F&C Capital and Income Investment Trust PLC

Report and Accounts

2010

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.

This document may contain forward-looking statements with respect to the financial condition, results of operations and business of the Company. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward-looking statements. The forward-looking statements are based on the Directors' current view and on information known to them at the date of this document. Nothing should be construed as a profit forecast.

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.

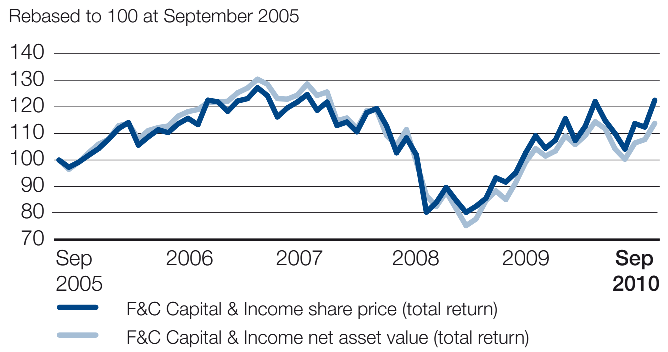
Financial Highlights

Summary of results

Attributable to shareholders	**30 September 2010**	30 September 2009	% Change
Net assets	**£177.43m**	£166.68m	+6.4
Net asset value per share	**207.90p**	199.28p	+4.3
Net revenue after tax	**£6.76m**	£7.21m	-6.2
Revenue return per share	**8.02p**	8.85p	-9.4
Dividends per share	**8.45p**	8.25p*	+2.4
Share price	**214.25p**	199.00p	+7.7

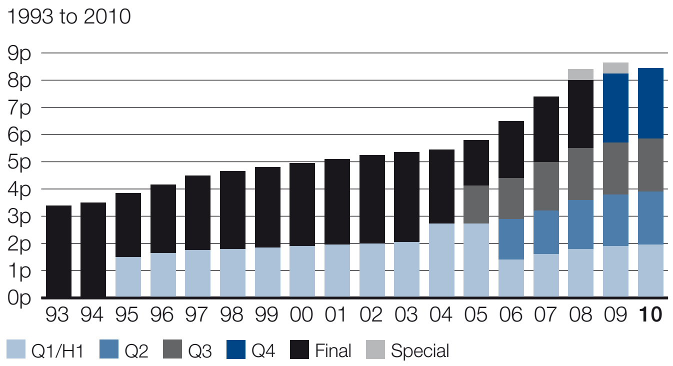
* Excludes a special dividend of 0.4 pence per share, relating to the VAT reclaim, paid in this year.

Total return over five years – 2005 to 2010



Source: Datastream

Dividends per share – pence



Source: F&C Management Limited

Contents

Financial calendar

2010 financial year events

Fourth interim dividend payable	**31 December 2010**
Annual general meeting	**19 January 2011**

2011 financial year events

First interim dividend payable	**March 2011**
Half-yearly results announced	**May 2011**
Second interim dividend payable	**June 2011**
Third interim dividend payable	**September 2011**
Annual results announced	**November 2011**
Fourth interim dividend payable	**December 2011**

Chairman's Statement

Dear Shareholder

The UK stock market was less turbulent than in the previous year as the economic and financial backdrop stabilised somewhat and shares rose slightly more than in the previous year. Dividend growth has, in general, returned and we have again increased our dividend with an underlying increase of 2.4% to 8.45 pence per share.

Capital performance

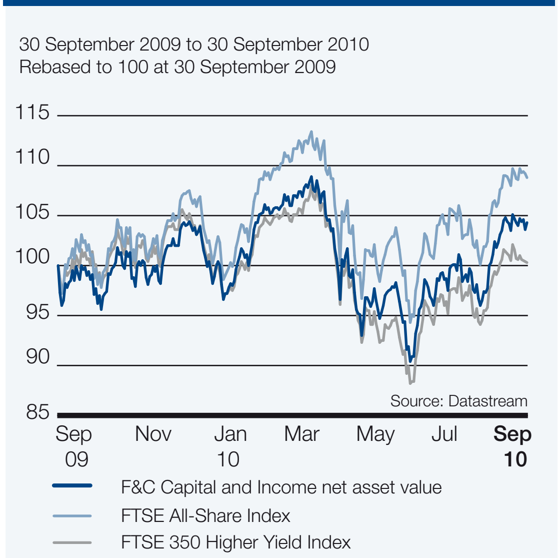
Over the course of the financial year, your Company's net asset value ("NAV") per share increased by 4.3%, compared to an increase of 8.8% in the FTSE All-Share Index, which is our main benchmark. This growth in our NAV is still 4% better than the 0.3% gain by the FTSE 350 Higher Yield Index. As last year, the shortfall against our main benchmark can be explained by the very considerable discrepancy in performance between higher and lower yielding shares, since the FTSE 350 Lower Yield Index leapt ahead by no less than 16.3% over the year. Inevitably, with our mandate to generate a relatively high and growing dividend, your Company has a greater exposure to higher yielding shares than the FTSE All-Share Index as a whole. We have asked ourselves whether we are right to stick with our original strategy and benchmark giving priority to income rather than chasing the index in pursuit of capital growth. We believe that we are, and our research shows, that over the long-term the majority of returns from developed stock markets come from dividends and dividend growth. The analysis underlying this conclusion is explained more fully in the Manager's Review under "investment strategy" on pages 5 and 6. Whilst our strategy of achieving an above average market yield coupled with dividend growth for our shareholders may result in periods when our capital performance falls short of the mainstream index, it is our belief that this focus will, over the longer-term, result in attractive rates of return. We have essentially decided to stick to our guns, that we can afford to continue our policy of generating an above market yield with dividend growth and that some reduction in our dividend cover is acceptable.

Although we have just experienced two consecutive years of progress for the UK stock market, earlier bear markets at the start of the decade and in 2008/09 mean that the level of the FTSE All-Share Index at 30 September is lower than 10 years ago. It is however encouraging that our NAV per share, being up 0.9% over this 10 year period, is ahead of the FTSE All-Share Index (-5.3%) and the Higher Yield Index (-1.7%). For reference, the Lower Yield Index fell 16.9% over the last 10 years.

Revenue and dividend

The suspension of dividends from BP following the disaster of the Macondo well in the Gulf of Mexico has had a very significant impact not only

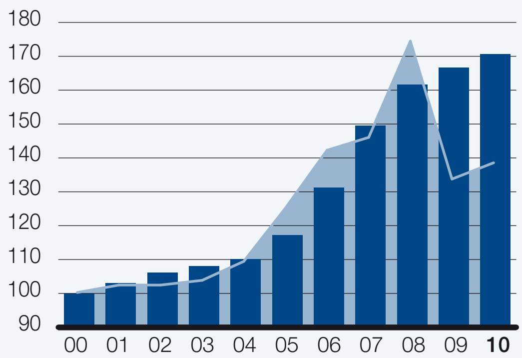
Net asset value performance over one year



Net asset value performance over 10 years

Dividend growth over 10 years

September 2000 to September 2010



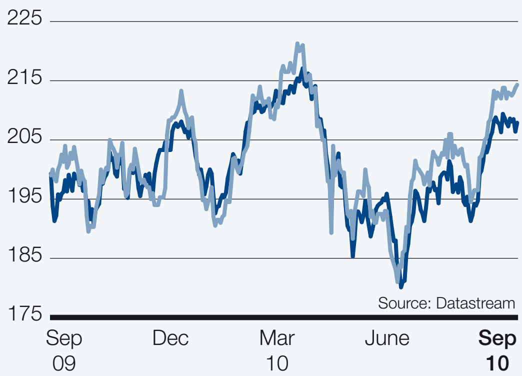
F&C Capital and Income dividend (excluding special dividends)
FTSE All-Share Index (implied dividend)

Source: Datastream

on your Company's income but also on the level of income from the stock market generally. Before the catastrophe, BP paid about 13% of the dividends from the UK stock market. The suspension by BP of two of the anticipated four dividends during our financial year resulted in an effective cut of about 6.5% and for your Company this equated to lost income of just under £0.5 million. Against this background a fall in income of 1.3% should be viewed fairly positively.

Share price and net asset value per share

September 2009 to September 2010



Source: Datastream

Net asset value per share
Share price

Total expenses increased by 19%, mainly because of an increase in the management fee which automatically reflects changes in the value of the assets of the Company at quarter ends compared to the same periods last year. Other increases reflect increased loan commitment fees and a one off fee paid to PwC in relation to the potential further recovery of VAT. These increases have resulted in a deterioration of the total expense ratio from 0.76% to 0.88%. Whilst the direction of change is unwelcome, the overall level compares very well with many other investment trusts and the vast majority of unit trusts.

A fourth interim dividend of 2.60 pence per share has been declared which, together with the three previous quarterly dividends each of 1.95 pence per share, takes the total dividend for the year to 8.45 pence per share. This is an increase of 2.4% over one year, excluding the special dividend of 0.40 pence paid in respect of the prior year, and a compound annual growth rate of 7.8% over the last five years. As in the previous year, the fourth dividend is to be paid as an interim rather than a final in order that the dividends fall more regularly at each calendar quarter end in line with requests from shareholders.

Share price performance and discount

Over the last year, the share price rose by 7.7%, a little ahead of the rise in the NAV per share, as the shares moved to trade from a small discount to a premium to NAV. Over the year, the shares have traded within a fairly tight band of 4% around the NAV and have on average stood at a premium of 0.8% as demand for your Company's shares has remained strong.

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

Shareholders

The majority of your Company's shares are held by investors through F&C's range of savings plans. The number of investors within these plans and the amount invested has continued to increase over the year. The strong demand has kept the shares trading close to NAV throughout the year and we

Chairman's Statement (continued)

have issued 1.7 million new shares to satisfy the demand. The issues of the new shares were at a small premium to NAV so there was no dilution for existing shareholders. The issues were also good for the purchasers of the shares as they limited the price they paid to just a small premium rather than a higher price in the market because of lack of supply.

Your Board is asking for authority to issue further shares at the 2011 annual general meeting ("AGM"), equal to 10% of the Company's shares in issue. 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 money in order to increase its level of investments when we anticipate that future returns will exceed the cost of borrowing. In expectation of reasonable returns from our investments and the very low cost of financing, we have used borrowed funds throughout the year, the level of which ranged from £13 million to £18 million.

The use of debt has been beneficial to both earnings and capital appreciation as the returns from the enlarged portfolio have exceeded the low cost of borrowing.

Annual general meeting

The AGM will be held at 11:30 a.m. on 19 January 2011 at the Company's registered office, Exchange House, Primrose Street, London EC2 and all shareholders are encouraged to attend. As in previous years, Julian Cane, the fund manager, will make a presentation on the results of this year, the investment policy and the outlook for the coming year.

Prospects

The UK stock market has recovered from its low point in March 2009 as the global financial system was stabilised by international government intervention and as economies began to recover from recession on the back of huge monetary and fiscal stimulus.

The withdrawal of this fiscal stimulus with the associated cuts in public sector expenditure makes it unusually difficult to forecast whether demand from home and abroad will be sufficient to sustain the recovery. There are still risks of sovereign debt problems, of a further rise in inflation leading to a rise in interest rates, or of trade and currency disputes. Levels of personal and national debt remain high and banks are under pressure from the markets and from regulators to continue to build their capital bases. It therefore seems likely that growth in the UK will at best be slow by historic standards.

By contrast, companies generally have low levels of debt and many have good exposure to countries and industries with better growth prospects than the domestic economy. Valuations are clearly not as compelling as they were at the trough but remain attractive compared to the very low yields on government bonds and cash. The outlook for our own dividend is positive. We have reserves to draw upon to finance any shortfall caused by the suspension of the BP dividend and are encouraged that dividend growth from the rest of the portfolio is coming through reasonably strongly.

Pen Kent
Chairman
25 November 2010

Manager's Review

Review of the economy

Following one of the sharpest slow-downs in recent history, the UK economy stabilised and started to recover last year. The rate of recovery, despite the enormous fiscal and monetary stimuli that have been applied, has not been very different to previous recoveries. This appears to be largely because the major cause of the slow-down was that debt levels had become overextended and, as the primal cause of the recession has not gone away, growth has been subdued. Although economic growth has continued to be strong in most emerging markets, other developed, western economies have mostly experienced pedestrian rates of recovery with the result there has been little help for the UK from its export markets.

Despite the rapid slow-down and subdued economic recovery, inflation has remained stubbornly high, starting the year at under 1.5%, but then increasing and remaining above 3% since January. This level is, of course, well above the Bank of England's targeted rate of 2%, and is more consistent with a boom in the economy than what we are currently experiencing. In these extraordinary times some traditional relationships within the economy have broken down. This is exaggerated by the use of quantitative easing ("QE").

In response to the recession and weak recovery, the Bank of England has kept interest rates since March 2009 at the previously unprecedented low level of 0.5%. This has proven insufficient to stimulate lending and the economy, hence the use of QE to buy £200bn of financial assets, mostly gilts. The precise impact of QE will be argued for many years and, although it appears to have helped to stabilise the economy, it has undoubtedly had the effect of pushing up the prices of many financial assets, most obviously gilts, but also shares and commodities. While gold has hit record highs, QE has brought about the depreciation of the currencies of the weak economies.

Stock market

The stock market was less volatile last year than the previous couple of years. At its high point for the year, shortly after the Company's half-year to the end of March, the market was up almost 13%. This was a strong return for a seven month period and reflected confidence that the recovery was starting to take hold, with the positive impact of QE reducing interest rates and pumping money into the financial system. May brought a more sober assessment of developments, with Greece needing a €110bn financial bail-out from the EU and the "flash-crash" in the US stock markets causing a temporary, one-day drop of 10%. From the low at the end of June, the UK FTSE All-Share rallied almost 15% to end the year 8.8% higher in capital terms.

The level of income from the UK stock market was resilient. As a combination of its size and its relatively high dividend yield, BP historically generated about 13% of the UK market's dividend income, so for it to suspend half of its payments during our financial year meant a cut in income for the market of about 6.5%. Increasing profits, improving economic conditions and a more stable financial system allowed most other companies to increase their dividends with the result that overall the level of income from the market increased a little, albeit this is following a cut of more than 23% the previous year.

After the large refinancings of 2008 and early 2009, Lloyds Bank set a new record in November of that year with a rights issue of £13.5bn. Company finances are in strong condition and since then equity raisings, both rights issues and new offerings, have been reasonably scarce.

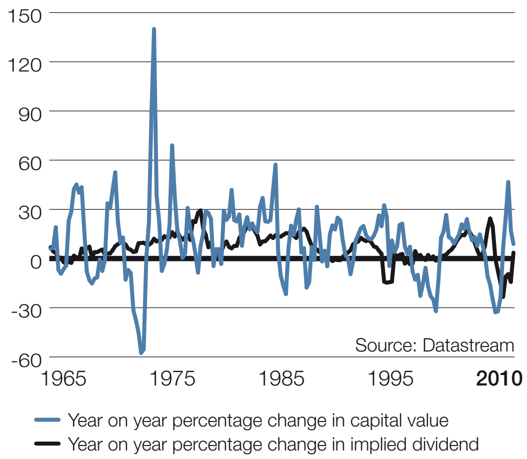
Investment strategy

Our investment strategy is based on the recognition that shareholder returns are a function of dividends, dividend growth and change in valuation. Under this split, dividends clearly drive the "income" return while dividend growth and change in valuation drive the "capital" return. Of the three main factors, dividends and dividend growth are normally reasonably stable and forecastable, while a change in valuation is almost entirely speculative. Although in any short-time period the impact of capital performance often dominates dividends and dividend growth because of the change in valuation, the academic and empirical research shows that over the longer-term dividends and dividend growth are much more important in driving total returns. As a result, because of their greater stability and importance in driving returns and to reflect the requirement to generate an above average yield

Manager's Review (continued)

FTSE All-Share dividend – year on year percentage change

1965 to 2010



for shareholders, we place great emphasis on income and income growth in our stock selection.

Research from Société Générale helps to illustrate this point. It shows that since 1970, across seven major equity markets, total annualised real returns (i.e. adjusted for local inflation) has been fairly consistently averaging just under 5%. The data clearly shows that dividend yield has been the most important component of real equity returns and that dividend yield combined with dividend growth were together much the two most important factors.

Multiple expansion, or change in valuation, has had a mixed impact.

Performance within the stock market

In addition to the divergence of performance between the higher and lower yielding stocks in the market already commented on, there was a marked difference in performance when stocks are ranked by size. The FTSE 250 Index, often called the mid-cap index, of the largest 250 companies after the FTSE 100 largest companies, performed much more strongly than either the largest companies or the smaller companies in the FTSE Small Cap Index. The greater cyclical exposure of the mid-caps and the prospect of take-overs drove share prices higher, while those of many larger businesses with sound prospects have been overlooked on the basis that their recovery will be less dramatic as their previous fall was less marked.

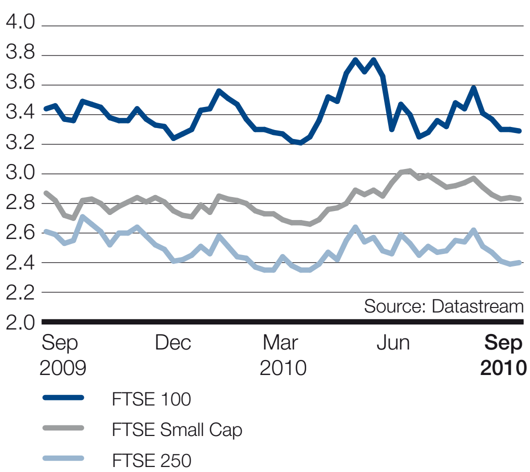
The average yield from the mid-cap stocks is considerably less than that from the largest companies. Our focus for the portfolio has naturally fallen on the area with the higher yield, not just because of the immediate yield but as it is also our expectation that dividend growth prospects are at least as good as for the mid-cap stocks.

Portfolio

Commentary on the portfolio by sector and on the twenty largest holdings follows this report.

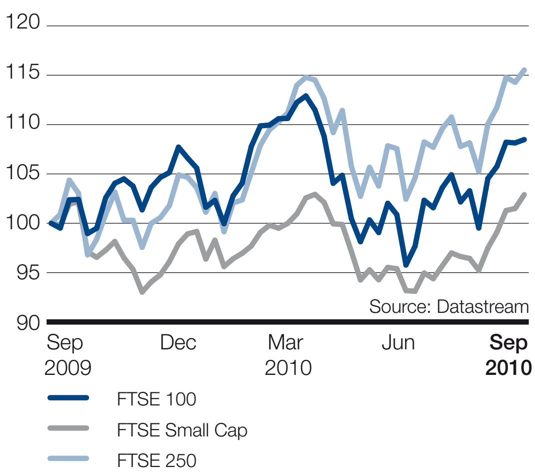
UK Stock Market – yield by size

September 2009 to September 2010



UK Stock Market – performance by size

September 2009 to September 2010

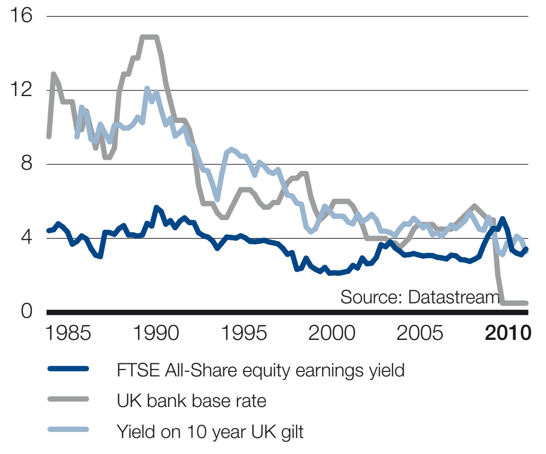


There are three other discrete parts of the portfolio worthy of attention.

- **Convertible bonds:** These were bought as the financial crisis was at its worst in 2008/09 as they offered a very secure and attractive level of income together with the possibility of capital gain. Subsequently, the bonds have returned to par value generating a strong capital gain and, although their yield has diminished, the income from them is still attractive.
- **Derivatives:** As a further tool to generate additional income, for the first time we have written options, the premiums from which will go to the revenue account. Writing options came too late in the financial year to have any impact in this set of accounts, but we believe it will be a benefit in future. We have the ability to write call options on shares which we already own and where we have identified a price at which we would be willing to sell, and put options on shares where we have identified an attractive purchase price below the current market price. In this sense, writing put options is similar to underwriting, which has been a very profitable activity for us in the past. Derivative positions are taken within strict limits set by the Board.
- **Unquoted equity:** Caithness Petroleum remains the portfolio's only unquoted investment. Over the year, it has carried out very valuable survey work on its main exploration asset in Morocco, which gives greater confidence in its ability to find and commercialise its potential hydrocarbon assets.

Yields from competing assets

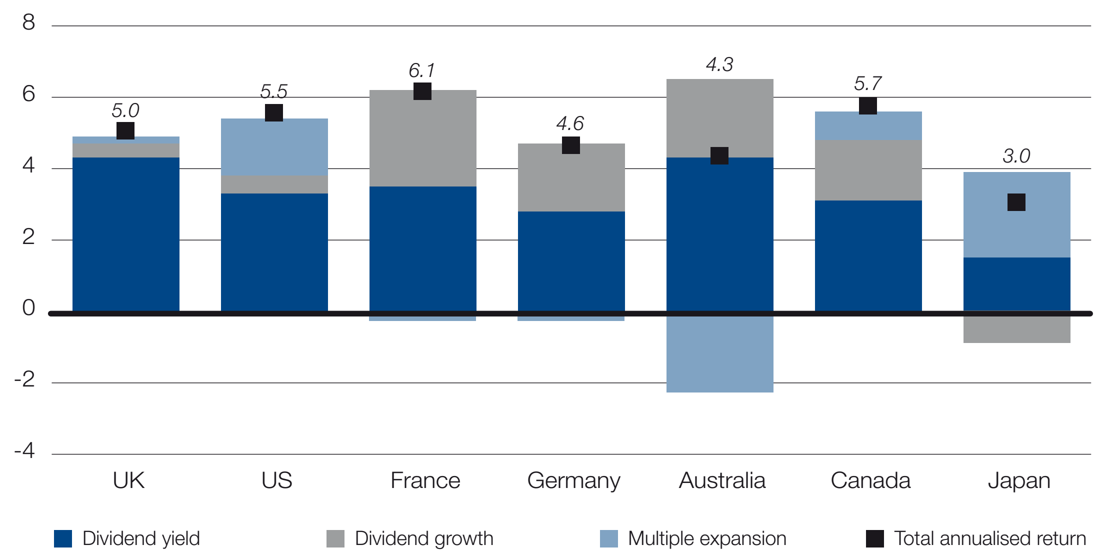
September 1985 to September 2010



Valuation of the stock market

For nearly all of the last 50 years, shares have yielded less than bonds as it was recognised that the growth potential of equities outstripped the fixed nature of bonds and that although individually shares were more

Decomposition of real equity return since 1970 (%)



Manager's Review (continued)

risky than bonds, a diversified portfolio of equities could help to mitigate the risk. The Bank of England's use of QE, and the expectation of more to follow, has pushed down the yield on gilts to record low levels such that equities are again yielding more than bonds. We do not believe that the economy is facing a depression or that companies are about to experience a sharp fall in earnings or dividends and hence equities continue to look very attractively priced.

Julian Cane
F&C Management Limited
25 November 2010

Twenty Largest Holdings

30 Sep 2010	*30 Sep 2009*	**Company** Description	% of total investments	Value £'000s
1	*3*	**Vodafone** The world's leading mobile telephone provider with a strong international presence. There is a strong commitment to the dividend and dividend growth.	6.7	12,564
2	*2*	**HSBC** The bank has a strong and liquid balance sheet. Its breadth of geographic operations and exposure to faster growing parts of the world are attractive.	6.4	12,088
3	*4*	**Royal Dutch Shell** Leading international oil exploration, production and marketing group which has proven itself to be a reliable operator. It also has an attractive dividend yield.	6.2	11,699
4	*1*	**BP** The company is working rapidly to stabilise its operations and finances following the disaster of the Macondo well. New management will improve the safety culture further and look to achieve value from disposals.	6.2	11,699
5	*5*	**GlaxoSmithKline** One of the world's leading pharmaceutical companies with a valuable health care business. The valuation and dividend yield are attractive.	5.3	10,032
6	*6*	**Rio Tinto** One of the world's foremost mining companies with high quality assets, particularly in iron ore. Rising commodity prices have increased profitability greatly and allowed the company to strengthen its balance sheet.	5.3	9,972
7	*7*	**British American Tobacco** A leading international manufacturer and distributor of cigarettes with further scope for cost efficiencies.	4.7	8,904
8	*9*	**AstraZeneca** A major international pharmaceutical company and one which has initiated cost cutting measures to reflect the relatively disappointing pipeline of new drugs.	3.8	7,114
9	*8*	**Scottish & Southern Energy** A well-managed multi-utility group with an attractive dividend yield and commitment to dividend growth.	3.3	6,322
10	*10*	**Tesco** The dominant food retailer in the UK, continuing to expand through non-food offerings and international expansion.	3.1	5,940

Twenty Largest Holdings (continued)

30 Sep 2010	*30 Sep 2009*	**Company** Description	% of total investments	Value £'000s
11	*12*	**National Grid** One of the largest utilities in the world with transmission and distribution assets in the UK and US. Unusually for a utility there are growth prospects as the UK electricity grid needs to be expanded to reflect new renewable generation.	3.1	5,859
12	*42*	**Barclays** The bank has a very strong investment banking operation following the successful take-over of part of Lehman Brothers; this complements its retail banking activities.	1.9	3,594
13	*11*	**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.	1.7	3,295
14	*23*	**Talvivaara 5.25% convertible bond** This gives a secure and attractive income and some exposure to the share price of Talvivaara, a Finnish nickel miner, through the option of conversion into equity.	1.7	3,253
15	*14*	**Aviva** An international life and non-life insurance group with a reasonable capital surplus and an improving focus on cash generation. It has an attractive yield.	1.7	3,190
16	*16*	**BG** An international resource company engaged in discovery, extraction, transmission, distribution and supply of natural gas.	1.7	3,186
17	*15*	**London & Stamford** A property company with a very well respected management team looking to build a portfolio taking advantage of current market conditions. Its opportunistic deals to date have been very successful.	1.7	3,164
18	*21*	**United Utilities** The UK's largest listed water company and one which should be able to provide dividend growth in excess of inflation on top of an already attractive dividend yield.	1.6	3,066
19	*20*	**Inmarsat** A leading provider of global mobile communications services for government and civil uses via its fleet of 10 geostationary satellites.	1.6	2,986
20	*19*	**Intermediate Capital** One of the foremost providers of mezzanine finance in Europe both from its own strengthened balance sheet and increasingly as a fund manager. It has an attractive dividend yield.	1.6	2,930

The value of the twenty largest equity holdings represents 69.3% (30 September 2009: 72.5%) of the Company's total investments.

Investment Portfolio by Sector

at 30 September 2010

	% of total investments	% of FTSE All-Share Index
Financials	**21.5**	**23.7**
The use of quantitative easing ("QE") and the improving economic output led us to invest more in banks and financial intermediaries, replacing the holding in Royal Bank of Scotland with an investment in Barclays and adding to Intermediate Capital and Tullett Prebon. New investments were started in Lancashire Holdings and Omega Insurance, specialist insurance companies, while the existing holdings in Beazley and Resolution were increased. We also invested in Jupiter Fund Management at flotation when it successfully came to the stock market.		
Oil & gas	**15.0**	**16.3**
Royal Dutch Shell and BP are the third and fourth largest holdings in the whole portfolio and the most significant holdings in this sector. We had started to reduce the holding in BP before the disaster of the Macondo well, but still had a significant position which was kept throughout the downturn and subsequent rally, as it appeared that the share price anticipated too pessimistic an outcome. Shell's performance has been better, giving an attractive dividend yield, but it also underperformed the FTSE All-Share Index.		
Utilities	**10.7**	**3.8**
This sector has an attractive dividend yield making it a relatively important part of the portfolio. Its defensive nature and relative insensitivity to economic conditions meant that in general utilities did not keep up with the market's rise during the year. We added to the holding in National Grid during its rights issue.		
Consumer goods	**9.6**	**11.4**
This is a broadly spread sector, with business interests from tobacco and drinks through to house building. Our holdings in tobacco companies are the largest part of this sector and following strong performance the holding in British American Tobacco was reduced slightly.		
Telecommunications	**9.1**	**6.0**
Vodafone is much the largest investment in this sector. The company's management is committed to a progressive dividend and realising value from its stake in the US company, Verizon. During the year, Cable & Wireless split its operations in two and we subsequently sold Cable & Wireless Worldwide.		
Health care	**9.1**	**7.7**
The major international pharmaceutical companies GlaxoSmithKline and AstraZeneca dominate this sector and we have substantial holdings in both companies given their attractive valuations and good dividend yields. No major changes were made to the holdings, which performed much in line with the market.		

Investment Portfolio by Sector
at 30 September 2010 (continued)

	% of total investments	% of FTSE All-Share Index
Consumer services	**8.2**	**9.9**
This sector spans a number of activities such as food retailing, travel & leisure and media. Consumer expenditure is likely to remain under pressure so direct exposure to discretionary spend is very limited, with the most significant investment being in Tesco. Compass, the contract caterer, was a new addition to the portfolio.		
Basic materials	**7.9**	**12.3**
The mining sector had a strong year, outperforming the FTSE All-Share Index by 20% as commodity prices were strong on a combination of QE and growing demand from developing economies. The large holding in Rio Tinto performed better than the sector. We added to the holding in the Talvivaara convertible bond; not only does this give an attractive yield, which is scarce in this sector, but the bonds increased in value by 20% over the year.		
Industrials	**7.8**	**7.3**
The companies within this sector are sensitive to economic activity so signs of an end to the recession and hopes of improving conditions led to strong performance. The German companies Deutsche Post and Siemens are held in addition to the UK listed companies Intertek and Spectris.		
Technology	**1.1**	**1.6**
The only holding in this sector is Nokia, the world's leading manufacturer of mobile telephones.		

List of Investments

Quoted investments	Holding	30 September 2010 Value £'000s
UNITED KINGDOM – EQUITIES		
AstraZeneca	220,000	7,114
Aviva	800,000	3,190
Barclays	1,200,000	3,594
Beazley	1,442,885	1,668
BG	284,848	3,186
BP	2,735,000	11,699
British American Tobacco	375,000	8,904
Cable & Wireless	2,775,000	1,573
Centrica	766,012	2,477
City of London Investment*	210,147	736
Compass	250,000	1,325
Diploma	300,643	852
Elementis	847,208	852
Galliford Try	182,615	603
GlaxoSmithKline	800,000	10,032
Halfords	200,000	886
Hilton Food	220,719	596
HSBC	1,874,112	12,088
Imperial Tobacco	150,000	2,844
Inchcape	430,000	1,339
Inmarsat	450,000	2,986
Intermediate Capital	980,000	2,930
Intertek	100,000	1,830
Johnson Matthey	52,000	916
Jupiter Fund Management	310,706	802
Laird	497,425	688
Lancashire Holdings	340,000	1,887
London & Stamford*	2,800,000	3,164
Man Group	860,000	1,882
Marston's	1,251,600	1,159
Mears	203,810	610
National Grid	1,085,000	5,859
Office2Office	389,733	460
Omega Insurance*	525,000	499
Prudential	268,333	1,708
Raven Russia*	2,500,000	1,250
Resolution	760,361	1,860
Restaurant	273,475	722
Rio Tinto	268,000	9,972
Royal Dutch Shell	630,000	11,699
RPC	241,795	713
RSA Insurance	975,172	1,272

Quoted investments	Holding	30 September 2010 Value £'000s
Sage	350,000	966
Scottish & Southern Energy	565,443	6,322
Spectris	90,000	965
Tarsus	315,241	404
Tesco	1,400,889	5,940
Tullett Prebon	350,000	1,388
Unilever	179,000	3,295
United Utilities	535,000	3,066
Vodafone	8,000,000	12,564
Wincanton	274,586	634
WSP	194,801	729
XP Power	87,802	778
United Kingdom total		**167,477**
CONTINENTAL EUROPE – EQUITIES		
FINLAND		
Nokia	171,925	1,098
Finland total		1,098
GERMANY		
Deutsche Post	206,925	2,383
Siemens	22,049	1,479
Germany total		3,862
NETHERLANDS		
Reed Elsevier	301,365	2,415
TNT	112,917	1,925
Wolters Kluwer	101,579	1,354
Netherlands total		5,694
REPUBLIC OF IRELAND		
C&C	308,017	859
Glanbia	285,428	858
Republic of Ireland total		1,717
SWEDEN		
Husqvarna	164,400	773
Sweden total		773
Continental Europe total		**13,144**

* Quoted on the Alternative Investment Market in the UK.

List of Investments (continued)

Quoted investments	Holding	30 September 2010 Value £'000s
UNITED KINGDOM – CONVERTIBLE FIXED INTEREST		
International Power – 4.75%	2,650,000	2,478
3i – 3.625%	750,000	768
United Kingdom total		**3,246**
CONTINENTAL EUROPE – CONVERTIBLE FIXED INTEREST		
FINLAND		
Talvivaara – 5.25%	3,500,000	3,253
Finland total		3,253
Continental Europe total		**3,253**
Others invidually valued at less than £10,000		0
TOTAL QUOTED INVESTMENTS		**187,120**

Unquoted investments	Holding	30 September 2010 Value £'000s
UNITED KINGDOM		
Caithness Petroleum	51,965	1,785
United Kingdom total		**1,785**
TOTAL UNQUOTED INVESTMENTS		**1,785**
TOTAL INVESTMENTS		**188,905**

The number of companies in the portfolio is 69 (2009: 69).
There are 3 convertible securities in the portfolio (2009: 3).

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

Chartered accountants and statutory auditors

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

Bankers

JPMorgan Chase Bank
125 London Wall, London EC2Y 5AJ

Lloyds TSB Scotland plc
Henry Duncan House, 120 George Street, Edinburgh
EH2 4CH

Custodian

JPMorgan Chase Bank
125 London Wall, London EC2Y 5AJ

Registrars

Computershare Investor Services PLC
The Pavilions, Bridgwater Road,
Bristol BS99 6ZZ

Telephone:	0870 889 4094
Facsimile:	0870 703 6142

Solicitors

Dickson Minto W.S.
Broadgate Tower, Level 13, 20 Primrose Street,
London EC2A 1EW

Stockbrokers

Cenkos Securities plc
6–8 Tokenhouse Yard, London EC2R 7AS

Directors

Pen Kent CBE Chairman

Appointed to the Board on 22 July 2003, he 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. He is chairman of the Euroclear UK Markets advisory committee and is a non-executive director of Schroder & Co Limited and Punjab National Bank International Ltd. He also has considerable main board and audit committee experience in both the public and private sector. He was a director of the Commonwealth Development Corporation ("CDC"), NatWest Bank and the Strategic Rail Authority ("SRA"). He was chairman of the audit committees of the CDC, the SRA and NatWest Markets. He has recently resigned as deputy chairman of Heart of the City Limited (a charity) and as governor of the National Youth Orchestra, partly to ensure sufficient time to devote to his current board responsibilities. Age 73

Neil Dunford

Appointed to the Board on 5 May 2005. He has 30 years' experience in investment management with Schroders, Scottish Widows and, from 1985 to 2002, with Deutsche (formerly Morgan Grenfell) Asset Management Limited where he was executive chairman. 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 63

John Emly Senior Independent Director

Appointed to the Board on 5 May 2005. He is the investment director of the Civil Aviation Authority Pension Scheme. He had a career spanning 25 years at Flemings, the London-based international investment bank, where he was a specialist UK equity manager, head of UK institutional business and chairman of the group audit committee. He is a director of JPMorgan Mid-Cap Investment Trust PLC and Shaftesbury PLC. In addition, he is a member of the investment committee of the P&O Pension Scheme and trustee of the St Paul's Cathedral Pension Scheme. He was treasurer of The Scout Association from 1996 to 2003. Age 69

Professor James (Jim) Norton Chairman of the Audit and Management Engagement Committee

Appointed to the Board on 24 July 2001. He is a vice president and trustee of the BCS (the chartered institute for IT, where he is chairman of the BCS professionalism board) and a director of the Foundation for Information Policy Research Ltd. He is also an external examiner for the Institute of Directors' Certificate in Company Direction and a peer reviewer of potential chartered directors. He is a chartered director, chartered engineer and chartered IT professional. Age 58

Hugh Priestley

Appointed to the Board on 9 February 2000. He 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 68

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 audited financial statements of F&C Capital and Income Investment Trust PLC ("the Company") for the year ended 30 September 2010. The financial statements are set out on pages 34 to 53.

Results and dividends

The Company's net asset value ("NAV") per share rose by 4.3% in the year ended 30 September 2010, compared to a rise of 8.8% in the FTSE All-Share Index ("the Index"). The Manager's Review on pages 5 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 2010 were £177,427,000 and dividends paid in the year are set out below:

Dividends for 2009 and 2010

Dividends paid:	£'000s
4th interim for 2009 of 2.55 pence per share paid on 31 December 2009	2,133
1st interim for 2010 of 1.95 pence per share paid on 31 March 2010	1,639
2nd interim for 2010 of 1.95 pence per share paid on 30 June 2010	1,643
3rd interim for 2010 of 1.95 pence per share paid on 30 September 2010	1,655
	7,070

As explained in the Chairman's Statement, the Board has declared a fourth interim dividend of 2.60 pence per share. This will be paid on 31 December 2010 to shareholders on the register of members on 10 December 2010. This dividend, together with the other three interim dividends paid during the year, makes a total dividend of 8.45 pence per share. This represents an increase of 2.4% over the 8.25 pence per share for the previous year (excluding special dividends).

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 if it has been approved as an investment trust under section 1158 of the Corporation Tax Act 2010 ("CTA") (formerly section 842 of the Income and Corporation Taxes Act 1988). The approval is granted in retrospect by HM Revenue and Customs, provided the Company has complied with certain conditions set out in section 1159 of the CTA throughout the relevant period. These conditions include 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. 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 2009 and continues to conduct its affairs in compliance with the legislation.

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 ("SORP") issued in January 2009. The significant accounting policies of the Company are set out in note 2 on the accounts. The unqualified independent auditors' opinion on the financial statements appears on page 33. The Company's objective and policy, which

Directors' Report and Business Review
(continued)

is described below and is subject to a process of regular Board monitoring, is designed to ensure that the Company is invested mainly in 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 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, in light of the controls and review processes in place, that 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 on pages 13 and 14, is diversified, with around 70 holdings as at 30 September 2010. 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 3.0% invested in this market at the year end. No unquoted securities will be purchased without the prior approval of the Board. There is one unquoted 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 2010, 8.7% 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 and currently has positions in two derivative instruments, more detail on which can be found in note 24 on the accounts. Options can only be written on quoted stocks and the total nominal exposure is limited to a maximum of 5% of gross assets at the time of investment.

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 2010 the Company had borrowings of £14 million (effective gearing of 7.05%).

No more than 10% of the total assets of the Company will be invested in other UK listed investment companies (including investment trusts) except in such other UK listed investment companies which themselves have stated they will invest no more than 15% of their total assets in other UK listed investment companies, in which case the limit is 15%. The Company does not currently have any holdings in UK listed investment 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 2010 there were 85,344,268 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 14 January 2010 shareholders gave the Board authority to issue up to 8,364,424 ordinary shares over the following 18 months. 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 1,700,000 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 14 January 2010 shareholders gave the Board authority to buy back up to 12,538,275 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 54.

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. An overdraft facility equal to 10% of the Company's assets is made available to the Company by its custodian, JPMorgan Chase Bank.

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 page 30. 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 of 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 include the following:

- Investment strategy – inappropriate long-term strategy, asset allocation, stock selection and use of derivatives 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 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

Directors' Report and Business Review (continued)

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 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 1158 of the CTA.
- 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 49 to 53.
- Safe custody – failure of the custodian to provide a secure service or continue operating could result in the Company's assets being at risk. The Board receives regular information on the service of the custodian from the Manager, which reviews service levels and receives an annual SAS70 report on the custodian by an independent auditor.
- 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 53.

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 page 27.

Directors

Information on the individual Directors, all of whom are resident in the UK and have held office throughout the year under review and to the date of this report, 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	2010	2009
Pen Kent	**nil**	nil
Neil Dunford	**7,588**	7,588
John Emly	**4,390**	4,286
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

Having served over nine years, Hugh Priestley and Professor Jim Norton will stand for re-election at the AGM. In accordance with the Company's articles of association, Neil Dunford 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 and Professor Jim Norton impairs their independence in any way.

Following a review of their performance, the Board believes that each of these Directors have made a valuable and effective contribution to your Company and 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 or 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 and carry 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;
- seeking to control the discount or premium at which the Company's shares trade by comparison with their underlying asset value by managing the buyback or issue of shares within limits set by the Board and making recommendations as to whether shares bought back are held in treasury or immediately cancelled;
- maintaining the Company's books and records;
- maintaining compliance with relevant rules and regulations;
- operating 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
- providing 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").

Directors' Report and Business Review
(continued)

Analysis of savings plans

	Number of holders	
30 September	2010	2009
CTF	**10,823**	9,126
ISA†	**7,604**	7,654
PIP/CIP	**6,893**	6,284
PSP	**356**	374
Total	**25,676**	23,438

† Includes ex personal equity plan holdings now reclassified as ISA.
These investors hold 69,283,726 shares, which is 81% of the shares in issue.

The Manager is a subsidiary of F&C Asset Management plc ("FCAM"), a large European investment group listed on the London Stock Exchange.

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

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 the website www.fcamplc.com, 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 management on any resolution, the review of which is led by the chairman of the Audit and Management Engagement Committee.

The Manager's statement of compliance with the UK Stewardship Code is included on the website www.fandc.com/ukstewardshipcode.

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 above and in note 4 on the accounts. Other suppliers are paid in accordance with individually agreed payment terms. At 30 September 2010, the Company's outstanding trade creditors were equivalent to nil days' payment to suppliers (2009: 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 24 "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. At 30 September 2010, the Company was 21st, 11th, 14th and 12th respectively in its peer group NAV performance and 22nd, 8th, 11th 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 year end the premium to NAV was 3.1% compared with a discount of 0.1% at the start of the year;
- 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 has increased this year, as explained in the Chairman's Statement on page 3; 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 £13 million to £18 million.

The performance table below, the Ten Year Record on pages 54 and 55, the Chairman's Statement on pages 2 to 4 and the Manager's Review on pages 5 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	9.2	(8.5)	13.8
Company share price	12.3	(0.6)	22.5
Benchmark index*	12.5	(3.1)	24.7

Source: 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 July 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 4.

GENERAL INFORMATION

Voting rights

At 22 November 2010 the Company had 85,344,268 ordinary shares in issue with a total of 85,344,268 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 81% 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.

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 Wednesday 19 January 2011 at 11.30 a.m. at Exchange House, Primrose Street, London EC2A 2NY. The Notice of Annual General Meeting appears on pages 56 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 Mr Cane more informally after the meeting. Resolutions numbered 8 to 11 are explained below.

Directors' Report and Business Review (continued)

Authority to allot shares (resolution 8)

Resolution 8 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 8 gives the Directors, for the period until the conclusion of the AGM in 2012, the necessary authority to either allot securities or sell shares held in treasury up to an aggregate nominal amount of £2,133,606 (8,534,424 ordinary shares). This is equivalent to approximately 10% of the issued share capital of the Company at 22 November 2010. It also empowers the Directors to allot such securities for cash, other than to existing shareholders on a 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 Directors mainly 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. In 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 9)

Resolution 9 authorises the Company to purchase up to a maximum of 12,793,105 ordinary shares (equivalent to approximately 14.99% of the issued share capital) 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 remaining shareholders. Any ordinary shares that are purchased would either be placed into treasury or cancelled.

The authority will continue until the expiry of 15 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.

Notice period for meetings (resolution 10)

The Act provides that all general meetings (other than AGMs) can be convened on 14 days' notice. However, one of the requirements of the Shareholder Rights Directive is that all general meetings must be held on 21 clear days' notice, unless shareholders agree to a shorter notice period. Your Board is of the view that it is in the Company's interests to have a shorter notice period which complies with the provisions of the Act and the Company's articles allow all general meetings (other than an AGM) to be called on 14 clear days' notice. The passing of resolution 10 would constitute shareholders' agreement for the purposes of the Shareholder Rights Directive (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 would utilise this authority to provide flexibility when merited and would not use it as a matter of routine. The Board intends to seek a renewal of such authority at subsequent AGMs.

Directors' fees (resolution 11)

The aggregate amount that can be paid by way of Directors' fees is authorised by the Company's articles of association and is currently £120,000. The Directors are seeking authority from shareholders to increase this level to provide flexibility in relation to succession planning. Accordingly, resolution 11, if passed, will increase the aggregate limit set out in the articles to £180,000 per annum.

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.

All proxy appointments should 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 F&C 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 whereby 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 2011 AGM, subject to a minimum threshold of 10% of the shares held in the F&C plans being voted. A maximum limit of 346,000 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 submitted so as to be received 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
25 November 2010

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. In order to provide flexibility in relation to succession planning, which may require a temporary enlargement of the Board to provide sufficient continuity, the Board will be seeking authority to amend the articles of association to increase the limit of aggregate fees payable to the Directors to £180,000 per annum at the forthcoming annual general meeting.

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. The Chairman of the Audit and Management Engagement Committee ("Audit Committee") receives an additional £2,000 per annum. The Board undertook a review of remuneration levels during the year and agreed that it was not appropriate to make any increases in the present climate. A further review will take place in 2011.

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.

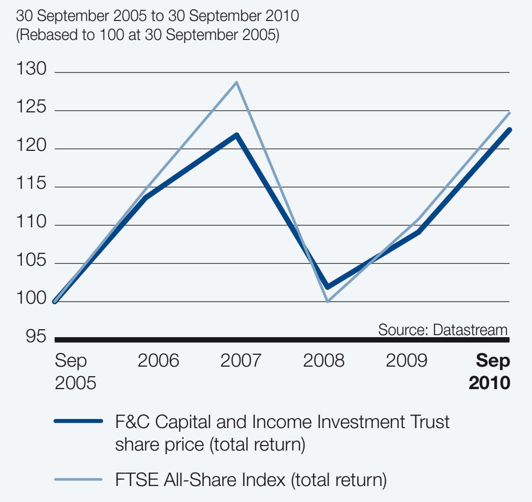
Fees for services to the Company

Director	Year ended 2010 £'000s	2009 £'000s
Pen Kent (Chairman and highest paid Director)	**25**	25
Neil Dunford	**16**	16
John Emly	**16**	16
Professor Jim Norton (Chairman of the Audit Committee)	**18**	18
Hugh Priestley	**16**	16
Totals	**91**	91

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.

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
25 November 2010

Corporate Governance Statement

Introduction

The Company is committed to high standards of corporate governance. The Board has considered the principles and recommendations of the 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") issued in March 2009. 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 has also considered the principles and recommendations of the updated AIC Code and AIC Guide issued in October 2010 and the UK Corporate Governance Code (the "UK Code") issued in June 2010 to replace the Combined Code, both of which come into effect for financial years beginning on or after 29 June 2010.* It believes that the Company will be in a position to report that it has complied with the recommendations of these codes that are applicable to smaller companies (those below the FTSE 350) for the year ended 30 September 2011.

The Board

The Board is responsible for the effective stewardship of the Company's affairs and has adopted a formal schedule of matters reserved for its decision. It has responsibility for all corporate strategic issues, corporate governance matters, dividend policy, share buyback policy, risk and control assessment, investment performance monitoring and budget approval. 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 also attended the annual general meeting ("AGM") in January 2010 and a closed session strategy meeting in September 2010.

Meeting attendance

	Board meetings	Audit and Management Engagement Committee meetings
Number of meetings	4	2
Pen Kent	4	2
Neil Dunford	4	2
John Emly	4	2
Professor Jim Norton	4	2
Hugh Priestley	4	2

Committees of the Board met during the year to undertake business such as the approval of the Company's interim management statement, results and dividends.

Each Director has a signed letter of appointment to formalise 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

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

Corporate Governance Statement
(continued)

balance of skills, experience and length of service. The Board recognises the value of refreshing its membership and has started to implement a succession plan which will be completed over the next few years.

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. Each Director's appointment is reviewed prior to submission for re-election, which includes consideration of independence.

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 is facilitated by the completion of a questionnaire and interviews with the Chairman. Key representatives of the Manager also participate in the process and provide feedback to the Board. The appraisal of the Chairman is carried out by the Board 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 its 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

A company director has a statutory obligation to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company (a "situational conflict"). A company director must therefore avoid any unauthorised situational conflict. This extends to the interests of any closely connected person.

The Board has in place procedures for authorising situational conflicts of interest relating to the Company's Directors. 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/her duties; whether the situational conflict has, or could have, any impact on the Company in financial or public relations terms for example, 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.

The terms of authorisation 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.

No situational conflicts have been identified or authorised other than the Directors' other existing directorships.

The Board reviews the authorisation of each individual Director's conflicts or potential conflicts annually. In the year under review, the Board concluded that in each case these situational conflicts had not affected any individual in his role as a Director of the Company.

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.

In the year under review 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.

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 the auditors' 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 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, £26,000 exclusive of irrecoverable VAT

Corporate Governance Statement
(continued)

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) and £64,000 exclusive of irrecoverable VAT was paid to PwC for consultancy services. 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 by the Audit Committee annually, with advice from the Manager. On the basis of performance in the year under review, PwC's experience in auditing the affairs of the Company, the standing and experience of the audit partner 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. The Manager's audit, risk and compliance department prepares a control report that provides details of any significant internal control failure. A key risk summary is also produced to help identify 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 misstatement, 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 2009 ("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 or to the date of this report.

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 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 81% 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"

By order of the Board
F&C Management Limited
Secretary
25 November 2010

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, Directors' Remuneration Report and financial statements which give a true and fair view of the state of affairs of the Company as at 30 September 2010 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 generally accepted 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 development and performance of the Company and the important events that have occurred during the financial year and their impact on the financial statements;
- 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
25 November 2010

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 2010 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 Chapter 3 of Part 16 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 2010 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; 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.

Alex Bertolotti (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
London
25 November 2010

Income Statement

Revenue notes	Capital notes	for the year ended 30 September	Revenue £'000s	Capital £'000s	2010 Total £'000s	Revenue £'000s	Capital £'000s	2009 Total £'000s
	11	Gains on investments	–	8,129	8,129	–	884	884
		Foreign exchange gains	–	2	2	–	–	–
3	20	Income	8,078	–	8,078	8,181	212	8,393
4	20	Management fee	(359)	(359)	(718)	(304)	(304)	(608)
5		Recoverable VAT	–	–	–	167	–	167
6	20	Other expenses	(773)	(26)	(799)	(656)	(11)	(667)
		Net return before finance costs and taxation	6,946	7,746	14,692	7,388	781	8,169
7	20	Finance costs	(166)	(166)	(332)	(154)	(154)	(308)
		Net return on ordinary activities before taxation	6,780	7,580	14,360	7,234	627	7,861
8		Taxation on ordinary activities	(25)	–	(25)	(24)	–	(24)
		Net return attributable to shareholders	6,755	7,580	14,335	7,210	627	7,837
9	9	**Return per share – pence**	8.02	9.00	17.02	8.85	0.77	9.62

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 2010	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 2009	**20,911**	**84,399**	**4,146**	**4,434**	**46,992**	**5,802**	**166,684**
	Movements during the year ended 30 September 2010							
10	Dividends paid	**–**	**–**	**–**	**–**	**–**	**(7,070)**	**(7,070)**
	Ordinary shares issued	**425**	**3,053**	**–**	**–**	**–**	**–**	**3,478**
	Net return attributable to shareholders	**–**	**–**	**–**	**–**	**7,580**	**6,755**	**14,335**
	Balance at 30 September 2010	**21,336**	**87,452**	**4,146**	**4,434**	**54,572**	**5,487**	**177,427**

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

Balance Sheet

Notes	at 30 September	£'000s	2010 £'000s	£'000s	2009 £'000s
	Fixed assets				
11	Investments		**188,905**		178,710
	Current assets				
12	Debtors	**1,417**		946	
	Cash at bank and short-term deposits	**2,209**		2,466	
		3,626		3,412	
	Creditors: amounts falling due within one year				
13	Loans	**(14,000)**		(14,000)	
14	Other	**(1,104)**		(1,438)	
		(15,104)		(15,438)	
	Net current liabilities		**(11,478)**		(12,026)
	Net assets		**177,427**		166,684
	Capital and reserves				
16	Share capital		**21,336**		20,911
17	Share premium account		**87,452**		84,399
18	Capital redemption reserve		**4,146**		4,146
19	Special reserve		**4,434**		4,434
20	Capital reserves		**54,572**		46,992
20	Revenue reserve		**5,487**		5,802
	Total shareholders' funds		**177,427**		166,684
21	**Net asset value per ordinary share – pence**		**207.90**		199.28

Approved by the Board on 25 November 2010
and signed on its behalf by

Pen Kent, Chairman

Cash Flow Statement

Notes	for the year ended 30 September	2010 £'000s	2010 £'000s	2009 £'000s	2009 £'000s
	Operating activities				
	Investment income received	7,808		8,018	
	Interest received	6		32	
	Other revenue	134		225	
	Distribution from subsidiary (in liquidation)	–		472	
	VAT recovered (including interest thereon)	–		924	
	Fee paid to management company	(702)		(592)	
	Fees paid to Directors	(91)		(91)	
	Other payments	(665)		(565)	
22	**Net cash inflow from operating activities**		6,490		8,423
	Servicing of finance				
	Interest paid	(312)		(304)	
	Net cash outflow from the servicing of finance		(312)		(304)
	Financial investment				
	Purchases of investments	(19,013)		(43,181)	
	Sales of investments	16,472		23,691	
	Other capital charges	(26)		(11)	
	Net cash outflow from financial investment		(2,567)		(19,501)
	Equity dividends paid		(7,070)		(7,303)
	Net cash outflow before use of liquid resources and financing		(3,459)		(18,685)
	Management of liquid resources				
23	Increase in short-term deposits		(229)		(1,543)
	Financing				
	Sterling loans raised	–		14,000	
	Shares purchased	–		–	
	Shares issued	3,137		7,543	
	Net cash inflow from financing		3,137		21,543
23	**(Decrease)/increase in cash**		(551)		1,315

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 1158 of the Corporation Tax Act 2010 ("CTA"). The Company has complied with the conditions set out in section 1159 of the CTA and has therefore qualified as an investment trust under section 1158 in respect of all relevant years up to and including the year ended 30 September 2009. Such approval exempts the Company from UK corporation tax on gains realised in the relevant year on its portfolio of fixed asset investments and derivatives.

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 2010.

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 (insofar as the expenses and tax are not allocated to capital, as described in note 2(b) below). Net revenue returns are allocated via the revenue account to the revenue reserve, out of which interim and final dividend payments are made. Capital returns include, but are not limited to, profits and losses on fixed asset investments and derivatives 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 paid to equity shareholders are shown in the Reconciliation of Movements in Shareholders' Funds.

(b) Principal accounting policies

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

(i) Financial instruments

Financial instruments include fixed asset investments, derivative assets and liabilities and long-term debt instruments. Accounting standards recognise a hierarchy of fair value measurements for financial instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The classification of financial instruments depends on the lowest significant applicable input, as follows:

Level 1 – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Included within this category are investments listed on any recognised stock exchange or quoted on AIM in the UK.

Level 2 – Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be those for which the quoted price has been suspended, forward exchange contracts and certain other derivative instruments. The Company held no such securities during the year under review.

Level 3 – External inputs are unobservable. Value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instrument. Included within this category are unquoted investments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Fixed asset investments and derivative financial instruments

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.

Derivative financial instruments comprising forward exchange contracts and options are classified as held for trading and are accounted for as financial assets or liabilities. Where it can be demonstrated that the derivative is connected to the maintenance or enhancement of the Company's investments, the change in fair value is recognised as capital and shown in the Capital column of the Income Statement. Where an option is written in the expectation that it will not be exercised, or that any losses on exercise will be outweighed by the value of premiums received, the premiums are recognised in the Revenue column of the Income Statement. The value of the premium is usually the option's initial fair value and is recognised evenly over the life of the option. Subsequent changes to fair value are adjusted in the Capital column of the Income Statement such that the total amounts recognised within Revenue and Capital represent the change in fair value of the option.

(iii) Debt instruments

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 (vi) below for allocation of finance charges within the Income Statement.

(iv) 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.

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.

(v) 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.

(vi) 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

Notes on the Accounts (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

(vii) 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.

(viii) 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.

(ix) 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.

(x) 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 and derivatives;
- settled 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 and derivatives held at the year end; and
- foreign exchange valuation differences of a capital nature.

3. INCOME

	2010 £'000s	2009 £'000s
Income from investments		
UK dividends	7,167	7,124
UK scrip dividend	–	62
Bond interest	284	186
Overseas dividends	487	373
	7,938	7,745
Interest on cash and short-term deposits	6	32
Interest on VAT recovered (see note 5)	–	179
Underwriting commission	134	221
Other income	–	4
	140	436
Total income	8,078	8,181
Total income comprises		
Dividends	7,654	7,559
Other income	424	622
	8,078	8,181
Income from investments		
Quoted UK	7,306	7,295
Quoted overseas	632	450
	7,938	7,745

As at 30 September 2010 there were no outstanding underwriting contracts.

4. MANAGEMENT FEE

	2010 £'000s	2009 £'000s
Management fee	718	608
Less: allocated to capital reserve – arising on investments sold (see note 20)	(359)	(304)
	359	304

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.

Notes on the Accounts (continued)

5. RECOVERABLE VAT

	2010 £'000s	2009 £'000s
Recoverable VAT in respect of management fees	–	167

Management fees are no longer subject to VAT. The Company has 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 £167,000 was recognised in the Income Statement for the year ended 30 September 2009 and £578,000 was recognised for the year ended 30 September 2008. Interest of £179,000 received in connection with these recoveries was included within income in 2009 (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. The distribution was allocated to capital return in 2009 (£212,000) and 2008 (£260,000).

A case has recently been brought against HMRC to seek to recover the amount relating to the intervening period, 1997 to 2000, together with interest on a compound basis. No VAT or related interest recovery has been accrued or recognised as a contingent asset as the outcome of the case is expected to remain uncertain for several years.

6. OTHER EXPENSES

	2010 £'000s	2009 £'000s
Auditors' remuneration:[1]		
– for audit services	31	30
– for other services	76	2
Directors' fees for services to the Company	91	91
Directors' and Officers' liability insurance	11	11
Loan commitment fee	63	32
Marketing	68	70
Professional fees	23	18
Printing and postage	60	61
Registrars' fees	36	24
Savings plan expenses	216	204
Subscriptions and listing fees	47	40
Sundry expenses	51	73
	773	656

1. Auditors' remuneration for audit services, exclusive of VAT, amounts to £26,800 (2009: £26,000). Total Auditors' remuneration for other services amounts to £92,000 (2009: £9,700) of which £66,000 is recognised in the revenue account and £26,000 in the capital account. Other services comprise: £2,000 (2009: £2,000) for advice on UK taxation; £64,000 (2009: £nil) for services in connection with a case brought against HMRC (see note 5) on behalf of the Company and its subsidiary, F&C Income Growth Investment Trust plc (in liquidation) ("FIGIT"), and £26,000 (2009: £7,700) in connection with the on-going liquidation of FIGIT.

   The Directors believe that the potential levels of recoveries of VAT and interest arising out of the case brought against HMRC would be a significant multiple of the £64,000 fees to the Auditors.

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

7. FINANCE COSTS

	2010 £'000s	2009 £'000s
Interest payable on bank loans and overdrafts repayable within five years, not by instalments	332	308
Less: allocated to capital return (see note 20)	(166)	(154)
	166	154

8. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the year

	Revenue £'000s	Capital £'000s	2010 Total £'000s	Revenue £'000s	Capital £'000s	2009 Total £'000s
Overseas taxation	25	–	25	24	–	24
Current tax charge on ordinary activities (see note 8(b))	25	–	25	24	–	24

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

	Revenue £'000s	Capital £'000s	2010 Total £'000s	Revenue £'000s	Capital £'000s	2009 Total £'000s
Return on ordinary activities before tax	6,780	7,580	14,360	7,234	627	7,861
Return on ordinary activities multiplied by the effective rate of corporation tax of 28% (2009: 28%)	1,898	2,122	4,020	2,026	176	2,202
Effects of:			–			
UK dividends*	(2,007)	–	(2,007)	(1,995)	–	(1,995)
UK scrip dividend*	–	–	–	(17)	–	(17)
Overseas dividends*	(136)	–	(136)	(14)	–	(14)
Expenses utilised from prior years	–	–	–	(117)	–	(117)
Surrender of losses to FIGIT**	–		–	87	–	87
Expenses not utilised in the year	216	147	363	–	71	71
Expenses not deductible for tax purposes	29	–	29	28	–	28
Overseas taxation not relieved	25	–	25	24	–	24
Movement in taxable income accruals	–	–	–	2	–	2
Capital returns*	–	(2,269)	(2,269)	–	(247)	(247)
Total current taxation (see note 8(a))	25	–	25	24	–	24

* 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 £2.6 million in respect of unutilised expenses and unrelieved overseas taxation at 30 September 2010 (2009: £2.2 million) 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 £6,755,000 profit (2009: £7,210,000 profit).

Capital return

The capital return per share is based on the capital return attributable to shareholders of £7,580,000 profit (2009: £627,000 profit).

Total return

The total return per share is based on the total return attributable to shareholders of £14,335,000 profit (2009: £7,837,000 profit).

Weighted average ordinary shares in issue

Both the revenue and capital returns per share are based on a weighted average of 84,177,419 (2009: 81,433,763) ordinary shares in issue during the year.

Notes on the Accounts (continued)

10. DIVIDENDS

Dividends on ordinary shares	Register date	Payment date	2010 £'000s	2009 £'000s
Final for the year ended 30 September 2008 of 2.50 pence per share	05 Dec 08	19 Jan 09		1,983
Special for the year ended 30 September 2008 of 0.40 pence per share	05 Dec 08	19 Jan 09		317
First of four interims for the year ended 30 September 2009 of 1.90 pence per share	06 Mar 09	31 Mar 09		1,536
Special for the year ended 30 September 2009 of 0.40 pence per share	06 Mar 09	31 Mar 09		323
Second of four interims for the year ended 30 September 2009 of 1.90 pence per share	29 May 09	30 Jun 09		1,562
Third of four interims for the year ended 30 September 2009 of 1.90 pence per share	28 Aug 09	30 Sep 09		1,582
Final for the year ended 30 September 2009 of 2.55 pence per share	11 Dec 09	31 Dec 09	**2,133**	
First of four interims for the year ended 30 September 2010 of 1.95 pence per share	26 Feb 10	31 Mar 10	**1,639**	
Second of four interims for the year ended 30 September 2010 of 1.95 pence per share	04 Jun 10	30 Jun 10	**1,643**	
Third of four interims for the year ended 30 September 2010 of 1.95 pence per share	27 Aug 10	30 Sep 10	**1,655**	
			7,070	7,303

The Directors have declared a fourth interim dividend in respect of the year ended 30 September 2010 of 2.60 pence per share, payable on 31 December 2010 to all shareholders on the register at close of business on 10 December 2010. 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 2010, which form the basis of the retention test for section 1159 of the Corporation Tax Act 2010, are set out below:

	2010 £'000s
Net revenue return attributable to shareholders	**6,755**
First interim for the year ended 30 September 2010 of 1.95 pence per share	**(1,639)**
Second interim for the year ended 30 September 2010 of 1.95 pence per share	**(1,643)**
Third interim for the year ended 30 September 2010 of 1.95 pence per share	**(1,655)**
Fourth interim dividend for the year ended 30 September 2010 of 2.60 pence per share†	**(2,219)**
Revenue reserve utilised	**(401)**

† Based on 85,344,268 shares in issue and entitled to dividend at 22 November 2010.

11. INVESTMENTS

	Level 1* £'000s	Level 2* £'000s	Level 3* £'000s	2010 Total £'000s
Cost at 30 September 2009	157,220	–	1,785	159,005
Gains at 30 September 2009	19,705	–	–	19,705
Valuation at 30 September 2009	176,925	–	1,785	178,710
Movements in the year:				
Purchases at cost	18,538	–	–	18,538
Sales proceeds	(16,472)	–	–	(16,472)
Losses on investments sold in year	(6,846)	–	–	(6,846)
Gains on investments held in year	14,975	–	–	14,975
Valuation at 30 September 2010	187,120	–	1,785	188,905
Cost at 30 September 2010	152,440	–	1,785	154,225
Gains at 30 September 2010	34,680	–	–	34,680
Valuation at 30 September 2010	**187,120**	**–**	**1,785**	**188,905**

*Level 1 includes investments and derivatives listed on any recognised stock exchange or quoted on AIM in the UK.
Level 2 includes investments for which the quoted price has been suspended, forward exchange contracts and other derivative instruments.
Level 3 includes any unquoted investments.

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

Gains/(losses) on investments held at fair value	2010 £'000s	2009 £'000s
Losses on investments sold during the year	(6,846)	(7,573)
Gains on investments held at year end	14,975	8,457
Total gains on investments	8,129	884

Investment in subsidiary

The Company holds 100% of the issued share capital of F&C Income Growth Investment Trust plc (in liquidation) ("FIGIT") valued at £nil (2009: £nil). 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

	2010 £'000s	2009 £'000s
Prepayments and accrued income	662	530
Share issue outstanding	747	406
Overseas taxation recoverable	–	2
UK taxation recoverable	8	8
	1,417	946

Notes on the Accounts (continued)

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

Sterling loans	2010 £'000s	2009 £'000s
Repaid October 2010	**14,000**	–
Repaid October 2009	**–**	14,000

At 22 November 2010, short-term borrowings were £14 million. The maximum unsecured loan facility is £20 million. The Company has a credit facility, which is due for review in March 2011, allowing the Company access on demand to a maximum of £20 million of bank loans. Interest rate margins on amounts drawn down are variable and dependent on agreed commercial terms. Commitment commission is payable on undrawn amounts at commercial rates.

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

	2010 £'000s	2009 £'000s
Bank overdraft	**63**	–
Derivative instruments	**60**	–
Investment creditors	**650**	1,125
Management fee	**190**	174
Accruals	**141**	139
	1,104	1,438

Derivative instruments are classified as level 1 (see notes 2(b)(i) and 11 for further details).

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

	UK %	Europe ex UK %	2010 Total %	2009 Total %
Equity investments				
Financials	22.5	0.1	**22.6**	22.5
Oil & gas	16.0		**16.0**	18.8
Consumer goods	8.8	1.4	**10.2**	11.3
Utilities	10.0		**10.0**	9.4
Telecommunications	9.7		**9.7**	10.6
Health care	9.7		**9.7**	9.8
Consumer services	6.6	2.1	**8.7**	8.6
Industrials	5.0	3.3	**8.3**	6.7
Basic materials	6.6		**6.6**	5.5
Technology	0.5	0.6	**1.1**	0.8
Fixed interest investments			**–**	
Basic materials		1.8	**1.8**	1.4
Utilities	1.4		**1.4**	1.4
Financials	0.4		**0.4**	0.4
Total investments	97.2	9.3	**106.5**	107.2
Net current liabilities	(6.5)	–	**(6.5)**	(7.2)
Total assets less current liabilities	**90.7**	**9.3**	**100.0**	
2009 totals	90.9	9.1		100.0

16. SHARE CAPITAL

	Issued and fully paid number	£'000s
Ordinary shares of 25 pence each		
Balance at 30 September 2009	83,644,268	20,911
Ordinary shares issued	1,700,000	425
Balance at 30 September 2010	**85,344,268**	**21,336**

No further share issues have occurred since the year end.

17. SHARE PREMIUM ACCOUNT

	2010 £'000s	2009 £'000s
Balance brought forward	**84,399**	77,630
Premium on issue of shares	**3,053**	6,769
Balance carried forward	**87,452**	84,399

18. CAPITAL REDEMPTION RESERVE

	2010 £'000s	2009 £'000s
Balance brought forward and carried forward	**4,146**	4,146

19. SPECIAL RESERVE

	2010 £'000s	2009 £'000s
Balance brought forward and carried forward	**4,434**	4,434

Notes on the Accounts (continued)

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				
Losses on investments sold in year	(6,846)		(6,846)	–
Gains on investments held in year	–	14,975	14,975	–
Management fees and related VAT (see note 4)	(359)		(359)	–
Foreign exchange gains	2		2	–
Interest expense (see note 7)	(166)		(166)	–
Other expenses	(26)		(26)	–
Revenue return	–			6,755
Return attributable to shareholders	(7,395)	14,975	7,580	6,755
Dividends paid	–	–	–	(7,070)
Balance at 30 September 2009	27,287	19,705	46,992	5,802
Balance at 30 September 2010	**19,892**	**34,680**	**54,572**	**5,487**

Included within the capital reserve movement for the year are £79,000 of transaction costs on purchases of investments (2009: £176,000) and £23,000 of transaction costs on sales of investments (2009: £36,000). There were no dividends recognised as capital (2009: £nil).

21. NET ASSET VALUE PER ORDINARY SHARE

Net asset value ("NAV") per ordinary share is based on total net assets of £177,427,000 (2009: £166,684,000) and on 85,344,268 (2009: 83,644,268) ordinary shares in issue at the year end.

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

	2010 £'000s	2009 £'000s
Total return before finance costs and taxation	**14,692**	8,169
Adjust for returns from non–operating activities:		
– Gains on investments	**(8,129)**	(884)
– Exchange gains of a capital nature	**(2)**	–
– Non-operating expenses of a capital nature	**26**	11
Return from operating activities	**6,587**	7,296
Adjust for non-cash flow items:		
Scrip dividend	**–**	(62)
(Increase)/decrease in debtors	**(132)**	1,184
Increase in creditors	**59**	13
Overseas taxation	**(24)**	(8)
Net cash inflow from operating activities	**6,490**	8,423

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

	2010 £'000s	2009 £'000s
(Decrease)/increase in cash	**(551)**	1,315
Increase in short-term deposits	**229**	1,543
Increase in short-term loans	**–**	(14,000)
Change in net debt resulting from cash flows	**(322)**	(11,142)
Exchange movement on currency balances	**2**	–
Movement in net debt during the period	**(320)**	(11,142)
Balance at 30 September 2009	**(11,534)**	(392)
Balance at 30 September 2010	**(11,854)**	(11,534)

Represented by:	Balance at 30 September 2009 £'000s	Cash flow £'000s	Foreign Exchange movement £'000s	**Balance at 30 September 2010 £'000s**
Cash at bank	486	(488)	2	**–**
Short-term deposits	1,980	229	–	**2,209**
Bank overdraft	–	(63)	–	**(63)**
	2,466	(322)	2	**2,146**
Loans – short-term	(14,000)	–	–	**(14,000)**
	(11,534)	(322)	2	**(11,854)**

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 1158 of the CTA. 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 including derivatives 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.

Notes on the Accounts (continued)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

A description of derivative positions, which are also exposed to market price changes, together with the Manager's and Board's strategies for using these positions for efficient portfolio management, is contained in note 24, under "Other market risk exposures", in the Manager's Report and in the Directors' Report and Business Review. The exposure on the Company's positions at 30 September 2010 amounted to £60,000 (30 September 2009 – £nil).

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 foreign 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:

	2010 At 30 September	2010 Average for the year	2009 At 30 September	2009 Average for the year
Euro	**1.1543**	**1.1494**	1.0942	1.1496

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	2010 £'000s	2009 £'000s
Net revenue return attributable to shareholders	**41**	67
Net capital return attributable to shareholders	**1,979**	1,645
Net total return attributable to shareholders	**2,020**	1,712
NAV per share – pence	**2.37**	2.05

Strengthening of sterling by 10% against the euro	2010 £'000s	2009 £'000s
Net revenue return attributable to shareholders – £'000s	**(106)**	(37)
Net capital return attributable to shareholders – £'000s	**(1,689)**	(1,346)
Net total return attributable to shareholders – £'000s	**(1,795)**	(1,383)
NAV per share – pence	**(2.10)**	(1.65)

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:

2010	Short-term debtors £'000s	Cash at bank £'000s	Short-term creditors – loans £'000s	Short-term creditors – other £'000s	Net monetary assets/ (liabilities) £'000s	Investments £'000s	Net exposure £'000s
Sterling	1,281	2,161	(14,000)	(1,117)	**(11,675)**	170,030	**158,355**
Euro	136	41	–	11	**188**	18,102	**18,290**
Other	–	7	–	2	**9**	773	**782**
Total	**1,417**	**2,209**	**(14,000)**	**(1,104)**	**(11,478)**	**188,905**	**177,427**

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

2009	Short-term debtors £'000s	Cash at bank £'000s	Short-term creditors – loans £'000s	Short-term creditors – other £'000s	Net monetary assets/ (liabilities) £'000s	Investments £'000s	Net exposure £'000s
Sterling	946	2,456	(14,000)	(1,438)	(12,036)	163,905	151,869
Euro	–	2	–	–	2	14,094	14,096
Other	–	8	–	–	8	711	719
Total	946	2,466	(14,000)	(1,438)	(12,026)	178,710	166,684

Interest rate exposure

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

	2010 Within one year £'000s	2009 Within one year £'000s
Exposure to floating rates		
Cash	**2,209**	2,466
Overdrafts	**(63)**	–
Exposure to fixed rates		
Fixed interest securities	**6,499**	5,370
Borrowings	**(14,000)**	(14,000)
Net exposure	**(5,355)**	(6,164)
Minimum net exposure during the year	**(5,152)**	474
Maximum net exposure during the year	**(8,751)**	(6,164)

Exposures vary throughout the year as a consequence of changes in the composition 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:

	£'000s	**2010 Weighted average interest rate**	**2010 Average duration until maturity**	2009 £'000s	2009 Weighted average interest rate	2009 Average duration until maturity
Fixed interest securities	**6,499**	**4.88%**	**3.2 years**	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.

Notes on the Accounts (continued)

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:

	2010 Increase in rate £'000s	**2010 Decrease in rate £'000s**	2009 Increase in rate £'000s	2009 Decrease in rate £'000s
Revenue return	**(97)**	**97**	(91)	91
Capital return	**(140)**	**140**	(140)	140
Total return	**(237)**	**237**	(231)	231
NAV per share – pence	**(0.28)**	**0.28**	(0.29)	0.29

Other market risk exposures

The portfolio of investments, valued at £188,905,000 at 30 September 2010 (2009: £178,710,000) is 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. Derivative contracts entered into during the year comprise options written in the expectation that they will not be exercised. These contracts are not connected to the maintenance or enhancement of the Company's investments. No derivative contracts were entered into in the prior year.

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:

	2010 Increase in value £'000s	**2010 Decrease in value £'000s**	2009 Increase in value £'000s	2009 Decrease in value £'000s
Capital return	**37,781**	**(37,781)**	35,742	(35,742)
NAV per share – pence	**44.27**	**(44.27)**	42.73	(42.73)

(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 (69 at 30 September 2010); 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 Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting.

The Company has a credit facility with Lloyds TSB plc of £20 million which is due for review 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:

	2010 Three months or less £'000s	2009 Three months or less £'000s
Current liabilities – loans	**14,000**	14,000
Current liabilities – other	**1,104**	1,438
	15,104	15,438

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 is past its 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 and overdraft 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 22 November 2010 was 214.45 pence (30 September 2010: 207.90 pence)

Ten Year Record

Assets

at 30 September (£'000s)	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009	2010
Total assets	109,714	88,318	70,061	79,466	91,509	187,846	208,755	214,131	158,201	180,684	**191,427**
Loans	5,400	–	–	–	6,000	8,500	8,000	10,000	–	14,000	**14,000**
Net assets	104,314	88,318	70,061	79,466	85,509	179,346	200,755	204,131	158,201	166,684	**177,427**

Net asset value ("NAV")

at 30 September	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009	2010
NAV per share – pence	206.0	175.4	141.0	158.5	180.2	220.4	249.0	258.8	200.4	199.3	**207.9**
NAV total return on 100p – 5 years (per Datastream)											**113.8**
NAV total return on 100p – 10 years (per Datastream)											**140.2**

Share price

at 30 September	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009	2010
Middle market price per share – pence	173.0	161.5	135.5	159	173.5	211.3	233.5	243.3	196.5	199.0	**214.3**
Discount/(premium) to NAV – %	16.0	7.9	3.9	(0.3)	3.7	4.2	6.2	6.0	2.0	0.1	**(3.1)**
Share price high– pence	192.0	183.8	195.0	169.0	177.0	211.3	240.0	258.0	249.0	202.5	**221.3**
Share price low – pence	154.5	141.5	119.0	122.0	155.5	174.0	196.0	222.5	188.5	140.0	**181.0**
Share price total return on 100p – 5 years (per Datastream)											**122.5**
Share price total return on 100p – 10 years (per Datastream)											**179.5**

Revenue

for the year ended 30 September	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009	2010
Available for ordinary shares (£'000s)	2,546	2,872	2,460	2,629	2,597	4,046	5,879	6,604	7,608	7,210	**6,755**
Earnings per share –pence	4.90	5.70	4.93	5.28	5.38	6.56	7.25	8.25	9.69	8.85	**8.02**
Dividends per share – pence	4.95	5.10	5.25	5.35	5.45	5.80	6.50	7.40	8.40†	8.65†	**8.45**

Performance

(rebased to 100 at 30 September 2000)

	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009	2010
NAV per share	100.0	85.1	68.4	76.9	87.5	107.0	120.9	125.6	97.3	96.7	**100.9**
Mid-market price per share	100.0	93.4	78.3	91.9	100.3	122.1	135.0	140.6	113.6	115.0	**123.8**
Revenue return per share	100.0	116.3	100.6	107.8	109.8	133.9	148.0	168.4	197.8	180.6	**163.7**
Dividends per share	100.0	103.0	106.1	108.1	110.1	117.2	131.3	149.5	169.7†	174.7†	**170.7**
FTSE All-Share Index	100.0	77.3	59.5	66.9	75.0	90.6	100.7	109.5	82.0	87.0	**94.7**
RPI	100.0	101.7	103.4	106.3	109.6	112.5	116.5	121.1	127.2	125.4	**131.2**

* Restated to reflect changes in accounting policies.
† Includes special dividends of 0.40p in 2008 and 0.40p in 2009.

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	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009	2010
Operating costs as a percentage of:											
Average net assets – %	0.61	0.60	0.67	0.75	0.74	0.69	0.74	0.73	0.70†	0.76†	**0.88**
Average total assets – %	0.59	0.59	0.67	0.75	0.69	0.66	0.70	0.70	0.69	0.69	**0.81**

Gearing

at 30 September	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009	2010
Effective gearing/(net liquidity) – %	4.40	(0.80)	(1.30)	(0.60)	6.23	2.94	1.81	4.74	0.24	7.60	**7.05**
Fully invested gearing – %	5.20	–	–	–	7.11	4.74	3.99	4.91	–	8.40	**7.89**

* 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 eighteenth annual general meeting of the Company will be held at Exchange House, Primrose Street, London EC2A 2NY on Wednesday 19 January 2011 at 11.30 a.m. for the following purposes:

Ordinary business

To consider and, if thought fit, pass the following resolutions 1 to 7 as ordinary resolutions:

1. To receive and adopt the Directors' report and accounts for the year ended 30 September 2010.
2. To approve the Directors' Remuneration Report.
3. To re-elect Neil Dunford as a Director.
4. To re-elect Professor Jim Norton as a Director.
5. To re-elect Hugh Priestley as a Director.
6. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company.
7. 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:

8. 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 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 £2,133,606 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 2012 (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 £2,133,606, 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 551 or section 571 of the Act 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:

9. THAT the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the "Act"), to make market purchases (within the meaning of section 693(4) 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 12,793,105;
   (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 (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 15 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.

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.

Special business

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

11. THAT the Company's articles of association be and they are hereby amended with immediate effect by the deletion of the figure "£120,000" in article 110 and the substitution therefor of the figure "£180,000".

By order of the Board	Registered office:
F&C Management Limited	Exchange House
Secretary	Primrose Street
25 November 2010	London EC2A 2NY

Location of meeting

Notes:

1. Pursuant to regulation 41(1) of the Uncertificated Securities Regulations 2001 (as amended) and for the purposes of section 360B of the Companies Act 2006 ("the Act"), the Company has specified that only those members included on the register of members of the Company at 11 p.m. on 17 January 2011 (the "specified time") shall be entitled to attend and vote or be represented at the meeting in respect of the shares registered in their name at that time. Changes to 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.

2. A member entitled to attend, speak and vote at the meeting may appoint one or more proxies to exercise his/her rights instead of him/her. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. A form of proxy is provided to members which 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.

3. To be valid, the form of proxy and any power of attorney or other authority under which it is signed, or a notarially certified copy of such 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 received 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).

Notice of Annual General Meeting
(continued)

4. 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.

5. Investors holding shares in the Company through the F&C plans should return forms of direction to Computershare Investor Services PLC or submit their voting directions 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 received not less 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).

6. Completion and return of a form of proxy or form of direction or the submission of votes electronically will not preclude members/investors from attending and voting at the meeting should they wish to do so. 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.

7. 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/her proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

8. 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 146 of the Act ("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. Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or, perhaps, the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.

9. This notice, together with information about the total numbers of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting as at 22 November 2010, being the latest practicable date prior to publication of this document, and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice, will be available at www.fandccit.com.

10. As at 22 November 2010, the latest practicable date prior to publication of this document, the Company had 85,344,268 ordinary shares in issue with a total of 85,344,268 voting rights. No shares are held in treasury.

11. In accordance with section 319A of the Act, 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.

12. In accordance with section 527 of the Act, 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 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 names and addresses and be sent to the Company's registered office.

13. The fourth interim dividend in respect of the year ended 30 September 2010 will be paid on 31 December 2010 to holders of ordinary shares on the register at the close of business on 10 December 2010.

14. 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 day (Saturdays, Sundays and public holidays excepted) 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.

15. You may not use any electronic address provided either in this notice or any related documents (including the form of proxy or form of direction) to communicate with the Company for any purpose other than those expressly stated.

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

Information for Shareholders

Net asset value and share price

The Company's net asset value per share is released to the market daily, on the working day following the calculation date. It is available, with other regulatory information, through the National Storage Mechanism at www.hemscott.com/nsm.do

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 2011 without incurring any tax liability.

The rate of CGT of 18% will apply where taxable income and gains do not exceed the income tax higher rate threshold (£37,400 in 2010/11). The higher rate of 28% will apply to those whose income and gains exceed this figure.

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

Income tax

The fourth interim dividend is payable in December 2010. 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 between 1 September 2002 and 31 December 2010 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 £10,200 each year in F&C's Stocks and Shares ISA.

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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