2732011

F&C Capital and Income Investment Trust PLC

Report and Accounts 2005

Objective

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

Company Registration Number: 2732011

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Financial Calendar

Annual General Meeting	31 January 2006
Final dividend paid	3 February 2006
First interim dividend paid	April 2006
Interim results for 2005/2006 announced	May 2006
Second interim dividend paid	July 2006
Third interim dividend paid	October 2006
Final Results for 2005/2006 announced	November 2006
Final dividend paid	February 2007

Summary of Results*

Attributable to shareholders	**30 Sept 2005**	30 Sept 2004	% Change
Net assets	**£176.97m**	£84.30m	+109.9
Net assets per share	**217.47p**	177.62p	+22.4
Net Revenue after tax	**£4.05m**	£2.60m	+55.8
Earnings per share	**6.56p**	5.38p	+21.9
Dividends per share	**5.80p**	5.45p	+6.4
Share price	**211.25p**	173.50p	+21.8

* Results for 2005 not directly comparable with prior year as a consequence of the Scheme of Arrangement (see note 1)

Potential investors are reminded that past performance will not necessarily be repeated. 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.

Chairman's Statement

Dear Shareholder | The last year has been an active one for your Company as the merger with F&C Income Growth Investment Trust PLC ("FIGIT") became effective. This deal has been a success and has not detracted from investment performance which has been strong both in absolute terms and relative to our main benchmark.

Over the year to 30 September 2005, the net asset value (NAV) per share and share price of your Company rose by 22.4% and 21.8% respectively. Both of these returns were ahead of the 20.9% increase in the FTSE All-Share Index.

The Directors are recommending a final dividend of 1.675 pence per share to give a total for the year of 5.80p, an increase of 6.4% on the previous year.

Capital Performance | The stockmarket has continued its strong recovery from the bear market of 2000 to 2003 as company earnings and dividends have grown strongly. Bond yields have remained low and this has continued to make equities appear attractive as an asset class, which in turn has led to a large number of mergers and acquisitions, either from other quoted companies or private equity.

It is pleasing to report a substantial increase in NAV as the market has risen rapidly, especially as your Company was resilient and the NAV fell much less than the index in the previous bear market. Over the medium- and long-term results are well ahead of the FTSE All-Share benchmark index.

The Manager's Review examines more thoroughly the performance of the UK and European stockmarkets and your Company's holdings. There is further commentary and weightings by industry classifications in the review of the Investment Portfolio by Sector.

Revenue and Dividend | This year many of the headline figures in the revenue account have been affected by the merger in May. The most important figure, however, is the return per ordinary share as it reflects your Company's true dividend paying ability. It is based on the average number of shares in issue during the year, removing much of the distorting effect of the merger. The revenue return per share last year was 6.56p which shows a very attractive increase of more than 21.9% on the previous year. This reflects a combination of both strong underlying revenue growth from our investments and also greater cost efficiency stemming from the merger.

Following the merger with FIGIT, your Company is now paying dividends quarterly. As the merger only completed in May, there was one dividend for the six months to March 2005, a dividend for the third quarter to June and the proposed final dividend for the fourth quarter to September. The total increase for the year of 6.4% is the thirteenth successive annual increase and is well ahead of the Consumer Price Index (CPI) and the underlying rate of inflation (Retail Price Index excluding

Mortgage Interest Payments) both of which were 2.5% for the year to September. It should be noted that the cost of each dividend paid is based on the number of shares in issue at each point in time, rather than average shares in issue during the year, and hence the proposed final dividend of 1.675p per share will cost the Company more than the first interim dividend of 2.725p per share, paid in May 2005.

Gearing | In the expectation of attractive investment returns and in response to the relatively low costs of borrowing, the portfolio has been geared throughout the year. The absolute level of debt has been within the range of £3.5m to £8.5m. As the returns generated from the extra invested capital have exceeded the cost of debt, the decision to gear the portfolio has added extra value to shareholders.

Share Capital | The most significant event during the year in terms of scale was the merger of your Company with FIGIT, which increased the number of shares in issue from 48.6m to 82.2m. However, probably more important in terms of impact was the Board's continued commitment to ensuring that the Company's shares should not stand at any material discount to NAV. This has been done through an active share buy-back programme which made twenty purchases during the year, buying a total of 1.2m shares.

The buy-back programme has been successful as the share price has tracked the NAV per share closely with the average discount being just 2.1% and the widest discount being 5.4%.

There was also considerable demand from index-tracking funds for the Company's shares when it was re-included in the FTSE All-Share Index at the end of 2004. This caused the share price to rise and the Board issued 1.5m shares at a premium to NAV to satisfy the demand. Although this level of extra demand is not expected to return in future years, it is encouraging that over the year more shares were issued than were bought back. It is also positive that on any analysis, whether looking at the absolute prices or the level of discounts and premiums at which the purchases and issues took place, these transactions have been beneficial for shareholders.

Benefits of the Merger | At the time of the proposal, the Directors believed the merger would benefit shareholders by the creation of a larger company, bringing economies of scale and the prospect of increased market liquidity. Although the merger was only effective for less than half of the financial year it has helped to reduce operating costs as a percentage of average total assets from 0.69% in the previous year to 0.66%. This is a very competitive rate compared to other similar investment vehicles. Since completion of the deal, the average daily volume of shares traded in the enlarged company has been almost twice that of the average of the previous three years. This increase in liquidity should be beneficial to investors as it should be easier and more efficient to buy and sell shares, which in time should attract other investors.

Directors | The Board constitution has changed considerably over the year as a consequence of the merger. I would like to thank all those directors who have helped to make the deal successful and especially to record my thanks to Graham Ross Russell and Peter Hardy who retired on completion of the deal and who have steered your Company so well since its earliest days. Their wise counsel and attention to detail will be greatly missed. I am delighted that John Emly and Neil Dunford, who were on the Board of FIGIT, have joined this Company's Board and I look forward to working closely with them in the years to come.

Annual General Meeting | This year's Annual General Meeting will be held on Tuesday, 31 January 2006 at 10.30 am. There will be a presentation by the Manager on investment policy and future prospects and I hope to welcome as many of you to the meeting as possible.

Prospects | There are a number of issues which give cause for concern. These range from the specific, such as the high price of oil, to the more general structural imbalances in the UK economy. In particular, recent growth has been driven very largely by consumer and Government expenditure and not enough by investment and exports. At a time when the average level of personal indebtedness in the UK is at high levels and

Chairman's Statement (continued)

personal disposable income is being restricted by increases in fuel costs and taxes, retail spending is coming under pressure. Furthermore, taxation is likely to have to rise to pay for accelerating Government expenditure and the UK trade deficit continues to widen. These longer-term issues are not expected to have an immediate impact on the stockmarket, but are likely to restrict future rates of growth.

Despite this, companies are forecast to continue to produce reasonable levels of earnings and dividend growth and this should provide support to the stockmarket. Even though the market has risen strongly, so have earnings and thus valuations are very similar to last year. The rate of growth is, however, expected to decline as the overall rate of economic growth slows. Overall, valuations for the stockmarket appear attractive when compared to bonds or cash, while the absolute level of valuation is in line with longer-term averages.

Pen Kent | December 2005

Manager's Review

Review of the Stockmarket and Economy | The UK stockmarket has continued to recover from the three year bear market as the FTSE All-Share index rose by 20.9%. However, despite more than two years of strong gains and an increase in value of more than 50%, the index level is still more than 15% below the previous peak. The strength of company results has undoubtedly been the main factor behind the rise in the market, such that the overall level of valuation has remained little changed as earnings and the index level have risen at about the same rate. There have also been a considerable number of corporate deals as private equity and overseas companies have looked to acquire UK companies at attractive valuations. This has been particularly possible because of the low level of financial costs (in the form of cash interest rates or bond yields) relative to equity dividend and earnings yields. These bids have a direct impact on the index as the bid target's share price rises, and indirect effects as investors look more closely at other similar companies, and as the money realised from the take-overs are reinvested back into the market.

The rapid industrialisation of China has continued to exert a strong influence on stock and commodity markets and directly on economies. This has been particularly obvious in the price of oil which has risen from under $28 per barrel for Brent crude two years ago to over $60 at the end of September, although the prices of a number of other commodities have also seen similar increases. So far, unlike other periods of commodity price increases, there has been no sign that this is having an effect on general price inflation, which may well be a result of the overall deflationary effect of China exporting cheap goods to more industrialised economies.

There was relatively little performance differentiation within the market as a result of size or yield characteristics. The largest companies in the FTSE 100 index (+20%) lagged the FTSE 250 index (+27%) and Smaller Companies (+24%). Dividing the index according to yield characteristics shows that high-yielding shares (+20%) performed a little worse than low-yielding (+22%). The European markets, to which your Company has an active allocation, rose by 27% (adjusted into sterling), which was a little more than the UK. Although there was broad similarity in outcomes judged on size, yield and geography, this is not to suggest that there was little to separate performance of individual stocks or sectors. The strongest area of the UK stockmarket was the Mining sector, which rose by 46% as a result of the surge in commodity prices noted above, while the Oil and Gas sector was also strong (+32%). Amongst the large sectors, the increase in the Banks sector was noticeably pedestrian, while the General Retail sector fell 7% as the UK consumer retrenched.

The rise in the stockmarket and company profits has really come about despite the slow down in the UK economy as GDP growth of 3.2% in 2004 is expected to have fallen to 1.6% in 2005. Government expenditure has continued to grow faster than the economy as a whole, while despite increased profits, companies have not accelerated their own capital expenditure. The weakest, and most significant, component of GDP has been consumer expenditure as a combination of falling or static house prices, increasing tax burden, higher fuel costs and already high levels of debt have contributed to a rapid slow down in consumer expenditure. The cut in interest rates from the Monetary Policy Committee in August to 4.5% should help to provide some support to expenditure, but with inflation having increased to 2.7% for the RPI and 2.5% for the RPIX, there appears to be only limited scope for further reductions.

Investment Portfolio | The most significant change to the portfolio was the increase in size that came from the merger with FIGIT. Before the merger the two portfolios were very similar and therefore there was no need for any restructuring of either to align the views on stocks or sectors. Shortly after completion of the transaction, the portfolio of FIGIT was absorbed by your Company with no extra expenses incurred by either portfolio.

Two other changes arising from the merger are the approach to investments outside of the UK and a small holding in gilts, which came from FIGIT's portfolio. In the past, an allocation of part of the portfolio to Continental Europe had been treated broadly as an asset allocation decision and this had led to more than 60 stocks being held in this relatively small part of the overall portfolio. By contrast, the exposure to Continental European component of the overall portfolio is now in a much smaller number of stocks which have been chosen because they are either superior than those available in the UK, or else are attractive in their own right and no comparable company exists in the UK. FIGIT originally held a number of gilts to help it meet its income requirement, but as the income generated from the equity portfolio has grown, so the gilts have been reduced; this trend is expected to continue.

A commentary on the portfolio is next to the list of investments and the description of the twenty largest holdings.

Julian Cane | November 2005

Business review

Introduction | The Review which follows is designed to provide shareholders with information about:

- the environment within which the Company operates;
- the Board's strategy for achieving its stated objectives, including its framework of governance designed to reduce risk;
- the management of the assets;
- highlights of performance measured against key performance indicators.

Competitive and Regulatory Environment | The Company is an investment trust listed on the UK Stock Exchange and is a member of the Association of Investment Trust Companies (AITC). Its Objective is to secure long-term capital and income growth from a portfolio consisting mainly of FTSE-All Share companies. Performance against this Objective is measured against the FTSE All-Share Index movement over each relevant period, but regard must also be had to the performance of the Company's peer group, within the AITC, of 23 investment trusts in the "UK Growth and Income" sector.

The Company is a closed ended company and is obliged to comply with the Companies Acts, the rules of the UK Listing Authority (including those relating to corporate governance) and UK Accounting Standards. In addition to annual and interim accounts published under these rules, the Company announces net asset values per share daily, for guidance of investors. Monthly, it provides more detailed statistical information to the AITC in order for brokers and investors to compare its performance with its peer group.

Importantly, in addition to the above, the Company operates so as to comply with Section 842 of the Income and Corporation Taxes Act, allowing it to be exempted from capital gains tax on gains on transactions in the management of the portfolio. Under the rules imposed by Section 842, the Company may have no more than 15% of its portfolio invested in any one company, and it must not retain, in anyone year, more than 15% of the income it has received from its portfolio of investments. These rules are similar to those regulating Open-ended Investment vehicles (OEICs and Unit Trusts), but the Company has an advantage over such vehicles in that it can borrow money to invest and it is able to take a long-term view of markets, unfettered by worries over its capital base.

Strategy for Achieving Objectives | The Company aims to invest in companies which have good long-term prospects, but whose share prices are depressed by adverse short-term sentiment, either because of current difficulties, or simply because they are unfashionable. Many of the stocks purchased have a higher than average dividend yield, and this in turn allows the Company to pay a relatively high dividend to its shareholders.

The Board has contractually delegated the management of the investment portfolio, and the provision of company secretarial, accounting, marketing and general administrative services to a Manager, currently F&C Management Limited. The duties of the Manager are set out later in this Review. As a result of the Manager's research, a value is derived for each company analysed. When the relevant company's share price is below this value, the Manager looks to buy, and when it rises above, the Manager looks to sell. Importantly, the Manager derives the value from its own assessment of the company's prospects and not by simply following City consensus. It believes that share prices are much more volatile than changes in the underlying worth and this mis-match creates investment opportunities. The Manager does believe, however, that over the long term share prices must reflect the intrinsic worth as the value of the company's cash flows, earnings, dividends or assets are realised. This approach can result in periods of underperformance when market values are substantially out of line with underlying worth, such as during the speculative bubble in the telecommunication and technology sectors at the end of the 1990's, but over the longer-term this process has shown that it can generate superior results.

The Board meets on a quarterly basis and at such other times as necessary. The members are listed on page 15. Each Director has relevant experience and receives updated training where necessary to ensure that the Board is qualified to carry out its duties. The Board remains responsible for stewardship of the Company's strategic issues and operational matters affecting performance and compliance with regulations, including approval of asset allocation, gearing levels and share buy-back activity.

The Board also reviews national and international economic, political and regulatory developments and assesses their likely impact on the Company's performance and risk profile. It monitors: the income forecasts supplied by the Manager, to ensure that the Company can meet its dividend objectives; the level of expenses; gearing, liquidity and the discount to net asset value; and changes in the shareholder base and within the Manager's own (or delegated) operations. Further details of the Corporate Governance activities of the Board and its Audit and Management Engagement Committee are detailed on pages 20 to 24.

The Merger | During the year under review, the Company merged with F&C Income Growth Investment Trust PLC ("FIGIT"). The Board considers that, as stated in the Chairman's Statement, the transaction achieved the purpose of increasing the assets available for investment, under a broadly unchanged objective, without increasing the risks faced by the Company. The increased size of the Company has reduced the cost, on a per share basis, of running the Company and has improved liquidity. As part of the merger process, the Board reviewed the Company's investment strategy and provided guidance to the Manager on the extent to which shareholdings could be taken in companies quoted on developed markets outside the UK.

Child Trust Fund | At the time of the merger, FIGIT participated in F&C's Child Trust Fund product, but the Company did not. After the merger the Board reviewed the benefits and costs of this participation and concluded that continued participation would be beneficial and reflect the need to continue to attract new, long-term individual shareholders.

Principal risks/risk management | The Board believes the principal risks, which it seeks to mitigate through continual review, policy setting, shareholder communication and enforcement of contractual obligations, are:

- Investment and Strategic – inappropriate long-term strategy, asset allocation and stock selection might lead to under-performance of the Company's benchmark index and peer group;
- Regulatory – breach of Section 842 rules might lead to the Company being subject to Capital Gains Tax, whilst serious breach of other regulatory rules might lead to suspension of the company's Stock Exchange listing or to a qualified Audit Report;
- Reputational – inadequate or failed controls in the Manager's or other third party administrator's environment, or unconnected activity of the Manager, might result in breaches of regulations or shareholder trust.
- Operational – failure of the Manager's core accounting systems (or disastrous disruption to its business) might lead to an inability to provide accurate reporting and monitoring; and
- Financial – inadequate control over payments might lead to misappropriation of assets, whilst failure to expect and record receipts could result in loss of income and other debtor receipts. Inappropriate accounting policies or failure to comply with current Accounting Standards might result in mis-reporting of net asset values, statistics and performance, as well as to breaches of regulations.

In the management and mitigation of these risks, the Board applies rigorously the principles detailed in the "Internal Control: Guidance for Directors on the Combined Code" documents issued as the "Turnbull" guidance. The Board also endorses the revisions to the guidance published by the Financial Reporting council in October 2005. As an example, this year the Board carried out a thorough review of custody arrangements, including the risks associated with sub-custodians in foreign jurisdictions.

Details of the Company's internal controls may be found in the Corporate Governance section on pages 22 to 23.

Management of Assets | The appointment of the Manager is reviewed formally on an annual basis. The Company's agreement with the Manager is set out in the Report of the Directors and in note 4 on the Accounts. The agreement may be terminated upon 12 months notice in writing from either party. The Board believes the terms of the agreement, including the rewards available to the Manager, are sufficient to ensure that the Company's assets are managed in a way that is likely to encourage good performance against the Company's index and peer group. Regular review of the agreement is designed to ensure that the risks and rewards to the Manager are in line with the Objective of the Company.

Briefly, 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 communicated strategies and guidelines on gearing) and through collection of income from those investments;
- control the discount at which the Company's shares trade by comparison with their underlying asset value within limits set down by the Board from time to time, and to make recommendations as to whether shares bought in are held in treasury or immediately cancelled;
- maintain the Company's control over the ownership of the assets; and
- maintain the Company's books and records;
- maintain compliance with relevant rules and regulations; and maintain regular shareholder plans and savings products on behalf of the Company, designed to provide investors with a cost-effective and flexible way to invest in the Company.

Performance | As mentioned above, the Board regularly reviews investment performance, income, expenses, liquidity and Section 842 compliance with a view to the Company out-performing its benchmark and paying sustainable quarterly dividends. The Board looks to long-term out-performance rather than high-risk short-term opportunities.

The Board monitors numerous indices and ratios as key performance indicators (KPIs) to assist them in monitoring and reporting performance and compliance. The Chairman, in his statement, summarises performance of the Company's net asset value and share price against the FTSE All-Share Index for the year ended 30 September 2005, as well as over 5 years. He also describes the revenue performance and dividends paid for the year, comparing these to the Retail Price Index movement in the year. Detailed performance of the portfolio of investments over the last twelve months can be found in the Manager's Review on pages 5 to 6 and ten year statistics covering revenue and capital performance are set out on pages 43 to 44. Apart from the KPIs discussed above, the Board also monitors the following:

- AITC peer group of 23 companies, whose net asset value and share price performance over 1, 3, 5 and 10 years is set out in statistics produced monthly by the AITC. At 30 September 2005, the Company was 12th, 12th 10th and 10th respectively in its peer group NAV performance over 1, 3, 5 and 10 years, and 17th, joint 11th, 9th and 10th respectively with regard to share price performance;
- share price discount to NAV, an important measure of demand for the Company's shares and a key indicator of the need for shares to be bought back (if discount to net asset value is high) or issued (if share price is at a premium to net asset value). At the start of the year under review, the discount to net asset value was 2.3%, compared with 1.6% immediately after the merger with FIGIT and 2.9% at the year end;
- expense ratios, reported in the ten year record on page 44, which enable the Board to control costs and thereby ensure the dividend payment objective is met. The ratio of operating expenses to net assets has improved slightly compared to prior years whilst allowing the Board to increase the level of marketing undertaken on behalf of the Company;
- levels of gearing, the costs of which are absorbed 50% through Revenue Account and 50% through capital, are monitored to ensure that the Manager is

Business review (continued)

neither exceeding the Board's set maximum levels nor increasing gearing in falling markets. Borrowing during the year was maintained within a range of £3.5m to £8.5m, when at its peek represented a maximum of giving a maximum of 7.4% of total assets; and

- Section 842 rules in respect of individual shareholdings, levels of income from shares and levels of retained income, all of which are vital to the Company's tax status. A statement is given in the Report of the Directors on page 17 indicating that the Company has complied with Section 842 and intends to continue to do so.

In April 2005, the Company entered into a scheme of arrangement with FIGIT, in terms of which shares were issued by the Company to FIGIT shareholders, in consideration for FIGIT's investments and other net assets. The Chairman discusses the effects and benefits of the merger in his statement. In the process of considering the merger, the Board met regularly to discuss legal as well as accounting issues arising, ensuring that the merger was in the best interests of continuing shareholders. In particular, the Board satisfied itself, having sought relevant assurances from advisers, that the merger would produce both income and capital benefits on behalf of all shareholders. In a circular to shareholders dated 11 April 2005, the then Chairman set out the reasons for and benefits of the merger, and recommended that shareholders vote for an increase in the Company's share capital. Shareholders subsequently voted in favour and the Company increased its shares in issue to 82.2m by issuing 33.6m ordinary shares on 6 May 2005. Changes to the composition of the Board were also notified at the time of the circular.

Pen Kent | Chairman

Twenty Largest Equity Holdings at 30 September 2005

This Year	*Last Year*	**Company** | Country Description	% of total portfolio	Value £'000s
1	*(1)*	**BP** | UK One of the largest integrated oil companies in the world.	**8.33**	**15,490**
2	*(2)*	**GlaxoSmithKline** | UK One of the world's leading pharmaceutical companies.	**5.81**	**10,801**
3	*(3)*	**Vodafone Group** | UK The world's leading mobile telephone provider with a strong international network.	**5.08**	**9,440**
4	*(10)*	**Royal Dutch Shell** | UK Leading international oil exploration, production and marketing group which has scope for efficiency increases.	**5.08**	**9,439**
5	*(4)*	**HSBC Holdings** | UK Broadly diversified international bank operating in many developed and emerging markets around the world.	**3.95**	**7,336**
6	*(5)*	**Barclays** | UK Retail and commercial bank that is well placed to benefit from further efficiencies.	**3.42**	**6,360**
7	*(12)*	**AstraZeneca** | UK International pharmaceutical company with prospects underpinned by its new product pipeline.	**3.12**	**5,797**
8	*(9)*	**Scottish & Southern Energy** | UK A well-managed multi-utility group with an attractive dividend yield and strong commitment to dividend growth.	**2.88**	**5,351**
9	*(18)*	**Rio Tinto** | UK One of the largest diversified mining companies in the world benefiting from the persistent strength of commodity prices.	**2.87**	**5,331**
10	*(-)*	**BCO Santander Central Hispano** | Spain Spanish bank with international subsidiaries,including Abbey.	**2.84**	**5,279**
11	*(11)*	**Liberty International** | UK The owner of many of the leading out-of-town shopping centres in the UK.	**2.78**	**5,174**
12	*(7)*	**Lloyds TSB Group** | UK High street bank with a concentration on retail assets and insurance.	**2.69**	**4,997**
13	*(6)*	**Royal Bank of Scotland Group** | UK An increasingly global bank valued very conservatively.	**2.59**	**4,811**
14	*(17)*	**British American Tobacco** | UK A leading international manufacturer and distributor of cigarettes.	**2.56**	**4,764**
15	*(15)*	**Johnson Matthey** | UK Chemical company with strong positions in auto catalysts, precious metal processing and the development of fuel cell technology.	**1.91**	**3,549**
16	*(16)*	**Diageo** | UK A leading international drinks company trading at a low valuation.	**1.71**	**3,170**
17	*(20)*	**Land Securities Group** | UK The largest property company in the UK, providing a diversified exposure to the sector.	**1.41**	**2,627**
18	*(-)*	**BHP Billiton** | UK Diversified mining company with a good oil business.	**1.23**	**2,290**
19	*(-)*	**Yell Group** | UK International directory enquiries business.	**1.02**	**1,889**
20	*(-)*	**Bellway** | UK Well managed house building company within the UK.	**1.01**	**1,882**

The value of the twenty largest equity holdings represents 62.3% (2004 – 55.4%) of the Company's total investments. The figures in brackets denote the position at the previous year end and the percentage is the percentage of the Company's total investments.

Investment Portfolio by Sector

	% of total portfolio	% of FTSE All-Share Index
Financials This sector represents a large part of the UK equity market, primarily because of the size of the UK Bank sub-sector. No major changes were made to the sector which has less than the market index weighting in the UK bank sector, but the holding in Banco Santander that arose from its take-over of Abbey National remains within the portfolio.	**27.4**	**26.1**
Resources The strong performance of this sector has been a result of the strength of oil and commodity markets, which have responded to increased demand from China and only limited increases in supply. The largest holdings in this sector by a large margin are BP and Shell. The holdings in both of them were increased as we believe their share prices do not fully reflect the continued strength of the oil price. Additions were also made to Rio Tinto and BHP Billiton to capture rising commodity prices.	**19.6**	**23.4**
Non-Cyclical Consumer Goods The largest holdings in this sector are the UK and European pharmaceutical companies, the drinks company, Diageo and British American Tobacco. The holding in AstraZeneca was added to during the year during a period of share price weakness. Allied Domecq was taken over by Pernod Ricard; this deal appears attractive to Pernod Ricard shareholders and so an exposure to that company was kept after the transaction.	**16.2**	**16.4**
Cyclical Services This diverse sector covers industries from media to transport, support services to hotels and general retailers. One of the new additions to the portfolio was Partygaming, the internet gaming operator and this was sold following a very strong share price rise and before the subsequent profit warning. The exposure to the UK consumer was significantly reduced with the sale of Kingfisher and Marks & Spencer.	**13.5**	**12.6**
Non-Cyclical Services Telecommunications and food retailers are the constituents of this sector. The holding started last year in William Morrison has been very disappointing as the recovery from the acquisition of Safeway has proved elusive. By contrast the shareholding in Somerfield performed well as it was finally bid for. Vodafone is the largest holding in this sector.	**8.5**	**10.1**
Utilities Scottish & Southern Electricity is the largest holding and it has continued to perform through good operational results and as the interest rate environment has been favourable. East Surrey, in which a holding was started last year, has been bid for, and the investment in United Utility reduced.	**5.9**	**4.0**
Basic Industrials The largest holding in this sector remains Johnson Matthey. BOC was a new holding as it has a secure business model and attractive exposure to growth in the Far East, coupled with an above average yield. The holdings in RMC and Novar were sold during the year.	**4.5**	**3.3**
Cyclical Consumer Goods This is a small sector accounting for under 2% of investments, with nearly all of this exposure to the European companies, BMW and Puma. Following a strong run GKN was sold because of concern about its exposure to the deteriorating car market.	**1.7**	**0.4**
General Industrials There are no particular large investments in this area which is represented by a number of specialist engineering companies.	**1.5**	**2.7**
Information Technology The relatively new holding in Marconi, purchased after its financial reconstruction, has been disappointing, but the company has recently announced a significant restructuring and disposals which have helped the share price to recover.	**0.6**	**1.0**
Fixed Interest	**0.6**	**0.0**

List of Investments

Listed Investments	30 September 2005 Holding	Value £'000s
UNITED KINGDOM – EQUITIES		
Abacus Polar	207,490	245
Alea Group	450,000	565
Alexandra	208,904	251
Alliance & Leicester	140,001	1,204
Alliance Unichem	200,000	1,733
Associated British Ports	350,000	1,838
AstraZeneca	220,000	5,797
Autologic	70,000	100
Aviva	190,000	1,183
BAA	280,000	1,747
Bango	50,000	103
Barclays	1,110,000	6,360
BCO Santander Central Hispano	710,000	5,279
Bellway	215,000	1,882
BG Group	284,848	1,532
BHP Billiton	250,000	2,290
Blacks Leisure	85,413	368
BOC Group	110,000	1,268
BP	2,300,000	15,490
Brit Insurance Holdings	970,000	820
British American Tobacco	400,000	4,764
British Sky Broadcasting	250,000	1,401
BT Group	555,000	1,233
Cable & Wireless	200,000	286
Center Parcs	793,000	488
Centrica	720,000	1,771
Chaucer Holdings	949,000	510
Clarke (T)	225,000	539
Close Brothers Group	40,000	333
Compass Group	460,000	949
Computacenter	315,232	708
Consolidated Minerals	320,000	587
Cranswick	58,300	368
Dawson Holdings	190,000	269
Dee Valley	50,000	453
De Vere Group	171,832	1,027
Diageo	389,000	3,170
East Surrey Holdings	191,552	958
Emap	125,000	1,029
First Choice Holidays	525,000	1,112
FKI	385,000	429
Friends Provident	378,615	708
GlaxoSmithKline	749,000	10,801
GUS	160,000	1,367

Listed Investments	30 September 2005 Holding	Value £'000s
Hitachi Credit	137,431	259
Holidaybreak	70,000	473
HSBC Holdings	800,000	7,336
Imperial Tobacco	100,000	1,624
Intertek	260,000	1,777
Johnson Matthey	300,000	3,549
Keller Group	92,000	373
Lambert Howarth	130,746	294
Land Securities	177,625	2,627
Legal & General Group	1,310,400	1,487
Liberty International	520,000	5,174
Lloyds TSB Group	1,070,000	4,997
Luminar	230,000	1,104
MacLellan Group	444,062	357
Marconi Corp	104,000	331
Metalrax Group	500,000	394
Morgan Sindall	78,000	667
Morrison WM Supermarkets	925,000	1,644
National Grid	158,837	844
Office 2 Office	87,500	249
Provident Financial	172,000	1,078
Prudential	268,333	1,381
Punch Taverns	193,276	1,546
Reckitt Benckiser	30,000	518
Reed Elsevier	100,000	524
Restaurant Group	500,000	635
Rio Tinto	230,000	5,331
Royal Bank of Scotland Group	299,000	4,811
Royal Dutch Shell	482,462	9,439
Sainsbury (J)	385,000	1,076
Scottish & Southern Energy	520,000	5,351
Senior	707,300	421
Shanks Group	275,000	476
Signet Group	635,000	651
Somerfield	270,000	533
Sondex	95,000	221
Spectris	90,000	517
Spirax-Sarco Engineering	49,000	386
Standard Chartered	136,000	1,663
Teesland Advantage	400,000	414
Tesco	509,000	1,575
Trinity Mirror	48,750	293
TT Electronics	280,000	445
United Utilities	250,000	1,638
Vodafone Group	6,400,000	9,440

List of Investments (continued)

Listed Investments	Holding	30 September 2005 Value £'000s
Wolverhampton & Dudley	149,000	1,763
Yell Group	395,000	1,889
888 Holdings	90,615	154
Total United Kingdom		**175,044**
CONTINENTAL EUROPE – EQUITIES		
FRANCE		
AXA	86,511	1,347
Pernod-Richard	13,139	1,315
Suez	497	8
Total	9,953	1,540
Total France		**4,210**
GERMANY		
Bayer Hypo Und Vereins	82,951	1,323
Bayer Motoren	50,743	1,348
Puma	8,747	1,342
Total Germany		**4,013**
NETHERLANDS		
VNU	79,252	1,412
Total Netherlands		**1,412**
Total Continental Europe		**9,635**
BONDS		
Treasury 8.5% 2005	750,000	756
Treasury 8.5% 2007	400,000	429
Total Bonds		**1,185**
Total Investments		**185,864**

The total number of companies in the portfolio is 102 (2004: 150). There are no convertible securities in the portfolio.

Directors

Pen Kent *Chairman* | Appointed to the Board on 22 July 2003, Pen became Chairman of the Company on 5 May 2005. He worked for the Bank of England for over 30 years, culminating in his appointment as one of four Executive Directors between 1993 and 1997. Pen is chairman of the Euroclear UK Markets Advisory Committee and is a non-executive director of Schroder & Co Limited and the Strategic Rail Authority. Aged 68.

Neil Dunford | Neil joined the Board on 5 May 2005 following the merger of the Company with F&C Income Growth Investment Trust PLC. He has 30 years' experience in investment management and was chairman of Deutsche Asset Management Limited until 2002. He is a Chartered Accountant. Aged 58.

John Emly | John joined the Board on 5 May 2005 following the merger of the Company with F&C Income Growth Investment Trust PLC. He is the investment director of the Civil Aviation Pension Scheme, following a career spanning 25 years at Flemings, the London-based international investment bank. He is a director of JPMorgan Mid-Cap Investment Trust PLC and Shaftesbury PLC. In addition he is a member of the Investment Committees of the P&O and the Balfour Beatty Pension Schemes. John is the Company's Senior Independent Director. Aged 64.

Professor James (Jim) Norton | Appointed to the Board in July 2001. He is a non-executive director of Zetex PLC and a director of the Foundation for Information Policy Research (FIPR) Limited. He is also a Senior Policy Adviser for the Institute of Directors. Professor Norton is a Chartered Director and chairs the Company's Audit and Management Engagement Committee. Aged 52.

Hugh Priestley | Appointed to the Board in February 2000. Hugh is non-executive chairman of Jupiter European Opportunities Trust PLC and a non-executive director of Perpetual Japanese Investment Trust PLC and the Société Générale Romania Fund. He was an investment director of Rathbone Investment Management Limited until his retirement in August 2005. Aged 63.

Members of the Audit Committee

Professor James Norton (Chairman)
Neil Dunford
John Emly
Pen Kent
Hugh Priestley

Management and Advisers

Investment Manager, Secretary and Registered Office

F&C Management Limited
Exchange House
Primrose Street
London EC2A 2NY

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

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

Registered in England.

The Management Company

The Company is managed by F&C Management Limited (the "Manager"), a wholly owned subsidiary of F&C Asset Management plc ("F&C") which is authorised and regulated by the Financial Services Authority and listed on the London Stock Exchange. The Manager is appointed under a management agreement with the Company setting out its responsibilities for investment management, administration and marketing.

Independent Auditors

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY

Bankers

JPMorgan Chase
60 Victoria Embankment
6th Floor
London EC4Y 0JP

Authorised and regulated in the UK by the Financial Services Authority

Registrars

Computershare Investor Services PLC
PO Box 82, The Pavilions
Bridgwater Road
Bristol BS99 7NH

Telephone:	0870 702 0130
Facsimile:	0870 703 6143

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

Solicitors

Norton Rose

Stockbrokers

UBS Limited

Report of the Directors

Status of Company | The Company carries on the business of an investment trust and has conducted its affairs during the year under review, and subsequently, so as to continue to qualify as such under the provisions of Section 842 of the Income and Corporation Taxes Act 1988.

The last accounting period for which the Company has received approval from the Inland Revenue was for the year ended 30 September 2004. The approval is subject to there being no subsequent enquiry under Corporate Tax Self-Assessment. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to continue to obtain Section 842 approval.

The Company is an investment company as defined by Section 266 of the Companies Act 1985 (the "Companies Act").

The Company's shares are eligible for inclusion in an Individual Savings Account ("ISA") and as an investment for Personal Equity Plan ("PEP") transfers. Investors are also able to acquire shares in the Company via the F&C Private Investor Plan ("PIP"), Child Trust Fund ("CTF") or Pension Savings Plan ("PSP"). Further details on how to invest in the Company may be found on page 48.

Note 2 on the accounts contains full details of the accounting policies adopted.

Duration of the Company | Under the Articles of Association a continuation vote must be proposed at every fifth Annual General Meeting. The next such vote will occur at the Annual General Meeting to be held in 2008.

Going concern | The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the Company has adequate resources to continue in operation for the foreseeable future and its assets are readily realisable.

Review of the Business | A review of the Company's activities is given in the Chairman's Statement on pages 2 to 4, Manager's Review on pages 5 to 6 and the Business Review on pages 7 to 10.

Investment Policy | The Company's investment objective is to secure for shareholders long-term capital and income growth from a portfolio consisting mainly of FTSE All-Share companies. The Company may, from time to time, invest in leading overseas companies both in Europe and elsewhere. The value of the non-UK portfolio will not exceed 10% of the Company's gross assets at the time of investment.

While the Company may from time to time hold shares in other listed investment companies (including investment trusts) where this is consistent with the Company's objectives, it is the Company's policy to invest no more than 15% of its gross assets in other UK listed investment companies (including investment trusts).

In accordance with the Listing Rules issued by the Financial Services Authority, no more than 10% of the value of the gross assets of a listed investment company can be invested in other listed investment companies unless they have stated that they will not invest more than 15% of their gross assets in other listed investment companies.

Results and Dividends

	£'000s	£'000s
Net revenue available for distribution		4,046
Dividends paid or payable:		
1st interim of 2.725p per share paid on 20 May 2005	(1,322)	
2nd interim of 1.400p per share paid on 31 October 2005	(1,148)	
Proposed final of 1.675p per share payable on 3 February 2006 to shareholders registered at the close of business on 6 January 2006	(1,363)	
		(3,833)
Amount transferred to revenue reserve		213

Report of the Directors (continued)

Capital | During the year under review a total of 1,220,000 ordinary shares, with a nominal value of £305,000, were purchased by the Company and held in treasury under the authorities given at the Annual General Meetings in January 2004 and January 2005. The prices paid for these shares ranged from 175.0p to 206.0p per share and the total cost amounted to £2,360,000. Since the year-end the Company has bought back a further 50,000 shares for treasury using the authority given at the Annual General Meeting in January 2005 at a price of 206.0p per share. As at 1 December 2005, the total number of shares held in treasury was 865,000 which represents 1.1% of the ordinary shares in issue

Pursuant to the authority to allot equity securities given to the Directors at the Annual General Meeting held on 31 January 2005, the Company sold 1,148,289 ordinary shares held in treasury for cash at a price of 195.5p per share. In addition the Company issued a further 373,211 ordinary shares for cash at a price of 195.5p per share. Both the sale of treasury shares and the issue of new shares were undertaken at a price which represented a premium to the net asset value per share.

On 4 May 2005 shareholders approved the merger of the Company with F&C Income Growth Investment Trust PLC ("FIGIT"). The Company issued 33,615,027 ordinary shares to shareholders of FIGIT on 5 May 2005 at a price of 193.403p per share. Under the terms of the merger shareholders in FIGIT received 758.85 ordinary shares in the Company for every 1,000 FIGIT shares held; fractional shares were not issued to FIGIT shareholders but were aggregated and sold in the market for the benefit of the Company.

Substantial Share Interests | As at 29 November 2005 the Company had received notification of the following holding of more than 3% of its ordinary share capital:

	Ordinary shares	%
Friends Provident Group *	63,386,617	77.9%

* The holding is made up of 0.02% held on behalf of discretionary clients of F&C Asset Management plc ("F&C") and 77.88% held on behalf of non-discretionary clients through the savings schemes managed by F&C . F&C is 51.2% owned by Friends Provident plc

Directors | The current Directors of the Company listed on page 15. During the year under review the following Directors held office:

	Date of appointment	Date of resignation
Pen Kent (Chairman)		
Neil Dunford	5 May 2005	
John Emly	5 May 2005	
Professor Jim Norton		
Hugh Priestley		
Peter Hardy		5 May 2005
Graham Ross Russell		5 May 2005

Pen Kent was appointed Chairman of the Company on 5 May 2005 following the retirement of Graham Ross Russell.

Neil Dunford and John Emly, having been appointed since the last Annual General Meeting ("AGM") will stand for election at the AGM to be held on 31 January 2006.

In accordance with the Articles of Association, Hugh Priestley retires at the Annual General Meeting and, being eligible, stands for election.

Each Director has a signed letter of appointment setting out the terms of their engagement as non-executive Directors; none of the Directors has a service contract. Details of the Directors' shareholdings in the Company and their interests in contracts and agreements may be found in note 6 on page 34.

Special Business at the Annual General Meeting | Shareholders will find on pages 45 and 46 the notice of the forthcoming Annual General Meeting of the Company to be held at Exchange House, Primrose Street, London EC2 on Tuesday, 31 January 2006. In addition to the ordinary business of the Meeting, 2 resolutions (numbered 8 to 9) are proposed as special business.

Authority to Allot Shares (resolution 8) | Resolution 8 is similar to the authority 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 without first offering them to existing shareholders in proportion to their holdings. Resolution 8 gives the Directors the necessary authority to either allot securities, or sell shares held in treasury, up to an aggregate nominal amount of £1,016,578 (which is equivalent to 5% of the issued ordinary share capital of the Company, excluding treasury shares, at the date of this report), and empowers the Directors to allot such securities for cash otherwise than to existing shareholders on a pro-rata basis. This authority will expire at the conclusion of the AGM in 2007 and provides the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares, should any favourable opportunities arise to the advantage of shareholders. The Directors can, if necessary, use this authority to satisfy demand from participants in the F&C Child Trust Fund, F&C ISA, F&C Private Investor Plan and Pension Savings Plans when they believe it is advantageous to such participants and the Company's shareholders to do so.

Under no circumstances would the Directors use the authority and power to issue shares, or sell shares held in treasury, at a price which would result in a dilution of net asset value per ordinary share.

Authority for the Company to Purchase its Own Shares (resolution 9) | Resolution 9 authorises the Company to purchase in the market up to a maximum of 12,190,809 ordinary shares (equivalent to approximately 14.99% of the issued share capital, excluding treasury shares, at the date of this report) at a minimum price of 25p per share and a maximum price per share of not more than 5% above the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately before the date of purchase.

The Directors would 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 net asset value per ordinary share for the remaining shareholders. In accordance with the resolution passed at the 2004 AGM, any shares which are purchased will be either placed into treasury, or, failing that, cancelled.

The Directors consider that it would be advantageous to shareholders for the Company to have the authority to make such purchases as and when it considers the timing to be favourable. However, use of this authority, if given, will depend upon market conditions and the Board's judgement of its likely effectiveness in increasing net asset value per share and/or reducing the discount.

It is proposed that any purchase of shares would be financed out of realised revenue reserves and/or realised capital reserves (including the reserve which arose on the reduction of the Company's share premium account) and funded from the Company's own cash resources or, if appropriate, from short-term borrowings.

The authority to purchase ordinary shares will continue until the expiry of 18 months from the date of the passing of such resolution. The Board intends to seek a renewal of such authority at subsequent AGMs.

By order of the Board
F&C Management Limited
Secretary
1 December 2005

For and on behalf of
F & C MANAGEMENT LIMITED
....SECRETARY

Corporate Governance

The Board has considered the principles set out in the Combined Code on Corporate Governance issued by the UK Listing Authority (the "Code") and the AITC Code on Corporate Governance (the "AITC Code"). The Company has complied throughout the year under review with the provisions set out in Section 1 of the Code save that the Company does not have in place its own internal audit function (for the reasons explained on page 23) and that it does not have a Nominations Committee (for the reasons explained on page 22). The Board is also adhering to the principles and recommendations of the AITC Code.

The Board | The Board is currently comprised of five non-executive Directors. All of the Directors of the Company are resident in the UK. Their biographical details, which are on page 15, demonstrate the wide range of skills and experience that they bring to the Board. Each Director has signed a letter of appointment to formalise in writing the terms of their engagement as non-executive Directors. Copies of these letters are available on request. None of the Directors has a service contract.

The Board is responsible for the effective stewardship of the Company's affairs and a formal schedule of matters reserved for the decision of the Board has been adopted. In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. The Board meets at least four times a year and at each meeting reviews the Company's investment performance, as well as other high level management information including financial reports and other reports of a strategic nature. It monitors compliance with the Company's objectives and is responsible for approving the asset allocation, investment and gearing ranges within which the Manager is given 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.

	Board Meetings	Audit and Management Engagement Committee Meetings
No of meetings	**12**	**2**
Pen Kent	10	2
Neil Dunford [1]	5	-
John Emly [1]	4	-
Professor Jim Norton	12	2
Hugh Priestley	10	2
Graham Ross Russell [2]	7	2
Peter Hardy [2]	6	2

1 Appointed as a Director on 5 May 2005

2 Resigned as a Director on 5 May 2005

In total the Board met on 12 occasions during the year. The above table sets out the number of Board meetings and committee meetings held during the year under review and the number of meetings attended by each Director. There was an unusually large number of meetings during the year due to the need to supervise the merger with F&C Income Growth Investment Trust PLC ("FIGIT"). The Board (or its committees) met on one occasion during the year without any representation from the Manager.

The Board regularly reviews the independence of its members, having due regard to the definitions and current guidelines on independence. The Board has determined that all of the Directors are independent.

The Board believes that it has at present a reasonable balance of skills, experience, ages and length of service. The Board recognises the value of progressive refreshing of, and succession planning for, company boards. Accordingly each Director's appointment has been reviewed prior to submission for re-election. In line with the provisions of the Combined Code any term beyond six years is subject to particularly rigorous review. All Directors are required to stand for re-election at least every three years and those Directors who have served for nine years or more are subject to annual re-election.

The Articles of Association provide that each Director stands for election at the first AGM following their initial appointment and Neil Dunford and John Emly will therefore stand for election. Professor Hugh Priestley retires by rotation and, being eligible, offer himself for re-election. It is considered that each of the Directors standing for re-election make a valuable contribution to the Board and the Board accordingly recommends their re-election.

In order to review the effectiveness of the Board, the Committees and the individual Directors, the Board carries out a process of formal self appraisal. This encompasses both quantative and qualitative measures of performance in respect of the Board and its Committees, implemented by the completion of an evaluation survey and a subsequent review of the findings. The appraisal of the Chairman follows the same process and is carried out by the Board as a whole under the leadership of the Senior Independent Director. The appraisal process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and the Committees and the contribution of the individual Directors. It is considered that the use of an external appraisal consultant is unlikely to provide any meaningful advantage over the internal process that has been adopted; the option of using such consultants will be kept under review.

The Company does not have a Chief Executive as day-to-day management of the Company's affairs has been delegated to the Manager.

The Board has established a procedure whereby Directors, wishing to do so in the furtherance of their duties, may take independent professional advice or training at the Company's expense. The Board has direct access to the advice and services of the Company Secretary, F&C Management Limited, which 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 concerns of the Directors to be recorded in the minutes. The appointment or removal of the Company Secretary is a matter for the Board as a whole. During the year, the Board has maintained appropriate insurance cover in respect of legal action against the Directors.

Audit and Management Engagement Committee | The Audit and Management Engagement Committee (the "Audit Committee") is currently comprised of the entire Board and is Chaired by Professor Jim Norton. All members of the Audit Committee are considered to be independent.

The profiles of the Directors may be found on page 15 and, in the light of their background, it is considered that there is a range of recent and relevant financial experience amongst the members of the Audit Committee.

The Audit Committee operates within written terms of reference clearly setting out its authority and duties. Copies of the terms of reference are available on request and can also be found on the F&C website at www.fandc.com. Two meetings were held during the year under review; details of the attendance at these meetings are contained in the table on page 20.

The primary responsibilities of the Audit Committee are to review the Company's accounting policies, the integrity and contents of its financial statements, compliance with regulatory and financial reporting requirements; to review the Company's internal financial controls and the internal control and risk management systems applicable to the Company; to review annually the need for the Company to have its own internal control function; to make recommendations to the Board in relation to the re-appointment of the Auditors and to approve their remuneration and terms of engagement; to review and monitor the Auditor's independence and objectivity and the effectiveness of the audit process; and to develop and implement policy on the engagement of the Auditors to supply non-audit services. The Audit Committee also has responsibility for considering the performance of the Manager. It is carries out a full annual review of the investment management contract with the Manager, including the level and structure of fees payable and the length of notice period.

The Audit Committee has direct access to the auditors, PricewaterhouseCoopers LLP ("PwC"). The auditors attend Audit Committee meetings to review the annual and interim results and provide a comprehensive review of the audit of the Company. The Audit Committee also has the opportunity to meet with the auditors without the Manager being present.

The Audit Committee, together with the Manager, has reviewed the work carried out by PwC for the audit of the annual financial statements. On the basis of this and their experience in auditing the affairs of the Company, the Audit Committee has assessed the effectiveness of the external audit. The Audit Committee has taken into account the standing, experience and tenure of the audit partner, the nature and level of services provided and confirmation that they have complied with all relevant UK and professional regulatory and independence standards. The Audit Committee considers PwC to be independent both of the Company and the Manager in all respects.

The Audit Committee has also reviewed the provision of non-audit services by the Auditors. In the year under review, non-audit fees amounted to £7,000 inclusive of irrecoverable VAT. The non-audit services were in relation to the review of corporate governance matters, business review and taxation services. It is considered that the non-audit fees were cost effective and that the level of non-audit fees was not sufficient to prejudice the independence of the Auditors. In addition to the above, PwC provided services to the Company in connection with the merger with FIGIT. The fees for these services were paid by FIGIT, which bore the cost of the merger.

The Audit Committee reviews, from time to time, the "whistle-blowing" policy that has been put in place by the Manager under which its staff may, in confidence, raise concerns about any possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company.

The Audit Committee has access to the compliance and internal audit directors of the Manager and to the Manager's group audit committee, and reports its findings to the Board. The Board retains ultimate responsibility for all aspects relating to the annual and interim accounts and other significant published financial information.

Nominations Committee | Having regard to the small size of the Board, the Directors have concluded that it is appropriate for the whole Board to fulfil the responsibilities normally carried out by a nominations committee. Accordingly, the Board has not appointed a nominations committee.

Appointments of new Directors are made on a formalised basis, with the Board agreeing the selection criteria and the method of selection, recruitment and appointment. The appointment of Neil Dunford and John Emly followed the merger of the Company with FIGIT.

New appointees are given a briefing on the workings and processes of the Company (including the receipt of key documentation) and meet the Fund Manager, the Company Secretary and other key employees of the Manager. Major shareholders will be given the opportunity to meet any newly appointed Director.

Remuneration Committee | The Company has no executive Directors and no employees, and consequently does not have a remuneration committee. The Directors' Remuneration Report, which can be found on page 25, and note 6 on the accounts on page 34 provide detailed information on the remuneration arrangements for the Directors of the Company.

Internal controls and management of risk | The Board has overall responsibility for the Company's systems of internal controls and for reviewing their effectiveness and ensuring that the risk management and control processes are embedded in day-to-day operations. These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information used within the business and for publication is reliable. Typical areas of risk material to investment trusts in general, and which have been identified and are monitored as part of the control process, include excessive gearing, inappropriate long-term investment strategy, asset allocation, loss of management personnel and potential loss of section 842 status under the provisions of the Income and Corporation Taxes Act 1988.

Control of the risks identified, covering financial, operational, compliance and overall risk management, is exercised by the Board through reports provided by the Manager on investment performance, performance attribution and other management issues. The Board has agreed with the Manager the investment policy and restrictions under which the Manager operates and the Manager reports on compliance with this at every meeting. The Board also receives a quarterly control report from the Manager that provides details of any known internal control failures. This report incorporates a key risk table that identifies the risks to which the Company is exposed and the controls in place to mitigate them, including those risks that are not directly the responsibility of the Manager. The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement, loss or fraud.

In common with most investment trusts, the Company does not have an internal audit function. All of the Company's management functions are delegated to the Manager, which has its own Audit, Risk and Compliance department and whose controls are monitored by the Board. It is therefore felt that there is no need for the Company to have its own internal audit function. However, this need will be reviewed annually by the Audit Committee

The Board has carried out a risk and control assessment including a review of the Manager's risk management infrastructure. This review included consideration of the Statement of Internal Corporate Governance for the year ended 31 December 2004 (the "Statement"), that is prepared by the Manager for its investment trust clients to the standards of the Technical Release Audit 4/97- FRAG 21/94 (revised) issued by the Institute of Chartered Accountants in England and Wales. Containing a report from independent external accountants, the Statement sets out the Manager's control policies and procedures with respect to the management of its clients' investments. The effectiveness of these controls is monitored by the Manager's group audit committee, which receives regular reports from the Manager's Audit, Risk and Compliance department. The Company's Audit Committee will continue to work with the Manager's Audit, Risk and Compliance department to enhance controls as they affect the Company.

Investment Management | The Board has contractually delegated the management of the investment portfolio, and the provision of company secretarial, accounting, marketing and general administrative services to the Manager. Details of the terms of the agreement with the Manager, are set out in the Manager Evaluation and Re-appointment Report on page 26 and in note 4 on the accounts.

Following the merger between F&C and ISIS, the Manager adopted the policy on corporate governance, voting policy and socially responsible investment ("SRI") which is consistent with previously prevailing policies at both organisations. The policy takes as its starting point international codes such as those produced by the Organisation for Economic Co-operation and Development ("OECD"), as well as relevant national codes such as the Combined Code of the London Stock Exchange and the New York Stock Exchange corporate governance listing standards. Its approach is also informed by codes relating to specifically to corporate responsibility issues such as the OECD Guidelines for Multinational Enterprises and the Association of British Insurers Disclosure Guidelines on Socially Responsible Investment. In some cases, however, the Manager goes beyond these external codes and standards and this is clearly spelt out in its own guidelines and communicated annually.

With regards to investment policy, the Manager considers the governance practices of investee companies in their broadest sense, which includes social, environmental and ethical factors where these affect the Company's financial performance. Following a regular review of governance practices, the Manager will engage in a dialogue with the investee companies through its voting and shareholder process, to encourage adoption of better practices. Where the engagement process uncovers evidence of positive or negative impact on company financial valuation, the Manager will consider this information in the course of selecting, holding or disposing of shares. At all times, the driving investment principle remains the maximisation of performance for a given level of risk.

It is the Manager's policy to exercise its voting rights at shareholder meetings of investee companies as far as practicable.

The Manager's current policy, which is available on the F&C website, has been reviewed and endorsed by the Board which encourages and supports the Manager on its voting policy and its stance towards SRI, and shareholder activism. The Board receives periodic reports on the implementation of this policy.

Relations with shareholders | Communication with shareholders is given a high priority. The Company's Annual Report, containing a detailed review of performance and the investment portfolio, is sent to all shareholders at least 20 days before the AGM. At the half-year stage, an interim report, containing updated information in a more abbreviated form, is also sent to all shareholders. Updated information is also available on the F&C website at www.fandc.com.

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

All shareholders are encouraged to attend the AGM, when a presentation is made by the Manager and where they are given an opportunity to question the Chairman, the Board and the Manager. Proxy voting figures, having previously been counted, are announced to the shareholders at he AGM and reported on the Company's website. All beneficial shareholders in the F&C savings schemes have the opportunity to vote using a form of direction and, in accordance with the articles of association, have the right to attend, speak and vote at general meetings.

By order of the Board,
F&C Management Limited, Secretary
1 December 2005

Directors' Remuneration Report

Remuneration Committee | As the Board of Directors is comprised solely of non-executive directors, it is exempt under the Listing Rules from appointing a remuneration committee. The determination of the Directors' fees is a matter dealt with by the whole Board.

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £80,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities, and the time committed to the Company's affairs. In line with this policy it was agreed that, with effect from 5 May 2005, the fee payable to the Chairman be increased from £15,000 per annum to £20,000 per annum and the fee payable to the remaining directors be increased from £10,000 per annum to £15,000 per annum. Prior to this change, fees paid to the Directors were last increased in 2001.

No element of the Directors' remuneration is performance related.

No Director has a service contract with the Company.

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' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

Total Shareholder Return over 5 years | The FTSE All-share Index (total return) is shown because the objective of the Company is to secure a long-term capital and income growth from a portfolio consisting mainly of FTSE All-Share companies.

Remuneration for Qualifying Services

Director	2005 Fees for services to the Company £'000s	2004 Fees for services to the Company £'000s
Pen Kent (Chairman)[1]	14	10
Neil Dunford[2]	6	–
John Emly[2]	6	–
James Norton	12	10
Hugh Priestley	12	10
Graham Ross Russell[3]	9	15
Peter Hardy[4]	6	10
	65	55

[1] Appointed Chairman with effect from 5 May 2005

[2] Appointed a Director with effect from 5 May 2005

[3] Retired as Chairman and Director with effect from 5 May 2005

[4] Retired as a Director with effect from 5 May 2005

The information in the above table has been audited (see the Independent Auditors' Report on page 28).

The amounts paid by the Company to the Directors were for services as non-executive Directors.

By order of the Board

F&C Management Limited, Secretary

1 December 2005

For and on behalf of
F & C MANAGEMENT LIMITED
..............................SECRETARY

Manager Evaluation and Re-appointment Report

The Board has contractually delegated the management of the investment portfolio to F&C Management Limited (the "Manager"). In addition, the Manager provides company secretarial, accounting, marketing and general administrative services to the Company.

Under the terms of the management agreement the Manager receives a quarterly management fee of 0.1% of funds under management. The notice period on the management agreement is one year.

The review of the Manager's performance is an ongoing duty and responsibility of the Board which is carried out at every Board meeting. In addition, a formal review is undertaken annually and was last carried out in November 2005. In evaluating the performance of the Manager, the Board considers a range of factors including the investment performance, the skills, experience and depth of the team involved in managing the Company's assets; the resources and commitment of the Manager; and the quality of the marketing and administrative services provided to the Company.

The objective of the Company is to secure long-term capital and income growth from a portfolio consisting mainly of FTSE All-Share companies. In monitoring the performance of the Company against this objective, the Board reviews the investment returns of the net asset value per share (the "NAV"), share price against the FTSE All Share Index (the benchmark index) and a peer group of fellow investment trusts.

In October 2004 the parent company of the Manager merged with ISIS Asset Management plc, to form F&C Asset Management plc, one of the largest fund management companies in the UK and a listed company now majority owned by Friends Provident. As part of its ongoing review of the Manager, the Board has considered the implication for the Company of this merger and received reports on the integration process. The enlarged organisation has access to increased resources which should benefit the Company. There is always the possibility that such a merger will lead to disruption and instability and the Board has carefully monitored the situation since the merger. The Board to date remains satisfied with the outcome of the merger but it will continue to monitor the integration of the two businesses and in particular the Manager's ability to attract and retain talented fund managers.

In the light of the overall performance of the Manager, and in particular the investment performance, which is detailed in the Manager's Review on pages 5 to 6 and the Business Review on page 9, it is the opinion of the Board the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

Directors' Statement of Responsibilities

As required by company law, the Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Company at 30 September 2005 and of the results for the year then ended. In preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The financial statements are prepared in accordance with applicable accounting standards and on a going concern basis. The Directors are also responsible for ensuring that adequate accounting records are maintained and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The financial statements are published on the www.fandc.com website, which is a website maintained by the Company's Investment Manager, F&C Management Limited ("F&C"). The maintenance 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. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Independent Auditors' Report

Independent auditors' report to the members of F&C Capital and Income Investment Trust PLC | We have audited the financial accounts which comprise the Statement of Total Return, the Balance Sheet, the Cash Flow Statement and the Notes to the Accounts which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ("the auditable part").

Respective responsibilities of directors and auditors | The Directors' responsibilities for preparing the annual report and the financial accounts in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial accounts and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial accounts give a true and fair view and whether the financial accounts and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors' is not consistent with the financial accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial accounts. The other information comprises the Chairman's Statement, the Manager's Review, the Business Review, the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Corporate Governance Statement and other items included in the contents section.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

Basis of audit opinion | We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial accounts and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial accounts and the auditable part of the Directors' Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial accounts.

Opinion | In our opinion:

- the financial accounts give a true and fair view of the state of the Company's affairs at 30 September 2005 and of its total return and cash flows for the year then ended;
- the financial accounts have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, 1 December 2005

Statement of Total Return

Revenue Notes	Capital Notes	(incorporating the Revenue Account)* for the year ended 30 September	2005 Revenue £'000s	2005 Capital £'000s	2005 Total £'000s	2004 Revenue £'000s	2004 Capital £'000s	2004 Total £'000s
	10	Gains on investments	–	27,285	27,285	–	9,384	9,384
23	20	Exchange gains/(losses) on currency balances	1	8	9	1	(4)	(3)
3		Income	4,876	–	4,876	3,145	–	3,145
4	20	Management fee	(316)	(316)	(632)	(211)	(211)	(422)
5	20	Other expenses	(294)	(14)	(308)	(196)	(22)	(218)
		Net return before finance costs and taxation	4,267	26,963	31,230	2,739	9,147	11,886
7	20	Interest payable and similar charges	(178)	(178)	(356)	(120)	(120)	(240)
		Return on ordinary activities before taxation	4,089	26,785	30,874	2,619	9,027	11,646
8		Taxation on ordinary activities	(43)	–	(43)	(22)	–	(22)
		Return attributable to equity shareholders	4,046	26,785	30,831	2,597	9,027	11,624
		Dividends on ordinary shares (equity):						
		First Interim dividend of 2.725p (2004: 2.725p)	(1,322)	–	(1,322)	(1,277)	–	(1,277)
		Second interim dividend of 1.400p (2004: nil)	(1,148)	–	(1,148)	–	–	–
		Proposed final dividend of 1.675p (2004: 2.725p)	(1,363)	–	(1,363)	(1,293)	–	(1,293)
			(3,833)	–	(3,833)	(2,570)	–	(2,570)
20	20	Amount transferred to reserves	213	26,785	26,998	27	9,027	9,054
9	9	Return per ordinary share – pence	6.56	43.42	49.98	5.38	18.70	24.08

*The revenue column of the statement is the profit and loss account of the Company.

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

Balance Sheet

Notes	at 30 September	£'000s	2005 £'000s	£'000s	2004 £'000s
	Fixed assets				
10	Investments				
10	Listed in the United Kingdom		176,229		83,579
10	Listed outside the United Kingdom		9,635		7,433
			185,864		91,012
	Current assets				
11	Debtors	6,568		596	
12	Taxation recoverable	14		13	
	Cash at bank and short-term deposits	1,700		743	
		8,282		1,352	
	Creditors: amounts falling due within one year:				
13	Loans	(8,500)		(6,000)	
14	Other	(8,677)		(2,065)	
		(17,177)		(9,000)	
	Net current liabilities		(8,895)		(6,713)
	Net assets		176,969		84,299
	Capital and reserves				
16	Called up share capital		20,548		12,051
17	Capital redemption reserve	3,154		3,154	
18	Share premium account	76,334		18,771	
19	Special reserve	11,960		12,348	
20	Capital reserves	63,755		36,970	
20	Revenue reserve	1,218		1,005	
			156,421		72,248
21	Total equity shareholders' funds		176,969		84,299
22	Net asset value per ordinary share – pence		217.47		177.62

Approved by the Board on 1 December 2005 and signed on its behalf by:

P.H. Kent

Pen Kent

Chairman

Cash Flow Statement

Notes	for the year ended 30 September	£'000s	2005 £'000s	£'000s	2004 £'000s
	Operating activities				
	Investment income received	4,492		3,159	
	Interest received	30		22	
	Other revenue	2		7	
	Fee paid to management company	(443)		(349)	
	Cash paid to and on behalf of Directors	(65)		(63)	
	Other cash payments	(264)		(193)	
23	Net cash inflow from operating activities		3,752		2,583
	Servicing of finance				
	Interest paid	(360)		(213)	
	Net cash outflow from the servicing of finance		(360)		(213)
	Taxation				
	Overseas tax paid	(44)		(18)	
	Total tax paid		(44)		(18)
	Financial investment				
	Purchases of equities and other investments	(28,566)		(20,202)	
	Sales of equities and other investments	27,098		20,194	
	Other expenses	(14)		(22)	
	Net cash outflow from financial investment		(1,482)		(30)
	Equity dividends paid		(2,616)		(2,931)
	Net cash outflow before use of liquid resources and financing		(750)		(609)
	Management of liquid resources				
	Increase in short-term deposits		(1,700)		–
	Financing				
	Sterling loans raised	2,500		5,510	
	Cash outflow under Scheme of Arrangement	(1,675)		–	
	Purchase of ordinary shares	(2,419)		(5,118)	
	Proceeds from share issues and sale of treasury shares	2,973		947	
	Net cash inflow from financing		1,379		1,339
24	(Decrease)/Increase in cash		(1,071)		730

Notes on the Accounts

1 Scheme of arrangement

At an Extraordinary General Meeting of the Company on 11 April 2005, the shareholders voted to implement the recommended proposals for a merger between the Company and F&C Income Growth Investment Trust PLC ("FIGIT") as detailed in the circular to shareholders dated 18 March 2005. The Scheme of Arrangement became effective on 5 May 2005. The costs of the Scheme were, in accordance with the proposals, fully incurred by FIGIT.

Pursuant to the Scheme, the existing FIGIT shares were cancelled (save for one share which was transferred to a nominee, holding it on behalf of the Company). 44,297,327 new FIGIT shares were then issued to the Company and the Company in turn issued 33,615,027 new shares to the former shareholders of FIGIT (see note 16). At the same time, all of the net assets of FIGIT, valued at £65,059,000 and comprising investments of £66,734,000 less net liabilities of £1,675,000, net of scheme costs, were transferred to the Company in consideration for the Company's agreement to pay to FIGIT the sum of £65,059,000. This inter-company debt, which carries no interest liability and has no fixed date for repayment, was left outstanding and will be extinguished in the Members Voluntary Liquidation of FIGIT, which commenced on 20 July 2005.

As a consequence of the scheme of arrangement the results for the year, reported in the Statement of Total Return and the Cash Flow Statement, are not directly comparable with prior years.

2 Accounting policies

(a) Basis of accounting

The accounts have been prepared on the historical cost basis of accounting, modified to include fixed asset investments at valuation and in accordance with accounting standards applicable in the United Kingdom and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (SORP), issued in January 2003.

The principal accounting policies are set out below.

(b) Valuation of Investments

As an investment trust, the Company treats all transactions on the realisation and the revaluation of investments held as fixed assets as transactions on capital account. These items, whether profits or losses, are not part of and are not reflected in the revenue account but are charged or credited to capital reserves. Listed investments are shown at middle market value.

(c) Foreign Currency

Foreign currency assets and liabilities are expressed in sterling at rates of exchange ruling at the balance sheet date. Purchases and sales of investment securities, dividends and interest income and expenses are translated at rates of exchange prevailing on the respective dates of such transactions. Exchange profits and losses on currency balances are credited or charged to capital reserves except where they relate to revenue items.

(d) Income

Income from quoted equity shares is brought into the revenue account (except where, in the opinion of the Directors, their nature indicates they should be recognised as capital) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.

Dividends are accounted for in accordance with FRS16 on the basis of the income actually receivable, without adjustment for the tax credit attaching to the dividends. Dividends from overseas companies continue to be shown gross of withholding tax.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as income. Any difference in the value of the shares received compared with the amount of the cash dividend foregone is recognised in capital reserves.

(e) Expenses, including Finance Costs

Expenses are charged to the revenue account, other than:

- expenses incidental to the acquisition or disposal of investments which are charged to capital reserve realised; and
- 50% of management fees, including related VAT, and 50% of finance costs (net of applicable tax relief) which are allocated to capital reserve realised, in accordance with the Board's long-term expected split of investment portfolio performance of the Company.

All expenses are accounted for on an accruals basis.

(f) Taxation

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date other than those regarded as permanent. Any liability to deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money. Deferred tax assets are only recognised to the extent that they are regarded as recoverable.

(g) Capital Reserves

Capital Reserve – Realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments
- realised exchange differences of a capital nature
- other capital charges and credits charged or credited to this account in accordance with the above policies.

Capital reserve – unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end
- unrealised exchange differences of a capital nature.

(h) Special Reserve

The following are accounted for in this reserve:

- costs of purchasing ordinary share capital for cancellation
- costs of purchasing or selling ordinary share capital to be held in, or sold out of treasury.

3 Income

	2005 £'000s	2004 £'000s
Income from investments		
UK dividends	4,473	2,930
UK unfranked interest	40	–
Overseas dividends	329	169
Scrip dividends	–	14
	4,842	3,113
Other income		
Interest on cash and short-term deposits	31	25
Underwriting commission	3	7
	34	32
Total income	4,876	3,145
Total income comprises:		
Dividends	4,842	3,113
Other income	34	32
	4,876	3,145
Income from investments		
Listed UK	4,513	2,944
Listed overseas	329	169
	4,842	3,113

4 Management fee

	2005 £'000s	2004 £'000s
Management fee	538	359
Irrecoverable VAT thereon*	94	63
	632	422
Less: allocated to capital reserve realised (see note 20)	(316)	(211)
	316	211

* The proportion of VAT that is irrecoverable is determined broadly by the ratio of outputs (mainly proceeds of sales of investments) within European Union member countries to outputs worldwide.

The Manager provides investment management and general administrative services to the Company for a quarterly management fee payable in arrears equal to 0.1% of the funds under management. The management agreement may be terminated upon one year's notice given by either party.

Notes on the Accounts (continued)

5 Other expenses

	2005	2004
	£'000s	£'000s
Auditors' remuneration:		
for audit services	**21**	18
other services	**7**	4
Custody fees	**2**	4
Directors' emoluments:		
fees for services to the Company (see Directors' Remuneration Report on page 25)	**65**	55
Directors' and Officers' Liability insurance	**15**	15
Marketing	**75**	27
Printing and postage	**33**	28
Registrars fees	**14**	7
Sundry expenses	**62**	38
	294	196

All expenses are stated gross of irrecoverable VAT where applicable.

6 Directors' remuneration and contracts

(a) Remuneration

The Company had no employees during the year. The amounts paid by the Company to the Directors of the Company which were for services as non-executive Directors and did not include any payments or rights to pensions are detailed in the table in the Directors' Remuneration Report on page 25.

(b) Directors' interests in shares

The beneficial interests of the directors in the ordinary shares of the Company at 30 September were as follows:

	2005	2004
	Beneficial	Beneficial
Pen Kent (Chairman)	**–**	–
Neil Dunford	**7,588**	–
John Emly	**3,923**	–
James Norton	**–**	–
Hugh Priestley	**1,000**	1,000

On 25 October 2005 Mr Priestley acquired a further 14,000 shares, resulting in a total holding of 15,000 shares. There have been no other changes in any of the Directors' interests in shares detailed above since the Company's year end. No director held any interest, beneficial or otherwise, in the issued shares of the Company other than stated above.

(c) Directors' interests in contracts

No contract of significance to which the Company is a party and in which a Director is or was materially interested subsisted during the year.

7 Interest payable and similar charges

	2005	2004
	£'000s	£'000s
On bank loans and overdrafts repayable within five years, not by instalments	**356**	240
Less: allocated to capital reserve realised (see note 20)	**(178)**	(120)
	178	120

8 Taxation on ordinary activities

(a) Analysis of tax charge for the year

			2005			2004
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000s	**£'000s**	**£'000s**	£'000s	£'000s	£'000s
Overseas taxation	**43**	**–**	**43**	25	–	25
Precompte/avoir fiscal recovery of tax credits	**–**	**–**	**–**	(3)	–	(3)
Current tax charge on ordinary activities (see note 8(b))	**43**	**–**	**43**	22	–	22

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

			2005			2004
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000s	**£'000s**	**£'000s**	£'000s	£'000s	£'000s
Return on ordinary activities before tax	**4,089**	**26,785**	**30,874**	2,619	9,027	11,646
Return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	**1,227**	**8,036**	**9,263**	786	2,708	3,494
Effects of:						
UK franked dividends*	**(1,342)**	**–**	**(1,342)**	(879)	–	(879)
Other income*	**–**	**–**	**–**	(4)	–	(4)
Excess expenses not utilised	**123**	**148**	**271**	92	99	191
Expenses not deductible for tax purposes	**10**	**–**	**10**	4	–	4
Overseas taxation	**43**	**–**	**43**	25	–	25
Utilisation of overseas tax	**(13)**	**–**	**(13)**	–	–	–
Movement in taxable income accruals	**(5)**	**–**	**(5)**	–	–	–
Recovery of tax credits	**–**	**–**	**–**	(2)	–	(2)
Capital returns*	**–**	**(8,184)**	**(8,184)**	–	(2,807)	(2,807)
Total current taxation (see note 8(a))	**43**	**–**	**43**	22	–	22

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

The deferred tax asset of £1.1m (2004: £0.9m) in respect of unutilised expenses at 30 September 2005 has not been recognised as it is unlikely that these expenses will be utilised.

Notes on the Accounts (continued)

9 Return per ordinary share

Revenue return

The revenue return per share is based on the revenue return attributable to equity shareholders of £4,046,000 (2004: £2,597,000).

Capital return

The capital return per share is based on the capital return attributable to equity shareholders of £26,785,000 (2004: £9,027,000).

Both the revenue and capital returns are based on a weighted average of 61,686,327 (2004: 48,269,777) ordinary shares in issue during the year. Shares held in treasury have been excluded from the weighted average number of shares in issue with effect from the date of purchase.

10 Investments

	Listed UK £'000s	Listed overseas £'000s	Total £'000s
Cost at 1 October 2004	67,882	7,061	74,943
Unrealised appreciation at 1 October 2004	15,697	372	16,069
Valuation at 1 October 2004	83,579	7,433	91,012
Movements in the year:			
Purchases at cost*	90,577	9,710	100,287
Sales – proceeds	(23,098)	(9,622)	(32,720)
– realised gains on sales	4,996	1,885	6,881
Increase in unrealised appreciation	20,175	229	20,404
Valuation at 30 September 2005	**176,229**	**9,635**	**185,864**
Cost at 30 September 2005	138,729	8,858	147,587
Unrealised appreciation at 30 September 2005	37,500	777	38,277
	176,229	**9,635**	**185,864**

* Inclusive of investments £66,734,000 bought under the Scheme of Arrangement (see note 1).

Gains and losses on investments

	2005 £'000s	2004 £'000s
Realised gains based on historical cost	**5,073**	1,756
Amounts recognised as unrealised losses/(gains) in previous years	**1,808**	(751)
Realised gains/(losses) based on carrying value at previous balance sheet date	**6,881**	1,005
Increase in unrealised appreciation	**20,404**	8,379
Gains on investments	**27,285**	9,384

Investment in Subsidiary

The Company holds 100% of the issued share capital of FIGIT, valued at £nil, net of a loan of £65,059,000 to the Company. The holding arose as a result of a Scheme of Arrangement (see note 1). FIGIT has not traded since 5 May 2005 and was placed in Members Voluntary Liquidation on 20 July 2005.

11 Debtors

	2005 £'000s	2004 £'000s
Investment debtors	**5,792**	170
Prepayments and accrued income	**776**	426
	6,568	596

12 Taxation recoverable

	2005 £'000s	2004 £'000s
Amount recoverable from overseas authorities	**14**	13

13 Creditors: amounts falling due within one year

Loans	2005 £'000s	2004 £'000s
Sterling loan repayable October 2005	**8,500**	6,000

At 29 November 2005, short-term borrowings were £8,500,000. The maximum unsecured loan facility is £20,000,000.

14 Creditors : amounts falling due within one year

Other	2005 £'000s	2004 £'000s
Investment creditors	**5,412**	426
Dividends on ordinary shares	**2,511**	1,293
Accruals	**322**	174
Bank overdraft	**319**	–
Share buybacks	**113**	172
	8,677	2,065

15 Geographical and industrial classification (total assets less current liabilities) excluding loans

	UK %	Europe %	2005 Total %	2004 Total %
Assets:				
Equities				
Financials	26.0	1.4	**27.4**	29.1
Cyclical and non-cyclical services	21.2	0.8	**22.0**	25.6
Cyclical and non-cyclical consumer goods	15.8	2.2	**18.0**	17.1
Resources	18.8	0.8	**19.6**	12.9
Utilities	5.9	0.0	**5.9**	6.8
Basic industrials	4.5	0.0	**4.5**	6.3
General industrials	1.5	0.0	**1.5**	1.6
Information technology	0.6	0.0	**0.6**	1.5
Total equities	94.3	5.2	**99.5**	100.9
Fixed interest	0.6	–	**0.6**	–
Total investments	94.9	5.2	**100.1**	100.9
Net current (liabilities)/assets	(3.9)	3.8	**(0.1)**	(0.9)
Total assets less current liabilities	91.0	9.0	**100.0**	
2004 totals	91.0	9.0		100.0

Notes on the Accounts (continued)

16 Called up share capital

Equity share capital	Shares held in Treasury Number	Shares entitled to dividend Number	Total shares in issue Number	Total shares in issue £'000s
Ordinary shares of 25p each				
Authorised			100,000,000	25,000
Issued				
Balance brought forward	743,289	47,459,752	48,203,041	12,051
Purchase of ordinary shares not for cancellation, held in treasury	1,220,000	(1,220,000)	–	–
Issue of ordinary shares	–	373,211	373,211	93
Sale of ordinary shares held in treasury	(1,148,289)	1,148,289	–	–
Issue of ordinary shares under the Scheme of Arrangement (see note 1)	–	33,615,027	33,615,027	8,404
Balance carried forward	**815,000**	**81,376,279**	**82,191,279**	**20,548**

Between 7 October 2004 and 9 September 2005 1,220,000 ordinary shares were purchased and held in treasury at a total cost of £2,360,000. On 21 December 2004, 373,211 ordinary shares were issued with total proceeds of £729,000. On 21 December 2004, 1,148,289 ordinary shares held in treasury were sold with total proceeds of £2,244,000.

Since the year end a further 50,000 ordinary shares have been purchased and held in treasury at a total cost of £105,000. As at 1 December 2005, the total number of shares held in treasury is 865,000.

Ordinary shares held in treasury have no entitlement to dividends paid or proposed.

17 Capital redemption reserve

	2005 £'000s	2004 £'000s
Balance brought forward	**3,154**	2,537
Transfer from equity share capital on purchase of ordinary shares for cancellation	–	617
Balance carried forward	**3,154**	3,154

18 Share premium account

	2005 £'000s	2004 £'000s
Balance brought forward	**18,771**	17,955
Issue of ordinary shares	**636**	816
Sale of ordinary shares held in treasury	**272**	–
Issue of ordinary shares under the Scheme of Arrangement	**56,655**	–
Balance carried forward	**76,334**	18,771

19 Special reserve

	2005 £'000s	2004 £'000s
Balance brought forward	**12,348**	17,516
Purchase of ordinary shares for cancellation	–	(3,924)
Purchase of ordinary shares held in treasury	**(2,360)**	(1,244)
Sale of ordinary shares held in treasury	**1,972**	–
Balance carried forward	**11,960**	12,348

20 Other reserves

	Capital reserve (realised) £'000s	Capital reserve (unrealised) £'000s	Capital reserves Total £'000s	Revenue reserve £'000s
Realised gains on investments	6,881	–	6,881	–
Transfers on disposal of investments	(1,808)	1,808	–	–
Management fees and related VAT (see note 4)	(316)	–	(316)	–
Interest expense (see note 7)	(178)	–	(178)	–
Exchange gains and losses on currency balances	8	–	8	–
Other expenses	(14)	–	(14)	–
Increase in unrealised appreciation on investments	–	20,404	20,404	–
Amount transferred to revenue reserve	–	–	–	213
	4,573	22,212	26,785	213
Balance brought forward	20,901	16,069	36,970	1,005
Balance carried forward	25,474	38,281	63,755	1,218

Included within the capital reserve movement for the year is £109,000 (2004: £123,000) of dividends recognised as capital.

21 Reconciliation of movement in equity shareholders' funds

	2005 £'000s	2004 £'000s
Revenue return on ordinary activities after taxation	**4,046**	2,597
Capital return for the year	**26,785**	9,027
Dividends on ordinary shares	**(3,833)**	(2,570)
Purchase of ordinary shares for cancellation	**–**	(3,924)
Purchase of ordinary shares held in treasury	**(2,360)**	(1,244)
Issue of ordinary shares	**729**	947
Sale of ordinary shares held in treasury	**2,244**	–
Issue of ordinary shares under the Scheme of Arrangement	**65,059**	–
	92,670	4,833
Equity shareholders' funds brought forward	**84,299**	79,466
Equity shareholders' funds carried forward	**176,969**	84,299

22 Net asset value per ordinary share

Net asset value per ordinary share is based on total net assets of £176,969,000 (2004: £84,299,000) and on 81,376,279 (2004: 47,459,752) ordinary shares in issue at the year end, which excludes 815,000 shares held in treasury (2004: 743,289).

23 Reconciliation of net revenue return before finance costs and taxation to net cash inflow from operating activities

	2005 £'000s	2004 £'000s
Revenue return before finance costs and taxation	**4,267**	2,739
Management fee allocated to capital	**(316)**	(211)
Exchange gains of a revenue nature	**1**	1
(Increase)/decrease in accrued income	**(351)**	52
Increase in creditors	**151**	16
Scrip dividends	**–**	(14)
Net cash inflow from operating activities	**3,752**	2,583

Notes on the Accounts (continued)

24 Reconciliation of net cash movement to movement in net debt

	2005	2004
	£'000s	£'000s
(Decrease)/increase in cash	**(1,071)**	730
Decrease in short-term deposits	**1,700**	–
Decrease in overdrafts	**–**	490
Increase in loans	**(2,500)**	(6,000)
Change in net debt resulting from cash flows	**(1,871)**	(4,780)
Exchange movement on currency balances	**9**	(2)
Movement in net debt during the period	**(1,862)**	(4,782)
Net debt brought forward	**(5,257)**	(475)
Net debt carried forward	**(7,119)**	(5,257)

	Balance at		Exchange	**Balance at**
	1 Oct 2004	Cash flow	movement	**30 Sep 2005**
Represented by:	£'000s	£'000s	£'000s	**£'000s**
Cash at bank/(overdraft)	743	(1,071)	9	**(319)**
Short term deposits	–	1,700	–	**1,700**
	743	629	9	**1,381**
Loans - short term	(6,000)	(2,500)	–	**(8,500)**
	(5,257)	(1,871)	9	**(7,119)**

25 Financial risk profile

The Company conducts its affairs so as to qualify as an investment trust under the provisions of Section 842 of the Income and Corporation Taxes Act 1988.

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 portfolio held throughout the year and at the year end is in line with the Company's investment objective. The Company has the power to take out both short and long-term borrowings. No long-term borrowings were entered into during the year.

In pursuing its investment objectives, the Company faces financial risks to both assets and revenue. These risks, and the Directors' approach to the management of the risks, are described in the Business Review on pages 7 to 10.

In the year to 30 September 2005 the Company did not make use of derivatives (2004: nil).

Financial Assets

The interest rate profile of the Company's financial assets (excluding short-term debtors) at **30 September 2005** was:

	Floating rate	Fixed rate	Weighted average	Weighted average
	financial assets	financial assets	interest rate	period for which
Currency	£'000s	£'000s	%	rate is fixed
Sterling (fixed period)	–	2,885	8.5	1.8 years
Sterling (undated)	–	–	–	–
Euro (undated)	1,270	–	–	–
Swiss francs (undated)	–	–	–	–
Swedish krona (undated)	–	–	–	–

The floating rate financial assets comprise sterling bank deposits that earn interest based on the six-month London Inter Bank Offer Rate (LIBOR) and foreign currency balances that bear interest on the equivalent benchmark for their respective countries.

25 Financial risk profile (continued)

The interest rate profile of the Company's financial assets (excluding short-term debtors) at 30 September 2004 was:

Currency	Floating rate financial assets £'000s	Fixed rate financial assets £'000s	Weighted average interest rate %	Weighted average period for which rate is fixed
Sterling (fixed period)	–	–	–	–
Sterling (undated)	710	–	–	–
Euro (undated)	23	–	–	–
Swiss francs (undated)	3	–	–	–
Swedish krona (undated)	7	–	–	–

The floating rate financial assets comprise sterling bank deposits that earn interest based on the six-month London Inter Bank Offer Rate (LIBOR) and foreign currency balances that bear interest on the equivalent benchmark for their respective countries.

Financial Liabilities

The interest rate profile of the Company's financial liabilities (including short-term loans but excluding other short-term creditors) at **30 September 2005** was:

Currency	Floating rate financial liabilities £'000s	Fixed rate financial liabilities £'000s	Weighted average interest rate %	Weighted average period for which rate is fixed
Sterling	10,089	–	–	–

The interest rate profile of the Company's financial liabilities (including short-term loans but excluding other short-term creditors) at 30 September 2004 was:

Currency	Floating rate financial liabilities £'000s	Fixed rate financial liabilities £'000s	Weighted average interest rate %	Weighted average period for which rate is fixed
Sterling	6,000	–	–	–

Floating rate financial liabilities generate interest based on competitive bank rates.

Currency Exposure

The profile of the Company's net monetary assets/(liabilities) at **30 September 2005**, by currency, was:

	Sterling £'000s	Swiss franc £'000s	Euro £'000s	Swedish Krona £000s	Total £'000s
Net monetary assets	160,350	1,708	14,911	–	176,969

The profile of the Company's net monetary assets/(liabilities) at 30 September 2004, by currency, was:

	Sterling £'000s	Swiss franc £'000s	Euro £'000s	Swedish Krona £000s	Total £'000s
Net monetary assets	76,803	1,482	5,725	289	84,299

Fair Value

The Directors are of the opinion that there are no material differences between fair value of the financial assets and liabilities and the value as disclosed in the balance sheet,

Notes on the Accounts (continued)

Management of Financial Risk*

Risk	Management of Risk
Credit Failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered. There is also a credit risk associated with deposit takers.	All transactions are settled on the basis of delivery against payment, except where local market conditions do not permit. Only approved counterparties are used.
Liquidity Difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments.	The Company's investments are principally quoted equities and are readily realisable. The Company has the power to take out borrowings, both short and long-term, and in addition has an overdraft facility of £1 million.
Market Price The Company's assets consist principally of quoted equities and fixed interest stocks, the values of which are determined by market forces.	The Board manages the market price risks inherent in the Company's portfolio by ensuring full and timely access to relevant information from the Manager. The Board meets quarterly, with the Committee meeting in the intervening months. At each meeting investment performance and financial results are reviewed. The Board monitors compliance with the Company's objectives and is directly responsible for investment strategy, asset allocation and gearing.
Currency Certain of the Company's assets and liabilities are denominated in currencies other than sterling. As a result movements in exchange rates may affect the sterling value of the portfolio, cash, investment purchases and sales and income. The Company does not make use of hedging.	Income denominated in foreign currencies is converted to sterling on receipt.

* The Board's assessment of the principal risks faced by the Company and the controls in place to mitigate those risks, are set out in the Business Review on pages 7 to 10.

Ten Year Record

Assets
at 30 September

£'000s	1995	1996†	1997	1998	1999	2000	2001	2002	2003	2004	**2005**
Total assets less current liabilities (excl. loans)	73,676	84,441	103,070	95,576	101,887	109,714	88,318	70,061	79,466	90,299	**185,469**
Prior charges (incl. loans)	–	–	–	–	–	5,400	–	–	–	6,000	**8,500**
Available for ordinary shares	73,676	84,441	103,070	95,576	101,887	104,314	88,318	70,061	79,466	84,299	**176,969**

Net asset value
at 30 September

	1995	1996†	1997	1998	1999	2000	2001	2002	2003	2004	**2005**
NAV per share	129.6p	143.1p	174.6p	161.9p	191.1p	206.0p	175.4p	141.0p	158.5p	177.6p	**217.5p**
NAV total return on 100p – 5 years (per AITC)											**120.8p**
NAV total return on 100p – 10 years (per AITC)											**218.7p**

Share price
at 30 September

	1995	1996†	1997	1998	1999	2000	2001	2002	2003	2004	**2005**
Mid-market price per share	136.5p	146.0p	145.0p	143.0p	171.5p	173.0p	161.5p	135.5p	159.0p	173.5p	**211.3p**
(Premium)/discount to NAV(%)	(5.30)%	(2.10)%	17.00%	11.70%	10.30%	16.00%	7.90%	3.90%	(0.30)%	2.31%	**2.86%**
Share price High in year	137.5p	147.0p	149.0p	182.5p	183.5p	192.0p	183.8p	195.0p	169.0p	177.0p	**211.0p**
Share price Low in year	118.0p	132.0p	132.0p	135.5p	136.0p	154.5p	141.5p	119.0p	122.0p	155.5p	**174.0p**
Share price total return on 100p											
– 5 years (per AITC)											**141.0p**
– 10 years (per AITC)											**205.6p**

Revenue
for the year ended 30 September

	1995	1996†	1997	1998	1999††	2000	2001	2002	2003	2004	**2005**
Available for ordinary shares (£'000s)	2,375	2,713	2,704	2,785	2,964	2,546	2,872	2,460	2,629	2,597	**4,046**
Earnings per share – pence	4.29p	4.67p	4.58p	4.72p	5.19p	4.90p	5.70p	4.93p	5.28p	5.38p	**6.56p**
Dividends per share – pence	3.85p	4.15p	4.50p	4.65p§	4.80p	4.95p	5.10p	5.25p	5.35p	5.45p	**5.80p**

Performance

(rebased at 30 September 1995)	1995	1996†	1997	1998	1999	2000	2001	2002	2003	2004	**2005**
NAV per share	100.0	110.4	134.7	124.9	147.5	159.0	135.3	108.8	122.3	137.0	**167.8**
Mid-market price per share	100.0	107.0	106.2	104.8	125.6	126.7	118.3	99.3	116.5	127.1	**154.8**
Earnings per share	100.0	108.9	106.8	110.0	121.0	114.2	132.9	114.9	123.1	125.4	**152.9**
Dividends per share	100.0	107.8	116.9	120.8	124.7	128.6	132.5	136.4	137.7	141.6	**150.6**
RPI	100.0	102.1	105.8	109.2	110.4	114.0	115.9	117.9	121.2	124.9	**128.2**

† The accounts for 1996 were restated in accordance with the Investment Trust SORP.

†† Restated for the allocation of management fees and finance costs to capital.

Ten Year Record (continued)

Cost of running the company
for the year-ended
30 September

%	1995	1996†	1997	1998	1999	2000	2001	2002	2003	2004	**2005**
Operating costs as a percentage of:											
Average net assets	0.58%	0.59%	0.57%	0.57%	0.58%	0.61%	0.60%	0.67%	0.75%	0.74%	**0.69%**
Average total assets	0.58%	0.59%	0.57%	0.57%	0.58%	0.59%	0.59%	0.67%	0.75%	0.69%	**0.66%**

Gearing
at 30 September

%	1995	1996†	1997	1998	1999	2000	2001	2002	2003	2004	**2005**
Effective gearing/(net liquidity)	(3.60)%	(1.40)%	(0.50)%	(2.20)%	(1.40)%	4.40%	(0.80)%	(1.30)%	(0.60)%	6.23%	**4.39%**
Fully invested gearing	0.00%	0.00%	0.00%	0.00%	0.00%	5.20%	0.00%	0.00%	0.00%	7.11%	**4.80%**

† The accounts for 1996 were restated in accordance with the Investment Trust SORP.

Definitions

Prior charges	All loans, overdrafts, etc., used for investment purposes.
Operating costs	All costs charged to revenue and capital, excluding related taxation relief, interest costs, taxation, the costs of purchase of share capital and the costs of buying and selling of investments.
Total assets	Total assets less current liabilities before deducting prior charges.
NAV	Net asset value (assuming prior charges at balance sheet value).
RPI	All-items Retail Price Index.
Average assets	Average of net or total assets at end of each quarter as applicable.
NAV total return	Return on net assets per share assuming that all dividends paid to shareholders were reinvested.
Share price total return	Return to the investor on mid-market prices assuming that all dividends received were reinvested.
AITC	Association of Investment Trust Companies.
Effective gearing	Prior charges at balance sheet value, less cash and fixed interest stocks, as a percentage of net assets (also termed "Actual Gearing"). Where cash and fixed interest stocks exceed prior charges, the Company has "net liquidity".
Fully invested gearing	Prior charges at balance sheet value as a percentage of net assets (also termed "Potential Gearing").

Notice of Annual General Meeting

Notice is hereby given that the twelfth Annual General Meeting of the Company will be held at the registered office of the Company, Exchange House, Primrose Street, London EC2, on Tuesday, 31 January 2006 at 10.30 am for the following purposes:

Ordinary Business:

1 To receive and adopt the Directors' report and accounts for the year ended 30 September 2005.

2 To approve the Directors' Remuneration Report.

3 To declare a dividend on the ordinary shares.

4 To re-elect Mr Hugh Priestley as a Director.

5 To elect Mr Neil Dunford as a Director.

6 To elect Mr John Emly as a Director.

7 To re-appoint PricewaterhouseCoopers LLP as auditors and to authorise the Directors to determine their remuneration.

Special Business:

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

THAT:

(a) the Directors be and they are hereby:

(i) generally and unconditionally authorised, in accordance with Section 80 of the Companies Act 1985 (the "Act"), to exercise all the powers of the Company to allot relevant securities (as defined in that Section) up to an aggregate nominal amount of £1,016,578 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 2007; and

(ii) empowered, pursuant to Section 95 of the Act, to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority referred to in paragraph (a)(i) of this resolution as if Section 89(1) of the Act did not apply to any such allotment,

but so that this authority and power shall enable the Company to make offers or agreements which would or might require relevant securities or equity securities to be allotted after the expiry of this authority and power and notwithstanding such expiry the Directors may allot relevant securities and/or equity securities in pursuance of such offers or agreements; and

(b) all authorities and powers previously conferred under Section 80 or Section 95 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

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

THAT the Company be and is hereby and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act"), to make market purchases (within the meaning of Section 163 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 is 12,190,809;

(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 30 July 2007, 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 wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

Notice of Annual General Meeting (continued)

By order of the Board
F&C Management Limited
Secretary
Dated: 1 December 2005

Location of Meeting

Notes:

Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered on the register of members of the Company at 10.30 am on 29 January 2006 ("the specified time") shall be entitled to attend and vote or to be represented at the meeting in respect of shares registered in their name at that time. Changes to entries on the register of members after 10.30 pm on 29 January 2006 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, so to be entitled, members must be entered on the Company's register of members at 10.30 pm on the day which falls 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at any time specified in that notice.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote instead of him or her. A proxy need not be a member of the Company.

To be valid, a form of proxy for use at the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority, must be deposited with the Company's registrars, Computershare Investor Services PLC, PO Box 1075, Bristol BS99 3ZZ not less than 48 hours before the time appointed for holding the meeting. In view of this requirement, investors holding shares in the Company through the F&C Child Trust Fund, F&C Personal Equity Plan, F&C Individual Savings Account, F&C Private Investor Plan or in an F&C Pension Savings Plan should ensure that forms of direction are returned to Computershare Investor Services PLC not later than 96 hours before the time appointed for holding the meeting.

The register of Directors' holdings is available for inspection at the registered office of the Company during normal business hours on any weekday 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 a contract of service with the Company.

The final dividend in respect of the year ended 30 September 2005 will, if approved, be paid on 3 February 2006 to holders of ordinary shares on the register at the close of business on 6 January 2006.

Information for Shareholders

Net Asset Value and Share Price | The Company's Net Asset Value (NAV) 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 or investment companies section of the stockmarket page in most leading newspapers, usually under "F&C Capital and Income".

Performance Information | Information on the Company's performance is provided in the interim 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.fandc.com (select your country, click on "Private Investors", then "Funds & Products", followed by "Investment Trusts"). This website also provides a monthly update on the Company's largest holdings, along with comments from the Fund Manager.

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

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 £8,500 in the tax year ended 5 April 2006 without incurring any tax liability.

Up to April 1998, the cost of investments for CGT purposes was adjusted to allow for inflation between the month of acquisition and the month of disposal of the investments. For investments held at 6 April 1998 and disposed of after that date, this indexation allowance will be computed for the period from the date of acquisition to April 1998, with taper relief applying after April 1998. For assets acquired on or after 6 April 1998, only taper relief applies. The taper reduces the amount of chargeable gain according to the number of complete years after 5 April 1998 for which the investment has been held.

Income Tax | The proposed final dividend is payable on 3 February 2006. Individual UK resident shareholders who are subject to UK income tax at the lower rate or 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.

How to invest

Our manager, F&C, runs a number of savings products which have been set up to provide cost effective and flexible ways to invest (details of these products are listed below). You can also buy F&C Capital and Income Investment Trust PLC shares using a bank or stockbroker or alternatively, directly through an online and telephone dealing service. The F&C website has a link to Squaregain, Europe's biggest stockbroker, at www.fandc.com.

Private Investor Plan ("PIP") | It only costs 0.2% (plus 0.5% Government Stamp Duty) to invest in F&C Capital and Income Investment Trust PLC via this simple savings scheme and there are no ongoing charges. You can invest a lump sum or set up a Direct Debit to make regular monthly payments from just £50 per month (or £25 if saving on behalf of a child).

Child Trust Fund ("CTF") | F&C Management has launched a CTF so that parents can invest the Government voucher issued to all children born since 1 September 2002. Parents and grandparents (or other relatives) can add contributions totalling £1,200 a year. Gains and income* are tax-free. You can invest from £25 per month or from £300 for lump sums.

Pension Savings Plan ("PSP") | You can maximise your tax benefits and save for your retirement using this low cost Plan, which includes a Personal Pension and Free Standing AVC. Contributions can be made via a lump sum or by Direct Debit. Now that personal pensions are no longer restricted to those with earnings of their own, almost everyone under the age of 75 is eligible. This means that you can invest on behalf of non-working spouses or partners and children.

Individual Savings Account ("ISA") | You can invest up to £7,000 each year in F&C's Maxi ISA, or £4,000 in the Mini ISA, either by completing an application form or investing online. You can make regular monthly payments by Direct Debit or invest a lump sum.

Gains arising from assets held in an ISA are exempt from tax. Interest and dividends received on assets in the ISA are free of income tax, although the 10% dividend tax credit can no longer be reclaimed. There will, however, continue to be an income tax saving for higher rate tax payers.

Personal Equity Plan ("PEP") | Although PEPs are no longer available for new subscriptions you can transfer investments from one manager to another, subject to HM Revenue and Customs requirements.

F&C's fixed rate charging structure provides excellent value for money as you pay one fixed annual management fee no matter how many Investment Trust PEPs or ISAs you hold with 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.

If you have trouble reading smaller print, please let us know. We can provide literature in alternative formats, for example, large print or on audiotape. Please call 0845 136 420 for more details.

For further details on the savings schemes and application forms, please contact:

Investor Services on

0800 136 420 info@fandc.com

or Broker Support on

08457 992 299 adviser.enquiries@fandc.com

(UK calls charged at the local rate)

Fax **0131 243 1315**

You can also find more information on the website:

www.fandc.com under Investment Trusts

If you wish to write, the address is:

Investor Services Team

F&C Asset Management plc,

Clandeboye Business Park

West Circular Road

Bangor

BT9 1AR

The information on this page has been issued and approved by F&C Asset Management plc, authorised and regulated in the UK by the Financial Services Authority. * Dividends already taxed at source.

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