FOUNDED
1868

THE INVESTMENT COMPANY PLC

REGISTERED No. 4205
ENGLAND AND WALES

REPORT AND ACCOUNTS

for the year ended 30 June 2014

CONTENTS

Directors and Advisers	2
Strategic Report including:	
Summary of Results	3
Chairman's Statement	4
Manager's Report	5
Twenty Largest Investments	8
Corporate Summary	10
Directors' Report	16
Corporate Governance	20
Directors' Remuneration Report	26
Statement of Directors' Responsibilities	30
Independent Auditors' Report to the Members	32
Consolidated Statement of Comprehensive Income	36
Consolidated Statement of Changes in Equity	37
Company Statement of Changes in Equity	38
Consolidated and Company Balance Sheets	39
Consolidated and Company Cash Flow Statements	40
Notes to the Financial Statements	41
Notice of Annual General Meeting	58

DIRECTORS AND ADVISERS

DIRECTORS (all non-executive)

Sir David Thomson Bt. (Chairman) (aged 74) was appointed to the Board and elected Chairman in 2005. He is also chairman of S.A. Meacock & Company Limited. Subsequent to the year end on 18 September 2014, Sir David Thomson was appointed to the board of Associated British Engineering plc as a non-executive director and chairman.

S. J. Cockburn (aged 74) was appointed to the Board in 1991 and as Managing Director from September 1994, until June 2013 when he became a non-executive Director of The Investment Company and a consultant to Miton in respect of the legacy portfolio of The Investment Company. Until 25 September 2014, he was a non-executive director of Fiske plc and is currently a director of Associated British Engineering plc. He has managed portfolios specialising in preference shares for many years.

P. S. Allen (aged 66) 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.

M. H. W. Perrin (Audit Committee Chairman) (aged 60) was appointed to the Board in June 2013. He is a director of Fiske plc and Vipera plc, and is a Chartered Accountant and Chartered Wealth Manager with wide experience of operations and finance in industry.

ADVISERS

Secretary and Registered Office
Capita Company Secretarial Services Limited
Beaufort House
51 New North Road
Exeter EX4 4EP

Telephone: 01392 412122

Manager
Miton Asset Management Limited
51 Moorgate
London EC2R 6BH

Telephone: 020 3714 1525
Website: www.mitongroup.com

Alternative Investment Fund Manager
PSigma Unit Trust Managers Limited
51 Moorgate
London EC2R 6BH

Administrator
Capita Sinclair Henderson Limited
Beaufort House
51 New North Road
Exeter EX4 4EP

Independent Auditors
Saffery Champness
Lion House
Red Lion Street
London WC1R 4GB

Registrar
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone: 0871 664 0300
(calls will cost 10p a minute plus network charges)

Fax: 020 639 2342
Email: ssd@capitaregistrars.com
Website: www.capitaregistrars.com

STRATEGIC REPORT

SUMMARY OF RESULTS

	At 30 June 2014	At 30 June 2013	Change
Equity shareholders' funds	**18,693,293**	16,237,484	15.1%
Number of ordinary shares in issue*	**4,739,549**	4,739,549	0.0%
Net asset value per ordinary share	**394.41p**	342.60p	15.1%
Ordinary share price (mid)	**406.00p**	327.50p	24.0%
Premium/(discount) to net asset value	**2.94%**	(4.41)%	

	At 30 June 2014	At 30 June 2013
Total return per ordinary share**	**67.03p**	71.41p
Return after taxation per ordinary share	**91.02p**	7.91p
Dividends paid/declared per ordinary share	**20.72p**	6.00p

* Excluding shares held in treasury.

** The total return per ordinary share is based on total comprehensive income after taxation as detailed in the Consolidated Statement of Comprehensive Income and in note 7 and is shown to enable comparison with other investment trust companies.

FINANCIAL CALENDAR

November	Payment of first interim dividend for the year ending 30 June 2015.
December	Annual General Meeting.
February	Payment of second interim dividend for the year ending 30 June 2015.
	Announcement of Half-Yearly Financial Report.
May	Payment of third interim dividend for the year ending 30 June 2015.
August	Payment of fourth interim dividend for the year ending 30 June 2015.
September/October	Announcement of Annual Results.

CHAIRMAN'S STATEMENT

This report covers the first full year since the reorganisation of the Company at the end of June 2013.

Over the year the net asset value ("NAV") of the Company has increased from 342.6p to 394.4p, a rise of 15.1%. In addition, the Company has also paid four interim dividends amounting to 20.7p, which represents a 6.0% yield on the NAV at the end of June 2013. The total return in the year was therefore 19.5%.

Following the reorganisation, and pursuant to the new investment policy, much of the additional capital raised at the time of the reorganisation has been invested in the equity of some promising quoted companies, many with attractive dividend yields.

In parallel, the portfolio still substantially comprises a range of preference shares, loan stocks, debentures and notes, which may also have the right to convert into the equity of the underlying issuer. At the end of June 2013, our largest holdings by a substantial margin were in Lloyds Banking Group Enhanced Capital Notes ("ECNs"). An offer from Lloyds Banking Group to convert such instruments into a different note, gave us a good opportunity to reduce this position, realising substantial capital gains.

The new strategy has made a good start, as reflected in the growth in NAV over the year. There is not a single representative benchmark index of this portfolio of investments. However, shareholders will note that the FTSE Actuaries Government Securities UK Gilts All Stocks Index rose 2.3% on a total return basis over the year, and the total return on the FTSE All-Share Index was 13.1%.

Going forward we believe there will be more opportunities for this Company to invest in convertible preference and convertible loan stocks. We believe the best of these will be particularly attractive to investors, as they often pay premium yields, and also offer investors scope to participate in the rise of the underlying equity if it appreciates markedly.

At the time of the reconstruction in June 2013, your Board commenced paying four dividends through the year, amounting to 6% of the NAV at the beginning of the year. Although this should not be taken as a firm forecast, it is the Directors' intention, based on a NAV at 30 June 2014 of 394.4p, to pay four dividends totalling some 23.6p in the current year.

Currently the dividend payable by the Company each year is calculated as 6% of the NAV at the start of each year. Given that the asset value of the Company could fluctuate significantly each year, the Directors are considering modifying this in future years so that the dividend payable might grow more sustainably over the longer term.

Although asset prices have been boosted by the policies of central banks, there are still opportunities for a fund such as ours to deliver attractive returns. Clearly the Company is not immune from market fluctuations, but we believe the preference share and loan stock market in particular still offers a good mix of premium income along with the potential for capital gain.

The rise in UK equities and increase in investor confidence has meant that the cost of market insurance has declined to levels similar to those of the mid-2000s. After to the year end, on 5 September 2014, the Company invested around 1.2% of the portfolio, at that date, to purchase some downside protection, covering approximately one-third of the portfolio, extending through to March 2016.

Sir David Thomson
Chairman

1 October 2014

MANAGER'S REPORT

Markets

Over the twelve months to 30 June 2014, the UK equity market has appreciated despite a continued slowdown in world growth. Over the year, the total return on the FTSE All-Share Index was 13.1%. In contrast, bond prices tended to remain generally flat, and the FTSE Actuaries Government Securities UK Gilts All Stocks Index rose 2.3% on a total return basis.

Smaller company share prices have tended to outperform over the year. Although many will equate this with the UK economy enjoying a period of accelerating growth, there are other factors too. In particular, the growth potential of smaller companies becomes more distinctive at times when world growth is slow. Smaller companies have the potential to sustain growth even at times of economic stagnation. Given slowing world growth, it is perhaps less surprising to note that the FTSE Small Cap Index (excluding investment companies) Index rose 22.5%, and the AIM All-Share Index rose 13.6%.

Portfolio

The portfolio reflects the historic range of holdings in preference shares, loan stocks, debentures and notes, and the new holdings in the equity securities of UK quoted companies.

There were two major changes to the portfolio in the year.

At the beginning of the year, around a third of the portfolio was invested in Lloyds Banking Group ECNs, which had enjoyed strong performance as market confidence recovered after the 2008 crisis. Although these notes do pay a high level of income, their prices can be volatile at times of economic setbacks. Lloyds Banking Group sought to buy in some of its ECNs in exchange for other securities. The terms of the transaction were set to be attractive in the current market environment so the price of the Lloyds Banking Group ECNs increased during this period. We used the market liquidity and attractive pricing to reduce this holding down to rather less than 7% of the overall portfolio.

The £4.3m of new equity raised at the time of the reconstruction has been invested principally in a number of higher yielding equities, with the potential for growth. Many of these are smaller companies which we believe have attractive risk/reward ratios. In addition, one new company has been funded via an 8% loan note along with warrants over the equity. William Sinclair is a horticultural peat and soil substitute supplier. In the retail sector it operates under the J Arthur Bowers brand. It needed additional capital to fund the relocation of two of its operations into a new site which will increase its production and efficiency. We are hopeful that we will identify further such opportunities in the coming year.

Performance in the portfolio has principally been driven by the movements in the share prices of the equities. In particular, four newly issued companies were brought into the portfolio. Safestyle is one of the three largest manufacturers of double-glazed windows for the refurbishment market. DX Group is a logistics business that transports challenging items from small pallets to British Passports where they need to prove they have delivered it to the right address. Shoe Zone has around 550 shops around the UK selling keenly priced, but well-made shoes. Finally Plus500 is one of the leading providers for those wishing to trade shares via the internet, using the contracts for difference structure. All have traded well since issue, although Plus500 has seen much greater upgrades and this propelled the share price up fivefold. For that reason, the stock has been subsequently sold.

There have been some stocks where their share prices have fallen back over the year. Lancashire Holdings, an insurance underwriting business, and Bagir, a supplier of jackets and suits to UK retailers, have both fallen back on tougher trading statements. However, overall the equity portfolio has performed well in the period.

The criteria used for selecting portfolio stocks

There are five criteria that the managers use to determine the scope for the business to deliver good and growing dividends.

The prospect of turnover growth

If a business is to sustain and grow its dividend, then the portfolio needs to invest in companies that will generate more cash in the coming years. Without decent turnover growth this is near-impossible to achieve over time.

Sustained or improving margins

A business needs to deliver significant value to its customer base if it is to sustain decent margins. Unexpected cost increases cannot be charged on to customers if they are anything less than delighted with their suppliers. Turnover growth will not lead to improved cash generation if declining margins offset it.

A forward-looking management team

Businesses often need to make commercial decisions on incomplete information. A thoughtful and forward-looking team has a better chance of making better decisions.

Robust balance sheet

There are disproportionate advantages to having the independence of a strong balance sheet in a period of elevated economic and political risks. Conversely, corporates with imprudent borrowings can risk the total loss of shareholders' capital.

Low expectation valuation

Many of the most exciting stocks enjoy higher stock market valuations but almost none can consistently beat the high expectations baked into their share prices. Those with low expectations tend to be less vulnerable to disappointment, but conversely can enjoy excellent share price rises if they surprise on the upside.

Companies that best meet these criteria on a prospective basis are believed to be best positioned to deliver attractive returns to shareholders, as well as offering moderated risk.

These criteria, used in reverse, can also be useful in determining the timing of portfolio stocks that should be considered for divestment. So, a business in danger of suffering a period of turnover declines, for example, would naturally be expected to generate less cash flow in future years and thereby struggle to sustain its current dividend over time, let alone grow it.

Performance

Although equity markets were relatively strong in the period between June and December, subsequently they have fluctuated without making much progress. The appreciation of the portfolio was mainly generated in the first half of the year under review, although the portfolio has been resilient through the more testing markets thereafter. This is despite the fact that the smaller companies indices peaked out during this period.

STRATEGIC REPORT *continued*

Over the year, the NAV of the Company appreciated 15.1% and the Company also declared four interim dividends that amounted to 6% of the NAV at the end of June 2013.

Prospects

The scope for the Company to identify attractive investment opportunities in convertible loan stocks or convertible preference shares appear to be improving. With smaller companies shares peaking out over the last five months, it has become rather more difficult to place new equity. That has been especially evident amongst smaller company new issues, where there has been a degree of indigestion. At times like this, there is perhaps greater interest in an existing quoted company issuing a new preference share, or loan stock, with an attractive yield. The dividend income tends to attract capital even at times when the market is unsteady. However, we find this structure attractive because the preference shares or loan stock come with the right to convert into ordinary shares at maybe a 10% or 15% premium to the current share price. If the Company does make a good investment, and the share price does appreciate over the coming 3 to 5 years, then the Company participates in a useful proportion of the capital gain on the share price rise.

Gervais Williams and Martin Turner
Miton Asset Management Limited

1 October 2014

TWENTY LARGEST INVESTMENTS
At 30 June 2014

Stock	Number	Issue %	Book cost £	Market or Directors' valuation £	% of total portfolio
1. Lloyds Banking Group					
7.625% Perpetual (LBG Capital)	478,000	0.16	204,360	508,210	
7.875% Perpetual (LBG Capital)	362,000	0.05	245,997	395,413	
7.5884% ECN 12/05/20 (LBG Capital)	300,000	0.04	136,323	320,760	
7.281% Perpetual (Bank of Scotland)	400,000	0.27	315,330	461,240	
			902,010	1,685,623	9.64
2. Phoenix Life					
7.25% perp notes	1,060,000	0.53	811,923	1,110,350	6.35
3. Royal Bank of Scotland Group					
9% series 'A' non-cum pref (NatWest)	500,000	0.36	362,920	660,000	
Sponsored ADR each rep Pref C (NatWest)	20,000	0.20	55,473	307,044	
			418,393	967,044	5.53
4. Safestyle UK					
Ordinary 1p§	369,000	0.47	369,000	677,576	3.87
5. Manx Telecom					
Ordinary 0.2p§	340,321	0.30	507,782	578,546	3.31
6. Randall & Quilter Investment Holdings					
Ordinary 2p§	387,000	0.54	502,731	572,760	3.28
7. Juridica Investments					
Ordinary NPV§	410,000	0.39	544,190	565,800	3.24
8. Friends Life Group					
Ordinary NPV§	173,069	0.01	565,438	545,687	3.12
9. Conygar Investment Company					
Ordinary 5p§	320,478	0.37	406,493	538,403	3.08
10. Brit					
Ordinary 1p§	219,167	0.01	526,001	536,959	3.07

§ Issues with unrestricted voting rights.

TWENTY LARGEST INVESTMENTS
At 30 June 2014

Stock	Number	Issue %	Book cost £	Market or Directors' valuation £	% of total portfolio
11. Esure Group					
Ordinary 0.08333p§	201,217	0.05	545,776	536,243	3.07
12. Charles Taylor					
Ordinary 1p§	230,000	0.54	419,215	529,000	3.03
13. DX (Group)					
Ordinary 1p§	420,000	0.21	484,204	525,000	3.00
14. Gable Holdings					
Ordinary 2.5p§	617,063	0.46	339,385	512,162	2.93
15. Fishguard & Rosslare					
3.5% GTD Preference Stock	790,999	63.91	441,810	490,419	2.80
16. Lancashire Holdings					
Common stock§	73,000	0.04	552,086	477,420	2.73
17. Royal Mail					
Ordinary 1p§	90,200	0.01	465,823	450,098	2.57
18. Newcastle Building Society					
6.25% sub notes 23/12/19	600,000	2.40	405,438	419,460	2.40
19. REA Holdings					
9.5% GTD Notes 31/12/17	300,000	2.00	298,254	313,500	
7.5% Dollar Notes 30/06/17	150,000	0.44	76,740	87,727	
			374,994	401,227	2.29
20. Fairpoint Group					
Ordinary 1p§	300,000	0.68	307,992	393,000	2.25
			9,890,684	**12,512,777**	**71.56**

§ Issues with unrestricted voting rights.

The Group has a total of 71 portfolio investment holdings in 57 companies.

CORPORATE SUMMARY

Investment Objective

The Company's investment objective is to provide shareholders with an attractive level of dividends coupled with capital growth over the long-term, through investment in a portfolio of equities, preference shares, loan stocks, debentures and convertibles.

Investment Policy

The Company will invest primarily in the equity securities of quoted UK companies with a wide range of market capitalisations many of which are, or are expected to be, dividend paying, with anticipated dividend growth in the long term. The Company may also invest in large capitalisation companies, including FTSE 100 constituents, where this may increase the yield of the portfolio and where it is believed that this may increase shareholder value.

The Company will also make investments in preference shares, loan stocks, debentures, convertibles and related instruments of quoted UK companies. Any use of derivatives for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments, as described below. The Company will not enter into uncovered short positions.

Risk diversification

Portfolio risk will be mitigated by investing in a diversified spread of investments. Investments in any one company shall not, at the time of acquisition, exceed 15% of the value of the Company's investment portfolio. In the long term, it is expected that the Company's investments will be a portfolio of between 40 and 60 securities, most of which will represent individually no more than 3% of the value of the Company's total investment portfolio, as at the time of acquisition.

The Company will not invest more than 10% of its gross assets, at the time of acquisition, in other listed closed-ended investment funds, whether managed by the Manager or not, except that this restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15% of their gross assets in other listed closed-ended investment funds.

Unquoted investments

The Company may invest in unquoted companies from time to time subject to prior Board approval.

Investments in unquoted companies in aggregate will not exceed 5% of the value of the Company's investment portfolio as at the time of investment.

Borrowing and gearing policy

The Company may use gearing, including bank borrowings and the use of derivative instruments such as contracts for differences. The Company may borrow (through bank facilities and derivative instruments) up to 15% of NAV (calculated at the time of borrowing).

Investment Strategy

The Manager intends to use a bottom-up investment approach for the portfolio, with a diversified portfolio of securities of various market capitalisation sizes. There will be a bias towards dividend paying smaller companies, but the portfolio will also include preference shares, loan stocks, debentures and convertibles with attractive yields.

The investment approach can be described as active and universal, as the Company will not seek to replicate any benchmark and will target a significant proportion of smaller company equities within an overall diversified portfolio. Potential investments are assessed against the key criteria including, inter alia, their yield, growth prospects, market positions, calibre of management and risk and cash resources.

Dividend Policy

The Company will seek to maintain an annualised dividend yield of 6% of NAV (based on the opening NAV at the start of each financial year). It is intended that dividends of roughly equal size will be paid quarterly. This income will be paid out of revenue and/or capital, as available.

Currently, the dividend payable by the Company each year is calculated as 6% of the NAV at the start of each year. Given that the asset value of the Company could fluctuate significantly each year, the Directors are considering modifying this in future years so that the dividend payable might be grown more sustainably over the longer term.

Capital Structure

As at 30 June 2014 and the date of this report, the Group's share capital consists of 4,772,049 ordinary shares of 50p each, of which 32,500 shares are held in Treasury and 4,739,549 shares are in circulation. In addition, there are 1,717,565 fixed rate preference shares of 50p in issue, all of which are held by a wholly owned subsidiary of the Company.

Total Assets and Net Asset Value

The Group had total assets of £19.4 million and a NAV of 394.41p per ordinary share at 30 June 2014.

Business Model

The principal activity of the Company is investment in equity securities of quoted UK companies with a wide range of market capitalisations, preference shares and prior charge securities with a view to achieving a high rate of income and capital growth over the medium term. During the year, the Company was granted approval from HM Revenue & Customs ("HMRC") as an investment trust under s1158/1159 of the Corporation Tax Act 2010 ("s1158/1159") for the accounting period commencing 1 July 2013, and for each subsequent accounting period, subject to there being no serious breaches of the conditions for approval.

The principal conditions that must be met for approval by HMRC as an investment trust for any given accounting period are that the Company's business should consist of "investing in shares, land or other assets with the aim of spreading investment risk and giving members of the company the benefit of the results" and the Company must distribute a minimum of 85% of all its income as dividend payments. The Company must also not be a close company. The Directors are of the opinion that the Company has conducted its affairs for the year ended 30 June 2014 so as to be able to continue to qualify as an investment trust.

The Company's status as an investment trust allows it to obtain an exemption from paying taxes on the profits made from the sale of its investments and all other net capital gains. Investment trusts offer a number of advantages for investors, including access to investment opportunities that might not be open to private investors and to professional stock selection skills at lower cost.

The Company owns Abport Limited, an investment dealing company, and New Centurion Trust Limited, a dormant investment company.

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

(i) **Investment decisions:** the performance of the Group'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 Group's portfolio and opportunities for realisations depend to some extent on stock market conditions and interest rates; and

(iii) **Macroeconomic 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 affecting the choice and scope of investment opportunities for the Group.

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

1. Market price risk
The Manager monitors the prices of financial instruments held by the Group on a regular basis. In addition, it is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce risks arising from investment decisions and investment valuations. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. Most of the equity investments held by the Company are listed on the London Stock Exchange.

2. Interest rate risk
In addition to the impact of the general investment climate, interest rate movements may specifically affect the fair value of investments in fixed interest securities.

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

Additional Risks and Uncertainties Include:
Credit risk: the failure of a counterparty to a transaction to discharge its obligations under that transaction that could result in the Company suffering a loss. Normal delivery versus payment practice and review of counterparties and custodians by the Manager mean that this is not a significant risk.

Discount volatility: The Company's shares may trade at a price which represents a discount to its underlying NAV.

Regulatory risk: The Company operates in an evolving regulatory environment and faces a number of regulatory risks. A breach of s1158/1159 would result in the Company being subject to capital gains tax on portfolio investments. Breaches of other regulations, including the Companies Act 2006, the UKLA Listing Rules, the UKLA Disclosure and Transparency Rules, or the Alternative Investment Fund Managers' Directive, could lead to a detrimental outcome. Breaches of controls by service providers to the Company could also lead to reputational damage or loss. The Board monitors compliance with regulations, with reports from the Manager and the Administrator.

Protection of assets: The Company's assets are protected by the use of an independent custodian, BNY Mellon. In addition, the Company operates clear internal controls to safeguard all assets.

These and other risks facing the Company are reviewed regularly by the Board.

Key Performance Indicators ("KPIs")

The Board reviews performance by reference to a number of KPIs and considers that the most relevant KPIs are those that communicate the financial performance and strength of the Company as a whole. The Board and Manager monitor the following KPIs:

– *NAV performance relative to the FTSE All-Share Index (total return)*
  The NAV per ordinary share at 30 June 2014 was 394.4p per share (2013: 342.6p). The total return of the NAV after adding back dividends paid was 19.5%. This compares favourably with a total return on the FTSE All-Share Index of 13.1%.

– *Premium/(discount) of share price in relation to NAV*
  Over the year to 30 June 2014, the Company's share price moved from trading at a discount of 4.4% to a premium of 2.9%.

– *Ongoing Charges Ratio*
  The Ongoing Charges Ratio for the year to 30 June 2014 amounted to 2.5%. The management fee for the year was reduced by £65,747 in order to achieve the maximum Ongoing Charges Ratio permitted under the Management Agreement, as explained below.

Management

The Company's investments are managed by Miton Asset Management Limited.

What Miton brings to the Company

Miton is distinctive

- Miton is an independent fund management company quoted on the AIM market with an extensive shareholder base of major institutions and a particularly robust balance sheet.

- Miton is distinctive from most other fund managers in that many of its funds do not use traditional benchmarks since they can bring unintentional risks that can impede the day-today managers' ability to maximise absolute return in unsettled markets.

- Through anticipating post credit boom trends, Miton proposes investment strategies that are set up with the forthcoming trends in mind, rather than slavishly following the consensus.

- Many of Miton's funds have greater scope to manage volatility more closely than others, with an aim to better sustain its clients' assets through market cycles.

Miton asks more of its managers

Miton believes that able fund managers are better placed to deliver for clients if they have wide ranging flexibility. Limiting the investment universe to a short list of benchmark stocks can be demotivating since the risk/reward ratio of the portfolio could be constrained above the optimal level unnecessarily. The best managers can take advantage of this wider flexibility to better moderate portfolio risk, as well as enhancing their clients' returns through selecting the best from a wider range of potential investments.

In addition, Miton also places great emphasis on its fund managers doing their own analysis since it believes this ensures that they have greater conviction in subsequent investment decisions, and are less vulnerable to becoming panicky sellers when a share price moves adversely.

Details of the Manager

Miton has a team of six fund managers researching the full universe of quoted UK stocks. These include George Godber and Georgina Hamilton who principally seek stocks which are intrinsically cheap with regard to their tangible assets or where the scale of the underlying cashflow is underappreciated. Bill Mott and Eric Moore principally concentrate on identifying mid and larger companies which have the best opportunities to grow their dividends over time.

The day-to-day management of the portfolio is carried out by Gervais Williams and Martin Turner, who research all quoted companies, but have a particular focus on many of the smaller quoted stocks.

Gervais Williams

Gervais joined Miton in March 2011 as Managing Director of the Group. He has been an equity portfolio manager since 1985, including 17 years as Head of UK Smaller Companies and Irish Equities at Gartmore. He won the Grant Thornton Investor of the Year Award in 2009 and 2010, and was recently awarded Fund Manager of the Year 2014 by What Investment?

Martin Turner

Martin joined Miton in May 2011. Martin and Gervais have had a close working relationship since 2004, and their complementary expertise and skills led to a series of successful companies being backed. Martin qualified as a Chartered Accountant with Arthur Andersen, and also has extensive experience at Rothschild, Merrill Lynch and Collins Stewart, where as Head of Small/Mid Cap Equities his role covered their research, sales and trading activities.

Management Arrangements

During the year, the Company's investments were managed by Miton Asset Management Limited under an agreement dated 31 May 2013. On 1 January 2014, the agreement was novated from Miton Capital Partners Limited to Miton Asset Management Limited.

Subsequent to the year end on 22 July 2014, the Company appointed PSigma Unit Trust Managers Limited ("PUTM"), a Miton Group company, as the Company's Alternative Investment Fund Manager ("AIFM") on the terms of, and subject to the conditions of a new investment management agreement (the "Management Agreement") between the Company and PUTM. PUTM has been approved as an AIFM by the UK's Financial Conduct Authority.

The existing investment management agreement between the Company and Miton Asset Management Limited, which is not authorised as an AIFM, has been terminated. Miton Asset Management Limited has been appointed by PUTM as investment manager to the Company pursuant to a delegation agreement, so there will be no change to the day-to-day investment management arrangements.

Under the terms of the Management Agreement, the Manager has discretion to buy, sell, retain, exchange or otherwise deal in investment assets for the account of the Company.

The Manager is entitled to receive from the Company or any member of its group in respect of its services provided under the Management Agreement, a management fee payable monthly in arrears calculated at the rate of one-twelfth of 1% per calendar month of the NAV for its services under the Management Agreement, save that its management fee will be reduced by such amount (being not more than the fees payable to the Manager in respect of any year (exclusive of VAT)) so as to seek to ensure that the Ongoing Charges Ratio of the Company does not exceed 2.5% per annum.

The Management Agreement is terminable by either the Manager or the Company giving to the other not less than six months' written notice, such notice not to expire earlier than the second anniversary of commencement. The Management Agreement may be terminated earlier by the Company with immediate effect on the occurrence of certain events, including the liquidation of the Manager or appointment of a receiver or administrative receiver over the whole or any substantial part of the assets or undertaking of the Manager or a material breach by the Manager of the Management Agreement which is not remedied. The Company may also terminate the Management Agreement should Gervais Williams cease to be an employee of the Manager's group and, within three months of his departure, is not replaced by a person whom the Company considers to be of equal or satisfactory standing. The Company may also terminate the Management Agreement if a continuation vote is not passed.

Environmental, Human Rights, Employee, Social and Community Issues

The Board consists entirely of non-executive Directors. Day-to-day management of the business is delegated to the Manager. As an investment trust, the Company has no direct impact on the community or the environment, and as such has no environmental, human rights, social or community policies. In carrying out its investment activities and in relationships with suppliers, the Company aims to conduct itself responsibly, ethically and fairly. In relation to gender diversity considerations, whilst there are currently no female Directors of the Company, members of the Board are appointed on merit, against an objective criteria set by the Board acting as the Nomination Committee.

On behalf of the Board

Sir David Thomson
Chairman

1 October 2014

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 30 June 2014.

Directors
The Directors in office at the date of this report are shown on page 2.

Substantial Shareholdings
As at 30 June 2014, the Company was aware of the following notifiable interests in its voting rights:

	Number of ordinary shares	% of voting rights
Miss J. B. Webb	539,344	11.38
Mrs J. P. Brown	212,343	4.48
Mrs S. Williams	212,343	4.48
Investec Wealth & Investment Limited	206,641	4.36
Mr S. J. Cockburn	201,322	4.25
Philip J. Milton & Company plc	188,762	3.98

The Company is not aware of any changes to the above holdings between 30 June 2014 and the date of this report.

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). There are no agreements to which the Company is party that might affect its control following a successful takeover bid.

Dividends
The dividends paid or payable in respect of the year ended 30 June 2014 are set out in the Strategic Report on page 3 and in note 8.

Financial Risk Management
The principal risks and the Company's policies for managing these risks are set out on pages 12 and 13 and in note 17 to the financial statements.

ISA Status
The Company's shares are fully eligible for inclusion in ISAs.

Going Concern
The Company's Articles of Association require a continuation vote to be proposed at the 2016 Annual General Meeting for the Company to be wound up on a voluntary basis.

The Directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements as the assets of the Group consist mainly of securities which are readily realisable. The Directors are of the opinion that the Group has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion, the Directors have considered the liquidity of the portfolio and the Company's ability to meet obligations as they fall due for a period of at least 12 months from the date that these financial statements were approved.

Greenhouse Gas Emissions
The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, including those within its underlying investment portfolio.

Auditor Information
The Directors who held office at the date of approval of the Report of the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Auditor
Saffery Champness has expressed its willingness to continue in office as Auditor of the Company and resolutions for its re-appointment and for the Directors to determine its remuneration will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting
The Notice of Annual General Meeting to be held on Thursday, 11 December 2014 (the "Notice") is set out on pages 58 to 61. Shareholders are being asked to vote on various items of business, being:

(i) the receipt and adoption of the Strategic Report, the Reports of the Directors and Auditor and the financial statements for the year ended 30 June 2014;

(ii) the receipt and approval of the Directors' Remuneration Report;

(iii) the receipt and approval of the Directors' Remuneration Policy;

(iv) the re-election of Directors;

(v) the re-appointment of Saffery Champness as Auditor and the authorisation of the Directors to determine the remuneration of the Auditor;

(vi) the approval of the Company's dividend payment policy;

(vii) the granting of authorities in relation to the allotment of shares;

(viii) the disapplication of pre-emption rights for certain issues of shares;

(ix) the purchase by the Company of its own shares; and

(x) the holding of general meetings on not less than 14 clear days' notice.

Resolutions 1 to 8 will be proposed as ordinary resolutions and resolutions 9 to 11 will be proposed as special resolutions.

Directors Remuneration
A new Directors' remuneration reporting regime came into effect on 1 October 2013. Shareholders will now have an annual advisory vote on the report on Directors' remuneration and a binding vote, to be held at least every three years, on the remuneration policy of the Directors. Accordingly, shareholders are being asked to vote on the receipt and approval of the Directors' Remuneration Report and the Directors' Remuneration Policy as set out on pages 26 to 29.

Dividend Payment Policy
The Company's policy is to pay dividends on a quarterly basis, with dividends declared in October, January, April and July and paid in November, February, May and August each year. As the fourth dividend is payable prior to the Annual General Meeting, which is scheduled to be held in December each year, it is declared as an interim dividend and there is accordingly no final dividend payable.

The Board is conscious that this means that shareholders will not be given the opportunity to vote on the payment of a final dividend. Accordingly, shareholders will be asked to confirm their ongoing approval of the current dividend payment policy, and this is set out in Resolution 7 in the Notice.

Authority to Issue Shares and Disapplication of Pre-Emption Rights
In June 2013, the Company successfully implemented a placing of 1,324,493 ordinary shares. The Board is now considering additional opportunities to issue ordinary shares with the objective of further increasing the size of the Company.

Accordingly, an ordinary resolution to authorise the Directors to allot ordinary shares up to an aggregate nominal amount of £4,739,549, equal to 200% of the Company's issued ordinary share capital (excluding treasury shares) at the date of this Notice, will be proposed as Resolution 8.

In addition, Resolution 9 is being proposed as a special resolution to authorise the Directors to disapply the pre-emption rights of existing shareholders in relation to issue of ordinary shares under resolution 8 and to sell ordinary shares from treasury up to a maximum nominal amount of £4,739,549, which is equal to 200% of the Company's issued share capital (excluding treasury shares) as at the date of this Notice.

Whilst 200% is higher than the disapplication of pre-emption rights authority ordinarily recommended by corporate governance best practice, the Directors believe that taking a larger than normal authority is justified in the present circumstances to provide the Company with the flexibility to issue new shares on an ongoing basis, as and when it has the opportunity to do so, in order to increase its capital base. It will also mean that the Company should save the costs of having to convene more frequent general meetings in order to obtain further shareholder authority.

The Directors intend to issue ordinary shares, subject to any applicable regulatory requirements, when it is in the best interests of Shareholders to do so. Ordinary shares will only be issued on a non-pre-emptive basis at a price not less than the prevailing NAV per ordinary share at the time of issue.

These authorities, if approved, will expire at the annual general meeting of the Company to be held in 2015.

As at the date of this report, the Company holds 32,500 ordinary shares in treasury, representing 0.69% of its current issued share capital.

Purchase of Own Shares
Resolution 10, a special resolution, will give the Company authority to make market purchases of up to 14.99% of its ordinary shares, either for cancellation or placing into treasury at the determination of the Directors. Purchases of ordinary shares will be made within guidelines established from time to time by the Board. Any purchase of ordinary shares would be made only out of the available cash resources of the Company. The maximum price which may be paid for an ordinary share must not be more than the higher of (i) 5% above the average of the mid-market values of the ordinary shares for the five business days before the purchase is made, or (ii) the higher of the price of the last independent trade and the highest current independent bid for the ordinary shares. The minimum price which may be paid is 50p per ordinary share.

The Directors would use this authority to address any significant imbalance between the supply and demand for the Company's ordinary shares and to manage the discount to net asset value at which the ordinary shares trade. Ordinary shares will be repurchased only at prices below the NAV per ordinary share, which should have the effect of increasing the NAV per ordinary share for remaining shareholders. This authority will expire at the Annual General Meeting to be held in 2015 when a resolution to renew the authority will be proposed.

Notice Period for General Meetings
Resolution 11 is a special resolution that will give the Directors the ability to convene general meetings, other than annual general meetings, on a minimum of 14 clear days' notice. The minimum notice period for annual general meetings will remain at 21 clear days. The approval will be effective until the Company's Annual General Meeting to be held in 2015, at which it is intended that renewal will be sought. The Company will have to offer facilities for all shareholders to vote by electronic means for any general meeting convened on 14 days' notice. The Directors will only call a general meeting on 14 days' notice where they consider it to be in the interests of shareholders to do so and the relevant matter is required to be dealt with expediently.

Recommendation
Full details of the above resolutions are contained in the Notice.

The Directors consider that all the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its members as a whole. The Directors unanimously recommend that shareholders vote in favour of all the resolutions, as they intend to do in respect of their own beneficial holdings.

By order of the Board

Capita Company Secretarial Services Limited
Company Secretary

1 October 2014

CORPORATE GOVERNANCE

The Corporate Governance Statement forms part of the Directors' Report.

Statement of Compliance

The Board of The Investment Company plc has considered the principles and recommendations of the AIC Code of Corporate Governance for Investment Companies ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide") published in February 2013. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in of the UK Corporate Governance Code ("UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), provides better information to shareholders.

The Financial Reporting Council ("FRC"), the UK's independent regulator for corporate reporting and governance responsible for the UK Code, has endorsed the AIC Code and the AIC Guide. The terms of the FRC's endorsement mean that AIC members who report against the AIC Code and the AIC Guide meet fully their obligations under the UK Code and the related disclosure requirements contained in the Listing Rules.

A copy of the AIC Code and the AIC Guide can be obtained via the AIC website, www.theaic.co.uk. A copy of the UK Code can be obtained at www.frc.org.uk.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

A full portfolio listing is not provided as in the opinion of the Directors, it is not in the best commercial interests of the Company.

The Board of Directors

Until the retirement of Mr Lovegrove and Ms Webb on 3 October 2013, the Board comprised six non-executive Directors. During the rest of the year, and at the date of this report, the Board comprised of four non-executive Directors.

The Board is responsible for all matters of direction and control of the Company and the Group, including its investment policy and strategy, and no one individual has unfettered powers of decision. The Directors review at regular meetings the Group's investments and all other important issues to ensure that control is maintained over the Group's affairs.

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 also chairman of S.A. Meacock & Company Limited, and subsequent to the year end, was appointed chairman of Associated British Engineering plc. 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.

The Board has formalised the arrangements under which Directors, in the furtherance of their duties, may take independent professional advice. There were no third party indemnity provisions over the course of the year or since the year end.

The appointment of a new Director would be on the basis of a candidate's merits and the skills/ experience identified by the Board as being desirable to complement those of the existing Directors. The Company does not have a specific diversity policy, but diversity is one of the factors that would be taken into account when making a new appointment.

Board Operation

The Directors meet at regular Board meetings held at least once a quarter, with additional meetings arranged as necessary. During the year to 30 June 2014, the number of Board and Committee meetings attended by each Director was as follows:

	Board		Audit Committee	
	Number entitled to attend	Number attended	Number entitled to attend	Number attended
Sir David Thomson	4	4	2	2
Peter Allen	4	4	2	2
Stephen Cockburn	4	4	2	2
Martin Perrin	4	4	2	2
Phillip Lovegrove*	2	2	1	1
Joan Webb*	2	2	1	1

* retired on 3 October 2013.

Performance Evaluation

The Directors are aware that they need to continually monitor and improve performance and recognise this can be achieved through Board evaluation, which provides a powerful and valuable feedback mechanism for improving Board effectiveness. The Board has established a questionnaire based process, for the annual evaluation of the performance of the Board, its Committees and the individual Directors. Following evaluation, the Board agreed that all Directors continued to demonstrate commitment to their role.

Directors' Independence

The Board has reviewed the independent status of each individual Director and the Board as a whole. In the Board's opinion, all Directors are considered to be independent of the Manager in both character and judgement.

The Board has considered the fact that three of the four Directors have served on the Board for more than nine years. The AIC Code 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 this case, due to their active participation in the Company.

The Board has considered the fact that Mr Cockburn is a consultant to Miton in respect of the legacy portfolio, and does not consider this to affect his independence.

During the year, Messrs Cockburn and Perrin sat on the board of Fiske plc. Their fellow Directors did not consider this to affect their ability to act independently and each Director is deemed independent in outlook and judgement. Sir David Thomson and Mr Cockburn sit on the board of Associated British Engineering plc. Their fellow Directors do not consider this to impact their independence.

Re-election of Directors

In accordance with the Company's Articles of Association, one-third of Directors shall be subject to retirement by rotation at each Annual General Meeting. In so far as the number of Directors retiring is less than one-third, those Directors who have been longest in office shall also retire. In accordance with the Company's Articles, the UK Code and the AIC Code, all Directors will be subject to re-election by shareholders at intervals of no more than three years.

Sir David Thomson and Mr Allen will stand for re-election at the forthcoming Annual General Meeting. The Board has considered the re-election of each and recommends their re-election on the basis of their skills, knowledge and continued contribution.

Board responsibilities and relationship with Investment Manager

The Board is responsible for the determination and implementation of the Company's investment policy and strategy and has overall responsibility for the Company's activities, including the review of investment activity and performance, control and supervision of the Manager. The Board's main roles are to create value for shareholders, to provide leadership to the Company and to approve the Company's strategic objectives. The Board has adopted a schedule of matters reserved for its decision and specific responsibilities include: reviewing the Company's investments, asset allocation, gearing policy, cash management, investment outlook and revenue forecasts.

The Company's day-to-day functions have been subcontracted to a number of service providers, each engaged under separate legal agreements. The management of the Group's assets has been delegated to PUTM, who in turn has delegated the investment management activities to Miton Asset Management Limited, which has discretion to manage the assets in accordance with the Company's investment objective and policy.

At each Board meeting the Directors follow a formal agenda, which is circulated in advance by the Company Secretary. The Secretary, Administrator and Manager regularly provide financial information, together with briefing notes and papers in relation to changes in the Company's economic and financial environment, statutory and regulatory changes and corporate governance best practice.

At each Board meeting a representative from the Manager is in attendance to present verbal and written reporting covering the Company's activities, portfolio and investment performance over the preceding period. Ongoing communication with the Board is maintained between formal meetings.

Committees of the Board

The Company has appointed an Audit Committee to monitor specific operations. Given the size of the Board, it is not felt appropriate to have a separate Management Engagement, Nomination or Remuneration Committee. The functions that would be normally carried out by these Committees are dealt with by the full Board.

The terms of reference of the Audit Committee are available on the Company's website at www.mitongroup.com/tic.

Report from the Audit Committee

The Audit Committee is comprised of all the independent non-executive Directors of the Company and is chaired by Mr Perrin. Given the size of the Board, it is deemed proportionate and practical for all Directors to sit on the Audit Committee. The Board is satisfied that Mr Perrin has recent and relevant financial experience to guide the Committee in its deliberations.

Role of the Audit Committee

The primary responsibilities of the Audit Committee are:

- to monitor the integrity of the financial statements of the Company and the Group, and review the financial reporting process and the accounting policies of the Company;
- to keep under review the effectiveness of the Company's and the Group's internal control environment and risk management systems;
- to make recommendations to the Board in relation to the re-appointment or removal of the external Auditor and to approve its remuneration and terms of engagement;
- to review the effectiveness of the audit process; and
- to review and monitor the Auditor's independence and objectivity.

Matters Considered in the Year

The Committee met twice during the financial year to consider the financial statements and to review the internal control systems.

The Audit Committee has:

- instigated new internal controls and risk management systems of the Company and reviewed the internal controls of its third party service providers;
- agreed the audit plan with the Auditor, including the principal areas of focus;
- received and discussed with the Auditor its report on the results of the audit; and
- reviewed the Group's financial statements and advised the Board accordingly.

The principal issue identified by the Committee was the valuation and ownership of the investment portfolio, in particular the unquoted holdings. The Board relies on the Administrator and Manager to use correct listed prices and seeks comfort in the testing of this process though the internal control statements. This was discussed with the Administrator, Manager and Auditor at the conclusion of the audit of the financial statements.

Audit Fees

An audit fee of £26,000 had been agreed in respect of the audit for the year ended 30 June 2014.

Auditor

During the year, Saffery Champness provided taxation services to the Company incurring fees of £4,850. No other non-audit services were provided to the Group during the year. In the event of any proposed non-audit services, the Committee would review the scope and nature of the proposed non-audit service before engagement, to ensure that auditor independence and objectivity was safeguarded.

Saffery Champness have been Auditor to the Company for over 28 years. No tender for the audit of the Company has been undertaken. The Audit Committee regularly considers the need to put the audit out to tender, its fees and independence, along with matters raised during each audit.

Following consideration of the performance of the Auditor, the service provided during the year and a review of their independence and objectivity, the Audit Committee has recommended to the Board the re-appointment of Saffery Champness as Auditor to the Company.

Engagement of Fund Manager

Towards the end of the 2013 period, the Board engaged Miton as the Fund Manager, following a review of a range of options and concluding that their investment style, track record and methodology was most likely to optimise shareholder returns. The Board believes that the investment performance has been satisfactory relative to that of the markets in which the Company invests and that the remuneration of the Investment Manager is reasonable, both in absolute terms, and compared to that of managers of comparable investment companies. It is the opinion of the Directors that the continuing appointment of Miton is in the interests of shareholders as a whole.

Internal Control Review

The Directors are responsible for the systems of internal control relating to the Company and its subsidiary and the reliability of the financial reporting process and for reviewing their effectiveness.

The Directors have reviewed and considered the guidance supplied by the FRC on internal controls and an ongoing process has been established for identifying, evaluating and managing the risks faced by the Group. This process, together with key procedures established with a view to providing effective financial control, was in place during the year under review and at the date of the signing of this report. The internal control systems are designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which are issued for publication is reliable and that the assets of the Group and Company are safeguarded. The risk management process and Group systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Directors have carried out a review of the effectiveness of the systems of internal control as they have operated over the period and up to the date of approval of the report and financial statements. There were no matters arising from this review that required further investigation and no significant failings or weakness were identified.

Risk assessment and the review of internal controls is undertaken regularly in the context of the Company's overall investment objective. The Board, through the Audit Committee, has identified risk management controls in four key areas: corporate strategy; published information and compliance with laws and regulations; relationships with service providers; and investment and business activities. In arriving at its judgement, the Board has considered the Company's operations in light of the following factors:

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- the threat of such risks becoming reality;
- the Company's ability to reduce the incidence and impact of risk on its performance; and
- the cost to the Company and benefits related to the Company and third parties operating the relevant controls.

The Board reviews financial information produced by the Manager and Administrator on a regular basis.

Most functions for the day-to day management of the Company are sub-contracted, and the Directors therefore obtain regular assurances and information from key third party suppliers regarding the internal systems and controls operated in their organisations. In addition, each of the third parties is requested to provide a copy of its report on internal controls each year, which is reviewed by the Audit Committee.

Relations with shareholders

Communication with shareholders is given a high priority by both the Board and the Manager. All shareholders are encouraged to attend and vote at the Annual General Meeting, during which the Board and the Manager are available to discuss any issues affecting the Company.

The Annual and Half-Yearly Reports of the Company are prepared by the Board and its advisers to present a fair, balanced and understandable review of the Company's performance, business model and strategy.

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report in accordance with the requirements of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The law requires the Company's Auditor to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Independent Auditor's Report on pages 32 to 35.

Annual Statement from the Chairman
I am pleased to present the Directors' Remuneration Report for the year ended 30 June 2014.

Shareholders may be aware that new rules for the reporting of Directors' remuneration came into effect on 1 October 2013. These now require companies to ask shareholders to approve the annual remuneration paid to Directors every year and to formally approve the Directors' Remuneration Policy on a three-yearly basis. Any change to the Directors' Remuneration Policy will require shareholder approval. The vote on the Directors' Remuneration Report is, as previously, an advisory vote, whilst the Directors' Remuneration Policy is subject to a binding vote. Accordingly, ordinary resolutions will be put to the shareholders at the forthcoming Annual General Meeting to receive and approve the Directors' Remuneration Report and to receive and approve the Directors' Remuneration Policy.

Given the size of the Board, it is not considered appropriate for the Company to have a separate Remuneration Committee and the functions of this Committee are carried out by the Board as a whole. Each Director of the Company takes no part in discussions concerning their own remuneration.

Directors' fees for the year ended 30 June 2014 were at a level of £14,000 per annum. There have been no changes relating to Directors' remuneration made during the year.

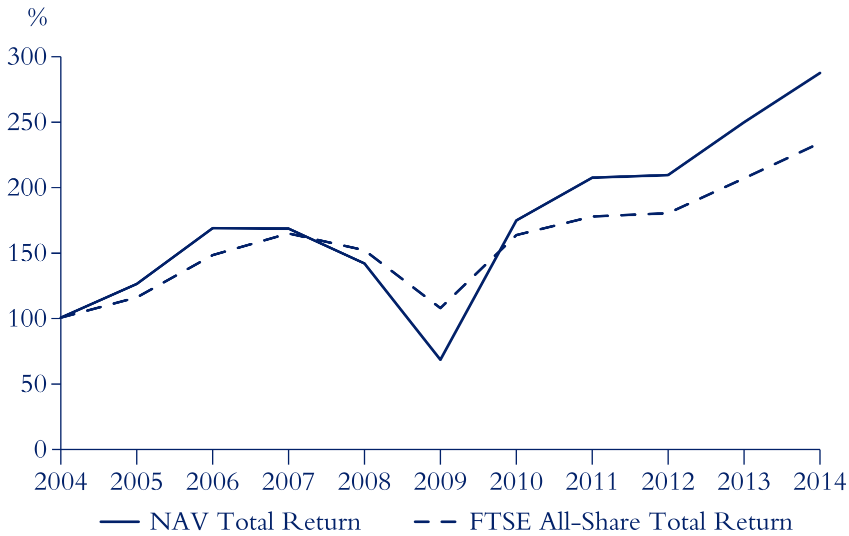
Directors' Emoluments for the Year (audited)
The Directors who served in the year received the following emoluments in the form of fees:

	Year ended 30 June 2014			Period ended 30 June 2013		
	Fees £	**Salary £**	**Total £**	Fees £	Salary £	Total £
Sir David Thomson	**14,000**	**–**	**14,000**	17,500	–	17,500
Peter Allen	**14,033***	**–**	**14,033**	13,750	–	13,750
Stephen Cockburn	**14,152***	**–**	**14,152**	14,000	58,296	72,296
Martin Perrin (appointed 27 June 2013)	**14,152***	**–**	**14,152**	-	–	–
Phillip Lovegrove (retired 3 October 2013)	**3,614**	**–**	**3,614**	17,500	–	17,500
Joan Webb (retired 3 October 2013)	**2,840**	**–**	**2,840**	13,750	–	13,750
	62,791	**–**	**62,791**	76,500	58,296	134,796

* amounts in excess of £14,000 represent underpayments relating to the prior period.

Company Performance

The Company does not have a specific benchmark against which performance is measured. The graph below compares the total return (assuming all dividends are reinvested) to holders of ordinary shares compared to the total shareholder return of the FTSE All-Share Total Return Index, which is the closest broad index against which to measure the Company's performance.



Relative Importance of Spend on Pay

The table below shows the proportion of the Company's income spent on pay.

	2014 **£**	2013 £	Change
Dividends paid to ordinary shareholders in the year	**710,932**	112,044	534.5%
Total remuneration paid to Directors	**62,791**	134,796	(53.4)%

Directors' Beneficial and Family Interests (audited)

The interests of the current Directors and their families in the voting rights of the Company are set out below:

	As at 30 June 2014 No of ordinary shares	As at 30 June 2013 No of ordinary shares
Sir David Thomson	**57,000**	57,000
Peter Allen	**20,000**	20,000
Stephen Cockburn*	**201,322**	201,322
Martin Perrin	**7,144**	7,144

* In addition, Stephen Cockburn has a non-beneficial interest in 79,239 ordinary shares.

There have been no changes to Directors' share interests between 30 June 2014 and the date of this Report.

Voting at Annual General Meeting

The Directors' Remuneration Report for the year ended 30 June 2013 was approved by shareholders at the Annual General Meeting held on 3 October 2013. The votes cast by proxy were as follows:

	Number of votes	% of votes cast
For	775,874	98.66
Against	1,738	1.12
At Chairman's discretion	8,845	0.22
Total votes cast	786,457	100.00
Number of votes withheld	0	

Remuneration Policy

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, and is determined with reference to comparable financial organisations and appointments.

The fees for each non-executive Director are determined within the limits set out in the Company's Articles of Association adopted on 24 June 2013, not to exceed a maximum aggregate amount equivalent to £15,000 per Director per annum. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other performance-related benefits as the Board does not believe that it is appropriate for non-executive Directors.

Directors are entitled to be paid all expenses properly incurred in attending Board or shareholder meetings, or otherwise in or with a view to the performance of their duties.

Under the Company's Articles of Association, if any Director performs or agrees to perform services (including services as a member of any committee(s)) which in the opinion of the Directors are beyond the ordinary and usual duties of a Director may (unless otherwise expressly resolved by the Company in general meeting) be paid such extra remuneration by way of salary, percentage of profits or otherwise, as the Directors may determine, which shall be charged as part of the Company's ordinary working expenses. However, as the Directors do not receive performance related pay, any additional remuneration would not be based on a percentage of profits.

	Expected fees for the year to 30 June 2015	Fees for the year to 30 June 2014
Non-executive Director	**£14,000**	£14,000

Fees for any new Director appointed will be on the above basis. Any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board.

It is the Board's policy that Directors do not have service contracts, but Directors are provided with letters of appointment as a non-executive Director.

The terms of appointment provide that 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. Compensation will not be made upon early termination of appointment.

An ordinary resolution for the approval of the Directors' Remuneration Policy will be put to shareholders at the forthcoming Annual General Meeting. If approved by shareholders, the Directors' Remuneration Policy will be effective immediately upon the passing of the ordinary resolution at the Annual General Meeting.

Approval
The Directors' Remuneration Report was approved by the Board on 29 September 2014.

On behalf of the Board

Sir David Thomson
Chairman

1 October 2014

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 UK Accounting Standards 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 Company's financial position and financial performance.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations, and for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Conduct Authority.

The financial statements are published on the Company's website, www.mitongroup.com/tic, which is maintained on behalf of the Company by the Manager. Under the Management Agreement, the Manager has agreed to maintain, host, manage and operate the Company's website and to ensure that it is accurate and up-to-date and operated in accordance with applicable law. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of this website and accordingly, the Auditor accepts no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom covering the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS *continued*

We confirm that to the best of our knowledge:

- the Group financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- this Annual Report includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board

Sir David Thomson
Chairman

1 October 2014

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of The Investment Company plc ("the Company") for the year ended 30 June 2014 which comprise 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 Changes 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 ("IFRSs") as adopted by the European Union and as regards the 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 Auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 30 and 31, the Directors are responsible for the preparation of the Group and Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs"). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and 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 Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Our assessment of risks of material misstatement

We consider the following risks of material misstatement to be most important to users' understanding of our audit in terms of their impact on our overall strategy, allocation of resources and direction of the audit team's work.

- Completeness of investment income
- Valuation and existence of investments

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. Our overall objective as auditor is to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We consider a misstatement to be material where it could reasonably be expected to influence the economic decisions of the users of the financial statements.

We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality as a whole.

We have determined a materiality of £350,000, which is approximately 2% of net assets, to apply to the capital column of the Consolidated Statement of Comprehensive Income and the Balance Sheets. As the capital and revenue distinction is important to the Group we have applied a separate materiality of £30,000, or 5% of the Group's Return before taxation in the revenue column of the Consolidated Statement of Comprehensive Income, to revenue items. We set performance materiality at 80% of these amounts.

We communicate all misstatements to the Audit Committee.

An overview of the scope of our audit

In response to the risks identified above:

- for a sample of investments held in the year, we formed an expectation of revenue to be received and compared this to the actual revenue recorded by the Group;
- we obtained independent confirmation from the custodian of the investments held at the year end and agreed this to the investments recorded by the Group;
- we agreed the valuation of quoted investments to an independent source of prices; and
- we assessed and tested the methodology and assumptions used in valuing the unlisted investments.

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 Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Report and Accounts is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' Statement that they consider the Report and Accounts is fair, balanced and understandable and whether the Report and Accounts appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006, we are required 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 Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on pages 16 and 17, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Donna Caira
(Senior Statutory Auditor)
For and on behalf of Saffery Champness
Chartered Accountants
Statutory Auditors
Lion House
Red Lion Street
London
WC1R 4GB

1 October 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Notes	Year to 30 June 2014 Revenue £	Year to 30 June 2014 Capital £	Year to 30 June 2014 Total £	15 months to 30 June 2013 Revenue £	15 months to 30 June 2013 Capital £	15 months to 30 June 2013 Total £
Realised gains on investments	12	**–**	**2,456,691**	**2,456,691**	–	220,111	220,111
Unrealised gains on investments held at fair value through profit or loss	12	**–**	**522,123**	**522,123**	–	–	–
Movement in impairment provision on investments held as available for sale		**–**	**791,998**	**791,998**	–	48,876	48,876
Exchange losses on capital items		**–**	**(221)**	**(221)**	–	–	–
Investment income	2	**1,045,888**	**–**	**1,045,888**	1,134,994	–	1,134,994
Investment management fee	3	**(116,251)**	**–**	**(116,251)**	–	–	–
Other administrative expenses	4	**(348,198)**	**–**	**(348,198)**	(707,351)	–	(707,351)
Return before finance costs and taxation		**581,439**	**3,770,591**	**4,352,030**	427,643	268,987	696,630
Finance costs							
Other finance costs	5	**–**	**–**	**–**	(432,550)	–	(432,550)
Loan note interest		**(30,759)**	**–**	**(30,759)**	(62,700)	–	(62,700)
Other interest payable		**–**	**–**	**–**	(2,195)	–	(2,195)
Return before taxation		**550,680**	**3,770,591**	**4,321,271**	(69,802)	268,987	199,185
Taxation	6	**(7,299)**	**–**	**(7,299)**	–	–	–
Return after taxation		**543,381**	**3,770,591**	**4,313,972**	(69,802)	268,987	199,185
Other comprehensive income							
Movement in unrealised appreciation on investments held as available for sale							
Recognised in equity		**–**	**798,908**	**798,908**	–	1,357,358	1,357,358
Recognised in return after taxation		**–**	**(1,935,599)**	**(1,935,599)**	–	(159,534)	(159,534)
Other comprehensive income after taxation		**–**	**1,136,691**	**1,136,691**	–	1,197,824	1,197,824
Total comprehensive income after taxation		**543,381**	**2,633,900**	**3,177,281**	(69,802)	1,466,811	1,397,009
Return after taxation per 50p ordinary share							
Basic and diluted	7	**11.46p**	**79.56p**	**91.02p**	(6.35)p	14.26p	7.91p
Return on total comprehensive income after taxation per 50p ordinary share							
Basic and diluted	7	**11.46p**	**55.57p**	**67.03p**	(6.35)p	77.76p	71.41p

The total column of this statement is the Consolidated Statement of Comprehensive Income of the Group prepared in accordance with IFRS. The supplementary revenue and capital columns are prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies ("AIC SORP").

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

The notes on pages 41 to 57 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Issued capital £	Share premium £	Own shares held £	Capital redemption reserve £	Revaluation reserve £	Capital reserve* £	Revenue account* £	Total £
Balance at 1 July 2013	**2,386,025**	**4,464,443**	**–**	**2,408,820**	**3,511,569**	**3,013,972**	**452,655**	**16,237,484**
Total comprehensive income								
Net return for the period	**–**	**–**	**–**	**–**	**-**	**3,770,591**	**543,381**	**4,313,972**
Movement in unrealised appreciation on investments held as available for sale:								
– Recognised in equity	**–**	**–**	**–**	**–**	**798,908**	**–**	**–**	**798,908**
– Recognised in return after taxation	**–**	**–**	**–**	**–**	**(1,935,599)**	**–**	**–**	**(1,935,599)**
Transactions with shareholders recorded directly to equity								
Ordinary dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(710,932)**	**(710,932)**
Costs of issue	**–**	**(10,540)**	**–**	**–**	**–**	**–**	**–**	**(10,540)**
Balance at 30 June 2014	**2,386,025**	**4,453,903**	**–**	**2,408,820**	**2,374,878**	**6,784,563**	**285,104**	**18,693,293**

	Issued capital £	Share premium £	Own shares held £	Capital redemption reserve £	Revaluation reserve £	Capital reserve* £	Revenue account* £	Total £
Balance at 1 April 2012	1,808,728	1,019,246	(2,919,861)	685,250	2,313,745	4,806,064	684,449	8,397,621
Total comprehensive income								
Net return for the period	–	–	–	–	–	268,987	(69,802)	199,185
Movement in unrealised appreciation on investments held as available for sale:								
– Recognised in equity	–	–	–	–	1,357,358	–	–	1,357,358
– Recognised in return after taxation	–	–	–	–	(159,534)	–	–	(159,534)
Transactions with shareholders recorded directly to equity								
Ordinary dividends paid	–	–	–	–	–	–	(112,044)	(112,044)
Participating element of preference dividends paid	–	–	–	–	–	–	(49,948)	(49,948)
Conversion of non-voting ordinary shares into fixed rate preference shares	(858,782)	–	2,919,861	–	–	(2,061,079)	–	–
Conversion of preference shares into ordinary shares	773,833	–	–	1,723,570	–	–	–	2,497,403
Issue of new ordinary shares	662,246	3,682,753	–	–	–	–	–	4,344,999
Costs of issue	–	(237,556)	–	–	–	–	–	(237,556)
Balance at 30 June 2013	2,386,025	4,464,443	–	2,408,820	3,511,569	3,013,972	452,655	16,237,484

* Reserves that are distributable by way of a dividend.

The notes on pages 41 to 57 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Issued capital £	Share premium £	Capital redemption reserve £	Revaluation reserve £	Capital reserve* £	Revenue account* £	Total £
Balance at 1 July 2013	**2,386,025**	**4,464,443**	**2,408,820**	**3,536,373**	**443,750**	**2,962,669**	**16,202,080**
Total comprehensive income							
Net return for the period	**–**	**–**	**–**	**–**	**3,788,678**	**554,107**	**4,342,785**
Movement in unrealised appreciation on investments held as available for sale:							
– Recognised in equity	**–**	**–**	**–**	**780,821**	**–**	**–**	**780,821**
– Recognised in return after taxation	**–**	**–**	**–**	**(1,935,599)**	**–**	**–**	**(1,935,599)**
Transactions with shareholders recorded directly to equity							
Ordinary dividends paid	**–**	**–**	**–**	**–**	**–**	**(710,932)**	**(710,932)**
Preference share dividends paid	**–**	**–**	**–**	**–**	**–**	**(172)**	**(172)**
Costs of issue	**–**	**(10,540)**	**–**	**–**	**–**	**–**	**(10,540)**
Balance at 30 June 2014	**2,386,025**	**4,453,903**	**2,408,820**	**2,381,595**	**4,232,428**	**2,805,672**	**18,668,443**
Balance at 1 April 2012	1,808,728	1,019,246	685,250	2,343,247	4,717,960	791,006	11,365,437
Total comprehensive income							
Net return for the period	–	–	–	–	273,686	2,333,655	2,607,341
Provision for diminution in value of investment in subsidiary	–	–	–	–	(4,547,896)	–	(4,547,896)
Movement in unrealised appreciation on investments held as available for sale:							
– Recognised in equity	–	–	–	1,352,660	–	–	1,357,358
– Recognised in return after taxation	–	–	–	(159,534)	–	–	(159,534)
Transactions with shareholders recorded directly to equity							
Ordinary dividends paid	–	–	–	–	–	(112,044)	(112,044)
Participating element of preference dividends paid	–	–	–	–	–	(49,948)	(49,948)
Conversion of non-voting ordinary shares into fixed rate preference shares	(858,782)	–	–	–	–	–	(858,782)
Conversion of preference shares into ordinary shares	773,833	–	1,723,570	–	–	–	2,497,403
Issue of new ordinary shares	662,246	3,682,753	–	–	–	–	4,344,999
Costs of issue	–	(237,556)	–	–	–	–	(237,556)
Balance at 30 June 2013	2,386,025	4,464,443	2,408,820	3,536,373	443,750	2,962,669	16,202,080

* Reserves that are distributable by way of a dividend.

The notes on pages 41 to 57 form part of these financial statements.

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 30 June 2014

	Note	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Non-current assets					
Investments	12	**17,486,703**	12,798,594	**17,486,703**	12,798,594
Investment in subsidiaries	13	**–**	–	**862,656**	862,656
		17,486,703	12,798,594	**18,349,359**	13,661,250
Current assets					
Trade and other receivables	15	**161,071**	1,393,916	**171,703**	1,476,220
Investments held for trading		**1,564**	122,860	**–**	–
Cash and bank balances		**1,754,315**	3,138,062	**1,711,321**	3,135,055
		1,916,950	4,654,838	**1,883,024**	4,611,275
Current liabilities					
Preference dividends payable	5	**–**	82,914	**–**	82,914
Trade and other payables	16	**344,660**	401,634	**339,457**	397,348
5% loan notes maturing 2015	10	**365,700**	365,700	**365,700**	365,700
		710,360	850,248	**705,157**	845,962
Net current assets		**1,206,590**	3,804,590	**1,177,867**	3,765,313
Non-current liabilities					
5% loan notes maturing 2015	10	**–**	(365,700)	**–**	(365,700)
Fixed rate preference shares	10	**–**	-	**(858,783)**	(858,783)
Net assets		**18,693,293**	16,237,484	**18,668,443**	16,202,080
Capital and reserves					
Issued capital	9	**2,386,025**	2,386,025	**2,386,025**	2,386,025
Share premium		**4,453,903**	4,464,443	**4,453,903**	4,464,443
Capital redemption reserve		**2,408,820**	2,408,820	**2,408,820**	2,408,820
Revaluation reserve		**2,374,878**	3,511,569	**2,381,595**	3,536,373
Capital reserve		**6,784,563**	3,013,972	**4,232,428**	443,750
Revenue reserve		**285,104**	452,655	**2,805,672**	2,962,669
Shareholders' funds	11	**18,693,293**	16,237,484	**18,668,443**	16,202,080
Net asset value per 50p ordinary share		**394.41p**	342.60p		

These financial statements were approved by the Board of The Investment Company PLC on 1 October 2014 and were signed on its behalf by:

Sir David Thomson
Chairman

Company Number: 4205

The notes on pages 41 to 57 form part of these financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

For the year ended 30 June 2014

	Group		Company	
	Year to 30 June 2014	15 months to 30 June 2013	**Year to 30 June 2014**	15 months to 30 June 2013
	£	£	**£**	£
Cash flows from operating activities				
Cash received from investments	**1,204,193**	406,454	**1,087,064**	402,933
Interest received	**1,684**	722,332	**1,678**	722,332
Sundry income	**–**	468	**–**	468
Cash paid to and on behalf of employees	**(34,337)**	(250,687)	**(34,337)**	(250,687)
Other cash payments	**(483,705)**	(377,647)	**(478,229)**	(373,640)
Withholding tax paid	**(7,299)**	–	**(7,299)**	–
Net cash inflow from operating activities	**680,536**	500,920	**568,877**	501,406
Cash flows from financing activities				
Bank interest paid	**–**	(2,195)	**–**	(2,195)
Loan note interest paid	**(35,317)**	(53,583)	**(35,317)**	(53,583)
Loan notes redeemed	**(365,700)**	(365,700)	**(365,700)**	(365,700)
Fixed element of dividends paid on preference shares	**(82,914)**	(524,455)	**(82,914)**	(524,455)
Participating element of dividends paid on preference shares	**–**	(49,948)	**–**	(49,948)
Dividends paid on ordinary shares	**(710,932)**	(104,195)	**(710,932)**	(104,195)
Share capital subscriptions received	**1,184,789**	2,998,176	**1,184,789**	2,998,176
Net cash (outflow)/inflow from financing	**(10,074)**	1,898,100	**(10,074)**	1,898,100
Cash flows from investing activities				
Purchase of investments	**(9,076,089)**	(274,005)	**(9,076,089)**	(211,189)
Amounts received from subsidiaries	**–**	–	**71,672**	(9,315)
Sale of investments	**7,022,181**	1,228,530	**7,022,181**	1,174,574
Net cash (outflow)/inflow from investing activities	**(2,053,908)**	954,525	**(1,982,236)**	954,070
Net (decrease)/increase in cash and cash equivalents	**(1,383,466)**	3,353,545	**(1,423,433)**	3,353,576
Reconciliation of net cash flow to movement in net cash				
(Decrease)/increase in cash	**(1,383,466)**	3,353,545	**(1,423,433)**	3,353,576
Exchange rate movements	**(301)**	–	**(301)**	–
Loan notes redeemed	**365,700**	365,700	**365,700**	365,700
(Decrease)/increase in net cash	**(1,018,047)**	3,719,245	**(1,058,034)**	3,719,276
Net cash/(debt) at start of period	**2,406,662**	(1,312,583)	**2,403,655**	(1,315,621)
Net cash at end of period	**1,388,615**	2,406,662	**1,345,621**	2,403,655
Analysis of net cash				
Cash and bank balances	**1,754,315**	3,138,062	**1,711,321**	3,135,055
5% loan notes due within one year	**(365,700)**	(365,700)	**(365,700)**	(365,700)
5% loan notes due in more than one year	**–**	(365,700)	**–**	(365,700)
	1,388,615	2,406,662	**1,345,621**	2,403,655

The notes on pages 41 to 57 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
At 30 June 2014

1. Accounting policies

(a) Basis of preparation
The Investment Company plc is a public limited company incorporated and registered in England and Wales.

The consolidated financial statements for the year ended 30 June 2014 have been prepared in conformity with IFRS as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and as applied in accordance with the provisions of the Companies Act 2006.

During the period, the Company applied for, and was granted, approval from HM Revenue & Customs as an investment trust under s1158/1159 of the Corporation Tax Act 2010 for the year ending 30 June 2014. As a result the consolidated financial statements have also been prepared in accordance with the AIC SORP issued in January 2009 for the financial statements of investment trust companies and venture capital trusts, except to any extent where it is not consistent with the requirements of IFRS.

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Group has the resources to continue in business for the foreseeable future. The Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements have been prepared on the going concern basis.

(b) Basis of consolidation
The consolidated financial statements, which comprise the unaudited results of the Company and its wholly owned subsidiaries, Abport Limited and New Centurion Trust Limited, together referred to as the "Group", for the year ended 30 June 2014, have been prepared under the historical cost basis, except for the measurement at fair value of investments, and in accordance with International Financial Reporting Standards, as adopted by the European Union.

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own Income Statement. The amount of the Company's return for the financial year dealt with in the financial statements of the Group is a profit after tax of £4,342,785 (2013: profit after tax of £2,607,341).

(c) Segmental Reporting
The Directors are of the opinion that the Group is engaged in a single segment of business, being investment business. The Group primarily invests in companies listed in the UK.

(d) 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.

1. Accounting policies *(continued)*

(e) Revenue and expenditure

Revenue includes dividends and interest from investments which, on or before the balance sheet date, become receivable. Deposit interest receivable, expenses and interest payable are accounted for on an accruals basis. Where, before recognition of dividend income is due, there is any reasonable doubt that a return will actually be received, for example as a consequence of the investee company lacking distributable reserves, the recognition of the return is deferred until the doubt is removed.

(f) Taxation

Deferred tax is provided on an undiscounted basis in accordance with IFRS 19 on all timing differences that have originated but not reversed by the Balance Sheet date, based on tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. In line with the recommendations of the SORP, the allocation method used to calculate the tax relief on expenses charged to capital is the "marginal" basis. Under this basis, if taxable income is capable of being offset entirely by expenses charged through the revenue account, then no tax relief is transferred to the capital account.

No taxation liability arises on gains from sales of fixed asset investments by the Company by virtue of its investment trust status. However, the net revenue (excluding UK dividend income) accruing to the Company is liable to corporation tax at the prevailing rates.

(g) Dividends

Ordinary dividends are recognised as a liability in the period in which they are paid or approved in general meetings and are taken to the Statement of Changes in Equity. Ordinary dividends declared and approved by the Company after the Balance Sheet date have not been recognised as a liability of the Company at the Balance Sheet date.

(h) 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.

(i) Investments

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

All investments held that have been purchased by the Company since obtaining approval as an investment trust from 1 July 2013 are classified as at "fair value through profit or loss". Investments are initially recognised at cost, being the fair value of the consideration given. After initial recognition, investments are measured at fair value, with unrealised gains and losses on investments and impairment of investments recognised in the Consolidated Income Statement and allocated to capital.

1. Accounting policies *(continued)*

(i) Investments *(continued)*

Investments held at 30 June 2014 which were purchased prior to 1 July 2013 are classified as assets available for sale. These investments have not been reclassified as "fair value through profit or loss" in accordance with IAS 39 Financial Instruments Recognition and Measurement.

For investments actively traded in organised financial markets, fair value is generally determined by reference to quoted market bid prices or closing prices for SETS (London Stock Exchange's electronic trading service) stocks sourced from the London Stock Exchange on the Balance Sheet date, without adjustment for transaction costs necessary to realise the asset.

Unlisted stocks are reviewed and valued by the Board on a regular basis and the fair value is determined based on estimates using present values or other valuation techniques.

All investments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy in note 12, described as follows, based on the lowest significant applicable input:

Level 1 reflects financial instruments quoted in an active market.

Level 2 reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

Level 3 reflects financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument and not based on available observable market data. For investments that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest significant applicable input) at the date of the event that caused the transfer.

(j) Investments in subsidiaries

Investments in subsidiaries are stated at cost less provision for diminution in value.

(k) 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 Statement of Comprehensive Income.

If, in a subsequent period, the fair value of available for sale financial assets increases 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 where it relates to a debt instrument.

1. Accounting policies *(continued)*

(l) Fixed rate preference shares

The fixed rate preference shares are non-voting, are entitled to receive a cumulative dividend of 0.01p per share per annum, and are entitled to receive their nominal value, 50p, on a distribution of assets or a winding up. Preference shares are disclosed as non-current liabilities in accordance with IAS 32 (Financial Instruments: Disclosure and Presentation).

(m) 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 January 2014 or later periods but the Group has not adopted them early:

International Accounting Standards (IAS/IFRSs)		Effective for periods beginning on or after
IAS 27	Reissued as IAS 27 Consolidated and Separate Financial Statements (as amended in 2011)	1 January 2014
IAS 28	Investments in Associates and Joint Ventures	1 January 2014
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014

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.

(n) Reserves

Capital reserve

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- net movement arising from changes in the fair value of investments held and classified as at "fair value through profit or loss" that can be readily converted to cash without accepting adverse terms;
- net movement in the impairment provision of investments held as available for sale; and
- net movement from changes in the fair value of derivative financial instruments.

Revaluation reserve

The revaluation reserve represents the accumulated unrealised gains on the Company's available-for-sale investments.

2. Income

	Year ended 30 June 2014 £	15 months ended 30 June 2013 £
Income from investments:		
UK dividends	**356,083**	378,479
Un-franked dividend income	**199,504**	–
UK fixed interest	**494,554**	745,656
	1,050,141	1,124,135
Other income:		
Bank deposit interest	**1,684**	–
Sundry income	**–**	468
Net dealing (losses)/gains of subsidiaries	**(5,937)**	10,391
Total income	**1,045,888**	1,134,994

3. Investment Management fee

	Year ended 30 June 2014 £	15 months ended 30 June 2013 £
Investment Management fee	**116,251**	–

Under the terms of the Management Agreement, the Manager is entitled to receive from the Company or any member of the Group in respect of its services provided under this Agreement, a management fee payable monthly in arrears equal to one-twelfth of 1% per calendar month of the NAV of the Company. For these purposes, the NAV shall be calculated as at the last Business Day of each month and is subject to the ongoing charges ratio of the Company not exceeding 2.5% per annum in respect of any completed financial year.

At 30 June 2014, an amount of £116,251 (2013: £nil) was outstanding and due to Miton Asset Management Limited.

4. Other expenses

	Year ended 30 June 2014 £	15 months ended 30 June 2013 £
Administration and secretarial services	**104,616**	138,750
Auditors' remuneration for:		
– audit of the Group's financial statements	**26,000**	23,650
– other services relating to taxation	**4,850**	5,000
– other assurance services	**–**	32,675
Directors' remuneration (see the Directors' Remuneration Report on pages 26 to 29)	**62,791**	134,796
Salaries	**14,000**	40,000
Pension costs	**10,829**	25,189
Restructuring costs	**12,932**	191,466
Other expenses	**119,240**	115,825
	348,198	707,351

5. Finance costs

	Year ended 30 June 2014 £	15 months ended 30 June 2013 £
Participating Preference Shares		
Fixed entitlement		
– in first half year 0.0p (2013: 3.5p)	**–**	174,818
– in second half year 0.0p (2013: 3.5p)	**–**	174,818
– up to conversion 0.0p (2013: 1.6p)	**–**	82,914
	–	432,550

The participating preference shares were converted into ordinary shares in the period to 30 June 2013.

6. Taxation

	Year ended 30 June 2014 Revenue £	Capital £	Total £	15 months ended 30 June 2013 Revenue £	Capital £	Total £
Overseas taxation suffered	**7,299**	**–**	**7,299**	–	–	–

The current taxation charge for the year is lower than the standard rate of corporation tax in the UK of 21%. The differences are explained below:

	Year ended 30 June 2014 Revenue £	Capital £	Total £	15 months ended 30 June 2013 Revenue £	Capital £	Total £
Return on ordinary activities	**550,680**	**3,770,591**	**4,321,271**	(69,802)	268,987	199,185
Theoretical tax at UK corporation tax rate of 22.50% (2013: 24%)	**123,903**	**848,383**	**972,286**	(16,753)	64,557	47,804
Effects of:						
UK dividends that are not taxable	**(80,119)**	**–**	**(80,119)**	(90,835)	–	(90,835)
Overseas dividends that are not taxable	**(33,585)**	**–**	**(33,585)**	–	–	–
Realised dealing gains	**(19,764)**	**–**	**(19,764)**	–	–	–
Unrealised dealing losses	**18,462**	**–**	**18,462**	–	–	–
Non-taxable investment gains	**–**	**(670,183)**	**(670,183)**	–	(52,827)	(52,827)
Movement in impairment provision not deductible for tax purposes	**–**	**(178,200)**	**(178,200)**	–	(11,730)	(11,730)
Overseas taxation suffered	**7,299**	**–**	**7,299**	–	–	–
Preference dividends not deductible for tax	**–**	**–**	**–**	103,812	–	103,812
Expenses not deductible for tax	**–**	**–**	**–**	2,742	–	2,742
Utilisation of tax losses	**(8,897)**	**–**	**(8,897)**	1,034	–	1,034
	7,299	**–**	**7,299**	–	–	–

Factors that may affect future tax charges

The Company has excess management expenses of £2,134,613 (2013: £2,199,842) that are available to offset future taxable revenue.

In addition, deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments because the Company meets (and intends to continue for the foreseeable future to meet) the conditions for approval as an investment trust company under HMRC rules. It is unlikely that the Company will generate sufficient taxable income in the future to utilise these expenses to reduce future tax charges and therefore no deferred tax charge has been recognised.

7. Return/(loss) per ordinary share

	Year ended 30 June 2014			15 months ended 30 June 2013		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Return after taxation						
Return attributable to ordinary shareholders (£)	**543,381**	**3,770,591**	**4,313,972**	(69,802)	268,987	199,185
Add participating element of Preference share dividend	**–**	**–**	**–**	(49,948)	–	(49,948)
Return attributable to ordinary shareholders (£)	**543,381**	**3,770,591**	**4,313,972**	(119,750)	268,987	149,237
Weighted average number of ordinary shares in issue (excluding shares held in treasury)			**4,739,549**			1,886,328
Return/(loss) per ordinary share (pence)	**11.46**	**79.56**	**91.02**	(6.35)	14.26	7.91

The return on total comprehensive income per ordinary share has been calculated to enable comparison of the returns per share shown in the annual reports of other investment trust companies. A reconciliation is shown below:

	Year ended 30 June 2014			15 months ended 30 June 2013		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Return on total comprehensive income						
Return attributable to ordinary shareholders (£)	**543,381**	**3,770,591**	**4,313,972**	(119,750)	268,987	149,237
Add other comprehensive income recognised in equity	**–**	**798,908**	**798,908**	–	1,357,358	1,357,358
Add other comprehensive income recognised in profit and loss	**–**	**(1,935,599)**	**(1,935,599)**	–	(159,534)	(159,534)
Return attributable to ordinary shareholders (£)	**543,381**	**2,633,900**	**3,177,281**	(119,750)	1,466,811	1,347,061
Weighted average number of ordinary shares in issue (excluding shares held in treasury)			**4,739,549**			1,886,328
Return/(loss) per ordinary share (pence)	**11.46**	**55.57**	**67.03**	(6.35)	77.76	71.41

8. Dividends per ordinary share

	Year ended 30 June 2014 £	15 months ended 30 June 2013 £
In respect of the prior period:		
Final dividend 0.00p (2013: 4.00p)	**–**	74,696
In respect of the year under review:		
First interim dividend 5.00p paid on 22 November 2013 (2013: 2.00p)	**236,978**	37,348
Second interim dividend 5.00p paid on 21 February 2014	**236,977**	–
Third interim dividend 5.00p paid on 23 May 2014	**236,977**	–
	710,932	112,044
Dividend declared in respect of the year under review:		
Fourth interim dividend 5.72p paid on 22 August 2014	**271,102**	–

9. Called up share capital

	Group and Company 2014		Group and Company 2013	
	Number	**£**	Number	£
Ordinary shares 50p each:				
Opening balance	**4,772,049**	**2,386,025**	1,899,891	949,946
Issued pursuant to conversion of Participating Preference Shares	**–**	**–**	1,547,665	773,833
Issued pursuant to a placing	**–**	**–**	1,324,493	662,246
	4,772,049	**2,386,025**	4,772,049	2,386,025

In addition to the above ordinary shares, the issued capital of the Company includes 1,717,565 fixed rate preference shares of 50p each. Details of these preference shares in the Company are set out in note 10.

The ordinary shares entitle the holders to receive all ordinary dividends and all remaining assets on a winding up, after the fixed rate preference shares have been satisfied in full.

The Company holds 32,500 ordinary shares in treasury.

10. Interest bearing liabilities

	Group		Company	
	2014	2013	**2014**	2013
	£	£	**£**	£
5% loan notes maturing 2015	**365,700**	731,400	**365,700**	731,400
Fixed rate preference shares	**–**	–	**858,783**	858,783
	365,700	731,400	**1,224,483**	1,590,183

A bank loan facility is available to the company of up to £500,000, to be secured by an omnibus charge over a portfolio of shares with a valuation of £2,219,760. At 30 June 2014, no loan 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	
	2014	2013	**2014**	2013
	£	£	**£**	£
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	731,400	**365,700**	731,400

The 1,717,565 fixed rate preference shares of 50p each, all of which are held by New Centurion Trust Limited, a wholly owned subsidiary of the Company, are non-voting, are entitled to receive a cumulative dividend of 0.01p per share per annum, and are entitled to receive their nominal value, 50p, on a distribution of assets or a winding up.

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

11. Net Asset Value per Ordinary Share

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

	2014 £	2013 £
Net assets	**18,693,293**	16,237,484
Ordinary shares in issue, excluding own shares held in treasury	**4,739,549**	4,739,549
Net asset value per ordinary share	**394.41p**	342.60p

The underlying investments of New Centurion Trust Limited comprise Fixed Rate Preference 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.

12. Investments

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Available for sale	**8,865,845**	12,798,594	**8,865,845**	12,798,594
At fair value through profit and loss	**8,620,858**	–	**8,620,858**	–
Total investments designated at fair value	**17,486,703**	12,798,594	**17,486,703**	12,798,594

Investments held as available for sale

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Opening book cost	**12,408,510**	13,073,264	**12,505,185**	13,169,938
Opening net investment holding gains/(losses)	**390,084**	(856,618)	**293,409**	(953,292)
Total investments designated at fair value	**12,798,594**	12,216,646	**12,798,594**	12,216,646
Movements in the period:				
Purchases at cost	**–**	290,439	**–**	290,439
Sales – proceeds	**(4,593,355)**	(1,175,304)	**(4,593,355)**	(1,175,304)
– gains on sales	**1,005,299**	220,111	**1,005,299**	220,111
(Decrease)/increase in investment holding gains	**(344,693)**	1,246,702	**(344,693)**	1,246,702
Closing valuation	**8,865,845**	12,798,594	**8,865,845**	12,798,594
Closing book cost	**8,820,454**	12,408,510	**8,917,129**	12,505,185
Closing net investment holding gains/(losses)	**45,391**	390,084	**(51,284)**	293,409
	8,865,845	12,798,594	**8,865,845**	12,798,594

12. Investments *(continued)*

Investments held at fair value through profit and loss

	Group		Company	
	2014	2013	**2014**	2013
	£	£	**£**	£
Opening book cost	**–**	–	**–**	–
Opening net investment holding gains	**–**	–	**–**	–
Total investments designated at fair value	**–**	–	**–**	–
Movements in the period:				
Purchases at cost	**9,076,089**	–	**9,076,089**	–
Sales – proceeds	**(2,428,746)**	–	**(2,428,746)**	–
– gains on sales	**1,451,392**	–	**1,451,392**	–
Increase in net investment holding gains	**522,123**	–	**522,123**	–
Closing valuation	**8,620,858**	–	**8,620,858**	–
Closing book cost	**8,098,735**	–	**8,098,735**	–
Closing net investment holding gains	**522,123**	–	**522,123**	–
	8,620,858	–	**8,620,858**	–

	Group & Company Year ended 30 June 2014 £
Transaction costs	
Costs on acquisitions	**28,280**
Costs on disposals	**12,909**
	41,189

	Group & Company Year ended 30 June 2014 £	Group & Company 15 months ended 30 June 2013 £
Analysis of capital gains		
Gains on sale of investments	**2,456,691**	220,111
Movement in investment holding gains	**177,430**	1,246,702
	2,634,121	1,466,813

12. Investments *(continued)*

Fair value estimation: IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for assets that are not based on observable market data (that is, unobservable inputs)

The table below presents the Group's assets that are measured at fair value:

At 30 June 2014	**Level 1 £**	**Level 2 £**	**Level 3 £**	**Total £**
Fixed asset investments held by the Company	**13,888,686**	**372,816**	**3,225,201**	**17,486,703**
Current asset investments held by a trading subsidiary	**1,564**	**–**	**–**	**1,564**
	13,890,250	**372,816**	**3,225,201**	**17,488,267**

At 30 June 2013	Level 1 £	Level 2 £	Level 3 £	Total £
Fixed asset investments held by the Company	–	6,008,774	6,789,820	12,798,594
Current asset investments held by a trading subsidiary	122,860	–	–	122,860
	122,860	6,008,774	6,789,820	12,921,454

At 30 June 2013, instruments included in Level 2 are reported at the mid bid/offer price less 1%.

Specific valuation techniques used to value the financial instruments include:

(i) Quoted market prices

(ii) Other techniques, taking account of independent market opinion, are used to determine the fair value for the remaining financial instruments

These assets comprise primarily London Stock Exchange equity investments and fixed income securities classified as fixed asset and current asset investments as appropriate.

12. Investments *(continued)*

Where significant inputs are not based on observable market data, the instrument is included in Level 3. There were no transfers between levels during the period ended 30 June 2013. The table below presents the movement in Level 3 investments for the year ending 30 June 2014.

	Group £	Company £
Opening balance	**6,789,920**	**6,789,920**
Transfers to Level 1	**(2,592,810)**	**(2,592,810)**
Movement in impairment provision	**189,880**	**194,722**
Movement in unrealised appreciation recognised in equity	**(85,730)**	**(90,572)**
Movement in unrealised appreciation recognised in return after taxation	**(39,312)**	**(39,312)**
Realised loss	**(209,253)**	**(209,253)**
Sales proceeds	**(827,394)**	**(827,394)**
Closing balance	**3,225,201**	**3,225,201**

13. Investment in Subsidiaries

	Company 2014 £	2013 £
At cost	**5,410,552**	5,410,552
Provision for diminution in value	**(4,547,896)**	(4,547,896)
At cost	**862,656**	862,656

At 30 June 2014, the Company held interests in the following subsidiary companies:

	Country of Incorporation	% share of capital held	% share of voting rights	Nature of business
Abport Limited	England	100	100	Investment dealing company
New Centurion Trust Limited	England	100	100	Investment holding company (dormant)

14. Substantial share interests

The Company has notified interests in 3% or more of the voting rights of the following companies:

Company	% share of voting rights
Associated British Engineering plc	4.88

15. Trade and Other Receivables

	Group		Company	
	2014	2013	**2014**	2013
	£	£	**£**	£
Amount due from subsidiaries	**–**	–	**10,634**	82,306
Share capital subscriptions	**–**	1,195,345	**–**	1,195,345
Trade and other receivables	**161,071**	198,571	**161,069**	198,569
	161,071	1,393,916	**171,703**	1,476,220

The carrying amount of trade receivables approximates to their fair value. Trade and other receivables are not past due at 30 June 2014.

16. Trade and Other Payables

	Group		Company	
	2014	2013	**2014**	2013
	£	£	**£**	£
Reconstruction costs accrued	**–**	186,656	**–**	186,656
Other trade payables	**344,660**	214,978	**339,457**	210,692
	344,660	401,634	**339,457**	397,348

17. 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.

17. Analysis of financial assets and liabilities *(continued)*

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 Manager monitors the prices of financial instruments held by the group on a regular basis.

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

	2014	2013
	£	£
Non-current assets		
Listed investments	**16,777,797**	11,773,385
Unlisted investments	**708,906**	1,025,209
	17,486,703	12,798,594

Current asset investments

The group holds current asset investments with a market value of £1,564 (2013: £122,860) at the period 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.

17. Analysis of financial assets and liabilities *(continued)*

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 £874,413 (2013: £646,073), being 18p (2013: 14p) 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 cash held on deposit, loan notes and Ordinary Shares.

	2014	2013
	£	£
Cash and bank balances	**1,754,315**	3,138,062
Interest bearing liabilities	**(365,700)**	(731,400)
Net cash	**1,388,615**	2,406,662
Ordinary Shareholders' funds	**18,693,293**	16,237,484
Gearing (net debt/ordinary shareholders' funds)	**nil**	nil

The type and maturity of the Group's borrowings are analysed in note 10 and the Group's equity is analysed in note 9. 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. 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.

18. Related party transactions

During the year the Company was charged administration fees of £52,383 (15 months to 30 June 2013: £138,750) by Ionian Investment Management which is a division of Fiske plc. At 30 June 2014 there were no balances outstanding (2013: £nil). Mr S. J. Cockburn is a substantial shareholder in Fiske plc.

This document is important and requires your immediate attention. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000 immediately.

If you have sold or otherwise transferred all of your shares in the Investment Company plc, please forward this document as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 148th Annual General Meeting of The Investment Company plc ("the Company") will be held at the offices of Miton Group plc, 51 Moorgate, London EC2R 6BH on Thursday, 11 December 2014 at 12.30 pm for the following purposes:

Ordinary Business

Resolution 1 – Ordinary Resolution
To receive and adopt the Strategic Report, Reports of the Directors and Auditor and the audited financial statements for the year ended 30 June 2014.

Resolution 2 – Ordinary Resolution
To receive and approve the Directors' Remuneration Report for the year ended 30 June 2014.

Resolution 3 – Ordinary Resolution
To receive and approve the Directors' Remuneration Policy for the year ended 30 June 2014.

Resolution 4 – Ordinary Resolution
To re-elect Sir David Thomson as a Director of the Company.

Resolution 5 – Ordinary Resolution
To re-elect Peter Allen as a Director of the Company.

Resolution 6 – Ordinary Resolution
To re-appoint Saffery Champness as Auditor of the Company to hold office from the conclusion of the meeting until the conclusion of the next meeting at which financial statements are laid before the Company and to authorise the Directors to determine their remuneration.

Resolution 7 – Ordinary Resolution
To approve the Company's dividend payment policy as set out on page 11 of the Annual Report and Accounts for the year ended 30 June 2014.

Special Business

Resolution 8 – Ordinary Resolution
THAT, in substitution for any existing authorities, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot ordinary shares of 50 pence each in the capital of the Company ("Ordinary Shares") up to an aggregate nominal amount of £4,739,549 (being 200% of the issued ordinary share capital of the Company at the date of this Notice, excluding shares held in treasury) during the period commencing on the date of the passing of this Resolution and expiring at the conclusion of the Annual General Meeting of the Company to be held in 2015 (unless previously renewed, varied or revoked by the Company in general meeting) (the "Section 551 period"), but so that the Company may, at any time prior to the expiry of the Section 551 period, make offers or agreements which would or might require Ordinary Shares to be allotted after the expiry of the Section 551 period and the Directors may allot Ordinary Shares in pursuance of such offers or agreements as if the authority had not expired.

Resolution 9 – Special Resolution
THAT, in substitution for any existing authorities, subject to the passing of Resolution 8, the Directors be and they are hereby empowered, in accordance with Sections 570 and 573 of the Act, to allot Ordinary Shares for cash pursuant to the authority conferred on the Directors by Resolution 8 above, and to sell Ordinary Shares from treasury for cash as if Section 561(1) of the Act did not apply to any such allotment or sale, up to an aggregate nominal amount of £4,739,549 (being 200% of the issued ordinary share capital of the Company at the date of this Notice, excluding any shares held in treasury), such power to expire at the conclusion of the Annual General Meeting of the Company to be held in 2015 (unless previously renewed, varied or revoked by the Company in general meeting) save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require Ordinary Shares to be allotted or sold after the expiry of such power and the Directors may allot or sell Ordinary Shares in pursuance of such an offer or agreement as if such power had not expired.

Resolution 10 – Special Resolution
THAT, the Company is hereby generally and unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 50p each in the capital of the Company ("Ordinary Shares") provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is £710,458 (representing 14.99% of the Ordinary Shares in issue, excluding shares held in treasury at the date of this Notice);

(b) the minimum price which may be paid for each Ordinary Share is 50p;

(c) the maximum price which may be paid for each Ordinary Share shall not be more than the higher of: (i) an amount equal to 105% of the average of the middle market quotations of Ordinary Shares taken from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the contract of purchase is made; and (ii) the higher of the price of the last independent trade in the Ordinary Shares and the highest then current independent bid for the Ordinary Shares on the London Stock Exchange;

(d) this authority will (unless previously renewed, varied or revoked by the Company in general meeting) expire at the conclusion of the Annual General Meeting of the Company to be held in 2015;

(e) the Company may make a contract of purchase for Ordinary Shares under this authority before this authority expires which will or may be executed wholly or partly after its expiration; and

(f) any Ordinary Shares bought back under the authority hereby granted may, at the discretion of the Directors, be cancelled or held in treasury and if held in treasury may be resold from treasury or cancelled at the discretion of the Directors.

Resolution 11 – Special Resolution
THAT, a General Meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

By order of the Board
Capita Company Secretarial Services Limited, Secretary
Registered Office: Beaufort House, 51 New North Road, Exeter EX4 4EP

1 October 2014

NOTICE OF ANNUAL GENERAL MEETING *continued*

NOTES

Right to appoint a proxy

1. A member entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy 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 Asset Services on 0871 664 0300.

Procedure for appointing a proxy

3. To be valid, the proxy form, together with any power of attorney or other authority or other authority under which it is signed or a notarially certified copy thereof, should be lodged at the office of the Company's Registrar, Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF must be received by post or (during normal business hours only) by hand at Capita Asset Services, (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment thereof. As an alternative to returning the hard-copy form of proxy by post, you can appoint a proxy by sending the form by fax to 0207 256 5365. For the proxy appointment to be valid, your form must be received in such time as it can be transmitted to the Company's registrar so as to be received no later than 48 hours (excluding non-working days) before the time appointed for the meeting or any adjourned meeting.

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. The termination of the authority of a person to act as proxy must be notified to the Company in writing.

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/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/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 entered on the Company's register of members at 6.00 pm on 9 December 2014 (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 are entitled to attend and vote at the Annual General Meeting.

8. As at 30 September 2014 (the business day prior to the publication of this notice), the Company's issued share capital amounted to 4,772,049 ordinary shares carrying one vote each, of which 32,500 ordinary shares are held in treasury. The total voting rights in the Company as at 30 September 2014 were 4,739,549 votes.

NOTICE OF ANNUAL GENERAL MEETING *continued*

Members' rights

9. In accordance with Section 319A of the Companies Act 2006, the Company must cause any question relating to the business being dealt with at the meeting put by a member attending the meeting to be answered. No such answer need be given if:

   a) to do so would:

      (i) interfere unduly with the preparation for the meeting, or

      (ii) involve the disclosure of confidential information;

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

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

10. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

11. Members should note that it is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

12. Members satisfying the thresholds in Section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the Annual General Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Annual General Meeting. A resolution may properly be moved at the Annual General Meeting unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.

13. Members satisfying the thresholds in Section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting. A matter may properly be included in the business at the Annual General Meeting unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.

Documents

14. The Annual Report incorporating this Notice of Annual General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the dates of this Notice will be available on the Company's website, www.mitongroup.com/tic.

15. None of the Directors has a contract of service with the Company. A copy of the letters of appointment of the Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (except weekends and public holidays) until the date of the meeting and at the place of the meeting for a period of fifteen minutes prior to and during the meeting.

Registered in England and Wales No. 4205

NOTES

NOTES

NOTES

Desktop Publishing by Capita Asset Services
+44 1392 477500 www.capitaassetservices.com