F&C Capital and Income Investment Trust PLC

Report and Accounts for the half-year ended 31 March 2017

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CIT/Int/17

F&C Capital and Income Investment Trust PLC

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The Association of Investment Companies

aic DIVIDEND HERO

Introducing F&C Capital and Income Investment Trust

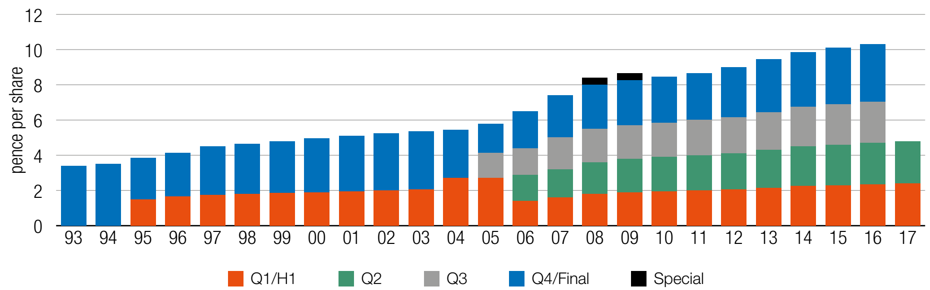
Our objective at F&C Capital and Income Investment Trust PLC is to secure long-term capital and income growth from a portfolio consisting mainly of FTSE All-Share companies.

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 and faster than inflation.

Dividend Progression 1993 to 31 March 2017



Source: F&C

Visit our website at www.fandccit.com

Registered in England and Wales with Company Registration Number: 02732011

Legal Entity Identifier: 21380052ETTRKV2A6Y19

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

Financial Highlights for the half-year

10.4%

Net Asset Value total return* of 10.4%

The total return outperformed the benchmark index, which returned 8.1%.

10.8%

Share price total return* of 10.8%

The share price ended the period at 311.8p.

4.80 pence

Dividend of 4.80 pence** in the period

The dividend for the period represents an increase of 2.1% over the previous period.

2.7%

Shares ended the period at a premium of 2.7%

The shares traded at an average premium to NAV of 1.3% over the period.

*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 Net Asset Value in the period. The dividends are assumed to have been re-invested on the date on which the shares were quoted ex-dividend

**2.40 pence per share payable on 30 June 2017 to shareholders registered on 2 June 2017

Chairman's Statement

Steven Bates, Chairman

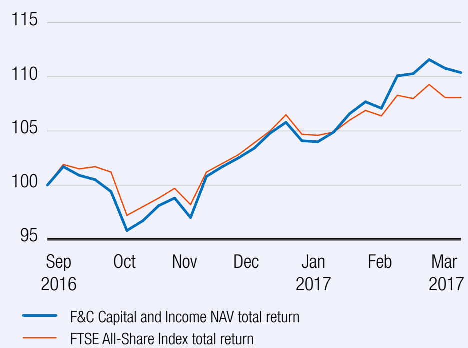
Dear Shareholder

If you had known in advance what would happen during the six month period covered by this statement, you might have expected stock markets to fall. The arrival of an unpredictable President in the US, confusion over policy issues, scandals and a rogue nuclear state on high alert – all would indicate a cautious strategy. In fact, of course, markets have risen and volatility has been unusually low. The dominant influence on global affairs in the past six months has been optimism that President Trump's policies would revitalise the US economy and lead the world into the sunlit uplands. As the scales have fallen from investor eyes, there has been a collective shrug and things have reverted to the status quo ante.

Your Company has had a good six months, growing NAV total return per share by 10.4% compared with an 8.1% rise in the FTSE All-Share Index total return. The share price total return (+10.8%) was more or less in line with the NAV total return as the premium increased very slightly. The performance numbers for the Company are good over the longer run as well: over three years, the NAV total return is up by 33.5%, compared with a rise of 24.9% for the index; over five years NAV total return rose 68.2%, while the index managed 58.7%; and over twenty years, which represents the entire tenure to date of your Company's fund manager, Julian Cane, the NAV total return is up by 303.0%, compared with an index return of 263.3%. You will read in the press that active fund management is a 'loser's game' and that the asset management industry exists only to enrich itself. These numbers are a testament to the fact that this opinion is at best an oversimplification, in particular as it relates to investment trusts, and to the skills of your fund manager who has been in control throughout.

NAV total return over six months

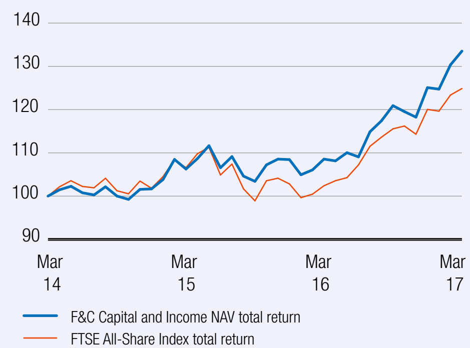
(rebased to 100 at 30 September 2016)



Source: Thomson Reuters Eikon

NAV total return over three years

(rebased to 100 at 31 March 2014)



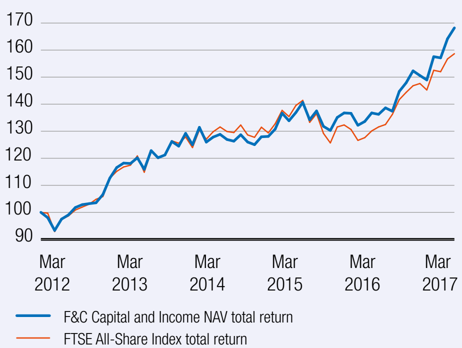
Source: Thomson Reuters Eikon

Investment Background

The UK stock market is affected by international events as much as by what is happening at home. The economy here is very open and companies are typically outward looking, despite what politicians would have you believe. The international environment has been generally supportive of equity markets. Interest rates remain low, although a series of widely signalled increases has begun in the US. Economies remain subdued by the standards of past recoveries, largely because of the huge volume of debt in the system in the aftermath of the Global Financial Crisis. This fact, and the low level of inflation, continues to weigh on interest rates everywhere. In the wake of President Trump's barging onto the world stage, investors expected a series of policy initiatives which would increase the structural growth rate in the US. The checks and balances built into the US system have put paid to a rapid rollout of any of these measures, which were never likely to work anyway, and the global economy has rocked back into its neutral setting.

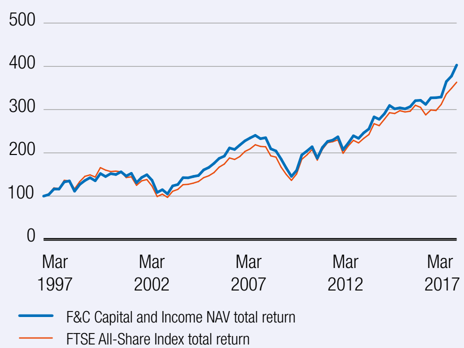
In the UK, BREXIT has dominated the debate, its most obvious impact being on sterling, which has weakened very sharply. In the period we are looking at here, it has fallen around 4%, mostly at the start of the financial year. This will lead to higher inflation in due course and initially led to a setback in the gilt market, where 10 year yields doubled from 0.75% to 1.5%. Rates have settled back a little as it has become clear that the rise in inflation is not yet being baked in to wage increases and so is likely to be a one off event. In the meantime, the UK consumer, perhaps anticipating higher prices, has been drawing on savings to finance spending growth. At some point, this will turn down. Unemployment remains at an 11 year low,

NAV total return over five years
(rebased to 100 at 31 March 2012)



Source: Thomson Reuters Eikon

NAV total return over twenty years
(rebased to 100 at 31 March 1997)



Source: Thomson Reuters Eikon

although the UK's productivity performance has been dismal.

It is important to remember that while we sterling-based folk bask in the sunshine of decent returns, investors from overseas have had a torrid time in the UK market. This combination of factors has kept sterling assets denominated in US dollars or euros at bargain prices, and this has triggered a lot of merger and acquisition activity (e.g. the failed bid for Unilever), but sometimes, ironically, from UK buyers – witness Booker, bid for by Tesco. Both of these bids benefited the portfolio during the period.

The impending general election will ensure that BREXIT remains centre stage, and debate about what sort of divorce we end up with will no doubt continue for years. It is beyond the scope of this statement to make any predictions, but there can be no doubt that companies will face some important strategic decisions in the years ahead and will need certainty pretty soon about where things are headed. It can only be hoped that the complexity of the negotiations and the inevitability of a long transition period do not unsettle markets. The economic impact is also far from certain – the leads and lags in the economy from seismic shifts in policy are surprisingly long.

Portfolio

Returns during this period do not reflect overarching themes. The good numbers are rather the result of contributions from individual stocks. In the Financials sector, for example, OneSavings Bank benefited from the housing market remaining reasonably strong, and positive contributions from Arrow Global and Intermediate Capital outweighed some bad news from IG Group, which faces a regulatory investigation. In the Industrials sector, Melrose was notably helpful, while other positives came from Treatt, a specialist flavours and fragrances business, and Booker, because of its takeover.

On the other side of the ledger, operational problems at Berendsen had a cost to the portfolio, and the holding has now been sold. Dunelm, which is itself performing well, suffered from weakness in the homewares market, while the strength of HSBC from its international exposure was not fully reflected in our portfolio as our holding is small relative to the index. Media stocks were expensive for us in relative terms, as the sector remained static, although there were no developments of note.

During this period, there were a number of high profile profit warnings, one or two of which affected the portfolio, but Julian continues to focus on identifying companies which can deliver capital growth and income in what remains a challenging environment. Not only is the analysis of economic conditions and so profit growth unusually treacherous, but also many industries face existential issues from disruptive technology and new business models. Having said this, I would emphasise the Board's view that the portfolio is well structured and designed to deliver on its core objectives.

Operational Matters

We are now into our twenty-fourth year of consecutive dividend increases. The Company has paid one dividend for the financial year so far and will be paying a second on 30 June 2017. Each of these is for 2.4 pence per share, which represents an increase of 2.1% on the same period last year. I appreciate that this does not sound dramatic, but it is closely in line with inflation over the past year (CPI 2.3%). Our forecast for income over the balance of the financial year points to an ability to continue with the increases we have seen in recent years. It is worth noting we have income reserves in excess of the cost of a full year of dividend payments to ensure that we can continue a smooth progression in the dividend should any shortfall need to be met.

During the half year, we issued one million shares at the customary premium to NAV. This brings our overall market capitalisation to £305 million. I will repeat what I have said in previous years that the Company gains two advantages from being larger. The first is that stock market liquidity is better; the second that our fixed expenses are spread over a larger asset base.

Gearing has helped returns over the period. It stood at £20 million at the end of March which translates into a gearing ratio of 7%. We continue to deploy our available gearing conservatively, with its use determined primarily by what we see as the available returns on our investments.

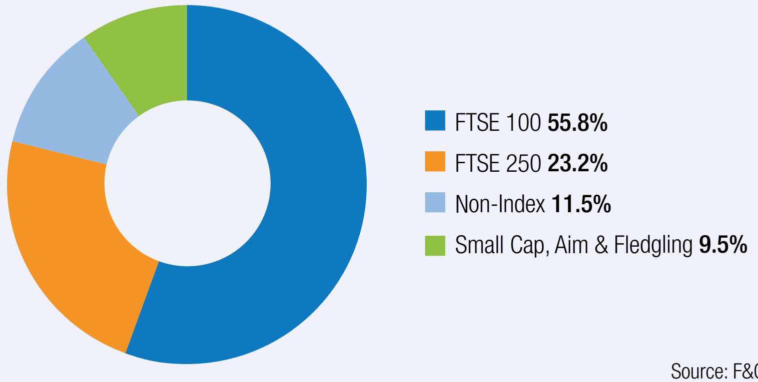
Outlook

There is plenty of excitement out there if you choose to look for it. Nevertheless, it is sometimes surprising how little impact the geopolitical events in the world affect stock markets. At the moment this reflects the reality that equities, which are by no means in the bargain bin, are still a lot more interesting as investments than cash or bonds. Sometimes this 'one way' market leads to complacency and these are moments when a correction is due.

Beyond the political sphere, it is certainly true that the global economy remains unbalanced with the capacity to deliver a credit crunch or banking crisis. Those of us who worry about such things fret about imbalances in China, the risks of revisiting the Eurozone debacle and a host of others. It is notable that the economic cycle which began in 2009 is now long in the tooth and is already one of the longest expansions on record, but it is also one of the weakest. As time goes by, the risks of a cyclical downturn increase but nothing looks imminent. The year ahead will have some road bumps, as it always does, but a car crash looks unlikely.

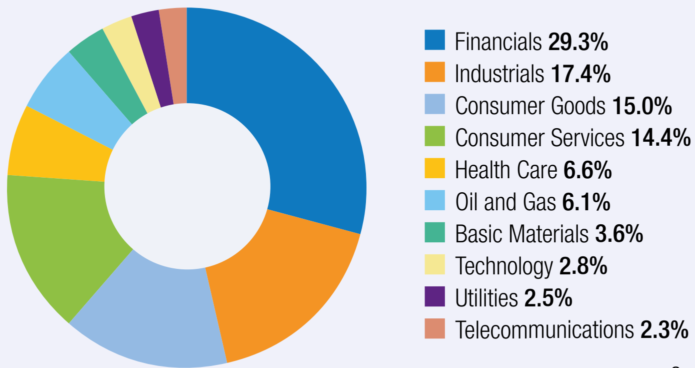
Steven Bates
Chairman
22 May 2017

Portfolio as at 31 March 2017



Source: F&C

Sector breakdown as at 31 March 2017



Source: F&C

Forward-looking statements

This interim report 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 report. Nothing should be construed as a profit forecast.

Twenty Largest Holdings

31 Mar 2017	30 Sep 2016		Value £'000s	% of total investments
1	1	**GlaxoSmithKline** One of the world's leading pharmaceutical companies with valuable healthcare and vaccines businesses. New management has scope to address costs and review the company structure.	13,276	4.2%
2	2	**Royal Dutch Shell** A leading international oil exploration, production and marketing group. The acquisition of BG should lead to synergy and diversification benefits, while the group has become more cost conscious as energy prices have fallen in recent years.	12,015	3.8%
3	4	**Unilever** A leading manufacturer of branded fast moving consumer goods with more than half of its sales in more rapidly growing emerging markets. Management attention to improving returns has been sharpened by the corporate approach from 3G.	10,755	3.4%
4	3	**Diageo** 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.	9,933	3.1%
5	5	**British American Tobacco** A leading international manufacturer and distributor of cigarettes. It has proven to be a very consistent performer and the consolidation of Reynolds American should be positive for returns.	9,540	3.0%
6	6	**HSBC** One of the world's leading banks by size, its returns have recently been lacklustre. A number of the group's individual operations are attractive, but costs, the size and shape of operations need further addressing.	9,113	2.9%
7	13	**Rio Tinto** 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.	8,020	2.5%
8	12	**Prudential** International life assurer seeing rapid growth in the Far East, together with attractive returns from its operations in the UK and US.	8,004	2.5%
9	7	**AstraZeneca** A major international pharmaceutical company. The short-term pipeline of new drugs is disappointing, but shows more potential further out.	7,713	2.4%
10	8	**WPP** One of the largest marketing communications businesses in the world. It owns many of the leading advertising agencies in the world and is seeing reasonable rates of growth.	7,534	2.4%
11	11	**BAE Systems** A leading international developer and manufacturer of advanced defence and aerospace systems. Government spending on defence is under pressure in developed economies, but this is partly offset by its geographic diversification.	7,453	2.4%
12	10	**Beazley** A specialist insurer with a diverse underwriting portfolio that has generated strong, consistent returns. Management has taken an active approach to managing capital to keep overall returns attractive.	7,380	2.3%
13	20	**Phoenix** A UK domestic life assurer actively taking part in consolidation of the sector, particularly those companies no longer writing new business. The attractive dividend is underpinned by good returns from existing operations with growth coming from the synergies available from consolidation.	7,328	2.3%
14	9	**BP** A leading international oil exploration, production and marketing group. Costs are being brought down to improve returns at a lower oil price and the maintenance of the dividend is seen as a priority by the management.	7,321	2.3%
15	16	**OneSavings Bank** This challenger bank is experiencing rapid growth in niche mortgage lending away from the competition of the High Street banks at carefully controlled risk levels. Its low cost base allows it to generate very attractive returns.	7,267	2.3%
16	21	**Secure Income REIT** The highly successful Prestbury property management team has brought together a group of assets (hospitals and leisure parks) let to strong tenants with leases that should provide a steadily rising stream of income.	7,245	2.3%
17	15	**Legal and General** A focus on generating a strong and growing cashflow allows this UK life assurer to pay a very attractive dividend to shareholders	7,048	2.2%
18	18	**Lloyds Banking** The bank still faces some costs for past misconduct, but these should now be diminishing. Underlying operations have continued to generate good returns, which together with a robust capital position should allow attractive dividends to be paid.	6,896	2.2%
19	17	**Informa** 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).	6,642	2.1%
20	22	**Melrose Industries** Melrose aims to buy good, but underperforming, manufacturing businesses. It applies sound operational and financial disciplines to them in order to improve their returns before selling them and returning the value to its own shareholders.	6,470	2.0%

The value of the twenty largest holdings represents 52.6% (30 September 2016: 51.7%) of the Company's total investments.

Condensed Income Statement

Notes		Half-year ended 31 March 2017 (Unaudited)			Half-year ended 31 March 2016 (Unaudited)			Year ended 30 September 2016 (Audited)		
		Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
	Gains on investments	–	22,792	22,792	–	6,643	6,643	–	29,310	29,310
	Foreign exchange gains/(losses)	5	(7)	(2)	(2)	(9)	(11)	31	(4)	27
2	Income	5,610	–	5,610	5,832	–	5,832	12,155	–	12,155
	Management fee	(307)	(307)	(614)	(270)	(270)	(540)	(555)	(555)	(1,110)
	Other expenses	(266)	(1)	(267)	(298)	(3)	(301)	(511)	(7)	(518)
	Net return before finance costs and taxation	5,042	22,477	27,519	5,262	6,361	11,623	11,120	28,744	39,864
	Finance costs	(147)	(147)	(294)	(161)	(161)	(322)	(330)	(330)	(660)
	Net return on ordinary activities before taxation	4,895	22,330	27,225	5,101	6,200	11,301	10,790	28,414	39,204
11	Taxation on ordinary activities	109	–	109	–	–	–	(5)	–	(5)
	Net return attributable to shareholders	5,004	22,330	27,334	5,101	6,200	11,301	10,785	28,414	39,199
3	**Net return per share – pence**	5.13	22.91	28.04	5.36	6.51	11.87	11.26	29.66	40.92

The total column of this statement is the profit and loss account of the Company. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

A statement of Comprehensive Income is not required as all gains and losses of the Company have been reflected in the above statement.

Condensed Statement of Changes in Equity

Notes	Half-year ended 31 March 2017 (Unaudited)	Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Special reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
	Balance at 30 September 2016	**24,196**	**112,997**	**4,146**	**4,434**	**115,205**	**11,049**	**272,027**
	Movements during the half-year ended 31 March 2017							
4	Dividends paid	**–**	**–**	**–**	**–**	**–**	**(5,505)**	**(5,505)**
9	Ordinary shares issued	**250**	**2,640**	**–**	**–**	**–**	**–**	**2,890**
	Net return attributable to equity shareholders	**–**	**–**	**–**	**–**	**22,330**	**5,004**	**27,334**
	Balance at 31 March 2017	**24,446**	**115,637**	**4,146**	**4,434**	**137,535**	**10,548**	**296,746**
	Half-year ended 31 March 2016 (Unaudited)							
	Balance at 30 September 2015	23,640	107,785	4,146	4,434	86,791	10,080	236,876
	Movements during the half-year ended 31 March 2016							
4	Dividends paid	–	–	–	–	–	(5,282)	(5,282)
	Ordinary shares issued	250	2,302	–	–	–	–	2,552
	Net return attributable to equity shareholders	–	–	–	–	6,200	5,101	11,301
	Balance at 31 March 2016	23,890	110,087	4,146	4,434	92,991	9,899	245,447
	Year ended 30 September 2016 (Audited)							
	Balance at 30 September 2015	23,640	107,785	4,146	4,434	86,791	10,080	236,876
	Movements during the year ended 30 September 2016							
4	Dividends paid	–	–	–	–	–	(9,816)	(9,816)
	Ordinary shares issued	556	5,212	–	–	–	–	5,768
	Return attributable to equity shareholders	–	–	–	–	28,414	10,785	39,199
	Balance at 30 September 2016	24,196	112,997	4,146	4,434	115,205	11,049	272,027

Condensed Balance Sheet

Notes		31 March 2017 (Unaudited) £'000s	31 March 2016 (Unaudited) £'000s	30 September 2016 (Audited) £'000s
	Fixed assets			
5	Investments	**316,061**	272,116	296,594
	Current assets			
6	Debtors	**2,138**	2,192	1,193
	Current liabilities			
7	Creditors: amounts falling due within one year	**(1,453)**	(3,861)	(760)
8	Loans	**(20,000)**	–	–
	Net current (liabilities)/assets	**(19,315)**	(1,669)	433
	Total assets less current liabilities	**296,746**	270,447	297,027
	Creditors: amounts falling due after more than one year			
8	Loans	**–**	(25,000)	(25,000)
	Net assets	**296,746**	245,447	272,027
	Capital and reserves			
9	Share capital	**24,446**	23,890	24,196
	Share premium account	**115,637**	110,087	112,997
	Capital redemption reserve	**4,146**	4,146	4,146
	Special reserve	**4,434**	4,434	4,434
	Capital reserves	**137,535**	92,991	115,205
	Revenue reserve	**10,548**	9,899	11,049
	Total shareholders' funds	**296,746**	245,447	272,027
10	**Net asset value per ordinary share – pence**	**303.47**	256.85	281.06

Condensed Statement of Cash Flows

Notes		Half-year ended 31 March 2017 (Unaudited) £'000s	Half-year ended 31 March 2016 (Unaudited) £'000s	Year ended 30 September 2016 (Audited) £'000s
11	Net cash inflow from operating activities	**3,890**	4,046	10,295
	Investing activities			
	Purchase of investments	**(24,090)**	(33,155)	(42,272)
	Sales of investments	**27,415**	27,232	34,720
	Other capital charges	**(7)**	(1)	(2)
	Cash flows from investing activities	**3,318**	(5,924)	(7,554)
	Cash flows before financing activities	**7,208**	(1,878)	2,741
	Financing activities			
4	Equity dividends paid	**(5,505)**	(5,282)	(9,816)
	Net proceeds from issuance of new shares	**2,890**	2,552	5,768
	Interest paid	**(300)**	(458)	(784)
8	(Decrease)/increase in loan	**(5,000)**	5,000	5,000
	Cash flows from financing activities	**(7,915)**	1,812	168
	Net movement in cash and cash equivalents	**(707)**	(66)	2,909
	Cash and cash equivalents at the beginning of the period	**(340)**	(3,276)	(3,276)
	Effect of movement in foreign exchange	**(2)**	(11)	27
	Cash and cash equivalents at the end of the period	**(1,049)**	(3,353)	(340)
	Represented by:			
	Bank overdraft	**(1,049)**	(3,353)	(340)

Notes on the Condensed Accounts

1 Significant accounting policies

These condensed financial statements, which are unaudited, have been prepared on a going concern basis in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, FRS 102, FRS 104 Interim Financial Reporting issued by the FRC in March 2016 and the revised Statement of Recommended Practice ("SORP") "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the AIC in November 2014 and updated in January 2017.

The accounting policies applied in the condensed set of financial statements are set out in the Company's annual report for the year ended 30 September 2016.

2 Income

	Half-year ended 31 March 2017 £'000s	Half-year ended 31 March 2016 £'000s	Year ended 30 September 2016 £'000s
Dividends from investments	5,566	5,800	12,114
Interest on cash and short-term deposits	1	2	3
Interest on overseas taxation recovered (see note 11)	19	–	–
Underwriting commission	24	30	38
	5,610	5,832	12,155

3 Return per ordinary share

Return per ordinary share attributable to shareholders reflects the overall performance of the Company in the period. Net revenue recognised in the first six months is not necessarily indicative of the total likely to be received in the full accounting year.

	Half-year ended 31 March 2017 £'000s	Half-year ended 31 March 2016 £'000s	Year ended 30 September 2016 £'000s
Revenue return	5,004	5,101	10,785
Capital return	22,330	6,200	28,414
Total return	27,334	11,301	39,199
	Number	Number	Number
Weighted average ordinary shares in issue	97,453,499	95,227,028	95,807,560
Total return per share	28.04p	11.87p	40.92p

4 Dividends

Dividends paid on ordinary shares	Payment date	Half-year ended 31 March 2017 £'000s	Half-year ended 31 March 2016 £'000s	Year ended 30 September 2016 £'000s
Fourth of four interims for the year ended 30 September 2015 of 3.20p per share	31 December 2015	–	3,038	3,038
First of four interims for the year ending 30 September 2016 of 2.35p per share	31 March 2016	–	2,244	2,246
Second of four interims for the year ended 30 September 2016 of 2.35p per share	30 June 2016	–	–	2,261
Third of four interims for the year ended 30 September 2016 of 2.35p per share	30 September 2016	–	–	2,271
Fourth of four interims for the year ended 30 September 2016 of 3.25p per share	30 December 2016	3,158	–	–
First of four interims for the year ending 30 September 2017 of 2.40p per share	31 March 2017	2,347	–	–
		5,505	5,282	9,816

The second interim dividend in respect of the year ending 30 September 2017 of 2.40p per share will be paid on 30 June 2017 to shareholders registered on 2 June 2017. The total cost of this dividend, based on 97,934,268 shares in issue and entitled to the dividend on 16 May 2017, is £2,350,000.

5 Investments

The Company's investments are disclosed in the balance sheet at fair value, using the fair value hierarchy set out in the annual report and accounts to 30 September 2016. All of the investments are quoted on a recognised exchange or on the AIM market in the UK, and are classified as Level 1 (30 September 2016 and 31 March 2016: same).

6 Debtors

	31 March 2017 £'000s	31 March 2016 £'000s	30 September 2016 £'000s
Prepayments and accrued income	2,109	1,965	1,152
Investment debtors	–	172	–
Overseas taxation recoverable	29	55	41
	2,138	2,192	1,193

7 Creditors: amounts falling due within one year

	31 March 2017 £'000s	31 March 2016 £'000s	30 September 2016 £'000s
Investment creditors	–	12	–
Management fee	317	270	297
Bank overdraft	1,049	3,353	340
Loan interest	6	–	11
Accruals	81	226	112
	1,453	3,861	760

8 Creditors: Loans

	31 March 2017 £'000s	31 March 2016 £'000s	30 September 2016 £'000s
Sterling loan falling due within one year	20,000	–	–
Sterling loans falling due after more than one year	–	25,000	25,000

The Company has an unsecured credit facility available until March 2018 (2016: same). The facility has two elements: a £20 million fixed rate facility which is fully drawn paying interest at 2.725 per cent per annum and a £15 million floating rate facility, £5 million of which was repaid on 17 November 2016, paying interest at one month LIBOR plus margin.

9 Share capital

Equity share capital	Issued and fully paid Number	Issued and fully paid £'000s
Ordinary shares of 25p each		
Balance at 30 September 2016	96,784,268	24,196
Ordinary shares issued	1,000,000	250
Balance at 31 March 2017	97,784,268	24,446

Since 31 March 2017 a further 150,000 ordinary shares have been issued for total proceeds of £461,000.

10 Net asset value per ordinary share

	31 March 2017	31 March 2016	30 September 2016
Net assets attributable at end of period	£296.75m	£245.45m	£272.03m
Ordinary shares in issue at end of period	97,784,268	95,559,268	96,784,268
Net asset value per share	303.47p	256.85p	281.06p

11 Reconciliation of net return before taxation to net cash flows from operating activities

	Half-year ended 31 March 2017 £'000s	Half-year ended 31 March 2016 £'000s	Year ended 30 September 2016 £'000s
Net return on ordinary activities before taxation	27,225	11,301	39,204
Adjustments for:			
Gains on investments	(22,792)	(6,643)	(29,310)
Exchange movements	2	11	(27)
Non-operating expenses of a capital nature	1	3	7
Dividend income receivable	(5,566)	(5,800)	(12,114)
Dividend income received	4,602	4,543	11,787
Interest payable	294	322	660
Decrease in other debtors	19	176	52
(Decrease)/increase in other creditors	(4)	133	36
Overseas taxation recovered*	109	–	–
Net cash inflows from operating activities	3,890	4,046	10,295

*Overseas withholding tax recovered for the period October 2011 to September 2014.

12 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 borrowings is restricted. The Company retains title to all assets held by the Custodian and an agreement covers its borrowing facility. Cash is held with banks approved and regularly reviewed by the Manager and the Board.

The Directors believe that: the Company's objective and policy continue to be relevant to investors; the Company operates within a 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.

13 VAT Case

The Company reported in its annual report and accounts to 30 September 2016, an interest in a case brought against HMRC to recover VAT paid on management fees in the period 1997 to 2000. On 11 April 2017, the Supreme Court issued a judgement in favour of HMRC. As a consequence, neither the Company nor its subsidiary in liquidation, F&C Income Growth Investment Trust plc, will be entitled to any recoveries of VAT paid in the relevant period.

14 Results

The results for the half-year ended 31 March 2017 and 31 March 2016, which are unaudited, constitute non-statutory accounts within the meaning of Section 434 of the Companies Act 2006. The latest published accounts which have been delivered to the Registrar of Companies are for the year ended 30 September 2016; the report of the independent auditors thereon was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The abridged financial statements shown above for the year ended 30 September 2016 are an extract from those accounts.

By order of the Board
F&C Investment Business Limited, Secretary
Exchange House
Primrose Street
London EC2A 2NY

22 May 2017

Directors' Statement of Principal Risks and Uncertainties

Most of the Company's principal risks and uncertainties are market related and no different from those of other investment trusts investing primarily in listed equities. They are described in more detail under the heading "Principal risks and future prospects" within the strategic report in the Company's annual report for the year ended 30 September 2016. The risks have not changed materially since the date of that report and are not expected to change materially for the remainder of the Company's financial year.

The risks include: having an inappropriate strategy in relation to investor needs; failure on the part of the Manager to continue to operate effectively; unfavourable markets or inappropriate asset allocation, sector and stock selection, currency exposure and use of gearing and derivatives leading to investment underperformance; and errors, fraud or control failures at service providers, or loss of data through cyber-threats or business continuity failure.

Directors' Statement of Responsibilities in Respect of the Half-Yearly Financial Report

In accordance with Chapter 4 of the Disclosure and Transparency Rules, the Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with applicable UK Accounting Standards on a going concern basis, and gives a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the half-yearly report includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the financial statements;
- the Directors' Statement of Principal Risks and Uncertainties shown above is a fair review of the principal risks and uncertainties for the remainder of the financial year;
- the half-yearly report includes a fair review of the related party transactions that have taken place in the first six months of the financial year.

On behalf of the Board
Steven Bates
Chairman
22 May 2017

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.

F&C Investment Trust ISA
You can use your ISA allowance to make an annual tax-efficient investment of up to £20,000 for the 2017/18 tax year with a lump sum from £500 or regular savings from £50 a month per Trust. You can also transfer any existing ISAs to us whilst maintaining the tax benefits

Junior ISA (“JISA”)*
You can invest up to £4,128 for the tax year 2017/18 from £500 lump sum or £30 a month per Trust, or a combination of both. Please note, if your child already has a Child Trust Fund (CTF), then you cannot open a separate JISA, however you can transfer the existing CTF (held either with F&C or another provider) to an F&C JISA

F&C Child Trust Fund (“CTF”)*
If your child has a CTF you can invest up to £4,128 for the 2017/18 tax year, from £100 lump sum or £25 a month per Trust, or a combination of both. You can also transfer a CTF from another provider to an F&C CTF. Please note, the CTF has been replaced by the JISA and is only available to investors who already hold a CTF.

F&C Private Investor Plan (“PIP”)
This is a flexible way to invest in our range of Investment Trusts. There are no maximum contributions, and investments can be made from £500 lump sum or £50 a month per Trust. You can also make additional lump sum top-ups at any time from £250 per Trust.

F&C Children’s Investment Plan (“CIP”)
This is a flexible way to save for a child in our range of Investment Trusts. There are no maximum contributions, and the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) 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 per Trust. You can also make additional lump sum top-ups at any time from £100 per Trust.

Charges
Annual management charges and other charges 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 charges
ISA: 0.2%
PIP/CIP/JISA: postal instructions £12, online instruction £8 per Trust

Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits for the PIP, CIP and JISA.

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

Government stamp duty of 0.5% also applies on the purchase of shares (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 our savings plans and charges, please read the Key Features and Terms and Conditions of the plan – available on our website **fandc.co.uk**.

How to Invest
To open a new F&C savings plan, apply online at **fandc.com/apply**

Note, this is not available if you are transferring an existing plan with another provider to F&C, or if you are applying for a new plan in more than one name.

New Customers:
Contact our Team
Call: **0800 136 420****
(8:30am – 5:30pm, weekdays)
Email: **info@fandc.com**

Existing Plan Holders:
Contact our Team
Call: **0345 600 3030****
(9:300am – 5:30pm, weekdays)
Email: **investor.enquiries@fandc.com**
By post: F&C Plan Administration Centre
PO Box 11114
Chelmsford CM99 2DG

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include: Alliance Trust Savings, Barclays Stockbrokers, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, Lloyds Bank, Selftrade, TD Direct Investing, The Share Centre.

The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please read our Key Features Document before you invest and this can be found on our website **fandc.co.uk**. F&C cannot give advice on the suitability of investing in our investment trust or savings plans. If you have any doubt as to the suitability of an investment, please contact a professional financial adviser.

Notes
*The CTF and JISA accounts are opened in the child’s name and they can have access to the account at age 18.
**Calls may be recorded or monitored for training and quality purposes.

BMO | A part of BMO Financial Group

Information for Shareholders

Net asset value and share price

The Company's net asset value per share is released daily, on the working day following the calculation date, to the London Stock Exchange. The current share price of F&C Capital and Income Investment Trust PLC is shown in the investment trust 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 under "Investor Information". This website also provides a monthly update on the Company's geographic spread and largest holdings, along with comments from the Fund 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 £11,300 in the tax year ended 5 April 2018 without incurring any tax liability.

A rate of CGT of 10% will apply where taxable income and gains do not exceed the income tax higher rate threshold (£33,500 in 2017–18 tax year). A higher rate of 20% will apply to those whose income and gains exceed this figure.

Income tax

The second interim dividend of 2.40 pence per share is payable on 30 June 2017. From April 2016 dividend tax credits have been replaced by an annual £5,000 tax-free allowance to UK residents on dividend income received in their entire share portfolios. Dividend income received in excess of this amount will be taxed at rates of 7.5% (basic rate taxpayers), 32.5% (higher rate taxpayers) or 38.1% (additional rate taxpayers).

AIC

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

Electronic communications

Computershare provides a service to enable Shareholders to receive Shareholder correspondence electronically (including annual and half yearly financial reports) if they wish. If a Shareholder opts to receive documents in this way, paper documents will only be available on request. Shareholders who opt for this service will receive a Notice of Availability via e-mail from Computershare with a link to the relevant section of the Company's website where the documents can be viewed or printed. For more information, to view the terms and conditions and to register for this service, please visit Computershare's internet site at **www.investorcentre.co.uk** (you will need your Shareholder reference number which can be found on your share certificate or dividend confirmation).

Common reporting standards

New tax legislation was introduced on 1 January 2016. Investment trust companies are required to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated Shareholders, and corporate entities, who have purchased shares in investment trusts. Only a small number of our Shareholders fall into this category and only those Shareholders will receive a request from the registrar for personal information to comply with this legal obligation. If you have any queries on the validity of any document received from the registrar you can contact them directly on 0370 889 4094.

Availability of report and accounts

The Company's report and accounts are available on the Internet at **www.fandccit.com**. Printed copies may be obtained from the Company's registered office, Exchange House, Primrose Street, London EC2A 2NY

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**.