Investors Capital Trust plc

Report and Accounts 2016

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Financial Calendar 2016/2017	
Annual General Meeting	27 June 2016
First quarter's distribution paid (XD Date 7 July 2016)	5 August 2016
Second quarter's distribution paid (XD Date 6 October 2016)	4 November 2016
Announcement of Interim Results	November 2016
Third quarter's distribution paid (XD Date 5 January 2017)	3 February 2017
Fourth quarter's distribution paid (XD Date April 2017)	May 2017
Announcement of Annual Results and Posting of Annual Report	May 2017
Annual General Meeting	June 2017

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 Overview

Investors Capital Trust plc (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').

Net assets attributable to shareholders at 31 March 2016 were £116.5 million (2015: £126.9 million).

The investment objective of the Company is 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 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. 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.

Visit our website at www.investorscapital.co.uk

Financial Highlights 2016

4.60p

Distribution of 4.60 pence per share

Total distributions for the year to 31 March 2016 of 4.60p per share, an increase of 2.7 per cent compared to the prior year

5.1%

Yield on A Shares

Distribution yield of 5.1 per cent on A shares at 31 March 2016, compared to the yield on the FTSE All-Share Capped 5% Index of 3.7 per cent

5.0%

Yield on B shares

Distribution yield of 5.0% on B shares at 31 March 2016, compared to the yield on the FTSE All-Share Capped 5% Index of 3.7 per cent

-2.8%

NAV total return

Net asset value total return per share for the year was -2.8 per cent, compared to the FTSE All-Share Capped 5% Index total return of -3.8 per cent

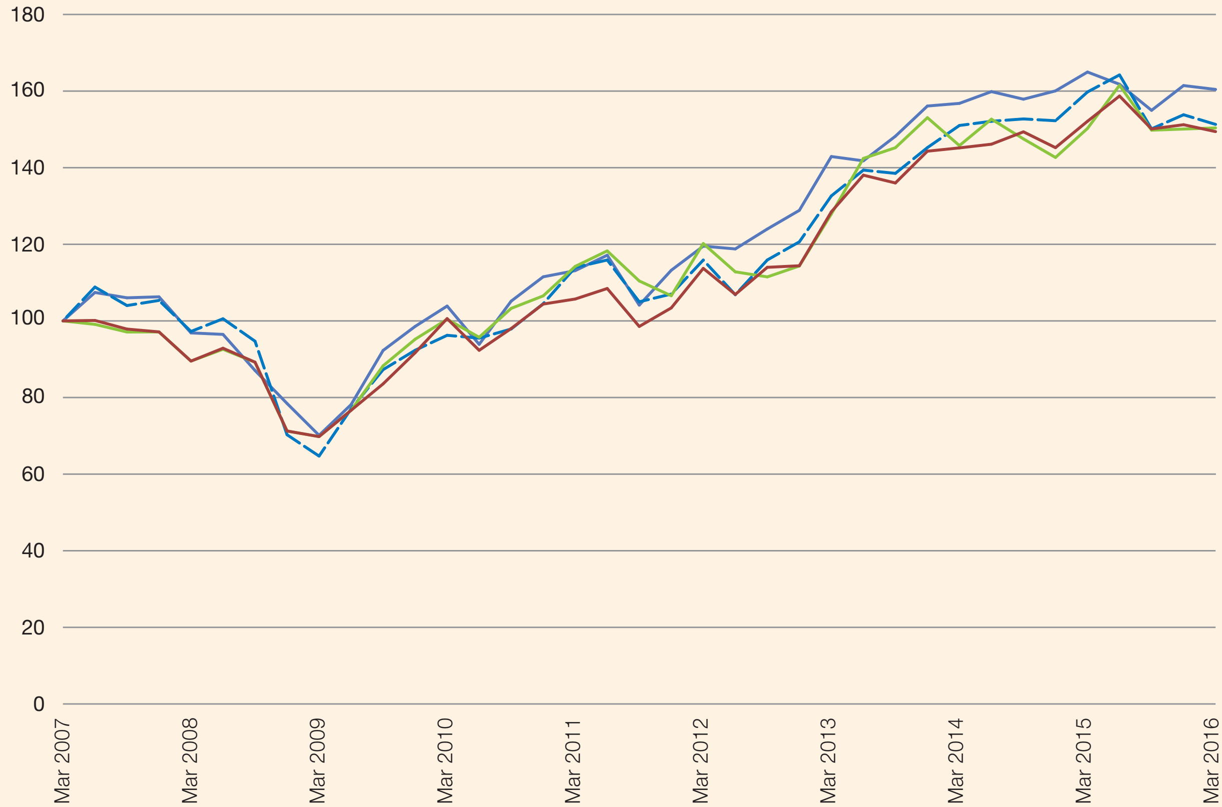
60.4%

Since launch

Net asset value total return per share since launch on 1 March 2007 was 60.4 per cent, compared to the FTSE All-Share Capped 5% Index total return of 51.3 per cent

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Investors Capital Trust plc Net Asset Value Total Return and Share Price Total Return since launch



rebased to 100 at 1 March 2007, date of launch

- Net Asset Value Total Return (with dividends reinvested)
- FTSE All-Share Capped 5% Index Total Return
- B Share Price Total Return (with dividends reinvested)
- A Share Price Total Return (with dividends reinvested)

Source: F&C

Summary of Performance

	Year to 31 March 2016	Five years to 31 March 2016	Period from launch on 1 March 2007 to 31 March 2016
Total Return			
Net asset value total return per A and B share and per unit (debt at fair value)‡	–2.8%	41.8%	60.4%
FTSE All-Share Capped 5% Index	–3.8%	33.9%	51.3%

	Year to 31 March 2016	Year to 31 March 2015
Revenue and Distributions		
Distributions per A share and B share	4.60p	4.48p
Distributions per unit*	18.40p	17.92p
Revenue reserves (before fourth quarter's distribution)	£5.4m	£4.9m
Equities Portfolio yield relative to FTSE All-Share Capped 5% Index	107%	108%

	31 March 2016	31 March 2015
Capital		
Total assets (less current liabilities)	£134.5m	£144.9m
Net asset value per A share and B share (debt at fair value)‡	96.29p	103.62p
Net asset value per unit (debt at fair value)*‡	385.16p	414.48p
FTSE All-Share Capped 5% Index	3,591.10	3,867.69
A share price	89.8p	100.8p
B share price	91.5p	100.8p
Unit price	354.0p	402.5p
Discount (% difference between net asset value and price)		
A shares	(6.7)%	(2.7)%
B shares	(5.0)%	(2.7)%
Unit	(8.1)%	(2.9)%
Gearing†		
Net gearing	9.7%	7.9%
Ongoing Charges$		
as percentage of average shareholders' funds	1.06%	1.05%

	A shares		B shares		Units	
Highs/Lows for the Year	2015/16 High	2015/16 Low	2015/16 High	2015/16 Low	2015/16 High	2015/16 Low
Net asset value per share	107.3p	87.3p	107.3p	87.3p	429.2p	349.2p
Share price	100.0p	84.0p	102.0p	84.5p	400.5p	335.0p
Premium/(discount)	1.0%	(10.3)%	0.4%	(11.3)%	1.5%	(11.8)%

* 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.

‡ 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.

$ In line with AIC recommendations.
Sources: F&C Investment Business Limited and Datastream

Chairman's Statement

I A McLaren Chairman

Introduction

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 2016, 85.2 per cent. of total assets was allocated to the Equities Portfolio and 9.7 per cent. to the Higher Yield Portfolio. The remaining 5.1 per cent. was held as cash and cash equivalents.

Investment Performance

The pace of global economic recovery over the past year has remained lacklustre, uneven and lacking in momentum. Despite a slower start to 2016, the US and UK economies have remained amongst the faster growing developed economies. Indeed, the improvement in economic conditions in the US during the year was such that, in December, the Federal Reserve announced a small, but significant increase in interest rates. This was the first move since the benchmark Federal Funds rate had been reduced to close to zero in 2008 at the height of the worst financial crisis of the post war era, signalling the beginning of the end of an extraordinary period of monetary support from the US Central Bank.

In contrast, economic recovery in the Eurozone has remained elusive with that region beset by economic, structural and political challenges. In recent months, in a further effort to increase inflation and stimulate growth, the European Central Bank ("ECB") reduced interest rates to an all-time low, expanded the size and the scope of its quantitative easing programme and lowered a key bank deposit rate further into negative territory. By setting negative deposit rates on commercial banks excess funds, a policy also recently adopted in Japan, the ECB hopes that banks will be more inclined to lend and thereby stimulate growth.

Concerns over the slowdown in emerging market economies, most notably China, Brazil and Russia, together with slumping commodity prices and rising geopolitical risks have weighed on investor sentiment over the past year and contributed to a rise in market volatility. Against that background, financial markets have proven to be quite resilient, supported by reasonable corporate sector fundamentals and plentiful global liquidity.

The Company's Equities Portfolio produced a total return of -2.4 per cent. during the year to 31 March 2016, while the Higher Yield Portfolio returned 1.1 per cent. Returns from the Equities Portfolio and the Higher Yield Portfolio, combined with the effect of gearing and expenses, resulted in a net asset value total return for the A shares and B shares of -2.8 per cent. for the year. This return was ahead of the -3.8 per cent. total return for the FTSE All-Share Capped 5% Index, the Company's benchmark. Performance is covered in more detail in the Manager's Review.

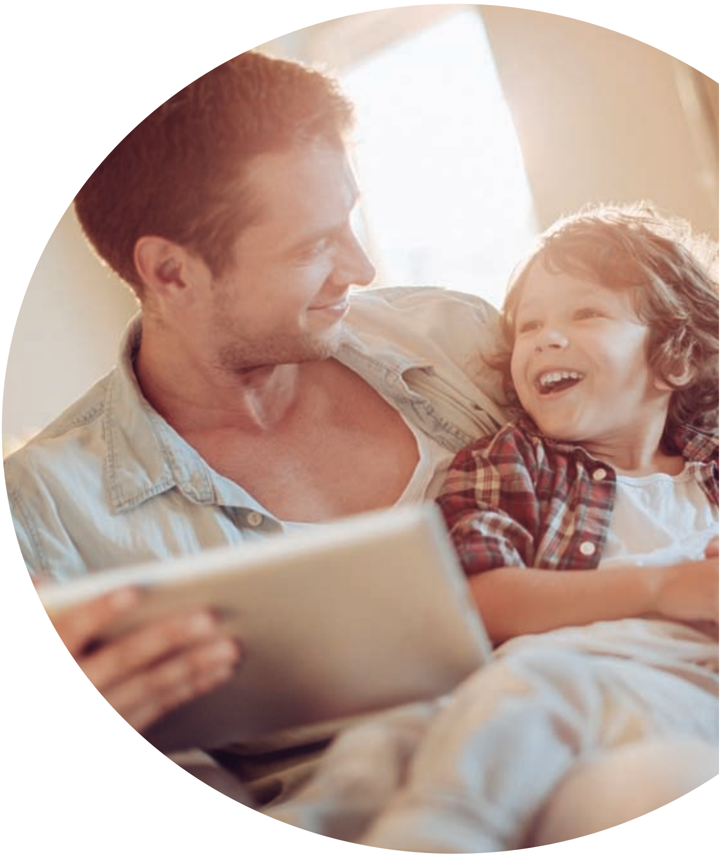
Since the Company's launch on 1 March 2007 to 31 March 2016, the net asset value per share total return performance has been 60.4 per cent. which compares favourably with the 51.3 per cent. total return from the benchmark FTSE All-Share Capped 5% Index.

Earnings

The Company achieved total revenue income of £5.4m for the year. The yield on the Equities Portfolio was 4.0 per cent. as at 31 March 2016, compared to the yield on the FTSE All-Share Capped 5% Index of 3.7 per cent.

The Company's revenue decreased by 5.2 per cent compared with the previous year which is primarily due to the lower level of one-off special dividends in the Equities Portfolio. Special dividends totalled £74,000 during the year (2015: £405,000). The level of income from the Higher Yield Portfolio, also decreased as the level of assets allocated to fixed interest securities further reduced during the year.

While the majority of investee companies continued to demonstrate good dividend growth during the year, the outlook for dividends from the UK market as a whole has deteriorated. Over the coming year, dividends from the UK market may come under pressure as dividend cuts from some of the UK's largest companies are likely to overshadow good progress elsewhere. In my interim report, I suggested that if the weakness in commodity prices persisted, the high level of dividend yields offered by the shares of the integrated oil and mining companies would prove unsustainable. During the second half of the Company's financial year, the rout in commodity prices continued. In February, both Rio Tinto and BHP Billiton, two of the largest players in the mining industry, both confirmed substantial dividend cuts with their full year's results. Despite the weakness in crude oil prices, both Royal Dutch Shell and BP have thus far chosen to maintain their dividend payments, however at prevailing crude oil prices these dividends remain very much at risk.



Over one third of the income from the Equities Portfolio comes from UK-listed companies that declare dividends in US dollars. Over the course of the financial year, the US dollar appreciated slightly relative to sterling to the modest benefit of the level of dividend income from the Equities Portfolio as a whole.

After deducting the fourth quarter dividend, the Company had revenue reserves of £4.3m at 31 March 2016. This is now equivalent to approximately 105% of the current annual dividend cost, which affords the Company the ability to sustain dividend payments, if a more difficult environment develops.

Dividends and Capital Repayments

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

For each of the Company's first three quarters, the dividends paid on the A shares and capital repayments on the B shares were 1.14p per share. A fourth quarter dividend of 1.18p per share was paid to A shareholders, and a capital repayment of the same amount paid to B shareholders, on 6 May 2016. This gives a total dividend/capital repayment of 4.60p per share in respect of the year to 31 March 2016, which represents an increase of 2.7 per cent. compared to the previous year.

Based on the share prices for both share classes at 31 March 2016 this represents a distribution yield for the A shareholders and B shareholders of 5.1 per cent. and 5.0 per cent respectively. These yields compare favourably with the yield on the FTSE All-Share Capped 5% Index of 3.7 per cent at that date. For shareholders that hold units, the distribution yield was 5.2 per cent. based on a unit price of 354.0 pence as at 31 March 2016.

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 shares and B shares.

The Company has a £18 million loan facility for a term to 28 September 2017 at a fixed rate of interest of 3.15 per cent. per annum.

Discount and buy backs

The price of the Company's A shares and B shares were at a discount to net asset value of 6.7 per cent. and 5.0 per cent. respectively, at 31 March 2016. Over the year, the price of the Company's A shares traded at an average discount to net asset value per share of 8.0 per cent. and the Company's B shares traded at an average discount of 6.5 per cent.

During the year, the Company bought back 850,000 A shares and 650,000 B shares, representing 0.9 per cent and 2.0 per cent of the A shares and B shares, respectively in issue at the previous year end. The shares were bought back in line with the Company's stated policy, which is to repurchase shares of either class, at the Directors' discretion, when there are net sellers and the market price stands at a discount to net asset value of 5 per cent or more. The price paid for these A shares and B shares represented discounts of approximately 7.6 per cent and 8.1 per cent respectively, to the prevailing net asset value at the time of purchase.

Outlook

Looking to the year ahead, headwinds from the slowdown in emerging market economies, the collapse of commodity prices and elevated geopolitical tensions are likely to dampen economic growth prospects. This suggests the modest, below-trend and divergent economic recovery of recent years may well continue. In the UK, uncertainty over the outcome of the forthcoming EU referendum is likely to weigh on investor sentiment in the near term. Notwithstanding the rise in US interest rates, with inflation in developed economies well below Central Banks' targets, global monetary conditions are likely to remain supportive for financial markets while at the same time corporate sector fundamentals remain reasonable.

Iain McLaren
Chairman

19 May 2016

Business Model and Strategy

The investment objective of Investors Capital Trust is to provide an attractive return to shareholders each year in the form of dividends and/or capital repayments, together with prospects for capital growth.

Board of Directors

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, gearing, corporate governance procedures and risk management. Biographical details of the Directors, all of whom are non-executive, can be found on page 22. The Board consists of four male Directors and one female Director. The Company has no executive Directors or employees.

The Manager

The Board has contractually delegated the management of the investment portfolio, and other services, to F&C Investment Business Limited (the 'Manager'). F&C Investment Business Limited, is 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 and provides investment management and other services to a range of investment companies.

F&C is wholly owned by Bank of Montreal ('BMO') and is part of BMO Global Asset Management.

A summary of the terms of the management agreement is contained in note 4 to the accounts. Following the implementation of the Alternative Investment Fund Managers Directive ('AIFMD') which became effective on 22 July 2014, F&C Investment Business Limited was appointed as Alternative Investment Fund Manager ('AIF Manager').

Rodger McNair is the Fund manager appointed by F&C Investment Business Limited and has over 25 years' investment experience. He was appointed lead manager of the predecessor company, the original Investors Capital Trust plc, in June 1999.

Our approach

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 2016, the portfolio was made up of 142 investments comprising 54 in the Equities Portfolio and 88 in the Higher Yield Portfolio. The Manager makes use of third party risk systems to monitor investment risk. 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'.

Investment of Assets

At each Board meeting, the Board receives a presentation from the fund manager which includes a review of investment performance, recent portfolio activity and a market outlook. It also considers compliance with the investment policy and other investment restrictions.

Marketing

F&C continues to promote investment in the Company's Shares, which are suitable for retail distribution in the UK as well as professionally advised private clients and institutional investors.

The Manager offers a range of private investor savings schemes which are a convenient and flexible way to invest in the Company, details of which can be found in the 'How to Invest' section of this report on page 71. In addition, meetings are held regularly with current and prospective shareholders and stockbroking analysts covering the investment trust sector. The Company continues to see an increase in the number of shares held through investment platforms. The Board hopes to see access to the Company's shares on as many platforms as possible as more and more investors make their own investment decisions following the Retail Distribution Review.

Investment Process

The Company's investment portfolio is split into an Equities Portfolio and a Higher Yield Portfolio and communication of up-to-date portfolio information is made through the Company's website.

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 Manager's specialist fixed interest team. The Higher Yield Portfolio is invested predominantly in corporate bonds. A disciplined in-house credit analysis process is adopted.

Responsible Ownership

The Manager is committed to socially responsible investment and, with the support of the Board, actively engages with investee companies in which the Company invests. Environmental policies and social, human rights, community and ethical issues are, therefore, where appropriate, taken into consideration with regard to investment decisions on behalf of the Company. The Company has no employees and the Board is composed entirely of non-executive Directors. As an investment trust, the Company has no significant direct social, human rights, community or environmental responsibilities. The Board notes the Manager's statement of compliance with the UK Stewardship Code, which can be found on its website at www.fandc.com/ukstewardshipcode.

Gearing

The Board has set a gearing limit as explained in the Investment policy statement. The Company's borrowings consist of a bank loan, of £18 million, on which the interest rate has been fixed, 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.

Buy-backs

Share buy-backs help reduce the volatility of the discount and enhance the net asset value per share for continuing shareholders.

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 net 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. 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. For further details see the 'Treasury Shares' section on pages 26 and 27.

Principal Risks

The Company's Principal Risks are set out in detail on pages 18 and 19.

Review of Performance and Outlook

The Company's performance in meeting its objectives is measured against key performance indicators ('KPIs') as set out on page 11. Reviews of the Company's returns during the financial year, the position of the Company at the year end, and the outlook for the coming year are contained in the Chairman's Statement on pages 6 and 7 and the Manager's Review on pages 12 and 13, both of which form part of this Strategic Report.

Investment Policy

In pursuit of its 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 of Association 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.

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

19 May 2016

Key Performance Indicators

The Board recognises that it is the distribution level of the A shares and B shares together with the longer term share price performance that is most important to the Company's investors. Underlying share price performance is driven by the performance of the net asset value. The overriding priority is to continue to strive for the consistent achievement of relative outperformance; adding value for shareholders through net asset value and share price total return; dividend yield and competitive ongoing charges. The Board assesses its performance in meeting the Company's objective against the following key performance indicators ("KPIs"):

1. Net asset value per share total return relative to the total return on the FTSE All-Share Capped 5% index
2. Share price total returns relative to the total return on the FTSE All-Share Capped 5% index
3. Distribution level of A shares and B shares
4. Discount of the price of the A shares, B shares and units relative to net asset value
5. Ongoing charges ratio

Information in relation to these KPIs is set out in the tables below. Commentary can be found in the Chairman's Statement on pages 6 and 7 and the Manager's Review on pages 12 and 13.

Net asset value per share total return performance – 31 March 2016

	1 Year %	3 Years %	5 Years %	Since launch‡
Investors Capital Trust net asset value per A and B share and per unit†	-2.8	12.3	41.8	60.4
FTSE All-Share Capped 5% Index†	-3.8	12.3	33.9	51.3

†Total return. Source: F&C and Datastream.
‡The Company was launched on 1 March 2007.

Share price total return performance – 31 March 2016

	1 Year %	3 Years %	5 Years %	Since launch‡
Investors Capital Trust share price per A share†	-6.4	10.7	40.5	49.4
Investors Capital Trust share price per B share†	-4.6	11.4	27.3	50.4
Investors Capital Trust share price per Unit†	-7.6	10.9	38.8	48.3
FTSE All-Share Capped 5% Index†	-3.8	12.3	33.9	51.3

†Total return. Source: F&C and Datastream.
‡The Company was launched on 1 March 2007.

Distribution Yield % – 31 March

	2016 %	2015 %
Investors Capital Trust – A shares	5.1	4.4
Investors Capital Trust – B shares	5.0	4.4
Yield-FTSE All-Share Capped 5% Index	3.7	3.3

Source: F&C and Datastream

(Discount)/Premium

31 March	A shares %	B shares %	Units %
2016	(6.7)	(5.0)	(8.1)
2015	(2.7)	(2.7)	(2.9)
2014	(7.6)	(0.5)	(8.8)
2013	(4.5)	(3.4)	(5.7)
2012	(4.6)	0.7	(6.2)

Source: F&C

Ongoing charges ratio – 31 March*

	%
2016	1.06
2015	1.05
2014	1.06
2013	1.15
2012	1.14

*Calculated with reference to the basis recommended by the AIC

Source: F&C

Manager's Review

Rodger McNair

Economic Review

The global economy recovery has gained little in the way of momentum over the past year. The pace of growth has remained moderate and uneven, with economic growth improving in some regions and weakening in others. Seven years on from the global financial crisis and a more established and enduring global economic recovery remains elusive. Throughout the year the slowdown and rebalancing of the Chinese economy, the collapse in commodity prices and the rise in geopolitical tensions have weighed on both developed and emerging economies.

The US economy was one of the faster growing of the developed economies in 2015 and has been an economic bright spot in recent years. In December, the Federal Reserve announced the first increase in interest rates for almost a decade, citing an improvement in the economic outlook and strengthening employment. This was a move of enormous economic significance as it was seen as confirmation that the world's largest economy had substantially recovered from the damage inflicted by the financial crisis and was now beginning the slow adjustment back to a more normal interest rate environment. Financial markets reacted positively to the announcement. The prospect of higher interest rates in the world's largest economy led to a marked appreciation of the US dollar against the Euro and Sterling. However, a lacklustre start to 2016, against a background of weaker growth elsewhere, most notably China, Russia and Brazil, has raised concerns over the durability of the US recovery and whether the Federal Reserve move was premature.

Since emerging from recession seven years ago, the pace of UK economic growth has been slow when compared with previous recoveries. However, in relation to other developed economies, the UK has fared relatively well. Indeed there was much speculation that the Bank of England would follow the Federal Reserve's cue with a rise in base rates early this year. With the economic mood having darkened in recent months and the European Union referendum fast approaching, the Monetary Policy Committee of the Bank of England is likely to proceed cautiously. Meanwhile in Europe, the European Central Bank expanded its stimulus programme over the course of the year in an attempt to boost inflation and support growth across the region.

The Chinese economy, now the world's second largest, is undergoing a transition from an export and investment driven economic growth model to one that is more focused on services and domestic consumption. While this move up the value chain should ultimately lead to a more stable and durable economy, the adjustment is proving challenging. Over the past year the Chinese economy grew at the slowest pace for over two decades, a key factor behind the collapse of commodity prices. The Chinese investment boom of the past decade saw a huge increase in industrial manufacturing and infrastructure investment and was the driving force behind the rise in commodity prices. The combination of softening demand at a time of rising supply triggered a collapse in prices across the industrial commodities complex. Crude oil has been particularly hard hit with the price of a barrel of Brent crude falling to a recent low of under $30 a barrel from over $100 in the summer of 2014. While the collapse in crude oil prices is helpful for consumers, especially in developed economies, it is immensely damaging for the oil and gas industry and the finances of the major oil exporting nations such as Saudi Arabia, Russia and Venezuela.

Portfolio Review

At 31 March 2016, 85.2 per cent of the Company's total assets were held in the Equities Portfolio, 9.7 per cent in the Higher Yield Portfolio and 5.1 per cent in cash and cash equivalents. Returns from these two portfolios, combined with the effect of gearing, resulted in a Net Asset Value total return of -2.8 per cent over the year to 31 March 2016. This compares with a total return of -3.8 per cent for the FTSE-All Share Capped 5% Index, the Company's benchmark.

The Equities Portfolio has a bias towards companies which have strong balance sheets, generate surplus 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 over the longer term. Since launch in March 2007, the Equities Portfolio has returned 67.1 per cent in total return terms, while the FTSE All-Share Capped 5% Index has returned 51.3% as measured on the same basis.

Stock selection was the key driver of equity outperformance over the past year with a range of diverse businesses all making notable positive contributions. These included Booker, the UK's leading food wholesaler, Sage, the business software provider, British American Tobacco and Imperial Brands, the international tobacco companies, Severn Trent, the water and sewerage business and Berendsen, the textile cleaning and supply business. All of these businesses demonstrated good operational progress against a background of deteriorating corporate earnings for the UK market more broadly.

The collapse in the price of crude oil and other hard commodities had the inevitable knock-on impact on the shares of the oil and gas and mining companies and those of many other businesses which supply products and services to these industries. The holdings in BHP Billiton, Rio Tinto and Royal Dutch Shell were among the worst performing holdings in the Equities Portfolio over the course of the year. While the Equities Portfolio had an underweight exposure to the resources sectors, the holdings in this area had high dividend yields and made an above average contribution to the Company's revenue account. Such was the severity of the decline in commodity prices that during the second half of the Company's financial year, both Rio Tinto and BHP Billiton abandoned their progressive dividend policies and announced substantial divided cuts. Given the prevailing level of crude oil prices, the dividends from the integrated oil companies, Royal Dutch Shell and BP, two of the largest dividend payers in the UK market, are clearly vulnerable.

The outlook for UK earnings and dividends is particularly challenging at the present time. UK corporate earnings have come under pressure over the last few years, in part due to the collapse of commodity prices but also more generally as a result of the anaemic global economic growth backdrop and acute competition. Consequently, many UK companies, particularly the larger more mature businesses, have seen profitability come under pressure, dividend cover erode and in some cases, dividend cuts have followed. While profit margins have come under pressure, it is encouraging that corporate balance sheets are in generally good health and debt service costs remain low. The majority of our investee companies have continued to demonstrate good growth in both earnings and dividends, however many of these businesses, which are perceived to have good long-term prospects and dependable dividends, now offer only modest dividend yields. Conversely where shares offer above average dividend yields, many of those businesses are facing structural headwinds. This creates a challenge for an investment portfolio which is looking to generate an attractive level of income while at the same time offering scope for capital growth.

The Equities Portfolio returned -2.4 per cent in total return terms over the year ahead of the -3.8 per cent return for the benchmark index.

The Company's Higher Yield Portfolio is comprised of a diversified portfolio of predominantly investment grade corporate bonds. The Higher Yield portfolio returned 1.1 per cent in total return terms over the year to 31 March 2016. Fixed interest markets were well supported during the year by ongoing policy support from central banks and abundant global liquidity. US, UK and European government bond yields generally fell during the period. In contrast, credit spreads widened over the year, with oil and other commodity related issues hit particularly hard. In recent years, this sector has been growing in importance within the US high yield market which consequently suffered disproportionately. In March, the European Central Bank announced it was to increase the size of its quantitative easing programme and widen the scope of asset purchases to include corporate bonds. This move led to credit spreads tightening and corporate bonds recovering much of the losses of earlier in the year. The short maturity profile of the Higher Yield Portfolio serves to dampen the impact of market volatility.

Outlook

The slowdown in China and other emerging markets, weak commodity prices and the elevated level of global geopolitical uncertainty are likely to dampen prospects for the global economy in the year ahead. Consequently, the pace of economic recovery is likely to remain patchy and subdued, as has been the pattern of recent years. The European Union referendum presents a risk to UK investors as a vote to leave the European Union would have profound implications for the economies of both the UK and Continental Europe. Against a background of low bond yields, equity valuations are not unreasonable, however, the more challenging outlook for corporate earnings and dividends suggests stock selection will be especially important in the year ahead, from both an income and capital perspective.

Rodger McNair
Fund Manager
F&C Investment Business Limited

19 May 2016

Classification of Investments

Total Portfolio Summary (at 31 March 2016)

	2016 Market Value £'000	% of Total Assets	% of Total Portfolio Income	% Yield
Equities Portfolio	114,595	85.2	87.0	4.0
Higher Yield Portfolio	13,010	9.7	12.3	3.5*
Net Current Assets	6,923	5.1	0.7	
Total Assets (less Current Liabilities)	134,528	100.0	100.0	
Bank Term Loan (debt at fair value)	(18,156)	(13.5)		
Net Assets Attributable to Shareholders	116,372	86.5		

Equities Portfolio

Sector	2016 % Equities Portfolio	2016 FTSE All–Share Capped 5% Index
Oil & Gas	6.5	8.9
Basic Materials	2.3	5.1
Industrials	13.1	10.9
Consumer Goods	19.2	18.0
Healthcare	9.3	8.6
Consumer Services	18.0	13.2
Telecommunications	6.9	5.3
Utilities	7.0	4.1
Financials	15.7	24.3
Technology	2.0	1.6
Total	100.0	100.0

Higher Yield Portfolio

Security Ratings	2016 Higher Yield Portfolio Weighting %
AAA	4.1
A	11.2
BBB	45.2
BB	24.0
B	9.5
Not rated	6.0
	100.0

* The yield quoted on the Higher Yield Portfolio is the average weighted yield of all holdings calculated to their respective call dates. If the holdings in the portfolio are not called on those dates, then the yield will differ from that stated. The average duration until maturity on the Higher Yield Portfolio was 3.0 years at 31 March 2016.

Equities Portfolio

At 31 March 2016 Company	Market Value 31 March 2016 £'000	% of Equities Portfolio
British American Tobacco British American Tobacco is involved in the manufacture, marketing and selling of cigarettes and other tobacco products.	7,215	6.3
GlaxoSmithKline GlaxoSmithKline is a global manufacturer and marketer of pharmaceutical products.	5,953	5.2
HSBC HSBC provides a comprehensive range of banking and related financial services on a global basis.	5,607	4.9
Royal Dutch Shell Royal Dutch Shell is one of the world's largest integrated oil and gas companies.	4,485	3.9
BT Group BT Group is a multinational telecommunications services company.	4,214	3.7
Vodafone Vodafone is the largest global provider of mobile telecommunications services.	3,662	3.2
Diageo Diageo is a global leader in beverage alcohol with iconic brands in spirits, beer and wine	3,414	3.0
Compass Group Compass Group is a world leading food service and support services organisation.	3,267	2.9
AstraZeneca AstraZeneca is involved in the research, manufacture and sale of pharmaceuticals.	3,222	2.8
Imperial Brands Imperial Brands, formerly Imperial Tobacco Group, is a British multinational tobacco company.	3,160	2.7
Ten largest equity investments	**44,199**	**38.6**

At 31 March 2016

Company	Sector	Market Value 31 March 2016 £'000	% of Equities Portfolio
National Grid	Gas, Water & Multi-Utilities	3,034	2.7
BP	Oil & Gas Producers	2,944	2.6
Unilever	Food Producers	2,856	2.5
Reckitt Benckiser Group	Household Goods	2,770	2.4
Rio Tinto	Mining	2,670	2.3
SABMiller	Beverages	2,559	2.2
BBA Aviation	Industrial Transport	2,425	2.1
Severn Trent	Gas, Water & Multi-Utilities	2,404	2.1
BAE Systems	Aerospace & Defence	2,362	2.1
Booker Group	Food & Drug Retailer	2,228	1.9
Twenty largest equity investments		**70,451**	**61.5**
Berendsen	Support Services	2,107	1.8
Prudential	Life Insurance	2,075	1.8
Howden Joinery Group	Support Services	1,955	1.7
Lloyds Banking Group	Banks	1,942	1.7
Halfords Group	General Retailers	1,812	1.6
Barclays	Banks	1,795	1.6
WPP	Media	1,764	1.6
Land Securities Group	Real Estate	1,687	1.5
UBM	Media	1,653	1.4
Intercontinental Hotels Group	Travel & Leisure	1,633	1.4
Thirty largest equity investments		**88,874**	**77.6**
Daily Mail & General Trust	Media	1,573	1.4
Smith & Nephew	Healthcare	1,503	1.3
Aviva	Life Insurance	1,468	1.3
Smiths Group	General Industrial	1,415	1.2
Sky	Media	1,366	1.2
Sage Group	Software & Computer Services	1,358	1.2
Bunzl	Support Services	1,311	1.1
Pennon Group	Gas, Water & Multi-Utilities	1,296	1.1
Dixons Carphone	General Retailers	1,293	1.1
Centrica	Gas, Water & Multi-Utilities	1,276	1.1
Forty largest equity investments		**102,733**	**89.6**
Ultra Electronics Holdings	Aerospace & Defence	1,259	1.1
Bodycote	Industrial Engineering	1,213	1.1
IG Group Holdings	Financial Services	1,130	1.0
Next	General Retailers	1,102	1.0
Dunelm Group	General Retailers	1,075	0.9
Relx	Media	1,046	0.9
LondonMetric Property	Real Estate Investment Trusts	1,036	0.9
Mirco Focus International	Software & Computer Services	980	0.9
Stagecoach Group	Travel & Leisure	821	0.7
CRH	Construction & Materials	660	0.6
Fifty largest equity investments		**113,055**	**98.7**
Other equity investments (4)		**1,540**	**1.3**
Total equity investments		**114,595**	**100.0**

Higher Yield Portfolio

At 31 March 2016

Company	Sector	Market Value 31 March 2016 £'000	% of Higher Yield Portfolio
Paragon Group 7% 20/04/17	Mortgage Banks & Thrifts	684	5.3
British Telecom 2.25% 14/02/19	Telecommunications	460	3.5
Permanent Master ABS 15/07/42	Mortgage Backed	373	2.9
Bupa Finance 7.5% 04/07/16	Life Insurance	313	2.4
AA Bond Co 4.7201% 02/07/43	ABS Automobile	307	2.3
Mitchells & Butler 1.05438% 15/12/28	Tobacco	296	2.3
Unitymedia 5.125% 21/01/23	Media – Cable	295	2.3
MacQuarie Bank 3.5% 18/12/20	Banking	277	2.1
Smurfit Kappa Acquisition 5.125% 15/09/18	Forestry/Paper	258	2.0
Empark Funding 6.75% 15/12/19	Support Services	251	1.9
Ten largest higher yield investments		3,514	27.0
Cegedim 6.75% 01/04/20	Health Services	249	1.9
Marstons FRN 15/07/20	Restuarants & Bars	239	1.9
Investec Bank 9.625% 17/02/22	Banking	233	1.8
Bharti Airtel International 4% 10/12/18	Telecom – Wireless	226	1.7
Kelda Finance 3 5.75% 17/02/20	Non-Electric Utilities	224	1.7
Verizon Communications 4.5% 15/09/20	Telecom – Integrated Services	214	1.7
Provident Financial 8% 23/10/19	Financial Services	201	1.6
Channel Link FRN 20/06/50	Railroads	199	1.5
Belden 5.5% 15/04/23	Diversified Capital Goods	198	1.5
Goldman Sachs 6.125% 14/02/17	Banking	198	1.5
Twenty largest higher yield investments		5,695	43.8
William Hill 4.25% 05/06/20	Gaming	191	1.5
FCE Bank 2.759% 13/11/19	Auto Loans	187	1.4
Co-operative Group 5.625% 08/07/20	Speciality Retail	177	1.4
Brakes Capital 7.125% 15/12/18	Food-Wholesale	174	1.3
Imperial Tobacco 6.25% 04/12/18	Tobacco	167	1.3
Societe Generale 5.0% 17/01/24	Banking	166	1.3
Arkle Master Issuer 4.681% 17/01/17	Mortgage Backed	164	1.2
ING Bank 6.875% 29/05/23	Banking	162	1.2
HSBC 6.375% 18/10/22	Banking	157	1.2
Stonegate Pub Company Financing 5.75% 15/04/19	Restuarants & Bars	152	1.2
Thirty largest higher yield investments		7,392	56.8
Heathrow Funding Ltd 7.125% 01/03/17	Transportation	149	1.2
Intu Metrocentre Finance 4.125% 6/12/23	Commercial Mortgage Backed	148	1.2
House of Fraser Funding FRN 15/09/20	Department Stores	147	1.1
New Look Group 6.50% 01/07/22	Specialty Retail	146	1.1
America Movil 5.125% 06/09/73	Telecom – Wireless	146	1.1
Sable International Finance 8.75% 01/02/20	Telecom – Integrated/Services	145	1.1
Glencore Funding 4.125% 30/05/23	Metals/Mining Excluding Steel	145	1.1
Carlsberg 7.25% 28/11/16	Beverage	140	1.1
MCE Finance 5% 15/02/21	Gaming	134	1.0
Verison Communications 4.75% 17/02/34	Telecom – Integrated/Services	129	1.0
Forty largest higher yield investments		8,821	67.8
Other higher yield investments (48)		4,189	32.2
Total higher yield investments		13,010	100.0

Principal Risks and Viability Statement

Most of the Company's principal risks that could threaten its objective, strategy, future performance, liquidity and solvency are market related and comparable to those of other investment trusts investing primarily in listed securities.

A summary of the Company's internal control and risk management arrangements is included within the Report of the Audit Committee on page 32. By means of the procedures set out in that summary, and in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, issued by the Financial Reporting Council, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. It has also regularly reviewed the effectiveness of the Company's risk management and internal control systems for the period.

The principal risks and uncertainties faced by the Company, and the Board's mitigation approach are described below.

Note 21 to the accounts provide detailed explanations of the risks associated with the Company's financial instruments and their management.

Principal Risks	Mitigation
Financial Risk The Company's assets consist mainly of listed equity and fixed interest securities and its principal risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. **No change in overall risk**	An explanation of these risks and the way in which they are managed are contained in note 21 to the accounts. The Board regularly considers the composition and diversification of the Equity and Higher Yield portfolios together with purchases and sales of investments. Investments and markets are discussed with the Manager and a Strategy meeting is held annually.
Investment and strategic risk Incorrect strategy, asset allocation, stock selection, inappropriate capital structure, insufficient monitoring of costs, failure to maintain an appropriate level of discount/premium and the use of gearing could all lead to poor returns for shareholders. **No change in overall risk**	The Equity and Higher Yield portfolios are diversified and comprise listed securities and their composition are reviewed regularly with the Board. The investment policy and performance against peers and benchmark are considered by the Board at each meeting. A separate meeting is also held each year to consider strategic issues. Market intelligence is maintained via the Company's Broker and the Manager meets with major shareholders. The Board regularly considers ongoing charges and underlying dividends from portfolio companies, and consequent dividend paying capacity of the Company.

Principal Risks	Mitigation
Regulatory Breach of regulatory rules could lead to the 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. Changes to tax regulations could alter the market competitiveness of the Company's B shares. **No change in overall risk**	F&C's Business Risk department provide regular reports to the Board and Audit Committee on their monitoring and oversight. The Board has access to F&C's Head of Business Risk and requires any significant issues directly relevant to the Company to be reported immediately.
Operational Failure of Manager's systems or disruption to its business, or that of an outsourced or third party service provider, could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets leading to a potential breach of the Company's investment mandate or loss of shareholders' confidence. External cyber attacks could cause such failure or could lead to the loss or sabotage of data. **No change in overall risk**	The Board meets regularly with the management of F&C and receives regular internal control and risk reports from the Manager which includes oversight of third party service providers. The Manager's appointment is reviewed annually. The contract can be terminated with six months' notice. The Manager now benefits from the long-term financial strength and policies of its new owner, the BMO Group, and through its stated commitment to the future of F&C's investment trust management business. The Manager continues to strengthen its Risk, Compliance and Internal Control functions as part of the integration of its operations following the acquisition of F&C by Bank of Montreal and continues to invest in IT security.
Custody risk Safe custody of the Company's assets may be compromised through control failures by the custodian. **No change in overall risk**	The Board receives quarterly reports from the Depositary confirming safe custody of the Company's assets and cash and holdings are reconciled to the Custodian's records. The Custodian's internal controls reports are also reviewed by the Manager and key points reported to the Audit Committee. The Depositary is specifically liable for loss of any of the Company's securities and cash held in custody.

Viability assessment and statement

In accordance with the 2014 UK Corporate Governance Code, the Board is required to assess the future prospects for the Company, and has considered that a number of characteristics of its business model and strategy were relevant to this assessment:

- The Board looks to long-term outperformance rather than short-term opportunities.
- The Company's investment objective, strategy and policy, which are subject to regular Board monitoring, mean that the Company is invested mainly in liquid listed securities and that the level of borrowing is restricted.
- The Company is a closed-end investment trust, which is not subject to redemptions by shareholders.
- Subject to shareholder continuation votes, 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, the Company's business model and strategy is not time limited.

Also relevant were a number of aspects of the Company's operational arrangements:

- The Company retains title to all assets held by the Custodian under the terms of a formal agreement with the Custodian and Depositary.
- The borrowing facility, which remains available until September 2017, is also subject to a formal agreement, including financial covenants with which the Company complied in full during the year.
- Revenue and expenditure forecasts are reviewed by the Directors at each Board Meeting.
- Cash is held with banks approved and regularly reviewed by the Manager.

In considering the viability of the Company, the Directors carried out a robust assessment of the principal risks and uncertainties which could threaten the Company's objective and strategy, future performance, liquidity and solvency. These risks, their mitigations and the processes for monitoring them are set out on pages 18 and 19 on Principal Risks, page 32 in the Report of the Audit Committee and in Note 21 on the accounts.

The Directors have also considered:

- the level of ongoing charges incurred by the Company which are modest and predictable and total 1.06% of average net assets,
- future revenue and expenditure projections,
- the Company's borrowing and liquidity in the context of the fixed rate loan which is due to mature in September 2017,
- its ability to meet liquidity requirements given the Company's investment portfolios consist mainly of listed equity and fixed interest securities which can be realised to meet liquidity requirements if required,
- the ability to undertake share buybacks if required,
- the effect of significant future falls in investment values and the ability to maintain dividends and capital repayments.

These matters were assessed over an initial three year period to May 2019, and the Board will continue to assess viability over three year rolling periods, taking account of severe but plausible scenarios. A rolling three year period represents the horizon over which the Directors believe they can form a reasonable expectation of the Company's prospects, balancing the Company's financial flexibility and scope with the current uncertain outlook for longer-term economic conditions affecting the Company and its shareholders.

The Directors specifically considered the requirement to obtain shareholder approval in 2017 for the Company to continue in existence should the net asset value total return performance of the Company not exceed that of the FTSE All-Share Capped 5% Index over the relevant five year period. As the Directors believe that the Company's objective and policy continue to be relevant to investors, and given the Company's performance to date, the Board does not expect this to impact this viability review.

Based on their assessment, and in the context of the Company's business model, strategy and operational arrangements set out above, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to May 2019.

'The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, gearing, corporate governance procedures and risk management.'

Board of Directors

Iain McLaren

Chairman

was appointed in 2009. He is currently a non-executive director and chairman of the audit committee of Cairn Energy plc and a non-executive 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 non-executive director of Aberforth Smaller Companies Trust plc, Impax Environmental Markets plc and JPMorgan US Smaller Companies Investment Trust plc.

John Evans

was appointed in 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. He is Chairman of Drum Income Plus REIT plc and a non-executive director of Securities Trust of Scotland plc.

Kenneth Shand

Senior Independent Director

was appointed in 2007, having been a non-executive 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 been involved with the investment management industry for over 40 years. He retired from Baring Asset Management in 2002, where he was chief investment officer and head of global investment strategy. He is a non-executive director of Pacific Assets Trust plc and was previously a non-executive director of JPMorgan American Investment Trust plc, Prosperity Russian Domestic Fund, Royal London Growth and Income Trust plc and of Close Brothers Group plc.

Report of the Directors

The Directors submit the Annual Report and Accounts of the Company for the year to 31 March 2016.

Statement Regarding Annual Report and Accounts

The Directors consider that, following advice from the Audit Committee, the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. In reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Accounts would have a reasonable level of knowledge of the investment industry in general and investment trusts in particular. The outlook for the Company can be found on pages 7 and 13. Principal risks can be found on pages 18 and 19 with further information in note 21 to the accounts.

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 1.14p per A share, were paid on 7 August 2015, 6 November 2015 and 5 February 2016 respectively. A fourth quarter dividend of 1.18p per A share was paid on 6 May 2016 to A shareholders on the register at close of business on 8 April 2016. This total of 4.60p per A share represents an increase of 2.7% over the 4.48p per A share paid in respect of the previous financial year.

Principal Activity and Status

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

The Company carries on business as an investment trust and has been approved as such by HM Revenue & Customs ('HMRC'), subject to it continuing to meet the relevant eligibility conditions and ongoing requirements. As a result, it is not liable to corporation tax on capital gains. 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').

Subsidiary Company

The Company has a 100 per cent interest in Investors Securities Company Limited (number: SC140578), a company which deals in investments. In the year to 31 March 2016, Investors Securities Company Limited made a profit before taxation of £nil (2015: £nil).

Investors Securities Company Limited did not trade during the year to 31 March 2016.

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.

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.

Directors

Biographical details of the Directors, all of whom are non-executive, can be found on page 22.

Mr K D Shand has served on the Board and the Board of the predecessor company together for more than nine years and therefore, in line with the recommendations of the UK Corporate Governance Code and the AIC Code of Corporate Governance, will seek re-election annually. The Board believes that longer serving Directors should not be prevented from forming part of an independent majority, which is consistent with the view expressed within the AIC Code. The Board does not consider that a Director's tenure necessarily reduces his or her 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 term of any Director beyond six years is subject to review by the Board.

As explained in more detail under the Statement of Corporate Governance on page 28, the Board has agreed that all Directors will retire annually. Accordingly, Mr I A McLaren, Mrs J Le Blan, Mr J M Evans and Mr J P Williams will also retire at the Annual General Meeting and, being eligible, offer themselves for re-election.

The Directors believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company to enable it to provide effective strategic leadership and proper governance of the Company. The Board confirms that, following formal performance evaluations, the performance of each of the Directors continues to be effective and demonstrates commitment to the role. The Board therefore believes that it is in the interests of shareholders that those Directors seeking re-election are re-elected.

There are no service contracts in existence between the Company and any Directors but each of the Directors has been issued with, and accepted, the terms of a letter of appointment that sets out the main terms of his or her appointment. Amongst other things, the letter includes confirmation that the Directors have a sufficient understanding of the Company and the sector in which it operates, and sufficient time available to discharge their duties effectively taking into account their other commitments. These letters are available for inspection upon request at the Company's registered office during normal business hours.

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

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 2006 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.

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. F&C Investment Business Limited is the Company's AIFM, for which it does not receive any additional remuneration.

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.

Depositary

JPMorgan Europe Limited was appointed as the Company's depositary on 22 July 2014 in accordance with the AIFM Directive. The Depositary's responsibilities include cash monitoring, segregation and safe keeping of the Company's financial instruments and monitoring the Company's compliance with investments limits and leverage requirements.

Substantial Interests in Share Capital

At 31 March 2016 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*
1607 Capital Partners, LLC	8,960,000	10.0
D. C. Thomson & Company Limited	7,944,869	8.9
Jupiter Asset Management Limited	6,470,000	7.2
Thomson Leng Provident Fund	3,800,000	4.2

	B Shares	
	Number held	Percentage held*
D. C. Thomson & Company Limited	2,241,623	7.1

* Based on 89,428,144 A Shares and 31,426,703 B Shares in issue as at 31 March 2016.

The Company has not received notification of any changes in these voting rights and no new holdings have been notified since 31 March 2016 up to the date of this report.

F&C Savings Plans

Approximately 32% of the Company's share capital is held through the F&C savings plans. The Manager does not have discretion to exercise any voting rights in respect of the shares held through the F&C Savings Plans. Instead the nominee company holding these shares votes in line with any voting directions received from the underlying planholders. Where no instruction is received from any underlying planholder, the voting rights attached to their shares will not be exercised.

Conflicts of Interest

Under the Companies Act 2006 a Director must avoid a situation where he or she has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Company's Articles of Association give the Directors authority to approve such situations.

The Company maintains a register of Directors' conflicts of interest which have been disclosed and approved by the other Directors. This register is kept up-to-date and the Directors are required to disclose to the Company Secretary any changes to conflicts or any potential new conflicts.

Other Companies Act 2006 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 2016, 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 on page 24.

- 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. As mentioned earlier in this Report, the Board has agreed that all Directors will retire annually.

- 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.

Going Concern

In assessing the going concern basis of accounting, the Directors have had regard to the guidance issued by the Financial Reporting Council and have undertaken a rigorous review of the Company's ability to continue as a going concern.

The Company's objective and policy, which is described on pages 8 and 10 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 a period of at least twelve months from the date of approval of the financial statements. 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.

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.

Greenhouse Gas Emissions

All of the Company's activities are outsourced to third parties. As such it does not have any physical assets, property, employees or operations of its own and does not generate any greenhouse gas or other emissions.

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.

Annual General Meeting

The Annual General Meeting will be held at 80 George Street, Edinburgh, EH2 3BU on Monday 27 June 2016 at 12.30pm. The Notice of Annual General Meeting is set out on pages 64 to 66.

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 9 will, if passed, authorise the Directors to allot new A shares up to an aggregate nominal amount of £4,471 consisting of 4,471,407 A shares and new B shares up to an aggregate nominal amount of £1,571 consisting of 1,571,335 B shares, being 5 per cent of the total issued A shares and B shares (excluding treasury shares) as at 19 May 2016. This authority therefore authorises the Directors to allot up to 6,042,742 shares in aggregate representing 5 per cent of the total share capital in issue (excluding treasury shares). Resolution 10 will, if passed, authorise the Directors to allot new A shares up to an aggregate nominal amount of £4,471 and new B shares up to an aggregate nominal amount of £1,571, being 4.4 per cent and 4.9 per cent of the total issued A shares and B shares respectively (including treasury shares) as at 19 May 2016, 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 6,042,742 shares in aggregate for cash on a non pre-emptive basis representing 4.5 per cent of the total share capital in issue (including treasury shares). These authorities will continue until the earlier of 30 September 2017 and the conclusion of the Company's next Annual General Meeting. The Directors have no current intention to exercise these authorities 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 9 and 10 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 2016 the Company purchased for treasury 850,000 A shares of 0.1p each, representing 0.9 per cent of the A shares in issue at the previous year end, for a total consideration of £758,000 and 650,000 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 £575,000 in accordance with the Company's discount management policy.

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 11, 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 be purchased with cash and will either be held in treasury or cancelled. This authority will expire on the earlier of 30 September 2017 and the conclusion of the next Annual General Meeting of the Company.

There were 120,854,847 A shares and B shares in issue (excluding treasury shares) as at 19 May 2016; of which 74 per cent represents A shares and 26 per cent represents B shares. At that date, the Company held 12.4 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 13,289,000 shares in treasury representing 11.0 per cent of the total 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 12 below). The Directors retain discretion over the resell price. Subject to unforeseen circumstances, it is their intention only to resell treasury shares at a price at, or above net asset value. This is consistent with the practice followed in recent years.

Resolution 12, 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 12 is conditional on the passing of Resolution 13.

Resolution 13, 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 8.8 per cent and 9.8 per cent of the Company's issued A share capital and B share capital respectively (including treasury shares) as at the date of passing of the resolution. Resolution 13 is not conditional on the passing of Resolution 12.

Notice Period for General Meetings

Resolution 14 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 14 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 2017 and the Company's next annual general meeting when it is intended that a similar resolution will be proposed. The Board intends that 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.

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

19 May 2016

Corporate Governance Statement

Arrangements in respect of corporate governance, appropriate to an investment trust, have been made by the Board. Except as disclosed in the paragraph below, the Company complied throughout the year with the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council, which can be found at www.frc.org.uk. The Board has also considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide'), both of which can be found at www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code as well as setting out additional principles and recommendations on issues which are of specific relevance to investment companies.

Since all the Directors are non-executive, and in accordance with the AIC Code and the preamble to the UK Corporate Governance Code, the provisions of the UK Corporate Governance Code in respect of the role of the chief executive and, except in so far as apply to non-executive Directors, on Directors' remuneration are not relevant to the Company and are not reported on further.

In view of its non-executive nature and the requirements of the Articles of Association, that all Directors are subject to retirement by rotation, the Board does not consider it appropriate for the Directors to be appointed for a specified term as recommended by provision B.2.3 of the Code. The Articles of Association require the Directors to retire by rotation at least every three years. However, in accordance with the recommendations of the Code and the AIC Code, the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election.

The Board

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

The table below sets out the number of scheduled Board and Committee meetings held during the year ended 31 March 2016 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 within the Business Model and Strategy as contained on pages 8 to 10. 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.

Board effectiveness

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

	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	n/a	n/a
J Le Blan	5	5	2	2	1	1	n/a	n/a
J M Evans	5	5	2	2	1	1	n/a	n/a
K D Shand	5	5	2	2	1	1	n/a	n/a
J P Williams	5	5	2	2	1	1	n/a	n/a

With the exception of K D Shand all Directors attended the Annual General Meeting in June 2015.

process involved completing questionnaires designed to suit the nature of the Company, discussions with individual Directors, individual feedback from the Chairman to each of the Directors and discussion of the points arising amongst the Directors.

Following this process it was concluded that the performance of each Director, the Chairman, the Board and its Committees continues to be effective and each Director and the Chairman remain committed to the Company.

Voting policy on porfolio investments

The Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights. All shareholdings are voted where practicable in accordance with the Manager's own corporate governance policy, which is to seek to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a principled approach to corporate governance. 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.

Committees

Throughout the year a number of committees have been in operation. The committees are the Audit Committee, the Remuneration Committee and the Nomination Committee. The committees operate within clearly defined terms of reference which are available for inspection on request at the Company's registered office. Each of the committees comprises all of the Directors. The Board considers that, given its size, it would be unnecessarily burdensome to establish separate committees which did not include the entire Board and believes that this enables all Directors to be kept fully informed of any issues that arise.

Audit Committee

Details of the Audit Committee are contained in the Report of the Audit Committee on pages 30 to 32.

Remuneration Committee

The Remuneration Committee comprises the full Board and is chaired by Mr Shand. The Remuneration Committee reviews the remuneration of Directors and the appropriateness of the Manager's continuing appointment together with the terms and conditions thereof on a regular basis.

Nomination Committee

The Nomination Committee comprises the full Board and is chaired by Mr McLaren. 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, diversity, including gender, independence and knowledge of the Company within the Board. The Directors have not set any measurable objectives in relation to the diversity of the Board.

Relations with Shareholders

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

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

19 May 2016

Report of the Audit Committee

The Audit Committee comprises the full Board and is chaired by Mrs Le Blan.

Role of the Committee

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 Annual and Interim Accounts, the system of internal controls, and the terms of appointment and remuneration of the Auditor, Ernst & Young LLP ('EY'), including its independence and objectivity. It also provides a forum through which the Auditor reports to the Board of Directors and meets twice yearly including at least one meeting with EY.

The Audit Committee met on two occasions during the year and the attendance of each of the members is set out on page 28. In the due course of its duties, the committee had direct access to EY and senior members of F&C's fund management and investment trust teams. Amongst other things, the Audit Committee considered and reviewed the following matters and reported thereon to the Board:

- The annual results announcement, and annual and half-yearly reports and accounts;
- The accounting policies of the Group and the allocation of management expenses and interest costs between capital and revenue;
- The principal risks faced by the Company;
- The effectiveness of the audit process and related non-audit services and the independence and objectivity of EY, their re-appointment, remuneration and terms of engagement;
- The policy on the engagement of EY to supply non-audit services;
- The implications of proposed new accounting standards and regulatory changes;
- The effectiveness of the Company's internal control and risk management environment;
- The need for the Company to have its own internal audit function;
- The receipt of AAF and SSAE16 reports or their equivalent, from F&C and the Custodian and a controls report from the Company's registrar; and
- Whether the Annual Report is fair, balanced and understandable.

As part of its review of the scope and results of the audit, during the year the Audit Committee considered and approved EY's plan for the audit of the financial statements for the year ended 31 March 2016. At the conclusion of the audit EY did not report any audit differences in excess of their reporting threshold of £58,000, nor any differences below that level which would warrant disclosure on qualitative grounds; in addition EY did not highlight any other issues to the Audit Committee which would cause it to qualify its audit report nor did it highlight any fundamental internal control weaknesses. EY issued an unqualified audit report which is included on pages 38 to 43.

In relation to the provision of non-audit services by the Auditor it has been agreed that all non-audit work to be carried out by the Auditor must be approved in advance by the Audit Committee and any special projects must also be approved in advance. In addition to statutory audit fees of £21,500 (2015: £20,500), EY received fees, excluding VAT, for non-audit services of £7,700 for the year (2015: £7,500) which related to the provision of tax services. The Audit Committee does not consider that the provision of such non-audit services is a threat to the objectivity and independence of the conduct of the audit.

As part of the review of auditor independence and effectiveness, EY has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating EY, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. Under new EU mandatory audit rotation rules, the Company will be required to put the external audit out to tender at least every ten years and it is anticipated that the auditor will change at least every twenty years. Under transitional provisions, as EY has been auditors to the Company since its launch in 2007, the Company will be required to put the audit out to tender by 2017, in order that a recommendation can be put to shareholders in relation to the appointment of an auditor for the year ended 31 March 2018. The Audit Committee, from direct observation and enquiry of the Manager, remains satisfied that EY continues to provide effective independent challenge in carrying out its responsibilities. Following professional guidelines, the audit partner rotates at least every five years, with the audit partner next due to rotate following the audit of the Accounts for the year ended 31 March 2017. On the basis of this assessment, the Audit Committee has recommended the continuing appointment of EY to the Board. EY's performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

Significant Matters Considered by the Audit Committee in Relation to the Financial Statements

Matter	Action
Valuation and Existence of Investment Portfolio Possibility of incorrect valuation and existence of the investment portfolio, including failure to assess stock liquidity appropriately.	The Group's accounting policy is stated in note 1 to the accounts. The Audit Committee reviewed the valuation prepared by the Manager, satisfying itself as to the basis on which investments were valued. The Audit Committee also reviewed the liquidity of the stocks held, particularly with regard to the Higher Yield Portfolio.
Misappropriation of Assets Misappropriation of the Company's investments or cash balances could have a material impact on its net asset value per share.	The Audit Committee reviewed the Manager's annual internal control report, as referred to on page 32, which is reported on by independent external accountants and which details the controls around the reconciliation of the Manager's records to those of the custodian. The Audit Committee also reviewed the custodian's semi-annual internal control report, which is reported on by independent external accountants, and which provides details regarding its control environment. The Depositary has issued reports confirming, amongst other matters, the safe custody of the Company's assets for the periods since implementation of AIFMD to 31 March 2016.
Going Concern The Group's accounts have been prepared on a going concern basis. Under guidance issued by the Financial Reporting Council, the Directors are required to conduct a rigorous assessment of this basis of preparation.	The Audit Committee reviewed the basis for concluding that the Group remains a going concern, including consideration of the liquidity of investments, the quantum of cash holdings, revenue and expense forecasts, the due date for repayment of the Group's borrowing facilities and continued compliance with applicable banking covenants, and satisfied itself that the going concern basis of preparation remained appropriate.
Income Recognition Incomplete or inaccurate income recognition, including allocation between revenue and capital, could have an adverse effect on the Group's net asset value and earnings per share and its level of dividend cover.	The Audit Committee reviewed the Manager's annual internal control report, as referred to on page 32, which details the systems, processes and controls around the recording of investment income. It also compared the final level of income received for the year to the budget which was set at the start of the year and discussed the accounting treatment of all special dividends received with the Manager.

Matter	Action
Calculation of Management Fee Inaccurate calculation of the management fee payable to the investment manager, including the allocation of such fee between revenue and capital in line with the Group's accounting policy, could result in a misstatement of the Group and Company's net asset value per share and/or Consolidated Statement of Comprehensive Income and could lead to loss for the Group.	The Audit Committee reviewed the calculation of the management fee, set out in line with the methodology prescribed in the investment management agreement, noting this had also been reviewed by the Remuneration Committee.
Investment Trust Tax Status As an investment trust company, the Company is exempt from taxation arising on capital gains. Breach of Section 1158 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on capital gains.	The Audit Committee reviewed the Company's ongoing compliance with the investment trust conditions set out in section 1158 of the Corporation Tax Act 2010. In particular, the Audit Committee ensured that the retained revenue after tax for the year was less than 15 per cent of the Company's total income.

Internal Controls and risk management

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness and ensuring that risk management and control processes are embedded in the daily operations, which are managed by F&C. 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 related guidance issued by the Financial Reporting Council. Control of the risks identified, including financial, operational, compliance and overall risk management is exercised by the Audit Committee and the Board through regular reports provided by F&C.

F&C's Business Risk department also provide regular control report updates to the Board covering risk and compliance and any significant issues identified by internal audit that might be relevant to the Company.

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 also monitors the investment performance of the Company in comparison to its objective and its peer group at each Board meeting and 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 Company's principal risks are set out on pages 18 and 19 with additional information provided in note 21 to the accounts.

A formal annual review of these procedures is carried out by the Audit Committee. The Audit Committee has also reviewed the Manager's "Report on Internal Controls in accordance with AAF (01/06)" for the year ended 31 October 2015 that has been prepared for their investment trust clients. The Audit Committee also received confirmation from F&C that subsequent to this date, there had been no material changes to the control environment. Containing a report and an unqualified opinion from independent external accountants, the report sets out F&C's control policies and procedures with respect to the management of its clients' investments and maintenance of their financial records. The effectiveness of these controls is monitored by F&C's Group Audit and Compliance Committee, which receives regular reports from its Internal Audit department. Procedures are also in place to capture and evaluate any failings and weaknesses within F&C's control environment and those extending to any outsourced service provider to ensure that action would be taken to remedy any significant issues identified and which would be reported to the Board. Any errors or breaches relating to the Company are reported at each Board Meeting by the Manager. No significant failings or weaknesses in respect of the Company were identified in the year under review nor to the date of this report.

The Audit Committee also reviewed appropriate reports on the internal controls of other significant service providers, such as the Custodian, the Depositary and Registrar and was satisfied that there were no material exceptions.

The 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.

Based on review, observation and enquiry, the Audit Committee has concluded that the systems and procedures employed by the Manager, including its internal audit, provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained and the Board has concurred. An internal audit function, specific to the Company, is therefore considered unnecessary but this decision will be kept under review.

Julia Le Blan
Chairman of the Audit Committee

19 May 2016

Directors' Remuneration Report

Full details of the Company's policy with regards to Directors' fees, and fees paid during the year ended 31 March 2016, are shown below. This shows all major decisions on Directors' remuneration, and any substantial changes made during the year relating to Directors' remuneration, including the context in which any changes occurred.

Under company law, the Auditor is required to audit certain disclosures provided. Where disclosures have been audited they are indicated as such. The Auditor's opinion is included in its report on pages 38 to 43.

The Board consists solely of independent non-executive Directors. The Company has no executive Directors or employees. The Remuneration Committee is responsible for determining the level of Directors' fees.

Remuneration Committee

The Remuneration Committee consists of all five non-executive Directors and it is chaired by Mr Shand. The Remuneration Committee meets at least annually to review the remuneration of Directors and the remuneration and terms of appointment of the Manager. The Board has appointed the Company Secretary, F&C Investment Business Limited, to provide information on comparative levels of Directors' fees in advance of the Remuneration Committee considering the level of Directors' fees.

Directors' Remuneration Policy

The Company'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 investment trusts that are similar in size and have similar investment objectives. There were no changes to the policy during the year.

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 aggregate and may not be changed without seeking shareholder approval at a general meeting. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

The non-executive Directors are engaged under letters of appointment and do not have service contracts. Each Director has a letter of appointment setting out the terms and conditions of his or her appointment and such letters are available for inspection at the Company's registered office during business hours. The terms of appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after his or her appointment. Directors are thereafter obliged to retire by rotation and, if they wish, to offer themselves for re-election, at least every three years after that. However, in accordance with the recommendations of the Code and the AIC Code the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election. There is no notice period and no provision for compensation upon termination of appointment.

Future Policy Table

Following a review of the level of Directors' fees for the forthcoming year, the Remuneration Committee concluded that the amount paid to Directors should increase by £750 for the Chairman and £500 for other Directors.

Based on this, Directors' remuneration for the forthcoming financial year would be as follows:

	31 March 2017 £	31 March 2016* £
I A McLaren (Chairman)	31,500	30,750
J Le Blan	23,500	23,000
J M Evans	21,000	20,500
K D Shand	21,000	20,500
J P Williams	21,000	20,500
Total	118,000	115,250

*Actual Directors' remuneration for the year ended 31 March 2016

The Company has not received any direct communications from its Shareholders in respect of the levels of Directors' remuneration.

Voting at Annual General Meeting

At the Company's Annual General Meeting, held on 27 June 2014, shareholders approved the Directors' Remuneration Policy. 98.3 per cent of votes were in favour of the resolution and 1.7 per cent of votes were against. It is the Board's intention that the Directors' Remuneration Policy will be put to a shareholder vote again at the Annual General Meeting in 2017.

Annual Report on Directors' Remuneration

Directors' Emoluments for the Year (audited)

The Directors who served during the financial year received the following emoluments in the form of fees. No other forms of remuneration were paid during the year.

Director	31 March 2016 £	31 March 2015 £
I A McLaren (Chairman)	30,750	30,000
J Le Blan	23,000	22,500
J M Evans	20,500	20,000
K D Shand	20,500	20,000
J P Williams	20,500	20,000
Total	115,250	112,500

Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in relation to Directors' remuneration, other expenses and shareholder distributions:

	31 March 2016 £	31 March 2015 £	Change %
Aggregate Directors' Remuneration	115,250	112,500	+2.4
Management fee and other expenses	1,298,000	1,334,000	-2.7
Distributions paid to Shareholders	5,592,000	5,470,000	+2.2

Directors' Shareholdings (audited)

The Directors who held office at the year end and their interests in the shares of the Company at 31 March 2016 (all of which were beneficially held) were as follows:

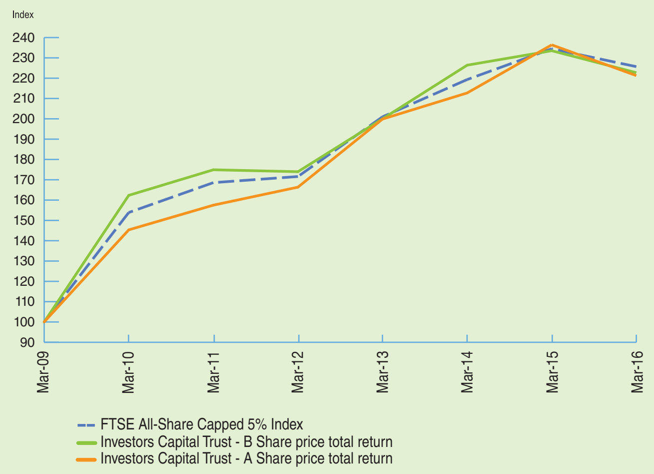
Director	31 March 2016		1 April 2015	
	A Shares	B Shares	A Shares	B Shares
I A McLaren (Chairman)	10,000	30,000	10,000	30,000
J Le Blan	6,000	–	6,000	–
J M Evans	15,000	5,000	15,000	5,000
K D Shand	–	–	–	–
J P Williams	–	41,000	–	41,000

There have been no changes in the Directors' interests in the shares of the Company between 31 March 2016 and 19 May 2016.

Company Performance

The graph below compares, for the seven financial years ended 31 March 2016, the total return (assuming all dividends are reinvested) to A shareholders and B shareholders compared to the total return on the FTSE All-Share Capped 5% Index. This index was chosen for comparison purposes, as it represents a comparable broad equity market index; however it should be noted that between approximately 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



Voting at Annual General Meeting

At the Company's last Annual General Meeting, held on 25 June 2015, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 March 2015. 98.4 per cent of votes were in favour of the resolution and 1.6 per cent were against.

An ordinary resolution for the approval of this Annual Report on Directors' Remuneration will be put to shareholders at the forthcoming Annual General Meeting.

On behalf of the Board

Kenneth Shand
Director

19 May 2016

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. The Directors are also required to prepare a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss for that period. In preparing the Group financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- 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.

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 website.

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 22 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 loss of the Group and the undertakings included in the consolidation taken as a whole;
- the Strategic Report (comprising the Chairman's Statement, Business Model and Strategy, Key Performance Indicators, Manager's Review, Classification of Investments, Equities Portfolio, Higher Yield Portfolio and Principal Risks) and the Report of the Directors include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole together with a description of the principal risks that they face;
- taken as a whole, the annual report and accounts are fair, balanced and understandable and provide the information necessary for shareholders to assess the performance, business model and strategy of the Group;
- the financial statements include details on related party transactions; and
- having assessed the principal risks and other matters discussed in connection with the Viability Statement, it is appropriate to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

Iain McLaren
Chairman

19 May 2016


'The Company invests in companies which the Manager believes will generate a combination of long-term growth in capital and income for shareholders.'

Independent Auditor's Report

Our opinion on the financial statements

In our opinion:

- the Group financial statements and the parent company 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 2016 and of the group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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.

What we have audited

Investors Capital Trust plc's financial statements comprise:

Group	Parent company
Consolidated Statement of Comprehensive Income for the year then ended	
Consolidated Balance Sheet as at 31 March 2016	Balance Sheet as at 31 March 2016
Consolidated Cash Flow Statement for the year then ended	Cash Flow Statement for the year then ended
Consolidated Statement of Changes in Equity for the year then ended	Statement of Changes in Equity for the year then ended
Related notes 1 to 23 to the financial statements	Related notes 1 to 23 to the financial statements

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.

Overview of our audit approach

Risks of material misstatement	• Revenue recognition • Valuation and existence of the investment portfolio • Calculation of management fees
Audit scope	• We performed an audit of the Investors Capital Trust plc for the year ended 31 March 2016.
Materiality	• Materiality of £1,165,000 (2015: £1,269,000), which is 1% of shareholders' funds.

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we concluded to the Audit Committee
Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment (as described on page 31 in the Audit Committee report). During the period £5,424,000 (2015: £5,721,000) of investment income was received by the Group. Of this income £4,626,000 (2015: 4,766,000) was received in the form of UK dividend income, £761,000 (2015: £938,000) in the form of income from fixed interest securities and £37,000 of other income (2015: £17,000). In accordance with the requirements of IFRS, the Group's accounting policy is to recognise dividend income on an ex-dividend basis, fixed interest income on an effective interest rate (EIR) basis, and other investment income, including deposit interest, on an accruals basis. Given the judgmental aspect of allocating special dividends between revenue and capital and the risk of management override from processing of topside journals, we consider this an area warranting specific audit focus. From our review, the Group received 4 special dividends during the year, amounting to £1,334,000, of which 2 were treated as revenue (£74,000) and 2 as capital (£1,260,000). One of the capital special dividends received during the year was material.	We performed the following procedures: We have checked that the Group's accounting policies in respect of revenue recognition have been applied as stated throughout the year and are in line with IFRS and the AIC SORP. We traced, on a sample basis, the terms of dividend and the rates of interest from independent sources and recalculated the income based on the appropriate holdings of the related security. We agreed all accrued dividends at the year end to an independent source and to bank statements where possible, to ensure correct cut-off and noted no issues. We checked the allocation of special dividends between revenue and capital was appropriate.	The results of our procedures are: We noted no issues in the Group's application of accounting policies in respect of revenue recognition. We noted no issues in agreeing the sample of dividend receipts to and from an independent source and to the bank statements. We noted no issues in agreeing the sample of accrued dividend receipts to an independent source and to the bank statements.
Valuation and existence of the investment portfolio (as described on page 31 in the Audit Committee Report). The valuation of the portfolio at 31 March 2016 was £127.9m (2015: £137.1m), consisting of listed equities and fixed interest investments. In accordance with the requirements of International Financial Reporting Standards as adopted by the EU (IFRS) the Group's accounting policy is to value the investment portfolio at its fair value (represented by the bid values in an active market) in the statutory financial statements. There is a risk of misappropriation of assets and unsecured ownership of investments. All investments are held by an independent custodian which mitigates the risk of misappropriation of assets, in addition to the oversight role by the Depositary.	We performed the following procedures: • We have independently valued 99.6% of the investment prices in the portfolio to an independent source. • We have agreed the price of two bonds to price backup provided by State Street (the Administrator) and confirmed these have been priced correctly per Interactive Data. • We agreed the number of shares held in each security to a confirmation of legal title received from both the custodian and depositary as at 31 March 2016.	The results of our procedures are: For all investments, we noted no material differences in market value. We noted no differences between the custodian and depositary confirmations and the Group's underlying financial records.

Risk	Our response to the risk	What we concluded to the Audit Committee
The management fees payable for investment management services are not calculated in accordance with the methodology prescribed in the investment management agreement (as described on page 32 in the Audit Committee Report). The fees payable by the Group for investment management services are a significant component of the Group's cost base and, therefore, impact the Group's total return. For the year to 31 March 2016, the management fee was £890,000 (2015: £943,000). The calculation methodology for the management fee is described on page 53. If the management fee is not calculated in accordance with the methodology described in the investment management agreement this could have a significant impact on both costs and overall performance.	We performed the following procedures: We have performed a recalculation of the management fee based on the calculation methodology set out in the IMA. We have reviewed the allocation of the management fee between revenue and capital. The fee has been charged 30% to revenue and 70% to capital, in line with the Group's stated accounting policy. We have agreed the management fees paid in the year to invoices and bank statements.	The results of our procedures are: We are satisfied that the terms of the investment management agreement have been materially applied within the management fee calculations. For all inputs and payments, we noted no issues in agreeing the amounts to source data. We noted no issues agreeing the management fee payments to bank statements.

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment when assessing the level of work to be performed. The subsidiary, Investors Securities Company Limited, is dormant.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £1,165,000 (2015: £1,269,000), which is 1% of shareholders' funds. We derived our materiality calculation from a proportion of net assets as we consider that to be the most important financial metric on which shareholders judge the performance of the Group.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2015: 75%) of our planning materiality, namely £874,000 (2015: £952,000). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Group we also applied a separate testing threshold of £229,000 (2015: £244,000) for the revenue column of the Statement of Comprehensive Income, being 5% of the revenue return on ordinary activities before taxation.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £58,000 (2015: £65,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 35, 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.

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 Group'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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- 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 Strategic Report and 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

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report
Companies Act 2006 reporting	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.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: • the directors' statement in relation to going concern, set out on page 25, and longer-term viability, set out on page 20; and • the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

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

19 May 2016

Consolidated Statement of Comprehensive Income

For the year to 31 March 2016

Notes		Revenue Year to 31 March 2016 £'000	Capital Year to 31 March 2016 £'000	Total Year to 31 March 2016 £'000	Revenue Year to 31 March 2015 £'000	Capital Year to 31 March 2015 £'000	Total Year to 31 March 2015 £'000
	Capital (losses)/gains on investments						
11	(Losses)/gains on investments held at fair value through profit or loss	–	(6,640)	(6,640)	–	2,597	2,597
21	Exchange differences	–	(325)	(325)	–	342	342
	Revenue						
2	Investment income	5,424	–	5,424	5,721	–	5,721
	Total income	5,424	(6,965)	(1,541)	5,721	2,939	8,660
	Expenditure						
4	Investment management fee	(267)	(623)	(890)	(283)	(660)	(943)
5	Other expenses	(408)	–	(408)	(391)	–	(391)
	Total expenditure	(675)	(623)	(1,298)	(674)	(660)	(1,334)
	Profit/(loss) before finance costs and tax	4,749	(7,588)	(2,839)	5,047	2,279	7,326
	Finance costs						
7	Interest on bank loan	(178)	(416)	(594)	(177)	(414)	(591)
	Total finance costs	(178)	(416)	(594)	(177)	(414)	(591)
	Profit/(loss) before tax	4,571	(8,004)	(3,433)	4,870	1,865	6,735
8	Tax	–	–	–	(22)	22	–
	Profit/(loss) for the year	4,571	(8,004)	(3,433)	4,848	1,887	6,735
	Total comprehensive income for the year	4,571	(8,004)	(3,433)	4,848	1,887	6,735
10	**Earnings per share**	3.74p	(6.55)p	(2.81)p	3.95p	1.54p	5.49p

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

Notes	As at 31 March 2016	2016 Company £'000	2016 Group £'000	2015 Company £'000	2015 Group £'000
	Non–current assets				
11	Investments held at fair value through profit or loss	127,855	127,605	137,071	136,821
	Current assets				
13	Receivables	1,690	1,690	1,517	1,517
14	Cash and cash equivalents	7,264	7,264	7,309	7,309
		8,954	8,954	8,826	8,826
	Total assets	136,809	136,559	145,897	145,647
	Current liabilities				
15	Payables	(2,281)	(2,031)	(1,011)	(761)
		(2,281)	(2,031)	(1,011)	(761)
	Non–current liabilities				
16	Bank loan	(18,000)	(18,000)	(18,000)	(18,000)
		(18,000)	(18,000)	(18,000)	(18,000)
	Total liabilities	(20,281)	(20,031)	(19,011)	(18,761)
	Net assets	116,528	116,528	126,886	126,886
17	Share capital	134	134	134	134
18	Share premium	153	153	153	153
	Capital redemption reserve	5	5	5	5
	Buy back reserve	85,092	85,092	86,425	86,425
	Special capital reserve	21,058	21,058	22,524	22,524
	Capital reserves	4,719	4,719	12,723	12,723
	Revenue reserve	5,367	5,367	4,922	4,922
	Equity shareholders' funds	116,528	116,528	126,886	126,886
19	Net asset value per A share	96.42p	96.42p	103.70p	103.70p
19	Net asset value per B share	96.42p	96.42p	103.70p	103.70p

Approved by the Board and authorised for issue on 19 May 2016 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

As at 31 March 2016	Year to 31 March 2016 £'000	Year to 31 March 2015 £'000
Cash flows from operating activities		
(Loss)/profit before tax	(3,433)	6,735
Adjustments for:		
Losses/(gains) on investments held at fair value through profit or loss	6,640	(2,597)
Exchange differences	325	(342)
Interest income	(29)	(15)
Interest received	29	15
Investment interest	(761)	(938)
Investment interest received	806	968
Dividend income	(4,626)	(4,766)
Dividend income received	4,565	4,667
Increase in receivables	(2)	(3)
Increase/(decrease) in payables	1	(436)
Purchases of investments	(17,540)	(13,501)
Sales of investments	20,510	17,553
Finance costs	594	591
Net cash inflow from operating activities	7,079	7,931
Cash flows from financing activities		
Dividends paid on A shares	(4,126)	(4,042)
Capital returns paid on B shares	(1,466)	(1,428)
Interest on bank loan	(594)	(591)
Shares purchased for treasury	(658)	(931)
Shares issued from treasury	–	133
Net cash outflow from financing activities	(6,844)	(6,859)
Net increase in cash and cash equivalents	235	1,072
Currency (losses)/gains	(280)	333
Opening net cash and cash equivalents	7,309	5,904
Closing net cash and cash equivalents	7,264	7,309

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 2016

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 2015	134	153	5	86,425	22,524	(15,844)	28,567	4,922	126,886
	Total comprehensive income for the year									
	Profit/(loss) for the year	–	–	–	–	–	1,067	(9,071)	4,571	(3,433)
	Total comprehensive income for the year	–	–	–	–	–	1,067	(9,071)	4,571	(3,433)
	Transactions with owners of the Company recognised directly in equity									
17	Shares bought back for treasury	–	–	–	(1,333)	–	–	–	–	(1,333)
9	Dividends paid on A shares	–	–	–	–	–	–	–	(4,126)	(4,126)
9	Capital returns paid on B shares	–	–	–	–	(1,466)	–	–	–	(1,466)
	Balance as at 31 March 2016	134	153	5	85,092	21,058	(14,777)	19,496	5,367	116,528

For the year to 31 March 2015

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 2014	134	153	5	87,356	23,952	(16,187)	27,023	4,116	126,552
	Total comprehensive income for the year									
	Profit for the year	–	–	–	–	–	343	1,544	4,848	6,735
	Total comprehensive income for the year	–	–	–	–	–	343	1,544	4,848	6,735
	Transactions with owners of the Company recognised directly in equity									
17	Shares bought back for treasury	–	–	–	(931)	–	–	–	–	(931)
9	Dividends paid on A shares	–	–	–	–	–	–	–	(4,042)	(4,042)
9	Capital returns paid on B shares	–	–	–	–	(1,428)	–	–	–	(1,428)
	Balance as at 31 March 2015	134	153	5	86,425	22,524	(15,844)	28,567	4,922	126,886

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 Preparation

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 November 2014 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.

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the accounts. Further detail is included in the Report of the Directors on page 25.

The accounting policies adopted are consistent with those of the previous financial year, except that the following new standards have been adopted in the current year:

- *Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle.* The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

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

- In July 2014, the IASB issued the final version of IFRS 9 *'Financial Instruments'* which reflects all phases of the financial instruments project and replaces IAS 39 *'Financial Instruments: Recognition and Measurements'*. The standard introduces new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required with some exceptions. The adoption of IFRS 9 is unlikely to have a material effect on the classification and measurement of the Company's financial assets or financial liabilities.

- IASB has issued *'Annual Improvements to IFRSs 2012-2014 Cycle'* which will be effective for annual periods beginning on or after 1 January 2016. The adoption of these improvements is unlikely to have a material effect on the classification and measurement of the Company's financial position and performance.

1. Accounting policies (continued)

- IASB has issued a new standard for the recognition of revenue, IFRS 15 *'Revenue from Contracts with Customers'*. This will replace IAS 18 which covers contracts for goods and services. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

  The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 January 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

  The standard will be effective for annual periods on or after 1 January 2018. The Company is yet to assess IFRS 15's full impact but it is not currrently anticipated that this standard will have any material impact on the Company's financial statements as presented for the current year.

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 consolidated Financial Statements are made up to 31 March each year and incorporate the Financial Statements 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 their acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The Financial Statements of subsidiaries used in the preparation of the consolidated Financial Statements are based on consistent accounting policies. All intra-group balances and transactions, including unrealised profits arising therefrom, are eliminated from the consolidated financial statements.

The Company has been assessed as being an investment entity under IFRS 10. As the Company's wholly owned subsidiary, Investors Securities Company Limited, is not an investment entity it is consolidated in the Group's financial statements.

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.

Financial assets designated as at fair value through profit or loss are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Unlisted investments, 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. On derecognition any gain or loss arising is transferred from the Capital reserve – Investment Held to Capital reserve – Investment Sold.

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.

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 and is valued at its equity value.

1. Accounting policies (continued)

Receivables

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. Financial liabilities and equity instruments are initially 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

Derivatives are held at fair value and changes in fair value are recognised in the capital return column of the Consolidated Statement of Comprehensive Income.

Payables

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. To the extent that the consideration received exceeds the value at which the shares were initially bought into treasury, the gain 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 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.

In addition, the Company's Articles of Association allow distributions to be made from realised capital reserves where the balance on this reserve is positive.

(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.

1. Accounting policies (continued)

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.

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.

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.

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 is recognised on an effective yield basis and 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.

1. Accounting policies (continued)

Foreign currency

Transactions denominated in foreign currencies are expressed in pounds sterling 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	2016	2015
Euro	1.2613	1.3822
US Dollar	1.4373	1.4845

2. Income

	2016 £'000	2015 £'000
Income from investments		
UK dividend income	4,626	4,766
UK listed fixed interest	521	599
Overseas listed fixed interest	240	339
	5,387	5,704
Other income		
Deposit interest	29	15
Underwriting commission and other income	8	2
Total income	5,424	5,721
Total income comprises:		
Dividends	4,626	4,766
Interest on fixed interest securities	761	938
Deposit interest	29	15
Underwriting commission and other income	8	2
Total income	5,424	5,721
Income from investments:		
Listed	5,387	5,704

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

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:

	2016		2015	
	2016 £'000	Pence per share	2015 £'000	Pence per share
Shareholders' funds per financial statements	116,528	96.42	126,886	103.70
Closing fair value adjustment on fixed-rate term loan*	(156)	(0.13)	(103)	(0.08)
Shareholders' funds with debt at fair value	116,372	96.29	126,783	103.62
(Loss)/profit for the year per financial statements	(3,433)	(2.81)	6,735	5.49
Movement in fair value on fixed-rate term loan*	(53)	(0.04)	(411)	(0.33)
(Loss)/profit for the year with debt at fair value	(3,486)	(2.85)	6,324	5.16

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

4. Investment management fee

	2016			2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	267	623	890	283	660	943
	267	623	890	283	660	943

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.

The investment management fee is 0.75 per cent per annum of the net asset value of the Company payable quarterly in arrears.

5. Other expenses (including irrecoverable VAT thereon)

	2016 £'000	2015 £'000
Directors' fees (Note 6)	115	112
Auditors' remuneration for:		
– statutory audit	25	24
– taxation compliance (non-audit)	9	9
Other	259	246
	408	391

6. Directors' fees

The emoluments of the Chairman, the highest paid Director, were at the rate of £30,750 per annum (2015: £30,000).

Other Directors' emoluments amounted to £20,500 (2015: £20,000) each per annum, with the chairman of the Audit Committee receiving an additional £2,500 (2015: £2,500) per annum. Full details are provided in the Directors' Remuneration Report on page 34.

7. Finance costs

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Finance costs attributable to term loan	178	416	594	177	414	591

8a. Tax on ordinary activities

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Corporation tax	–	–	–	22	(22)	–
Total tax charge/(credit)	–	–	–	22	(22)	–

8b. Factors affecting tax charge for current year

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

	2016 £'000	2015 £'000
(Loss)/profit before tax	(3,433)	6,735
Taxation on ordinary activities at the UK standard rate of corporation tax of 20% (2015: 21%)	(687)	1,414
Effects of:		
– Non taxable dividend income	(925)	(1,001)
– Non taxable capital losses/(gains)	1,393	(617)
– Excess management expenses	219	204
Total tax credit for the year	–	–

The deferred tax asset of £1,045,000 (2015: £836,000) in respect of unutilised expenses at 31 March 2016 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.

9. Dividends and capital repayments

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Amounts recognised as distributions to shareholders in the year:						
Fourth interim dividend for the prior year paid at 1.15p (2015: 1.1225p) per A share	1,039	–	1,039	1,025	–	1,025
Fourth capital repayment for the prior year paid at 1.15p (2015: 1.1225p) per B share	–	368	368	–	360	360
First interim dividend paid at 1.14p (2015: 1.11p) per A share	1,029	–	1,029	1,007	–	1,007
First capital repayment paid at 1.14p (2015: 1.11p) per B share	–	366	366	–	356	356
Second interim dividend paid at 1.14p (2015: 1.11p) per A share	1,029	–	1,029	1,007	–	1,007
Second capital repayment paid at 1.14p (2015: 1.11p) per B share	–	366	366	–	356	356
Third interim dividend paid at 1.14p (2015: 1.11p) per A share	1,029	–	1,029	1,003	–	1,003
Third capital repayment paid at 1.14p (2015: 1.11p) per B share	–	366	366	–	356	356
	4,126	1,466	5,592	4,042	1,428	5,470
Amounts relating to the year but not paid at the year end:						
Fourth interim dividend payable at 1.18p (2015: 1.15p) per A share	1,055	–	1,055	1,038	–	1,038
Fourth capital repayment payable at 1.18p (2015: 1.15p) per B share	–	371	371	–	369	369
	1,055	371	1,426	1,038	369	1,407

9. Dividends and capital repayments (continued)

	2016 £'000
Revenue available for distribution by way of dividends for the year	4,571
First quarterly interim dividend of 1.14p per A share paid in respect of the year ended 31 March 2016	(1,029)
Second quarterly interim dividend of 1.14p per A share paid in respect of the year ended 31 March 2016	(1,029)
Third quarterly interim dividend of 1.14p per A share paid in respect of the year ended 31 March 2016	(1,029)
Fourth quarterly interim dividend of 1.18p per A share payable in respect of the year ended 31 March 2016*	(1,055)
Undistributed revenue for the purposes of Section 1158 of the Corporation Tax Act 2010 (see page 23)	429

*based on 89,428,144 A shares in issue at 8 April 2016.

10. Earnings per share

The Company's earnings per share are based on the loss for the year of £3,443,000 (year to 31 March 2015 profit: £6,735,000) and on 90,263,253 A shares (2015: 90,716,500) and 31,887,076 B shares (2015: 32,076,703), 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 £4,571,000 (year to 31 March 2015: £4,848,000) and on the weighted average number of shares in issue as above.

The Company's capital earnings per share are based on the capital loss for the year of £8,004,000 (year to 31 March 2015 profit: £1,887,000) and on the weighted average number of shares in issue as above.

11. Investments held at fair value through profit or loss

	Company 2016 £'000	Group 2016 £'000	Company 2015 £'000	Group 2015 £'000
Listed securities	127,605	127,605	136,821	136,821
Subsidiary undertaking	250	–	250	–
	127,855	127,605	137,071	136,821

	Company			Group
	Listed/ Quoted (Level 1) £'000	Subsidiary/ Unlisted (Level 3) £'000	Total £'000	Listed/Quoted (Level 1) Total £'000
Opening book cost	108,228	250	108,478	108,228
Opening unrealised appreciation	28,593	–	28,593	28,593
Opening valuation	136,821	250	137,071	136,821
Movements in the year:				
Purchases at cost	18,111	–	18,111	18,111
Sales – proceeds	(20,687)	–	(20,687)	(20,687)
Sales – gains on sales	2,460	–	2,460	2,460
Decrease in unrealised appreciation	(9,100)	–	(9,100)	(9,100)
Closing valuation at 31 March 2016	127,605	250	127,855	127,605
Closing book cost at 31 March 2016	108,112	250	108,362	108,112
Closing unrealised appreciation	19,493	–	19,493	19,493
Closing valuation at 31 March 2016	127,605	250	127,855	127,605

11. Investments held at fair value through profit or loss (continued)

	Company 2016 £'000	Group 2016 £'000	Company 2015 £'000	Group 2015 £'000
Equity investments	114,845	114,595	120,761	120,511
Fixed interest – UK denominated	8,299	8,299	10,793	10,793
– Overseas denominated	4,711	4,711	5,517	5,517
	127,855	127,605	137,071	136,821
Net gains on realisation of investments	2,460	2,460	1,023	1,023
Movement in fair value	(9,100)	(9,100)	1,574	1,574
(Losses)/gains on investments	(6,640)	(6,640)	2,597	2,597

The Group incurred transaction costs of £68,000 (2015: £55,000) on the purchase of assets and £15,000 (2015: £14,000) on the sale of assets in the year.

Net gains 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 2016 compared with the difference between the book cost of investments held and their market value at 31 March 2015.

12. Significant interests

As at 31 March 2016, 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 31.03.16 £'000
Investors Securities Company Limited	Scotland	Ordinary	250	–	100	100	250

At 31 March 2016, no investments were held by the dealing subsidiary and it did not trade during the year.

13. Receivables

	Company 2016 £'000	Group 2016 £'000	Company 2015 £'000	Group 2015 £'000
Income receivable from shares and securities	1,056	1,056	1,041	1,041
Fair value of foreign exchange currency contracts	–	–	21	21
Due from brokers in settlement of sales of investments	606	606	429	429
Sundry debtors	28	28	26	26
	1,690	1,690	1,517	1,517

14. Cash and cash equivalents

All cash balances in the current and prior year 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. Payables

	Company 2016 £'000	Group 2016 £'000	Company 2015 £'000	Group 2015 £'000
Loan from subsidiary undertaking	250	–	250	–
Accrued expenses	119	119	96	96
Investment management fee	219	219	241	241
Fair value of foreign exchange currency contracts	23	23	–	–
Due to brokers in settlement of purchases of investments	995	995	424	424
Due to brokers in settlement of shares purchased from treasury	675	675	–	–
	2,281	2,031	1,011	761

16. Bank loan

	Company and Group 2016 £'000	Company and Group 2015 £'000
£18 million term loan maturing 28 September 2017	18,000	18,000

The Company has drawn down an £18 million term loan facility with a five year term to 28 September 2017. The term loan with JPMorgan Chase Bank is currently secured on investments and cash held by JPMorgan Chase Bank as custodian which constitutes the majority of the assets of the Company. The term loan carries interest at a fixed rate of 3.15 per cent per annum which is payable quarterly in arrears. 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 £18 million term loan, on a marked to market basis, was £18,156,000 at 31 March 2016 (2015: £18,103,000). The fair value of the loan is calculated using a discounted cashflow technique based on forecasts of future interest rates and classified as level 2 under the hierarchy of fair value measurement for financial instruments.

17. Share capital

Allotted, issued and fully paid

	Listed		Held in Treasury		In Issue	
	Number	£	Number	£	Number	£
A Shares of 0.1p each						
Balance at 1 April 2015	102,067,144	102,067	(11,789,000)	(11,789)	90,278,144	90,278
Repurchased to be held in treasury	–	–	(850,000)	(850)	(850,000)	(850)
Balance at 31 March 2016	102,067,144	102,067	(12,639,000)	(12,639)	89,428,144	89,428
B Shares of 0.1p each						
Balance at 1 April 2015	32,076,703	32,077	–	–	32,076,703	32,077
Repurchased to be held in treasury	–	–	(650,000)	(650)	(650,000)	(650)
Balance at 31 March 2016	32,076,703	32,077	(650,000)	(650)	31,426,703	31,427
Total at 31 March 2016	134,143,847	134,144	(13,289,000)	(13,289)	120,854,847	120,855

During the year the Company bought back 850,000 (2015: 1,000,000) A Shares to hold in treasury at a cost of £758,000 (2015: £931,000) and 650,000 (2015: nil) B Shares to hold in treasury at a cost of £575,000 (2015: nil). The Company did not buy back any shares for cancellation during the year (2015: nil).

At 31 March 2016 the Company held 12,639,000 (2015: 11,789,000) A Shares and 650,000 (2015: nil) B Shares in treasury.

Shareholder entitlements

The Company has two classes of shares: A Shares and B Shares. The rights of each class of shares are identical, save in respect of the right to participate in dividends and capital repayments. 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 repayments 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”).

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 repayments 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.

18. Share premium account and reserves (continued)

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 Business Model and Strategy and the Report of the Directors. In order to maintain an optimal capital structure through varying market conditions the Company has the ability to:

– Issue and buyback share capital within limits set by the shareholders in general meeting;

– borrow money in the short and long term;

– pay dividends to A shareholders out of current year revenue earnings as well as out of the brought forward revenue reserve; and

– pay capital repayments to B shareholders out of the special capital reserve.

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 96.42p (2015: 103.70p) is based on the equity shareholders' funds of £116,528,000 (2015: £126,886,000) and on 120,854,847 equity shares, consisting of 89,428,144 A Shares and 31,426,703 B Shares (2015: 122,354,847 equity shares, consisting of 90,278,144 A Shares and 32,076,703 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 2016 was therefore 385.68p (2015: 414.80p).

The Company's treasury net asset value per share, incorporating the 12,639,000 A shares and 650,000 B Shares held in treasury at the year end (2015: 11,789,000 A Shares and nil B Shares), was 95.95p (2015: 103.44p). The Company's treasury net asset value per unit at the end of the year was 383.80p (2015: 413.76p). 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 2015 £'000	Cash flow £'000	Currency movements £'000	At 31 March 2016 £'000
Cash and cash equivalents	7,309	235	(280)	7,264
Bank loan	(18,000)	–	–	(18,000)
Net debt	(10,691)	235	(280)	(10,736)

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 mitigated 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 were forward foreign exchange currency contracts to hedge currency movements. These were also used in the prior year. The Company may also write call options over some investments held in the Equities Portfolio. There were no call options written during the current year or prior year.

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 2016 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 overleaf and have remained unchanged for the year under review.

21. Financial instruments (continued)

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 fixed interest investments, whose carrying amounts in the balance sheet 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 current or prior 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 Audit Committee.

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. Other external events such as protectionism, inflation or deflation, economic recessions and terrorism could also affect share prices in particular markets. The Group's strategy for the management of market price risk is driven by the Company's investment policy as outlined within the Business Model and Strategy on pages 8 to 10. 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 2016 would have increased net assets and income for the year by £11,459,000 (2015: an increase of 10 per cent would have increased net assets and income by £12,051,000). A decrease of 10 per cent (2015: 10 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 2016 would have increased net assets and income for the year by £1,301,000 (2015: an increase of 10 per cent would have increased net assets and income by £1,631,000). A decrease of 10 per cent (2015: 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 13, is provided in notes 11 and 16 and in the accounting policies.

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 2016, 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
31 March 2016					
Current liabilities					
Payables	2,031	–	–	–	2,031
Non-current liabilities					
Bank loan	142	443	18,284	–	18,869
31 March 2015					
Current liabilities					
Payables	761	–	–	–	761
Non-current liabilities					
Bank loan	142	443	585	18,284	19,454

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 2016 (2015: 0.5 per cent).

21. Financial instruments (continued)

Fixed rate

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

	2016			2015		
	£'000	Weighted average interest rate	Average duration until maturity	£'000	Weighted average interest rate	Average duration until maturity
Higher Yield investments:						
Fixed interest investments	12,158	3.4%*	3.1 years	14,663	2.9%*	3.6 years
Floating rate notes	852	4.3%	1.3 years	1,646	1.6%	0.6 years
Fixed interest liabilities:						
Term loan	18,000	3.2%	1.5 years	18,000	3.2%	2.5 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.

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.

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 £257,000 (2015: £417,000). A decrease of 100 basis points would have increased its fair value liability by approximately £263,000 (2015: £431,000). These calculations are based on the balance of the term loan 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 £73,000 (year to 31 March 2015: £73,000). 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 2016, 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 2016 was as follows:

	2016				2015			
	Investments £'000	Net Current Assets £'000	Cash £'000	Total £'000	Investments £'000	Net Current Assets £'000	Cash £'000	Total £'000
US Dollar	1,610	202	4	1,816	1,825	16	4	1,845
Euro	3,101	68	6	3,175	3,692	62	32	3,786
	4,711	270	10	4,991	5,517	78	36	5,631

21. Financial instruments (continued)

As at 31 March 2016 the foreign exchange currency contracts not yet realised were as follows:

	2016 Hedged amount £'000	2016 Unrealised gain/(loss) £'000	2015 Hedged amount £'000	2015 Unrealised (loss)/gain £'000
US Dollars for Sterling	1,594	10	1,793	(7)
Euro for Sterling	3,086	(33)	3,680	28
	4,680	(23)	5,473	21

Total losses in the year from foreign exchange currency contracts and balances held in cash were £325,000 (2015 – gains: £342,000). All foreign exchange currency contracts in place at 31 March 2016 and 31 March 2015 were due to expire within 12 months of the respective balance sheet dates.

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 either the year or the prior year nor the net asset value as at 31 March 2016 or 31 March 2015.

22. Related party transactions

The Directors of the Company and the Manager are considered related parties.

There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on pages 33 and 34 and as set out in note 6 to the accounts. There are no outstanding balances with the Board at year end. Transactions between the Company and F&C Investment Business Limited are detailed in note 4 on management fees.

23. Alternative Investment Fund Managers ('AIFM') Directive

In accordance with the AIFM Directive, information in relation to the Group's leverage and the remuneration of the Company's AIFM, F&C Investment Business Limited, is required to be made available to investors. Detailed regulatory disclosures including those on the AIFM's remuneration policy and costs are available on the Company's website or from F&C on request.

The Group's maximum and average actual leverage levels at 31 March 2016 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	260%	260%
Actual	114%	120%

For the purposes of the AIFM Directive, leverage is any method which increases the Group's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Group's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Group's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

The leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Association. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

Detailed regulatory disclosures to investors in accordance with the AIFM Directive are contained on the Company's website under Key Documents.

Notice of Annual General Meeting

Notice is hereby given that the ninth Annual General Meeting of Investors Capital Trust plc will be held at 80 George Street, Edinburgh, EH2 3BU, on Monday 27 June 2016 at 12.30 pm for the following purposes. To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 9 and 12 will be proposed as Ordinary Resolutions and Resolutions 10, 11, 13 and 14 as Special Resolutions:

Ordinary Resolutions

1. That the Report and Accounts for the year to 31 March 2016 be received.

2. That the Annual Report on Directors' Remuneration for the year ended 31 March 2016 be approved.

3. That Mr I A McLaren, who retires annually, be re-elected as a Director.

4. That Mrs J Le Blan, who retires annually, be re-elected as a Director.

5. That Mr J M Evans, who retires annually, be re-elected as a Director.

6. That Mr K D Shand, who retires annually, be re-elected as a Director.

7. That Mr J P Williams, who retires annually, be re-elected as a Director.

8. That Ernst & Young LLP be re-appointed as Auditors and the Directors be authorised to determine their remuneration.

9. 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 £4,471 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 2017, 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

10. That, subject to the passing of Resolution number 9 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 9 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 2017, 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 £4,471 in respect of A Shares and £1,571 in respect of B Shares (being approximately 4.5 per cent of the total nominal value of the issued share capital of the Company (including treasury shares), as at 19 May 2016) at a price of not less than the net asset value per share of the existing A Shares (in the case of an allotment of A Shares) or B Shares (in the case of an allotment of B Shares).

11. 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 2017 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

12. That, subject to the passing of Resolution 13 to be proposed at the Annual General Meeting of the Company convened for 27 June 2016 ("Resolution 13"), 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 13, 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

13. 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 £8,942 in respect of A Shares and £3,142 in respect of B Shares, representing approximately 8.8 per cent of the Company's A share capital in issue (including treasury shares) as at the date of the passing of this resolution and approximately 9.8 per cent of the Company's B share capital in issue (including treasury shares) as at the date of the passing of this resolution and shall expire on the earlier of 30 September 2017 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.

14. 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 2017, 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

19 May 2016

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 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.

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 23 June 2016 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 23 June 2016 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 19 May 2016 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 89,428,144 A Shares carrying one vote each and 31,426,703 B Shares carrying one vote each. The Company holds 12,639,000 A Shares and 650,000 B shares in treasury which do not carry voting rights. Therefore the total voting rights in the Company as at 19 May 2016 were 120,854,847 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 16 May 2016. 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 16 May 2016. 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 11 becoming effective, the maximum aggregate number of shares hereby authorised to be purchased shall be 13,405,278 A shares and 4,710,862 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).

‘Distribution yield of 5.1% and 5.0% for the A and B Shareholders respectively, based on the share prices for both classes of share at 31 March 2016.’

Capital Structure At 31 March 2016

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 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 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.

The tax treatment on distributions received from A shares will be different from that on distributions received from B shares. 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 the tax treatment will be different. 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

A summary of the tax treatment.

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.

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
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 Investor Services on 0345 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 2016

F&C Asset Management Savings Plans 32% (2015: 31%)

Institutions 34% (2015: 35%)

Individuals and Private Client Stockbrokers 34% (2015: 34%)

Warning to shareholders – Boiler Room Scams

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

If you receive unsolicited investment advice or requests:

- Check the Financial Services Register from www.fca.org.uk to see if the person or firm contacting you is authorised by the Financial Conduct Authority ("FCA")
- Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms to avoid at www.fca.org.uk/scams
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme
- Think about getting independent financial and professional advice

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

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 7/8p
4% Debenture Stock	23 1/4p
3.675% Preference Stock	34 1/2p
7 1/4% Debenture Stock	55 1/4p

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	Apportionment factor
Growth Shares	84 1/4p	0.6844
Income Annuity Shares	36 1/4p	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	Apportionment factor
Zero Dividend Preference Shares	35 3/4p	0.3488
Income Shares	53 3/4p	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 Investments.

F&C Investment Trust ISA
You can use your ISA allowance to make an annual tax-efficient investment of up to £15,240 for the 2016/17 tax year with a lump sum from £500 or regular savings from £50 a month per Trust. It's also easy to transfer any existing ISAs to us whilst maintaining all the tax benefits, and you can get more information on how to do this under 'savings plans' at www.fandc.com/direct.

F&C Junior ISA (JISA)
You can invest up to £4,080 in the children's version of the adult ISA for the tax year 2016/17 from £500 lump sum or £30 a month per Trust, or a combination of both. Please note, if your child already has a Child Trust Fund (CTF), then you cannot open a separate JISA, however you can transfer the existing CTF (held either with F&C or another provider) to an F&C JISA. You can get more information on how to do this under 'Savings Plans' at www.fandc.com/direct

F&C Child Trust Fund (CTF)
If you already have a CTF you can invest up to £4,080 for the 2016/17 tax year, from £100 lump sum or £25 a month per Trust. It's also easy to transfer a CTF from another provider to an F&C CTF – you can get more information on how to do this under 'Savings Plans' at www.fandc.com/direct

F&C Private Investor Plan (PIP)
This is a flexible way to invest in our range of Investment Trusts. There are no maximum contributions, and investments can be made from £500 lump sum or £50 a month per Trust. You can also make additional lump sum top-ups at any time from £250 per Trust.

F&C Children's Investment Plan (CIP)
This is a flexible way to save for a child in our range of Investment Trusts. There are no maximum contributions, and the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) to help reduce inheritance tax liability, or kept in your name if you wish to retain control over the investment. Investments can be made from a £250 lump sum or £25 a month per Trust. You can also make additional lump sum top-ups at any time from £100 per Trust.

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 and they have access to the money at age 18. Money cannot be withdrawn until the child turns 18.

Annual management charges and other charges apply according to the type of plan.

Annual account charge
ISA: £60+VAT
PIP: £40+VAT
JISA/CIP/CTF: £25+VAT

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

Dealing charges
ISA: 0.2%
PIP/CIP/JISA: postal instruction £12, online instruction £8 per Trust.

Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits for the PIP, CIP and JISA.

There are no dealing charges 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 the purchase of shares (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
It's easy to apply online by going to www.fandc.com/apply.

New Customers:
Contact our Team:

Call: **0800 136 420***
Email: **info@fandc.com**

Existing Plan Holders
Contact our Team

Call: **0345 600 3030****
Email: **investor.enquiries@fandc.com**
By post: F&C Plan Administration Centre
PO Box 11114
Chelmsford
CM99 2DG

*8:30am-5:30pm, weekdays. Calls may be recorded.
**9:00am-5:00pm, weekdays. Calls may be recorded.

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Historic Record

Assets at 31 March										
£'000s	2007†	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total assets less current liabilities	167,141	149,468	112,974	142,685	144,369	143,158	139,498	144,552	144,886	134,528
Bank loan at fair value*	33,500	34,213	36,888	36,642	35,509	34,245	18,186	17,692	18,103	18,156
Net assets, debt at fair value	133,641	115,255	76,086	106,043	108,860	108,913	121,312	126,860	126,783	116,372

* includes interest rate swap, where applicable

Net Asset Value (NAV)* at 31 March	2007†	2008	2009	2010	2011	2012	2013	2014	2015	2016
NAV per A share and per B share	96.3p	89.6p	60.5p	83.1p	85.6p	85.9p	97.9p	102.8p	103.6p	96.3p
NAV High	–	103.8p	95.4p	83.4p	87.1p	88.7p	98.5p	105.8p	107.5p	107.3p
NAV Low	–	84.7p	58.5p	59.5p	72.3p	74.5p	78.9p	93.0p	95.0p	87.3p
NAV total return on 100p – 5 years										141.8p
NAV total return on 100p – since launch										160.4p

* includes debt at fair value

Share Price – A Shares at 31 March	2007†	2008	2009	2010	2011	2012	2013	2014	2015	2016
Middle market price per share	98.4p	83.0p	59.5p	80.0p	82.0p	82.0p	93.5p	95.0p	100.8p	89.8p
Premium/(discount) to NAV %	2.2%	(7.4)%	(1.6)%	(3.7)%	(4.2)%	(4.6)%	(4.5)%	(7.6)%	(2.7)%	(6.7)%
Share price High	–	98.5p	86.7p	82.0p	85.5p	83.5p	93.5p	97.5p	101.0p	100.0p
Share price Low	–	82.0p	58.0p	59.0p	74.0p	70.5p	76.5p	90.0p	87.5p	84.0p
Share price total return on 100p – 5 years										140.5p
Share price total return on 100p – since launch										149.4p

Share Price – B Shares at 31 March	2007†	2008	2009	2010	2011	2012	2013	2014	2015	2016
Middle market price per share	98.4p	83.0p	59.5p	89.5p	91.5p	86.5p	94.5p	102.3p	100.8p	91.5p
Premium/(discount) to NAV %	2.2%	(7.4)%	(1.6)%	7.7%	6.9%	0.7%	(3.4)%	(0.5)%	(2.7)%	(5.0)%
Share price High	–	98.5p	86.5p	89.5p	93.5p	91.5p	94.5p	103.5p	102.3p	102.0p
Share price Low	–	82.0p	58.0p	59.0p	77.0p	78.0p	79.0p	90.5p	88.5p	84.5p
Share price total return on 100p – 5 years										127.3p
Share price total return on 100p – since launch										150.4p

Share Price – Units at 31 March	2007†	2008	2009	2010	2011	2012	2013	2014	2015	2016
Middle market price per share	393.6p	327.0p	237.0p	317.0p	328.0p	322.5p	369.0p	375.0p	402.5p	354.0p
Premium/(discount) to NAV %	2.2%	(8.8)%	(2.0)%	(4.6)%	(4.2)%	(6.2)%	(5.7)%	(8.8)%	(2.9)%	(8.1)%
Share price High	–	393.5p	337.5p	317.0p	337.0p	334.5p	369.0p	375.0p	402.5p	400.5p
Share price Low	–	327.0p	233.0p	236.0p	317.0p	300.0p	300.0p	358.0p	349.5p	335.0p
Share price total return on 100p – 5 years										138.8p
Share price total return on 100p – since launch										148.3p

Revenue For the year ended 31 March	2008†	2009	2010	2011	2012	2013	2014	2015	2016
Available for A shares – £'000s	6,255	5,154	4,811	4,906	4,704	4,391	4,598	4,848	4,571
Revenue earnings per share	4.68p	4.07p	3.79p	3.85p	3.70p	3.52p	3.73p	3.95p	3.74p
Dividends per A share	5.35p	5.35p	5.35p	4.28p	4.28p	4.28p	4.37p	4.48p	4.60p
Capital repayments per B share	5.35p	5.35p	5.35p	4.28p	4.28p	4.28p	4.37p	4.48p	4.60p

Performance (rebased at 100 at 1 March 2007)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
NAV per A share, B share and Unit	100.0	93.1	62.8	86.3	88.9	89.2	101.7	106.8	107.6	100.0
Mid Market price per A share	100.0	84.3	60.5	81.3	83.3	83.3	95.0	96.5	102.4	91.3
Mid Market price per B share	100.0	84.3	60.5	91.0	93.0	87.9	96.0	104.0	102.4	93.0
Mid Market price per Unit	100.0	83.1	60.2	80.5	83.3	81.9	93.8	95.3	102.3	89.9
Dividends per A share		100.0	100.0	100.0	80.0	80.0	80.0	81.7	83.7	86.0
Capital repayments per B share		100.0	100.0	100.0	80.0	80.0	80.0	81.7	83.7	86.0

Ongoing Charges For the year ended 31 March	2008†	2009	2010	2011	2012	2013	2014	2015	2016
Expressed as a percentage of average net assets									
– excluding performance fees	1.17%	1.13%	1.25%	1.15%	1.14%	1.15%	1.06%	1.05%	1.06%
– including performance fees	1.17%	1.13%	1.25%	1.15%	1.14%	1.15%	1.51%	n/a	n/a

Gearing at 31 March	2007†	2008	2009	2010	2011	2012	2013	2014	2015	2016
Maximum potential ratio	25.1%	29.7%	48.5%	34.6%	32.6%	31.4%	15.0%	13.9%	14.3%	15.6%
Investment gearing	(2.8)%	3.6%	15.2%	24.6%	25.4%	20.1%	10.1%	10.0%	7.9%	9.7%
Equity gearing	(23.1)%	(24.9)%	(25.5)%	(12.3)%	(3.9)%	(0.3)%	(4.1)%	(5.3)%	(4.9)%	(1.5)%

†Balance sheet figures shown for 2007 are as at the Company's launch on 1 March 2007, performance figures shown for 2008 are for the 13 month period from launch on 1 March 2007 to 31 March 2008.

Glossary of Terms

AAF – Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales.

AIC – Association of Investment Companies, the trade body for Closed-end Investment Companies.

AIFMD – Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive required that all investment vehicles in the European Union, including Investment Trusts, must have appointed a Depositary and an Alternative Investment Fund Manager before 22 July 2014. The Board of Directors of an Investment Trust, remain fully responsible for all aspects of the company's strategy, operations and compliance with regulations.

A Shares – a security issued by the Company. The net asset value attributable to each A share is equal to the Net Asset Value of the Company divided by the total number of A shares and B shares in issue. Therefore the net asset value attributable to each of the A and B shares is the same. The A shares are entitled to dividends paid by the Company.

Benchmark – the FTSE All-Share Capped 5% Index is the benchmark against which the increase or decrease in the Company's net asset value is measured. The Index averages the performance of 98% of the market value of all eligible companies listed on London Stock Exchange's main market and gives an indication of how this market has performed in any period. Constituents of the Index are capped at 5% of the total index quarterly to avoid over-concentration in any one stock. As the investments within this Index are not identical to those of the Company, the Index does not take account of operating costs and the Company's strategy does not include replicating (tracking) this Index, there is likely to be some level of divergence between the performance of the Company and the Index.

B Shares – a security issued by the Company. The net asset value attributable to each B share is equal to the Net Asset Value of the Company divided by the total number of A shares and B shares in issue. Therefore the net asset value attributable to each of the A and B shares is the same. The B shares are entitled to capital repayments paid by the Company. These capital repayments will be paid at the same time as, and in an amount equal to, each dividend paid on the A shares.

Closed-end company – a company, including an Investment Company, with a fixed issued ordinary share capital which is traded on an exchange at a price not necessarily related to the net asset value of the company and in which shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open-ended company or Fund, which has units not traded on an exchange but issued or bought back from investors at a price directly related to net asset value.

Cum-dividend – shares are classified as cum-dividend when the buyer of a security is entitled to receive a dividend that has been declared, but not paid. Shares which are not cum-dividend are described as ex-dividend.

Custodian – a specialised financial institution responsible for safeguarding, worldwide, the listed securities and certain cash assets of the Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services. The Company's Custodian is JPMorgan Chase Bank.

Depositary – under AIFMD rules applying from July 2014, the Company must appoint a Depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. Under AIFMD regulations, the depositary has strict liability for the loss of the Company's financial assets in respect of which it has safe-keeping duties. The Depositary's oversight duties will include but are not limited to oversight of share buy backs, dividend payments and adherence to investment limits. The Company's Depositary is JPMorgan Europe Limited.

Derivative – a contract between two or more parties, the value of which fluctuates in accordance with the value of an underlying security. The contract is usually short-term (for less than one year). Examples of derivatives are Put and Call Options, Swap contracts, Futures and Contracts for Difference. A derivative can be an asset or a liability and is a form of gearing because the fluctuations in its value are usually greater than the fluctuations in the underlying security's value.

Discount/Premium – the share price of an Investment Trust is derived from buyers and sellers trading their shares on the stock market. This price is not identical to the net asset value (NAV) per share of the underlying assets less liabilities of the Company. If the share price is lower than the NAV per share, the shares are trading at a discount. This usually indicates that there are more sellers of shares than buyers. Shares trading at a price above NAV per share are deemed to be at a premium.

Dividend Dates – reference is made in announcements of dividends to three dates. The "ex-dividend" date is the date up to which the shareholder needs to hold the shares in order to be entitled to receive the next dividend. As it takes time for a stock purchase to be recorded on the register, dividends are actually paid to the holders of shares on the share register on the "record" date. If a share transfer prior to the ex-dividend date is not recorded on the register before the record date, the selling party will need to pass on the benefit or dividend to the buying party. The "ex-dividend" date is currently the business day prior to the record date. The "payment" date is the date that dividends are credited to shareholders' bank accounts. This may be several weeks or even months after the record date.

GAAP – Generally Accepted Accounting Practice. This includes UK GAAP and International GAAP (IFRS or International Financial Reporting Standards applicable in the European Union).

Gearing – this is the ratio of the borrowings of the Company to its net assets. Borrowings have a "prior charge" over the assets of a company, ranking before shareholders in their entitlement to capital and/or income. They include: overdrafts and short and long-term loans from banks; and derivative contracts. If the Company has cash assets, these may be assumed either to net off against borrowings, giving a "net" or "effective" gearing percentage, or to be used to buy investments, giving a "gross" or "fully invested" gearing figure. Where cash assets exceed borrowings, the Company is described as having "net cash". The Company's maximum permitted level of gearing is set by the Board and is described within the Strategic Report.

Investment Company (Section 833) – UK Company Law allows an Investment Company to make dividend distributions out of realised distributable reserves, even in circumstances where it has made Capital losses in any year provided the Company's assets remaining after payment of the dividend exceed 150% of the liabilities. An Investment Company is defined as investing its funds in shares, land or other assets with the aim of spreading investment risk.

Investment Trust taxation status (Section 1158) – UK Corporation Tax law allows an Investment Company (referred to in Tax law as an Investment Trust) to be exempted from tax on its profits realised on investment transactions, provided it complies with certain rules. These are similar to Section 833 Company law rules but further require that the Company must be listed on a regulated stock exchange and that it cannot retain more than 15% of income received (set out in note 9 to the accounts). The Report of the Directors contains confirmation of the Company's compliance with this law and its consequent exemption from taxation on capital gains.

Manager – F&C Investment Business Limited (F&C), a part of BMO Financial Group. The responsibilities and remuneration of the Manager are set out in the Business Model and Strategy, Report of the Directors and note 4 to the accounts.

Market capitalisation – the stock market quoted price of the Company's shares, multiplied by the number of shares in issue. If the Company's shares trade at a discount to NAV, the market capitalisation will be lower than the Net asset value.

Net asset value (NAV) – the assets less the liabilities of the Company, as set out on the Balance Sheet, all valued in accordance with the Company's Accounting Policies (see note 1 to the accounts) and International Financial Reporting Standards. The net assets correspond to Equity Shareholders' Funds, which comprise the share capital account, share premium, capital redemption reserve, buy back reserve, special capital reserve and capital and revenue reserves.

Net asset value (NAV), Debt at par – the Company's bank loan is valued in the Accounts at par (the actual amount borrowed) and this NAV including this number is referred to as "NAV, Debt at par".

Net asset value (NAV), Debt at fair value – the fair value of the Company's debt is the price that would be paid to transfer the liability in an orderly transaction between market participants at the transaction date. As the Company's bank loan carries interest at a fixed rate, the fair value of its loan liability will increase as market interest rates fall or decrease as market rates increase. The NAV restated to include the loan liability at its fair value is referred to as "NAV, Debt at fair value". A reconciliation between the NAV, debt at par and NAV, debt at fair value is shown in note 3 to the accounts.

Non-executive Director – a Director who has a contract for services, rather than a contract of employment, with the Company. The Company does not have any executive directors. Non-executive Directors' remuneration is described in detail in the Remuneration Report. The duties of the Directors, who govern the Company through the auspices of a Board and Committees of the Board, are set out in the Statement of Corporate Governance.

Ongoing Charges – all operating costs expected to be incurred in future and that are payable by the Company, expressed as a proportion of the average net assets of the Company over the reporting year (see Historic Record). The costs of buying and selling investments and derivatives are excluded, as are interest costs, taxation, non-recurring costs and the costs of buying back or issuing ordinary shares.

SORP – Statement of Recommended Practice. Where consistent with the requirements of International Financial Reporting Standards, the accounts of the Company are drawn up in accordance with the Investment Trust SORP, issued by the AIC, as described in note 1 to the accounts.

Total return – the return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV in the period. The dividends are assumed to have been re-invested in the form of shares or net assets, respectively, on the date on which the shares were quoted ex-dividend.

Units – a way of holding and trading in the A shares and B shares issued by the Company. Each unit consists of three A shares and one B share.

Corporate Information

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

Alternative Investment Fund Manager ('AIFM'), Investment Manager and Company Secretary
F&C Investment Business Limited
80 George Street
Edinburgh EH2 3BU

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

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

Depositary
JPMorgan Europe Limited
25 Bank Street
Canary Wharf
London E14 5JP

Principal Bankers and Custodian
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

INVESTORS CAPITAL TRUST PLC

Annual Report and Accounts 2016

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80 George Street
Edinburgh EH2 3BU
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Fax: 0131 718 1280

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Registrars' Shareholder Helpline: 0371 384 2470*

Registrars' Broker Helpline: 0906 559 6025†

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

* 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.

F&C Investments