Flaherty & Crumrine/CLAYMORE PREFERRED SECURITIES INCOME FUND INC
Form N-CSR
January 30, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21129

FLAHERTY & CRUMRINE/CLAYMORE PREFERRED SECURITIES INCOME FUND INCORPORATED
(Exact name of registrant as specified in charter)

301 E. Colorado Boulevard, Suite 720
PASADENA, CA 91101
(Address of principal executive offices) (Zip code)

Donald F. Crumrine
Flaherty & Crumrine Inc.
301 E. Colorado Boulevard, Suite 720
PASADENA, CA 91101
(Name and address of agent for service)

registrant's telephone number, including area code: 626-795-7300

Date of fiscal year end: NOVEMBER 30

Date of reporting period: NOVEMBER 30, 2005

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

The Report to Shareholders is attached herewith.

FLAHERTY & CRUMRINE/CLAYMORE PREFERRED SECURITIES INCOME FUND

To the Shareholders of the Flaherty & Crumrine/Claymore Preferred Securities Income Fund ("FFC"):

During the fourth fiscal quarter of 2005 which ended on November 30, 2005, the Fund's total return on net asset value was -2.7%(1). The return for fiscal 2005 was +2.6%(1). Longer-term returns for the Fund and the standard benchmark composite can be seen in the following table:

TOTAL RETURN PER YEAR ON NET ASSET VALUE(1)
FOR PERIODS ENDED NOVEMBER 30, 2005

	ONE YEAR
Flaherty & Crumrine/Claymore Preferred Securities Income Fund	2.6%
Lipper Domestic Investment Grade Bond Funds(3)	3.7%

Looking back on a difficult year, it may seem odd to state that the Fund is working as designed, but we believe it is. Negative returns of the magnitude experienced during the past quarter are not expected to occur very often. Of the 11 full fiscal quarters since the inception of the Fund, only one has produced a return below that of this past quarter. Of course, past performance is not a guarantee of future results.

At the beginning of the last fiscal quarter, long term interest rates were hovering near their all-time lows of 4 1/4%; by quarter's end, these same rates were just below 4 3/4%. As a result, the total return (price change plus income) of the 30-year US Treasury bond for the quarter was -4.9%. During the period, the Fund's interest rate hedging strategy performed as designed by making money when long-term interest rates increased. These gains, however, did not entirely offset the decline in value of the Fund's investment portfolio, and as a result, the overall performance was still negative (please see the Question & Answer section which follows for more on the performance of the Fund's hedges).

As we've discussed often in the past, setting the Fund's monthly dividend amount entails careful analysis based partially on some crystal ball gazing. The Board recently acted on management's recommendation to reduce the current monthly dividend amount to $0.14 per share. The reduced amount is one that we think will be sustainable under current market conditions, although, of course, we can't guarantee this.

History has taught us there is little likelihood of current market conditions persisting for long. We have been puzzled by the relative stability of long-term interest rates in the face of strength in the economy and the Federal Reserve's efforts to raise short-term interest rates. As of this writing, the yield differential between six-MONTH treasury bills and thirty-YEAR treasury bonds is less than one-tenth of one percent!

The combination of rising short-term interest rates and stable long-term rates necessitated the Fund's recent dividend reduction as borrowing costs for the Fund's short-term leverage have gone up while income from the long-term securities and hedges has not.

We have avoided the temptation to purchase lower quality securities simply to boost the income from the Fund's investment portfolio. Had we done so, the dividend reduction might not have been quite as large, but it could have harmed the Fund's longer-term prospects for protecting principal. Balancing this tradeoff is never easy, but we believe forgoing some current income in favor of higher long-term results is better for shareholders with a long-term investment horizon. Our strategy will remain consistent - we will invest in lower quality companies when we feel we are being adequately compensated for all incremental risk. Fortunately, we once again are beginning to see such opportunities.

Another portfolio management challenge has resulted from changes in the utility industry. As you recall, the Fund must normally have at least 25% of its assets invested in utilities. As recently as two or three years ago, utility securities generally traded at yield levels we found attractive. In today's market, bonds and preferreds of utility companies yield less than those of most other industries. Longer term, we think there will be good investment opportunities in this sector, but at present, the Fund's 25% minimum allocation requirement to utilities is proving to be a drag on income. In addition, historically, preferred stock has been a standard form of financing for utility companies. In recent years, changes in the regulatory environment, industry consolidation, limited capital expenditure, and the repeal of certain federal laws, have all led to the reduction in the size of the utility preferred universe. This long-term trend may present challenges in finding enough suitable utility preferreds.

A number of insurance companies issued new preferred securities to replenish capital after one of the worst hurricane seasons on record. While many of these new issues didn't meet our credit standards, we identified several attractive issues and made meaningful additions to the portfolio. We also added positions in new preferred securities issues of several high quality companies in the financial services industry. Among the recent additions are Goldman Sachs, Merrill Lynch and HSBC, which joined our existing holdings of Lehman Brothers.

Recently, an innovative twist on an old preferred structure has produced a new type of preferred security. In classic Wall Street tradition, the bankers can't agree on what to call them; for now, we'll use the first coined acronym "ECAPS (SM)," which stands for "Enhanced Capital Advantage Preferred Security." These new issues combine a variety of terms and covenants to create a security that captures some important characteristics of both debt and equity. As a result, the issues are considered "equity-like" by the rating agencies, yet the interest paid on the issue is deductible by the issuer as interest expense for tax purposes (both critical factors in a company's cost of capital). Please see the Q&A section for more on ECAPS (SM) and their impact on the Fund.

Perhaps because so many income-oriented closed-end funds have cut their distributions, the market prices of most of those funds have fallen relative to their net asset values. Your fund is no different. On August 31, 2005, the market price of FFC was 0.4% below the NAV, and by December 30th, it was 15.4% below the NAV. However, as of this writing, the discount had narrowed to 7.6%. We've often said that in a perfect world the market price would closely track the NAV of the Fund, but this is rarely the case. Our servicing agent, Claymore Securities, Inc., tells us that the coming to market of a number of new closed-end funds, the dividend cut and year-end tax related selling are the three biggest factors depressing the market price of the Fund. Whatever the cause, investors in closed-end funds should always have a long-term investment horizon and stay focused on the NAV performance (please see the Question & Answer section which follows for more on the market price).

We hope investors will take advantage of the Fund's website, WWW.FCCLAYMORE.COM. It contains a wide range of useful and up-to-date information about the Fund.

Sincerely,

/S/DONALD F. CRUMRINE	/S/ROBERT M. ETTINGER
Donald F. Crumrine	Robert M. Ettinger
Chairman of the Board	President

January 20, 2006

QUESTIONS & ANSWERS

WHY DID THE FUND CUT THE DIVIDEND IN DECEMBER?

The Board of Directors decided to reduce the monthly dividend rate effective with the December 2005 dividend to reflect existing and anticipated market conditions for the Fund.

For 19 months, short-term rates have increased while long-term rates have remained relatively stable, resulting in a relatively "flat" yield curve. Since the Federal Reserve began raising short-term interest rates through the date of this report, the federal funds rate has increased by 3.25% while the 30-year Treasury yield has decreased by approximately 0.77%. As discussed below, higher short-term rates increase the cost of the Fund's leverage which in turn reduces distributable income available to the Fund's Common Stock Shareholders.

Typically, rising short-term rates are accompanied by rising long-term rates, which increase the value of the hedging instruments the Fund holds. As discussed below, income is typically increased as the hedge gains are reinvested in more income-producing securities, at least partially offsetting the rising cost of leverage. However, at this point we have not yet experienced a significant increase in long-term rates, and consequently we have reduced the dividend to a level which can be better sustained by the Fund's distributable income. For additional information about how the Board sets the Fund's dividend, please see the "Frequently Asked Questions" section of the Fund's website at WWW.FCCLAYMORE.COM.

WHY HAS THE MARKET PRICE OF THE FUND'S SHARES BEEN FALLING?

Shareholders are understandably concerned about the recent decline in the price of the Fund's shares. While our focus is primarily on managing the Fund, we realize that an investor's actual return is comprised of the monthly dividend payments plus changes in the market price of the Fund. During the fourth fiscal quarter, the Fund's total return on MARKET VALUE was -13.4%. For all of fiscal 2005, the return was -13.4%. Over the life of the Fund, the return was +1.5%.

We've often said that in a perfect world the market price would closely track the net asset value; however, as seen in the chart below, in the real world the deviations can be large. In our experience, periods of large price drops have displayed similar patterns. Usually some catalyst sets off a bit of selling which in turn leads to a cycle of stop-loss triggers and a "sell now, ask questions later" mood among investors. The triggers this time could potentially be explained by dividend cuts, rising short-term interest rates, year-end tax selling, and competition from new closed-end fund offerings.

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[GRAPHIC OMITTED]
EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC AS FOLLOWS:

FLAHERTY & CRUMRINE/CLAYMORE PREFERRED SECURITIES INCOME FUND (FFC)
PREMIUM/DISCOUNT OF MARKET PRICE TO NAV THROUGH 12/31/05

Date	Prem/Disc
12/31/02	
1/31/03	0.0516
2/7/03	0.0516
2/14/03	0.0535
2/21/03	0.0512
2/28/03	0.0447
3/7/03	0.0417
3/14/03	0.0463
3/21/03	0.0523
3/28/03	0.0500
4/4/03	0.0545
4/11/03	0.0517
4/18/03	0.0409
4/25/03	0.0285
5/2/03	0.0264
5/9/03	0.0101
5/16/03	-0.0158
5/23/03	-0.0427
5/30/03	-0.0232
6/6/03	-0.0245
6/13/03	-0.0412
6/20/03	-0.0136
6/27/03	-0.0051
7/4/03	0.0027
7/11/03	0.0012
7/18/03	0.0016
7/25/03	-0.0020
8/1/03	-0.0040
8/8/03	0.0073
8/15/03	-0.0040
8/22/03	-0.0040
8/29/03	-0.0028
9/5/03	-0.0020
9/12/03	-0.0079
9/19/03	-0.0207
9/26/03	-0.0228
10/3/03	-0.0109
10/10/03	0.0047
10/17/03	0.0117
10/24/03	0.0121
10/31/03	0.0105
11/7/03	0.0431
11/14/03	0.0226
11/21/03	0.0100
11/28/03	0.0357

12/5/03	0.0254
12/12/03	0.0712
12/19/03	0.0623
12/26/03	0.0678
1/2/04	0.0732
1/9/04	0.0530
1/16/04	0.0514
1/23/04	0.0512
1/30/04	0.0463
2/6/04	0.0580
2/13/04	0.0564
2/20/04	0.0611
2/27/04	0.0570
3/5/04	0.0499
3/12/04	0.0541
3/19/04	0.0636
3/26/04	0.0840
4/2/04	0.0756
4/9/04	0.0547
4/16/04	0.0385
4/23/04	-0.0037
4/30/04	-0.0016
5/7/04	-0.0084
5/14/04	0.0241
5/21/04	0.0038
5/28/04	0.0204
6/4/04	0.0167
6/11/04	0.0209
6/18/04	0.0155
6/25/04	0.0030
7/2/04	0.0143
7/9/04	0.0189
7/16/04	0.0245
7/23/04	0.0189
7/30/04	0.0339
8/6/04	0.0333
8/13/04	0.0360
8/20/04	0.0366
8/27/04	0.0456
9/3/04	0.0465
9/10/04	0.0432
9/17/04	0.0346
9/24/04	0.0252
10/1/04	0.0415
10/8/04	0.0494
10/15/04	0.0517
10/22/04	0.0472
10/29/04	0.0607
11/5/04	0.0440
11/12/04	0.0562
11/19/04	0.0642
11/26/04	0.0632
12/3/04	0.0379
12/10/04	0.0322
12/17/04	0.0322
12/24/04	0.0553
12/31/04	0.0691
1/7/05	0.0632
1/14/05	0.0426
1/21/05	0.0422
1/28/05	0.0360
2/4/05	0.0524

2/11/05	0.0343
2/18/05	0.0344
2/25/05	0.0363
3/4/05	0.0347
3/11/05	0.0020
3/18/05	-0.0413
3/25/05	-0.0514
4/1/05	-0.0742
4/8/05	-0.0890
4/15/05	-0.0775
4/22/05	-0.0610
4/29/05	-0.0475
5/6/05	-0.0283
5/13/05	-0.0580
5/20/05	-0.0523
5/27/05	-0.0455
6/3/05	-0.0371
6/10/05	-0.0238
6/17/05	-0.0272
6/24/05	-0.0343
7/1/05	-0.0344
7/8/05	-0.0155
7/15/05	-0.0285
7/22/05	-0.0206
7/29/05	0.0008
8/5/05	-0.0156
8/12/05	-0.0076
8/19/05	-0.0181
8/26/05	-0.0190
9/2/05	-0.0122
9/9/05	-0.0008
9/16/05	-0.0132
9/23/05	-0.0272
9/30/05	-0.0703
10/7/05	-0.0808
10/14/05	-0.0984
10/21/05	-0.0776
10/28/05	-0.0815
11/4/05	-0.0861
11/11/05	-0.0861
11/18/05	-0.1203
11/25/05	-0.1106
12/2/05	-0.1113
12/9/05	-0.1325
12/16/05	-0.1641
12/23/05	-0.1467
12/30/05	-0.1543

For additional information about the premiums and discounts, please see the "Frequently Asked Questions" section of the Fund's website at WWW.FCCLAYMORE.COM.

ARE THERE ANY FEDERAL TAX ADVANTAGES TO THE DISTRIBUTIONS MADE BY THE FUND IN 2005?

Yes. In 2005, the Fund passed on a portion of its income to individuals in the form of qualified dividend income or QDI. QDI is taxed at a 15% or 5% rate (depending on an individual's income) instead of the individual's ordinary income tax rate. In calendar year 2005, 29.25% of the distributions made by the Fund were eligible for QDI treatment. For an individual in the 28% tax bracket, this means that the Fund's total distributions will only be taxed at a blended

24.2% rate versus the 28% rate which would apply to distributions by a fund investing in traditional corporate bonds. This tax advantage means that, for an individual in the 28% tax bracket, in calendar year 2005, the before-tax 6.6% yield on net asset value of the Fund was approximately equivalent to a 6.9% yield on net asset value of a traditional corporate bond fund.

Corporate shareholders also receive a federal tax benefit from the 19.89% of the distributions which were eligible for the inter-corporate dividends received deduction or DRD.

Under normal conditions, the Fund will generally own fully taxable preferred securities and corporate bonds. As you can see, however, from time to time we have found opportunities to purchase traditional preferred stocks eligible for QDI or DRD treatment at prices that make sense for the Fund. Of course, it is important to remember the composition of the portfolio and the income distributions can change from one year to the next, and the QDI or DRD portions of next year's distributions may not be the same (or even similar) to this year's.

WHAT WERE THE COMPONENTS OF THE FUND'S TOTAL RETURN ON NET ASSET VALUE OVER THE PAST YEAR?

One technique to better understand the Fund's net asset value (NAV) performance is to begin with the Fund's total return on its investment portfolio, and progressively adjust for the impact of hedging, expenses

and leverage to arrive at total return based on NAV (which factors in all of these items). During fiscal 2005, the Fund's unhedged portfolio returned 5.7%. Although the hedge made money during the 4th fiscal quarter, it was a drag on performance over the full year as the hedged portfolio's return before the impact of expenses and leverage declined to 3.6%. However, the favorable impact of leverage served to offset a portion of the expenses during the year as the Fund's total return on NAV equaled 2.6%, below the return on the Fund's hedged investment portfolio, but not by the full magnitude of the expenses.

HOW DID THE INTEREST RATE HEDGE PERFORM OVER THE PAST YEAR?

As discussed above, with the exception of the 4th fiscal quarter, the Fund's interest rate hedge was a drag on performance over the full fiscal year. From November 30, 2004 through August 31, 2005, long-term US Treasury yields declined by approximately 0.75%. As a result, on a monthly basis the hedge rarely broke even over this period. While these results are not favorable when reviewed in hindsight, hedging the portfolio against significant increases in long-term interest rates has been, and will continue to be, a fundamental part of the Fund's investment strategy. The hedging strategy is designed so that the Fund's shareholders effectively pay an "insurance premium" to help protect the Fund's NAV against a significant increase in long-term interest rates. Moreover, if interest rates rise significantly over a short period of time, the Fund's hedging strategy may result in realized gains, the reinvestment of which might also permit the Fund to increase its dividend rate.

Beginning in early September, long-term interest rates finally started to track the increases in the short end of the yield curve, and the hedge results for the 4th fiscal quarter were accordingly positive. Even in this environment of increasing interest rates, the hedge wasn't perfect. It has always been designed as a "safety net" (to help control the cost of hedging), which means that the Fund must absorb some loss before the hedge protection fully engages. However, from that point forward, the hedge is designed to provide significant protection if interest rates continue to rise.

HOW HAS THE CURRENT INTEREST RATE ENVIRONMENT AFFECTED THE FUND?

The recent interest rate environment has been unusual and challenging for managing a hedged, leveraged preferred fund. Its most unusual feature is that long-term Treasury yields have actually fallen slightly since the Federal Reserve began raising the short-term federal funds rate (by a cumulative 3.25%) in June 2004. This "bull flattening" of the yield curve has simultaneously reduced the incremental return that the Fund earns on its leverage and generated losses on its hedges. Historically when the Fed has tightened monetary policy, long-term interest rates have risen along with short-term rates, producing gains on the hedge which could be used - at least in part - to purchase securities and thereby increase income on the portfolio. At the same time, corporate issuers generally have reduced debt and preferreds relative to equity over the past several years, causing the incremental yield on those securities to decline relative to Treasuries. This put additional pressure on the Fund's ability to generate income.

Looking ahead, we see the environment improving. Corporate demand for debt and preferred financing is picking up, new security structures are broadening the appeal of preferred financing, and the incremental yields offered by these securities have increased as a result. Recently, long-term interest rates have increased along with short-term rates, and the Fund's hedges have generated gains. Finally, although a flatter yield curve has reduced the incremental income generated by the Fund's leverage, it also has reduced the cost of hedging.

HOW WOULD AN "INVERTED YIELD CURVE" IMPACT THE FUND?

An inverted yield curve, where short-term rates are above long-term rates, would affect the Fund in three ways. First, an inverted yield curve would increase the cost of the Fund's leverage relative to the return the Fund earns on long-maturity assets. In fact, if the yield curve were to invert by a large amount, it's possible that the leverage costs could exceed the current return on the debt and preferred securities in the Fund's portfolio. (Although the yield curve may invert, we don't think that a large inversion is likely.) These higher leverage costs would reduce the incremental return earned on the roughly one-third of the portfolio that is financed by the Fund's leverage.

Second, an inverted yield curve would reduce the cost of hedging on 100% of the portfolio. That is because the long-term cost of hedging is directly affected by the slope of the yield curve. When the yield curve is steep - as it has been for most of the past four years - hedging tends to be expensive, because the market charges hedgers the difference between long- and short-term yields. If the yield curve inverts, however, hedgers earn the difference between short- and long-term yields.

Third, how the yield curve inverts is also important to the Fund. On one hand, if the yield curve inverts with short rates rising and long rates falling, leverage costs rise while the hedge loses money (although less than it would have if the curve were steep, because the initial hedge cost is lower when the curve is inverted). This is essentially a continuation of the scenario that played out from June 2004 through August 2005, and it's a scenario that we believe has run its course. On the other hand, if the yield curve inverts with both short- and long-term rates rising, the hedge gains can be used to offset some portion of the higher leverage costs; how much depends upon how far and how quickly long-term rates increase.

As we have explained in the past, the first two effects tend to generally offset each other over time in total return, with the higher cost of leverage reducing income and the lower cost of hedging improving NAV. But how those effects play out in any given quarter or year depends upon the third factor: How rates actually move.

WHAT ARE ECAPS (SM)?

Enhanced Capital Advantage Preferred Securities, or ECAPS (SM), represent the latest evolution of hybrid preferred securities. Like other hybrid preferred securities, ECAPS (SM) pay interest (as opposed to the dividends paid on perpetual preferred stock) which is taxed as ordinary income for most investors. By combining certain elements of debt and equity financing, issuers of ECAPS are able to capture some key advantages of each in a single security. The result has been a dream of Wall Street for years - a true "hybrid" security.

Of course, this is not the first time Wall Street engineers thought they discovered the magic combination. In the latter part of 1993, Monthly Income Preferred Securities, or "MIPS (SM)", were created with similar promise and fanfare. As the MIPS (SM) structure grew in popularity (not to mention acronyms), the credit rating agencies increasingly began to treat such issues as debt when assessing an issuer's credit strength. ECAPS (SM) are designed to specifically address the concerns of the rating agencies. Time will tell if the structure can deliver on all its promises; for now, however, we expect to see substantial new issuance of this type of security. As of this writing, there have been ten such issues totaling $4.7 billion from seven different issuers.

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HOW MIGHT ECAPS (SM) IMPACT THE FUND?

In the future, ECAPS (SM) could affect the Fund in several ways. This segment appears poised to grow quickly, and could potentially surpass other preferred structures in size.

Companies that have preferred securities currently outstanding (either traditional preferred stock or older types of hybrid preferred) will certainly CONSIDER redeeming and replacing them with ECAPS (SM), since the new structure may provide issuers some important advantages. If this trend does develop, some of the positions in the Fund may have to be replaced.

We also anticipate issuance from companies that haven't issued preferred securities in the past. A larger universe of issuers is good for the Fund. Not only would it allow greater diversification, but the likelihood of us finding price anomalies or misunderstood credit risks should increase.

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Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
PORTFOLIO OVERVIEW
NOVEMBER 30, 2005 (UNAUDITED)

FUND STATISTICS ON 11/30/05		
Net Asset Value	$	22.64
Market Price	$	20.03

Discount	11.53%
Yield on Market Price	9.29%
Common Shares Outstanding	42,601,719

MOODY'S RATINGS	% OF PORTFOLIO
AAA	0.3%
AA	4.3%
A	34.4%
BBB	45.6%
BB	9.6%
Not Rated	3.6%
Below Investment Grade*	8.9%

* BELOW INVESTMENT GRADE BY BOTH MOODY'S AND S&P.

INDUSTRY CATEGORIES	% OF PORTFOLIO
Banks	35%
Utilities	26%
Insurance	16%
Financial Services	13%
REITs	5%
Oil and Gas	3%
Other	2%

TOP 10 HOLDINGS BY ISSUER	% OF PORTFOLIO
Lehman Brothers	4.2%
Wachovia Corp	4.1%
J.P. Morgan Chase	3.4%
Bank of America	3.1%
Ace Ltd.	3.0%
North Fork Bancorporation	2.9%
HSBC	2.8%
Countrywide Financial	2.6%
Morgan Stanley	2.3%
St. Paul Travelers	2.3%

Holdings Generating Qualified Dividend Income (QDI) for Individuals
Holdings Generating Income Eligible for the Corporate Dividend Received Deduction (DRD)

** THIS DOES NOT REFLECT YEAR-END RESULTS OR ACTUAL TAX CATEGORIZATION OF FUND DISTRIBUTIONS. THESE PERCENTAGES CAN, AND DO, CHANGE, PERHAPS SIGNIFICANTLY, DEPENDING ON MARKET CONDITIONS. INVESTORS SHOULD CONSULT THEIR TAX ADVISOR REGARDING THEIR PERSONAL SITUATION. SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE TAX CHARACTERIZATION OF 2005 DISTRIBUTIONS.

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
PORTFOLIO OF INVESTMENTS
NOVEMBER 30, 2005

SHARES/$ PAR	
PREFERRED SECURITIES -- 80.8%	
	BANKING -- 34.7%
108,197	Abbey National Group, 7.375% Pfd., Series C....................................
15,000	ABN AMRO Capital Fund Trust VII, 6.08% Pfd......................................
	ABN AMRO North America, Inc.:
2,015	6.46% Pfd., 144A****...
9,301	6.59% Pfd., 144A****...
$ 18,000,000	Astoria Capital Trust I, 9.75% 11/01/29 Capital Security, Series B............
40,000	BAC Capital Trust I, 7.00% Pfd. 12/15/31.......................................
6,750	BAC Capital Trust III, 7.00% Pfd...
738,400	BAC Capital Trust IV, 5.875% Pfd...
600	BAC Capital Trust V, 7.00% Pfd...
$ 1,240,000	BankBoston Capital Trust I, 8.25% 12/15/26 Capital Security..................
$ 16,155,000	BankBoston Capital Trust II, 7.75% 12/15/26 Capital Security, Series B.........
1,800	Bank of New York Capital IV, 6.875% Pfd., Series E............................
51,000	Bank One Capital Trust VI, 7.20% Pfd...
$ 6,500,000	Barclays Bank PLC, Adj. Rate Pfd...
$ 500,000	BT Capital Trust B, 7.90% 01/15/27 Capital Security...........................
$ 1,000,000	BT Preferred Capital Trust II, 7.875% 02/25/27 Capital Security...............
18,800	Citigroup, Inc., 6.231% Pfd., Series H...
105,000	Cobank, ACB, 7.00% Pfd., 144A****..
27,900	Comerica (Imperial) Capital Trust I, 7.60% Pfd................................
$ 800,000	CoreStates Capital Trust I, 8.00% 12/15/26 Capital Security, 144A****..........
$ 11,000,000	Cullen/Frost Capital Trust I, 8.42% 02/01/27 Capital Security, Series A........
$ 2,500,000	Dime Capital Trust I, 9.33% 05/06/27 Capital Security, Series A...............
9,300	FBOP Corporation, Adj. Rate Pfd., 144A****.....................................
$ 5,600,000	First Chicago NBD Capital A, 7.95% 12/01/26 Capital Security, 144A****.........
$ 875,000	First Chicago NBD Capital B, 7.75% 12/01/26 Capital Security, 144A****.........

$	3,000,000	First Midwest Capital Trust I, 6.95% 12/01/33 Capital Security................
	400,000	First Republic Bank, 6.25% Pfd..
$	3,000,000	Fleet Capital Trust II, 7.92% 12/11/26 Capital Security.......................
	62,600	Fleet Capital Trust VII, 7.20% Pfd..
	86,500	Fleet Capital Trust VIII, 7.20% Pfd...
	3	FT Real Estate Securities Company, 9.50% Pfd., 144A****.......................
$	37,550,000	GreenPoint Capital Trust I, 9.10% 06/01/27 Capital Security...................
$	23,725,000	HBOS Capital Funding LP, 6.85% Pfd..
	6,300	Household Capital Trust VI, 8.25% Pfd...
	7,500	HSBC II, Variable Inverse Pfd., Pvt...
$	14,357,000	J.P. Morgan Capital Trust I, 7.54% 01/15/27 Capital Security..................

The accompanying notes are an integral part of the financial statements.

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Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
PORTFOLIO OF INVESTMENTS (CONTINUED)
NOVEMBER 30, 2005

SHARES/$ PAR

PREFERRED SECURITIES -- (CONTINUED)
BANKING -- (CONTINUED)

$	11,271,000	J.P. Morgan Capital Trust II, 7.95% 02/01/27 Capital Security.................
	175,450	J.P. Morgan Chase Capital XI, 5.875% Pfd., 06/15/33...........................
	282,800	J.P. Morgan Chase Capital XIV, 6.20% Pfd., 10/15/34...........................
	165,000	J.P. Morgan Chase Capital XVI, 6.35% Pfd., 06/01/35...........................
	23,800	Keycorp Capital V, 5.875% Pfd., Series A......................................
$	14,295,000	Keycorp Institutional Capital A, 7.826% 12/01/26 Capital Security, Series A....
$	4,000,000	Lloyds TSB Bank PLC, 6.90% Pfd..
$	25,280,000	Marshall & Ilsley Capital Trust A, 7.65% 12/01/26 Capital Security...........
	20	Marshall & Ilsley Investment II, 8.875% Pfd., 144A****........................
$	2,000,000	NB Capital Trust IV, 8.25% Capital Security...................................
$	3,000,000	North Fork Capital Trust I, 8.70% 12/15/26 Capital Security...................
	265,000	PFGI Capital Corporation, 7.75% Pfd...
$	13,750,000	RBS Capital Trust B, 6.80% Pfd..
$	15,600,000	Republic New York Capital I, 7.75% 11/15/26 Capital Security..................
$	17,127,000	Republic New York Capital II, 7.53% 12/04/26 Capital Security.................
		Roslyn Real Estate:
	40	8.95% Pfd., Pvt., Series C, 144A****..
	135	Adj. Rate Pfd., Series D, 144A****..
		Royal Bank of Scotland Group PLC:
	558,000	5.75% Pfd., Series L..
	129,500	6.35% Pfd., Series N..
	110,000	6.40% Pfd., Series M..
$	14,167,000	Union Planters Capital Trust, 8.20% 12/15/26 Capital Security.................
	60	Union Planters Preferred Funding, 7.75% Pfd., Series 144A****.................
	23,500	VNB Capital Trust I, 7.75% Pfd..
	2,217,200	Wachovia Preferred Funding, 7.25% Pfd., Series A..............................
$	20,750,000	Washington Mutual, Inc., 8.36% 12/01/26 Capital Security, 144A****............
$	8,000,000	Webster Capital Trust II, 10.00% 04/01/27 Capital Security....................
	47,550	Wells Fargo Capital Trust VII, 5.85% Pfd......................................

FINANCIAL SERVICES -- 10.3%

525,000	CIT Group, Inc., 6.35% Pfd., Series A..
30,000	Corporate-Backed Trust Certificates, 7.75% Pfd., Series CIT...................
$ 15,459,000	Countrywide Capital I, 8.00% 12/15/26 Capital Security........................
960,100	Countrywide Capital IV, 6.75% Pfd...
84,300	Fannie Mae, 5.125% Pfd..

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
PORTFOLIO OF INVESTMENTS (CONTINUED)
NOVEMBER 30, 2005

SHARES/$ PAR

PREFERRED SECURITIES -- (CONTINUED)
FINANCIAL SERVICES -- (CONTINUED)

SHARES/$ PAR	
	Freddie Mac:
32,000	5.00% Pfd., Series F..
19,900	5.30% Pfd...
40,000	Goldman Sachs Group, Inc., 6.20% Pfd., Series B...............................
	Lehman Brothers Holdings, Inc.:
181,400	5.67% Pfd., Series D..
85,000	5.94% Pfd., Series C..
1,374,750	6.50% Pfd., Series F..
35,000	Lehman Capital Trust III, 6.375% Pfd., Series K...............................
5,000	Lehman Capital Trust V, 6.00% Pfd., Series M..................................
31,400	Lehman Capital Trust VI, 6.24% Pfd., Series N.................................
138,975	Merrill Lynch Capital Trust V, 7.28% Pfd......................................
10,000	Merrill Lynch Preferred Capital Trust IV, 7.12% Pfd...........................
64,300	Morgan Stanley Capital Trust II, 7.25% Pfd....................................
1,076,398	Morgan Stanley Capital Trust III, 6.25% Pfd...................................
202,000	Morgan Stanley Capital Trust IV, 6.25% Pfd....................................
9,000	Morgan Stanley Capital Trust V, 5.75% Pfd.....................................
160,000	SLM Corporation, 6.97% Pfd., Series A...

INSURANCE -- 14.7%

1,719,980	ACE Ltd., 7.80% Pfd., Series C..
420,900	Aegon NV, 6.375% Pfd..
$ 16,051,000	AON Capital Trust A, 8.205% 01/01/27 Capital Security.........................
65,000	Axis Capital Holdings, Variable Rate Pfd., Series B...........................
125,000	Berkley W.R. Capital Trust II, 6.75% 07/26/45.................................
48,100	Corporate-Backed Trust Certificates, 8.00% Pfd., Series AON...................
106,000	Corts-AON Capital, 8.205% Pfd...
37,000	Corts-UnumProvident Corporation, 8.50% Pfd....................................

154,300	Everest Re Capital Trust II, 6.20% Pfd., Series B..............................
	ING Groep NV:
36,000	7.05% Pfd..
394,600	7.20% Pfd..
$ 10,000,000	Mangrove Bay Passthru Trust, 6.102% 07/15/33 Capital Security, 144A****........
$ 2,200,000	MMI Capital Trust I, 7.625% 12/15/27 Capital Security, Series B................
50,000	PartnerRe Capital Trust I, 7.90% 12/31/31 Pfd..................................
220,989	PartnerRe Ltd., 6.75% Pfd., Series C...

The accompanying notes are an integral part of the financial statements.

SHARES/$ PAR

PREFERRED SECURITIES -- (CONTINUED)

INSURANCE -- (CONTINUED)

SHARES/$ PAR	
849,000	Principal Financial Group, 6.518% Pfd..
$ 8,000,000	Provident Financing Trust I, 7.405% 03/15/38 Capital Security..................
110,000	Prudential PLC, 6.50% Pfd..
	Renaissancere Holding:
45,000	6.08% Pfd., Series C...
329,135	7.30% Pfd., Series B...
94,900	Saturns-AON 2003-3, 8.00% Pfd., Series AON.....................................
56,000	Saturns-SAFC 2001-7, 8.25% Pfd., Series SAFC...................................
432,200	Scottish Re Group Ltd., 7.25% Pfd..
22,390	St. Paul Capital Trust I, 7.60% Pfd..
$ 8,075,000	USF&G Capital, 8.312% 07/01/46 Capital Security, 144A****......................
$ 17,000,000	USF&G Capital I, 8.50% 12/15/45 Capital Security, 144A****.....................
15,000	XL Capital Ltd., 7.625% Pfd., Series B...
10,565	Zurich RegCaPS Funding Trust, 6.58% Pfd., 144A****.............................

UTILITIES -- 13.9%

SHARES/$ PAR	
$ 3,750,000	AGL Capital Trust, 8.17% 06/01/37 Capital Security.............................
175,000	Alabama Power Company, 5.30% Pfd...
10,000	Baltimore Gas & Electric Company, 6.70% Pfd., Series 1993......................
50,000	Baltimore Gas & Electricity, 7.125% Pfd., Series 1993..........................
35,000	Central Maine Power, 5.25% Pfd., Pvt...
$ 8,700,000	COMED Financing II, 8.50% 01/15/27 Capital Security, Series B..................
$ 10,395,000	COMED Financing III, 6.35% 03/15/33 Capital Security...........................
23,883	Delmarva Power & Light, 5.00% Pfd..
50,000	Dominion CNG Cap Trust I, 7.80% Pfd..
$ 10,175,000	Dominion Resources Capital Trust I, 7.83% 12/01/27 Capital Security...........
$ 10,000,000	Dominion Resources Capital Trust III, 8.40% 01/15/31...........................
49,343	Duke Energy Corporation, 4.50% Pfd., Series C, Pvt.............................
96,450	Duquesne Light Company, 6.50% Pfd..
135,400	Energy East Capital Trust I, 8.25% Pfd...

	Entergy Arkansas, Inc.:
10,240	4.56% Pfd., Series 1965...
5,692	7.40% Pfd..
60,792	Entergy Louisiana, Inc., 8.00% Pfd., Series 92....................................

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
PORTFOLIO OF INVESTMENTS (CONTINUED)
NOVEMBER 30, 2005

SHARES/$ PAR	
PREFERRED SECURITIES -- (CONTINUED)	UTILITIES -- (CONTINUED)
	Florida Power Company:
49,750	4.40% Pfd..
37,088	4.58% Pfd..
21,585	4.60% Pfd..
84,400	FPC Capital I, 7.10% Pfd., Series A...
12,442	Great Plains Energy, Inc., 4.20% Pfd..
37,800	Gulf Power Capital Trust III, 7.375% Pfd.......................................
20,000	Gulf Power Company, 6.00% Pfd., Series 1......................................
$ 17,262,000	Houston Light & Power Capital Trust II, 8.257% 02/01/37 Capital Security.......
119,805	Indianapolis Power & Light Company, 5.65% Pfd..................................
	Interstate Power & Light Company:
110,000	7.10% Pfd., Series C..
11,000	8.375% Pfd., Series B...
32,300	Laclede Capital Trust I, 7.70% Pfd...
5,000	Northern Indiana Public Service Company, Adj. Rate Pfd., Series A.............
	Pacific Enterprises:
4,550	$4.40 Pfd..
4,510	$4.50 Pfd..
23,085	$4.75 Pfd., Series 53..
3,000	PacifiCorp, $7.48 Sinking Fund Pfd...
$ 2,337,000	PECO Energy Capital Trust III, 7.38% 04/06/28 Capital Security, Series D.......
$ 27,000,000	PECO Energy Capital Trust IV, 5.75% 06/15/33 Capital Security..................
11,278	Portland General Electric, 7.75% Sinking Fund Pfd..............................
215,750	PSEG Funding Trust II, 8.75% Pfd...
	Puget Sound Energy Capital Trust:
$ 8,200,000	8.231% 06/01/27 Capital Security, Series B....................................
50,000	8.40% Pfd. 06/30/41...
200,000	San Diego Gas & Electric Company, $1.70 Pfd....................................
83,000	Southern California Edison, 6.125% Pfd...
264,700	Southern Union Company, 7.55% Pfd..
$ 3,500,000	Union Electric Company, 7.69% 12/15/36 Capital Security, Series A.............
	Virginia Electric & Power Company:
14,985	$4.12 Pfd..
21,684	$4.80 Pfd..
78,700	Virginia Power Capital Trust, 7.375% Pfd. 07/30/42............................
15,000	Wisconsin Power & Light Company, 6.20% Pfd.....................................

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
PORTFOLIO OF INVESTMENTS (CONTINUED)
NOVEMBER 30, 2005

SHARES/$ PAR	
PREFERRED SECURITIES -- (CONTINUED)	
	UTILITIES -- (CONTINUED)
	Xcel Energy, Inc.:
7,110	$4.10 Pfd., Series C..
10,210	$4.11 Pfd., Series D..
	OIL AND GAS -- 2.2%
13,200	EOG Resources, Inc., 7.195% Pfd., Series B....................................
$ 5,000,000	KN Capital Trust III, 7.63% 04/15/28 Capital Security.........................
$ 13,315,000	Phillips 66 Capital Trust II, 8.00% 01/15/37 Capital Security..................
	REAL ESTATE INVESTMENT TRUST (REIT) -- 4.4%
	BRE Properties, Inc.:
80,000	6.75% Pfd., REIT, Series C..
70,000	6.75% Pfd., REIT, Series D..
228,250	Duke Realty Corporation, 6.60% Pfd., REIT, Series L...........................
51,000	Equity Residential Properties, 8.29% Pfd., REIT, Series K.....................
4,000	Prologis Trust, 8.54% Pfd., REIT, Series C....................................
	PS Business Parks, Inc.:
167,640	6.875% Pfd., REIT, Series I...
192,464	7.00% Pfd., REIT, Series H..
502,000	7.20% Pfd., REIT, Series M..
203,400	7.60% Pfd., REIT, Series L..
60,000	7.95% Pfd., REIT, Series K..
	Public Storage, Inc.:
19,900	6.18% Pfd., REIT, Series D..
62,700	6.75% Pfd., REIT, Series E..
14,700	7.625% Pfd., REIT, Series U...
18,000	8.00% Pfd., REIT, Series R..
440,000	Realty Income Corporation, 7.375% Pfd., REIT, Series D........................
263,000	Regency Centers Corporation, 7.25% Pfd., REIT.................................
61,000	Vornado Realty Trust, 6.625% Pfd., REIT, Series I.............................
162,000	Weingarten Realty Investment, 6.95% Pfd., REIT................................

The accompanying notes are an integral part of the financial statements.

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Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
PORTFOLIO OF INVESTMENTS (CONTINUED)
NOVEMBER 30, 2005

SHARES/$ PAR	
PREFERRED SECURITIES -- (CONTINUED)	
	MISCELLANEOUS INDUSTRIES -- 0.6%
100,000	Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A****............................
	TOTAL PREFERRED SECURITIES(Cost $1,197,644,574)..............................
CORPORATE DEBT SECURITIES -- 16.7%	
	FINANCIAL SERVICES -- 3.0%
7,000	Corporate-Backed Trust Certificates, 5.80% Series Goldman Sachs................
200,000	Ford Motor Credit Company, 7.375% 10/15/31....................................
$ 25,000,000	General Motors Acceptance Corporation, 8.00% 11/01/31, Senior Bonds...........
	Lehman Brothers:
$ 4,935,000	Guaranteed Note, Variable Rate, 12/16/16, 144A****...........................
$ 8,803,000	Guaranteed Note, Variable Rate, 10/15/15, 144A****...........................
$ 2,200,000	Morgan Stanley Finance, 8.03% 02/28/17, Capital Units.........................
	INSURANCE -- 1.1%
239,000	Delphi Financial, 8.00% 05/15/33, Senior Notes................................
$ 214,000	Liberty Mutual Group, 6.50% 03/15/35, 144A****................................
$ 2,667,000	Liberty Mutual Insurance, 7.697% 10/15/97 144A****............................
$ 6,400,000	OneAmerica Financial Partners, 7.00% 10/15/33 144A****........................
$ 1,000,000	UnumProvident Corporation, 7.25% 03/15/28, Senior Notes.......................
	OIL AND GAS -- 0.4%
238,261	Nexen, Inc., 7.35% Subordinated Notes...
	UTILITIES -- 11.1%
$ 31,000,000	AEP Texas Central Company, 6.65% 02/15/33, Senior Notes, Series E.............
$ 19,000,000	Constellation Energy Group, 7.60% 04/01/32, Senior Notes......................

$	1,000,000	DTE Energy Company, 6.375% 04/15/33, Senior Notes..............................
		Duke Capital Corporation:
$	11,179,000	6.75% 02/15/32, Senior Notes..
$	10,000,000	8.00% 10/01/19, Senior Notes..

The accompanying notes are an integral part of the financial statements.

SHARES/$ PAR

CORPORATE DEBT SECURITIES -- (CONTINUED)

UTILITIES -- (CONTINUED)

$	8,000,000	Duquesne Light Holdings, 6.25% 08/15/35.......................................
$	5,000,000	Entergy Gulf States, Inc., 6.20% 07/01/33, 1st Mortgage.......................
	16,500	Entergy Mississippi, Inc., 7.25% 1st Mortgage.................................
	502,115	Georgia Power Company, 5.90% 04/15/33, Senior Notes...........................
$	3,000,000	Indianapolis Power & Light Company, 6.60% 01/01/34, 1st Mortgage, 144A****.....
	40,000	Northern States Power Company, 8.00%..
$	10,000,000	Oncor Electric Delivery Company, 7.25% 01/15/33...............................
$	18,768,000	PSEG Power LLC, 8.625% 04/15/31...
$	6,300,000	TXU Corporation, 6.50% 11/15/24...
$	7,250,000	TXU Energy Company, 7.00% 03/15/13..
$	2,000,000	Westar Energy, Inc., 5.875% 07/15/36..
$	6,000,000	Wisconsin Electric Power Company, 6.875% 12/01/95.............................

REAL ESTATE INVESTMENT TRUST (REIT) -- 0.2%

$	3,500,000	Realty Income Corporation, 5.875% 03/15/35....................................

MISCELLANEOUS -- 0.9%

$	390,000	BellSouth Telecommunication, 7.00% 12/01/95...................................
	47,000	Maytag Corporation, 7.875% 08/01/31...
		Pulte Homes, Inc.:
$	8,000,000	6.375% 05/15/33, Senior Notes...
$	1,950,000	7.875% 06/15/32, Senior Notes...
$	1,945,000	Verizon Maryland, 7.15% 05/01/23..

TOTAL CORPORATE DEBT SECURITIES(Cost $243,270,696)..........................

COMMON STOCKS -- 0.6%

UTILITIES -- 0.6%

180,000	Duke Energy Corporation..
131,809	KeySpan Corporation..

TOTAL COMMON STOCKS
(Cost $7,764,241)...

The accompanying notes are an integral part of the financial statements.

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Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
PORTFOLIO OF INVESTMENTS (CONTINUED)
NOVEMBER 30, 2005

SHARES/$ PAR

CORPORATE DEBT SECURITIES -- (CONTINUED)
OPTION CONTRACTS -- 0.8%

SHARES/$ PAR	
1,762	January Put Options on March U.S. Treasury Bond Futures, Expiring 12/22/05.....
1,500	March Call Options on March U.S. Treasury Bond Futures, Expiring 02/24/06......
8,138	March Put Options on March U.S. Treasury Bond Futures, Expiring 02/24/06.......
	TOTAL OPTION CONTRACTS(Cost $16,184,426)......................................

MONEY MARKET FUND -- 0.3%

4,410,110	BlackRock Provident Institutional, TempFund...................................
	TOTAL MONEY MARKET FUND(Cost $4,410,110)......................................

TOTAL INVESTMENTS (Cost $1,469,274,047***)..	99.2%
OTHER ASSETS AND LIABILITIES (Net)..	0.8%
TOTAL NET ASSETS AVAILABLE TO COMMON STOCK AND PREFERRED STOCK...................	100.0%++
AUCTION MARKET PREFERRED STOCK (AMPS) REDEMPTION VALUE...........................	
TOTAL NET ASSETS AVAILABLE TO COMMON STOCK..	

ABBREVIATIONS:

REIT -- Real Estate Investment Trust
PFD. -- Preferred Securities
PVT. -- Private Placement Securities

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
PORTFOLIO OF INVESTMENTS (CONTINUED)
NOVEMBER 30, 2005

OPEN OPTION CONTRACTS WRITTEN

CONTRACTS	CONTRACT DESCRIPTION
1,500	March Call Options on March U.S. Treasury Bond Futures, Expiring 02/24/06, Strike Price 112 ....
	TOTAL OPEN OPTION CONTRACTS WRITTEN (premiums received: $3,180,375)............

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
STATEMENT OF ASSETS AND LIABILITIES
NOVEMBER 30, 2005

ASSETS:	
Investments, at value (Cost $1,469,274,047)................................	
Receivable for Investments sold..	
Dividends and interest receivable..	
Prepaid expenses...	
Total Assets..	
LIABILITIES:	
Payable for securities purchased...	$ 7,461,680
Dividends payable to Common Stock Shareholders.............................	637,345
Investment advisory fee payable..	530,351
Administration, Transfer Agent and Custodian fees payable..................	99,253
Servicing agent fees payable...	153,676
Professional fees payable..	64,939
Directors' fees payable..	997
Accrued expenses and other payables..	57,086
Accumulated undeclared distributions to Auction Market Preferred Stock Shareholders	375,905
Outstanding options written, at value (premiums received $3,180,375).........	2,554,688
Total Liabilities...	
AUCTION MARKET PREFERRED STOCK (21,680 SHARES OUTSTANDING) REDEMPTION VALUE.....	
NET ASSETS AVAILABLE TO COMMON STOCK...	

NET ASSETS AVAILABLE TO COMMON STOCK consist of:	
Distributions in excess of net investment income..............................	
Accumulated net realized loss on investments sold.............................	
Unrealized appreciation of investments..	
Par value of Common Stock...	
Paid-in capital in excess of par value of Common Stock.......................	
Total Net Assets Available to Common Stock..........................	

NET ASSET VALUE PER SHARE OF COMMON STOCK:	
Common Stock (42,601,719 shares outstanding)..............................	

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED NOVEMBER 30, 2005

INVESTMENT INCOME:		
Dividends++		
Interest..		
Total Investment Income..		
EXPENSES:		
Investment advisory fee..	$	6,620,207
Servicing agent fee..		1,932,578
Administrator's fee..		586,822
Auction Market Preferred broker commissions and auction agent fees.................................		1,400,920
Professional fees..		129,900
Insurance expense..		167,856
Transfer agent fees..		286,193
Directors' fees..		67,975
Custodian fees...		116,603
Chief Compliance Officer fees....................................		38,115
Other		377,251
Total Expenses..		
NET INVESTMENT INCOME..		
REALIZED AND UNREALIZED LOSS ON INVESTMENTS		
Net realized loss on investments sold during the year....................		
Change in unrealized appreciation/depreciation of investments held during the year		

NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS................................

DISTRIBUTIONS TO AUCTION MARKET PREFERRED STOCK SHAREHOLDERS:

From net investment income (including changes in accumulated undeclared distributions) ....

NET INCREASE IN NET ASSETS TO COMMON STOCK RESULTING FROM OPERATIONS ....

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK(1)

	YEAR ENDED NOVEMBER 30, 200
OPERATIONS:	
Net investment income..	$ 83,470,191
Net realized loss on investments sold during the year....................	(9,049,687
Change in net unrealized appreciation/depreciation of investments held during the year	(31,084,755
Distributions to AMPS* Shareholders from net investment income, including changes in accumulated undeclared distributions	(16,717,280
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS.....................	26,618,469
DISTRIBUTIONS:	
Dividends paid from net investment income to Common Stock Shareholders(1).	(88,908,186
Tax return of capital to Common Stock Shareholders.......................	(133,996
Distributions paid from net realized capital gains to Common Stock Shareholders	--
TOTAL DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS.........................	(89,042,182
FUND SHARE TRANSACTIONS:	
Increase from shares issued under the Dividend Reinvestment and Cash Purchase Plan	4,758,909
Increase due to Cost of AMPS* Issuance(2)...............................	--
NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK RESULTING FROM FUND SHARE TRANSACTIONS	4,758,909
NET DECREASE IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE YEAR	$ (57,664,804

NET ASSETS AVAILABLE TO COMMON STOCK:		
Beginning of year	$	1,022,084,104
Net decrease in net assets during the year		(57,664,804
End of year (including distributions in excess of net investment income of ($4,758,179) and undistributed net investment income of $10,319,792, respectively)	$	964,419,300

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated

FINANCIAL HIGHLIGHTS

FOR A COMMON SHARE OUTSTANDING THROUGHOUT EACH PERIOD.

Contained below is per share operating performance data, total investment returns, ratios to average net assets and other supplemental data. This information has been derived from information provided in the financial statements and market price data for the Fund's shares.

	YEAR ENDED NOVEMBER 30, 2005	YEAR ENDED NOVEMBER 30, 2004
PER SHARE OPERATING PERFORMANCE:		
Net asset value, beginning of period	$ 24.10	$ 25.74
INVESTMENT OPERATIONS:		
Net investment income	1.96	2.05
Net realized and unrealized gain/(loss) on investments	(0.94)	(0.53)
DISTRIBUTIONS TO AMPS* SHAREHOLDERS:		
From net investment income	(0.39)	(0.19)
From net realized capital gains	--	--
Total from investment operations	0.63	1.33
COST OF ISSUANCE OF AMPS*	--	--
DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:		
From net investment income	(2.09)	(2.10)
From return of capital	0.00(3)	--
From net realized capital gains	--	(0.87)
Total distributions to Common Stock Shareholders	(2.09)	(2.97)
Net asset value, end of period	$ 22.64	$ 24.10
Market value, end of period	$ 20.03	$ 25.30
Total investment return based on net asset value****	2.81%	5.41%

Total investment return based on market value****.............	(13.36%)	6.84%
RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:		
Total net assets, end of period (in 000's)...............	$ 964,419	$ 1,022,084
Operating expenses......................................	1.16%	1.15%
Net investment income + ...	6.59%	7.57%
SUPPLEMENTAL DATA:++		
Portfolio turnover rate	25%	23%
Total net assets available to Common and Preferred Stock, end of period (in 000's)	$ 1,506,419	$ 1,564,084
Ratio of operating expenses to total average net assets available to Common and Preferred Stock	0.75%	0.75%

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
FINANCIAL HIGHLIGHTS (CONTINUED)
PER SHARE OF COMMON STOCK

	TOTAL DIVIDENDS PAID	NET ASSET VALUE	NYS CLOSING
December 31, 2004 - EXTRA	$0.1625	$24.32	$26.
Decmber 31, 2004...	0.1725	24.32	26.
January 31, 2005...	0.1725	24.56	25.
February 28, 2005..	0.1725	24.46	25.
March 31, 2005...	0.1725	23.81	22.
April 30, 2005...	0.1550	23.81	22.
May 31, 2005...	0.1550	23.88	22.
June 30, 2005..	0.1550	23.97	23.
July 31, 2005..	0.1550	23.78	23.
August 31, 2005..	0.1550	23.74	23.
September 30, 2005...	0.1550	23.06	21.
October 31, 2005...	0.1550	22.73	20.
November 30, 2005..	0.1550	22.64	20.

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
FINANCIAL HIGHLIGHTS (CONTINUED)

The table below sets out information with respect to Auction Market Preferred Stock (AMPS) currently outstanding.

DATE	TOTAL SHARES OUTSTANDING (1)	ASSET COVERAGE PER SHARE (2)	INVOLUNTARY LIQUIDATING PREFERENCE PER SHARE	AVERAGE MARKET VALUE PER SHARE(1)(3)
11/30/05	21,680	$69,502	$25,000	$25,000
11/30/04	21,680	72,153	25,000	25,000
11/30/03	21,680	73,827	25,000	25,000

The accompanying notes are an integral part of the financial statements.

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Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
NOTES TO FINANCIAL STATEMENTS

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1. ORGANIZATION

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated (the "Fund") was incorporated as a Maryland corporation on May 23, 2002, and commenced operations on January 31, 2003 as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund's investment objective is to provide its common shareholders with high current income consistent with the preservation of capital.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements is in conformity with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

PORTFOLIO VALUATION: The net asset value of the Fund's Common Stock is determined by the Fund's Administrator no less frequently than on the last business day of each week and month. It is determined by dividing the value of the Fund's net assets attributable to Common Stock by the number of shares of Common Stock outstanding. The value of the Fund's net assets available to Common Stock is deemed to equal the value of the Fund's total assets less (i) the Fund's liabilities and (ii) the aggregate liquidation value of its Auction Market Preferred Stock ("AMPS").

Securities listed on a national securities exchange are valued on the basis of the last sale on such exchange on the day of valuation, except as described hereafter. In the absence of sales of listed securities and with respect to (a) securities for which the most recent sale prices are not deemed to represent fair market value and (b) unlisted securities (other than money market instruments), securities are valued at the mean between the closing bid and asked prices when quoted prices for investments are readily available. Investments in over-the-counter derivative instruments, such as interest rate swaps and options thereon ("swaptions"), are valued at the prices obtained from the broker/dealer or bank that is the counterparty to such instrument, subject to comparison of such valuation with a valuation obtained from a broker/dealer or bank that is not a counterparty to the particular derivative instrument. Investments for which market quotations are not readily available or for which management determines that the prices are not reflective of current market conditions are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund, including reference to valuations of other securities which are comparable in quality, maturity and type. Investments in money market instruments, which mature in 60 days or less, are valued at amortized cost. Investments in money market funds are valued at the net asset value of such funds.

SECURITIES TRANSACTIONS AND INVESTMENT INCOME: Securities transactions are recorded as of the trade date. Realized gains and losses from securities sold are recorded on the identified cost basis. Dividend income is recorded on ex-dividend dates. Interest income is recorded on the accrual basis. The Fund also amortizes premiums and accretes discounts on certain fixed income securities.

OPTIONS: Purchases of options are recorded as an investment, the value of which is marked-to-market at each valuation date. When the Fund enters into a closing sale transaction, the Fund will record a gain or loss depending on the difference between the purchase and sale price. The risks associated with purchasing options and the maximum loss the Fund would incur are limited to the purchase price originally paid.

When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market at each valuation date. When a written option expires, the Fund realizes a gain equal to the amount of the premium originally received. When the Fund enters into a closing purchase transaction, the Fund realizes a gain (or loss if the cost of the closing purchase transaction exceeds the premium received when the option was written) without regard to any unrealized gain or loss on the underlying security, and the liability related to such option is eliminated. When a call option is exercised, the Fund realizes a gain or loss from the sale of the underlying security and the proceeds from such sale are increased by the amount of the premium originally received. When a put option is exercised, the amount of the premium originally received will reduce the cost of the security which the Fund purchased upon exercise.

The risk in writing a call option is that the Fund may forego the opportunity for profit if the market price of the underlying security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market price of the underlying security decreases and the option is exercised.

REPURCHASE AGREEMENTS: The Fund may engage in repurchase agreement transactions. The Fund's investment adviser reviews and approves the eligibility of the banks and dealers with which the Fund may enter into repurchase agreement transactions. The value of the collateral underlying such transactions is at least equal at all times to the total amount of the repurchase obligations, including interest. The Fund maintains possession of the collateral through its custodian and, in the event of counterparty default, the Fund has the right to use the collateral to offset losses incurred. There is the possibility of loss to the Fund in the event the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities.

FEDERAL INCOME TAXES: The Fund intends to continue to qualify as a regulated investment company by complying with the requirements under subchapter M of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and intends to distribute substantially all of its taxable net investment income to its shareholders. Therefore, no federal income tax provision will be required.

DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS: The Fund expects to declare dividends on a monthly basis to shareholders of Common Stock ("Shareholders"). Distributions to Shareholders are recorded on the ex-dividend date. Any net realized short-term capital gains will be distributed to Shareholders at least annually. Any net realized long-term capital gains may be distributed to Shareholders at least annually or may be retained by the Fund as determined by the Fund's Board of Directors. Capital gains retained by the Fund are subject to tax at the capital gains corporate tax rate. Subject to the Fund qualifying as a regulated investment company, any taxes paid by the Fund on such net realized long-term capital gains may be used by the Fund's Shareholders as a credit against their own tax liabilities.

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Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The Fund may pay distributions in excess of the Fund's net investment company taxable income and this excess would be a tax-free return of capital distributed from the Fund's assets. During the fiscal year which ended on November 30, 2005 the Fund made a return of capital distribution of $133,996.

Income and capital gain distributions are determined and characterized in accordance with income tax regulations which may differ from generally accepted accounting principles. These differences are primarily due to (1) differing treatments of income and gains on various investment securities held by the Fund, including timing differences, (2) the attribution of expenses against certain components of taxable investment income, and (3) federal regulations requiring proportionate allocation of income and gains to all classes of shareholders.

Distributions from net realized gains for book purposes may include short-term capital gains, which are included as ordinary income for tax purposes and may exclude amortization of premium on certain fixed income securities, which are not reflected in ordinary income for tax purposes. The tax character of distributions paid, including changes in accumulated undeclared distributions to AMPS Shareholders, during 2005 and 2004 was as follows:

	DISTRIBUTIONS PAID IN FISCAL YEAR 2005			DISTRIBUTIONS PAID IN FIS	
	ORDINARY INCOME	LONG-TERM CAPITAL GAINS	RETURN OF CAPITAL	ORDINARY INCOME	CA
Common	$88,908,186	$0	$133,996	$104,559,450	$
Preferred	$16,717,280	$0	$0	$ 7,744,632	

As of November 30, 2005, the components of distributable earnings (i.e., ordinary income and capital gain/loss) available to Common and Preferred Stock shareholders, on a tax basis, were as follows:

CAPITAL (LOSS) CARRYFORWARD	UNDISTRIBUTED ORDINARY INCOME	UNDISTRIBUTED LONG-TERM GAIN	NET UNREALIZED APPRECIATION/(DEPRECIATI
($57,179,204)	$0	$0	$14,979,271

At November 30, 2005, the composition of the Fund's $57,179,204 accumulated realized capital losses was $39,676,341, and $17,502,863 in 2004 and 2005, respectively. These losses may be carried forward and offset against any future capital gains through 2012 and 2013, respectively.

RECLASSIFICATION OF ACCOUNTS: During the year ended November 30, 2005, reclassifications were made in the Fund's capital accounts to report these balances on a tax basis, excluding temporary differences, as of November 30, 2005. Additional adjustments may be required in subsequent reporting periods. These reclassifications have no impact on the net asset value of the Fund. The calculation of net investment income per share in the financial highlights excludes these adjustments. Below are the reclassifications:

PAID-IN CAPITAL	UNDISTRIBUTED NET INVESTMENT INCOME	ACCUMULATED NET REALIZED GAIN ON INVESTMENTS
$208,929	$7,211,300	($7,420,229)

EXCISE TAX: The Internal Revenue Code of 1986, as amended, imposes a 4% nondeductible excise tax on the Fund to the extent the Fund does not distribute by the end of any calendar year at least (1)

98% of the sum of its net investment income for that year and its capital gains (both long-term and short-term) for its fiscal year and (2) certain undistributed amounts from previous years. During the fiscal year which ended on November 30, 2005, the Fund paid $196,222 of Federal excise taxes attributable to calendar year 2004.

3. INVESTMENT ADVISORY FEE, SERVICING AGENT FEE, ADMINISTRATION FEE, TRANSFER AGENT FEE, CUSTODIAN FEE, DIRECTORS' FEES AND CHIEF COMPLIANCE OFFICER FEE

Flaherty & Crumrine Incorporated (the "Adviser") serves as the Fund's investment adviser. The Fund pays the Adviser a monthly fee at an annual rate of 0.525% of the first $200 million of the Fund's average weekly total managed assets, 0.45% of the next $300 million of the Fund's average weekly total managed assets, and 0.40% of the Fund's average weekly total managed assets above $500 million.

For purposes of calculating the fees to the Adviser, Servicing Agent, Administrator and Custodian, the Fund's average weekly total managed assets means the total assets of the Fund (including assets attributable to any AMPS outstanding or otherwise attributable to the use of leverage) minus the sum of accrued liabilities (other than debt representing financial leverage). For purposes of determining total managed assets, the liquidation preference of any AMPS issued by the Fund is not treated as a liability.

Claymore Securities, Inc. (the "Servicing Agent") serves as the Fund's shareholder servicing agent. As compensation for its services, the Fund pays the Servicing Agent a fee computed and paid monthly at the annual rate of 0.025% of the first $200 million of the Fund's average weekly total managed assets, 0.10% of the next $300 million of the Fund's average weekly total managed assets and 0.15% of the Fund's average weekly total managed assets above $500 million.

PFPC Inc., a member of the PNC Financial Services Group, Inc. ("PNC Financial Services"), serves as the Fund's Administrator. As Administrator, PFPC Inc. calculates the net asset value of the Fund's shares attributable to Common Stock and generally assists in all aspects of the Fund's administration and operation. As compensation for PFPC Inc.'s services as Administrator, the Fund pays PFPC Inc. a monthly fee at an annual rate of 0.10% of the first $200 million of the Fund's average weekly total managed assets, 0.04% of the next $300 million of the Fund's average weekly total managed assets, 0.03% of the next $500 million of the Fund's average weekly total managed assets and 0.02% of the Fund's average weekly total managed assets above $1 billion.

PFPC Inc. also serves as the Fund's Common Stock dividend-paying agent and registrar (Transfer Agent). As compensation for PFPC Inc.'s services through November 30, 2005, the Fund paid PFPC Inc. a fee at an annual rate of 0.02% of the first $150 million of the Fund's average weekly net assets attributable to Common Stock, 0.01% of the next $350 million of the Fund's average weekly net assets attributable to Common Stock, 0.005% of the next $500 million of the Fund's average weekly net assets attributable to the Common Stock and 0.0025% of the Fund's average weekly net assets attributable to the Common Stock above $1 billion, plus certain out-of-pocket expenses. Effective December 1, 2005, the Fund pays PFPC Inc. a fee at an annual rate of 0.02% of the first $150 million of the Fund's average weekly net assets attributable to Common Stock, 0.0075% of the next $350 million of the Fund's average weekly net assets attributable to Common Stock, and 0.0025% of the Fund's average weekly net assets attributable to Common Stock above $500 million. For purpose of calculating such fee, the Fund's

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average weekly net assets attributable to the Common Stock are deemed to be the average weekly value of the Fund's total assets minus the sum of the Fund's liabilities and accumulated dividends, if any, on AMPS. For this calculation, the Fund's liabilities are deemed to include the aggregate liquidation preference of any outstanding Fund preferred shares.

PFPC Trust Company ("PFPC Trust") serves as the Fund's Custodian. PFPC Trust is an indirect subsidiary of PNC Financial Services. As compensation for PFPC Trust's services as custodian, the Fund pays PFPC Trust a monthly fee at the annual rate of 0.010% of the first $200 million of the Fund's average weekly total managed assets, 0.008% of the next $300 million of the Fund's average weekly total managed assets, 0.006% of the next $500 million of the Fund's average weekly total managed assets and 0.005% of the Fund's average weekly total managed assets above $1 billion.

The Fund currently pays each Director who is not a director, officer or employee of the Adviser or the Servicing Agent a fee of $9,000 per annum, plus $500 for each in-person meeting of the Board of Directors or any committee and

$150 for each telephone meeting. The Audit Committee Chairman receives an additional annual fee of $2,500. The Fund also reimburses all Directors for travel and out-of-pocket expenses incurred in connection with such meetings.

On October 21, 2005, the Board of Directors accepted the resignation of Peter C. Stimes as Chief Compliance Officer ("CCO") and Vice President of the Fund and elected Chad C. Conwell as the new CCO. The Fund currently pays the Adviser a fee of $37,500 per annum for CCO services and reimburses out-of-pocket expenses incurred in connection with providing services in this role.

4. PURCHASES AND SALES OF SECURITIES

For the year ended November 30, 2005, the cost of purchases of U.S. Government and other securities, excluding short-term investments, aggregated $20,520,848 and $367,358,830, respectively. Proceeds from sales of U.S. Government and other securities, excluding short-term investments, aggregated $20,588,672 and $404,837,836, respectively.

At November 30, 2005, the aggregate cost of securities for federal income tax purposes was $1,477,198,298, the aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was $34,755,074 and the aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was $19,775,803.

5. COMMON STOCK

At November 30, 2005, 240,000,000 shares of $0.01 par value Common Stock were authorized.

Common Stock transactions were as follows:

	YEAR ENDED 11/30/05	
	SHARES	AMOUNT
Shares issued under the Dividend Reinvestment and Cash Purchase Plan	195,146	$4,758,909

6. AUCTION MARKET PREFERRED STOCK (AMPS)

The Fund's Articles of Incorporation authorize the issuance of up to 10,000,000 shares of $0.01 par value preferred stock. The AMPS, which consists of Series M7, T7, W7, Th7, F7, T28 and W28, are senior to the Common Stock and results in the financial leveraging of the Common Stock. Such leveraging tends to magnify both the risks and opportunities to Common Stock Shareholders. Dividends on shares of AMPS are cumulative.

The Fund is required to meet certain asset coverage tests with respect to the AMPS. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, AMPS at a redemption price of $25,000 per share plus an amount equal to the accumulated and unpaid dividends on such shares in order to meet these requirements. Additionally, failure to meet the foregoing asset requirements could restrict the Fund's ability to pay dividends to Common Stock Shareholders and could lead to sales of portfolio securities at inopportune times.

An auction of the AMPS is generally held every 7 days for Series M7, T7, W7, Th7 and F7 and every 28 days for Series T28 and W28. Existing AMPS Shareholders may submit an order to hold bid or sell such shares at par value on each auction date. AMPS Shareholders may also trade shares in the secondary market, if any, between auction dates.

At November 30, 2005, 3,200 shares for each Series M7, T7, W7, Th7 and F7 and 2,840 shares for Series T28 and W28 of Auction Market Preferred Shares were outstanding at the annualized rate of 3.92%, 3.91%, 3.94%, 3.94%, 3.90%, 3.948% and 4.008% for Series M7, T7, W7, Th7, F7, T28 and W28, respectively. The dividend rate, as set by the auction process, is generally expected to vary with short-term interest rates. These rates may vary in a manner unrelated to the income received on the Fund's assets, which could have either a beneficial or detrimental impact on net investment income and gains available to Common Stock Shareholders. While the Fund expects to structure its portfolio holdings and hedging transactions to lessen such risks to Common Stock Shareholders, there can be no assurance that such results will be attained.

7. PORTFOLIO INVESTMENTS, CONCENTRATION AND INVESTMENT QUALITY

Transactions (other than those under the Domestic Interconnection Settlement Agreement 2008-2010 and the International Long Distance Voice Services Settlement Agreement 2008-2010) for each of the three years ending 31 December 2008, 2009 and 2010 are fair and reasonable.

It is expected that each of the proposed annual caps for the years 2008 to 2010 for each category of Continuing Connected Transactions under the Master Sharing Agreement 2008 - 2010, the Materials Procurement Agreement 2008 - 2010, the Ancillary Telecommunications Services Agreement 2008 - 2010, the Support Services Agreement 2008 - 2010 and the Telecommunications Facilities Leasing Agreement 2008 - 2010, the proposed annual caps for the years 2008 to 2010 for charges payable by CNC China and charges payable by China Netcom Group under the Property Leasing Agreement 2008 - 2010 and the proposed annual caps for the years 2008 to 2010 for charges payable by China Netcom System Integration (and its subsidiaries) and charges payable by China Netcom Group under the Information Communications Technology Agreement 2008 - 2010, will be less than the 2.5% threshold under Rule 14A.34 of the Hong Kong Listing Rules. Accordingly, these transactions will be exempt from the independent shareholders' approval requirements under the Hong Kong Listing Rules, but such transactions will still be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules.

For Continuing Connected Transactions under the Engineering and Information Technology Services Agreement 2008 - 2010, as the proposed annual cap will exceed the 2.5% threshold under Rule 14A.34 of the Hong Kong Listing Rules, such transactions will constitute non-exempt continuing connected transactions under Rule 14A.35 of the Hong Kong Listing Rules and will be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules and the independent shareholders' approval requirements under Rule 14A.48 of the Hong Kong Listing Rules. There are no prior transactions or relationship with China Netcom Group and its ultimate beneficial owners which require aggregation under Rule 14A.25 of the Hong Kong Listing Rules.

Under Rule 14A.35(2) of the Hong Kong Listing Rules, in respect of a continuing connected transaction which is not fully exempted, a cap must be set and disclosed. The caps for the Continuing Connected Transactions (other than those under the Domestic Interconnection Settlement Agreement 2008 - 2010 and the International Long Distance Voice Services Settlement Agreement 2008 - 2010) for each of the three years ending 31 December 2008, 2009 and 2010 are set out below:

Continuing Connected Transactions	Proposed annual cap (RMB in millions)
Property Leasing Agreement 2008 - 2010	payable by CNC China — 1,050payable by China Netcom Group — 10
Master Sharing Agreement 2008 - 2010	payable by CNC China — 690payable by China Netcom Group — 200
Engineering and Information Technology Services Agreement 2008 - 2010	4,400
Materials Procurement Agreement 2008 - 2010	1,500
Ancillary Telecommunications Services Agreement 2008 - 2010	1,000
Support Services Agreement 2008 - 2010	1,500
Telecommunications Facilities Leasing Agreement 2008 - 2010	600
Information Communications Technology Agreement 2008 - 2010	payable by China Netcom System Integration (and its subsidiaries) — 270payable by China Netcom Group — 800 (for 2008), 850 (for 2009), 850 (for 2010)

Special circumstances exist for both the Domestic Interconnection Settlement Agreement 2008 - 2010 and the International Long Distance Voice Services Settlement Agreement 2008 - 2010 and no cap is proposed in respect of the settlement of domestic and international long distance voice services for the following reasons:

(i) any growth in the domestic and international long distance voice services will necessarily result in increased transaction volumes under the Domestic Interconnection Settlement Agreement 2008 - 2010 and the International Long Distance Voice Services Agreement 2008 - 2010, which the Company will not be able to control as it depends entirely on customer usage. Any caps on these transactions will therefore potentially limit the Company's ability to conduct or expand its business in the ordinary course; and

(ii) the settlement rates in respect of long distance voice services are determined with reference to the relevant standard tariff or policies promulgated by the relevant regulatory authorities in China, which are subject to change from time to time, and the Company is not in a position to set the settlement rates at its discretion.

The Company has applied to the Hong Kong Stock Exchange that no caps be proposed for the transactions contemplated under the Domestic Interconnection Settlement Agreement 2008 - 2010 and the International Long Distance Voice Services Settlement Agreement 2008 - 2010. Such transactions will be subject to the reporting and announcement requirements set out in Rule 14A.45 to 14A.47 of the Hong Kong Listing Rules and the independent shareholders' approval requirements under Rule 14A.48 of the Hong Kong Listing Rules.

PROPOSED AMENDMENTS TO THE ARTICLES

The Company is dedicated to pursuing sound corporate governance and the Board is convinced that measures on improving its corporate governance will enhance the core competitiveness and results of the Group and Shareholders' value. In 2005, the Company launched the "Corporate Governance Consultancy Project". Based on the findings of the consultancy project, certain amendments to the existing Articles are proposed and the proposed amendments have also been reviewed by the Nominating and Corporate Governance Committee of the Board. The Committee considers that the proposed amendments to the Articles are beneficial to the Company and will enhance the level of corporate governance. The proposed amendments cover the following areas:

(a) procedure for appointment and removal of chief executive officer, senior vice presidents and chief financial officer;

(b) term of directors;

(c) participation of employees in the management of the Company;

(d) minimum number of Board members and quorum for meetings of the Board;

(e) election of the chairman of the meetings of the Board; and

(f) other minor housekeeping matters.

Details regarding the proposed amendments to the Articles will be set out in the circular to be despatched to Shareholders.

EGM

The EGM will be convened to consider and, if thought fit, to approve the Engineering and Information Technology Services Agreement 2008 - 2010 and the annual caps applicable thereto, the Domestic Interconnection Settlement Agreement 2008 - 2010 and the International Long Distance Voice Services Settlement Agreement 2008 - 2010 for which no annual caps are proposed, as well as the proposed amendments to the Articles. In accordance with the Hong Kong Listing Rules, China Netcom Group and its Associates being connected persons of the Company, will abstain from voting on the ordinary resolutions to approve the Non-exempt Continuing Connected Transactions at the EGM. The votes of the Independent Shareholders at the EGM shall be taken by poll.

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Non-exempt Continuing Connected Transactions. In this respect, Rothschild has been retained as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

CIRCULAR

A circular containing, amongst other things, further information relating to the Continuing Connected Transactions, letter from the Independent Board Committee, letter from Rothschild and the proposed amendments to the Articles and a notice of the EGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

"ADSs"	American depositary shares issued by Citibank, N.A., each representing ownership of 20 Shares, which are listed on the New York Stock Exchange, Inc.
"Articles"	the articles of association of the Company from time to time
"Associates"	as defined in the Hong Kong Listing Rules

"Board" or "Board of Directors"	the board of Directors
"China" or "PRC"	the People's Republic of China (excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan)
"China Netcom Group"	China Network Communications Group Corporation (), a company established under the laws of the PRC and the ultimate controlling shareholder of the Company
"China Netcom System Integration"	China Netcom Group System Integration Limited Corporation (), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"CNC China"	China Netcom (Group) Company Limited (), formerly known as China Netcom Corporation Limited, a company established in the PRC with limited liability as a wholly foreign owned enterprise and a wholly owned subsidiary of the Company
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	China Netcom Group Corporation (Hong Kong) Limited (), a company incorporated in Hong Kong whose Shares are listed on the Hong Kong Stock Exchange and whose ADSs are listed on the New York Stock Exchange, Inc.
"Continuing Connected Transactions"	the connected transactions described in the section headed "Continuing Connected Transactions" in this announcement
"Rothschild" or "Independent Financial Adviser"	N M Rothschild & Sons (Hong Kong) Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions
"Directors"	the directors of the Company
"Extraordinary General Meeting" or "EGM"	the extraordinary general meeting of the Company to be convened on 6 December 2007 or any adjournment thereof
"Group"	the Company and its existing subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Board Committee"	the committee of Directors, consisting of John Lawson Thornton, Victor Cha Mou Zing, Qian Yingyi, Hou Ziqiang and Timpson Chung Shui Ming being all the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the terms of the Non-exempt Continuing Connected Transactions
"Independent Shareholders"	Shareholders other than China Netcom Group and its Associates
"Information and Communications Technology Agreement"	the Information and Communications Technology Agreement dated 7 November 2006 entered into between China Netcom System Integration and China Netcom Group

"New Horizon Communications"	China Netcom Group New Horizon Communications Corporation Limited (), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
"Non-exempt Continuing Connected Transactions"	continuing connected transactions contemplated under the Domestic Interconnection Settlement Agreement 2008 - 2010, the International Long Distance Voice Services Settlement Agreement 2008 - 2010 and the Engineering and Information Technology Services Agreement 2008 - 2010, such transactions and agreements are further described in the section headed "Continuing Connected Transactions" in this announcement
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary shares in the Company's issued share capital with a par value of US$0.04 per share which are listed on the Hong Kong Stock Exchange
"Shareholders"	holders of Shares
"US dollars" or "US$"	United States dollars, the lawful currency of the United States of America

For your convenience and unless otherwise specified, this announcement contains translation between RMB and Hong Kong dollars at RMB0.9604 = HK$1.00, the prevailing rate on 5 November 2007. The translation is not representation that the RMB and Hong Kong dollar amounts could actually be converted at those rates, if at all.

Yours faithfully,
China Netcom Group Corporation (Hong Kong) Limited
Zhang Chunjiang
Chairman

Hong Kong, 6 November 2007

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Zhang Chunjiang, Mr. Zuo Xunsheng, Ms. Li Jianguo, Mr. Zhang Xiaotie and Mr. Li Fushen as executive directors, Mr. Yan Yixun, Mr. José María Álvarez-Pallete and Mr. Mauricio Sartorius as non-executive directors and Mr. John Lawson Thornton, Mr. Victor Cha Mou Zing, Dr. Qian Yingyi, Mr. Hou Ziqiang and Mr. Timpson Chung Shui Ming as independent non-executive directors.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the under-signed, thereunto duly authorized.

CHINA NETCOM GROUP CORPORATION (HONG KONG) LIMITED

By	/s/ Li Fushen
By	s/ Mok Kam Wan
Name:	Li Fushen and Mok Kam Wan
Title:	Joint Company Secretaries

Date: November 7, 2007