F&C Capital and Income Investment Trust PLC

Report and Accounts

2015

Contents

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

Objective

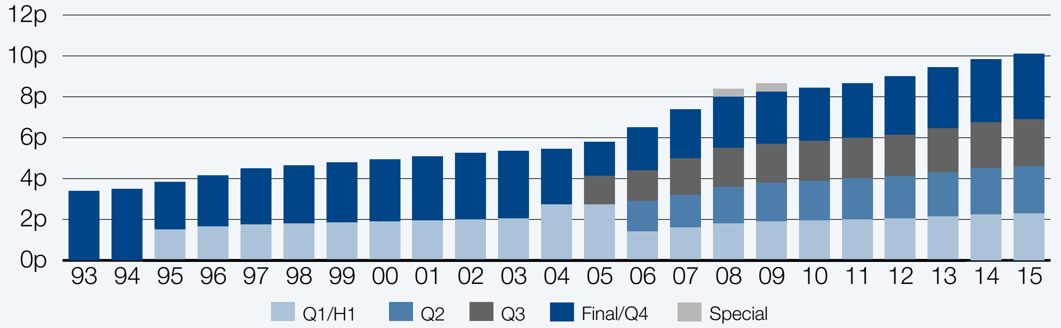
Our objective at F&C Capital and Income Investment Trust PLC is to secure long-term capital and income growth from a portfolio consisting mainly of FTSE All-Share companies.

So we:

- Target long-term capital and income growth
- Hold a diversified portfolio focusing on well-established UK companies
- Make quarterly dividend payments

Our dividends per share have increased annually since launch (with growth significantly faster than inflation)

1993 to 2015



Source: F&C

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

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

Registered in England and Wales with company registration number 02732011.

Financial Highlights

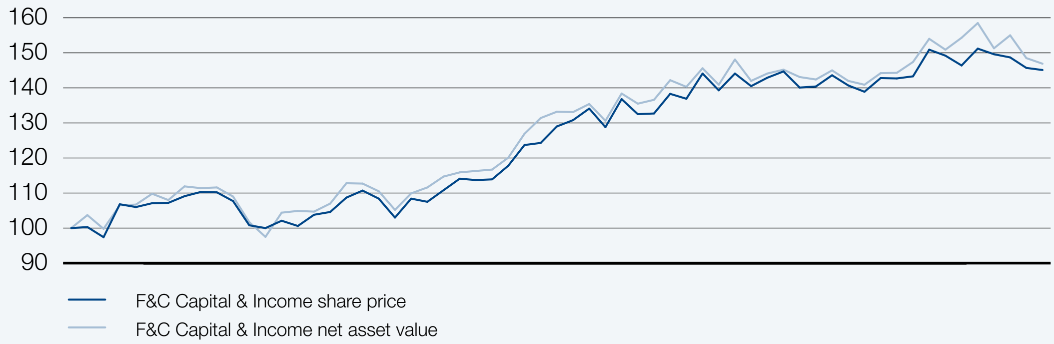
Summary of results

Attributable to shareholders	**30 Sep 2015**	30 Sep 2014	% Change
Net asset value total return	**3.5%**	3.8%	n/a
Share price total return	**3.1%**	6.0%	n/a
Benchmark* total return	**(2.3)%**	6.1%	n/a
Net asset value per share	**250.51p**	251.76p	(0.5)
Revenue return per share	**10.10p**	10.56p	(4.4)
Dividends per share	**10.10p**	9.85p	+2.5
Share price	**256.00p**	258.00p	(0.8)
Net assets £'000s	**236,876**	231,387	+2.4

*FTSE All-Share Index

Total return over five years – 2010 to 2015

Rebased to 100 at September 2010



Source: Datastream

Chairman's Statement

Dear Shareholder

Looking back at last year's annual report, it seems we thought 2014 had been tumultuous. As we looked ahead, we thought the prospects for the current year were moderately attractive but likely to be characterised by greater volatility than we had been used to. In the event, markets had to deal with a collapse in commodity prices, a rapidly slowing Chinese economy, another Greek crisis, a strong dollar and relatively weak corporate earnings. At home a surprise election result and a better economic performance than expected provided anchors. Nevertheless, it was the global backdrop which dominated, with equity markets failing to make any headway. That most developed markets only fell quite modestly is testament to the continuing power of unorthodox monetary policy to trump the real world.

As you will see from Julian Cane's manager's report, which follows on page 12, it has been a year of two halves. Having started on a quite a cheerful note, markets began to go wrong during the summer. Against a backdrop of uncertainty about when the Federal Reserve (Fed) in the US would begin to raise interest rates, the Chinese economy hit the skids. This matters globally in a way that it never has in the past. The Chinese economy is now the second largest in the world (and on some measures ranks pari passu with the US) and is a good six times the size of our own. The slowdown there has its genesis in the attempt by the authorities to shift the economy towards more consumer oriented activity and away from the old export model, which has led to a large amount of inefficient over-investment. This was compounded by a full scale stock market rout and then a series of clumsy official interventions in the attempt to stabilize matters. In the end, with a partial retreat from the reforms which the economy needs and an opening of the credit spigot, things calmed down. By then though, the damage had been done, especially in commodity markets, which are heavily represented in the UK market.

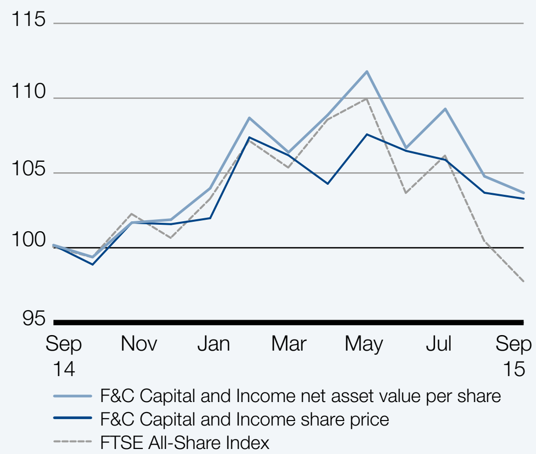
Closer to home, we are experiencing what in a previous era was termed 'profitless prosperity'. The economy is robust by the standards of the world post the financial crisis, but inflation is non-existent and profits are surprisingly anaemic. Despite low unemployment there are very few signs of any overheating outside the housing market, which occupies a very strange place in the UK psyche. The Bank of England has continued to make dovish noises about interest rates and is clearly concerned about the resilience of the global economy. It looks as if the UK will break step with the US, where the Fed is much more inclined to trigger an interest rate 'lift-off'.

Performance

This year, the net asset value ("**NAV**") per share on a total return basis rose by 3.5%. The FTSE All-Share Index, our primary benchmark, fell by 2.3%, giving shareholders a handsome relative return, even if the absolute number is modest. The share price total return was 3.1%. As I have said before, however gratifying, the shorter term numbers for a Company like yours need to be treated as noise rather than a clear signal. Your Board looks much more intently at the longer term data and these are encouraging. Over three years, the NAV total return is up by 26.6% while the index is up by 23.3% and over five years, it is up 46.5% with the index trailing with a gain of 38.2%. In each period, the share price has also done better than the benchmark, more or less mirroring the NAV return.

Total return over one year

Q3 2014 to Q3 2015
Rebased to 100 at 30 September 2014

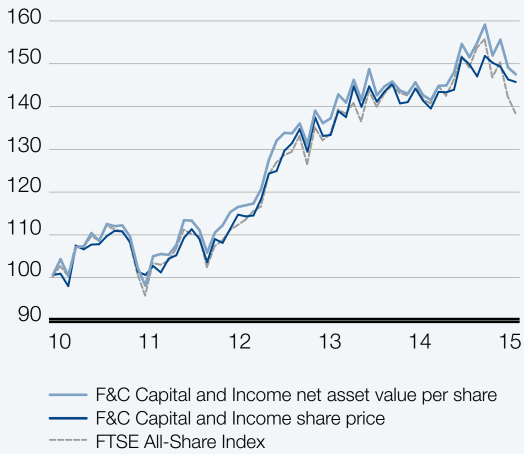


Source: Datastream and F&C

Chairman's Statement (continued)

Total return over five years

Q3 2010 to Q3 2015
Rebased to 100 at 30 September 2010



Source: Datastream and F&C

The portfolio has employed less risk than the market to achieve this result, and also generates a higher yield, which can sometimes prove a headwind on the capital account. In sum, your Board believes these results are very satisfactory.

At the end of the year, the Company had gearing of 10.3% or £23 million, which contributed modestly to total return. In fact, the interest cost of this loan is 2.725% per annum, which means that its deployment into assets which themselves yield more than this, helps to increase the income account. There remains an undrawn part of the facility of £10 million which is available to Julian should he feel that markets offer exceptional value.

Julian comments in detail on where the returns have come from, but I would just highlight that a number of key stock and sector decisions went well. In particular, an underweight position in the mining sector was positive in itself, but within the sector, the portfolio held the more attractive businesses and in the financial service sector very good stock selection combined with an overweight position produced large net gains. Of course, not everything went well, with Raven Russia suffering from emerging markets malaise and Interior Services having contractual difficulties, but on balance, the positives outweighed the negatives.

Income Account

The revenue return per share was 10.1 pence per share, a decrease of 4.4% on the previous year. As you will see from Julian's report, corporate earnings have been under pressure, and are no higher today than they were four years ago. Dividends have been more robust than this but have been struggling to make much progress. Furthermore, the portfolio has been modestly rebalanced to give a greater exposure to growth businesses, on the grounds that the longer term dividend growth provided by these companies is likely to be faster than that offered by the market. Also, a number of companies which had provided high yields in the past were looking fully valued, and this capital has been redeployed. As in recent years, we again benefited from income disbursed as special dividends, particularly from the insurance sector. This year these special dividends amounted to £1.1 million compared to £1.2 million the previous year. In sum, with income in short supply because of such low interest rates, the search for income is becoming more difficult.

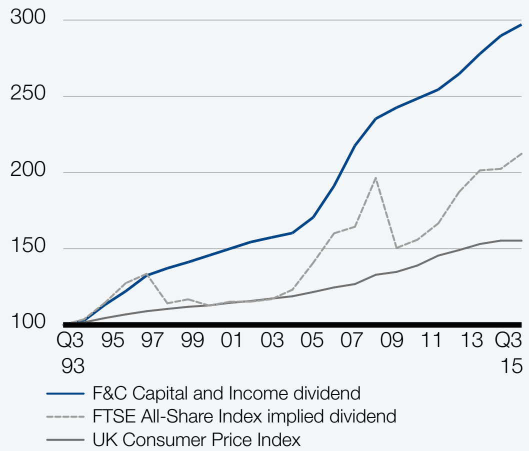
Low levels of market volatility have also produced very little opportunity to generate income from the option writing strategy, so this source of additional revenue has been cut off as well. This is an area which worked well for the Company in 2011 and 2012, but it does require specific market circumstances to achieve our objective of generating additional income with very little risk, and these have not been present in recent years. At some point, this situation will change and we will be in a position to act.

So far this year, the Company has paid three interim dividends amounting to 6.9 pence. We are proposing to pay a fourth dividend of 3.2 pence, to make a total for the year of 10.1 pence, amounting to a payout ratio of 100% of this year's revenue return. This represents a 2.5% increase over the 9.85 pence paid last year and compares well with inflation which is (as defined by the Consumer Price Index) running at an annual rate of -0.1%.

This is the 22nd consecutive year in which the annual dividend has increased. Its value has grown by 197% over the years since the Company began, well ahead of the rate of inflation and of the rate of growth of the benchmark dividend.

Dividend growth and CPI since launch

Rebased to 100 at 30 September 1993

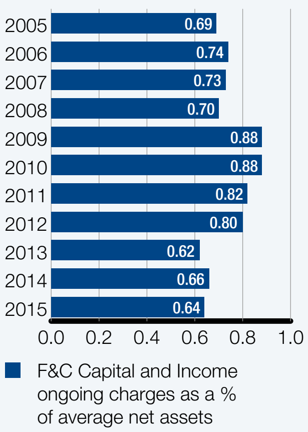


Source: Datastream and F&C

The fourth quarterly dividend will be paid as an interim rather than a final, because it means we can pay it at the end of the calendar year rather than delaying the process until after the Annual General Meeting ("**AGM**") in February. To repeat what I said last year, the corporate governance mavens have criticised this approach and advise shareholders to vote against the practice. Nonetheless, we have consulted regularly with shareholders on this and it is clear that you would rather receive payment at the end of the year than in February in the following year, and the Board therefore remains of the view that this is very much in your interests and intends to continue on this basis.

Cost of running the Company

2005 to 2015



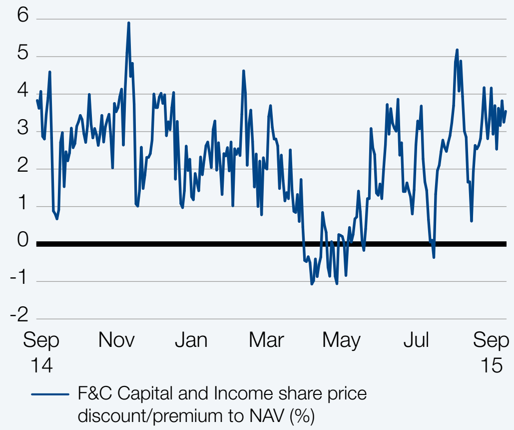
Source: F&C

On the cost side of the equation, we believe that the investment management costs of 0.4% offer good value and we do our best to keep a lid on all other expenses, many of which reflect the fixed cost of being in business. This year, our ongoing charges ratio, which covers everything except trading and finance costs, was 0.64%, compared with 0.66% last year. The Board thinks that it is important that this ratio should offer value and be competitive compared both with other investment trusts and with open ended competitors. In particular, costs have been falling in the open ended world as a result of regulatory change. We will continue to monitor and control costs to the extent we are able with the objective of offering you a competitively priced, well managed investment product.

Discount/Premium

Discount/Premium to NAV

Q3 2014 to Q3 2015



Source: Datastream & F&C

In recent years, investment trusts which generate reliable income have often traded at a premium to net asset value. Your Company has been no exception and in the past year the shares have traded at an average premium of 2.2%. The range has swung between a premium of 5.8% to a discount, albeit briefly, of 1.1%. In order to cap the level of the premium, we have issued 2,650,000 shares this year, and taken in additional capital of £6.8 million as a result. This is positive for all shareholders, partly because issuing shares at a premium is mildly accretive for existing shareholders, but also because it allows the fixed costs to be spread over a larger base and gives the shares greater liquidity.

Should the shares trade at a material discount, we would of course reverse this policy and buy shares in so as to try and control the discount.

Chairman's Statement (continued)

At the AGM in February, we will as usual be asking for authority to issue further shares without pre-emption rights equal to a level of 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 the interests of existing shareholders. The Board believes this resolution is in your interests and urges you to support it.

Governance Matters

■ Regulation

This is the first full year in which the Alternative Investment Fund Management Directive ("**AIFMD**") has been in operation. We spent a lot of time and money preparing for this, and have to suffer ongoing costs of around £25,000 per year. I would like to be able to tell you that this offers you greater protection from the unscrupulous agents of the financial services industry, but it doesn't. A Company like yours, which invests in mainstream assets and is well resourced and managed with integrity, is treated no differently from its opposite, even though the risks are radically different.

There is more regulation coming, perhaps as soon as next year. As yet, we don't know the exact shape of what we face, but there is very little we can do about it except acknowledge that in many ways this wave of new rules is a logical response to the industry excesses of the pre-crisis era.

■ Board

We have reached the end of the succession planning process which started five years ago. At the AGM in February, John Emly will be retiring. John has been on the board of your Company since 2001, including time with F&C Income Growth Investment Trust with which your Company later merged. He has brought a lifetime of investment knowledge to his role as a director and has managed to combine a cool head in a crisis with real analytical acuity when reviewing the investments and questioning your fund manager. He has also been a delightful colleague and I speak for all of us when I say we will miss him. It seems a bit formulaic, but I would like to put on record our thanks to John for all his input and wisdom.

Joining us is Jane Lewis. Jane is a lawyer who has a long career specialising in investment trusts. She brings great knowledge of our industry and the challenges we face, having concentrated on the advisory side of the business. We have not had anybody with her skill set in the past and believe that she will bring an additional dimension to our work. I hope that she will have your support when she stands for election at the AGM.

■ AGM

The AGM of the Company will take place on Tuesday 9 February 2016 at Exchange House, Primrose Street, London EC2, at 11.30 am. As usual, Julian will be making a presentation on the investment scene and the whole Board will be present to answer any questions you may have.

Outlook

Normalisation of interest rates is still some way off and despite the rhetoric, the UK budget deficit remains troubling. Markets are likely to remain somewhat schizophrenic, responding on the one hand to the continuing monetary stimulus, while on the other being startled by unexpected global macro-economic and political events. UK stock markets are not especially expensive by global standards, and there is no reason to suspect that domestic developments will be anything other than mildly benign. Given that the effect of unorthodox monetary policy seems to be waning, the market is becoming increasingly sensitive to the tide of global events. This partly reflects the highly international dimension of the UK's major businesses, but also the increasing correlation of global markets, itself probably a reflection of monetary policy worldwide. It is of course foolish to attempt to forecast anything, but it does seem likely that interest rates will soon rise in the US even though the economy is not especially robust, while elsewhere the economic status quo ante looks set to persist. Having said that, I am reminded of JK Galbraith, who said: "The only function of economic forecasting is to make astrology look respectable."

Steven Bates
Chairman
26 November 2015

Business Model & Strategy

The Company carries on business as an Investment Trust Company and its shares are traded on the main market of the London Stock Exchange.

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.

The Company has no employees. The Board of three female and three male Directors has contractually delegated the management of the investment portfolio and other services to the Manager, F&C Investment Business Limited and the safe custody of the assets to the Custodian. Julian Cane acts as Fund Manager to the Company on behalf of the Manager. Biographical details of the Directors, all of whom are non-executive, can be found on page 22 and their remuneration is set out on pages 32 and 33. 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 investing 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 well established UK companies. Further, the portfolio of around 80 holdings is diversified with the majority in large and mid-capitalisation companies. The Company also holds investments in smaller companies.

The proportion of the portfolio invested in the FTSE 350 is 83.7%. No more than 10% of the portfolio (at the time of investment) may be invested in securities quoted on the Alternative Investment Market. 3.3% was 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 2015, 3.1% 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 18 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 each of put and call options. More details can be found on page 55 in note 10 on the accounts.

The Company may use 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 2015 the Company had borrowings of £23 million representing 10.3% gearing. Under the AIFMD, the Company is obliged to publish maximum permissible leverage exposures. Details can be found in note 25 on 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 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

The Board's primary responsibility is to ensure that the Company's portfolio is properly invested and managed in accordance with the investment policy. The Board

Business Model & Strategy (continued)

supports F&C in its belief that good governance creates shareholder value. F&C takes a particular interest in corporate governance and sustainable business practices, which includes the integration of environmental, social and governance issues into its investment decisions. Information on the Company's voting policy can be found in the Directors' Report on page 27.

Share issue and buyback policy

The Board closely monitors the prevailing share price discount or premium to net asset value, 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 net asset value. At the AGM held on 11 February 2015 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, the Company allotted 2,650,000 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 net asset value 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 annual general meeting held on 11 February 2015 shareholders gave the Board authority to buy back up to 13,868,800 ordinary shares. No shares were bought back either during the year under review or since the year end to the date of this report. No shares are currently held in treasury.

Marketing strategy

F&C continues to promote investment in the Company's shares, which are suitable for retail distribution in the UK as well as professionally advised private clients and institutional investors and who understand and are willing to accept the risks and rewards of exposure to equities. Promotion has traditionally been made through the F&C savings plans, which remain a cost effective and flexible way to invest in the Company. These investors hold 74,250,063 shares, which is 78.5% of the shares in issue.

The Company is well positioned as a beneficiary of the Retail Distribution Review and pension reform and continues to see a noticeable increase in the number of shares held through investment platforms. The Board hopes to see access to the Company's shares on as many platforms as possible as more and more investors look to make their own investment decisions.

The Board will continue to work closely with F&C to ensure optimal delivery of the Company's investment proposition through all available channels.

Borrowings

The Company has the ability to utilise 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

Holdings through the F&C savings plans

30 September	2015 Number of holders	2015 Shares	2014 Number of holders	2014 Shares
F&C Children's Investment Plan	4,339	6,383,131	4,217	5,812,103
F&C Child Trust Fund	11,051	11,732,062	11,523	10,942,708
F&C Investment Trust ISA*	5,698	45,542,556	5,863	45,820,107
F&C Junior ISA	636	531,366	355	211,772
F&C Private Investor Plan	2,384	10,060,948	2,448	9,605,179
Total	24,108	74,250,063	24,406	72,391,869

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

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, fully drawn at year end, and a £15 million multi-currency revolving credit facility. The Custodian also provides an overdraft facility equal to 10% of the value of the Company's assets.

Key performance indicators

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

- The Board monitors net asset value 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 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 premium or discount to net asset value, an important measure of demand for the Company's shares and a key indicator of the need for shares to be issued or bought back. At the year end the premium to net asset value was 2.2% compared with a premium of 2.5% at the start of the year;
- The ratio of ongoing charges to average net assets, which enables the Board to measure the control of costs and help in meeting the dividend payment objective.

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 12 to 15 provide information on how the Company has performed against these key performance indicators.

Total return performance

Returns	1 year %	3 years %	5 years %
Company net asset value	3.5	26.6	46.5
Company share price	3.1	27.1	44.9
Benchmark index*	(2.3)	23.3	38.2
FTSE 350 High Yield Index	(9.7)	12.7	33.6

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

The Company had a revenue return for the year of 10.1 pence per share (2014: 10.56 pence per share) and, following the payment of a fourth interim dividend of 3.2 pence per share, will have paid a total dividend of 10.1 pence per share for the year (2014: 9.85 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 that could threaten its objective, strategy, future performance, liquidity and solvency 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 pages 34 to 37 summarises the risk management arrangements. By means of the procedures set out in that summary, and in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, issued by the Financial Reporting Council in September 2014, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. It has also regularly reviewed the effectiveness of the Company's risk management and 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 11. Arrangements are also in place to mitigate other more general risks including

Business Model & Strategy (continued)

those relating to regulatory change. Note 23 on the accounts sets out the Company's financial risk management policy.

Viability assessment and statement

The 2014 UK Corporate Governance Code requires Boards to assess the future prospects for the company, and report on the assessment within the annual report.

The Board considered that a number of characteristics of the Company's business model and strategy were relevant to this assessment:

- The Board looks to long-term outperformance rather than short-term opportunities.
- The Company's investment objective, strategy and policy, which are subject to regular Board monitoring, mean that the Company is invested mainly in readily realisable, UK listed securities and that the level of borrowings is restricted.
- Subject to shareholder continuation votes, the Company's business model and strategy is not time limited.

Also relevant were a number of aspects of the Company's operational arrangements:

- The Company retains title to all assets held by the Custodian under the terms of formal agreements with the Custodian and Depositary.
- The borrowing facility, which remains available until 2018, is also subject to a formal agreement, including financial covenants with which the Company complied in full during the year.
- Revenue and expenditure forecasts are reviewed by the Directors at each Board Meeting.
- Cash is held with banks approved and regularly reviewed by the Manager.

In addition, the Directors carried out a robust assessment of the principal risks which could threaten the Company's objective, strategy, future performance, liquidity and solvency. These risks, their mitigations and the processes for monitoring them are set out on page 35, in the Report of the Audit and Management Engagement Committee and in Note 23 on the accounts.

The principal risks identified as relevant to the viability assessment were those relating to investment portfolio performance and its effect on share price discount and dividends, and threats to security over the Company's assets. The Board took into account the liquidity of the Company's portfolio, the existence of the long-term borrowing facility, the effects of any significant future falls in investment values and income receipts on the ability to repay and re-negotiate borrowings, maintain dividend payments and retain investors and the potential need for more extensive share buybacks in the event of the share price discount widening significantly. These matters were assessed over an initial period to January 2019, and the Directors will continue to assess viability over three year rolling periods, taking account of foreseeable severe but plausible scenarios. A rolling three year period represents the horizon over which the Directors believe they can form a reasonable expectation of the Company's prospects, balancing the Company's financial flexibility and scope with the current uncertain outlook for longer-term economic conditions affecting the Company and its shareholders.

The Directors specifically considered the requirement to obtain shareholder approval in 2018 for the Company to continue in existence. As the Directors believe that the Company's objective and policy continue to be relevant to investors, and given the Company's performance, the Board does not expect the continuation vote to impact this viability review.

Based on their assessment, and in the context of the Company's business model, strategy and operational arrangements set out above, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to January 2019. For this reason, the Board also considers it appropriate to continue adopting the going concern basis in preparing the Report and Accounts.

By order of the Board
F&C Investment Business Limited
Secretary
26 November 2015

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's 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.	2,650,000 shares were issued in the year to satisfy shareholder demand. The number of shares held in the F&C savings plans increased by 2.6%. The ordinary share price was maintained in a range of 1.1% below to 5.8% above net asset value ex income. Dividends paid and payable of 10.1p in respect of the year were 2.5% up on prior 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, and short-term overdrafts of up to £3.3m were also utilised, enhancing performance. Exposure to continental European securities was reduced to 3% at year end. Around 80 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. *No change in overall risk.*	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.	The Manager now benefits from the long-term financial strength and policies of its new owner, the BMO Group, and through its stated commitment to the future of F&C's investment trust management business.
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. *No change in overall risk.*	The Board receives regular control reports from the Manager covering risk and compliance including oversight of third party service providers. The Board has access to F&C's Head of Business Risk and requires any significant issues directly relevant to the Company to be reported immediately. The Depositary is specifically liable for loss of any of the Company's securities and cash held in custody.	The Manager continues to strengthen and develop its Risk, Compliance and Internal Control functions as part of the integration of its operations following the acquisition of F&C by Bank of Montreal and continues to invest in IT security. Supervision of third party service providers, including State Street and IFDS, has been maintained by F&C and includes assurances regarding IT security and cyber-attack prevention. The Depositary oversees custody of investments and cash and reports to the Company in accordance with the AIFMD.

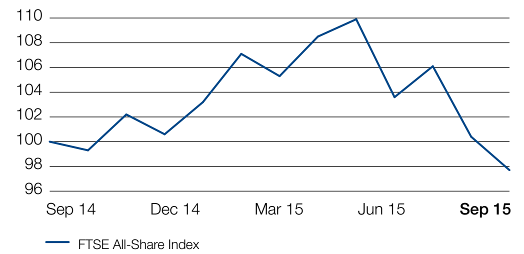
Manager's Review

Review of Investment Markets

The UK stock market made reasonable progress up to the end of May with the FTSE All-Share Index gaining almost 10%. The summer months were not so favourable, however, with concerns about slowing growth in China and a general lack of earnings progress weighing on share prices and taking returns into negative territory for the year.

Total return from UK Stock Market

September 2014 to September 2015

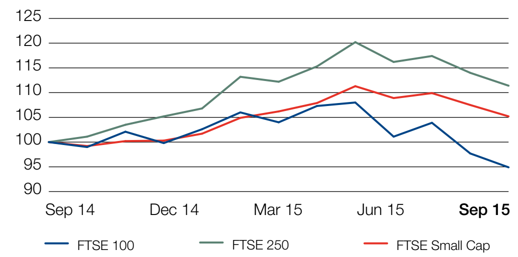


Source: Datastream

Within the stock market, the various component parts of the All-Share Index demonstrated quite different returns. The FTSE 100 Index is the largest component of the All-Share and so not unexpectedly followed its return profile most closely. It reached a new all-time peak of more than 7000 in April, exceeding the previous level of December 1999, before falling back to less than 6000 in September. As we have seen often in previous years, the next 250 largest companies, the FTSE 250 Index, performed more strongly, with the smaller companies in the All-Share, the FTSE SmallCap, also performing well.

Total return from constituents of the FTSE All-Share Index

September 2014 to September 2015

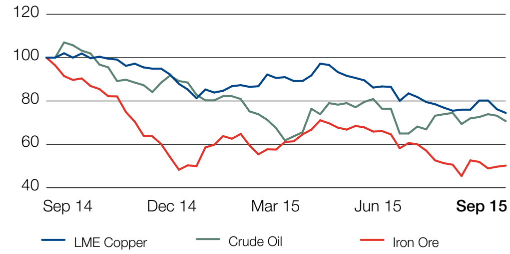


Source: Datastream

An important cause of this divergence arises from the large weighting of the major oil and mining stocks in the FTSE 100. These have all been hurt, directly or indirectly, by the slowing rate of growth in China, concerns about emerging market economies and falling commodity prices.

Oil, Copper and Iron Ore Prices

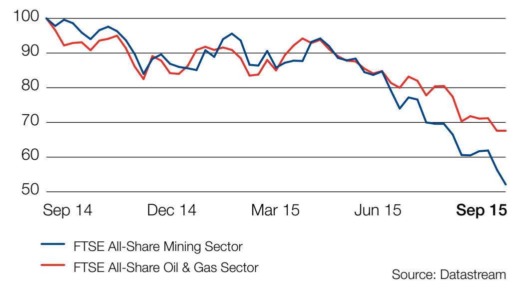
September 2014 to September 2015



Source: Datastream

Performance of Commodity Exposed Sectors

September 2014 – September 2015



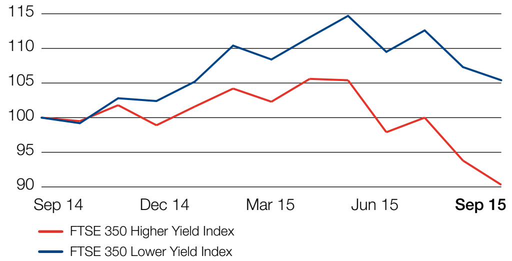
Source: Datastream

Many of the stocks in the oil and mining sectors have higher than average dividend yields, which is evident in the next chart of the FTSE 350 Higher Yield Index and the FTSE 350 Lower Yield Index (the FTSE 350 Index is divided equally by yield).

The poor performance of these higher yielding stocks and sectors created a headwind for portfolios such as our own which are looking to generate both an attractive level of income and capital growth.

Total return from constituents of the FTSE 350 Index

September 2014 to September 2015

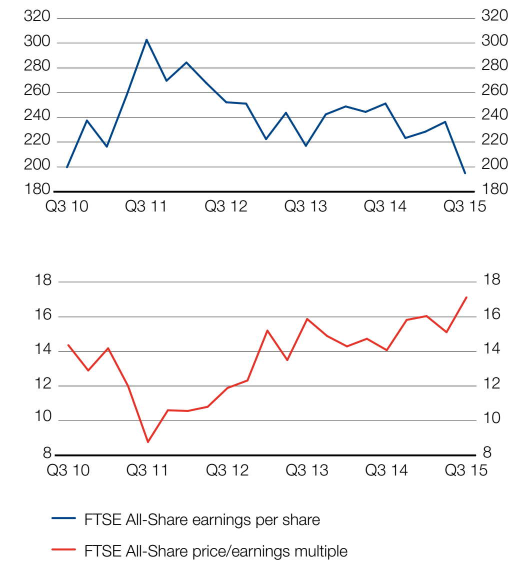


Source: Datastream

The downturn in earnings to which the stock market reacted over the summer is clearly evident in the chart below, which plots earnings from companies which are constituents of the FTSE All-Share Index. After a strong recovery from the recession and financial crisis, total earnings have decreased fairly steadily, such that they are now no higher than five years ago. A large part of the most recent decline is due to the collapse in oil and commodity prices, but clearly at an aggregate level, many companies, particularly the largest ones, have found it difficult to grow earnings.

FTSE All-Share Index – earnings per share and price earnings multiple

Q3 2010 to Q3 2015



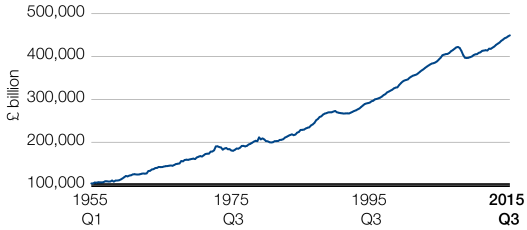
Source: Datastream

Review of the UK Economy

The UK economy has continued to grow over the last year, and has now reported 11 consecutive quarters of growth, making it one of the longest periods of continuous expansion since the mid-1950s. Inflation remains very subdued, with the Consumer Price Index actually falling 0.1% in the year to September 2015. While this has caused some to worry about deflation and the potential danger this can cause when combined with large amounts of debt, basically static prices combined with strong employment trends and growth in average earnings are giving people a welcome boost to disposable income.

UK Gross Domestic Product (GDP) – Quarterly Progression

Q1 1955 to Q3 2015



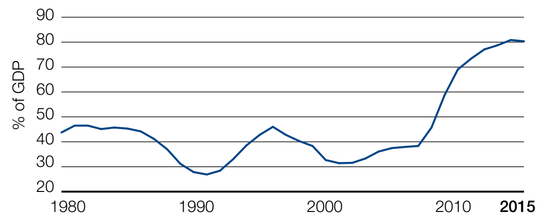
Source: Office for National Statistics

The bigger concern for the UK economy remains the overall level of debt. Although the current Government seems to want to wear the mantle of austerity, it is still expected to borrow around £70 billion in this fiscal year, equivalent to about 4% of GDP. Whilst an improvement on the budget deficit inherited in 2010 of 10.2% of GDP, the deficit remains at potentially challenging levels. The debt burden (in effect the sum of previous deficits), already more than £1.5 trillion or almost 80% of GDP, will continue to grow. The very low level of bond yields currently is allowing the Government to finance the deficit relatively cheaply, but interest costs are already greater than the amount spent on national defence. With bond yields close to historic lows, the weight of evidence across more than 300 years would suggest that yields can and will increase at some stage, at which point the profligacy of successive governments will be a real challenge.

Manager's Review (continued)

UK Government Net Debt (as % of GDP)

1980 to 2015

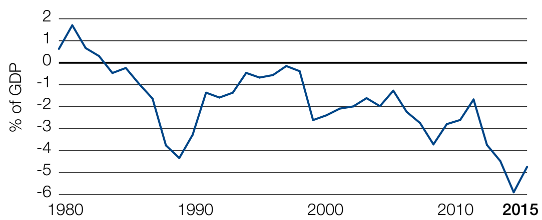


Source: International Monetary Fund

The second concern is the UK's current account deficit – the extent to which the value of our imports of goods and services exceeds the value of the goods and services we export. The deficit in 2014 of almost 6% was the largest on record and the UK has now run a deficit for 29 years in a row. In short, it represents consumption of too many imports, while our exports have underperformed global competitors; this is a drag on the UK's rate of economic growth. In addition, it leaves our currency more vulnerable to overseas influence as the current account deficit requires external financing.

UK current account (as % of GDP)

1980 to 2015



Source: International Monetary Fund

Since March 2009, UK base rates have been held at 0.5%. Whilst this exceptionally low rate, set in response to the unfolding financial crisis, was initially expected to be fairly temporary, it has now become seen as much less remarkable. Although the Bank of England has said rates will increase when conditions warrant, as we have seen from the experience of the Fed, following economic orthodoxy is more difficult in practice than in theory; there is a great reluctance to take away one of the stimuli that has helped to stabilise the economy.

Attribution of Portfolio Returns

Despite a difficult background, no fewer than seven of the companies in which we invested produced returns of more than 50%. The strongest return was from OneSavings Bank (+97.6%), a challenger bank in the UK that is reporting strong but well controlled mortgage growth, in the process generating very attractive returns. Cineworld, the cinema operator, generated a return of 75.2% as the new management team was well received, and Novae (+71.4%), the Lloyd's underwriter, generated good returns as well as benefiting from acquisition activity amongst its peers. The weakest performers were generally affected by the weakness in emerging markets or the fall in commodity prices. Raven Russia (-41.3%), a property specialist in Russia, was adversely impacted by sanctions against that country, while Standard Chartered (-41.1%) was affected by both its emerging market and commodity exposures. BHP Billiton (-32.7%) and Royal Dutch Shell (-32.0%) were hit by falling metal and oil prices. Specific contract problems lay behind the fall of 48.0% in Interior Services.

Relative to our benchmark, the FTSE All-Share Index, returns benefited both from stocks we own, such as those listed above, as well as stocks which we either didn't own or where we were underweight the benchmark. So although we had exposure to the Mining and Oil & Gas Producers, we did not have any investment in the FTSE 100 companies Glencore (-71.7%), Anglo American (-57.7%) or Antofagasta (-29.9%) and our investments in Royal Dutch Shell and BP (-21.7%) were less than the Index weight, while we had no holding in BG (-15.2%).

There is more detail on the portfolio's investments in the descriptions of the twenty largest holdings and the summary of the investment portfolio by sector.

Gearing

Our £20m five year fixed rate facility was fully drawn down all year. It was not fully invested in equities throughout the year, but as markets weakened in the second half of the year we increased the amount invested in equities. Returns from our portfolio exceeded the cost of the loan so the addition of leverage added some value to shareholders. Since the year end, a further £5m has been drawn down for investment.

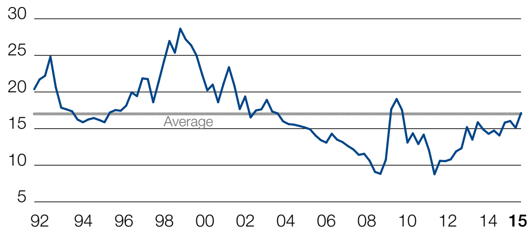
Valuation of the Stock Market

The UK stock market has recovered well from the financial crisis and recession of 2008, more than doubling in value. This has been more a response to Quantitative Easing and cheap money than a reflection of increases in underlying earnings as was evident in the chart earlier. The UK economy is progressing reasonably well, albeit with the caveats noted above, while the US economy now seems reasonably robust and the long-awaited European recovery seems to be taking hold. Although falling commodity prices may have hit certain sectors of the stock market, to everybody else commodities are an input and hence a fall in their price is positive as it reduces costs. This background should be reasonably supportive of the stock market, although the slow-down in China and the emerging markets may need to be navigated carefully.

Whether looked at by considering the multiple applied to current earnings, or the historic dividend yield, the UK equity market appears to be trading much in line with the respective averages over more than the last 20 years.

FTSE All-Share Index – price/earnings multiple

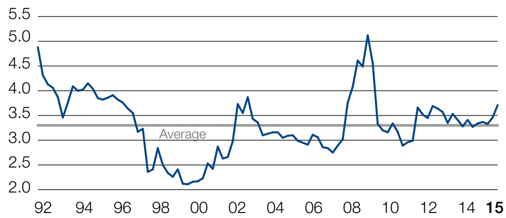
Q3 1992 to Q3 2015



Source: Datastream

FTSE All-Share dividend yield

Q3 1992 to Q3 2015

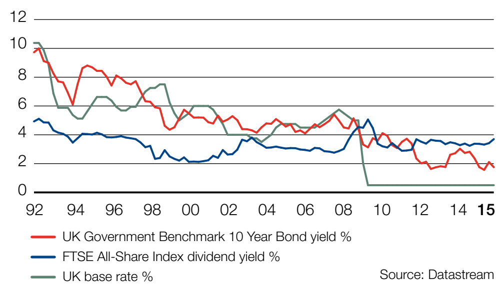


Source: Datastream

On a relative basis, comparing the returns available from equities with those from some other alternative investments, equities look not only fairly valued, but good value. With base rates still at 0.5% and the yield on the 10 year benchmark UK Government bond at less than 2%, the dividend yield on the FTSE All-Share Index looks very attractive at over 3.5%. Not only do equities have a higher initial yield than these other possible investments, but they also have the prospect of future gains in both capital and income. Equities may be more volatile than some other asset classes in the short term, but over the longer term their potential to grow with the real economy and provide some protection against inflation, if it were ever to resurface again, has been proven time and again.

Yields from competing assets

Q3 1992 to Q3 2015



Source: Datastream

Julian Cane
F&C Investment Business Limited
26 November 2015

Twenty Largest Holdings

30 Sep 2015	*30 Sep 2014*	**Company** *(Sector)* Description	% of total investments	Value £'000s
1	*2*	**HSBC** *(Financials)* One of the world's leading banks by size, its returns have recently been lacklustre. Long-term prospects should be more attractive once costs and lower returning operations have been addressed.	4.7	12,318
2	*3*	**GlaxoSmithKline** *(Healthcare)* One of the world's leading pharmaceutical companies with valuable healthcare and vaccines businesses, and scope to address costs and company structure. Management has confirmed its commitment to the dividend.	4.0	10,500
3	*1*	**Royal Dutch Shell** *(Oil and gas)* A leading international oil exploration, production and marketing group. The sharp fall in energy prices is intensifying the focus on improving returns while the company is committed to maintaining its dividend.	3.3	8,591
4	*7*	**Diageo** *(Consumer goods)* The largest producer of premium branded spirits in the world and also a major producer of beer. The returns and growth potential from a combination of the brands and exposure to faster growing markets should be attractive.	3.1	8,140
5	*14*	**Unilever** *(Consumer goods)* A leading manufacturer of branded fast moving consumer goods with more than half of its sales in faster growing emerging markets.	2.8	7,247
6	*6*	**AstraZeneca** *(Healthcare)* A major international pharmaceutical company. The pipeline of new drugs is disappointing in the very short term but shows more potential further out.	2.7	7,013
7	*16*	**Prudential** *(Financials)* International life assurer seeing rapid growth in the Far East, together with attractive returns from its operations in the UK and US.	2.5	6,617
8	*8*	**British American Tobacco** *(Consumer goods)* A leading international manufacturer and distributor of cigarettes. It has proven to be a very consistent performer and in a mature industry is able to pay an attractive dividend.	2.5	6,557
9	*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.	2.4	6,316
10	*–*	**OneSavings Bank** *(Financials)* A relative newcomer to the UK stock market, this challenger bank is experiencing very rapid growth in new mortgage lending at carefully controlled risk levels and generating very attractive returns.	2.4	6,237

30 Sep 2015	*30 Sep 2014*	**Company** *(Sector)* Description	% of total investments	Value £'000s
11	*4*	**BP** *(Oil and gas)* A leading international oil exploration, production and marketing group. Following settlement of the liabilities from the Macondo disaster, the fall in energy prices is leading to a renewed focus on improving returns. Maintenance of the dividend is seen as a priority by the management.	2.3	6,012
12	*13*	**Barclays** *(Financials)* Retail and commercial bank whose new Chief Executive will drive for an improvement in overall returns across the investment and retail banking operations to bring them up to acceptable levels for shareholders.	2.2	5,860
13	*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.	2.2	5,801
14	*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 partly offset by its geographic diversification.	2.2	5,683
15	*5*	**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.	2.1	5,524
16	*20*	**Glanbia** *(Consumer goods)* International dairy, consumer foods and nutritional company, experiencing strong growth with its sports nutrition brands.	2.0	5,246
17	*19*	**LondonMetric Property** *(Financials)* This UK real estate investment trust (REIT) has a particular focus on generating an attractive yield. The management team has an entrepreneurial approach to investing in property, both from active property selection and property management.	1.9	4,920
18	–	**Howden Joinery** *(Industrials)* This is the leading supplier of fitted kitchens in the UK, designing and manufacturing the kitchens and selling them through its own network. The company is growing fast and generates strong returns.	1.8	4,765
19	–	**Booker** *(ConsumerServices)* This is the UK's leading food wholesaler. Although margins may appear low, returns on capital and cash generation are attractive and there should be considerable scope to improve results from its recent acquisition of Musgrave.	1.8	4,618
20	–	**Informa** *(Consumer Services)* A worldwide provider of information to a variety of end users (businesses, academics, individuals) across a range of sectors through a number of media (books and journals, internet, exhibitions and events).	1.8	4,572

The value of the twenty largest equity holdings represents 50.7% (30 September 2014: 55.3%) of the Company's total investments.

Investment Portfolio by Sector

at 30 September 2015

	% of total investments*	% of FTSE All-Share Index
Oil & gas	**6.1**	**10.4**
Over the year the price of a barrel of Brent crude oil almost halved, falling from US$97 to US$49, on a combination of increased supply (mostly US shale) and reducing demand (China, emerging markets and greater efficiencies in developed markets). Clearly, this was a difficult background for any oil related shares, including Royal Dutch Shell and BP (negative total returns of 32.0% and 21.7% respectively) which are both in our top 20 holdings. During the first six months of the year we reduced our exposure to the sector, selling half our holding in Total as well as reducing BP and Royal Dutch Shell. All exposure to the smaller oil exploration and production was also sold.		
Basic materials	**3.6**	**4.9**
Nearly all commodity prices fell steeply during the year on fears about falling demand from China and the emerging markets. Our main exposure to this sector is via Rio Tinto, which recorded a total return of -23.1% during the year; this was the least worst of the UK listed diversified mining conglomerates. Rio's focus on iron ore, which as a commodity has been less hard hit, and its strategy of maintaining production to encourage less efficient producers to reduce their capacity should be positive in the longer term, albeit at the cost of some short term pain.		
Industrials	**16.3**	**10.1**
There was a wide spread of returns from companies in this sector. Our strongest performers were DS Smith, a specialist packaging company (+53.5%) and Howden Joinery (+46.2%), which was a new addition to the portfolio during the previous year. Our largest holding in the sector BAE failed to make any progress (-1.0%), but success was almost as much about avoiding disasters. With capital expenditure being slashed by oil and mining companies and slowing growth in China, many companies' share prices fell substantially, but our exposure to this area was very limited. CRH and Epwin, both suppliers of building materials performed well (+26.5% and +36.4% respectively). Ultra Electronics is a new holding purchased during the year.		
Consumer goods	**12.3**	**16.3**
The best performer in the sector was Glanbia (+38.6%), followed by the housebuilder Galliford Try (+31.4%) and floor covering expert Headlam (+27.2%). We increased our investments in Unilever and Diageo by £3.8m in total, making them our fourth and fifth largest investments in the portfolio at the year-end; we anticipate better growth to come from them in emerging markets in future. The holding in C&C was completely sold.		
Healthcare	**6.7**	**8.5**
Our only two holdings in this sector are the pharmaceutical companies, GlaxoSmithKline and AstraZeneca, which are respectively our second and sixth largest investments. Returns from both were disappointing (-5.4% and -1.9% respectively) as short-term earnings have struggled. In recent years, there has been increased corporate interest in this sector with various attempts at consolidation. Meanwhile, their dividend yields are attractive and longer-term prospects should be improving.		

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

	% of total investments*	% of FTSE All-Share Index
Consumer services	**16.5**	**12.8**
There were more changes to our holdings in this sector during the year than in any other with new purchases of £19.3m and sales of £4.4m. The most successful of these was our investment in Booker, the UK's leading food wholesaler (+58.7%). The returns from this have been particularly good because the shares were purchased when there was a general fear that the supermarket price war would have a large negative effect. The new investments in Daily Mail & General Trust (-11.7%) and Stagecoach (-4.1%) have not been successful in the short term, but we continue to believe in their longer-term prospects.		
Telecommunications	**3.3**	**5.1**
There were no changes to the major holdings in this sector, Vodafone (+6.9%) and BT (+13.7%). During the year, Vodafone started and ended talks with Liberty Global as companies continue to look at ways of offering Quad Play (traditional telecoms, mobile, broadband and television) to customers. We added to our two holdings in the smaller companies Alternative Networks and Manx Telecom which both performed adequately (+13.5% and +10.1% respectively).		
Utilities	**2.8**	**3.9**
Despite the reasonably attractive yields available in this sector, our exposure is fairly limited as many valuations are demanding by historic standards. While our holdings in National Grid and Severn Trent, a new addition, performed reasonably well at +8.5% and +7.1% respectively, Centrica was disappointing (-23.1%), dragged down by the fall in gas prices and the political sensitivity of their bills to retail customers.		
Financials	**29.8**	**26.4**
Our exposure to the mainstream banks added little to our overall returns, with HSBC falling 15.9%, Barclays rising by 10.1% and Lloyds remaining largely unchanged. Standard Chartered was conspicuously poor, falling 41.1%; we had sold more than half of the holding in October 2014, uncertain about the outlook for the Far East, but clearly with hindsight we should have sold it all. Much better returns were achieved from our investments in alternative providers of finance, the challenger bank, OneSavings Bank (+97.6%) and Intermediate Capital (+36.5%). A spate of take-overs amongst insurance companies and robust operating results led to strong share price performance from Novae (+71.4%), Beazley (+40.4%) and Lancashire (+31.6%). Phoenix (+19.6%), a consolidator of closed life assurers, was the best performing of our investments in the Life sector, while we added further to the investment in Prudential (+3.7%) in expectation of better growth in future. Returns were also good in the property sector, with LondonMetric (+24.8%) being our strongest.		
Technology	**2.6**	**1.6**
Although not a natural area to be looking for companies with strong dividend prospects, we do have a number of relatively small holdings in this sector, and on average they generated good capital growth. FDM, an IT service business returned +48.3%, Sage, a software publisher, returned +40.1% and Laird, who produce a range of technology solutions, returned +25.9%.		

*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 2015 Value £'000s
UNITED KINGDOM – EQUITIES		
Acal	258,320	643
Alternative Networks *	287,752	1,499
Arrow Global	1,250,000	3,475
Ashmore	750,000	1,849
AstraZeneca	167,716	7,013
Babcock International	242,307	2,210
BAE Systems	1,270,000	5,683
Barclays	2,400,000	5,860
BBA Aviation	425,000	1,136
Beazley	1,625,000	5,801
Berendsen	295,000	2,959
BHP Billiton	280,000	2,813
Booker	2,500,000	4,618
BP	1,800,000	6,012
Braemar Shipping Services	345,000	1,421
British American Tobacco	180,000	6,557
BT	550,000	2,308
Centrica	620,000	1,421
Cineworld	270,981	1,499
Compass	376,470	3,964
CRH	165,000	2,868
Daily Mail & General Trust	550,000	4,144
Diageo	460,000	8,140
Dixons Carphone	475,000	2,014
Doric Nimrod Air Two	905,000	2,009
DS Smith	850,000	3,347
Epwin *	1,233,771	1,681
FDM	336,528	1,622
Galliford Try	130,192	2,061
GlaxoSmithKline	830,000	10,500
Halfords	850,000	3,924
Headlam	316,246	1,589
Howden Joinery	980,000	4,765
HSBC	2,470,000	12,318
IG	400,000	3,074
Informa	815,000	4,572
Intercontinental Hotels	115,000	2,624
Intermediate Capital	600,000	3,090
Intertek	100,000	2,430
Jupiter Fund Management	600,000	2,600
Laird	521,384	1,962
Lancashire Holdings	500,000	3,453

* Quoted on the Alternative Investment Market in the UK.

Quoted investments	Holding	30 September 2015 Value £'000s
Legal & General	588,000	1,399
Lloyds Banking	6,000,000	4,510
LondonMetric Property	3,000,000	4,920
Majestic Wine *	292,018	1,101
Manx Telecom *	487,061	901
McKay Securities	590,633	1,477
Melrose Industries	1,532,142	4,046
NAHL *	240,696	915
National Express	472,338	1,341
National Grid	370,000	3,399
Novae	297,127	2,570
OneSavings Bank	1,600,000	6,237
Phoenix	473,208	3,861
Photo Me International	792,562	1,238
Prudential	475,000	6,617
Raven Russia	2,637,341	1,002
Rio Tinto	250,000	5,524
Royal Dutch Shell	550,000	8,591
Sage	332,716	1,661
Sanne	353,253	1,031
Severn Trent	115,000	2,512
Sirius Real Estate *	6,242,273	2,346
Spectris	90,000	1,521
Stagecoach	850,000	2,869
Standard Chartered	200,000	1,281
SThree	302,739	1,052
Tarsus	830,309	1,827
Treatt	699,805	1,120
Ultra Electronics	120,000	2,053
Unilever	270,000	7,247
Vodafone	1,850,000	3,856
Wilmington	471,767	1,283
WPP	460,000	6,316
XP Power	109,290	1,722
United Kingdom total equity		**252,874**
EUROPE (EX UK) – EQUITIES		
FRANCE		
Total SA	40,000	1,183
France total		1,183

Quoted investments	Holding	30 September 2015 Value £'000s
GERMANY		
SAP	36,964	1,580
Germany total		1,580
REPUBLIC OF IRELAND		
Glanbia plc	429,093	5,246
Republic of Ireland total		5,246
Europe (ex UK) total equity		**8,009**
EUROPE (EX UK) – CONVERTIBLE FIXED INTEREST		
Talvivaara 4.00% 12/2015	2,000,000	15
Europe (ex UK) total Convertible Fixed Interest		**15**
TOTAL INVESTMENTS		**260,898**

The number of investments in the portfolio is 80 (2014:80). Of these, one is a convertible security (2014:2).

Directors

Steven Bates Chairman

Appointed to the Board on 3 May 2011. Steven is Chairman of Vietnam Opportunities Fund Ltd and Baring Emerging Europe plc and a director of The Biotech Growth Trust plc, British Empire Securities & General Investment Trust plc and Magna Umbrella Fund plc. 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 and pension fund areas. He was head of global emerging markets at JP Morgan Asset Management until 2002.

Shared directorships with other Directors – None.

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 plc and Interim Chairman and Audit Committee Chairman of McColls Retail Group plc. She is a fellow of the Institute of Chartered Management Accountants and was, between 1998 and 2013, Finance Director and Company Secretary of Dobbies Garden Centres plc.

Shared directorships with other Directors – None.

Clare Dobie

Appointed to the Board on 16 July 2012. She is a non-executive director of Schroder UK Mid Cap Fund plc and Aberdeen New Thai Investment Trust plc. She is also a trustee of Essex and Herts Air Ambulance Trust and of The Friends of Thomas Plume's Library where she is Treasurer. Until recently she also ran her own marketing consultancy. She began her career as a financial journalist, working at the BBC, 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.

Shared directorships with other Directors – None.

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.

Shared directorships with other Directors – None.

Jane Lewis

Appointed on 24 November 2015. She is a non-executive director of Invesco Perpetual UK Smaller Companies Investment Trust Plc and Phaunos Timber Fund Limited and was a Director of Corporate Finance and Broking at Winterflood Investment Trusts until August 2013. Prior to this she worked at Henderson Global Investors and Gartmore Investment Management Limited in investment trust business development and at WestLB Panmure as an investment trust broker.

Shared directorships with other Directors – None.

Tim Scholefield

Appointed to the Board on 25 November 2014. He is a non-executive director of Fidelity Asian Values Plc. He has had over 25 years' experience in investment management, latterly as Head of Equities at Baring Asset Management until April 2014.

Shared directorships with other Directors – None.

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 ("**FCIB**" or the "**Manager**"), a wholly-owned subsidiary of F&C Asset Management PLC which is ultimately owned by Bank of Montreal. The Manager is authorised and regulated in the UK by the Financial Conduct Authority. FCIB 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 at F&C. He has responsibility for F&C's relationship with the Company. He joined F&C in 1989.

Hugh Potter

Represents the Manager as Company Secretary and is responsible for the Company's statutory compliance.

Secretary and registered office

F&C Investment Business Limited, 80 George Street, Edinburgh EH2 3BU

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

Chartered Accountants and Statutory Auditors

PricewaterhouseCoopers LLP, ("**PwC**" or the "**auditors**"),
7 More London Riverside, London SE1 2RT

Bankers

JPMorgan Chase Bank
25 Bank Street, Canary Wharf, London 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, London E14 5JP

Depositary

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

Registrars

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

Telephone:	0370 889 4094
Facsimile:	0370 703 6142

Authorised and regulated in the UK by the Financial Conduct Authority.

Solicitors

Dickson Minto W.S.
Broadgate Tower, 20 Primrose Street,
London EC2A 2EW

Stockbrokers

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

Directors' 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 2015. The financial statements are set out on pages 44 to 64.

The Corporate Governance Statement commencing on page 29; the Report of the Audit and Management Engagement Committee on pages 34 to 37; and the Remuneration Report on pages 32 and 33 form part of this Directors' report. There are no instances where the Company is required to make disclosures in respect of Listing Rule 9.8.4.R.

Statement regarding Annual Report and Accounts

The Directors consider that following advice from the Audit and Management Engagement Committee, the Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Results and dividends

The net assets of the Company as at 30 September 2015 were £236,876,000 (2014: £231,387,000). The Company's net asset value per share decreased by 0.5% in the year ended 30 September 2015, compared to a fall of 5.6% in the Index.

Dividends for 2014 and 2015

Dividends paid:	**£'000s**
4th interim for the year ended 30 September 2014 of 3.10p per share paid on 31 December 2014	2,872
1st interim for 2015 of 2.30 pence per share paid on 31 March 2015	2,159
2nd interim for 2015 of 2.30 pence per share paid on 30 June 2015	2,175
3rd interim for 2015 of 2.30 pence per share paid on 30 September 2015	2,175
	9,381

As explained in the Chairman's Statement, the Board has declared a fourth interim dividend of 3.20 pence per share. This will be paid on 31 December 2015 to shareholders on the register of members on 11 December 2015. This dividend, together with the other three interim dividends paid during the year (of 2.30 pence per share each), makes a total dividend of 10.1 pence per share. This represents an increase of 2.5% over the 9.85 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 Company is registered in England and Wales with company registration number 02732011 and is subject to the UK Listing Authority's listing rules, UK and European legislation and regulations including company law, financial reporting standards, taxation law and its own articles of association.

Duration of the Company

In accordance with the articles of association, a continuation vote is proposed at every fifth annual general meeting. The next such vote will take place at the annual general meeting in 2018.

Investment trust taxation status

The Company is liable to UK 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. The Company has been approved by HM Revenue and Customs as an Investment Trust, subject to the Company continuing to meet the eligibility conditions of that section 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

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.

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.

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 Annual General Meeting. Further information in relation to the appointment can be found on pages 36 and 37.

Capital structure

As at 30 September 2015 there were 94,559,268 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), together with the realised capital profits, 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.

Voting rights and proportional voting

At 25 November 2015 the Company had 94,959,268 ordinary shares in issue with a total of 94,959,268 voting rights. As at that date no notifications of significant voting rights in respect of the Company's ordinary share capital have been received.

78.5% of the Company's share capital is held on behalf of non-discretionary clients through the F&C saving 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 savings plans being voted. A maximum limit of 371,000 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.

Directors

The Directors' Remuneration Report, which can be found on pages 32 and 33, provides detailed information on the remuneration of the Directors. Shareholders will be asked to approve the Directors' Annual Report on Remuneration at the Annual General Meeting.

All the Directors held office throughout the year under review, apart from Tim Scholefield, who was appointed to the Board on 25 November 2014, and Ms Jane Lewis who was appointed to the Board on 24 November 2015. Ms Lewis will stand for election at the 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 Ms Clare Dobie 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. The Board recommends that shareholders vote in favour of the re-election resolution for Ms Dobie and the election of Ms Lewis. Mr John Emly will retire from the Board immediately following the meeting. Mr Neil Dunford retired from the Board on 11 February 2015.

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 as Manager and as the Company's AIFM (see note 4 on the accounts). The Manager is responsible for managing the investment portfolio on a day-to-day

Directors' Report
(continued)

basis and carrying out administrative, accounting, secretarial and marketing activities on its behalf.

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, JP Morgan Chase. Operational matters with the Custodian are carried out on the Company's behalf by the Manager in accordance with the provisions of the management agreement. The Custodian is paid a variable fee dependent on the number of trades transacted and location of the securities held.

Depositary

JPMorgan Europe Limited is the Company's Depositary appointed in accordance with the AIMFD. The Depositary's responsibilities, which are set out in an Investor Disclosure Document on the Company's website, include: cash monitoring; segregation and safe keeping of the Company's financial instruments; and monitoring the Company's compliance with investment and leverage limits requirements. The Depositary receives for its services a fee of one basis point per annum, based on the Company's net assets, payable monthly in arrears.

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 the benchmark 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.

Voting policy

The Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights. All shareholdings are voted at all meetings where practicable in accordance with F&C's own corporate governance policy, which is to seek to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a principled approach to corporate governance. Environmental factors are, where appropriate, taken into consideration with regard to investment decisions taken on behalf of the Company. The Board receives quarterly reports on instances where F&C has voted against the recommendation of the management on any resolution. F&C's statement of compliance with The UK Stewardship Code is included on the website www.fandc.com/ukstewardshipcode.

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 Annual General Meeting will be held on Tuesday 9 February 2016 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 outlook. There will be an opportunity to ask questions during the meeting and afterwards shareholders will be able to meet the Directors and Mr Cane informally. Resolutions numbered 7 to 9 are explained below.

Authority to allot shares and sell shares from treasury (Resolutions 7 and 8)

Resolutions 7 and 8 are similar in content to the authorities and power given to the Directors at previous annual general meetings. 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 or selling shares out of treasury without first offering them to existing shareholders in proportion to their holdings.

Resolution 7 gives the Directors, for the period until the conclusion of the annual general meeting in 2017 or, if earlier, 15 months from the passing of the resolution, the necessary authority to allot securities up to an aggregate nominal amount of £2,373,000 (9,492,000 ordinary shares). This is equivalent to approximately 10% of the issued share capital of the Company (excluding treasury shares) at 25 November 2015. As at 25 November 2015 no shares were held by the Company in treasury.

Resolution 8 empowers the Directors to allot such securities for cash, other than to existing shareholders on a pro-rata basis and also to sell treasury shares without first offering them to existing shareholders in proportion to their holdings up to an aggregate nominal amount also of £2,373,000 representing approximately 10% of the issued ordinary share capital of the Company at 25 November 2015). These authorities and powers will provide the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares or the sale of treasury shares, in accordance with the policies set out on page 8 or should any other favourable opportunities arise to the advantage of shareholders. The Directors anticipate that they will mainly use them to satisfy demand from participants in the F&C savings 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 issue shares or sell shares from treasury unless the shares are trading at a premium to NAV.

Authority for the Company to purchase its own shares (Resolution 9)

Resolution 9 authorises the Company to purchase up to a maximum of 14,234,000 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

Directors' Report
(continued)

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 net asset value per ordinary share which would have the effect of increasing it 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 a general meeting by special resolution. The Board intends to seek a renewal of such authority at subsequent annual general meetings.

Form of proxy

Registered shareholders will find enclosed a form of proxy for use at the Annual General Meeting. 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 Annual General Meeting. This will not preclude shareholders from attending 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 Annual General Meeting (any part of a day which is a non-working day shall not be included in calculating the 48 hour period).

Form of direction

If you are an investor in any of the F&C saving plans you will have received a form of direction for use at the Annual General Meeting and you will also have the option of lodging your voting directions using the internet. The Manager operates a proportional voting arrangement, which is explained on page 25.

All voting directions should be submitted as soon as possible in accordance with the instructions on the form of direction and, in any event, not later than 11:30 am on 2 February 2016, 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 meeting 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
26 November 2015

Corporate Governance Statement

Introduction

The Company is committed to high standards of corporate governance. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies issued in February 2015. The AIC Code addresses all the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in September 2014, and applicable for accounting periods beginning on or after 1 October 2014, 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 Corporate Governance 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 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. Including an annual strategy meeting, 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 and costs are reviewed 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 annual general meeting in February 2015 and a closed session strategy meeting in September 2015.

Meeting attendance

	Board meetings	Audit and Management Engagement Committee meetings
Number of meetings	5	3
Steven Bates	5	3
Sharon Brown	5	3
Clare Dobie	5	3
John Emly	4	2
Tim Scholefield(1)	5	3
Neil Dunford(2)	2	1

(1) Appointed 25 November 2014.
(2) Retired 11 February 2015.

Committees of the Board met during the year to undertake business such as the approval of the Company's 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 Annual General Meeting.

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

Corporate Governance Statement
(continued)

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 election by shareholders at the following annual general meeting.

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.

The Board keeps under review its structure, size, composition, experience, diversity and skill ranges. Appointments of all new Directors are made on a formal basis using professional search consultants, with the Board agreeing the selection criteria and the method of selection, recruitment and appointment. A non-executive Director role specification is prepared to assist the Board with this process. As part of a succession plan which is now complete, the Board employed the services of an external search consultant, Trust Associates Limited, to assist with the recruitment of two new Directors. Tim Scholefield was appointed to the Board on 25 November 2014 and Jane Lewis was appointed after the year end on 24 November 2015. Trust Associates Limited has no other connection with the Company.

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

During the year, in order to review the effectiveness of the Board, its Committees and the individual Directors, the Board carried out a process of formal annual self appraisal. This was facilitated by the completion of a questionnaire and confidential interviews between the Chairman and each Director. Key representatives of the Manager also participated in the process and provided feedback to the Board. The appraisal of the Chairman was carried out by the Board under the leadership of the Senior Independent Director. 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.

Other than the formal authorisation of the Directors' other directorships and appointments, no authorisations have been sought. These authorisations were reviewed in November 2015.

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 32 and 33 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 34 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 Company's website at www.fandccit.com.

All beneficial shareholders in the F&C savings 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 23.

By order of the Board
F&C Investment Business Limited
Secretary
26 November 2015

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 regard to Directors' fees and fees paid during the year ended 30 September 2015 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 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. This policy was approved by shareholders at the annual general meeting in 2014 and it is the Board's intention that the policy will next be put to a shareholder vote at the annual general meeting in 2017. The Board has not received any views from the Company's shareholders in respect of the levels of Directors' remuneration. The Board considers the level of the Directors' fees biennually. Towards the end of the year the Chairman carried out a review of the fee rates in accordance with the policy outlined below. The Board agreed his recommendation that, commencing 1 October 2015, the basic fee should be increased to £22,000. The Chairman of the Audit & Management Engagement Committee's fee would be £27,000. The Board considered the Chairman's fee and agreed that this would be increased to £33,000.

Future policy table

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

Director	2016[(a)] £'000s	**2015[(b)] £'000s**
Steven Bates	33.0	**30.0**
Sharon Brown	27.0	**25.0**
Clare Dobie	22.0	**20.0**
John Emly[(1)]	8.0	**20.0**
Tim Scholefield[(2)]	22.0	**17.0**
Jane Lewis[(3)]	18.7	**–**
Neil Dunford[(4)]	–	**7.3**
Totals	130.7	**119.3**

(a) Directors' remuneration for the year ending 30 September 2016 based on fee levels with effect 1 October 2015
(b) Actual Directors' remuneration for the year ended 30 September 2015
(1) Retiring on 9 February 2016
(2) Appointed 25 November 2014
(3) Appointed 24 November 2015
(4) Retired 11 February 2015

Directors' annual report on remuneration

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

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

Fees for services to the Company (audited)

	Year ended	
Director	**2015 £'000s**	2014 £'000s
Steven Bates[(1)]	**30.0**	30.0
Sharon Brown[(2)]	**25.0**	23.2
Clare Dobie	**20.0**	20.0
John Emly	**20.0**	20.0
Tim Scholefield[(3)]	**17.0**	–
Neil Dunford[(4)]	**7.3**	20.0
Professor Jim Norton[(5)]	**–**	9.2
Totals	**119.3**	122.4

(1) Highest paid Director
(2) Appointed Audit and Management Engagement Committee Chairman 12 February 2014
(3) Appointed 25 November 2014
(4) Retired 11 February 2015
(5) Retired 12 February 2014

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:

	2015 £'000s	2014 £'000s
Aggregate Directors' remuneration	**119.3**	122.4
Management and other expenses	**1,628**	1,538
Dividends paid to shareholders	**9,381**	8,842

Directors' interests and indemnification

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

The Company has granted a Deed of Indemnity, to the extent permitted by law, to the Directors in respect of liabilities that may attach to them in their capacity as Directors of the Company. The Deed of Indemnity is available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting. 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	2015	2014
Steven Bates	**nil**	nil
Sharon Brown	**1,500**	1,500
Clare Dobie	**2,378**	2,294
John Emly	**4,928**	4,802
Tim Scholefield	**6,000**	n/a

Since the year end, the following Directors have acquired further ordinary shares: Clare Dobie 20, and John Emly 42.

There have been no changes in any of the other Directors' interests in shares detailed above since the Company's year end. No Director held any interest, beneficial or otherwise, in the issued shares of the Company other than stated above.

Total shareholder return over seven years

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

Company performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager through the investment management agreement, as referred to in the Directors' Report on pages 25 and 26. The graph above compares, for the seven years ended 30 September 2015, 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 2015 is given in the Chairman's Statement and Manager's Review.

At the Company's last annual general meeting, held on 11 February 2015, shareholders approved the Directors' Remuneration Report in respect of the year ended 30 September 2014. 90% of votes were in favour of the resolution.

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

On behalf of the Board
Steven Bates
Chairman
26 November 2015

Report of the Audit and Management Engagement Committee

Role of the committee

The primary responsibilities of the Audit and Management Engagement Committee (the "**committee**") are to monitor the integrity of the financial reporting of the Company and the internal control and risk management processes. The committee's terms of reference can be found on the website at www.fandccit.com.

The committee met on three occasions during the year, and the attendance of each of the members is set out on page 29. F&C's Head of Trust Accounting, the Fund Manager and F&C's new Head of Business Risk were invited to attend certain meetings to report on relevant matters. The external auditor, PwC, attended two of the committee meetings and also met in private session with the committee chairman.

Specifically, the committee considered, monitored and reviewed the following matters:

- The audited annual results statement and report and accounts and the half-yearly report and accounts;
- The accounting policies of the Company;
- The principal risks faced by the Company and the effectiveness of the Company's internal control and risk management environment, including consideration of the appropriateness of the Company's viability statement;
- The effectiveness of the audit process 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 need for the Company to have its own internal audit function;
- The implications of proposed new accounting standards and regulatory changes;
- The receipt of AAF and SSAE16 reports or their equivalent from F&C, the Custodian and a due diligence report from the Company's share registrars;
- The performance of the Manager and the appropriateness of the fees charged;
- The services and fees of the Depositary; and
- The committee's terms of reference.

Comprehensive papers and reports relating to each of these matters were prepared for discussion. These were debated by the committee and recommendations were then made to the Board as appropriate.

The Board retains ultimate responsibility for all aspects relating to external financial statements and other significant published financial information as is noted in the Directors' Responsibility Statement on page 38. On broader control policy issues, the committee has reviewed, and is satisfied with, F&C's Anti-Fraud, Bribery and Corruption Strategy and Policy and with the "whistleblowing" policy that has been put in place by F&C under which its staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The necessary arrangements are in place for proportionate and independent investigation of such matters and for appropriate follow-up action.

Composition of the committee

All Directors are members of the committee, appointed on their date of appointment to the Board. All the committee members are independent non-executive Directors. Sharon Brown, chairman of the committee, is a Chartered Management Accountant and has been a finance director and is chairman of the audit committees of other companies, including another investment trust company. The other members of the committee have a combination of financial, investment and business experience through the senior posts held during their careers. The performance of the committee was evaluated as part of the Board appraisal process.

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, which are managed by F&C. The committee has reviewed and reported to the Board on these controls, which 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, compliance and overall risk management, is exercised by the committee and the Board through regular reports provided by F&C. The reports cover investment performance, compliance with agreed and regulatory investment restrictions, financial analyses, revenue estimates, performance of the third party administrators of the F&C savings plans and on other relevant management issues. F&C's Business Risk department also provide regular control report updates to the committee covering risk and compliance with any significant issues of direct relevance to the Company required to be reported to the Board immediately. The significant issues considered by the committee, and F&C's control report to the committees on policies and procedures in operation in during the year are discussed in the table below.

A key risk summary is also produced to help identify the risks to which the Company is exposed and the controls in place and actions being taken to mitigate them. The Board discusses the resulting risk matrix at each of its meetings and reviews the significance of the risks and the reasons for any changes. The Company's principal risks are set out on page 11 with additional information given in note 23 of 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

Significant issues considered by the committee

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 Board reviews the full portfolio valuation at each Board meeting and, since the implementation of the AIFMD in July 2014, receives quarterly reports from the AIFM and Depositary. The committee reviewed F&C's AAF Report for the year ended 31 December 2014, 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. F&C has provided further assurance of controls operating satisfactorily since that date.
Misappropriation of Assets	
Misappropriation or non-existence of the Company's investments or cash balances could have a material impact on its net asset value per share.	The committee reviewed F&C's AAF Report for the year ended 31 December 2014, which details the controls around the reconciliation of the Manager's records to those of the Custodian. The committee also reviewed the Custodian's annual internal control report to 31 March 2015, 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 2015, 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 committee reviewed F&C's AAF Report and subsequent confirmation referred to above. 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.

Report of the Audit and Management Engagement Committee (continued)

reasonable, but not absolute, assurance against material misstatement, or loss or fraud. Further to the review by the committee, the Board has assessed the effectiveness of the internal control systems. This included a review of the F&C risk management infrastructure and the report on policies and procedures in operation and tests for the period 1 January to 31 December 2014 (the "**AAF Report**") and subsequent confirmation from F&C that there had been no material changes to the control environment. This has been prepared by F&C for all its investment trust clients to the standards of the Institute of Chartered Accountants in England and Wales Technical Release AAF (01/06).

Containing a report and an unqualified opinion from independent external accountants, KPMG, the AAF Report sets out F&C's control policies and procedures with respect to the management of its clients' investments and maintenance of their financial records. The effectiveness of these controls is monitored by F&C's Group Audit and Compliance Committee, which receives regular reports from its Internal Audit department. Procedures are also in place to capture and evaluate any failings and weaknesses within F&C's control environment and those extending to any outsourced service providers to ensure that action would be taken to remedy any significant issues. Any errors or breaches relating to the Company are reported at each Board meeting by F&C. No failings or weaknesses material to the overall control environment and financial statements were identified in the Company's year under review. The committee also reviewed the control reports of the Custodian, the Depositary and the Registrar and were satisfied that there were no material exceptions.

Through the reviews and reporting arrangements set out above and by direct enquiry of F&C and other relevant parties, the committee and the Board have satisfied themselves that there were no material control failures or exceptions affecting the Company's operations during the year nor to the date of this report.

Based on review, observation and enquiry by the committee and Board of the processes and controls in place within F&C, including the unqualified opinion of a reputable independent accounting firm that those controls operated satisfactorily, the committee has concluded that there is no current need for the Company to have an internal audit function and the Board has concurred.

External audit process – significant issues

In carrying out its responsibilities, the committee has considered the planning arrangements, scope, materiality levels and conclusions of the external audit 2015.

The committee met in November 2015 to discuss the draft Report and Accounts, with representatives of the auditor and F&C in attendance.

The table on page 35 describes the significant issues considered by the committee in relation to the financial statements for the year ended 30 September 2015 and how these issues were addressed.

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. The committee established and agreed that there were no material issues or findings arising which needed to be brought to the attention of the Board. Consequently the committee recommended to the Board that the Report and 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.

Auditor assessment, independence and appointment

PwC have been auditor to the Company since its inception in 1992. The audit was put out to tender during the year ended 30 September 2012 and the Board concluded that PwC's appointment should continue. As part of this year's review of auditor independence and effectiveness, PwC have confirmed that they are independent of the Company and have complied with relevant auditing standards. In evaluating PwC, the committee has taken into consideration the standing, skills and experience of the firm and the audit team. From direct observation and indirect enquiry of management, the committee remains satisfied that PwC provide appropriate challenge in carrying out their responsibilities. The committee has been satisfied with the effectiveness of PwC's performance on the audit just completed. The fee for the audit was £28,000 compared with £27,000 last year as shown in Note 5 on the accounts.

Under new EU mandatory audit rotation rules and the UK Competition and Market Authority's rotation rules, the Company will be required to put the external audit out to tender at least every ten years and it is anticipated that the auditor will change at least every twenty years. Given the EU regulations and transition rules on firm rotation, PwC will not be available for appointment as auditors beyond the annual general meeting following 17 June 2020. In the meantime, the committee will continue to consider their appointment annually and the need for any change for reasons of quality or independence. At the Annual General Meeting in 2016 shareholders will of course vote on the reappointment of PwC for the 2016 audit.

The committee regards the continued independence of the auditor to be a matter of the highest priority and the provision of any non-audit services by PwC require advance approval by the audit committee. Non-audit services for the year ended 30 September 2015 totalled £40,000, including £28,000 in relation to a tax reclaim from the French authorities, £5,000 in relation to general tax compliance, and £7,000 in connection with the ongoing liquidation of the subsidiary company, F&C Income Growth Investment Trust PLC. The committee considers the services to have been cost effective and not to have compromised the independence of PwC.

The new EU Regulations will further constrain non-audit services provided by the auditor. Prohibited services will include tax and systems work. There will also be a cap of non-audit service fees set at 70% of audit fees over an averaged three year period. The Company's policy on non-audit services for the year ending 30 September 2016 and future years will be aligned to the finalised regulations. Auditor independence and objectivity will remain the primary concern of the committee.

Sharon Brown
Chairman of the committee
26 November 2015

Statement of Directors' Responsibilities in Respect of the Financial Statements

As required by company law, the Directors are responsible for the preparation of the Report and Accounts, which is required to include a Strategic Report, Directors' Report, Directors' 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 2015 and of the results for the year then ended. The Directors are also responsible for ensuring that the Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; 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 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 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 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;
- the financial statements and the Directors' Report include details on related party transactions;
- the Annual Report and Accounts taken as a whole is fair, balanced and understandable; and
- having assessed the principal risks and other matters discussed in connection with the Viability Statement, it is appropriate to adopt the going concern basis in preparing the accounts.

On behalf of the Board
Steven Bates
Chairman
26 November 2015

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 2015 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

The financial statements, included within the Report and Accounts (the "Annual Report"), comprise:

- the Balance Sheet as at 30 September 2015;
- 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.

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: £2.4 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.

- Dividend income.
- 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 was evidence of bias by the directors that represented 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. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. 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
Dividend income	
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 income could have a material impact on the Company's net asset value and dividend cover.	We assessed the accounting policy for dividend income 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 income recognition. We tested dividend receipts by agreeing the dividend rates from investments to independent third party sources. Our testing covered at least 50% of dividend income from 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 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 a sample of the validity of income and capital special dividends to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance.
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 £261m. 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 also tested the existence of the investment portfolio by agreeing the holdings for investments to an independent custodian confirmation from JP Morgan Chase Bank, N.A. No misstatements were identified by our testing which required reporting to those charged with governance.
Refer to page 35 (Report of the Audit and Management Engagement Committee), pages 48 and 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 geographic structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was 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 on the individual financial statement line items and disclosures and in evaluating 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 £2.4 million (2014: £2.3 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 £237,000 (2014: £231,000) 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 page 10, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are also required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. 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.

CONSISTENCY OF OTHER INFORMATION

Companies Act 2006 opinions

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Report of the Audit and Management Engagement Committee set out on pages 34 to 36 with respect to internal control and risk management systems and about share capital structures 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.

- the statement given by the Directors on page 38, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"),

Independent Auditors' Report
(continued)

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.

- the section of the Annual Report on page 34, 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.

The directors' assessment of the principal risks that would threaten the solvency or liquidity of the Company

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

- the directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

We have nothing material to add or to draw attention to.

- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

We have nothing material to add or to draw attention to.

- the directors' explanation in the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Company and the directors' statement in relation to the longer-term viability of the Company, set out on page 10. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report having performed our review.

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 these responsibilities.

We have no exceptions to report arising from this responsibility.

■ Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the Company.

We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further 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 the 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 primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in 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.

Jeremy Jensen (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
London
26 November 2015

Income Statement

Revenue notes	Capital notes	for the year ended 30 September	Revenue £'000s	Capital £'000s	2015 Total £'000s	Revenue £'000s	Capital £'000s	2014 Total £'000s
	10	(Losses)/gains on investments and derivatives	–	(586)	(586)	–	125	125
	19	Foreign exchange (losses)/gains	(4)	(48)	(52)	8	(21)	(13)
3		Income	10,848	–	10,848	10,904	–	10,904
4	19	Management fee	(520)	(520)	(1,040)	(505)	(505)	(1,010)
5	19	Other expenses	(576)	(12)	(588)	(515)	(13)	(528)
		Net return before finance costs and taxation	9,748	(1,166)	8,582	9,892	(414)	9,478
6	19	Finance costs	(272)	(272)	(544)	(272)	(272)	(544)
		Net return on ordinary activities before taxation	9,476	(1,438)	8,038	9,620	(686)	8,934
7		Taxation on ordinary activities	(1)	–	(1)	(45)	–	(45)
19	19	**Net return attributable to shareholders**	9,475	(1,438)	8,037	9,575	(686)	8,889
8	8	**Return per share – pence**	10.10	(1.53)	8.57	10.56	(0.76)	9.80

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 2015	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 2014	**22,977**	**101,615**	**4,146**	**4,434**	**88,229**	**9,986**	**231,387**
	Movements during the year ended 30 September 2015							
9	Dividends paid	**–**	**–**	**–**	**–**	**–**	**(9,381)**	**(9,381)**
	Ordinary shares issued	**663**	**6,170**	**–**	**–**	**–**	**–**	**6,833**
	Net return attributable to shareholders	**–**	**–**	**–**	**–**	**(1,438)**	**9,475**	**8,037**
	Balance at 30 September 2015	**23,640**	**107,785**	**4,146**	**4,434**	**86,791**	**10,080**	**236,876**

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

Balance Sheet

Notes	at 30 September	£'000s	2015 £'000s	£'000s	2014 £'000s
	Fixed assets				
10	Investments		**260,898**		241,039
	Current assets				
11	Debtors	**1,704**		2,691	
	Cash at bank and short-term deposits	**–**		8,561	
		1,704		11,252	
12	**Creditors: amounts falling due within one year**	**(5,726)**		(904)	
	Net current (liabilities)/assets		**(4,022)**		10,348
	Total assets less current liabilities		**256,876**		251,387
	Creditors: amounts falling due after more than one year				
13	Loans		**(20,000)**		(20,000)
	Net assets		**236,876**		231,387
	Capital and reserves				
15	Share capital		**23,640**		22,977
16	Share premium account		**107,785**		101,615
17	Capital redemption reserve		**4,146**		4,146
18	Special reserve		**4,434**		4,434
19	Capital reserves		**86,791**		88,229
19	Revenue reserve		**10,080**		9,986
	Total shareholders' funds		**236,876**		231,387
20	**Net asset value per ordinary share – pence**		**250.51**		251.76

The Financial Statements were approved by the Board on 26 November 2015 and signed on its behalf by

Steven Bates, Chairman

Cash Flow Statement

Notes	for the year ended 30 September	£'000s	2015 £'000s	£'000s	2014 £'000s
	Operating activities				
	Investment income received	10,874		10,559	
	Interest received	20		22	
	Other revenue	–		35	
	Premium from option writing	–		274	
	Fee paid to management company	(1,035)		(1,004)	
	Fees paid to Directors	(119)		(122)	
	Other payments	(457)		(428)	
21	**Net cash inflow from operating activities**		9,283		9,336
	Servicing of finance				
	Interest paid	(409)		(544)	
	Net cash outflow from the servicing of finance		(409)		(544)
	Financial investment				
	Purchases of investments and derivatives	(51,056)		(83,922)	
	Sales of investments and derivatives	32,958		76,476	
	Other capital charges	(17)		(12)	
	Net cash outflow from financial investment		(18,115)		(7,458)
	Equity dividends paid		(9,381)		(8,842)
	Net cash outflow before use of liquid resources and financing		(18,622)		(7,508)
	Management of liquid resources				
22	Decrease/(increase) in short-term deposits		8,400		(290)
	Financing				
	Shares issued	6,833		7,907	
	Net cash inflow from financing		6,833		7,907
22	**Net (decrease)/increase in cash**		(3,389)		109

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 2015. Such qualification 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 Business Model and Strategy on page 10 and note 26 on the accounts, 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 2015.

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.

Notes on the Accounts (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(vi) Expenses, including finance charges

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

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

All expenses are accounted for on an accruals basis.

(vii) Taxation

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

(viii) 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
- unsettled foreign exchange valuation differences of a capital nature.

3. INCOME

	2015 £'000s	2014 £'000s
Income from investments		
UK dividends	**10,593**	9,783
Bond interest	**–**	331
Overseas dividends	**236**	460
	10,829	10,574
Interest on cash and short-term deposits	**19**	21
Underwriting commission	**–**	35
Derivative income	**–**	274
	19	330
Total income	**10,848**	10,904
Total income comprises		
Dividends	**10,829**	10,243
Other income	**19**	661
	10,848	10,904
Income from investments		
Quoted UK	**10,593**	10,114
Quoted overseas	**236**	460
	10,829	10,574

As at 30 September 2015 there was one outstanding sub-underwriting contract (2014: none outstanding).

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

4. MANAGEMENT FEE

	2015 £'000s	2014 £'000s
Allocated to revenue account	**520**	505
Allocated to capital account (see note 19)	**520**	505
Total management fee	**1,040**	1,010

The Manager, F&C Investment Business Limited, 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

	2015 £'000s	2014 £'000s
Auditors' remuneration:		
– for audit services[1]	33	32
– for other services[2]	40	6
Directors' fees for services to the Company[3]	119	122
Directors' and Officers' liability insurance	7	7
Loan commitment fee	60	61
Marketing	126	100
Professional fees	45	30
Printing and postage	46	43
Registrars' fees	23	34
Subscriptions and listing fees	48	47
Sundry expenses	29	33
	576	515

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

1. Total Auditors' remuneration for audit services, exclusive of VAT amounts to £28,000 (2014: £27,000).
2. Total Auditors' remuneration for other services exclusive of VAT amounts to £40,000 (2014: £13,000) of which £33,000 is recognised in the revenue account, for taxation compliance services (2014: £5,000), and £7,000 in the capital account for other services in connection with the liquidation of F&C Income Growth Investment Trust plc ("FIGIT") (2014: £8,000). Taxation compliance services of £33,000 exclusive of VAT include £28,000 relating to reclamation of French withholding taxes (2014: £nil).
3. See the Directors' Remuneration Report on page 32.

6. FINANCE COSTS

	2015 £'000s	2014 £'000s
Allocated to revenue account	272	272
Allocated to capital account (see note 19)	272	272
Total finance cost	544	544

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	2015 Total £'000s	Revenue £'000s	Capital £'000s	2014 Total £'000s
Overseas taxation	1	–	1	45	–	45
Current tax charge on ordinary activities (see note 7(b))	1	–	1	45	–	45

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK (20.5%) (2014: 22.0%). Factors affecting the taxation change are set out below.

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

	Revenue £'000s	Capital £'000s	2015 Total £'000s	Revenue £'000s	Capital £'000s	2014 Total £'000s
Return on ordinary activities before tax	9,476	(1,438)	8,038	9,620	(686)	8,934
Return on ordinary activities multiplied by the effective rate of corporation tax of 20.5% (2014: 22.0%)	1,943	(295)	1,648	2,116	(151)	1,965
Effects of:						
UK dividends*	(2,172)	–	(2,172)	(2,152)	–	(2,152)
Overseas dividends*	(48)	–	(48)	(101)	–	(101)
Expenses not utilised in the year	265	162	427	130	171	301
Expenses not deductible for tax purposes	12	3	15	7	3	10
Overseas taxation not relieved	1	–	1	45	–	45
Capital returns*	–	130	130	–	(23)	(23)
Total current taxation (see note 7(a))	1	–	1	45	–	45

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

The potential deferred tax asset of £2.9 million in respect of unutilised expenses and unrelieved overseas taxation at 30 September 2015 (2014: £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 10.10p (2014: 10.56p) is based on the revenue return attributable to shareholders of £9,475,000 profit (2014: £9,575,000 profit).

Capital return

The capital return per share of (1.53)p (2014: (0.76)p) is based on the capital return attributable to shareholders of £1,438,000 loss (2014: £686,000 loss).

Total return

The total return per share of 8.57p (2014: 9.80p) is based on the total return attributable to shareholders of £8,037,000 profit (2014: £8,889,000 profit).

Weighted average ordinary shares in issue

Both the revenue and capital returns per share are based on the weighted average of 93,820,364 (2014: 90,639,610) ordinary shares in issue during the year.

Notes on the Accounts (continued)

9. DIVIDENDS

Dividends on ordinary shares	Register date	Payment date	2015 £'000s	2014 £'000s
Fourth interim 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
Fourth interim for the year ended 30 September 2015 of 3.10p per share	12 Dec 14	31 Dec 14	2,872	–
First of four interims for the year ending 30 September 2015 of 2.3p per share	27 Feb 15	31 Mar 15	2,159	–
Second of four interims for the year ending 30 September 2015 of 2.3p per share	05 Jun 15	30 Jun 15	2,175	–
Third of four interims for the year ended 30 September 2015 of 2.3p per share	04 Sep 15	30 Sep 15	2,175	–
			9,381	8,842

The Directors have declared a fourth interim dividend in respect of the year ended 30 September 2015 of 3.20 pence per share, payable on 31 December 2015 to all shareholders on the register at close of business on 11 December 2015. 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 2015, which form the basis of the retention test for section 1159 of the Corporation Tax Act 2010, are set out below:

	2015 £'000s
Net revenue return attributable to shareholders	9,475
First of four interims for the year ending 30 September 2015 of 2.3p per share	(2,159)
Second of four interims for the year ended 30 September 2015 of 2.3p per share	(2,175)
Third of four interims for the year ended 30 September 2015 of 2.3p per share	(2,175)
Fourth interim dividend for the year ended 30 September 2015 of 3.20 pence per share[1]	(3,039)
Transferred from revenue reserve	(73)

1. Based on shares in issue and entitled to dividend at 25 November 2015.

10. INVESTMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

	Level 1* £'000s	Level 2* £'000s	Level 3* £'000s	2015 Total £'000s	Level 1* £'000s	Level 2* £'000s	Level 3* £'000s	2014 Total £'000s
Cost brought forward	196,983	–	1,795	198,778	179,053	–	1,795	180,848
Gains/(losses) brought forward	44,056	–	(1,795)	42,261	53,517	–	(1,795)	51,722
Valuation of investments and derivatives brought forward	241,039	–	–	241,039	232,570	–	–	232,570
Purchases at cost	52,451	–	–	52,451	84,337	–	–	84,337
Sales proceeds	(32,006)	–	–	(32,006)	(75,993)	–	–	(75,993)
(Losses)/gains on derivatives sold in year	–	–	–	–	(196)	–	–	(196)
(Losses)/gains on investments sold in year	(420)	–	–	(420)	9,782	–	–	9,782
(Losses)/gains on investments held at year end	(166)	–	–	(166)	(9,461)	–	–	(9,461)
Valuation of investments and derivatives carried forward	260,898	–	–	260,898	241,039	–	–	241,039
Cost at 30 September	217,008	–	1,795	218,803	196,983	–	1,795	198,778
Gains/(losses) at 30 September	43,890	–	(1,795)	42,095	44,056	–	(1,795)	42,261
Valuation of investments and derivatives at 30 September	260,898	–	–	260,898	241,039	–	–	241,039

*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	2015 £'000s	2014 £'000s
Valuation of investments at 30 September	260,898	241,039
Valuation of derivatives at 30 September	–	–
Total valuation of investments and derivatives at 30 September	260,898	241,039

Gains/(losses) on investments and derivatives held at fair value	2015 £'000s	2014 £'000s
(Losses)/gains on investments sold in year	(420)	9,782
(Losses) on investments held at year end	(166)	(9,461)
(Losses) on derivatives sold in year	–	(196)
Total gains on investments and derivatives	(586)	125

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 (2014: £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

	2015 £'000s	2014 £'000s
Prepayments and accrued income	**811**	845
Investment debtors	**785**	1,737
Overseas taxation recoverable	**108**	109
	1,704	2,691

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000s	2014 £'000s
Investment creditors	**1,952**	541
Management fee	**257**	251
Bank overdraft	**3,276**	–
Accruals	**241**	112
	5,726	904

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

	2015 £'000s	2014 £'000s
Sterling loans	**20,000**	20,000

The Company has an unsecured credit facility expiring in March 2018. There are two elements to the facility: a £20 million fixed rate facility which is fully drawn and a £15 million floating facility which was not drawn during the year. A further £5 million has been drawn in October 2015. The interest rates are at commercial rates.

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

%	UK	Europe ex UK	2015 Total	2014 Total
Equity investments				
Financials	32.8	–	**32.8**	32.7
Oil & Gas	6.2	0.5	**6.7**	13.3
Industrials	18.0	–	**18.0**	15.7
Consumer Services	18.2	–	**18.2**	10.6
Consumer Goods	11.3	2.2	**13.5**	10.8
Healthcare	7.4	–	**7.4**	7.4
Telecommunications	3.6	–	**3.6**	3.3
Basic Materials	4.0	–	**4.0**	5.6
Utilities	3.1	–	**3.1**	2.4
Technology	2.2	0.7	**2.9**	1.8
Fixed interest investments (convertibles)				
Basic materials	–	–	**–**	0.5
Total investments	106.8	3.4	**110.2**	104.1
Net (liabilities)/assets	(10.5)	0.3	**(10.2)**	(4.1)
Net assets	**96.3**	**3.7**	**100.0**	
2014 totals	94.2	5.8		100.0

15. SHARE CAPITAL

	2015 Issued and fully paid		2014 Issued and fully paid	
	number	£'000s	number	£'000s
Ordinary shares of 25 pence each				
Balance brought forward	91,909,268	22,977	89,384,268	22,346
Ordinary shares issued	2,650,000	663	2,525,000	631
Balance at 30 September	94,559,268	23,640	91,909,268	22,977

Since 30 September 2015 a further 400,000 ordinary shares have been issued at a price of 255.5 pence per share.

16. SHARE PREMIUM ACCOUNT

	2015 £'000s	2014 £'000s
Balance brought forward	101,615	95,614
Premium on issue of shares	6,170	6,001
Balance carried forward	107,785	101,615

17. CAPITAL REDEMPTION RESERVE

	2015 £'000s	2014 £'000s
Balance brought forward and carried forward	4,146	4,146

18. SPECIAL RESERVE

	2015 £'000s	2014 £'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				
Losses on investments sold in year	(420)	–	(420)	–
Losses on investments held at year end	–	(166)	(166)	–
Foreign exchange losses	(48)	–	(48)	–
Management fee (see note 4)	(520)	–	(520)	–
Finance costs (see note 6)	(272)	–	(272)	–
Other expenses	(12)	–	(12)	–
Revenue return	–	–	–	9,475
Return attributable to shareholders	(1,272)	(166)	(1,438)	9,475
Dividends paid	–	–	–	(9,381)
Balance at 30 September 2014	45,970	42,259	88,229	9,986
Balance at 30 September 2015	**44,698**	**42,093**	**86,791**	**10,080**

Included within the capital reserve movement for the year are £246,000 of transaction costs including stamp duty on purchase of investments (2014: £288,000) and £25,000 of transaction costs on sales of investments (2014: £67,000).

There were £936,000 of dividends recognised as capital (2014: £2,089,000).

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 £236,876,000 (2014: £231,387,000) and on 94,559,268 (2014: 91,909,268) ordinary shares in issue at the year end. .

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

	2015 £'000s	2014 £'000s
Net return before finance costs and taxation	8,582	9,478
Adjust for returns from non–operating activities:		
– Losses/(gains) on investments and derivatives	586	(125)
– Exchange losses of a capital nature	48	21
Non-operating expenses of a capital nature	12	13
Return from operating activities	9,228	9,387
Adjust for non-cash flow items:		
– Exchange losses and (gains) of a revenue nature	4	(8)
– Decrease in debtors	32	128
– Increase/(decrease) in creditors	6	(22)
– Overseas taxation	13	(149)
Net cash inflow from operating activities	9,283	9,336

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

	2015 £'000s	2014 £'000s
(Decrease)/increase in cash	(3,389)	109
(Decrease)/increase in short-term deposits	(8,400)	290
Change in net debt resulting from cash flows	(11,789)	399
Exchange movement on currency balances	(48)	(21)
Movement in net debt during the year	(11,837)	378
Balance at 30 September 2014	(11,439)	(11,817)
Balance at 30 September 2015	(23,276)	(11,439)

Represented by:	Balance at 30 September 2014 £'000s	Cash flow £'000s	Foreign exchange movement £'000s	Balance at 30 September 2015 £'000s
Cash and overdrafts	161	(3,389)	(48)	(3,276)
Short term deposits	8,400	(8,400)	–	–
	8,561	(11,789)	(48)	(3,276)
Loans	(20,000)	–	–	(20,000)
	(11,439)	(11,789)	(48)	(23,276)

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 2015 amounted to £nil (30 September 2014 – £nil).

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

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

Currency exposure

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

	2015		2014	
	At 30 September	Average for the year	At 30 September	Average for the year
Euro	**1.357**	**1.347**	1.283	1.225

Notes on the Accounts (continued)

23. FINANCIAL RISK MANAGEMENT

(a) Market risks (continued)

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	2015 £'000s	2014 £'000s
Net revenue return attributable to shareholders	27	29
Net capital return attributable to shareholders	971	1,473
Net total return attributable to shareholders	998	1,502
NAV per share – pence	1.06	1.63

Strengthening of sterling by 10% against the euro	2015 £'000s	2014 £'000s
Net revenue return attributable to shareholders	(23)	(54)
Net capital return attributable to shareholders	(794)	(1,205)
Net total return attributable to shareholders	(817)	(1,259)
NAV per share – pence	(0.86)	(1.37)

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:

2015	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	989	(3,276)	(2,450)	(20,000)	(24,737)	252,874	228,137
Other	715	–	–	–	715	8,024	8,739
Total	1,704	(3,276)	(2,450)	(20,000)	(24,022)	260,898	236,876

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

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate exposure

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

	2015 Within one year £'000s	2015 More than one year £'000s	2015 Total £'000s	2014 Within one year £'000s	2014 More than one year £'000s	2014 Total £'000s
Exposure to floating rates						
– Cash	–	–	–	8,561	–	8,561
– Overdrafts	(3,276)	–	(3,276)	–	–	–
Exposure to fixed rates						
– Fixed interest securities	–	15	15	–	1,118	1,118
– Loans	–	(20,000)	(20,000)	–	(20,000)	(20,000)
Net exposure	(3,276)	(19,985)	(23,261)	8,561	(18,882)	(10,321)
Minimum net exposure during the year			(7,472)			(2,651)
Maximum net exposure during the year			(23,262)			(13,899)

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:

	2015 £'000s	2015 Weighted average interest rate	2015 Average duration until maturity	2014 £'000s	2014 Weighted average interest rate	2014 Average duration until maturity
Fixed interest securities	15	–	0.25 years	1,118	–	1.4 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:

	2015 Increase in rate £'000s	2015 Decrease in rate £'000s	2014 Increase in rate £'000s	2014 Decrease in rate £'000s
Revenue return	(66)	66	171	(171)
Capital return	–	–	–	–
Total return	(66)	66	171	(171)
NAV per share – pence	(0.07)	0.07	0.19	(0.19)

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Other market risk exposures

The portfolio of investments, valued at £260,898,000 at 30 September 2015 (2014: £241,039,000) 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.

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:

	2015 Increase in value £'000s	2015 Decrease in value £'000s	2014 Increase in value £'000s	2014 Decrease in value £'000s
Capital return	52,180	(52,180)	48,208	(48,208)
NAV per share – pence	55.18	(55.18)	52.45	(52.45)

(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 2015 and 80 at 30 September 2014); 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:

2015	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	5,726	–	–	5,726
Long-term liabilities – loans	–	–	20,000	20,000
	5,726	–	20,000	25,726

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

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. The Company's Depositary, JP Morgan Europe Limited, has regulatory responsibilities relating to segregation and safe keeping of the Company's financial assets, amongst other duties, as set out in the Directors' Report. The Board has direct access to the Depositary and receives regular reports from it via the Manager.

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 F&C's Risk Management 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**	**2015 Maximum exposure £'000s**	Balance sheet £'000s	2014 Maximum exposure £'000s
Derivative financial instruments	**–**	**–**	–	5,208

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"), including their spouses and dependents, and the Manager (F&C Investment Business Limited). There are no transactions with the Board other than: aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on page 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 . 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 FCIB on request and the numerical remuneration disclosures in relation to the AIFM's first relevant accounting period (year ended 31 October 2015) will be made available in due course.

The Company's maximum and average actual leverage levels at 30 September 2015 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	200%	200%
Actual	110%	110%

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. GOING CONCERN

The Company's investment objective, strategy and policy are subject to a process of regular Board monitoring and are designed to ensure that the Company is invested mainly in readily realisable, listed securities and that the level of borrowing is restricted. The Company retains title to all assets held by the Custodian and agreements cover its borrowing facilities. Cash is held with banks approved and regularly reviewed by the Manager and the Board. The Directors believe that: the Company's objective and policy continue to be relevant to investors, the Company operates within robust regulatory environment and the Company has sufficient resources and arrangements to continue operating within its stated policy for the 12 month period commencing from the date of this report. Accordingly, the financial statements have been drawn up on the basis that the Company is a going concern.

27. POST BALANCE SHEET MOVEMENTS IN NET ASSETS

The NAV per share as at close of business on 24 November 2015 was 260.45 pence (30 September 2015: 250.51 pence).

Ten Year Record

Assets

at 30 September (£'000s)	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total assets	187,846	208,755	214,131	158,201	180,684	191,427	182,290	203,079	244,708	251,387	**256,876**
Loans	8,500	8,000	10,000	–	14,000	14,000	15,000	7,967	20,000	20,000	**20,000**
Net assets	179,346	200,755	204,131	158,201	166,684	177,427	167,290	195,112	224,708	231,387	**236,876**

Net asset value ("NAV")

at 30 September	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
NAV per share – pence	220.4	249.0	258.8	200.4	199.3	207.9	195.0	222.0	251.4	251.8	**250.5**
NAV total return on 100p – 5 years (per Datastream)											**146.9**
NAV total return on 100p – 10 years (per Datastream)											**166.8**

Share price

at 30 September	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Middle market price per share – pence	211.3	233.5	243.3	196.5	199.0	214.3	206.0	225.5	252.5	258.0	**256.0**
Discount/(premium) to NAV – %	4.2	6.2	6.0	2.0	0.1	(3.1)	(5.2)	(1.6)	(0.4)	(2.5)	**(2.2)**
Share price high – pence	211.3	240.0	258.0	249.0	202.5	221.3	232.0	227.0	269.0	271.8	**277.0**
Share price low – pence	174.0	196.0	222.5	188.5	140.0	181.0	199.0	195.0	222.8	248.0	**233.8**
Share price total return on 100p – 5 years (per Datastream)											**145.1**
Share price total return on 100p – 10 years (per Datastream)											**177.8**

Revenue

for the year ended 30 September	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Available for ordinary shares (£'000s)	4,046	5,879	6,604	7,608	7,210	6,755	8,341	8,715	9,941	9,575	**9,475**
Earnings per share – pence	6.56	7.25	8.25	9.69	8.85	8.02	9.75	10.01	11.26	10.56	**10.10**
Dividends per share – pence	5.80	6.50	7.40	8.40†	8.65†	8.45	8.65	9.00	9.45	9.85	**10.10**

Performance

(rebased to 100 at 30 September 2005*)

	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
NAV per share	100.0	113.0	117.4	90.9	90.4	94.3	88.5	100.7	114.1	114.2	**113.7**
Middle market price per share	100.0	110.5	115.1	93.0	94.2	101.4	97.5	106.7	119.5	122.1	**122.1**
Earnings per share	100.0	110.5	125.8	147.7	134.9	122.3	148.6	152.6	171.6	161.0	**154.0**
Dividends per share†	100.0	112.1	127.6	144.8	149.1	145.7	149.1	155.2	162.9	169.8	**174.1**
FTSE All-Share Index	100.0	111.1	120.8	90.5	96.0	104.4	96.7	109.2	125.4	128.7	**121.5**
RPI	100.0	103.6	107.7	113.1	111.5	116.7	123.2	126.5	130.5	133.4	**134.4**
CPI	100.0	102.4	104.2	109.6	110.8	114.3	120.2	122.8	126.1	127.6	**127.5**

Cost of running the Company (Ongoing charges/TER)

for the year ended 30 September	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expressed as a percentage of average net assets:											
Ongoing charges#	0.69	0.74	0.73	0.70	0.88	0.88	0.82	0.80	0.62	0.66	**0.64**

Prior to 2011 calculated as TER

Gearing

at 30 September	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net gearing %	2.94	1.81	4.74	0.24	7.60	7.05	9.08	1.22	3.81	4.43	**10.32**

* 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 third Annual General Meeting of the Company will be held at Exchange House, Primrose Street, London EC2A 2NY on Tuesday 9 February 2016 at 11.30 a.m. for the following purposes:

Ordinary resolutions:

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

1. To receive and adopt the Directors' report and accounts for the year ended 30 September 2015.
2. To approve the Directors' Annual Report on Remuneration.
3. To elect Jane Lewis as a Director.
4. To re-elect Clare Dobie as a Director.
5. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company.
6. To authorise the Directors to determine the remuneration of the auditors.
7. 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 £2,373,000 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 2017 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 resolutions:

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

8. THAT, subject to the passing of Resolution 7 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 7 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 2017 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 £2,373,000, 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.
9. THAT the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the "**Act**"), to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25 pence each in the capital of the Company ("**ordinary shares**") on such terms and in such manner as the Directors may from time to time determine, provided that:
   (a) the maximum number of ordinary shares hereby authorised to be purchased shall be 14,234,000;
   (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
26 November 2015

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 5 February 2016 (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 Private Investor, or Children's Investment Plans, the F&C Child Trust Fund, Junior ISA or in an F&C Individual Savings Account should ensure that forms of direction are returned to Computershare Investor Services PLC not later than 11:30 am on 2 February 2016. Alternatively, voting directions can be submitted electronically at www.eproxyappointment.com by entering the Control Number, Shareholder Reference Number and PIN as printed on the form of direction. Voting directions must be submitted electronically no later than 11:30 am on 2 February 2016.

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 Conduct 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 Conduct 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 25 November 2015, 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 25 November 2015, the latest practicable date prior to publication of this document, the Company had 94,959,268 ordinary shares in issue with a total of 94,959,268 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 2015 will be paid on 31 December 2015 to holders of ordinary shares on the register at the close of business on 11 December 2015.

14. Copies of 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 £11,100 in the tax year ending April 2016 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 on 31 December 2015. 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.

AIC

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

aic
The Association of Investment Companies

London Stock Exchange
LISTED
PREMIUM

Warning to shareholders – 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 Investments.

F&C Investment Trust ISA
Use your ISA allowance to make an annual tax-efficient investment of up to £15,240 for 2015/16 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 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 £4,080 for 2015/16 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. Since 6 April 2015, CTF holders can choose to transfer an existing CTF to a Junior ISA.

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. Since 6 April 2015, the Registered Contact on a CTF can choose to transfer an existing CTF to a Junior ISA. Additional contributions can be made to the shares account version of the CTF from as little as £25 per month or £100 lump sum – up to a maximum of £4,080 for 2015/16 tax year.

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 Children's Investment Plan ("CIP")
A flexible way to save for a child. With no maximum contributions, the plan can easily be set-up under bare trust (where the child is noted as the beneficial owner) to help reduce inheritance tax liability or kept in your name if you wish to retain control over the investment. Investments can be made from a £250 lump sum or £25 a month. You can also make additional lump sum top-ups at any time from £100.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and you may not receive back the full amount originally invested. Tax rates and reliefs depend on the circumstances of the individual. 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 for the PIP/CIP/JISA 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 for training and quality purposes)

Email: **info@fandc.com**

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

Existing plan holders:

Contact our Investor Services Team

Call: **0345 600 3030**
(9:00am – 5:30pm, weekdays,
calls may be recorded for training and quality purposes)

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

Glossary of Terms

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

Administrator – State Street Bank and Trust Company.

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

AIC Code – the principles set out In the Association of Investment Companies Code of Corporate Governance.

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 ("**FCIB**"), a wholly-owned subsidiary of F&C Asset Management plc and ultimately BMO.

BMO – Bank of Montreal, which is the ultimate parent company of F&C.

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 on the London Stock Exchange and gives an indication of how those markets have performed in any period. As the investments within the 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 its net asset value and the shares of which can only be issued or bought back by the company in certain circumstances.

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 – The Custodian is JPMorgan Chase Bank. A custodian is 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.

Depositary – The Depositary is JPMorgan Europe Limited. Under AIFMD rules, 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. The appointed depositary has strict liability for the loss of the 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.

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 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. 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, 15, 18 and 19 on the accounts). Company Law requires that Share Capital, the Share Premium Account and the Capital Redemption Reserve may not be distributed. The Company's articles of association allow distributions by way of dividend out of Capital Reserves. Dividend payments are currently made out of Revenue Reserve. 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 register of shareholders 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 (most ex-dividend dates are on a Wednesday).

F&C – F&C Asset Management plc and its subsidiaries (including the Manager).

F&C Capital and Income Investment Trust PLC – the "Company".

Glossary of Terms (continued)

F&C savings plans – the F&C Private Investor Plan, F&C Children's Investment Plan, F&C Investment Trust ISA, F&C Junior ISA and F&C Child Trust Fund operated by F&C Management Limited, a company authorised and regulated by the Financial Conduct Authority.

Fund Manager – Julian Cane, an employee of the Manager with overall management responsibility for the total portfolio.

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

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 may include: preference shares; debentures; overdrafts and short and long-term loans from banks; and derivative contracts. 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) on the accounts), 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 and 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 1 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 (being an investment vehicle under the AIFMD) 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 F&C Asset Management PLC which in turn is wholly owned by Bank of Montreal ("**BMO**"). The responsibilities and remuneration of FCIB are set out in the Business Model and Strategy, Directors' Report and note 4 on the accounts.

Net asset value (NAV) – the assets less liabilities of the Company, as set out in the Balance Sheet, all valued in accordance with the Company's Accounting Policies (see note 2 on the accounts) 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.

Open-ended Fund – a collective investment scheme which issues shares or units directly to investors, and redeems directly from investors, at a price that is linked to the net asset value of the fund.

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 on the accounts.

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 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.

UK Code of Corporate Governance (UK Code) – the standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders that all companies with a Premium Listing on the London Stock Exchange are required to report on in their annual report and accounts.

If you have trouble reading small print, please let us know. We can provide literature in alternative formats, for example large print or on audiotape. Please call 0345 600 3030*.

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