F&C Capital and Income Investment Trust PLC

Report and Accounts

2013

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.

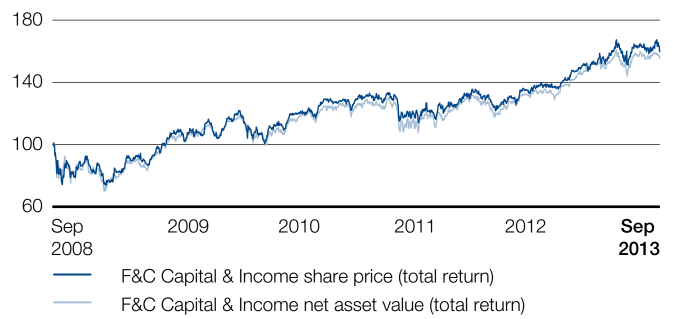
Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Financial Highlights

Summary of results

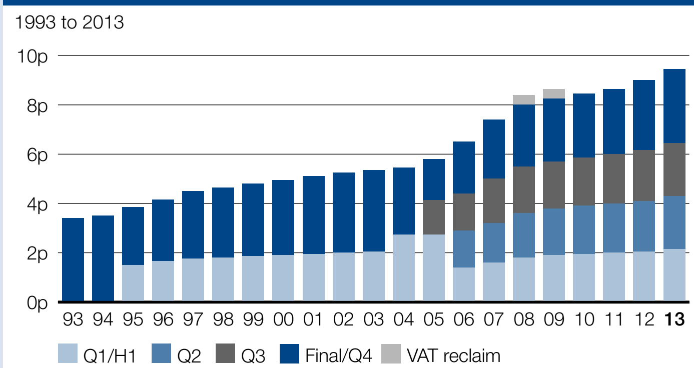
Attributable to shareholders	30 Sep 2013	30 Sep 2012	% Change
Net asset value per share	251.40p	222.01p	13.2%
Revenue return per share	11.26p	10.01p	12.5%
Dividends per share	9.45p	9.00p	5.0%
Share price	252.50p	225.50p	12.0%
Net asset value total return	17.7%	18.4%	n/a
Share price total return	16.4%	14.1%	n/a

Total return over five years – 2008 to 2013



Source: Datastream

Dividends per share – pence



Source: F&C Management Limited

Contents

Financial calendar

2013 financial year events

Fourth interim dividend payable	31 December 2013
Annual general meeting	12 February 2014

2014 financial year events

First interim dividend payable	March 2014
Half-yearly results announced	May 2014
Second interim dividend payable	June 2014
Third interim dividend payable	September 2014
Annual results announced	November 2014
Fourth interim dividend payable	December 2014

Chairman's Statement

Dear Shareholder

It is now five years since the Global Financial Crisis, when the outlook for all forms of investment looked as grim as it has for a century. In the interim, we have witnessed Central Banks around the world develop and implement a series of monetary policies that are without precedent. One of the consequences of these has been the rise in stock markets from which your Company has benefitted handsomely. We have been living in an environment where it has seemed that traditional virtues such as saving have been counter-productive, while borrowing and speculating has been richly rewarded. Over the last five years, it has not paid to hold your assets in cash. Instead, a steady flow of liquidity into markets has propelled the prices of riskier assets such as equities ever higher. For you, as shareholders of this Company, this has been a golden period in equity markets. In the meantime, the economy has been rather feeble. It has limped along, supported by low borrowing costs, facing a headwind of austerity. Now, though, things are looking up in the real economy as Julian Cane, your fund manager, explains in his report later. We might not be a tiger or a lion yet, but a small tabby perhaps.

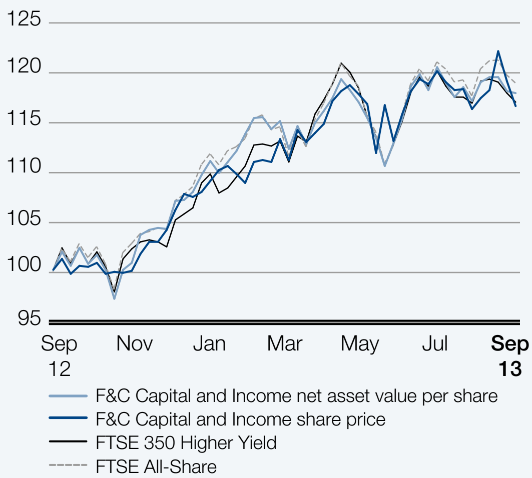
This raises the uncomfortable question of whether the unorthodox monetary policy showing in your local cinema is coming to an end. Early reports of its demise sent markets into a tailspin in May, and delayed the introduction by the Federal Reserve of the so called 'taper', which has become market jargon for taking the foot off the monetary accelerator, even if only a little. For Julian, the biggest challenge of the year ahead will be balancing the likelihood of somewhat more conventional monetary conditions with a stronger economy.

Performance

Turning to the current year, it has been another good period in absolute terms with NAV per share total return (including dividends) being 17.7% and the share price total return (including dividends) being 16.4% as the premium to the NAV shrank marginally. In relative terms the message is mixed, with your Company lagging the All-Share total return index of 18.9%, but outperforming the FTSE 350 High Yield Index, which generated a total return of 16.8%. This sometimes happens in companies which serve two masters: the quest for income calls for some compromise in pursuing growth opportunities. This was a year in which that was the case. The Board views the performance in the last year as satisfactory, but we really focus more on the long term numbers, as the short term has a lot of statistical noise surrounding it. Since Julian started managing the portfolio 15 years ago, total return (with dividends reinvested) of the share price has been 208%, of the NAV 159%, of the All-Share 138% and of

Net asset total return over one year

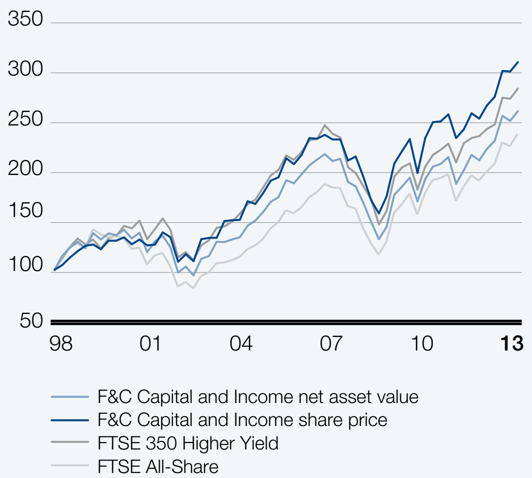
Q3 2012 to Q3 2013
Rebased to 100 at 30 September 2012



Source: Datastream and F&C

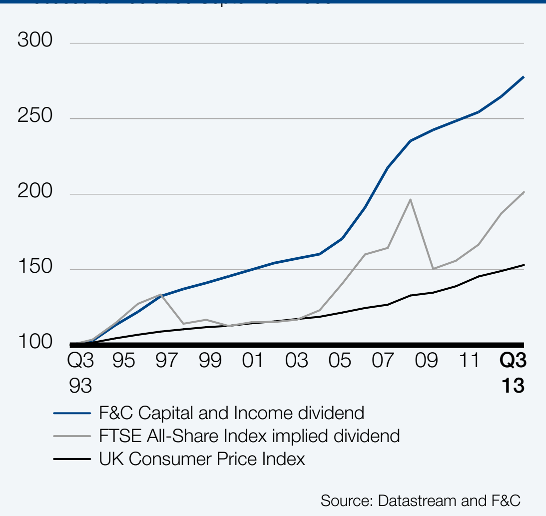
Total return over 15 years

Q3 1998 to Q3 2013
Rebased to 100 at 30 September 1998



Source: Datastream and F&C

Dividend growth and CPI over 20 years



the High Yield 182%. It is important to note that these returns have all been achieved despite the portfolio displaying risk well below that of the various indices, suggesting that your fund manager is effective at getting a 'good bang for his buck'.

Income Account

Our income rose by 12.6%, reflecting a rise in both ordinary and special dividends from the portfolio of 15.3%. Corporate balance sheets in general remain healthier than the broad economy but earnings have been set back by the sluggish environment. By contrast, dividends have continued upwards and our portfolio has benefited from the generally robust environment as well as from several individual holdings which are high income payers of a more specialist nature. These include companies like Carador and CATCo, originally bought for their income characteristics but also able to generate capital return for the portfolio.

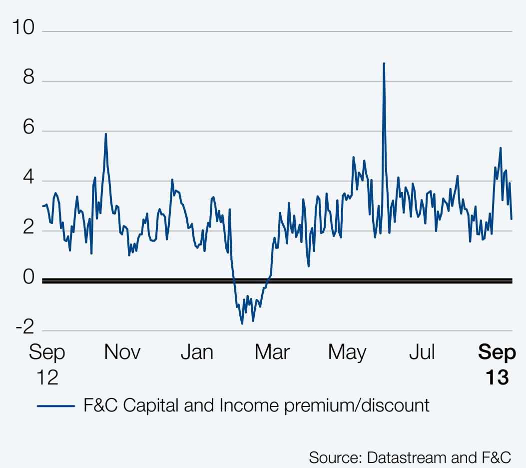
Income from the option writing strategy this year amounted to £261,000. As last year, the opportunities for a conservative investor to take advantage of high option premia were scotched by the relatively low volatility of markets. In general, the higher the volatility, the higher the price of an option and the more attractive it is to write. Despite the uncertainties in the world, stock market volatility has been remarkably subdued.

So far this year, we have paid three dividends amounting to 6.45 pence. We are proposing to pay a fourth dividend of 3.0 pence to give a total for the year of 9.45 pence, an increase of 5% over what we paid in 2012. As usual, this will be paid as an interim rather than final dividend, which means we can pay it at the end of the calendar year rather than wait for shareholder approval at the AGM in February. This is not regarded by the guardians of corporate governance as best practice, as you do not get to vote on the matter, but it does reflect feedback from you as a group emphasising the attraction of quarterly dividends receipts. If there are alternative views, please let me know.

At the end of the first year of the Company's life in 1993, a dividend of 3.4 pence was paid. The current year's dividend represents an increase of 178% since launch, or 5.24% per annum, and is the 20th consecutive year of dividend growth. This rate of increase is well in excess of inflation, with the CPI rising by 53.3% over the same period (2.15% per annum). By comparison, the dividend from the All-Share Index has risen by 101% (3.55% per annum) over the same period. Given the objectives of the fund, which emphasise the goal of generating a sustainable dividend growing modestly in real terms, this is a sterling achievement.

Premium/discount

Q3 2012 to Q3 2013



Premium/Discount

Most investment trusts have to live with a discount to net asset value. Your Company has traded at a discount from time to time, but in the past year on only 19 days. Instead, the shares have traded at a premium, another of the consequences of the monetary policies I described earlier in that the yield on our shares is very attractive relative to cash and it comes with some growth thrown in for good measure. In order to meet demand for our shares as well as to limit the premium, we have issued 1,500,000 shares in the past year. These were all issued above NAV, to ensure that existing shareholders suffer no dilution. Both discounts and premia are evidence of market inefficiency, as the underlying holdings of the Company are readily realisable and the NAV requires very little subjective judgement. For this reason, we remain prepared to issue shares as well as to buy them back, should market conditions change.

As usual, at the AGM in February, we will be 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. These can only be issued at a premium which takes into account the need not to dilute existing shareholders. We believe this is in your interest and urge you to support it.

Shareholder Survey

I reported last year following our shareholder survey that there was general satisfaction with the investment policy we were pursuing. If any improvement was called for it was for more income and more growth but without more risk – the holy grail of investment. Your Board has continued to think about these issues during the year and I wanted to share some of these thoughts with you.

Peer Group

There are a number of trusts offering some combination of income and capital growth. Some use more leverage than we do; some invest heavily in smaller companies; some invest significant percentages overseas; some use derivatives actively. Your Company is generally at the conservative end of the spectrum with regard to all the wrinkles our industry uses to 'enhance' returns. This is not because your fund manager is not up to the job of using these instruments. Rather, we believe that your interests are best served by a clear strategy which does not change but which delivers, over time, a stream of income growing in real terms at a moderate level of risk while still generating decent capital returns, all of this predominantly from investments in the UK market.

Marketing Strategy

With the advent of the Retail Distribution Review (RDR) at the start of this year, the cost of investing in unit trusts is beginning to fall and you will in theory see more clearly what makes up the costs of an investment. Your Company has always been both transparent and stingy with its costs – after all, this is your money, and we are confident that we can continue to be competitive with both open and closed ended funds. This is an area which receives a lot of the Board's attention. Because we recognise that the competitive landscape for the investor pound is changing as a result of RDR, representing good value alone is not enough, and we are encouraged that the manager is investing in the website and in building a clear marketing message and strategy for your Company.

Gearing

During the year, we have put in place a 5 year loan facility for £20 million on very attractive terms. This will enhance the income account as the cost of borrowing is lower than the dividend income. We also have a short term borrowing facility of £15 million which has not been invested and which will only be deployed in the event that markets suffer a setback leading to cheaper valuations. The ability to manage the balance sheet like this is one of the key competitive advantages of an investment trust over a unit trust but we are treading cautiously as we do not want to become dependent on gearing to generate increases in net income. We have put these facilities in place because we think the investment case is strong. Were it to weaken, we would unscramble the gearing and live with the consequences for the income account.

Governance Matters

Regulation

The main regulatory dish of the day is the Alternative Investment Fund Manager Directive ("**AIFMD**"). This is a piece of EU legislation which was designed to bring hedge funds and private equity into some sort of regulatory oversight. Unfortunately, it has caught investment trusts in its net. However vocal one may feel about this directive, and it should be said that there are costs for shareholders and no discernible benefits, we are saddled with it. For your Company, the costs are expected to be relatively modest at about one basis point or £24,000. This will be paid to an organisation called a depositary, which is in effect a rebranding of the custodian who will now be required to perform more oversight of our investments.

The Board has agreed in principle that F&C will be appointed as the Alternative Investment Fund Manager ("**AIFM**") for the purposes of ensuring compliance under AIFMD from July 2014. There will be additional reporting and disclosure requirements for the Board and the Manager, and we are grateful that the Manager will absorb those parts of the cost which apply to F&C.

Board

The succession plan put in place by my predecessor, Pen Kent, continues to roll along, and this year we are very pleased to have appointed Sharon Brown to the Board. She is an Accountant who was until recently the Finance Director of Dobbies Garden Centres, a formerly listed business now owned by Tesco. The plan is that Sharon will take over from Jim Norton as the Chair of the Audit Committee when he retires at the AGM in February. She will stand for election at the AGM and I hope that she will have your support.

Jim Norton has left an indelible stamp on your Company in his twelve years on the Board, and as Chairman of the Audit Committee for eight years. He has been diligent in his role, as you would expect, but has also kept us at the forefront of thinking about risk, governance and best practice across the spectrum as they relate to investment trusts. I would like to record the Board's gratitude to Jim for his contribution over the years – shareholders could not have been in better hands during a period of considerable upheaval in both accounting practice and markets.

Continuation Vote

The fact that we are still here is evidence of the passage of our continuation vote at the last AGM, and I thank you all for your support, which resulted in a vote in favour of continuation of 98.29%.

AGM

The Annual General Meeting will take place on Wednesday 12th February 2014 at the Company's registered office, Exchange House, Primrose St, London EC2 at noon. I encourage all shareholders to attend. As has become customary, Julian will be making a presentation on the investment scene, and the whole Board will be present to answer any questions you may have. The business of the AGM this year is mostly routine, with nothing to frighten the horses, although you will be asked to approve our remuneration policy. This is a requirement under a new set of rules known as narrative reporting, which is supposed to simplify the information we give you, but seems nonetheless to require more reporting rather than less. Our remuneration policy is relatively uncontroversial as we are wholly non-executive and have an ample peer group against which to draw comparisons. We aim to be somewhere in the middle of that peer group, bearing in mind always that we must be competitive in order to attract candidates of calibre as we refresh the Board. The policy is set out on page 33.

Outlook

The year ahead looks a lot brighter than any since 2008. Nevertheless, structural problems remain, with debt simply having been reshuffled from the private to the public domain. As yet, inflation remains subdued, although current policies seem designed to ignite it. Short term interest rates will be low for the foreseeable future, even as the economy speeds up a little. These are unusual times. As I said at the start of this statement, navigating these perilous waters is a serious matter and the year ahead is going to require some skilled helmsmanship.

Steven Bates
Chairman
27 November 2013

Manager's Review

Review of the economy

As if to illustrate the difficulty of understanding the current situation, a significant part of what we thought we knew about the UK economy turned out not to be true. GDP in the first quarter of our financial year (Q4 2012) was negative, setting up concerns that if the next quarter had also shown a decline, then the economy would have entered a Triple Dip recession. This in turn would have raised questions about the austerity programme being undertaken by the Government. As it turns out, following revisions from the official statisticians, the UK economy never even experienced a Double Dip, and this together with a return to growth in Q1 2013, supported the economic case for current Government policy. However, the recession in 2008/09 was deeper than originally thought, resulting in a decline in economic activity of 7.2% from peak to trough. UK GDP still remains significantly below that peak as the recovery remains at a pace even slower than that from the Great Depression of the 1930s. In addition while the Government deficit remains large at 5.2% of GDP in 2012/13 (down from 7.6% the previous year), and Government debt is still growing and has now reached 88% of GDP (up from 85%).

To counter the sluggish growth, the Bank of England has kept short term interest rates unchanged throughout the year at 0.5%, the lowest rate in more than 300 years. Rates have now been at this level since March 2009. There was no addition to Quantitative Easing, with the last purchase by the Bank of England being £50bn in July 2012, taking the total bought to £375bn. Mark Carney, formerly the Governor of the Bank of Canada, took over as the Governor of Bank of England and his innovation to date has been to publish future guidance on the course of interest rates; this shows that rates are expected to remain unchanged until unemployment falls below 7% (currently 7.7%).

It has long been implicit that the Bank of England has taken a stance to drive growth, either real or nominal, rather than worry too much about inflation. CPI for the year to September was 2.7%, well above the 2.0% target rate, and above the 2.2% rate for the previous year, but it is below any level, and economic activity is too weak, to bring about an immediate rise in interest rates.

Review of the UK stock market

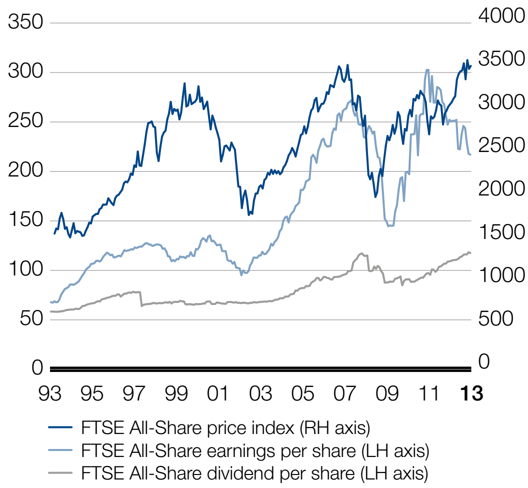
During the year, the UK stock market set a new record, having increased for 12 consecutive months through to the end of May. The strength of the market had less to do with any underlying economic strength or growth in corporate earnings, but was entirely the result of a re-rating. Although the economy showed some signs of better health, headline earnings for the FTSE All-Share index fell by 14% during the year, while the price/earnings multiple rose from under 12 times at the end of September 2012, to almost 16 times just one year later. The apparent scale of the fall in headline earnings is distorted by poor results or exceptional items from a number of large companies, such as HSBC and Royal Dutch Shell. On a broader basis, not weighted by size of the company, it is estimated that there was underlying growth in earnings last year, albeit relatively modest.

Markets are inevitably forward looking, and seem to be anticipating, probably correctly, an improvement in the economy and corporate earnings over the next couple of years. However, the scale of the re-rating makes it likely that the rise in the market is a consequence of the Bank of England's loose monetary policy, and to some extent a transition by investors from fixed interest investments and cash into equities.

The All-Share index ended the year 14.8% higher than at the start and also reached a new all-time high

FTSE All-Share Index – index level/earnings/dividends

1993 to 2013



Source: Datastream

during the course of the year, exceeding the previous peaks of 1999 and 2007. Furthermore, despite the fall in earnings, dividends increased by 7.6% on average. With a total return of 18.9%, very similar to the previous year's total return 17.2%, against a fairly modest level of inflation, it was overall another very good year for stock market investment returns.

Within the stock market there was considerable variation in returns by size and characteristic. With our requirement to pay a relatively high and growing dividend to shareholders we have a natural bias to higher yielding shares, which also in the context of the UK market often means larger companies in the FTSE 100 index; at the year end, the yield on the FTSE 100 was 3.59%, while the yield on the FTSE Mid 250 (the next 250 largest companies) was only 2.58%. Over the year, the rises in the FTSE 100 index (+12.5%) and the FTSE 350 Higher Yield Index (+11.4%) were completely outshone by increases in the FTSE 250 index (+27.1%) and FTSE Small Cap index (+30.8%).

By sector, Oil & Gas and Basic Materials lagged the broader market. Our exposure to smaller oil exploration stocks, which had served us well with the take-over of Cove Energy in the previous year, had a significant negative impact on returns. The decision to reduce our holding in Vodafone ahead of the bid for its US joint venture, was poorly timed and proved to be negative for relative returns, although we did still benefit from having a significant investment. Positively, a number of our investments generated a total return of 50% or more, including DS Smith (+60%), Intermediate Capital (+58%), Resolution (+58%) and Jupiter Fund Management (+55%).

Portfolio

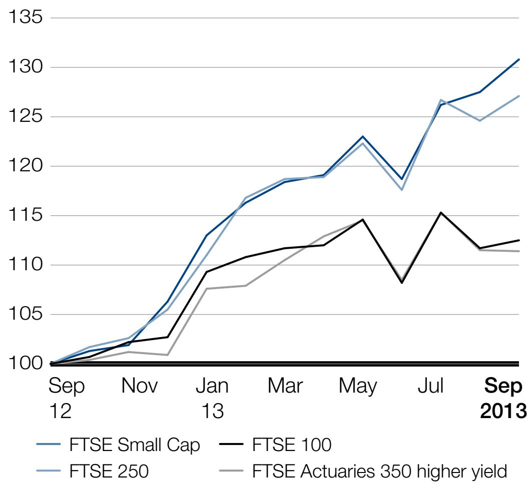
Following this report is a separate commentary on the portfolio by sector and on the twenty largest holdings. As well as the quoted equity holdings there are three other components that have contributed to returns over the year:

Convertible bonds

There are currently three convertible bonds in the portfolio. The largest was issued by Essar Energy, an integrated energy company focused on India. These were bought at a substantial discount to par value and a yield of more than 6%; there is still potential for further capital gain. The next largest convertible investment was issued by London Mining. This was to provide finance to develop an iron ore mine in Sierra Leone; it pays a coupon of 8% and has moved little in price since purchase. Talvivaara Mining is the issuer of the third convertible bond. At the start of the year, we held two Talvivaara bonds, one was repaid during the year at par, producing a good capital gain, but the remaining investment has seen a sharp price fall. Problems with the company's nickel production facilities and a falling nickel price have put pressure on the company's finances which will require further strengthening.

FTSE Indices 2012 – 2013

Rebased to 100 at 30 September 2012



Source: Datastream

Derivatives

Our option writing programme has been less active this year for two reasons. First, given the strong rise in the market, there were few share prices that leapt out as very attractive buying opportunities, and given the upward momentum of share prices we didn't want to reduce exposure. Secondly, option prices appeared fairly low. Relatively low levels of share price volatility meant option prices were low and in our judgement, if we had written options we would not have been paid a sufficient premium to compensate for the risk of the options being exercised against us.

Although in total we wrote only five options across the year these were all profitable, bringing in gross and net premiums of £261,000 and £195,000 respectively.

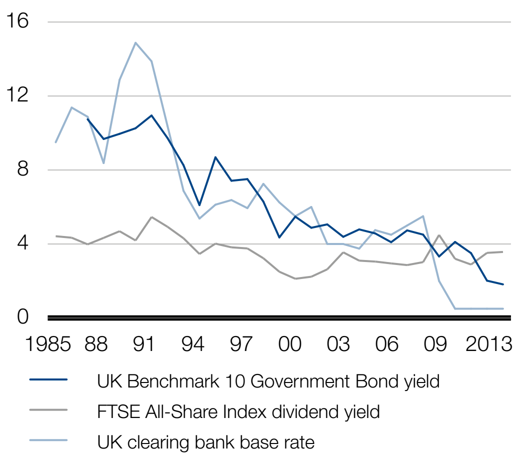
Manager's Review (continued)

Having sold the options initially, three of them were bought back before maturity and the remaining two expired worthless.

Our approach to option writing remains that we will only take on risk when we assess the premium to be sufficiently attractive, and although there are no guarantees, we obviously aim to continue the track record of this being a profitable activity that has added to the income and overall returns of the Company.

Yields from competing assets

September 1985 to September 2013



Source: Datastream

Gearing

We have borrowed money throughout the year to invest in our portfolio. This has been done in anticipation of investment returns being in excess of the cost of our debt. Given the returns we have achieved and the low cost of borrowing, this has been a profitable activity, although with hindsight we should have been more aggressive and used more debt.

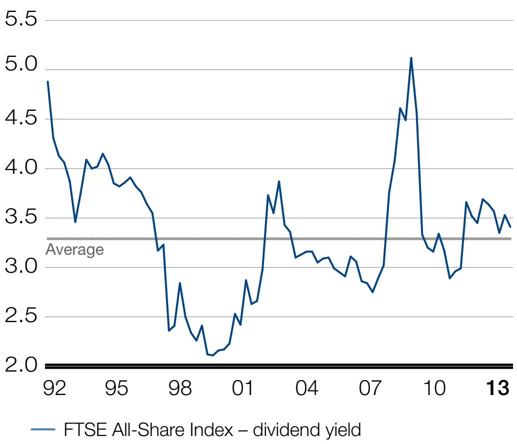
As was disclosed in the interim report, our previous £20 million facility with Scotia Bank expired just after the half-year end and this was replaced by a new 2 part facility from State Street. The £20 million 5 year fixed rate component of this facility is being progressively invested, leaving a further £15 million available at floating rates to be drawn down and invested when a more positive view is taken on stock markets.

Valuation of the Stock Market

As a result of the rise in the UK stock market and the re-rating that shares have experienced, equities no longer appear as cheap as they were in recent years. However, looked at over the course of this company's 20 year life, the FTSE All-Share Index is still trading at a multiple of earnings below the average for the period, and at an above average yield. That equities are at least reasonable value against their own medium-term history is reassuring. In an absolute sense, paying a multiple of earnings of around 16

FTSE All-Share dividend yield

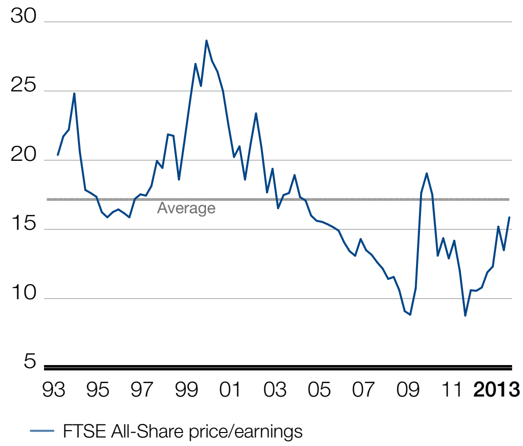
September 1992 to September 2013



Source: Datastream

FTSE All-Share Index – price/earnings

1993 to 2013



Source: Datastream

times implies an earnings yield of more than 6%; a little more than half of this is then paid out to investors resulting in a dividend yield of around 3.4%, whilst the rest is reinvested, which should in turn provide growth for the future.

It is when compared against other possible mainstream investments, such as bonds and cash, that equities look even better value. With the Bank Base Rate apparently stuck at 0.5% and the yield on 10 year UK government bonds being around 2.6%, equities not only give a higher yield initially, but they also carry the prospect of future gains in both capital and income. Equities are perceived as a riskier investment than either cash or bonds, and obviously they can lose value, but over the medium to long term, their potential for growth and ability to keep pace with inflation should make them a much more attractive investment.

Julian Cane
F&C Management Limited
27 November 2013

Twenty Largest Holdings

30 Sep 2013	*30 Sep 2012*	**Company** Description	% of total investments	Value £'000s
1	*6*	**HSBC** One of the world's leading banks, HSBC has a very strong and liquid balance sheet. With a renewed focus on efficiency it is further strengthening its own finances and paying an attractive dividend to shareholders.	6.4%	14,856
2	*2*	**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.	5.7%	13,341
3	*3*	**GlaxoSmithKline** One of the world's leading pharmaceutical companies with valuable healthcare and vaccines businesses. The valuation and dividend yield are still attractive.	4.6%	10,591
4	*1*	**Vodafone** The world's largest mobile telephone service provider with a strong international presence. The approach by Verizon to buy Vodafone's share of their US joint venture crystallises value but may lead to a lower dividend.	3.9%	9,178
5	*4*	**BP** Still recovering from the impact of operational and strategic problems, greater capital discipline should help returns to improve.	3.9%	9,093
6	*5*	**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.	3.3%	7,700
7	*8*	**Rio Tinto** One of the world's foremost mining companies with significant interests particularly in iron ore. It is our principal exposure to the mining sector.	3.2%	7,558
8	*12*	**Standard Chartered** The bank has suffered this year as growth in the Far East has slowed, but over the long-term, prospects appear better than in Europe.	2.5%	5,924
9	*10*	**BAE Systems** A leading international developer and manufacturer of advanced defence and aerospace systems. Government spending on defence is under pressure in developed economies, but this is offset by its geographic diversification and low valuation.	2.5%	5,771
10	*9*	**AstraZeneca** A major international pharmaceutical company. Although the pipeline of new drugs is disappointing, a new management team is trying to reinvigorate the company. Meanwhile, the valuation is low and yield attractive.	2.3%	5,393

30 Sep 2013	*30 Sep 2012*	**Company** Description	% of total investments	Value £'000s
11	*13*	**Total** This investment was made in addition to holding larger investments in the two main UK oil majors. The company has been well rewarded for its capital discipline.	2.0%	4,660
12	–	**Unilever** A leading manufacturer of branded consumer goods, with more than half of its sales in faster growing emerging markets.	1.8%	4,146
13	*18*	**Intermediate Capital** This company arranges and provides capital to companies for buy-outs, refinancings or expansions across Europe. Unlike the mainstream UK banks, it has an attractive dividend yield.	1.7%	3,860
14	*11*	**Lancashire Holdings** This specialist insurance company is broadening its activities with the acquisition of Cathedral, a Lloyds underwriter. It has an excellent track record and attractive strategy of returning surplus cash to shareholders.	1.6%	3,825
15	–	**Melrose Industries** A diverse international engineering group run by an entrepreneurial and highly successful management team.	1.6%	3,746
16	–	**Phoenix** A UK life assurer that is closed to new business, but busy creating value from driving greater efficiencies on its existing stock.	1.6%	3,720
17	–	**Prudential** International life assurer seeing rapid growth in the Far East, together with attractive returns in the US and UK.	1.6%	3,683
18	–	**DS Smith** Manufacturer of corrugated packaging in UK and Europe, benefiting from its merger with SCA Packaging, a Swedish competitor.	1.6%	3,668
19	*14*	**BHP Billiton** This company has a portfolio of large, low-cost mining and oil assets, well diversified by commodity and geography.	1.5%	3,458
20	–	**Glanbia** International dairy, consumer foods and nutritional products company, experiencing good growth with its sports nutrition brands.	1.5%	3,441

The value of the twenty largest equity holdings represents 54.8% (30 September 2012: 59.2%) of the Company's total investments.

Investment Portfolio by Sector

at 30 September 2013

	% of total investments*	% of FTSE All-Share Index
Oil & gas	**13.5**	**14.1**

The integrated oil majors, Royal Dutch Shell and BP dominate this sector by value. These were both disappointing in operational and share price terms (RDS –3%, BP -1%). However, relative to the Index, we are underweight in these two companies and we were aided by our diversification into Total, which increased in value by 17%. Our exposure to a number of smaller exploration and production companies, Bowleven, Caithness Petroleum, Providence Resources and Salamander Energy was a negative as a mixture of company specific disappointments and a general sector derating led to significant falls in value. We have had success in this area in the past and expect market sentiment to these companies to improve over time.

	% of total investments*	% of FTSE All-Share Index
Basic materials	**4.7**	**8.1**

This sector, for the second year, lagged the broader market index. Our exposure is relatively light as we haven't had much exposure to the large mining companies. The largest investment is in Rio Tinto, whose shares rose in value by 5%. We added to this holding during the year on signs that the new management team will have a much more focused approach to capital expenditure and costs.

	% of total investments*	% of FTSE All-Share Index
Industrials	**13.5**	**9.6**

The difficult economic background did not constrain the performance of most of our investments in this sector. BAE Systems, our largest holding, increased almost 40%, while Intertek and DS Smith, both up about 50% in the previous year, rose a further 21% and 55% respectively. Babcock International, a support service provider to the public sector, was a new addition and we increased the investment in Melrose.

	% of total investments*	% of FTSE All-Share Index
Consumer goods	**7.8**	**13.6**

This diverse sector includes businesses with interests ranging from food, drinks and tobacco to cars and house building. After a long period of strong share price performance and good dividend growth, our investments in tobacco were reduced, through the complete sale of Imperial Tobacco and reduction in British American Tobacco. The yield may still appear attractive, but more difficult conditions for sales, caused by electronic cigarettes, amongst other factors, mean the long-term attractions are probably diminished. With the proceeds we added to the existing investment in Unilever.

	% of total investments*	% of FTSE All-Share Index
Health care	**7.4**	**7.2**

The major international pharmaceutical companies, GlaxoSmithKline and AstraZeneca are the largest components of this sector. Performance of both was less strong than the Index, only increasing in value by about 9%, but both continue to have an attractive dividend yield. Our holdings in both were unchanged during the year.

	% of total investments*	% of FTSE All-Share Index
Consumer Services This is a broad sector with activities ranging from food retailing to travel and leisure to media. The largest positive contributor to our returns in the sector was Informa, which rose more than 30% in value. Compass also performed well, rising by 24%, following an increase of 31% the previous year. WPP was a new addition.	**9.9**	**10.6**
Telecommunications The holding in Vodafone was reduced during the year. The decision was based on the disappointing returns being generated by its European operations, but the timing of the sale was unfortunate as Verizon announced its bid for their joint venture shortly afterwards. The holdings in Inmarsat and BT were unchanged.	**6.6**	**6.9**
Utilities For many years, this has been a relatively important part of the portfolio with the stable, defensive characteristics of the businesses and their dividend yields being attractive. The proportion invested in this sector was significantly cut back; we reduced the holdings in SSE and Centrica as politicians seem determined to interfere in their operations and the retail pricing of electricity and gas. The holding in United Utilities was sold completely.	**2.4**	**3.7**
Financials Ongoing monetary stimulus from central banks has helped to boost returns in this sector. We have increased investment in the sector by both adding to existing holdings and starting new positions. One minor reduction was to Intermediate Capital, which was reduced in favour of starting a new investment in Lloyds Banking, whilst we added to existing holdings in HSBC and Standard Chartered. In the Insurance area, we invested in Direct Line and Partnership at IPO, while adding to Legal & General, Phoenix and Prudential. Aberdeen Asset Management and IG were also new purchases.	**31.1**	**24.6**
Technology This is the smallest sector in the portfolio and in the Index. Typically, most technology companies have little or no dividend yield as the businesses invest heavily in developing their products. Our own holdings in Laird, Sage and SAP were relatively unchanged in value.	**1.2**	**1.6**
Convertibles We held four convertible bonds at the start of the year. One was redeemed at par, generating a capital gain, and the other three were unchanged. The prospects for two appear good, giving the probability of future capital gains as well as continued income payments, whilst the very low pricing of Talvivaara indicates an expectation that the company will require further financing.	**1.9**	**–**

*Note 15 on the Accounts further analyses investments, by geographical and industrial sector, as a proportion of net assets.

List of Investments

Quoted investments	Holding	30 September 2013 Value £'000s
UNITED KINGDOM – EQUITIES		
Aberdeen Asset Management	650,000	2,461
Acal	181,706	494
Alternative Networks*	349,475	1,171
Assura	3,165,469	1,124
AstraZeneca	167,716	5,393
Babcock International	175,000	2,091
BAE Systems	1,270,000	5,771
BBA Aviation	425,000	1,294
Beazley	1,625,000	3,398
BG	134,848	1,592
BHP Billiton	190,000	3,458
Bowleven*	1,600,000	904
BP	2,100,000	9,093
British American Tobacco	235,000	7,700
BT	550,000	1,883
Carador Income Fund	4,600,000	2,770
CATCo Reinsurance Opportunities	3,700,000	2,308
Centrica	620,000	2,292
Cineworld	354,118	1,344
Compass	400,000	3,400
Conviviality Retail*	600,000	918
Diageo	60,000	1,179
Direct Line Insurance	614,147	1,304
Doric Nimrod Air Three	750,000	810
Doric Nimrod Air Two	1,000,000	2,490
DS Smith	1,275,000	3,668
Galliford Try	137,077	1,421
GlaxoSmithKline	680,000	10,591
Greenko*	244,444	298
Harvey Nash	1,219,744	1,086
HSBC	2,220,000	14,856
IG	400,000	2,312
Informa	650,000	3,413
Inmarsat	450,000	3,191
Intercontinental Hotels	100,000	1,801
Intermediate Capital	866,273	3,860
Intertek	100,000	3,305
ISG*	38,841	93
JD Sports	81,165	855
Jupiter Fund Management	425,000	1,553
Laird	432,410	951

Quoted investments	Holding	30 September 2013 Value £'000s
Lancashire Holdings	500,000	3,825
Legal & General	1,500,000	2,943
Lloyds Banking	3,500,000	2,575
LondonMetric Property	2,800,000	3,346
Majestic Wine*	239,747	1,235
Melrose Industries	1,250,000	3,746
National Grid	175,000	1,278
Novae	289,285	1,455
Park*	1,661,311	847
Partnership Assurance	679,051	2,789
Phoenix	500,000	3,720
Polar Capital*	332,377	1,426
Providence Resources*	250,000	788
Prudential	320,000	3,683
Raven Russia	3,225,080	2,435
Resolution	575,000	1,826
Rio Tinto	250,000	7,558
Royal Dutch Shell	625,000	13,341
RPC	216,120	983
Sage	332,716	1,097
Salamander Energy	850,000	997
Spectris	90,000	1,985
Spirit Pub	1,378,800	982
SSE	109,000	1,607
Standard Chartered	400,000	5,924
Tarsus	606,904	1,396
Tesco	900,000	3,231
UBM	295,000	2,106
Unilever	170,000	4,146
UTV Media	183,737	340
Vodafone	4,250,000	9,178
WPP	160,000	2,032
XP Power	90,640	1,245
United Kingdom total		**215,961**
EUROPE (EX UK) – EQUITIES		
FRANCE		
Schneider Electric	13,390	699
Total	130,000	4,660
France total		5,359

* Quoted on the Alternative Investment Market in the UK.

Quoted investments	Holding	30 September 2013 Value £'000s
GERMANY		
SAP	36,964	1,686
Germany total		1,686
REPUBLIC OF IRELAND		
C&C	482,633	1,609
Glanbia	429,093	3,441
Republic of Ireland total		5,050
Europe (ex UK) total		**12,095**
UNITED KINGDOM – CONVERTIBLE FIXED INTEREST		
Essar Energy – 4.25% 02/2016	5,000,000	2,504
London Mining – 8.0% 02/2016	1,900,000	1,110
United Kingdom total		**3,614**
EUROPE (EX UK) – CONVERTIBLE FIXED INTEREST		
Talvivaara – 4.00% 12/2015	2,000,000	900
Europe (ex UK) total		**900**
Total Convertible Fixed Interest		**4,514**
TOTAL INVESTMENTS		**232,570**

The number of Companies in the portfolio is 81 (2012 : 77)
There are 3 convertible securities in the portfolio (2012: 4)

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 Conduct 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 Investment Trusts, has responsibility for F&C's relationship with the Company. He joined F&C in 1989.

Scott Macrae

Carries out the company secretarial duties of the Company on behalf of the Manager. He joined F&C in 2006.

Company 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.fandc.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
25 Bank Street, Canary Wharf, E14 5JP

State Street Bank and Trust Company
20 Churchill Place, Canary Wharf, London, E14 5HJ

Custodian

JPMorgan Chase Bank (the "**Custodian**")
25 Bank Street, Canary Wharf, E14 5JP

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

Steven Bates Chairman

Appointed to the Board on 3 May 2011. Steven Bates is Chairman of Vietnam Opportunities Fund and of Baring Emerging Europe and a director of British Empire Securities & General Investment Trust, RENN Universal Growth Investment Trust and of Magna Umbrella Fund. He is also a director of Zephyr Management UK, an investment management company specialising in emerging markets. He sits on or is advisor to various committees in the wealth management, pension fund and charity areas. He was head of global emerging markets at JP Morgan Asset Management until 2002. Age 56.

Neil Dunford

Appointed to the Board on 5 May 2005. He has over 30 years' experience in investment management with Schroders, Scottish Widows and, from 1985 to 2002, with Deutsche (formerly Morgan Grenfell) Asset Management where he was executive chairman. He is a trustee of the Richemont (UK) Pension Plan and a member of the investment committee of Lloyd's Register Superannuation Fund. He is also an adviser to the Akzo Nobel Pension Scheme. He is a chartered accountant. Age 66.

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 over 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 non-executive director of JPMorgan Mid-Cap Investment Trust. 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 72.

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

Appointed to the Board on 24 July 2001. He is a trustee and Past President of BCS, the Chartered Institute for IT and a trustee director of BCS Learning & Development. He is a director of the Foundation for Information Policy Research. He is also chief 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 61.

Clare Dobie

Appointed to the Board on 16 July 2012. She is a non-executive director of Schroder UK Mid Cap Fund. She is also a director of Braxted Marketing Measures, a trustee of Essex and Herts Air Ambulance Trust and a trustee of The Friends of Thomas Plume's Library. She began her career as a financial journalist, working at The Times and The Independent, where she was City Editor. She was then Head of Clients at Barclays Global Investors and Head of Marketing at GAM. Age 56.

Sharon Brown

Appointed to the Board on 16 September 2013. She is a non-executive director and Chairman of the audit committee of Fidelity Special Values. She is a fellow of the Institute of Chartered Management Accountants and was, until recently, the Finance Director and Company Secretary of Dobbies Garden Centres. Age 45.

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

Strategic Report

As explained within the Directors' Report on page 23, the Company carries on business as an Investment Trust. Investment trusts are collective investment vehicles, constituted as closed-ended public limited companies.

Business Model

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend payment policies, corporate strategy, gearing, corporate governance procedures and risk management. Biographical details of the Directors, all of whom are non-executive, can be found on page 17 and their remuneration is set out on pages 33 and 34. Four of the Directors are male and two are female. 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 diversity targets.

The Company has no employees. The Board has contractually delegated the management of the investment portfolio and other services to the Manager, F&C, and the safe custody of the assets to the Custodian, JP Morgan Chase. A summary of the terms of the management agreement is contained in note 4 on the accounts.

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. Further, the portfolio, which is set out in full on pages 14 and 15, is diversified, with over 80 holdings as at 30 September 2013. The majority of holdings are in large and mid-capitalisation companies, although the Company also holds investments in smaller companies. The proportion of the portfolio invested in the largest 350 companies in the FTSE indices is 80.0%.

No more than 10% of the portfolio (at the time of investment) may be invested in securities quoted on the Alternative Investment Market, with 3.3% invested in this market at the year end. No unquoted securities may be purchased without the prior approval of the Board.

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 2013, 5.3% of the total portfolio was held outside the UK, all in Irish or 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% of gross assets at the time of investment for both put and call options. More details can be found on page 51 in note 10 on the accounts.

The Company may use short-term 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. The level of gearing would not normally, however, be expected to exceed 20% of the portfolio value. As at 30 September 2013 the Company had borrowings of £20 million with an undrawn facility of £15 million (net gearing of 3.8%). If the £35 million facility was fully invested, this would represent 15.6% gearing.

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

Responsible ownership

F&C'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.

F&C'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 Company endeavours to behave in a socially and environmentally responsible manner, which it believes supports long-term value creation.

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 graph on page 3. The Company has, and conditional upon shareholder approval, will continue to have 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 13 February 2013 shareholders renewed the Board's authority to issue further ordinary shares, up to 10% of the number then in issue. In order to satisfy demand for the Company's shares, mainly from holders through the F&C savings plans ("**F&C plans**"), the Company allotted 1,500,000 shares at a premium to net asset value, in the year under review.

Subject to annual shareholder approval, the Company may also purchase up to 14.99% of its own issued ordinary shares at a discount to NAV per share. The shares bought back can either be cancelled or held in treasury to be sold as and when the share price returns to a premium to net asset value. At the AGM held on 13 February 2013 shareholders gave the Board authority to buy back up to 13,173,800 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 savings plans. These include the F&C Children's Investment Plan ("**CIP**") the F&C Child Trust Fund ("**CTF**"), Individual

Analysis of savings plans

30 September	2013		2012	
	Number of holders	Shares	Number of holders	Shares
CIP	4,109	5,184,177	4,194	4,641,081
CTF	11,353	9,694,471	11,654	8,343,856
ISA*	5,894	46,544,296	6,161	47,352,557
JISA	224	101,281	33	13,282
PIP	2,454	9,102,931	2,801	9,172,351
PSP	310	2,145,672	328	2,163,253
Total	24,344	72,772,828	25,171	71,686,380

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

Strategic Report (continued)

Savings Account ("**ISA**"), Junior ISA ("**JISA**"), Private Investor Plan ("**PIP**") and Pension Savings Plan ("**PSP**"). The plans are designed to provide investors with a cost effective and flexible way to invest in the Company.

These investors hold 72,772,828 shares, which is 81.4% of the shares in issue.

Voting rights and proportional voting

At 27 November 2013 the Company had 89,384,268 ordinary shares in issue with a total of 89,384,268 voting rights. As at that date no notifications of significant voting rights in respect of the Company's ordinary share capital have been received.

Eighty-one point four percent 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 363,800 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. The Company entered into a five year £35 million credit facility with State Street Bank and Trust Company in March 2013. This facility is made up of a £20 million sterling term credit facility and a £15 million multi-currency revolving credit facility. The Custodian has also made an overdraft facility available equal to 10% of the value of the Company's assets.

Key performance indicators

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

- The Board monitors NAV and share price total return performance against a number of indices over the long-term. The indices used are the FTSE All-Share Index and the FTSE 350 Higher Yield Index, and reference is also made to the Association of Investment Companies ("**AIC**") peer group, recognising it is a disparate group with a range of objectives and risk tolerances.
- The Board monitors dividend growth and compares it to changes in the UK Consumer Price Index and the rate of change of implied dividend from the FTSE All-Share Index.
- 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 0.4% compared with a premium of 1.6% at the start of the year;
- Ongoing charges, which enable the Board to measure the control of costs and help in meeting the dividend payment objective. The ratio of ongoing charges to average net assets, as set out in the ten year record on page 62, has decreased this year as a consequence of the company no longer incurring costs relating to the private investor plans.

The performance table below, the Ten Year Record on pages 61 and 62, 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	17.7	35.6	55.2
Company share price	16.4	32.7	59.7
Benchmark index*	18.9	33.4	66.2

Source: F&C Management Limited and Datastream
*Benchmark: FTSE All-Share Index.

The Company had a revenue return for the year of 11.26 pence per share (2013: 10.01 pence per share) and, following the payment of a fourth interim dividend of 3.0 pence per share, will have paid a dividend of 9.45 pence per share for the year (2012: 9.0 pence per share).

Principal risks and uncertainties and risk 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 from those of other investment trusts investing primarily in listed markets. The Corporate Governance Statement on page 32 summarises 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 date hereof and will continue to be regularly reviewed by the Board.

The principal risks and uncertainties faced by the Company, and the Board's mitigation approach, are described below. Arrangements are also in

Objective and Strategy

Risk description: *Inappropriate objective and strategy in relation to investor demands in a rapidly changing financial services and savings market. Failure to manage discount/premium within limits agreed by the Board.*

Mitigation: The Board regularly reviews the Company's position within the Investment Trust industry and with respect to sector peers. It maintains, with the support of the House Broker, good intelligence on market demand for the Company's shares. The Board considers strategic issues at each Board meeting and carries out an in depth review annually.

Investment policy and gearing

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 are 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, and monitors, limits on gearing and option writing.

Management resource, stability and controls

Risk description: *The Company has no employees and therefore all of its 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 the Manager's appointment annually. Control reports are provided by the Manager's Internal Audit function. The Board has access to publicly available information, including the financial statements of its publicly-listed parent company, indicative of its financial position and performance. The contract can be moved at six months' notice.

Table continued on next page

Strategic Report (continued)

Service providers
Risk description: *Administrative errors, fraud or control failures by or between service providers could be damaging to the interests of investors and the Company. Loss of customer or other business critical information either directly by the Manager or by service providers through cyber attack or business continuity failure.*
Mitigation: The Board receives regular reports from the Manager on its oversight of providers of services relating to investments settlement and record keeping and to administration of the F&C Savings Plans. Such regular oversight includes: audit site visits; technical compliance monitoring; service delivery meetings including key performance indicators; and detailed reviews and investigation of complaints, errors and breaches. The Manager also has arrangements in place to limit risks from safe custody and counterparty failures and reports regularly to the Board in that regard. The Board regularly receives reports from the Manager's Internal Audit and Risk Management functions as well as examining reports with respect to both Manager and service providers.

place to mitigate other more general risks including those relating to regulatory change. Note 24 on the accounts sets out the Company's financial risk management policy.

Statement Regarding Annual Report and Accounts

The Directors consider that the Annual Report and the Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board
F&C Management Limited
Secretary
27 November 2013

Directors' Report

The Directors present their Report and the audited financial statements of F&C Capital and Income Investment Trust PLC for the year ended 30 September 2013. The financial statements are set out on pages 40 to 60.

Results and dividends

The net assets of the Company as at 30 September 2013 were £224,708,000 (2012: £195,112,000). The Company's NAV per share rose by 13.2% in the year ended 30 September 2013, compared to a rise of 14.8% in the Index.

Dividends for 2012 and 2013

Dividends paid:	**£'000s**
4th interim for the year ended 30 September 2012 of 2.85p per share paid on 31 December 2012	2,505
1st interim for 2013 of 2.15 pence per share paid on 28 March 2013	1,896
2nd interim for 2013 of 2.15 pence per share paid on 28 June 2013	1,898
3rd interim for 2013 of 2.15 pence per share paid on 30 September 2013	1,911
	8,210

As explained in the Chairman's Statement, the Board has declared a fourth interim dividend of 3.0 pence per share. This will be paid on 31 December 2013 to shareholders on the register of members on 6 December 2013. This dividend, together with the other three interim dividends paid during the year (of 2.15 pence per share each), makes a total dividend of 9.45 pence per share. This represents an increase of 5.0% over the 9.0 pence per share for the previous year.

Principal activities and status

The Company is a public limited company and an investment company as defined by section 833 of the Companies Act 2006 (the "**Act**").

The Company is registered in England and Wales with company registration number 02732011 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 at the Annual General Meeting in 2018.

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 ("Section 1158"). Such compliance requires 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 that income. The Company has been approved by HM Revenue and Customs for the year ended 30 September 2012, and subsequent years, subject to the Company continuing to meet the eligibility conditions of Section 1158 and the ongoing requirements for approved companies in Chapter 3 of Part 2 Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instruments 2011/2999).

Accounting and going concern

The financial statements, starting on page 40, 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 pages 36 to 39. The Company's investment objective, strategy and policy, which are described in the Strategic Report and are subject to a process of regular Board monitoring, are 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 the Custodian and an agreement covers its borrowing facility. Cash is held with banks approved and regularly reviewed by the Manager.

Note 24 on the accounts sets out the financial risk profile of the Company and indicates the effect on the assets and liabilities of fluctuations in the value of securities, the rates of exchange of various currencies against sterling and the changes in market rates of interest.

Directors' Report
(continued)

Shareholders voted at the Company's AGM in 2013 for the continuation of the Company and will be asked to vote again in 2018. 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.

Independent Auditors

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

In the year ending 30 September 2012, in keeping with FRC Guidelines, the Board tendered the audit of the Company to five auditing firms including PwC. A short list of three presented to the Board which decided to retain the services of PwC.

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.

Capital structure

As at 30 September 2013 there were 89,384,268 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 16 on the accounts. The revenue profits of the Company (including accumulated revenue reserves) are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to shareholders pro rata to their holdings of ordinary shares.

Directors

The Directors' Remuneration Report, which can be found on pages 33 and 34, provides detailed information on the remuneration of the Directors. Shareholders will be asked to approve the Directors' Remuneration Policy Report and the Directors' Annual Report on Remuneration at the AGM.

Other than Sharon Brown, who joined on 16 September 2013, all the Directors held office throughout the year under review. Mrs Brown will stand for election at the forthcoming annual general meeting in accordance with the Company's articles of association. All Directors are required to stand for re-election for a fixed term of no more than three years and therefore Mr Neil Dunford will 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 shareholders vote in favour of the resolutions for their respective election and re-election. Professor Jim Norton will retire from the Board immediately following the meeting. Hugh Priestley retired from the Board on 13 February 2013.

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 its behalf. F&C is a subsidiary of F&C Asset Management plc, an independent investment firm listed on the London Stock Exchange.

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.

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.

The Manager's fee

A quarterly fee of 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.

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.

Greenhouse Gas Emissions

All of the Company's activities are outsourced to third parties. As such, it does not have any physical assets, property, employees or operations of its own and does not generate any greenhouse gas or other emissions.

Annual general meeting

The AGM will be held on Wednesday 12 February 2014 at 11.30 a.m. at Exchange House, Primrose Street, London EC2. The Notice of Annual General Meeting appears on pages 63 to 65 and includes a map of the venue. Julian Cane will give a presentation covering progress in the year to date and his views on the market for the rest of the year. There will be an opportunity to ask questions during the AGM and shareholders will be able to meet the Directors and Mr Cane more informally after the meeting. Resolutions numbered 8 to 10 are explained below.

Authorities to allot shares (resolutions 8 and 9)

Resolution 8 is similar in content to the authority and power given to the Directors at previous AGMs. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash without first offering them to existing shareholders in proportion to their holdings. The Directors are also seeking to renew this authority.

Resolution 9 gives the Directors, for the period until the conclusion of the AGM in 2015, the necessary authority to either allot securities or sell shares held in treasury up to an aggregate nominal

Directors' Report
(continued)

amount of £2,234,000 (8,936,000 ordinary shares). This is equivalent to approximately 10% of the issued share capital of the Company at 26 November 2013. Resolution 9 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 would 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 10)

Resolution 10 authorises the Company to purchase up to a maximum of 13,398,700 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 intend 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.

Form of proxy

Registered shareholders will find enclosed a form of proxy for use at the AGM. Shareholders also have the option of lodging their proxy votes using the internet. For shares held through CREST, proxy appointments may be submitted via the CREST proxy voting system. Votes should be lodged as soon as possible in accordance with the instructions whether or not shareholders intend to be present at the AGM. This will not preclude shareholders from attending the AGM and voting in person.

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

Investors in any of the F&C savings plans will find enclosed a form of direction for use at the AGM. Investors, other than those in the Pension Savings Plan, also have the option of lodging voting directions using the internet. Proportional voting will apply as described on page 20. 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

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

By order of the Board
F&C Management Limited
Secretary
27 November 2013

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 February 2013. 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 not included within the FTSE 350 Index) 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. The Company's arrangements in respect of corporate governance are explained in this report.

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 five 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. 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, with the exception of Sharon Brown, attended the AGM in February 2013. All Directors attended a closed session strategy meeting in September 2013.

Meeting attendance

	Board meetings	Audit and Management Engagement Committee meetings
Number of meetings	6	3
Steven Bates	6	3
Neil Dunford	6	3
John Emly	6	3
Professor Jim Norton	5	3
Clare Dobie	6	3
Sharon Brown*	1	1

* Joined 16 September 2013.

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 their 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 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

Corporate Governance Statement
(continued)

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 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. The Company has engaged a professional research consultancy for these purposes and the Board confirms that neither it nor the Company has any other connection with the consultancy. A non-executive Director role specification is in place which is used to assist the Board with this process. The Board keeps under review its structure, size, composition, experience, diversity and skill ranges. It has implemented a succession plan which will be completed over the next few years.

An induction process takes place for new appointees, who meet the Fund Manager, the Company 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 confidential interviews between the Chairman and each Director. 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 that Director's period of office and may by ordinary resolution appoint another person who is willing to act in that Director's 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;

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

(ix) they cease to be a Director by virtue of the statutes or are removed from office pursuant to the articles of association.

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 believes 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 that are 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 2013.

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

As the Board is formed entirely of independent non-executive Directors and is small in size, it operates without a Nomination Committee. Neither does it have a Remuneration Committee as it has no executive Directors nor employees. The Directors' Remuneration Report on pages 33 and 34 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**"), on behalf of the Board and the shareholders, are to monitor the integrity of the financial reporting and statements of the Company; to oversee the audit of the annual financial statements; to oversee the internal controls and risk management processes applicable to the Company; and to monitor and review the performance of and fees paid to the Manager in relation to its duties under the Investment Management Agreement. The terms of reference can be found on the website at www.fandccit.com.

All Directors are members of the Committee, appointed on their date of appointment to the Board. Their biographies on page 17 set out their dates of appointment and their recent financial experience. Professor Jim Norton will step down as Chairman of the Committee in February 2014 to be replaced by Sharon Brown. The Chairman of the Committee, as well as the remaining Committee members have relevant financial and industry experience.

The Committee met on three occasions during the year and the attendance of each of the members is set out on page 27. In the course of its duties, the Committee has direct access to the Company's Auditor, PwC; the Manager's senior staff, including the Fund Manager, the Head of Investment Trusts, the Head of Internal Audit, the Head of Risk and the Manager's group audit committee. Specifically, the Committee considered, monitored and reviewed the

Corporate Governance Statement
(continued)

following matters, and reported thereon to the Board, throughout the year:

- The audited results statements, annual and half-yearly reports and accounts and interim management statements;
- The accounting policies of the Company;
- The principal risks faced by the Company and the effectiveness of the Company's internal control environment;
- The effectiveness of the audit processes and related non-audit services and the independence and objectivity of PwC, their reappointment, remuneration and terms of engagement;
- The policy on the engagement of PwC to supply non-audit services;
- The implications of proposed new accounting standards and regulatory changes;
- The receipt of AAF reports or their equivalent from the Custodian and the Manager;
- The performance of the Manager and the fees charged;
- Compliance with loan covenants and investment restrictions;

The table below describes the significant issues considered by the Audit committee in relation to the financial statements for the year ended 30 September 2013 and how these issues were addressed:

Matter	Action
Investment Portfolio Valuation	
The Company's portfolio is invested in listed securities. Although the vast majority of the securities are highly liquid and listed on recognised stock exchanges, errors in the valuation could have a material impact on the Company's net asset value per share.	The Audit Committee reviewed the Manager's annual internal control report for the year ended 31 December 2012, which is reported on by independent external accountants and which details the systems, processes and controls around the daily pricing of equity and fixed interest securities.
Misappropriation of Assets	
Misappropriation of the Company's investments or cash balances could have a material impact on its net asset value per share.	The Audit Committee reviewed the Manager's annual internal control report for the year ended 31 December 2012 which details the controls around the reconciliation of the Manager's records to those of the Custodian. The Audit Committee also reviewed the Custodian's annual internal control report to 31 March 2013, which is reported on by independent external accountants and which provides details regarding its control environment. Regular updates from the Manager and Custodian, in respect of controls operating in subsequent periods up to 30 September 2013, were also reviewed.
Income Recognition	
Incomplete or inaccurate recognition could have an adverse effect on the Company's net asset value and earnings per share and its level of dividend cover.	The Audit Committee reviewed the Manager's annual internal control report and updates. It also compared the final level of income received for the year to the budget which was set at the start of the year and discussed the accounting treatment of special dividends with the Manager.

- Implications of the AIFM Directive;
- The analysis of other expenses; and
- The committee's terms of reference.

In carrying out its responsibilities In respect of the Annual Financial Statements, the Committee has considered the planning, arrangements and conclusions of the audit for the period under review. In May 2013 the Committee considered and approved PwC's plan for the full year audit.

The Audit Committee carried out a zero-based risk review during the course of the year to ensure that any new risks were properly identified and appropriate mitigation was in place.

The Committee met in November 2013 to discuss the draft final Report and Accounts for the year ended 30 September 2013, with the Auditors and representatives of the Manager in attendance. The Committee established and agreed that there were no material issues arising which needed to be brought to the attention of the Board. PwC submitted their report to the Committee at this meeting and confirmed that they had no reason not to issue an unqualified audit report in respect of the Report and Accounts for the year. The Committee subsequently recommended to the Board that the Accounts were in their view, fair, balanced and understandable in accordance with Accounting Standards, regulatory requirements and best practice. The unqualified audit report, which sets out the scope of the Audit and the areas of focus, in compliance with applicable Auditing Standards, can be found on pages 36 to 39.

At two of its meetings the Committee receives an internal audit and compliance monitoring report from the Manager. In November 2013 the Committee received and reviewed the Report referred to under "Internal controls and management of risk" below and an annual compliance report. Following a recommendation from the Committee, the Board has concluded that there is no current need for the Company to have an internal audit function; all of the Company's management functions are delegated to the Manager, which has its own internal audit department, and whose controls are monitored by the Board.

The Committee has reviewed, and is satisfied with, the Manager's Anti-Fraud, Bribery and Corruption Strategy and Policy and with the "whistleblowing" policy that has been put in place by the Manager under which its staff may, in confidence, raise concerns about possible improprieties in financial reporting or other relevant matters. The necessary arrangements are in place for proportionate and independent investigation of such matters and for appropriate follow-up action. The Committee received comfort from the Manager that there had been no instances of fraud, bribery or whistleblowing during the year which related to the affairs of the Company.

As part of the review of Auditor independence and effectiveness, PwC have confirmed that they are independent of the Company and have complied with relevant auditing standards. In evaluating PwC's performance, the Committee has recognised the necessity for the Manager and the Company to use different audit firms and taken into consideration the standing, skills and experience of the firm and the audit team and the competitiveness of their fees. PwC have been Auditor to the Company since its inception in 1994 and the appointment was put out to tender during the year ended 30 September 2012. A formal selection process concluded that PwC's appointment should continue. Following professional guidelines, the audit partner rotates after five years and this is the fourth year for the current audit partner, Alex Bertolotti, who will retire by rotation at the conclusion of the next annual audit. On the basis of this assessment, the Committee has recommended the continuing appointment of PwC to the Board. Their performance will continue to be reviewed annually taking into account all relevant guidance and best practice. Fees for audit services amounted to £26,300 (2012: £25,700) for the year under review.

The Committee has also reviewed the provision of non-audit services, which cost £11,000 (2012: £10,000) in the year under review, and considers them to be cost effective and not to compromise the independence of PwC. Non-audit services, totalling £5,000, were in relation to taxation advice and £6,000 were in connection with the ongoing liquidation of the subsidiary company, F&C Income Growth Investment Trust PLC. Additional information is given in note 5 on the accounts. The Chairman of the Committee is advised of non-audit work required and a decision to authorise is taken on a case-by-case basis. In any event, the Committee will not approve the provision of such non-audit fees by PwC if it believes that the

Corporate Governance Statement (continued)

services would be a threat to the objectivity and independence of the conduct of the audit.

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 pages 21 and 21, with additional information given in note 24 to the accounts.

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

The Board has assessed the effectiveness of the internal control systems, 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 2012 ("**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). This contains a report from independent external accountants and 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

Shareholder communication 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.

All beneficial shareholders in the F&C plans have the right to attend, speak and vote at general meetings. The Manager has stated that the nominee company will vote the shares held on behalf of planholders who have not returned their voting directions in proportion to the directions of those who have.

At annual general meetings, all investors have the opportunity to question and meet the Chairman, the Board and the Fund Manager.

Regular reports are made to the Board on any contact with the Company's institutional shareholders and private client asset managers and the views and attitudes of shareholders and the level and nature of any complaints received from investors. The Chairman and the Senior Independent Director are available to meet with major shareholders, although no meetings were held in the year under review.

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.

By order of the Board
F&C Management Limited
Secretary
27 November 2013

Directors' Remuneration Report

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 full Board determines the level of Directors fees.

Full details of the Company's policy with regards to Directors' fees and fees paid during the year ended 30 September 2013 are shown below. There were no changes to the policy during the year.

Under Company law, the auditor is required to audit certain disclosures provided. Where disclosures have been audited they are indicated as such. The auditor's report is contained on pages 36 to 39.

Directors' Remuneration Policy Report

The Board considers the level of the Directors fees at least annually. The Company's articles of association limit the aggregate fees payable to the Board of Directors to a total of £180,000 per annum. Within the limit, it is the responsibility of the Board as a whole to determine the level of Directors' fees and its policy is that the remuneration of Directors should reflect 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. There are no service contracts with the Company and the Directors do not have an entitlement to a pension or performance related element. It is intended that this policy will continue for the three year period ending 30 September 2016.

An ordinary resolution for the approval of this Directors' Remuneration Policy Report will be put to shareholders at the forthcoming AGM.

Directors' Annual Report on Remuneration

The Chairman received a fee of £27,500 per annum and the remaining Directors received a fee of £18,000 per annum. The Chairman of the Audit and Management Engagement Committee received an additional £3,500 per annum.

Following five years of no change to the level of remuneration, the Board has decided to phase in an increase in the Directors' fees over two years, the first of which for the year ended 30 September 2013. For the year ending 30 September 2014 the Chairman will receive a fee of £30,000 and the remaining Directors will each receive a fee of £20,000. The Chairman of the Audit and Management Engagement Committee will receive an additional £5,000. The amounts paid to each Director are set out in the table below, 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.

Fees for services to the Company

Director	Year ended 2013 £'000s	2012 £'000s
Steven Bates(1)	**27.5**	21.6
Neil Dunford	**18.0**	16.0
John Emly	**18.0**	16.0
Professor Jim Norton	**21.5**	18.0
Clare Dobie(2)	**18.0**	3.4
Sharon Brown(3)	**0.8**	–
Hugh Priestley(4)	**6.6**	16.0
Pen Kent(5)	**–**	9.4
Totals	**110.4**	100.4

(1) Appointed Chairman 15 February 2012
(2) Appointed to the Board 16 July 2012
(3) Appointed 16 September 2013
(4) Retired 13 February 2013
(5) Retired 15 February 2012

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.

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.

Directors' Remuneration Report
(continued)

Directors' beneficial share interests

at 30 September	2013	2012
Steven Bates	**nil**	nil
Neil Dunford	**7,588**	7,588
John Emly[1]	**4,686**	4,572
Professor Jim Norton	**nil**	nil
Hugh Priestley[2]	**n/a**	15,000
Clare Dobie[3]	**2,256**	n/a
Sharon Brown	**1,500**	n/a

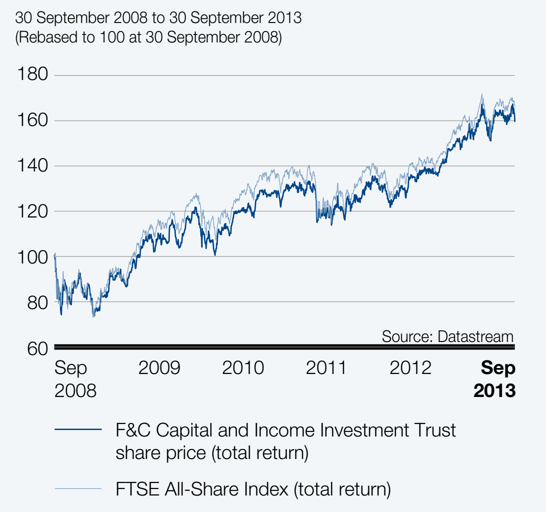
(1) Since 30 September 2013 John Emly purchased 38 and sold 28 ordinary shares in order to cover management charges.

(2) Retired 13 February 2013.

(3) Since 30 September 2013 Clare Dobie purchased 19 and sold 10 ordinary shares in order to cover management charges.

There have been no changes in any of the other 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.

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.

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager through the investment management agreement, as referred to in the Directors' Report on pages 24 and 25. The graph opposite compares, for the five years ended 30 September 2013, the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the FTSE All-Share (total return) Index. An explanation of the performance of the Company for the year ended 30 September 2013 is given in the Chairman's Statement and Manager's Review.

At the Company's last AGM, held on 13 February 2013, shareholders approved the Directors' Remuneration Report in respect of the year ended 30 September 2012. 90.08% of votes were for the resolution, 9.86% against and 0.06% abstained.

An ordinary resolution for the approval of the Directors' Annual Report on Remuneration will be put to shareholders at the forthcoming AGM.

On behalf of the Board
Steven Bates
Chairman
27 November 2013

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 in the opinion of the Board give a true and fair view of the state of affairs of the Company as at 30 September 2013 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 the annual report is fair, balanced and understandable and that adequate accounting records are maintained. They 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 Strategic Report and the Directors' Report describe the principal risks and uncertainties for the forthcoming financial year; and
- the financial statements and the Directors' Report include details on related party transactions.

On behalf of the Board
Steven Bates
Chairman
27 November 2013

Independent Auditors' Report

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

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 30 September 2013 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.

This opinion is to be read in the context of what we say below.

What we have audited

The financial statements, which are prepared by F&C Capital and Income Investment Trust PLC (the "**Company**"), comprise:

- the balance sheet as at 30 September 2013;
- the income statement for the year then ended;
- the reconciliation of movements in shareholders' funds and the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). 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 Report and Accounts (the "**Annual Report**") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined an overall materiality for the financial statements as a whole of £2.2 million, which is approximately 1% of Net Assets.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £220,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Company is a standalone Investment Trust Company managed by an independent investment manager, F&C Management Limited (the "**Investment Manager**").

The financial statements, which remain the responsibility of the Directors, are prepared on their behalf by the Investment Manager. The Investment Manager has, with the consent of the Directors, delegated the provision of certain administrative functions to State Street Bank and Trust Company (the "**Company Administrator**").

In establishing the overall approach to our audit we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the Company's interaction with the Investment Manager and Company Administrator, and we assessed the control environment in place at both organisations to the extent relevant to our audit of the Company.

Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Areas of particular audit focus

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit.

We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 30.

Going Concern

Under the Listing Rules we are required to review the Directors' statement, set out on pages 23 and 24, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' Report the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we

Area of focus	How the scope of our audit addressed the area of focus
Valuation and existence of investments	
We focused on this area because investments represent the principal element of the financial statements.	The investment portfolio comprises listed investments. We tested the valuation of the investment portfolio by agreeing the valuation of investments to independent third party sources. We tested the existence of the investment portfolio by agreeing the holdings to an independent custodian confirmation.
Income recognition	
We focused on this area because incomplete or inaccurate income could have a material impact on the Company's net asset value and dividend cover.	We tested a sample of dividend receipts to independent third party sources. We tested the completeness of income receipts for a sample of investment holdings.
Risk of management override of internal controls	
ISAs (UK & Ireland) require that we consider management override of controls. We focused on this area because whilst the posting of journals is performed by the Company Administrator, the instruction is given by the Investment Manager who, along with the Directors, may exert bias or influence.	We tested journal entries to determine whether adjustments were supported by evidence and were appropriately authorised. We also built an element of "unpredictability" into our detailed testing.

Independent Auditors' Report
(continued)

have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern.

Opinions on matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- 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 Corporate Governance Statement set out on pages 27 to 32 in the Annual Report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to shareholders by the Board on Directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate Governance Statement

Under the Companies Act 2006, we are required to report to you if, in our opinion a corporate governance statement has not been prepared by the Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ("**the Code**"). We have nothing to report having performed our review.

On page 22 of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the company's performance, business model and strategy. On page 30, as required by C3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the company acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 35, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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.

Alex Bertolotti (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
London
27 November 2013

Income Statement

Revenue notes	Capital notes	for the year ended 30 September	Revenue £'000s	Capital £'000s	2013 Total £'000s	Revenue £'000s	Capital £'000s	2012 Total £'000s
	10	Gains on investments and derivatives	**–**	**25,281**	**25,281**	–	23,037	23,037
	20	Foreign exchange losses	**(9)**	**(483)**	**(492)**	(10)	(178)	(188)
3	20	Income	**11,191**	**–**	**11,191**	9,940	–	9,940
4	20	Management fee	**(463)**	**(463)**	**(926)**	(392)	(392)	(784)
5	20	Other expenses	**(534)**	**(10)**	**(544)**	(692)	(9)	(701)
		Net return before finance costs and taxation	**10,185**	**24,325**	**34,510**	8,846	22,458	31,304
6	20	Finance costs	**(199)**	**(199)**	**(398)**	(82)	(82)	(164)
		Net return on ordinary activities before taxation	**9,986**	**24,126**	**34,112**	8,764	22,376	31,140
7		Taxation on ordinary activities	**(45)**	**–**	**(45)**	(49)	–	(49)
20	20	**Net return attributable to shareholders**	**9,941**	**24,126**	**34,067**	8,715	22,376	31,091
8	8	**Return per share – pence**	**11.26**	**27.32**	**38.58**	10.01	25.69	35.70

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 2013	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 2012	**21,971**	**92,250**	**4,146**	**4,434**	**64,789**	**7,522**	**195,112**
	Movements during the year ended 30 September 2013							
9	Dividends paid	**–**	**–**	**–**	**–**	**–**	**(8,210)**	**(8,210)**
16	Ordinary shares issued	**375**	**3,364**	**–**	**–**	**–**	**–**	**3,739**
	Net return attributable to shareholders	**–**	**–**	**–**	**–**	**24,126**	**9,941**	**34,067**
	Balance at 30 September 2013	**22,346**	**95,614**	**4,146**	**4,434**	**88,915**	**9,253**	**224,708**

Notes	for the year ended 30 September 2012	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 2011	21,452	88,374	4,146	4,434	42,413	6,471	167,290
	Movements during the year ended 30 September 2012							
9	Dividends paid	–	–	–	–	–	(7,664)	(7,664)
16	Ordinary shares issued	519	3,876	–	–	–	–	4,395
	Net return attributable to shareholders	–	–	–	–	22,376	8,715	31,091
	Balance at 30 September 2012	21,971	92,250	4,146	4,434	64,789	7,522	195,112

Balance Sheet

Notes	at 30 September	2013 £'000s	2013 £'000s	2012 £'000s	2012 £'000s
	Fixed assets				
10	Investments		**232,570**		197,312
	Current assets				
11	Debtors	**4,472**		580	
	Cash at bank and short-term deposits	**8,183**		5,587	
		12,655		6,167	
	Creditors: amounts falling due within one year				
12	Loans	**–**		(7,967)	
13	Other	**(517)**		(400)	
		(517)		(8,367)	
	Net current assets/(liabilities)		**12,138**		(2,200)
	Total assets less current liabilities		**244,708**		195,112
	Creditors: amounts falling due after more than one year				
14	Loans		**(20,000)**		–
	Net assets		**224,708**		195,112
	Capital and reserves				
16	Share capital		**22,346**		21,971
17	Share premium account		**95,614**		92,250
18	Capital redemption reserve		**4,146**		4,146
19	Special reserve		**4,434**		4,434
20	Capital reserves		**88,915**		64,789
20	Revenue reserve		**9,253**		7,522
	Total shareholders' funds		**224,708**		195,112
21	**Net asset value per ordinary share – pence**		**251.40**		222.01

The Financial Statements were approved by the Board on 27 November 2013 and signed on its behalf by

Steven Bates, Chairman

Cash Flow Statement

Notes	for the year ended 30 September	2013 £'000s	2013 £'000s	2012 £'000s	2012 £'000s
	Operating activities				
	Investment income received	**10,429**		9,455	
	Interest received	**26**		15	
	Other revenue	**19**		54	
	Premium from option writing	**261**		399	
	Fee paid to management company	**(885)**		(762)	
	Fees paid to Directors	**(110)**		(100)	
	Other payments	**(466)**		(586)	
22	**Net cash inflow from operating activities**		**9,274**		8,475
	Servicing of finance				
	Interest paid	**(404)**		(180)	
	Net cash outflow from the servicing of finance		**(404)**		(180)
	Financial investment				
	Purchases of investments and derivatives	**(55,917)**		(33,567)	
	Sales of investments and derivatives	**43,848**		41,937	
	Other capital charges	**(9)**		(10)	
	Net cash (outflow)/inflow from financial investment		**(12,078)**		8,360
	Equity dividends paid		**(8,210)**		(7,664)
	Net cash (outflow)/inflow before use of liquid resources and financing		**(11,418)**		8,991
	Management of liquid resources				
23	Increase in short-term deposits		**(2,650)**		(5,326)
	Financing				
	Loans drawn/(repaid)	**11,577**		(6,909)	
	Shares issued	**2,464**		4,409	
	Net cash inflow/(outflow) from financing		**14,041**		(2,500)
23	**Net (decrease)/increase in cash**		**(27)**		1,165

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 2012. 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) Going concern

As referred to in the Directors' Report on page 23, the Directors believe that it is appropriate for the accounts to be prepared on a going concern basis.

(b) 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 2013.

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(c) 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.

(c) 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 realisation and revaluation of investments held as fixed assets, 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.

Notes on the Accounts (continued)

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.

3. INCOME

	2013 £'000s	2012 £'000s
Income from investments		
UK dividends	10,189	8,591
Bond interest	334	318
Overseas dividends	362	563
	10,885	9,472
Interest on cash and short-term deposits	26	15
Underwriting commission	19	54
Derivative income	261	399
	306	468
Total income	11,191	9,940
Total income comprises		
Dividends	10,551	9,154
Other income	640	786
	11,191	9,940
Income from investments		
Quoted UK	10,523	8,909
Quoted overseas	362	563
	10,885	9,472

As at 30 September 2013 there were no outstanding underwriting contracts (2012: none outstanding).

As described in note 2(c)(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

	2013 £'000s	2012 £'000s
Allocated to revenue account	463	392
Allocated to capital account (see note 20)	463	392
Total management fee	926	784

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.

Notes on the Accounts (continued)

5. OTHER EXPENSES

	2013 £'000s	2012 £'000s
Auditors' remuneration:[1]		
– for audit services	32	31
– for other services	7	6
Directors' fees for services to the Company[2]	110	100
Directors' and Officers' liability insurance	8	10
Loan commitment fee	55	54
Marketing	41	64
Professional fees	19	6
Printing and postage	43	46
Registrars' fees	27	30
Savings plan expenses	130	278
Subscriptions and listing fees	38	37
Sundry expenses	24	30
	534	692

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

1. Total Auditors' remuneration for audit services, exclusive of VAT amounts to £26,300 (2012: £25,700).

   Total Auditors' remuneration for other services exclusive of VAT amounts to £11,000 (2012: £10,000) of which £5,000 is recognised in the revenue account, for advice on UK taxation (£5,000) and £6,000 in the capital account in connection with the liquidation of F&C Income Growth Investment Trust plc ("FIGIT") (2012: £5,000).

2. See the Directors' Remuneration Report on page 33.

6. FINANCE COSTS

	2013 £'000s	2012 £'000s
Allocated to revenue account	199	82
Allocated to capital account (see note 20)	199	82
Total finance cost	398	164

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the year

	Revenue £'000s	Capital £'000s	2013 Total £'000s	Revenue £'000s	Capital £'000s	2012 Total £'000s
Overseas taxation	45	–	45	49	–	49
Current tax charge on ordinary activities (see note 7(b))	45	–	45	49	–	49

The tax assessed for the year is lower (2012: lower) than the standard rate of corporation tax in the UK (23.5%) (2012: 25%). Factors affecting the taxation change are set out below.

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

	Revenue £'000s	Capital £'000s	2013 Total £'000s	Revenue £'000s	Capital £'000s	2012 Total £'000s
Return on ordinary activities before tax	9,986	24,126	34,112	8,764	22,376	31,140
Return on ordinary activities multiplied by the effective rate of corporation tax of 23.5% (2012: 25%)	2,347	5,670	8,017	2,191	5,594	7,785
Effects of:						
UK dividends*	(2,394)	–	(2,394)	(2,148)	–	(2,148)
Overseas dividends*	(85)	–	(85)	(141)	–	(141)
Expenses not utilised in the year	112	156	268	58	118	176
Expenses not deductible for tax purposes	20	2	22	40	2	42
Overseas taxation not relieved	45	–	45	49	–	49
Capital returns*	–	(5,828)	(5,828)	–	(5,714)	(5,714)
Total current taxation (see note 7(a))	45	–	45	49	–	49

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

The potential deferred tax asset of £2.7 million in respect of unutilised expenses and unrelieved overseas taxation at 30 September 2013 (2012 : £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 11.26p (2012: 10.01p) is based on the revenue return attributable to shareholders of £9,941,000 profit (2012: £8,715,000 profit).

Capital return

The capital return per share of 27.32p (2012: 25.69p) is based on the capital return attributable to shareholders of £24,126,000 profit (2012: £22,376,000 profit).

Total return

The total return per share of 38.58p (2012: 35.70p) is based on the total return attributable to shareholders of £34,067,000 profit (2012: £31,091,000 profit).

Weighted average ordinary shares in issue

Both the revenue and capital returns per share are based on the weighted average of 88,294,679 (2012: 87,096,700) ordinary shares in issue during the year.

Notes on the Accounts (continued)

9. DIVIDENDS

Dividends on ordinary shares	Register date	Payment date	2013 £'000s	2012 £'000s
Fourth of four interims for the year ended 30 September 2011 of 2.65p per share	02 Dec 11	30 Dec 11	–	2,289
First of four interims for the year ended 30 September 2012 of 2.05p per share	22 Feb 12	30 Mar 12	–	1,781
Second of four interims for the year ended 30 September 2012 of 2.05p per share	01 Jun 12	29 Jun 12	–	1,792
Third of four interims for the year ended 30 September 2012 of 2.05p per share	24 Aug 12	28 Sep 12	–	1,802
Fourth of four interims for the year ended 30 September 2012 of 2.85p per share	07 Dec 12	31 Dec 12	2,505	–
First of four interims for the year ending 30 September 2013 of 2.15p per share	01 Mar 13	28 Mar 13	1,896	–
Second of four interims for the year ended 30 September 2013 of 2.15p per share	07 Jun 13	28 Jun 13	1,898	–
Third of four interims for the year ended 30 September 2013 of 2.15p per share	06 Sep 13	30 Sep 13	1,911	–
			8,210	7,664

The Directors have declared a fourth interim dividend in respect of the year ended 30 September 2013 of 3.00 pence per share, payable on 31 December 2013 to all shareholders on the register at close of business on 6 December 2013. 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 2013, which form the basis of the retention test for section 1159 of the Corporation Tax Act 2010, are set out below:

	2013 £'000s
Net revenue return attributable to shareholders	9,941
First of four interims for the year ending 30 September 2013 of 2.15p per share	(1,896)
Second of four interims for the year ended 30 September 2013 of 2.15p per share	(1,898)
Third of four interims for the year ended 30 September 2013 of 2.15p per share	(1,911)
Fourth interim dividend for the year ended 30 September 2013 of 3.00p per share[1]	(2,686)
Transferred to revenue reserve	1,550

1. Based on 89,534,268 shares in issue and entitled to dividend at 6 December 2013.

10. INVESTMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

	Level 1* £'000s	Level 2* £'000s	Level 3* £'000s	2013 Total £'000s	Level 1* £'000s	Level 2* £'000s	Level 3* £'000s	2012 Total £'000s
Cost brought forward	160,646	–	1,795	162,441	165,971	–	1,785	167,756
Gains/(losses) brought forward	36,524	–	(1,653)	34,871	15,305	–	(772)	14,533
Valuation of investments and derivatives brought forward	197,170	–	142	197,312	181,276	–	1,013	182,289
Purchases at cost	55,985	–	–	55,985	33,506	–	10	33,516
Sales proceeds	(46,008)	–	–	(46,008)	(41,530)	–	–	(41,530)
(Losses)/gains on derivatives sold in year	(69)	–	–	(69)	228	–	–	228
Gains/(losses) on investments sold in year	8,501	–	–	8,501	2,471	–	–	2,471
Gains/(losses) on investments held at year end	16,991	–	(142)	16,849	21,219	–	(881)	20,338
Valuation of investments and derivatives carried forward	232,570	–	–	232,570	197,170	–	142	197,312
Cost at 30 September	179,053	–	1,795	180,848	160,646	–	1,795	162,441
Gains/(losses) at 30 September	53,517	–	(1,795)	51,722	36,524	–	(1,653)	34,871
Valuation of investments and derivatives at 30 September	232,570	–	–	232,570	197,170	–	142	197,312

*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 14 and 15.

Valuation of investments and derivatives	2013 £'000s	2012 £'000s
Valuation of investments at 30 September	232,570	197,312
Valuation of derivatives at 30 September	–	–
Total valuation of investments and derivatives at 30 September	232,570	197,312

Gains/(losses) on investments and derivatives held at fair value	2013 £'000s	2012 £'000s
Gains on investments sold in year	8,501	2,471
Gains on investments held at year end	16,849	20,338
(Losses)/gains on derivatives sold in year	(69)	228
Total gains/(losses) on investments and derivatives	25,281	23,037

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 (2012: £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. FIGIT is held in liquidation pending the resolution of a case brought against HM Revenue and Customs, seeking to recover VAT paid on management fees in the period 1997 to 2000. The timing and outcome of the case remain uncertain.

Notes on the Accounts (continued)

11. DEBTORS

	2013 £'000s	2012 £'000s
Prepayments and accrued income	**962**	556
Investment debtors	**2,220**	–
Share issue proceeds due	**1,275**	–
Overseas taxation recoverable	**15**	24
	4,472	580

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

	2013 £'000s	2012 £'000s
Euro loans	**–**	7,967

The €10 million loan outstanding in 2012 was drawn on a credit facility of £20 million which expired in April 2013. The interest rates were at commercial rates.

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

	2013 £'000s	2012 £'000s
Investment creditors	**245**	–
Management fee	**140**	203
Accruals	**132**	197
	517	400

14. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR – LOANS

	2013 £'000s	2012 £'000s
Sterling loans	**20,000**	–

During the year the Company entered into a five year credit facility. There are two elements to the facility: a £20 million fixed rate facility which was fully drawn and a £15 million floating rate facility which has not yet been drawn. The interest rates are at commercial rates.

15. GEOGRAPHICAL AND INDUSTRIAL CLASSIFICATION

%	UK	Europe ex UK	2013 Total	2012 Total
Equity investments				
Financials	32.2	–	**32.2**	19.8
Oil & Gas	11.9	2.1	**14.0**	14.4
Industrials	13.6	0.3	**13.9**	13.5
Consumer Services	10.3	–	**10.3**	8.3
Consumer Goods	5.8	2.2	**8.0**	10.1
Healthcare	7.6	–	**7.6**	8.0
Telecommunications	6.9	–	**6.9**	9.2
Basic Materials	4.9	–	**4.9**	6.5
Utilities	2.4	–	**2.4**	6.9
Technology	0.5	0.8	**1.3**	1.4
Fixed interest Investments				
Basic materials	0.5	0.4	**0.9**	2.0
Utilities	1.1	–	**1.1**	1.0
Total investments	97.7	5.8	**103.5**	101.1
Net liabilities	(3.5)	–	**(3.5)**	(1.1)
Total shareholders' funds	**94.2**	**5.8**	**100.0**	
2012 totals	96.4	3.6		100.0

16. SHARE CAPITAL

	2013 Issued and fully paid number	2013 Issued and fully paid £'000s	2012 Issued and fully paid number	2012 Issued and fully paid £'000s
Ordinary shares of 25 pence each				
Balance brought forward	**87,884,268**	**21,971**	85,809,268	21,452
Ordinary shares issued	**1,500,000**	**375**	2,075,000	519
Balance at 30 September 2013	**89,384,268**	**22,346**	87,884,268	21,971

Since 30 September a further 150,000 ordinary shares have been issued at 266.5 pence per share.

17. SHARE PREMIUM ACCOUNT

	2013 £'000s	2012 £'000s
Balance brought forward	**92,250**	88,374
Premium on issue of shares	**3,364**	3,876
Balance carried forward	**95,614**	92,250

18. CAPITAL REDEMPTION RESERVE

	2013 £'000s	2012 £'000s
Balance brought forward and carried forward	**4,146**	4,146

Notes on the Accounts (continued)

19. SPECIAL RESERVE

	2013 £'000s	2012 £'000s
Balance brought forward and carried forward	4,434	4,434

20. OTHER RESERVES

	Capital reserve realised £'000s	Capital reserve unrealised £'000s	Capital reserve total £'000s	Revenue reserve £'000s
Movements in the year				
Gains on investments sold in year	8,501	–	8,501	–
Gains on investments held at year end	–	16,849	16,849	–
Losses on derivatives sold in year	(69)	–	(69)	–
Management fees (see note 4)	(463)	–	(463)	–
Foreign exchange losses	(483)	–	(483)	–
Interest expense (see note 6)	(199)	–	(199)	–
Other expenses	(10)	–	(10)	–
Revenue return	–	–	–	9,941
Return attributable to shareholders	7,277	16,849	24,126	9,941
Dividends paid	–	–	–	(8,210)
Balance at 30 September 2012	29,918	34,871	64,789	7,522
Balance at 30 September 2013	**37,195**	**51,720**	**88,915**	**9,253**

Included within the capital reserve movement for the year are £167,000 of transaction costs on purchase of investments (2012: £89,000) and £236,000 of transaction costs on sales of investments (2012: £51,000).

There were £60,000 of dividends recognised as capital (2012 :Nil)

21. NET ASSET VALUE PER ORDINARY SHARE

Net asset value ("NAV") per ordinary share is based on total net assets of £224,708,000 (2012: £195,112,000) and on 89,384,268 (2012: 87,884,268) ordinary shares in issue at the year end.

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

	2013 £'000s	2012 £'000s
Net return before finance costs and taxation	**34,510**	31,304
Adjust for returns from non–operating activities:		
– (Gains) on investments and derivatives	**(25,281)**	(23,037)
– Exchange losses of a capital nature	**483**	178
Non-operating expenses of a capital nature	**10**	9
Return from operating activities	**9,722**	8,454
Adjust for non-cash flow items:		
– Exchange losses of a revenue nature	**9**	10
– (Decrease)/increase in debtors	**(412)**	28
– Increase in creditors	**–**	30
– Overseas taxation	**(45)**	(47)
Net cash inflow from operating activities	**9,274**	8,475

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

	2013 £'000s	2012 £'000s
(Decrease)/increase in cash	**(27)**	1,165
Increase in short-term deposits	**2,650**	5,326
(Increase)/decrease in loans	**(11,577)**	6,909
Change in net debt resulting from cash flows	**(8,954)**	13,400
Exchange movement on currency balances	**(483)**	(178)
Movement in net debt during the year	**(9,437)**	13,222
Balance at 30 September 2012	**(2,380)**	(15,602)
Balance at 30 September 2013	**(11,817)**	(2,380)

Represented by:	Balance at 30 September 2012 £'000s	Cash flow £'000s	Foreign exchange movement £'000s	**Balance at 30 September 2013 £'000s**
Cash	127	(27)	(27)	**73**
Short term deposits	5,460	2,650	–	**8,110**
	5,587	2,623	(27)	**8,183**
Loans	(7,967)	(11,577)	(456)	**(20,000)**
	(2,380)	(8,954)	(483)	**(11,817)**

Notes on the Accounts (continued)

24. FINANCIAL RISK MANAGEMENT

The Company is an investment company, listed on the London Stock Exchange, and conducts its affairs so as to qualify in the United Kingdom ("UK") as an investment trust under the provisions of section 1158 of the CTA. In so qualifying, the Company is exempted in the UK from corporation tax on capital gains on its portfolio of investments.

The Company's investment objective is to secure long-term capital and income growth from a portfolio consisting mainly of FTSE All-Share companies. The Company can also have exposure to leading overseas companies, with the value of the non-UK portfolio not exceeding 10% of the Company's gross assets. In pursuing this objective, the Company is exposed to financial risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit. The Board, together with the Manager, is responsible for the Company's risk management, as set out in detail in the Strategic Report and Directors' Report. 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 euros, 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 Strategic Report. The exposure on the Company's positions at 30 September 2013 amounted to £nil (30 September 2012 – £nil).

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

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

24. 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 investments listed in 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:

	2013 At 30 September	2013 Average for the year	2012 At 30 September	2012 Average for the year
Euro	**1.196**	**1.187**	1.255	1.218

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	2013 £'000s	2012 £'000s
Net revenue return attributable to shareholders	**99**	38
Net capital return attributable to shareholders	**1,452**	863
Net total return attributable to shareholders	**1,551**	901
NAV per share – pence	**1.73**	1.03

Strengthening of sterling by 10% against the euro	2013 £'000s	2012 £'000s
Net revenue return attributable to shareholders	**7**	(67)
Net capital return attributable to shareholders	**(1,188)**	(668)
Net total return attributable to shareholders	**(1,181)**	(735)
NAV per share – pence	**(1.32)**	(0.84)

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:

2013	Short-term debtors £'000s	Cash at bank £'000s	Short-term creditors – loans £'000s	Short-term creditors – other £'000s	Long-term creditors – loans £'000s	Net monetary assets/ (liabilities) £'000s	Investments £'000s	Net exposure £'000s
Sterling	4,453	8,129	–	(517)	(20,000)	**(7,935)**	219,575	**211,640**
Other	19	54	–	–	–	**73**	12,995	**13,068**
Total	**4,472**	**8,183**	**–**	**(517)**	**(20,000)**	**(7,862)**	**232,570**	**224,708**

2012	Short-term debtors £'000s	Cash at bank £'000s	Short-term creditors – loans £'000s	Short-term creditors – other £'000s	Long-term creditors – loans £'000s	Net monetary assets/ (liabilities) £'000s	Investments £'000s	Net exposure £'000s
Sterling	426	5,537	–	(393)	–	5,570	182,219	187,789
Other	154	50	(7,967)	(7)	–	(7,770)	15,093	7,323
Total	580	5,587	(7,967)	(400)	–	(2,200)	197,312	195,112

Notes on the Accounts (continued)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate exposure

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

			2013			2012
	Within one year £'000s	**More than one year £'000s**	**Total £'000s**	Within one year £'000s	More than one year £'000s	Total £'000s
Exposure to floating rates						
– Cash	8,183	–	8,183	5,587	–	5,587
– Loans	–	–	–	(7,967)	–	(7,967)
Exposure to fixed rates						
– Fixed interest securities	–	4,514	4,514	–	5,704	5,704
– Loans	–	(20,000)	(20,000)	–	–	–
Net exposure	8,183	(15,486)	(7,303)	(2,380)	5,704	3,324
Minimum net exposure during the year			1,146			5,654
Maximum net exposure during the year			(12,727)			(6,696)

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:

			2013			2012
	£'000s	**Weighted average interest rate**	**Average duration until maturity**	£'000s	Weighted average interest rate	Average duration until maturity
Fixed interest securities	**4,514**	**4.99%**	**2.3 Years**	5,704	5.00%	2.8 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:

		2013		2012
	Increase in rate £'000s	**Decrease in rate £'000s**	Increase in rate £'000s	Decrease in rate £'000s
Revenue return	**164**	**(164)**	32	(32)
Capital return	**–**	**–**	(80)	80
Total return	**164**	**(164)**	(48)	48
NAV per share – pence	**0.18**	**(0.18)**	(0.05)	0.05

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Other market risk exposures

The portfolio of investments, valued at £232,570,000 at 30 September 2013 (2012: £197,312,000) is exposed to market price changes. The Manager assesses these exposures at the time of making each investment decision. The Board reviews overall exposures at each meeting against indices and other relevant information. An analysis of the portfolio by country and major industrial sector is set out in note 15 on the accounts. Derivative contracts entered into during the year comprise options written in the expectation that they will not be exercised.

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:

	2013 Increase in value £'000s	2013 Decrease in value £'000s	2012 Increase in value £'000s	2012 Decrease in value £'000s
Capital return	46,514	(46,514)	39,462	(39,462)
NAV per share – pence	52.04	(52.04)	44.90	(44.90)

(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 (81 at 30 September 2013 and 78 at 30 September 2012); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio (see note 15); and the existence of an ongoing loan and overdraft 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 State Street Bank and Trust Company of £35 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:

2013	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
Current liabilities – loans	–	–	–	–
Current liabilities – other	517	–	–	517
Long-term liabilities – loans	–	–	20,000	20,000
	517	–	20,000	20,517

2012	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
Current liabilities – loans	7,967	–	–	7,967
Current liabilities – other	400	–	–	400
Long-term liabilities	–	–	–	–
	8,367	–	–	8,367

Notes on the Accounts (continued)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk and counterparty exposure

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

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

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

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

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	2013 Maximum exposure £'000s	Balance sheet £'000s	2012 Maximum exposure £'000s
Derivative financial instruments	–	2,500	–	7,361

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 do not have a value materially different from their capital repayment amount.

(e) Capital risk management

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

Changes to ordinary share capital are set out in note 16 on the accounts. Dividend payments are set out in note 9 on the accounts. Details of any loans are set out in notes 12 and 14 on the accounts.

25. RELATED PARTY TRANSACTIONS

The following are considered related parties: the Board of Directors (the "Board") and F&C Management Limited ("F&C"). There are no transactions with the Board other than: aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on page 33 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 34. 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.

26. POST BALANCE SHEET MOVEMENTS IN NET ASSETS

The NAV per share as at close of business on 22 November 2013 was 261.63 pence (30 September 2013: 251.40 pence).

Ten Year Record

Assets

at 30 September (£'000s)	2003	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013
Total assets	79,466	91,509	187,846	208,755	214,131	158,201	180,684	191,427	182,290	203,079	**244,708**
Loans	–	6,000	8,500	8,000	10,000	–	14,000	14,000	15,000	7,967	**20,000**
Net assets	79,466	85,509	179,346	200,755	204,131	158,201	166,684	177,427	167,290	195,112	**224,708**

Net asset value ("NAV")

at 30 September	2003	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013
NAV per share – pence	158.5	180.2	220.4	249.0	258.8	200.4	199.3	207.9	195.0	222.0	**251.4**
NAV total return on 100p – 5 years (per Datastream)											**155.2**
NAV total return on 100p – 10 years (per Datastream)											**227.3**

Share price

at 30 September	2003	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013
Middle market price per share – pence	159.0	173.5	211.3	233.5	243.3	196.5	199.0	214.3	206.0	225.5	**252.5**
Discount/(premium) to NAV – %	(0.3)	3.7	4.2	6.2	6.0	2.0	0.1	(3.1)	(5.2)	(1.6)	**(0.4)**
Share price high – pence	169.0	177.0	211.3	240.0	258.0	249.0	202.5	221.3	232.0	227.0	**269.0**
Share price low – pence	122.0	155.5	174.0	196.0	222.5	188.5	140.0	181.0	199.0	195.0	**222.8**
Share price total return on 100p – 5 years (per Datastream)											**159.7**
Share price total return on 100p – 10 years (per Datastream)											**233.4**

Revenue

for the year ended 30 September	2003	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013
Available for ordinary shares (£'000s)	2,629	2,597	4,046	5,879	6,604	7,608	7,210	6,755	8,341	8,715	**9,941**
Earnings per share – pence	5.28	5.38	6.56	7.25	8.25	9.69	8.85	8.02	9.75	10.01	**11.26**
Dividends per share – pence	5.35	5.45	5.80	6.50	7.40	8.40†	8.65†	8.45	8.65	9.00	**9.45**

Performance

(rebased to 100 at 30 September 2002)

	2003	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013
NAV per share	100.0	113.7	139.1	157.1	163.3	126.4	125.7	131.2	123.0	140.1	**158.6**
Middle market price per share	100.0	109.1	132.9	146.9	153.0	123.6	125.2	134.7	129.6	141.8	**158.8**
Earnings per share	100.0	101.9	124.2	137.3	156.3	183.5	167.6	151.9	184.7	189.6	**213.3**
Dividends per share	100.0	101.9	108.4	121.5	138.3	157.0†	161.7†	157.9	161.7	168.2	**176.6**
FTSE All-Share Index	100.0	112.0	135.4	150.4	163.6	122.5	129.9	141.4	130.9	147.9	**169.8**
RPI	100.0	103.1	105.8	109.6	114.0	119.7	118.0	123.5	130.4	133.8	**138.0**

* 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.

Ten Year Record (continued)

Cost of running the Company (TER/ongoing charges)

for the year ended 30 September	2003	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013
Expressed as a percentage of average net assets:											
TER	0.75	0.74	0.69	0.74	0.73	0.70	0.88	0.88	0.83	0.79	**0.67**
Ongoing charges	–	–	–	–	–	–	–	–	0.82	0.80	**0.62**

Gearing

at 30 September	2003	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013
Net gearing/(net liquidity) – %	(0.60)	6.23	2.94	1.81	4.74	0.24	7.60	7.05	9.08	1.22	**3.81**

* 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.
Net gearing	Loans, less cash (adjusted for settlements), as a percentage of net assets.
TER	Total Expenses Ratio including costs charged to revenue and capital, excluding related tax relief, interest costs, taxation, the costs of purchase of share capital and the costs of buying and selling investments.
Ongoing charges	All operational, recurring costs that are payable by the Company or suffered within underlying investee funds, in the absence of any purchases or sales of investment (per AIC guidelines issued May 2012).

Notice of Annual General Meeting

Notice is hereby given that the twenty first annual general meeting of the Company will be held at Exchange House, Primrose Street, London EC2A 2NY on Wednesday 12 February 2014 at 11.30 a.m. for the following purposes:

Ordinary business

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

1. To receive and adopt the Directors' report and accounts for the year ended 30 September 2013.
2. To approve the Directors' Remuneration Policy Report.
3. To approve the Directors' Annual Report on Remuneration.
4. To elect Sharon Brown as a Director.
5. To re-elect Neil Dunford as a Director.
6. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company.
7. To authorise the Directors to determine the remuneration of the auditors.

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

8. Authority to allot shares

   THAT, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, 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 £2,234,000 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 2015 or on the expiry of 15 months from the passing of this resolution (whichever is earlier), unless previously revoked, varied or extended by the Company in a general meeting (the "**relevant period**"); save that the Company may at any time prior to the expiry of this authority make offers or enter into 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.

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

9. Disapplication of pre-emption rights

   THAT, subject to the passing of Resolution 8 set out above and in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be and they are hereby empowered, pursuant to sections 570 and 573 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 by the said Resolution 8 above for cash, and/or to sell equity securities which are held by the Company in treasury, 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 2015 or on the expiry of 15 months from the passing of this resolution (whichever is earlier), unless previously revoked, varied or extended by the Company in a general meeting (the "**relevant period**") up to an aggregate nominal amount of £2,234,000, in each case as if Section 561(1) of the Act did not apply to any such allotment or transfer; save that the Company may at any time prior to the expiry of this authority make offers or enter into 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.

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

10. THAT the Company be and is hereby generally and unconditionally authorised, 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:

Notice of Annual General Meeting
(continued)

(a) the maximum number of ordinary shares hereby authorised to be purchased shall be 13,398,700;

(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.

By order of the Board
F&C Management Limited
Secretary
27 November 2013

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 10 February 2014 (the "**specified time**") shall be entitled to attend and vote or be represented at the meeting in respect of the shares registered in their name at that time. Changes to the register of members after the specified time shall be disregarded in determining the rights of any person to attend and vote at the meeting. If the meeting is adjourned to a time not more than 48 hours after the time applicable to the original meeting, the specified time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If, however, the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at 11 p.m. on the day which is two days (excluding non-working days) before the day of the adjourned meeting or, if the Company gives notice of the adjourned meeting, at any time specified in that notice.

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

3. To be valid, the form of proxy and any power of attorney or other authority under which it is signed, or a notarially certified copy of such authority, must be deposited with the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. 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 26 November 2013, 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 26 November 2013, the latest practicable date prior to publication of this document, the Company had 89,384,268 ordinary shares in issue with a total of 89,384,268 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 2013 will be paid on 31 December 2013 to holders of ordinary shares on the register at the close of business on 6 December 2013.

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 £10,900 in the tax year ending 5 April 2014 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 2013. 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 Financial Conduct Authority ("FCA") before getting involved by visiting www.fca.org.uk/firms/systems-reporting/register
- Report the matter to the FCA by calling 0800 111 6768
- If the calls persist, hang up.

More detailed information on this can be found on the FCA's website www.fca.org.uk/consumers/scams

How to Invest

One of the most convenient ways to invest in F&C Capital and Income Investment Trust PLC is through one of the savings plans run by F&C Management Limited ('F&C').

F&C Private Investor Plan
A flexible 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 any time from £250.

F&C Investment Trust ISA
Use your ISA allowance to make an annual tax-efficient investment of up to £11,520 for the 2013/14 tax year with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250 and transfer any existing ISAs to us whilst maintaining all the tax benefits.

F&C Child Trust Fund ("CTF")
CTFs are closed to new investors; however, if your child has a CTF with another provider, it is easy to transfer it to F&C. Additional contributions can be made from as little as £25 per month or £100 lump sum – up to a maximum of £3,720 for the 2013/14 tax year.

F&C Children's Investment Plan ("CIP")
A flexible way to save for a child. With no maximum contributions, the plan can easily be written under trust to help reduce inheritance tax liability or kept in your name if you may need access to the funds before the child is 18. 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.

F&C Junior ISA ("JISA")
This is a tax-efficient savings plan for children who did not qualify for a CTF. It allows you to invest up to £3,720 for the 2013/14 tax year with all the tax benefits of the CTF. You can invest from £30 a month, or £500 lump sum, or a combination of both.

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. The CTF and JISA accounts are opened in the child's name. Money cannot be withdrawn until the child turns 18.

Annual management charges and certain transaction costs apply according to the type of plan.

Annual account charge

ISA: £60+VAT

JISA: £25+VAT

PIP: £40+VAT

CIP/CTF: £25+VAT

You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits)

Dealing charge per holding

ISA: 0.2%

PIP/CIP/JISA: postal instructions £12, online instruction £8.

The dealing charge applies when shares are bought or sold but the fixed rate charge does not apply to the reinvestment of dividends or the investment of regular monthly savings.

There is no dealing charge on a CTF but a switching charge of £25 applies if more than 2 switches are carried out in one year.

Government stamp duty of 0.5% also applies on purchases (where applicable).

There may be additional charges made if you transfer a plan to another provider or transfer the shares from your plan. For full details of charges, please read the Key Features and Terms and Conditions of the plan before investing.

How to invest

You can invest in all our savings plans online.

New customers:

Contact our Investor Services Team

Call: **0800 136 420** (8:30am – 5:30pm, weekdays, calls may be recorded)

Email: **info@fandc.com**

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

Existing plan holders:

Contact our Investor Services Team

Call: **0845 600 3030** (*9:00am – 5:30pm, weekdays, calls may be recorded)

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

By post: F&C Plan Administration Centre
PO Box 11114
Chelmsford
CM99 2DG

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 Conduct 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

CIT/ANN/13