group's Annual Report for the year ended 31 March 2014. 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

**Iain McLaren**

Director

27 November 2014

# Shareholder Information

## Dividends

Dividends on A shares and capital repayments 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 repayment tax vouchers are sent directly to shareholders' registered addresses.

## 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.

## Financial Calendar 2014/15

7 November 2014	Second quarter's distribution paid (XD Date 1 October 2014)
6 February 2015	Third quarter's distribution paid (XD Date 8 January 2015)
1 May 2015	Fourth quarter's distribution paid (XD Date 2 April 2015)
May 2015	Announcement of Annual Results and Posting of Annual Report
June 2015	Annual General Meeting

## Warning to Shareholders – Beware of Share Fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

If you are approached by fraudsters please tell the Financial Conduct Authority ('FCA') by using the share fraud reporting form at [www.fca.org.uk/scams](http://www.fca.org.uk/scams) where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768. If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

# How to Invest

One of the most convenient ways to invest in Investors Capital Trust plc is through one of the savings plans run by F&C Management Limited ('F&C').

## F&C Private Investor Plan ('PIP')

A flexible way to invest with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250.

## F&C Investment Trust ISA

Use your ISA allowance to make an annual tax-efficient investment of up to £15,000 for the 2014/15 tax year with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250 and transfer any existing ISAs to us whilst maintaining all the tax benefits.

## F&C Child Trust Fund ('CTF')

CTFs are closed to new investors; however, if your child has a CTF with another provider, it is easy to transfer it to F&C. Additional contributions can be made from as little as £25 per month or £100 lump sum – up to a maximum of £4,000 for the 2014/15 tax year.

## F&C Children's Investment Plan ('CIP')

A flexible way to save for a child. With no maximum contributions, the plan can easily be written under trust to help reduce inheritance tax liability or kept in your name if you may need access to the funds before the child is 18. Investments can be made from a £250 lump sum or £25 a month. You can also make additional lump sum top-ups at any time from £100.

## F&C Junior ISA ('JISA')

This is a tax-efficient savings plan for children who did not qualify for a CTF. It allows you to invest up to £4,000 for the 2014/15 tax year with all the tax benefits of the CTF. You can invest from £30 a month, or £500 lump sum, or a combination of both.

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 individual. The CTF and JISA accounts are opened in the child's name. Money cannot be withdrawn until the child turns 18.

Annual management charges and certain transaction costs apply according to the type of plan.

## Annual account charge

**ISA:** £60+VAT

**PIP:** £40+VAT

**JISA/CIP/CTF:** £25+VAT

You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits)

## Dealing charge per holding

**ISA:** 0.2%

**PIP/CIP/JISA:** postal instructions £12, online instruction £8.

The dealing charge applies when shares are bought or sold but the fixed rate charge does not apply to the reinvestment of dividends or the investment of regular monthly savings.

There is no dealing charge on a CTF but a switching charge of £25 applies if more than 2 switches are carried out in one year.

Government stamp duty of 0.5% also applies on purchases (where applicable).

There may be additional charges made if you transfer a plan to another provider or transfer the shares from your plan. For full details of charges, please read the Key Features and Terms and Conditions of the plan before investing.

## How to Invest

You can invest in all our savings plans online.

## New Customers

Contact our Investor Services Team

Call: **0800 136 420**

(8:30am – 5:30pm, weekdays, calls may be recorded)

Email: **info@fandc.com**

Investing online: **www.fandc.com**

## Existing Plan Holders

Contact our Investor Services Team

Call: **0845 600 3030**

(9:00am – 5:00pm, weekdays, calls may be recorded)

Email: **investor.enquiries@fandc.com**

By post: **F&C Plan Administration Centre**

**PO Box 11114**

**Chelmsford CM99 2DG**

**BMO**  A part of BMO Financial Group

F&C Management Limited is authorised and regulated by the Financial Conduct Authority FRN: 119230 and is a member of the F&C Group. The ultimate parent company of the F&C Group is the Bank of Montreal.



# Corporate Information

## Directors

I A McLaren (Chairman)  
J Le Blan\*  
J M Evans  
K D Shand  
J P Williams

## Registered Office

80 George Street  
Edinburgh EH2 3BU  
Tel: 0207 628 8000  
Fax: 0131 718 1280

## 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: 0871 384 2470<sup>†</sup>

Registrars' Broker Helpline: 0906 559 6025<sup>†</sup>

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

## Brokers

Genkos Securities plc  
6.7.8 Tokenhouse Yard  
London EC2R 7AS

## Auditors

Ernst & Young LLP  
Ten George Street  
Edinburgh EH2 2DZ

## Principal Bankers, Custodian and Depository

JPMorgan Chase Bank  
25 Bank Street  
Canary Wharf  
London E14 5JP

## Solicitors

Dickson Minto W.S.  
16 Charlotte Square  
Edinburgh EH2 4DF

## Company Number

SC314671

## Website

[www.investorscapital.co.uk](http://www.investorscapital.co.uk)

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

\* Chairman of the Audit Committee

<sup>†</sup> Calls to this number cost 8p per minute plus network extras. Lines open 8.30 am to 5.30 pm, Monday to Friday.

<sup>‡</sup> Calls to this number are charged at £1 per minute from a BT landline. Other telephony providers' costs 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: 0207 628 8000  
Fax: 0131 718 1280

### **Registrars and Transfer Office**

Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA

Registrars' Shareholder Helpline: 0871 384 2470\*

Registrars' Broker Helpline: 0906 559 6025†

Registrars' Overseas Helpline: +44 121 415 7047‡

\* Calls to this number cost 8p per minute plus network extras.  
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 telephony providers' costs may vary.  
Lines open 8.30 am to 5.30 pm, Monday to Friday.

‡ Local overseas call rates will apply.