Investors Capital Trust plc

2013 Annual Report and Accounts

For the year to 31 March 2013

F&C Investments

Contents

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

Company Summary

The Company

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

Assets attributable to shareholders at 31 March 2013 were £121.5 million.

Objective and Policy

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

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

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

Management

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

Capital Structure

The Company's capital structure offers shareholders the opportunity to receive quarterly distributions in the form of either dividends, capital repayments, 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.

How to Invest

F&C Asset Management plc operates a number of investment plans which facilitate investment in the securities of the Company. Details are contained on page 54.

You may also invest through a stockbroker.

ISA Status

The Company's shares are eligible for ISAs.

Website

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

Telephone

F&C Investment Business Limited Investment Services 0845 600 3030

Financial Highlights for the Year

- Total distributions for the year to 31 March 2013 of 4.28p per share
- Distribution yield of 4.6 and 4.5 per cent on A and B shares respectively at 31 March 2013, compared to the yield on the FTSE All-Share Capped 5% Index of 3.3 per cent
- Net asset value total return per share for the year was 19.6 per cent, compared to the FTSE All-Share Capped 5% Index total return of 17.1 per cent
- Net asset value total return per share since launch on 1 March 2007 was 42.9 per cent, compared to the FTSE All-Share Capped 5% Index total return of 34.7 per cent

Performance Summary

	Year to 31 March 2013	Period from launch on 1 March 2007 to 31 March 2013
Total Return		
Net asset value total return per A and B share and per unit (debt at fair value)‡	**19.6%**	42.9%
FTSE All-Share Capped 5% Index	**17.1%**	34.7%
	Year to 31 March 2013	Year to 31 March 2012
Revenue and Distributions		
Distributions per A share and B share	**4.28p**	4.28p
Distributions per unit*	**17.12p**	17.12p
Revenue reserves (before fourth quarter's distribution)	**£3.5m**	£3.1m
Equities Portfolio yield relative to FTSE All-Share Capped 5% Index	**108%**	120%
Capital	**31 March 2013**	31 March 2012
Total assets (less current liabilities)	**£139.5m**	£143.2m
Net asset value per A share and B share (debt at fair value)‡	**97.87p**	85.94p
Net asset value per unit (debt at fair value)*‡	**391.48p**	343.76p
FTSE All-Share Capped 5% Index	**3,544.77**	3,137.30
A share price	**93.5p**	82.0p
B share price	**94.5p**	86.5p
Unit price	**369.0p**	322.5p
(Discount)/Premium (% difference between price and net asset value)		
A shares	**(4.5)%**	(4.6)%
B shares	**(3.4)%**	0.7%
Unit	**(5.7)%**	(6.2)%
Gearing†		
Net gearing	**10.1%**	20.1%
Ongoing Charges		
as percentage of average shareholders' funds	**1.15%**	1.18%

Highs/Lows for the Year	**A shares 2012/13 High**	**A shares 2012/13 Low**	**B shares 2012/13 High**	**B shares 2012/13 Low**	**Units 2012/13 High**	**Units 2012/13 Low**
Net asset value per share	**98.5p**	**78.9p**	**98.5p**	**78.9p**	**394.0p**	**315.6p**
Share price	**93.5p**	**76.5p**	**94.5p**	**79.0p**	**369.0p**	**300.0p**
Premium/(discount)	**(1.1)%**	**(10.3)%**	**4.6%**	**(9.6)%**	**0.5%**	**(13.4)%**

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

† 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 borrowings.
Net gearing = the percentage figure of investments held divided by assets attributable to shareholders.
Sources: F&C Investment Business Limited and Datastream

‡ A reconciliation between the net asset value (debt at fair value) and the net asset value per the Balance Sheet is shown in note 3 to the accounts.

Chairman's Statement

I A McLaren Chairman

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 repayments, 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 investments in fixed interest and other higher yielding securities (the Higher Yield Portfolio). At 31 March 2013, 83.4 per cent. of total assets was allocated to the Equities Portfolio and 12.4 per cent. to the Higher Yield Portfolio. The remaining 4.2 per cent. was held as cash and cash equivalents.

Investment Performance

In my interim report to shareholders I suggested that high levels of indebtedness together with ongoing fiscal retrenchment in developed economies would continue to constrain the pace of global economic recovery for some time to come. This has indeed been the case. Since the trough in global activity during 2009 the pace of economic recovery in developed markets has been lacklustre, well below the pace of post-recession recovery experienced during previous economic cycles. However, the extent of the ongoing policy support from both Central Banks and politicians throughout the year, particularly in the United States and Europe, allayed investors' worst fears over the macro economic risks to financial markets most notably from the ongoing Eurozone debt crisis. Consequently both equity and bond markets made good progress over the course of the year.

The Company's Equities Portfolio produced a total return of 19.0 per cent. during the year to 31 March 2013, while the Higher Yield Portfolio returned 10.0 per cent.

Returns from the Equities Portfolio and the Higher Yield Portfolio, combined with the effect of gearing, resulted in a net asset value total return for the A and B shares of 19.6 per cent for the year. This return is ahead of the 17.1 per cent. total return for the FTSE All-Share Capped 5% Index, the Company's benchmark.

Since the launch of the Company on 1 March 2007 to 31 March 2013, the Company has outperformed its benchmark index. The net asset value per share total return performance of the Company has been 42.9 per cent which compares favourably with the 34.7 per cent return from the benchmark FTSE All-Share Capped 5% Index. The Company is ahead of its benchmark index over one, three and five years on a net asset value total return basis.

Earnings

The Company achieved total revenue income of £5.5m for the year. The yield on the Equities Portfolio was 3.6 per cent. as at 31 March 2013, compared to the yield on the FTSE All-Share Capped 5% Index of 3.3 per cent.

The Company's revenue was below that earned during the previous financial year. The income from the Equities Portfolio, excluding dividends of a capital nature, remained broadly unchanged despite a reduction in the yield relative to the FTSE All-Share Capped 5% Index. However, a lower level of income was earned from the Higher Yield Portfolio as the size of this portfolio was reduced in

Chairman's Statement (continued)

order to finance a reduction in the Company's borrowings mid-way through the year. The low level of deposit interest reflects the continued low rates of interest together with lower average cash balances.

The majority of investee companies continued to deliver good dividend growth during the year reflecting the ongoing improvement in corporate profits and cash flow. Against a background of continued economic uncertainty the UK corporate sector has favoured returning cash to shareholders through increased dividend payments over additional capital expenditure or mergers and acquisitions. It should be noted that the rate of dividend growth moderated throughout the year and, in the absence of an improvement in the pace of global economic recovery, growth in dividends will likely slow further in the year ahead.

The Equities Portfolio derives over a third of its revenue from UK-listed companies that declare dividends in US dollars. The US dollar exchange rate therefore has an important influence on the Company's revenue. Despite a marked strengthening in the dollar against sterling during the final months of the Company's year, the average rate against sterling was similar to the previous year and therefore the overall impact on the Company's revenue was minimal.

After deducting the fourth quarter dividend, the Company had revenue reserves of £2.5m at 31 March 2013.

Dividends and Capital Returns

Dividends to A shareholders and capital repayments to B shareholders are paid quarterly in August, November, February and May each year. In respect of the distributions for the Company's first three quarters, the dividends paid on the A shares and capital repayments on the B shares were 1.06p per share for each quarter. A fourth quarter dividend of 1.1p per share was paid to A shareholders, and a capital repayment of the same amount to B shareholders, on 3 May 2013. This results in a dividend/capital repayment of 4.28p per share in respect of the year to 31 March 2013. This represents an unchanged distribution over the previous year and a distribution yield for A shareholders of 4.6 per cent. and for B shareholders of 4.5 per cent., based on the A share price of 93.5 pence and the B share price of 94.5 pence as at 31 March 2013. These yields compare favourably with the yield on the FTSE All-Share Capped 5% Index of 3.3 per cent at that date. For shareholders that hold units, the distribution yield was 4.6 per cent. based on a unit price of 369.0 pence as at 31 March 2013.

The Company has operated a reinvestment scheme for B shareholders to reinvest their capital repayments in further B shares if they wish. However, the scheme has now been terminated, due to the low level of shareholder participation and relatively high cost to the Company of providing the scheme. Shareholders affected have already been informed separately.

Capital Structure

The Company has two classes of shares: A shares and B shares. The net asset value attributable to the A shares and to the B shares is the same. The rights of each class are identical, save that only the A shares are entitled to receive dividends, while the B shares instead receive a capital repayment at the same time as, and in an equal amount to, each dividend. The 'Capital Structure' section of the Annual Report provides further information on the A and B shares.

The Company refinanced its term borrowings during the year and now has a reduced level of borrowings of £18m (previously £33.5m) with a significantly lower fixed rate of annual interest of 3.15 per cent (previously 5.86 per cent). The new borrowings have a five year term to September 2017.

Discount and buy backs

The Company's A share price was at a discount to net asset value of 4.5 per cent. at 31 March 2013. The Company's B shares were at a discount to net asset value of 3.4 per cent at the same date. Over the year, the price of the Company's A shares traded at an average discount to net asset value per share of 6.6 per cent. and the Company's B shares traded at an average discount of 4.7 per cent. The Company has a stated buy back policy and, in accordance with this policy, the Company bought back 2,150,000 A shares and 630,000 B shares during the year at an average discount of over 5 per cent. to net asset value, thereby adding value for existing shareholders. Since the financial year end, the Company has bought back a further 500,000 A shares.

Board Changes

Mr Herschel Post is retiring as a Director of the Company following the conclusion of the Annual General Meeting on 21 June 2013. He has served as a Director since the Company's launch in 2007 and was a Director of the predecessor company. I would like to thank Herschel for the wise counsel he has provided as a Director over many years and wish him well in his retirement.

The Board is pleased to announce the appointment of Mr John Evans as a non executive Director of the Company with effect from 8 May 2013. Mr Evans, who is 55 years old, has worked in the investment management industry for over 30 years. He retired from Aberforth Partners, a specialist investment management firm, in 2011 having been one of its founding partners in 1990. He has managed a range of investment funds and has considerable experience of the investment trust industry.

Following the retirement of Herschel Post, Kenneth Shand will become Senior Independent Director and chairman of the Remuneration Committee.

Outlook

Global economic growth over the past year has been uneven and anaemic and is likely to remain so for some time as developed economies continue to bear the ongoing burden of deleveraging and austerity. The United States economy appears to be the furthest down the path to recovery whilst recessionary conditions prevail across much of the Eurozone. With its largest trading partner facing a prolonged downturn and with structural headwinds of its own, the prospects for the UK economy remain challenging. Against this uncertain background it is encouraging that UK equity market valuations remain reasonable.

Iain McLaren
Chairman
8 May 2013

Investment Managers and Investment Process

Rodger McNair
Lead Investment Manager

Michael Campbell
Company Secretary

Rodger McNair
Lead Investment Manager
He has over 25 years' investment experience and was appointed lead manager of the predecessor Investors Capital Trust in June 1999.

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

Investment Managers

Investors Capital Trust plc is managed by F&C Investment Business Limited, a wholly owned subsidiary of F&C Asset Management plc (F&C). F&C is a leading asset manager in both the UK and Europe with some £95 billion (at 31 December 2012) of funds under management. F&C is a company listed on the London Stock Exchange.

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

Investment Process

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

Equities Portfolio

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

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

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

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

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

Higher Yield Portfolio

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

Manager's Review

Economic & Market Review

As the Company's financial year began, an escalation of funding concerns within the European banking system together with weaker than expected economic data from both the US and China, triggered sharp falls in global financial markets. Borrowing costs in Italy and Spain, Europe's third and fourth largest economies respectively, had risen to unsustainable levels despite efforts to reduce spending and introduce economic reforms, once again casting doubt over the future of the euro. However, at a summit held in Brussels at the end of June, European leaders agreed a bold range of measures designed to restore confidence in credit markets and strengthen the region's banking system. The decision to allow European Union bailout funds to be used to recapitalise banks directly, rather than through their respective national governments, together with a commitment to move towards closer economic and monetary union in the future was to signal a significant turning point for financial markets. Equity markets recovered their earlier losses and went on to make steady progress through the balance of the year. For the year to 31 March 2013 the FTSE All Share Capped 5% Index, the Company's benchmark index, increased 17.1 per cent in total return terms.

In common with other major developed economies, the performance of the UK economy has been lacklustre in recent years, constrained by high levels of indebtedness in both the public and private sectors coupled with ongoing fiscal austerity. Weak consumer demand has also been a key factor in slow growth. Despite a difficult economic background the rate of UK unemployment has remained relatively stable. However price inflation for non discretionary household items, such as food and utilities, has consistently outpaced wage growth putting sustained pressure on consumer disposable income.

Consumer price inflation has remained stubbornly above the Bank of England's target level of 2.0 per cent since the end of 2009, however it has fallen from a high of 5.2 per cent in September 2011 to the current level of 2.8 per cent. Since the turn of the year, inflation expectations have risen following a sharp fall in the value of sterling against both the US dollar and the euro and despite recent weakness in oil and commodities prices. In early 2009 the Bank of England announced that it was reducing UK base rates to a record low level of 0.5 per cent (the level at which they remain today) whilst at the same time introducing additional stimulus to the economy through quantitative easing (QE), the process whereby the central bank purchases financial assets such as gilts and corporate bonds from institutions as a means of injecting money into the wider economy. So far, the Bank of England has introduced £375 billion of liquidity into the economy though its QE programme. It is expected that further policy stimulus will be announced when Mark Carney takes over from Sir Mervyn King as Bank of England Governor in the summer.

It is encouraging that the UK corporate sector has continued to deliver good growth in earnings and dividends over the past year despite the ongoing challenges facing both the UK and the wider global economy. The rally in equity prices over the past year has, however, taken place against a background of deteriorating earnings momentum. Unless we see an acceleration in the pace of global growth it is difficult to see a sustainable improvement in earnings and dividends. For that reason we continue to believe that businesses which can demonstrate earning resilience, have strong balance sheets and have attractive dividend yields will remain well supported.

Portfolio Review

Returns from the Company's Equities Portfolio and the Higher Yield Portfolio, combined with the effect of gearing, resulted in a Net Asset Value total return of 19.6 per cent over the year to 31 March 2013. This compares with a total return of 17.1 per cent for the FTSE-All Share Capped 5% Index, the Company's benchmark. Over the same period the total return on the Company's Equities Portfolio was 19.0 per cent.

Within the Equities Portfolio we favour companies which have the ability to grow earnings and dividends in real terms over the longer term, have strong balance sheets, generate excess cash flow beyond the reinvestment requirements of the business and have a proven management team with a commitment to dividend growth. This approach has been central to delivering outperformance against the Company's benchmark both during the past year and over the longer term.

The Equities Portfolio benefitted from exposure to businesses that have a meaningful presence in the United States where the pace of recovery has been

Manager's Review (continued)

more assured. This was achieved through a range of holdings within a number of market sectors including Beverages, Food Producers, Travel and Leisure and Support Services. Elsewhere we retained an underweight exposure to the Mining sector, which performed poorly during the year. This industry is facing significant cost inflation at a time of falling commodity prices due to a weak global economy and moderating demand from China. We also maintained an underweight exposure to Financials, and in particular UK domestic banks where prospects remain uncertain.

Within the Equities Portfolio several holdings delivered exceptional share price gains. These include Booker, the UK's leading food wholesaler, and Filtrona, a leading international supplier of plastic, fibre and foam products, both of which warranted a mention in the manager's review last year for similar reasons. It is pleasing to note another year of positive business development at both companies has supported further share price gains. Associated British Foods, Berendsen, Howden Joinery and Standard Life also deserve mention having all recorded strong share price gains. Associated British Foods owns the Primark discount retail chain in addition to food ingredients and manufacturing businesses. Primark is well positioned to continue to take market share from the high street competition. Berendsen, the textile cleaning and supply services business, continues to make encouraging progress towards operational and financial targets established following a strategic review of the group in 2010. Howden Joinery, the trade-only building supplier, has delivered strong results due to the strength of its trade proposition in what remains a challenging market. Standard Life, the Edinburgh-based insurer, experienced strong profit growth on the back of changes to financial advice regulation.

The Company's Higher Yield Portfolio is comprised of a broadly diversified portfolio of predominantly investment grade corporate bonds. The Higher Yield portfolio returned 10.0 per cent in total return terms over the year to 31 March 2013. Against a background of anaemic global growth and ongoing sovereign debt concerns, the actions of policy makers and central banks were the key driver of fixed interest markets during the year. The actions of the European Central Bank were particularly beneficial to the bond markets of the European periphery, but the monetary accommodation has benefitted all markets. Major government bonds markets, such as the US, UK and Germany, all experienced further falls in sovereign bond yields over the year from already low starting levels. This exacerbated the search for yield thereby benefitting both investment grade and high yield credit markets.

Outlook

Over the past year the pace of global economic growth has been lacklustre. Stronger growth in the United States has provided a welcome counter-balance to difficult conditions in Europe while the rate of growth in emerging markets including China has slowed. In the coming year we expect to see a similar pattern of lacklustre but divergent growth. The combination of both conventional and unconventional monetary stimulus to developed economies over recent years appears to have averted the threat of a sharp economic downturn and has supported the recovery in financial markets, however, it has not yet had the desired impact of establishing a sustained economic recovery. Against this background it is encouraging that the UK corporate sector remains in good health. Corporate earnings and cash flows are still growing, balance sheets are robust, dividends are well covered and valuation metrics appear reasonable particularly when viewed in the context of exceptionally low government bond yields.

Rodger McNair
Investment Manager
F&C Investment Business Limited
8 May 2013

Classification of Investments

Total Portfolio Summary (at 31 March 2013)

	2013 Market Value £'000	% of Total Assets	% of Total Portfolio Income	% Yield
Equities Portfolio	116,350	83.4	81.7	3.6
Higher Yield Portfolio	17,261	12.4	18.0	3.4*
Net Current Assets	5,887	4.2	0.3	
Total Assets (less Current Liabilities)	139,498	100.0	100.0	
Bank Term Loan (debt at fair value)	(18,186)	(13.0)		
Net Assets Attributable to Shareholders	121,312	87.0		

Equities Portfolio

Sector	2013 % Equities Portfolio	2013 FTSE All-Share Capped 5% Index
Oil & Gas	12.1	13.4
Basic Materials	7.9	9.2
Industrials	13.1	10.0
Consumer Goods	16.7	15.2
Healthcare	9.9	7.6
Consumer Services	10.1	10.4
Telecommunications	7.8	6.5
Utilities	7.5	4.0
Financials	14.0	22.0
Technology	0.9	1.7
Total	100.0	100.0

Higher Yield Portfolio

Security Ratings	2013 Higher Yield Portfolio Weighting %
AAA	16.1
AA	3.3
A	18.0
BBB	33.2
BB	16.1
B	5.4
CCC	2.4
Not rated	5.5
	100.0

* The yield quoted on the Higher Yield Portfolio is the gross redemption yield.

Equities Portfolio

At 31 March 2013

Company	Market Value 31 March 2013 £'000	% of Equities Portfolio
HSBC HSBC provides a comprehensive range of banking and related financial services on a global basis.	6,746	5.8
GlaxoSmithKline GlaxoSmithKline is a global manufacturer and marketer of pharmaceutical products.	6,491	5.6
British American Tobacco British American Tobacco is involved in the manufacture, marketing and selling of cigarettes and other tobacco products.	6,222	5.3
BP BP is one of the world's largest integrated oil and gas companies.	5,585	4.8
Vodafone Vodafone is the largest global provider of mobile telecommunications services.	5,554	4.8
Royal Dutch Shell Royal Dutch Shell is one of the world's largest integrated oil and gas companies.	5,265	4.5
AstraZeneca AstraZeneca is involved in the research, manufacture and sale of pharmaceuticals.	4,021	3.5
BHP Billiton BHP Billiton is an international resources company whose principal business lines are mineral exploration and production.	3,313	2.8
Rio Tinto Rio Tinto is an international mining company.	3,216	2.8
SABMiller SABMiller is an international beer company.	2,913	2.5
Ten largest equity investments	**49,326**	**42.4**

Company	Sector	Market Value 31 March 2013 £'000	% of Equities Portfolio
BT Group	Fixed Line Telecom	2,659	2.3
Reckitt Benckiser Group	Household Goods	2,459	2.1
SSE	Electricity	2,416	2.1
Diageo	Beverages	2,376	2.0
Compass Group	Travel & Leisure	2,358	2.0
BG Group	Oil & Gas Producers	2,260	1.9
Unilever	Food Producers	2,245	1.9
National Grid	Gas, Water & MultiUtilities	2,195	1.9
Rexam	General Industrial	2,145	1.9
Booker Group	Food & Drug Retailers	2,038	1.8
Twenty largest equity investments		**72,477**	**62.3**
BBA Aviation	Industrial Transport	2,020	1.7
Imperial Tobacco Group	Tobacco	1,880	1.6
Standard Chartered	Banks	1,829	1.6
Anglo American	Mining	1,741	1.5
Centrica	Gas, Water & MultiUtilities	1,700	1.5
Prudential	Life Insurance	1,699	1.5
Severn Trent	Gas, Water & MultiUtilities	1,665	1.4
Tesco	Food Retailers	1,656	1.4
Experian	Support Services	1,653	1.4
BAE Systems	Aerospace & Defence	1,652	1.4
Thirty largest equity investments		**89,972**	**77.3**
Barclays	Banks	1,462	1.3
Associated British Foods	Food Producers	1,399	1.2
Land Securities Group	Real Estate	1,272	1.1
Standard Life	Life Insurance	1,197	1.0
British Sky Broadcasting Group	Media	1,178	1.0
Whitbread	Travel & Leisure	1,140	1.0
Carnival	Travel & Leisure	1,129	1.0
Smiths Group	General Industrial	1,094	1.0
IMI	Industrial Engineering	1,083	0.9
Sage Group	Software & Computer Services	1,062	0.9
Forty largest equity investments		**101,988**	**87.7**
Berendsen	Support Services	1,041	0.9
Bunzl	Support Services	1,030	0.9
Smith & Nephew	Healthcare	995	0.9
John Wood Group	Oil Equipment Services	973	0.8
Aviva	Life Insurance	954	0.8
Xstrata	Mining	929	0.8
Marks & Spencer Group	General Retailers	873	0.8
Babcock International Group	Support Services	870	0.7
Lloyds Banking Group	Banks	860	0.7
Carphone Warehouse	Retailers	836	0.7
Fifty largest equity investments		**111,349**	**95.7**
Other equity investments (8)		**5,001**	**4.3**
Total equity investments		**116,350**	**100.0**

Higher Yield Portfolio

At 31 March 2013

Security	Sector	Market Value 31 March 2013 £'000	% of Higher Yield Portfolio
Paragon Group 7% 20/04/17	Mortgage Banks & Thrifts	604	3.5
UBS 6.375% 20/07/16	Banking	414	2.4
Permanent Master ABS 15/07/42	Mortgage Backed	409	2.3
Marstons FRN 15/07/20	Restaurants & Bars	362	2.1
Nationwide Building Society FRN 23/01/15	Banking	359	2.1
Barclays Bank FRN 20/01/15	Banking	358	2.1
National Australia Bank FRN 27/01/15	Banking	358	2.1
Abbey National Treasury Service FRN 16/02/15	Banking	357	2.1
Bupa Finance 7.5% 04/07/16	Life Insurance	357	2.0
GE Capital 6% 11/04/13	Financial Services	340	2.0
Ten largest higher yield investments		**3,918**	**22.7**
Southern Gas FRN 21/10/15	Gas Distribution	332	1.9
Yorkshire Building Society FRN 23/03/16	Banking	324	1.9
Clydesdale Bank FRN 08/06/15	Packaging	297	1.7
Casino 6.375% 04/04/13	Food & Drug Retailers	296	1.7
Mitchells & Butler 1.05438% 15/12/2028	Tobacco	286	1.7
Kion Finance 6.75% 15/02/20	Machinery	271	1.6
Skandinaviska Enskilda 6.625% 09/07/14	Banking	267	1.5
Lloyds 6.9625% 29/05/20	Banking	257	1.5
Provident Financial 8% 23/10/19	Financial Services	255	1.5
Cegedim 6.75% 01/04/20	Health Services	250	1.4
Twenty largest higher yield investments		**6,753**	**39.1**
Pearson 5.5% 06/05/13	Media – Diversified	250	1.4
QBE Insurance Group 10% 14/03/14	Insurance	242	1.4
Leeds Building Society FRN 20/03/15	Banking	241	1.4
Co-operative Group 5.875% 18/12/13	Investments & Financial Services	229	1.3
Investec Bank 9.625% 17/02/22	Banking	225	1.3
Barclays 6.75% 16/01/23	Banking	221	1.3
Wind Acquisition Finance 7.375% 15/02/18	Telecom – Wireless	218	1.3
Coventry Building Society FRN 10/02/15	Banking	218	1.3
Goldman Sachs 6.125% 14/02/17	Banking	217	1.3
Kelda Finance 3 5.75% 17/02/20	Non-Electric Utilities	213	1.2
Thirty largest higher yield investments		**9,027**	**52.3**
Ineos 7.875% 15/02/16	Chemicals	213	1.2
Unitymedia 5.125% 21/01/23	Media – Cable	205	1.2
Heathrow Funding 3% 08/06/2015	Transportation	201	1.2
Ardagh Packaging Finance 7.125% 15/06/17	Packaging	193	1.1
Channel Link FRN 20/06/50	Railroads	186	1.1
Telecom Italia 5.25% 15/11/13	Telecom – Integrated/Services	185	1.1
Imperial Tobacco 6.25% 04/12/18	Tobacco	181	1.1
Xerox 5.65% 15/05/13	Office Equipment	180	1.0
Arkle Master Issuer 4.681% 17/01/17	Mortgage Backed	180	1.0
Fiat Industrial 5.25% 11/03/15	Automakers	177	1.0
Forty largest higher yield investments		**10,928**	**63.3**
Other higher yield investments (60)		**6,333**	**36.7**
Total higher yield investments		**17,261**	**100.0**

Capital Structure

At 31 March 2013

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

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

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

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

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

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

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

Bank Loan Facility

The Company has a sterling term bank loan in the amount of £18 million which matures on 28 September 2017. The rate of interest has been fixed at 3.15 per cent per annum. The returns of both the A shares and B shares are geared by this bank loan.

Further information on the B Shares

What is different about the B shares?

The B shares are just like any other ordinary share except that, instead of dividends, B shareholders receive capital repayments, so B shareholders will receive the same amount of cash on a quarterly basis as A shareholders, but when it comes to the tax on these capital repayments there are potential benefits. Effectively, no UK tax is due on receipt of the capital repayments. So a higher rate taxpayer, for example, will not be liable on receipt to the additional income tax that would normally be applicable on receipt of a dividend. This is because the capital repayment is taxed under UK Capital Gains Tax ('CGT') rules rather than Income Tax rules for non-corporate holders (including individuals). It is only when the B shares are disposed of that the capital repayments received need to be taken into account as part of the CGT disposal calculation. From 22 June 2010, a flat rate of Capital Gains Tax has applied of 18 per cent on disposals (28 per cent for higher and additional rate taxpayers). If the shares continue to be held until death, no CGT arises in respect of the capital repayments. The value of the holding will, however, be taken into account for Inheritance Tax purposes, if applicable.

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

Capital Structure (continued)

A summary of the tax benefits.

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

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

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

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

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

Board of Directors

Iain McLaren

Chairman

was appointed in 2009. He is currently a director and chairman of the audit committee of Cairn Energy plc and a director of Baillie Gifford Shin Nippon plc, Ecofin Water & Power Opportunities plc and Edinburgh Dragon Trust plc. He was previously senior partner in Scotland of KPMG.

Julia Le Blan

Audit Committee Chairman

was appointed in 2011. She has worked in the financial services industry for over 30 years. She retired from Deloitte in 2009, where she had been a tax partner since 1990. She is currently a director of Impax Environmental Markets plc and JPMorgan US Smaller Companies Investment Trust plc.

Herschel Post

Senior Independent Director

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

Kenneth Shand

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

James Williams

was appointed in 2009. He has worked in the investment management industry for over 35 years. He retired from Baring Asset Management in 2002, where he was chief investment officer and head of global investment strategy. He is a director of Prosperity Russian Domestic Fund and JPMorgan American Investment Trust plc. He is chairman of Falmouth University. He was previously a director of Royal London Growth and Income Trust plc and of Close Brothers Group plc.

John Evans

was appointed on 8 May 2013. He has worked in the investment management industry for over 30 years. He retired from Aberforth Partners, a specialist investment management firm, in 2011 having been one of its founding partners in 1990.

Report of the Directors

The Directors submit the Annual Report and Accounts of the Company for the year to 31 March 2013.

Results and Dividends

The results for the year are set out in the Statement of Comprehensive Income of the following accounts.

First, second and third quarter dividends, each of 1.06p per A share, were paid on 3 August 2012, 2 November 2012 and 1 February 2013 respectively. A fourth quarter dividend of 1.1p per A share was paid on 3 May 2013 to A shareholders on the register at close of business on 5 April 2013.

Principal Activity and Status

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

The Company's wholly-owned subsidiary, Investors Securities Company Limited (SC140578), did not undertake any investment activity during the year.

The Company has been approved by HM Revenue & Customs ('HMRC') as an investment trust under section 1158 Corporation Tax Act 2010 for the year ended 31 March 2012. As a result, it is not liable to corporation tax on capital gains. Section 1158 has been amended such that the Company has been able to seek approval of compliance in advance, under section 1159, for the accounting year commencing 1 April 2012 and all subsequent financial years. The Company has been accepted by HMRC as an approved investment trust subject to it continuing to meet the relevant eligibility conditions and ongoing requirements. The Company intends to conduct its affairs so as to enable it to comply with the requirements.

The Company is required to comply with company law, the rules of the UK Listing Authority, International Financial Reporting Standards, and its Articles of Association.

The Company is a member of the Association of Investment Companies (the 'AIC').

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

Investment Policy

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

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

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

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

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

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

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

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

An explanation of how the Company has invested its assets with a view to spreading investment risk in accordance with its investment policy is contained under the heading *Management of Assets and Shareholder Value* below. An analysis of the portfolio is contained on the page entitled 'Classification of Investments' and the largest investments are shown on pages entitled 'Equities Portfolio' and 'Higher Yield Portfolio'.

Business Review

Strategy

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

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

The Company's performance in meeting its objectives is measured against key performance indicators ('KPIs') as set out on page 19.

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

Principal Risks and Risk Management

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

Other risks faced by the Company include the following:

- External – events such as terrorism, protectionism, inflation or deflation, economic recessions and movements in interest rates and exchange rates could affect share prices in particular markets.
- Investment and strategic – incorrect strategy, asset allocation, stock selection and the use of gearing could all lead to poor returns for shareholders.

Report of the Directors (continued)

- Regulatory – breach of regulatory rules could lead to suspension of the Company's Stock Exchange listing, financial penalties, or a qualified audit report. Breach of section 1158 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on capital gains.
- Operational – failure of the Manager's accounting systems or disruption to the Manager's business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence.
- Financial – inadequate controls by the Manager or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations. Breaching loan covenants could lead to a loss of shareholders' confidence and financial loss for shareholders.

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

Management of Assets and Shareholder Value

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

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

Investment risks are spread through holding a wide range of securities in different industrial sectors. As at 31 March 2013, the portfolio was made up of 158 investments comprising 58 in the Equities Portfolio and 100 in the Higher Yield Portfolio. The Managers make use of third party risk systems to monitor investment risk. At each Board meeting, the Board receives a presentation from the fund manager.

The Company's borrowings consist of a bank loan, on which the interest rate has been fixed of £18 million, which is described in more detail in the notes to the accounts. The Board receives recommendations on gearing levels from the Manager and it is responsible for setting the gearing range within which the Manager may operate.

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

While the Directors will at all times retain discretion over whether or not to repurchase Shares, it will be the Company's policy, in the absence of unforeseen or extreme circumstances and subject to its policy of maintaining the A : B share ratio within the Range (72.5 : 27.5 and 77.5 : 22.5), to repurchase Shares of either class when there are willing sellers and the market price stands at a discount to net asset value of 5 per cent. or more. Shares will not be bought back at a premium to net asset value. Shares which are bought back by the Company may be cancelled or may be held in treasury. At the time of the Company's launch there was a statutory maximum of 10 per cent. of the Company's issued share capital that could be held as shares in treasury. However, this statutory maximum no longer applies and consequently there is no limit on the amount of shares the Company can hold in treasury. Shares held in treasury may be resold, subject to conditions on dilution to net asset value.

Key Performance Indicators

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

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

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

Subsidiary Company

The Company has a 100 per cent interest in Investors Securities Company Limited, a company which deals in investments. In the year to 31 March 2013, Investors Securities Company Limited made a profit before taxation of £nil (2012: £nil).

Investors Securities Company Limited did not trade during the year to 31 March 2013.

Directors

The terms of Directors' appointments provide that Directors should retire and be subject to re-election including at the first Annual General Meeting following their appointment.

On 8 May 2013, Mr J M Evans, whose biographical details are shown on the 'Board of Directors' page, was appointed a Director. In accordance with the Articles of Association, he will retire at the Annual General Meeting and, being eligible, offers himself for election.

As explained in more detail under the first page of the Corporate Governance section, the Board has agreed that Directors who have served on the Board (including the Board of the predecessor Company) for more than nine years will retire annually. Accordingly, Mr H Post and Mr K D Shand will retire at the Annual General Meeting. Mr K D Shand is seeking re-election but Mr H Post is not seeking re-election.

Mr J P Williams retires by rotation from the Board and, being eligible, offers himself for re-election at the Annual General Meeting.

The Board confirms that, following formal performance evaluations, the performance of each of the Directors seeking re-election continues to be effective and demonstrates commitment to the role. The Board believes, therefore, that it is in the interests of shareholders that these Directors are re-elected.

The Directors who held office and their interests in the shares and other securities of the Company at 31 March 2013 (all of which were beneficially held) were:

	31 March 2013		1 April 2012	
	A Shares	B Shares	A Shares	B Shares
I A McLaren	10,000	30,000	10,000	10,000
J Le Blan	6,000	–	–	–
H Post†	12,384	4,128	11,745	3,915
K D Shand	–	–	–	–
J P Williams	–	41,000	–	41,000

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

The office of Director does not require a shareholding.

Mr J M Evans had no shareholding at the date of his appointment of 8 May 2013. There have been no changes in the holdings of the Directors since 31 March 2013 up to the date of this report, except Mr H Post's holding which increased by 144 A Shares and 48 B Shares following reinvestment of the distribution paid on 3 May 2013.

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

Directors' Deeds of Indemnity

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

Report of the Directors (continued)

Substantial Interests in Share Capital

At 31 March 2013 the Company had received notification of the following holdings of voting rights (under the FCA's Disclosure and Transparency Rules):

	A Shares	
	Number held	Percentage held*
Clients of F&C Asset Management plc	15,941,054	17.2
D. C. Thomson & Company Limited	8,824,869	9.5
Thomson Leng Provident Fund	3,800,000	4.1

	B Shares	
	Number held	Percentage held*
D. C. Thomson & Company Limited	2,941,623	9.4
Clients of F&C Asset Management plc	2,714,529	8.6

* Based on 92,528,144 A Shares and 31,421,703 B Shares in issue as at 31 March 2013.

Since 31 March 2013, the Company has received notification that Clients of F&C Asset Management plc held 15,716,054 A Shares. The Company has not received notification of any other changes in these voting rights since 31 March 2013 up to the date of this report.

Management and Management Fees

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

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

Other Companies Act Disclosures

- The Company's capital structure is explained in the 'Capital Structure' section of this Annual Report and details of the share capital, including voting rights, are set out in note 17 to the accounts. Details of voting rights are also set out in the Notes to the Notice of Annual General Meeting. At 31 March 2013, the total listed share capital of the Company was represented 76.1 per cent by A shares and 23.9 per cent by B shares.
- Details of the substantial shareholders in the Company are listed above.
- The rules for appointment and replacement of Directors are contained in the Articles of Association of the Company. In respect of retiral by rotation, the Articles of Association provide that each Director is required to retire at the third annual general meeting after the annual general meeting at which last elected.
- Amendment of the Articles of Association and powers to issue and buy back shares require shareholder authority.
- There are no significant restrictions concerning the transfer of securities in the Company (other than certain restrictions imposed by laws and regulations such as insider trading laws); no agreements known to the Company concerning restrictions on the transfer of securities in the Company or on voting rights; and no special rights with regard to control attached to securities. Pursuant to the Company's bank facility, mandatory prepayment may be required in the event of a change of control of the Company; there are no other significant agreements which the Company is a party to that might be affected by a change of control of the Company following a takeover bid.
- There are no agreements between the Company and the Directors providing for compensation for loss of office that occurs because of a takeover bid.

Corporate Governance

Arrangements in respect of corporate governance have been put in place by the Board, which it believes are appropriate to an investment trust. The Company complied throughout the year with the provisions of the UK Corporate Governance Code issued by the Financial Reporting Council ('the Code') available at website: www.frc.org.uk. The Board has also taken into account the recommendations of the AIC Code of Corporate Governance ('the AIC Code'). Since all the Directors are non-executive, the Company is not required to comply with the provisions of the Code in respect of Directors' remuneration, except in so far as they relate specifically to non-executive Directors.

The Board has considered the amendments to the UK Corporate Governance Code which apply to accounting periods beginning on or after 1 October 2012 and will comply fully with the amended code throughout the year commencing 1 April 2013.

Under the requirements of the Articles of Association, each Director is required to retire at the third Annual General Meeting after the Annual General Meeting at which last elected. Directors are appointed for a specified term of no more than three years as recommended by the Code, subject to reappointment by shareholders. Full details of the duties of Directors are provided at the time of appointment. Under the requirements of the Articles of Association, Directors are subject to election at the first Annual General Meeting after their appointment.

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

Mr H Post and Mr K D Shand have served on the Board and the Board of the predecessor company together for more than nine years. They will retire annually. Mr Post is not seeking re-election at the 2013 Annual General Meeting. The Board believes that longer serving Directors should not be prevented from forming part of an independent majority, which is consistent with the view expressed within the AIC Code. The Board does not consider that a Director's tenure necessarily reduces his ability to act independently and, following formal performance evaluations, believes that each Director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect the judgement of any Director. The Board believes that continuity and experience add significantly to the strength of the Board and therefore no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed.

The Company has no executive Directors or employees. A management agreement between the Company and its Manager, F&C Investment Business Limited, sets out the matters over which the Manager has authority and the limits beyond which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing, and corporate governance procedures, are reserved for the approval of the Board of Directors. The Board currently meets at least five times a year and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings. The Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights. All

	Board of Directors		Audit Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
I A McLaren	5	5	2	2	1	1	3	3
J Le Blan	5	5	2	2	1	1	3	3
H Post	5	4	2	1	1	–	3	1
K D Shand	5	5	2	2	1	1	3	3
J P Williams	5	5	2	2	1	1	3	3

Report of the Directors (continued)

shareholdings are voted where practicable in accordance with the Manager's own corporate governance policy, which is to seek to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a principled approach to corporate governance. The Company seeks to conduct its affairs responsibly and environmental factors are, where appropriate, taken into consideration with regard to investment decisions taken on behalf of the Company. The Company's Manager considers socially responsible investment and actively engages with investee companies. The Manager's statement of compliance with The UK Stewardship Code issued by the Financial Reporting Council in July 2010 can be found on its website at www.fandc.com/ukstewardshipcode.

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

The Audit Committee operates within clearly defined terms of reference and has recent and relevant financial experience. The duties of the Audit Committee include reviewing the Financial Statements, the system of internal controls, and the terms of appointment of the auditor together with their remuneration. The objectivity of the auditor is reviewed by the Audit Committee which also reviews the terms under which the external auditor is appointed to perform non-audit services. It also provides a forum through which the auditor may report to the Board of Directors and meets at least twice a year. The Audit Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor, with particular regard to non-audit fees. Such non-audit fees amounted to £18,000 for the year ended 31 March 2013 (year to 31 March 2012: £20,000) and related to taxation services. Notwithstanding such services the Audit Committee considers Ernst & Young LLP to be independent of the Company.

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

The Nomination Committee is convened for the purpose of considering the appointment of additional Directors as and when considered appropriate. In considering appointments to the Board these are based on merit. The Nomination Committee takes into account the ongoing requirements of the Company and the need to have a balance of skills, experience, independence and diversity, including gender, and knowledge of the Company within the Board. In relation to the appointment of Mr J Evans as a Director, an external search agency was used.

During the year the performance of the Board and Committees, including the performance of each individual Director, was evaluated through a formal assessment process, led by the Chairman. The performance of the Chairman was evaluated by the other Directors under the leadership of the Senior Independent Director. This process involved consideration of previously completed questionnaires designed to suit the nature of the Company and discussion of the points arising amongst the Directors.

The table on page 21 sets out the number of scheduled Board and Committee meetings held during the year ended 31 March 2013 and the number of meetings attended by each Director.

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

The basis on which the Company aims to generate value over the longer term is set out in its objective, investment policy and strategy as contained within the section of this report entitled 'Business Review'.

Going Concern

The Company's objective and policy, which is described on pages 16 and 17 and which is subject to regular Board monitoring processes, is designed to ensure that the Company is invested mainly in liquid, listed securities. The Company retains title to all assets held by its custodian, and has agreements relating to its borrowing facilities with which it has complied during the year. Cash is held only with banks approved and regularly reviewed by the Manager.

As part of the going concern review, the Directors noted that borrowing facilities of £18 million are committed to the Company until 28 September 2017.

Note 21 to the accounts sets out the financial risk profile of the Company and indicates the effect on the assets and liabilities of falls (and rises) in the value of securities and market rates of interest.

The Directors believe, in the light of the controls and review processes noted above and bearing in mind the nature of the Company's business and assets, that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The Company does not have a fixed life. However, in the event that the net asset value total return performance of the Company is less than that of the FTSE All-Share Capped 5% Index over the relevant five year period, shareholders will be given the opportunity to vote on whether the Company should continue, by ordinary resolution at the Company's Annual General Meeting. The present five year period for this purpose will run for the five years from 1 April 2012 to 31 March 2017.

Internal Control

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

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

The Board has reviewed the need for an internal audit function. The Board has decided that the systems and procedures employed by the Manager, which are reported on by a firm of external auditors, together with the Manager's internal audit function, provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. In addition, the Company's financial statements are audited by external auditors. An internal audit function, specific to the Company, is therefore considered unnecessary.

Environment

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

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. The Manager holds meetings with the Company's largest shareholders and reports back to the Board on these meetings. The Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting

Report of the Directors (continued)

of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager of the Company. The Manager will give a short presentation on the Company at the Annual General Meeting.

Creditor Payment Policy

The Company's payment policy is to settle investment transactions in accordance with market practice and to ensure settlement of supplier invoices in accordance with stated terms. The Company did not have any trade creditors at the year end (2012: nil).

Auditor

Ernst & Young LLP have expressed their willingness to continue in office as auditor of the Company and a resolution proposing their re-appointment will be submitted at the forthcoming Annual General Meeting.

Financial Instruments

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

Recommendation

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

Directors' Authority to Allot Shares

The Directors are seeking authority to allot A shares and B shares. Resolution 7 will, if passed, authorise the Directors to allot new A shares up to an aggregate nominal amount of £4,601 consisting of 4,601,407 A shares and new B shares up to an aggregate nominal amount of £1,571 consisting of 1,571,085 B shares, being 5 per cent of the total issued A shares and B shares (excluding treasury shares) as at 8 May 2013. This authority therefore authorises the Directors to allot up to 6,172,492 shares in aggregate representing 5 per cent of the total ordinary share capital in issue (excluding treasury shares). Resolution 8 will, if passed, authorise the Directors to allot new A shares up to an aggregate nominal amount of £4,601 and new B shares up to an aggregate nominal amount of £1,571, being 5 per cent of the total issued A shares and B shares as at 8 May 2013, for cash without first offering such shares to existing shareholders pro rata to their existing holdings. This authority therefore authorises the Directors to allot up to 6,172,492 shares in aggregate for cash on a non pre-emptive basis representing 5 per cent of the total ordinary share capital in issue. These authorities will continue until the earlier of 30 September 2014 and the conclusion of the Annual General Meeting in 2014. The Directors have no current intention to exercise this authority and will only allot new shares pursuant to these authorities if they believe it is advantageous to the Company's shareholders to do so and will not result in a dilution of net asset value per share. The Directors consider that the authorisations proposed in Resolutions 7 and 8 are necessary to retain flexibility, although they do not intend to exercise the powers conferred by these authorisations at the present time.

Directors' Authority to Buy Back Shares

During the year to 31 March 2013 the Company purchased for treasury 2,150,000 A shares of 0.1p each, representing 2.3 per cent of the A shares in issue at the previous year end, for a total consideration of £1,754,000 in accordance with the Company's discount management policy and 630,000 B shares of 0.1p each, representing 2.0 per cent of the B shares in issue at the previous year end, for a total consideration of £501,000.

The current authority of the Company to make market purchases of up to 14.99 per cent of each of the issued A shares and the B shares (in each case, excluding shares held in treasury) expires at the end of the Annual General Meeting and Resolution 9, as set out in the notice of the Annual General Meeting, seeks renewal of that authority. The renewed authority to make market purchases will be in respect of a maximum of 14.99 per cent of each of the issued A shares and issued B shares of the Company on the date of the passing of the resolution. The price paid for shares will not be less than the nominal value of 0.1p per share nor more than the higher of (a) 5 per cent above the average of the middle market values (as derived from the Daily Official List of the London Stock Exchange) of those shares for the five business days before the shares are purchased and (b) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange. This power will only be exercised if, in the opinion of the Directors, a purchase will result in an increase in net asset value per share and is in the interests of the shareholders. Any shares purchased under this authority will either be held in treasury or cancelled. This authority will expire on the earlier of 30 September 2014 and the conclusion of the next Annual General Meeting of the Company.

Since the year end the Company has purchased for treasury a further 500,000 A shares and there were 123,449,847 A shares and B shares in issue as at 8 May 2013; of which 74.5 per cent represents A shares and 25.5 per cent represents B shares. At that date, the Company held 9.8 per cent of the total A share capital in treasury and 2.0 per cent of the total B share capital in treasury.

The Company therefore in aggregate holds 10,694,000 shares in treasury representing 8.7 per cent of the total ordinary share capital in issue (excluding treasury shares).

Treasury Shares

The Board continues to believe that the effective use of treasury shares assists the liquidity in the Company's securities and management of the discount by addressing imbalances between demand and supply for the Company's securities. The discount management policy that was adopted at the time of the Company's launch in 2007 included the ability of the Company to resell treasury shares at a discount to net asset value, subject to certain conditions (see Resolution 10 below).

Resolution 10, if passed, will continue to allow the Company to sell shares from treasury at a discount to net asset value. Shares would only be resold from treasury when market demand is identified and, pursuant to the authority conferred by this resolution, at a price representing a discount of not more than 5 per cent to net asset value at the time of resale, subject to the conditions that, first, the discount at which Shares are to be resold must be less than the average discount at which Shares held in treasury have been repurchased and, second, the net asset value dilution in any one financial year must not exceed 0.5 per cent of net assets. Resolution 10 is conditional on the passing of Resolution 11.

Resolution 11, if passed, will enable the Company to sell Shares from treasury without having first to make a pro rata offer to existing shareholders. This authority will be limited to Shares representing approximately 10 per cent of the Company's issued A share capital and B share capital as at the date of passing of the resolution. Resolution 11 is not conditional on the passing of Resolution 10.

Notice Period for General Meetings

Resolution 12 is being proposed to reflect the provisions of the Companies Act 2006 relating to meetings and the minimum notice period for listed company general meetings being increased to 21 clear days, but with an ability for companies to reduce this period back to 14 clear days (other than for annual general meetings), provided that the company offers facilities for shareholders to vote by electronic means and that there is an annual resolution of shareholders approving the reduction in the minimum period for notice of general meetings (other than for annual general meetings) from 21 clear days to 14 clear days. The Board is therefore proposing Resolution 12 as a special resolution to ensure that the minimum required period for notice of general meetings of the Company (other than for annual general meetings) is 14 clear days. The approval will be effective until the earlier of 30 September 2014 and the Company's next annual general meeting when it is intended that a similar resolution will be proposed. The Board intends that

Report of the Directors (continued)

this flexibility of a shorter notice period to be available to the Company will be used only for non routine business and only where needed in the interests of shareholders as a whole.

Statement of Disclosure of Information to Auditor

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

Individual Savings Accounts

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

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

8 May 2013

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to members at the forthcoming Annual General Meeting.

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

Directors' Fees and Remuneration Committee

The Board consists solely of independent non-executive Directors and considers at least annually the level of the Board's fees, in accordance with the UK Corporate Governance Code. The Company Secretary provides information on comparative levels of Directors' fees to the Board in advance of each review. The Board concluded following the review of the level of Directors' fees for the forthcoming year that the amounts paid to Directors should increase by £750 for the Chairman and £500 for other Directors.

The Remuneration Committee is H Post (chairman), J Le Blan, I A McLaren, K D Shand and J P Williams and, from his appointment as a Director, Mr J M Evans. Mr K D Shand will become chairman of the Remuneration Committee following the retirement of Mr Post from the Board on 21 June 2013. As the Company has no Executive Directors, the Remuneration Committee meets, at least annually, to review the remuneration and terms of appointment of the Manager.

Policy on Directors' Fees

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

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

Directors' Service Contracts

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

Director	Date of Original Appointment	Due date for Re-election
I A McLaren	19/03/2009	AGM 2015
J Le Blan	01/01/2011	AGM 2014
J M Evans	08/05/2013	AGM 2013
H Post	17/01/2007	Retires
K D Shand	17/01/2007	AGM 2013
J P Williams	17/09/2009	AGM 2013

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

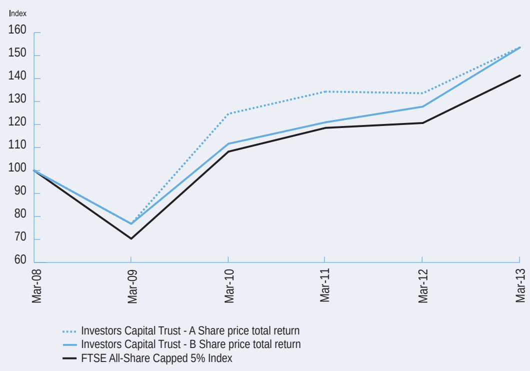
Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager through the investment management agreement, as referred to in the Report of the Directors. The graph on the following page compares, for the five years to 31 March 2013, the share price total return

Directors' Remuneration Report (continued)

(assuming all distributions are reinvested) to A and B shareholders compared to the total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the FTSE All-Share Capped 5% Index is calculated. This index was chosen for comparison purposes, as it represents a comparable broad equity market index; however it should be noted that between 10 to 25 per cent. of the Company's assets are in higher yielding securities. An explanation of the performance of the Company is given in the Chairman's Statement and Manager's Review.

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



Directors' Emoluments for the Year (audited)

The Directors who served in the year to 31 March 2013 received the following emoluments in the form of fees:

	Year to 31 March 2013 £	Year to 31 March 2012 £
I A McLaren	**28,500**	27,750
J Le Blan	**21,000**	20,500
H Post	**19,000**	18,500
K D Shand	**19,000**	18,500
J P Williams	**19,000**	18,500
Total	**106,500**	103,750

On behalf of the Board

Iain McLaren
Director

8 May 2013

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in Relation to the Financial Statements

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

Under Company Law the directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that period. In preparing the Group financial statements the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Notes:

1. The maintenance and integrity of the website maintained for Investors Capital Trust plc is the responsibility of the Directors; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statements under the Disclosure and Transparency Rules

Each of the Directors listed on page 15 confirms that to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

On behalf of the Board
Iain McLaren
Chairman
8 May 2013

Independent Auditor's Report

Independent Auditor's Report to the Members of Investors Capital Trust plc

We have audited the financial statements of Investors Capital Trust plc for the year ended 31 March 2013 which comprise the Consolidated Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Cash Flow Statement and the Group and Company Statement of Changes in Equity and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2013 and of the Group's profit for the year then ended; and

- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and

- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on pages 22 and 23, in relation to going concern;

- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and

- certain elements of the report to shareholders by the Board on Directors' remuneration.

Susan Dawe (Senior statutory auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
Edinburgh

8 May 2013

Consolidated Statement of Comprehensive Income

for the year to 31 March 2013

	Notes	**Revenue Year to 31 March 2013 £'000**	**Capital Year to 31 March 2013 £'000**	**Total Year to 31 March 2013 £'000**	Revenue Year to 31 March 2012 £'000	Capital Year to 31 March 2012 £'000	Total Year to 31 March 2012 £'000
Capital gains on investments							
Gains on investments held at fair value through profit or loss	11	**–**	**16,309**	**16,309**	–	1,609	1,609
Exchange differences	21	**–**	**(28)**	**(28)**	–	364	364
Revenue							
Investment income	2	**5,478**	**–**	**5,478**	6,097	–	6,097
Total income		**5,478**	**16,281**	**21,759**	6,097	1,973	8,070
Expenditure							
Investment management fee	4	**(250)**	**(583)**	**(833)**	(240)	(560)	(800)
Other expenses	5	**(445)**	**–**	**(445)**	(441)	–	(441)
Total expenditure		**(695)**	**(583)**	**(1,278)**	(681)	(560)	(1,241)
Profit before finance costs and tax		**4,783**	**15,698**	**20,481**	5,416	1,413	6,829
Net finance costs							
Interest on bank loan and interest rate swap	7	**(384)**	**(897)**	**(1,281)**	(590)	(1,378)	(1,968)
Total finance costs		**(384)**	**(897)**	**(1,281)**	(590)	(1,378)	(1,968)
Profit before tax		**4,399**	**14,801**	**19,200**	4,826	35	4,861
Tax	8	**(8)**	**244**	**236**	(122)	(113)	(235)
Profit/(loss) for the year		**4,391**	**15,045**	**19,436**	4,704	(78)	4,626
Other comprehensive income							
Movement in fair value of interest rate swap		**–**	**749**	**749**	–	1,270	1,270
Total comprehensive income for the year		**4,391**	**15,794**	**20,185**	4,704	1,192	5,896
Earnings per share	10	**3.52p**	**12.06p**	**15.58p**	3.70p	(0.06p)	3.64p

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

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

No operations were acquired or discontinued in the year.

All of the profit and total comprehensive income for the year is attributable to the owners of the Company.

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

Balance Sheets

as at 31 March 2013	Notes	2013 Company £'000	2013 Group £'000	2012 Company £'000	2012 Group £'000
Non-current assets					
Investments held at fair value through profit or loss	11	**133,861**	**133,611**	131,090	130,840
Current assets					
Other receivables	13	**1,045**	**1,045**	1,424	1,424
Cash and cash equivalents	14	**5,146**	**5,146**	11,452	11,452
		6,191	**6,191**	12,876	12,876
Total assets		**140,052**	**139,802**	143,966	143,716
Current liabilities					
Bank loan	15	**–**	**–**	(33,496)	(33,496)
Interest rate swap	15	**–**	**–**	(749)	(749)
Bank overdraft	15	**–**	**–**	(123)	(123)
Other payables	15	**(554)**	**(304)**	(685)	(435)
		(554)	**(304)**	(35,053)	(34,803)
Non-current liabilities					
Bank loan	16	**(18,000)**	**(18,000)**	–	–
		(18,000)	**(18,000)**	–	–
Total liabilities		**(18,554)**	**(18,304)**	(35,053)	(34,803)
Net assets		**121,498**	**121,498**	108,913	108,913
Share capital	17	**134**	**134**	134	134
Share premium	18	**22**	**22**	22	22
Capital redemption reserve		**5**	**5**	5	5
Buy back reserve		**88,010**	**88,010**	90,265	90,265
Special capital reserve		**25,328**	**25,328**	26,682	26,682
Capital reserves		**4,489**	**4,489**	(11,305)	(11,305)
Revenue reserve		**3,510**	**3,510**	3,110	3,110
Equity shareholders' funds		**121,498**	**121,498**	108,913	108,913
Net asset value per A share	19	**98.02p**	**98.02p**	85.94p	85.94p
Net asset value per B share	19	**98.02p**	**98.02p**	85.94p	85.94p

Approved by the Board and authorised for issue on 8 May 2013 and signed on its behalf by:

Iain McLaren, Director

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

Consolidated and Company Cash Flow Statement

for the year to 31 March 2013

	Year to 31 March 2013 £'000	Year to 31 March 2012 £'000
Cash flows from operating activities		
Profit before tax	**19,200**	4,861
Adjustments for:		
Gains on investments held at fair value through profit or loss	**(16,309)**	(1,609)
Exchange differences	**28**	(364)
Decrease in receivables	**242**	66
Increase in payables	**100**	17
Purchases of investments	**(15,006)**	(23,221)
Sales of investments	**28,651**	29,073
Net finance costs	**1,281**	1,968
	18,187	10,791
Tax paid	**–**	(7)
Net cash inflow from operating activities	**18,187**	10,784
Cash flows from financing activities		
Bank loan drawn down	**18,000**	–
Bank loan repaid	**(33,500)**	–
Dividends paid on A shares	**(3,991)**	(4,074)
Capital returns paid on B shares	**(1,354)**	(1,372)
Interest on bank loan and interest rate swap	**(1,272)**	(1,962)
Shares purchased for treasury	**(2,255)**	(397)
Net cash outflow from financing activities	**(24,372)**	(7,805)
Net (decrease)/increase in cash and cash equivalents	**(6,185)**	2,979
Currency gains	**2**	44
Opening net cash and cash equivalents	**11,329**	8,306
Closing net cash and cash equivalents	**5,146**	11,329

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

Consolidated and Company Statement of Changes in Equity

for the year to 31 March 2013

	Notes	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Buy back Reserve £'000	Special Capital Reserve £'000	Capital Reserve – investments sold £'000	Capital Reserve – investments held £'000	Revenue Reserve £'000	Total £'000
Balance as at 1 April 2012		134	22	5	90,265	26,682	(20,366)	9,061	3,110	108,913
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	3,032	12,013	4,391	19,436
Movement in fair value of interest rate swap	16	–	–	–	–	–	–	749	–	749
Total comprehensive income for the year		–	–	–	–	–	3,032	12,762	4,391	20,185
Transactions with owners of the Company recognised directly in equity										
Shares bought back for treasury	17	–	–	–	(2,255)	–	–	–	–	(2,255)
Dividends paid on A shares	9	–	–	–	–	–	–	–	(3,991)	(3,991)
Capital returns paid on B shares	9	–	–	–	–	(1,354)	–	–	–	(1,354)
Balance as at 31 March 2013		**134**	**22**	**5**	**88,010**	**25,328**	**(17,334)**	**21,823**	**3,510**	**121,498**

for the year to 31 March 2012

	Notes	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Buy back Reserve £'000	Special Capital Reserve £'000	Capital Reserve – investments sold £'000	Capital Reserve – investments held £'000	Revenue Reserve £'000	Total £'000
Balance as at 1 April 2011		134	22	5	90,662	28,054	(18,352)	5,855	2,480	108,860
Total comprehensive income for the year										
(Loss)/profit for the year		–	–	–	–	–	(2,014)	1,936	4,704	4,626
Movement in fair value of interest rate swap	16	–	–	–	–	–	–	1,270	–	1,270
Total comprehensive income for the year		–	–	–	–	–	(2,014)	3,206	4,704	5,896
Transactions with owners of the Company recognised directly in equity										
Shares bought back for treasury	17	–	–	–	(397)	–	–	–	–	(397)
Dividends paid on A shares	9	–	–	–	–	–	–	–	(4,074)	(4,074)
Capital returns paid on B shares	9	–	–	–	–	(1,372)	–	–	–	(1,372)
Balance as at 31 March 2012		**134**	**22**	**5**	**90,265**	**26,682**	**(20,366)**	**9,061**	**3,110**	**108,913**

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

Notes to the Accounts

1. Accounting policies

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

Basis of Accounting

The financial statements of the Group have been prepared in accordance with the Companies Act 2006, International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, and to the extent that they have been adopted by the European Union.

Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") in January 2009 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 year. The nature of the estimation means that actual outcomes could differ from those estimates.

Significant estimates and assumptions include the fair value of financial instruments. The valuation of financial assets held by the Group at year end have been derived from active, liquid markets. Risks relating to these valuations are disclosed in note 21. The interest rate swap was held at marked to market value and was assessed as being an effective cash flow hedge for the period held.

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 Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The accounting policies adopted are consistent with those of the previous financial year.

The following new standards have been issued but are not effective for this accounting period and have not been adopted early:

- In October 2010, the IASB issued IFRS 9 (2010) '*Financial Instruments*' which, following an amendment in December 2011, becomes effective for accounting periods commencing on or after 1 January 2015. This represents part of a project to replace IAS 39 '*Financial Instruments: Recognition and Measurement*'. The objective of the standard is to enhance the ability of investors and other users of financial information to understand the accounting of financial assets and to reduce complexity.

- In June 2011, the IASB issued '*Presentation of Items of Other Comprehensive Income*' (Amendments to IAS 1 '*Presentation of Financial Statements*'). The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for accounting periods beginning on or after 1 July 2012.

- In May 2011, the IASB issued IFRS 10 '*Consolidated Financial Statements*'. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective in the EU for accounting periods beginning on or after 1 January 2014.

1. Accounting policies (continued)

- In May 2011, the IASB issued IFRS 12 '*Disclosure of Involvement with Other Entities*'. IFRS 12 includes all the disclosures which were previously required by IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective in the EU for accounting periods beginning on or after 1 January 2014.

- As a consequence of the new IFRS 10 and IFRS 12 above, what remains of IAS 27 '*Separate Financial Statements (2011)*' is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The amendment becomes effective in the EU for accounting periods beginning on or after 1 January 2014.

- In May 2011, the IASB issued IFRS 13 '*Fair Value Measurement*'. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. A number of additional disclosures will be required. This standard becomes effective for accounting periods beginning on or after 1 January 2013.

- On 31 October 2012, the IASB issued amendments to IFRS 10 '*Consolidated Financial Statements*', IFRS 12, '*Disclosure of Interests in Other Entities*' and IAS 27, '*Separate Financial Statements*'. These amendments are expected to exempt the Company from consolidating controlled investees and allow the Company to fair value controlled investments, rather than having to consolidate them. The amendments to IFRS 12 introduce additional disclosures. The amendments become effective in the EU for accounting periods beginning on or after 1 January 2014.

The Group does not consider that the future adoption of any new standards, in the form currently available, will have any material impact on the financial statements as presented.

Group accounts

The Group Accounts consolidate the accounts of the Company and its wholly-owned subsidiary, Investors Securities Company Limited. The Company has taken advantage of the exemption permitted by Section 408 of the Companies Act 2006 not to present its own Statement of Comprehensive Income.

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

Presentation of Statement of Comprehensive Income

In order to reflect better the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. The net revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in section 1158 Corporation Tax Act 2010.

Investments

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

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

Notes to the Accounts (continued)

1. Accounting policies (continued)

Financial assets designated as at fair value through profit or loss are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Where lower, the fair value of an investment on which a call option has been written is the exercise price of the option. Unlisted investments, including the subsidiary, are valued at fair value by the Directors on the basis of all information available to them at the time of valuation.

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

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 Company's interest rate swap was included in Level 2.

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 Company's investment in its dealing subsidiary is included in Level 3.

Current assets – investments

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

Other receivables

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

Cash and cash equivalents

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

Financial liabilities and equity

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

Bank borrowings

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

Derivative financial instruments and hedge accounting

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

1. Accounting policies (continued)

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and shown through Other Comprehensive Income and any ineffective portion is recognised immediately in profit or loss. If incurred in connection with the maintenance or enhancement of the value of the Company's investment portfolio, the associated change in fair value is presented as a capital item. The amount in equity is released to income when the forecast transaction impacts profit or loss.

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

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

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

Other payables

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

Reserves

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

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

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

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

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

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

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

Income

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

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

Notes to the Accounts (continued)

1. Accounting policies (continued)

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

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

Call options

The Company may write call options over holdings within the Equities Portfolio, subject to certain constraints. The premium received from writing call options is recognised through revenue, on a time apportionment basis, over the term of the option. Should the call option be exercised the underlying stock is recognised as being sold at the exercise price.

At the period end, any unamortised element of option premium is recognised as deferred income.

Taxation

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

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

Deferred taxation

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

Investment trusts which have approval under section 1158 Corporation Tax Act 2010 are not liable for taxation on capital gains.

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

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

Expenses and interest

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

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

1. Accounting policies (continued)

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 Statement of Comprehensive Income depending on whether the gain or loss is of a capital or revenue nature respectively.

Rates of exchange at 31 March	2013	2012
Euro	**1.1825**	1.1998
US Dollar	**1.5114**	1.5978

2. Income

	2013 £'000	2012 £'000
Income from investments		
UK dividend income	**4,364**	4,352
UK listed fixed interest	**781**	1,094
Overseas listed fixed interest	**305**	590
	5,450	6,036
Other income		
Deposit interest	**28**	57
Underwriting commission and other income	–	4
Total income	**5,478**	6,097
Total income comprises:		
Dividends	**4,364**	4,352
Interest on fixed interest securities	**1,086**	1,684
Deposit interest	**28**	57
Underwriting commission and other income	**–**	4
Total income	**5,478**	6,097
Income from investments:		
Listed	**5,450**	6,036

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

Notes to the Accounts (continued)

3. Operating segments

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:

	2013 £'000	**2013 Pence per share**	2012 £'000	2012 Pence per share
Shareholders' funds per financial statements	**121,498**	**98.02**	108,913	85.94
Fair value adjustment on fixed-rate term loan*	**(186)**	**(0.15)**	–	–
Shareholders' funds with debt at fair value	**121,312**	**97.87**	108,913	85.94
Profit for the year per financial statements	**19,436**	**15.58**	4,626	3.64
Fair value adjustment on fixed-rate term loan*	**(186)**	**(0.15)**	–	–
Profit for the year with debt at fair value	**19,250**	**15.43**	4,626	3.64

*Refer to note 16 for further details on the fixed-rate term loan.

4. Investment management fee

	2013 Revenue £'000	**2013 Capital £'000**	**2013 Total £'000**	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Investment management fee	**250**	**583**	**833**	240	560	800

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

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

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

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

The first performance period ran from the launch of the Company on 1 March 2007 to 31 March 2012. No performance fee was payable at 31 March 2012. The current performance period runs for the five years from 1 April 2012 to 31 March 2017. As the Company's net asset value per share was below £1 at the balance sheet date, no performance fee was accrued at 31 March 2013. Other things being equal, had the Company's net asset value per share been in excess of £1, a performance fee of £351,000 would have been accrued, based on relative outperformance to that date.

5. Other expenses (including irrecoverable VAT thereon)

	2013 £'000	2012 £'000
Directors' fees (Note 6)	**107**	104
Auditors' remuneration for:		
– statutory audit	**23**	23
– taxation services (non-audit)	**18**	20
Other	**297**	294
	445	441

6. Directors' fees

The emoluments of the Chairman, the highest paid Director, were at the rate of £28,500 per annum (2012: £27,750). Other Directors' emoluments amounted to £19,000 (2012: £18,500) each per annum, with the chairman of the Audit Committee receiving an additional £2,000 per annum. Full details are provided in the Directors' Remuneration Report.

7. Finance costs

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Finance costs attributable to term loan and interest rate swap	**384**	**897**	**1,281**	590	1,378	1,968

An amount of £754,000 paid in relation to the interest rate swap has been included within hedged interest payments made in the year (2012: £1,527,000). The interest rate swap expired on 28 September 2012.

8a. Tax on ordinary activities

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Corporation tax	**8**	**(8)**	**–**	123	(123)	–
Withholding tax	**–**	**–**	**–**	(1)	–	(1)
(Release)/increase in provision relating to prior years	**–**	**(236)**	**(236)**	–	236	236
Total tax charge/(credit)	**8**	**(244)**	**(236)**	122	113	235

8b. Factors affecting tax charge for current year

A reconciliation of the current tax charge is set out below:	2013 £'000	2012 £'000
Profit before tax	**19,200**	4,861
Taxation on ordinary activities at the UK standard rate of corporation tax of 24% (2012: 26%)	**4,608**	1,264
Effects of:		
– Non taxable dividend income	**(1,047)**	(1,131)
– Non taxable capital gains	**(3,907)**	(513)
– Non-allowable capital losses	**89**	278
– Excess management expenses	**257**	102
– Withholding tax recovered	**–**	(1)
– (Release)/increase in provision relating to prior years	**(236)**	236
Total tax (credit)/charge for the year	**(236)**	235

The deferred tax asset of £407,000 (2012: £30,000) in respect of unutilised expenses at 31 March 2013 has not been recognised as it is uncertain that there will be taxable profits from which the future reversal of the deferred tax asset could be deducted.

Notes to the Accounts (continued)

9. Dividends and capital distributions

	2013 Revenue £'000	**2013 Capital £'000**	**2013 Total £'000**	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Amounts recognised as distributions to shareholders in the year:						
Fourth interim dividend for the prior year paid at 1.1p per A share	**1,033**	**–**	**1,033**	1,047	–	1,047
Fourth capital distribution for the prior year paid at 1.1p per B share	**–**	**353**	**353**	–	352	352
First interim dividend paid at 1.06p (2012: 1.06p) per A share	**991**	**–**	**991**	1,009	–	1,009
First capital distribution paid at 1.06p (2012: 1.06p) per B share	**–**	**335**	**335**	–	340	340
Second interim dividend paid at 1.06p (2012: 1.06p) per A share	**986**	**–**	**986**	1,009	–	1,009
Second capital distribution paid at 1.06p (2012: 1.06p) per B share	**–**	**333**	**333**	–	340	340
Third interim dividend paid at 1.06p (2012: 1.06p) per A share	**981**	**–**	**981**	1,009	–	1,009
Third capital distribution paid at 1.06p (2012: 1.06p) per B share	**–**	**333**	**333**	–	340	340
	3,991	**1,354**	**5,345**	4,074	1,372	5,446
Amounts relating to the year but not paid at the year end:						
Fourth interim dividend payable at 1.1p (2012: 1.1p) per A share	**1,018**	**–**	**1,018**	1,033	–	1,033
Fourth capital distribution payable at 1.1p (2012: 1.1p) per B share	**–**	**346**	**346**	–	353	353
	1,018	**346**	**1,364**	1,033	353	1,386

	2013 £'000
Revenue available for distribution by way of dividends for the year	**4,391**
First quarterly interim dividend of 1.06p per A share paid in respect of the year ended 31 March 2013	**(991)**
Second quarterly interim dividend of 1.06p per A share paid in respect of the year ended 31 March 2013	**(986)**
Third quarterly interim dividend of 1.06p per A share paid in respect of the year ended 31 March 2013	**(981)**
Fourth quarterly interim dividend of 1.1p per A share payable in respect of the year ended 31 March 2013*	**(1,018)**
Undistributed revenue for the purposes of Section 1158 of the Corporation Tax Act 2010 (see page 16)	**415**

*based on 92,528,144 A shares in issue at 3 April 2013.

10. Earnings per share

The Company's earnings per share are based on the profit for the year of £19,436,000 (year to 31 March 2012: £4,626,000) and on 93,157,459 A shares (2012: 95,107,106) and 31,610,525 B shares (2012: 32,051,703), being the weighted average number of shares in issue of each share class during the year.

The Company's revenue earnings per share are based on the revenue profit for the year of £4,391,000 (year to 31 March 2012: £4,704,000) and on the weighted average number of shares in issue as above.

The Company's capital earnings per share are based on the capital profit for the year of £15,045,000 (year to 31 March 2012: loss of £78,000) and on the weighted average number of shares in issue as above.

11. Investments held at fair value through profit or loss

	Company 2013 £'000	Group 2013 £'000	Company 2012 £'000	Group 2012 £'000
Listed securities	**133,611**	**133,611**	130,840	130,840
Subsidiary undertaking	**250**	**–**	250	–
	133,861	**133,611**	131,090	130,840

	Company			Group
	Listed/ Quoted (Level 1) £'000	Subsidiary/ Unlisted (Level 3) £'000	Total £'000	Listed/Quoted (Level 1) Total £'000
Opening book cost	121,073	250	121,323	121,073
Opening fair value adjustment	9,767	–	9,767	9,767
Opening valuation	130,840	250	131,090	130,840
Movements in the year:				
Purchases at cost	15,006	–	15,006	15,006
Sales – proceeds	(28,544)	–	(28,544)	(28,544)
– gains on sales	4,274	–	4,274	4,274
Increase in fair value adjustment	12,035	–	12,035	12,035
Closing valuation at 31 March 2013	133,611	250	133,861	133,611
Closing book cost at 31 March 2013	111,809	250	112,059	111,809
Closing fair value adjustment	21,802	–	21,802	21,802
Closing valuation at 31 March 2013	**133,611**	**250**	**133,861**	**133,611**

	Company 2013 £'000	Group 2013 £'000	Company 2012 £'000	Group 2012 £'000
Equity investments	**116,600**	**116,350**	108,844	108,594
Fixed interest – UK denominated	**13,252**	**13,252**	15,779	15,779
– Overseas denominated	**4,009**	**4,009**	6,467	6,467
	133,861	**133,611**	131,090	130,840
Net gains/(losses) on realisation of investments	**4,274**	**4,274**	(7)	(7)
Movement in fair value	**12,035**	**12,035**	1,616	1,616
Gains on investments	**16,309**	**16,309**	1,609	1,609

The Group incurred transaction costs of £40,000 (2012: £97,000) on the purchase of assets and £15,000 (2012: £17,000) on the sale of assets in the year.

Net gains/(losses) on realisation of investments during the year represents the difference between the net proceeds of sale and the book cost of the investments sold.

Movement in fair value represents the increase in the difference between the book cost of investments held and their market value at 31 March 2013 compared with the difference between the book cost of investments held and their market value at 31 March 2012.

Notes to the Accounts (continued)

12. Significant interests

As at 31 March 2013, the Company's subsidiary undertaking which deals in investments is:

Name	Country of incorporation or Registration	Class of Capital	Share Capital and Reserves £'000	Profit for the year £'000	% of Class held	% of Equity held	Valuation at 31.03.13 £'000
Investors Securities Company Limited	Scotland	Ordinary	250	–	100	100	250

At 31 March 2013, no investments were held by the dealing subsidiary and it did not trade during the year.

13. Other receivables

	Company 2013 £'000	**Group 2013 £'000**	Company 2012 £'000	Group 2012 £'000
Income receivable from shares and securities	**1,006**	**1,006**	1,255	1,255
Unrealised gain on foreign exchange currency contracts	**13**	**13**	43	43
Due from brokers	**–**	**–**	107	107
Taxation recoverable	**–**	**–**	8	8
Sundry debtors	**26**	**26**	11	11
	1,045	**1,045**	1,424	1,424

14. Cash and cash equivalents

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

15. Current liabilities

	Company 2013 £'000	**Group 2013 £'000**	Company 2012 £'000	Group 2012 £'000
Loan from subsidiary undertaking	**250**	**–**	250	–
Accrued expenses	**194**	**194**	111	111
Investment management fee	**105**	**105**	88	88
Accrued interest payable	**5**	**5**	–	–
£33.5 million term loan maturing 28 September 2012	**–**	**–**	33,496	33,496
Interest rate swap	**–**	**–**	749	749
Taxation payable	**–**	**–**	236	236
Bank overdraft	**–**	**–**	123	123
	554	**304**	35,053	34,803

The £33.5 million term loan and interest rate swap were classified in the prior year as current liabilities as their term expired within 12 months. Further details are provided in note 16.

16. Non-current liabilities

	Company and Group 2013 £'000	Company and Group 2012 £'000
£18 million term loan maturing 28 September 2017	**18,000**	–

16. Non-current liabilities (continued)

On 28 September 2012 the Company repaid its existing £33.5m term loan and drew down a new facility with a five year term to 28 September 2017. The term loan with JPMorgan Chase Bank is secured on the majority of the assets of the Company and carries interest at a fixed rate of 3.15 per cent per annum. Interest on the term loan is payable quarterly. An administration fee of £18,000 is payable annually in addition.

The term loan contains certain financial covenants with which the Company must comply. These include a financial covenant to the effect that the percentage of the total amounts drawn down under the term loan (together with any other borrowings) should not exceed 45 per cent of the Company's Eligible Total Secured Assets. The Company complied with the required financial covenants throughout the period since drawdown.

The fair value of the fixed rate £18m term loan, on a market to market basis, was £18,186,000 at 31 March 2013.

17. Share capital

	£'000
Authorised share capital at 31 March 2012 and 31 March 2013	
A Shares of 0.1p each	225
B Shares of 0.1p each	75
	300

Allotted, issued and fully paid

	Listed		Held in Treasury		In Issue	
	Number	£	Number	£	Number	£
A Shares of 0.1p each						
Balance at 1 April 2012	102,067,144	102,067	(7,389,000)	(7,389)	94,678,144	94,678
Repurchased to be held in treasury	–	–	(2,150,000)	(2,150)	(2,150,000)	(2,150)
Balance at 31 March 2013	**102,067,144**	**102,067**	**(9,539,000)**	**(9,539)**	**92,528,144**	**92,528**
B Shares of 0.1p each						
Balance at 1 April 2012	32,076,703	32,077	(25,000)	(25)	32,051,703	32,052
Repurchased to be held in treasury	–	–	(630,000)	(630)	(630,000)	(630)
Balance at 31 March 2013	**32,076,703**	**32,077**	**(655,000)**	**(655)**	**31,421,703**	**31,422**
Total at 31 March 2013	**134,143,847**	**134,144**	**(10,194,000)**	**(10,194)**	**123,949,847**	**123,950**

During the year the Company bought back 2,150,000 (2012: 500,000) A Shares to hold in treasury at a cost of £1,754,000 (2012: £397,000) and 630,000 (2012: nil) B Shares to hold in treasury at a cost of £501,000 (2012: £nil). The Company did not buy back any shares for cancellation nor resell any shares from treasury during the year (2012: nil).

At 31 March 2013 the Company held 9,539,000 (2012: 7,389,000) A Shares and 655,000 (2012: 25,000) B Shares in treasury.

Since the year end the Company has bought back a further 500,000 A Shares to hold in treasury at a cost of £463,000.

Shareholder entitlements

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

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

18. Share premium account and reserves

In 2007, the Court of Session confirmed the cancellation of the entire amount originally 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").

Notes to the Accounts (continued)

18. Share premium account and reserves (continued)

The Company will apply these two reserves as follows:

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

Capital management

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

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

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

19. Net asset value per share

The Company's basic net asset value per share of 98.02p (2012: 85.94p) is based on the equity shareholders' funds of £121,498,000 (2012: £108,913,000) and on 123,949,847 equity shares, consisting of 92,528,144 A Shares and 31,421,703 B Shares (2012: 126,729,847 equity shares, consisting of 94,678,144 A Shares and 32,051,703 B Shares), being the number of shares in issue at the year end.

The Company's shares may also be traded as units, each unit consisting of three A Shares and one B Share. The basic net asset value per unit as at 31 March 2013 was therefore 392.08p (2012: 343.76p).

The Company's treasury net asset value per share, incorporating the 9,539,000 A shares and 655,000 B shares held in treasury at the year end, was 97.68p (2012: 85.72p). The Company's treasury net asset value per unit at the end of the year was 390.72p (2012: 342.88p). The Company's policy is to only re-sell shares held in treasury at a price representing a discount of not more than 5 per cent to net asset value at the time of sale, together with other conditions. Accordingly, for the purpose of the calculation, such treasury shares are valued at the higher of net asset value less 5 per cent and the mid market share price at each year end.

20. Analysis of changes in net debt

	At 1 April 2012 £'000	Cash flow £'000	Currency movements £'000	Non-cash movements £'000	**At 31 March 2013 £'000**
Cash and cash equivalents	11,452	(6,308)	2	–	**5,146**
Bank overdraft	(123)	123	–	–	**–**
Net cash and cash equivalents	11,329	(6,185)	2	–	**5,146**
Bank loan	(33,496)	15,500	–	(4)	**(18,000)**
Net debt	(22,167)	9,315	2	(4)	**(12,854)**

21. Financial instruments

The Company's financial instruments comprise equity and fixed interest investments, cash balances, receivables and payables that arise directly from its operations and borrowings. As an investment trust the Company holds a portfolio of financial assets in pursuit of its investment objective. The Company makes use of borrowings to achieve enhanced returns. The downside risk of borrowings can be reduced by raising the level of cash balances held.

The Company may use derivatives for efficient portfolio management from time to time. The only derivatives used in the year and the prior year were the interest rate swap on the bank loan which expired on 28 September 2012 and forward foreign exchange currency contracts to hedge currency movements. The Company may also write call options over some investments held in the Equities Portfolio.

21. Financial instruments (continued)

Apart from the fair value of the fixed-rate term loan as disclosed in note 16, the fair value of the financial assets and liabilities of the Company at 31 March 2013 is not materially different from their carrying value in the financial statements.

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

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

Credit risk

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

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

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

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

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

Market price risk

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

Any changes in market conditions will directly affect the profit or loss reported through the Statement of Comprehensive Income. A 10 per cent increase in the value of the Equities Portfolio as at 31 March 2013 would have increased net assets and income for the year by £11,635,000 (2012: an increase of 25 per cent would have increased net assets and income by £27,149,000). A decrease of 10 per cent (2012: 25 per cent) would have had an equal but opposite effect.

A 10 per cent increase in the value of the Higher Yield Portfolio as at 31 March 2013 would have increased net assets and income for the year by £1,726,000 (2012: an increase of 10 per cent would have increased net assets and income by £2,225,000). A decrease of 10 per cent (2012: 10 per cent) would have had an equal but opposite effect.

The calculations above are based on investment valuations at the respective balance sheet dates and are not representative of the year as a whole, nor are they reflective of future market conditions.

Disclosure of the hierarchy of fair value measurements for financial instruments, as required by IFRS 7, is provided in note 11 and in the accounting policies.

Notes to the Accounts (continued)

21. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given the liquid nature of the portfolio of investments and the level of cash and cash equivalents ordinarily held. However, where there has been a deterioration in credit quality or an event of default the Company may not be able to liquidate quickly, at fair value, some of its investments in the Higher Yield Portfolio. Cash balances are held with a spread of reputable banks with a credit rating of normally A or higher, usually on overnight deposit. The Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting.

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

The remaining contractual maturities of the financial liabilities at 31 March 2013, based on the earliest date on which payment can be required, were as follows:

	Three months or less £'000	More than three months but less than one year £'000	More than one year but less than two years £'000	More than two years but less than five years £'000	Total £'000
Current Liabilities					
Other payables	304	–	–	–	304
Non-current Liabilities					
Bank loan	142	443	585	19,454	20,624

The figures in the above table are on a contractual maturity basis and therefore include interest payments where applicable.

Interest rate risk

Some of the Company's financial instruments are interest bearing. They are a mix of both fixed and variable rate instruments with differing maturities. As a consequence, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rate. The Company's exposure to floating interest rates gives cashflow interest rate risk and its exposure to fixed interest rates gives fair value interest rate risk.

Floating rate

When the Company retains cash balances the majority of the cash is held in deposit accounts. The benchmark rate which determines the interest payments received on cash balances is the bank base rate, which was 0.5 per cent at 31 March 2013 (2012: 0.5 per cent).

Fixed rate

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

	2013			2012		
	£'000	**Weighted average interest rate**	**Average duration until maturity**	£'000	Weighted average interest rate	Average duration until maturity
Higher Yield investments:						
Fixed interest investments	**13,555**	**3.9%***	**3.3 years**	18,992	5.3%*	2.8 years
Floating rate notes	**3,706**	**1.8%**	**0.5 years**	3,254	4.1%	0.4 years
Fixed interest liabilities:						
Term loan and interest rate swap	**18,000**	**3.2%**	**4.5 years**	34,245	5.9%	0.5 years

*The weighted average interest rate on the Higher Yield Portfolio assumes that all fixed interest investments are held to redemption and that full redemption value is received.

21. Financial instruments (continued)

Interest rate risk (continued)

Fixed rate (continued)

Movements in the fair value of investments held in the Higher Yield Portfolio due to a movement in the market interest rate is viewed to form part of the market price risk.

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

The £18 million term loan carries a fixed interest rate of 3.15 per cent per annum. In the prior year, the £33.5 million term loan was classified as fixed interest as the variable rate loan had been fixed by an interest rate swap, of the same nominal value and duration as the loan.

Considering the effect on the term loan, it is estimated that an increase of 100 basis points in interest rates as at the balance sheet date would have decreased its fair value liability by approximately £723,000 (2012: £166,000). A decrease of 100 basis points would have increased its fair value liability by approximately £762,000 (2012: £169,000). These calculations are based on the balance of the term loan and, in the prior year, the interest rate swap at the respective balance sheet date and are not representative of the year as a whole, nor reflective of future market conditions.

Considering the effect on cash balances, an increase of 100 basis points in interest rates would have increased net assets and income for the year by £51,000 (year to 31 March 2012: £113,000). A decrease of 100 basis points would have had an equal but opposite effect. The calculations are based on the net cash balances at the respective balance sheet date and are not representative of the year as a whole, nor are they reflective of future market conditions.

Foreign currency risk

In order to achieve a diversified portfolio of higher yielding securities the Company invests partly in overseas securities which gives rise to currency risks. In the year to 31 March 2013, the Company entered into US Dollar and Euro foreign exchange currency contracts with a view to hedging these currency risks. Foreign currency exposure at 31 March 2013 was as follows:

	2013				2012			
	Investments £'000	**Net Current Assets £'000**	**Cash £'000**	**Total £'000**	Investments £'000	Net Current Assets £'000	Cash £'000	Total £'000
US Dollar	**743**	**208**	**4**	**955**	2,346	103	4	2,453
Euro	**3,266**	**77**	**10**	**3,353**	4,121	198	–	4,319
	4,009	**285**	**14**	**4,308**	6,467	301	4	6,772

As at 31 March 2013 the foreign exchange currency contracts not yet realised were as follows:

	2013 Hedged amount £'000	**2013 Unrealised gain £'000**	2012 Hedged amount £'000	2012 Unrealised gain/(loss) £'000
US Dollars for Sterling	**742**	**2**	2,334	46
Euro for Sterling	**3,289**	**11**	4,263	(3)
	4,031	**13**	6,597	43

Total losses in the year from foreign exchange currency contracts and balances held in cash were £28,000 (2012: gains of £364,000). All foreign exchange currency contracts in place at 31 March 2013 are due to expire during the following year.

Given the policy to hedge currency risk on non-sterling denominated assets by entering into forward foreign exchange currency contracts, the weakening or strengthening of Sterling against either the US Dollar or Euro would not have had a significant net impact on the total column of the Consolidated Statement of Comprehensive Income for the year or the net asset value as at 31 March 2013.

22. Related party transactions

The Directors of the Company received fees for their services. Further details are provided in the Directors' Remuneration Report on pages 27 and 28. The Directors' shareholdings are detailed on page 19.

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.

Reinvestment of Returns

The Company operated a reinvestment scheme to enable B shareholders to reinvest their capital repayments in further B shares during the year. This scheme has been terminated due to the low level of shareholder participation and relatively high cost to the Company.

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

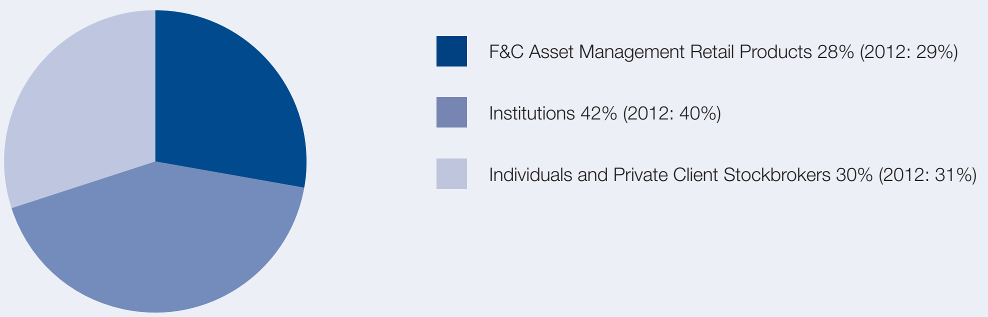
Share Prices and Daily Net Asset Value

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

Change of Address

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

Profile of the Company's Ownership
% of Shares held at 31 March 2013



Warning to shareholders – Boiler Room Scams

In recent years, many companies have become aware that their shareholders have been targeted by unauthorised overseas-based brokers selling what turn out to be non-existent or high risk shares, or expressing a wish to buy their shares. If you receive unsolicited investment advice or requests:

– Make sure you get the correct name of the person or organisation
– Check that they are properly authorised by the FCA before getting involved by visiting www.fsa.gov.uk/register/home.do
– Report the matter to the FCA by calling 0800 111 6768
– If the calls persist, hang up.

More detailed information on this matter can be found on the FCA website www.fca.org.uk/consumers/scams

Financial Calendar 2013/14

21 June 2013	Annual General Meeting
August 2013	Interim Management Statement for quarter to 30 June 2013
2 August 2013	First quarter's distribution paid (XD Date 3 July 2013)
1 November 2013	Second quarter's distribution paid (XD Date 2 October 2013)
November 2013	Announcement of Interim Results
7 February 2014	Third quarter's distribution paid (XD Date 8 January 2014)
February 2014	Interim Management Statement for quarter to 31 December 2013
May 2014	Fourth quarter's distribution paid (XD Date April 2014)
May 2014	Announcement of Annual Results and Posting of Annual Report
June 2014	Annual General Meeting

Capital Gains Tax

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

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

Ordinary Shares	$25\frac{7}{8}$p
4% Debenture Stock	$23\frac{1}{4}$p
3.675% Preference Stock	$34\frac{1}{2}$p
$7\frac{1}{4}$% Debenture Stock	$55\frac{1}{4}$p

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

	First day of dealing value	Apportion-ment factor
Growth Shares	$84\frac{1}{4}$p	0.6844
Income Annuity Shares	$36\frac{1}{4}$p	0.2912
Warrants	15p	0.0244

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

	First day of dealing value	Apportion-ment factor
Zero Dividend Preference Shares	$35\frac{3}{4}$p	0.3488
Income Shares	$53\frac{3}{4}$p	0.5244
Capital Shares	13p	0.1268

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

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

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

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

How to Invest

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 £11,520 for the 2013/14 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 £3,720 for the 2013/14 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 £3,720 for the 2013/14 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
JISA: £25+VAT
PIP: £40+VAT
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 instruction £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

If you have trouble reading small print, please let us know. We can provide literature in alternative formats, for example large print or on audiotape. Please call 0845 600 3030*.

The above has been approved by F&C Management Limited which is a member of the F&C Asset Management Group and is authorised and regulated in the UK by the Financial Conduct Authority.

Notice of Annual General Meeting

Notice is hereby given that the sixth Annual General Meeting of Investors Capital Trust plc will be held at 80 George Street, Edinburgh, on 21 June 2013 at 12.30 pm for the following purposes. To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 7 and 10 will be proposed as Ordinary Resolutions and Resolutions 8, 9, 11 and 12 as Special Resolutions:

Ordinary Resolutions

1. That the Report and Accounts for the year to 31 March 2013 be received.
2. To approve the Directors' Remuneration Report for the year to 31 March 2013.
3. That Mr K D Shand, who retires by rotation, be re-elected as a Director.
4. That Mr J P Williams, who retires by rotation, be re-elected as a Director.
5. That Mr J M Evans, who was appointed as a Director in May 2013, be elected.
6. That Ernst & Young LLP be re-appointed as Auditors and the Directors be authorised to determine their remuneration.
7. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Securities") provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £4,601 in respect of A shares of 0.1 pence each in the capital of the Company ("A Shares") and £1,571 in respect of B shares of 0.1 pence each in the capital of the Company ("B Shares"), such authority to expire at the conclusion of the Company's next Annual General Meeting or on 30 September 2014, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

Special Resolutions

8. That, subject to the passing of Resolution number 7 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to Section 570 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in Section 560 of the Act, provided that for the purposes of this resolution an allotment of equity securities shall be deemed not to include the sale of shares in the Company that immediately before the sale are held by the Company as treasury shares) for cash pursuant to the authority given by Resolution number 7 above as if Section 561(1) of the Act did not apply to any such allotment of equity securities, provided that this power:

   (a) expires at the conclusion of the Company's next Annual General Meeting or on 30 September 2014, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

   (b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £4,601 in respect of A Shares and £1,571 in respect of B Shares (being approximately 5 per cent of the total nominal value of the issued share capital of the Company, as at 8 May 2013) at a price of not less than the net asset value per share of the existing

Notice of Annual General Meeting (continued)

A Shares (in the case of an allotment of A Shares) or B Shares (in the case of an allotment of B Shares).

9. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) of the Act) of fully paid A shares of 0.1 pence each in the capital of the Company and fully paid B Shares of 0.1p each in the capital of the Company ("A and/or B Shares") (either for retention as treasury shares for future reissue, resale, transfer or cancellation), provided that:

   (a) the maximum aggregate number of A and B Shares hereby authorised to be purchased is 14.99 per cent of the issued A Shares and 14.99 per cent of the issued B Shares (excluding A and B Shares held in treasury) immediately prior to the passing of this resolution (see note 15);

   (b) the minimum price (excluding expenses) which may be paid for an A or B Share is 0.1 pence;

   (c) the maximum price (excluding expenses) which may be paid for an A or B Share shall not be more than the higher of:

      i. 5 per cent. above the average of the middle market values (as derived from the Daily Official List of the London Stock Exchange) of an A or B Share over the five business days immediately preceding the date of purchase; and

      ii. the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and

   (d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or on 30 September 2014 whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase A and/or B Shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of A and/or B Shares pursuant to any such contract.

Ordinary Resolution

10. That, subject to the passing of Resolution 11 to be proposed at the Annual General Meeting of the Company convened for 21 June 2013 ("Resolution 11"), the Directors of the Company be authorised, for the purposes of paragraph 15.4.11 of the Listing Rules of the United Kingdom Listing Authority, to sell A Shares and/or B Shares in the capital of the Company held in treasury for cash at a price below the net asset value per share of the existing A Shares and/or B Shares in issue pursuant to the authority conferred by Resolution 11, provided always that A and/or B Shares will only be resold from treasury at a price representing a discount of not more than 5 per cent to net asset value at the time of resale, subject to the conditions that, first, the discount at which such A and/or B Shares are to be resold must be less than the average discount at which A and/or B Shares held in treasury have been repurchased and, second, the net asset value dilution associated with the sale of treasury shares in any one financial year must not exceed 0.5 per cent of net assets.

Special Resolutions

11. That, the Directors of the Company be and they are hereby empowered pursuant to section 573 of the Companies Act 2006 (as amended) (the "Act") to sell equity securities (within the meanings of sections 560(1) and 560(2) of the Act) wholly for cash as if section 561 of the Act did not apply to any such sale, provided that this power shall be limited to the sale of equity securities for cash out of treasury up to an aggregate nominal amount of £9,203 in respect of A Shares and £3,142 in respect of B Shares, representing approximately 10 per cent of the Company's A share capital in issue as at the date of the passing of this resolution and approximately 10 per cent of the Company's B share capital in issue as at the date of the passing of this resolution and shall expire on the earlier of 30 September 2014 or at the conclusion of the Company's next Annual General Meeting, unless renewed at a general

meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

12. That, the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days' notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company or 30 September 2014, whichever is the earlier (all dates inclusive).

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

8 May 2013

Notes

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

2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting by following the procedures described in the CREST Manual and by logging on to www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

3. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("Euroclear") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent (ID RA19) by the latest time for receipt of proxy appointments specified in Note 1 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

4. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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

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

Notice of Annual General Meeting (continued)

6. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those holders of shares entered on the Register of Members of the Company as at 6.00 p.m. on 19 June 2013 or, in the event that the meeting is adjourned, on the Register of Members as at 6.00 pm on the day two days (excluding non-working days) prior to any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of Shares registered in their names at that time. Changes to the entries on the Register of Members after 6.00 p.m. on 19 June 2013 or, in the event that the meeting is adjourned, in the Register of Members as at 6.00 pm on the day two days prior to any adjourned meeting (excluding non-working days), shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.

7. As at 8 May 2013 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 92,028,144 A Shares carrying one vote each and 31,421,703 B Shares carrying one vote each. The Company holds 10,039,000 A Shares and 655,000 B shares in treasury which do not carry voting rights. Therefore the total voting rights in the Company as at 8 May 2013 were 123,449,847 votes. Any person holding 3 per cent of the total voting rights in the Company who appoints a person other than the Chairman as his/her proxy will need to ensure that both he/she and such third party complies with their respective disclosure obligations under the Disclosure Rules and Transparency Rules.

8 No Director has a contract of service with the Company. The Directors' letters of appointment will be available for inspection at the Company's registered office during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and for 15 minutes prior to, and during, the Annual General Meeting.

9. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from www.investorscapital.co.uk.

10. Under section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:

    (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

    (b) the answer has already been given on a website in the form of an answer to a question; or

    (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

11. The members of the Company may require the Company to publish, on its website (without payment), a statement (which is also passed to the Company's auditor) setting out any matter relating to the audit of the Company's accounts including the auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5 per cent of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to 80 George Street, Edinburgh EH2 3BU.

12. In accordance with section 338 of the Companies Act 2006, shareholders may require the Company to give members notice of a resolution which may properly be moved and is intended to be moved at the Annual General Meeting. The resolution must have been received by the Company not later than 10 May 2013. The resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise). The resolution must not be defamatory of any person, frivolous or vexatious. The request must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported. The Company becomes required to give members notice of a resolution to be moved at the Annual General Meeting once a) members with at least 5 per cent of the total voting rights of the Company or b) at least 100 members who are entitled to vote and on whose shares an average sum per member of at least £100 has been paid have submitted a request to the Company in accordance with the provisions of this paragraph 12. Members seeking to do this should write to the Company providing their full name and address.

13. In accordance with section 338A of the Companies Act 2006, shareholders may require the Company to include in the business to be dealt with at the Annual General Meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The request must have been received by the Company not later than 10 May 2013. The matter of business must not be defamatory of any person, frivolous or vexatious. The request must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported. The request must be accompanied by a statement setting out the grounds for the request. The Company becomes required to give members notice of a resolution to be moved at the Annual General Meeting once a) members with at least 5 per cent of the total voting rights of the Company or b) at least 100 members who are entitled to vote and on whose shares an average sum per member of at least £100 has been paid have submitted such a request to the Company in accordance with the provisions of this paragraph 13. Members seeking to do this should write to the Company providing their full name and address.

14. You may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.

15. Following Resolution 9 becoming effective, the maximum aggregate number of shares hereby authorised to be purchased shall be 13,795,018 A shares and 4,710,113 B shares (or, if less, 14.99 per cent. of the number of A shares and 14.99 per cent. of the number of B shares in issue (excluding treasury shares) immediately prior to the passing of the resolution).

Corporate Information

Directors
I A McLaren (Chairman)
J Le Blan
J M Evans
H Post
K D Shand
J P Williams

Registered Office
80 George Street
Edinburgh EH2 3BU
Tel No. 0207 628 8000
Fax No. 0131 225 2375

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

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

Registrars' Shareholder Helpline
Tel No. 0871 384 2470*

Registrars' Broker Helpline
Tel No. 0906 559 6025†

Registrars' Overseas Helpline
Tel No. +44 121 415 7047**

Brokers
Cenkos Securities plc
6-7-8 Tokenhouse Yard
London EC2R 7AS

Auditors
Ernst & Young LLP
Ten George Street
Edinburgh EH2 2DZ

Principal Bankers
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

* 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 cost £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 225 2375

Registrars
Equiniti Limited
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**

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