

FOUNDED
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THE INVESTMENT COMPANY PLC

REGISTERED No. 4205
ENGLAND AND WALES

REPORT AND ACCOUNTS

for the year ended 30 June 2016

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DIRECTORS AND ADVISERS

DIRECTORS (all non-executive)

Sir David Thomson Bt. (Chairman) was appointed to the Board and elected Chairman in 2005. He is also chairman of S.A. Meacock & Company Limited.

S.J. Cockburn was appointed to the Board in 1991 and acted as Managing Director from September 1994, until June 2013 when he became a non-executive Director of The Investment Company. He received a fee as a consultant to Miton in respect of the legacy portfolio of The Investment Company for 18 months after the reorganisation in June 2013 and has managed portfolios specialising in preference shares for many years.

P.S. Allen 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 and Senior Independent Director) 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

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Alternative Investment Fund Manager

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Administrator

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STRATEGIC REPORT

SUMMARY OF RESULTS

	At 30 June 2016	At 30 June 2015	Change
Equity shareholders' funds	16,991,639	18,452,970	-7.9%
Number of ordinary shares in issue	4,772,049	4,739,549*	+0.7%
Net asset value ("NAV") per ordinary share	356.07p	389.34p	-8.5%
Ordinary share price (mid)	365.50p	375.00p	-2.5%
Premium/(discount) to NAV	2.65%	(3.68%)	

	At 30 June 2016	At 30 June 2015
Total return per ordinary share**	(11.21)p	16.91p
Return after taxation per ordinary share	(4.03)p	17.62p
Dividends paid/declared per ordinary share	20.70p	23.60p

* Excluding 32,500 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 6 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 2017.
December	Annual General Meeting.
February	Payment of second interim dividend for the year ending 30 June 2017.
February/March	Announcement of Half-Yearly Financial Report.
May	Payment of third interim dividend for the year ending 30 June 2017.
August	Payment of fourth interim dividend for the year ending 30 June 2017.
September/October	Announcement of Annual Results.

CHAIRMAN'S STATEMENT

This statement covers the year ending 30 June 2016.

Markets were volatile over the year, with the Sterling exchange rate falling back abruptly in the last few days of June following the announcement of the result of the UK Referendum. This event boosted the share prices of the largest multi-nationals because most of their sales and profits come from overseas, whereas the share prices of most domestically focused stocks fell back on account of fears of slower UK growth.

These diverging trends meant that the FTSE All-Share Index fell 1.5% over the year, whereas the FTSE UK MidCap Index fell 4.9%. Fixed income investments were more resilient and mainstream government bonds actually increased in price during the year with the FTSE Actuaries UK Conventional Gilts All Stocks Index up 10.0% in the period.

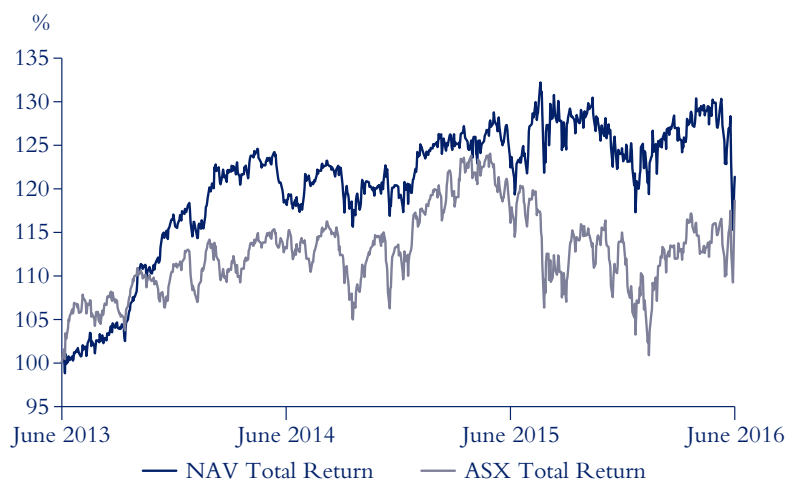
The Company's portfolio is invested mainly in domestic stocks, and hence their share prices tended to fall back especially towards the end of the year. Many of the Company's fixed income holdings stand at good yields because they are infrequently traded, with little movement in spite of the positive trend in bond markets.

The combination of these factors meant the NAV of the Company fell from 389.34p to 356.07p, a fall of 8.5% over the year. Dividends have been declared for shareholders which in aggregate amount to 20.7p, which represents a yield of 5.8% on the NAV at the year end of 356.07p.

The Company's strategy aims to generate an attractive level of dividend income distributed to shareholders four times a year, along with potential for capital appreciation over time. Alongside this, the fluctuations of the NAV of the Company tends to be lowly correlated with the fluctuations of mainstream equity indices such as the FTSE All-Share Index.

The low market correlation was unhelpful in the year to June 2016, when many of the largest stocks performed well following the devaluation of Sterling. However, this factor has enhanced returns of the Company over the period since its reorganisation in June 2013 (details of which can be found on page 11). The total return for shareholders since reorganisation, including the dividend income has been 22.9%, which compares with a total return on the FTSE All-Share Index of 18.6%. This has been achieved with a mix of assets in the portfolio that tend to have much lower volatility than the equity indices.

The Total Return of The Investment Company vs. the Total Return of the FTSE All-Share Index – since the capital reorganisation in June 2013



STRATEGIC REPORT *continued*

Although there are concerns regarding a potential consumer recession in the UK, there are also opportunities for recovery in those stocks following the devaluation of Sterling. The Company has the advantage that it can pick between either large or smaller companies, and invest in either straight equity or via fixed income securities. As such the portfolio tends to have a wider opportunity set for investment, as well as more scope closely to manage the risk/reward ratio of the portfolio as appropriate. We continue to believe that the Company remains well-placed to deliver attractive returns for shareholders in the coming years.

Since the Company's share price has stood at a premium to NAV from time-to-time, the Board has reissued the shares held in Treasury to satisfy investor demand. Such issue of shares, and the resultant increase in assets, serves to reduce our Ongoing Charges Ratio. Our policy will be to continue to issue shares at a premium to NAV at a price that will be non-dilutive and of benefit to existing shareholders.

At the forthcoming Annual General Meeting there shall be, as planned at the time of the reconstruction in 2013, a continuation resolution put to shareholders. The Directors believe the Company is well placed to deliver on its objectives in relation to returns to shareholders achieved through its historic portfolio of high-yielding fixed interest securities and new, well-researched equity investments in UK companies with good dividend growth prospects. Certain significant shareholders have expressed a strong preference to continue. Accordingly, your Directors recommend that members vote in favour of the continuation resolution.

Sir David Thomson

Chairman

4 October 2016

MANAGER'S REPORT

Market returns in the year to June 2016

Returns in the year were dominated by the UK's decision to leave the EU on 23 June 2016. Even prior to this announcement equity markets were unsettled. Following the UK Referendum result there was a significant devaluation of Sterling. This favoured some of the large multi-nationals since most of their profits are generated in overseas currencies. In contrast, companies with a domestic bias were generally marked down, given that there will be greater uncertainty over the next two years, which may reduce ongoing business investment in the UK economy.

Over the full year the FTSE All-Share Index fell 1.5%. There are three components to this index. The FTSE 100 Index, which includes heavy weightings in many of the multi-nationals that are expected to benefit from the Sterling devaluation, which fell just 0.26% in the year. In contrast, the FTSE 250 Index, a measure of middle sized companies, fell 7.2%, and the FTSE Small Capitalisation Index (excluding Investment Trusts) fell 6.5%. The AIM All-Share Index, which includes smaller quoted companies listed on AIM, fell 6.3% in the same period.

The Company holds a number of fixed income investments in the form of notes, debentures and preference shares which tend to hold up well at times of uncertainty. For example the prices of UK Gilts were marked up after the UK Referendum since UK growth expectations were considered less attractive, so the FTSE Actuaries UK Conventional Gilts All Stocks Index rose 10.0% over the year. However, many of the holdings in this portfolio are infrequently traded, so their prices didn't reflect the appreciation of UK Gilts in the final few days of the financial year. In addition, if anything, the price of many of the UK bank notes initially fell after the UK Referendum, and therefore they have greater scope for improvement in the coming year.

Portfolio

Approximately half of the portfolio is invested in a range of preference shares, loan stocks, debentures and notes. Although the largest corporate exposure in the portfolio is to Lloyds Banking Group through a series of perpetual notes, there are around 40 issues 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.

The other half of the portfolio is invested in a number of equities – mainly smaller quoted companies – that are often paying premium dividend yields. Small companies tend to have greater growth potential. As world growth has moderated this is now becoming more important to investors. Most institutions have few shares of small companies in their portfolios given that they are, by their nature, naturally diminutive in scale and under-researched. But prior to the credit boom, institutional portfolios were fully weighted in smaller companies, given that as a group they tend to have better growth potential even at times of economic austerity.

We therefore anticipate that the growing allocation of capital will be matched by a growing flow of smaller company fund raisings. We are expecting a growing number of issues of convertible loan stock and convertible preference share issues in time. 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 popular prior to the credit boom. We have been reviewing an increasing number of such issues over the last eighteen months. The most notable purchase of convertible loan stock in the period was issued by Aggregated Micro Power Holdings plc, a company that develops and operates facilities that convert wood and waste into energy. This issue has a coupon of 8% and now comprises some 3.1% of the portfolio.

During the period, profits were taken on Quantum Pharmaceutical and Hiscox, which were sold entirely, and Charles Taylor and Safestyle which were both reduced. New holdings were purchased in Phoenix Holdings, Hostelworld, Bilby, Coral Products and Stobart. In addition one tranche of the Lloyds Banking Group Notes was called during the 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 should include companies that will generate more cash in the coming years. Without ongoing turnover growth this is near-impossible to achieve over time.

Sustained or improving margins – We are particularly sensitive as to how well companies look after their customers, since a business can only sustain attractive margins if its customers are happy. If margins decline, any turnover growth may not feed through to improvement in cash generation of the business.

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

Robust balance sheet – There are disproportionate advantages in having the independence of a strong balance sheet during 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 few 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 in the best position 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.

STRATEGIC REPORT *continued*

Performance

Over the year most of the fixed income holdings in the portfolio were largely unchanged in price, in spite of the moves in the gilts market. However, the share prices of equities that suffered a setback in trading have been particularly vulnerable. For example Entu and Gable disappointed in the period, with Hostelworld also reporting a reduced inclination for city breaks after the terrorist incidents in Paris and Brussels. These were offset to a degree by the 10%+ rises of the share prices of KCOM, Esure, Royal Mail, SCS, Conviviality and Manx Telecom in spite of the unsettled market conditions.

Overall the NAV of the Company fell 8.5% over the twelve month period. Greater detail of the portfolio at the year-end is outlined on page 8 of this Annual Report.

Prospects

The slowdown in Chinese growth, and the added uncertainty for the EU after the UK has left, imply that the investment prospects overseas have significant challenges.

World growth has continued to slow, with little prospect of any acceleration.

The setback in UK share prices towards the end of the Company's year suggests that there may be some scope for a recovery in asset prices in due course. Clearly the devaluation of Sterling is expected to inflate the cost of fuel, clothing and some foods in the coming year, and this might reduce the ability of the UK consumer to spend so freely. However, there are also some businesses that are expected to benefit from the devaluation of Sterling.

So whilst it is anticipated that the economic headwinds could inhibit the appreciation of markets generally, we are hopeful that a portfolio with good participation in both the ordinary shares of smaller UK quoted businesses and stocks paying a fixed level of premium income will not only be more resilient, but could generate an element of capital gain over time.

We believe the outlook for the Company continues to be favourable.

Gervais Williams and Martin Turner

Miton Asset Management Limited

4 October 2016

STRATEGIC REPORT *continued*

TWENTY LARGEST INVESTMENTS

At 30 June 2016

Stock	Number	Issue %	Book cost £	Market or Directors' valuation £	% of total portfolio
1 Lloyds Banking Group					
7.625% perpetual notes (LBG Capital)	478,000	0.03	204,360	449,941	2.74
7.875% perpetual notes (LBG Capital)	362,000	0.05	245,997	340,968	2.08
7.281% perpetual notes (Bank of Scotland)	400,000	0.27	315,331	443,640	2.70
			765,688	1,234,549	7.52
2 Phoenix Group Holdings					
7.25% perpetual notes	1,060,000	0.53	811,923	1,051,414	6.41
Ordinary €0.0001§	22,584	0.01	199,271	181,011	1.10
			1,011,194	1,232,425	7.51
3 Royal Bank of Scotland Group					
9% series 'A' non-cum pref (NatWest)	500,000	0.36	362,920	637,500	3.88
Sponsored ADR each rep pref C (NatWest)	20,000	0.20	55,473	388,989	2.37
			418,393	1,026,489	6.25
4 Charles Taylor					
Ordinary 1p§	228,571	0.34	397,913	548,570	3.34
5 Manx Telecom					
Ordinary 0.2p§	274,274	0.24	409,235	540,320	3.29
6 The Fishguard & Rosslare Railways and Harbours Company					
3.5% Guaranteed preference stock	790,999	63.91	441,810	522,059	3.18
7 Newcastle Building Society					
6.625% sub notes 23/12/19	600,000	2.40	405,438	510,000	3.11
8 Aggregated Micro Power					
8% conv loan notes 2021	500,000	2.50	500,000	500,000	3.05
9 600 Group					
8% conv loan notes 14/02/20	500,000	5.88	500,000	470,000	2.86
10 Coral Products					
Ordinary 1p§	2,500,000	3.03	500,000	462,500	2.82

§ Issues with unrestricted voting rights.

STRATEGIC REPORT *continued*

TWENTY LARGEST INVESTMENTS

At 30 June 2016

Stock	Number	Issue %	Book cost £	Market or Directors' valuation £	% of total portfolio
11 KCOM Group					
Ordinary 10p§	413,519	0.08	407,699	436,263	2.66
12 Aviva					
Ordinary 25p§	107,878	0.00	476,285	424,931	2.59
13 Fairpoint Group					
Ordinary 1p§	400,000	0.88	442,261	420,000	2.56
14 REA Holdings					
9.5% loan notes 31/12/17	300,000	2.00	298,254	291,000	1.77
7.5% US Dollar loan notes 30/06/17	150,000	0.44	76,740	95,377	0.58
			374,994	386,377	2.35
15 Esure Group					
Ordinary 0.08333p§	131,583	0.03	356,903	376,459	2.29
16 Investec Investment Trust					
3.5% cum pref £1	461,508	35.50	271,938	281,520	1.72
5% cum pref £1	104,043	30.12	92,858	91,558	0.56
			364,796	373,078	2.28
17 Direct Line Insurance Group					
Ordinary 10.909p§	105,621	0.01	354,049	364,181	2.22
18 Randall & Quilter Investment Holdings					
Ordinary 2p§	387,000	0.54	450,873	359,910	2.19
19 Amalgamated Metal Corporation					
5.4% cum pref £1	256,065	18.21	144,049	186,927	1.14
6% cum pref £1	213,510	23.72	103,844	170,808	1.04
			247,893	357,735	2.18
20 Anglo Pacific Group					
Ordinary 2p§	432,903	0.25	346,322	350,651	2.14
			9,171,746	10,896,497	66.39

§ Issues with unrestricted voting rights.

The Group has a total of 76 portfolio investment holdings in 61 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 invests in equity and fixed income securities. It is expected the fixed income securities would include preference shares, loan stocks, debentures, notes, convertibles and related instruments and be issued by UK quoted companies with a wide range of market capitalisations. The conversion rights or equity warrants would normally convert into the underlying equity of the quoted company. The equity portion of the portfolio would principally invest in UK quoted companies, with a wide range of market capitalisations, which are anticipated to pay a growing stream of dividends.

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 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 around 75 or more different companies, most of which will represent individually no more than 5% 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 does not intend to invest in unquoted equity securities. The Company may invest in unquoted fixed income securities from time to time subject to prior Board approval.

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 uses a bottom-up investment approach to selecting a diversified portfolio of equity and fixed income securities.

STRATEGIC REPORT *continued*

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 issues from smaller quoted companies within an overall diversified portfolio. Potential investments are assessed against the key criteria, including yield, along with an assessment of the prospects of underlying corporate growth prospects, market positions, calibre of management and risk and financial resilience.

Dividend Policy

The dividend policy has been adjusted to make it more sustainable, taking the dividend in the first year after reorganisation, being the year ended 30 June 2014, which amounted to 20.7p and seeking to gradually grow it going forward. Any growth in the dividend beyond 20.7p will be reflected in the quantum of the fourth interim dividend.

Capital Structure

In June 2013 the capital structure of the Company was amended with 4,994,805 preference shares exchanged for 1,547,665 ordinary shares (the “Reorganisation”).

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. 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 winding up. Preference shares are disclosed as equity in accordance with IAS 32.

On 29 June 2016, the Company sold for cash 32,500 ordinary shares previously held in Treasury, at a price of 363p per share (before expenses). As at 30 June 2016 and the date of this Annual Report, the Company’s share capital consists of 4,772,049 ordinary shares of 50p each. The Company holds no shares in Treasury. At general meetings of the Company, holders of ordinary shares are entitled to one vote on a show of hands and on a poll, to one vote for every share held.

Total Assets and Net Asset Value

The Group had total net assets of £16,991,639 and a NAV of 356.07p per ordinary share at 30 June 2016.

Business Model

The principal activity of the Company is the 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. The Company has been granted approval from HM Revenue & Customs (“HMRC”) as an investment trust under s1158/1159 of the Corporation Tax Act 2010 (“s1158/1159”) and will continue to be treated as an investment trust company, 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 2016 so as to be able to continue to qualify as an investment trust.

STRATEGIC REPORT *continued*

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. A robust assessment of the principal risks to the Group has been carried out, including those that would threaten its business model, future performance, solvency and liquidity. A summary of the risk management and internal control processes can be found in the Corporate Governance Statement on pages 25 and 26. 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 Group 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. The Manager monitors the applicable interest rates and yields associated with the 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 Group 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 Guidance 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 Group's assets are protected by the use of an independent custodian, BNY Mellon. In addition, the Group operates clear internal controls to safeguard all assets.

These and other risks facing the Group 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 Group 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 2016 was 356.07p per share (2015: 389.34p). The total return of the NAV after adding back dividends paid was -2.9%. This compares with a total return on the FTSE All-Share Index of +2.2%.
- *Discount/premium of share price in relation to NAV*
Over the year to 30 June 2016, the Company's share price moved from trading at a discount of 3.68% to a premium of 2.65%.
- *Ongoing Charges Ratio*
The Ongoing Charges Ratio for the year to 30 June 2016 amounted to 2.5%. The management fee for the year was reduced by £64,373 in order to achieve the maximum Ongoing Charges Ratio permitted under the Management Agreement, as explained below.

Management

The Group's investments are managed by Miton Asset Management Limited ("Miton").

The Company 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 fund managers researching the full universe of quoted UK stocks. The day-to-day management of the portfolio is carried out by Gervais Williams and Martin Turner, who research all quoted companies, and are particularly known for successfully investing in 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 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.

STRATEGIC REPORT *continued*

Management Arrangements

The Company appointed Miton Trust Managers Limited (“MTM” or “Manager”) as its Alternative Investment Fund Manager (“AIFM”) under an agreement dated 22 July 2014 (the “Management Agreement”). MTM has been approved as an AIFM by the UK’s Financial Conduct Authority (“FCA”). Miton Asset Management Limited has been appointed by MTM as Investment Manager to the Company pursuant to a delegation agreement.

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 subsidiaries 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. The Board comprises four male Directors. 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 objective criteria set by the Board acting as the Nomination Committee.

On behalf of the Board

Sir David Thomson

Chairman

4 October 2016

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 30 June 2016.

Directors

The Directors in office at the date of this report are shown on page 1.

Substantial Shareholdings

As at 30 June 2016, the Company had been notified 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
Mr S. J. Cockburn*	201,322	4.25
Philip J. Milton & Company plc	188,762	3.98
Investec Wealth & Investment Limited	159,787	3.37

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

The Company has not been informed of any changes to the above holdings between 30 June 2016 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 therefore, 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 2016 are set out in the Strategic Report on page 2 and in note 7 to the financial statements.

Financial Risk Management

The principal risks and the Group's policies for managing these risks are set out on pages 12 and 13 and in note 16 to the financial statements.

ISA Status

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

Going Concern

At the forthcoming Annual General Meeting, shareholders will be asked to vote on the continuation of the Company as a closed-ended investment company. Should shareholders agree that the Company should continue to operate as an investment company, a similar ordinary resolution will be proposed at every annual general meeting thereafter.

DIRECTORS' REPORT *continued*

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 Group'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.

Viability Statement

The Directors have assessed the viability of the Company over a three year period, taking account of the Company's position and the risks as set out in the Strategic Report.

The period assessed balances the long-term aims of the Company, the Board's view that the success of the Company is best assessed over a longer time period and the inherent uncertainty of looking out for too long a period. During this period, the Company will put forward an ordinary resolution for the continuation of the Company, with the vote taking place at the forthcoming Annual General Meeting, and every year annual general meeting thereafter.

As part of its assessment of the viability of the Company, the Board has considered the principal risks and uncertainties and the impact on the Company of a significant fall in the value of its portfolio.

To provide this assessment, the Board has considered the Company's financial position and its ability to liquidate its portfolio to meet its expenses or other liabilities as they fall due.

- The Company invests largely in debt, preference shares and equity instruments issued by companies listed and traded on stock exchanges. These are traded, and whilst some may be less liquid than larger quoted companies, the portfolio is well diversified by both number of holdings and industry sector.
- The expenses of the Company are predictable and modest in comparison with the assets in the portfolio. There are no commitments that would change that position.
- The Ongoing Charges Ratio of the Company is capped at 2.5%.

In addition to considering the principal risks on pages 12 and 13 and the financial position of the Company as described above, the Board has also considered the following further factors:

- the Board and the Manager will continue to adopt a long-term view when making investments;
- regulation will not increase to a level that makes the running of the Company uneconomical; and
- the performance of the Company will be satisfactory and should performance be less than the Board deem acceptable it has powers to take appropriate action.

Accordingly, the Directors have formed the reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three years.

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.

DIRECTORS' REPORT *continued*

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures required in relation to Listing Rule 9.8.4.

Auditor Information

The Directors who held office at the date of approval of the Directors' Report 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, 8 December 2016 (the "Notice") is set out on pages 64 to 68. Shareholders are being asked to vote on various items of business, being:

1. 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 2016;
2. the receipt and approval of the Directors' Remuneration Report;
3. the re-election of Sir David Thomson as a Director of the Company;
4. the re-election of Peter Allen as a Director of the Company;
5. the re-appointment of Saffery Champness as Auditor and the authorisation for the Directors to determine the remuneration of the Auditor;
6. the approval of the Company's dividend payment policy;
7. the granting of authorities in relation to the allotment of shares;
8. the disapplication of pre-emption rights for certain issues of shares;
9. the purchase by the Company of its own shares;
10. the holding of general meetings on not less than 14 clear days' notice; and
11. the continuation of the Company.

Resolutions 1 to 7 and 11 will be proposed as ordinary resolutions and resolutions 8 to 10 will be proposed as special resolutions.

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 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 6 in the Notice.

DIRECTORS' REPORT *continued*

Authority to issue shares and disapplication of pre-emption rights

The Board wishes to have the authority 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 £4,772,049 equal to 200% of the Company's issued ordinary share capital at the date of this Notice, will be proposed as Resolution 7.

In addition, Resolution 8 is being proposed as a special resolution to authorise the Directors to disapply the pre-emption rights of existing shareholders in relation to the issue of ordinary shares under resolution 7 and to sell ordinary shares from Treasury up to a maximum nominal amount of £4,772,049 equal to 200% of the Company's issued share capital 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. 32,500 shares held in Treasury were sold back into the market during the year. There are currently no shares held in Treasury.

These authorities, if approved, will expire at the Annual General Meeting of the Company to be held in 2017.

Purchase of own shares

Resolution 9, a special resolution, will renew the Company's 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 NAV 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 2017 when a resolution to renew the authority will be proposed. No shares were bought back during the year.

DIRECTORS' REPORT *continued*

Notice period for general meetings

Resolution 10, a special resolution, 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 2017, at which it is intended renewal will be sought. 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.

Continuation vote

Resolution 11, an ordinary resolution, will approve the continuation of the Company as a closed-ended investment trust in accordance with the Articles of Association. If this resolution passes, the Articles of Association require a similar ordinary resolution to be proposed at every annual general meeting thereafter.

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

Recommendation

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

Secretary

4 October 2016

CORPORATE GOVERNANCE STATEMENT

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 ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide") published in February 2015. The AIC Code incorporates the principles set out in 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 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 follow the AIC Guide meet fully their Listing Rule obligations in relation to the UK Code.

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 role of the chief executive; and
- executive directors' remuneration.

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

During 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 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. He considers himself to have sufficient time to commit to the Company's affairs.

Mr Perrin, as the Senior Independent Director of the Company provides a channel for any shareholder concerns regarding the Chairman and takes the lead in the annual evaluation of the Chairman by the independent Directors.

CORPORATE GOVERNANCE STATEMENT *continued*

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.

None of the Directors has a service contract, but letters of appointment setting out the terms of their appointment are in place, copies of which are available on request from the Secretary.

The appointment of a new Director would be on the basis of a candidate's merits and the skills and 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 2016, 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

Performance Evaluation

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 concluded that it had the appropriate balance of skills, experience, length of service and knowledge, and all Directors continued to demonstrate commitment to their role.

Directors' Independence

As part of the annual evaluation, the Board 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, and believe this to be of considerable benefit to the Company, and are satisfied that this does not impact their independent status. The AIC Code recognises that, in the context of an investment company, long service need not compromise independence.

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

CORPORATE GOVERNANCE STATEMENT *continued*

Re-Election of Directors

The Board does not have a specific policy on tenure. 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. 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 the 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 MTM, 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. The Board has agreed that there is no need to set a formal policy regarding voting and has given the Manager discretionary voting powers.

At each Board meeting the Directors follow a formal agenda, which is circulated in advance by the 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 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.

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

CORPORATE GOVERNANCE STATEMENT *continued*

Report from the Audit Committee (the “Committee”)

Role of the Audit Committee

The primary responsibilities of the Committee are:

- to monitor the integrity of the financial statements of the Group, and review the financial reporting process and the accounting policies of the Company;
- to keep under review the effectiveness of the Group’s internal control environment and risk management systems;
- review annually the need for the Group to have its own internal audit function;
- 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;
- to develop and implement a policy on the supply of non-audit services by the Auditor; 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 Committee has:

- reviewed the internal controls and risk management systems of the Company and those of its third party service providers;
- reviewed and, where appropriate, updated the Company’s risk register;
- 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 through the internal control statements. This was discussed with the Administrator, Manager and Auditor at the conclusion of the audit of the financial statements. The Committee has also discussed and agreed with the Manager the approach to the valuation of the unquoted investments. Regular updates are provided to the Directors about the activities and valuations of any unquoted holdings.

The Committee assesses annually whether it is appropriate to prepare the Company’s financial statements on a going concern basis, and makes its recommendations to the Board. The Board’s conclusions are set out on pages 16 and 17.

The Committee considered the latest revisions to the UK Code, including the requirement to include a viability statement in the Annual Report. The statement is set out on page 17.

CORPORATE GOVERNANCE STATEMENT *continued*

The Committee considers the internal control systems. The Company relies heavily on third party suppliers. There were no significant matters of concern identified in the Committee's review of the internal control of its third party suppliers.

It is considered that the Group does not require an internal audit function, principally because the Group delegates its day-to-day operations to third parties, which are monitored by the Committee, and provide control reports on their operations annually.

Following consideration of the above, and its detailed review, the Committee was of the opinion that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Company's position and performance, business model and strategy and advised the Board accordingly.

Auditor

This is the first year with the new audit partner, Michael Di Leto. Saffery Champness has been Auditor to the Company for over 29 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. In accordance with new requirements relating to the appointment of auditors, the Company would need to conduct an audit tender no later than for the accounting period beginning 1 July 2020.

Audit fees

An audit fee of £27,500 has been agreed in respect of the audit for the year ended 30 June 2016.

Audit services

The Committee reviews the need for non-audit services and authorises such on a case-by-case basis, having consideration to the cost-effectiveness of the services and the independence and objectivity of the Auditor. Non-audit work may be given to the external Auditor unless there is a conflict of interest or someone else is considered to have more relevant experience. No non-audit services were provided to the Group in the year under review.

Re-appointment of the Auditor

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

Continuing Appointment of the Manager

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 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 the Manager is in the interests of shareholders as a whole.

Internal Control Review

The Directors are responsible for the Group's risk management and systems of internal control, for the reliability of the financial reporting process and for reviewing their effectiveness.

CORPORATE GOVERNANCE STATEMENT *continued*

Throughout the year under review and up to the date of this Annual Report, there has been an ongoing process for identifying, evaluating and managing the principal risks faced by the Group, which accords with guidance supplied by the FRC on risk management, internal control and related financial and business reporting. This is reviewed on a regular basis by the Board. 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 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 Annual Report and financial statements. The internal control systems in place are considered to be effective as there were no matters arising from this review that required further investigation and no significant failings or weaknesses were identified.

Risk assessment and the review of internal controls are 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.

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.

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

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 full, fair, balanced and understandable review of the Company's position and 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. An ordinary resolution for the approval of the Remuneration Report will be put to shareholders at the forthcoming Annual General Meeting.

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 33 to 36.

Annual Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the year ended 30 June 2016.

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 his own remuneration.

Directors' fees at the start of the year ended 30 June 2016 were at a level of £14,000 per annum. Having reviewed the Directors' fees during the year, in recognition of increased regulation, with effect from 1 January 2016, the Board decided to increase Directors' fees to £15,000 per annum.

There is no significant change in the way the current, approved Remuneration Policy will be implemented during the course of the next financial year.

Directors' Emoluments for the Year (audited)

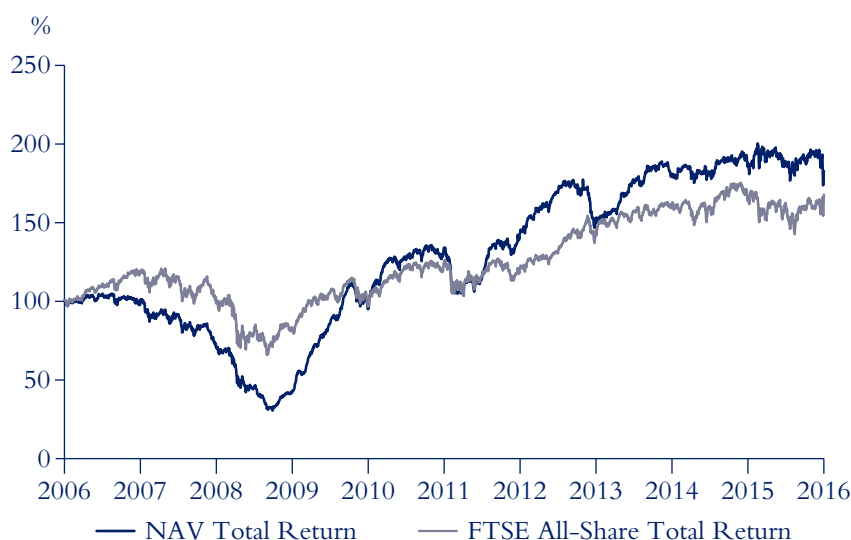
The Directors who served in the year received the following emoluments in the form of fees:

	Year ended 30 June 2016		Year ended 30 June 2015	
	Fees £	Total £	Fees £	Total £
Sir David Thomson	14,500	14,500	14,000	14,000
Peter Allen	14,500	14,500	14,000	14,000
Stephen Cockburn	14,500	14,500	14,000	14,000
Martin Perrin	14,500	14,500	14,000	14,000
	<u>58,000</u>	<u>58,000</u>	<u>56,000</u>	<u>56,000</u>

DIRECTORS' REMUNERATION REPORT *continued*

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.

	2016 £	2015 £	Change
Dividends paid to ordinary shareholders in the year	1,047,439	1,041,622	0.6%
Total remuneration paid to Directors	58,000	56,000	3.6%

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 2016 No of ordinary shares	As at 30 June 2015 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 2016 and the date of this Report.

DIRECTORS' REMUNERATION REPORT *continued*

Voting at Annual General Meeting

The Directors' Remuneration Report for the year ended 30 June 2015 and the Directors' Remuneration Policy were approved by shareholders at the Annual General Meetings held on 10 December 2015 and 11 December 2014 respectively. The votes cast by proxy were as follows:

Directors' Remuneration Report (2015 AGM)

	Number of votes	% of votes cast
For	462,917	47.66
Against	2,087	0.21
At Chairman's discretion	506,380	52.13
Total votes cast	971,384	100
Number of votes withheld	0	

Directors' Remuneration Policy (2014 AGM)

	Number of votes	% of votes cast
For	433,770	94.23
Against	2,087	0.45
At Chairman's discretion	24,465	5.32
Total votes cast	460,322	100
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 they are 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.

DIRECTORS' REMUNERATION REPORT *continued*

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, the 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 2017	Fees for the year to 30 June 2016
Non-executive Director	£15,000	£14,500

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 paid upon early termination of appointment.

In accordance with the regulations, an ordinary resolution to approve the Remuneration Policy will be put to shareholders at least once every three years and in any year if there is to be a change in the Remuneration Policy.

Approval

The Directors' Remuneration Report was approved by the Board on 4 October 2016.

On behalf of the Board

Sir David Thomson
Chairman

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing this Annual 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 and Article 4 of the International Accounting Standards (“IAS”). Company law requires the Directors to prepare financial statements for each financial period which present fairly the financial position of the Group and the financial performance and cash flows 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 IFRS 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 will continue in business; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance.

The Directors 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 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 FCA.

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 *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; and
- 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.

The Directors consider that 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 position and performance, business model and strategy.

On behalf of the Board

Sir David Thomson

Chairman

4 October 2016

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of The Investment Company plc for the year ended 30 June 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and as regards the 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 Statement of Directors' Responsibilities set out on pages 31 and 32, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's and Group'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 2016 and of the Group's loss for the year then ended;
- The Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- The Company financial statements have been properly prepared in accordance with IFRS 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.

INDEPENDENT AUDITOR'S REPORT *continued*

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to in relation to:

- The Directors' confirmation on page 12 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- The disclosures on pages 12 and 13 that describe those risks and explain how they are being managed or mitigated;
- The Directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- The Directors' explanation on pages 16 and 17 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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; and
- 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 have determined a materiality of £345,000 for the financial statements as a whole. This is based on 2% of net assets. In the Consolidated Statement of Comprehensive Income the capital and revenue distinction is important to the Group, and therefore we have applied a separate materiality of £23,500 or 5% of the Group's Revenue Return before taxation to that Statement.

We communicate all misstatements to the Audit Committee.

INDEPENDENT AUDITOR'S REPORT *continued*

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
- 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
- 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.

INDEPENDENT AUDITOR'S REPORT *continued*

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.

Michael Di Leto

(Senior Statutory Auditor)

For and on behalf of Saffery Champness

Chartered Accountants

Statutory Auditors

71 Queen Victoria Street

London

EC4V 4BE

4 October 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Notes	Year to 30 June 2016			Year to 30 June 2015		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Realised gains/(losses) on investments	11	–	528,892	528,892	–	(596,101)	(596,101)
Unrealised losses on investments held at fair value through profit or loss	11	–	(1,278,227)	(1,278,227)	–	(863,664)	(863,664)
Movement in impairment provision on investments held as available for sale		–	(72,680)	(72,680)	–	1,530,422	1,530,422
Exchange gains on capital items		–	1,845	1,845	–	2,934	2,934
Investment income	2	1,085,970	–	1,085,970	1,248,030	–	1,248,030
Investment management fee	3	(113,705)	–	(113,705)	(163,607)	–	(163,607)
Other administrative expenses	4	(342,277)	–	(342,277)	(309,824)	–	(309,824)
Return before finance costs and taxation		629,988	(820,170)	(190,182)	774,599	73,591	848,190
Finance costs							
Loan note interest		–	–	–	(12,474)	–	(12,474)
Return before taxation		629,988	(820,170)	(190,182)	762,125	73,591	835,716
Taxation	5	(995)	–	(995)	(486)	–	(486)
Return after taxation		628,993	(820,170)	(191,177)	761,639	73,591	835,230
Other comprehensive income							
Movement in unrealised appreciation on investments held as available for sale							
Recognised in equity		–	(151,492)	(151,492)	–	282,377	282,377
Recognised in return after taxation		–	(188,607)	(188,607)	–	(316,308)	(316,308)
Other comprehensive income after taxation		–	(340,099)	(340,099)	–	(33,931)	(33,931)
Total comprehensive income after taxation		628,993	(1,160,269)	(531,276)	761,639	39,660	801,299
Return after taxation per 50p ordinary share							
Basic and diluted	6	13.27p	(17.30)p	(4.03)p	16.07p	1.55p	17.62p
Return on total comprehensive income after taxation per 50p ordinary share							
Basic and diluted	6	13.27p	(24.48)p	(11.21)p	16.07p	0.84p	16.91p

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 43 to 61 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Issued capital £	Share premium £	Capital redemption reserve £	Revaluation reserve £	Capital reserve £	Revenue account £	Total £
Balance at 1 July 2015	2,386,025	4,453,903	2,408,820	2,340,947	6,858,154	5,121	18,452,970
Total comprehensive income							
Net return for the period	–	–	–	–	(820,170)	628,993	(191,177)
Movement in unrealised appreciation on investments held as available for sale:							
– Recognised in equity	–	–	–	(151,492)	–	–	(151,492)
– Recognised in return after taxation	–	–	–	(188,607)	–	–	(188,607)
Transactions with shareholders recorded directly to equity							
Sale of Treasury shares	–	–	–	–	117,384	–	117,384
Ordinary dividends paid	–	–	–	–	–	(1,047,439)	(1,047,439)
Balance at 30 June 2016	2,386,025	4,453,903	2,408,820	2,000,848	6,155,368	(413,325)	16,991,639
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	–	–	–	–	73,591	761,639	835,230
Movement in unrealised appreciation on investments held as available for sale:							
– Recognised in equity	–	–	–	282,377	–	–	282,377
– Recognised in return after taxation	–	–	–	(316,308)	–	–	(316,308)
Transactions with shareholders recorded directly to equity							
Ordinary dividends paid	–	–	–	–	–	(1,041,622)	(1,041,622)
Balance at 30 June 2015	2,386,025	4,453,903	2,408,820	2,340,947	6,858,154	5,121	18,452,970

The notes on pages 43 to 61 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Issued ordinary share capital £	Issued preference share capital £	Share premium £	Capital redemption reserve £	Revaluation reserve £	Capital reserve £	Revenue account £	Total £
Balance at 1 July 2015	2,386,025	858,783	4,453,903	2,408,820	2,337,024	4,316,659	2,525,031	19,286,245
Total comprehensive income								
Net return for the period	–	–	–	–	–	(812,820)	587,194	(225,626)
Movement in unrealised appreciation on investments held as available for sale:								
– Recognised in equity	–	–	–	–	(159,771)	–	–	(159,771)
– Recognised in return after taxation	–	–	–	–	(187,677)	–	–	(187,677)
Transactions with shareholders recorded directly to equity								
Sale of Treasury shares	–	–	–	–	–	117,384	–	117,384
Ordinary dividends paid	–	–	–	–	–	–	(1,047,439)	(1,047,439)
Preference share dividends paid	–	–	–	–	–	–	(174)	(174)
Balance at 30 June 2016	2,386,025	858,783	4,453,903	2,408,820	1,989,576	3,621,223	2,064,612	17,782,942
Restated Balance at 1 July 2014	2,386,025	858,783	4,453,903	2,408,820	2,381,595	4,232,428	2,805,672	19,527,226
Total comprehensive income								
Net return for the period	–	–	–	–	–	84,231	761,153	845,384
Movement in unrealised appreciation on investments held as available for sale:								
– Recognised in equity	–	–	–	–	286,197	–	–	286,197
– Recognised in return after taxation	–	–	–	–	(330,768)	–	–	(330,768)
Transactions with shareholders recorded directly to equity								
Ordinary dividends paid	–	–	–	–	–	–	(1,041,622)	(1,041,622)
Preference share dividends paid	–	–	–	–	–	–	(172)	(172)
Restated Balance at 30 June 2015	2,386,025	858,783	4,453,903	2,408,820	2,337,024	4,316,659	2,525,031	19,286,245

The notes on pages 43 to 61 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 June 2016

	Note	Group 2016 £	Group 2015 £
Non-current assets			
Investments	11	16,410,045	17,820,229
Current assets			
Trade and other receivables	14	425,351	308,741
Investments available for sale		1,952	1,662
Cash and bank balances		664,859	512,856
		<u>1,092,162</u>	<u>823,259</u>
Current liabilities			
Trade and other payables	15	510,568	190,518
		<u>510,568</u>	<u>190,518</u>
Net current assets		<u>581,594</u>	<u>632,741</u>
Net assets		<u>16,991,639</u>	<u>18,452,970</u>
Capital and reserves			
Issued ordinary share capital	8	2,386,025	2,386,025
Share premium		4,453,903	4,453,903
Capital redemption reserve		2,408,820	2,408,820
Revaluation reserve		2,000,848	2,340,947
Capital reserve		6,155,368	6,858,154
Revenue reserve		(413,325)	5,121
Shareholders' funds	10	<u>16,991,639</u>	<u>18,452,970</u>
NAV per 50p ordinary share		<u>356.07p</u>	<u>389.34p</u>

These financial statements were approved by the Board of The Investment Company PLC on 4 October 2016 and were signed on its behalf by:

Sir David Thomson

Chairman

Company Number: 4205

The notes on pages 43 to 61 form part of these financial statements.

COMPANY BALANCE SHEET

As at 30 June 2016

	Note	Company 2016 £	Restated Company 2015 £	Restated Company 2014 £
Non-current assets				
Investments	11	16,410,045	17,820,229	17,486,703
Investment in subsidiaries	12	862,656	862,656	862,656
		17,272,701	18,682,885	18,349,359
Current assets				
Trade and other receivables	14	494,662	317,187	171,703
Investments available for sale		—	—	—
Cash and bank balances		521,960	507,373	1,711,321
		1,016,622	824,560	1,883,024
Current liabilities				
Trade and other payables	15	506,381	221,200	339,457
5% Loan notes maturing 2015		—	—	365,700
		506,381	221,200	705,157
Net current assets		510,241	603,360	1,177,867
Net assets		17,782,942	19,286,245	19,527,226
Capital and reserves				
Issued ordinary share capital	8	2,386,025	2,386,025	2,386,025
Issued preference share capital	9	858,783	858,783	858,783
Share premium		4,453,903	4,453,903	4,453,903
Capital redemption reserve		2,408,820	2,408,820	2,408,820
Revaluation reserve		1,989,576	2,337,024	2,381,595
Capital reserve		3,621,223	4,316,659	4,232,428
Revenue reserve		2,064,612	2,525,031	2,805,672
Shareholders' funds	10	17,782,942	19,286,245	19,527,226

These financial statements were approved by the Board of The Investment Company plc on 4 October 2016 and were signed on its behalf by:

Sir David Thomson

Chairman

Company Number: 4205

The notes on pages 43 to 61 form part of these financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

For the year ended 30 June 2016

	Group		Company	
	Year to 30 June 2016	Year to 30 June 2015	Year to 30 June 2016	Year to 30 June 2015
	£	£	£	£
Cash flows from operating activities				
Cash received from investments	1,087,015	1,145,391	1,034,428	1,134,684
Interest received	–	154	–	134
Sundry income	627	72,274	627	72,274
Investment management fees paid	(121,053)	(265,255)	(121,053)	(265,255)
Cash paid to and on behalf of employees	(36,111)	(35,466)	(36,111)	(35,466)
Other cash payments	(319,804)	(310,345)	(309,433)	(298,630)
Withholding tax paid	(995)	(486)	(995)	(486)
Net cash inflow from operating activities	609,679	606,267	567,463	607,255
Cash flows from financing activities				
Loan note interest paid	–	(17,033)	–	(17,033)
Loan notes redeemed	–	(365,700)	–	(365,700)
Dividends paid on ordinary shares	(1,047,439)	(1,053,128)	(1,047,439)	(1,053,128)
Net cash outflow from financing activities	(1,047,439)	(1,435,861)	(1,047,439)	(1,435,861)
Cash flows from investing activities				
Purchase of investments	(2,252,996)	(3,152,010)	(2,252,996)	(3,152,010)
Sale of investments	2,840,914	2,737,210	2,840,914	2,737,210
Loans from subsidiaries	–	–	–	36,523
Loans to subsidiaries	–	–	(95,200)	–
Net cash inflow/(outflow) from investing activities	587,918	(414,800)	492,718	(378,277)
Net increase/(decrease) in cash and cash equivalents	150,158	(1,244,394)	12,742	(1,206,883)
Reconciliation of net cash flow to movement in net cash				
Increase/(decrease) in cash	150,158	(1,244,394)	12,742	(1,206,883)
Exchange rate movements	1,845	2,935	1,845	2,935
Loan notes redeemed	–	365,700	–	365,700
Increase/(decrease) in net cash	152,003	(875,759)	14,587	(838,248)
Net cash at start of period	512,856	1,388,615	507,373	1,345,621
Net cash at end of period	664,859	512,856	521,960	507,373
Analysis of net cash				
Cash and bank balances	664,859	512,856	521,960	507,373
	664,859	512,856	521,960	507,373

The notes on pages 43 to 61 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2016

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, which comprise the audited 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 2016 have been prepared under the historical cost basis, as modified by the measurement at fair value of investments, and in conformity with IFRS as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board (“IASB”), and the Companies Act 2006 applicable to companies reporting under IFRS.

The Company has been approved as an investment trust by HMRC under s1158/1159. As a result the consolidated financial statements have also been prepared in accordance with the AIC SORP 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 financial statements have been prepared on a going concern basis, being a period of at least 12 months from the date that these financial statements were approved, and on the basis that approval as an investment trust company will continue to be met.

The Directors have made an assessment of the Group’s ability to continue as a going concern and are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. Furthermore, 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, having taken into account the liquidity of the Group’s investment portfolio and the Group’s financial position in respect of its cash flows, borrowing facilities and investment commitments. The Group, therefore, continues to adopt the going concern basis in preparing its consolidated financial statements.

The financial statements are presented in Sterling, which is the Group’s functional currency as the UK is the primary environment in which it operates.

(b) Basis of consolidation

The subsidiaries are consolidated from the date of their acquisition, being the date on which control is obtained, and will continue to be consolidated until the date that such control ceases. Control comprises being exposed, or having rights, to variable returns through its power over the investee. The financial statements of the subsidiaries are prepared for the same reporting year as the parent Company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them are eliminated.

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 loss after tax of £191,177 (2015: profit after tax of £845,384).

NOTES TO THE FINANCIAL STATEMENTS *continued*

At 30 June 2016

1. Accounting Policies (*continued*)

(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) Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires judgements, estimates and assumptions that affect the application of policies and the reported amounts in the Balance Sheet, the Income Statement and the disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future period if the revision affects both current and future periods.

The unquoted investments are valued by reference to valuation techniques approved by the Directors and in accordance with the International Private Equity and Venture Capital Valuation ('IPEVC') guidelines.

(e) Cash and cash equivalents

Cash comprises cash in hand, overdrafts and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

(f) Foreign currency

Transactions denominated in foreign currencies are converted to Sterling at the actual exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rate of exchange at the Balance Sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or the revenue account depending on whether the gain or loss is of a capital or revenue nature.

(g) Income

Dividends received from UK registered companies are accounted for net of imputed tax credits. Dividends from overseas companies are shown gross of any non-recoverable withholding taxes which are described separately in the Consolidated Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS *continued*

At 30 June 2016

1. Accounting Policies (*continued*)

(g) Income (*continued*)

Dividends receivable on quoted equity shares are taken to revenue on an ex-dividend basis. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Fixed returns on non-equity shares are recognised on a time-apportioned basis.

Special dividends are taken to revenue or capital account depending on their nature. In deciding whether a dividend should be regarded as a capital or revenue receipt, the Board reviews all relevant information as to the reasons for the sources of the dividend on a case-by-case basis.

When the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend forgone is recognised as income. Any excess in the value of the cash dividend is recognised in the capital column.

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.

All other income is accounted for on a time-apportioned accruals basis using the effective interest rate method and is recognised in the Consolidated Statement of Comprehensive Income.

(h) Expenses and finance costs

All expenses and finance costs are accounted for on an accruals basis.

Expenses incurred directly in relation to placings and offers for subscription of shares are deducted from equity and charged to the share premium account.

(i) Taxation

Deferred tax is provided on an undiscounted basis 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 AIC 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 Group by virtue of its investment trust status. However, the net revenue (excluding UK dividend income) accruing to the Group is liable to corporation tax at the prevailing rates.

(j) 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.

NOTES TO THE FINANCIAL STATEMENTS *continued*

At 30 June 2016

1. Accounting Policies (*continued*)

(k) Earnings per ordinary share

The Group calculates both basic and diluted earnings per ordinary share using the weighted average number of shares outstanding during the period.

(l) Investments

The Group's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Group's Board of Directors.

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.

Investments are initially recognised at cost, being the fair value of the consideration given. After initial recognition, investments are measured at fair value.

All investments held that have been purchased by the Group since obtaining approval as an investment trust from 1 July 2013 are classified as at "fair value through profit or loss". Realised and unrealised gains and losses on investments classified as at "fair value through profit or loss" are recognised in the Consolidated Statement of Comprehensive Income and allocated to the Capital reserve.

Investments held at 30 June 2016 which were purchased prior to 1 July 2013 are classified as "assets available for sale". These investments have not been reclassified as at "fair value through profit or loss" in accordance with IFRS 39 Financial Instruments Recognition and Measurement. Realised gains and losses and movement in impairment provision on investments classified as "assets available for sale" are recognised in the Consolidated Statement of Comprehensive Income and allocated to the Capital reserve. Movement in unrealised appreciation on investments classified as "assets available for sale" is recognised in the Revaluation reserve.

All investments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy in note 11, 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 Group 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.

NOTES TO THE FINANCIAL STATEMENTS *continued*

At 30 June 2016

1. Accounting Policies (*continued*)

(l) Investments (*continued*)

For investments actively traded in organised financial markets, fair value is generally determined by reference to quoted market bid prices or closing prices for SETSqx (London Stock Exchange's electronic trading service quotes and crosses) 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.

The fair value of financial assets that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

(m) Derivative instruments – held for trading

Derivatives, including Index Put options, which are listed investments are classified as financial assets or liabilities held for trading. They are initially recorded at cost (being the premium paid to purchase the option) and are subsequently valued at fair value at the close of business at the year end and included in fixed assets or current assets/liabilities depending on their maturity date.

Changes in the fair value of derivative instruments are recognised as they arise in the Consolidated Statement of Comprehensive Income.

(n) Investments in subsidiaries

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

(o) 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 trading financial assets have become impaired. Where such evidence exists, the amount of any impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income. 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.

NOTES TO THE FINANCIAL STATEMENTS *continued*

At 30 June 2016

1. Accounting Policies (*continued*)

(p) Reserves

Issued preference share capital

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 capital and reserves in accordance with IAS 32 (Financial Instruments: Disclosure and Presentation).

Capital reserve

The following are accounted for within the capital 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 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 Group’s held-for trading investments.

(q) Accounting developments

The accounting policies adopted are consistent with those of the previous financial year. The following accounting standards and their amendments were in issue at the period end but will not be in effect until after this financial year. We are still considering the impact these Accounting Standards will have on the financial statements.

<i>International Financial Reporting Standards</i>	<i>Effective date</i>
IFRS 7 Financial Instruments (IFRS 9 Disclosures)	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS *continued*

At 30 June 2016

2. Income

	Year ended 30 June 2016 £	Year to 30 June 2015 £
Income from investments:		
UK dividends	547,381	525,521
Un-franked dividend income	171,642	276,399
UK fixed interest	313,733	362,877
	<u>1,032,756</u>	<u>1,164,797</u>
Other income:		
Bank deposit interest	–	154
Sundry income	–	66,750
Underwriting commission	627	5,524
Net dealing gains of subsidiaries	52,587	10,805
Total income	<u><u>1,085,970</u></u>	<u><u>1,248,030</u></u>

3. Investment Management fee

	Year ended 30 June 2016 £	Year ended 30 June 2015 £
Investment Management fee	<u><u>113,705</u></u>	<u><u>163,607</u></u>

Under the terms of the Management Agreement, the Manager is entitled to receive from the Company or any member of the Company 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 2016 an amount of £7,255 (2015: £14,603) was outstanding and due to the Manager.

4. Other Expenses

	Year ended 30 June 2016 £	Year to 30 June 2015 £
Administration and secretarial services	112,041	83,545
Auditors' remuneration for:		
– audit of the Group's financial statements	26,750	28,450
Directors' remuneration (see the Directors' Remuneration Report on pages 27 to 30)	58,000	56,000
Salaries	14,000	14,000
Pension costs	12,107	11,563
Various other expenses	119,379	116,266
	<u><u>342,277</u></u>	<u><u>309,824</u></u>

NOTES TO THE FINANCIAL STATEMENTS *continued*

At 30 June 2016

4. Other Expenses *(continued)*

The average number of employees as at 30 June 2016 was one (2015: one).

Their aggregate remuneration comprised:

	2016 £	2015 £
Staff costs		
Wages and salaries	14,000	14,000
Social security costs	–	–
Total	<u>14,000</u>	<u>14,000</u>
Pension costs		
Pension payments	22,107	21,563
Pension provision release	(10,000)	(10,000)
Total	<u>12,107</u>	<u>11,563</u>

The Company has a provision of £70,485 (2015: £80,489) in respect of future pension payments. The assets are held by the Company.

Key management personnel are considered to be the same as the non-executive Directors.

5. Taxation

	Year ended 30 June 2016			Year ended 30 June 2015		
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Overseas taxation suffered	<u>995</u>	<u>–</u>	<u>995</u>	<u>486</u>	<u>–</u>	<u>486</u>
	Year ended 30 June 2016			Year ended 30 June 2015		
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Return on ordinary activities	629,988	(820,170)	(190,182)	762,125	73,591	835,716
Theoretical tax at UK corporation tax rate of 20% (2015: 20.75%)	125,998	(164,034)	(38,036)	158,141	15,270	173,411
Effects of:						
UK dividends that are not taxable	(109,033)	–	(109,033)	(109,046)	–	(109,046)
Overseas dividends that are not taxable	(34,772)	–	(34,772)	(57,353)	–	(57,353)
Non-taxable investment losses	–	164,034	164,034	–	384,449	384,449
Movement in impairment provision not deductible for tax purposes	–	–	–	–	(399,719)	(399,719)
Overseas taxation suffered	995	–	995	486	–	486
Expenses not deductible for tax	17,807	–	17,807	8,258	–	8,258
	<u>995</u>	<u>–</u>	<u>995</u>	<u>486</u>	<u>–</u>	<u>486</u>

NOTES TO THE FINANCIAL STATEMENTS *continued*

At 30 June 2016

5. Taxation (*continued*)

Factors that may affect future tax charges

The Company has excess management expenses of £1,423,322 (2015: £1,333,798). It is unlikely that the Company will generate sufficient taxable income in the future to use these expenses to reduce future tax charges and therefore no deferred tax asset has been recognised.

Due to the Company's status as an investment trust and the intention to continue meeting the conditions required to obtain approval as an investment trust in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

6. Return per Ordinary Share

	Year ended 30 June 2016			Year ended 30 June 2015		
	Revenue	Capital	Total	Revenue	Capital	Total
Return after taxation						
Return attributable to ordinary shareholders (£)	628,993	(820,170)	(191,177)	761,639	73,591	835,230
Weighted average number of ordinary shares in issue (excluding shares held in Treasury)			4,739,727			4,739,549
Return per ordinary share (pence)	13.27p	(17.30)p	(4.03)p	16.07p	1.55p	17.62p

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 2016			Year ended 30 June 2015		
	Revenue	Capital	Total	Revenue	Capital	Total
Return on total comprehensive income						
Return attributable to ordinary shareholders (£)	628,993	(820,170)	(191,177)	761,639	73,591	835,230
Add other comprehensive income recognised in equity (£)	–	(151,492)	(151,492)	–	282,377	282,377
Add other comprehensive income recognised in profit and loss (£)	–	(188,607)	(188,607)	–	(316,308)	(316,308)
Return attributable to ordinary shareholders (£)	628,993	(1,160,269)	(531,276)	761,639	39,660	801,299
Weighted average number of ordinary shares in issue (excluding shares held in Treasury)			4,739,727			4,739,549
Return per ordinary share (pence)	13.27p	(24.48)p	(11.21)p	16.07p	0.84p	16.91p

NOTES TO THE FINANCIAL STATEMENTS *continued*

At 30 June 2016

7. Dividends per Ordinary Share

	Year ended 30 June 2016 £	Year ended 30 June 2015 £
Unclaimed dividends in respect of prior periods	–	(11,506)
In respect of the prior period:		
Fourth interim dividend 7.10p (2015: 5.72p)	336,508	271,102
In respect of the year under review:		
First interim 5.00p (2015: 5.50p)	236,977	260,676
Second interim dividend 5.00p (2015: 5.50p)	236,977	260,675
Third interim dividend 5.00p (2015: 5.50p)	236,977	260,675
	1,047,439	1,041,622
Dividend declared in respect of the year under review:		
Fourth interim dividend 5.70p (2015: 7.10p)	272,007	338,816

8. Issued Ordinary Share Capital

	Group and Company 2016		Group and Company 2015	
	Number	£	Number	£
Ordinary shares of 50p each	4,772,049	2,386,025	4,772,049	2,386,025

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 does not hold any ordinary shares in Treasury (2015: 32,500).

9. Issued Preference Share Capital

	Group		Restated Company	
	2016 £	2015 £	2016 £	2015 £
Issued preference share capital	–	–	858,783	858,783
	–	–	858,783	858,783

The 1,717,565 fixed rate preference shares of 50p each are non-voting, 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 whole of the issue is held by New Centurion Trust Limited, a wholly owned subsidiary of the Company.

During the year the Directors have reappraised the presentation of these preference shares, in the accounts of the Company, and on balance have resolved that they are more appropriately treated as equity. In the prior year they were disclosed as a non-current liability and the comparative information for the June 2014 Balance Sheet, being the earliest prior period presented, has accordingly been restated. This change has no impact on the consolidated accounts and the Group NAV and earnings per share.

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

NOTES TO THE FINANCIAL STATEMENTS *continued*

At 30 June 2016

10. Net Asset Value per Ordinary Share

The NAV per ordinary share is calculated as follows:

	2016 £	2015 £
Net assets	16,991,639	18,452,970
Ordinary shares in issue, excluding own shares held in Treasury	4,772,049	4,739,549
NAV per ordinary share	356.07p	389.34p

The underlying investments of the wholly owned subsidiary New Centurion Trust Limited comprise issued preference share capital, as discussed in note 9, in the Company and, being effectively eliminated on consolidation, the valuation thereof does not impact the NAV attributable to ordinary shareholders.

11. Investments

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Available for sale	8,056,096	8,659,711	8,056,096	8,659,711
At fair value through profit and loss	8,353,949	9,160,518	8,353,949	9,160,518
Total investments designated at fair value	16,410,045	17,820,229	16,410,045	17,820,229

Investments available for sale

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Opening book cost	7,117,829	8,820,454	7,175,542	8,917,129
Opening net investment holding gains/(losses)	1,541,882	45,391	1,484,169	(51,284)
Total investments designated as available for sale	8,659,711	8,865,845	8,659,711	8,865,845
Movements in the period:				
Purchases at cost	–	–	–	–
Sales – proceeds	(374,663)	(920,806)	(374,663)	(920,806)
– gains/(losses) on sales	183,827	(781,819)	181,732	(820,781)
Increase/(decrease) in investment holding gains	(412,779)	1,496,491	(410,684)	1,535,453
Closing valuation	8,056,096	8,659,711	8,056,096	8,659,711
Closing book cost	6,926,993	7,117,829	6,982,611	7,175,542
Closing net investment holding gains	1,129,103	1,541,882	1,073,485	1,484,169
	8,056,096	8,659,711	8,056,096	8,659,711
Analysis of changes in investment holding gains				
Movement in impairment provision	(72,680)	1,530,422	(72,680)	1,530,422
Recognised in equity	(151,492)	282,377	(151,492)	282,377
Recognised in return after taxation	(188,607)	(316,308)	(188,607)	(316,308)
Movement in sales to parent company	–	–	2,095	38,962
	(412,779)	1,496,491	(410,684)	1,535,453

NOTES TO THE FINANCIAL STATEMENTS *continued*

At 30 June 2016

11. Investments (*continued*)

Investments held at fair value through profit or loss

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Opening book cost	9,502,059	8,098,735	9,502,059	8,098,735
Opening net investment holding (losses)/gains	(341,541)	522,123	(341,541)	522,123
Total investments designated at fair value	<u>9,160,518</u>	<u>8,620,858</u>	<u>9,160,518</u>	<u>8,620,858</u>
Movements in the period:				
Purchases at cost	2,592,167	3,152,010	2,592,167	3,152,010
Sales – proceeds	(2,465,574)	(1,934,404)	(2,465,574)	(1,934,404)
– gains on sales	345,065	185,718	345,065	185,718
Increase in net investment holding losses	(1,278,227)	(863,664)	(1,278,227)	(863,664)
Closing valuation	<u>8,353,949</u>	<u>9,160,518</u>	<u>8,353,949</u>	<u>9,160,518</u>
Closing book cost	9,973,717	9,502,059	9,973,717	9,502,059
Closing net investment holding losses	(1,619,768)	(341,541)	(1,619,768)	(341,541)
	<u>8,353,949</u>	<u>9,160,518</u>	<u>8,353,949</u>	<u>9,160,518</u>

	Group Year ended		Company Year ended	
	30 June 2016 £	30 June 2015 £	30 June 2016 £	30 June 2015 £
Transaction costs				
Costs on acquisitions	1,336	7,441	1,336	7,441
Costs on disposals	4,231	3,973	3,694	3,973
	<u>5,567</u>	<u>11,414</u>	<u>5,030</u>	<u>11,414</u>

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Analysis of capital gains				
Gains/(losses) on sale of investments	528,892	(596,101)	526,797	(635,063)
Movement in investment holding (losses)/gains	(1,691,006)	632,827	(1,688,911)	671,789
	<u>(1,162,114)</u>	<u>36,726</u>	<u>(1,162,114)</u>	<u>36,726</u>

Fair Value Hierarchy

IFRS 13 requires classification of financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices, unadjusted in active markets for identical assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS *continued*

At 30 June 2016

11. Investments (*continued*)

Level 2 – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included in level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data or the asset or liability.

The table below sets out fair value measurements of financial instruments as at 30 June 2016, by the level in the fair value hierarchy into which the fair value measurement is categorised.

At 30 June 2016	Level 1 £	Level 2 £	Level 3 £	Total £
Fixed asset investments held by the Company	11,309,018	395,902	4,705,125	16,410,045
Current asset investments held by a trading subsidiary	1,868	84	–	1,952
	11,310,886	395,986	4,705,125	16,411,997

At 30 June 2015	Level 1 £	Level 2 £	Level 3 £	Total £
Fixed asset investments held by the Company	12,648,728	398,853	4,772,648	17,820,229
Current asset investments held by a trading subsidiary	1,662	–	–	1,662
	12,650,390	398,853	4,772,648	17,821,891

Valuation process for Level 3 investments

Investments classified within level 3 have unobservable inputs. Level 3 investments can typically include unlisted equity and corporate debt securities and over the counter (“OTC”) derivative instruments. As observable prices are not available for these securities, the Group has used valuation techniques to derive the fair value. In respect of the unquoted investments, or where the market for a financial instrument is not active, fair value is established by using recognised valuation methodologies, in accordance with IPEVC Guidelines. New investments are initially carried at cost, for a limited period, being the price of the most recent investment in the investee. This is in accordance with IPEVC Guidelines as the cost of recent investments will provide a good indication of fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. exit price).

The unobservable inputs include consideration of anticipated return of capital, expected future cashflows and the impact of market conditions. The Directors have considered these values and have determined valuations based upon this information.

The values, inputs and variations are reviewed on a regular basis. This includes risks, the return of capital, cashflows and liquidity.

NOTES TO THE FINANCIAL STATEMENTS *continued*

At 30 June 2016

11. Investments (*continued*)

The table below presents the movement in level 3 investments that were accounted for at fair value for the year ending 30 June 2016.

	Year ended 30 June 2016 Group £	Company £
Opening balance	4,772,648	3,225,201
Movement in impairment provision on investments available for sale	(47,788)	129,857
Movement in unrealised appreciation on investments available for sale recognised in equity	4,340	82,538
Movement in unrealised appreciation on investments available for sale recognised in return after taxation	930	28,211
Purchases at cost	604,305	813,065
Movement in unrealised gains on investments at fair value through profit or loss	2,808	2,808
Realised loss	(50,578)	(52,671)
Sales proceeds	(581,540)	(581,540)
Closing balance	<u>4,705,125</u>	<u>4,705,125</u>

12. Investment in Subsidiaries

	2016 £	Company 2015 £
At cost	5,410,552	5,410,552
Provision for diminution in value	(4,547,896)	(4,547,896)
At cost	<u>862,656</u>	<u>862,656</u>

At 30 June 2016, 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)

13. 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	4.88
Coral Products	3.03

NOTES TO THE FINANCIAL STATEMENTS *continued*

At 30 June 2016

14. Trade and Other Receivables

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Amount due from subsidiaries	–	–	69,311	8,446
Accrued income	71,707	105,542	71,707	105,542
Due from brokers	234,707	118,000	234,707	118,000
Dividends receivable	109,479	77,579	109,479	77,579
Taxation recoverable	2,371	2,108	2,371	2,108
Other receivables	7,087	5,512	7,087	5,512
	425,351	308,741	494,662	317,187

The carrying amount of trade receivables approximates to their fair value. Trade and other receivables are not past due at 30 June 2016.

15. Trade and Other Payables

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Preference dividends payable to the Company's wholly owned subsidiary	–	–	518	344
Amount due to subsidiaries	–	–	–	34,335
Due to brokers	339,170	–	339,170	–
Investment management fees	7,255	14,603	7,255	14,603
Other trade payables and accruals	164,143	175,915	159,438	171,918
	510,568	190,518	506,381	221,200

16. Analysis of Financial Assets and Liabilities

Investment Objective and Policy

The investment objective of the Group is to generate income and capital growth over the medium term. The Group's investing activities in pursuit of its investment objective involve certain inherent risks.

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 risks identified arising from the Group's financial instruments are market risk (which comprises market price risk and interest rate risk, liquidity risk and credit and counterparty risk). The Group may enter into derivative contracts to manage risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

NOTES TO THE FINANCIAL STATEMENTS *continued*

At 30 June 2016

16. Analysis of Financial Assets and Liabilities (*continued*)

Market risk

Market risk arises mainly from uncertainty about future prices of financial instruments used in the Group's business. It represents the potential loss the Group might suffer through holding market positions by way of price movements, interest rate movements and exchange rate movements. The Group assesses the exposure to market risk when making each investment decision and these risks are monitored by the Manager on a regular basis and the Board at quarterly meetings with the Manager.

(i) Market price risk

Market price risk (i.e. changes in market prices other than those arising from currency risk or interest rate risk) may affect the value of investments.

The Board manages the risks inherent in the investment portfolio by ensuring full and timely reporting of relevant information from the Manager. Investment performance and exposure are reviewed at each Board meeting.

The Group invests in other funds and is susceptible to market price risk arising from uncertainties about future values of those investee funds. The Manager makes investment decisions after an extensive assessment of the underlying fund, its strategy and the overall quality of the underlying fund's manager. The Group's policy requires the Manager to complete a full reassessment of each of the investee funds on a quarterly basis and track the performance of each investee fund on a weekly basis.

The Group's investment restrictions prohibit it from investing more than 20% of its assets in any one investee fund.

The direct impact of a 5% movement in the value of the portfolio investments and current asset investments amounts to £820,599 (2015: £891,095), being 17p (2015: 19p) per ordinary share. The analysis is based on closing balances only and is not representative of the year as a whole.

The Group mainly invests in equities of other entities that are publicly traded on the London Stock Exchange and is therefore subject to movements in the FTSE index.

	2016 £	2015 £
Securities available for sale	8,058,048	8,661,373
Securities at fair value through profit and loss	8,353,949	9,160,518
Total investment	<u>16,411,997</u>	<u>17,821,891</u>
	2016 £	2015 £
Securities available for sale	402,902	433,069
Securities at fair value through profit and loss	417,697	458,026
Effect on post-tax profit for the year and on equity	<u>820,599</u>	<u>891,095</u>

NOTES TO THE FINANCIAL STATEMENTS *continued*

At 30 June 2016

16. Analysis of Financial Assets and Liabilities (*continued*)

(ii) *Interest rate risk*

Interest rate movements may affect the level of income receivable on cash deposits. The Group's financial assets and liabilities, excluding short-term debtors and creditors, may include investment in fixed interest securities, such as UK corporate debt stock, whose fair value may be affected by movements in interest rates. The majority of the Group's financial assets and liabilities, however, are non-interest bearing. As a result, the Group's financial assets and liabilities are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The possible effects on the fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions.

(iii) *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 ability to liquidate listed securities. An analysis of the securities is given in note 11.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Manager. The Manager monitors the rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. The forecasting takes into consideration covenant compliance, regulatory or legal requirements, for example the restrictions applicable to investment trusts set by HMRC s1158/1159 of the Corporation Tax Act 2010.

These reports allow it to manage its obligations. A maturity analysis is not presented as the Manager does not consider this to be a material risk.

(iv) *Credit and counterparty risk*

Credit risk is the risk of financial loss to the Group if the contractual party to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk as at 30 June 2016 was £1,092,000 (2015: £823,000). The calculation is based on the Group's credit risk exposure as at 30 June 2016 and this may not be representative for the whole year.

The Group's listed investments are held on its behalf by Bank of New York Mellon acting as the Group's custodian. Bankruptcy or insolvency of the custodian may cause the Group's rights with respect to securities held by the custodian to be delayed. The Board monitors the Group's risk by reviewing the custodian's internal controls report.

Where the Manager makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to minimise the risk to the Group of default.

Investment transactions are carried out with a number of brokers whose creditworthiness is reviewed by the Manager. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Group's custodian bank ensures that the counterparty to any transaction entered into by the Group has delivered on its obligations before any transfer of cash or securities away from the Group is completed.

Cash is only held at banks that have been identified by the Board as reputable and of high credit quality.

NOTES TO THE FINANCIAL STATEMENTS *continued*

At 30 June 2016

16. Analysis of Financial Assets and Liabilities (*continued*)

Derivatives

The Manager may use derivative instruments in order to 'hedge' the market risk of part of the portfolio. The Manager reviews the risks associated with individual investments and, where they believe it appropriate, may use derivatives to mitigate the risk of adverse market (or currency) movements. The Manager discusses regularly the hedging strategy with the Board.

At the year end, there were no derivative contracts open (2015: one).

Fair values of financial assets and financial liabilities

All financial assets and liabilities of the Group are either carried in the Balance Sheet at fair value through profit or loss, or the Balance Sheet amount is a reasonable approximation of fair value. The same accounting valuation methods were applied in 2015, with the exception of the Subsidiaries which were consolidated, as discussed in note 1.

Capital management policies

The type and maturity of the Group's borrowings are analysed in note 9 and the Group's equity is analysed in note 8. Capital is managed so as to maximise the return to shareholders while maintaining a capital base to allow the Group 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.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell securities to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the Consolidated Balance Sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Consolidated Balance Sheet plus net debt. The gearing ratios at 30 June 2016 and 2015 were as follows:

	2016 £	2015 £
Cash and bank balances	664,859	512,856
Net cash	664,859	512,856
Ordinary shareholders' funds	16,991,639	18,452,970
Gearing (net debt/ordinary shareholders' funds)	nil	nil

The Group's objectives, policies and processes for managing capital have remained unchanged since its launch.

NOTES TO THE FINANCIAL STATEMENTS *continued*

At 30 June 2016

17. Transactions with Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The amounts paid and payable to the Manager, together with details of the Management Agreement, are disclosed in note 3.

Fees paid to the Company's Directors are disclosed in the Directors Remuneration Report. At the year end there was £4,000 payable in relation to Directors fees (2015: £5,000).

AIFM DISCLOSURES

The Company's AIFM is Miton Trust Managers Limited.

The AIFMD requires certain information to be made available to investors in Alternative Investment Funds ("AIFs") before they invest and requires that material changes to this information be disclosed in the annual report of each AIF.

Those disclosures that are required to be made pre-investment are included within a Pre-Investor Information Document ("PIID") which can be found on the Company's website www.mitongroup.com/tic. There have been no material changes to the disclosures contained within the PIID since publication in September 2014.

Remuneration

Miton Trust Managers Limited (the "Firm") is required in this Report to make certain disclosures in respect of remuneration paid to its staff. The following disclosures are made in line with the Firm's interpretation of currently available regulatory guidance on remuneration disclosures. These disclosures are not audited.

The total amount of remuneration paid (or to be paid) by the Firm to its staff in respect of the financial year ending 31 December 2015 which has been attributed (using an objective apportionment methodology) to The Investment Company plc for which the Firm acts as the AIFM is GBP £56,864. This figure is comprised of fixed remuneration of GBP £42,552 and variable remuneration of GBP £14,312.

There were a total of seven beneficiaries of the remuneration described above.

The amount of the aggregate remuneration paid (or to be paid) by the Firm to its senior management which has been attributed to The Investment Company plc in respect of the financial year ending 31 December 2015 was GBP £56,864. The Firm delegates investment management activity to Miton Asset Management Limited and therefore there are no members of staff whose actions have a material impact on the risk profile of the Company.

Remuneration Policy of the Firm

The Firm is authorised and regulated by the UK FCA as an AIFM and as such must comply with the rules contained in the FCA's AIFM Remuneration Code within SYSC 19B in a manner that is appropriate to its size, internal organisation and the nature, scope and complexities of its activities.

Staff included in the aggregated figures disclosed above are rewarded in line with the Firm's remuneration policy (the "Remuneration Policy") which is determined and implemented by the Remuneration Committee (comprising senior executives and non-executives of Miton Group plc) and is subject to independent review. The Remuneration Policy reflects the Firm's ethos of good governance and encapsulates the following principal objectives:

- (i) to provide a clear link between remuneration and performance of the Firm and to avoid rewarding for failure;
- (ii) to promote sound and effective risk management consistent with the risk profiles of the Alternative Investment Funds ("Funds") managed by the Firm; and
- (iii) to remunerate staff in line with the business strategy, objectives, values and interests of the Firm and the Funds managed by the Firm in a manner that avoids conflicts of interest.

AIFM DISCLOSURES *continued*

The Firm assesses performance for the purposes of determining payments in respect of performance-related remuneration by reference to a broad range of measures including (i) individual performance (using financial and non-financial criteria), (ii) performance of the business unit or relevant Fund for which the individual provides services and (iii) the overall performance of the Firm. Assessment of performance is set within a multi-year framework, reflecting the cycles of the relevant Fund, to ensure the process is based on longer-term performance and spread over time.

The elements of remuneration are balanced between fixed and variable and the management function sets fixed salaries at a level sufficient to ensure that variable remuneration incentivises and rewards strong performance but does not encourage excessive risk taking.

The Firm operates a discretionary bonus scheme.

The Firm is entitled to disapply the requirements of SYSC 19B in relation to deferral and payment of remuneration in instruments, therefore, due to the Firm's size, internal organisation and the nature, scope and complexities of its activities the Firm does not currently operate deferral of remuneration.

Mechanisms are in place to ensure that remuneration does not reward failure, whether on the early termination of a contract or otherwise.

No individual is involved in setting his or her own remuneration.

Leverage

For the purposes of the AIFMD, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its NAV and is calculated under the Gross and Commitment Methods, in accordance with the AIFMD. Under the Gross Method, exposure represents the sum of the Company's positions without taking account of any netting or hedging arrangements. Under the Commitment Method, exposure is calculated after certain hedging and netting positions are offset against each other.

Leverage is any method by which the AIFM increases the exposure of an AIF it manages, whether through borrowings of cash or securities, or leverage embedded in derivative positions or by other means. A figure of 100% means that exposure is equal to the NAV and the AIF has no leverage.

Leverage exposure	Gross Method	Commitment Method
Maximum limit	200%	200%
Actual	100%	100%

This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Service 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 150th Annual General Meeting of The Investment Company plc (“the Company”) will be held at the offices of Miton Group plc, Paternoster House, 65 St Paul’s Churchyard, London EC4M 8AB on Thursday, 8 December 2016 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 2016.

Resolution 2 – Ordinary Resolution

To receive and approve the Directors’ Remuneration Report for the year ended 30 June 2016.

Resolution 3 – Ordinary Resolution

To re-elect Sir David Thomson as a Director of the Company.

Resolution 4 – Ordinary Resolution

To re-elect Peter Allen as a Director of the Company.

Resolution 5 – 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 its remuneration.

Resolution 6 – Ordinary Resolution

To approve the Company’s dividend payment policy as set out on page 18 of the Annual Report for the year ended 30 June 2016.

Resolution 7 – 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 50p each in the capital of the Company (“ordinary shares”) up to an aggregate nominal amount of £4,772,049 (being 200% of the issued ordinary share capital of the Company at the date of this Notice, 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 2017 (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.

NOTICE OF ANNUAL GENERAL MEETING *continued*

Resolution 8 – Special Resolution

THAT, in substitution for any existing authorities, subject to the passing of Resolution 7, 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 7 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 £4,772,049 (being 200% of the issued ordinary share capital of the Company at the date of this Notice, such power to expire at the conclusion of the Annual General Meeting of the Company to be held in 2017 (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 9 – 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:

the maximum number of ordinary shares hereby authorised to be purchased is 715,330 (representing 14.99% of the ordinary shares in issue at the date of this Notice);

the minimum price which may be paid for each ordinary share is 50p;

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;

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 2017;

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

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 10 – Special Resolution

THAT, a general meeting other than an annual general meeting may be called on not less than 14 clear days’ notice.

Special Business

Resolution 11 – Ordinary Resolution

THAT, the Company shall continue in existence as a closed-ended investment trust in accordance with the Articles of Association.

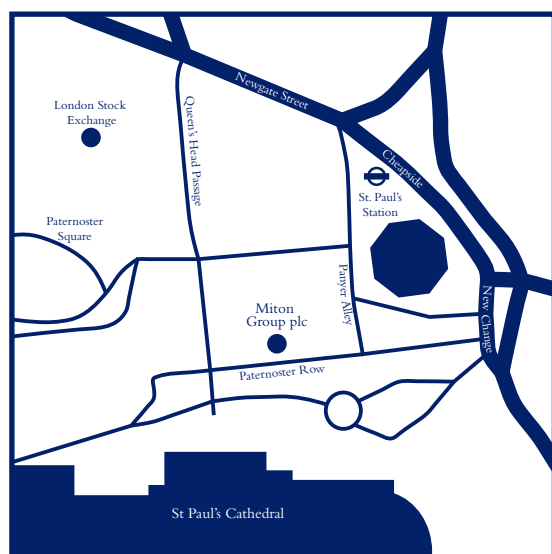
By order of the Board

Capita Company Secretarial Services Limited, Secretary

Registered Office: Beaufort House, 51 New North Road, Exeter EX4 4EP

4 October 2016

NOTICE OF ANNUAL GENERAL MEETING *continued*



Miton Group plc,
Paternoster House,
65 St Paul's Churchyard,
London EC4M 8AB

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 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 and 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.

NOTICE OF ANNUAL GENERAL MEETING *continued*

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 close of business on 6 December 2016 (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 3 October 2016 (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. The total voting rights in the Company as at 3 October 2016 were 4,772,049 votes.

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.

NOTICE OF ANNUAL GENERAL MEETING *continued*

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

