F&C Capital and Income Investment Trust PLC

Report and Accounts

2009

Objective

Our objective at F&C Capital and Income Investment Trust PLC is to secure long-term capital and income growth from a portfolio consisting mainly of FTSE All-Share companies.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in F&C Capital and Income Investment Trust PLC please forward this document, together with the accompanying documents, immediately to the purchaser or transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Visit the website at **www.fandccit.com**

Registered in England and Wales with company registration number 2732011.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

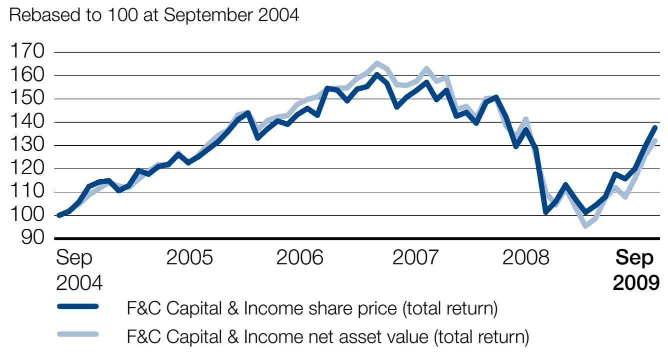
Financial Highlights

Summary of results

Attributable to shareholders	30 September 2009	30 September 2008	% Change
Net assets	**£166.68m**	£158.20m	+5.4
Net asset value per share	**199.28p**	200.45p	-0.6
Net revenue after tax	**£7.21m**	£7.61m	-5.3
Revenue return per share	**8.85p**	9.69p	-8.7
Total return per share	**9.62p**	(50.47p)	–
Dividends per share	**8.65p***	8.40p*	+3.0
Share price	**199.00p**	196.50p	+1.3

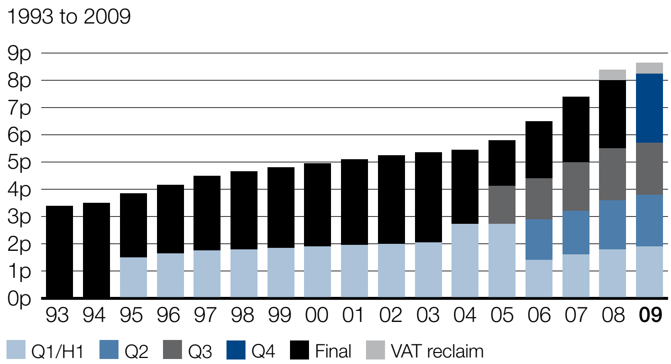
* includes a special dividend of 0.4 pence per share paid in both years.

Total returns over five years – 2004 to 2009



Source: Datastream

Dividends per share – pence



Source: F&C Management Limited

Contents

Financial calendar

2009 financial year events

Fourth interim dividend payable	**31 December 2009**
Annual general meeting	**14 January 2010**

2010 financial year events

First interim dividend payable	**March 2010**
Half-yearly results announced	**May 2010**
Second interim dividend payable	**June 2010**
Third interim dividend payable	**September 2010**
Annual results announced	**November 2010**
Fourth interim dividend payable	**December 2010**

Chairman's Statement

Dear Shareholder

The year under review was turbulent, with both the economy and the stock market plunging sharply and then shares at least recovering dramatically to end the period higher than at the start. Many companies have cut or passed their dividends and the aggregate payout from the market has been lower than last year. Despite this, we have again been able to increase our dividend with an underlying annual dividend of 8.25 pence per share, an increase of 3.1%, and a total, including special dividend as explained later, of 8.65 pence per share.

Capital performance

The Manager's Review describes economic and stock market developments over the past year in more detail, but for equities the extent and speed of the collapse and subsequent recovery were quite exceptional. Sentiment changed from increasing gloom during the winter to rapidly growing optimism thereafter as confidence cautiously returned to the banking system following government intervention.

Over the course of the year, your Company's net asset value ("NAV") per share decreased by 0.6% compared to an increase in the FTSE All-Share Index of 6.1%. Nearly all of this shortfall occurred in the first half when the NAV per share fell 24.3% compared to the fall in the Index of 20.1%, while in the second half the NAV per share rose 31.4% compared to 32.8% for the Index. Our focus on maintaining and growing the dividend to shareholders has been partly at the expense of NAV as there has been a marked negative correlation between dividend yield and capital performance; many of the strongest performing companies had little or no dividend yield, whilst the share price of many companies with attractive dividend yields fell.

The extent of the longer-term weakness of equity markets is better shown by looking at performance over the last ten years. At the end of this period, the FTSE All-Share Index was lower than at the start but, encouragingly, our NAV per share was ahead relative to the Index and in absolute terms.

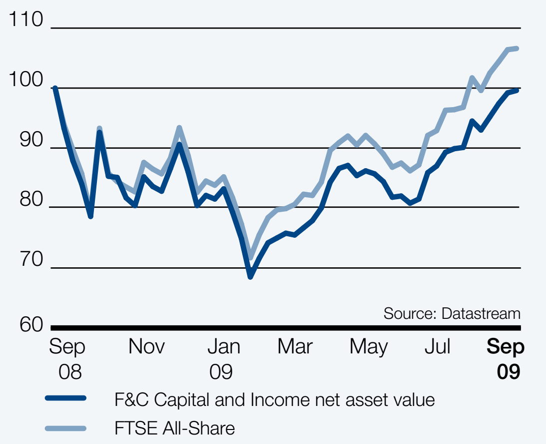
Revenue and dividend

Against a background of falling dividend payments, we are pleased that we can increase the underlying dividend to shareholders. The increase, at 3.1%, contrasts with the 1.4% fall in the Retail Price Index. As last year, there has also been a separate special dividend payment to reflect a further reclaim of VAT as explained later.

Reflecting the difficult environment, your Company's income fell 3.5%. The fall was considerably less than that of the market generally and would have been larger but for a number of factors. First, the portfolio had been positioned conservatively with a focus on companies that

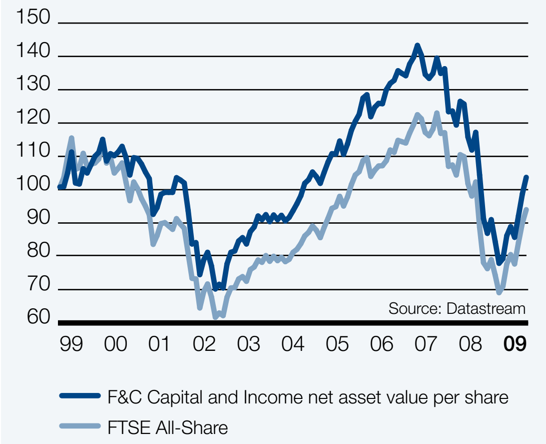
Net asset value performance over one year

30 September 2008 to 30 September 2009
Rebased to 100 at 30 September 2008



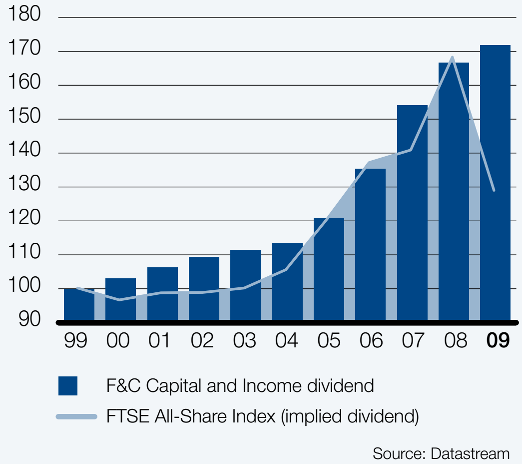
Net asset value performance over 10 years

30 September 1999 to 30 September 2009
Rebased to 100 at 30 September 1999



Dividend growth over 10 years

September 1999 to September 2009



would be able to maintain and grow their dividends. Secondly, the Company received many dividends denominated or paid in foreign currencies which have experienced an uplift following the weakness of sterling. Thirdly, the use of gearing was positive as we were able to invest in companies that yielded more than the cost of borrowing, especially as interest rates were reduced. Fourthly, the Company benefited from two additional sources of income: interest on the convertible bond holdings and sub-underwriting commission on rights issues, which has proven to be very profitable.

The largest single increase in costs over the year came about due to the success of the F&C Child Trust Fund and the extra administration cost these savings plans incur. Nevertheless, the total expense ratio (including the management fee and other running costs of the Company) is very low at 0.7% of average total assets and compares favourably not only with other investment trusts, but also with the vast majority of unit trusts.

The Directors have declared a fourth interim dividend for the year of 2.55 pence per share which, together with the three previous quarterly dividends each of 1.9 pence per share, takes the total underlying dividend for the year to 8.25 pence per share. This fourth dividend will in future be paid as an interim rather than a final in order that the dividends fall more regularly at each of the calendar quarter ends and so give our shareholders more certainty about the timing of dividend payments. An interim dividend does not require approval from shareholders unlike a final dividend, so it can be paid before the annual general meeting ("AGM").

Share price and net asset value per share

September 2008 to September 2009

VAT

Your Board has been active again this year in pursuing VAT recoveries from the government after the victory of the Association of Investment Companies in a case in the European Court of Justice which freed investment trusts from VAT on management fees. The Directors' policy has been to distribute these recoveries to shareholders and the recovery achieved this year of 0.4 pence per share was paid to shareholders in March 2009.

Share price performance and discount

The share price, which rose 1.3% over the year, performed a little better than the NAV per share. It has traded at a small premium to NAV per share on average over the course of the year as demand for your Company's shares has remained strong and even grown, despite market conditions. There has been some volatility along the way, with the discount reaching more than 10%, but for one day only when markets were at their most volatile. Your Company maintains its commitment to its share

Chairman's Statement (continued)

buyback programme with the intention of ensuring that the Company's share price does not trade at a material discount to NAV per share. The last share buyback took place in December 2007.

Shareholders

The majority of the Company's shares are held by shareholders through F&C's range of savings plans ("F&C plans"). Your Company has remained popular within the F&C plans both in terms of the number of investors and in cash amounts invested. New investors have continued to come in and each of the F&C plans (Individual Savings Account, Private Investor Plan, Child Trust Fund and Pension Savings Plan) has seen cash inflows. The total number of shareholders in the Company is now more than 25,000.

In order to satisfy demand for the Company's shares, particularly from dividend reinvestment and regular investment through the F&C plans, the Company issued 4,720,000 shares at a small premium to NAV per share in the year under review. Such issues are positive for existing shareholders as they help to spread fixed costs across a larger number of shareholders at no dilution to NAV per share, and positive for new shareholders as they limit the price paid for shares to a small premium to NAV per share. Your Board was pleased that shareholders granted authority at an extraordinary general meeting held on 6 October 2009 for the Company to issue a further 4.5 million shares in the run up to the AGM in 2010. Your Board is asking at the 2010 AGM for authority to issue further shares, equal to just under 10% of the Company's shares in issue at the date of this report. This will give your Directors the maximum flexibility to continue to issue shares when appropriate to the benefit of shareholders over the coming year.

Gearing

Your Company has the ability to borrow to finance investment and it does this when we expect future returns to exceed the cost of borrowing. This year we have been reasonably active in our balance sheet management. We started with no borrowings and increased them steadily as markets moved lower (which made future returns look potentially more attractive). This coincided with a reduction in interest rates making the hurdle rate to beat for income on the investments even lower. At the year end, your Company had borrowed £14 million at an annualised cost of just over 1%. The use of gearing has an impact on both NAV per share, as share prices rise and fall, and on earnings, as the extra investments that we have purchased pay a dividend or coupon that has typically exceeded the cost of the debt.

Although gearing before early March was not immediately profitable, keeping it in place and increasing it through the second half of the year was beneficial to both capital and income performance over the year as a whole.

Investment strategy

This year the Board used its regular strategy meeting, with the help of the Manager and its broker, to review the Company's investment policy and explore whether there were attractive ways of enhancing shareholder returns at acceptable levels of risk. These could include using more aggressive gearing; reducing the cost of existing gearing by using futures instead of bank loans; diversifying our asset range to include more unquoted stocks or private equities; or holding a larger proportion of overseas equities in the portfolio.

Given the level of demand for the Company's shares in the market, which has kept the share price at a small premium to NAV for much of the last year, and the relatively good dividend track record, the Board concluded that our shareholders, who have plenty of alternative choices, have broadly chosen our existing investment policy and it would therefore not be right to change it. The Board will continue to explore ways of reducing the cost of our limited gearing, but otherwise it has resolved to leave your Company's investment policy basically unchanged.

Annual general meeting

The AGM will be held on 14 January 2010 at the Company's registered office, Exchange House, Primrose Street, London EC2 and shareholders are encouraged to attend. As in previous years, Julian Cane, the fund manager, will make a presentation on the results for the year, the investment policy and the outlook for the coming year.

Electronic communications

Arrangements have been made to allow shareholders and investors through the F&C plans, other than the Pension Savings Plan, to access the annual report via the website and to lodge their proxy vote online. Details of how to do so are given on the AGM voting forms.

F&C plans proportional voting

In 2008, F&C modified its arrangements for investors in the F&C plans to vote at shareholder meetings. Under these arrangements, the nominee company, which holds around 80% of the Company's share capital on behalf of these investors, now votes the shares held on behalf of planholders who have not given their voting directions in the same proportion to those who have. This arrangement will apply at the Company's AGM, provided that a minimum threshold of 10% of the shares held in the F&C plans are voted. There will be a maximum ceiling of 330,000 on the number of shares of any one individual investor included for the purposes of calculating voting proportions, being approximately 5% of the minimum threshold. Any shares voted by an investor in excess of that limit will remain valid, but will not form part of the proportional voting calculation. Any investor wishing to exclude their shares from the proportional voting calculation may do so.

Prospects

At the time of writing, stock markets had staged a strong recovery from the low point in March and appear to be anticipating a strong cyclical recovery in the economy. So whilst the economy is showing some signs of pulling out of the recession, it is doing so as a result of the unprecedented fiscal and monetary stimulus. There remains relatively little discussion as to how and when the stimulus will be scaled back, and in the case of quantitative easing and fiscal stimulus, how the money will be repaid. The prospect of a rising tax burden, a rise in interest rates to more normal levels and cuts in public sector expenditure may slow down the recovery in growth. In particular the Bank of England has recently warned that bank lending will probably recover only slowly over the next two or three years. Consumers are also likely to spend less and save more for the foreseeable future.

Nevertheless valuations of many companies do not appear too demanding. This is particularly true when looking at your Company's own investments and we expect future returns to be driven more by valuation than by sentiment or speculation on recovery. With our focus on steady growth in income, the prospect for our own dividend is reasonably positive although we do not expect much revenue growth from the portfolio over the course of the next 12 months.

P.H.Kent

Pen Kent
Chairman
27 November 2009

Manager's Review

Review of the economy

The UK economy experienced one of the sharpest slow-downs in history, with provisional GDP statistics showing a fall of 5.2% for the year to 30 September 2009. The better news is that it appears the worst of the fall has now occurred. Inflation, as measured by the CPI, has remained stubbornly high, only falling below the Bank of England's target rate of 2.0% towards the end of the Company's financial year. Positively, although the number of unemployed has risen, the increase has been less marked than in other recessions.

Whilst there is always a link between financial markets and the economy, recently the link has been much more direct and substantial. The turmoil experienced in the banking sector affected not only the supply of credit to the economy, but also had a significant impact on sentiment and confidence, especially via the media.

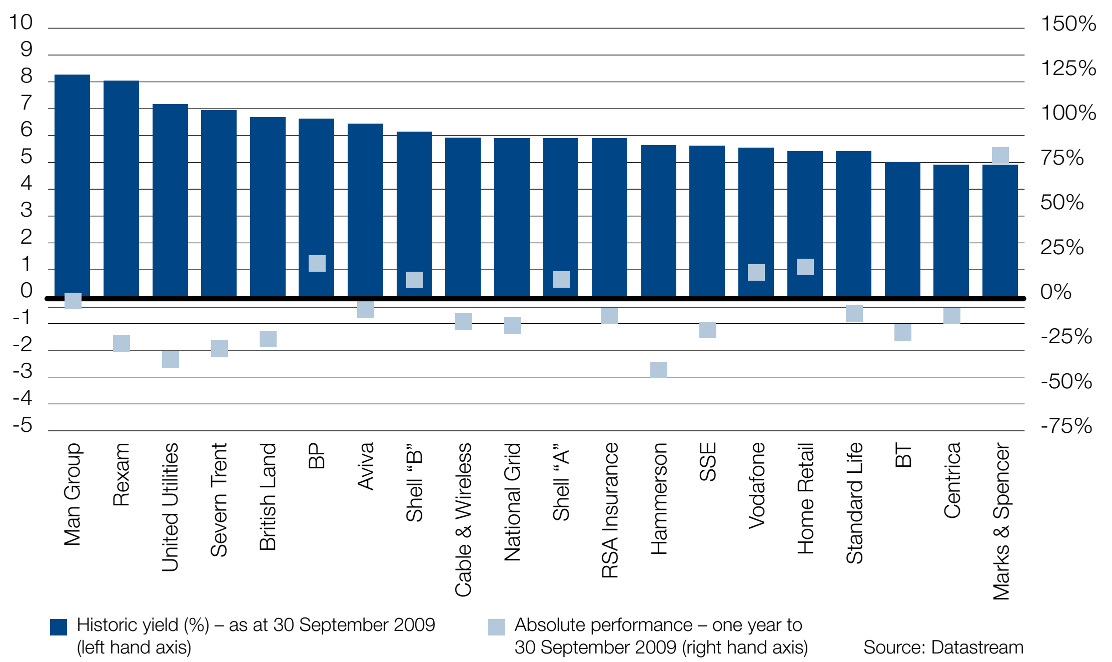
The Bank of England's response to the developing economic crisis has been incremental, with interest rates being reduced rapidly in November and then successively every month until reaching an unprecedented 0.5% from March onwards. In addition, the Bank has continued its Special Liquidity Scheme to help free up the interbank market and the Treasury announced its Asset Protection Scheme in February to act as an insurance policy to provide a formal state guarantee to those banks that needed it. Perhaps most controversial of the Bank's policy responses has been the initiation of quantitative easing ("QE"), in which upwards of £175 billion of newly created money has been used almost exclusively to purchase gilts. Whilst helping the Treasury to issue new gilts to finance the deficit, it appears to have had limited impact on the monetary policy objectives for which it was set up.

The collapse in tax revenue and increased expenditure has led to a sharply deteriorating fiscal position for the government such that the UK is one of only three major economies (together with the US and Ireland) that are expected to have a budget deficit greater than 10% of GDP. This has caused the ratings agency S&P to revise its outlook for the AAA rating for UK government bonds from stable to negative.

Stock market

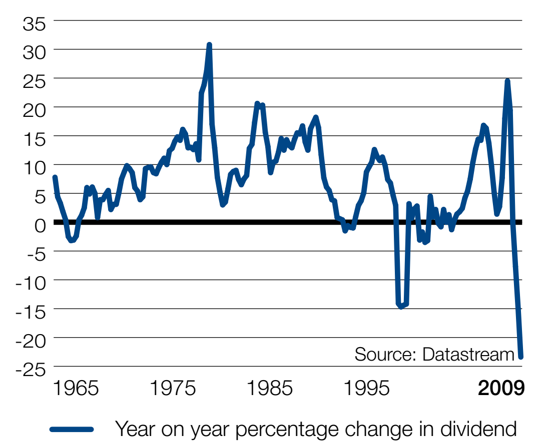
There was a remarkable switchback performance from the UK stock market over the year with the turning point coming in early March. From the start of the Company's financial year to the low point on 3 March, the FTSE All-Share Index fell 28%, but

Highest yielding stocks 2009



FTSE All-Share dividend – year on year percentage change

1965 to 2009



then rallied by 48% to end the year 6% higher as the FTSE 100 Index recorded its strongest ever quarter between July and September. For the first five months, equities were concerned by the deteriorating economic situation, but a point was then reached when a combination of the attractiveness of the valuation and the start of QE restored sufficient confidence in the financial system that share prices started to rise.

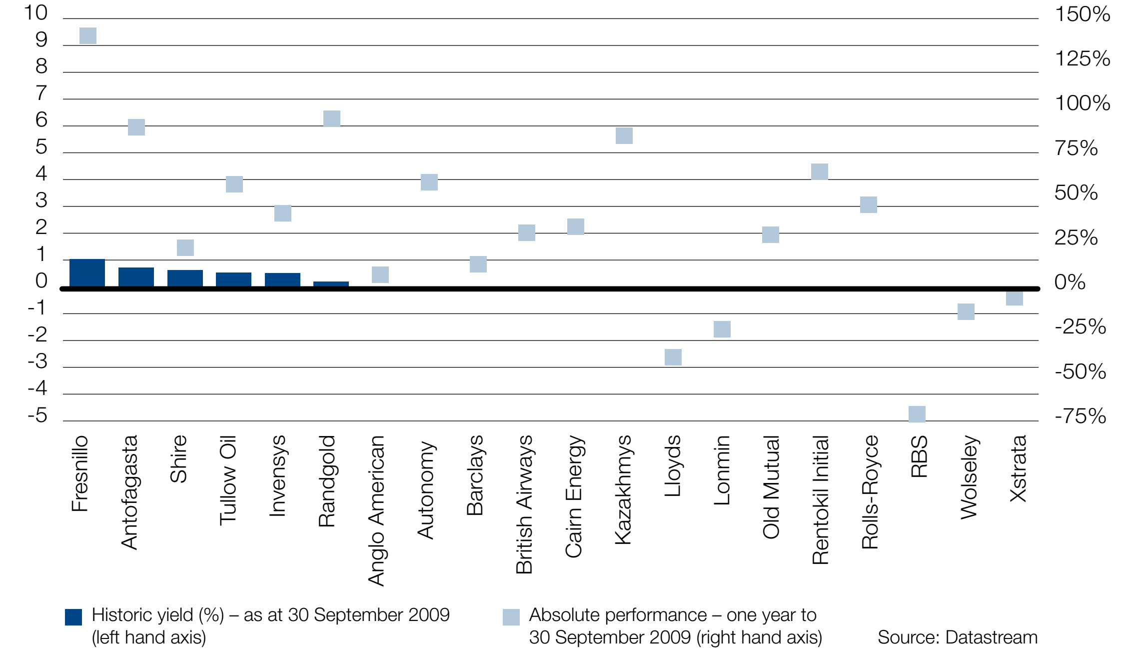
Although capital values ended the year higher, the level of income from the UK stock market has slumped by almost one quarter. This is unprecedented in recent years and reflects the difficulties that some companies have faced when trying to refinance bank debt or bonds at a time of financial turmoil in a recession. Foremost amongst those companies that omitted or reduced their dividends were the banks, but many other significant companies, including Anglo American and Rio Tinto, have followed.

Fresh equity raisings have been particularly associated with dividend cuts. According to the London Stock Exchange, companies already listed on the market raised a record amount in 2008 of £63.6 billion, but 2009 will set a new record, led by £12.5 billion for HSBC which completed the largest ever rights issue in Europe. This period of record share issuance has inevitably caused great pressure on dividend payments.

Performance within the stock market

Many of the highest yielding companies have performed fairly poorly this year, giving a negative

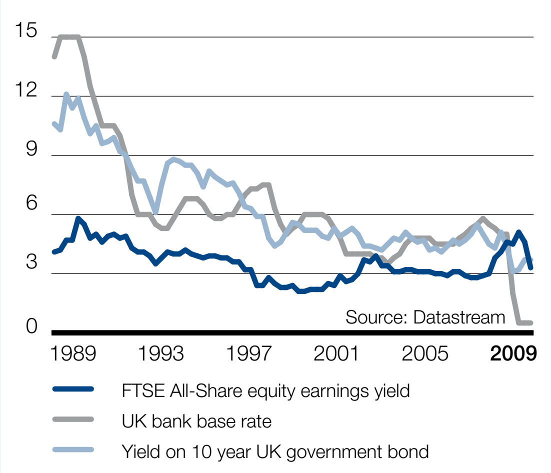
Lowest yielding stocks 2009



Manager's Review (continued)

Yields from competing assets

September 1989 to September 2009



correlation between capital performance and dividend yield. Companies with stable, defensive businesses and those that are able to generate cash and pay attractive dividends performed well at the start of the crisis, but have been overlooked and surpassed by more speculative companies for whom any improvement in conditions would generate a greater recovery.

This is particularly relevant to your Company with its objective of securing long-term income growth. Over the short-term, income and capital growth occasionally, such as last year, can point in different directions, but over the long-term there is strong evidence that income and income growth are the most significant drivers of capital growth.

Portfolio

There have been two tactical changes in composition to the portfolio over the last year to complement the quoted equity portfolio. First, was the addition of a small number of convertible bonds from high quality issuers. Amongst the financial turmoil, these had become very attractively priced and have subsequently given not only an attractive level of income, which has helped to support the Company's own revenue, but have also risen strongly in value. The second change has been the investment in an unquoted company, Caithness Petroleum. This has attractive assets in the North Sea, the US and Morocco; the Company's investment was in a fund raising to enable further drilling to take place, which should realise a substantial increase in value. Caithness is expecting to achieve a full listing during 2010.

Valuation of the stock market

One of the consequences of the Bank of England's QE is to make risky assets, such as equities, appear cheap relative to safer assets such as bonds and cash. Equities have appeared good value throughout the year, hence the use of gearing and, despite the strong recovery in share prices, valuations are not yet expensive. Much depends on the future course of the economy; if this recovers with no further mishaps, company earnings should be able to stabilise and improve, making shares attractive relative to alternative investments. The yield on the FTSE All-Share Index, which reflects all the dividend cuts already announced, is well above the yield on cash and similar to the yield on government bonds. This valuation should be attractive for an investor in equities based on the history of the last 50 years.

Julian Cane
F&C Management Limited
27 November 2009

Twenty Largest Holdings

30 Sep 2009	*30 Sep 2008*	**Company** Description	**% of total investments**	**Value £'000s**
1	*1*	**BP** One of the largest integrated oil companies in the world; new management has started to turn around recent performance while the dividend is secure at the current oil price.	**8.7**	**15,481**
2	*2*	**HSBC** Following its rights issue, HSBC has restored its balance sheet strength. Its breadth of geographic operations and exposure to faster growing parts of the world are attractive.	**7.5**	**13,411**
3	*5*	**Vodafone** The world's leading mobile telephone provider with a strong international network. The commitment to dividend growth rather than share buybacks, when coupled with an attractive dividend yield, is positive.	**6.3**	**11,212**
4	*3*	**Royal Dutch Shell** Leading international oil exploration, production and marketing group which has scope for efficiency increases.	**6.1**	**10,931**
5	*4*	**GlaxoSmithKline** One of the world's leading pharmaceutical companies with a valuable health care business. The company remains conservatively valued by historic standards.	**5.5**	**9,836**
6	*8*	**Rio Tinto** One of the largest diversified mining companies in the world with some of the best quality assets.	**4.8**	**8,543**
7	*7*	**British American Tobacco** A leading international manufacturer and distributor of cigarettes with scope for considerable cost savings.	**4.4**	**7,848**
8	*6*	**Scottish & Southern Energy** A well-managed multi-utility group with an attractive dividend yield and strong commitment to dividend growth.	**3.7**	**6,616**
9	*11*	**AstraZeneca** A leading pharmaceutical company discovering, developing, manufacturing and marketing prescription drugs, biologics and vaccines. It is conservatively valued by historic standards.	**3.5**	**6,169**
10	*10*	**Tesco** The dominant food retailer in the UK, continuing to expand through its non-food offerings and international operations.	**3.1**	**5,597**

Twenty Largest Holdings (continued)

30 Sep 2009	*30 Sep 2008*	**Company** Description	% of total investments	Value £'000s
11	*26*	**Unilever** One of the world's leading suppliers of fast-moving consumer goods with a large presence in emerging markets. It is expected the new management team can reinvigorate the portfolio of brands.	2.7	4,887
12	*9*	**National Grid** One of the largest utilities in the world with transmission and distribution assets in the UK and the US.	2.6	4,673
13	*19*	**Cable & Wireless** An international telecommunications company operating in many countries. The incentivised management team is acting to improve operations and the recently announced demerger should help to realise value.	2.2	3,982
14	*28*	**Aviva** An international life and non-life insurance group with a reasonable capital surplus and attractive yield.	2.0	3,582
15	*43*	**London & Stamford** A recently formed property company with a well respected management team, looking to build a portfolio taking advantage of current market conditions.	1.8	3,264
16	*14*	**BG** An international resource company engaged in discovery, extraction, transmission, distribution and supply of natural gas. Its latest finds off Brazil could be significant.	1.7	3,091
17	*35*	**Man Group** An investment manager of hedge funds, many of which have performed very well over the long-term. It has a very strong balance sheet and good yield.	1.6	2,847
18	*15*	**Imperial Tobacco** The acquisition of Altadis should allow Imperial to derive considerable benefits from cost synergies as it has in past acquisitions.	1.5	2,711
19	–	**Intermediate Capital** A leading independent provider of mezzanine finance in Europe. Following its rights issue, its own finances are much more secure and it is able to pay an attractive dividend out of cash flow.	1.4	2,541
20	*18*	**Inmarsat** A leading provider of global mobile communications services for government and civil uses via its own fleet of 10 geostationary satellites.	1.4	2,475

The value of the twenty largest equity holdings represents 72.5% (30 September 2008: 73.0%) of the Company's total investments.

Investment Portfolio by Sector

at 30 September 2009

	% of total investments	% of FTSE All-Share Index
Financials	**21.3**	**24.7**

Much of the turmoil of the last year was focused on the financial sector. Our tentative moves to acquire holdings in the UK domestic banks proved far too premature as the extent of their problems almost overwhelmed them and brought about subsequent sharp falls in value. Our support of HSBC in its rights issue has by contrast been very profitable. The largest addition in the sector was to Intermediate Capital, towards the end of our financial year, as the company was refinancing itself by a rights issue. New holdings were taken in RSA and Beazley, both general insurers with attractive yields, and significant additions made to existing holdings in Aviva and Man Group. We also increased the holding in London & Stamford, the property company, during a placing of its equity.

Oil & gas	**17.5**	**18.2**

The integrated oil majors BP and Royal Dutch Shell are the most significant holdings in this sector and two of the largest stocks within the portfolio. The dividends from these two companies should be secure at current oil prices and they account for more than 20% of the Company's total income. Caithness Petroleum was a new addition to the portfolio; it has exciting exploration prospects, particularly in Morocco.

Consumer goods	**10.5**	**11.6**

A broadly spread sector, with business interests from tobacco and drinks through to house building. There was no change to the major holdings of British American Tobacco or Imperial Tobacco. A new investment was made in Unilever, whose international operations have good potential for growth.

Utilities	**10.1**	**3.4**

The attractive levels of dividend available from this sector have made this a relatively important part of the portfolio. At the start of the crisis its defensive nature meant the shares performed well, but during the rally many companies have been left behind in favour of those with greater cyclical exposure. There were no disposals from the sector during the year. A new investment was made in the International Power convertible bond, with further additions to existing holdings in United Utilities and Scottish & Southern Energy.

Telecommunications	**9.9**	**6.0**

Vodafone is the largest investment in this sector; its commitment to a progressive dividend and the longer-term prospects of realising value from its stake in Verizon are both positive. During the year, the holdings in both Cable & Wireless and Vodafone were increased.

Investment Portfolio by Sector

at 30 September 2009 (continued)

	% of total investments	% of FTSE All-Share Index
Health care	**9.2**	**7.9**
This sector is dominated by the major pharmaceutical companies, with GlaxoSmithKline and AstraZeneca being the portfolio's largest holdings. No major changes were made to the holdings. Their share prices performed well as the stock market fell during the first half, but have subsequently lagged the strong recovery.		
Consumer services	**8.1**	**9.6**
This sector ranges from food retailers, to travel and leisure companies, to media. Investment in the most exposed areas of consumer expenditure is very limited, with the most significant investment being in Tesco. During the course of the year, exposure to the sector was reduced by £1 million.		
Basic materials	**6.4**	**10.2**
The mining sector performed in an even more geared way than the main UK stock market indices, falling more heavily at the start of the financial year, and then rising even more rapidly. The holding in Anglo American was sold on the announcement that the company would no longer pay a dividend, but this proved to be premature as commodity prices and share prices started to recover shortly thereafter. The Talvivaara convertible bond was a new purchase, giving both an attractive yield and some exposure to a low cost nickel deposit.		
Industrials	**6.3**	**6.9**
This sector is generally sensitive to economic activity and performed much in line with the broader stock market indices over the year. Overall £2.3 million was added to the sector, with this going into two investments in Europe: Deutsche Post, which is the world's largest logistics group; and Siemens, Europe's largest engineering conglomerate.		
Technology	**0.7**	**1.5**
This is a small sector in the UK market and the only holding is Nokia, the world's leading manufacturer of mobile telephones.		

List of Investments

Quoted investments	Holding	30 September 2009 Value £'000s
UNITED KINGDOM – EQUITIES		
ACP Mezzanine*	2,065,861	263
AstraZeneca	220,000	6,169
Aviva	800,000	3,582
Barclays	220,000	813
Beazley	347,175	410
Bellway	74,391	615
BG	284,848	3,091
BP	2,800,000	15,481
British American Tobacco	400,000	7,848
Cable & Wireless	2,775,000	3,982
CareTech*	92,782	366
Centrica	766,012	1,927
Chesnara	273,481	462
Chime Communications	295,624	517
City of London Investment*	231,300	648
CQS Rig Finance Fund*	900,000	72
Diploma	320,989	555
Elementis	1,149,121	644
Friends Provident	378,615	315
Galliford Try	842,845	480
GlaxoSmithKline	800,000	9,836
Halfords	200,000	704
Hill & Smith	184,644	576
Hilton Food	220,719	435
HSBC	1,874,112	13,411
Imperial Tobacco	150,000	2,711
Inchcape	5,384,280	1,511
Inmarsat	450,000	2,475
Intermediate Capital	850,000	2,541
Intertek	100,000	1,268
Laird	300,784	626
Legal & General	1,310,400	1,151
London & Stamford*	2,550,000	3,264
Luminar	316,152	300
Man Group	860,000	2,847
Marston's	1,251,600	1,218
Mears	151,531	440
National Grid	775,000	4,673
Office2Office	389,733	577
Prodesse Investment	262,295	1,141
Prudential	268,333	1,614
Punch Taverns	555,612	669

Quoted investments	Holding	30 September 2009 Value £'000s
Raven Russia*	2,500,000	981
Royal Bank of Scotland	3,065,000	1,618
Restaurant	273,475	528
Rio Tinto	320,250	8,543
Royal Dutch Shell "B"	630,000	10,931
RSA Insurance	975,172	1,305
Scottish & Southern Energy	565,443	6,616
SIG	408,500	564
Spectris	90,000	636
Tesco	1,400,889	5,597
Tullett Prebon	252,933	988
Unilever	275,000	4,887
United Utilities	535,000	2,441
Vodafone	8,000,000	11,212
United Kingdom total		**159,075**
CONTINENTAL EUROPE – EQUITIES		
NETHERLANDS		
Reed Elsevier	290,369	2,039
TNT	111,371	1,866
Wolters Kluwer	97,347	1,297
Netherlands total		5,202
GERMANY		
Deutsche Post	206,925	2,424
Siemens	22,049	1,284
Germany total		3,708
REPUBLIC OF IRELAND		
C&C	305,148	798
Glanbia	285,428	756
Republic of Ireland total		1,554
FINLAND		
Nokia	142,204	1,305
Finland total		1,305
SWEDEN		
Husqvarna	164,400	711
Sweden total		711
Continental Europe total		**12,480**

* Quoted on the Alternative Investment Market in the UK.

List of Investments (continued)

30 September 2009 Quoted investments	Holding	Value £'000s
UNITED KINGDOM – CONVERTIBLE FIXED INTEREST		
International Power – 4.75%	2,650,000	2,307
3i – 3.625%	750,000	738
United Kingdom total		**3,045**
CONTINENTAL EUROPE – CONVERTIBLE FIXED INTEREST		
FINLAND		
Talvivaara – 5.25%	3,000,000	2,325
Finland total		2,325
Continental Europe total		**2,325**
TOTAL QUOTED INVESTMENTS		**176,925**

Unquoted investments	Holding	30 September 2009 Value £'000s
UNITED KINGDOM		
Caithness Petroleum	51,965	1,785
United Kingdom total		**1,785**
TOTAL UNQUOTED INVESTMENTS		**1,785**
TOTAL INVESTMENTS		**178,710**

The number of companies in the portfolio is 69 (2008: 70).

There are three convertible securities in the portfolio (2008: none).

Management and Advisers

The management company

F&C Capital and Income Investment Trust PLC ("the Company") is managed by F&C Management Limited ("F&C" or "the Manager"), a wholly owned subsidiary of F&C Asset Management plc. The Manager is authorised and regulated in the UK by the Financial Services Authority. F&C is appointed under a management agreement with the Company setting out its responsibilities for investment management, administration and marketing.

Julian Cane

Fund Manager and director of UK equities at F&C, has managed the Company's investments since March 1997.

Mike Woodward

Head of investment trusts at F&C and responsible for F&C's relationship with the Company. He joined F&C in 2006.

Debbie Fish

Carries out the company secretarial duties of the Company on behalf of the Manager. She joined F&C in 2004.

Secretary and registered office

F&C Management Limited, Exchange House,
Primrose Street, London EC2A 2NY

Telephone:	020 7628 8000
Facsimile:	020 7628 8188
Website:	www.fandccit.com
Email:	info@fandc.com

Registered in England and Wales

Independent auditors

PricewaterhouseCoopers LLP, Hay's Galleria,
1 Hay's Lane, London SE1 2RD

Bankers

JPMorgan Chase & Co
Lloyds TSB Scotland plc

Custodian

JPMorgan Chase & Co

Registrars

Computershare Investor Services PLC,
PO Box 82, The Pavilions, Bridgwater Road,
Bristol BS99 7NH

Telephone:	0870 889 4094
Facsimile:	0870 703 6143

Solicitors

Dickson Minto W.S.
Royal London House
22/25 Finsbury Square
London EC2A 1DX

Stockbrokers

Cenkos Securities Ltd
6–8 Tokenhouse Yard
London EC2R 7AS

Directors

Pen Kent CBE Chairman

Appointed to the Board on 22 July 2003, Pen became Chairman of the Company on 5 May 2005. He worked for the Bank of England for over 30 years, culminating in his appointment as one of four executive directors between 1993 and 1997. Pen is chairman of the Euroclear UK Markets Advisory Committee, deputy chairman of Heart of the City Limited and is a non-executive director of Schroder & Co Limited and Punjab National Bank International Ltd. Age 72

Neil Dunford

Neil joined the Board on 5 May 2005. He has 30 years' experience in investment management and was chairman of Deutsche Asset Management Limited until 2002. He is a trustee of the Richemont (UK) Pension Plan and chairman of Lloyd's Register Superannuation Fund. He is also an adviser to Lincolnshire County Council Pension Fund, National Grid Pension Fund and Akzo Nobel Pension Scheme. He is a Chartered Accountant. Age 62

John Emly

John joined the Board on 5 May 2005. He is the investment director of the Civil Aviation Authority Pension Scheme, following a career spanning 25 years at Flemings, the London-based international investment bank. He is a director of JPMorgan Mid-Cap Investment Trust PLC and Shaftesbury PLC. In addition he is a member of the investment committees of the P&O and the Balfour Beatty Pension Schemes. John is the Company's Senior Independent Director. Age 68

Professor James (Jim) Norton

Appointed to the Board on 24 July 2001. He is a vice president and trustee of the British Computer Society and a director of the Foundation for Information Policy Research (FIPR) Ltd. He is also an external examiner for the Institute of Directors' Certificate in Company Direction. He is a Chartered Director and chairs the Company's Audit and Management Engagement Committee. Age 57

Hugh Priestley

Appointed to the Board on 9 February 2000. Hugh is non-executive chairman of Jupiter European Opportunities Trust PLC. He is a member of the investment committee of SAUL (Superannuation Arrangements of the University of London), chairman of the investment committee of the charity IndependentAge and a member of the investment committee of Winchester College. Age 67

All the Directors are members of the Audit and Management Engagement Committee

Directors' Report and Business Review

The Directors present their Report, Business Review and the financial statements of F&C Capital and Income Investment Trust PLC ("the Company") for the year ended 30 September 2009. The financial statements are set out on pages 34 to 52.

Results and dividends

The Company's net asset value ("NAV") per share fell by 0.6% in the year ended 30 September 2009, compared to a rise of 6.1% in the FTSE All-Share Index ("the Index"). The Manager's Review on pages 6 to 8, which forms part of this Business Review, describes the background to this performance.

The net assets of the Company as at 30 September 2009 were £166,684,000 and dividends paid in the year are set out below:

Dividends for 2008 and 2009

Dividends paid:	**£'000s**
Final dividend for 2008 of 2.50 pence per share paid on 19 January 2009	1,983
Special dividend for 2008 of 0.40 pence per share paid on 19 January 2009	317
1st interim for 2009 of 1.90 pence per share paid on 31 March 2009	1,536
Special dividend for 2009 of 0.40 pence per share paid on 31 March 2009	323
2nd interim for 2009 of 1.90 pence per share paid on 30 June 2009	1,562
3rd interim for 2009 of 1.90 pence per share paid on 30 September 2009	1,582
	7,303

As explained in the Chairman's Statement, the Board has declared a fourth interim dividend of 2.55 pence per share. This will be paid on 31 December 2009 to shareholders on the register of members on 11 December 2009. This dividend, together with the other three interim dividends and the special dividend paid during the year, makes a total dividend of 8.65 pence per share. This represents an increase of 3.0% over the 8.40 pence per share for the previous year, including a special dividend of 0.4 pence per share.

Principal activity and status

The Company is an investment company as defined by section 833 of the Companies Act 2006 ("the Act"). As such, it analyses its income between revenue, which is available for distribution by way of dividends, and capital, which it is prohibited from distributing other than by way of share buybacks.

The Company is registered in England and Wales with company registration number 2732011 and is subject to the UK Listing Authority's Listing Rules, UK company law, financial reporting standards, taxation law and its own articles of association, amendments to which must be approved by shareholders via a special resolution.

Duration of the Company

In accordance with the articles of association, a continuation vote is proposed at every fifth annual general meeting ("AGM"). The next such vote will be at the AGM in 2013.

Investment trust taxation status

The Company is liable to corporation tax on its net revenue profits but is exempt from corporation tax on capital gains, provided it complies at all times with section 842 of the Income and Corporation Taxes Act 1988 ("section 842"). Such compliance, which includes investing no more than 15% of the total portfolio in any one investment, deriving income wholly or mainly from shares and securities and retaining no more than 15% of such income, qualifies the Company as an investment trust. This status is granted annually in retrospect by HM Revenue and Customs subject to there being no subsequent enquiry under corporation tax self-assessment. The Company has qualified as an investment trust in respect of all relevant years up to and including the year ended 30 September 2008 and continues to conduct its affairs in compliance with section 842.

Accounting and going concern

The financial statements, starting on page 34, comply with current UK financial reporting standards, supplemented by the statement of recommended practice for investment trust companies issued in January 2009 ("SORP"). The significant accounting policies of the Company are set out in note 2 on the accounts. The unqualified auditors' opinion on the financial statements appears on page 33. The Company's objective and policy, which is described

Directors' Report and Business Review (continued)

below and is subject to a process of regular Board monitoring, is designed to ensure that the Company is invested mainly in readily realisable liquid, listed securities and that the level of borrowings is restricted. The Company retains title to all assets held by its custodian and has an agreement in relation to its borrowing facility. Cash is held only with banks approved and regularly reviewed by the Manager.

Note 24 on the accounts sets out the financial risk profile of the Company and indicates the effect on the assets and liabilities of falls (and rises) in: the value of securities; the rates of exchange of various currencies against sterling; and the changes in market rates of interest.

The Directors believe that, in light of the controls and review processes in place, the Company has adequate resources to continue to operate, within its stated objective and policy, for the foreseeable future. Accordingly, the accounts are drawn up on the basis that the Company is a going concern.

Investment objective and policy

The Company's investment objective is to secure long-term capital and income growth from a portfolio consisting mainly of FTSE All-Share companies. The Board believes that the structure of the Company as a UK listed investment trust, with a fixed capital and an independent Board of Directors, is well suited to investors seeking longer-term returns.

The Company seeks to achieve this objective by identifying investments in companies which have good long-term prospects but whose share prices are depressed by adverse short-term sentiment, either because of difficulties or simply because they are unfashionable. Many of the stocks purchased have a higher than average dividend yield, which has enabled the Company to pay a consistently increasing dividend to its shareholders.

Investment risk is reduced by investing mainly in UK blue chip companies. The portfolio, which is set out in full on pages 13 and 14, is diversified, with 69 holdings as at 30 September 2009. The majority of holdings are in large and mid-capitalisation companies, although the Company does also hold investments in smaller companies. There is no maximum limit set for investment in smaller companies which, while considered attractive value from time to time, can be more volatile and vulnerable to market and other changes, but the Board seeks to ensure that investment in this area is limited.

No more than 10% of the portfolio (at the time of investment) will be invested in securities quoted on the Alternative Investment Market, with 3.1% invested in this market at the year end. No unquoted securities will be purchased without the prior approval of the Board. There is one such investment in the portfolio.

The Company may, from time to time, invest in leading overseas companies. Whilst no individual country limits are imposed, the total value of investments outside the UK will not exceed 10% of the Company's gross assets at the time of investment. As at 30 September 2009, 8.3% of the total portfolio was held outside the UK, all in Continental European stocks. The portfolio is well diversified across various sectors, as set out on pages 11 and 12, although no maximum exposure limits are set. No single investment in the portfolio will exceed 10% of the Company's total assets at the time of purchase.

The Company may use derivatives principally for the purpose of efficient portfolio management, but to date has not done so.

The Company uses gearing to enhance its returns. The articles of association contain a borrowing limit equal to the value of its adjusted total of capital and reserves. However, the level of gearing within the portfolio would not normally be expected to exceed 20% of the portfolio value. As at 30 September 2009, the Company had borrowings of £14 million (effective gearing of 7.6%).

No more than 10% of the total assets of the Company will be invested in other listed investment companies (including investment trusts) except in such other investment companies which themselves have stated they will invest no more than 15% of their total assets in other listed investment companies, in which case the limit is 15%. The Company does not currently have any holdings in such companies.

The Manager's compliance with the limits set out in the investment policy is monitored by the Board.

Capital structure and buyback policy

As at 30 September 2009 there were 83,644,268 ordinary shares of 25 pence each in issue. All ordinary shares rank equally for dividends and distributions and carry one vote each. Details of the capital structure can be found in note 16 on the accounts. The revenue profits of the Company (including accumulated revenue reserves) are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to shareholders pro rata to their holdings of ordinary shares.

The Company has, conditional upon shareholder approval, authority to allot new shares for cash without first offering them to existing shareholders in proportion to their holdings. At the AGM held on 15 January 2009, shareholders gave the Board authority to issue up to 3,965,212 ordinary shares until the conclusion of the following year's AGM. Authority to issue a further 4,541,427 shares during the same period was given at an extraordinary general meeting held on 6 October 2009. In order to satisfy demand for the Company's shares, mainly from holders through the F&C savings plans ("F&C plans"), the Company allotted 4,720,000 shares in the year under review. No shares have been issued between the year end and the date of this report.

Subject to annual shareholder approval, the Company may purchase its own shares at a discount to NAV per share which can either be cancelled or held in treasury to be sold as and when the shares return to trading at a premium to NAV. At the AGM held on 15 January 2009, shareholders gave the Board authority to buy back up to 11,887,709 shares. No shares were purchased for cancellation by the Company either during the year under review or since the year end to the date of this report. No shares are held in treasury.

The Board reviews the number of shares issued or purchased and held in treasury at each meeting and closely monitors the prevailing discount or premium, the historic levels of which are shown in the table on page 53.

Borrowings

The Company has the ability to utilise short-term borrowings by way of loans and overdrafts, subject to the limits set out in the Company's investment objective and policy. The Company maintains a multi-currency credit facility of £20 million with Lloyds TSB Scotland plc, which is due for review in March 2011. The Board felt it prudent to extend the facility for two years when it was reviewed in March 2009 due to the difficulties being seen in credit markets and lack of credit available at that time.

Principal risks and their management

The Company's assets consist mainly of listed equities and its principal risks are therefore market related. The Corporate Governance Statement includes a summary of the risk management arrangements on pages 30 and 31. By means of the procedures set out in that summary, and in accordance with the Internal Control: Guidance for Directors on the Combined Code published by the Working Party for the Institute for Chartered Accountants in England and Wales, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and has regularly reviewed the effectiveness of the internal control systems for the period. This process has been in place throughout the year under review, and to the date hereof, and will continue to be regularly reviewed by the Board on an ongoing basis.

The specific key risks faced by the Company, together with our mitigation approach, include the following:

- Investment strategy – inappropriate long-term strategy, asset allocation and stock selection might lead to underperformance against the Company's benchmark index and peer group. The Board periodically reviews the investment strategy and regularly monitors the Company's investment portfolio, investment selection, performance and operations of the Manager.
- Investment management resources – the quality of the management team employed by F&C is a crucial factor in delivering good performance and loss of the Manager's key staff could affect investment returns. The Manager develops its recruitment and remuneration packages in order to retain key staff, has training and development programmes in place and undertakes succession planning.
- Regulatory – failure to comply with applicable legal and regulatory requirements could result in the Company losing its listing and/or being subject to corporation tax on the sale of its investments. The Board reviews regular reports from the Manager

Directors' Report and Business Review
(continued)

on the controls in place to ensure the Company's compliance with these requirements, together with regular investment listings and income forecasts as part of its monitoring of compliance with section 842.

- **Operational** – failure of the Manager's core accounting systems, or a disastrous disruption to its business, could lead to an inability to provide accurate reporting and monitoring. The Manager is contractually obliged to ensure that its conduct of business conforms to applicable laws and regulations. The Manager has confirmed that reliable back-up systems are in place.
- **Financial** – inadequate financial controls could result in misappropriation of assets, loss of income and debtor receipts and inaccurate reporting of NAV per share. The Board regularly reviews the Manager's statements on its internal controls and procedures and subjects the books and records of the Company to an annual audit. The financial risks are set out in more detail in note 24 on the accounts on pages 48 to 52.
- **Counterparties** – the Company is exposed to potential failures by counterparties to deliver securities for which it has paid or to pay for securities which it has delivered. Further details are included on page 52.

The Board

The Board of non-executive Directors, whose appointment is approved by shareholders, is charged with ensuring that the Company complies with its objectives and the various rules and regulations. Further information on the role and powers of the Board is contained in the Corporate Governance Statement on pages 27 and 28.

Directors

Information on the individual Directors of the Company, all of whom are resident in the UK and have held office throughout the year under review, is set out on page 16.

There were no contracts of significance to which the Company was a party and in which a Director is, or was, materially interested during the year.

Directors' remuneration and shareholdings

The Directors' Remuneration Report, which can be found on page 26, provides detailed information on the remuneration of the Directors. Shareholders will be asked to approve the Directors' Remuneration Report at the AGM. The Directors' remuneration is not conditional upon the resolution being passed.

The beneficial interests of the Directors in the ordinary shares of the Company were as follows:

Directors' interests

at 30 September	2009	2008
Pen Kent	**nil**	nil
Neil Dunford	**7,588**	7,588
John Emly	**4,286**	4,150
Professor Jim Norton	**nil**	nil
Hugh Priestley	**15,000**	15,000

There have been no changes in any of the Directors' interests in shares detailed above since the Company's year end.

No Director held any interest, beneficial or otherwise, in the issued shares of the Company other than stated above.

Directors' re-election

All Directors held office throughout the year under review. Having served over nine years, Hugh Priestley will stand for re-election at the AGM. In accordance with the Company's articles of association, Pen Kent will retire and stand for re-election.

In line with its policy set out in the Corporate Governance Statement on page 28, and after careful consideration, the Board does not feel that the length of service of Hugh Priestley impairs his independence in any way.

Both of these Directors have made a valuable and effective contribution to your Company and the Board therefore recommends that you vote in favour of their re-election.

Director indemnification and insurance

On 15 May 2007, the Company entered into a deed poll providing the Directors with indemnities against liability to third parties arising in connection with any negligence, default, breach of duty or breach of trust by the Directors (such indemnities being qualifying third party indemnities and providing for the funding of defence costs, in each case as permitted under the Act). No such indemnity is provided in relation to a liability incurred by a Director to the Company in respect of proceedings in which he is convicted or a liability to pay a fine is imposed in criminal proceedings or by a regulatory authority. Any funding provided to a Director who is not exonerated must be repaid. The deed poll is available for inspection at the Company's registered office during normal business hours and at the AGM. The Company has insurance in place which indemnifies the Directors against certain liabilities arising in carrying out their duties.

Investment management and administration

In common with most investment trusts, the Company does not have any employees. The Board has appointed F&C Management Limited ("F&C" or "the Manager") to manage the investment portfolio on a day-to-day basis. F&C also carries out administrative, accounting, secretarial and marketing activities on behalf of the Company.

This appointment is governed by a management agreement, which is terminable upon six months' notice given by either party. Further information on the management agreement is set out in note 4 on the accounts. The duties of the Manager encompass seeking to:

- achieve the Company's objective through investment in stocks and securities in relevant countries and industries (within the Board's strategies and guidelines on gearing) and through collection of income from those investments;
- control the discount at which the Company's shares trade by comparison with their underlying asset value within limits set down by the Board and to make recommendations as to whether shares bought back are held in treasury or immediately cancelled;
- maintain the Company's books and records;
- maintain compliance with relevant rules and regulations;
- operate shareholder savings plans and products through which the Company's shares can be held. These are designed to provide investors with a cost effective and flexible way to invest in the Company; and
- provide marketing and investor relations services to the Company.

The Manager carries out research and derives a value for each company that it analyses, which it uses as the basis upon which to buy or sell. Importantly, the Manager derives the value from its own assessment of a company's prospects and not simply by following a consensus view. The Manager believes that share prices are much more volatile than changes in the underlying worth of companies and that this mismatch creates investment opportunities. However, over the long term share prices will reflect intrinsic worth as the value of companies' cash flows, earnings, dividends or assets are realised. This approach can result in periods of relative underperformance when market values are substantially out of line with underlying worth. Nevertheless, this process has demonstrated that it will generate superior results over the longer term. The Board looks to long-term outperformance rather than short-term opportunities.

The Manager actively promotes investment in the Company's shares through the F&C plans. These include the F&C Child Trust Fund ("CTF"), Children's Investment Plan ("CIP"), Individual Savings Account ("ISA"), Pension Savings Plan ("PSP") and Private Investor Plan ("PIP").

The Manager is a subsidiary of F&C Asset Management plc ("FCAM"), a large European investment group.

Analysis of savings plans

	Number of holders	
30 September	**2009**	**2008**
CTF	**9,126**	7,794
ISA†	**7,654**	7,672
PIP/CIP	**6,284**	5,769
PSP	**374**	376
Total	**23,438**	21,611

† Includes ex personal equity plan holdings now reclassified as ISA.

These investors hold 66,569,825 shares, which is 79.5% of the shares in issue.

JPMorgan Chase is appointed to act as custodian of the Company's assets. Operational matters with the custodian are carried out by the Manager in

Directors' Report and Business Review (continued)

accordance with the provisions of the management agreement. A review of the agreement with the custodian is being undertaken to ensure the arrangements meet best market practice.

Responsible ownership

The Manager's stated belief is that good governance creates value and therefore it takes a particular interest in corporate governance and sustainable business practices. This includes the integration of environmental, social and governance issues into its investment decisions. It votes all of its shares across all global markets whenever possible and engages with companies on corporate governance matters to encourage good practice. This includes engagement on significant social and environmental issues where these may impact shareholder value.

The Manager's current policy, which is available on its website, has been reviewed and endorsed by the Board, which encourages and supports the Manager on its voting policy and its stance towards environmental, social and governance issues.

The Board periodically receives a report on instances where F&C has voted against the recommendation of the management of an investment on any resolution.

Management fee

A quarterly fee equal to 0.1% of funds under management is payable in arrears to the Manager in respect of the management, administration and ancillary services provided to the Company.

Creditor payment policy

The Company's principal supplier is the Manager, the payment terms for which are set out in note 4 on the accounts. Other suppliers are paid in accordance with individually agreed payment terms. At 30 September 2009, the Company's outstanding trade creditors were equivalent to nil day's payment to suppliers (2008: nil).

Key performance indicators

The Board uses the following key performance indicators ("KPIs") to help assess progress against the Company's objectives:

- Association of Investment Companies ("AIC") peer group of 25 "UK growth and income" investment trusts whose NAV and share price total return performance over one, three, five and 10 years is set out in statistics produced monthly by the AIC. At 30 September 2009, the Company was 17th, 7th, 8th and 10th respectively in its peer group NAV performance and 13th, 4th, 9th and 11th respectively in terms of share price performance over those time periods;
- share price discount to NAV, an important measure of demand for the Company's shares and a key indicator of the need for shares to be bought back or issued. At the start of the year under review the discount to NAV was 2.0% compared with 0.1% at the year end;
- expense ratios, which enable the Board to measure the control of costs and help in meeting the dividend payment objective. The ratio of operating expenses to average total assets is relatively stable at 0.7%; and
- levels of gearing, the costs of which are absorbed 50% through the revenue account and 50% through the capital account, are monitored to ensure that the Manager is adhering to the Board's gearing limit and is not borrowing excessively in falling markets. Borrowing during the year was maintained within a range of £nil to £14.0 million.

The performance table below, the Ten Year Record on pages 53 and 54, the Chairman's Statement on pages 2 to 5 and the Manager's Review on pages 6 to 8 provide more information on how the Company has performed against these KPIs.

Total return performance

Returns	1 year %	3 years %	5 years %
Company net asset value	4.0	-11.2	29.8
Company share price	5.2	-5.6	35.1
Benchmark index*	10.8	-3.4	38.4

Source: Association of Investment Companies and Datastream
*Benchmark: FTSE All-Share Index.

Manager's evaluation and re-appointment

The review of the Manager's performance is an ongoing duty and responsibility of the Board which is carried out at every Board meeting, with a formal evaluation taking place in November each year. In evaluating the performance of the Manager, the Board considers a range of factors including the investment performance of the portfolio and the skills, experience and depth of the team involved in managing the Company's assets.

It also considers the resources and commitment of the Manager in all areas of its responsibility, including the marketing and administrative services provided to the Company.

In light of the longer term investment performance of the Manager against its peers and the quality of the overall service provided, it is the opinion of the Board that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

Outlook

The outlook for the Company is reported in the Chairman's Statement on page 5.

GENERAL INFORMATION

Voting rights

At 25 November 2009 the Company had 83,644,268 ordinary shares in issue with a total of 83,644,268 voting rights. As at that date no notifications of significant voting rights in respect of the Company's ordinary share capital had been received.

The Manager holds approximately 80% of the Company's share capital on behalf of non-discretionary clients through the F&C plans. It is intended that the nominee company holding these shares will vote the shares held on behalf of planholders who have not returned their voting directions in proportion to the directions of those who have, as described on page 25.

Individual savings accounts ("ISAs")

The Company's shares are qualifying investments for ISAs and the Board intends that the Company will continue to conduct its affairs so as to satisfy the requirements to remain so.

Independent auditors

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors believe that they have each taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of this information.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office as auditors to the Company and resolutions to re-appoint them and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Annual general meeting

The AGM will be held on Thursday 14 January 2010 at 11.30 a.m. at Exchange House, Primrose Street, London EC2. The Notice of Annual General Meeting appears on pages 55 to 58, and includes a map of the venue. Julian Cane will give a presentation covering progress in the year to date and his views on the market for the rest of the year. There will be an opportunity to ask questions during the AGM and shareholders will be able to meet the Directors and Manager more informally over refreshments following the meeting. The Resolutions numbered 7 to 10 are explained below.

Authority to allot shares (resolution 7)

Resolution 7 is similar in content to the authority and power given to the Directors at previous AGMs. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash without first offering them to existing shareholders in proportion to their holdings. Resolution 7 gives the Directors, for the period until the conclusion of the AGM in 2011, the necessary authority to either allot securities or sell shares held in treasury up to an aggregate nominal amount of £2,091,106 (8,364,424 ordinary shares). This is equivalent to approximately 10% of the issued ordinary share capital of the Company at 25 November 2009. It also empowers the Directors to allot such securities for cash, otherwise than to existing shareholders on a

Directors' Report and Business Review (continued)

pro-rata basis. This authority and power provides the Directors with the flexibility to increase the assets of the Company by the issue of new shares should any favourable opportunities arise to the advantage of shareholders. The level of authority sought has been increased from the 5% level authorised at previous AGMs in order that the Board can continue to satisfy the level of demand for the Company's shares when it is favourable to existing shareholders to do so.

The Directors use this authority to satisfy demand from participants in the F&C plans when they believe it is advantageous to plan participants and the Company's shareholders to do so.

Under no circumstances do the Directors use the authority and power to dilute the interests of existing shareholders by issuing shares or selling shares held in treasury at a price which would result in a dilution of NAV per ordinary share.

Authority for the Company to purchase its own shares (resolution 8)

Resolution 8 authorises the Company to purchase up to a maximum of 12,538,275 ordinary shares (equivalent to approximately 14.99% of the issued share capital) in the market at a minimum price of 25 pence per share and a maximum price per share (exclusive of expenses) of 5% above the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately before the date of purchase. The Directors would continue to use this authority with the objective of enhancing shareholder value. Purchases would only be made, within guidelines established from time to time by the Board, through the market for cash at prices below the prevailing NAV per ordinary share which would have the effect of increasing the NAV per ordinary share for the remaining shareholders. Any ordinary shares that are purchased would either be placed into treasury or cancelled.

The authority will continue until the expiry of 18 months from the date of the passing of the resolution unless it is varied, revoked or renewed prior to that by the Company in general meeting by special resolution. The Board intends to seek a renewal of such authority at subsequent AGMs.

Amendments to the articles of association (resolution 9)

It is proposed in resolution 9 to adopt new articles of association in order to update the Company's current articles of association to take account of the implementation of the last parts of the Companies Act 2006 ("the Act") on 1 October 2009. These changes are in respect of, amongst other things, the Company's authorised share capital, its memorandum of association and the ability of the Company to change its name. The Companies Act 1985 was, for all practical purposes, repealed on 1 October 2009.

A copy of the new articles will be available for inspection at Royal London House, 22/25 Finsbury Square, London EC2A 1DX and at the Company's registered office during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of the Notice of Annual General Meeting until the conclusion of the AGM and on the date of the AGM at the meeting from 15 minutes prior to the start until the conclusion of the meeting.

A summary of the material changes proposed to be brought about by the adoption of the new articles is set out in the Appendix to the Notice of Annual General Meeting.

Notice period for meetings (resolution 10)

The Act provides that all general meetings (other than AGMs) may be convened, subject to certain conditions, on 14 days' notice where under the Companies Act 1985 21 days' notice was required for a general meeting to consider a special resolution. Your Board is of the view that it is in the Company's interests to have a shorter notice period which takes advantage of these new provisions of the Act.

However, one of the requirements of the Companies (Shareholders' Rights) Regulations 2009 (the "Regulations") (implemented in August 2009) is that all general meetings must be held on 21 clear days' notice, unless shareholders agree to a shorter notice period. The passing of resolution 10 would constitute shareholders' agreement for the purposes of the Regulations (which agreement is required annually) and would therefore preserve the Company's ability to call general meetings (other than an AGM) on 14 clear days' notice. The Board intends to seek a renewal of such authority at subsequent AGMs.

Form of proxy

Registered shareholders will find enclosed a form of proxy for use at the AGM. You will also have the option of lodging your proxy vote using the internet. For shares held through CREST, proxy appointments may be submitted via the CREST proxy voting system. Please either complete, sign and return the form of proxy in the envelope provided as soon as possible in accordance with the instructions or lodge your proxy vote via the internet or the CREST proxy voting system whether or not you intend to be present at the AGM. This will not preclude you from attending the AGM and voting in person if you wish to do so.

A proxy appointment should in any event be submitted so as to be received not later than 48 hours before the time appointed for holding the AGM (any part of a day which is a non-working day shall not be included in calculating the 48 hour period).

Form of direction and proportional voting

If you are an investor in any of the F&C plans, you will find enclosed a form of direction for use at the AGM. Investors in the plans, other than the Pension Savings Plan, also have the option of lodging voting directions using the internet. The Manager operates a proportional voting arrangement for the F&C plans. Under this arrangement, the nominee company will vote the shares held on behalf of planholders who have not returned their voting directions in proportion to those who have. This arrangement will apply at the 2010 AGM, subject to a minimum threshold of 5% of the shares held in the F&C plans being voted. A maximum limit of 330,000 shares that any one individual investor can vote, being approximately 5% of the relevant minimum threshold, will also apply. Any individual voting directions received in excess of the maximum limit will remain valid, but will not form part of the proportional voting basis. Planholders may exclude their shares from the proportional voting arrangements if they wish. All voting directions should be made as soon as possible in accordance with the instructions given on the form of direction and, in any event, not later than 96 hours (any part of a day which is a non-working day shall not be included in calculating the 96 hour period) before the time appointed for holding the AGM so that the nominee company can submit a form of proxy before the 48 hour period begins.

Recommendation

Your Board considers that the resolutions to be proposed at the AGM are in the best interests of the Company and are most likely to promote the success of the Company for the benefit of its members as a whole. The Directors recommend that shareholders vote in favour of each resolution, as the Directors intend to do in respect of their own beneficial holdings.

By order of the Board
F&C Management Limited
Secretary
27 November 2009

Directors' Remuneration Report

The Company's articles of association limit the aggregate fees payable to the Board of Directors to a total of £120,000 per annum. Within that limit, it is the responsibility of the Board as a whole to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and committee responsibilities and the time committed to the Company's affairs. The Board is composed solely of non-executive Directors, none of whom has a service contract with the Company, and therefore no remuneration committee has been appointed.

The Chairman receives a fee of £25,000 per annum and the remaining Directors receive a fee of £16,000 per annum. These fees were increased from £20,000 and £15,000 respectively on 1 July 2008. The Chairman of the Audit and Management Engagement Committee ("Audit Committee") receives an additional £2,000 per annum (implemented with effect from 1 July 2008).

The amounts paid to each Director, which were for services to the Company solely in the capacity of non-executive Directors and have no performance related element, are set out in the table below.

Fees for services to the Company

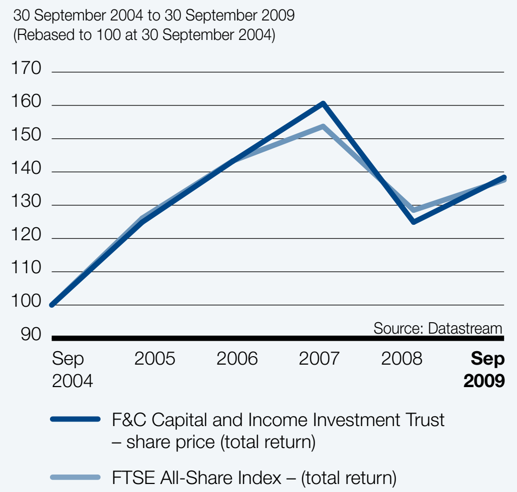
Director	2009 £'000s	2008 £'000s
Pen Kent (Chairman and highest paid Director)	**25.0**	21.3
Neil Dunford	**16.0**	15.3
John Emly	**16.0**	15.3
Professor Jim Norton (Chairman of the Audit Committee)	**18.0**	15.8
Hugh Priestley	**16.0**	15.3
Totals	**91.0**	83.0

Reference to the information in the table, which has been audited, can be found in the Independent Auditors' Report on page 33.

No Director past or present has any entitlement to pensions and the Company has not awarded any share options or long-term performance incentives to any of the Directors.

Shareholders will be asked to approve this Directors' Remuneration Report at the annual general meeting (resolution 2).

Total shareholder return over five years



The FTSE All-Share Index (total return) is shown because the objective of the Company is to secure long-term capital and income growth from a portfolio consisting mainly of FTSE All-Share companies.

By order of the Board
F&C Management Limited
Secretary
27 November 2009

Corporate Governance Statement

Introduction

The Company is committed to high standards of corporate governance. The Board has considered the principles and recommendations of the 2009 Association of Investment Companies ("AIC") Code of Corporate Governance (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in section 1 of the 2008 Combined Code of Corporate Governance (the "Combined Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.*

The Board believes that the Company has complied with the recommendations of the AIC Code during the year under review and up to the date of this report and thereby the provisions of the Combined Code that are relevant to the Company.

The Board

The Board is responsible for the effective stewardship of the Company's affairs and a formal schedule of matters reserved for the decision of the Board has been adopted. It has responsibility for all corporate strategic issues, corporate governance matters, dividend policy, share buyback policy, risk and control assessment, monitoring investment performance and approving marketing budgets. It is responsible for the review and approval of annual and half-yearly reports, interim management statements and other public documents. The Company does not have a chief executive as day-to-day management of the Company's affairs has been delegated to the Manager.

In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. The Board meets at least four times a year and at each meeting reviews the Company's management information, which includes reports on investment performance and strategic matters and financial analyses. Income forecasts are reviewed in order that costs can be managed within set budgets and in order that the Company is able to pursue its progressive dividend policy. The Board monitors compliance with the Company's objectives and is responsible for setting the asset allocation, investment and gearing ranges within which the Manager has discretion to act. Key representatives of the Manager attend each Board meeting. Board meetings are also held on an ad-hoc basis to consider particular issues as they arise. The table below sets out the number of Board and committee meetings held during the year under review and the number of meetings attended by each Director. All Directors attended the annual general meeting ("AGM") in January 2009 and a closed session strategy meeting in September 2009.

Meeting attendance

	Board meetings	Audit and management engagement committee meetings
Number of meetings	5	2
Pen Kent	5	2
Neil Dunford	5	2
John Emly	5	2
Professor Jim Norton	5	2
Hugh Priestley	5	2

Pen Kent, Neil Dunford and John Emly also met on two occasions during the year to form a committee of the Board in order to discuss VAT recovery and to approve a circular to shareholders in relation to a further authority to allot shares.

Each Director has a signed letter of appointment to formalise in writing the terms of his engagement as a non-executive Director, copies of which are available on request and at the Company's AGM.

The Board regularly reviews its structure, size, composition, experience, diversity and skill ranges and considers succession planning and tenure policy and believes that it currently has a reasonable balance of skills, experience and length of service. The Board recognises the value of progressive refreshing of, and succession planning for, company boards. Accordingly, each Director's appointment is reviewed prior to submission for re-election, which includes consideration of the independence of each Director.

All Directors are required to stand for re-election for a fixed term of no more than three years, and those Directors serving more than six years are subject to more rigorous review before being proposed for re-election.

* Copies of the AIC Code, the AIC Guide and the Combined Code may be found on the respective organisations' websites: www.theaic.co.uk and www.frc.org.uk.

Corporate Governance Statement
(continued)

In order to review the effectiveness of the Board, its committees and the individual Directors, the Board carries out a process of formal annual self appraisal. This encompasses both quantitative and qualitative measures of performance in respect of the Board and the Audit and Management Engagement Committee, incorporating the completion of an evaluation survey, interviews with the Chairman and a subsequent review of the findings. Key representatives of the Manager also participate in the process and provide feedback to the Board. The appraisal of the Chairman follows the same process and is carried out by the Board as a whole under the leadership of the Senior Independent Director, John Emly. The Board considers that the appraisal process is a constructive means of evaluating the contribution of individual Directors and identifying ways to improve the functioning and performance of the Board and committees and building on and improving collective strengths, including assessing any training needs. The Board does not consider that the use of external consultants to conduct this evaluation is likely to provide any meaningful advantage over the process that has been adopted, but the option of doing so will be kept under review.

The Directors are encouraged to attend relevant training courses and seminars and receive regular updates on the industry and changes to regulations from the Secretary and other parties, including the AIC.

Directors are able to seek independent professional advice at the Company's expense in relation to their duties. No such professional advice was taken by Directors during the year under review. The Board has direct access to the company secretarial advice and services of the Manager which, through its nominated representative, is responsible for ensuring that Board and committee procedures are followed and applicable regulations are complied with. The proceedings at all Board and other meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes. The Board has the power to appoint or remove the Secretary in accordance with the terms of the management agreement.

Appointments of new Directors will be made on a formal basis using professional search consultants, with the Board agreeing the selection criteria and the method of selection, recruitment and appointment. A non-executive Director role specification is in place which is used to assist the Board with this process.

All new appointments are subject to confirmation by shareholders and institutional shareholders are given the opportunity to meet any newly appointed Director if they wish.

An induction process is in place for new appointees, who meet the fund manager, the Secretary and other key employees of the Manager and are given a briefing on the workings and processes of the Company, including the receipt of a Directors' handbook and key documentation.

Independence of Directors

The Board regularly reviews the independence of its members in accordance with current guidelines. In line with the AIC Code, the Board feels that length of service does not necessarily compromise the independence or contribution of directors of investment trust companies, where experience and continuity can be a significant strength. As such, no limit on the overall length of service has been imposed, although in line with best practice any Director who has served for more than nine years is subject to annual re-election. The Board believes that its five non-executive Directors are independent in character and judgement, with no relationships or circumstances relating to the Company or the Manager likely to alter this position.

Conflicts of interest

It is now a statutory requirement that a company director must avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company (a "situational conflict"). While it remains the responsibility of each individual Director to avoid an unauthorised conflict situation arising, the Company has implemented procedures to enable it to assess situational conflicts and take action where necessary.

Directors are given guidance on the Company's procedure and must disclose any other directorships they hold and identify the interests of any person closely connected to them in order to consider whether a situational conflict could arise out of those interests.

A Director wishing to seek authorisation must submit a formal request to the Board, which is then responsible for deciding whether or not to authorise the situational conflict. The factors to be considered will include whether the situational conflict could prevent the Director from properly performing his duties; whether the situational conflict has, or could have, any impact on the Company, for example, in financial or public relations terms and whether the situational conflict could be regarded as *de minimis* and unlikely to affect the judgement and/or actions of the Director in question.

Where the Board authorises a conflict, terms will usually be attached. These will include the Director absenting himself from meetings where the subject of the conflict is discussed and notifying the Secretary, who keeps a register of conflicts, as soon as the facts of the matter change. A Director interested in a matter must also abstain from voting on it.

The Board implemented authorisation procedures in January 2009, during which no situational conflicts were identified or authorised other than the formal authorisation of the Directors' other existing directorships. There have been no instances of a Director being required to absent himself from a discussion or abstain from voting because of a conflict of interest in the year under review.

The Board will annually review any situational conflicts which have been authorised, together with any updates that have been provided by the relevant Director. Provided that there has been no material change in circumstance and the Board is of the view that the situational conflict has not affected the individual in his role as a Director of the Company, it will usually not make any change to the terms of the authorisation. Where the Board is notified that the facts have changed materially, it will review the change and consider whether the authorisation should be renewed, varied or withdrawn.

Aside from situational conflicts, the Directors must also comply with the statutory rules requiring company directors to declare any interest in an actual or proposed transaction or arrangement with the Company.

Board committees

The Board has established an Audit and Management Engagement Committee, details of which are below. The terms of reference of this Committee are available on the website www.fandccit.com and on request.

The Company has no executive Directors and no employees and consequently does not have a remuneration committee. The Directors' Remuneration Report, which can be found on page 26, provides information on the remuneration arrangements for the Directors of the Company.

As the Board is formed entirely of independent non-executive Directors and is small in size, it operates without a nomination committee.

Audit and Management Engagement Committee

The primary responsibilities of the Audit and Management Engagement Committee ("Audit Committee"), which meets at least twice each year, are to review the integrity and contents of the Company's financial statements and the accounting policies included therein; to consider compliance with regulatory and financial reporting requirements; to review the Company's internal control and risk management systems; to review annually the need for the Company to have its own internal audit function; to consider the independence and objectivity of the auditors and the effectiveness of the audit process; and to make recommendations to the Board in relation to the reappointment and remuneration of the auditors. The Board retains ultimate responsibility for the annual and half-yearly accounts and other significant financial information that is published.

The Audit Committee has direct access to the auditors, PricewaterhouseCoopers LLP ("PwC"), who have been the Company's auditors since inception in 1992. Representatives of PwC attend Audit Committee meetings to report on the audit of the Company and its review of the annual report. The Audit Committee also has the opportunity to meet with the auditors without the Manager being present.

The Manager and the Company use different audit firms. Taking this into account, and given the nature of services provided, the regular rotation of audit partners and confirmation from PwC that they have complied with all relevant independence standards, the Company's auditors are deemed to be independent. All non-audit work to be undertaken by PwC is approved by the Audit Committee in

Corporate Governance Statement
(continued)

advance. During the year under review the fee for all non-audit work, which was in relation to taxation advice, was £2,000 exclusive of irrecoverable VAT. In addition, £7,700 inclusive of irrecoverable VAT was paid to the auditors in relation to their role as liquidator of the Company's subsidiary, F&C Income Growth Investment Trust PLC (in liquidation). The Audit Committee considers that the provision of these services is cost effective and does not impair the independence of PwC.

The appointment of the auditors is not regularly put to tender, but performance is reviewed annually. The Audit Committee, in conjunction with the Manager, has reviewed the work carried out by PwC in the year under review, including its audit of the annual financial statements. On the basis of PwC's experience in auditing the affairs of the Company, the standing and experience of the audit partner, the nature and level of service provided and confirmation of the auditors' independence, the Audit Committee recommended the continuing appointment of the auditors to the Board, which agreed that PwC should continue as the Company's auditors and that no tender was necessary.

The Audit Committee has direct access to the senior representatives of the Manager's audit, risk and compliance department and to its group audit committee and reports its findings to the Board. It receives and reviews the Report referred to below under "Internal controls and management of risk".

Following a recommendation from the Audit Committee, the Board concluded that there is currently no need for the Company to have its own internal audit function. All of the Company's management functions are delegated to the Manager, and the Board monitors the controls in place through the Manager's audit, risk and compliance department.

The Audit Committee carries out an annual review of the performance of the Manager, including a review of the management agreement, the level and structure of fees payable and the length of notice period.

The Audit Committee has reviewed, and is satisfied with, the "whistle blowing" policy that has been put in place by the Manager under which its staff may, in confidence, raise concerns about any possible improprieties in matters of financial reporting or other matters, including those relating to the Company. The necessary arrangements are in place for proportionate and independent investigation of such matters and for appropriate follow-up action.

The Audit Committee is currently composed of the full Board, each member of which is deemed to be independent, and is chaired by Professor Jim Norton. It is considered that there is a range of recent and relevant financial experience amongst the members of the Audit Committee.

Internal controls and management of risk

The Board has overall responsibility for the Company's systems of internal controls, for reviewing their effectiveness and ensuring that risk management and control processes are embedded in the day-to-day operations of the Company. These controls aim to ensure that the assets of the Company are safeguarded, proper accounting records are maintained and the financial information used within the business and for publication is reliable. Control of the risks identified, covering financial, operational, reputational, compliance and overall risk management, is exercised by the Board through regular reports provided by the Manager on investment performance, performance attribution, compliance with agreed investment restrictions, financial analyses, revenue estimates, performance of the third party administrators of the F&C savings plans ("F&C plans") and other management issues. A control report is prepared by the Manager's audit, risk and compliance department that provides details of any material internal control failure. The control report incorporates a key risk table that identifies the risks to which the Company is exposed and the controls in place to mitigate them, including risks that are not directly the responsibility of the Manager. The Company's principal risks are set out on pages 19 and 20, with additional information given in note 24 on the accounts.

The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material mis-statement, loss or fraud.

The Board has carried out a risk and control assessment including a review of the Manager's risk management infrastructure and the report on policies and procedures in operation and tests for the period 1 January to 31 December 2008 (the "Report") that has been prepared by the Manager for its investment trust clients to the standards of the Institute of Chartered Accountants in England and Wales Technical Release AAF (01/06). Containing a report from independent external accountants, the Report sets out the Manager's control policies and procedures with respect to the management of its clients' investments. The effectiveness of these controls is monitored by the Manager's group audit committee which receives regular reports from the Manager's audit, risk and compliance department. Procedures are in place to capture and evaluate failings and weaknesses and ensure that action would be taken to remedy any significant issues identified from this monitoring, which would be reported to the Board. No significant failings or weaknesses in respect of the Company were identified in the year under review.

Relations with shareholders

Communication with shareholders is given a high priority. In addition to the annual and half-yearly reports that are available to shareholders, monthly fact sheets and general information are also available on the www.fandccit.com website.

At least one shareholder meeting is held each year to allow shareholders to vote on the appointment of Directors and the auditors, share issues and buybacks and any other special business. All shareholders are encouraged to attend the AGM, at which a presentation is made by the Manager and where there is an opportunity to question the Chairman, the Board and the Manager. Proxy voting figures are announced to shareholders at the AGM and are reported on the website. All beneficial shareholders in the F&C plans have the right to attend, speak and vote at general meetings. The nominee company votes the shares held on behalf of planholders who have not returned their voting directions in proportion to the directions of those who have, as detailed on page 25.

The Manager communicates with institutional investors, private client brokers and asset managers throughout the year and regularly reports to the Board on investors' views and attitudes towards the Company. The Chairman is available to attend meetings with these investors, although no such meetings have been held during the year under review.

The Company has a predominantly retail ownership, with private investors holding around 80% of the issued share capital. Shareholders wishing to communicate with the Chairman, the Senior Independent Director or other members of the Board may do so by writing to the Secretary at the registered office address as detailed on page 15.

The Board receives regular reports from the Manager on the views and attitudes of shareholders in the Company, the level and nature of any complaints received from investors and its arrangements for "Treating Customers Fairly".

Statement of Directors' Responsibilities in Respect of the Financial Statements

As required by company law, the Directors are responsible for the preparation of the annual report and financial statements which give a true and fair view of the state of affairs of the Company as at 30 September 2009 and of the results for the year then ended. In preparing the financial statements, suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made. The Directors are also responsible for ensuring that adequate accounting records are maintained and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The financial statements are published on the www.fandccit.com website, which is maintained by the Company's Manager, F&C Management Limited ("F&C"). The content and integrity of the website maintained by F&C or any of its subsidiaries is, so far as it relates to the Company, the responsibility of F&C. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Overseas visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

In accordance with Chapter 4 of the Disclosure and Transparency Rules, the Directors confirm that to the best of their knowledge:

- the financial statements have been prepared in accordance with applicable UK accounting standards, on a going concern basis, and give a true and fair view of the assets, liabilities, financial position and return of the Company;
- the annual report includes a fair review of the important events that have occurred during the financial year and their impact on the financial statements;
- the principal risks section of the Directors' Report and Business Review describes the principal risks and uncertainties for the forthcoming financial year; and
- the financial statements and the Directors' Report and Business Review include details on related party transactions.

On behalf of the Board
Pen Kent
Chairman
27 November 2009

Independent Auditors' Report

Independent Auditors' Report to the members of F&C Capital and Income Investment Trust PLC

We have audited the financial statements of F&C Capital and Income Investment Trust PLC for the year ended 30 September 2009 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements set out on page 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 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.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with sections 495 to 497A of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2009 and of its net return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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;
- the information given in the Corporate Governance Statement with respect to Rules 7.2.5 and 7.2.6 of the Disclosure and Transparency Rules issued by the Financial Services Authority is consistent with the financial statements; and
- the information given in the Directors' Report and Business Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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 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; or
- a corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on pages 17 and 18, in relation to going concern; and
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Parwinder Purewal (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
London
27 November 2009

Income Statement

Revenue notes	Capital notes	for the year ended 30 September	Revenue £'000s	Capital £'000s	2009 Total £'000s	Revenue £'000s	Capital £'000s	2008 Total £'000s
	11	Gains/(losses) on investments	–	884	884	–	(47,234)	(47,234)
		Foreign exchange gains	–	–	–	–	4	4
3	20	Income	8,181	212	8,393	8,480	260	8,740
4	20	Management fee	(304)	(304)	(608)	(348)	(348)	(696)
5		Recoverable VAT	167	–	167	289	289	578
6	20	Other expenses	(656)	(11)	(667)	(558)	(9)	(567)
		Net return before finance costs and taxation	7,388	781	8,169	7,863	(47,038)	(39,175)
7	20	Finance costs	(154)	(154)	(308)	(178)	(178)	(356)
		Net return on ordinary activities before taxation	7,234	627	7,861	7,685	(47,216)	(39,531)
8		Taxation on ordinary activities	(24)	–	(24)	(77)	–	(77)
		Net return attributable to shareholders	7,210	627	7,837	7,608	(47,216)	(39,608)
9	9	**Return per share – pence**	8.85	0.77	9.62	9.69	(60.16)	(50.47)

The total column of this statement is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

A statement of total recognised gains and losses is not required as all gains and losses of the Company have been reflected in the above statement.

Reconciliation of Movements in Shareholders' Funds

Notes	for the year ended 30 September 2009	Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Special reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total share-holders' funds £'000s
	Balance at 30 September 2008	**19,731**	**77,630**	**4,146**	**4,434**	**46,365**	**5,895**	**158,201**
	Movements during the year ended 30 September 2009							
10	Dividends paid	**–**	**–**	**–**	**–**	**–**	**(7,303)**	**(7,303)**
	Ordinary shares issued	**1,180**	**6,769**	**–**	**–**	**–**	**–**	**7,949**
	Net return attributable to shareholders	**–**	**–**	**–**	**–**	**627**	**7,210**	**7,837**
	Balance at 30 September 2009	**20,911**	**84,399**	**4,146**	**4,434**	**46,992**	**5,802**	**166,684**

Notes	for the year ended 30 September 2008	Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Special reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total share-holders' funds £'000s
	Balance at 30 September 2007	20,548	76,334	3,154	6,034	93,581	4,480	204,131
	Movements during the year ended 30 September 2008							
10	Dividends paid	–	–	–	–	–	(6,193)	(6,193)
	Shares purchased and held in treasury	–	–	–	(1,600)	–	–	(1,600)
	Cancellation of ordinary shares previously held in treasury	(992)	–	992	–	–	–	–
	Ordinary shares issued	175	1,296	–	–	–	–	1,471
	Net return attributable to shareholders	–	–	–	–	(47,216)	7,608	(39,608)
	Balance at 30 September 2008	19,731	77,630	4,146	4,434	46,365	5,895	158,201

Balance Sheet

Notes	at 30 September	£'000s	2009 £'000s	£'000s	2008 £'000s
	Fixed assets				
11	Investments		**178,710**		157,136
	Current assets				
12	Debtors	**946**		1,908	
	Cash at bank and short-term deposits	**2,466**		437	
		3,412		2,345	
	Creditors: amounts falling due within one year				
13	Loans	**(14,000)**		–	
14	Other	**(1,438)**		(1,280)	
		(15,438)		(1,280)	
	Net current (liabilities)/assets		**(12,026)**		1,065
	Net assets		**166,684**		158,201
	Capital and reserves				
16	Share capital		**20,911**		19,731
17	Share premium account		**84,399**		77,630
18	Capital redemption reserve		**4,146**		4,146
19	Special reserve		**4,434**		4,434
20	Capital reserves		**46,992**		46,365
20	Revenue reserve		**5,802**		5,895
	Total shareholders' funds		**166,684**		158,201
21	**Net asset value per ordinary share – pence**		**199.28**		200.45

Approved by the Board on 27 November 2009
and signed on its behalf by

Pen Kent, Chairman

Cash Flow Statement

Notes	for the year ended 30 September	£'000s	2009 £'000s	£'000s	2008 £'000s
	Operating activities				
	Investment income received	**8,018**		8,085	
	Interest received	**32**		144	
	Other revenue	**225**		43	
	Distribution from subsidiary (in liquidation)	**472**		–	
	VAT recovered (including interest thereon)	**924**		–	
	Fee paid to management company	**(592)**		(786)	
	Fees paid to Directors	**(91)**		(83)	
	Other payments	**(565)**		(487)	
22	**Net cash inflow from operating activities**		**8,423**		6,916
	Servicing of finance				
	Interest paid	**(304)**		(375)	
	Net cash outflow from the servicing of finance		**(304)**		(375)
	Taxation				
	UK tax recovered	**–**		1	
	Total taxation		**–**		1
	Financial investment				
	Purchases of investments	**(43,181)**		(35,310)	
	Sales of investments	**23,691**		44,359	
	Other capital charges	**(11)**		(11)	
	Net cash (outflow)/inflow from financial investment		**(19,501)**		9,038
	Equity dividends paid		**(7,303)**		(6,193)
	Net cash (outflow)/inflow before use of liquid resources and financing		**(18,685)**		9,387
	Management of liquid resources				
23	Increase in short-term deposits		**(1,543)**		(433)
	Financing				
	Sterling loans raised/(repaid)	**14,000**		(10,000)	
	Shares purchased	**–**		(1,600)	
	Shares issued	**7,543**		1,471	
	Net cash inflow/(outflow) from financing		**21,543**		(10,129)
23	**Increase/(decrease) in cash**		**1,315**		(1,175)

Notes on the Accounts

1. GENERAL INFORMATION

F&C Capital and Income Investment Trust PLC is an investment company incorporated in the United Kingdom with a listing on the London Stock Exchange. The Company registration number is 2732011 and the registered office is Exchange House, Primrose Street, London, EC2A 2NY, England.

The Company conducts its affairs so as to qualify as an investment trust under the provisions of section 842 of the Income and Corporation Taxes Act 1988. Approval of the Company under section 842 has been received (subject to there being no subsequent enquiry) in respect of the year ended 30 September 2008 and all previous financial years. Such approval exempts the Company from UK corporation tax on gains realised in the relevant year on its portfolio of fixed asset investments.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The accounts of the Company have been prepared under the historical cost convention, modified to include fixed asset investments at fair value and in accordance with the Companies Act 2006, accounting standards applicable in the United Kingdom and with the Revised Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (SORP) issued in January 2009.

The functional and reporting currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates.

There have been no significant changes to the accounting policies during the year ended 30 September 2009.

In accordance with the SORP, the Income Statement has been analysed between a revenue account (dealing with items of a revenue nature) and a capital account (relating to items of a capital nature). Revenue returns include, but are not limited to, dividend income and operating expenses and tax. Net revenue returns are allocated via the revenue account to the revenue reserve, out of which dividend payments may be made. Capital returns include but are not limited to, profits and losses on the disposal and revaluation of fixed asset investments and currency profits and losses on cash and borrowings. Net capital returns may not be distributed by way of dividend and are allocated via the capital account to the capital reserves. Dividends payable to shareholders are shown in the Reconciliation of Movement in Shareholders' Funds.

(b) Principal accounting policies

The policies set out below have been applied consistently throughout the year.

(i) Fixed asset investments

As an investment trust, the Company measures its fixed asset investments at "fair value through profit or loss" and treats all transactions on the disposal and revaluation of investments as transactions on the capital account. Purchases are recognised on the relevant trade date, inclusive of expenses which are incidental to their acquisition. Sales are also recognised on the trade date, after deducting expenses incidental to the sales.

Quoted investments are valued at bid value at the close of business on the relevant date on the exchange on which the investment is quoted. Investments which are not quoted or which are not frequently traded are stated at Directors' best estimate of fair value. In arriving at their estimate, the Directors make use of recognised valuation techniques and may take account of recent arms' length transactions in the same or similar instruments. Where no reliable fair value can be estimated, investments are carried at cost or, where subsequently revalued, at their previous carrying amount less any provision for impairment.

(ii) Borrowings

Loans and overdrafts are recorded at the value of proceeds received, net of issue costs, irrespective of the duration of the instrument.

Finance charges, including interest, are accrued using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period. See (v) below for allocation of finance charges within the Income Statement.

(iii) Foreign currency

Monetary assets, monetary liabilities and equity investments denominated in a foreign currency are expressed in sterling at rates of exchange ruling at the Balance Sheet date. Purchases and sales of investment securities, dividend income, interest income and expenses are translated at the rates of exchange prevailing at the respective dates of such transactions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign exchange profits and losses on fixed asset investments are included within the changes in fair value in the capital account. Foreign exchange profits and losses on other currency balances are separately credited or charged to the capital account except where they relate to revenue items when they are credited or charged to the revenue account.

(iv) Income

Income from equity shares is brought into the revenue account (except where, in the opinion of the Directors, its nature indicates it should be recognised within the capital account) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield on the investment. Dividends are accounted for in accordance with Financial Reporting Standard ("FRS") 16 "Current Taxation" on the basis of income actually receivable, without adjustment for the tax credit attaching to the dividends. Dividends from overseas companies are shown gross of withholding tax. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash (scrip dividends), the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in the capital account.

(v) Expenses, including finance charges

Expenses, including finance charges, are charged to the revenue account of the Income Statement, except as noted below:

- expenses incidental to the acquisition or disposal of fixed asset investments which are included within the cost of the investments or deducted from the disposal proceeds of investments and are thus charged to capital reserve – arising on investments sold via the capital account; and
- 50% of management fees and 50% of finance costs are allocated to capital reserve – arising on investments sold via the capital account, in accordance with the Board's long-term expected split of returns from the investment portfolio of the Company.

All expenses are accounted for on an accruals basis.

(vi) Taxation

Deferred tax is provided for in accordance with FRS19 "deferred tax" on all timing differences that have originated but not reversed by the Balance Sheet date, based on the tax rates that are expected to apply in the period . Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. In line with the recommendations of the SORP, the allocation method used to calculate the tax relief on expenses charged to capital is the "marginal" basis. Under this basis, if taxable income is capable of being offset entirely by expenses charged through the revenue account, then no tax relief is transferred to the capital account.

(vii) Capital redemption reserve

The nominal value of ordinary share capital purchased and cancelled is transferred out of called-up share capital and into the capital redemption reserve.

(viii) Special reserve

The following are accounted for in this reserve:

- costs of purchasing share capital for cancellation; and
- costs of purchasing or selling share capital to be held in, or sold out of, treasury.

(ix) Capital reserves

Capital reserve – arising on investments sold

The following are accounted for in this reserve:

- gains and losses on the disposal of fixed asset investments;
- realised foreign exchange differences of a capital nature;
- costs of professional advice, including related irrecoverable VAT, relating to the capital structure of the Company; and
- other capital charges and credits charged or credited to this account in accordance with the above policies.

Capital reserve – arising on investments held

The following are accounted for in this reserve:

- increases and decreases in the valuation of fixed asset investments held at the year end; and
- unrealised foreign exchange differences of a capital nature.

Notes on the Accounts (continued)

3. INCOME

	2009 £'000s	2008 £'000s
Income from investments		
UK dividends	7,124	7,556
UK scrip dividend	62	104
Bond interest	186	–
Overseas dividends	373	634
	7,745	8,294
Interest on cash and short-term deposits	32	143
Interest on VAT recovered (see note 5)	179	–
Underwriting commission	221	43
Other income	4	–
	436	186
Total income	8,181	8,480
Total income comprises		
Dividends	7,559	8,294
Other income	622	186
	8,181	8,480
Income from investments		
Quoted UK	7,295	7,660
Quoted overseas	450	634
	7,745	8,294

As at 30 September 2009 there were no outstanding underwriting contracts.

4. MANAGEMENT FEE

	2009 £'000s	2008 £'000s
Management fee	608	733
Irrecoverable VAT thereon*	–	(37)
	608	696
Less: allocated to capital reserve – arising on investments sold (see note 20)	(304)	(348)
	304	348

*with effect from 30 September 2007 VAT is no longer chargeable on management fees.

The Manager provides investment management and general administrative services to the Company for a quarterly management fee payable in arrears equal to 0.1% of the funds under management. The management agreement may be terminated upon six months' notice given by either party.

5. RECOVERABLE VAT

	2009 £'000s	2008 £'000s
Recoverable VAT in respect of management fees	167	578

Management fees are no longer subject to VAT. The Company has now recovered £745,000 from HMRC, via its Manager, in relation to VAT paid on such fees in the periods 1990 to 1996 and 2001 to 2007. Of this amount, £578,000 was recognised in the Income Statement for the year ended 30 September 2008 and £167,000 has been recognised in the current year to 30 September 2009. Amounts relating to the period 1997 to 2000 have not been accrued or recognised as a contingent asset as their recovery remains uncertain under law. In addition, interest of £179,000 relating to the VAT recovered has been received and is recognised in the Income Statement in the current period (see note 3).

In addition, the Company received a distribution from its subsidiary, F&C Income Growth Investment Trust PLC (in liquidation) ("FIGIT"), of £472,000 in respect of VAT and interest receipts relating to the same periods. Of this amount, £260,000 was included within the capital reserve in the year ended 30 September 2008 and £212,000 has been recognised in the capital reserve in the current year (see note 20).

6. OTHER EXPENSES

	2009 £'000s	2008 £'000s
Auditors' remuneration:		
– for audit services[1]	30	29
– for other services[2, 3]	2	2
Directors' fees for services to the Company[4]	91	83
Directors' and Officers' liability insurance	11	11
Loan commitment fee	32	14
Marketing	70	80
Professional fees	18	35
Printing and postage	61	50
Registrars' fees	24	28
Savings plan expenses	204	156
Subscriptions and listing fees	40	34
Sundry expenses	73	36
	656	558

1. Includes irrecoverable VAT of £3,800 (2008: £4,000).
2. Includes irrecoverable VAT of £250 (2008: £300)
3. In addition, during the year the auditors earned £7,700 (2008:£19,000) in respect of the liquidation of the subsidiary company (see note 20).
4. See the Directors' Remuneration Report on page 26.

All expenses are stated gross of irrecoverable VAT, where applicable.

7. FINANCE COSTS

	2009 £'000s	2008 £'000s
Interest payable on bank loans and overdrafts repayable within five years, not by instalments	308	356
Less: allocated to capital reserve – arising on investments sold (see note 20)	(154)	(178)
	154	178

Notes on the Accounts (continued)

8. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the year

	Revenue £'000s	Capital £'000s	2009 Total £'000s	Revenue £'000s	Capital £'000s	2008 Total £'000s
Overseas taxation	24	–	24	77	–	77
Current tax charge on ordinary activities (see note 8(b))	24	–	24	77	–	77

(b) Factors affecting the current tax charge for the year

	Revenue £'000s	Capital £'000s	2009 Total £'000s	Revenue £'000s	Capital £'000s	2008 Total £'000s
Return on ordinary activities before tax	7,234	627	7,861	7,685	(47,289)	(39,604)
Return on ordinary activities multiplied by the effective rate of corporation tax of 28% (2008: 29%)	2,026	176	2,202	2,229	(13,714)	(11,485)
Effects of:						
UK dividends*	(1,995)	–	(1,995)	(2,181)	–	(2,181)
UK scrip dividend*	(17)	–	(17)	(30)	–	(30)
Overseas dividends*	(14)	–	(14)	–	–	–
Expenses utilised from prior years	(117)	–	(117)	(71)	–	(71)
Surrender of losses to FIGIT**	87	–	87	15	–	15
Expenses not utilised in the year	–	71	71	–	69	69
Expenses not deductible for tax purposes	28	–	28	36	–	36
Overseas taxation not relieved	24	–	24	77	–	77
Movement in taxable income accruals	2	–	2	2	–	2
Capital returns*	–	(247)	(247)	–	13,645	13,645
Total current taxation (see note 8(a))	24	–	24●	77	–	77

* These items are not subject to corporation tax in an investment trust company.

** Unutilised tax expenses surrendered to subsidiary company for relief against taxable profits of that company.

The potential deferred tax asset of £2.2 million (2008: £2.2 million) in respect of unutilised expenses and unrelieved overseas taxation at 30 September 2009 has not been recognised as it is unlikely that these expenses will be utilised.

9. RETURN PER ORDINARY SHARE

Revenue return

The revenue return per share is based on the revenue return attributable to shareholders of £7,210,000 profit (2008: £7,608,000 profit).

Capital return

The capital return per share is based on the capital return attributable to shareholders of £627,000 profit (2008: £47,216,000 loss).

Total return

The total return per share is based on the total return attributable to shareholders of £7,837,000 profit (2008: £39,608,000 loss).

Weighted average ordinary shares in issue

Both the revenue and capital returns per share are based on a weighted average of 81,433,763 (2008: 78,479,263) ordinary shares in issue during the year. Shares held in treasury have been excluded from the weighted average number of shares in issue with effect from the date of purchase.

10. DIVIDENDS

Dividends on ordinary shares	Register date	Payment date	2009 £'000s	2008 £'000s
Final for the year ended 30 September 2007 of 2.40 pence per share	4 Jan 2008	31 Jan 2008		1,877
First of three interims for the year ended 30 September 2008 of 1.80 pence per share	8 Feb 2008	31 Mar 2008		1,408
Second of three interims for the year ended 30 September 2008 of 1.80 pence per share	23 May 2008	30 Jun 2008		1,408
Third of three interims for the year ended 30 September 2008 of 1.90 pence per share	29 Aug 2008	28 Sep 2008		1,500
Final for the year ended 30 September 2008 of 2.50 pence per share	5 Dec 2008	19 Jan 2009	1,983	
Special for the year ended 30 September 2008 of 0.40 pence per share	5 Dec 2008	19 Jan 2009	317	
First of four interims for the year ended 30 September 2009 of 1.90 pence per share	6 Mar 2009	31 Mar 2009	1,536	
Special for the year ended 30 September 2009 of 0.40 pence per share	6 Mar 2009	31 Mar 2009	323	
Second of four interims for the year ended 30 September 2009 of 1.90 pence per share	29 May 2009	30 Jun 2009	1,562	
Third of four interims for the year ended 30 September 2009 of 1.90 pence per share	28 Aug 2009	30 Sep 2009	1,582	
			7,303	6,193

The Directors have declared a fourth interim dividend in respect of the year ended 30 September 2009 of 2.55 pence per share, payable on 31 December 2009 to all shareholders on the register at close of business on 11 December 2009. The fourth interim dividend has not been included as a liability in these financial statements. The dividends paid and payable in respect of the financial year ended 30 September 2009, which form the basis of the retention test for section 842 of the Income and Corporation Tax Act 1988, are set out below:

	2009 £'000s
Net revenue return attributable to shareholders	7,210
First interim for the year ended 30 September 2009 of 1.90 pence per share	(1,536)
Special for the year ended 30 September 2009 of 0.40 pence per share	(323)
Second interim for the year ended 30 September 2009 of 1.90 pence per share	(1,562)
Third interim for the year ended 30 September 2009 of 1.90 pence per share	(1,582)
Fourth interim dividend for the year ended 30 September 2009 of 2.55 pence per share†	(2,133)
Estimated undistributed revenue for section 842 purposes*	74

* Estimated undistributed revenue represents 1.0% of income from investments of £7,683,000 (see note 3).

† Based on 83,644,268 shares in issue and entitled to dividend at 25 November 2009.

Notes on the Accounts (continued)

11. INVESTMENTS

	Quoted UK* £'000s	Quoted overseas £'000s	Unquoted £'000s	2009 Total £'000s
Cost at 30 September 2008	145,733	12,633	–	158,366
Unrealised appreciation/(depreciation) at 30 September 2008	812	(2,042)	–	(1,230)
Valuation at 30 September 2008	146,545	10,591	–	157,136
Movements in the year:				
Purchases at cost	34,204	8,224	1,785	44,213
Sales				
– proceeds	(17,954)	(5,569)	–	(23,523)
– realised losses on sales	(6,178)	(1,395)	–	(7,573)
Movement in unrealised appreciation	5,503	2,954	–	8,457
Valuation at 30 September 2009	162,120	14,805	1,785	178,710
Cost at 30 September 2009	144,414	12,806	1,785	159,005
Unrealised appreciation at 30 September 2009	17,706	1,999	–	19,705
Valuation at 30 September 2009	**162,120**	**14,805**	**1,785**	**178,710**

The investment portfolio is set out on pages 13 and 14.

*Includes investments quoted on the Alternative Investment Market in the UK.

Gains and losses on investments held at fair value	2009 £'000s	2008 £'000s
Realised losses based on historical cost	**(20,051)**	(135)
Add/(subtract) amounts recognised as unrealised losses/(gains) in previous years	**12,478**	(2,866)
Realised losses based on carrying value at previous Balance Sheet date	**(7,573)**	(3,001)
Movement in unrealised appreciation/(depreciation)	**8,457**	(44,233)
Gains/(losses) on investments	**884**	(47,234)

Investment in subsidiary

The Company holds 100% of the issued share capital of FIGIT valued at £nil (2008: £nil). See notes 5, 12 and 20 in connection with recoverable VAT in relation to FIGIT. The consolidation of the subsidiary undertaking is not material for the purpose of giving a true and fair view and hence in accordance with section 405 of the Companies Act 2006, the Company has not prepared consolidated accounts.

12. DEBTORS

	2009 £'000s	2008 £'000s
Investment debtors	**–**	168
Prepayments and accrued income	**530**	876
Share issue outstanding	**406**	–
Recoverable VAT	**–**	578
Amounts due from FIGIT	**–**	260
Overseas taxation recoverable	**2**	18
UK taxation recoverable	**8**	8
	946	1,908

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR – LOANS

Sterling loans	2009 £'000s	2008 £'000s
Loan at 1.0532% repaid October 2009	14,000	–

At 25 November 2009, short-term borrowings were £14 million. The maximum unsecured loan facility is £20 million.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR – OTHER

	2009 £'000s	2008 £'000s
Bank overdraft	–	829
Investment creditors	1,125	155
Management fee	174	158
Accruals	139	138
	1,438	1,280

15. GEOGRAPHICAL AND INDUSTRIAL CLASSIFICATION (TOTAL ASSETS LESS CURRENT LIABILITIES)

	UK %	Europe ex UK %	2009 Total %	2008 Total %
Equity investments				
Financials	22.3	0.2	22.5	23.4
Oil & gas	18.8	–	18.8	16.2
Consumer goods	9.9	1.4	11.3	13.7
Telecommunications	10.6	–	10.6	8.5
Health care	9.8	–	9.8	10.4
Utilities	9.4	–	9.4	10.8
Consumer services	6.6	2.0	8.6	5.4
Industrials	3.4	3.3	6.7	2.6
Basic materials	5.5	–	5.5	8.3
Technology	–	0.8	0.8	–
Fixed interest investments				
Utilities	1.4	–	1.4	
Basic materials	–	1.4	1.4	
Financials	0.4	–	0.4	–
Total investments	98.1	9.1	107.2	99.3
Net current (liabilities)/assets	(7.2)	–	(7.2)	0.7
Total assets less current liabilities	90.9	9.1	100.0	
2008 totals	93.3	6.7		100.0

Notes on the Accounts (continued)

16. CALLED UP SHARE CAPITAL

Share capital	Total shares in issue – number	Total shares in issue £'000s
Ordinary shares of 25 pence each		
Authorised	100,000,000	25,000
Balance at 30 September 2008	78,924,268	19,731
Ordinary shares issued	4,720,000	1,180
Balance at 30 September 2009	**83,644,268**	**20,911**

No further share issues have occurred since the year end.

17. SHARE PREMIUM ACCOUNT

	2009 £'000s	2008 £'000s
Balance brought forward	**77,630**	76,334
Premium on issue of shares	**6,769**	1,296
Balance carried forward	**84,399**	77,630

18. CAPITAL REDEMPTION RESERVE

	2009 £'000s	2008 £'000s
Balance brought forward	**4,146**	3,154
Transfer from share capital on cancellation of ordinary shares	**–**	992
Balance carried forward	**4,146**	4,146

19. SPECIAL RESERVE

	2009 £'000s	2008 £'000s
Balance brought forward	**4,434**	6,034
Purchase of ordinary shares held in treasury	**–**	(1,600)
Balance carried forward	**4,434**	4,434

20. OTHER RESERVES

	Capital reserve – arising on investments sold £'000s	Capital reserve – arising on investments held £'000s	Capital reserve – total £'000s	Revenue reserve £'000s
Movements in the year				
Realised losses on investments	(7,573)	–	(7,573)	–
Transfers on disposal of investments	(12,478)	12,478	–	–
Management fees and related VAT (see note 4)	(304)	–	(304)	–
Distribution from FIGIT (see note 5)	212	–	212	–
Interest expense (see note 7)	(154)	–	(154)	–
Other expenses	(11)	–	(11)	–
Increase in unrealised appreciation on investments	–	8,457	8,457	–
Revenue return				7,210
Return attributable to shareholders	(20,308)	20,935	627	7,210
Dividends paid	–	–	–	(7,303)
Balance at 30 September 2008	47,595	(1,230)	46,365	5,895
Balance at 30 September 2009	**27,287**	**19,705**	**46,992**	**5,802**

Included within the capital reserve movement for the year are £176,000 of transaction costs on purchases of investments (2008: £132,000) and £36,000 of transaction costs on sales of investments (2008: £71,000). With the exception of the distribution from FIGIT, disclosed above, there were no dividends recognised as capital (2008: £nil).

21. NET ASSET VALUE PER ORDINARY SHARE

Net asset value ("NAV") per ordinary share is based on total net assets of £166,684,000 (2008: £158,201,000) and on 83,644,268 (2008: 78,924,268) ordinary shares in issue at the year end.

22. RECONCILIATION OF RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2009 £'000s	2008 £'000s
Total return before finance costs and taxation	**8,169**	(39,175)
Adjust for returns from non-operating activities:		
– (Gains)/losses on investments	**(884)**	47,234
– Exchange gains of a capital nature	**–**	(4)
– Non-operating expenses of a capital nature	**11**	9
Return from operating activities	**7,296**	8,064
Adjust for non-cash flow items:		
Scrip dividend	**(62)**	(104)
Decrease/(increase) in debtors	**1,184**	(848)
Increase/(decrease) in creditors	**13**	(102)
Overseas taxation	**(8)**	(94)
Net cash inflow from operating activities	**8,423**	6,916

Notes on the Accounts (continued)

23. RECONCILIATION OF NET CASH FLOW MOVEMENT TO MOVEMENT IN NET DEBT

	2009 £'000s	2008 £'000s
Increase/(decrease) in cash	**1,315**	(1,175)
Increase in short-term deposits	**1,543**	433
(Increase)/decrease in short-term loans	**(14,000)**	10,000
Change in net debt resulting from cash flows	**(11,142)**	9,258
Exchange movement on currency balances	**–**	4
Movement in net debt during the period	**(11,142)**	9,262
Balance at 30 September 2008	**(392)**	(9,654)
Balance at 30 September 2009	**(11,534)**	(392)

Represented by:	Balance at 30 September 2008 £'000s	Cash flow £'000s	Foreign Exchange movement £'000s	Balance at 30 September 2009 £'000s
Cash at bank	–	486	–	**486**
Short-term deposits	437	1,543	–	**1,980**
Bank overdraft	(829)	829	–	**–**
	(392)	2,858	–	**2,466**
Short-term loans	–	(14,000)	–	**(14,000)**
	(392)	(11,142)	–	**(11,534)**

24. FINANCIAL RISK MANAGEMENT

The Company is an investment company, listed on the London Stock Exchange, and conducts its affairs so as to qualify in the United Kingdom ("UK") as an investment trust under the provisions of section 842. In so qualifying, the Company is exempted in the UK from corporation tax on capital gains on its portfolio of investments.

The Company's investment objective is to secure long-term capital and income growth from a portfolio consisting mainly of FTSE All-Share companies. The Company can also have exposure to leading overseas companies, with the value of the non-UK portfolio not exceeding 10% of the Company's gross assets. In pursuing this objective, the Company is exposed to financial risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit. The Board, together with the Manager, is responsible for the Company's risk management, as set out in detail in the Directors' Report and Business Review. The Directors' policies and processes for managing the financial risks are set out in (a), (b) and (c) below.

The accounting policies which govern the reported Balance Sheet carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 2 on the accounts. The policies are in compliance with UK accounting standards and best practice. The Company does not make use of hedge accounting rules.

(a) Market risks

The fair value of equity and other financial securities held in the Company's portfolio fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. The Board sets policies for managing these risks within the Company's objective and meets regularly to review full, timely and relevant information on investment performance and financial results. The Manager assesses exposure to market risks when making each investment decision and monitors ongoing market risk within the portfolio.

As up to 10% of the Company's gross assets can be invested in non-UK assets, other assets and liabilities may be denominated in currencies other than sterling and may also be exposed to interest rate risks. The Manager and the Board regularly monitor these risks. The Company does not normally hold significant cash balances. It is not the Board's general policy to borrow in currencies other than sterling and any such borrowings would be limited to amounts and currencies commensurate with the portfolio's exposure to those currencies, thereby limiting the Company's exposure to future changes in foreign exchange rates.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Gearing may be short or long-term in foreign currencies, and enables the Company to take a long-term view of the countries and markets in which it is invested without having to be concerned about short-term volatility.

Income earned in foreign currencies is converted to sterling on receipt. The Board regularly monitors the effects on net revenue of interest earned on deposits and paid on gearing.

Currency exposure

The principal currency to which the Company was exposed during the year was the euro. As stated above, the exposure to currencies other than sterling cannot exceed 10% of the Company's gross assets.

The exchange rates for the euro applying against sterling at 30 September and the average rates during the year ended 30 September were as follows:

	2009 At 30 September	2009 Average for the year	2008 At 30 September	2008 Average for the year
Euro	**1.0942**	**1.1496**	1.2690	1.3171

Based on the financial assets and liabilities held and the exchange rates applying at the Balance Sheet date, a weakening or strengthening of sterling against the euro by 10% would have the following approximate effect on returns attributable to shareholders and on the NAV per share:

Weakening of sterling by 10% against the euro	2009 £'000s	2008 £'000s
Net revenue return attributable to shareholders	**67**	47
Net capital return attributable to shareholders	**1,645**	1,230
Net total return attributable to shareholders	**1,712**	1,277
NAV per share – pence	**2.05**	1.55

Strengthening of sterling by 10% against the euro	2009 £'000s	2008 £'000s
Net revenue return attributable to shareholders – £'000s	**(37)**	(41)
Net capital return attributable to shareholders – £'000s	**(1,346)**	(1,007)
Net total return attributable to shareholders – £'000s	**(1,383)**	(1,048)
NAV per share – pence	**1.65**	(1.28)

These effects are representative of the Company's activities although the level of the Company's exposure to the euro fluctuates in accordance with the investment and risk management processes. As this analysis only reflects financial assets and liabilities, it does not include the impact of currency exposures on the management fee.

The fair values of the Company's assets and liabilities at 30 September by currency are shown below:

2009	Investments £'000s	Short-term debtors £'000s	Cash at bank £'000s	Short-term creditors – loans £'000s	Short-term creditors – other £'000s	Net exposure £'000s
Sterling	163,905	946	2,456	(14,000)	(1,438)	151,869
Euro	14,094	–	2	–	–	14,096
Other	711	–	8	–	–	719
Total	**178,710**	**946**	**2,466**	**(14,000)**	**(1,438)**	**166,684**

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

2008	Investments £'000s	Short-term debtors £'000s	Cash at bank £'000s	Short-term creditors – loans £'000s	Short-term creditors – other £'000s	Net exposure £'000s
Sterling	146,545	1,908	4	–	(1,172)	147,285
Euro	9,848	–	433	–	(108)	10,173
Other	743	–	–	–	–	743
Total	157,136	1,908	437	–	(1,280)	158,201

Interest rate exposure

The exposure of the financial assets to interest rate movements at 30 September was:

	2009 Within one year £'000s	2008 Within one year £'000s
Exposure to floating rates		
Cash	**2,466**	437
Overdrafts	**–**	(829)
Exposure to fixed rates		
Fixed interest securities	**5,370**	–
Borrowings	**(14,000)**	–
Net exposure	**(6,164)**	(392)
Minimum net exposure during the year	**474**	3,427
Maximum net exposure during the year	**(6,164)**	(9,489)

Exposures vary throughout the year as a consequence of changes in the make-up of the net assets of the Company arising out of the investment and risk management processes.

Interest received on cash balances, or paid on bank overdrafts and borrowings, is at ruling market rates.

The Company holds fixed interest investments. The weighted average interest rate and average duration until maturity is detailed below.

	2009 £'000s	**2009 Weighted average interest rate**	**2009 Average duration until maturity**	2008 £'000s	2008 Weighted average interest rate	2008 Average duration until maturity
Fixed interest securities	**5,370**	**4.81%**	**4.2 years**	–	–	–

The Company's total returns and net assets are sensitive to changes in interest rates on cash and borrowings.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Based on the financial assets and liabilities held and the interest rates ruling at each balance sheet date, a decrease or increase in interest rates of 2% would have the following approximate effects on the Income Statement revenue and capital returns after tax and on the NAV per share:

	2009 Increase in rate £'000s	2009 Decrease in rate £'000s	2008 Increase in rate £'000s	2008 Decrease in rate £'000s
Revenue return	(91)	91	(9)	9
Capital return	(140)	140	–	–
Total return	(231)	231	(9)	9
NAV per share – pence	(0.29)	0.29	(0.01)	0.01

Other market risk exposures

The Company does not usually enter into derivative transactions in managing its exposure to other market risks. The portfolio of investments, valued at £178,710,000 at 30 September 2009 (2008: £157,136,000) is therefore exposed to market price changes. The Manager assesses these exposures at the time of making each investment decision. The Board reviews overall exposures at each meeting against indices and other relevant information. An analysis of the portfolio by country and major industrial sector is set out in note 15 on the accounts.

Based on the portfolio of investments held at each Balance Sheet date, and assuming other factors, including the management charge, remain constant, a decrease or increase in the fair value of the portfolio in sterling terms by 20% would have had the following approximate effects on the net capital return attributable to shareholders and on the NAV per share:

	2009 Increase in value £'000s	2009 Decrease in value £'000s	2008 Increase in value £'000s	2008 Decrease in value £'000s
Capital return	35,742	(35,742)	31,427	(31,427)
NAV per share – pence	42.73	(42.73)	38.24	(38.24)

(b) Liquidity risk

The Company is required to raise funds to meet commitments associated with financial instruments and share buybacks. These funds may be raised either through the realisation of assets or through increased borrowing. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given: the number of quoted investments held in the Company's portfolio (68 at 30 September 2009); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio (see note 15); and the existence of an ongoing loan facility agreement. Cash balances are held with approved banks, usually on overnight deposit. The Company does not normally invest in derivative products. The Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting.

The Company has a loan facility with Lloyds TSB Scotland plc of £20 million which is renewable in March 2011.

The contractual maturities of the financial liabilities at each Balance Sheet date, based on the earliest date on which payment can be required, were as follows:

	2009 Three months or less £'000s	2008 Three months or less £'000s
Current liabilities – loans	14,000	–
Current liabilities – other	1,438	1,280
	15,438	1,280

Notes on the Accounts (continued)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk and counterparty exposure

The Company is exposed to potential failure by counterparties to deliver securities for which the Company has paid, or to pay for securities which the Company has delivered. Such transactions must be settled on the basis of delivery against payment (except where local market conditions do not permit).

Responsibility for the approval, limit setting and monitoring of counterparties is delegated to the Manager and a list of approved counterparties is periodically reviewed by the Board. Broker counterparties are selected based on a combination of criteria, including credit rating, balance sheet strength and membership of a relevant regulatory body. The rate of default in the past has been negligible. Cash and deposits are held with approved banks.

The Company has an ongoing contract with its custodian for the provision of custody services. The contract is reviewed regularly. Details of securities held in custody on behalf of the Company are received and reconciled monthly.

To the extent that the Manager carries out management and administrative duties (or causes similar duties to be carried out by third parties) on the Company's behalf, the Company is exposed to counterparty risk. The Board assesses this risk through regular meetings with the management of F&C (including the fund manager) and with the Manager's internal audit function. In reaching its conclusions, the Board also reviews the Manager's parent group's annual audit and assurance faculty report.

None of the Company's financial liabilities are past their due date or impaired.

(d) Fair values of financial assets and liabilities

The assets and liabilities of the Company are, in the opinion of the Directors, reflected in the Balance Sheet at fair value, or at a reasonable approximation thereof. Borrowings under loan facilities are short-term in nature and hence do not have a value materially different from their capital repayment amount. It is not the Board's general policy to borrow in currencies other than sterling.

(e) Capital risk management

The objective of the Company is stated as being to secure long-term capital and income growth from a portfolio consisting mainly of FTSE All-Share companies. In pursuing this long-term objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern. It must therefore maintain an optimal capital structure through varying market conditions. This involves the ability to: issue and buy back share capital within limits set by the shareholders in general meeting; borrow monies in the short and long term; and pay dividends to shareholders out of current year revenue earnings as well as out of brought forward revenue reserves.

Changes to ordinary share capital are set out in note 16 on the accounts. Dividend payments are set out in note 10 on the accounts. Details of any loans are set out in note 13 on the accounts.

25. RELATED PARTY TRANSACTIONS

The following are considered related parties: the Board of Directors (the "Board") and F&C Management Limited ("F&C"). There are no transactions with the Board other than: aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on page 26 and as set out in note 6 on the accounts; and the beneficial interests of the Directors in the ordinary shares of the Company as disclosed on page 20. There are no outstanding balances with the Board at the year end. Transactions between the Company and F&C are detailed in note 4 on management fees and the outstanding balance is detailed in note 14.

26. POST BALANCE SHEET MOVEMENTS IN NET ASSETS

The NAV per share as at close of business on 24 November 2009 was 203.62 pence (30 September 2009: 199.28 pence)

Ten Year Record

Assets

at 30 September (£'000s)	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
Total assets	101,887	109,714	88,318	70,061	79,466	91,509	187,846	208,755	214,131	158,201	**180,684**
Loans	–	5,400	–	–	–	6,000	8,500	8,000	10,000	–	**14,000**
Net assets	101,887	104,314	88,318	70,061	79,466	85,509	179,346	200,755	204,131	158,201	**166,684**

Net asset value ("NAV")

at 30 September	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
NAV per share – pence	191.1	206.0	175.4	141.0	158.5	180.2	220.4	249.0	258.8	200.4	**199.3**
NAV total return on 100p – 5 years (per AIC)											**129.8**
NAV total return on 100p – 10 years (per AIC)											**139.4**

Share price

at 30 September	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
Middle market price per share – pence	171.5	173.0	161.5	135.5	159.0	173.5	211.3	233.5	243.3	196.5	**199.0**
Discount/(premium) to NAV – %	10.3	16.0	7.9	3.9	(0.3)	3.7	4.2	6.2	6.0	2.0	**0.1**
Share price high– pence	183.5	192.0	183.8	195.0	169.0	177.0	211.3	240.0	258.0	249.0	**202.5**
Share price low – pence	136.0	154.5	141.5	119.0	122.0	155.5	174.0	196.0	222.5	188.5	**140.0**
Share price total return on 100p – 5 years (per AIC)											**135.1**
Share price total return on 100p – 10 years (per AIC)											**160.3**

Revenue

for the year ended 30 September	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
Available for ordinary shares (£'000s)	2,964	2,546	2,872	2,460	2,629	2,597	4,046	5,879	6,604	7,608	**7,210**
Earnings per share –pence	5.19	4.90	5.70	4.93	5.28	5.38	6.56	7.25	8.25	9.69	**8.85**
Dividends per share – pence	4.80	4.95	5.10	5.25	5.35	5.45	5.80	6.50	7.40	8.40	**8.65**

Performance

(rebased to 100 at 30 September 1999)

	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
NAV per share	100.0	107.8	91.8	73.8	82.9	94.3	115.3	130.3	135.4	104.9	**104.2**
Mid-market price per share	100.0	100.9	94.2	79.0	92.7	101.2	123.2	136.2	141.9	114.6	**116.0**
Revenue return per share	100.0	94.4	109.8	95.0	101.7	103.7	126.4	139.7	159.0	186.7	**170.5**
Dividends per share	100.0	103.1	106.3	109.4	110.4	113.5	120.8	135.4	154.2	175.0	**180.2**
FTSE All-Share Index	100.0	107.2	82.8	63.7	71.7	80.4	97.1	107.9	117.4	87.9	**93.2**
RPI	100.0	103.3	105.1	106.9	109.8	113.2	116.2	120.4	125.2	131.4	**129.5**

* Restated to reflect changes in accounting policies.

Definitions

Total assets	Total assets less current liabilities (excluding loans).
NAV total return	Return on net assets per share with dividends paid to shareholders reinvested.
AIC	Association of Investment Companies.
Discount/(premium) to NAV	Amount by which the middle market share price is less/(greater) than the NAV.
Share price total return	Return on the middle market share price with dividends paid to shareholders reinvested.
RPI	All-items retail price index.

Ten Year Record (continued)

Costs of running the Company (total expense ratio)

for the year ended 30 September	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
Operating costs as a percentage of:											
Average net assets – %	0.58	0.61	0.60	0.67	0.75	0.74	0.69	0.74	0.73	0.70†	**0.76†**
Average total assets – %	0.58	0.59	0.59	0.67	0.75	0.69	0.66	0.70	0.70	0.69	**0.69**

Gearing

at 30 September	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
Effective gearing/(net liquidity) – %	(1.40)	4.40	(0.80)	(1.30)	(0.60)	6.23	2.94	1.81	4.74	0.24	**7.60**
Fully invested gearing – %	–	5.20	–	–	–	7.11	4.74	3.99	4.91	–	**8.40**

* Restated to reflect changes in accounting policies.
† Excludes VAT recovered in respect of management fees

Definitions

Operating costs	All costs charged to revenue and capital, other than interest costs, taxation, the costs of purchase of share capital and the costs of buying and selling investments.
Average net assets	The average of net assets at the end of each quarter.
Average total assets	The average of total assets at the end of each quarter.
Effective gearing	Loans, less cash (adjusted for settlements), as a percentage of net assets.
Fully invested gearing	Loans as a percentage of net assets.

Notice of Annual General Meeting

Notice is hereby given that the seventeenth annual general meeting of the Company will be held at Exchange House, Primrose Street, London EC2A 2NY on Thursday 14 January 2010 at 11.30 a.m. for the following purposes:

Ordinary business

To consider and, if thought fit, pass the following resolutions 1 to 6 as ordinary resolutions:

1. To receive and adopt the Directors' report and accounts for the year ended 30 September 2009.
2. To approve the Directors' Remuneration Report.
3. To re-elect Pen Kent as a Director.
4. To re-elect Hugh Priestley as a Director.
5. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company.
6. To authorise the Directors to determine the remuneration of the auditors.

To consider and, if thought fit, pass the following resolution as a special resolution:

7. THAT:
   (a) the Directors be and they are hereby:
      (i) generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company under section 551 to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company (together being "relevant securities") up to an aggregate nominal amount of £2,091,106 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 in 2011 (the "relevant period"); and
      (ii) empowered, pursuant to section 571 of the Act, to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority referred to in paragraph (a)(i) of this resolution, and/or to transfer equity securities which are held by the Company in treasury, during the relevant period up to an aggregate nominal amount of £2,091,106, in each case as if section 561(1) of the Act did not apply to any such allotment or transfer; but so that this authority and power shall enable the Company to make offers or agreements which would or might require relevant securities or equity securities to be allotted or transferred after the expiry of the relevant period and notwithstanding such expiry the Directors may allot or transfer relevant securities and/or equity securities in pursuance of such offers or agreements;
   (b) all authorities and powers previously conferred under section 80 or section 95 of the Companies Act 1985 be and they are hereby revoked, provided that such revocation shall not have retrospective effect; and
   (c) words and expressions defined in or for the purposes of Part II of the Act shall bear the same meanings in this resolution.

To consider and, if thought fit, pass the following resolution as a special resolution:

8. THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693 of the Act) of ordinary shares of 25 pence each in the capital of the Company ("ordinary shares") on such terms and in such manner as the Directors may from time to time determine, provided that:
   (a) the maximum number of ordinary shares hereby authorised to be purchased shall be 12,538,275;
   (b) the minimum price which may be paid for an ordinary share shall be 25 pence;
   (c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased;
   (d) the minimum and maximum prices per ordinary share referred to in sub-paragraphs

Notice of Annual General Meeting
(continued)

(b) and (c) of this resolution are in each case exclusive of any expenses payable by the Company;

(e) the authority hereby conferred shall expire on the date which is 18 months after the passing of this resolution, unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; and

(f) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiry of such authority.

Special business

To consider and, if thought fit, pass the following resolution as a special resolution:

9. THAT:

(a) the articles of association of the Company be amended by deleting all of the provisions of the Company's memorandum of association which, by virtue of section 28 of the Companies Act 2006, are to be treated as part of the Company's articles of association;

(b) the articles of association of the Company be amended by deleting all the provisions referred to in paragraph 42 of schedule 2 of the Companies Act 2006 (Commencement No 8, Transitional Provisions and Savings) Order 2008 (Statutory Instrument 2008 No 2860); and

(c) the draft regulations produced to the meeting and, for the purposes of identification, initialled by the Chairman of the meeting be adopted as the articles of association of the Company in substitution for, and to the entire exclusion of, the existing articles of association of the Company.

To consider and, if thought fit, pass the following resolution as a special resolution:

10. THAT the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days' notice, such authority to expire at the conclusion of the next annual general meeting of the Company.

By order of the Board	Registered office:
F&C Management Limited	Exchange House
Secretary	Primrose Street
27 November 2009	London EC2A 2NY

Location of meeting

Notes:

Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered on the register of members of the Company at 11 p.m. on 12 January 2010 (the "specified time") shall be entitled to attend, speak and vote or be represented at the meeting in respect of the shares registered in their name at that time. Changes to entries on the register of members after the specified time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

If the meeting is adjourned to a time not more than 48 hours after the time applicable to the original meeting, the specified time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If, however, the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at 11 p.m. on the day which is two days (excluding non-working days) before the day of the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any time specified in that notice.

A member entitled to attend, speak and vote at the meeting may appoint one or more proxies to attend, speak and vote instead of him/her. A proxy need not be a member of the Company. The proxy form includes details on how to appoint more than one proxy. You may not appoint more than one proxy to exercise rights attached to any one share. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any person holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority. Any such person holding 3% or more of the voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

Information regarding the meeting, including the information required by section 311A of the Companies Act 2006 is available from www.fandccit.com.

As at 25 November 2009, the latest practicable date prior to publication of this document, the Company had 83,644,268 ordinary shares in issue with a total of 83,644,268 voting rights. No shares are held in treasury.

A member of the Company is entitled to attend and vote at the meeting. On a vote on a show of hands every member attending in person (or by proxy or corporate representative) is entitled to one vote and, where a poll is called, every member attending in person or by proxy is entitled to have one vote for every share of which he is the holder.

To be valid, a form of proxy for use at the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority, must be deposited with the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. Alternatively, the form of proxy may be returned by electronic means using the CREST service as detailed below or proxy votes can be submitted electronically at www.eproxyappointment.com by entering the Control Number, Shareholder Reference Number and PIN printed on the form of proxy. Proxy votes must be submitted electronically not less than 48 hours before the time appointed for holding the meeting (any part of a day which is a non-working day shall not be included in calculating the 48 hour period). You may not use any electronic address provided either in this notice or any related documents (including the form of proxy) to communicate with the Company for any purpose other than those expressly stated.

To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the Company's agent (ID number 3RA50) no later than the deadline stated above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. Instructions on how to vote through CREST can be found on the website www.euroclear.com/CREST.

Investors holding shares in the Company through the F&C savings plans ("F&C plans") should ensure that forms of direction are returned to Computershare Investor Services PLC not later than 96 hours before the time appointed for holding the meeting (any part of a day which is a non-working day shall not be included in calculating the 96 hour period). Alternatively, voting directions can be submitted electronically for all F&C plans other than the Pension Savings Plan at www.eproxyappointment.com by entering the Control Number, Shareholder Reference Number and PIN printed on the form of direction. Voting directions must be submitted electronically not less than 96 hours before the time appointed for holding the meeting.

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 147 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

The register of Directors' holdings, Directors' terms of appointment letters and a deed poll in relation to Directors' indemnities are available for inspection at the registered office of the Company during normal business hours on any weekday and will be available at the place of the meeting from 15 minutes prior to the commencement of the meeting until the conclusion thereof. No Director has any contract of service with the Company.

A copy of the articles of association of the Company as proposed to be adopted with effect from the passing of resolution 9 will be available for inspection at Royal London House, 22–25 Finsbury Square, London EC2A 1DX and at the registered office of the Company from the date of this notice until the conclusion of the annual general meeting and on the date of the annual general meeting at the annual general meeting 15 minutes prior to the start until the conclusion of the meeting.

Under section 319A of the Companies Act 2006, the Company must answer any question that a member may ask relating to the business being dealt with at the meeting unless: (i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

The members of the Company meeting the qualification criteria set out below may require the Company to publish on its website (without payment) a statement, which is also passed to the auditors, setting out any matter relating to the audit of the Company's accounts, including the Independent Auditors' Report and the conduct of the audit.

The qualification criteria for the preceding paragraph are that the Company has received such requests from either members representing at least 5% of the total voting rights of all the members who have a relevant right to vote or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state the members' full name and address and be sent to the Company's registered office.

The fourth interim dividend in respect of the year ended 30 September 2009 will be paid on 31 December 2009 to holders of ordinary shares on the register at the close of business on 11 December 2009.

Appendix: Summary of the proposed material changes to the articles of association of the Company

1. THE COMPANY'S MEMORANDUM OF ASSOCIATION

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake.

The Companies Act 2006 ("the Act") significantly reduces the constitutional significance of a company's memorandum. The Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in a company. Under the Act, the objects clause and all other provisions which are currently contained in a company's memorandum, for existing companies at 1 October 2009, will be deemed to be contained in a company's articles but companies can remove these provisions by special resolution.

In addition, the Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. The Company is therefore proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Act, would otherwise be treated as forming part of the articles of association as of 1 October 2009.

2. CHANGE OF NAME

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Act, a company is able to change its name by other means provided for by its articles of association. To take advantage of this provision, the new articles enable the Directors to pass a resolution to change the Company's name.

3. AUTHORISED SHARE CAPITAL AND UNISSUED SHARES

The Act abolishes the requirement for a company to have an authorised share capital. The Company is proposing changes to its articles to reflect this. The Directors will still be limited as to the number of shares they can allot at any time because allotment authority continues to be required under the Act.

4. ISSUE OF REDEEMABLE SHARES

The new articles will explicitly confer authority on the Board to determine the terms, conditions and manner of redemption of any issued redeemable shares in accordance with the Act, although this amendment would only have practical effect if the Company issues redeemable shares in the future.

5. SUSPENSION OF REGISTRATION OF SHARE TRANSFERS

The current articles permit the Directors to suspend the registration of transfers. Under the Act share transfers must be registered as soon as practicable. The power in the current articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the new articles.

6. CHAIRMAN'S CASTING VOTE

Provisions in the current articles giving the Chairman a casting vote at shareholders' meetings became ineffective from 1 October 2007, but companies with a casting vote provision in their articles on that date were, broadly, allowed to keep it. However, The Companies (Shareholders' Rights) Regulations 2009 require that all shareholders be treated equally and therefore the casting vote provision in the Company's articles became redundant on 3 August 2009.

7. VACATION OF OFFICE BY DIRECTORS

The current articles specify the circumstances in which a Director must vacate office. The new articles update these provisions to treat physical illness in the same manner as mental illness.

Information for Shareholders

Net asset value and share price

The Company's net asset value per share is released daily, on the working day following the calculation date, to the London Stock Exchange.

The current share price of F&C Capital and Income Investment Trust PLC is shown in the investment trust or investment companies section of the stock market page in most leading newspapers, usually under "F&C Capital and Income".

Performance information

Information on the Company's performance is provided in the half-yearly and final reports which are sent to shareholders in June and December respectively.

More up-to-date performance information is available on the internet at www.fandccit.com. This website also provides a monthly update on the Company's largest holdings with comments from the Manager.

UK capital gains tax ("CGT")

An approved investment trust does not pay tax on capital gains. UK resident individuals may realise net capital gains of up to £10,100 in the tax year ending 5 April 2010 without incurring any tax liability.

Taper relief and indexation allowances were abolished with effect from 6 April 2008 in favour of a single rate of charge to CGT of 18%.

Shareholders in doubt as to their CGT position should consult their professional advisers.

Income tax

The fourth interim dividend is payable in December 2009. Individual UK resident shareholders who are subject to UK income tax at the basic rate have no further tax liability.

Shareholders not resident in the UK, and any shareholders in doubt as to their tax position, should consult their professional advisers.

Association of Investment Companies ("AIC")

F&C Capital and Income Investment Trust PLC is a member of the AIC, which publishes monthly statistical information in respect of member companies. The publication also has details of investment plans available. For further details, please contact the AIC on 020 7282 5555, or visit the website www.theaic.co.uk

aic
The Association of
Investment Companies

How to Invest

Our Manager, F&C, runs a number of savings products which have been set up to provide cost effective and flexible ways to invest. Details of these products are listed below. You can buy F&C Capital and Income Investment Trust PLC shares using a bank or stockbroker or through a telephone dealing service. The shares can also be bought online; the F&C website at www.fandc.com has a link to Selftrade, one of Europe's biggest online stockbrokers.

Gains arising from assets held in an Individual Savings Account and Child Trust Fund are exempt from tax. Interest and dividends received on assets in these savings products are free of income tax, and there are income tax savings for higher rate taxpayers.

Private Investor Plan ("PIP")

It only costs 0.2% (plus 0.5% government stamp duty) to invest in F&C Capital and Income Investment Trust PLC via this simple savings plan and there are no ongoing charges. You can invest from £50 each month via a direct debit (£25 on behalf of a child) or from £500 as a lump sum. The minimum for top-up investments is £250. Investments in the PIP can be made online.

Pension Savings Plan ("PSP")

You can maximise your tax benefits and save for your retirement using this low cost personal pension plan. There is only a 0.5% management fee and this is capped at £500. Contributions can be made via a minimum £1,000 lump sum or by a monthly minimum direct debit of £50. The minimum top-up is £500. Now that personal pensions are no longer restricted to those with earnings of their own, almost everyone under the age of 75 is eligible. This means that you can invest on behalf of non-working spouses or partners and children.

Child Trust Fund ("CTF")

Parents can invest the Government voucher issued to all children born since 1 September 2002 in a CTF. There are no initial or annual plan charges and there is only 0.5% government stamp duty on any purchases. Parents and grandparents (or other relatives or friends) can add contributions totalling £1,200 a year. You can invest from £25 each month via direct debit or from £100 for lump sums once you have invested your voucher.

Individual Savings Account ("ISA")

Individuals can invest up to £7,200 each year in F&C's Stocks and Shares ISA. The limit was raised to £10,200 per annum, for individuals over 50 years old, with effect from 6 October 2009 and will be for all other individuals with effect from 6 April 2010.

The minimum monthly direct debit is £50, minimum lump sum investment is £500 and the minimum top-up is £250. Investments in the ISA can be made online.

ISA investments can also be phased over three or six months. This is especially useful near the end of the tax year when the option for monthly investment is no longer viable.

In addition to the 0.2% dealing charge, F&C charges £60 + VAT a year ISA plan charge to cover any ISAs held, no matter how many tax years' ISAs have been taken out with them, or how many ISAs have been transferred to them.

Contact details

For further details on the savings plans and application forms, please contact Investor Services on

0800 136 420 **info@fandc.com**

or broker support on

08457 992 299 **adviser.enquiries@fandc.com**

(UK calls charged at the local rate)

Fax **0131 243 1315**

You can also find more information on the website:

www.fandc.com

If you wish to write to us, the address is:

Investor Services Team, F&C Management Limited,
80 George Street, Edinburgh EH2 3BU

If you have trouble reading small print, please let us know. We can provide literature in alternative formats, for example, large print or on audiotape. Please call 0845 600 3030 for more details.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

The information on this page has been issued and approved by F&C Management Limited, authorised and regulated in the UK by the Financial Services Authority.

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