F&C Investments

F&C Capital and Income Investment Trust PLC

Report and Accounts

2011

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 02732011.

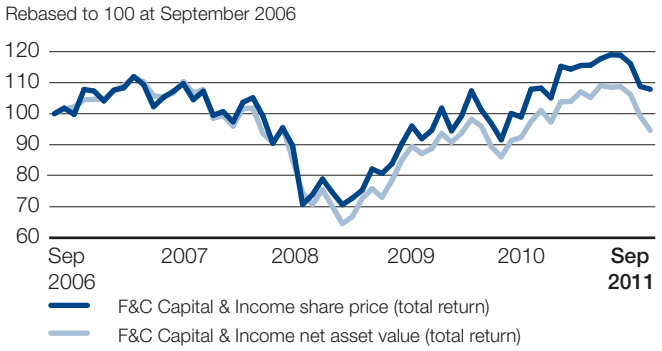
Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Financial Highlights

Summary of results

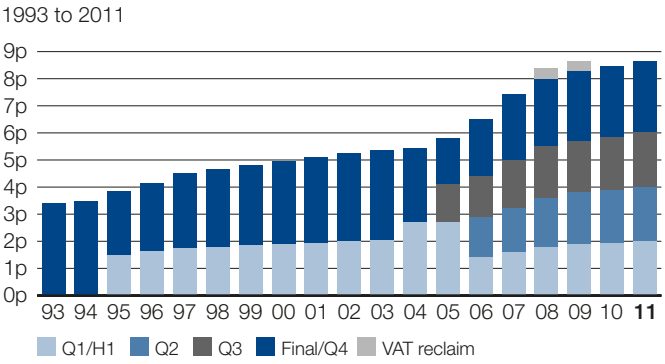
Attributable to shareholders	30 September 2011	30 September 2010	% Change
Net assets	£167.29m	£177.43m	-5.7
Net asset value per share	194.96p	207.90p	-6.2
Net revenue after tax	£8.34m	£6.76m	+23.4
Revenue return per share	9.75p	8.02p	+21.6
Dividends per share	8.65p	8.45p	+2.4
Share price	206.00p	214.25p	-3.9

Total return over five years – 2006 to 2011



Source: Datastream

Dividends per share – pence



Source: F&C Management Limited

Contents

Financial calendar

2011 financial year events

Fourth interim dividend payable	30 December 2011
Annual general meeting	15 February 2012

2012 financial year events

First interim dividend payable	March 2012
Half-yearly results announced	May 2012
Second interim dividend payable	June 2012
Third interim dividend payable	September 2012
Annual results announced	November 2012
Fourth interim dividend payable	December 2012

Chairman's Statement

Dear Shareholder

We have continued to increase our total dividends, this year by 2.4% to 8.65 pence per share. This is despite a disastrous year for the global economy in which official growth forecasts have frequently been revised downwards. We are able to do this because many companies have reported surprisingly good progress and dividend growth has been fairly strong. Partly for this reason the stock market initially took a more positive view of the outlook, but suffered a sharp set back in July and August, leaving share prices generally lower by our year end in September.

Capital performance

Your Company's net asset value ("**NAV**") per share fell by 6.2% over the financial year. This compares to a fall of 7.4% for the FTSE All-Share Index ("**Index**") over the same period. Our NAV trailed the Index over the first six months but the greater focus in our portfolio on generating income and seeking greater resilience to turbulent markets gave us stronger relative performance in the second half, despite the gearing which might have been a significant hindrance. This outperformance in the second half of the year was sufficient to overcome the initial shortfall against the Index and enabled us to outperform it over the year as a whole.

Our approach of combining both capital and income growth in our strategy, can lead to periods of relatively disappointing performance compared to the Index, but it is our firm belief that over the long term dividends and dividend growth comprise an important part of the total return from stock markets and therefore these should be an integral part of any investment process. We explained this in greater detail in our Annual Report and Accounts for last year.

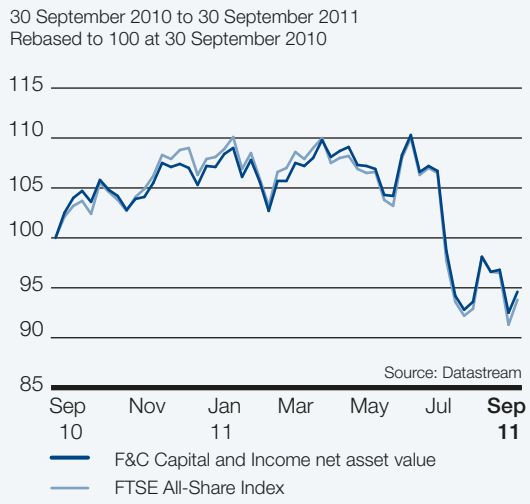
Over fifteen years, which corresponds to the period over which Julian Cane has managed your Company's investments, this approach has been successful in generating a total return (NAV with dividends reinvested) of 126.4% compared to 118.5% for the FTSE All-Share index (with dividends reinvested).

Revenue account

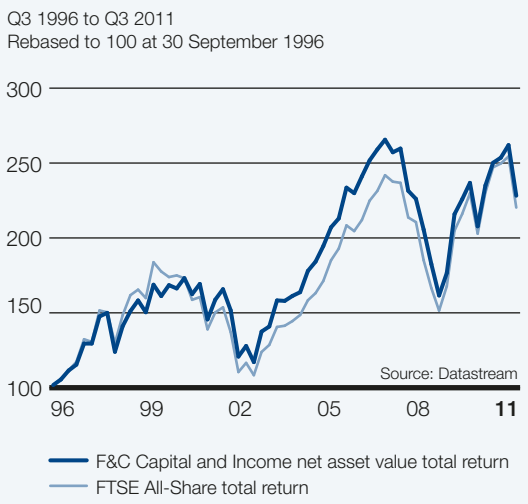
Over the year, we received an increase of almost 20% in income, driven by an 11% increase in dividend income and 150% increase in other income, which was the result of our new but cautious option writing strategy.

In the previous year to September 2010, we had experienced a fall in income of 1.3%, largely because of the suspension of two of BP's four dividends. During the last year, BP has restarted paying dividends and although we received less than the previous year at least the dividend flow has now resumed. Dividends elsewhere have generally

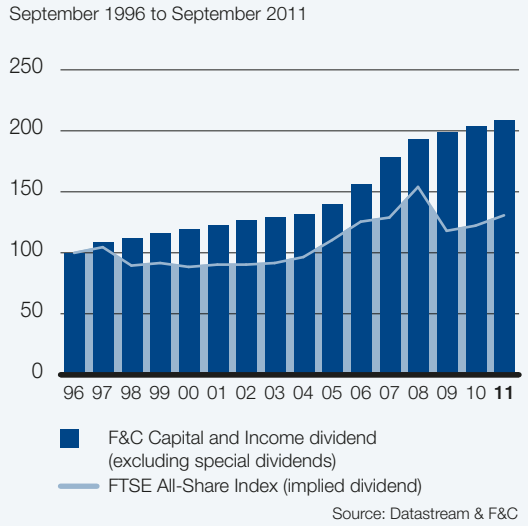
Net asset value performance over one year



Total return over 15 years



Dividend growth over 15 years

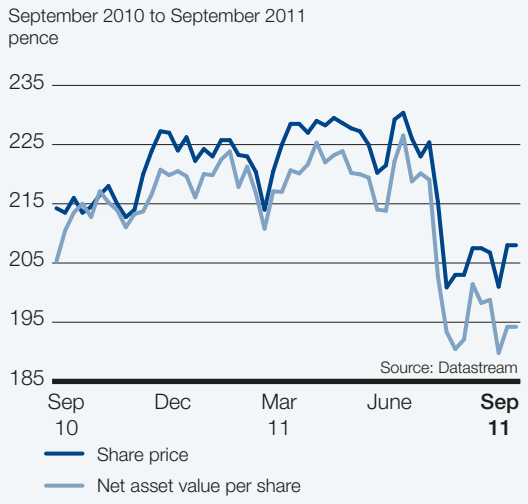


increased at an encouraging rate, reflecting better earnings and improving finances of the companies in which we have invested.

Our total expenses were down almost 3% over the year and finance costs saw only a small rise, ensuring that the increase in income fed through to shareholders, giving a 21.7% uplift in earnings per share.

Encouragingly, we have reduced the total expense ratio over the year from 0.88% of average net assets to 0.83%. This maintains and builds on our overall level of cost effectiveness compared to many other investment trusts and the vast majority of unit trusts.

Share price and net asset value per share



Option Strategy

Since last September we have started a strategy of writing options in order to generate additional income. Over the course of the year option writing has generated premiums of £825,000, enhancing income by more than 9%. The Manager's Report gives more detail on the strategy and its implementation.

Dividend

Over the course of the year, we have paid three dividends of 2.0 pence per share and a fourth dividend of 2.65 pence per share has been declared giving a total for the year of 8.65 pence per share. This is an increase of 2.4% on the previous year and over five years represents an increase of 41.1%, a compound rate of 5.9% per annum. The fourth dividend will be paid as an interim dividend rather than a final; this mechanism means that shareholders do not vote on its payment, but it does allow us to pay the dividend at the year end, thus standardising the payment of our dividends to each of the quarter ends and accelerating it in the process. This responds to feedback the Board has received from shareholders.

Share price performance and discount

Over the last year, the share price fell 3.9%, less than the 6.2% fall in NAV per share. Demand for your Company's shares has remained strong and at the start of the year, the shares were trading at a premium to NAV of 3.1%, while at the year end the premium had increased to 5.6%. The shares traded at a premium to NAV on all but five days, with the average premium being 2.7%.

In the event that the shares start to trade at a material discount to NAV, the Directors retain their commitment to the share buyback programme. This has been used successfully in the past to bring the share price closer in line with the NAV, but it has not been necessary since the last share buyback took place in December 2007.

Chairman's Statement (continued)

Shareholders

Most of your Company's shareholders hold their shares through one of F&C's savings plans. These have provided a solid source of demand, helping to keep the shares trading close to NAV. In order to satisfy demand, 465,000 new shares were issued during the year. The issues of the new shares were at a premium to the existing NAV so there was no dilution for existing shareholders and new shareholders benefited from the liquidity of new shares at only a small premium to NAV.

Since the year end, demand has continued to be strong and we have issued a further 600,000 shares.

At the 2011 annual general meeting ("**AGM**") your Board is asking for authority to issue further shares, without pre-emption rights, equal to 10% of the Company's shares in issue at the date of this report. This will give your Directors the maximum flexibility to continue to issue shares when appropriate to the benefit of shareholders over the coming year.

Gearing

When we expect future returns to be greater than the cost of debt we are prepared to borrow money in order to enhance returns. We have borrowed up to £15m throughout the year and although this was a profitable strategy in absolute terms during the first half of the year while markets rose, it has not been successful during the second half in a falling market. The cost of borrowing remains very low at (around 2.5% annualised), which is well below long-term expected returns from equities and is even well below the dividend yield of our portfolio of companies. For these reasons the Board believes it is appropriate to maintain modest gearing in the portfolio.

Board

In our Corporate Governance Statement last year we briefly reported on the implementation of a succession plan to be completed over the next few years. In addition to the appointment of Steve Bates as Chairman Designate in May 2011, we have also agreed a timetable for the succession of the other longer serving Directors. We favour diversity and welcome appointments that contribute to it, but our first objective will be to find Directors with relevant and complementary skills. We are therefore unwilling with such a small Board to commit to numerical diversity targets.

As a new Director, Steve Bates will stand for election by shareholders at the Annual General Meeting. I will be retiring immediately following the meeting in the comfort that the chairmanship is being passed to a well experienced Director with a deep knowledge of investment matters and board appointments. It has been a privilege for me to serve as a Director and as Chairman of your Company. I wish my colleagues, the management team and all shareholders every success in the future.

Annual general meeting

The AGM will be held on 15 February 2012 at the Company's registered office, Exchange House, Primrose Street, London EC2. We would like to encourage all shareholders to attend; the Board will be available to answer any questions you may have and 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

At the time of writing the eurozone is in deep crisis with the most serious concern shifting from Greece to Italy. Whatever the immediate outcome major sovereign debt risks will overshadow financial markets, including our own, for some time to come. The shock of recent events, coupled with widespread over-indebtedness in the western economies, seems likely to have caused a sea-change in the appetite and the ability of the personal sector to consume. Against this background forecasting models become even less reliable than usual. Some years of subdued growth are likely. The authorities in all the western economies are faced with acute dilemmas of how to balance the necessity of fiscal prudence with adequate stimulus to the economy in the face of angry voters.

How can we square this rather bleak picture with a relatively upbeat prospect for earnings in the corporate sector on which we depend to maintain our record of annual growth in our own dividend? The answer is by drawing an important and so far valid distinction between national and individual

finances on the one hand, and the prospects for companies and share prices on the other. Although economic growth in the UK and Europe is expected to be tepid, many companies have been able to control costs and adjust their business plans to secure growth elsewhere. Share prices have also anticipated much of this slower growth leaving the return on equities looking attractive relative to many other asset classes on which real returns are negative after allowing for inflation. We certainly cannot rule out a double-dip recession but over the long-run dividends and dividend growth will continue to be a major part of stock market returns. On both of these counts our broadly diversified portfolio gives us some confidence that we can continue our progress.

Pen Kent
Chairman
24 November 2011

Manager's Review

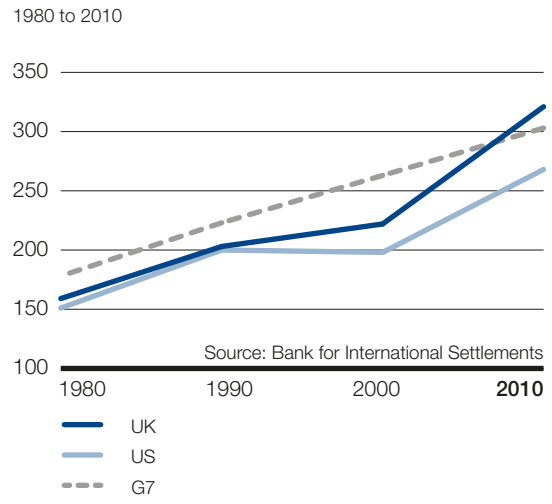
Review of the economy

Latest statistics show that over the year to the end of the third calendar quarter, the UK economy grew by a mere 0.5%. The last quarter of 2010 was adversely impacted by severe weather and saw a decline in activity, some of which was caught up in subsequent quarters, but it is clear from the pedestrian progress during 2011 that overall the economy is struggling to grow. The UK economy declined by 7.1% during the recession that started in the spring of 2008 and ended in the summer of 2009 and the subsequent pace of recovery has been slower than that from the Great Depression of the 1930s.

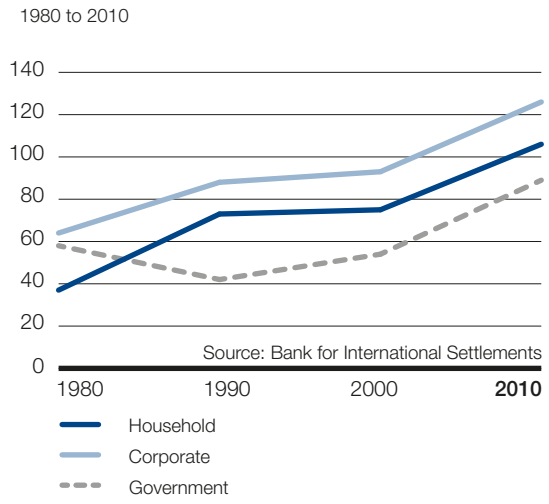
Growth in the years up to the peak of the economy had been flattered by individuals and the Government taking on ever higher levels of debt and bringing forward consumption from the future, allowing lifestyles out of line with incomes. Thus GDP had grown out of kilter with levels that could have been achieved on a sustainable basis without recourse to ever increasing levels of debt. Once the point had been reached where debt levels could not be stretched further, the fall in economic activity levels has been severe and it is proving hard to regain traction on the path back to growth. Many other developed countries have had a similar experience, thus adding to the overall difficulty of recovery and putting a greater reliance on those economies that are still performing well, such as most of the emerging economies and Germany, to provide an engine for growth.

In response to the debt burden and economic crisis, the UK Coalition Government has put in place measures to scale back progressively its spending, with the intention that over time the fiscal deficit will reduce as a percentage of overall economic activity. This austerity plan, although still seeing nominal increases in spending, has met with approval from investors and is allowing the UK government to finance itself at very cheap levels, with 10 year gilts trading at their lowest yields for 100 years. The economic plans of most other European countries, particularly those on the periphery of the eurozone, have not found favour with investors and their governments' bonds have fallen sharply in value, leading to a steep increase in borrowing costs. Together with high levels of existing debt, the need to finance ongoing deficits at ever-higher rates of interest have brought about the ongoing financial crisis in the eurozone. The structural rigidities of the eurozone need to be addressed in order to work towards a solution; ultimately, either those countries who can't or won't undertake the austerity needed to deflate their economies will have to leave the eurozone, or the richer countries will have to arrange fiscal transfers to keep them in. The contrast with the US is stark. The US suffers many of the same problems as Europe, having had its own surge in debt levels, but a more

Total debt to GDP ratios



Component parts of total debt to GDP ratio in the UK



co-ordinated national approach and liberal use of Quantitative Easing have at least kept bond yields low, despite a downgrade in its rating from S&P from AAA to AA+.

Despite the weak domestic and European economies, inflation has remained high. For most of the year, the index of Consumer Price Inflation ("**CPI**") has remained above 4.0% and hence more than twice the Bank of England's targeted level. Clearly, domestic activity is not the driving force behind the high level of inflation, rather it looks to be a combination of Quantitative Easing and sterling depreciation.

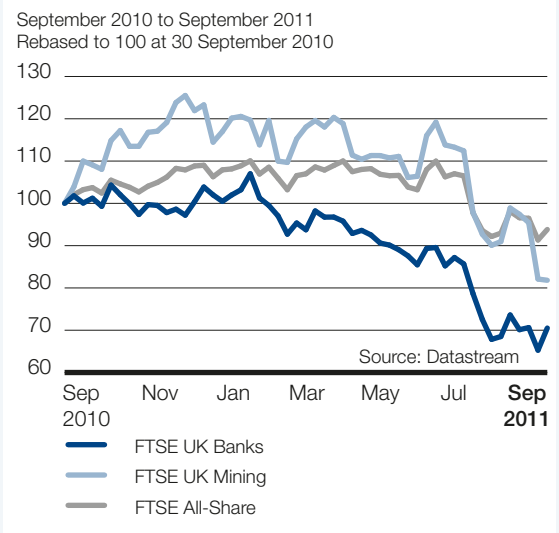
Review of the stock market

After a quieter period in 2010, stock markets have returned to a more volatile state, particularly in the second half of the financial year. Although company results have generally been in line with forecasts in terms of profit and dividend growth, share prices and the market as a whole have been increasingly driven by sentiment in response to the developing eurozone crisis. The first Greek bail-out occurred in May 2010, but since then there have been rescue packages put in place for Portugal, Ireland and Greece (again). In aggregate, these countries are not large enough to threaten damage to the larger sovereigns of the Eurozone, but the deterioration of the situation in Italy, the third largest bond market in the world is more substantial.

Concern about the ability of the peripheral countries to finance themselves transmits itself into higher yields and lower bond prices, which in turn weakens any banks that own those bonds. This not only drives the share prices of those banks lower but also weakens their ability to lend, hence damaging growth prospects for the economy yet further. In this way, concerns about the crisis can become self-fulfilling with bond prices and share prices falling in tandem. This was very much what happened to share prices in July, August and September and remains the main driver of markets into the fourth calendar quarter.

The major areas of the stock market most sensitive to a decrease in risk appetite and fall in confidence are the financials and mining sectors. Having taken a fairly cautious view on economic growth, the portfolio is underweight the banking and mining sectors

Banks, Mining and FTSE All-Share Index



relative to the FTSE All-Share Index and this proved to be positive for performance as they lost 30% and 19% respectively in value over the year.

Portfolio

Commentary on the portfolio by sector and on the twenty largest holdings are in separate sections following this report and they cover the equity portfolio, the most significant part of your Company. However, there are three other discrete and smaller parts of the portfolio that are worthy of attention.

- Convertible bonds: These provide an attractive level of income in a less risky way than equity exposure. Exposure to convertible bonds was first started when the financial crisis was at its worst in 2008/09 when the bonds were trading at a big discount to their par value. Since then they have recovered well, giving us attractive capital returns, as well as a good income yield. Following strong performance and with limited further upside potential, exposure was reduced during the course of the year.
- Derivatives: During the course of the year we wrote a mixture of put and call options, 27 in total. These were written, within strict limits set by the Board, to generate income and the premiums paid to us added an extra £825,000 to the revenue account. Our strategy is to integrate option writing as part of our stock selection process so that

Manager's Review (continued)

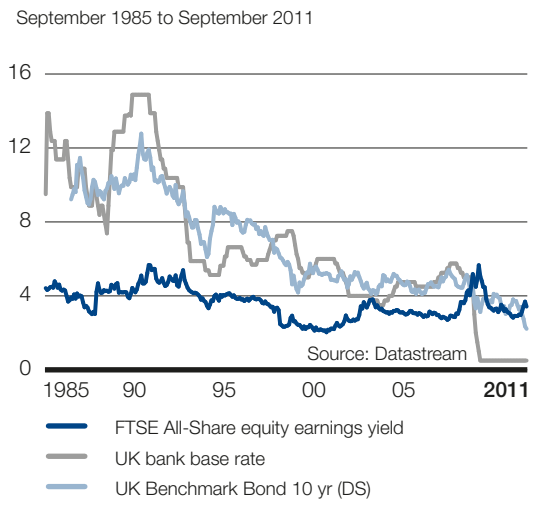
we only write options on stocks that we already analyse and we set strike prices for the options at levels consistent with our analysis of trading ranges. If a put option is exercised against us, then we buy stock at a lower price than when we wrote the option and at a price that we have previously identified as being an attractive buying level. If a call option is exercised against us, then we sell stock at a higher price than when the option was written and at a price representing an attractive selling level. In exchange for making this commitment and taking on this risk we are paid an option premium. This is treated as income.

- Unquoted equity: Caithness Petroleum, an oil and gas exploration company, is our only unquoted investment. In the first half of our financial year concern about political developments in the Middle East caused us to reduce the valuation at which we hold the investment as its most significant asset is in Morocco.

Valuation of the Stock Market

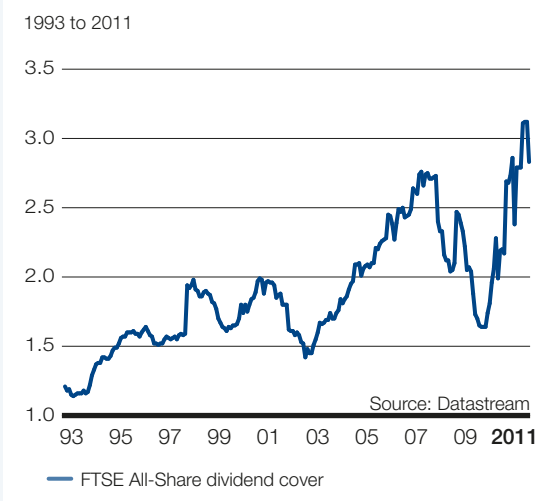
There are two main considerations when looking at the valuation of the stock market: whether to view it as an investment in its own right or whether to compare its valuation against other investment assets. Analysis of the absolute valuation of the stock market shows shares to be trading towards the lower end of their historic range in terms of the multiple of earnings whilst the dividend yield is towards the middle of its range. In this context it is worth noting that dividend cover (the number of times the dividend could be paid from earnings) is at historically high levels. This has come about as dividends have increased less than earnings and strongly suggests that dividend payments from the stock market generally are sustainable and well underpinned. Although this is reassuring, the attractions of equities can be further highlighted by looking at their valuation relative to bonds or cash, the main competing assets.

Yields from competing assets



FTSE All-Share Index – price/earnings

FTSE All-Share Index – dividend cover



The dividend yield on shares has been less than the yield on government bonds for nearly all the last 50 years as it was recognised that although individually shares can be risky, a more balanced portfolio should be able to achieve growth in income and capital over time, benefiting both from economic growth and inflation. As “real” assets, i.e. not fixed to a nominal value like fixed interest bonds, companies should be able to alter their business plans to benefit from, or at least mitigate, the corrosive impact of inflation, which fixed interest bonds are unable to offset. With the CPI increasing by 5.0% over the last year, dividend growth from the market of closer to 6% more than offsets this. The dividend yield on the FTSE All-Share has again risen above the yield of 10 year gilts and it is expected that this attractive starting yield, together with the expectation of further dividend growth will make equities a better investment than gilts over the long run.

Julian Cane
F&C Management Limited
24 November 2011

Twenty Largest Holdings

30 Sep 2011	*30 Sep 2010*	**Company** Description	% of total investments	Value £'000s
1	*1*	**Vodafone** The world's leading mobile telephone provider with a strong international presence. The enhancement of the dividend from its stake in Verizon Wireless is very positive.	7.3	13,296
2	*3*	**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.	6.5	11,764
3	*4*	**BP** The company is still recovering from the Macondo well disaster and more recently the frustrated deal in the Russian Arctic. Positively, the dividend programme has been restarted and compared to its major oil industry peers, the shares appear good value.	6.0	10,993
4	*5*	**GlaxoSmithKline** One of the world's leading pharmaceutical companies with a valuable healthcare business. Its defensive qualities have been better appreciated over the last year and the valuation and dividend yield are still attractive.	5.8	10,660
5	*6*	**Rio Tinto** One of the world's foremost mining companies with significant interests particularly in iron ore. The strength in commodity prices over the last couple of years has brought about strong profits and strengthened the balance sheet. It is our major exposure to the mining sector.	4.2	7,740
6	*7*	**British American Tobacco** A leading international manufacturer and distributor of cigarettes. It has proven itself to be a very consistent performer and in a mature industry is able to pay an attractive dividend.	4.1	7,503
7	*2*	**HSBC** Compared to nearly all other banks world-wide, HSBC has a strong and liquid balance sheet. Its breadth of geographic operations and exposure to faster growing parts of the world are attractive, but the holding was reduced during the year to help finance a new investment in Standard Chartered.	3.8	6,882
8	*9*	**Scottish & Southern Energy** A well-managed multi-utility group with an attractive dividend yield and commitment to dividend growth.	3.7	6,716
9	*10*	**Tesco** Although growth is limited in the UK from its already dominant position as the largest food retailer, it is continuing to expand internationally and through non-food offerings.	2.9	5,294
10	*8*	**AstraZeneca** A major international pharmaceutical company. Although the pipeline of new drugs looks relatively disappointing, the company has put steps in place to offset this leading to a more stable outlook.	2.7	4,808

30 Sep 2011	*30 Sep 2010*	**Company** Description	% of total investments	Value £'000s
11	–	**Standard Chartered** The bank is seeing attractive rates of growth and good returns from its international operations while the balance sheet is strong and dividends continue to grow.	2.1	3,795
12	–	**BT Group** The dominant telecommunication service provider in the UK is improving returns through a number of initiatives, including turning around BT Global Services.	1.9	3,470
13	–	**BAE Systems** A leading international developer and manufacturer of advanced defence and aerospace systems. Although government expenditure on defence systems is clearly under pressure, this appears already to be fully factored into the share price.	1.9	3,395
14	*17*	**London & Stamford** A property company with a very well respected management team. Its opportunistic deals to date have been very successful and there is the strong prospect of more to come.	1.8	3,279
15	*21*	**Imperial Tobacco** A leading manufacturer and distributor of cigarettes and tobacco products. An above average yield and good dividend growth are attractive.	1.8	3,261
16	*27*	**Lancashire Holdings** This insurance company underwrites specialty risks, mostly of a short-term nature. It has an excellent track record of profitability and a strategy of returning surplus cash to shareholders.	1.6	2,963
17	*14*	**Talvivaara 5.25% convertible bond** This gives a secure and attractive income and through the conversion option there is some exposure to the share price of Talvivaara, a Finnish nickel miner.	1.6	2,909
18	*39*	**Compass Group** A food and support services company that continues to experience reasonable rates of growth and that benefits both from outsourcing and from economic recovery.	1.5	2,759
19	*24*	**Reed Elsevier** This is a publisher and information provider, publishing information for the scientific, medical and legal professions and business to business sector.	1.3	2,370
20	*23*	**Centrica** An integrated company from gas and energy production through to supply to the home. The business is relatively stable and has an attractive, growing dividend yield.	1.3	2,280

The value of the twenty largest equity holdings represents 63.7% (30 September 2010: 69.3%) of the Company's total investments.

Investment Portfolio by Sector
at 30 September 2011

	% of total investments*	% of FTSE All-Share Index
Financials	19.8	20.3
Much of this sector is very sensitive to the ongoing eurozone crisis through direct or indirect exposure to bonds and other asset markets. The exposure to HSBC and Barclays was reduced, while Standard Chartered, with its focus on the Far East and Emerging Markets was a new holding. The investment in Lancashire was increased and a new holding in CatCo Reinsurance started; both of these companies are largely uncorrelated with bond and equity markets and should offer attractive rates of total return. Carador Income is also a new holding; it has a very attractive yield and as an investor in secured loans it should be relatively uncorrelated to equity markets. Our exposure to property is via London & Stamford and Raven Russia, both of which performed well over the year.		
Oil & gas	14.3	17.5
Royal Dutch Shell and BP are the second and third largest holdings in the whole portfolio and by far the most significant holdings in this sector. During the year, there was a small rebalancing as the holding in Shell was reduced and the holding in BP increased in order to try to take advantage of a recovery following the disaster of the Macondo well. This strategy did not work well as Shell performed better than the Index and BP		
Telecommunications	10.4	6.7
The holding in Vodafone was unchanged over the year and strong performance has taken it to become the largest investment in the whole portfolio. The company is committed to a progressive dividend and is starting to realise value from its stake in the US company, Verizon Wireless through a special dividend. During the year, a new holding in BT was started, the holding in Cable & Wireless Communications was sold, while the holding in Inmarsat, the satellite telecommunications provider, was unchanged.		
Consumer services	9.9	9.7
This sector spans a number of activities from food retailing, to travel and leisure to media. It has been reported that disposable income in the UK has suffered its biggest fall since 1977 and it looks likely that this pressure will remain. Our direct exposure to discretionary spend is limited with the most significant investment being in Tesco, which now sells as much internationally as it does in the UK. There was a further addition to Compass, the contract caterer.		
Utilities	9.8	4.4
This sector has an attractive dividend yield which is why we are overweight in this sector. During more challenging economic and market conditions, the defensive nature of the sector came more to the fore and the shares generally performed well. We reduced exposure to National Grid and United Utilities and started a new holding in Northumbrian Water, which received a take-over bid shortly after.		

	% of total investments*	% of FTSE All-Share Index
Consumer goods This is a diverse sector, with business interests from tobacco and drinks through to cars and house building. Our holdings in the tobacco companies have long been the largest part of this sector and have performed well, providing a good level of income which is growing, as well as capital appreciation. The holding in British American Tobacco was reduced slightly following its strong performance.	9.7	13.3
Health care This sector is dominated by the major international pharmaceutical companies GlaxoSmithKline and AstraZeneca. We believe their valuations are relatively attractive and the dividend yields good. GlaxoSmithKline performed better than the Index during the year and was unchanged, while the holding in AstraZeneca, which performed less well, was reduced.	8.5	8.1
Basic materials Because of its sensitivity to cyclical activity and metal prices, the mining sector has a strong correlation to the stock market, but with much greater volatility. Having outperformed the FTSE All-Share Index by 20% in the previous year, the mining sector fell by almost 19% last year. Our largest holding in the sector is in Rio Tinto, which we have liked as it gives considerable exposure to iron ore, and this holding has been supplemented by the more defensive, higher yielding convertibles in London Mining (a new addition) and Talvivaara. Our underweight position relative to the Index was positive for performance.	8.0	10.7
Industrials The companies within this sector are generally sensitive to economic activity and so it is not surprising that many companies found the environment more challenging. The slow recovery from the deep recession is not helpful, but the two main holdings, Intertek and Spectris, both made positive progress over the year.	7.5	7.4
Technology Sage, the software provider, and Nokia are the holdings in this sector. Whilst Sage's performance was in line with the Index, Nokia was disappointing as it continued to struggle against the growth of smart phones.	2.1	1.9

*Note 14 of the Accounts further analyses investments, by geographical and industrial sector, as a proportion of net assets.

List of Investments

Quoted investments	30 September 2011 Holding	Value £'000s
UNITED KINGDOM – EQUITIES		
Amlin	185,000	524
Anglo American	65,000	1,449
Assura Group	1,785,132	723
AstraZeneca	167,716	4,808
BAE Systems	1,270,000	3,395
Barclays	935,000	1,508
BBA Aviation	850,056	1,417
Beazley	1,442,885	1,681
BG	134,848	1,673
BP	2,830,000	10,993
British American Tobacco	275,000	7,503
BT	2,000,000	3,470
Carador Income Fund*	3,506,570	1,936
CatCo Reinsurance*	2,740,000	1,900
Centrica	766,012	2,280
Cineworld	379,722	678
City of London Investment*	149,926	532
Compass	530,000	2,759
Cove Energy*	922,459	699
Diageo	120,000	1,478
Diploma	272,058	862
Doric Nimrod	650,000	1,443
DS Smith	600,000	1,051
Elementis	252,597	312
Galliford Try	212,546	935
GlaxoSmithKline	800,000	10,660
Greenko*	244,444	367
Halfords	415,000	1,213
Hill & Smith	92,103	222
Hilton Food	220,719	611
HSBC	1,385,000	6,882
Imperial Tobacco	150,000	3,261
Inchcape	240,000	671
Inmarsat	450,000	2,209
Intermediate Capital	1,060,000	2,272
Intertek	100,000	1,855
Johnson Matthey	75,000	1,190
Jupiter Fund Management	310,706	613
Laird	497,425	687
Lancashire Holdings	431,350	2,963
London & Stamford*	2,800,000	3,279
Man Group	1,145,000	1,928
Marstons	255,000	237
Melrose	337,857	982
National Grid	325,000	2,073
Office2Office	389,733	584
Omega Insurance*	491,000	371
PayPoint	132,350	622
Phoenix	211,523	404
Prudential	268,333	1,495
Raven Russia*	2,412,579	1,315
Resolution	760,361	1,881
Restaurant Group	273,475	753
Rio Tinto	268,000	7,740
Royal Dutch Shell	585,000	11,764
RPC	276,060	930
Sage	350,000	896
Scottish & Southern Energy	519,000	6,716
Spectris	90,000	1,051
Standard Chartered	295,000	3,795
Tarsus	610,757	794
Tesco	1,400,889	5,294
Tullett Prebon	350,000	1,181
Unilever	99,000	1,999
United Utilities	300,000	1,869
Vodafone	8,000,000	13,296
WSP	194,801	468
XP Power	62,530	664
United Kingdom total		**166,066**
EUROPE (EX UK) – EQUITIES		
FINLAND		
Nokia	171,925	629
Finland total		629
FRANCE		
Schneider Electric	13,390	467
France total		467
GERMANY		
SAP	36,964	1,220
Germany total		1,220

* Quoted on the Alternative Investment Market in the UK.

Quoted investments	30 September 2011 Holding	Value £'000s
NETHERLANDS		
Akzo Nobel	35,465	1,018
Reed Elsevier	334,784	2,370
TNT	115,450	519
Wolters Kluwer	105,811	1,114
Netherlands total		5,021
REPUBLIC OF IRELAND		
C&C Group	476,586	1,156
CRH	101,035	1,013
Glanbia	42,903	1,609
Republic of Ireland total		3,778
Europe (ex UK) total		**11,115**
UNITED KINGDOM – CONVERTIBLE FIXED INTEREST		
London Mining – 8.0%	1,900,000	1,214
United Kingdom total		**1,214**
EUROPE (EX UK) – CONVERTIBLE FIXED INTEREST		
FINLAND		
Talvivaara – 5.25%	3,500,000	2,909
Finland total		2,909
Europe (ex UK) total		**2,909**
Others individually valued at less than £10,000		0
TOTAL QUOTED INVESTMENTS		**181,304**

Unquoted investments	30 September 2011 Holding	Value £'000s
UNITED KINGDOM		
Caithness Petroleum*	51,965	1,013
United Kingdom total		**1,013**
TOTAL UNQUOTED INVESTMENTS		**1,013**
TOTAL INVESTMENTS		**182,317**

The number of companies in the portfolio is 83 (2010: 69).
There are 2 convertible securities in the portfolio (2010: 3).
*At Directors' valuation.

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.

Marrack Tonkin

Head of Funds Client Servicing and Group Company Secretary of F&C Asset Management Limited. He has responsibility for F&C's relationship with the Company. He joined F&C in 1989.

Natalia de Sousa

Carries out the company secretarial duties of the Company on behalf of the Manager. She joined F&C in 2011.

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, ("**PwC**"),
7 More London Riverside, London SE1 2RT

Bankers

JPMorgan Chase Bank
125 London Wall, London EC2Y 5AJ

Scotiabank (Ireland) Limited, IFSC House,
Custom House Quay,
Dublin 1

Custodian

JPMorgan Chase Bank (the "**Custodian**")
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, 20 Primrose Street,
London EC2A 2EW

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 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 74.

Steven Bates Chairman Designate

Appointed to the Board on 3 May 2011. He is Chairman of Baring Emerging Europe PLC and a non-executive director of British Empire Securities and General Trust PLC and RENN Universal Investment Trust PLC. He is also a director of Zephyr Management – an investment management business specialising in emerging markets and Chief Investment Officer of Salisbury Partners LLP. He was previously an executive director of JPMorgan Asset Management responsible for emerging market investments. Age 54.

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 National Grid Pension Fund and Akzo Nobel Pension Scheme. He is a chartered accountant. Age 64.

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 and head of UK institutional business. 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 70.

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

Appointed to the Board on 24 July 2001. He is President (2011-12) of BCS, the Chartered Institute for IT 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 Fellow of the Royal Academy of Engineering, chartered director, chartered engineer and chartered IT professional. Age 59.

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 committees of SAUL (Superannuation Arrangements of the University of London), of the charity Independent Age (formerly RUKBA) and of Winchester College, a consultant to Rathbones, and a governor (and finance committee member) of Reed's School, Cobham. Age 69.

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 for the year ended 30 September 2011. The financial statements are set out on pages 35 to 55.

Results and dividends

The net assets of the Company as at 30 September 2011 were £167,290,000 (2010: £177,427,000). The Company's NAV per share fell by 6.2% in the year ended 30 September 2011, compared to a fall of 7.4% in the Index.

The Manager's Review on pages 6 to 9, which forms part of this Business Review, describes more fully how the Company's assets were invested during the year, how they performed and the outlook for the current financial year. The Directors' Remuneration Report and the Corporate Governance Statement are incorporated by reference into this Directors Report and Business Review.

The outlook for the Company in the year ahead is reported in the Chairman's Statement on page 4.

Dividends for 2010 and 2011

Dividends paid:	£'000s
4th interim for 2010 of 2.60 pence per share paid on 31 December 2010	2,219
1st interim for 2011 of 2.00 pence per share paid on 31 March 2011	1,711
2nd interim for 2011 of 2.00 pence per share paid on 30 June 2011	1,711
3rd interim for 2011 of 2.00 pence per share paid on 30 September 2011	1,716
	7,357

As explained in the Chairman's Statement, the Board has declared a fourth interim dividend of 2.65 pence per share. This will be paid on 30 December 2011 to shareholders on the register of members on 2 December 2011. This dividend, together with the other three interim dividends paid during the year (of 2.0 pence per share each), makes a total dividend of 8.65 pence per share. This represents an increase of 2.4% over the 8.45 pence per share for the previous year.

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 currently 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.

Duration of the Company

In accordance with the articles of association, a continuation vote is proposed at every fifth annual general meeting. The next such vote will take place 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**"). Such compliance, which includes investing no more than 15% of the total portfolio in any one investment, deriving income wholly or mainly from shares and securities and retaining no more than 15% of such income qualifies the Company as an investment trust. This status is granted annually in retrospect by HM Revenue and Customs subject to there being no subsequent enquiry under corporation tax self-assessment. The Company has qualified as an investment trust in respect of all relevant years up to and including the year ended 30 September 2010 and continues to conduct its affairs in compliance with the legislation.

Accounting and going concern

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

which is described below and is subject to a process of regular Board monitoring, is designed to ensure that the Company is invested mainly in readily realisable, 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 23 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 and arrangements 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.

Auditors

So far as each Director is aware, there is no relevant audit information of which PwC is 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.

PwC 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.

In keeping with FRC Guidance the Board will be re-tendering the audit firm during the course of the current year. PwC will be invited to re-tender.

Investment objective, strategy 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.

Investment risk is reduced by investing mainly in UK blue chip companies. The portfolio, which is set out in full on pages 14 and 15, is diversified, with around 80 holdings as at 30 September 2011. 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) may be invested in securities quoted on the Alternative Investment Market, with 5.7% invested in this market at the year end. No unquoted securities may 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 2011, 7.7% 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 12 and 13, although no maximum exposure limits are set. No single investment in the portfolio may exceed 10% of the Company's total assets at the time of purchase.

The Company may use derivatives principally for the purpose of income enhancement and efficient portfolio management. Options may only be written on quoted stocks and the total nominal exposure is limited to a maximum of 5%. More details can be found on page 46 in note 10 on the accounts.

The Company uses gearing to enhance its returns. Its 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 2011 the Company had borrowings of £15 million (effective gearing of 9.08%).

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.

Principal risks and their management

Like all businesses, the Company faces risks and uncertainties. Most of the Company's principal risks, and its opportunities, are market related and no different to those of other investment trusts investing primarily in listed markets. The Corporate Governance Statement on page 28 includes a summary of the risk management arrangements. By means of the procedures set out in that summary, and in accordance with the Turnbull Guidance, 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

Objective and strategy

Risk description: *Inappropriate objective and long-term strategy in relation to investor demands in a rapidly changing financial services and savings market.*

Mitigation: The Board regularly reviews the Company's position within the investment trust industry and considers strategic issues annually.

Investment policy, gearing and derivatives

Risk description: *Inappropriate asset allocation, sector and stock selection and use of gearing and derivatives leading to investment underperformance.*

Mitigation: Investments are primarily in a diversified spread of FTSE All-Share companies. Investment policy and performance is reviewed with the Fund Manager at each Board meeting, along with the monitoring of cash and borrowing levels as well as options written. The Board approves all borrowing facility agreements and has set limits on gearing and option writing.

Management resource, stability and controls

Risk description: *The Company has no employees and therefore all of its investment and operational functions are delegated to service providers. The Manager is the main service provider and its failure to continue operating effectively could put in jeopardy the business of the Company.*

Mitigation: The Board meets regularly with the senior management of the Manager and reviews its appointment annually. Control Reports are provided by the Manager's Internal Audit function. The Board has access to publicly available information indicative of the Manager's financial position and performance. The contract can be moved at short notice.

Service providers

Risk description: *Administrative errors or control failures by or between service providers could be damaging to the interests of investors and the Company.*

Mitigation: The Board receives regular reports from the Manager on its oversight of service providers which, for the administration of the F&C Plans, includes audit site visits; monthly technical compliance monitoring; monthly service delivery meetings; quarterly financial crime prevention forums; and the detailed review and investigation of breaches and complaints. Arrangements are also in place to mitigate other service provider risks, including those relating to safe custody.

date hereof and will continue to be regularly reviewed by the Board.

The principal risks and uncertainties faced by the Company, and its mitigation approach, are described on page 20. Note 23 on the accounts sets out the Company's financial risk management policy.

Capital structure

As at 30 September 2011 there were 85,809,268 ordinary shares of 25 pence each in issue. All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that effects its control following a takeover bid. Details of the capital structure can be found in note 15 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.

Share issue and buyback policy

The Board closely monitors the prevailing share price discount or premium to NAV, the historic levels of which are shown in the table on page 56. The Company has, conditional upon shareholder approval, authority to allot shares for cash without first offering them to existing shareholders in proportion to their holdings. Any such allotments are only made when the Company's shares are trading at a premium to NAV. At the AGM held on 19 January 2011 shareholders renewed the Board's authority to issue up to 10% of the Company's shares. 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 465,000 shares in the year under review. A further 600,000 shares have been allotted since the year end.

Subject to annual shareholder approval, the Company may also 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 a premium. At the AGM held on 19 January 2011 shareholders gave the Board authority to buy back up to 12,793,105 ordinary 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 currently held in treasury.

Marketing

The Manager actively promotes investment in the Company's shares through the F&C plans. These include the F&C Child Trust Fund ("**CTF**"), Children's Investment Plan ("**CIP**"), Individual Savings Account ("**ISA**"), Pension Savings Plan ("**PSP**") and Private Investor Plan ("**PIP**"). The plans are designed to provide investors with a cost effective and flexible way to invest in the Company.

Analysis of savings plans

	Number of holders	
30 September	**2011**	**2010**
CTF	**11,576**	10,823
ISA*	**7,142**	7,604
PIP/CIP	**7,112**	6,893
PSP	**340**	356
Total	**26,170**	25,676

* Includes ex personal equity plan holdings now reclassified as ISA.
These investors hold 70,686,894 shares, which is 82% of the shares in issue

Voting rights and proportional voting

At 23 November 2011 the Company had 86,409,268 ordinary shares in issue with a total of 86,409,268 voting rights. As at and since that date no notifications of significant voting rights in respect of the Company's ordinary share capital have been received.

Approximately 82% of the Company's share capital is held on behalf of non-discretionary clients through the F&C plans. The nominee company holding these shares votes the shares held on behalf of planholders who have not returned their voting directions in proportion to the directions of those who have ("**proportional voting**"). Implementation of this arrangement is subject to a minimum threshold of 10% of the shares held

in the F&C plans being voted. A maximum limit of 353,400 shares that any one individual investor can vote, being approximately 5% of the relevant minimum threshold, also applies. 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 have the right to exclude their shares from the proportional voting arrangement.

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, strategy and policy statement. In March of this year the Company replaced its £20,000,000 multi-currency credit facility with Lloyds TSB Scotland plc with a new two year facility with Scotiabank (Ireland) Limited. The Custodian has also made an overdraft facility available equal to 10% of the Company's assets.

The Board's responsibilities

The Board of Directors is wholly non-executive and is responsible for corporate strategy, corporate governance, risk and control assessment, the overall investment policy of the Company, setting limits on gearing, derivatives and asset allocation, monitoring investment performance and for approving marketing policy budgets. Further information on the role and powers of the Board is contained in the Corporate Governance Statement on pages 28 to 30. Further information on the individual Directors, all of whom are resident in the UK, is set out on page 17.

Directors' remuneration

The Directors' Remuneration Report, which can be found on page 27, 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.

Director election and re-elections

Other than Steven Bates, who joined on 3 May 2011, all the Directors held office throughout the year under review. Mr Bates will stand for election at the forthcoming annual general meeting in accordance with the Company's articles of association. Having served over nine years, Hugh Priestley and Professor Jim Norton will stand for re-election at the AGM. In line with its policy set out in the Corporate Governance Statement on page 30, 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. In accordance with the Company's articles of association, John Emly will retire and stand for re-election. Following a review of their performance, the Board believes that each of the Directors has made a valuable and effective contribution to your Company and therefore recommends that you vote in favour of the resolutions for their re-election. Pen Kent will retire from the Board immediately following the meeting.

Directors' interests and indemnification

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.

The Company has granted a deed of indemnity, to the extent permitted by law, to the Directors in respect of liabilities that may attach to them in their capacity as Directors of the Company. The deed of indemnity 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.

Directors' beneficial share interests

at 30 September	2011	2010
Pen Kent	**nil**	nil
Steven Bates	**nil**	nil
Neil Dunford	**7,588**	7,588
John Emly	**4,498**	4,390
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.

The Manager's responsibilities

In common with most investment trusts, the Company does not have any employees. The Board has appointed F&C as Manager. The Manager is responsible for managing the investment portfolio on a day-to-day basis and carrying out administrative, accounting, secretarial and marketing activities on behalf of the Company.

This appointment is governed by a management agreement, which may be terminated 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; 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 is a subsidiary of F&C Asset Management plc ("**FCAM**"), a large pan-European investment group listed on the London Stock Exchange.

Safe custody of assets

The Company's listed investments are held in safe custody by the Custodian. 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 Manager's statement of compliance with the UK Stewardship Code is included on the website www.fandc.com/ukstewardshipcode.

The Manager's 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 2011, the Company's outstanding trade creditors were equivalent to nil days' payment to suppliers (2010: 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 21 "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 2011, the Company was 17th, 19th, 13th and 13th respectively in its peer group NAV performance and 19th, 16th, 10th and 13th 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 5.2% compared with a premium of 3.1% 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 decreased 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 £14 to £15 million.

The performance table opposite, the Ten Year Record on pages 56 and 57, the Chairman's Statement on pages 2 to 5 and the Manager's Review on pages 6 to 9 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	(2.9)	15.0	(5.4)
Company share price	0.0	20.6	7.9
Benchmark index*	(4.4)	22.9	4.0

Source: Datastream
*Benchmark: FTSE All-Share Index.

Manager evaluation and re-appointment

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

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

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

Annual general meeting

The AGM will be held on Wednesday 15 February 2012 at 11.30 a.m. at Exchange House, Primrose Street, London EC2. The Notice of Annual General Meeting appears on pages 58 to 61 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 9 to 12 are explained below.

Authorities to allot shares (resolutions 9 and 10)

The Directors are seeking to renew the authority to allot shares. 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. The Directors are also seeking to renew this authority.

Resolution 9 gives the Directors, for the period until the conclusion of the AGM in 2013, the necessary authority to either allot securities or sell shares held in treasury up to an aggregate nominal amount of £8,640,000 (2,160,000 ordinary shares). This is equivalent to approximately 10% of the issued share capital of the Company at 23 November 2011. Resolution 10 empowers the Directors to allot such securities for cash, other than to existing shareholders on a pro-rata basis. These authorities and powers provide the Directors with the flexibility to increase the assets of the Company by the issue of shares should any favourable opportunities arise to the advantage of shareholders.

The Directors anticipate that they will mainly use these authorities 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 them 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 11)

Resolution 11 authorises the Company to purchase up to a maximum of 12,952,700 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 12)

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 12 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.

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.

Directors' Report and Business Review (continued)

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

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. Proportional voting will apply as described on pages 21 and 22. 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
24 November 2011

Directors' Remuneration Report

The Company's articles of association limit the aggregate fees payable to the Board of Directors to a total of £180,000 per annum, increased from £120,000 upon shareholder approval at the AGM earlier in the year.

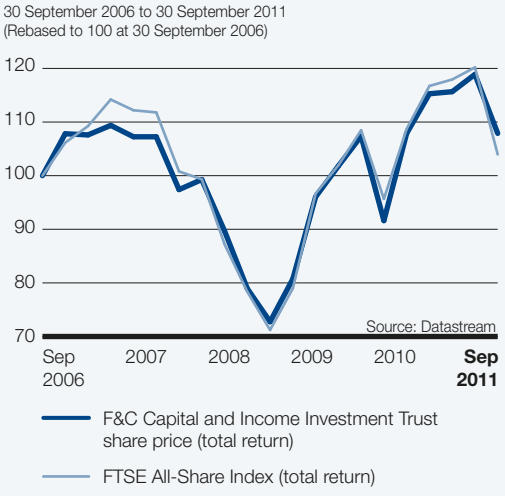
Within the limit, it is the responsibility of the Board as a whole to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and committee responsibilities and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

The Chairman receives a fee of £25,000 per annum and the remaining Directors receive a fee of £16,000 per annum. The Chairman of the Audit and Management Engagement Committee receives an additional £2,000 per annum.

During the previous year the Board decided that it would be inappropriate in the prevailing economic conditions to increase Directors' fees. Given the weakness of the economic recovery and the widespread impact of expenditure cuts the Board took the same view this year recognising that restraint is called for. The remuneration of your Board has therefore not risen for four years. This has left the Board somewhat behind in its long-term policy of keeping Directors' fees roughly in line with those of non-executive directors in the investment trust industry without leading an upward trend. This policy has been endorsed by shareholders at successive AGMs. The Board will therefore review its remuneration in the summer of 2012 when some adjustment is likely.

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

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.

Fees for services to the Company

Director	Year ended 2011 £'000s	2010 £'000s
Pen Kent[1]	**25.0**	25.0
Steven Bates[2]	**9.3**	0.0
Neil Dunford	**16.0**	16.0
John Emly	**16.0**	16.0
Professor Jim Norton[3]	**18.0**	18.0
Hugh Priestley	**16.0**	16.0
Totals	**100.3**	91.0

1. Chairman
2. Appointed 3 May 2011
3. Chairman of the Audit and Management Engagement Committee

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 AGM.

By order of the Board
F&C Management Limited
Secretary
24 November 2011

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 October 2010. The AIC Code addresses all the principles set out in the UK Corporate Governance Code (the "**UK 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 that are applicable to smaller companies (those below the FTSE 350) during the year under review and up to the date of this report and thereby the provisions of the UK Code that are relevant to the Company.

Articles of association

The company's articles of association may only be amended by special resolution at general meetings of shareholders.

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 issue and 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 attended the AGM in January 2011 and a closed session strategy meeting in September 2011.

Meeting attendance

	Board meetings	Audit and Management Engagement Committee meetings
Number of meetings	5	2
Pen Kent	5	2
Steven Bates*	2	1
Neil Dunford	5	2
John Emly	5	2
Professor Jim Norton	5	2
Hugh Priestley	5	2

* Joined 3 May 2011.

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.

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

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

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 and succession planning

Under the articles of association of the Company, the number of directors on the Board may be no more than ten. Directors may be appointed by the Company by ordinary resolution or by the Board. All new appointments by the Board are subject to confirmation by shareholders at the next AGM and institutional shareholders are given the opportunity to meet any newly appointed Director if they wish.

The Board is currently reviewing its structure, size, composition, experience, diversity and skill ranges. It has implemented a succession plan which will be completed over the next few years; Steven Bates has been appointed Chairman Designate and will succeed the Chairman upon his retirement in February 2012.

The Board favours diversity and welcomes appointments that contribute to it, but its first objective is to select Directors on merit with relevant and complementary skills. The Board is therefore unwilling to commit to numerical diversity targets.

Appointments of all new Directors are 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.

An induction process takes 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.

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.

Board effectiveness

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.

Removal of Directors

The Company may by special resolution remove any Director before the expiration of his period of office and may by ordinary resolution appoint another person who is willing to act to be a director in his place.

Any Director automatically ceases to be a Director if:

(i) they give the company a written notice of resignation;

(ii) they give the company a written offer to resign and the Board resolves to accept this offer;

(iii) all of the other Directors remove them from office by notice in writing served upon them;

(iv) in the written opinion of a registered medical practitioner they are or have become physically or

mentally incapable of acting as a Director and are likely to remain so for more than three months;

(v) by reason of a Director's mental health, a court makes an order which wholly or partly prevents that Director from personally exercising any powers or rights which that Director would otherwise have;

(vi) a bankruptcy order is made against them or they make any arrangement or composition with their creditors generally;

(vii) they are prohibited from being a Director by law; or

(viii) they are absent from Board meetings for six consecutive months without permission and the other Directors resolve that their office should be vacated.

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 any Director who has served for more than nine years is subject to annual re-election. The Board believes that its six 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 potentially could have, a direct or indirect interest that conflicts with the interests of the company (a "**situational conflict**"). The Board therefore has procedures in place for the authorisation and review of situational conflicts relating to the Company's Directors.

Other than the formal authorisation of the Director's other directorships and appointments, no authorisations have been sought. These authorisations were reviewed in November 2011.

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 or nomination committee. The Directors' Remuneration Report, which can be found on page 27, provides information on the remuneration arrangements for the Directors of the Company.

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, 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, £14,000 exclusive of irrecoverable VAT was paid to the auditors in relation to their role as liquidator of the Company's subsidiary, F&C Income Growth Investment Trust PLC (in liquidation). The Audit Committee considers that the provision of these services is cost effective and does not impair the independence of PwC.

The appointment of the auditors has not regularly been put to tender but performance has been reviewed by the Audit Committee annually, with advice from the Manager. In accordance with FRC guidance, a competitive tendering process will be initiated in 2012. PwC will be invited to tender.

The Audit Committee has direct access to the senior representatives of the Manager's internal audit 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 internal audit 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. It 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 plans and other management issues. The Manager's internal audit 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 page 20, with additional information given in note 23 on the accounts.

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

Corporate Governance Statement (continued)

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 2010 ("**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 internal audit 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 Fund Manager and where there is an opportunity to question him, the Chairman and the Board. 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 21.

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

The Company has a predominantly retail ownership, with private investors holding around 80% of the issued share capital. Shareholders wishing to communicate with the Chairman, the Senior Independent Director or other members of the Board may do so by writing to the Secretary at the registered office address as detailed on page 16.

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
24 November 2011

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 2011 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 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
24 November 2011

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 2011 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 33, 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.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2011 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 page 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 2010 UK Corporate Governance Code specified for our review.

Alex Bertolotti (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
London
24 November 2011

Income Statement

Revenue notes	Capital notes	for the year ended 30 September	Revenue £'000s	Capital £'000s	2011 Total £'000s	Revenue £'000s	Capital £'000s	2010 Total £'000s
	10	(Losses)/gains on investments and derivatives	–	(11,582)	(11,582)	–	8,129	8,129
		Foreign exchange gains	–	12	12	–	2	2
3	19	Income	9,671	–	9,671	8,078	–	8,078
4	19	Management fee	(397)	(397)	(794)	(359)	(359)	(718)
9	19	Other expenses	(714)	(14)	(728)	(773)	(26)	(799)
		Net return before finance costs and taxation	8,560	(11,981)	(3,421)	6,946	7,746	14,692
6	19	Finance costs	(178)	(178)	(356)	(166)	(166)	(332)
		Net return on ordinary activities before taxation	8,382	(12,159)	(3,777)	6,780	7,580	14,360
7		Taxation on ordinary activities	(41)	–	(41)	(25)	–	(25)
		Net return attributable to shareholders	8,341	(12,159)	(3,818)	6,755	7,580	14,335
8	8	**Return per share – pence**	9.75	(14.21)	(4.46)	8.02	9.00	17.02

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 2011	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 2010	**21,336**	**87,452**	**4,146**	**4,434**	**54,572**	**5,487**	**177,427**
	Movements during the year ended 30 September 2011							
9	Dividends paid	**–**	**–**	**–**	**–**	**–**	**(7,357)**	**(7,357)**
	Ordinary shares issued	**116**	**922**	**–**	**–**	**–**	**–**	**1,038**
	Net return attributable to shareholders	**–**	**–**	**–**	**–**	**(12,159)**	**8,341**	**(3,818)**
	Balance at 30 September 2011	**21,452**	**88,374**	**4,146**	**4,434**	**42,413**	**6,471**	**167,290**

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							
9	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

Balance Sheet

Notes	at 30 September	2011 £'000s	2011 £'000s	2010 £'000s	2010 £'000s
	Fixed assets				
10	Investments		**182,317**		188,905
	Current assets				
11	Debtors	**996**		1,417	
	Cash at bank and short-term deposits	**134**		2,209	
		1,130		3,626	
	Creditors: amounts falling due within one year				
12	Loans	**(15,000)**		(14,000)	
13	Other	**(1,129)**		(1,044)	
10	Derivative financial instruments	**(28)**		(60)	
		(16,157)		(15,104)	
	Net current liabilities		**(15,027)**		(11,478)
	Net assets		**167,290**		177,427
	Capital and reserves				
15	Share capital		**21,452**		21,336
16	Share premium account		**88,374**		87,452
17	Capital redemption reserve		**4,146**		4,146
18	Special reserve		**4,434**		4,434
19	Capital reserves		**42,413**		54,572
19	Revenue reserve		**6,471**		5,487
	Total shareholders' funds		**167,290**		177,427
20	**Net asset value per ordinary share – pence**		**194.96**		207.90

Approved by the Board on 24 November 2011
and signed on its behalf by

Pen Kent, Chairman

Cash Flow Statement

Notes	for the year ended 30 September	2011 £'000s	2011 £'000s	2010 £'000s	2010 £'000s
	Operating activities				
	Investment income received	8,809		7,808	
	Interest received	5		6	
	Other revenue	40		134	
	Premium from option writing	875		–	
	Fee paid to management company	(802)		(702)	
	Fees paid to Directors	(100)		(91)	
	Other payments	(589)		(665)	
21	**Net cash inflow from operating activities**		8,238		6,490
	Servicing of finance				
	Interest paid	(359)		(312)	
	Net cash outflow from the servicing of finance		(359)		(312)
	Financial investment				
	Purchases of investments and derivatives	(52,110)		(19,013)	
	Sales of investments and derivatives	46,065		16,472	
	Other capital charges	(11)		(26)	
	Net cash outflow from financial investment		(6,056)		(2,567)
	Equity dividends paid		(7,357)		(7,070)
	Net cash outflow before use of liquid resources and financing		(5,534)		(3,459)
	Management of liquid resources				
22	Decrease/(Increase) in short-term deposits		2,075		(229)
	Financing				
	Sterling loans raised	1,000		–	
	Shares purchased	–		–	
	Shares issued	1,786		3,137	
	Net cash inflow from financing		2,786		3,137
22	**Decrease in cash**		(673)		(551)

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 02732011 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 2010. 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 on a going concern basis under the historical cost convention, modified to include fixed asset investments and derivative financial instruments 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 2011.

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, cash and short-term deposits, debtors and creditors. 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.

Underwriting commission is recognised when the Company's right to receive payment is established. Deposit interest is accounted for on an accruals basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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
- 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.

Notes on the Accounts (continued)

3. INCOME

	2011 £'000s	2010 £'000s
Income from investments		
UK dividends	**8,068**	7,167
Bond interest	**306**	284
Overseas dividends	**442**	487
	8,816	7,938
Interest on cash and short-term deposits	**5**	6
Underwriting commission	**25**	134
Derivative income	**825**	–
	855	140
Total income	**9,671**	8,078
Total income comprises		
Dividends	**8,511**	7,654
Other income	**1,160**	424
	9,671	8,078
Income from investments		
Quoted UK	**8,216**	7,306
Quoted overseas	**600**	632
	8,816	7,938

As at 30 September 2011 there were no outstanding underwriting contracts (2010: none outstanding).

As described in note 2(ii), derivative income has been derived from premiums received on put and call options written on securities held in the portfolio of investments.

4. MANAGEMENT FEE

	2011 £'000s	2010 £'000s
Management fee	**794**	718
Less: allocated to capital reserve – arising on investments sold (see note 19)	**(397)**	(359)
	397	359

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. The Company may terminate this agreement upon 60 days' written notice to the Manager if there is a change of control of the Manager, provided such notice is served within six months of the said change of control.

5. OTHER EXPENSES

	2011 £'000s	2010 £'000s
Auditors' remuneration:[1]		
– for audit services	31	31
– for other services	2	76
Directors' fees for services to the Company[2]	100	91
Directors' and Officers' liability insurance	11	11
Loan commitment fee	36	63
Marketing	77	68
Professional fees	30	23
Printing and postage	56	60
Registrars' fees	22	36
Savings plan expenses	247	216
Subscriptions and listing fees	44	47
Sundry expenses	58	51
	714	773

1. Auditors' remuneration for audit services, exclusive of VAT, amounts to £26,800 (2010: £26,800). Total Auditors' remuneration for other services amounts to £16,000 (2010: £92,000) of which £2,000 is recognised in the revenue account and £14,000 in the capital account. Other services comprise: £2,000 (2010: £2,000) for advice on UK taxation; £nil (2010: £64,000) for services in connection with a case brought against HMRC (2010: £66,000 recognised in the revenue account and £26,000 in the capital account) on behalf of the Company and its subsidiary, F&C Income Growth Investment Trust plc (in liquidation) ("FIGIT"), and £14,000 (2010: £26,000) in connection with the on-going liquidation of FIGIT.
2. See the Directors' Remuneration Report on page 27.

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

6. FINANCE COSTS

	2011 £'000s	2010 £'000s
Interest payable on bank loans and overdrafts	356	332
Less: allocated to capital return (see note 19)	(178)	(166)
	178	166

Notes on the Accounts (continued)

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the year

	Revenue £'000s	Capital £'000s	2011 Total £'000s	Revenue £'000s	Capital £'000s	2010 Total £'000s
Overseas taxation	41	–	41	25	–	25
Current tax charge on ordinary activities (see note 7(b))	41	–	41	25	–	25

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

	Revenue £'000s	Capital £'000s	2011 Total £'000s	Revenue £'000s	Capital £'000s	2010 Total £'000s
Return on ordinary activities before tax	8,382	(12,159)	(3,777)	6,780	7,580	14,360
Return on ordinary activities multiplied by the effective rate of corporation tax of 27% (2010: 28%)	2,263	(3,283)	(1,020)	1,898	2,122	4,020
Effects of:						
UK dividends*	(2,178)	–	(2,178)	(2,007)	–	(2,007)
Overseas dividends*	(119)	–	(119)	(136)	–	(136)
Expenses not utilised in the year	2	–	2	216	147	363
Expenses not deductible for tax purposes	32	–	32	29	–	29
Overseas taxation not relieved	41	–	41	25	–	25
Capital returns*	–	3,283	3,283	–	(2,269)	(2,269)
Total current taxation (see note 7(a))	41	–	41	25	–	25

* 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 £2.9 million in respect of unutilised expenses and unrelieved overseas taxation at 30 September 2011 (2010: £2.6 million) has not been recognised as it is unlikely that these expenses will be utilised.

8. RETURN PER ORDINARY SHARE

Revenue return

The revenue return per share of 9.75p (2010: 8.02p) is based on the revenue return attributable to shareholders of £8,341,000 profit (2010: £6,755,000 profit).

Capital return

The capital return per share of (14.21p) (2010: 9.00p) is based on the capital return attributable to shareholders of £12,159,000 loss (2010: £7,580,000 profit).

Total return

The total return per share of (4.46p) (2010: 17.02p) is based on the total return attributable to shareholders of £3,818,000 loss (2010: £14,335,000 profit).

Weighted average ordinary shares in issue

Both the revenue and capital returns per share are based on a weighted average of 85,560,145 (2010: 84,177,419) ordinary shares in issue during the year.

9. DIVIDENDS

Dividends on ordinary shares	Register date	Payment date	2011 £'000s	2010 £'000s
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
Fourth of four interims for the year ended 30 September 2010 of 2.60 pence per share	10 Dec 10	31 Dec 10	**2,219**	
First of four interims for the year ended 30 September 2011 of 2.00 pence per share	25 Feb 11	31 Mar 11	**1,711**	
Second of four interims for the year ended 30 September 2011 of 2.00 pence per share	10 Jun 11	30 Jun 11	**1,711**	
Third of four interims for the year ended 30 September 2011 of 2.00 pence per share	26 Aug 11	30 Sep 11	**1,716**	
			7,357	7,070

The Directors have declared a fourth interim dividend in respect of the year ended 30 September 2011 of 2.65 pence per share, payable on 30 December 2011 to all shareholders on the register at close of business on 2 December 2011. 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 2011, which form the basis of the retention test for section 1159 of the Corporation Tax Act 2010, are set out below:

	2011 £'000s
Net revenue return attributable to shareholders	**8,341**
First interim for the year ended 30 September 2011 of 2.00 pence per share	**(1,711)**
Second interim for the year ended 30 September 2011 of 2.00 pence per share	**(1,711)**
Third interim for the year ended 30 September 2011 of 2.00 pence per share	**(1,716)**
Fourth interim dividend for the year ended 30 September 2011 of 2.65 pence per share[1]	**(2,290)**
Transferred to revenue reserve	**913**

1. Based on 86,409,268 shares in issue and entitled to dividend at 23 November 2011.

10. INVESTMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

	2011 Level 1* £'000s	2011 Level 2* £'000s	2011 Level 3* £'000s	2011 Total £'000s	2010 Level 1* £'000s	2010 Level 2* £'000s	2010 Level 3* £'000s	2010 Total £'000s
Cost brought forward	152,380	–	1,785	154,165	157,220	–	1,785	159,005
Gains brought forward	34,680	–	–	34,680	19,705	–		19,705
Valuation of investments and derivatives brought forward	187,060	–	1,785	188,845	176,925	–	1,785	178,710
Purchases at cost	51,470	–	–	51,470	18,478	–	–	18,478
Sales proceeds	(46,444)	–	–	(46,444)	(16,472)	–	–	(16,472)
Gains/(losses) on derivatives sold in year	(786)	–	–	(786)	–	–	–	–
Gains(losses) on investments sold in year	9,351	–	–	9,351	(6,846)	–	–	(6,846)
Gains/(losses) on derivatives held at year end	22	–	–	22	–	–	–	–
Gains/(losses) on investments held at year end	(19,397)	–	(772)	(20,169)	14,975	–	–	14,975
Valuation of investments and derivatives carried forward	181,276	–	1,013	182,289	187,060	–	1,785	188,845
Cost at 30 September	165,971		1,785	167,756	152,380		1,785	154,165
Gains/(losses) at 30 September	15,305		(772)	14,533	34,680		–	34,680
Valuation of investments and derivatives at 30 September	181,276	–	1,013	182,289	187,060	–	1,785	188,845

*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.
Level 3 includes any unquoted investments.

The investment portfolio is set out on pages"List of Investments" on page 14 and 15.

Valuation of investments and derivatives	2011 £'000s	2010 £'000s
Valuation of investments at 30 September	182,317	188,905
Valuation of derivatives at 30 September	(28)	(60)
Total valuation of investments and derivatives at 30 September	182,289	188,845

Gains/(losses) on investments and derivatives held at fair value	2011 £'000s	2010 £'000s
Gains/(losses) on investments sold in year	9,351	(6,846)
Gains/(losses) on investments held at year end	(20,169)	14,975
Gains/(losses) on derivatives sold in year	(786)	–
Gains/(losses) on derivatives held at year end	22	–
Total gains/(losses) on investments and derivatives	(11,582)	8,129

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 (2010: £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.

11. DEBTORS

	2011 £'000s	2010 £'000s
Prepayments and accrued income	583	662
Share issue outstanding	–	747
Investment debtors	407	–
UK taxation recoverable	6	8
	996	1,417

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

Sterling loans	2011 £'000s	2010 £'000s
Repaid October 2011	15,000	–
Repaid October 2010	–	14,000

At 23 November 2011, short-term borrowings were £11 million. The maximum unsecured loan facility is £20 million. The Company has a credit facility 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.

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

	2011 £'000s	2010 £'000s
Bank overdraft	736	63
Investment creditors	–	650
Management fee	182	190
Accruals	211	141
	1,129	1,044

Notes on the Accounts (continued)

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

	UK %	Europe ex UK %	**2011 Total %**	2010 Total %
Equity investments				
Financials	21.6	–	**21.6**	22.6
Oil & gas	15.6	–	**15.6**	16.0
Consumer goods	8.9	1.7	**10.6**	10.2
Utilities	8.0	–	**8.0**	10.0
Telecommunications	11.3	–	**11.3**	9.7
Health care	9.2	–	**9.2**	9.7
Consumer services	8.7	2.1	**10.8**	8.7
Industrials	9.0	1.2	**10.2**	8.3
Basic materials	6.4	0.6	**7.0**	6.6
Technology	1.2	1.1	**2.3**	1.1
Fixed interest investments				
Basic materials	0.7	1.7	**2.4**	1.8
Utilities	–	–	**–**	1.4
Financials	–	–	**–**	0.4
Total investments	100.6	8.4	**109.0**	106.5
Net current liabilities	(9.0)	–	**(9.0)**	(6.5)
Total assets less current liabilities	**91.6**	**8.4**	**100.0**	
2010 totals	90.7	9.3		100.0

15. SHARE CAPITAL

	Issued and fully paid	
	number	£'000s
Ordinary shares of 25 pence each		
Balance at 30 September 2010	85,344,268	21,336
Ordinary shares issued	465,000	116
Balance at 30 September 2011	**85,809,268**	**21,452**

Since the year end the Company has issued a further 600,000 shares.

16. SHARE PREMIUM ACCOUNT

	2011 £'000s	2010 £'000s
Balance brought forward	**87,452**	84,399
Premium on issue of shares	**922**	3,053
Balance carried forward	**88,374**	87,452

17. CAPITAL REDEMPTION RESERVE

	2011 £'000s	2010 £'000s
Balance brought forward and carried forward	**4,146**	4,146

18. SPECIAL RESERVE

	2011 £'000s	2010 £'000s
Balance brought forward and carried forward	**4,434**	4,434

19. 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				
Gains on investments sold in year	9,351	–	9,351	–
Losses on investments held at year end	–	(20,169)	(20,169)	–
Losses on derivatives sold in year	(786)	–	(786)	–
Gains on derivatives held at year end	–	22	22	–
Management fees (see note 4)	(397)	–	(397)	–
Foreign exchange gains	12	–	12	–
Interest expense (see note 6)	(178)	–	(178)	–
Other expenses	(14)	–	(14)	–
Revenue return	–	–	–	8,341
Return attributable to shareholders	7,988	(20,147)	(12,159)	–
Dividends paid	–	–	–	(7,357)
Balance at 30 September 2010	19,892	34,680	54,572	5,487
Balance at 30 September 2011	**27,880**	**14,533**	**42,413**	**6,471**

Included within the capital reserve movement for the year are £55,000 of transaction costs on purchases of investments (2010: £79,000) and £54,000 of transaction costs on sales of investments (2010: £23,000). There were no dividends recognised as capital (2010: £nil).

20. NET ASSET VALUE PER ORDINARY SHARE

Net asset value ("NAV") per ordinary share is based on total net assets of £167,290,000 (2010: £177,427,000) and on 85,809,268 (2010: 85,344,268) ordinary shares in issue at the year end.

Notes on the Accounts (continued)

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

	2011 £'000s	2010 £'000s
Total return before finance costs and taxation	(3,421)	14,692
Adjust for returns from non–operating activities:		
– Losses/(gains) on investments and derivatives	11,582	(8,129)
– Exchange gains of a capital nature	(12)	(2)
Non-operating expenses of a capital nature	14	26
Return from operating activities	8,163	6,587
Adjust for non-cash flow items:		
Decrease/(increase) in debtors	64	(132)
Increase in creditors	50	59
Overseas taxation	(39)	(24)
Net cash inflow from operating activities	8,238	6,490

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

	2011 £'000s	2010 £'000s
Decrease in cash	(673)	(551)
(Decrease)/increase in short-term deposits	(2,075)	229
Increase in short-term loans	(1,000)	–
Change in net debt resulting from cash flows	(3,748)	(322)
Exchange movement on currency balances	–	2
Movement in net debt during the period	(3,748)	(320)
Balance at 30 September 2010	(11,854)	(11,534)
Balance at 30 September 2011	(15,602)	(11,854)

Represented by:	Balance at 30 September 2010 £'000s	Cash flow £'000s	Balance at 30 September 2011 £'000s
Short-term deposits	2,209	(2,075)	134
Bank overdraft	(63)	(673)	(736)
	2,146	(2,748)	(602)
Loans – short-term	(14,000)	(1,000)	(15,000)
	(11,854)	(3,748)	(15,602)

23. 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.

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 this note, 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 2011 amounted to £4,771,000 (30 September 2010 – £2,888,000).

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.

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

	2011 At 30 September	2011 Average for the year	2010 At 30 September	2010 Average for the year
Euro	**1.161**	**1.150**	1.154	1.149

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	2011 £'000s	2010 £'000s
Net revenue return attributable to shareholders	**66**	41
Net capital return attributable to shareholders	**1,772**	1,979
Net total return attributable to shareholders	**1,838**	2,020
NAV per share – pence	**2.14**	2.37

Strengthening of sterling by 10% against the euro	2011 £'000s	2010 £'000s
Net revenue return attributable to shareholders	**(65)**	(106)
Net capital return attributable to shareholders	**(1,450)**	(1,689)
Net total return attributable to shareholders	**(1,515)**	(1,795)
NAV per share – pence	**(1.76)**	(2.10)

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 (except derivatives at gross exposure value) at 30 September by currency are shown below:

2011	Short-term debtors £'000s	Cash at bank £'000s	Short-term creditors – loans £'000s	Short-term creditors – other £'000s	Derivative instruments £'000s	Net monetary assets/ (liabilities) £'000s	Investments £'000s	Net exposure £'000s
Sterling	938	134	(15,000)	(1,117)	(4,771)	**(19,816)**	166,357	**146,541**
Euro	58	–	–	(12)	–	**46**	15,960	**16,006**
Total	**996**	**134**	**(15,000)**	**(1,129)**	**(4,771)**	**(19,770)**	**182,317**	**162,547**

2010	Short-term debtors £'000s	Cash at bank £'000s	Short-term creditors – loans £'000s	Short-term creditors – other £'000s	Derivative instruments £'000s	Net monetary assets/ (liabilities) £'000s	Investments £'000s	Net exposure £'000s
Sterling	1,281	2,161	(14,000)	(1,057)	(2,888)	(14,503)	170,030	155,527
Euro	136	41	–	11	–	188	18,102	18,290
Other	–	7	–	2	–	9	773	782
Total	1,417	2,209	(14,000)	(1,044)	(2,888)	(14,306)	188,905	174,599

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate exposure

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

	2011 Within one year £'000s	2010 Within one year £'000s
Exposure to floating rates		
– Cash	–	2,209
– Overdrafts	(736)	(63)
– Borrowings	(15,000)	(14,000)
Exposure to fixed rates		
– Fixed interest securities	4,123	6,499
Net exposure	(11,613)	(5,355)
Minimum net exposure during the year	(4,570)	(5,152)
Maximum net exposure during the year	(11,353)	(8,751)

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:

	2011 £'000s	2011 Weighted average interest rate	2011 Average duration until maturity	2010 £'000s	2010 Weighted average interest rate	2010 Average duration until maturity
Fixed interest securities	4,123	6.22%	2.2 years	6,499	4.88%	3.2 years

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

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:

	2011 Increase in rate £'000s	2011 Decrease in rate £'000s	2010 Increase in rate £'000s	2010 Decrease in rate £'000s
Revenue return	(165)	165	(97)	97
Capital return	(150)	150	(140)	140
Total return	(315)	315	(237)	237
NAV per share – pence	(0.37)	0.37	(0.28)	0.28

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Other market risk exposures

The portfolio of investments, valued at £182,317,000 at 30 September 2011 (2010: £188,905,000) 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 14 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.

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:

	2011		2010	
	Increase in value £'000s	**Decrease in value £'000s**	Increase in value £'000s	Decrease in value £'000s
Capital return	**36,463**	**(36,463)**	37,781	(37,781)
NAV per share – pence	**42.49**	**(42.49)**	44.27	(44.27)

(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 (82 at 30 September 2011 and 69 at 30 September 2010); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio (see note 14); 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 Scotiabank (Ireland) Limited of £20 million.

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:

	2011	2010
	Three months or less £'000s	Three months or less £'000s
Current liabilities – loans	**15,000**	14,000
Current liabilities – other	**1,129**	1,104
	16,129	15,104

23. 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.

In summary, compared to the amounts included in the balance sheet, the maximum exposure to credit risk was as follows:

Current liabilities	**Balance sheet £'000s**	**2011 Maximum exposure £'000s**	Balance sheet £'000s	2010 Maximum exposure £'000s
Derivative financial instruments	**28**	**10,330**	60	2,888

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 15 on the accounts. Dividend payments are set out in note 9 on the accounts. Details of any loans are set out in note 12 on the accounts.

24. 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 27 and as set out in note 5 on the accounts; and the beneficial interests of the Directors in the ordinary shares of the Company as disclosed on page 22. 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 13.

25. POST BALANCE SHEET MOVEMENTS IN NET ASSETS

The NAV per share as at close of business on 23 November 2011 was 197.31 pence (30 September 2011: 194.96 pence).

Ten Year Record

Assets

at 30 September (£'000s)	2001	2002	2003	2004	2005*	2006	2007	2008	2009	2010	2011
Total assets	88,318	70,061	79,466	91,509	187,846	208,755	214,131	158,201	180,684	191,427	**182,290**
Loans	–	–	–	6,000	8,500	8,000	10,000	–	14,000	14,000	**15,000**
Net assets	88,318	70,061	79,466	85,509	179,346	200,755	204,131	158,201	166,684	177,427	**167,290**

Net asset value ("NAV")

at 30 September	2001	2002	2003	2004	2005*	2006	2007	2008	2009	2010	2011
NAV per share – pence	175.4	141	158.5	180.2	220.4	249	258.8	200.4	199.3	207.9	**195.0**
NAV total return on 100p – 5 years (per Datastream)											**94.6**
NAV total return on 100p – 10 years (per Datastream)											**155.8**

Share price

at 30 September	2001	2002	2003	2004	2005*	2006	2007	2008	2009	2010	2011
Middle market price per share – pence	161.5	135.5	159.0	173.5	211.3	233.5	243.3	196.5	199.0	214.3	**206.0**
Discount/(premium) to NAV – %	7.9	3.9	(0.3)	3.7	4.2	6.2	6.0	2.0	0.1	(3.1)	**(5.2)**
Share price high – pence	183.8	195.0	169.0	177.0	211.3	240.0	258.0	249.0	202.5	221.3	**232.0**
Share price low – pence	141.5	119.0	122.0	155.5	174.0	196.0	222.5	188.5	140.0	181.0	**199.0**
Share price total return on 100p – 5 years (per Datastream)											**107.9**
Share price total return on 100p – 10 years (per Datastream)											**186.4**

Revenue

for the year ended 30 September	2001	2002	2003	2004	2005*	2006	2007	2008	2009	2010	2011
Available for ordinary shares (£'000s)	2,872	2,460	2,629	2,597	4,046	5,879	6,604	7,608	7,210	6,755	**8,341**
Earnings per share – pence	5.70	4.93	5.28	5.38	6.56	7.25	8.25	9.69	8.85	8.02	**9.75**
Dividends per share – pence	5.10	5.25	5.35	5.45	5.80	6.50	7.40	8.40†	8.65†	8.45	**8.65**

Performance

(rebased to 100 at 30 September 2001)

	2001	2002	2003	2004	2005*	2006	2007	2008	2009	2010	2011
NAV per share	100.0	80.4	90.4	102.7	125.7	142.0	147.5	114.3	113.6	118.5	**111.2**
Mid-market price per share	100.0	83.9	98.5	107.4	130.8	144.6	150.7	121.7	123.2	132.7	**127.6**
Revenue return per share	100.0	86.5	92.6	94.4	115.1	127.2	144.7	170.0	155.3	140.7	**171.1**
Dividends per share	100.0	102.9	104.9	106.9	113.7	127.5	145.1	164.7†	169.6†	165.7	**169.6**
FTSE All-Share Index	100.0	77.0	86.6	97.1	117.3	130.3	141.7	106.1	112.6	122.5	**113.4**
RPI	100.0	101.7	104.5	107.7	110.6	114.6	119.1	125.1	123.3	129.0	**136.3**

* Restated to reflect changes in accounting policies.

† Includes special dividends of 0.40p in 2008 and 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.
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.

Costs of running the Company (total expense ratio)

for the year ended 30 September	2001	2002	2003	2004	2005*	2006	2007	2008	2009	2010	2011
Operating costs as a percentage of:											
Average net assets – %	0.60	0.67	0.75	0.74	0.69	0.74	0.73	0.70†	0.88†	0.88	**0.83**

Gearing

at 30 September	2001	2002	2003	2004	2005*	2006	2007	2008	2009	2010	2011
Effective gearing/(net liquidity) – %	(0.80)	(1.30)	(0.60)	6.23	2.94	1.81	4.74	0.24	7.60	7.05	**9.08**
Fully invested gearing – %	–	–	–	7.11	4.74	3.99	4.91	–	8.40	7.89	**8.97**

* Restated to reflect changes in accounting policies.

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 and derivatives.
Average net assets	The average of net 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 nineteenth annual general meeting of the Company will be held at Exchange House, Primrose Street, London EC2 on Wednesday 15 February 2012 at 11.30 a.m. for the following purposes:

Ordinary business

To consider and, if thought fit, pass the following resolutions 1 to 8 as ordinary resolutions:

1. To receive and adopt the Directors' report and accounts for the year ended 30 September 2011.
2. To approve the Directors' Remuneration Report.
3. To elect Steven Bates as a Director.
4. To re-elect John Emly as a Director.
5. To re-elect Professor Jim Norton as a Director.
6. To re-elect Hugh Priestley as a Director.
7. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company.
8. 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:

9. THAT:
   (a) the Directors be and they are hereby generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006 (the "**Act**"), to exercise all the powers of the Company to allot 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 £2,160,000 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 2013 (the "**relevant period**"); but so that this authority shall enable the Company to make offers or agreements which would or might require relevant securities to be allotted after the expiry of the relevant period and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements; and
   (b) all authorities and powers previously conferred under section 551 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:

10. THAT, subject to the passing of Resolution 9 set out above:
    (a) the Directors be and they are hereby empowered, pursuant to section 571 of the Companies Act 2006 (the "**Act**"), to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority given in section 551 of the Act by the said Resolution Number 9, and/or to transfer equity securities which are held by the Company in treasury, during the period commencing on the date of passing of this resolution and expiring at the conclusion of the annual general meeting of the Company in 2013 (the "**relevant period**") up to an aggregate nominal amount of £2,160,000, in each case as if Section 561(1) of the Act did not apply to any such allotment or transfer; but so that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted or transferred after the expiry of the relevant period and notwithstanding such expiry the Directors may allot or transfer equity securities in pursuance of such offers or agreements;
    (b) all authorities and powers previously conferred under 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:

11. 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 12,952,700;

(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 an ordinary resolution:

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

By order of the Board
F&C Management Limited
Secretary
24 November 2011

Registered office:
Exchange House
Primrose Street
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 13 February 2012 (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.

Notice of Annual General Meeting (continued)

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).

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 23 November 2011, 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 23 November 2011, the latest practicable date prior to publication of this document, the Company had 86,409,268 ordinary shares in issue with a total of 86,409,268 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 2011 will be paid on 30 December 2011 to holders of ordinary shares on the register at the close of business on 2 December 2011.

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 £10,600 in the tax year ending 5 April 2012 without incurring any tax liability.

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

Income tax

The fourth interim dividend is payable in December 2011. 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

London Stock Exchange
LISTED
PREMIUM

Warning to shareholders – Boiler Room Scams

In recent years, many companies have become aware that their shareholders have been targeted by unauthorised overseas-based brokers selling what turn out to be non-existent or high risk shares, or expressing a wish to buy their shares. If you receive unsolicited investment advice or requests:

- Make sure you get the correct name of the person or organisation
- Check that they are properly authorised by the FSA before getting involved by visiting **www.fsa.gov.uk/pages/register/**
- Report the matter to the FSA by calling **0845 606 1234**
- If the calls persist, hang up.

More detailed information on this can be found on the Money Advice Service's website **www.moneyadviceservice.org.uk**

How to Invest

As well as investing in F&C Capital and Income Investment Trust PLC directly through a stockbroker, there are some additional benefits of investing through one of the savings plans run by F&C Management Limited ("F&C").

You can enjoy the convenience of making regular savings by direct debit, take advantage of our tax-efficient ISA wrapper, receive a simple statement every six months and let us automatically reinvest your dividends for you.

F&C Private Investor Plan

A flexible, low cost way to invest with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at anytime from £250.

F&C Investment Trust ISA

Use your ISA allowance to invest up to £10,680 tax efficiently each year with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at anytime from £250 and transfer any existing ISAs to us whilst maintaining all the tax benefits.

F&C Child Trust Fund ("CTF")

F&C is a leading provider of CTFs which can be opened for all children born between 1 September 2002 and 2 January 2011, using the government's CTF voucher. The maximum that can be invested annually is £3,600 and depending on the type of CTF opened, investments can start from as little as £25 a month.

F&C Children's Investment Plan

Aimed at older children ineligible for a CTF, or if you need access to the funds before the child is 18. This flexible plan can easily be written under trust to help reduce inheritance tax liability. Investments can be made from a £250 lump sum or £25 a month. You can also make additional lump sum top-ups at any time from £100.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and you may not receive back the full amount originally invested. Tax rates and reliefs depend on the circumstances of the individual.

Low charges

All the plans are low cost and flexible. When you buy or sell shares in these plans the dealing fee is only 0.2 percent. Government stamp duty of 0.5 percent also applies on purchases (where applicable). There are no initial or exit charges. The only annual management fee is on the ISA, which is £60+VAT (no matter how many ISAs you take out annually with F&C, or how many ISAs you transfer). The CTF has no initial charges, dealing charges or annual management fee.

How to invest

You can invest in all our savings plans online, except for the CTF. It's simple to register and invest using your debit card. Alternatively, please contact us for application forms.

New customers:

Contact our Investor Services Team

Call: **0800 136 420**

Email: **info@fandc.com**

Investing online: **www.fandc.com**

Existing plan holders:

Contact our Investor Services Team

Call: **0845 600 3030**

Email: **investor.enquiries@fandc.com**

By post: F&C Plan Administration Centre
Block C, Western House
Lynch Wood Business Park
Peterborough, PE2 6BP

Calls may be recorded.

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.

The above has been approved by F&C Management Limited which is a member of the F&C Asset Management Group and is authorised and regulated in the UK by the Financial Services Authority.

Notes

Registered office:

Exchange House, Primrose Street, London EC2A 2NY

Tel: 020 7628 8000 Fax: 020 7628 8188

www.fandccit.com

info@fandc.com

Registrars:

Computershare Investor Services PLC,

The Pavilions, Bridgwater Road,

Bristol BS99 6ZZ

Tel: 0870 889 4094 Fax: 0870 703 6142

www.computershare.com

web.queries@computershare.co.uk

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