F&C Capital and Income Investment Trust PLC

Report and Accounts

2014

Contents

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.

Suitable for retail distribution

F&C Capital and Income Investment Trust is suitable for retail investors in the UK, professionally advised private clients and institutional investors who seek growth in capital and income from investment in mainly FTSE All-Share companies and who understand and are willing to accept the risks, and rewards, of exposure to equities.

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

Registered in England and Wales with company registration number 02732011.

Financial Highlights

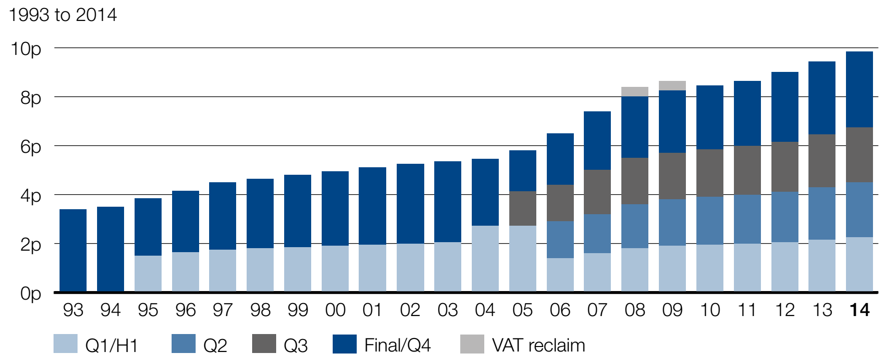
Summary of results

Attributable to shareholders	30 Sep 2014	30 Sep 2013	% Change
Net asset value per share	251.76p	251.40p	0.1%
Revenue return per share	10.56p	11.26p	(6.2)%
Dividends per share	9.85p	9.45p	4.2%
Share price	258.00p	252.50p	2.2%
Net asset value total return	3.8%	17.7%	n/a
Share price total return	6.0%	16.4%	n/a

Total return over five years – 2009 to 2014

Source: Datastream

Dividends per share – pence



Source: F&C Management Limited

Chairman's Statement

Dear Shareholder

The world has had a lot to deal with in the past year. If it wasn't Crimea, ISIS, or Hong Kong, it was the Scottish referendum, UKIP or Ebola. Listing all these, it is perhaps a surprise that markets were able to make any progress at all.

In the realm of economics, things were a little calmer, especially in the US and UK. Markets finally saw some economic traction as the pace of recovery quickened. This led to sterling strength, particularly against the euro, and interest rates looked as if they might move up. This tension between better growth and the withdrawal of monetary stimulus kept markets finely balanced as participants tried to understand what the world would look like with normalised monetary policy. Meanwhile, weak growth in Europe and the spectre of deflation promised that the baton of quantitative easing would pass to the Japanese and European Central Banks even as the US and UK took their foot off the monetary accelerator.

More recently, concerns over the pace of growth have resurfaced in a number of countries and commodity prices, including oil, have fallen. This reflects weak demand in key markets, most particularly China, which is now nearly five times the size of the UK economy and will be an increasingly important factor in determining the health of the world economy. The likelihood of significant rate rises has receded.

All of this narrative points to the fact that the hangover from the financial crisis has not dissipated. We are in a world of sub-par growth where debt problems have not really been addressed and where the monetary medicine has triggered inflation in assets rather than in consumer prices. It is possible that we have many more years of this ahead of us as we strive to shake off the effects of many decades of debt accumulation: we are unable to inflate our way out of it and unwilling to take write-downs.

Putting this together, we live in an economically unstable world where Central Banks are actively encouraging investors to take risk and where rising asset prices are the consequence of economic policy. Major potential problems lurk in Europe and in China, and mean that normalization is still some way off.

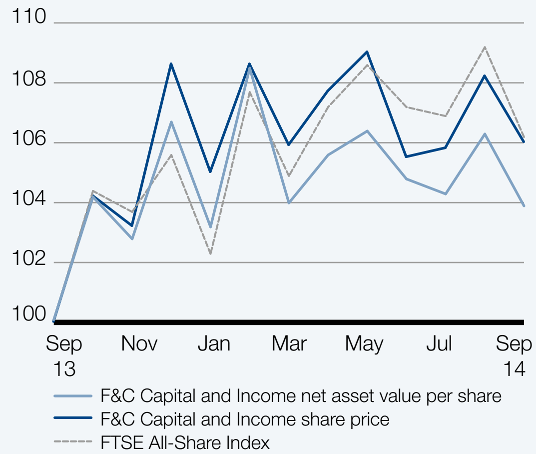
Performance

In the year under review, the Net Asset Value (NAV) per share, measured on a total return basis, rose by 3.8%. The share price delivered a total return of 6%, while the FTSE All-Share index increased by 6.1%. The reasons for the underperformance are explained in the Manager's report which follows.

While the short-term performance is somewhat disappointing, I would emphasise that it is appropriate for shareholders to look at the longer term numbers.

Net asset value total return over one year

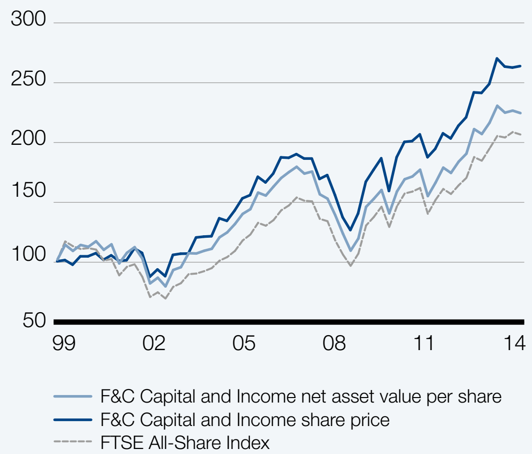
Q3 2013 to Q3 2014
Rebased to 100 at 30 September 2013



Source: Datastream and F&C

Total return over 15 years

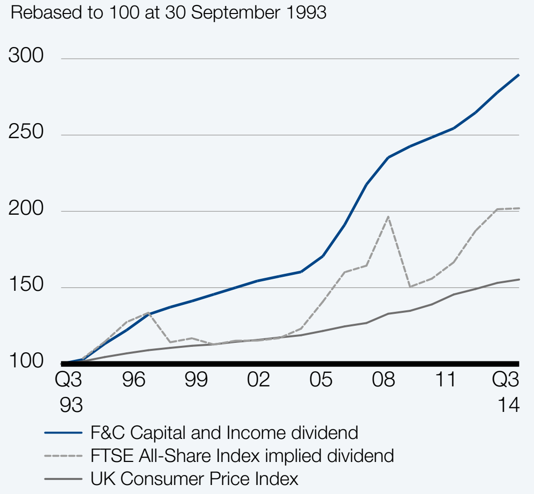
Q3 1999 to Q3 2014
Rebased to 100 at 30 September 1999



Source: Datastream and F&C

Chairman's Statement (continued)

Dividend growth and CPI over 20 years



Source: Datastream and F&C

Over three years, the NAV per share is up by 45.3%, while the FTSE All-Share is up by 47.9%, with most of that shortfall vis-à-vis the benchmark occurring in the most recent period. Over fifteen years, the NAV is up by 122.4%, the share price by 163.1% and the Index by 104.5%. As I have pointed out in previous statements, these returns have been generated with the benefit of lower risk and a higher yield than that offered by the Index, suggesting an attractive longer term risk/return trade-off.

During the year the Company has had average gearing of 4.9%. This is financed by a £20 million loan facility where the borrowing costs are lower than the income generated on the portfolio. This has had the effect of enhancing the income account. We also have a tactical short term facility of £15 million which is there to be used if markets suffer a significant setback. During the year, this remained undrawn.

Income Account

■ Income and dividends

The revenue return per share was 10.56 pence, a decrease of 6.2% from the previous year's 11.26 pence, which itself was an increase of 12.6% on the year to September 2012. Dividend growth from the equity portfolio was 11.9% over the two year period, compared with dividend growth of 8.1% for the FTSE All-Share Index. In recent years, the portfolio has benefited from dividends disbursed as special income dividends, particularly insurance companies, such as CatCo, Beazley and Lancashire; these were paid by those companies following a period of very strong trading performance, and as they don't want to retain the money for further investment. This year these special dividends amounted to £1.2m compared to £0.8m the previous year.

Income from the option writing strategy was also subdued for a second year and amounted to £274,000 compared with £261,000 last year. This reflects a lack of opportunity to capture attractive option premiums as volatility has remained very low despite the risky environment in the world. When volatility increases, which it surely will at some point, our ability to generate revenue from this source will improve. Our policy, though, is only to exploit this opportunity when it offers unusual returns for little risk. It is not to be relied upon to replace income lost as a result of shifts in the portfolio.

So far this year, we have paid three dividends amounting to 6.75 pence. We are proposing to pay a fourth dividend of 3.10 pence to give a total for the year of 9.85 pence, an increase of 4.2% over last year, well ahead of the rate of inflation and still fully covered by earnings despite their decline. As has become customary, we will be paying this as an interim dividend so that we can pay you at the end of the calendar year, rather than having to delay the process until after the AGM. For some reason, corporate governance specialists don't like this practice and often advise shareholders to object by opposing measures at the AGM, but your Board thinks its approach is in your interests and intends to carry on with it.

The increase this year brings the number of consecutive years of dividend increase to 21 and represents an increase in the value of the dividend of around 190% over the 21 years since the Company began. This is well ahead of inflation and the dividend growth of the benchmark: the objective of continuing this record is still very much intact.

■ Costs

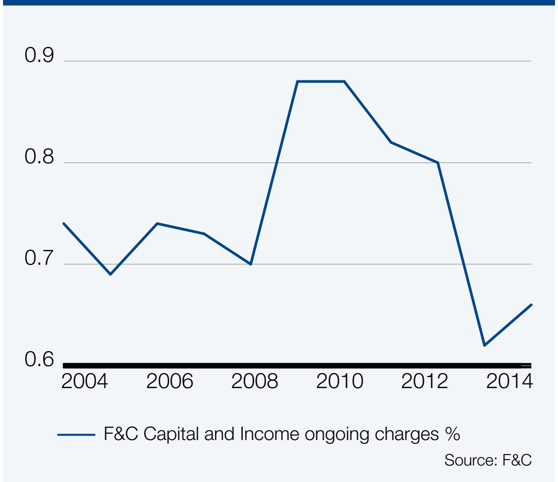
We keep a close eye on the costs of running the trust. This year, the ongoing charges (this is a sum which looks at the costs of running the Company from soup to nuts) was 0.66% of average net assets compared with 0.62% in the last year. We are conscious also of the fact that the competitive landscape in which your Company sits is changing as unit trusts respond to the Retail Distribution Review (RDR). This is causing downward pressure on unit trust fees and closing the gap that investment trusts had previously enjoyed. We do think that investing in investment trusts brings particular benefits to investors, and do not want to sit still and see our cost advantage eroded by competing open ended products. While a lot of our costs are by their very nature fixed, we scrutinize everything to make sure that we have not missed anything in the quest to drive them down.

Given the change in the landscape, we are also conscious that good communications are *de rigueur* for a Company like this. To that end, we support the manager in improving the materials sent to shareholders with an increasing emphasis on electronic communication, as well as articulating the strategy of the Company in clear terms. If any shareholders have ideas about how we could improve matters, please get in touch.

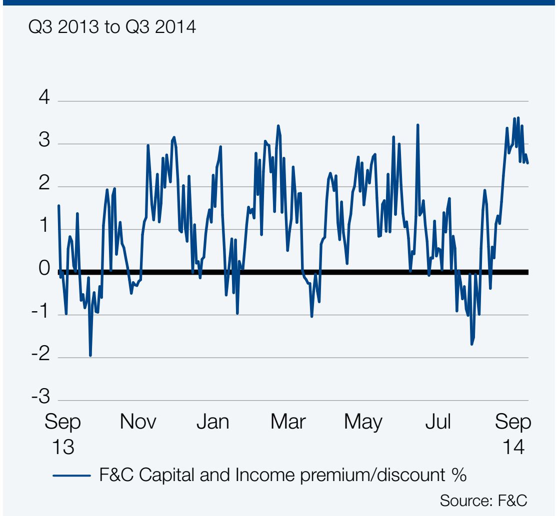
days. While the existence of a premium is evidence that the investment mandate is in demand, mostly as a result of the lack of investment opportunities with decent and growing income in a very low interest rate environment, it is as much a sign of market inefficiency as is a discount. While we would be in the market buying in shares were a material discount to emerge, it is logical that we should do the opposite when a premium persists. This year we issued 2,525,000 shares, all at a premium to NAV so as to avoid any dilution to existing shareholders. This has had the effect of increasing the share capital by 2.8%, which, other things being equal, improves market liquidity and gives the Company a larger base over which to spread our fixed costs.

As usual, at the AGM in February, we will be asking for authority to issue further shares without pre-emption rights equal up 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.

Cost of running the Company as a % of average net assets



Premium/Discount



Discount/Premium

This has been another year when the shares have traded regularly at a premium to NAV. The year finished with the share price at 258p, a premium of 2.5% to the NAV. During the year, the range of trading was from a maximum premium of 3.5% to a discount of 2.0%. The shares only traded at a discount on 58

Governance Matters

- Regulation

As mentioned in my last statement, we have devoted considerable time and money to preparing the Company for the new EU regulatory regime known as the Alternative Investment Fund Management

Chairman's Statement (continued)

Directive (AIFMD). This is a piece of legislation the effect of which is to apply a similar regulatory framework to closed ended funds as applies to open ended vehicles. The regulators' argument is that investment trusts are more complex than unit trusts and that their shareholders require extra protection. This is not a view we share, and unfortunately, compliance comes at a cost but carries no obvious benefit for you. We had no choice but to comply, however, and the necessary arrangements were put in place in July. The legal costs of doing so were £7,000 and the ongoing extra cost per annum will amount to 0.01% per annum or, in the jargon of the financial world, one basis point. While I would like to tell you that this is the last piece of legislation we will face, I fear that is not the case. The regulatory pendulum continues to swing in the direction of greater controls, and the concept of a cost benefit analysis appears to carry no weight.

I would like to record the Board's gratitude to F&C for its help during this process. They certainly eased the burden of what was a peculiarly tedious task.

■ Board

Sadly, Pen Kent, my predecessor, died at the beginning of 2014, but his influence on your Company continues to be felt. The succession plan he designed rumbles forward, and this year, we are very pleased to have appointed Tim Scholefield to the Board. Tim was, until the Spring of this year, the Head of Equities at Baring Asset Management and has had a long and distinguished career in the asset management industry. The plan is that Tim will replace the investment knowledge to be lost when Neil Dunford retires following the AGM. He is particularly well qualified to take on this role and his arrival softens the blow of losing Neil. I hope that he will have your support when he stands for election at the AGM.

Neil has been on the Board for nine years, and has been a subtle and incisive interrogator of the investment process, displaying a light touch which belies the weight of the questioning. This is no easy task. It is important to avoid second guessing the investment manager while still ensuring that the investment process is diligently applied. We will miss Neil and I would like to record formally our gratitude to him for his contribution over the years.

■ AGM

The AGM will take place on Wednesday 11 February 2015 at the Company's registered office, Exchange House, Primrose St, London EC2 at noon. I encourage all shareholders to attend. As usual, Julian Cane 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.

Outlook

As time goes by, the unusual monetary experiment in which we are living comes to seem increasingly normal. When markets get the jitters about what life might be like if interest rates were to return to normal, we see oil poured on the troubled waters. Evidently, there is no tolerance on the part of Central Banks for an economic setback and equally a profound concern that asset prices might fall and themselves trigger economic decline. Eventually, this has to stop, but it is unlikely to come to an end without policy normalisation. In the meantime, we are likely to remain in a world which is reasonably attractive for equity investors, albeit more prone to volatility than has been the case in the past year.

Steven Bates
Chairman
27 November 2014

Business Model & Strategy

As explained within the Directors' Report on page 25, 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 23 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 has therefore not set a diversity target.

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 with attractive returns on invested capital, but whose share prices may not fully reflect this. This could be because of adverse sentiment, possibly from short-term 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 20 and 21, is diversified, with 80 holdings as at 30 September 2014. 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 FTSE 350 is 80.3%.

No more than 10% of the portfolio (at the time of investment) may be invested in securities quoted on the Alternative Investment Market, with 3.1% 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 2014, 5.2% 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 17 and 19, 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 55 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 net assets. As at 30 September 2014 the Company had borrowings of £20 million with an undrawn facility of £15 million. If the £35 million facility was fully invested, this would represent 15.2% gearing. Under the AIFMD, the Company is obliged to publish maximum permissible leverage exposures. Details can be found in note 25 of the accounts.

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

Business Model & Strategy (continued)

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 5. 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 12 February 2014 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 2,525,000 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 12 February 2014 shareholders gave the Board authority to buy back up to 13,398,700 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.

Analysis of savings plans

30 September	2014		2013	
	Number of holders	**Shares**	Number of holders	Shares
F&C Children's Investment Plan	**4,217**	**5,812,103**	4,109	5,184,177
F&C Child Trust Fund	**11,523**	**10,942,708**	11,353	9,694,471
F&C Investment Trust ISA*	**5,863**	**45,820,107**	5,894	46,544,296
F&C Junior ISA	**355**	**211,772**	224	101,281
F&C Private Investor Plan	**2,448**	**9,605,179**	2,454	9,102,931
F&C Pension Savings Plan	**298**	**2,175,584**	310	2,145,672
Total	**24,704**	**74,567,453**	24,344	72,772,828

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

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, the F&C Child Trust Fund, Individual Savings Account, Junior ISA, Private Investor Plan and Pension Savings Plan. The plans are designed to provide investors with a cost effective and flexible way to invest in the Company.

These investors hold 74,567,453 shares, which is 81.1% of the shares in issue.

Voting rights and proportional voting

At 27 November 2014 the Company had 92,459,268 ordinary shares in issue with a total of 92,459,268 voting rights. As at that date no notifications of significant voting rights in respect of the Company's ordinary share capital have been received.

81.1% 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 372,800 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 two 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 2.5% compared with a premium of 0.4% 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 65, has increased this year as a consequence of the company having to pay Depositary fees under the AIFMD and an increase in the marketing spend.

The performance table below, the Ten Year Record on page 65, the Chairman's Statement on pages 3 to 6 and the Manager's Review on pages 11 to 14 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	3.8	45.3	54.4
Company share price	6.0	40.7	58.1
Benchmark index*	6.1	47.9	59.1
FTSE 350 High Yield Index	6.7	44.7	55.5

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

Business Model & Strategy (continued)

The Company had a revenue return for the year of 10.56 pence per share (2013: 11.26 pence per share) and, following the payment of a fourth interim dividend of 3.1 pence per share, will have paid a dividend of 9.85 pence per share for the year (2013: 9.45 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 Report of the Audit and Management Engagement Committee on page 37 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 on page 22. Arrangements are also in place to mitigate other more general risks including those relating to regulatory change. Note 23 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 Investment Business Limited
Secretary
27 November 2014

Manager's Review

Review of the economy

Over the year under review, the economy has surprised positively. Coming out of the financial crisis and recession, economic growth was initially very slow, but progress over the last year has been more rapid. Concerns that the pace of Government spending cuts may have been too much, too soon were unfounded as GDP at the end of the third calendar quarter in 2014 was 3.0% higher than the same quarter a year ago, and it was also estimated that the economic activity was 3.4% higher than the pre-economic downturn peak of the first quarter 2008. The International Monetary Fund, which had warned in April 2013 that the UK was "playing with fire" and urged the Chancellor to change his fiscal plans, has had to revise its opinion diametrically such that it now predicts the UK will grow faster than other advanced economies this year.

In addition to the good news on economic growth, there were positive developments in the jobs market, with the latest statistics (to the end of September) showing that unemployment fell further to 1.96 million. It was only in the previous month that unemployment had fallen below 2 million for the first time since 2008. However, although the headline statistics are good, these seem to have come at the cost of falling real pay and poor productivity gains, and this is in turn has fed through into tax receipts which have been disappointing given the overall rate of economic growth.

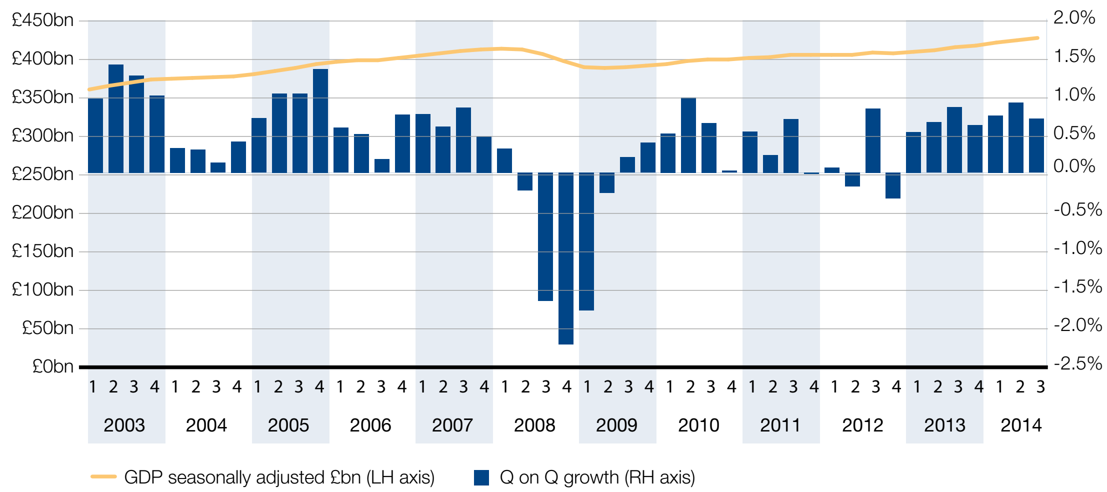
Base rates have remained unchanged throughout the year at 0.5% (and unchanged now since March 2009), as inflation has fallen further (the Consumer Price Index already fell to 1.2% in September); this has allowed the Monetary Policy Committee to keep rates low with little immediate fear that inflationary pressure will derail the policy of using ultra low interest rates to stimulate the economy.

With the austerity measures put in place by the Government, the level of the UK Government deficit has been reducing as a percentage of GDP, but in nominal terms spending has increased every year since the financial crisis. Public Sector Net Borrowing, the difference between Government expenditure and receipts, has continued to add to the level of debt, and the UK budget deficit is notably larger as a percentage of GDP than in the EU or US.

Sterling was generally on a stronger trend throughout the year on the back of the improving economy, and this had the effect of reducing the value of our overseas investments and dividends when converted back to sterling. Against the euro, sterling strengthened from £/€ 0.84 to 0.78. Although year-end to year-end, sterling was unchanged against the US dollar, this disguises the strength that it had experienced mid-way as it moved from 1.62 to almost 1.72.

UK GDP (£ billions and quarter on quarter growth)

Q1 2003 to Q3 2014

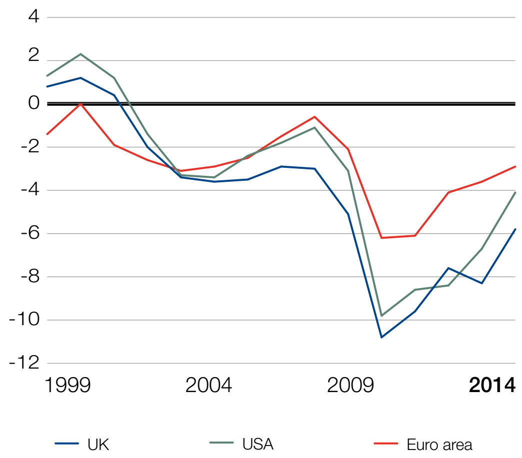


Source: Office for National Statistics

Manager's Review (continued)

Government budget deficit/surplus as % of GDP

1999 – 2014



Source: Eurostat

Review of the UK stock market

The UK stock market made much less dramatic progress last year with a total return for the FTSE All-Share Index of +6.1%, which was considerably less than either of the previous two years (+18.9% and +17.2% respectively). Nonetheless set against very low interest rates, bond yields and inflation rates, the return was still attractive to equity investors.

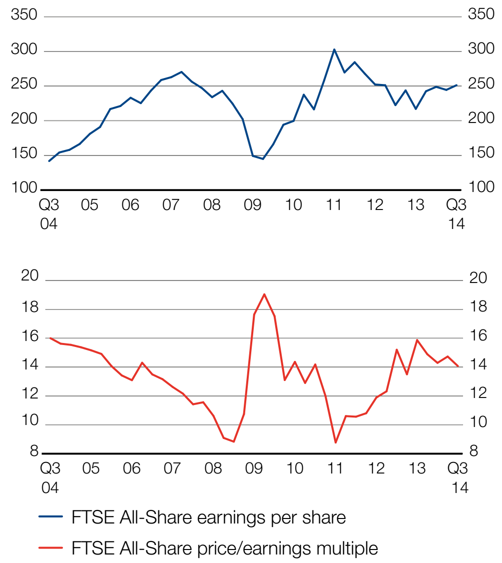
In complete contrast to the prior two years where the performance of the stock market was almost entirely driven by a higher multiple being applied to corporate earnings which were lacklustre, last year saw a stabilisation and improvement in earnings, which was then offset by a decline in the multiple. These two effects (higher earnings and lower multiple) largely cancelled each other out, leaving the dividend as the main contributor to total return for the year.

Returns within the market were remarkably consistent by size with the indices for the largest (FTSE 100), medium-sized (FTSE 250) and smallest (FTSE Small Cap) all within 1% of each other at the year end. With the exception of the FTSE 100, which has still not regained the levels that it achieved almost 15 years ago in 1999, the other indices all set new peak levels during the year. Earnings growth from medium and smaller sized companies was generally faster than for the largest, but over the last year, this was offset by a decrease in the price/earnings multiple.

Within our portfolio the most significant positive contributors to relative performance were Beazley Group, Tesco and Essar Energy. Beazley has continued to generate strong returns from its specialist international insurance businesses and paid a special dividend to reflect this. The total return of 42.9% in the year reflected not just the strong results, but also an improvement in the valuation multiple as the shares ended the year more highly rated than at the start; its contribution to the fund was +0.5%. Although we held some Tesco at the start of the year, we sold this after a 12% fall in value and avoided the much steeper fall (33%) that followed; the impact of this, relative to the Index, was to add 0.5% to returns. We also benefited from the redemption of our Essar Energy convertible bonds at par as the parent company was taken-over, giving a total return of more than 20% during the year, and a contribution to performance of 0.4%. The single most significant detractor from performance was our investment in Partnership Assurance, which fell 67% and reduced the overall fund return by 0.8%. This had been purchased at flotation as it was felt the business had valuable intellectual property, allowing it to price annuities at an attractive rate for retirees with serious illnesses or impairments. The Chancellor of

FTSE All-Share Index – earnings per share/earnings multiple

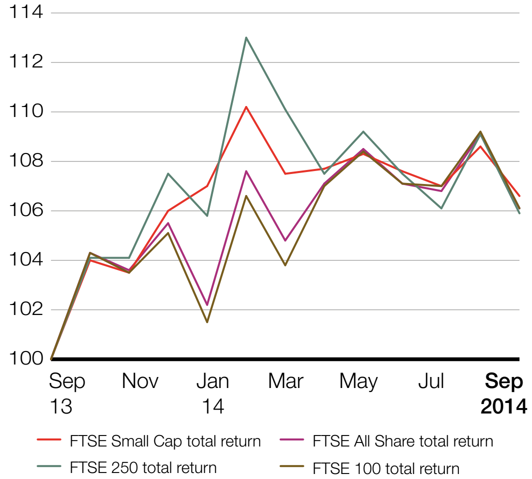
Q3 2004 to Q3 2014



Source: Datastream

Total return from constituents of the FTSE All-Share Index

Rebased to 100 at 30 September 2013



Source: Datastream

the Exchequer's surprise announcement giving more flexibility on retirement savings brought about a sharp fall in the share price. With the new rules significantly undermining the business model, we sold the shares. Not owning Shire, which was subject to a bid from AbbVie, was the second largest detractor from performance, also reducing overall fund performance by 0.8%. The fall in commodity prices contributed to the fall in value of our holdings in the other two convertible bonds, issued by Talvivaara and London Mining (which also had to contend with Ebola with its main asset in Sierra Leone), and these were the next most significant negative factors, costing a combined total of 0.9%.

Portfolio

Following this report there is more detail on the equity portfolio by sector and on the twenty largest holdings. In addition to the convertible bonds mentioned above and the equity holdings, there are two other contributors to the performance of the portfolio that have had an impact on returns, although both were fairly muted this year.

■ Gearing

Throughout the year, we have borrowed money using our £20m five year fixed rate facility from State Street. This has not been fully invested in equities, with a balance kept in cash, but total returns from the additional investments were greater than the cost of borrowing at 2.725%, so this additional leverage will have added a small additional amount of value to the company.

■ Derivatives

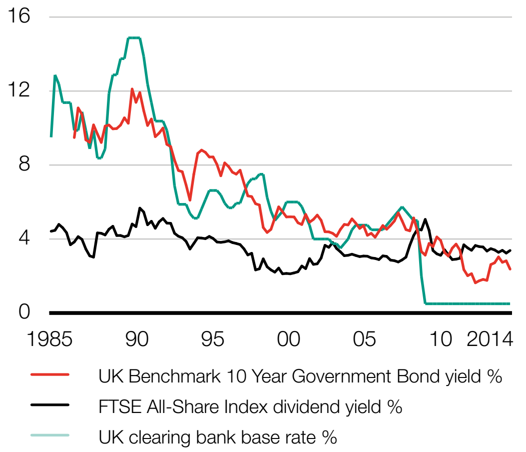
The headline income from our option writing programme was very similar to last year as again activity has been restrained. It seemed to us that option prices were low as share price volatility (one of the main components in the pricing of options) was subdued, and hence we were not inclined to sell many options. Of the three options we sold, one expired worthless, leaving us to keep the premium, and the other two were exercised against us, giving us a new holding in Barclays Bank, at a purchase price which we believe will be attractive in the long-term.

Valuation of the Stock Market

From the trough during the financial crisis to the peak this year, the UK stock market has more than doubled in value. Over the same period, there has been an increase in the price/earnings multiple leading to the fact that valuations are clearly not as compelling as they were during that exceptional period. However, to offset this, we now have much greater stability and a better understanding of how Governments

Yields from competing assets

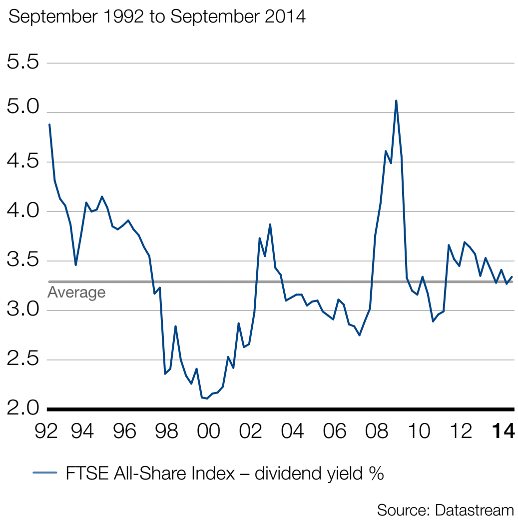
September 1985 to September 2014



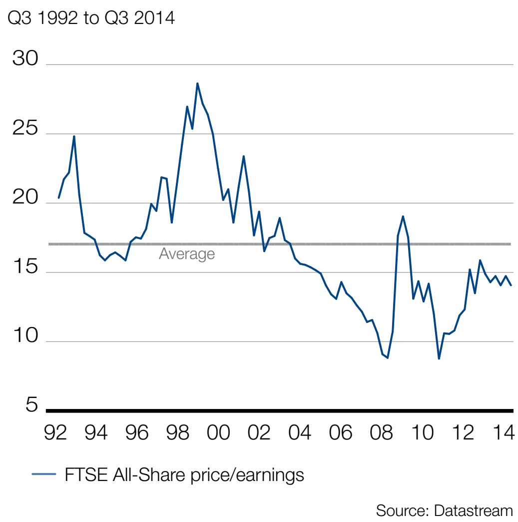
Source: Datastream

Manager's Review (continued)

FTSE All-Share dividend yield



FTSE All-Share Index – price/earnings multiple



and Monetary Authorities are able to try to offset the effects of a financial crisis. When looked at against the course of this company's 21 year history, the market is less highly valued than it has been on average when considering the price / earnings multiple, and very much in line with average when looking at the dividend yield. This suggests that relative to our own history equity valuations in general are at least reasonable.

However, it is when comparing valuations against alternative investments that equities look better value. Bank Base Rates are at 0.5%, while the yield on the ten year benchmark UK Government bond is only around 2.4% so the dividend yield from the Index at around 3.6% looks attractive. But not only do equities have a higher initial yield, they also have the prospect of future gains in both capital and income. In the short-term equities are correctly perceived as a riskier investment than either cash or bonds, and obviously they can lose value, but over the medium to long term, equities' potential to grow and ability to keep pace with inflation should make them an attractive investment.

Julian Cane
F&C Investment Business Limited
27 November 2014

Twenty Largest Holdings

30 Sep 2014	*30 Sep 2013*	**Company** *(Sector)* Description	% of total investments	Value £'000s
1	*2*	**Royal Dutch Shell** *(Oil and gas)* Leading international oil exploration, production and marketing group. It has a new chief executive who is increasing focus on returns. The stock has an attractive dividend yield.	6.1	14,741
2	*1*	**HSBC** *(Financials)* 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.	5.8	13,897
3	*3*	**GlaxoSmithKline** *(Healthcare)* One of the world's leading pharmaceutical companies with valuable healthcare and vaccines businesses. The valuation and dividend yield are still attractive.	4.0	9,608
4	*5*	**BP** *(Oil and gas)* Still recovering from the impact of operational and strategic problems, greater capital discipline should help returns to improve.	4.0	9,521
5	*7*	**Rio Tinto** *(Basic materials)* One of the world's foremost mining companies. It has a diversified asset base, but its most significant interests are in low cost, high quality iron ore. It is our principal exposure to the mining sector.	3.1	7,579
6	*10*	**AstraZeneca** *(Healthcare)* 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.	3.1	7,449
7	*-*	**Diageo** *(Consumer goods)* The largest producer of premium branded spirits in the world and also a major producer of beer and wine. The returns and growth potential from this combination of brands and exposure to faster growing markets should be attractive.	2.7	6,424
8	*6*	**British American Tobacco** *(Consumer goods)* 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.	2.6	6,268
9	*9*	**BAE Systems** *(Industrials)* 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	5,988
10	*11*	**Total SA** *(Oil and gas)* The investment in this large integrated oil exploration, production and marketing group is in addition to the larger investments in the two main UK oil majors. The share price has responded well to more efficient capital allocation.	2.2	5,211

Twenty Largest Holdings (continued)

30 Sep 2014	*30 Sep 2013*	**Company** *(Sector)* Description	% of total investments	Value £'000s
11	-	**WPP** *(Consumer services)* One of the largest marketing communications businesses in the world. It owns many of the leading advertising agencies and should benefit from any improvement in economic growth.	2.2	5,208
12	*8*	**Standard Chartered** *(Financials)* The slowdown in the Far East has had a very negative impact on the share price of this Asian-centric bank. Long-term prospects should still be more attractive than in more developed markets.	2.1	5,130
13	-	**Barclays** *(Financials)* The restructuring continues with a declining emphasis on volatile investment banking profits and more on higher returning retail banking. Over time, the evolving balance will benefit shareholders.	2.1	4,957
14	*12*	**Unilever** *(Consumer goods)* A leading manufacturer of branded consumer goods, with more than half of its sales in faster growing emerging markets.	2.0	4,832
15	*19*	**BHP Billiton** *(Basic materials)* This company has a portfolio of large, low-cost mining and oil assets, well diversified by commodity and geography.	2.0	4,801
16	*17*	**Prudential** *(Financials)* International life assurer seeing rapid growth in the Far East, together with attractive returns in the US and UK.	1.9	4,678
17	-	**Lloyds Banking** *(Financials)* The restructuring and rehabilitation of Lloyds has been fairly drawn out, but the bank is now much closer to a point at which its returns will be attractive and it should be able to return to paying dividends.	1.9	4,612
18	-	**Beazley** *(Financials)* A specialist insurer with a diverse underwriting portfolio that has generated strong, consistent returns. Management has taken an active approach to managing capital.	1.8	4,430
19	-	**Londonmetric Property** *(Financials)* Run by an entrepreneurial management team, this UK real estate investment trust (REIT) has an attractive yield and a growing focus on retail distribution assets.	1.6	3,889
20	*20*	**Glanbia** *(Consumer goods)* International dairy, consumer foods and nutritional products company, experiencing good growth with its sports nutrition brands.	1.6	3,823

The value of the twenty largest equity holdings represents 55.3% (30 September 2013:54.8%) of the Company's total investments.

Investment Portfolio by Sector

at 30 September 2014

	% of total investments*	% of FTSE All-Share Index
Oil & gas	**12.8**	**14.6**
The three integrated oil companies, Royal Dutch Shell, BP and Total are all in the top ten largest holdings in the portfolio and dominate this sector by value. Although the oil price fell during the year, their total returns (share price and dividends) were strong (+20%, +10% and +18% respectively). Our exposure to some of the smaller exploration and production companies was negative for performance as their share prices were weak in response to the oil price and to poor industry sentiment; the portfolio has been repositioned so that its only exposure is Salamander Energy in the smaller exploration and production companies sector which has more attractive production and cash generation than many others.		
Basic materials	**5.4**	**7.8**
This sector is dominated by the major mining companies, which in general had a difficult time against a background of falling commodity prices. Our main exposure is via Rio Tinto, which recorded a total return of +4%, as the new management team focuses on better capital management and reducing costs. We also started a new holding in BHP Billiton in recognition that valuations are now more attractive and dividend yields relatively high, and in CRH, the diversified international building materials company, on the expectation that it will benefit from a strengthening US economy.		
Industrials	**15.1**	**9.8**
BAE Systems, our largest holding in the sector, again produced good returns (+9%) having increased almost 40% the previous year. Other companies, such as Intertek (-19%) and Spectris (-16%), found the background more difficult, but they are high quality businesses which we continue to believe will perform well in the long-term. Howden Joinery, the fitted kitchen manufacturer which is growing strongly, and Berendsen, the textile service business, were both new additions; we also added to our investment in Melrose Industries.		
Consumer goods	**10.4**	**14.1**
This is a diverse sector, with businesses ranging from tobacco and drinks through to cars and house building. Having long been a major part of the portfolio, our holdings in the tobacco sector have been reduced through the partial sale of our investment in British American Tobacco. Long-term attractions of the sector are diminished through declining sales and competition from electronic cigarettes. Our largest single change during the year was to add an additional £5.9m investment in Diageo; this is now the seventh largest holding in the portfolio.		

Investment Portfolio by Sector
at 30 September 2014 (continued)

	% of total investments*	% of FTSE All-Share Index
Healthcare	**7.1**	**8.6**
The two major pharmaceutical companies, GlaxoSmithKline and AstraZeneca are our largest investments in this sector. The return on our AstraZeneca shares was very strong for the year (44%) helped by the bid approach from Pfizer of the United States. With the bid having been rejected, the management is now under much increased pressure to improve returns. Our performance was adversely impacted relative to the Index by having no investment in Shire (116% in the year as a result of a bid from AbbVie, also of the US). Both bids seemed to be a result of financial engineering, and particularly "tax inversion", rather than being based on fundamentals.		
Consumer services	**10.2**	**10.3**
This sector spans a number of activities from food retailing, to travel and leisure to media. Disposable income in the UK has been under pressure for a number of years now and our direct exposure to discretionary spending is relatively limited. Our investment in Tesco was sold completely before the worst of the fall in the share price, but overall we have added exposure to the sector. This was via an addition to the existing investment in WPP, which seems modestly rated and should benefit from increasing advertising spend, and new holdings in Dixons Carphone, as the merger of the two businesses should drive substantial revenue and cost synergies, and Halfords, where new management is refocusing the stores and improving productivity.		
Telecommunications	**3.1**	**4.5**
There was fairly significant change within this sector during the year as the holding in Inmarsat, the satellite telecommunications provider, was sold completely and the investment in Vodafone reduced materially. Through the take-over of its US joint venture we had received shares in Verizon Communications, which were sold, and we reduced further the balance of remaining Vodafone shares as trading, particularly in Europe, looks difficult. The holding in BT was unchanged.		
Utilities	**2.3**	**3.9**
This sector did relatively well against a background of low inflation and bond yields. We reduced our investment in SSE further, as valuations generally are closer to the top than the bottom end of historic ranges and the sector is seen as vulnerable to interference, particularly from politicians. This is only likely to increase, especially as the 2015 General Election draws closer.		

	% of total investments*	% of FTSE All-Share Index
Financials	**31.4**	**25.0**
As the worst concerns of the financial crisis fade and banks strengthen their balance sheets so as to avoid such problems in future, banks should start to become more "normal" with the prospect of growing dividends. A new holding was started in Barclays as returns should improve as the investment bank is reduced in size, and additions made to Lloyds in the expectation that it will restart its dividend payments shortly. OneSavings Bank, a new "challenger bank" was also bought at IPO as the returns and growth are both attractive. We sold the holding in Aberdeen Asset Management, replacing it with Ashmore. Both have exposure to emerging markets, with Ashmore having a more attractive yield. We also reduced exposure to the insurance sector, through the sale of CatCo Reinsurance and Amlin (where competition looks set to put rates under further pressure) and to the life assurance sector following the Chancellor's discouragement of annuity sales.		
Technology	**1.7**	**1.4**
Most technology companies pay little or no dividend as they continue to look to innovate and develop their products and services, so we would naturally expect to have a relatively low weighting. Our exposure to the sector is via Laird, Sage and SAP. During the year to September 2013, all three of these were relatively unchanged in value, but in the year under review Laird was the strongest performer with a total return of 47%. With a return of 14% Sage was also ahead of the index, and SAP would have been, but for the impact of translating its share price from euros to sterling.		
Convertibles	**0.5**	**–**
The take-over of the Essar convertible, to which we had added to earlier in the year, was positive, while the troubles of London Mining and Talvivaara were major negatives. At the time of writing, London Mining has been bought out of insolvency and Talvivaara is in the process of a financial restructuring. There is only a very limited possibility of retrieving much value from these.		

*Note 14 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 2014 Value £'000s
UNITED KINGDOM – EQUITIES		
Acal	52,500	129
Alternative Networks*	203,035	952
Arrow Global	750,000	1,989
Ashmore	750,000	2,309
Assura	2,995,363	1,378
AstraZeneca	167,716	7,449
Babcock International	242,307	2,644
BAE Systems	1,270,000	5,988
Barclays	2,180,000	4,957
BBA Aviation	425,000	1,381
Beazley	1,625,000	4,430
Berendsen	295,000	2,891
BHP Billiton	280,000	4,801
BowLeven*	65,000	22
BP	2,100,000	9,521
British American Tobacco	180,000	6,268
BT	550,000	2,087
Carador Income Fund	4,600,000	2,582
Centrica	620,000	1,908
Cineworld	224,738	733
Compass	376,470	3,752
CRH	165,000	2,327
Diageo	360,000	6,424
Dixons Carphone	750,000	2,747
Doric Nimrod Air Three	750,000	803
Doric Nimrod Air Two	1,000,000	2,320
DS Smith	850,000	2,264
Epwin*	850,000	893
Galliford Try	137,077	1,734
GlaxoSmithKline	680,000	9,608
Greenko*	184,444	312
Halfords	285,000	1,352
Harvey Nash	1,219,744	1,220
Headlam	316,246	1,297
Howden Joinery	880,000	2,984
HSBC	2,220,000	13,897
IG	400,000	2,376
Informa	650,000	3,179
Intercontinental Hotels	115,000	2,735
Intermediate Capital	700,000	2,752
Intertek	100,000	2,621
ISG*	402,970	1,261

* Quoted on the Alternative Investment Market in the UK.

Quoted investments	Holding	30 September 2014 Value £'000s
Jupiter Fund Management	600,000	2,134
Laird	432,410	1,339
Lancashire Holdings	500,000	3,200
Legal & General	588,000	1,346
Lloyds Banking	6,000,000	4,612
LondonMetric Property	2,800,000	3,889
Manx Telecom*	403,944	715
McKay Securities	489,841	1,154
Melrose Industries	1,480,000	3,664
National Grid	370,000	3,284
Novae	318,990	1,713
OneSavings Bank	1,396,369	2,782
Phoenix	473,208	3,445
Polar Capital*	265,438	1,101
Prudential	340,000	4,678
Raven Russia	2,949,983	1,910
Rio Tinto	250,000	7,579
Royal Dutch Shell	605,000	14,741
Sage	332,716	1,216
Salamander Energy	1,250,000	1,250
Shoe Zone*	390,989	829
Sirius Real Estate*	5,177,027	1,230
Spectris	90,000	1,627
Spirit Pub	855,323	821
Standard Chartered	450,000	5,130
Tarsus	636,914	1,382
Treatt	500,000	690
Unilever	187,000	4,832
UTV Media	796,480	1,714
Vodafone	1,850,000	3,780
WPP	420,000	5,208
XP Power	90,640	1,384
United Kingdom total		**227,656**
EUROPE (EX UK) – EQUITIES		
FRANCE		
Total SA	130,000	5,211
France total		5,211

Quoted investments	Holding	30 September 2014 Value £'000s
GERMANY		
SAP	36,964	1,647
Germany total		1,647
REPUBLIC OF IRELAND		
C&C	482,633	1,584
Glanbia	429,093	3,823
Republic of Ireland total		5,407
Europe (ex UK) total		**12,265**
UNITED KINGDOM – CONVERTIBLE FIXED INTEREST		
London Mining – 8.0% 02/2016	3,900,000	962
United Kingdom total		**962**
EUROPE (EX UK) – CONVERTIBLE FIXED INTEREST		
Talvivaara – 4.00% 12/2015	2,000,000	156
Europe (ex UK) total		**156**
Total Convertible Fixed Interest		**1,118**
TOTAL INVESTMENTS		**241,039**

The number of investment companies in the portfolio is 80 (2013: 81).
Of these, two are convertible securities (2013: 3).

Principal Risks

The principal risks and uncertainties faced by the Company, and the controls and actions to mitigate those risks, are described below.

Principal Risks	Mitigation	Actions taken in the year
Objective and strategy are inappropriate in relation to investor demands, adversely affecting control over share price discount/premium. *No change in overall risk in year.*	The Board monitors performance versus peers and benchmark at each meeting and holds a separate meeting each year to consider strategic issues. Market intelligence is maintained via the Company Broker. Shareholder satisfaction surveys are conducted at least every five years ahead of the Company's continuation vote. The Board regularly considers ongoing charges and underlying dividends from portfolio companies, and consequent dividend paying capacity of the Company. An interactive website is updated daily to ensure investors are fully informed.	2,525,000 shares were issued in the year to satisfy shareholder demand. The number of investors in private investor plans increased by 1.5%. The ordinary share price was maintained in a range of 2.0% below to 3.5% above NAV cum income. Dividends paid and payable of 9.85p in respect of the year comprised 93.3% of net revenue and were 4.2% up on prior year. The Company website was upgraded during the year.
Asset allocation, sector and stock selection and use of gearing and derivatives is inappropriate. *No change in overall risk in year.*	The portfolio is diversified and comprises quoted securities. Investment policy and performance are considered at each Board meeting. All loan agreements are approved by the Board and cash and borrowing limits are set and monitored regularly.	Borrowings of £20m were maintained throughout the year, enhancing performance. Exposure to European securities was reduced. 80 or more listed securities were held in the portfolio throughout the year.
Failure of Manager as main service provider or loss of senior staff could cause reputational damage or put the business in jeopardy. *Risk reduced.*	The Board meets regularly with the management of F&C and receives regular Internal Control and Risk Reports from the Manager. The Manager's appointment is reviewed annually. The contract can be moved at six months' notice.	All the issued share capital of the F&C Group was acquired in May by Bank of Montreal (BMO). Some Board members met senior management of BMO and satisfied itself as to the long-term financial strength and policies of BMO with regard to Investment Trust management and administration, including staff retention policies. The Management agreement was fully revised during the year to reflect new responsibilities of the Manager under AIFMD.
Errors, fraud or control failures at service providers or loss of data through cyber attack or business continuity failure could damage reputation or investors interests or result in loss of assets. *Risk reduced.*	The Board receives regular reports from Manager on oversight of third party service providers, together with annual Internal Audit reports on service providers' internal controls. Oversight includes: audit site visits; compliance monitoring; key performance indicators; and detailed investigation of complaints and errors. The Board has access to F&C's risk and compliance functions. The Depositary appointed by the Board in July oversees custody of investments and cash in accordance with the Alternative Investment Fund Manager Directive (AIFMD).	The appointment of a Depositary in July in accordance with AIFMD rules has increased controls over both investments and cash. The Depositary is specifically liable for loss of any of the Company's securities or cash held in Custody. F&C has upgraded its IT systems and controls during the year and has introduced enhanced compliance and risk training for staff.

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 Guardian Capital Group Limited, 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 57.

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 67.

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. In addition, he is a trustee of the St Paul's Cathedral Pension Scheme and was treasurer of The Scout Association from 1996 to 2003. Age 73.

Clare Dobie

Appointed to the Board on 16 July 2012. She is a non-executive director of Schroder UK Mid Cap Fund and Aberdeen New Thai Investment Trust. 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 57.

Sharon Brown

Chairman of the Audit and Management Engagement Committee

Appointed to the Board on 16 September 2013. She is a non-executive director and Chairman of the audit committee of Fidelity Special Values and McColls Retail Group. She is a fellow of the Institute of Chartered Management Accountants and was, between 1998 and 2013, the Finance Director and Company Secretary of Dobbies Garden Centres. Age 46.

Tim Scholefield

Appointed to the Board on 25 November 2014. Tim has had over 25 years' experience in investment management, latterly as Head of Equities at Baring Asset Management until April 2014. Age 51.

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

Management and Advisers

The management company
F&C Capital and Income Investment Trust PLC (the "**Company**") is managed by F&C Investment Business Limited ("**F&C**" or the "**Manager**") since 22 July 2014. Previously the Manager was F&C Management Limited. Both managers are wholly owned subsidiaries of F&C Asset Management plc, a subsidiary of BMO Financial Group. 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.

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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

Depositary
JP Morgan Europe Limited (the "**Depositary**")
25 Bank Street, Canary Wharf, E14 5JP

Telephone:	0870 889 4094
Facsimile:	0870 703 6142

Registrars
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Bristol BS99 6ZZ

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

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 2014. The financial statements are set out on pages 44 to 64.

The Corporate Governance Statement commencing on page 30 and the Report of the Audit and Management Engagement Committee on page 35 form part of this Directors' report.

Statement regarding Annual Report and Accounts

The Directors consider that the Annual Report and 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.

Results and dividends

The net assets of the Company as at 30 September 2014 were £231,387,000 (2013: £224,708,000). The Company's NAV per share rose by 0.1% in the year ended 30 September 2014, compared to a rise of 2.6% in the Index.

Dividends for 2013 and 2014

Dividends paid:	**£'000s**
4th interim for the year ended 30 September 2013 of 3.00p per share paid on 31 December 2013	2,686
1st interim for 2014 of 2.25 pence per share paid on 31 March 2014	2,031
2nd interim for 2014 of 2.25 pence per share paid on 30 June 2014	2,057
3rd interim for 2014 of 2.25 pence per share paid on 30 September 2014	2,068
	8,842

As explained in the Chairman's Statement, the Board has declared a fourth interim dividend of 3.1 pence per share. This will be paid on 31 December 2014 to shareholders on the register of members on 12 December 2014. This dividend, together with the other three interim dividends paid during the year (of 2.25 pence per share each), makes a total dividend of 9.85 pence per share. This represents an increase of 4.2% over the 9.45 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 AGM 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, going concern and prospects

The financial statements, starting on page 44, 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 39 to 43. The Company's investment objective, strategy and policy, which are described on page 7 and are subject to a process of regular Board monitoring, are designed to ensure that the Company is invested mainly in readily realisable, UK

Directors' Report
(continued)

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 23 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.

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, taking into account the robust controls and review processes in place, as explained in this Report, that the Company: has adequate liquid financial resources to meet its liabilities; and has satisfactory agreements and arrangements to enable it to continue to operate within its stated objective and policy for the foreseeable future. In addition the Directors believe that the Company's objective and policy continue to be relevant to investors and that this, together with a robust regulatory environment within which the Company operates, supports the Company's long-term future prospects. Accordingly, the accounts have been 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 ended 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 2014 there were 91,909,268 ordinary shares of 25 pence each in issue. All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that effects its control following a takeover bid. Details of the capital structure can be found in note 15 on the accounts. The revenue profits of the Company (including accumulated revenue reserves) are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to shareholders pro rata to their holdings of ordinary shares.

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' Annual Report on Remuneration at the AGM.

All the Directors held office throughout the year under review. Mr Scholefield, who was appointed to the Board on 25 November 2014, 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 Steven Bates and Mr John Emly 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. Mr Neil Dunford will retire from the Board immediately following the meeting. Professor Jim Norton retired from the Board on 12 February 2014.

The Manager's responsibilities

In common with most investment trusts, the Company does not have any employees. The Board has appointed F&C Investment Business Limited

("F&C" or "the Manager") as Manager (prior to 22 July 2014, F&C Management Limited – see note 4 on the accounts). 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 was appointed as the Company's AIFM on 22 July 2014. F&C is a subsidiary of F&C Asset Management plc, a subsidiary of the BMO Group.

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 the shares of each company, 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.

Depositary

With effect from 22 July 2014, the Company entered into certain arrangements in order to comply with the AIFM Directive. The Company appointed JPMorgan Europe Limited as its Depositary. The Depositary's duties in respect of investments, cash and similar assets include: safekeeping, verification of ownership, valuation and cash monitoring.

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 (see note 4 on the accounts).

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.

Directors' Report
(continued)

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 11 February 2015 at 11.30 a.m. at Exchange House, Primrose Street, London EC2. The Notice of Annual General Meeting appears on pages 66 to 68 and includes a map of the venue. Julian Cane will give a presentation on the year under review, 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 2016, the necessary authority to either allot securities or sell shares held in treasury up to an aggregate nominal amount of £2,311,250 (9,245,000 ordinary shares). This is equivalent to approximately 10% of the issued share capital of the Company at 26 November 2014. 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 13,868,800 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 9. 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 Investment Business Limited
Secretary
27 November 2014

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 appointed at the time attended the AGM in February 2014. All Directors appointed at the time attended a closed session strategy meeting in September 2014.

Meeting attendance

	Board meetings	Audit and Management Engagement Committee meetings
Number of meetings	5	3
Steven Bates	5	3
Neil Dunford	5	3
John Emly	5	3
Professor Jim Norton*	2	1
Clare Dobie	5	3
Sharon Brown	5	3

* Retired 12 February 2014.

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

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 does not believe it is appropriate 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. A non-executive Director role specification is prepared 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 two 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.

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.

Corporate Governance Statement
(continued)

Other than the formal authorisation of the Directors' other directorships and appointments, no authorisations have been sought. These authorisations were reviewed in November 2014.

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.

The Report of the Audit and Management Engagement Committee is contained on pages 35 to 37.

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 24.

By order of the Board
F&C Investment Business Limited
Secretary
27 November 2014

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 2014 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 39 to 43.

Directors' Remuneration Policy

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.

Future Policy Table

Based on the current level of fees, Directors' remuneration for the forthcoming year would be as follows:

Director	2015[1] £'000s	2014[2] £'000s
Steven Bates	30.0	**30.0**
Sharon Brown	25.0	**23.2**
John Emly	20.0	**20.0**
Clare Dobie	20.0	**20.0**
Neil Dunford	7.3	**20.0**
Tim Scholefield[3]	17.0	**–**
Professor Jim Norton	–	**9.2**
Totals	119.3	**122.4**

(1) Directors' remuneration for the year ending 30 September 2015 based on current fee levels.
(2) Actual Directors' remuneration for the year ended 30 September 2014.
(3) Appointed 25 November 2014.

The Board has not received any views from the Company's shareholders in respect of the levels of Directors' remuneration.

Directors' Annual Report on Remuneration

The Chairman received a fee of £30,000 per annum and the remaining Directors received a fee of £20,000 per annum. The Chairman of the Audit and Management Engagement Committee received an additional £5,000 per annum.

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 (audited)

	Year ended	
Director	2014 £'000s	2013 £'000s
Steven Bates[1]	**30.0**	27.5
Neil Dunford	**20.0**	18.0
John Emly	**20.0**	18.0
Clare Dobie	**20.0**	18.0
Sharon Brown[2]	**23.2**	0.8
Professor Jim Norton[3]	**9.2**	21.5
Hugh Priestley[4]	**–**	6.6
Totals	**122.4**	110.4

(1) Highest paid Director.
(2) Appointed Audit Committee Chairman 12 February 2014.
(3) Retired 12 February 2014.
(4) Retired 13 February 2013.

Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in relation to Directors' remuneration, other expenses and shareholder distributions:

	2014 £'000s	2013 £'000s
Aggregate Directors' remuneration	**122.4**	110.4
Management and other expenses	**1,538**	1,470
Dividends paid to shareholders	**8,842**	8,210

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.

Directors' Remuneration Report (continued)

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' beneficial share interests (audited)

at 30 September	2014	2013
Steven Bates	**nil**	nil
Neil Dunford	**7,588**	7,588
John Emly(1)	**4,802**	4,686
Clare Dobie(2)	**2,294**	2,256
Sharon Brown	**1,500**	1,500
Professor Jim Norton(3)	**n/a**	nil
Hugh Priestley(4)	**n/a**	n/a

(1) Since 30 September 2014 John Emly purchased 42 and sold 30 ordinary shares in order to cover management charges.
(2) Since 30 September 2014 Clare Dobie has purchased 19 ordinary shares.
(3) Retired 12 February 2014.
(4) Retired 13 February 2013.

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.

Company Performance

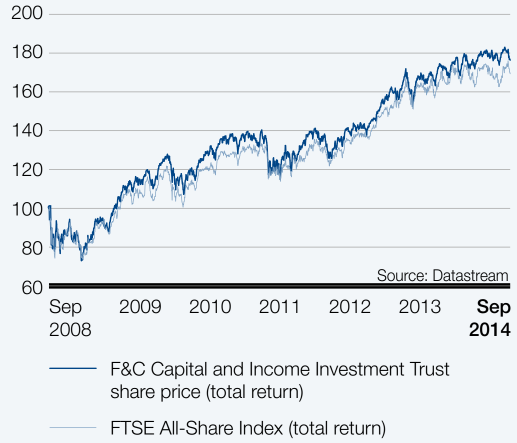
The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager through the investment management agreement, as referred to in the Directors' Report on pages 26 and 27. The graph opposite compares, for the six years ended 30 September 2014, 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 2014 is given in the Chairman's Statement and Manager's Review.

At the Company's last AGM, held on 12 February 2014, shareholders approved the Directors' Remuneration Report in respect of the year ended 30 September 2013. 85.2% of votes were for the resolution, 9.2% against and 5.6% abstained.

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

Total shareholder return over six years

30 September 2008 to 30 September 2014
(Rebased to 100 at 30 September 2008)



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.

On behalf of the Board
Steven Bates
Chairman
27 November 2014

Report of the 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 ensure the integrity of the Company's financial reporting and the appropriateness of the risk management process and internal controls. 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 23 set out their dates of appointment and their recent financial experience.

Sharon Brown is the Chairman of the Committee. The Chairman 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 30. 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.

The table below describes the significant issues considered by the Audit committee in relation to the financial statements for the year ended 30 September 2014 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 2013, 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 2013, 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 2014, which is reported on by independent external accountants and which provides details regarding its control environment. Regular updates from the Manager, Depositary and Custodian, in respect of controls operating in subsequent periods up to 30 September 2014, 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. Investment income was also audited and reported on by the external auditors.

Report of the Audit and Management Engagement Committee (continued)

Specifically, the Committee considered, monitored and reviewed the 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 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 July 2014 the Committee considered and approved PwC's plan for the full year audit.

The Audit Committee carried out a fresh review of risk 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 2014 to discuss the draft final Report and Accounts for the year ended 30 September 2014, 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 39 to 43.

At two of its meetings the Committee received an internal audit and compliance monitoring report from the Manager. In November 2014 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. 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 fifth year for the current audit partner, Alex Bertolotti, who will retire by rotation at the conclusion of the annual audit. 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. 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 £27,000 for the year under review (2013: £26,300).

The Committee has also reviewed the provision of non-audit services, which cost £13,000 (2013: £11,000) in the year under review, and considers them to be cost effective and not to compromise the independence of PwC. In the year, £5,000 was incurred in relation to tax advice and £8,000 was 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 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 page 22, with additional information given in note 23 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 misstatement, 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 2013 ("**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, and those in place since 1 January 2014, 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.

Sharon Brown
Chairman of the Audit Committee
27 November 2014

Statement of Directors' Responsibilities in Respect of the Financial Statements

As required by company law, the Directors are responsible for the preparation of the Annual Report and Accounts, which is required to include a Strategic Report, Directors' Report, Directors' Annual Report on Remuneration and Corporate Governance Statement. The Directors must not approve the financial statements unless in their opinion they give a true and fair view of the state of affairs of the Company as at 30 September 2014 and of the results for the year then ended. The Directors are also responsible for ensuring that the Annual Report and Accounts is fair, balanced and understandable and that adequate accounting records are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Annual Report on Remuneration comply with the Companies Act 2006. 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. 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 Annual Report and Accounts is 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 Annual Report and Accounts 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 Strategic 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, including a description of 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 2014

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, F&C Capital and Income Investment Trust PLC's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 September 2014 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.

What we have audited

F&C Capital and Income Investment Trust PLC's financial statements comprise:

- the Balance Sheet as at 30 September 2014;
- the Income Statement for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Reconciliation of Movements in Shareholders' Funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Overview

- Overall materiality: £2.3 million which represents 1% of net assets.

- The company is a standalone Investment Trust Company and engages F&C Investment Business Limited (the 'Manager') to manage its assets.
- We tailored the scope of our audit taking into account the types of investments within the company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the company operates.

- Revenue
- Valuation and existence of investments

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there is evidence of bias by the Directors that may represent a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below together with an explanation of how we tailored our audit to address these specific areas. This is not a complete list of all risks identified by our audit.

Independent Auditors' Report
(continued)

Area of focus	How our audit addressed the area of focus
Revenue	
We focused on the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP'). This is because incomplete or inaccurate revenue could have a material impact on the company's net asset value and dividend cover.	We assessed the accounting policy for revenue recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy as set out in note 2(v) on page 49 of the financial statements. We understood and assessed the design and implementation of key controls surrounding revenue recognition. In addition, we tested dividend receipts by agreeing the dividend rates from a sample of investments to independent third party sources. Our testing covered 50% of dividend income from the investments. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared by a sample of investment holdings in the portfolio. We tested the allocation and presentation of dividend income between the income and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. We then tested the validity of income and capital special dividends to independent third party sources.
Refer to page 35 (Report of the Audit and Management Engagement Committee), page 49 (Accounting Policies) and page 51 (note 3).	
Valuation and existence of investments	
The investment portfolio at the year-end comprised listed equity investments valued at £241m. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the financial statements.	We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources. We tested the existence of the investment portfolio by agreeing the holdings for investments to an independent custodian confirmation from JP Morgan Chase Bank.
Refer to page 35 (Report of the Audit and Management Engagement Committee), pages 48 to 49 (Accounting Policies) and page 55 (note 10).	

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the types of investments within the company, the involvement of the Manager and Administrator, the accounting processes and controls, and the industry in which the company operates.

The Manager delegates certain accounting and administrative functions to State Street Bank and Trust Company (the "Administrator") on which they report to the Manager.

As part of our risk assessment, we assessed the control environment in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and reading the relevant control reports issued by the independent auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work. We then identified those key controls at the Administrator on which we could place reliance to provide audit evidence. We also assessed the gap period of six months between the period covered by the controls report and the year-end of the company. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements, including whether we needed to perform additional testing in respect of those key controls to support our substantive work. For the purposes of our audit, we determined that additional testing of controls in place at the Administrator was not required because additional substantive testing was performed.

Materiality

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and 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 materiality for the financial statements as a whole, as follows:

Overall materiality £2.3 million (2013: £2.2 million).
How we determined it 1% of net assets.
Rationale for benchmark applied We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £230,000 (2013: £220,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going Concern

Under the Listing Rules we are required to review the Directors' statement, set out on pages 25 to 26, in relation to going concern.

We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the company's 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 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.

Independent Auditors' Report
(continued)

OTHER REQUIRED REPORTING

Consistency of other information

■ Companies Act 2006 opinions

In our opinion:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

■ ISAs (UK & Ireland) reporting

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
  - otherwise misleading.

We have no exceptions to report arising from this responsibility.

- the statement given by the Directors on page 25, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), 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 is materially inconsistent with our knowledge of the company acquired in the course of performing our audit.

We have no exceptions to report arising from this responsibility.

- the section of the Annual Report on page 35, as required by provision C.3.8 of the Code, 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.

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

■ Directors' Remuneration Report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

■ Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

■ Corporate governance statement

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.

We have nothing to report having performed our review.

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 in Respect of Financial Statements set out on page 38, 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.

What an audit of financial statements involves

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.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in 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.

Alex Bertolotti (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
London
27 November 2014

Income Statement

Revenue notes	Capital notes	for the year ended 30 September	Revenue £'000s	Capital £'000s	2014 Total £'000s	Revenue £'000s	Capital £'000s	2013 Total £'000s
	10	Gains on investments and derivatives	–	125	125	–	25,281	25,281
	19	Foreign exchange gains/(losses)	8	(21)	(13)	(9)	(483)	(492)
3		Income	10,904	–	10,904	11,191	–	11,191
4	19	Management fee	(505)	(505)	(1,010)	(463)	(463)	(926)
5	19	Other expenses	(515)	(13)	(528)	(534)	(10)	(544)
		Net return before finance costs and taxation	9,892	(414)	9,478	10,185	24,325	34,510
6	19	Finance costs	(272)	(272)	(544)	(199)	(199)	(398)
		Net return on ordinary activities before taxation	9,620	(686)	8,934	9,986	24,126	34,112
7		Taxation on ordinary activities	(45)	–	(45)	(45)	–	(45)
19	19	**Net return attributable to shareholders**	9,575	(686)	8,889	9,941	24,126	34,067
8	8	**Return per share – pence**	10.56	(0.76)	9.80	11.26	27.32	38.58

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 2014	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 2013	22,346	95,614	4,146	4,434	88,915	9,253	224,708
	Movements during the year ended 30 September 2014							
9	Dividends paid	–	–	–	–	–	(8,842)	(8,842)
	Ordinary shares issued	631	6,001	–	–	–	–	6,632
	Net return attributable to shareholders	–	–	–	–	(686)	9,575	8,889
	Balance at 30 September 2014	22,977	101,615	4,146	4,434	88,229	9,986	231,387

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)
15	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

Balance Sheet

Notes	at 30 September	£'000s	2014 £'000s	£'000s	2013 £'000s
	Fixed assets				
10	Investments		**241,039**		232,570
	Current assets				
11	Debtors	**2,691**		4,472	
	Cash at bank and short-term deposits	**8,561**		8,183	
		11,252		12,655	
12	**Creditors: amounts falling due within one year**	**(904)**		(517)	
	Net current assets		**10,348**		12,138
	Total assets less current liabilities		**251,387**		244,708
	Creditors: amounts falling due after more than one year				
13	**Loans**		**(20,000)**		(20,000)
	Net assets		**231,387**		224,708
	Capital and reserves				
15	Share capital		**22,977**		22,346
16	Share premium account		**101,615**		95,614
17	Capital redemption reserve		**4,146**		4,146
18	Special reserve		**4,434**		4,434
19	Capital reserves		**88,229**		88,915
19	Revenue reserve		**9,986**		9,253
	Total shareholders' funds		**231,387**		224,708
20	**Net asset value per ordinary share – pence**		**251.76**		251.40

The Financial Statements were approved by the Board on 27 November 2014 and signed on its behalf by

Steven Bates, Chairman

Cash Flow Statement

Notes	for the year ended 30 September	£'000s	2014 £'000s	£'000s	2013 £'000s
	Operating activities				
	Investment income received	10,559		10,429	
	Interest received	22		26	
	Other revenue	35		19	
	Premium from option writing	274		261	
	Fee paid to management company	(1,004)		(885)	
	Fees paid to Directors	(122)		(110)	
	Other payments	(428)		(466)	
21	**Net cash inflow from operating activities**		9,336		9,274
	Servicing of finance				
	Interest paid	(544)		(404)	
	Net cash outflow from the servicing of finance		(544)		(404)
	Financial investment				
	Purchases of investments and derivatives	(83,922)		(55,917)	
	Sales of investments and derivatives	76,476		43,848	
	Other capital charges	(12)		(9)	
	Net cash outflow from financial investment		(7,458)		(12,078)
	Equity dividends paid		(8,842)		(8,210)
	Net cash outflow before use of liquid resources and financing		(7,508)		(11,418)
	Management of liquid resources				
22	Increase in short-term deposits		(290)		(2,650)
	Financing				
	Loans drawn	–		11,577	
	Shares issued	7,907		2,464	
	Net cash inflow from financing		7,907		14,041
22	**Net increase/(decrease) in cash**		109		(27)

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 2013. 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 pages 25 and 26, 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 2014.

The key assumptions and estimates used in preparing the financial statements are reviewed on an ongoing basis. The only estimates and assumptions that may cause material adjustment to the carrying values of assets and liabilities relate to Level 3, unquoted, investments, which are valued as per note 2(c)(i).

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 four interim 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

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) Share premium account (non-distributable reserve)

The following is accounted for in this reserve:

- proceeds of shares issued, net of the 25p nominal value of the shares and after deducting any associated costs of issuance.

(ix) Capital redemption reserve (non-distributable 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.

(x) Special reserve (distributable 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.

(xi) Capital reserves (distributable 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

	2014 £'000s	2013 £'000s
Income from investments		
UK dividends	9,783	10,189
Bond interest	331	334
Overseas dividends	460	362
	10,574	10,885
Interest on cash and short-term deposits	21	26
Underwriting commission	35	19
Derivative income	274	261
	330	306
Total income	10,904	11,191
Total income comprises		
Dividends	10,243	10,551
Other income	661	640
	10,904	11,191
Income from investments		
Quoted UK	10,114	10,523
Quoted overseas	460	362
	10,574	10,885

As at 30 September 2014 there were no outstanding underwriting contracts (2013: 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

	2014 £'000s	2013 £'000s
Allocated to revenue account	505	463
Allocated to capital account (see note 19)	505	463
Total management fee	1,010	926

The Manager, F&C Management Limited until 21 July 2014 and thereafter F&C Investment Business Limited, a fellow subsidiary of the F&C Asset Management Group, 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

	2014 £'000s	2013 £'000s
Auditors' remuneration:		
– for audit services[1]	32	32
– for other services[2]	6	7
Directors' fees for services to the Company[3]	122	110
Directors' and Officers' liability insurance	7	8
Loan commitment fee	61	55
Marketing	100	41
Professional fees	30	19
Printing and postage	43	43
Registrars' fees	34	27
Savings plan expenses[4]	–	130
Subscriptions and listing fees	47	38
Sundry expenses	33	24
	515	534

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

1. Total Auditors' remuneration for audit services, exclusive of VAT amounts to £27,000 (2013: £26,300).
2. Total Auditors' remuneration for other services exclusive of VAT amounts to £13,000 (2013: £11,000) of which £5,000 is recognised in the revenue account, for taxation compliance services (2013: £5,000), and £8,000 in the capital account for other services in connection with the liquidation of F&C Income Growth Investment Trust plc ("FIGIT") (2013: £6,000).
3. See the Directors' Remuneration Report on page 33.
4. Savings plan expenses are no longer incurred by the Company.

6. FINANCE COSTS

	2014 £'000s	2013 £'000s
Allocated to revenue account	272	199
Allocated to capital account (see note 19)	272	199
Total finance cost	544	398

Note 13 provides further details on the Company's borrowings.

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the year

	Revenue £'000s	Capital £'000s	2014 Total £'000s	Revenue £'000s	Capital £'000s	2013 Total £'000s
Overseas taxation	45	–	45	45	–	45
Current tax charge on ordinary activities (see note 7(b))	45	–	45	45	–	45

The tax assessed for the year is lower (2013: lower) than the standard rate of corporation tax in the UK (22.0%) (2013: 23.5%). Factors affecting the taxation change are set out below.

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

	Revenue £'000s	Capital £'000s	2014 Total £'000s	Revenue £'000s	Capital £'000s	2013 Total £'000s
Return on ordinary activities before tax	9,620	(686)	8,934	9,986	24,126	34,112
Return on ordinary activities multiplied by the effective rate of corporation tax of 22.0% (2013: 23.5%)	2,116	(151)	1,965	2,347	5,670	8,017
Effects of:						
UK dividends*	(2,152)	–	(2,152)	(2,394)	–	(2,394)
Overseas dividends*	(101)	–	(101)	(85)	–	(85)
Expenses not utilised in the year	130	171	301	112	156	268
Expenses not deductible for tax purposes	7	3	10	20	2	22
Overseas taxation not relieved	45	–	45	45	–	45
Capital returns*	–	(23)	(23)	–	(5,828)	(5,828)
Total current taxation (see note 7(a))	45	–	45	45	–	45

* 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 2014 (2013: £2.7 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 10.56p (2013: 11.26p) is based on the revenue return attributable to shareholders of £9,575,000 profit (2013: £9,941,000 profit).

Capital return

The capital return per share of (0.76)p (2013: 27.32p) is based on the capital return attributable to shareholders of £686,000 loss (2013: £24,126,000 profit).

Total return

The total return per share of 9.80p (2013: 38.58p) is based on the total return attributable to shareholders of £8,889,000 profit (2013: £34,067,000 profit).

Weighted average ordinary shares in issue

Both the revenue and capital returns per share are based on the weighted average of 90,639,610 (2013: 88,294,679) ordinary shares in issue during the year.

Notes on the Accounts (continued)

9. DIVIDENDS

Dividends on ordinary shares	Register date	Payment date	2014 £'000s	2013 £'000s
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
Fourth of four interims for the year ended 30 September 2013 of 3.00p per share	06 Dec 13	31 Dec 13	2,686	–
First of four interims for the year ending 30 September 2014 of 2.25p per share	28 Feb 14	31 Mar 14	2,031	–
Second of four interims for the year ending 30 September 2014 of 2.25p per share	06 Jun 14	30 Jun 14	2,057	–
Third of four interims for the year ended 30 September 2014 of 2.25p per share	05 Sep 14	30 Sep 14	2,068	–
			8,842	8,210

The Directors have declared a fourth interim dividend in respect of the year ended 30 September 2014 of 3.10 pence per share, payable on 31 December 2014 to all shareholders on the register at close of business on 12 December 2014. 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 2014, which form the basis of the retention test for section 1159 of the Corporation Tax Act 2010, are set out below:

	2014 £'000s
Net revenue return attributable to shareholders	9,575
First of four interims for the year ending 30 September 2014 of 2.25p per share	(2,031)
Second of four interims for the year ended 30 September 2014 of 2.25p per share	(2,057)
Third of four interims for the year ended 30 September 2014 of 2.25p per share	(2,068)
Fourth interim dividend for the year ended 30 September 2014 of 3.10p pence per share[(1)]	(2,872)
Transferred to revenue reserve	547

1. Based on 92,659,268 shares in issue and entitled to dividend at 26 November 2014.

10. INVESTMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

	Level 1* £'000s	Level 2* £'000s	Level 3* £'000s	2014 Total £'000s	Level 1* £'000s	Level 2* £'000s	Level 3* £'000s	2013 Total £'000s
Cost brought forward	179,053	–	1,795	180,848	160,646	–	1,795	162,441
Gains/(losses) brought forward	53,517	–	(1,795)	51,722	36,524	–	(1,653)	34,871
Valuation of investments and derivatives brought forward	232,570	–	–	232,570	197,170	–	142	197,312
Purchases at cost	84,337	–	–	84,337	55,985	–	–	55,985
Sales proceeds	(75,993)	–	–	(75,993)	(46,008)	–	–	(46,008)
(Losses) on derivatives sold in year	(196)	–	–	(196)	(69)	–	–	(69)
Gains on investments sold in year	9,782	–	–	9,782	8,501	–	–	8,501
(Losses)/gains on investments held at year end	(9,461)	–	–	(9,461)	16,991	–	(142)	16,849
Valuation of investments and derivatives carried forward	241,039	–	–	241,039	232,570	–	–	232,570
Cost at 30 September	196,983	–	1,795	198,778	179,053	–	1,795	180,848
Gains/(losses) at 30 September	44,056	–	(1,795)	42,261	53,517	–	(1,795)	51,722
Valuation of investments and derivatives at 30 September	241,039	–	–	241,039	232,570	–	–	232,570

*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 20 and 21.

Valuation of investments and derivatives	2014 £'000s	2013 £'000s
Valuation of investments at 30 September	241,039	232,570
Valuation of derivatives at 30 September	–	–
Total valuation of investments and derivatives at 30 September	241,039	232,570

Gains/(losses) on investments and derivatives held at fair value	2014 £'000s	2013 £'000s
Gains on investments sold in year	9,782	8,501
(Losses)/gains on investments held at year end	(9,461)	16,849
(Losses) on derivatives sold in year	(196)	(69)
Total gains on investments and derivatives	125	25,281

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 (2013: £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

	2014 £'000s	2013 £'000s
Prepayments and accrued income	**845**	962
Investment debtors	**1,737**	2,220
Share issue proceeds due	**-**	1,275
Overseas taxation recoverable	**109**	15
	2,691	4,472

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000s	2013 £'000s
Investment creditors	**541**	245
Management fee	**251**	140
Accruals	**112**	132
	904	517

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2014 £'000s	2013 £'000s
Sterling loans	**20,000**	20,000

The company has a four year unsecured credit facility. There are two elements to the facility: a £20 million fixed rate facility which is fully drawn and a £15 million floating facility which has not been drawn. The interest rates are at commercial rates.

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

%	UK	Europe ex UK	2014 Total	2013 Total
Equity investments				
Financials	32.7	–	**32.7**	32.2
Oil & Gas	11.0	2.3	**13.3**	14.0
Industrials	15.7	–	**15.7**	13.9
Consumer Services	10.6	–	**10.6**	10.3
Consumer Goods	8.5	2.3	**10.8**	8.0
Healthcare	7.4	–	**7.4**	7.6
Telecommunications	3.3	–	**3.3**	6.9
Basic Materials	5.6	–	**5.6**	4.9
Utilities	2.4	–	**2.4**	2.4
Technology	1.1	0.7	**1.8**	1.3
Fixed interest investments (convertibles)				
Basic materials	0.4	0.1	**0.5**	0.9
Utilities	–	–	**–**	1.1
Total investments	98.7	5.4	**104.1**	103.5
Net liabilities	(4.5)	0.4	**(4.1)**	(3.5)
Net assets	**94.2**	**5.8**	**100.0**	
2013 totals	94.2	5.8		100.0

15. SHARE CAPITAL

	2014 Issued and fully paid number	2014 Issued and fully paid £'000s	2013 Issued and fully paid number	2013 Issued and fully paid £'000s
Ordinary shares of 25 pence each				
Balance brought forward	89,384,268	22,346	87,884,268	21,971
Ordinary shares issued	2,525,000	631	1,500,000	375
Balance at 30 September	91,909,268	22,977	89,384,268	22,346

Since 30 September a further 750,000 ordinary shares have been issued at an averaged price of 253.7 pence per share.

16. SHARE PREMIUM ACCOUNT

	2014 £'000s	2013 £'000s
Balance brought forward	95,614	92,250
Premium on issue of shares	6,001	3,364
Balance carried forward	101,615	95,614

17. CAPITAL REDEMPTION RESERVE

	2014 £'000s	2013 £'000s
Balance brought forward and carried forward	4,146	4,146

18. SPECIAL RESERVE

	2014 £'000s	2013 £'000s
Balance brought forward and carried forward	4,434	4,434

19. 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	9,782	–	9,782	–
Losses on investments held at year end	–	(9,461)	(9,461)	–
Losses on derivatives sold in year	(196)	–	(196)	–
Foreign exchange losses	(21)	–	(21)	–
Management fees (see note 4)	(505)	–	(505)	–
Interest expense (see note 6)	(272)	–	(272)	–
Other expenses	(13)	–	(13)	–
Revenue return	–	–	–	9,575
Return attributable to shareholders	8,775	(9,461)	(686)	9,575
Dividends paid	–	–	–	(8,842)
Balance at 30 September 2013	37,195	51,720	88,915	9,253
Balance at 30 September 2014	**45,970**	**42,259**	**88,229**	**9,986**

Included within the capital reserve movement for the year are £288,000 of transaction costs on purchase of investments (2013: £167,000) and £67,000 of transaction costs on sales of investments (2013: £236,000).

There were £2,089,000 of dividends recognised as capital (2013: £60,000).

Notes on the Accounts (continued)

20. NET ASSET VALUE PER ORDINARY SHARE

Net asset value ("NAV") per ordinary share is based on total net assets of £231,387,000 (2013: £224,708,000) and on 91,909,268 (2013: 89,384,268) ordinary shares in issue at the year end.

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

	2014 £'000s	2013 £'000s
Net return before finance costs and taxation	9,478	34,510
Adjust for returns from non–operating activities:		
– Gains on investments and derivatives	(125)	(25,281)
– Exchange losses of a capital nature	21	483
Non-operating expenses of a capital nature	13	10
Return from operating activities	9,387	9,722
Adjust for non-cash flow items:		
– Exchange gains and losses of a revenue nature	(8)	9
– Decrease/(increase) in debtors	128	(412)
– Decrease in creditors	(22)	–
– Overseas taxation	(149)	(45)
Net cash inflow from operating activities	9,336	9,274

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

	2014 £'000s	2013 £'000s
Increase/(decrease) in cash	109	(27)
Increase in short-term deposits	290	2,650
(Increase) in loans	-	(11,577)
Change in net debt resulting from cash flows	399	(8,954)
Exchange movement on currency balances	(21)	(483)
Movement in net debt during the year	378	(9,437)
Balance at 30 September 2013	(11,817)	(2,380)
Balance at 30 September 2014	(11,439)	(11,817)

Represented by:	Balance at 30 September 2013 £'000s	Cash flow £'000s	Foreign exchange movement £'000s	Balance at 30 September 2014 £'000s
Cash	73	109	(21)	161
Short term deposits	8,110	290	-	8,400
	8,183	399	(21)	8,561
Loans	(20,000)	-	-	(20,000)
	(11,817)	399	(21)	(11,439)

23. FINANCIAL RISK MANAGEMENT

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

The Company's investment objective is to secure long-term capital and income growth from a portfolio consisting mainly of FTSE All-Share companies. The Company can also have exposure to leading overseas companies, with the value of the non-UK portfolio not exceeding 10% of the Company's gross assets. In pursuing this objective, the Company is exposed to financial risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit. The Board, together with the Manager, is responsible for the Company's risk management, as set out in detail in the 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 2014 amounted to £nil (30 September 2013 – £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.

Notes on the Accounts (continued)

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency exposure

The principal foreign currency to which the Company was exposed during the year was the euro. As stated above, the exposure to 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

	2014 At 30 September	2014 Average for the year	2013 At 30 September	2013 Average for the year
Euro	**1.283**	**1.225**	1.196	1.187

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	**2014 £'000s**	2013 £'000s
Net revenue return attributable to shareholders	**29**	99
Net capital return attributable to shareholders	**1,473**	1,452
Net total return attributable to shareholders	**1,502**	1,551
NAV per share – pence	**1.63**	1.73

Strengthening of sterling by 10% against the euro	**2014 £'000s**	2013 £'000s
Net revenue return attributable to shareholders	**(54)**	7
Net capital return attributable to shareholders	**(1,205)**	(1,188)
Net total return attributable to shareholders	**(1,259)**	(1,181)
NAV per share – pence	**(1.37)**	(1.32)

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:

2014	**Short-term debtors £'000s**	**Cash at bank £'000s**	**Short-term creditors – other £'000s**	**Long-term creditors – loans £'000s**	**Net monetary assets/ (liabilities) £'000s**	**Investments £'000s**	**Net exposure £'000s**
Sterling	1,911	8,509	(904)	(20,000)	**(10,484)**	228,618	**218,134**
Other	780	52	–	–	**832**	12,421	**13,253**
Total	**2,691**	**8,561**	**(904)**	**(20,000)**	**(9,652)**	**241,039**	**231,387**

2013	Short-term debtors £'000s	Cash at bank £'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

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate exposure

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

			2014			2013
	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	8,561	-	8,561	8,183	–	8,183
Exposure to fixed rates						
– Fixed interest securities	-	1,118	1,118	–	4,514	4,514
– Loans	-	(20,000)	(20,000)	–	(20,000)	(20,000)
Net exposure	8,561	(18,882)	(10,321)	8,183	(15,486)	(7,303)
Minimum net exposure during the year			(2,651)			1,146
Maximum net exposure during the year			(13,899)			(12,727)

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:

			2014			2013
	£'000s	Weighted average interest rate	Average duration until maturity	£'000s	Weighted average interest rate	Average duration until maturity
Fixed interest securities	1,118	-	1.4 years	4,514	4.99%	2.3 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:

		2014		2013
	Increase in rate £'000s	Decrease in rate £'000s	Increase in rate £'000s	Decrease in rate £'000s
Revenue return	171	(171)	164	(164)
Capital return	-	-	–	–
Total return	171	(171)	164	(164)
NAV per share – pence	0.19	(0.19)	0.18	(0.18)

Notes on the Accounts (continued)

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Other market risk exposures

The portfolio of investments, valued at £241,039,000 at 30 September 2014 (2013: £232,570,000) is exposed to market price changes. The Manager assesses these exposures at the time of making each investment decision. The Board reviews overall exposures at each meeting against indices and other relevant information. An analysis of the portfolio by country and major industrial sector is set out in note 14 on the accounts. Derivative contracts entered into during the year comprise options written in the expectation that they will not be exercised.

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:

	2014		2013	
	Increase in value £'000s	**Decrease in value £'000s**	Increase in value £'000s	Decrease in value £'000s
Capital return	**48,208**	**(48,208)**	46,514	(46,514)
NAV per share – pence	**52.45**	**(52.45)**	52.04	(52.04)

(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 (80 at 30 September 2014 and 81 at 30 September 2013); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio (see note 14); and the existence of an ongoing loan 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:

2014	**Three months or less £'000s**	**More than three months but less than one year £'000s**	**More than one year £'000s**	**Total £'000s**
Current liabilities – other	**904**	**–**	**–**	**904**
Long-term liabilities – loans	**–**	**–**	**20,000**	**20,000**
	904	**–**	**20,000**	**20,904**

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 – other	517	–	–	517
Long-term liabilities – loans	–	–	20,000	20,000
	517	–	20,000	20,517

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk and counterparty exposure

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

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

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

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

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

Current liabilities	**Balance sheet £'000s**	**2014 Maximum exposure £'000s**	Balance sheet £'000s	2013 Maximum exposure £'000s
Derivative financial instruments	**–**	**5,208**	–	2,500

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 15 on the accounts. Dividend payments are set out in note 9 on the accounts. Details of loans are set out in note 13 on the accounts.

24. RELATED PARTY TRANSACTIONS

The following are considered related parties: the Board of Directors (the "Board") and the Manager (F&C Management Limited to 21 July 2014 and F&C Investment Business Limited from 22 July 2014). 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 the Manager are detailed in note 4 on management fees and the outstanding balance is detailed in note 12.

Notes on the Accounts (continued)

25. ALTERNATIVE INVESTMENT FUND MANAGERS ('AIFM') DIRECTIVE

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, F&C Investment Business Limited, is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy is available from F&C Investment Business Limited on request and the numerical remuneration disclosures in relation to the AIFM's first relevant accounting period (year ended 30 September 2015) will be made available in due course.

The Company's maximum and average actual leverage levels at 30 September 2014 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	200%	200%
Actual	104%	108%

The leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Association. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

26. POST BALANCE SHEET MOVEMENTS IN NET ASSETS

The NAV per share as at close of business on 25 November 2014 was 257.00 pence (30 September 2014: 251.76 pence).

Ten Year Record

Assets

at 30 September (£'000s)	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total assets	91,509	187,846	208,755	214,131	158,201	180,684	191,427	182,290	203,079	244,708	**251,387**
Loans	6,000	8,500	8,000	10,000	–	14,000	14,000	15,000	7,967	20,000	**20,000**
Net assets	85,509	179,346	200,755	204,131	158,201	166,684	177,427	167,290	195,112	224,708	**231,387**

Net asset value ("NAV")

at 30 September	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014
NAV per share – pence	180.2	220.4	249.0	258.8	200.4	199.3	207.9	195.0	222.0	251.4	**251.8**
NAV total return on 100p – 5 years (per Datastream)											**154.4**
NAV total return on 100p – 10 years (per Datastream)											**204.1**

Share price

at 30 September	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014
Middle market price per share – pence	173.5	211.3	233.5	243.3	196.5	199	214.3	206	225.5	252.5	**258.0**
Discount/(premium) to NAV – %	3.7	4.2	6.2	6.0	2.0	0.1	(3.1)	(5.2)	(1.6)	(0.4)	**(2.5)**
Share price high – pence	177.0	211.3	240.0	258.0	249.0	202.5	221.3	232.0	227.0	269.0	**271.8**
Share price low – pence	155.5	174.0	196.0	222.5	188.5	140.0	181.0	199.0	195.0	222.8	**248.0**
Share price total return on 100p – 5 years (per Datastream)											**158.1**
Share price total return on 100p – 10 years (per Datastream)											**217.5**

Revenue

for the year ended 30 September	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014
Available for ordinary shares (£'000s)	2,597	4,046	5,879	6,604	7,608	7,210	6,755	8,341	8,715	9,941	**9,575**
Earnings per share – pence	5.38	6.56	7.25	8.25	9.69	8.85	8.02	9.75	10.01	11.26	**10.56**
Dividends per share – pence	5.45	5.80	6.50	7.40	8.40†	8.65†	8.45	8.65	9.00	9.45	**9.85**

Performance

(rebased to 100 at 30 September 2004)

	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014
NAV per share	100.0	122.3	138.2	143.6	111.2	110.6	115.4	108.2	123.2	139.5	**139.7**
Middle market price per share	100.0	121.8	134.6	140.2	113.3	114.7	123.5	118.7	130.0	145.5	**148.7**
Earnings per share	100.0	121.9	134.8	153.3	180.1	164.5	149.1	181.2	186.1	209.3	**196.3**
Dividends per share	100.0	106.4	119.3	135.8	154.1	158.7	155.0	158.7	165.1	173.4	**180.7**
FTSE All-Share Index	100.0	120.9	134.3	146.0	109.3	116.0	126.2	116.8	132.0	151.6	**155.6**
RPI	100.0	102.7	106.4	110.6	116.1	114.5	119.8	126.5	129.8	133.9	**136.9**

Cost of running the Company (Ongoing charges/TER)

for the year ended 30 September	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expressed as a percentage of average net assets:											
Ongoing charges#	0.74	0.69	0.74	0.73	0.70	0.88	0.88	0.82	0.80	0.62	**0.66**

Prior to 2011 calculated as TER

Gearing

at 30 September	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net gearing %	6.23	2.94	1.81	4.74	0.24	7.60	7.05	9.08	1.22	3.81	**4.43**

* Restated to reflect changes in accounting policies.

† Includes special dividends of 0.40p in 2008 and 2009.

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 11 February 2015 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 2014.
2. To approve the Directors' Annual Report on Remuneration.
3. To elect Tim Scholefield as a Director.
4. To re-elect Steven Bates as a Director.
5. To re-elect John Emly 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 £2,311,000 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 2016 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.

Special business

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 £2,311,000, 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:

(a) the maximum number of ordinary shares hereby authorised to be purchased shall be 13,868,800;

(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 Investment Business Limited
Secretary
27 November 2014

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 9 February 2015 (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

Notice of Annual General Meeting
(continued)

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 2014, 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 2014, the latest practicable date prior to publication of this document, the Company had 92,459,268 ordinary shares in issue with a total of 92,459,268 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 2014 will be paid on 31 December 2014 to holders of ordinary shares on the register at the close of business on 5 December 2014.

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 £11,000 in the tax year ending 5 April 2015 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 2014. 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
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PREMIUM

Warning to shareholders – Beware of Share Fraud.

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

If you receive unsolicited investment advice or requests:

- Check the Financial Services Register from www.fca.org.uk to see if the person or firm contacting you is authorised by the FCA
- Call the Financial Conduct Authority ('FCA') on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms to avoid at www.fca.org.uk/scams
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme
- Think about getting independent financial and professional advice

If you are approached by fraudsters please tell the FCA by using the share fraud reporting form at www.fca.org.uk/scams where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768. If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

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 £15,000 for the 2014/15 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 £4,000 for birthdays in the 2014/15 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 £4,000 for the 2014/15 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

PIP: £40+VAT

JISA/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

BMO A part of BMO Financial Group

F&C Investment Business Limited is authorised and regulated by the Financial Conduct Authority FRN: 119230 and is a member of the F&C Group.
The ultimate parent company of the F&C Group is the Bank of Montreal.

Glossary of Terms

AAF – Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales.

AIC – Association of Investment Companies, the trade body for Closed-end Investment Companies.

AIFMD – Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires that all investment vehicles (AIFs) in the European Union, including Investment Trusts, must appoint a Depositary and an Alternative Investment Fund Manager (AIFM). The Board of Directors of an Investment Trust, nevertheless, will remain fully responsible for all aspects of the Company's strategy, operations and compliance with regulations. The Company's AIFM is F&C Investment Business Limited

Benchmark – the FTSE All-Share (Total Return) Index is the benchmark against which the increase or decrease in the Company's net asset value is measured. The Index averages the performance of a defined selection of companies listed on the London Stock Exchange and gives an indication of how the market has performed in any period. As the investments within this Index are not identical to those held by the Company, the Index does not take account of operating costs and the Company's strategy does not include replicating (tracking) this Index, there is likely to be some level of divergence between the performance of the Company and the Index.

Closed-end company – a company, including an Investment Company, with a fixed issued ordinary share capital which is traded on an exchange at a price not necessarily related to the net asset value of the company. The shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open-ended company or Fund, which has units not traded on an exchange but issued or bought back from investors at a price directly related to net asset value.

Cum-dividend – shares are classified as cum-dividend when the buyer of a security is entitled to receive a dividend that has been declared, but not paid. Shares which are not cum-dividend are described as ex-dividend.

Custodian – A specialised financial institution responsible for safeguarding, worldwide, the listed securities and certain cash assets of the Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services. The Company's Custodian is JP Morgan Chase Bank.

Depositary – under AIFMD rules applying from July 2014, the Company must appoint a Depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. Under AIFMD regulations, the depositary has strict liability for the loss of the Company's financial assets in respect of which it has safe-keeping duties. The depositary's oversight duties will include but are not limited to oversight of share buy backs, dividend payments and adherence to investment limits. The Company's Depositary is JPMorgan Europe Limited.

Derivative – a contract between two or more parties, the value of which fluctuates in accordance with the value of an underlying security. The contract is usually short-term (for less than one year). Examples of derivatives are Put and Call Options, Swap contracts, Futures and Contracts for Difference. A derivative can be an asset or a liability and is a form of gearing because the fluctuations in its value are usually greater than the fluctuations in the underlying security's value.

Discount/Premium – the share price of an Investment Trust is derived from buyers and sellers trading their shares on the stock market. This price is not identical to the net asset value (NAV) per share of the underlying assets less liabilities of the Company. If the share price is lower than the NAV per share, the shares are trading at a discount. This usually indicates that there are more sellers of shares than buyers. Shares trading at a price above NAV per share are deemed to be at a premium. The Board of the Company tries to ensure that the shares trade in normal market conditions at approximately the value of the net assets by means of issuing shares when the shares trade at a premium to the NAV per share or buying shares from sellers when the shares trade at a discount to NAV per share and cancelling them.

Distributable Reserves – Reserves distributable by way of dividend or for the purpose of buying back ordinary share capital (see notes 2(c), 18 and 19). Company Law requires that Share Capital, the Share Premium Account and the Capital Redemption Reserve may not be distributed. All dividend payments are currently made out of Revenue Reserve however there is provision within the company's articles to pay distributions out of Its capital profits. The cost of any share buybacks is deducted from Capital Reserves.

Dividend Dates – Reference is made in announcements of dividends to three dates. The "record" date is the date after which buyers of the shares will not be recorded on the shareholders' register as qualifying for the pending dividend payment. The "payment" date is the date that dividends are credited to shareholders' bank accounts. This may be several weeks or even months after the record date. The "ex-dividend" date is normally the second business day prior to the record date.

GAAP – Generally Accepted Accounting Practice. This includes UK GAAP and International GAAP (IFRS or International Financial Reporting Standards applicable in the European Union).

Glossary of Terms (continued)

Gearing – this is the ratio of the borrowings of the Company to its net assets. Borrowings have a "prior charge" over the assets of a company, ranking before ordinary shareholders in their entitlement to capital and/or income. They include: preference shares; debentures; overdrafts and short and long-term loans from banks; and derivative contracts at Balance Sheet values. If the Company has cash assets, these may be assumed either to net off against borrowings, giving a "net" or "effective" gearing percentage, or to be used to buy investments, giving a "gross" or "fully invested" gearing figure. Where cash assets exceed borrowings, the Company is described as having "net cash". The Company's maximum permitted level of gearing is set by the Board and is described within the Strategic Report and Directors' Report.

Investment Company (Section 833) – UK Company Law allows an Investment Company to make dividend distributions out of realised distributable reserves, even in circumstances where it has made Capital losses in any year (see note 2(b), provided the Company's assets remaining after payment of the dividend exceed 150% of the liabilities. An Investment Company is defined as investing its funds in shares, land or other assets with the aim of spreading investment risk.

Investment Trust taxation status (Section 1158) – UK Corporation Tax law allows an Investment Company (referred to in Tax law as an Investment Trust) to be exempted from tax on its profits realised on investment transactions, provided it complies with certain rules. These are similar to Section 833 Company law rules but further require that the Company must be listed on a regulated stock exchange and that it cannot retain more than 15% of income received (set out in note 3 on the accounts). The Directors Report contains confirmation of the Company's compliance with this law and its consequent exemption from taxation on capital gains.

Leverage – as defined under AIFMD rules, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded In derivative positions. Leverage is broadly equivalent to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

Manager (AIFM) – F&C Investment Business Limited (FCIB), a subsidiary of the F&C Asset Management Group, itself wholly-owned by the BMO Financial Group (BMO). Prior to July 2014, the Manager was F&C Management Limited (FCM), a fellow subsidiary of the BMO Financial Group. The responsibilities and remuneration of FCIB are unchanged from those of FCM and are set out in the Business Model, Directors Report and note 4 on the accounts.

Market capitalisation – the stock market quoted price of the Company's shares, multiplied by the number of shares in issue. If the Company's shares trade at a discount to NAV per share, the market capitalisation will be lower than the Net asset value.

Net asset value (NAV) – the assets less the liabilities of the Company, as set out on the Balance Sheet, all valued in accordance with the Company's Accounting Policies (see note 2) and UK Accounting Standards. The net assets correspond to Total Shareholders' Funds, which comprise the share capital account, capital redemption reserve, share premium account, special reserve and capital and revenue reserves.

Non-executive Director – a Director who has a contract for services, rather than a contract of employment, with the Company. The Company does not have any executive directors. Non-executive Directors' remuneration is described in detail in the Remuneration Report. The duties of the Directors, who govern the Company through the auspices of a Board and Committees of the Board, are set out in the Corporate Governance Statement.

Ongoing Charges – all operating costs expected to be incurred in future and that are payable by the Company or suffered within underlying investee funds, expressed as a proportion of the average net assets of the Company over the reporting year (see Ten Year Record). The costs of buying and selling investments and derivatives are excluded, as are interest costs, taxation, non-recurring costs and the costs of buying back or issuing ordinary shares.

SSAE – Statement on Standards for Attestation Engagements issued by the American Institute of Certified Public Accountants.

SORP – Statement of Recommended Practice. The accounts of the Company are drawn up in accordance with the Investment Trust SORP, issued by the AIC, as described in note 2.

Total expense ratio (TER) – an alternative measure of expenses to Ongoing Charges. It comprises all operating costs incurred in the reporting period by the Company, calculated as a percentage of the average net assets in that year (see Ten Year Record). Operating costs exclude costs suffered within underlying investee funds, costs of buying and selling investments and derivatives, interest costs, taxation and the costs of buying back or issuing ordinary shares.

Total return – the return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV per share in the period. The dividends are assumed to have been re-invested in the form of shares or net assets, respectively, on the date on which the shares were quoted ex-dividend.

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