

Investors Capital Trust plc

INTERIM REPORT FOR THE SIX MONTHS
ENDED 30 SEPTEMBER 2016



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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 30 September 2016 were £128.1 million (2015: £116.6 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 predominant part comprises investments in UK equities and equity-related securities of large and mid-sized companies (the Equities Portfolio) and the lesser part comprises investments in fixed interest 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

+2.6%

Distributions paid quarterly

Interim distributions in respect of the period increased by 2.6 per cent compared to the prior year

4.8%

Yield on A Shares

Expected distribution yield of 4.8 per cent on A shares at 30 September 2016, compared to the yield on the FTSE All-Share Capped 5% Index of 3.4 per cent

4.9%

Yield on B shares

Expected distribution yield of 4.9% on B shares at 30 September 2016, compared to the yield on the FTSE All-Share Capped 5% Index of 3.4 per cent

13.4%

NAV total return

Net asset value total return per share for the six months was 13.4 per cent, compared to the FTSE All-Share Capped 5% Index total return of 12.7 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.

Performance Summary

	Six months to 30 September 2016	Period from launch on 1 March 2007 to 30 September 2016
Total Return[†]		
Net asset value total return per A share, B share and per Unit	13.4%	82.0%
FTSE All-Share Capped 5% Index total return	12.7%	70.5%

	30 September 2016	31 March 2016	% Change
Capital			
Total assets (less liabilities excluding bank loan)	£146.1m	£134.5m	+8.6
Net asset value per A share and B share (debt at fair value) [*]	106.68p	96.29p	+10.8
Net asset value per unit (debt at fair value) [*]	426.72p	385.16p	+10.8
FTSE All-Share Capped 5% Index	3,969.12	3,591.10	+10.5
A share price	98.0p	89.8p	+9.1
B share price	97.0p	91.5p	+6.0
Unit price [*]	390.5p	354.0p	+10.3
Discount[‡]			
A shares	(8.1)%	(6.7)%	
B shares	(9.1)%	(5.0)%	
Units [*]	(8.5)%	(8.1)%	
Distribution yield			
A shares	4.8%	5.1%	
B shares	4.9%	5.0%	
Units [*]	4.8%	5.2%	
Net Gearing[‡]	6.7%	9.7%	

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

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

[‡] 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.

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

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

Sources: F&C Investment Business Limited and Datastream

Chairman's Statement



Introduction

The decision of the UK to vote in favour of leaving the European Union, was contrary to investor expectations and as a consequence, resulted in sharp falls in both the UK equity market and Sterling. In contrast, gilts rallied as investors sought-out safe haven assets. This initial market weakness proved to be short-lived as investors began to consider the beneficial impact of the devaluation of Sterling on the predominantly overseas earnings base of the UK market. The majority of UK equity market revenues come from overseas, making the UK one of the most internationally diversified of the developed stock markets. Markets were also reassured by comments from Mark Carney, Governor of the Bank of England that the central bank would consider additional monetary stimulus in the event of any near-term impact on the UK economy. Indeed, in early August, the Bank of England reduced interest rates for the first time in seven years to a record low level of 0.25% and at the same time announced it would restart its asset purchasing, quantitative easing programme. Against this background the UK equity market quickly regained its composure and went on to end the period under review at close to record high levels, with the more internationally diversified large cap stocks outpacing their more domestically orientated mid and small cap counterparts.

Investment Objective and Policy

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

As at 30 September 2016, 85.3 per cent. of total assets was allocated to the Equities Portfolio and 8.1 per cent. to the Higher Yield Portfolio. The remaining 6.6 per cent. was held as cash and cash equivalents.

Investment Performance

Returns from the Equities Portfolio and the Higher Yield Portfolio, combined with the effect of borrowings, resulted in the net asset value total return for the A shares and B shares of 13.4 per cent. over the six months to 30 September 2016. This return was ahead of the 12.7 per cent. total return for the benchmark FTSE All-Share Capped 5% Index. Since the Company's launch in March 2007, the net asset value total return for the A shares and B shares has been 82.0 per cent. which exceeds the 70.5 per cent. return from the benchmark index and reflects strong outperformance from the Equities Portfolio.

During the six months to 30 September 2016, the Company's Equities Portfolio produced a total return of 12.5 per cent. The Higher Yield Portfolio is invested in predominantly investment grade corporate bonds and returned 3.6 per cent. in total return terms for the six months to 30 September 2016.

Earnings, Dividends and Capital Distributions

The Company earned total revenue income of £2.9m for the six months. The yield on the Equities Portfolio was 3.8 per cent. as at 30 September 2016, compared to the yield on the FTSE All-Share Capped 5% Index of 3.4 per cent.

Income from the Equities Portfolio rose by 4.6% compared with the same six month period last year which was in part due to the weakening of sterling relative to the US dollar. In total, special dividends added £76,000 to the revenue account during the period compared with £57,000 during the same period in the prior year.

Movements in the Sterling exchange rate, most notably against the US dollar, have an important influence on the Company's revenue as over a third of

the Company's equity income comes from UK-listed companies that declare dividends in US dollars. Over the past year, the US dollar has risen in value by over 15% against Sterling, which benefits the Company's revenue when such receipts are translated back to Sterling. This welcome boost to the Company's revenue comes at a time when the outlook for UK dividends as a whole had deteriorated. As a result of the anaemic global economic growth backdrop and weak commodity prices many of the UK's larger, more mature businesses had seen profitability come under pressure and dividend cover erode. The mining sector has perhaps seen the highest profile dividend cuts with both Rio Tinto and BHP Billiton abandoning their progressive dividend policies earlier this year. The integrated oil companies, Royal Dutch Shell and BP, two of the largest dividend payers in the UK have so far chosen to maintain their dividends, however notwithstanding the modest recovery in the oil price since January, these payments remain under pressure. The majority of investee companies have continued to generate reasonable growth in both earnings and dividends.

There has been a further reduction in assets allocated to the Higher Yield Portfolio in light of the low level of yields available on corporate bonds, particularly on higher quality, investment grade corporate bonds. Income from the Higher Yield Portfolio has consequently decreased, compared to the same period in the prior year. At the time of writing, the Higher Yield Portfolio accounts for 2.4% of the Company's total assets.

The Company's dividend for the year ending 31 March 2017 is estimated, barring unforeseen circumstances, to be 4.72p per share which represents an increase of 2.6 per cent compared to the prior year (2016: 4.60p

per share). The first three quarterly dividends will be paid in equal instalments of 1.17p per share and a fourth quarterly dividend of approximately 1.21p is expected to be paid to A shareholders. B Shareholders will receive capital repayments of the same amount per share at the same time as dividends are received by A shareholders.

The expected annual distribution level represents a yield for A shareholders of 4.8 per cent and B shareholders of 4.9 per cent. based on share prices as at 30 September 2016. For those shareholders that hold units (each comprising three A shares and one B share) the distribution yield on this unit holding would be 4.8 per cent. These yields compare favourably with the yield on the FTSE All-Share Capped 5% Index of 3.4 per cent. at that date. Dividends to A shareholders and capital repayments to B shareholders are paid quarterly in August, November, February and May each year.

After providing for the second quarter dividend, the Company had revenue reserves of £4.7m (approximately 5.37p per A share) at 30 September 2016.

Discount and buy backs

The Company's A share price and B share price stood at a discount of 8.1 per cent. and 9.1 per cent respectively at 30 September 2016. Over the six month period, the price of the Company's A shares traded at an average discount to net asset value per share of 7.8 per cent. and the Company's B shares traded at an average discount of 7.4 per cent.

During the six month period, the Company bought back 750,000 A shares and 200,000 B shares at average discounts of 8.3 per cent and 8.9 per cent respectively to be held in treasury.

Chairman's Statement (continued)

Outlook

The pace of global economic recovery has improved little over recent years with the pattern of growth remaining fragile and uneven. Against a background of elevated geopolitical tensions and a rising tide of populism and protectionism, as evidenced by the outcome of the EU Referendum in the UK and the United States Presidential election, it is difficult to see a marked improvement in economic prospects for the year ahead. While global monetary conditions remain supportive for financial markets there is evidence that in the absence of broader structural reforms, monetary policy alone may not be sufficient to address the challenges of weak economic growth and low inflation. When viewed in the context of exceptionally low bond yields, equity valuations are not unreasonable and corporate sector fundamentals remain sound. The recent weakness in Sterling aside, the more challenging outlook for corporate earnings and dividends suggests stock selection will remain especially important in the year ahead.

Iain McLaren

Chairman

28 November 2016

Classification of Investments

At 30 September 2016

Total Portfolio Summary					
	2016 Market Value £'000	% of Total Assets	% of Total Portfolio Income	% Yield	
Equities Portfolio	124,598	85.3	88.8	3.8	
Higher Yield Portfolio	11,862	8.1	10.3	2.7	
Net Current Assets	9,619	6.6	0.9		
Total Assets (less liabilities excluding bank loan)	146,079	100.0	100.0		
Bank Term Loan at fair value	(18,171)	(12.4)			
Net Assets Attributable to Shareholders	127,908	87.6			

Equities Portfolio			
Sector		2016 % Equities Portfolio	2016 FTSE All- Share Capped 5% Index
Oil & Gas		7.3	9.6
Basic Materials		2.4	6.3
Industrials		13.6	10.8
Consumer Goods		17.3	17.8
Healthcare		10.2	10.2
Consumer Services		17.5	11.8
Telecommunications		5.9	4.5
Utilities		6.8	4.0
Financials		16.2	24.0
Technology		2.8	1.0
Total		100.0	100.0

Higher Yield Portfolio	
Security Ratings	2016 Higher Yield Portfolio Weighting %
AAA	4.5
A	12.7
BBB	46.7
BB	22.5
B	6.9
Not rated	6.7
	100.0

* The yield quoted on the Higher Yield Portfolio is the average weighted yield of all holdings calculated to their respective call dates. If the holdings in the portfolio are not called on those dates, then the yield will differ from that stated. The average duration until maturity on the Higher Yield Portfolio was 2.5 years at 30 September 2016.

Equities Portfolio

At 30 September 2016			
Company	Sector	Market Value £'000	% of Equities Portfolio
British American Tobacco	Tobacco	8,697	7.0
HSBC Holdings	Banks	6,936	5.6
GlaxoSmithKline	Pharmaceuticals & Biotech	6,930	5.6
Royal Dutch Shell	Oil & Gas Producers	5,268	4.2
AstraZeneca	Pharmaceuticals & Biotech	4,130	3.3
Diageo	Beverages	4,011	3.2
Compass Group	Travel & Leisure	3,974	3.2
BP	Oil & Gas Producers	3,783	3.0
BT Group	Fixed Line Telecom	3,722	3.0
Vodafone Group	Mobile Telecoms	3,671	2.9
Ten largest equity investments		51,122	41.0
National Grid	Gas, Water & Multi-Utilities	3,358	2.7
Unilever	Food Producers	3,310	2.7
Imperial Brands	Tobacco	3,250	2.6
BBA Aviation	Industrial Transport	3,022	2.4
Rio Tinto	Mining	2,993	2.4
Severn Trent	Gas, Water & Multi-Utilities	2,445	2.0
BAE Systems	Aerospace & Defence	2,431	2.0
Booker Group	Food & Drug Retailers	2,303	1.8
Reckitt Benckiser Group	Household Goods	2,289	1.8
Prudential	Life Insurance	2,179	1.8
Twenty largest equity investments		78,702	63.2
Barclays	Banks	2,007	1.6
WPP	Media	1,966	1.6
Smiths Group	General Industrial	1,925	1.5
Micro Focus International	Software & Computer Services	1,903	1.5
Howden Joinery Group	Support Services	1,768	1.4
UBM	Media	1,747	1.4
Daily Mail & General Trust	Media	1,683	1.4
Smith & Nephew	Healthcare	1,629	1.3
Land Securities Group	Real Estate	1,621	1.3
Melrose Industries	Industrial Engineering	1,616	1.3
Thirty largest equity investments		96,567	77.5
Other equity investments (23)		28,031	22.5
Total equity investments		124,598	100.0

Higher Yield Portfolio

At 30 September 2016			
Security	Sector	Market Value £'000	% of Higher Yield Portfolio
Paragon Group 7% 20/04/17	Mortgage Banks & Thrifts	694	5.9
British Telecom 2.25% 14/02/19	Telecom – Integrated/Services	510	4.3
Permanent Master ABS 15/07/42	Mortgage Backed	368	3.1
Unitymedia 5.125% 21/01/23	Media-Cable	318	2.7
AA Bond Co 4.7201% 02/07/43	ABS Automobile	312	2.6
Mitchells & Butler 1.05438% 15/12/28	Tobacco	292	2.4
MacQuarie Bank 3.5% 18/12/20	Banking	287	2.4
Smurfit Kappa Acquisition 5.125% 15/09/18	Forestry/Paper	280	2.4
Empark Funding 6.75% 15/12/19	Support-Services	270	2.3
Bharti Airtel International 4% 10/12/18	Telecom – Wireless	247	2.1
Ten largest higher yield investments		3,578	30.2
Investec Bank 9.625% 17/02/22	Banking	243	2.0
Verizon Communications 4.5% 15/09/20	Telecom – Integrated/Services	236	2.0
Kelda Finance 3 5.75% 17/02/20	Non-Electric Utilities	234	2.0
Belden 5.5% 15/04/23	Diversified Capital Goods	227	1.9
Marstons FRN 15/07/20	Restaurants & Bars	217	1.8
Provident Financial 8% 23/10/19	Financial Services	205	1.7
Goldman Sachs 6.125% 14/02/17	Banking	194	1.7
FCE Bank 2.759% 13/11/19	Auto Loans	192	1.6
Co-operative Group 5.625% 08/07/20	Specialty Retail	192	1.6
Glencore Funding 4.125% 30/05/23	Metals/Mining Excluding Steel	190	1.6
Twenty largest higher yield investments		5,708	48.1
Societe Generale 5.0% 17/01/24	Banking	188	1.6
Imperial Tobacco 6.25% 04/12/18	Tobacco	166	1.4
Arkle Master Issuer 4.681% 17/01/17	Mortgage Backed	162	1.4
America Movil 5.125% 06/09/73	Telecom – Wireless	161	1.4
ING Bank 6.875% 29/05/23	Banking	160	1.3
HSBC 6.375% 18/10/22	Banking	156	1.3
Intu Metrocentre Finance 4.125% 6/12/23	Commercial Mortgage Backed	156	1.3
MCE Finance 5% 15/02/21	Gaming	155	1.3
Stonegate Pub Company Financing 5.75% 15/04/19	Restaurants & Bars	154	1.3
Channel Link FRN 20/06/50	Railroads	149	1.3
Thirty largest higher yield investments		7,315	61.7
Other higher yield investments (48)		4,547	38.3
Total higher yield investments		11,862	100.0

Condensed Unaudited Consolidated Statement of Comprehensive Income

		Six months to 30 September 2016		
Notes		Revenue £'000	Capital £'000	Total £'000
	Gains/(losses) on investments held at fair value	–	13,674	13,674
	Exchange differences	–	(377)	(377)
2	Investment income	2,911	–	2,911
3	Investment management fee	(140)	(328)	(468)
	Other expenses	(153)	–	(153)
	Profit/(loss) before finance costs and taxation	2,618	12,969	15,587
	Net finance costs			
	Interest on bank loan	(89)	(208)	(297)
	Total finance costs	(89)	(208)	(297)
	Profit/(loss) before tax	2,529	12,761	15,290
	Tax on ordinary activities	–	–	–
	Profit/(loss) for the period	2,529	12,761	15,290
	Total comprehensive income for the period	2,529	12,761	15,290
4	Earnings per share	2.10p	10.59p	12.69p

All of the profit and comprehensive income for the period is attributable to the owners of the Company. All items in the above statement derive from continuing operations.

Six months to 30 September 2015			Year to 31 March 2016*		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	(9,361)	(9,361)	–	(6,640)	(6,640)
–	(3)	(3)	–	(325)	(325)
2,851	–	2,851	5,424	–	5,424
(134)	(312)	(446)	(267)	(623)	(890)
(193)	–	(193)	(408)	–	(408)
2,524	(9,676)	(7,152)	4,749	(7,588)	(2,839)
(89)	(208)	(297)	(178)	(416)	(594)
(89)	(208)	(297)	(178)	(416)	(594)
2,435	(9,884)	(7,449)	4,571	(8,004)	(3,433)
–	–	–	–	–	–
2,435	(9,884)	(7,449)	4,571	(8,004)	(3,433)
2,435	(9,884)	(7,449)	4,571	(8,004)	(3,433)
1.99p	(8.08)p	(6.09)p	3.74p	(6.55)p	(2.81)p

*these figures are audited.

Condensed Unaudited Consolidated Balance Sheet

As at				
Notes		30 September 2016 £'000	30 September 2015 £'000	31 March 2016* £'000
Non-current assets				
8	Investments held at fair value through profit or loss	136,460	125,346	127,605
		136,460	125,346	127,605
Current assets				
	Receivables	640	627	1,690
	Cash and cash equivalents	9,289	8,994	7,264
		9,929	9,621	8,954
Total assets				
		146,389	134,967	136,559
Current liabilities				
	Bank loan	(18,000)	–	–
	Payables	(310)	(332)	(2,031)
		(18,310)	(332)	(2,031)
Non-current liabilities				
9	Bank loan	–	(18,000)	(18,000)
		–	(18,000)	(18,000)
Total liabilities				
		(18,310)	(18,332)	(20,031)
Net assets				
		128,079	116,635	116,528
Capital and reserves				
10	Share capital	134	134	134
10	Share premium	153	153	153
10	Capital redemption reserve	5	5	5
10	Buy back reserve	84,204	86,425	85,092
	Special capital reserve	20,319	21,789	21,058
	Capital reserves	17,480	2,839	4,719
	Revenue reserve	5,784	5,290	5,367
Equity shareholders' funds				
		128,079	116,635	116,528
11	Net asset value per A share	106.82p	95.33p	96.42p
11	Net asset value per B share	106.82p	95.33p	96.42p

Approved by the Board, and authorised for issue, on 28 November 2016 and signed on its behalf by:

Iain McLaren, Director

*these figures are audited.

Condensed Unaudited Consolidated Statement of Changes in Equity

Notes	Six months to 30 September 2016 £'000	Six months to 30 September 2015 £'000	Year to 31 March 2016* £'000
Opening equity shareholders' funds	116,528	126,886	126,886
Net profit/(loss) for the period	15,290	(7,449)	(3,433)
10 Shares bought back for treasury	(888)	–	(1,333)
7 Dividends paid on A shares	(2,112)	(2,068)	(4,126)
7 Capital repayments paid on B shares	(739)	(734)	(1,466)
Closing equity shareholders' funds	128,079	116,635	116,528

*these figures are audited.

Condensed Unaudited Consolidated Cash Flow Statement

	Six months to 30 September 2016 £'000	Six months to 30 September 2015 £'000	Year to 31 March 2016* £'000
Net cash flow from operating activities	7,124	4,753	7,079
Net cash flow from financing activities	(4,711)	(3,099)	(6,844)
Net increase in cash and cash equivalents	2,413	1,654	235
Currency (losses)/gains	(388)	31	(280)
Net cash and cash equivalents at beginning of period	7,264	7,309	7,309
Net cash and cash equivalents at end of period	9,289	8,994	7,264

*these figures are audited.

Notes to the Condensed Accounts (unaudited)

1. Accounting Policies

The condensed unaudited consolidated financial statements have been prepared in accordance with *IAS 34 Interim Financial Reporting* and the accounting policies set out in the statutory accounts of the Group for the year ended 31 March 2016. The condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2016, which were prepared under full IFRS requirements to the extent that they have been adopted by the European Union.

2. Income for the period is derived from:

	30 September 2016 £'000	30 September 2015 £'000	31 March 2016 £'000
Equity investments	2,581	2,468	4,626
Fixed interest investments	319	372	761
Deposit interest	10	11	29
Underwriting commission and other income	1	–	8
	2,911	2,851	5,424

- The Company's investment manager is F&C Investment Business Limited. F&C Investment Business Limited receives an investment management fee of 0.75 per cent per annum of the net asset value of the Company payable quarterly in arrears.
- The earnings per share are based on the net profit for the period and on 120,454,847 shares (period to 30 September 2015 – 122,354,847; year to 31 March 2016 – 122,150,329), being the weighted average number of shares in issue during the period.
- Earnings for the six months to 30 September 2016 should not be taken as a guide to the results of the full year.

6. The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the view that the Group is engaged in a single segment of business, of investing in equity and higher yielding securities, and that therefore the Group has only a single operating segment. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Group. The key measure of performance used by the Board to assess the Group's performance is the total return on the Group's net asset value measuring debt at fair value. The reconciliation between the measure of profit or loss used by the Board and that contained in the financial statements is as follows:

	30 September 2016		30 September 2015		31 March 2016	
	£'000	Pence per share	£'000	Pence per share	£'000	Pence per share
Shareholders' funds per financial statements	128,079	106.82	116,635	95.33	116,528	96.42
Closing fair value adjustment on fixed-rate term loan	(171)	(0.14)	(123)	(0.10)	(156)	(0.13)
Shareholders' funds with debt at fair value	127,908	106.68	116,512	95.23	116,372	96.29
Profit/(loss) for the period per financial statements	15,290	12.69	(7,449)	(6.09)	(3,433)	(2.81)
Movement in fair value on fixed-rate term loan	(15)	(0.01)	(20)	(0.02)	(53)	(0.04)
Profit for the period with debt at fair value	15,275	(12.68)	(7,469)	(6.11)	(3,486)	(2.85)

Notes to the Condensed Accounts (unaudited) (continued)

7. Dividends and capital repayments

	Six months to 30 September 2016 £'000	Six months to 30 September 2015 £'000	Year to 31 March 2016 £'000
In respect of the previous period:			
Fourth interim dividend paid at 1.18p (2015: 1.15p) per A share	1,055	1,039	1,039
Fourth capital repayment paid at 1.18p (2015: 1.15p) per B share	371	368	368
In respect of the period under review:			
First interim dividend paid at 1.17p (2015: 1.14p) per A share	1,057	1,029	1,029
First capital repayment paid at 1.17p (2015: 1.14p) per B share	368	366	366
Second interim dividend paid at 1.14p per A share	–	–	1,029
Second capital repayment paid at 1.14p per B share	–	–	366
Third interim dividend paid at 1.14p per A share	–	–	1,029
Third capital repayment paid at 1.14p per B share	–	–	366
	2,851	2,802	5,592

A second interim dividend for the year to 31 March 2017, of 1.17p per A share, was paid on 4 November 2016 to A shareholders on the register on 7 October 2016. A second quarter capital repayment of 1.17p per B share was paid on 4 November 2016 to B shareholders on the register on 7 October 2016. Although these payments relate to the period ended 30 September 2016, under IFRS they will be accounted for in the six months to 31 March 2017, being the period during which they are paid.

8. Investments held at fair value through profit or loss

	Group (Level 1) £'000
Opening book cost	108,112
Opening fair value adjustment	19,493
Opening valuation	127,605
Movement in the period:	
Purchases at cost	7,530
Sales – proceeds	(12,349)
– gains on sales	2,628
Increase in fair value adjustment	11,046
Closing valuation at 30 September 2016	136,460
Closing book cost at 30 September 2016	105,921
Closing fair value adjustment at 30 September 2016	30,539
Closing valuation at 30 September 2016	136,460

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

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

There were no transfers between levels of the fair value hierarchy during the six months ended 30 September 2016.

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

The fair value of the £18 million term loan, on a marked to market basis, was £18,171,000 at 30 September 2016 (30 September 2015 – £18,123,000; 31 March 2016 – £18,156,000).

Notes to the Condensed Accounts (unaudited) (continued)

- 10.** The Company bought back 750,000 A shares to hold in treasury during the period (period to 30 September 2015 – nil A shares; year to 31 March 2016 – 850,000 A shares) and 200,000 B shares during the period (period to 30 September 2015 – nil B shares; year to 31 March 2016 – 650,000 B shares). The Company did not resell any A shares or B Shares from treasury (period to 30 September 2015 – nil A or B Shares; year to 31 March 2016 – nil A or B Shares).

At 30 September 2016 the Company held 13,389,000 A shares and 850,000 B shares in treasury (30 September 2015 – 11,789,000 A shares and nil B shares; 31 March 2016 – 12,639,000 A shares and 650,000 B shares).

The Company did not issue any new shares during the period (period to 30 September 2015 – nil; year to 31 March 2016 – nil).

- 11.** The net asset value per share is based on shareholders' funds at the period end and on 88,678,144 A shares and 31,226,703 B shares, being the number of shares in issue at the period end (30 September 2015 – 90,278,144 A shares and 32,076,703 B shares; 31 March 2016 – 89,428,144 A shares and 31,426,703 B shares).
- 12.** Other than the bank term loan, as disclosed in note 9, the fair values of the Group's financial assets and liabilities are not materially different from their carrying values in the financial statements.

The Group's financial risk management objectives and policies are consistent with those disclosed in the Group's consolidated financial statements for the year ended 31 March 2016.

- 13.** 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 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. 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.

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 accounts. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

- 14.** The Group results consolidate those of Investors Securities Company Limited, a wholly owned subsidiary which deals in securities.
- 15.** The Company's auditor, Ernst & Young LLP, has not audited or reviewed the Interim Report to 30 September 2016 pursuant to the Auditing Practices Board guidance on 'Review of Interim Financial Information'. These are not full statutory accounts in terms of Section 434 of the Companies Act 2006 and are unaudited. Statutory accounts for the year ended 31 March 2016, which received an unqualified audit report and which did not contain a statement under Section 498 of the Companies Act 2006, have been lodged with the Registrar of Companies. No full statutory accounts in respect of any period after 31 March 2016 have been reported on by the Company's auditor or delivered to the Registrar of Companies.

Statement of Principal Risks and Uncertainties

Most of the Company's principal risks are market related and comparable to those of other investment trusts investing primarily in listed securities. These risks, and the way in which they are managed, are described under the heading 'Principal Risks and Viability Statement' within the Strategic Report in the Group's Annual Report for the year ended 31 March 2016. The Company's principal risks and uncertainties have not changed materially since the date

of that report and are not expected to change materially for the remainder of the Group's financial year. The most important types of risk associated with financial instruments are credit risk, market price risk, liquidity risk, interest rate risk and foreign currency risk. Other risks faced by the Company include investment and strategic, regulatory, operational and custody risks.

Statement of Directors' Responsibilities in Respect of the Interim Report

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Chairman's Statement (constituting the Interim Management Report) together with the Statement of Principal Risks and Uncertainties include a fair review of the information required by the Disclosure and Transparency Rules ('DTR') 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and

- the Chairman's Statement together with the condensed set of consolidated financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board

Iain McLaren

Director

28 November 2016

Shareholder Information

Dividends

Dividends on A shares and capital repayments on B shares are paid quarterly in August, November, February and May each year. Shareholders who wish to have distributions paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandates may be obtained from Equiniti Limited (see Corporate Information page for contact details) on request. The Company operates the BACS system for the payment of distributions. Where distributions are paid directly into shareholders' bank accounts, dividend and capital repayment tax vouchers are sent directly to shareholders' registered addresses.

Share Prices and Daily Net Asset Value

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

Change of Address

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

Financial Calendar 2016/17

4 November 2016	Second quarter's distribution paid (XD Date 6 October 2016)
3 February 2017	Third quarter's distribution paid (XD Date 5 January 2017)
5 May 2017	Fourth quarter's distribution paid (XD Date 6 April 2017)
May 2017	Announcement of Annual Results and Posting of Annual Report
June 2017	Annual General Meeting

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/consumers
- 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/consumers where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **0800 111 6768**. If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

How to Invest

One of the most convenient ways to invest in Investors Capital Trust plc is through one of the savings plans run by F&C 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.co.uk.

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.co.uk

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, or a combination of both. 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.co.uk¹

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), 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 you can get more details on any of our Savings Plans by going to www.fandc.co.uk. F&C cannot give advice on the suitability of investing in our investment trusts or savings plans. If you have any doubt as to the suitability of an investment, please contact a financial adviser.

HOW TO INVEST

If you're opening a new plan it's easy to apply online by going to www.fandc.com/apply.²

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

¹Please note this account is only available for investors who already hold a CTF, and no new accounts can be opened. ²Please note that applying online is not available if you are transferring an existing plan with another provider to F&C, or if you are applying for a new plan in more than one name.

*8:30am-5:30pm, weekdays. **9:00am-5:00pm, weekdays. All calls may be recorded for training and quality purposes.

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 Managers 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

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Ten George Street
Edinburgh EH2 2DZ

Depository

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25 Bank Street
Canary Wharf
London E14 5JP

Principal Bankers and Custodian

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

Solicitors

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Company Number

SC314671

Website

www.investorscapital.co.uk

* Chairman of the Audit Committee

Investors Capital Trust plc

INTERIM REPORT 2016

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Fax: 0131 718 1280

Registrars and Transfer Office

Equiniti
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 are charged at £1 per minute from a BT landline. Other telephony providers' costs may vary.
Lines open 8.30 am to 5.30 pm, Monday to Friday.

‡ Local overseas call rates will apply.