F&C Capital and Income Investment Trust PLC

Company Registration Number: 2732011

Section 272 Accounts - Interim Accounts for the nine months to 30 June 2006 (Unaudited)

Unaudited Income Statement

for the nine months to 30 June 2006 and the year ended 30 September 2005

Revenue Notes	Capital Notes		9 Months to 30 June 2006 Revenue £'000s	Capital £'000s	Total* £'000s	Year ended 30 September 2005 Revenue £'000s	(Restated) + Capital £'000s	(Restated) + Total* £'000s
	11	Gains on investments	-	16,248	16,248	-	27,234	27,234
	18	*Exchange (losses)/gains on currency balances*	1	(24)	(23)	1	8	9
3		Income	5,284	-	5,284	4,876	-	4,876
4		Management fee	(350)	(350)	(700)	(316)	(316)	(632)
5	18	Other expenses	(377)	(14)	(391)	(294)	(14)	(308)
		Net return before finance costs and taxation	*4,558*	*15,860*	*20,418*	*4,267*	*26,912*	*31,179*
7	18	Interest payable and similar charges	(167)	(167)	(334)	(178)	(178)	(356)
		Return on ordinary activities before taxation	4,391	15,693	20,084	4,089	26,734	30,823
8		*Taxation on ordinary activities*	(32)	-	(32)	(43)	-	(43)
		Return attributable to equity shareholders	4,359	15,693	20,052	4,046	26,734	30,780
9	9	**Return per ordinary share – pence**	5.37	19.33	24.70	6.56	43.34	49.90

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

All revenue and capital items in the above statement derive from continuing operations. A Statement of Total Recognised Gains and Losses is not required as all gains of the Company have been reflected in the above statement.

+Restated for changes in accounting policies (see note 2).

Unaudited Reconciliation of Movements in Shareholders' Funds

Notes		Called up share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Special reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
	Balance at 30 September 2004 (as previously reported)	12,051	18,771	3,154	12,348	36,970	1,005	84,299
	Investment valuation restatements*	-	-	-	-	(83)	-	(83)
	Dividend accrued at 30 September 2004*	-	-	-	-	-	1,293	1,293
	Balance at 30 September 2004 *(restated)*	12,051	18,771	3,154	12,348	36,887	2,298	85,509
	Dividends paid during the year*	-	-	-	-	-	(2,615)	(2,615)
	Purchase of ordinary shares held in treasury during the period	-	-	-	(2,360)	-	-	(2,360)
	Sale of ordinary shares held in treasury during the year	-	272	-	1,972	-	-	2,244
	Issue of ordinary shares during the year	8,497	57,291	-	-	-	-	65,788
	Return attributable to equity shareholders during the year ended 30 September 2005 (as previously reported)	-	-	-	-	26,785	4,046	30,831
	Investment valuation restatements*	-	-	-	-	(51)	-	(51)
	Balance at 30 September 2005 (restated)	20,548	76,334	3,154	11,960	63,621	3,729	179,346
10	*Dividends paid during the period**	-	-	-	-	-	*(4,850)*	*(4,850)*
14	Purchase of ordinary shares held in treasury during the period	-	-	-	(1,490)	-	-	(1,490)
	Return attributable to equity shareholders during the period	-	-	-	-	15,693	4,359	20,052
	Balance carried forward at 30 June 2006	**20,548**	**76,334**	**3,154**	**10,470**	**79,314**	**3,238**	**193,058**

* Restated for changes in accounting policies (see note 2)

Unaudited Balance Sheet

at 30 June 2006 and 30 September 2005

Notes		30 June 2006		30 September 2005 (restated)+	
		£'000s	**£'000s**	£'000s	£'000s
	Fixed assets				
11	Investments at fair value		**203,201**		185,730
	Current assets				
12	Debtors	**4,235**		6,568	
	Taxation recoverable	**3**		14	
	Cash at bank and short-term deposits	**161**		1,700	
		4,399		8,282	
	Creditors: amounts falling due within one year:				
	Short-term loans	**(14,000)**		(8,500)	
13	Other creditors	**(542)**		(6,166)	
		(14,542)		(14,666)	
	Net current liabilities		**(10,143)**		(6,384)
	Net assets		**193,058**		179,346
	Capital and reserves				
14	Called up share capital		**20,548**		20,548
15	Share premium account	**76,334**		76,334	
16	Capital redemption reserve	**3,154**		3,154	
17	Special reserve	**10,470**		11,960	
18	Capital reserves	**79,314**		63,621	
18	Revenue reserve	**3,238**		3,729	
			172,510		158,798
	Total equity shareholders' funds		**193,058**		179,346
	Net asset value per ordinary share - pence		**239.28**		220.39

+ Restated for changes in accounting policies (see note 2)

Approved by the Board on 21 August 2006 and signed on its behalf by:

Pen Kent

Pen Kent
Chairman

Notes on the Accounts (Unaudited)

1 ACCOUNTING PERIOD

The results for the nine months to 30 June 2006, which are unaudited, consitute non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. The latest published accounts which have been delivered to the Registrar of Companies are for the year ended 30 September 2005. The report of the auditors thereon was unqualified and did not contain a statement under Section 237 of the Companies Act 1985.

2 ACCOUNTING POLICIES

(a) Basis of accounting

The accounts of the Company have been prepared under the historical cost convention, modified to include fixed assets investments at fair value, and in accordance with the Companies Act 1985, Accounting Standards applicable in the United Kingdom and with the Revised Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (SORP) issued in December 2005.

The functional and reporting currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates.

(b) Changes in presentation

In accordance with the SORP, the Income Statement (formerly called the "Statement of Total Return") has been analysed between a Revenue Account (dealing with items of a revenue nature) and a Capital Account (relating to items of a capital nature). Revenue returns include, but are not limited to, dividend income and operating expenses and tax (insofar as the expenses and tax are not allocated to capital, as described in note 2 (d) (v) and (vi) below). Net revenue returns are allocated via the revenue account to the Revenue Reserve, out of which interim and final dividend payments are made.

Capital returns include, but are not limited to, realised and unrealised profits and losses on fixed asset investments and currency profits and losses on cash and borrowings. Net capital returns may not be distributed by way of dividend and are allocated via the capital account to the *Capital Reserves*.

Dividends payable to equity shareholders are no longer reflected in the Income Statement, although they continue to be shown in the Reconciliation of Movement in Shareholders' Funds which is now presented as a primary statement.

(c) Changes in accounting policies

With effect from 1 October 2005, the Company has adopted Financial Reporting Standards (FRS) 21 to 26. The effect of adoption, where it has resulted in a change in a significant accounting policy, is described below.

FRS 21 (Events after the Balance Sheet date) – Dividends paid by the Company are accounted for in the period in which the Company is liable to pay them. Previously, the Company accrued dividends in the period in which the net revenue, to which those dividends related, was accounted for.

FRS 25 (Financial Instruments: Disclosure and Presentation) and FRS 26 (Financial Instruments: Measurement) – The Company has designated its assets as being measured at "fair value through profit or loss". The fair value of fixed asset listed investments is deemed to be the bid value of those investments at the close of business on the relevant date. Previously, all listed investments were valued at mid value.

There have been no other changes to significant accounting policies during the year.

The comparatives for the year ended 30 September 2005 have been restated to give effect to the above changes. Notes 9, 10, 11, 18 and 19 on the accounts further explain the restatements.

(d) Principal accounting policies

The policies set out below have been applied consistently throughout the year.

(i) Fixed assets investments

As an investment trust, the Company measures its fixed asset investments at "fair value through profit or loss" and treats all transactions on the realisation and revaluation of investments held as fixed assets, as transactions on the Capital Account. Investment purchases are recognised on the relevant trade date, inclusive of expenses which are incidental to the acquisition of the investments. Investment sales are also recognised on the trade date, after deducting expenses incidental to the sales.

Listed investments are valued at bid value at the close of business on the relevant date on the exchange on which the investment is listed. Investments which are not listed or which are not frequently traded are stated at Directors' best estimate of fair value. In arriving at their estimate, the Directors make use of recognised valuation techniques and may take account of recent arm's length transactions in the same or similar investment instruments. Where no reliable fair value can be estimated, investments may be carried at cost less any provision for impairment.

(ii) Borrowings

Loans and overdrafts are recorded at the proceeds received, net of issue costs, irrespective of the duration of the instrument.

Finance charges, including interest, are accrued using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period. See (v) below for allocation of finance charges within the Income Statement.

Notes on the Accounts (Unaudited) *(continued)*

(iii) 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, dividend income, interest income and expenses are translated at the rates of exchange prevailing at the respective dates of such transactions.

Exchange profits and losses on fixed assets investments are included within the changes in fair value in the capital account. Exchange profits and losses on other currency balances are separately credited or charged to the capital account except where they relate to revenue items.

(iv) Income

Income from equity shares is brought into the revenue account (except where, in the opinion of the Directors, its nature indicates it should be recognised as within the capital account) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield on the investment.

Dividends are accounted for in accordance with Financial Reporting Standard 16 "Current Taxation" (FRS16) on the basis of 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 (scrip dividends), the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in capital reserve.

(v) Expenses, including finance charges

Expenses are charged to the Revenue Account of the Income Statement, except as noted below:

- expenses incidental to the acquisition or disposal of fixed assets investments are included within the cost of the investments or deducted from the disposal proceeds of investments and are thus charged to capital reserve realised via the capital account;
- 50% of other management fees, including related irrecoverable VAT, and 50% of finance costs (both net of applicable tax relief) which are allocated to capital reserve realised via the capital account, in accordance with the Board's long-term expected split of returns from the investment portfolio of the Company.

All expenses are accounted for on an accruals basis.

(vi) Taxation

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

(vii) Capital Redemption Reserve

The nominal value of Ordinary share capital repurchased for cancellation is transferred out of Share Capital and into the Capital Redemption Reserve.

(viii) Capital Reserves

The following are accounted for in these reserves:

- gains and losses on the realisation of fixed asset investments;
- realised exchange differences of a capital nature;
- costs of professional advice, including related irrecoverable VAT, relating to the capital structure of the Company;
- other capital charges and credits charged or credited to this account in accordance with the above policies.
- increases and decreases in the valuation of fixed asset investments held at the year end; and
- unrealised exchange differences of a capital nature.

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

Notes on the Accounts (Unaudited) *(continued)*

3 INCOME

	9 months to 30 June 2006 £'000s	Year ended 30 September 2005 £'000s
Income from investments		
UK dividends	**5,028**	4,473
UK unfranked interest	**21**	40
Overseas dividends	**203**	329
	5,252	4,842
Other income		
Interest on cash and short-term deposits	**32**	31
Underwriting commission	**-**	3
	32	34
Total income	**5,284**	4,876
Total income comprises:		
Dividends	**5,252**	4,842
Other income	**32**	34
	5,284	4,876
Income from investments:		
Listed UK	**5,049**	4,513
Listed overseas	**203**	329
	5,252	4,842

4 MANAGEMENT FEE

	9 months to 30 June 2006 £'000s	Year ended 30 September 2005 £'000s
Management fee	**596**	538
Irrecoverable VAT thereon	**104**	94
	700	632
Less: allocated to Capital Reserve Realised (see note 18)	**(350)**	(316)
	350	316

The Manager provides investment management and general administrative services to the Company for a quarterly 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 (Unaudited) (continued)

5 OTHER EXPENSES

	9 months to 30 June 2006 £'000s	Year ended 30 September 2005 £'000s
Auditors' remuneration:		
for audit services	21	21
for other services	8	7
Directors' emoluments – fees for services to the Company	60	65
Other expenses	288	201
	377	294

All expenses are stated gross of irrecoverable VAT where applicable

6 DIRECTORS' REMUNERATION AND CONTRACTS

a) Remuneration

The Company had no employees during the period.

The amounts paid by the Company to the Directors of the Company were as follows:

	9 months to 30 June 2006 £'000s	Year ended 30 September 2005 £'000s
Pen Kent (Chairman) 1	15.00	14.00
Neil Dunford 2	11.25	6.10
John Emly 2	11.25	6.10
James Norton	11.25	12.00
Hugh Priestley	11.25	12.00
Graham Ross Russell 3	-	9.00
Peter Hardy 4	-	6.00
	60.00	65.20

1 Appointed Chairman with effect from 5 May 2005
2 Appointed Director with effect from 5 May 2005
3 Retired as Chariman and Director with effect from 5 May 2005
4 Retired as a Director with effect from 5 May 2005

b) Directors' interests in shares and warrants

The benefical interest of the Directors in the ordinary shares of the Company were as follows:

	30 June 2006 Ordinary shares	30 September 2005 Ordinary shares
Pen Kent (Chairman)	-	-
Neil Dunford	7,588	7,588
John Emly	3,986	3,923
James Norton	-	-
Hugh Priestley	15,000	1,000

There have been no other changes in the Directors' holdings detailed above since 30 June 2006.

c) Directors' interests in contracts

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

Notes on the Accounts (Unaudited) (continued)

7 INTEREST PAYABLE AND SIMILAR CHARGES

	9 months to 30 June 2006 £'000s	Year ended 30 September 2005 £'000s
On bank loans and overdrafts repayable within five years, not by installments	**334**	356
Less: allocated to capital reserve realised (see note 18)	**(167)**	(178)
	167	178

8 TAXATION ON ORDINARY ACTIVITIES

a) Analysis of tax charge for the period

	9 months to 30 June 2006			Year ended 30 September 2005		
	Revenue £'000s	**Capital £'000s**	**Total £'000s**	Revenue £'000s	Capital £'000s	Total £'000s
Current tax charge on ordinary activities (overseas taxation)	**32**	**-**	**32**	43	-	43

9 RETURN PER ORDINARY SHARE

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

	9 months to 30 June 2006 *£'000s*	Year ended 30 Sep 2005 (Restated) *£'000s*
Total Return	**20,052**	30,780
Revenue Return	**4,359**	4,046
Capital return	**15,693**	26,734
Weighted average ordinary shares in issue*	**81,168,978**	61,686,327

*Shares held in treasury have been excluded from the weighted average number of shares in issue.

As previously stated:	Year ended 30 Sep 2005 *£'000s*
Total Return	30,831
Capital Return	26,785

The total and capital returns for the year to 30 September 2005 have been decreased by £51,000 (0.08 pence per share). This reflects the effect of the decrease in valuation of investments, as a result of the change in accounting policy, at 30 September 2004 by £83,000 and 30 September 2005 by £134,000.

Notes on the Accounts (Unaudited) (continued)

10 DIVIDENDS

Dividends on ordinary shares	Payment date	9 months to 30 June 2006 £'000s	Year ended 30 Sep 2005 £'000s
2003/2004 Final dividend of 2.725p	30 Jan 2005	-	1,293
2004/2005 interim dividend of 2.725p	20 May2005	-	1,322
2004/2005 second interim dividend of 1.40p	31 Oct 2005	1,140	-
2004/2005 Final dividend of 1.675p	3 Feb2006	1,359	-
2005/2006 First interim dividend of 1.40p	3 Apr 2006	1,136	-
2005/2006 Second interim dividend of 1.50p	30 Jun2006	1,215	-
		4,850	2,615

	9 months to 30 June 2006 £'000s
Revenue reserve brought forward as previously reported	1,218
Add back dividends accrued at 30 Sep 2005	2,511
Revenue reserve brought forward (restated)	3,729
Revenue available for distribution by way of dividends for the period	4,359
2004/2005 Interim dividend of 1.40p paid 31 October 2005	(1,140)
2004/2005 Final dividend of 1.675p paid 3 Feb 2006	(1,359)
2005/2006 First interim dividend of 1.40p paid 3 April 2006	(1,136)
2005/2006 Second interim dividend of 1.50p paid 30 June 2006	(1,215)
Undistributed revenue at 30 June 2006, for Section 272 purposes, available for payment of third interim dividend	3,238
2005/2006Third interim dividend of 1.50p payable 2 October 2006	(1,210)
Undistributed revenue at 30 June 2006, for Section 272 purposes, after taking account of third interim dividend	2,028

11 INVESTMENTS

	Listed Total £'000s
Cost at 1 October 2005	147,583
Unrealised appreciation at 1 October 2005	
- as previously stated	38,281
- adjustment for change in accounting policy	(134)
Unrealised appreciation (restated)	38,147
Valuation at 1 October 2005	185,730
Movements in the period:	
Purchases at cost	38,436
Sales – proceeds	(37,213)
– realised net profits on sales	7,810
Increase in unrealised appreciation	8,438
Valuation at 30 June 2006	203,201
Cost at 30 June 2006	156,616
Unrealised appreciation at 30 June 2006	46,585
Valuation at 30 June 2006	203,201

Notes on the Accounts (Unaudited) (continued)

12 DEBTORS

	30 June 2006 £'000s	30 September 2005 £'000s
Investment debtors	3,183	5,792
Prepayments and accrued income	1,052	776
	4,235	6,568

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Other	30 June 2006 £'000s	30 September 2005 (Restated)* £'000s
Other accrued expenses	376	322
Investment Creditors	-	5,412
Bank Overdraft	-	319
Share buybacks	166	113
	542	6,166

*Restated (See note 18)

14 CALLED UP SHARE CAPITAL

Equity share capital Ordinary shares of 25p each	Held in Treasury Number	Shares entitled to dividend Number	Total shares in issue Number	Nominal value of shares in issue £'000s
Authorised			100,000,000	25,000
Issued				
Balance brought forward	815,000	81,376,279	82,191,279	20,548
Purchase of ordinary shares held in treasury	692,139	(692,139)	-	-
Balance carried forward	1,507,139	80,684,140	82,191,279	20,548

During the period 692,139 ordinary shares were purchased and held in treasury at a total cost of £1,490,000. Ordinary shares held in treasury have no entitlement to dividends paid or proposed.

15 SHARE PREMIUM ACCOUNT

	30 June 2006 £'000s	30 September 2005 £'000s
Balance brought forward and carried forward	76,334	76,334

16 CAPITAL REDEMPTION RESERVE

	30 June 2006 £'000s	30 September 2005 £'000s
Balance brought forward and carried forward	3,154	3,154

Notes on the Accounts (Unaudited) (continued)

17 SPECIAL RESERVE

	30 June 2006 £'000s	30 September 2005 £'000s
Balance brought forward	**11,960**	12,348
Purchase of ordinary shares held in treasury	**(1,490)**	(2,360)
Sale of ordinary shares held in treasury	**-**	1,972
Balance carried forward	**10,470**	11,960

18 OTHER RESERVES

	Capital reserves £'000s	**Revenue reserve £'000s**
Balance brought forward (as previously stated)	**63,755**	**1,218**
Add: accrued second interim dividend for quarter ended 30 June 2005	**-**	**1,148**
Add: accrued final dividend for year ended 30 September 2005	**-**	**1,363**
Less: Investment valuation changes	**(134)**	**-**
Balance brought forward (restated)	**63,621**	**3,729**
Realised gains on investments	**7,810**	**-**
Management fee and related VAT	**(350)**	**-**
Other capital charges and credits	**(14)**	**-**
Exchange losses on currency balances	**(24)**	**-**
Interest charged to capital	**(167)**	**-**
Movement in unrealised appreciation on investments	**8,438**	**-**
Revenue return attributable to equity shareholders	**-**	**4,359**
Total gains and losses transferred in current period	**15,693**	**4,359**
Dividends paid in the period	**-**	**(4,850)**
Balance carried forward	**79,314**	**3,238**

Notes on the Accounts (Unaudited) (continued)

19 RESTATEMENT OF OPENING BALANCES

A reconciliation is given between the closing balances per the 30 September 2005 accounts and the restated balances following adoption of revisions to UK GAAP.

Balance Sheet	Previously reported 30 September 2005 £'000s	Adjustment £'000s	30 September 2005 (Restated) £'000s
Fixed assets			
Investments at fair value*	185,864	(134)	185,730
Current assets			
Debtors	6,568		6,568
Taxation recoverable	14		14
Cash at bank and short-term deposits	1,700		1,700
	8,282		8,282
Current liabilities			
Short-term loans	(8,500)		(8,500)
*Other creditors***	*(8,677)*	2,511	*(6,166)*
	(17,177)	2,511	(14,666
Net current liabilities	(8,895)	2,511	(6,384)
Net assets	176,969	2,377	179,346
Capital and reserves			
Called up share capital	20,548		20,548
Share premium account	76,334		76,334
Capital redemption reserve	3,154		3,154
Special reserve	11,960		11,960
Capital reserves*	63,755	(134)	63,621
Revenue reserve**	1,218	2,511	3,729
Total equity shareholders' funds	176,969	2,377	179,346
Net asset value per ordinary share – pence	217.47	2.92	220.39

Notes to the restatement of opening balances

* Effect of revaluation of fixed asset investments from middle market value to bid value

** Effect of not recognising dividends paid after the balance sheet date