

FOUNDED
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THE INVESTMENT COMPANY PLC

REGISTERED No. 4205
ENGLAND AND WALES

REPORT AND ACCOUNTS

31 MARCH 2011

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DIRECTORS AND ADVISERS

Sir Frederick Douglas David Thomson Bt. (*Chairman*)
Stephen John Cockburn (*Managing Director*)
Miss Joan Beryl Webb
Peter Stanley Allen
Philip Albert Lovegrove OBE

Sir David Thomson Bt. (aged 71) was appointed to the Board and elected Chairman in 2005. He is Chairman of S.A. Meacock & Company Limited and a director of Through Transport Mutual Insurance Association Ltd.

S. J. Cockburn (aged 71) was appointed to the Board in 1991 and as Managing Director in September 1994. He is a non-executive director of Fiske plc and a director of Associated British Engineering plc. He has managed portfolios specialising in preference shares for many years.

Miss Joan Webb (aged 82) was appointed to the Board in 1991 and is the Company's largest ordinary shareholder.

P. S. Allen (aged 62) was appointed to the Board in 1996. He trained as an investment analyst with Kleinwort Benson. He has managed portfolios specialising in preference shares for many years.

P. A. Lovegrove OBE (aged 73) was appointed to the Board in 2006. He has been involved in asset management, corporate finance and corporate recoveries in the City of London for more than 40 years.

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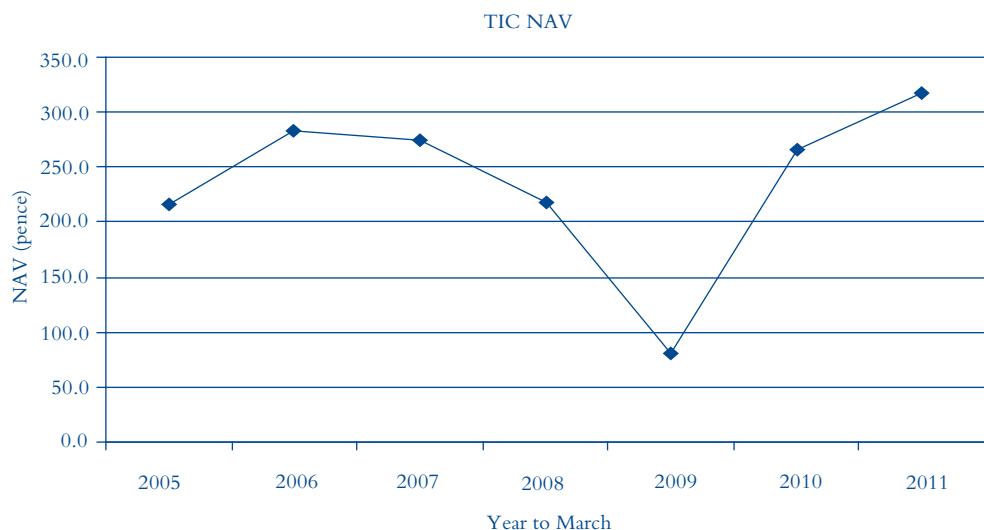
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CHAIRMAN'S STATEMENT

In my statement with the Interim Accounts on the 17 November last I advised you that the net asset value (NAV) per 50p ordinary share at 30 September 2010 was 298.81p. In February we announced that the NAV at 31 December 2010 was virtually unchanged at 298.42p. We had seen a fall in the prices of our largest investments, the Enhanced Capital Notes of the Lloyds Banking Group and our holdings of prior charge securities in The Royal Bank of Scotland Group but the fact that our NAV per ordinary share had been maintained was due to the appreciation in value of our large shareholdings of Delta plc 4.5% preference shares and Dunlop Plantations 6% preference shares both of which were redeemed at par plus accrued dividends in early 2011. The receipt of nearly £2 million in cash enabled us to repay all our loans from Barclays Bank. I would however emphasise that the facility to borrow at attractively low rates of interest to the extent of £1,500,000 remains in existence.

I am pleased to say today that by the 31 March 2011 the net assets per ordinary share had risen further in market value to 318.24p. Over the last six years our performance is illustrated in the following chart.



Shareholders may have found the reconciliation table included in my statement last year helpful towards an understanding of where the gain in NAV arose during the year. This year's result is accounted for below.

	£	p	p
Opening NAV			265.45
Revenue in year	230,852	12.37	
less participating element of preference dividend	(37,461)	(2.01)	
	193,391	10.36	
Realised gains on investments	1,202,663	64.40	
Movement in impairment provisions	(119,597)	(6.40)	
	1,083,066	58.00	
			68.36
Revaluation reserve at year-end	2,452,571		
Revaluation reserve at start of year	2,649,706		
Decrease in the year in unrealised appreciation of investments above cost	(197,135)		(10.57)
Dividends paid to ordinary shareholders	(93,370)		(5.00)
Closing NAV			318.24

CHAIRMAN'S STATEMENT *continued*

Our holding of 874,347 Coats International 6% preference shares were redeemed at par on the last day of our year so we were comfortably liquid despite the further redemption of a tranche of the outstanding 5% loan notes and the payment of a half year's dividend on the participating preference shares on 1 April.

Following these three redemptions of major holdings, shareholders will note the resulting preponderance in the portfolio of investments held in financial companies. After the merger of Halifax Bank of Scotland and Lloyds TSB the Board raised from 10% to 20% its objective ceiling for the proportion of the portfolio at cost in the securities of any one company or issuer. However as a result of the substantial unrealised appreciation in the value of our holdings in the Lloyds Banking Group, that institution now accounts for over 30% of the present market value of our portfolio.

Out of our increased earnings per ordinary share of 10.36p (9.31p last year) your Board has resolved to recommend a final dividend of 4p on the ordinary shares (3p in 2010) which will be payable on 22 July to shareholders on the Register on 24 June subject to shareholders confirmation at the Annual General Meeting. The shares will be quoted xd on the London Stock Exchange on 22 June. The participation dividend, payable to the preference shareholders on 1 October together with the usual half year basic payment of 3.5p, will therefore amount to 1p (0.75p in 2010).

While there is much discussion, mainly by economists and journalists, as to when the inevitable increase in Bank Base Rate will occur, the present low interest rate regime has already lasted beyond most commentators' furthest expectations. While therefore it does not suit us to have cash because we cannot obtain any significant return, it does mean that our banking facility can from time to time be utilised for the benefit of our revenue account. We shall continue to do this when we consider the investment opportunity to justify the risks so often commensurate with a high interest rate return.

As shareholders will probably remember we were rapped over the knuckles by the Financial Reporting Review Panel a few years ago when the Accountancy profession (in clear contrast to the Legal profession which considers Preference Shares to be part of the capital of a company) decided to account for preference capital as long term creditors of a company. We were obliged to go along with this as far as our accounts are concerned but we remain firmly of the opinion that preference shareholders are precisely what they say they are – shareholders in a company with certain rights, such as priority as to dividends and to repayment of capital ahead of ordinary shareholders and rights in certain circumstances to vote at general meetings, which are quite different from the rights of creditors in general.

We are therefore disconcerted by the decision of the Directors of Bioquell plc and their Auditors Deloitte to remove completely the 150,000 issued and listed 7.5% preference shares from the statement, in that company's accounts, of its authorised and issued share capital and to note (without mentioning the coupon) that there is £150,000 of First preference shares under "Creditors: Amounts falling due after one year". This policy has been in force since "IFRS 25 was adopted on 1 January 2006" but we were not conscious of the omission of our holding (and we hold 74.4% of the Bioquell issue) from the Issued Capital note.

Other companies, for example Low and Bonar plc, account similarly for their three issues of preference shares but record in detail their existence under Issued Capital. We are prepared to tolerate the vagaries of accounting policies which seem to change with improbable and rather disconcerting regularity, but to interfere with fixed statutory legal realities by deletion or omission is carrying things a bit far. Preference shareholders beware! Your very existence is being put in doubt.

Sir David Thomson Bt.

Chairman

23 May 2011

DIRECTORS' REPORT

Principal activities and review of the business

The directors present to the Members the Company's financial statements for the year ended 31 March 2011, which incorporate the consolidated results of the Company and its subsidiary undertakings.

Review of the Business

The principal activity of the Company is investment in preference shares and prior charge securities with a view to achieving a high rate of income and capital growth over the medium term. A full review of the activities of the Company in the year under review is given in the Chairman's Statement.

The Company also owns an investment dealing company, Abport Limited.

Results and Dividends

A final dividend of 4p (2010 Final: 3p) per ordinary share will be paid, subject to shareholders' approval, on 22 July 2011, which together with the interim dividend of 2p (2010: 2p) makes a total of 6p (2010: 5p) for the year. Half-yearly dividends have been paid on the Participating Preference Shares of 4.25p on 1 October 2010 (2009: 4.25p) and of 3.5p on 1 April 2011 (2010: 3.5p).

The consolidated net asset value per ordinary share at 31 March 2011, before deducting the proposed final ordinary dividend, was 318.24 per share (2010: 265.45p).

The consolidated balance sheet shows net assets at 31 March 2011 of £8,440,264 and the Company's balance sheet shows net assets of £11,341,251. The difference relates to the cost of non-voting shares in the Company held by New Centurion Trust Limited, which are shown as a reduction in shareholders' funds in the consolidated balance sheet, the post acquisition results of the Company's subsidiaries and an historic charge for amortised goodwill. A reconciliation of the differences in the balance sheets is given in note 18 to the accounts.

Strategy and investment policy

The Company's objective is to achieve attractive and sustainable growth in Earnings per Share and Net Asset Value principally through investment in preference shares and prior charge securities. The board seeks to achieve this objective through investment in a diversified portfolio of holdings such that no investment, at the time it is made, results in more than 20% of the portfolio being in the securities of any one company or issuer. In addition, the board seeks to ensure that the portfolio is substantially invested into preference shares and prior charge securities, with no more than 10% of the portfolio invested in ordinary shares, with the portfolio being, subject to special circumstances, predominantly in sterling denominated instruments of United Kingdom-based issuers.

The Company's structure has given rise to a high level of gearing. This has been reduced in both absolute and relative terms during the year following the redemption of a number of the Company's long term holdings. It is the board's long-term objective to reduce the Company's gearing to at least a level such that the cost thereof is, together with any ordinary dividends, met out of current revenue.

Future Developments

All investments will be reviewed in the context of changing economic conditions. The directors consider that the general policies adopted over the last few years should be as successful in the future as they have been in the past. Despite the rougher economic seas in which our country finds itself today the present Board of directors are confident that the company's portfolio of investments is well placed to weather the storm.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the Group are:

- (i) Investment decisions: the performance of the Company's portfolio is dependent on a number of factors including, but not limited to the quality of initial investment decisions and the strategy and timing of sales;
- (ii) Investment valuations: the valuation of the Company's portfolio and opportunities for realisations depend to some extent on stock market conditions and interest rates; and
- (iii) Macro-economic environment for preference shares and prior charge securities: the environment for issuing of new preference shares and prior charge securities determines whether new issues become available, thus widening the choice and scope of investment opportunities for the Company.

Further information is set out in note 23 to the accounts.

Environmental impact

The Directors consider that there is no material environmental impact arising from the Company's activities.

Social and community issues

This review does not contain any information pertaining to social and community issues.

Key performance indicators

During the year the Earnings per Ordinary Share on the revenue account increased from 9.31p to 10.36p whilst the Net Asset Value per Ordinary share increased from 265.45p to 318.24p.

Going Concern

The directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements as the assets of the Company consist mainly of securities which are readily realisable. The directors are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future and accordingly have continued to adopt the going concern basis in preparing the financial statements.

Share Capital

At the year end, the Company's authorised and issued share capital consisted of:

	Authorised No.	Issued No.
Ordinary shares of 50p	4,000,000	
of which:		
– voting shares	1,899,891	
– non-voting ordinary shares	1,717,565	
Preference shares of 50p	12,640,000	4,994,805

Interest in own shares

On 7 March 2005 the Company acquired the entire issued share capital of its then parent company, New Centurion Trust Limited. As a result of the transaction the Company holds indirectly 1,717,565 ordinary shares of 50p each in itself. These shares have been re-designated as non-voting shares. The dividends payable on these shares have been waived.

The Company holds 32,500 ordinary shares in treasury. These were purchased during the year to 31 March 2010 and have now been re-designated as non-voting shares whilst so held.

Substantial interests

At the date of approval of the financial statements the following interests of 3% or more of the issued Ordinary share capital had been notified to the Company:

	%	Number of Ordinary shares
Miss J. B. Webb	25.05	475,886
Mrs J. P. Brown	11.18	212,343
Mrs S. Williams	11.18	212,343
Shirlstar Container Transport Limited Pension Fund	10.25	194,650
S. J. Cockburn	9.93	188,647
Sir David Thomson Bt.	3.00	57,000

Taxation Status

The directors are of the opinion that the Company is not a close company.

Rights and obligations attaching to each class of share

The Ordinary Shares entitle the holders to receive all ordinary dividends and all remaining assets on a winding up, after the Participating Preference Shares have been satisfied in full.

The non-voting ordinary shares, held by New Centurion Trust Limited, a wholly owned subsidiary of the Company, rank *pari passu* with the existing ordinary shares except that they do not have a right to vote at General Meetings of the Company. The treasury shares held by the Company have been treated likewise.

The participating preference shares entitle the holders, in priority to the payment of any dividend to the holders of all or any other shares in the capital of the company, to a fixed net cash cumulative dividend at the rate of 7p per share per annum. In addition, holders are entitled to a participating dividend at the rate of 25% of any dividends paid on the Ordinary Shares in excess of 2p per share for any year, subject to a maximum participating dividend in respect of any year of 3p net per share. On any return of capital holders are entitled to the payment of a premium of 50p per share. The shares also confer voting rights in certain circumstances.

Restrictions on the transfer of shares

The Directors may, in their absolute discretion and without assigning any ground or reason therefor, decline to register any transfer of any share (not being a fully paid share) to a person of whom they shall not approve. They may also decline to register any transfer of any share (including a fully paid share) on which the Company has a lien or in respect of which the shareholder is in default in complying with a notice under Section 793 of the Companies Act 2006.

The Directors are not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or voting rights. The Directors are not aware of any other restrictions on the transfer of shares in the Company other than certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws).

Amendments to Articles of Association

The amendment of the Company's Articles of Association is governed by relevant statutes. The Articles may be amended by special resolution of the shareholders in general meeting.

Corporate Governance

The Company is committed to high standards of corporate governance and to the principles of good governance set out in the Combined Code on Corporate Governance (the Combined Code). The Directors have reviewed the detailed principles and recommendations actioned in the Combined Code and believe that, to the extent that they are relevant to the Company's business, they have complied with the provisions of the Combined Code during the year ended 31 March 2011 and that the Company's current practice is, in all material aspects, consistent with the principles of the Combined Code.

The Board confirms that, to the best of its knowledge and understanding, the Company has complied throughout the accounting period with all the relevant provisions as set out in section 1 of the Combined Code.

The Board also confirms that, to the best of its knowledge and understanding, procedures were in place to meet the requirements of the Combined Code relating to internal controls throughout the year under review. However, no formal policy or procedures have been documented as the directors do not consider that such practice is appropriate for the Company.

Board of Directors

With the exception of Mr Stephen Cockburn who is Managing Director and is responsible for the investment management, the Board consists of independent non-executive directors. In particular the balance of executive and non-executive directors has been designed to ensure the independence of the Board. The Board is responsible for all matters of direction and control of the Company, including its investment policy, and no one individual has unfettered powers of decision. The directors review at regular meetings the Company's investments and all other important issues to ensure that control is maintained over the Company's affairs.

The directors meet at regular Board meetings held at least once a quarter. Additional meetings and telephone meetings are arranged as necessary. During the year ended 31 March 2011 the number of full and scheduled Board meetings and Committee meetings attended by each director was as follows:

	Board Meetings	Audit Committee Meetings
Sir David Thomson Bt.	4 (4)	2 (2)
S. J. Cockburn	4 (4)	– (–)
Miss J. B. Webb	4 (4)	– (–)
P. S. Allen	4 (4)	– (–)
P. A. Lovegrove	4 (4)	2 (2)

Figures in brackets indicate the maximum number of meetings held in the year in respect of which the individual was a board/committee member

Committees of the Board

The Company has appointed a number of committees to monitor specific operations. However given its size, the Board does not believe that there is a requirement to establish a Nominations Committee.

Audit Committee

The Audit Committee comprises Philip Lovegrove and Sir David Thomson, both of whom are non-executive directors of the Company. The Committee is chaired by Philip Lovegrove and met on two occasions last year to review and approve the Company's Annual Report and Accounts and the Interim Financial Statement.

The primary responsibilities of the Audit Committee are to review the effectiveness of the internal control environment of the Company; to monitor adherence to best practice in corporate governance; to make recommendations to the Board in relation to the re-appointment of the Auditors and to approve their remuneration and terms of engagement; to review and monitor the Auditors' independence and objectivity and the effectiveness of the audit process and provide a forum through which the Company's Auditors report to the Board. The Audit Committee also has responsibility for monitoring the integrity of the financial statements and accounting policies of the Company; and receiving reports from the compliance officer of the Administrator. Committee members consider that individually and collectively they are appropriately experienced to fulfil the role required. The Audit Committee has formal written terms of reference.

Saffery Champness, the Company's Auditors, attend the meeting of the Audit Committee to approve the Annual Report and have direct access to Committee members. A member of the Audit Committee will be present at the Annual General Meeting to deal with any questions relating to the accounts.

Due to the management structure of the Company no policy or procedures exist for staff to raise concerns concerning any matters of financial reporting.

Remuneration Committee

The Remuneration Committee comprises all the independent non-executive directors. During the year, Sir David Thomson chaired the committee which has been formally constituted to determine and approve directors' fees. Directors' fees are determined following proper consideration of the role that individual directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs, having regard to the industry generally.

Detailed information on the remuneration arrangements for the directors of the Company can be found in the Directors' Remuneration Report set out below and in note 3 to the financial statements.

Performance evaluation

The Chairman has confirmed that all Directors have been subject to performance evaluation and as part of this evaluation the Chairman confirms that they continue to demonstrate commitment to their role and in his view responsibly to fulfil their functions.

Independent professional advice

The Board has formalised arrangements under which the directors, in the furtherance of their duties, may seek independent professional advice at the Company's expense.

Chairman and Senior Independent Director

The Chairman, Sir David Thomson, is deemed by his fellow independent Board members to be independent and to have no conflicting relationships. Sir David Thomson is Chairman of S.A. Meacock & Company Limited and a director of Through Transport Mutual Insurance Association Ltd. He considers himself to have sufficient time to commit to the Company's affairs.

Given the size and nature of the Board it is not considered appropriate to appoint a senior independent director and this is non-compliant with Combined Code Provision A.1.2. Stephen Cockburn is the Company's Managing Director, and therefore the roles of the Chairman and Managing Director are separated.

Directors' independence

The Board has reviewed the independent status of its individual directors and the Board as a whole.

Stephen Cockburn is the Managing Director of the Company, and is therefore considered not to be independent under the terms of the Combined Code.

The Combined Code requires that this report should identify each non-executive director the Board considers to be independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement.

The Board has considered the fact that Peter Allen has served on the Board since 1996. The AIC's Code of Corporate Governance recognises that, in the context of an investment company, long service need not compromise independence and the Directors are satisfied that it has not done so in the case of Mr Allen because of his active participation in the preference share market independently of the Company. In the case of Miss Webb, the Board has considered not only her length of service on the Board, but also her substantial holdings of shares and loan notes of the Company. Given this combination of factors the Board recognises that she would not, technically, be regarded as independent under the terms of the Combined Code. Nevertheless the other directors believe that she continues to bring to the Board the benefit of her independent judgement.

In the Board's opinion Sir David Thomson and Philip Lovegrove are also considered to be independent in both character and judgement. Accordingly, four of the five Board members are independent, thus the majority of the Board is comprised of independent non-executive directors.

Under the Articles of Association, all directors with the exception of the Managing Director are subject to periodic retirement and re-election by shareholders. In order to comply with the Combined Code, and the Articles of Association, the directors have adopted a policy providing for all non-executive directors to submit themselves for re-election at least every three years. Resolutions to re-elect Miss Joan Webb and Peter Allen are contained within the notice of the Annual General Meeting on page 42. The other Board members recommend that shareholders vote for their re-election as they believe that their skills, knowledge and overall performances are of continued benefit to the Company. All directors have actively contributed in meetings throughout the year.

Shareholders are invited to consider the information set out herein on an individual basis, before voting on the re-election of the directors.

The information about the directors, which appears on page 1, demonstrates the wide range of skills and experience they bring to the Board.

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing this report and the financial statements in accordance with applicable United Kingdom law and regulations and those International Financial Reporting Standards (IFRS) adopted by the European Union. Company law requires the Directors to prepare financial statements for each financial period which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business; and
- 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 entity's financial position and financial performance.

The Directors confirm that they have complied with the above requirements when preparing the financial statements and that the Chairman's Statement and the Directors' Report include a fair review of the performance and the development of the company together with a description of the principal risks and uncertainties faced.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulations. The Directors are responsible for ensuring that the Directors' report and other information in the annual report is prepared in accordance with Company law in the United Kingdom. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority. They also have responsibility for safeguarding the assets of the Group and for taking such steps as are reasonably open to them to prevent and detect fraud and other irregularities.

Relations with shareholders

Communication with shareholders is given a high priority by the Board and the directors are available to enter into dialogue with shareholders. All shareholders are encouraged to attend and vote at the Annual General Meeting during which the Board is available to discuss issues affecting the Company.

Board responsibilities and relationship with service providers

The Board is responsible for the determination and implementation of the Company's investment policy and for monitoring compliance with the Company's objectives. Some of the Company's main functions have been subcontracted to service providers, engaged under separate legal agreements. At each Board meeting the directors follow a formal agenda, which is circulated in advance by the Company Secretary. The Board's main roles are to create value for shareholders and to approve the Company's strategic objectives. Specific responsibilities of the Board include: reviewing the Company's investments, asset allocation, gearing policy, cash management, investment outlook and revenue forecasts.

The Board has contractually delegated to Fiske plc (the "Administrator") all day-to-day accounting and company secretarial duties as well as the administration and safe custody of its investments. The Administrator prepares management accounts, valuations of investments, statements of transactions and forecasts of cash surpluses or requirements which are provided in advance of all regular meetings of the Board (which are held at least four times a year). Mr Cockburn, as Managing Director, presents these documents at the meetings to allow the Board as a whole to assess the Company's activities and review its performance.

The Board considers, at each meeting, future strategy with regard to the investment criteria to be followed by the Company, including criteria concerning risk. The Board may seek independent advice regarding any proposed investments of an unusual nature, such as investments in unquoted securities. No formal review of the Group's system of internal control has been undertaken during the year.

The Administrator, being regulated by the Financial Services Authority under the Financial Services and Markets Act 2000, continually reviews its own compliance procedures in accordance with the financial, safe custody, conduct of business and other rules to which it is subject.

Management of the Company's assets is conducted by the Managing Director who has discretion to manage the assets of the Company in accordance with the Company's objectives and policies. At each Board meeting, the Managing Director presents verbal and written reports covering the activity, portfolio and investment performance over the preceding period. Ongoing communication with the other members of the Board is maintained between formal meetings.

The directors are responsible to the shareholders for the overall management of the Group and may exercise all the powers of the Company subject to the provisions of relevant statutes, the Company's Memorandum and Articles of Association and any directions given by special resolution of the shareholders. In particular the Articles of Association empower the directors to issue and buy back ordinary and preference shares, which powers are exercisable in accordance with authorities approved from time to time by shareholders in general meeting. At the Annual General Meeting in August 2010, shareholders renewed the directors' authority to allot Ordinary Shares of 50p each and Participating Preference Shares of 50p each and to make market purchases of Ordinary Shares of 50p each and Participating Preference Shares of 50p each on behalf of the Company subject to the limits set out in those resolutions. Details of the authorities which the directors will be seeking at the Annual General Meeting to be held in July 2011 are set out in the Notice of Meeting on pages 42 and 43.

The Articles of Association also specifically empower the directors to exercise the Company's powers to borrow money and to mortgage or charge the Company's assets and any uncalled capital and to issue debentures and other securities, subject to the limits set out in the Articles.

Creditor payment policy

The Company's policy is to pay suppliers by return of post. As a result, there were no trade creditors payable at the year end (2010: £nil).

Internal Control

The Combined Code requires that the Board should maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets.

Given the size of the Group, an internal audit department is considered unnecessary, although this need is reviewed annually.

The key procedures that have been established with a view to providing effective internal controls are as follows:

- Investment management is provided by the Managing Director. The Board is responsible for setting the overall investment policy and monitors the action of the Managing Director at regular Board meetings.
- The provision of office accommodation, administration, accounting, custody of assets and company secretarial duties is the responsibility of the Administrator.
- The non-executive directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved; the Board monitors their ongoing performance and contractual arrangements.
- Mandates for authorisation of investment transactions and expense payments are set by the Board.

Statement of disclosure to auditors

So far as each of the directors is aware, there is no relevant audit information of which the Company's auditors are unaware and each of the directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the Company's auditors have been made aware of that information.

Auditors

The directors review the terms of reference for the auditors and obtain written confirmation that the firm has complied with its relevant ethical guidance on ensuring independence. Saffery Champness provide audit services to the Company and Group as well as corporation tax compliance services. The Board reviews the level of their fees to ensure they remain competitive and to ensure no conflicts of interest arise.

Directors and their Share Interests

The Directors who held office in the period up to the date of approval of these accounts and their beneficial interests in the Company's issued share capital at the period end were:

	Interest at end of period		Interest at start of period or date of appointment	
	Ordinary 50p	Participating Pref. 50p	Ordinary 50p	Participating Pref. 50p
	57,000	—	57,000	—
Sir David Thomson Bt. (Chairman)★	57,000	—	57,000	—
S. J. Cockburn (Managing Director)†	188,647	28,000	188,647	28,000
Miss J. B. Webb★	475,886	204,800	475,886	204,800
P. S. Allen★	20,000	—	20,000	—
P. A. Lovegrove★	11,000	—	11,000	—

★ Non-executive

† In addition, Mr S. J. Cockburn has a non-beneficial interest in 41,000 ordinary shares and 4,000 participating preference shares (at 31 March 2010: 41,000 ordinary shares and 4,000 participating preference shares).

Following redemptions of the Unsecured 5% Loan Notes 2010/2015 issued by the Company, Miss Joan Webb holds £731,401 (2010: £914,251) of the Unsecured 5% Loan Notes 2010/2015.

There have been no other changes in the above interests since 31 March 2011.

Miss Joan Webb and Peter Allen retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Directors' remuneration report

The Board has prepared this report, in accordance with section 421 of the Companies Act 2006, which applies to companies quoted on the Official List of the London Stock Exchange. The law requires your Company's auditors to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such.

Remuneration Committee

The Remuneration Committee is chaired by Sir David Thomson and consists of the non-executive directors.

Policy on Directors' fees

The Board's policy is that the remuneration of the directors should reflect the experience of the Board as a whole, and is determined with reference to comparable financial organisations and appointments. It is intended that this policy will continue for the current year to 31 March 2012. Directors' fees are determined within the limits set out in the Company's Articles of Association, and they are not normally eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Director's service contract

The terms of appointment provide that each of the non-executive directors shall retire and be subject to election at the first Annual General Meeting after their appointment, and not less than every three years thereafter. The service contract of the Managing Director and the agreement for the provision of administration and accommodation services by Fiske plc, in which Mr Cockburn is deemed to be interested as a non-executive director and shareholder of Fiske plc, are available for inspection by shareholders at the place of the AGM of the Company during the meeting and for 15 minutes beforehand.

The service contract of the Managing Director, entered into in January 2005, may be terminated by the Company by not less than 12 months written notice, and provides that in the event of such termination, compensation shall be limited to Mr Cockburn's entitlement to receive his salary until the expiry of such notice period. The service contract provides that his annual remuneration as Managing Director shall be £50,000 in addition to his Directors' fee of £13,500. Mr Cockburn volunteered a 50% reduction in his managing director's salary from 1 September 2008. In the current year, a bonus of £10,000 was paid to Mr Cockburn in recognition of the significant upturn in the Company's NAV in the year to March 2010, although he has not felt it appropriate for the former salary to be re-instated at this stage.

The Managing Director is not, under the Articles, required to submit himself for re-election as a Director of the Company at any time.

Performance graph of Total Shareholder Return

The directors do not normally receive any performance-related remuneration and there are no comparable indices against which the Company feels able to measure itself. Consequently, it has not prepared a graph showing total shareholder return.

Directors' emoluments for the year ended 31 March 2011 (audited)

The directors who served during the year received the following emoluments in the form of fees and salaries:

	Year ended 31 March 2011	Year ended 31 March 2010
	£	£
Sir David Thomson Bt.	13,500	13,000
S. J. Cockburn	48,500	38,000
Miss J. B. Webb	10,500	10,000
P. S. Allen	10,500	10,000
P. A. Lovegrove	13,500	13,000
	<hr/> <hr/> 96,500	<hr/> <hr/> 84,000

None of the directors has any other entitlement to remuneration for their services to the Company save as mentioned above.

DIRECTORS' REPORT *continued*

Directors' interests in contracts

Details of directors' interests in contracts are shown in Note 21 to the financial statements. Other than those transactions, none of the directors has or has had any interest in any transaction which is or was unusual in nature or conditions or significant to the business of the Company and which was effected by the Company during the year. At the date of this report, there are no outstanding loans by the Company or its subsidiaries to any director.

Annual General Meeting

Notice of the Annual General Meeting, which is to be held at the offices of Fiske plc, 3rd Floor, Salisbury House, London Wall, London, EC2M 5QS at 12.30 pm on 20 July 2011 is set out on pages 42 and 43. In addition to routine business, resolutions will be proposed at the Annual General Meeting to grant the Directors authority to allot shares and provide a limited dis-application of pre-emption rights. The approval of these resolutions will allow the directors flexibility in managing the Company.

Saffery Champness are willing to remain in office and a resolution for their reappointment will be proposed at the Annual General Meeting.

3rd Floor
Salisbury House
London Wall
London EC2M 5QS

23 May 2011

By Order of the Board
James P. Q. Harrison
Secretary

THE INVESTMENT COMPANY PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements of The Investment Company plc for the year ended 31 March 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Change in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on pages 10 and 11, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the group and of the parent company as at 31 March 2011 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been 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 consolidated financial statements, Article 4 of the IAS Regulations.

THE INVESTMENT COMPANY PLC
INDEPENDENT AUDITORS' REPORT TO
THE MEMBERS *continued*

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' statement, on page 5, in relation to going concern;
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Donna Caira

23 May 2011

(Senior Statutory Auditor)

For and on behalf of Saffery Champness

Lion House

Chartered Accountant

Red Lion Street

Statutory Auditors

London

WC1R 4GB

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2011

Notes	2011			2010		
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Total income	2	1,063,628	–	1,063,628	1,151,082	–
Administrative expenses	3	(370,069)	–	(370,069)	(391,007)	–
Loan note interest	15	(90,047)	–	(90,047)	(176,275)	–
Other finance costs	6	(349,636)	–	(349,636)	(349,636)	–
Other interest payable		(23,024)	–	(23,024)	(22,932)	–
Realised gains on investments		–	1,202,663	1,202,663	–	371,369
Movement in impairment provisions		–	(119,597)	(119,597)	–	900,635
Net return before taxation		230,852	1,083,066	1,313,918	211,232	1,272,004
Taxation	4	–	–	–	–	–
Net return after taxation	5	230,852	1,083,066	1,313,918	211,232	1,272,004
Return per 50p Ordinary Share						
Basic and diluted	8	10.36p	58.00p	68.36p	9.31p	68.11p
						77.42p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	2011 £	2010 £
Net return after taxation	1,313,918	1,483,236
Movement in unrealised appreciation of investments:		
Recognised in equity	284,080	2,118,734
Recognised in profit or loss	(481,215)	(33,792)
Total net recognised income for the financial year	1,116,783	3,568,178

The notes on pages 27 to 39 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Issued Capital £	Share Premium £	Own Shares Held £	Redemption Reserve £	Capital Revaluation Reserve £	Capital Reserve £	Revenue Account £	Total £
Balance at 1 April 2009	1,808,728	1,019,246	(2,919,861)	685,250	564,764	2,695,158	163,680	4,016,965
Movement in unrealised appreciation of investments								
– recognised in equity	–	–	–	–	2,118,734	–	–	2,118,734
– recognised in profit or loss	–	–	–	–	(33,792)	–	–	(33,792)
Net increase in net assets from operations	–	–	–	–	–	1,272,004	211,232	1,483,236
Ordinary dividends paid	–	–	–	–	–	–	(93,370)	(93,370)
Participating element of preference dividends paid	–	–	–	–	–	–	(37,461)	(37,461)
Balance at 31 March 2010	1,808,728	1,019,246	(2,919,861)	685,250	2,649,706	3,967,162	244,081	7,454,312
Movement in unrealised appreciation of investments								
– recognised in equity	–	–	–	–	284,080	–	–	284,080
– recognised in profit or loss	–	–	–	–	(481,215)	–	–	(481,215)
Net increase in net assets from operations	–	–	–	–	–	1,083,066	230,852	1,313,918
Ordinary dividends paid	–	–	–	–	–	–	(93,370)	(93,370)
Participating element of preference dividends paid	–	–	–	–	–	–	(37,461)	(37,461)
Balance at 31 March 2011	1,808,728	1,019,246	(2,919,861)	685,250	2,452,571	5,050,228	344,102	8,440,264

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Issued Capital £	Share Premium £	Own Shares Held £	Redemption Reserve £	Capital Revaluation Reserve £	Capital Reserve £	Revenue Account £	Total £
Balance at 1 April 2009	1,808,728	1,019,246	–	685,250	606,971	2,596,384	434,231	7,150,810
Movement in unrealised appreciation of investments								
– recognised in equity	–	–	–	–	2,134,391	–	–	2,134,391
– recognised in profit or loss	–	–	–	–	(79,048)	–	–	(79,048)
Net increase in net assets from operations	–	–	–	–	–	1,301,603	(18,776)	1,282,827
Ordinary dividends paid	–	–	–	–	–	–	(93,370)	(93,370)
Participating element of preference dividends paid	–	–	–	–	–	–	(37,461)	(37,461)
Balance at 31 March 2010	1,808,728	1,019,246	–	685,250	2,662,314	3,897,987	284,624	10,358,149
Movement in unrealised appreciation of investments								
– recognised in equity	–	–	–	–	280,331	–	–	280,331
– recognised in profit or loss	–	–	–	–	(476,574)	–	–	(476,574)
Net increase in net assets from operations	–	–	–	–	–	1,082,174	228,002	1,310,176
Ordinary dividends paid	–	–	–	–	–	–	(93,370)	(93,370)
Participating element of preference dividends paid	–	–	–	–	–	–	(37,461)	(37,461)
Balance at 31 March 2011	1,808,728	1,019,246	–	685,250	2,466,071	4,980,161	381,795	11,341,251

The notes on pages 27 to 39 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 March 2011

	Notes	2011 £	2010 £
Investments	9	11,721,142	13,118,218
Current assets			
Trade and other receivables	12	882,787	14,462
Investments	13	194,820	96,595
Cash and bank balances		198,416	254,283
		1,276,023	365,340
Current liabilities			
Bank overdraft	15	—	1,350,000
Preference dividends payable	6	174,818	174,818
Trade and other payables	14	421,878	178,523
5% loan notes maturing 2010/2015	15	365,700	365,700
		962,396	2,069,041
Net current assets/(liabilities)		313,627	(1,703,701)
Non-current liabilities			
5% loan notes maturing 2010/2015	15	(1,097,102)	(1,462,802)
Participating preference shares	15	(2,497,403)	(2,497,403)
Net assets		8,440,264	7,454,312
Capital and reserves			
Issued capital	16	1,808,728	1,808,728
Share premium	17	1,019,246	1,019,246
Own shares held	17	(2,919,861)	(2,919,861)
Capital redemption reserve	17	685,250	685,250
Revaluation reserve	17	2,452,571	2,649,706
Capital reserve	17	5,050,228	3,967,162
Revenue reserves	17	344,102	244,081
Shareholders' funds	18	8,440,264	7,454,312
Net asset value per Ordinary Share of 50p	19	318.24p	265.45p

The notes on pages 27 to 39 form part of these financial statements.

Sir David Thomson Bt.
Stephen J. Cockburn
 Directors

Approved by the Board
 23 May 2011

Company Number: 4205

COMPANY BALANCE SHEET

At 31 March 2011

	Notes	£	2011 £	2010 £
Investments	9		11,721,142	13,118,218
Investment in subsidiaries at cost	10		5,410,552	5,410,552
			17,131,694	18,528,770
Current assets				
Trade and other receivables	12	983,822	21,916	
Cash and bank balances		197,382	253,220	
		1,181,204	275,136	
Current liabilities				
Bank overdraft	15	—	1,350,000	
Preference dividends payable	6	174,818	174,818	
Amounts owed to				
group undertakings		2,416,892	2,418,654	
Trade and other payables	14	419,732	176,380	
5% loan notes maturing 2010/2015	15	365,700	365,700	
		3,377,142	4,485,552	
Net current liabilities			(2,195,938)	(4,210,416)
Non-current liabilities				
5% loan notes maturing 2010/2015	15	(1,097,102)	(1,462,802)	
Participating preference shares	15	(2,497,403)	(2,497,403)	
Net assets			11,341,251	10,358,149
Capital and reserves				
Issued capital	16	1,808,728	1,808,728	
Share premium	17	1,019,246	1,019,246	
Capital redemption reserve	17	685,250	685,250	
Revaluation reserve	17	2,466,071	2,662,314	
Capital reserve	17	4,980,161	3,897,987	
Revenue reserves	17	381,795	284,624	
Shareholders' funds	18		11,341,251	10,358,149

The notes on pages 27 to 39 form part of these financial statements.

Sir David Thomson Bt.
Stephen J. Cockburn
 Directors

Approved by the Board
 23 May 2011

Company Number: 4205

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2011

Notes	£	2011	£	2010
		£		£
Cash flows from operating activities				
Cash received from investments	658,809		668,054	
Interest received	395,944		281,503	
Sundry income	11		2,677	
Cash paid to and on behalf of employees	(145,982)		(142,583)	
Other cash payments	(220,162)		(254,674)	
Net cash inflow from operating activities	A	688,620		554,977
Cash flows from financing activities				
Bank interest	(23,024)		(22,932)	
Loan note interest paid	(90,047)		(176,275)	
Loan notes redeemed	(365,700)		(1,828,502)	
Fixed element of dividends paid on preference shares	(349,636)		(349,636)	
Participating element of dividends paid on preference shares	(37,461)		(37,461)	
Dividends paid on ordinary shares	(91,765)		(89,252)	
Net cash outflow from financing activities		(957,633)		(2,504,058)
Cash flows from investing activities				
Purchase of investments	(1,874,046)		(2,390,740)	
Sale of investments	3,437,192		2,756,679	
Net cash inflow from investing activities		1,563,146		365,939
Net increase/(decrease) in cash and cash equivalents	B	1,294,133		(1,583,142)

The notes on page 24 form part of this cash flow statement.

NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2011

	2011 £	2010 £	
A. Reconciliation of net revenue before taxation to net cash inflow from operations:			
Net revenue before taxation	230,852	211,232	
Scrip dividend received	—	(6,500)	
Interest paid	23,024	22,932	
Loan note interest paid	90,047	176,275	
Fixed element of preference dividends paid	349,636	349,636	
Investment gains of trading subsidiary	(17,185)	(227,219)	
Decrease in trade and other receivables	8,422	32,981	
Increase/(decrease) in trade and other payables	3,824	(4,360)	
	688,620	554,977	
B. Reconciliation of cash flow to movement in net debt			
Increase/(decrease) in cash and cash equivalents in the year	1,294,133	(1,583,142)	
Loan notes redeemed	1,294,133	(1,583,142)	
	365,700	1,828,502	
Decrease in net debt	1,659,833	245,360	
Net debt at 1 April 2010	(2,924,219)	(3,169,579)	
Net debt at 31 March 2011	(1,264,386)	(2,924,219)	
C. Analysis of net debt			
	At 31 March 2011 £	Movement £	At 1 April 2010 £
Cash at bank	198,416	(55,867)	254,283
Bank overdraft	—	1,350,000	(1,350,000)
Loan notes	(1,462,802)	365,700	(1,828,502)
	(1,264,386)	1,659,833	(2,924,219)

COMPANY CASH FLOW STATEMENT

For the year ended 31 March 2011

Notes	£	2011	£	2010
		£		£
Cash flows from operating activities				
Cash received from investments	658,309		658,977	
Interest received	395,944		281,503	
Sundry income	11		2,677	
Cash paid to and on behalf of employees	(145,982)		(142,583)	
Other cash payments	(205,328)		(250,529)	
Net cash inflow from operating activities	A	702,954		550,045
Cash flows from financing activities				
Bank interest	(23,024)		(22,932)	
Loan note interest paid	(90,047)		(176,275)	
Loan notes redeemed	(365,700)		(1,828,502)	
Purchase of own shares	—		—	
Fixed element of dividends paid on preference shares	(349,636)		(349,636)	
Participating element of dividends paid on preference shares	(37,461)		(37,461)	
Dividends paid on ordinary shares	(91,766)		(89,254)	
Net cash outflow from financing activities		(957,634)		(2,504,060)
Cash flows from investing activities				
Purchase of investments	(1,768,409)		(2,332,194)	
Amounts advanced to subsidiaries	(95,344)		(53,598)	
Sale of investments	3,412,595		2,756,679	
Net cash inflow from investing activities		1,548,842		370,887
Net increase/(decrease) in cash and cash equivalents	B	1,294,162		(1,583,128)

The notes on page 26 form part of this cash flow statement.

NOTES ON THE COMPANY CASH FLOW STATEMENT

For the year ended 31 March 2011

	2011 £	2010 £	
A. Reconciliation of net revenue before taxation to net cash inflow from operations:			
Net revenue/(loss) before taxation	228,003	(18,776)	
Scrip dividend received	—	(6,500)	
Interest paid	23,024	22,932	
Loan note interest paid	90,047	176,275	
Fixed element of preference dividends paid	349,636	349,636	
Decrease in trade and other receivables	8,422	32,981	
Increase/(decrease) in trade and other payables	3,822	(6,503)	
	702,954	550,045	
B. Reconciliation of cash flow to movement in net debt			
Increase/(decrease) in cash and cash equivalents in the year	1,294,162	(1,583,128)	
Loan notes redeemed	1,294,162	(1,583,128)	
	365,700	1,828,502	
Decrease in net debt	1,659,862	245,374	
Net debt at 1 April 2010	(2,925,282)	(3,170,656)	
Net debt at 31 March 2011	(1,265,420)	(2,925,282)	
C. Analysis of net debt			
	At 31 March 2011 £	Movement £	At 1 April 2010 £
Cash at bank	197,382	(55,838)	253,220
Bank overdraft	—	1,350,000	(1,350,000)
Loan notes	(1,462,802)	365,700	(1,828,502)
	(1,265,420)	1,659,862	(2,925,282)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

1. Accounting policies

(a) Basis of preparation

- (i) The consolidated financial statements of The Investment Company Plc, a company with domicile in the United Kingdom and whose principal activities are investing in preference shares and prior charge securities, have been prepared in accordance with International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) as adopted by the EU and in accordance with the Interpretations of International Accounting Standards issued by the Standing Interpretations Committee of the IASB.
- (ii) Standards effective in 2011
The following amendment to a published standard took effect for accounting periods beginning on or after 1 April 2010, is relevant to the Group's operations and has had a minor presentational impact on these financial statements:
- IAS 1 Presentation of Financial Statements – the primary statements now include a Consolidated Income Statement and a Consolidated Statement of Comprehensive Income (formerly the Consolidated Statement of Recognised Income and Expense).

(b) Basis of consolidation

The group financial statements comprise the financial statements of The Investment Company Plc and its subsidiaries made up to 31 March 2011.

The results of operations of subsidiary undertakings are included in the consolidated financial statements as from the date of acquisition, which is the date on which control of the acquired subsidiary is effectively transferred to the buyer. The results of operations of subsidiary undertakings disposed of are included in the consolidated income statement until the date of disposal, which is the date on which the parent ceases to have control of the subsidiary undertaking. Intragroup balances and intragroup transactions and resulting unrealised profits are eliminated in full.

(c) Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years 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 tax

Deferred tax is recognised 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 generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2011

1. Accounting policies (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

(d) Preference shares

The participating preference shares entitle the holders, in priority to the payment of any dividend to the holders of all or any other shares in the capital of the company, to a fixed net cash cumulative dividend at the rate of 7p per share per annum. In addition, holders are entitled to a participating dividend at the rate of 25% of any dividends paid on the Ordinary Shares in excess of 2p per share for any year, subject to a maximum participating dividend in respect of any year of 3p net per share.

On any return of capital holders are entitled to the payment of a premium of 50p per share. The shares also confer voting rights in certain circumstances.

The participating preference shares are disclosed as non-current liabilities in accordance with IAS 32 (Financial Instruments: Disclosure and Presentation).

(e) Dividends

Ordinary dividends are accounted for in the period in which they are declared in accordance with IAS 10. Preference dividends have two dividend elements, the fixed net cash cumulative dividend and the participating dividend. The fixed net cash cumulative element accrues evenly on a daily basis throughout the period. The dividend payable on 1 April 2011 has therefore been treated as a charge against revenue for the year to 31 March 2011. The participating dividend element is accounted for in the period in which the dividend is declared and is treated in the same way as the Ordinary dividend upon which its calculation is based.

(f) Revenue and expenditure

Revenue includes dividends and interest from investments receivable on or before the balance sheet date. Deposit interest receivable, expenses and interest payable are accounted for on an accruals basis.

(g) Earnings per ordinary share

The Group calculates both basic and diluted earnings per ordinary share in accordance with IAS 33 "Earnings Per Share". Under IAS 33, basic earnings per share is computed using the weighted average number of shares outstanding during the period. Earnings are adjusted for the participating element of preference share dividends.

(h) Significant estimates and assumptions

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance. In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing material adjustment to carrying amounts of assets and liabilities within the next financial year lie primarily in investments, their fair value and any impairment review.

(i) Investments

IAS 39 requires investment funds to measure assets listed on a recognised Stock Exchange at current bid prices whereas under UK GAAP these assets had been previously measured at current middle market prices. The directors are of the opinion that the bid valuation is 1% lower than the mid valuation due to the nature of the assets concerned and this treatment is reflected in the investment valuation at the year end.

All investments held as non-current assets are shown in the consolidated balance sheet at valuation and all purchase and sale of investments are accounted for at trade date. Impairments of available for sale assets are taken to the income statement as required by paragraphs 55(b) and 67 of IAS 39 "Financial Instruments: Recognition and measurement." Such loss is transferred from the profit and loss reserve to the capital reserve in accordance with the Company's articles of association. Other differences between book cost and valuation are taken to the revaluation reserve. Profits and losses on the realisation of investments held as non-current assets are taken to profit and loss.

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2011

1. Accounting policies (continued)

The Group determines the fair value of financial instruments that are not quoted, based on estimates using present values or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Where market prices are not readily available, fair value is either based on estimates obtained from independent experts or quoted market prices of comparable instruments. In that regard, the derived fair value estimates cannot be substantiated by comparison with independent markets and, in many cases, could not be realised immediately.

(j) Impairment review

At each balance sheet date, a review is carried out to assess whether there is any objective evidence that the Group's available for sale financial assets have become impaired. Where such evidence exists, the amount of any impairment loss is recognised immediately in the Consolidated Income Statement. Any excess of the impairment loss over the amount previously recognised in equity is recognised in the Consolidated Income Statement.

If, in a subsequent period, the fair value of available for sale financial assets increase and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed and the amount of the reversal is recognised in profit or loss.

(k) IFRS standards

The following standards, amendments to existing standards and interpretations relevant to the Group's activities have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2011 or later periods but the Group has not adopted them early:

IFRS 3 Business Combinations – Amendments to transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. Also clarification on the measurement of non controlling interests and additional guidance provided on un-replaced and voluntarily replaced share-based payment awards.

IFRS 7 Financial Instruments – Disclosures – Amendments clarify the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removed some disclosure items which were seen to be superfluous or misleading; require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

IFRS 9 Financial Instruments – New standard that forms the first part of a three part project to replace IAS 39.

IAS 1 Presentation of Financial Statements – Clarification of statement of changes in equity.

IAS 12 Income Taxes – Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale.

IAS 21 The Effects of Changes in Foreign Exchange Rates – Consequential amendments from changes to IAS 27.

IAS 24 Related Party Disclosures – Simplification of the disclosure requirements for governmental-related entities and clarification of the definition of a related party.

IAS 27 Consolidated and separate Financial Statements – Transition requirements for amendments arising as a result of IAS 27.

IAS 28 Investments in Associates – Consequential amendments arising from amendments to IAS 27.

IAS 31 Interest in Joint Ventures – Consequential amendments arising from amendments to IAS 27.

IAS 34 Interim Financial Reporting – Clarification of disclosure requirements around significant events and transactions including financial instruments.

IFRIC 13 Customer Loyalty Programmes – Clarification on the intended meaning of the term "fair value" in respect of award credits.

The directors anticipate that the adoption of these standards, amendments to existing standards and interpretations in future periods will have no material financial impact on the financial statements of the Group or the Company.

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2011

2. Total income

	2011 £	2010 £
Dividends	648,089	669,786
Interest on portfolio investments	398,343	248,419
Profit on investments held for trading	17,185	227,219
Other income	11	5,658
	1,063,628	1,151,082

3. Administrative expenses

	2011 £	2010 £
Staff costs (see note a)	157,262	142,583
Management expenses:		
Administration fee (see note c)	111,000	111,000
Others	73,707	107,824
Fees payable to the Company's auditors:		
– for the audit of the annual accounts of the Group	23,100	24,600
– other services relating to taxation	5,000	5,000
	370,069	391,007

(a) Staff costs during the year:

Salaries and fees (see note b)	126,468	114,000
Social Security costs	11,865	10,205
Pension costs	18,929	18,378
	157,262	142,583

The average number of persons employed by the Company during the year was:

	2011 Number	2010 Number
Directors	5	5
Staff	1	1

Pension commitments

At 31 March 2011 the company had accrued £100,000 (2010: £100,000) towards the purchase of an annuity for a former employee of the Company.

(b) Directors' remuneration

Directors' remuneration comprised as follows:

	2011 £	2010 £
Sir David Thomson Bt.	13,500	13,000
Mr S. J. Cockburn	48,500	38,000
Miss J. B. Webb	10,500	10,000
Mr P. S. Allen	10,500	10,000
Mr P. A. Lovegrove	13,500	13,000
	96,500	84,000

Mr S. J. Cockburn is contracted under a service contract with a remuneration which is in addition to his director's fee of £13,500 per annum. All Directors' remuneration was in respect of short-term benefits. There were no post employment benefits, other long-term benefits or termination benefits.

(c) An administration charge of £27,750 (2010: £27,750) plus VAT per quarter was charged by Ionian Investment Management, a division of Fiske plc. Mr Cockburn is interested in Fiske plc as a director and substantial shareholder.

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2011

4. Taxation

	2011 £	2010 £
Arising on revenue items	—	—
Arising on capital items	—	—
	<hr/>	<hr/>
Factors affecting the tax charge for the year		
The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom (28%)		
The differences are explained below:		
Profit on ordinary activities before taxation	1,313,917	1,483,236
	<hr/>	<hr/>
Tax on profit on ordinary activities at 28%	367,897	415,306
Effects of:		
Expenses not deductible for tax purposes	433	98,330
Movement in impairment provision not (charged)/deductible for tax purposes	32,819	(247,794)
Preference dividends not deductible for tax purposes	97,897	114,200
Dividend income not taxable	(175,165)	(187,539)
Realised gains per accounts	(336,746)	(116,655)
Chargeable gains on disposal of investments	44,916	—
Disposal of corporate bonds	103,397	—
Utilisation of tax losses	(135,949)	(76,421)
Unutilised tax losses carried forward	501	573
	<hr/>	<hr/>
	—	—
	<hr/>	<hr/>

Deferred taxation

No provision has been made for deferred taxation. The potential deferred tax asset at 31 March 2011 not recognised was as follows:

	2011 £	2010 £
Short term timing differences	6,000	6,000
Credit on revaluation of investments	(479,547)	(771,484)
	<hr/>	<hr/>
	(473,547)	(765,484)
	<hr/>	<hr/>

5. Net Revenue after Taxation

As permitted by section 408 of the Companies Act 2006 the parent undertaking has not presented its own Income Statement in these financial statements. The consolidated return for the year of £1,313,918 (2010: £1,483,236) includes a return of £1,310,176 (2010: £1,282,827) which is dealt with in the accounts of the parent undertaking.

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2011

6. Finance Costs	2011		2010	
	£	£	£	£
Participating Preference Shares				
Fixed entitlement accrued				
in first half year				
3.5p (2010: 3.5p) Paid 1 Oct 10	174,818	Paid 1 Oct 09	174,818	
Fixed entitlement accrued				
in second half year				
3.5p (2010: 3.5p) Payable 1 Apr 11	174,818	Payable 1 Apr 10	174,818	
Participating preference dividends accounted as finance costs	349,636		349,636	
	<u>349,636</u>		<u>349,636</u>	
7. Dividends payable	2011		2010	
	£	£	£	£
Participating Preference Shares				
Participating element Paid 1 Oct 10	37,461	Paid 1 Oct 09	37,461	
Ordinary Shares				
Prior year final				
paid 3p (2010: 5p) Paid 1 Sept 10	56,022	Paid 1 Sept 09	56,022	
Current year interim				
paid 2p (2010: 2p) Paid 7 Jan 11	37,348	Paid 8 Jan 10	37,348	
Ordinary dividends paid	93,370		93,370	
	<u>93,370</u>		<u>93,370</u>	
	130,831		130,831	
	<u>130,831</u>		<u>130,831</u>	

8. Return per ordinary share

The calculation of basic earnings per share is based on the weighted average number of ordinary shares in issue throughout the year, excluding own shares held by the group.

As the Company has no options or warrants in issue, basic and diluted return per share are the same.

Return per share:

	Net return £	2011 Ordinary shares	Per share Pence	Net return £	2010 Ordinary shares	Per share Pence
Revenue						
Return attributable to ordinary shareholders	193,391	1,867,391	10.36p	173,771	1,867,391	9.31p
Capital						
Net investment gains after taxation	1,083,066	1,867,391	58.00p	1,272,004	1,867,391	68.11p
Total	<u>1,276,457</u>	<u>1,867,391</u>	<u>68.36p</u>	<u>1,445,775</u>	<u>1,867,391</u>	<u>77.42p</u>

The number of ordinary shares used in the calculation of Adjusted return per share is calculated as follows:

	2011 £	2010 £
Weighted average number of Ordinary Shares of 50p each	3,617,456	3,617,456
Non-voting ordinary shares held by subsidiary	(1,717,565)	(1,717,565)
Non-voting ordinary shares held in treasury	(32,500)	(32,500)
	<u>1,867,391</u>	<u>1,867,391</u>

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2011

9. Investments

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Valuation at 1 April 2010	13,118,218	9,906,006	13,118,218	9,906,006
Unrealised diminution at 1 April 2010	(130,798)	(3,116,375)	(229,863)	(3,170,184)
Cost at 1 April 2010	13,249,016	13,022,381	13,348,081	13,076,190
Additions	2,003,936	2,611,945	2,003,936	2,611,944
Cost of disposals	(3,084,279)	(2,385,310)	(3,086,670)	(2,340,053)
Cost at 31 March 2011	12,168,673	13,249,016	12,265,347	13,348,081
Unrealised diminution at 31 March 2011	(447,531)	(130,798)	(544,205)	(229,863)
Valuation at 31 March 2011	11,721,142	13,118,218	11,721,142	13,118,218
Aggregate value of investments listed on a recognised Stock Exchange	11,048,928	11,154,114	11,048,928	11,154,114
Other investments at Directors' valuation	672,214	1,964,104	672,214	1,964,104
	11,721,142	13,118,218	11,721,142	13,118,218

10. Investment in Subsidiaries

	Company	
	2011 £	2010 £
At cost	5,410,552	5,410,552

Subsidiaries

At 31 March 2011 the company held interests in the following subsidiary companies:

Country of Incorporation	% Share of capital held	% Share of voting rights	Nature of business	Share Capital at 31 March 2011	Profit/(Loss) in year to 31 March 2011
Abport Limited	England	100%	Investment Dealing Company	(476,315)	4,642
New Centurion Trust Limited	England	100%	Investment Company	7,883,904	(1,791)

11. Financial Instruments by Category

Group assets as per balance sheet as at 31 March 2011	Assets at fair value through profit and loss			
	Loans and receivables £	£	Available for sale £	Total £
Available for sale	—	—	11,721,142	11,721,142
Trade and other receivables	882,787	—	—	882,787
Other financial assets at fair value through profit and loss	—	194,820	—	194,820
Cash and cash equivalents	198,416	—	—	198,416
Total	1,081,203	194,820	11,721,142	12,997,165
Group liabilities as per balance sheet as at 31 March 2011	Liabilities at fair value through profit and loss			Other financial liabilities
	£	£	£	Total £
Trade and other payables	—	421,879	421,879	421,879
Dividends payable	—	174,818	174,818	174,818
Borrowings	—	3,960,205	3,960,205	3,960,205
Total	—	4,556,902	4,556,902	

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2011

11. Financial Instruments by Category (continued)

	Loans and receivables £	Assets at fair value through profit and loss		
		£	Available for sale £	Total £
Group assets as per balance sheet as at 31 March 2010				
Available for sale	—	—	13,118,218	13,118,218
Trade and other receivables	14,462	—	—	14,462
Other financial assets at fair value through the profit and loss	—	96,595	—	96,595
Cash and cash equivalents	254,283	—	—	254,283
Total	268,745	96,595	13,118,218	13,483,558

	Liabilities at fair value through profit and loss			Other financial liabilities £	Total £
	£	£	£		
Group liabilities as per balance sheet as at 31 March 2010					
Trade and other payables	—	—	178,523	178,523	178,523
Dividends payable	—	—	174,818	174,818	174,818
Borrowings	—	5,675,905	—	5,675,905	5,675,905
Total	—	—	6,029,246	—	6,029,246

12. Trade and other receivables

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Amount due from Abport Limited	—	—	101,035	7,454
Trade and other receivables	882,787	14,462	882,787	14,462
	882,787	14,462	983,822	21,916

Other receivables principally comprise amounts outstanding for trade sales and dividends receivable. These amounts are unsecured, non-interest bearing and have no fixed repayment period.

13. Investments

Investments held as current assets are shown at fair value through profit or loss of £194,820 (2010: £96,595). If they had been shown at cost they would have been carried at £337,055 (2010: £244,595).

14. Trade and other payables

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Trade settlements	237,272	—	237,272	—
Other trade payables	184,606	178,523	182,460	176,380
	421,878	178,523	419,732	176,380

Other trade payables principally comprise amounts outstanding for operating expenses. These amounts are unsecured and non-interest bearing. Of the other trade payables, £100,000 (2010: £100,000) is an accrual for a pension contribution for which there is no determined payment date; the remaining other trade payables are due for payment within 30 days.

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2011

15. Interest bearing liabilities

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Bank overdraft	—	1,350,000	—	1,350,000
5% loan notes maturing 2010/2015	1,462,802	1,828,502	1,462,802	1,828,502
Participating preference shares	2,497,403	2,497,403	2,497,403	2,497,403
	3,960,205	5,675,905	3,960,205	5,675,905

An overdraft facility is available to the company of up to £1,500,000, to be secured by an omnibus charge over a portfolio of shares with a valuation of £4,000,000. At 31 March 2011 no such overdraft was outstanding.

The loan notes were issued at par on 7 March 2005 as part of the consideration for the acquisition of New Centurion Trust Limited. The loan notes are unsecured and unsubordinated and are being redeemed by the Company at par as to 50% of their aggregate original principal amount on the fifth anniversary of the completion date, which was 7 March 2010, and as to a further 10% on each anniversary thereafter up to and including the tenth anniversary.

Loan notes maturity analysis

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
In not more than one year	365,700	365,700	365,700	365,700
In more than one year but not more than two years	365,700	365,700	365,700	365,700
In more than two years but not more than five years	731,402	1,097,102	731,402	1,097,102
	1,462,802	1,828,502	1,462,802	1,828,502

The participating preference shares are analysed as to:

	Group and Company			
	2011 No.	2011 £	2010 No.	2010 £
<i>Authorised</i>				
Participating Preference Shares of 50p each	12,640,000	6,320,000	12,640,000	6,320,000
<i>Allotted, issued and fully paid Participating Preference Shares of 50p each</i>				
At 1 April 2010 and 31 March 2011	4,994,805	2,497,403	4,994,805	2,497,403

The directors do not consider the fair values of the group's financial instruments to be significantly different from the carrying values.

16. Issued capital

	Group and Company			
	2011 No.	2011 £	2010 No.	2010 £
<i>Authorised</i>				
Ordinary shares of 50p each	4,000,000	2,000,000	4,000,000	2,000,000
<i>Allotted, issued and fully paid Ordinary shares of 50p each</i>				
At 1 April 2010	1,899,891	949,946	1,899,891	949,946
Bought in for cancellation during year	—	—	—	—
At 31 March 2011	1,899,891	949,946	1,899,891	949,946
<i>Non-voting shares of 50p each</i>				
Non-voting shares held by New Centurion Trust	1,717,565	858,782	1,717,565	858,782
			1,808,728	1,808,728

In addition to the above Ordinary shares, the issued capital of the Company includes 4,994,805 Participating Preference shares of 50p each. Details of these preference shares in the Company are set out in note 15.

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2011

16. Issued capital (continued)

The Ordinary Shares entitle the holders to receive all ordinary dividends and all remaining assets on a winding up, after the Participating Preference Shares have been satisfied in full.

The non-voting ordinary shares, all of which are held by New Centurion Trust Limited, a wholly owned subsidiary of the Company, rank *pari passu* with the existing ordinary shares except that they do not have a right to vote at General Meetings of the Company.

The Company holds 32,500 Ordinary shares in the Company. These shares are held in treasury and have been re-designated non-voting.

17. Reserves

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Share premium				
Balance at 1 April 2010 and 31 March 2011	1,019,246	1,019,246	1,019,246	1,019,246
Own Shares Held				
Balance at 1 April 2010 and 31 March 2011	(2,919,861)	(2,919,861)	–	–
Capital redemption reserve				
Balance at 1 April 2010 and 31 March 2011	685,250	685,250	685,250	685,250
Revaluation reserve				
Balance at 1 April 2010	2,649,706	564,764	2,662,314	606,971
Unrealised revaluation of investments	(197,135)	2,084,942	(196,243)	2,055,343
Balance at 31 March 2011	2,452,571	2,649,706	2,466,071	2,662,314
Capital reserve				
Balance at 1 April 2010	3,967,162	2,695,158	3,897,987	2,596,384
Realised gains	1,202,663	371,369	1,200,273	416,625
Impairment provisions	(119,597)	900,635	(118,099)	884,978
Balance at 31 March 2011	5,050,228	3,967,162	4,980,161	3,897,987
Revenue account				
Balance at 1 April 2010	244,081	163,680	284,624	434,231
Retained return/(loss) for the year	100,021	80,401	97,171	(149,607)
Balance at 31 March 2011	344,102	244,081	381,795	284,624

A full reconciliation of the movement in reserves is shown in the Consolidated Statement of Changes in Equity.

The following is a description of the nature and purpose of the key reserves:

- Own shares held are shares in the Company that are owned by New Centurion Trust Limited which, following its acquisition in March 2005, became a wholly-owned subsidiary of the Company.
- The capital redemption reserve reflects the nominal value of deferred shares which have been cancelled and the nominal value of ordinary and preference shares which have been bought in by the Company.
- The revaluation reserve reflects the difference between the cost of portfolio investments and the market value at which they are held on the balance sheet, where market value is greater than cost.
- The capital reserve is the total of accumulated realised gains and losses on disposal of portfolio investments, less unrealised losses.
- Revenue account consists of revenue earnings after taxation, dividends and any transfers to capital redemption reserve arising on the buy-in of own shares.

The Own Shares Held reserve, the capital redemption reserve, the revaluation reserve and the capital reserve are non-distributable reserves.

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2011

18. Reconciliation of movements in shareholders' funds

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Return for the financial year	1,313,918	1,483,236	1,310,176	1,282,827
Dividends	(130,831)	(130,831)	(130,831)	(130,831)
	1,183,087	1,352,405	1,179,345	1,151,996
Other recognised gains and losses relating to the year	(197,135)	2,084,942	(196,243)	2,055,343
Net increase in shareholders' funds	985,952	3,437,347	983,102	3,207,339
Opening shareholders' funds	7,454,312	4,016,965	10,358,149	7,150,810
Closing shareholders' funds	8,440,264	7,454,312	11,341,251	10,358,149
Attributable on a winding up to:				
Premium payable to				
Participating Preference shareholders	2,497,403	2,497,403	2,497,403	2,497,403
Ordinary shareholders	5,942,861	4,956,909	8,843,848	7,860,746
	8,440,264	7,454,312	11,341,251	10,358,149

The Participating Preference Shares entitle the holders, in priority to the payment of any dividend to the holders of all or any other shares in the capital of the Company, to a fixed net cash cumulative dividend at the rate per annum of 7p per share. In addition, holders are entitled to a participating dividend at the rate of 25% of any dividends paid on the Ordinary Shares in excess of 2p net per share for any year, subject to a maximum participating dividend in respect of any year of 3p net per share.

On any return of capital holders are entitled to the payment of a premium of 50p per share. The shares also confer voting rights in certain circumstances. This 50p premium, amounting to £2,497,403, falls to be treated as a contingent call on Shareholders' funds as shown in the above table.

A reconciliation of the Consolidated balance sheet and the Company's balance sheet is as follows:

	2011 £	2010 £
Consolidated balance sheet net assets	8,440,264	7,454,312
Add:		
Cost of non-voting ordinary shares of the Company held by New Centurion Trust Limited	2,919,861	2,919,861
Goodwill on acquisition of New Centurion Trust Limited and Abport Limited being primarily costs of acquisition which have been amortised in the consolidated accounts	354,879	354,879
Less:		
Adjustments for post acquisition trading of subsidiaries	(373,753)	(370,903)
Company balance sheet net assets	11,341,251	10,358,149

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2011

19. Net asset value per ordinary share

The net asset value per ordinary share is calculated as follows:

	2011 £	2010 £
Net assets at 31 March 2011	8,440,264	7,454,312
Less premium attributable to Participating Preference Shareholders	(2,497,403)	(2,497,403)
Net assets attributable to ordinary shareholders	<u>5,942,861</u>	<u>4,956,909</u>
Ordinary shares in issue, excluding own shares held	<u>1,867,391</u>	<u>1,867,391</u>
Net asset value per ordinary share	318.24p	265.45p

The net asset value of the Group as shown on the consolidated balance sheet reflects the market value of the underlying investments of Abport Limited as at 31 March 2011. The underlying investments of New Centurion Trust Limited comprise shares in The Investment Company plc and, being effectively eliminated on consolidation, the valuation thereof does not impact the net asset value attributable to ordinary shareholders.

20. Ultimate controlling party

The Company has no ultimate controlling party.

21. Related party transactions

During the year the Company was charged administration fees of £111,000 (2010: £111,000) by Ionian Investment Management which is a division of Fiske plc. At 31 March 2011 there were no balances outstanding (2010: £nil). Mr S. J. Cockburn is interested as a director and substantial shareholder in Fiske plc.

Available for sale investments include a holding of 1,106,000 Ordinary 25p shares in Fiske plc valued at 31 March 2011 at £728,135 (2010: 1,071,000 shares valued at £752,806).

Directors' fees and salaries are set out Note 3.

During the year, the Directors each received dividends attributable to their respective shareholdings, as disclosed in the Directors' Report, amounting to 5p (2010: 5p) per ordinary share and 7.75p (2010: 7.75p) per Preference share. The Directors consider there to be no key management personnel other than the Directors.

22. Contingent liabilities

At 31 March 2011, the Company had an outstanding commitment, amounting to £153,559, to subscribe for stock in a placing, which was contingent on admission to trading. Admission duly took place after 31 March 2011 and the Company therefore subsequently purchased the stock. There were no contingent liabilities at 31 March 2010.

23. Analysis of financial assets and liabilities

Background

The investment objective of the group is to generate income and capital growth over the medium term. The group's financial instruments comprise investments in fixed interest securities and prior charge investments, borrowings for investment purposes, cash balances and debtors and creditors that arise directly from its operations.

Risks

The principal risks the group faces in its portfolio management activities are:

- Market price risk – arising from uncertainty about future prices of financial instruments used by the group;
- Interest rate risk – arising because the group may borrow funds in order to increase the amount of capital available for investment; and
- Liquidity risk – because the group may invest in small companies with more limited marketability and in investments not traded on recognised or designated investment exchanges.

Policy

The investment philosophy of the Directors is to identify areas of value and potential capital growth in the medium term.

Specific policies for managing risks are summarised below and have been applied throughout the period:

1. Market price risk

The Managing Director monitors the prices of financial instruments held by the group on a regular basis.

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2011

23. Analysis of financial assets and liabilities (continued)

2. Interest rate risk

The Company finances its operations through existing reserves and loan notes with a fixed coupon of 5%.

3. Liquidity risk

The group's assets mainly comprise readily realisable quoted and unquoted securities that can be sold to meet funding commitments if necessary. Short term flexibility is achieved through the use of overdraft facilities.

Financial instruments

	2011	2010
	£	£
Non-current assets		
Listed Investments	11,048,928	11,154,114
Unlisted Investments	672,214	1,964,104
	11,721,142	13,118,218

Current asset investments

The group holds current asset investments with a market value of £307,632 (2010: £155,042) at the year end. Investments are subject to fluctuation in value due to market forces including interest rates.

Current assets and current liabilities

The group's current assets and liabilities are denominated in sterling.

Long term loan

The loan notes bear interest at a fixed rate of 5% per annum and are repayable in instalments. The value of current assets, current liabilities and long term loans are not subject to interest rate risk.

Sensitivity

The direct impact of a 5% movement in the value of the portfolio investments and current asset investments amounts to £595,798 (2010: £660,471), being 32p (2010: 35p) per ordinary share. The Directors are of the opinion that the direct impact of a movement in short term interest rates on the value of the investments is relatively small due to the illiquid and specialised nature of the investments in the portfolio.

Capital structure and management

The capital structure of the Group consists of net debt, including cash held on deposit, preference shares and ordinary shares.

	2011	2010
	£	£
Cash and bank balances	198,416	254,283
Bank overdraft	—	(1,350,000)
Interest bearing liabilities	(1,462,802)	(1,828,502)
Net debt	(1,264,386)	(2,924,219)
Participating preference shares	(2,497,403)	(2,497,403)
Net debt and preference shares	(3,761,789)	(5,421,622)
Ordinary Shareholders' funds	8,440,264	7,454,312
Gearing (net debt/ordinary shareholders' funds)	44.6%	72.7%

The type and maturity of the Group's borrowings are analysed in notes 15 and 18 and the Group's equity is analysed in note 16. Capital is managed so as to maximise the return to shareholders while maintaining a capital base to allow The Investment Company plc to operate effectively. Where appropriate shareholder returns can be enhanced through buying-in preference shares in the market. Capital is managed on a consolidated basis. The Group is not a member of any body that imposes minimum levels of regulatory capital. No significant external constraints in the management of capital have been identified in the past.

TWENTY LARGEST INVESTMENTS

At 31 March 2011

Stock	Number	% Issue	Book cost £	Market or Directors' valuation £	% of total portfolio
1. Lloyds Banking Group					
7.8673% ECN 17/12/19 (LBG Capital)	500,000	0.15%	167,613	473,963	
7.5884% ECN 12/05/20 (LBG Capital)	1,639,000	0.22%	713,470	1,537,423	
9.125% ECN 15/07/20 (LBG Capital)	100,000	0.03%	89,224	98,010	
14.5% ECN 30/01/22 (LBG Capital)	300,000	0.38%	246,247	374,963	
7.975% ECN 15/09/24 (LBG Capital)	870,000	0.85%	514,051	783,783	
7.281% Perpetual (Bank of Scotland)	400,000	0.27%	<u>315,331</u>	<u>342,540</u>	
			<u>2,045,936</u>	<u>3,610,682</u>	30.80%
2. Royal Bank of Scotland					
9% series 'A' non-cum pref (NatWest)	500,000	0.36%	362,920	516,038	
SPON ADR each rep Pref C (NatWest)	20,000	1.67%	<u>55,473</u>	<u>291,060</u>	
			<u>418,393</u>	<u>807,098</u>	6.89%
3. Fiske					
ordinary 25p §	1,106,000	13.11%	786,775	728,135	6.21%
4. Phoenix Life Ltd					
7.25% perp notes	800,000	0.40%	630,755	617,760	5.27%
5. Fishguard & Rosslare					
3½% gtd preference stock	775,999	62.70%	433,040	441,737	3.77%
6. Newcastle Building Society					
6.25% sub notes 23/12/19	<u>£600,000</u>	2.40%	405,438	409,860	3.50%
7. REA Holdings					
9.5% Gtd Notes 31/12/15/17	300,000	2.00%	298,254	316,305	
7.75% Dollar Notes 20/12/14	150,000	5.00%	<u>76,740</u>	<u>89,843</u>	
			<u>374,994</u>	<u>406,148</u>	3.47%
8. Skipton Building Society					
10% Notes 12/12/18	400,000	0.53%	368,569	396,000	3.38%
9. Amalgamated Metal					
5.4% cum pref £1 †	256,065	18.22%	144,049	192,049	
6% cum pref £1 †	213,510	23.72%	<u>103,844</u>	<u>179,348</u>	
			<u>247,893</u>	<u>371,397</u>	3.17%

TWENTY LARGEST INVESTMENTS *continued*

At 31 March 2011

Stock	Number	% Issue	Book cost £	Market or Directors' valuation £	% of total portfolio
10. Investec Investment Trust					
3½% cum pref	450,073	34.62%	290,894	260,660	
5% cum pref	104,043	30.12%	79,593	78,797	
			<hr/>	<hr/>	
			370,487	339,457	2.90%
11. S&U					
31½% pref 12.5p	489,192	13.59%	266,283	256,679	
6% cum pref £1	67,850	33.93%	56,198	40,639	
			<hr/>	<hr/>	
			322,481	297,318	2.54%
12. Associated British Engineering					
7% cum pref £1	310,754	55.99%	166,551	223,044	
8% cum pref £1	56,474	35.88%	51,675	46,125	
			<hr/>	<hr/>	
			218,226	269,169	2.30%
13. Chesnara					
ordinary 5p §	110,000	0.11%	112,801	267,894	2.29%
14. Kiotech International					
ordinary 1p §	250,000	1.37%	352,896	220,275	1.88%
15. Manganese Bronze Holdings					
8.25% cum pref £1	282,000	41.22%	234,085	205,197	1.75%
16. Morgan Crucible					
5% 2nd cum pref £1	169,500	54.33%	130,428	128,371	
5.5% 1st cum pref £1	94,000	75.00%	77,822	76,775	
			<hr/>	<hr/>	
			208,250	205,146	1.75%
17. Liberty					
9½% cum pref £1	199,708	34.58%	146,996	99,854	
6% cum pref £1 (fmly Retail Stores)	250,225	64.99%	107,446	105,282	
			<hr/>	<hr/>	
			254,442	205,136	1.75%
18. Moneta Porcupine Mines Inc.					
Common stock C\$1§	850,000	0.65%	191,250	205,116	1.75%
19. Renold					
6% cum pref £1	422,109	72.72%	330,490	198,497	1.69%
20. Northgate					
5% cum pref 50p	532,763	53.28%	188,350	181,965	1.55%
			<hr/>	<hr/>	
			8,495,551	10,383,987	88.59%

§ Issues with unrestricted voting rights

† Unquoted investments at Directors' valuation

The Group has a total of 86 portfolio investment holdings in 68 companies.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 145th Annual General Meeting of The Investment Company plc ("the Company") will be held at the offices of Fiske plc, 3rd Floor, Salisbury House, London Wall, London, EC2M 5QS at 12.30 p.m. on 20 July 2011 for the following purposes:

Routine Business

To consider and if thought fit resolve as ordinary resolutions:

1. To receive and adopt the accounts and reports of the Directors and the Auditors for the financial year ended 31 March 2011.
2. To approve the Directors' remuneration report for the financial year ended 31 March 2011 (as set out in the annual report and accounts of the Company for such year).
3. To declare a final dividend of 4p per Ordinary Share of 50p in the capital of the Company (each an "Ordinary Share") for the financial year ended 31 March 2011, payable on 22 July 2011 to holders of Ordinary Shares on the register as at the close of business on 24 June 2011.
4. To re-elect Miss Joan Webb as a Director.
5. To re-elect Mr Peter Allen as a Director.
6. To reappoint Saffery Champness as the Company's Auditors and to authorise the Directors to determine their remuneration.

Special Business

To consider and if thought fit resolve as follows:

Authority to Allot Shares

To resolve as an Ordinary Resolution:

7. THAT for the purposes of section 551 of the Companies Act 2006 (the "2006 Act") (and so that expressions used in this resolution shall bear the same meanings as in the said section 551):
 - (a) the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the 2006 Act respectively up to a maximum nominal amount of £191,272 to such persons and at such times and on such terms as they think proper during the period expiring at the conclusion of the next Annual General Meeting of the Company (unless previously varied, revoked or renewed by the Company in general meeting); and
 - (b) the Company shall be entitled to make, prior to the expiry of such authority, any offer or agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot any relevant securities pursuant to such offer or agreement as if such authority had not expired; and
 - (c) all prior authorities to allot securities be revoked but without prejudice to the allotment of any securities already made or to be made pursuant to such authorities.

NOTICE OF ANNUAL GENERAL MEETING *continued*

Dis-application of statutory pre-emption rights

To resolve as a special resolution:

8. THAT the Directors be granted power pursuant to Section 570 of the Companies Act 2006 (the “2006 Act”) to allot equity securities (within the meaning of section 560 of the 2006 Act) for cash, pursuant to the authority conferred on them to allot such shares or grant such rights by Resolution 7 contained in the Notice of the Annual General Meeting of the Company of which this Resolution forms part as if section 561(1) and sub sections (1)–(6) of section 562 of the 2006 Act did not apply to any such allotment, provided that the power conferred by this Resolution shall be limited to:
 - (a) the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as maybe) to the respective number of equity securities held or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and
 - (b) the allotment of equity securities up to an aggregate nominal value of £47,497; and
 - (c) shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, the date 15 months from the date of passing of this Resolution unless previously varied, revoked or renewed by the Company in general meeting provided that the Company may, before such expiry, make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power hereby conferred had not expired; and
 - (d) all prior powers granted under section 571 of the Companies Act 2006 be revoked provided that such revocation shall not have retrospective effect.

3rd Floor
Salisbury House
London Wall
London EC2M 5QS

by Order of the Board
James P. Q. Harrison
Secretary

23 May 2011

NOTICE OF ANNUAL GENERAL MEETING *continued*

Notes:

Right to appoint a proxy

1. Members of the Company are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote at a meeting of the Company. A proxy does not need to be a member of the Company. A member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
2. A proxy form which may be used to make such appointment and give proxy directions accompanies this notice. If you do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Capita Registrars Ltd on 0871 664 0300.

Procedure for appointing a proxy

3. To be valid, the proxy form must be received by post or (during normal business hours only) by hand at Capita Registrars Ltd, (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 48 hours before the meeting time. It should be accompanied by the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority.
4. The return of a completed proxy form will not preclude a member from attending the annual general meeting and voting in person if he or she wishes to do so.

Nominated persons

5. Any 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 or her and the member by whom he or 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 or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.
6. The statement of the rights of members in relation to the appointment of proxies in notes 1 and 3 above does not apply to Nominated Persons. The rights described in those notes can only be exercised by members of the Company.

Record date and entitlement to vote

7. To be entitled to attend and vote at the annual general meeting (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company 48 hours before AGM time (or, in the event of any adjournment, 48 hours before the time of the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the right of any person to attend and vote at the meeting. Only holders of Ordinary Shares (other than Non-voting Ordinary Shares) are entitled to attend and vote at the Annual General Meeting.

Documents available for inspection

8. There will be available for inspection at the registered office of the Company, Fiske plc, 3rd Floor, Salisbury House, London Wall, London EC2M 5QS (which is also the place at which the Annual General Meeting will be held), during normal business hours on any weekday (excluding Saturdays and public holidays) and for at least 15 minutes prior to and during the Annual General Meeting, copies of (i) the service contract of the Managing Director; and (ii) the letter of appointment of each other Director; and (iii) copies of the Articles of Association of the Company.

