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THE INVESTMENT COMPANY PLC

REGISTERED No. 4205
ENGLAND AND WALES

Half-Yearly Report

for the six month period ended 31 December 2014

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.

Summary of Investment Policy

The Company invests 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 can also make investments in preference shares, loan stocks, debentures, convertibles and related instruments of quoted UK companies.

Risk diversification

Portfolio risk is 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 generally 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.

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 up to 15% of net asset value ("NAV").

Investment Strategy

The Manager uses a bottom-up investment approach for the portfolio, with a diversified portfolio of securities of various market capitalisation sizes. There is a bias towards dividend paying smaller companies.

The investment approach can be described as active and universal, as the Company does not seek to replicate any benchmark. 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.

A copy of the complete investment policy can be found in the Company's Annual Report and Accounts for the year ended 30 June 2014.

Dividend Policy

The Company has sought 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.

A modification to the dividend policy for future financial years is explained in the Chairman's Statement on page 5.

Capital Structure

As at 31 December 2014 and the date of this report, the Company has in issue 4,772,049 ordinary shares of 50p each, of which 32,500 shares were held in Treasury.

CORPORATE SUMMARY

continued

Total Assets and Net Asset Value

The Group had total assets of £18.4 million and a NAV of 388.1p per ordinary share at 31 December 2014.

Website

Further detail is available from www.mitongroup.com/tic.

TIC has a Manager with a distinctive philosophy

- Miton is an independent fund management company quoted on AIM 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-to-day managers' ability to maximise absolute return in unsettled markets.
- Through anticipating post credit boom trends, Miton proposes investment strategies that are set up with 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 better to 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 unnecessarily. The best managers can take advantage of this wider flexibility better to 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 five 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. Eric Moore principally concentrates 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 Miton 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?

CORPORATE SUMMARY

continued

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

In order to comply with the Alternative Investment Fund Managers' Directive ("AIFMD"), the Company's previous investment management agreement with Miton Asset Management Limited was terminated, and the Company appointed PSigma Unit Trust Managers Limited as its Alternative Investment Fund Manager ("AIFM") with effect from 22 July 2014. Miton Asset Management Limited has been appointed by the AIFM as investment manager to the Company pursuant to a delegation agreement. Subsequent to this appointment, PSigma Unit Trust Managers has changed its name to Miton Trust Managers Limited. There has been no change to the fee structure or the portfolio management arrangements as a result of these changes.

SUMMARY OF RESULTS

	At 31 December 2014 (unaudited)	At 30 June 2014 (audited)	Change
Equity shareholders' funds	18,393,924	18,693,293	(1.6)%
Number of ordinary shares in issue*	4,739,549	4,739,549	
Net asset value per ordinary share	388.09p	394.41p	(1.6)%
Ordinary share price (mid)	395.00p	406.00p	(2.7)%
Premium to net asset value	1.78%	2.94%	

* Excluding shares held in treasury.

	6 months to 31 December 2014 (unaudited)	12 months to 30 June 2014 (audited)
Total return per ordinary share**	4.66p	67.03p
Return after taxation per ordinary share	4.66p	91.02p
Dividends paid per ordinary share	11.00p	20.72p

* Excluding 32,500 ordinary shares held in treasury.

** The total return per ordinary share is based on total comprehensive income as detailed in the Consolidated Statement of Comprehensive Income.

FINANCIAL CALENDAR

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.
November	Payment of first interim dividend for the year ending 30 June 2016.
December	Annual General Meeting.

CHAIRMAN'S STATEMENT

Half-year to 31 December 2014

This report covers the six month period ended 31 December 2014.

Although markets have been volatile, the characteristics of the portfolio mean that the Company has remained relatively steady.

Bond market prices rose as deflationary pressures came through. The FTSE Actuaries Government UK Gilts All Stocks Securities Index rose 8.4% in the half year. The portfolio has many fixed income investments issued by small and larger corporates, and it is anticipated that (after a time lag) their prices will also reflect a good part of this rise too. Equity markets were unsettled, with the FTSE All-Share Index gyrating and finishing the period down 1.9%. Generally, trading conditions for our investee companies remained good and therefore, it is expected that their premium dividends will be increased in many cases, or at least otherwise maintained.

Two interim dividends of 5.5p each have been declared for the half year period, an increase of 0.5p each on the previous half year. However, the NAV of the Company has fallen 1.6% in the six month period.

I recently indicated that the Board was actively considering modifying the dividend policy of the Company so that the dividend payable might grow more sustainably over the longer term.

Following the capital reconstruction at the end of June 2013, your Board commenced paying dividends through the year amounting to 6% of the NAV. In accordance with that policy, in respect of the year to 30 June 2015, it is the Directors' intention to pay dividends totalling 23.6p based on a NAV at 30 June 2014 of 394.4p.

For future financial years the Board believes that the dividend policy should be modified to increase the likelihood that the Company can pay a sustainable and growing dividend. The Board notes that interest rates remain low, and are likely to remain lower for longer than was foreseen at the time of the reorganisation. This has implications for the level of risk that might have to be taken to maintain the current level of dividend.

The current policy explicitly links the dividend payment to the capital value of the portfolio at the beginning of a financial period. There is concern that this may lead to the dividends paid conflicting with the Company's longer-term success.

For the year to 30 June 2016 therefore, it is the Directors' present intention to pay a reduced total dividend of 20.72p, equal to that paid in the year to 30 June 2014. Thereafter, the Directors will seek to grow the dividend from this level at a rate that is sustainable. This dividend may be paid out of revenue and/or capital. As with the current policy, it remains the Board's intention that the modified dividend policy will lead to our dividend yield remaining ahead of many competitor funds.

CHAIRMAN'S STATEMENT

continued

At our AGM, shareholders approved a resolution for the Company to issue further equity at NAV (or at a higher price) so it can grow over time. As yet, the Board has not approved the issue of any additional shares, as extra capital will only be taken when sufficient investments with attractive prospects are available. The Managers inform us that there has been an increase in the issuance of attractive convertible loan stocks by smaller quoted companies since the half year, so the Board may approve the issue of new shares in the second half of the year. Increasing the scale of the Company defrays the fixed costs of running the Company over a wider number of shares, which reduces cost on a per share basis. In addition, it is expected the extra shares will increase liquidity in the Company's shares traded on the Stock Exchange.

Worldwide growth expectations moderated significantly over the period, as underlined by the major reduction in various commodity prices. The Board believes the Company's strategy is well placed to prosper as smaller and microcap stocks have extra growth potential, which is particularly important at times of economic stagnation. Prior to the credit boom, smaller UK quoted companies outperformed for decades.

Sir David Thomson

Chairman

27 February 2015

MANAGER'S REPORT

Markets

World growth prospects have declined over the six month period, and the change in expectations has led to a pronounced decline in many commodity prices. The consequent reduction in inflationary pressures has caused the fixed yields on bonds to become more attractive to investors, and most mainstream bond markets have enjoyed some good appreciation. The FTSE Actuaries Government UK Gilts All Stocks Securities Index rose 8.4% in the half year.

Equity markets were rather more unsettled, with the FTSE All-Share Index gyrating over recent months and finishing the period down 1.9%. After some substantial outperformance in previous periods, the FTSE Smaller Companies Index (excluding investment companies) fell 4.1% and the FTSE AIM All-Share Index fell 10.6% in the six months to December 2014.

Portfolio

The portfolio remains heavily invested in a range of preference shares, loan stocks, debentures and notes. Although the largest corporate exposure in the portfolio is to Phoenix Life through a 7.25% perpetual note, there are over 40 issuers from different corporates in the portfolio. It is difficult to purchase more of these issues because there are almost no significant sellers in the market given their obvious yield attractions. On occasion, we find that our issues are redeemed, normally at a premium to their market prices, as happened in the case of the Braime preference shares during the period.

The portfolio also holds a number of equities that are mainly smaller quoted companies that are paying high dividend yields. Small companies tend to have greater growth potential, which we believe will become rather more important to investors now that world growth has stalled. As yet, most institutions have little capital invested in smaller companies which are, by their nature, naturally diminutive in scale and under-researched. Yet, prior to the credit boom, institutional portfolios were fully weighted in smaller companies, given that their key advantage is that as a group they can grow even at a time of economic austerity. We believe that institutional weightings in the smallest stocks will therefore be gradually rebuilt over the coming years.

We anticipate that there will be growing interest in funding smaller companies, often via the issue of new convertible loan stocks and convertible preference shares. These instruments offer the new investor a regular income at a premium yield, along with the right to convert into the quoted shares if the relevant share price appreciates significantly. Whilst such issues have been relatively rare over recent years, they were more popular prior to the credit boom, and we are now regularly reviewing an increasing number of such issues again. In the period, we did not find any that we believed had sufficiently attractive risk/reward ratios, but there are indications that there might be some that do meet our criteria issued in the second half of this year.

Criteria for selecting new investments for the portfolio

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

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.

MANAGER'S REPORT

continued

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 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 holdings that should be considered for divestment. So for example, a business in danger of suffering turnover declines, would naturally be expected to generate less cash flow in future years and thereby struggle to sustain a good dividend payment over time, let alone grow it. Clearly, these decisions need to be taken in conjunction with consideration of their market prices at the time.

Performance

Over the half year, the portfolio of fixed income stocks slightly improved, though the fact that the Lloyds Banking Group Enhanced Capital Notes were being bought in at the start of the period meant these prices were already at relatively demanding levels. The share prices of Gable Holdings, an insurance underwriter, and Esure, a motor insurance company, both fell back in the six month period. In addition, Bagir Group, a company that produces suits and jackets, and DX Group, a distribution business, also underperformed. In contrast, there was strong performance from Seeing Machines, as it announced several new partners for their technology, and the holding was sold at these elevated levels. Shoe Zone also performed well, and Friends Life agreed to be acquired by Aviva at a significant premium. The NAV of the Company fell 1.6% in the six month period, with the appreciation of some holdings being more than offset by the falls of some others.

Prospects

None of the holdings in the portfolio are directly involved in the oil or mining sectors, where trading conditions are expected to be the most adverse. In addition, the Company purchased a Put option on the FTSE 100 Index towards the end of the period, which covers approximately one-third of the value of the Company's assets. This Put option extends for the period through to March 2016. With an exercise level of 5,800, this would rise in value if the mainstream equity markets were to suffer a significant setback.

MANAGER'S REPORT

continued

Although we are in a low growth environment, we believe there are still encouraging prospects for further income growth from many of the equities in the portfolio. In addition, the very low yields offered by most Government Bonds should lead to the prices of both high yielding fixed income securities and higher yielding equities stepping up in market price over time.

So whilst it is anticipated that the economic headwinds could inhibit the appreciation of markets generally, we are hopeful that a portfolio of mainly smaller businesses with premium income instruments or premium growth equities will buck the wider trend, especially with a part of the downside risk moderated via the Put option. We believe the outlook for the Company is favourable.

The rationale for holding the FTSE 100 Put option

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. Our view is that an option like this should only be purchased when its cost appears modest by historical standards. This tends to occur after markets have appreciated for some years, and at times when confidence in further appreciation is at a cyclical high.

The key advantage for shareholders of holding a Put option is that, should markets suffer a significant setback, then the market value of the Put option tends to rise. In part this is proportional to the scale of the market setback, and in part it is related to the duration of the remaining term of the option. It is possible that the market value of the option might be a multiple of its initial cost at such a time. The advantage for shareholders is that the option could then be sold to bring in additional capital in the Company at a time when share prices were depressed. This could be used to buy additional income stocks, at a time when their prices were abnormally low, on hopefully more attractive dividend yields. The effect would be to boost the dividend income generated by the Company, as well as increasing the portfolio's ability to participate in any subsequent market recovery.

The advantage of a FTSE 100 Put option is that it is regularly traded, so the weekly NAV fully reflects the market value of the option. In addition, being a popular instrument, the cost of a FTSE 100 Put option is much lower than a specialist instrument covering other indices such as the FTSE All-Share or the FTSE SmallCap Indices. Furthermore, at times of market distress when the option might want to be sold, market volume in the FTSE 100 Put option tends to be better than other more obscure instruments.

However, despite the unsettled market conditions, we need to appreciate that it is unusual for the FTSE 100 Index to fall back precipitously. That explains why Put options should only be purchased when the cost is relatively modest. In our case, the running cost is only 0.07% or so each month over the period to March 2016, should markets remain resilient.

Gervais Williams and Martin Turner

Miton Asset Management Limited

27 February 2015

TWENTY LARGEST INVESTMENTS

At 31 December 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	476,757	
7.875% Perpetual (LBG Capital)	362,000	0.05	245,997	366,561	
7.5884% ECN 12/05/20 (LBG Capital)	300,000	0.04	136,323	302,250	
7.281% Perpetual (Bank of Scotland)	400,000	0.27	315,330	449,360	
			902,010	1,595,928	9.43
2. Phoenix Life					
7.25% perpetual notes	1,060,000	0.53	811,923	1,119,466	6.62
3. Royal Bank of Scotland Group					
9% series 'A' non-cum pref (NatWest)	500,000	0.36	362,920	670,000	
Sponsored ADR each rep pref C (NatWest)	20,000	0.20	55,473	334,905	
			418,393	1,004,905	5.94
4. Friends Life Group					
Ordinary NPV [★]	173,069	0.01	565,438	633,779	3.75
5. Safestyle UK					
Ordinary 1p [★]	369,000	0.47	369,000	633,296	3.74
6. Conygar Investment Company					
Ordinary 5p [★]	320,478	0.37	406,493	599,294	3.54
7. Brit					
Ordinary 1p [★]	219,167	0.01	526,001	592,847	3.50
8. Manx Telecom					
Ordinary 0.2p [★]	340,321	0.30	507,782	588,755	3.48
9. Charles Taylor					
Ordinary 1p [★]	230,000	0.54	419,215	575,000	3.40
10. Newcastle Building Society					
6.625% sub notes 23/12/19	600,000	2.40	405,438	540,000	3.19
11. Juridica Investments					
Ordinary NPV [★]	410,000	0.39	544,190	524,800	3.10
12. Fishguard & Rosslare					
3.5% GTD Preference Stock	790,999	63.91	441,810	506,239	2.99
13. William Sinclair Holdings					
8% convertible loan notes [†]	550,000	6.67	563,750	495,000	2.93

TWENTY LARGEST INVESTMENTS continued

At 31 December 2014

Stock	Number	Issue %	Book cost £	Market or Directors' valuation £	% of total portfolio
14. Fairpoint Group					
Ordinary 1p [★]	400,000	0.91	442,261	468,000	2.77
15. Randall & Quilter Investment Holdings					
Ordinary 2p [★]	387,000	0.54	502,731	448,920	2.65
16. Esure Group					
Ordinary 0.08333p [★]	201,217	0.05	545,776	410,885	2.43
17. 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	96,200	
			<u>374,994</u>	<u>409,700</u>	2.42
18. DX (Group)					
Ordinary 1p [★]	420,000	0.21	484,204	367,500	2.17
19. Shoe Zone					
Ordinary 1p [★]	166,662	0.33	266,659	348,324	2.06
20. Investec Investment Trust					
3.5% cum pref £1	461,508	35.50	271,938	258,444	
5% cum pref £1	104,043	30.12	92,858	86,356	
			<u>364,796</u>	<u>344,800</u>	2.04
			<u>9,862,864</u>	<u>12,207,438</u>	<u>72.15</u>

★ Issues with unrestricted voting rights.

† Unquoted investments at Directors' valuation.

The Group has a total of 73 portfolio investment holdings in 59 companies.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2014

		6 months to 31 December 2014 (unaudited)			6 months to 31 December 2013 (unaudited)			Year ended 30 June 2014 (audited)		
	Notes	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Realised (losses)/gains on investments		–	(1,922,345)	(1,922,345)	–	532,229	532,229	–	2,456,691	2,456,691
Unrealised (losses)/gains on investments held at fair value through profit or loss		–	(419,172)	(419,172)	–	1,788,376	1,788,376	–	522,123	522,123
Movement in impairment provision on investments held as available for sale		–	1,780,314	1,780,314	–	(105,798)	(105,798)	–	791,998	791,998
Exchange gains/(losses) on capital items		–	5,748	5,748	–	–	–	–	(221)	(221)
Investment income		647,801	–	647,801	517,101	–	517,101	1,045,888	–	1,045,888
Investment management fee	3	(71,559)	–	(71,559)	(100,703)	–	(100,703)	(116,251)	–	(116,251)
Other administrative expenses		(164,531)	–	(164,531)	(194,512)	–	(194,512)	(348,198)	–	(348,198)
Return before finance costs and taxation		411,711	(555,455)	(143,744)	221,886	2,214,807	2,436,693	581,439	3,770,591	4,352,030
Finance costs		(9,218)	–	(9,218)	(18,436)	–	(18,436)	(30,759)	–	(30,759)
Loan note interest		(9,218)	–	(9,218)	(18,436)	–	(18,436)	(30,759)	–	(30,759)
Return before taxation		402,493	(555,455)	(152,962)	203,450	2,214,807	2,418,257	550,680	3,770,591	4,321,271
Taxation		(486)	–	(486)	–	–	–	(7,299)	–	(7,299)
Return after taxation		402,007	(555,455)	(153,448)	203,450	2,214,807	2,418,257	543,381	3,770,591	4,313,972
Other comprehensive income										
Movement in unrealised appreciation on investments held as available for sale		–	385,779	385,779	–	576,952	576,952	–	798,908	798,908
Recognised in equity		–	385,779	385,779	–	576,952	576,952	–	798,908	798,908
Recognised in return after taxation		–	(11,429)	(11,429)	–	(218,248)	(218,248)	–	(1,935,599)	(1,935,599)
Other comprehensive income after taxation		–	374,350	374,350	–	358,704	358,704	–	(1,136,691)	(1,136,691)
Total comprehensive income after taxation		402,007	(181,105)	220,902	203,450	2,573,511	2,776,961	543,381	2,633,900	3,177,281
Return after taxation per 50p ordinary share										
Basic and diluted	5	8.48p	(3.82)p	4.66p	4.29p	54.30p	58.59p	11.46p	79.56p	91.02p
Return on total comprehensive income per 50p ordinary share										
Basic and diluted	5	8.48p	(3.82)p	4.66p	4.29p	54.30p	58.59p	11.46p	55.57p	67.03p

The total column of this statement is the Consolidated Statement of Total Comprehensive Income of the Group prepared in accordance with International Financial Reporting Standards (“IFRS”). The supplementary revenue return and capital return 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 16 to 19 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2014

	Issued capital £	Share premium £	Capital redemption reserve £	Revaluation reserve £	Capital reserve £	Revenue account £	Total £
Balance at 1 July 2014	2,386,025	4,453,903	2,408,820	2,374,878	6,784,563	285,104	18,693,293
Total comprehensive income							
Net return for the period	–	–	–	–	(555,455)	402,007	(153,448)
Movement in unrealised appreciation on investments held as available for sale:							
– Recognised in equity	–	–	–	385,779	–	–	385,779
– Recognised in return after taxation	–	–	–	(11,429)	–	–	(11,429)
Transactions with shareholders recorded directly to equity							
Ordinary dividends paid	–	–	–	–	–	(531,777)	(531,777)
Unclaimed ordinary dividends written back	–	–	–	–	–	11,506	11,506
Balance at 31 December 2014	<u>2,386,025</u>	<u>4,453,903</u>	<u>2,408,820</u>	<u>2,749,228</u>	<u>6,229,108</u>	<u>166,840</u>	<u>18,393,924</u>
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	–	–	–	–	2,214,807	203,450	2,418,257
Movement in unrealised appreciation on investments held as available for sale:							
– Recognised in equity	–	–	–	576,952	–	–	576,952
– Recognised in return after taxation	–	–	–	(218,248)	–	–	(218,248)
Transactions with shareholders recorded directly to equity							
Ordinary dividends paid	–	–	–	–	–	(236,977)	(236,977)
Costs of issue	–	(23,456)	–	–	–	–	(23,456)
Balance at 31 December 2013	<u>2,386,025</u>	<u>4,440,987</u>	<u>2,408,820</u>	<u>3,870,273</u>	<u>5,228,779</u>	<u>419,128</u>	<u>18,754,012</u>
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	<u>2,386,025</u>	<u>4,453,903</u>	<u>2,408,820</u>	<u>2,374,878</u>	<u>6,784,563</u>	<u>285,104</u>	<u>18,693,293</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	Note	31 December 2014 (unaudited) £	31 December 2013 (unaudited) £	30 June 2014 (audited) £
Non-current assets				
Investments		16,916,824	18,893,881	17,486,703
Current assets				
Trade and other receivables		280,143	262,720	161,071
Investments held for trading		1,569	35,897	1,564
Cash and bank balances		1,770,227	648,928	1,754,315
		<u>2,051,939</u>	<u>947,545</u>	<u>1,916,950</u>
Current liabilities				
Trade and other payables		209,139	356,014	344,660
5% loan notes maturing 2015		365,700	365,700	365,700
		<u>574,839</u>	<u>721,714</u>	<u>710,360</u>
Net current assets		<u>1,477,100</u>	<u>225,831</u>	<u>1,206,590</u>
Non-current liabilities				
5% loan notes maturing 2015		–	(365,700)	–
Net assets		<u>18,393,924</u>	<u>18,754,012</u>	<u>18,693,293</u>
Capital and reserves				
Issued capital		2,386,025	2,386,025	2,386,025
Share premium		4,453,903	4,440,987	4,453,903
Capital redemption reserve		2,408,820	2,408,820	2,408,820
Revaluation reserve		2,749,228	3,870,273	2,374,878
Capital reserve		6,229,108	5,228,779	6,784,563
Revenue reserve		166,840	419,128	285,104
Shareholders' funds		<u>18,393,924</u>	<u>18,754,012</u>	<u>18,693,293</u>
Net Asset Value per 50p ordinary share	6	388.09p	395.69p	394.41p

The notes on pages 16 to 19 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2014

	6 months to 31 December 2014 (unaudited) £	6 months to 31 December 2013 (unaudited) £	Year ended 30 June 2014 (audited) £
Cash flows from operating activities			
Cash received from investments	469,662	290,573	1,204,193
Interest received	17	252,388	1,684
Sundry income	70,748	—	—
Cash paid to and on behalf of employees	(17,616)	(17,307)	(34,337)
Other cash payments	(379,498)	(433,521)	(483,705)
Withholding tax paid	(486)	—	(7,299)
Net cash inflow from operating activities	142,827	92,133	680,536
Cash flows from financing activities			
Loan note interest paid	(9,168)	(17,859)	(35,317)
Loan notes redeemed	—	—	(365,700)
Fixed element of dividends paid on preference shares	—	—	(82,914)
Dividends paid on ordinary shares	(531,777)	(236,977)	(710,932)
Unclaimed dividends written back	11,506	—	—
Share capital subscriptions received	—	1,195,345	1,184,789
Net cash (outflow)/inflow from financing activities	(529,439)	940,509	(10,074)
Cash flows from investing activities			
Purchase of investments	(527,933)	(6,126,454)	(9,076,089)
Sale of investments	924,709	2,604,678	7,022,181
Net cash inflow/(outflow) from investing activities	396,776	(3,521,776)	(2,053,908)
Net increase/(decrease) in cash and cash equivalents	10,164	(2,489,134)	(1,383,446)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash	10,164	(2,489,134)	(1,383,446)
Exchange rate movements	5,748	—	(301)
Loan notes redeemed	—	—	365,700
Increase/(decrease) in net cash	15,912	(2,489,134)	(1,018,047)
Net cash at start of period	1,388,615	2,406,662	2,406,662
Net cash/(debt) at end of period	1,404,527	(82,472)	1,388,615
Analysis of net cash/(net debt)			
Cash and bank balances	1,770,227	648,928	1,754,315
5% loan notes due within one year	(365,700)	(365,700)	(365,700)
5% loan notes due in more than one year	—	(365,700)	—
	1,404,527	(82,472)	1,388,615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Financial information

The Investment Company plc is a public limited company incorporated and registered in England and Wales. The address of its registered office is Beaufort House, 51 New North Road, Exeter EX4 4EP.

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 half year to 31 December 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.

Where guidance set out in the AIC SORP is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

In order better to reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Consolidated Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Consolidated Statement of Comprehensive Income.

The financial information contained in this half-yearly financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half years ended 31 December 2014 and 31 December 2013 has been neither audited nor reviewed by the auditors.

The figures and financial information for the year ended 30 June 2014 are extracted from the latest published audited financial statements of the Company and do not constitute the statutory accounts for that year. The audited financial statements for the year ended 30 June 2014 have been filed with the Registrar of Companies. The report of the independent auditors on those accounts contained no qualification or statement under section 498(2) or section 498(3) of the Companies Act 2006.

Except as described below, the Group has applied consistent accounting policies in preparing the half-yearly financial statements for the six months ended 31 December 2014, the comparative information for the six months ended 31 December 2013, and the financial statements for the year ended 30 June 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

2. Accounting policies

The Company seeks to conduct its affairs in a manner consistent with continuing to receive approval from HM Revenue & Customs as an investment trust under s1158/1159 of the Corporation Tax Act 2010. The Company's policies set out in note 1 of the Annual Report and Financial Statements for the year ended 30 June 2014 have remained substantially unchanged except for the following:

a) Valuation of investments

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

All investments held by the Company 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 Statement of Comprehensive Income and allocated to capital.

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.

After initial recognition, unlisted stocks are reviewed and valued by the Board on a regular basis.

b) 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 that can be readily converted to cash without accepting adverse terms;
- net movement from changes in the fair value of derivative financial instruments; and
- expenses, together with related taxation effect, charged to this account in accordance with the above policies.

Revaluation reserve

The revaluation reserve represents the accumulated unrealised gains on the Company's available-for-sale investments. Following investment trust status being granted to the Company, and in order better to reflect the requirements of investment companies in accordance with the AIC SORP, all such movements in unrealised gains and losses will be accounted for in the capital reserve as described above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

3. Management fee

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.

4. Dividends

	6 months to 31 December 2014 (unaudited) £	6 months to 31 December 2013 (unaudited) £	Year end 30 June 2014 (audited) £
Ordinary shares			
Prior year interim dividend of 5p paid on 22 November 2013	—	236,977	236,978
Prior year interim dividend of 5p paid on 21 February 2014	—	—	236,977
Prior year interim dividend of 5p paid on 23 May 2014	—	—	236,977
Prior year interim dividend of 5.72p paid on 22 August 2014	271,102	—	—
Current year first interim dividend of 5.5p paid on 21 November 2014	260,675	—	—
Total dividends	531,777	236,977	710,932

The Board declared a second interim dividend of 5.5p per ordinary share, which was paid on 20 February 2015 to shareholders registered at the close of business on 30 January 2015. This dividend has not been included as a liability in these financial statements.

5. Return per ordinary share

	6 months to 31 December 2014 (unaudited)	6 months to 31 December 2013 (unaudited)	Year end 30 June 2014 (audited)
Weighted average ordinary shares in issue (excluding shares held in treasury)	4,739,549	4,739,549	4,739,549
	£	£	£
Revenue return			
Net return after taxation attributable to ordinary shareholders	402,007	203,450	543,381
	8.48	4.29	11.46
Capital return			
Net investment (losses)/gains after tax	(181,105)	2,573,511	2,633,900
	(3.82)	54.30	55.57
Total return	220,902	2,776,961	3,177,281
	4.66	58.59	67.03

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

6. Net asset value per ordinary share

Net asset value per ordinary share is based on net assets at the period end and 4,739,549 (31 December 2013: 4,739,549 and 30 June 2014: 4,739,549) ordinary shares, being in each case the number of ordinary shares in issue at the period end less 32,500 shares held in Treasury.

7. Principal risks and uncertainties

The principal risks facing the Group are substantially unchanged since the date of the Annual Report for the year ended 30 June 2014 and continue to be as set out in that report. Risks faced by the Group include, but are not limited to, investment decisions, investment valuations, the macro-economic environment for preference shares and prior charge securities, market price risk, interest rate risk and liquidity risk.

8. Responsibility statement

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union and gives a true and fair view of the assets, liabilities and financial position of the Group; and
- this Half-Yearly Financial Report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

This Half-Yearly Financial Report was approved by the Board of Directors on 27 February 2015 and the above responsibility statement was signed on its behalf by Sir David Thomson, Chairman.

DIRECTORS AND ADVISERS

DIRECTORS (all non-executive)

Sir David Thomson Bt. (Chairman)

S.J. Cockburn

P. S. Allen

M. H. W. Perrin (Audit Committee Chairman)

ADVISERS

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London EC2R 6BH

Administrator

Capita Sinclair Henderson Limited

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Independent Auditors

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Registrar

Capita Asset Services

The Registry

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An investment company as defined under Section 833 of the Companies Act 2006.

