Foreign & Colonial Investment Trust PLC

Report and Accounts

2013

Contents

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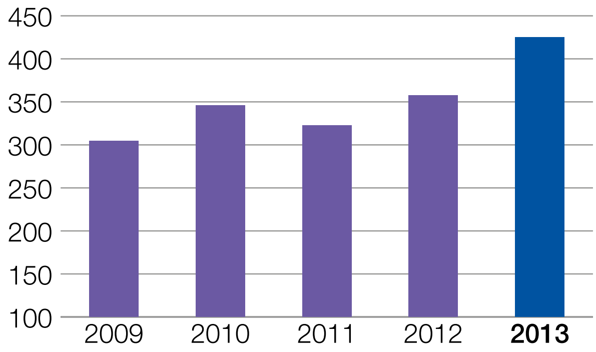
Financial Highlights

Summary of Results

Net asset value per share with debt at market value at 31 December – pence



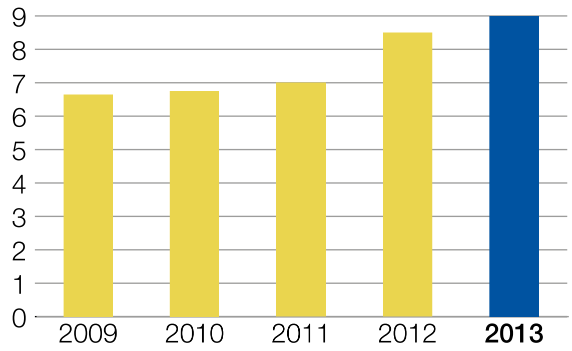
Source: F&C Management Limited

Net Asset Value Total Return

21.4%

(debt at market value)

Dividends per share – pence



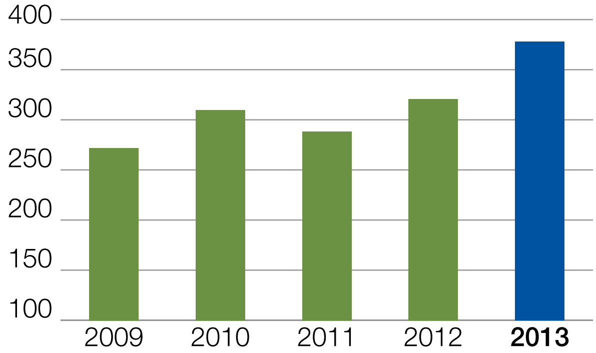
Source: F&C Management Limited

Annual Dividend per share up

5.9% to **9.0p**

– the 43rd consecutive annual increase

Mid-market price per share at 31 December – pence



Source: F&C Management Limited

Share Price up

17.9% to **378.0p**

Share Price Total Return

21.5%

Your Company in Today's World

Objective

To secure long-term growth in capital and income through a policy of investing primarily in an internationally diversified portfolio of publicly listed equities, as well as unlisted securities and private equity, with the use of gearing.

Heritage

Founded in 1868 as the first ever investment trust and continually evolves; keeping pace with new investment opportunities and maintaining its relevance in today's world.

Core investment

Conservatively managed and offering investors a globally diversified portfolio. Foreign & Colonial aims to be at the centre of an investor's portfolio alongside other assets creating a wider investment solution.

Long-term outperformance

In the last ten years Foreign & Colonial has turned a £1,000 investment, with dividends reinvested, into £2,527 compared with £2,323 from the market benchmark and a £1,000 investment over 20 years would have grown to £3,783.

Income

Well-positioned for future dividend growth with significant income reserves. The dividend has increased every year for the past 43 years and over the last ten years is up 143.2% or 9.3% compound compared with inflation of 38.1% or 3.3% compound.

Cost effective

With an Ongoing Charge ratio of 0.86% Foreign & Colonial compares favourably with open-ended investment companies and many other investment trusts. The cumulative benefits of low costs are very significant for long-term investors.

Stability and liquidity

The Board seeks to manage liquidity in the Company's shares by operating a discount control mechanism. This mechanism is designed to minimise the volatility of the Company's share price relative to its Net Asset Value.

Suitable for retail distribution

Foreign & Colonial is suitable for retail investors in the UK, professionally advised private clients and institutional investors who seek growth in capital and income from investment in global markets and who understand and are willing to accept the risks, and rewards, of exposure to equities.

Visit our website at
www.foreignandcolonial.com

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

Chairman's Statement

Simon Fraser
Chairman

Dear Shareholder

2013 was a good year for your company. The net asset value per share with debt at market value rose 18.8% to 424.8 pence and the share price 17.9% to 378.0 pence. The net asset value total return was 21.4%. The total dividend for 2013 will be 9.00 pence, an increase of 5.9%.

Performance

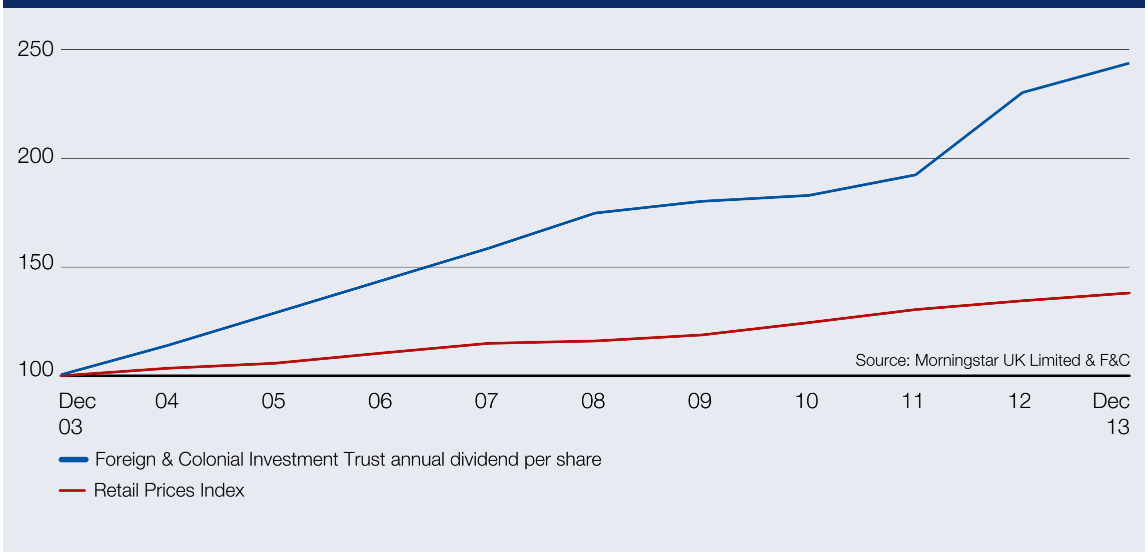
There was a sharp divide between the performance of stock markets. Developed markets did well and emerging markets were weak. The UK surprised many by having the strongest economic growth followed by the US. Japan made several bold moves to stimulate its economy and there were no new crises in Europe. However, stronger growth led to concerns about higher interest rates which hit many emerging markets hard. Bond prices fell and the gold price was very weak. Company profits grew but not by as much as expected so the valuations of many markets rose to the highest level since the start of the financial crisis. The most striking feature of the year was the absence of any major crisis or market setback, in sharp contrast to the years since 2007.

The net asset value total return of 21.4% compares with 21.0% from our benchmark, the FTSE All World index. Our investment trust peer group was also up 21.0% and the size weighted open ended fund average 22.6%. The biggest contributor to our own performance came from gearing into the rising markets. We suffered from being underweight in the US but outperformed that market by a wide margin. Our private equity portfolio had an excellent year of cash generation. Over the course of the year the combination of higher markets and lower borrowings led to a reduction in gearing from 14.3% to 8.0%.

Dividend

Subject to shareholder approval at the Annual General Meeting, you will receive a final dividend of 2.70 pence per share on 1 May 2014. This will bring the total dividend for the year to 9.00 pence. That will be an increase of 5.9% over 2012 compared with an increase of 2.7% in the Retail Price Index and

Foreign & Colonial's annual dividend per share vs Retail Prices Index over 10 years



Chairman's Statement (continued)

Foreign & Colonial's share price total return vs Benchmark and Retail Prices Index over 10 years

continues our record of long-term growth ahead of the rate of inflation. Cash realisations from our private equity portfolio and the repayment of our expensive debenture at the end of this year will further strengthen our dividend paying ability. The Board is therefore planning another increase in dividends. The total dividend for 2014 can be expected to be at least 9.30 pence, an increase of 3.3% and the forty-fourth consecutive annual increase.

Fund Manager

After almost 17 years, Jeremy Tigue has indicated his intention to step down from his role as Fund Manager. The Board is fully engaged with our management company, F&C, in ensuring a smooth handover of Jeremy's responsibilities and we are pleased to announce that Paul Niven will become Fund Manager of your company with effect from 1 July 2014. Paul is Head of Multi-Asset Investment at F&C Asset Management and chairs their asset allocation committee. He has worked closely with Jeremy for almost a decade and has extensive experience of managing large diversified investment funds. He is therefore very well suited to the role.

Jeremy has made an important contribution in continuing the Company's strong record of delivering long-term growth in capital and income. At 31 December 2013 a £1,000 investment made at the time of Jeremy's appointment would now be worth £3,215, with dividends reinvested, which compares with £2,697 from the FTSE All World Index. The Company's dividend has risen every year and is now well over three times greater than the 2.51p paid in 1997, significantly outpacing inflation. We are confident that Paul Niven, supported by the wider investment resource available to F&C, will build on Jeremy's achievements and continue to deliver long-term outperformance for you as shareholders.

I would like to express our warmest thanks to Jeremy not only for his commitment and contribution to the Company, but also to the investment trust industry as a whole. Jeremy will as usual make his investment presentation to shareholders at the Annual General Meeting at which I also look forward to introducing Paul.

Manager reappointment and regulatory changes

The Board has reappointed F&C following its annual formal review of the management company. As your Company will be an Alternative Investment Fund under the Alternative Investment Fund Management Directive, F&C will also be appointed in the capacity of Alternative Investment Fund Manager. Arrangements for the Company to comply with the Directive are being put in place with F&C and with a depositary, also required under these changes, in order to meet the deadline in July 2014.

Chairman's Statement (continued)

It has been announced that F&C's parent company, F&C Asset Management, has agreed to be taken over by the asset management arm of Bank of Montreal. This transaction is expected to conclude later in 2014 and we believe that it will bring some welcome ownership stability, which will be to the benefit of their clients and employees. The Board will, of course, continue to monitor developments very carefully.

The Board and corporate governance

We enlisted the support of an independent consultant for the appraisal of the Board's effectiveness in 2013. This has been useful not only for 2013 but also in assessing our progress since our first external consultation in 2010. The Board have set themselves a number of objectives in 2014. Our highest priorities will be to execute the Fund Manager succession plan and explore further the extensive investment resources available to F&C and ultimately to your Company. We will also continue to improve the marketing activities performed on behalf of the Company with a view to attracting new investment into the trust.

As part of our marketing focus, Francesca Ecsery was appointed as a non-executive Director of the Company on 1 August 2013. Francesca brings extensive marketing expertise to the Board and will stand for election at the forthcoming Annual General Meeting. All the other Directors will stand for re-election.

Shareholders will also be asked to approve the Directors' Remuneration Policy and to adopt new articles of association. These will reflect further changes in company and tax laws and relevant corporate governance rules and practices. The Company remains committed to the highest standards of corporate governance and has complied with the relevant guidance throughout the year.

The future

Global economic growth is accelerating, inflation is subdued and the major central banks are unlikely to increase interest rates this year. Companies remain in a strong financial position and are becoming more optimistic about future growth prospects. The recovery from the global financial crisis has been long and difficult but it is now becoming well established.

There are still areas of uncertainty including the longer term interest rate outlook and the high levels of government and consumer debt in many countries. After a doubling of many share prices over the last five years we do not expect another doubling in the next five years.

In 2014, we will continue to make the portfolio more global. We will reduce the UK weighting and will invest the proceeds in a selection of funds investing mostly outside the UK. We will benefit from cash realisations from our private equity portfolio. In 2015 and beyond we will get another boost from the repayment of our expensive debenture. Therefore we are optimistic we will continue to deliver long-term growth in income and capital. In a world where savers are increasingly having to make their own investment decisions, we believe the Company is well-positioned as a long-term core holding for investors.

Simon Fraser

Simon Fraser
Chairman
3 March 2014

Forward-looking statements

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

Business Model

Key relationships and responsibilities

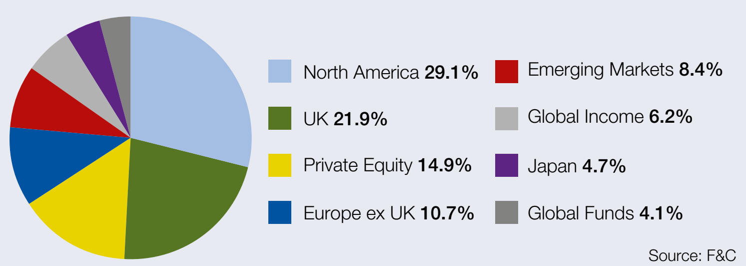
The Company's Board of Directors has appointed F&C as Manager (the "**Manager**") to deliver investment performance. F&C has overall responsibility for the management of the Company's assets and for asset allocation, gearing, stock and sector selection and risk, within limits set and regularly monitored by the Board. The Manager has the flexibility to use internal and external managers to create a truly diversified global portfolio. The fee payable to the Manager is based on the market capitalisation of the Company, thus aligning the Manager's interests with shareholders through share price performance.

Jeremy Tigue acts as Fund Manager (the "**Fund Manager**") to the Company, on behalf of F&C. He is responsible and accountable for the entire portfolio including the North America and private equity portfolios, which are managed externally. He will be succeeded by Paul Niven on 1 July 2014. The ancillary functions of administration, secretarial, accounting and marketing services are also carried out by F&C.

The Company has no employees. Its wholly non-executive Board comprise six male and two female Directors and retains responsibility for corporate strategy; corporate governance; risk and control assessment; the overall investment and dividend policies; setting limits on gearing and asset allocation; monitoring investment performance and for approving marketing policy budgets.

Further information in relation to the Board can be found on page 25. Information on the individual Directors, all of whom are resident in the UK, can be found on pages 14 and 15.

Distribution of our portfolio as at 31 December 2013



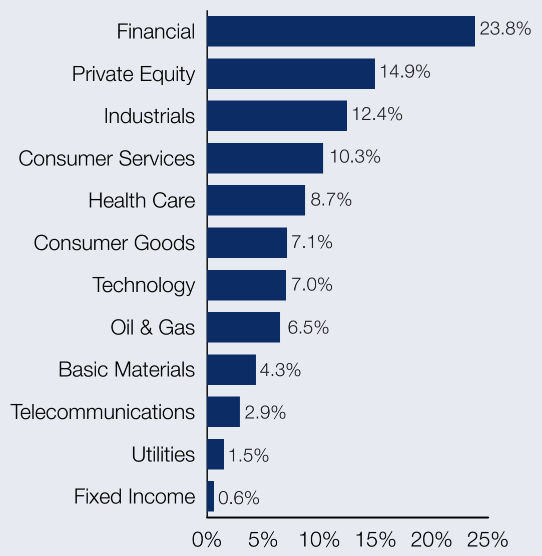
Source: F&C

Remuneration information is set out on pages 29 to 31. Information on the fees payable under the management agreement can be found on page 20 and in note 4 on the accounts.

Investment strategy

The Company typically remains fully invested in equities. Its current strategic emphasis is towards a global equity focus and therefore a much lower weighting in the UK than in the past. It does not restrict itself to specific geographic or industry sector exposure limits for its publicly listed equities and maintains the flexibility to invest in other types of securities or assets. The high level of diversification across the entire portfolio has in recent years resulted in the tendency for the Company's share price to have lower volatility than its index benchmark.

Industrial Classification of Investment Portfolio as at 31 December 2013



Source: F&C

In the case of the regional equity portfolios, the Fund Manager has the flexibility to recommend to the Board their delegation to external third party sub-managers when this seems likely to result in better investment performance. Two external sub-managers have been appointed for the North America large and mid-cap equity portfolios, namely Barrow Hanley and T Rowe Price. Recommendations for private equity and unlisted investments are subject to approval by the Board. The private equity funds of funds portfolio is managed externally by Pantheon Ventures Limited and HarbourVest Partners LLC. There are no plans to make further commitments to private equity investments until the Company's exposure moves nearer to its original strategic target of 10%.

An analysis of the entire portfolio on 31 December 2013 is contained in the Fund Manager's Review. The Company's full list of its investments can be viewed on the website. The twenty largest listed equity holdings can be found on page 10, and the ten largest private equity holdings are on page 11.

Responsible ownership

The Board's primary responsibility is to ensure that the Company's portfolio is properly invested and managed in accordance with the investment objective. The Board supports the Manager in its belief that good governance creates value. The Manager takes a particular interest in corporate governance and sustainable business practices, which includes the integration of environmental, social and governance issues into its investment decisions. Information on the Company's voting policy can be found in the Directors' Report on page 18.

Investment policy

The Company's Investment Policy Statement is set out in detail on page 18.

Gearing strategy

Over many years the Company has used borrowings to enhance its returns. The Board has set a gearing range of 0–20% of shareholders' funds based on valuing the Company's debentures at market value. We have created a very flexible structure to manage borrowings over the next five years as explained by the Fund Manager on page 8.

Buyback strategy

The Company has for many years bought back its own shares for cancellation at a discount to net asset value per share. This forms part of its wider strategy under which the Board has the objective of achieving a less volatile discount to net asset value, in normal market conditions, of around 10% (with debt at market value), as well as enhancing net asset value per share for continuing shareholders.

Marketing strategy

The Manager continues to promote investment in the Company's shares, which are suitable for retail distribution in the UK as well as professionally advised private clients and institutional investors. Promotion has traditionally been made through the F&C Savings Plans, which remain a cost effective and flexible way to invest in the Company.

The Company is well positioned to be a beneficiary of the Retail Distribution Review and is beginning to see a notable increase in the number of shares held through investment platforms. The Board hopes to see access to the Company's shares on as many platforms as possible as more and more investors turn to the Direct-to-Consumer execution-only market.

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

Fund Manager's Review

Jeremy Tigue
Fund Manager

We have created a very flexible structure to manage borrowings over the next five years. In 2012 we borrowed the equivalent of £100 million in US dollars and Japanese yen for seven years at a blended rate of 3.25%. In December 2013 we took out new loan facilities for two and three years which provide us with £200 million of committed funds and another £200 million of potential borrowing capacity. As a result of these moves we now have a range of options to manage the £110 million maturity of the debenture on 31 December 2014.

Investment strategy implementation

There were two key changes in strategy in 2013 – becoming more global and reducing gearing over the course of the year.

We made net sales of over £230 million from our UK portfolio and its weighting fell from 33.6% to 21.9%. This was the biggest change in our geographical allocation for a decade and the UK weighting will be reduced further during 2014. We switched £150 million from the UK to a global income portfolio split equally between North America and the rest of the world.

The lowest level of gearing in the last ten years was 4.8% in May 2007 and the highest 18.8% in September 2011. At the start of 2013 gearing was 14.3% and by the end of the year it was 8.0%. The reduction was due to the rise in markets, the sales in the listed portfolio and positive cash flow from private equity.

Contributors to total returns in 2013

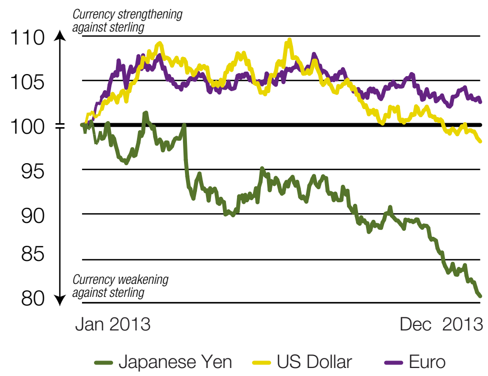
	%
Benchmark return	21.0
Asset allocation	(3.1)
Stock selection	1.1
Effect of directly incurred management fees	(0.4)
Other expenses	(0.1)
Interest expense	(0.8)
Buybacks	0.1
Change in debenture valuation	0.4
Gearing	3.2
Net asset value total return*	21.4
Effect of discount	0.1
Share price total return	21.5

*Debt at market value. Source: F&C

Results

For the second year in succession the greatest positive contribution to performance came from gearing. We also had a gain of £7 million from the fall in the market price of our debenture as it approaches maturity on 31 December 2014. The weakness of the US Dollar and Yen meant there was a £10 million gain from the seven year loan we took out in April 2012.

Currency movements vs Sterling in 2013



Source: F&C

Our asset allocation in the listed portfolio was negative as we were underweight in the US and overweight in the UK relative to the benchmark. Within the markets we had very good performance in the US and Europe but underperformed elsewhere.

The private equity portfolio produced a very strong positive cash flow which was almost three times larger than in 2012; all sixteen funds made distributions during the year. The portfolio increased in value over the year but not by as much as the

Weighting, stock selection and performance in each market vs Index at 31 December 2013

Market	Our portfolio weighting %	Benchmark weighting %	Our portfolio performance %	Local index performance in Sterling %
UK	21.9	8.0	18.7	18.9
North America	29.1	50.5	35.1	28.3
Private Equity	14.9	–	8.2	–
Emerging Markets	8.4	17.3	(7.4)	(4.1)
Europe ex UK	10.7	15.9	29.6	26.5
Japan	4.7	8.3	23.0	25.0
Global Income*	6.2	–	8.9	–
Global Funds*	4.1	–	1.3	–

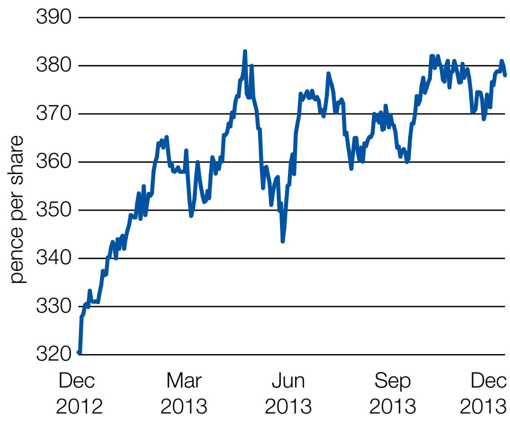
* Established 22 January 2013

Source: F&C

listed portfolio. We expect the private equity portfolio to increase in value again in the first half of 2014.

Income was up on the year. Companies continued to increase dividends and although management fees went up, in line with asset growth, there was a sharp fall in savings plan expenses. Our Ongoing Charges ratio, which is a relatively new cost measure that takes into account all operating costs expected to be incurred and payable in the year or suffered within underlying funds, has fallen from 0.90% to 0.86%. Our Total Expense ratio, which is an historic cost measure that does not reflect funds cost, has fallen from 0.55% to 0.50%. The revenue return per share rose 9.5% to 7.69 pence. The total dividend for the year is 9.00 pence so part of the cost of the dividend is again being met by a transfer from the large revenue reserve built up in the years up to 2008. After the payment of the final dividend in May 2014 the revenue reserve will be 12.5 pence per share. We expect income to benefit from underlying dividend growth, positive private equity cash flow and the maturity of the debenture in the next three years.

Foreign & Colonial Investment Trust share price 2013



Source: F&C

Fund Manager change

As the Chairman comments in his statement I will be stepping down as Fund Manager on 1 July 2014. It has been a privilege to be responsible for continuing Foreign & Colonial's record of growth over the last seventeen years and I would like to thank the Board, my colleagues, our advisers and all the shareholders for their support and encouragement over that time.

As the portfolio becomes more global, private equity generates cash and the debenture approaches maturity Foreign & Colonial is in a strong position. I am delighted the Board has appointed Paul Niven to succeed me. We have worked closely together for almost a decade and he is an expert investor with huge experience of managing large funds. He will do an excellent job for shareholders.

Jeremy Tigue
Fund Manager
3 March 2014

Twenty Largest Listed Equity Holdings

This Year	*Last Year*	**Company** Description	% of total investments	Value £'000s
1	*(5)*	**BP** Global oil company.	1.42%	37,186
2	*(2)*	**HSBC** Broadly diversified international bank operating in over 80 countries worldwide.	1.29%	33,798
3	*(3)*	**GlaxoSmithKline** One of the world's leading pharmaceutical companies.	1.24%	32,540
4	*(1)*	**Royal Dutch Shell** Global oil company.	1.15%	30,232
5	*(6)*	**Vodafone** Global mobile telephone provider.	1.12%	29,341
6	*(7)*	**Utilico Emerging Markets** Specialist fund concentrating on utilities and infrastructure in emerging markets.	1.07%	28,161
7	*(–)*	**Google** Dominant internet search company.	0.77%	20,286
8	*(10)*	**Rio Tinto** Leading global mining company.	0.74%	19,379
9	*(–)*	**Amazon.Com** Leading online retailer.	0.69%	18,156
10	*(–)*	**Diageo** Global beer and spirits business.	0.62%	16,513
11	*(–)*	**Unilever** Global consumer goods company.	0.61%	16,124
12	*(–)*	**American Express** Global consumer credit company.	0.58%	15,315
13	*(19)*	**Samsung Electronics** Global electronics company.	0.56%	14,691
14	*(12)*	**F&C US Smaller Companies** Specialist fund investing in US smaller companies.	0.55%	14,511
15	*(–)*	**Roche** Leading pharmaceutical company.	0.54%	14,279
16	*(13)*	**Spectris** Instruments and controls company.	0.54%	14,106
17	*(20)*	**BH Macro** Specialist fund investing in global fixed income and foreign exchange markets.	0.53%	13,929
18	*(–)*	**Raytheon** Major US defence company.	0.53%	13,867
19	*(–)*	**Novartis** Global pharmaceutical company.	0.53%	13,817
20	*(14)*	**AstraZeneca** Leading pharmaceutical company.	0.52%	13,743

The figures in brackets denote the position in the twenty largest listed equity holdings at the previous year end.
The value of convertibles securities in the total portfolio at 31 December 2013 was £30,000 or 0.0% of total assets less current liabilities (2012: £2,364,000 or 0.1% of total assets less current liabilities).

Ten Largest Private Equity Holdings

This Year	*Last Year*	**Company** Description	% of total investments	Value £'000s
1	*(1)*	**Pantheon Europe Fund V** Fund of funds investing in the European market, with the largest exposure being to the UK. It distributed a net £6.0 million in 2013.	2.28%	59,918
2	*(2)*	**HarbourVest V Direct Fund** Specialist fund that makes direct investments alongside other fund managers. It distributed a net £6.1 million in 2013.	1.86%	48,765
3	*(4)*	**Dover Street VII** HarbourVest managed fund of funds specialising in buying holdings in existing private equity funds. It distributed a net £9.5 million in 2013.	1.49%	39,033
4	*(3)*	**Pantheon Europe Fund III** Fund of funds investing principally in UK and European management buyouts which distributed a net £17.5 million in 2013.	1.40%	36,740
5	*(5)*	**HarbourVest Partners VII Buyout Fund** Fund of funds investing in buyouts of US businesses. It distributed a net £8.8 million in 2013.	1.13%	29,725
6	*(7)*	**HarbourVest Partners VIII Buyout Fund** Fund of funds investing in buyouts of US businesses. It distributed a net £2.4 million in 2013.	1.02%	26,867
7	*(6)*	**Dover Street VI** HarbourVest managed fund of funds specialising in buying holdings in existing private equity funds. It distributed a net £4.7 million in 2013.	0.95%	25,021
8	*(8)*	**Pantheon Asia Fund IV** Fund of funds investing in Asian markets. It distributed a net £4.9 million in 2013.	0.92%	24,007
9	*(9)*	**Pantheon Asia Fund V** Fund of funds investing in Asian markets. It distributed a net £1.7 million in 2013.	0.87%	22,800
10	*(–)*	**HarbourVest Partners VIII Ventures Fund** Fund of funds investing principally in US venture capital. Distributed a net £1.2 million in 2013	0.85%	22,298

All the above Funds comprise unlisted Private Equity Partnerships, with no fixed capital and no distributable income in the ordinary course of business. Value is the estimated fair value, in accordance with the Company's accounting policies.

The figures in brackets denote the position in the ten largest private equity holdings at the previous year end.

The Company's full list of investments exceeds 600 and is published monthly on the website at

www.foreignandcolonial.com

Copies are also available on request from the Secretary

Key Performance Indicators

The Board recognises that it is longer term share price performance that is most important to the Company's investors, coupled with a steadily rising dividend. Underlying share price performance is the performance of the net asset value. The overriding priority is to continue to strive for the consistent achievement of relative outperformance; adding value for shareholders through net asset value and share price total return; discount management; dividend growth; low and competitive ongoing charges; and effective marketing. The Board assesses its performance in meeting the Company's objective against the following key performance indicators ("**KPIs**"):

1. Net asset value total return
2. Share price total return
3. Annual dividend growth
4. Discount to net asset value
5. Ongoing Charges ratio
6. Savings plans investment flows

Information in relation to these KPIs is set out in the tables below. Commentary can be found in the Chairman's Statement; Fund Manager's Review; and in the Directors' Report on page 21 in relation to performance attribution and the Manager's reappointment.

Net asset value total return performance

	1 Year %	3 Years %	5 Years %	10 Years %
FCIT net asset value† (with debt at market value)	21.4	31.5	87.4	143.9
AIC Global Sector weighted average net asset value†	21.0	24.0	83.1	146.8
FTSE All World Index†	21.0	26.6	79.3	132.3

†Total return

Source: Morningstar UK Limited and F&C

Share price total return performance

	1 Year %	3 Years %	5 Years %	10 Years %
FCIT share price†	21.5	32.2	88.3	152.7
AIC Global Sector weighted average share price† (investment companies)	23.3	26.7	92.5	160.2
IMA Global Sector weighted average share price† (open ended funds)	22.6	21.9	76.5	116.2
Retail Prices Index	2.7	10.9	19.0	38.1

†Total return

Source: Morningstar UK Limited and F&C

Compound annual dividend growth

%	5 years	10 years
Foreign & Colonial	6.9	9.3
FTSE All-Share	1.8	4.2
Inflation (RPI)	3.5	3.3

Source: F&C; Morningstar UK Limited

Ongoing charges ratio

	%
2013	0.86
2012	0.90
2011	0.92

Source: F&C

Discount(1)

31 December	%
2013(2)	11.0
2012	10.4
2011	10.6
2010	10.6
2009	10.7

(1) With debt at market value cum income.

(2) The average discount in 2013 was 10.3%

Source: F&C

Foreign & Colonial's investment flows within F&C Savings Plans

£m	2013	2012	2011	2010	2009
Purchases	53	59	58	69	53
Withdrawals	93	54	55	60	32
Net flow	(40)*	5	3	9	21

The above figures cover all of the F&C Savings Plans in Foreign & Colonial.

*F&C introduced an administration charge in April 2013 prompting temporary switching out of the plans.

Source: F&C

Principal Risks

Principal risks and their management

Most of the Company's principal risks are market-related and no different from those of other investment trusts investing primarily in listed markets. More specific to Foreign & Colonial are those relating to private equity, the prospects for which are described in the Chairman's Statement and Fund Manager's Review. The Report of the Audit and Management Engagement Committee on page 32 summarises the risk management arrangements. Note 26 on the accounts sets out the Company's financial risk management policy.

Strategy

Risk description: *Inappropriate strategy in relation to investor demands in a rapidly changing financial services and savings market, including the advent of clean share classes.*

Mitigation: The Board regularly reviews the Company's position as a leading savings vehicle. Strategic issues, including its role as a global investment trust, are considered annually.

Management resource, stability and controls

Risk description: *The Manager is the main service provider and its failure to continue operating effectively could put in jeopardy the business of the Company. The loss of the Manager's key staff, or failure to manage the succession of such staff, could adversely affect investment returns.*

Mitigation: The Board meets regularly with the senior management of the Manager and its Internal Audit function, and has access to publicly available information indicative of the Manager's financial position and performance. The Board has contingency arrangements to facilitate the ongoing operation of the business in the event of any such failure. The management contract can be moved at short notice. The Manager structures its recruitment and remuneration packages in order to retain key staff and works closely with the Board on any significant management changes.

Private equity

Risk description: *The majority of the underlying private equity investments are in unlisted companies. Such investments may prove difficult or impossible to realise.*

Mitigation: Private equity risks are mitigated by investing in a spread of direct, secondary, venture capital, buyout and mezzanine funds of funds and by the wide spread of underlying private equity firms, which in turn have diversified investment portfolios and vintage years. The portfolio has recently moved to a net cash positive position.

Investment policy, gearing, currency and derivatives

Risk description: *Inappropriate asset allocation, sector and stock selection, currency exposure and use of gearing and derivatives leading to investment underperformance.*

Mitigation: Investments are primarily in a diversified spread of international publicly listed equities with exposure to their underlying currencies. Investment policy and performance is reviewed with the Fund Manager at each Board meeting, along with the monitoring of cash and borrowing levels as well as options written for the purpose of income enhancement. The ability of the Company to gear up via long-term and short-term borrowings, in currencies matching those to which the portfolio is exposed, enables it to take a long-term view of the countries, markets and currencies in which it is invested, and ride out short-term volatility. The Board approves all borrowing facility agreements and has set a limit on gearing and option writing. Derivatives may also be used for the purpose of hedging foreign currencies, although to date none have.

Outsourced service providers

Risk description: *Administrative errors or control failures by or between service providers could be damaging to the interests of investors and the Company.*

Mitigation: The Board receives annual reports from the Manager on its monitoring of service providers which, for the administration of the F&C savings plans, includes audit site visits; monthly technical compliance monitoring; monthly service delivery meetings; quarterly financial crime prevention forums; and the detailed review and investigation of breaches and complaints. Extremely high transaction volumes resulted in very poor service for a period in 2013. Arrangements are also in place to monitor and mitigate other service provider risks, including those relating to the arrangements in place to protect against cyber-attacks and for the safe custody of assets.

Directors

Simon Fraser†

Chairman

Appointed to the Board in September 2009, appointed Chairman in May 2010 and is Chairman of the Nomination Committee. Most of his career was at Fidelity International, where he started as an analyst and spent a number of years in Japan, latterly as Chief Investment Officer for the Asia/Pacific region. He returned to the UK in 1999 to take up the position of Chief Investment Officer for Fidelity International, a position he held until 2005. Other positions included President of Fidelity International's European and UK Institutional business and latterly President of the Investment Solutions Group. He stepped down from his executive responsibilities at the end of 2008. He is chairman of The Merchants Trust PLC and is a non-executive director of Barclays PLC, Ashmore Group PLC, Fidelity European Values PLC and Fidelity Japanese Values PLC.

Sarah Arkle*

Appointed to the Board in March 2011. She was Vice Chairman of Threadneedle where she was Chief Investment Officer for ten years until her retirement at the end of December 2010. She was instrumental in establishing Threadneedle's investment process and recruiting a number of the firm's senior fund managers. In 1983 Sarah moved from stockbroker WI Carr to become a Far East Equity Manager and subsequently became a Director at Allied Dunbar Asset Management, which became part of Threadneedle in May 1994. She is a non-executive director of Henderson Group PLC and JPMorgan Emerging Markets Investment Trust PLC.

Sir Roger Bone KCMG†

Appointed to the Board in March 2008. He has been president of Boeing UK since 2005. Prior to that he served as British Ambassador to Brazil from 1999 to 2004 and to Sweden from 1995 to 1999. He was an Assistant Under-Secretary of State in the Foreign and Commonwealth Office between 1991 and 1995, head of the Economic Relations Department there from 1989 to 1991 and Political Counsellor at the British Embassy in Washington DC from 1985 to 1989. He was a visiting fellow at Harvard University in 1984/85 and served as a private secretary to the Foreign Secretary between 1982 and 1984. He accepted an invitation from the Prime Minister in 2010 to be an honorary ambassador for British business.

Stephen Burley*

Joined the Board in January 2008. He was Head of Pensions Investments at Rio Tinto from 1982 until his retirement in March 2007. He is a former investment adviser to University College London, the Central Board of Finance of the Church of England and, until 2010, the BAE Pension Fund. He is a trustee of the Imperial War Graves Endowment Fund.

Francesca Ecsery

Joined the Board on 1 August 2013. Francesca has extensive expertise in marketing, with over 22 years of experience in senior director roles, with both blue chip and start-up companies. Ms Ecsery has worked across a broad range of consumer industries and previously held the role of Global Business Development Director at Cheapflights Media. She also held senior executive roles with STA travel, the Thomas Cook Group and Thorn EMI plc and is currently a non-executive director of Good Energy Group plc and Share Plc.

Jeffrey Hewitt*

Chairman of the Audit and Management Engagement Committee

Appointed in September 2010 and as Chairman of the Audit and Management Engagement Committee in November 2011. He was the Group Finance Director of Electrocomponents plc from 1996 to 2005 and Deputy Chairman from 2000 to 2005. Prior to that, he was the Finance Director of Unitech plc from 1991 to 1996. Between 1981 and 1991 he held directorships successively with Carrington Viyella, Vantona Viyella and Coats Viyella (where he was Group Strategy Director). He started his career with Arthur Andersen where he qualified as a chartered accountant, following which he spent seven years with The Boston Consulting Group. He is also a non-executive director of Cenkos Securities plc and Vesuvius plc, where he is senior independent director. He is Chairman of Electrocomponents Pension Trustees.

Christopher Keljik OBE*†

Senior Independent Director

Appointed to the Board in September 2005. He was an executive director of Standard Chartered plc with responsibilities for Africa, the Middle East, South Asia, North and South America, Europe and the UK. During his 29 year career with Standard Chartered he held a number of leadership positions in general management, corporate finance, treasury and risk management working in London, New York, Singapore and Hong Kong. He is a non-executive director of The Asian Total Return Investment Company plc and a former director of Jardine Lloyd Thompson Group plc and Millennium & Copthorne Hotels plc. He is a Chartered Accountant.

Nicholas Moakes†

Appointed to the Board In March 2011, is Head of Public Markets at The Wellcome Trust. He was Head of the Asia Pacific investment team and Co-Head of Emerging Markets at BlackRock Investment Management until 2007. He has over 20 years' experience in Asia and over 18 years' experience in global equity markets. Prior to joining BlackRock in 1997 he lived in Hong Kong for nine years, and is a Chinese speaker. He started his career in the Diplomatic Service, where he specialised in Hong Kong and China.

* Members of the Audit and Management Engagement Committee
† Members of the Nomination Committee

Management and Advisers

The Management Company
Foreign & Colonial Investment Trust PLC ("**Foreign & Colonial**" or the "**Company**") is managed by F&C Management Limited ("**F&C**" or the "**Manager**"), a wholly owned subsidiary of F&C Asset Management plc ("**FCAM**"). It is appointed under a management agreement with Foreign & Colonial, setting out its responsibilities for investment management, administration and marketing.

Foreign & Colonial and F&C are two separate, independent and distinct companies.

Jeremy Tigue He joined F&C in 1981 and was appointed Fund Manager of Foreign & Colonial in July 1997. He is responsible for overall portfolio management and investment performance.

Paul Niven Head of Multi-Asset Investment and chairs FCAM's asset allocation committee. He has extensive experience in managing large diversified investment funds. He joined F&C in 1996.

Hugh Potter Represents the Manager as Company Secretary and is responsible for Foreign & Colonial's statutory compliance. He joined F&C in 1982.

Marrack Tonkin Head of Investment Trusts and Group Company Secretary of F&C Asset Management plc. He has responsibility for F&C's relationship with Foreign & Colonial. He joined in 1989.

Sub-managers to F&C (North America large and medium cap portfolio)
Barrow Hanley – appointed July 2005
T. Rowe Price – appointed February 2006

Private Equity Managers
HarbourVest Partners LLC – appointed 2003
Pantheon Ventures Limited – appointed 2003

Secretary and Registered Office
F&C Management Limited, Exchange House, Primrose Street, London EC2A 2NY

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

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

Chartered Accountants and Statutory Auditors
PricewaterhouseCoopers LLP, ("**PwC**" or the "**auditors**"), 7 More London Riverside, London SE1 2RT

Custodian
JPMorgan Chase Bank (the "**Custodian**"), 25 Bank Street, Canary Wharf, London E14 5JP

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

Royal Bank of Scotland, 24–25 St Andrew Square, Edinburgh EH2 1AF

Scotia Bank Europe PLC, 33 Finsbury Square, London EC2A 1BB

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

Telephone: 0800 923 1506
Facsimile: 0870 703 6143

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

New Zealand Share Registrars
Computershare Investor Services Limited,
Private Bag 92119, Auckland 1142.
Level 2, 159 Hurstmere Road, Takapuna,
North Shore City 0622, New Zealand

Telephone: +64 9 488 8700
Facsimile: +64 9 488 8787

Solicitors
Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ

Stockbrokers
JPMorgan Cazenove, 25 Bank Street, Canary Wharf, London E14 5JP

London Stock Exchange
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PREMIUM

Directors' Report

The Directors submit the Annual Report and Accounts of the Company for the year ended 31 December 2013.

Statement regarding Annual Report and Accounts

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Results and dividends

The results for the year are set out in the attached accounts.

The interim dividends totalling 6.30 pence per share, together with the final dividend of 2.70 pence per share, which will be paid on 1 May 2014 to shareholders registered on 28 March 2014 (Resolution 4), will bring the total dividend for the year to 9.00 pence per share. This represents an increase of 5.9% over the comparable 8.5 pence per share paid in the previous year.

Company status

The Company is an investment company as defined by Section 833 of the Companies Act 2006. As such, it analyses its income between revenue, which is available for distribution by way of dividends, and capital, which under its articles of association it is currently prohibited from distributing other than by way of share buybacks.

The Company is registered in England and Wales with company registration number 12901 and is subject to the UK Listing Authority's Listing Rules, UK company law, financial reporting standards, taxation law and its own articles of association.

Investment trust taxation status

The Company is liable to UK corporation tax on its net revenue profits but is exempt from corporation taxation on capital gains, provided it complies at all times with section 1158 of the Corporation Tax Act 2010 ("**section 1158**"). The Company has been accepted by HMRC as an approved investment trust subject to it continuing to meet the relevant eligibility conditions and ongoing requirements. The Company conducts its affairs so as to enable it to comply with the requirements.

Accounting and going concern

The Financial Statements, starting on page 41, comply with current UK Financial Reporting Standards, supplemented by the Statement of Recommended Practice for Investment Trust Companies and Venture Capital Trusts ("**SORP**"). The significant accounting policies of the Company are set out in note 2 on the accounts. The unqualified auditors' opinion on the Financial Statements appears on page 37. The Company's investment policy statement places the emphasis on investing in readily realisable listed securities and puts a limit on borrowings. The Company retains title to all assets held by the Custodian. Trust deeds govern its debentures and agreements cover its bank borrowing facilities. Cash is held only with banks approved and regularly reviewed by the Manager.

Note 26 on the accounts sets out the financial risk profile of the Company and indicates the effect on the assets and liabilities of fluctuations in the value of securities, and exchange and interest rates.

The Directors believe that, in the light of the controls and monitoring processes that are in place, the Company has adequate resources and arrangements to continue operating within its stated policy for the foreseeable future. Accordingly, the accounts continue to be drawn up on the basis that the Company is a going concern.

Shareholders will be asked to approve the adoption of the Annual Report and Accounts at the Annual General Meeting (Resolution 1).

Independent auditors

So far as each Director is aware, there is no relevant audit information of which PwC are unaware. The Directors believe that they have each taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that PwC are aware of the information. The Independent Auditors' Report can be found on page 37.

PwC have indicated their willingness to continue in office and resolutions will be proposed at the Annual General Meeting to re-appoint them and determine their remuneration (Resolutions 13 and 14). However, the audit will be put out to tender later in the year as explained on page 34.

Directors' Report (continued)

Investment policy statement

The Company invests globally. Risk diversification is achieved through geographic asset allocation and industry sector and stock selection across a wide range of markets. Within the general policy of maintaining a diversified portfolio, there are no specific geographic or industry sector exposure limits for the publicly listed equities. The Board has placed a limit of 5% of the value of the total portfolio on unlisted securities, at the time of acquisition and excluding private equity investments, and any unlisted investment requires specific Board approval. Shareholder approval would be sought in the event that the Board considers that the long-term exposure to private equity investments should exceed a figure of 20%; the Board has agreed to make no new commitments until the Company's exposure moves back closer to its strategic target of 10%.

Under the Company's articles of association, with limited exceptions, no single investment may be made by the Company which exceeds 10% of the value of the total portfolio at the time of acquisition. Under the Listing Rules, no more than 10% of the total assets may be invested in other listed closed-ended investment companies, unless such investment companies have themselves published investment policies to invest no more than 15% of their total assets in other closed-ended investment companies, in which case the limit is 15%. The Board has placed a limit of 5% of the value of the total portfolio on investment funds managed by F&C at the time of acquisition, and any such investment requires specific Board approval.

Borrowings, which can be taken out either in Sterling or foreign currency, would normally be expected to fall within a range of 0–20% of shareholders' funds based on valuing the Company's debentures at market value.

The Company will typically remain fully invested in equities, but is not prohibited from investing in other types of securities or assets. Derivatives may be used for the purpose of income enhancement and efficient portfolio management including, if appropriate, protection against currency risks. With regard to income enhancement, options may only be written on quoted stocks and the total nominal exposure is limited to a maximum of 5% of the UK portfolio at the time of investment for both put and call options. More details can be found on page 59 in note 26 on the accounts.

Voting policy

F&C, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights. All shareholdings are voted at all meetings worldwide where practicable in accordance with the Manager's own corporate governance policy, which is to seek to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a principled approach to corporate governance. Environmental factors are, where appropriate, taken into consideration with regard to investment decisions taken on behalf of the Company.

F&C's statement of compliance with The UK Stewardship Code, issued by the Financial Reporting Council in July 2010, has been reviewed and endorsed by the Board, which encourages and supports the Manager on its voting policy and its stance towards environmental, social and governance issues. The statement is available on the Manager's website at www.fandc.com/ukstewardshipcode. The Board periodically receives a report on instances where the Manager has voted against the recommendation of the management on any resolution. It also expects to be informed of any sensitive voting issues involving the Company's investments.

Capital structure

As at 31 December 2013 there were 570,359,016 ordinary shares of 25 pence each ("**ordinary shares**") in issue. There had been no changes to the number of ordinary shares as at 3 March 2014. All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid. Details of the capital structure can be found in note 18 on the accounts. The revenue profits of the

Company (including accumulated revenue reserves) are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to shareholders pro rata to their holdings of ordinary shares.

At the Annual General Meeting held on 23 April 2013, shareholders renewed the Board's authority to buy back up to 14.99% of the Company's ordinary shares for cancellation. A total of 6,832,000 shares were bought back and cancelled, representing 1.2% of the shares in issue at 31 December 2012. This enhanced the net asset value per share by 0.5 pence. The purchases were made at prices ranging between 330.2 pence and 378.7 pence and the aggregate consideration paid for the shares, including stamp duty and commissions, was £24,573,000. There have been no buybacks between the date of the year end and the date of this report.

Voting rights and proportional voting

At 28 February 2014 the Company's 570,359,016 ordinary shares in issue represented a total of 570,359,016 voting rights. As at 31 December 2013 and since that date no notifications of significant voting rights have been received under the Financial Conduct Authority's Disclosure and Transparency Rules.

Approximately 45.3% of the Company's share capital is held on behalf of non-discretionary clients through the F&C savings plans. The nominee company holding these shares votes the shares held on behalf of planholders who have not returned their voting directions in proportion to the directions of those who have ("**proportional voting**"). Implementation of this arrangement is subject to a minimum threshold of 5% of the shares held in the savings plans being voted. A maximum limit of 647,000 shares that any one individual investor can vote, being approximately 5% of the minimum threshold, also applies. Any shares voted by an investor in excess of the maximum limit remain valid, but do not form part of the proportional voting basis. Planholders have the right to exclude their shares from the proportional voting arrangement.

Borrowings

The Company has a £110 million 11.25% debenture stock, which will be redeemed on 31 December 2014 after twenty-five years. The Company also has a £575,000 4.25% perpetual debenture stock. Information in relation to the debentures can be found in notes 14 and 17 on the accounts. The Company also has the ability to use short-term borrowings by way of loans and overdrafts, subject to the limits set out above in the Company's investment policy statement and in the debenture deeds. A borrowing of £100 million is in place with JPMorgan Chase Bank in the currency equivalents of US$80 million and ¥6,600 million for a fixed term of seven years maturing in April 2019. There is also a multi-currency overdraft facility with this bank. In September and December 2013 the existing multi-currency credit facilities with National Australia Bank and Scotia Capital totalling £125 million matured. These were replaced in December 2013 with a two-year £100 million facility with Royal Bank of Scotland and a three-year facility with Scotia Capital. Both of these facilities provide for a commitment of £100 million and the option to request an additional commitment of £100 million. Further reference is made on page 8 and in notes 13 and 16 on the accounts.

Directors' remuneration reports

The Directors' remuneration policy and annual report, which can be found on pages 29 to 31, provide detailed information on the remuneration arrangements for Directors of the Company. Included is the Directors' Remuneration Policy for the first time, which shareholders will be asked to approve at the Annual General Meeting (Resolution 2). Shareholders will also be asked to approve the Directors' Annual Report on Remuneration (Resolution 3).

Director re-elections

Other than Ms Francesca Ecsery who joined on 1 August 2013, all the Directors held office throughout the year under review and will stand for re-election by shareholders at the annual general meeting in accordance with the requirements of the UK Corporate Governance Code (Resolutions 5 to 11). Ms Ecsery will stand for election (Resolution 12). The Nomination Committee has considered each of these including a

Directors' Report (continued)

review of their status as independent directors. The Board has concurred with the Nomination Committee's assessment that each Director continues to make a valuable and effective contribution and remains committed in their roles.

Directors' interests and indemnification

There were no contracts of significance to which the Company was a party and in which a Director is, or was, materially interested during the year. There are no agreements between the Company and its Directors concerning compensation for loss of office.

The Company has granted a deed of indemnity to the Directors in respect of liabilities that may attach to them in the capacity as Directors of the Company. This covers any liabilities that may arise to a third party for negligence, default or breach of trust or duty. The deed of indemnity has been in force throughout the period under review and remains in place as at the date of this report. It is available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting. The Company also maintains directors' and officers' liability insurance.

Safe custody of assets

The Company's listed investments are held in safe custody by the Custodian. Operational matters with the Custodian are carried out on the Company's behalf by the Manager in accordance with the provisions of the management agreement. A depositary will be appointed later in the year in accordance with the Alternative Investment Fund Management Directive ("**AIFMD**").

Greenhouse gas emissions

All of the Company's activities are outsourced to third parties. As such it does not have any physical assets, property, employees or operations of its own and does not generate any greenhouse gas or other emissions.

The Manager's fees

The Manager receives an annual fee, which for the year under review was equal to 0.365% of the market capitalisation of the Company. The fee is calculated and paid monthly and is subject to a deduction for amounts earned from investments in other investment vehicles managed by F&C. The amount received was £7,300,000 (2012: £6,228,000). Note 4 on the accounts provides detailed information in relation to the management fee.

Sub-managers' fees

The Manager incurred investment management fees from the sub-managers appointed to manage the North America portfolio. The Company reimburses the Manager for these fees, which in 2013 amounted to £1.8 million (2011: £1.5 million) (see note 4 on the accounts).

Private equity managers' fees

The fees paid to Pantheon and HarbourVest in respect of the private equity funds of funds amounted to £6.0 million for 2013 (2012: £6.3 million) of which £0.6 million was paid directly and £5.4 million was incurred indirectly through the funds. Some of the funds have arrangements whereby these private equity managers share in the profits once certain "hurdle" rates of return to investors have been achieved. These arrangements are varied and complex, but are on normal commercial terms within the private equity funds of funds industry. Fees payable by the underlying funds are negotiated by Pantheon and HarbourVest. The arrangements also vary from fund to fund, but management fees of 2% per annum and a 20% carried interest, once an agreed hurdle rate of return for investors has been achieved, would be normal.

"Foreign & Colonial" and "F&C"

Once a subsidiary of Foreign & Colonial, F&C is now owned by F&C Asset Management plc, a large pan-European investment group listed on the London Stock Exchange. Foreign & Colonial has a long association with F&C, having originally established and developed the business for the purpose of managing its assets as far back as 1953.

Part of the legacy is that the names "Foreign & Colonial" and "F&C" are often used synonymously and incorrectly by commentators in the public arena. However, the companies each own their respective names and are two distinct and completely independent entities. The Company's relationship with F&C is fully arms-length with no cross-directorships or common share interests.

Manager evaluation process

The Manager's performance is considered at every Board meeting, with a formal evaluation in January of each year. For the purposes of its ongoing monitoring, the Board receives detailed reports and views from the Fund Manager on investment policy, asset allocation, gearing and risk, together with quarterly presentations on the F&C managed regional portfolios. Quarterly updates are received from the US sub-managers. The Board also receives comprehensive performance measurement schedules, provided by Morningstar UK Limited and F&C. These enable it to assess the success or failure of the management of the total portfolio against the performance objectives set by the Board, to assess the sources of positive and negative contribution to the portfolio in terms of gearing, asset allocation and stock selection and to assess the performance of each region against its local index and the risk/return characteristics of the portfolio.

Asset allocation, stock selection and gearing attribution

%	1 year	3 years	5 years
Asset allocation	(3.1)	(3.4)	(4.2)
Stock selection	1.1	1.6	0.7
Gearing	3.2	5.1	7.3

Based on debt at market value.

The table shows the contributions to total return versus the Company's benchmark from asset allocation, stock selection and gearing decisions over one, three and five years.

Source: F&C

Manager reappointment

The annual evaluation took place in January 2014 with presentations from FCAM's Chief Executive Officer, Co Head of Investment, the Fund Manager and the Head of Investment Trusts. This focused primarily on investment performance and an overview of the proposals for the agreed takeover of FCAM by Bank of Montreal. With regard to performance, the Manager had beaten the Company's benchmark and the weighted average of the net asset value total return of the AIC Global sector over one, three and five years. It had underperformed slightly against the peer group over ten years but had comfortably outperformed against the benchmark. Asset allocation had been negative and gearing positive in a rising market. Stock selection had again been strong in Europe and North America but was again disappointing in Emerging Markets and Japan. The UK had performed almost in line with the index but over longer periods had underperformed. The Board noted F&C's plans to address this. The Board's assessment also took into account the progress that had been made with F&C over objectives set for 2013 covering both investment and marketing topics.

The Board met in closed session following the presentations and concluded that in their opinion the continuing appointment of F&C as Manager on the terms agreed was in the interests of shareholders as a whole.

Regional portfolio attribution in Sterling

	1 year %		3 years %*		5 years %*	
Region	Return	Index return	Return	Index return	Return	Index return
UK	18.7	18.9	23.2	28.9	77.9	92.1
North America	35.1	28.3	57.7	43.8	124.7	96.6
Europe ex UK	29.6	26.5	52.2	26.9	99.7	60.9
Japan	23.0	25.0	7.3	12.4	17.0	26.1
Emerging Markets	(7.4)	(4.1)	(14.4)	(10.3)	61.6	75.8
Global Income#	8.9	–	–	–	–	–
Global Funds#	1.3	–	–	–	–	–
Private Equity	8.2	–	29.1	–	33.4	–

*Returns are cumulative
#Established 22 January 2013

Source: F&C

Directors' Report (continued)

North American performance (US Dollars)

	31 December 2013 Value (US$m)	31 December 2013 % of US Portfolio	12 month performance %
T Rowe Price US Large Cap Growth*	566.7	43.9	41.9
Barrow Hanley US Large Cap Value*	568.1	44.0	34.7
US Smaller Companies F&C managed portfolio	155.1	12.1	34.5
Total North America portfolio	1,289.9	100.0	37.7
S&P 500 Total Return Index			32.4
Russell 1000 Value Index			32.5
Russell 1000 Growth Index			31.3
Russell 2000 Index			38.8

* The mandate aims to outperform the S&P 500 benchmark index by 2% per annum, annualised on a rolling three year basis.

Source: F&C

Private equity portfolio

		Original commitment €'000s	Cumulative commitment drawn down €'000s	Commitment outstanding 31 December €'000s	Cumulative cash returned €'000s	Value of holding 31 December €'000s
Total Euro denominated portfolio	2013	290,000	260,875	29,125	176,898	174,795
	2012	290,000	251,375	38,625	132,537	197,214
		US$'000s	US$'000s	US$'000s	US$'000s	US$'000s
Total US Dollar denominated portfolio	2013	589,050	500,490	88,560	255,712	408,328
	2012	589,050	474,129	114,921	166,119	428,606

		Commitment outstanding 31 December 2013 £'000s	Value of holding 31 December 2013 £'000s
Total private equity portfolio(1)	Brought forward	102,027	424,107
Committed in 2013(2)		–	–
Cash drawn in 2013(2)		(24,612)	24,612
Cash returned in 2013(2)		–	(94,707)
Valuation movements(3)		–	36,284
Exchange movements		287	1,665
Total private equity portfolio(3)	Carried forward	77,702	391,961

(1) At exchange rates ruling at 31 December 2012
(2) At actual exchange rates in 2013
(3) At exchange rates ruling at 31 December 2013

Source: F&C

Annual General Meeting

The Annual General Meeting will be held at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2 on Tuesday, 29 April 2014 at 12 noon. The Notice of Annual General Meeting appears on pages 67 to 70 and includes a map of the venue. The Fund Manager will give a presentation and there will be an opportunity to meet the new Fund Manager and ask questions during the meeting. Shareholders will be able to meet the Directors informally over refreshments after the meeting.

Authority for the Company to purchase its own shares (Resolution 15)

Resolution 15 authorises the Company to purchase in the market up to a maximum of 85,450,000 ordinary shares (equivalent to approximately 14.99% of the issued share capital) for cancellation at a minimum price of 25 pence per share and a maximum price per share of not more than 5% above the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately before the date of purchase.

The Directors would continue to use this authority in accordance with the strategy set out on page 7. Purchased shares will continue to be cancelled.

Purchases of ordinary shares under the authority will be financed out of realised revenue and/or capital reserves and funded from the Company's own cash resources or, if appropriate, from short-term borrowings.

The authority to purchase ordinary shares will continue until the annual general meeting in 2015. The Board intends to seek a renewal of such authority at subsequent annual general meetings.

Authority of Directors to allot shares (Resolution 16)

Resolution 16 is similar in content to the authority and power given to the Directors at previous annual general meetings. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash, without first offering them to existing shareholders in proportion to their holdings. Resolution 16 gives the Directors the necessary authority to allot securities up to an aggregate nominal amount of £7,129,000 (28,516,000 ordinary shares, being equivalent to approximately 5% of the issued share capital), with the power to allot such securities for cash otherwise than to existing shareholders on a pro-rata basis. The authority and power expires at the conclusion of the annual general meeting in 2015.

This authority and power provides the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares, should any favourable opportunities arise to the advantage of shareholders.

The Directors can, if necessary, use the authority and power to satisfy demand from participants in the F&C Private Investor, Pension Savings or Children's Investment Plans, the F&C Child Trust Fund, Junior ISA or an F&C Individual Savings Account (the "**F&C Savings Plans**") when they believe it is advantageous to such participants and the Company's shareholders to do so. Under no circumstances would the Directors use the authority and power to issue shares at a price which would result in a dilution of net asset value per ordinary share.

Amendments to the articles of association (Resolution 17)

It is proposed that the Company adopt new articles of association. The proposed new articles reflect further changes in company and tax laws and relevant corporate governance rules and practices.

The Company will be an alternative investment fund for the purposes of the AIFMD. It is therefore proposed to amend the articles of association in order to reflect certain requirements arising as a result of the implementation of the Directive. In particular, the articles of association have been amended so that the Board may authorise a depositary appointed by the Company to avail itself of a contractual discharge of liability in certain circumstances, and provided always that other conditions for such discharge have been met.

Directors' Report (continued)

There have been recent changes to UK tax and corporate laws concerning investment trusts and investment companies. As a result of these changes, the requirement for such companies to have a restriction in their articles of association prohibiting the distribution of realised capital profits has been removed. Accordingly, it is proposed that the Company's articles of association be amended to reflect the new position. Note, however, that the Board has no current intention of paying dividends out of capital.

The full terms of the proposed new articles of association (including a copy marked to show changes to the existing articles of association) will be available for inspection at the Company's registered office.

VOTING

Form of proxy

If you are a registered shareholder you will find enclosed a form of proxy for use at the Annual General Meeting. You will also have the option of lodging your proxy vote using the Internet. For shares held through CREST, proxy appointments may be submitted via the CREST proxy voting system. Please either complete, sign and return the form of proxy in the envelope provided as soon as possible in accordance with the instructions or, alternatively, lodge your proxy vote via the Internet or the CREST proxy voting system, whether or not you intend to be present at the Annual General Meeting. This will not preclude you from attending and voting in person if you wish to do so.

All proxy appointments should in any event be returned or lodged so as to be received not later than 48 hours before the time appointed for holding the Annual General Meeting.

Form of direction and proportional voting

If you are an investor in any of the F&C Savings Plans, you will have received a form of direction for use at the Annual General Meeting and you will also have the option of lodging your voting directions using the Internet. The Manager operates a proportional voting arrangement, which is explained on page 19.

All voting directions should be made as soon as possible in accordance with the instructions on the form of direction and, in any event, not later than 96 hours before the time appointed for holding the meeting, so that the nominee company can submit a form of proxy before the 48 hour period begins.

Recommendation

Your Board considers that the resolutions to be proposed at the Meeting are in the best interests of shareholders as a whole. The Board therefore recommends that shareholders vote in favour of each resolution, as the Directors intend to do in respect of their own beneficial holdings.

By order of the Board,
for and on behalf of F&C Management Limited,
Secretary
3 March 2014

Corporate Governance Statement

Introduction

The Board has considered the principles set out in the UK Corporate Governance Code ("**the UK Code**") and the AIC Code of Corporate Governance (the "**AIC Code**").* The Board believes that during the period under review the Company has complied with the provisions of the UK Code, in so far as they relate to the Company's business. The Board is also adhering to the principles and recommendations of the AIC Code.

Articles of association

The Company's articles of association may only be amended by special resolution at general meetings of shareholders.

The Board

The Board is responsible for the effective stewardship of the Company's affairs and reviews the schedule of matters reserved for its decision, which are categorised under various headings. These include strategy, policy, finance, risk, investment restrictions, performance, marketing, appointments, the Board and public documents. It has responsibility for all corporate strategic issues, dividend policy, share buyback policy and corporate governance matters which are all reviewed regularly.

In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. At each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objectives and is responsible for setting investment and gearing limits within which the Fund Manager has discretion to act, and thus supervises the management of the investment portfolio which is contractually delegated to the Manager.

The Board has the right of veto over the appointment of sub-managers recommended by the Fund Manager. The Board has responsibility for the approval of private equity and unlisted investments and all investments in in-house funds managed or advised by the Manager.

* Copies of both codes may be found on the respective websites: www.frc.org.uk and www.theaic.co.uk. Investors in New Zealand should note that the corporate governance rules and principles applicable to the Company in the UK may differ from those of the New Zealand Stock Exchange's Corporate Governance Best Practice Code.

There is no chief executive position within the Company, as day-to-day management of the Company's affairs has been delegated to the Manager.

The following table sets out the number of Board and committee meetings held and attended during the year under review. The Board held a strategy meeting in September 2013 to consider strategic issues and also met in closed session on two occasions during the year, without any representation from the Manager. Separate meetings of the Audit and Management Engagement Committee were also held to consider the AIFMD and bank financing. All the Directors attended the Annual General Meeting.

Directors' attendance

	Board	Audit and Management Engagement Committee	Nomination Committee
No. of meetings	8	4	1
Simon Fraser[1]	8	4	1
Sarah Arkle	8	4	n/a
Sir Roger Bone	8	n/a	1
Stephen Burley	7	4	n/a
Francesca Ecsery[2]	3	n/a	n/a
Jeff Hewitt	8	4	n/a
Christopher Keljik	8	4	1
Nicholas Moakes	8	n/a	1

(1) Attends but is not a member of the Audit Committee.
(2) Joined the Board on 1 August 2013.

Each Director has signed a terms of appointment letter with the Company, in each case including one month's notice of termination by either party. These are available for inspection at the Company's registered office during normal business hours and are also available at annual general meetings.

Directors are able to seek independent professional advice at the Company's expense in relation to their duties. No such advice was taken during the year under review. The Board has direct access to company secretarial advice and services of the Manager which, through the Company Secretary, is responsible for ensuring that Board and Committee procedures are followed and applicable regulations are complied with. The proceedings at all Board and other meetings are fully recorded through a process

Corporate Governance Statement (continued)

that allows any Directors' concerns to be recorded in the minutes. The Board has the power to appoint or remove the Company Secretary in accordance with the terms of the Management Agreement. The powers of the Board relating to the buying back of the Company's shares are explained on pages 7, 19 and 23. There is an explanation of the Board's powers to issue shares on page 23.

Appointments, diversity and succession planning

Under the articles of association of the Company, the number of directors on the Board may be no more than fifteen. Directors may be appointed by the Company by ordinary resolution or by the Board. All new appointments by the Board are subject to election by shareholders at the next AGM and institutional shareholders are given the opportunity to meet any newly appointed Director if they wish. All the other Directors stand for re-election by shareholders annually.

The final decision with regard to new appointments always rests with the Board. A professional search consultancy is appointed for the purpose of finding suitable candidates. An induction process is in place for new appointees and all Directors are encouraged to attend relevant training courses and seminars. One new appointment was made during the year.

The Board believes in the benefits of having a diverse range of skills and backgrounds, including gender and length of service, on its board of Directors. All appointments will continue to be based on merit and therefore the Board is unwilling to commit to numerical diversity targets. The Board is also of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company, where continuity and experience can add significantly to the strength of the board. In normal circumstances the Directors are expected to serve for a nine year term, but this may be adjusted for reasons of flexibility and continuity.

Board effectiveness

The 2013 annual appraisal of the Board, the Committees and the individual Directors has been carried out by the Chairman with the support of independent consultants, The Board Advisory Partnership LLP. The process included confidential unattributable one-to-one interviews between the independent consultant and each Director. The Fund Manager, Head of Investment Trusts and the Company Secretary also participated to provide all-round feedback to the Board. The appraisal of the Chairman was covered as part of the process and led separately by the Senior Independent Director.

The progress in achieving the objectives set for 2013 and those relating to the critical success factors established and identified in 2010 were reviewed as part of the process. One-to-one meetings between the Chairman and each Director will take place in March 2014 for the purpose of providing individual feedback and establishing an overall conclusion on the effectiveness of the Board. A report incorporating a modified list of priorities will be presented to the Board for approval.

Removal of Directors

The Company may by special resolution remove any Director before the expiration of his period of office and may by ordinary resolution appoint another person who is willing to act to be a Director in his place.

Any Director automatically ceases to be a Director if:

(i) they give the company a written notice of resignation,

(ii) they give the company a written offer to resign and the Board resolves to accept this offer,

(iii) all of the other Directors remove them from office by notice in writing served upon them,

(iv) in the written opinion of a registered medical practitioner they are or have become physically or mentally incapable of acting as a Director and are likely to remain so for more than three months,

(v) by reason of a Director's mental health, a court makes an order which wholly or partly prevents that Director from personally exercising any powers or rights which that Director would otherwise have,

(vi) a bankruptcy order is made against them or they make any arrangement or composition with their creditors generally,

(vii) they are prohibited from being a Director by law; or

(viii) they are absent from Board meetings for six consecutive months without permission and the other Directors resolve that their office should be vacated.

Independence of Directors

The Board, which is composed solely of independent non-executive Directors, regularly reviews the independence of its members. All the Directors have been assessed by the Board as remaining independent of the Manager and of the Company itself; none has a past or current connection with the Manager and each remains independent in character and judgement with no relationships or circumstances relating to the Company that are likely to affect that judgement.

Conflicts of interest

A company director has a statutory obligation to avoid a situation in which he or she has, or potentially could have, a direct or indirect interest that conflicts with the interests of the company (a "**situational conflict**"). The Board therefore has procedures in place for the authorisation and review of situational conflicts relating to the Directors. Limits can be imposed as appropriate.

Other than the formal authorisation of the Directors' other directorships as situational conflicts, no authorisations have been sought. These authorisations were reviewed in January 2014, and each Director abstained from voting in respect of their own directorships.

Aside from situational conflicts, the Directors must also comply with the statutory rules requiring company directors to declare any interest in an actual or proposed transaction or arrangement with the Company.

Audit and Management Engagement Committee

The Board has established an Audit and Management Engagement Committee, the role and responsibilities of which are set out in the report on page 32.

Nomination Committee

The role of the Nomination Committee is to review and make recommendations to the Board with regard to:

(i) Board structure, size and composition, the balance of knowledge, experience, skill range and diversity;

(ii) succession planning and tenure policy;

(iii) the criteria for future Board appointments and the methods of recruitment, selection, appointment and induction;

(iv) the appointment of new Directors and the re-appointment of those Directors standing for re-election at annual general meetings;

(v) changes in committee membership;

(vi) the attendance and time commitment of the Directors in fulfilling their duties, including the extent of their other directorships;

(vii) the question of each Director's independence prior to publication of the Annual Report and Accounts;

(viii) the authorisation of each Director's situational conflicts of interests in accordance with the provisions of the Companies Act 2006 and the policy and procedures established by the Board in relation to these provisions; and

(ix) the Directors' contract for services and terms of office as set out in their Letter of Appointment.

All of the Nomination Committee's responsibilities have been carried out over the course of 2013 and in January 2014.

The Committee's terms of reference are available on request and can also be found on the Company's website at www.foreignandcolonial.com. Committee membership is listed on pages 14 and 15 and attendance at meetings on page 25.

Remuneration Committee

As the Board has no executive Directors and no employees, and is composed solely of non-executives, it does not have a remuneration committee. Detailed information on the remuneration arrangements for the Directors of the Company can be found in the Directors' Remuneration Policy and Directors' Annual Report on Remuneration on pages 29 to 31 and in note 5 on the accounts.

Relations with shareholders

Shareholder communication is given a high priority. In addition to the annual and half-yearly reports that are available to shareholders, monthly fact sheets and general information are available on the Company's website at www.foreignandcolonial.com.

A regular dialogue is maintained with the Company's institutional shareholders and with private client

Corporate Governance Statement (continued)

asset managers. As in previous years, the Chairman contacted the top institutional shareholders, as a result of which email correspondence took place with a small number of these shareholders. Reference to significant holdings in the Company's ordinary shares can be found under "Voting rights and proportional voting" on page 19.

At annual general meetings, all investors have the opportunity to question and meet the Chairman, the Board and the Fund Manager.

All beneficial shareholders in the F&C savings plans have the opportunity to vote using a form of direction and have the right to attend, speak and vote at all meetings. The Manager has stated that the nominee company will vote the shares held on behalf of planholders who have not returned their voting directions in proportion to the directions of those who have.

Shareholders wishing to communicate with the Chairman, the Senior Independent Director or any other member of the Board may do so by writing to the Company, for the attention of the Company Secretary, at the address set out on page 16 or by email to FCITCoSec@fandc.com.

By order of the Board
for and on behalf of F&C Management Limited
Secretary
3 March 2014

Remuneration Report

Directors' Remuneration Policy

This section provides details of the remuneration policy for the Directors of the Company, which shareholders will be asked to approve at the forthcoming Annual General Meeting. If the resolution is passed, the policy provisions will apply until they are next put to shareholders for approval, which must be at intervals of not less than three years.

The Board considers the level of Directors' fees at least annually. The Company's articles of association limit the aggregate fees payable to the Board of Directors to a total of £500,000 per annum. Within that limit, it is the responsibility of the Board as a whole to determine and approve the Directors' fees, following a recommendation from the Chairman and, in his case, from the Senior Independent Director; the Board of Directors is composed solely of non-executive Directors, none of whom has a service contract with the Company, and therefore no remuneration committee has been appointed.

The Board's policy is to set Directors' remuneration at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole in continuing to achieve the investment objective. Time committed to the Company's business and the specific responsibilities of the Chairman, Senior Independent Director, Directors and the chairmen and members of the various committees of the Board and their retention are taken into account. The policy aims to be fair and reasonable in relation to comparable investment trusts and other similar sized financial companies. It is intended that this policy will continue for the three year period ending at the Annual General Meeting 2017.

The fees are fixed and are payable in cash, quarterly in arrears. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Each new Director is provided with a letter of appointment. There is no provision for compensation upon early termination of appointment. The letters of appointment are available on request at the Company's registered office during business hours and will be available for 15 minutes before and during the forthcoming Annual General Meeting, at which all Directors will stand for re-election or election.

The fees for specific responsibilities are set out in the table below.

Annual fees for Board responsibilities

	2013 £'000s	2012 £'000s
Board		
Chairman	**66.0**	64.0
Senior Independent Director	**39.3**	38.3
Director	**33.0**	32.0
Audit and Management Engagement Committee		
Chairman	**10.0**	10.0
Members	**5.0**	5.0
Nomination Committee		
Chairman	**3.0**	3.0
Members	**3.0**	3.0

Based on the current levels of fees, Directors' remuneration for the year ending 31 December 2014 would be as follows:

	2014 £'000s	**2013* £'000s**
Simon Fraser	69.0	**69.0**
Sarah Arkle	38.0	**38.0**
Sir Roger Bone	36.0	**36.0**
Stephen Burley	38.0	**38.0**
Francesca Ecsery	33.0	**13.8**
Jeffrey Hewitt	43.0	**43.0**
Christopher Keljik	47.3	**47.3**
Nicholas Moakes	36.0	**36.0**
Total	340.3	**321.1**

*Actual

Remuneration Report

Directors' Annual Report on Remuneration

Shareholders will be asked to approve this Directors' Annual Report on Remuneration at the forthcoming Annual General Meeting.

At the Company's last Annual General Meeting, held on 23 April 2013, 91.6% of the votes cast were in favour of the resolution to approve the Directors' Remuneration Report in respect of the year ended 31 December 2012.

Directors' emoluments for the year

The Chairman's fee and Directors' basic fee were last increased on 1 January 2013. The Directors who served during the year received the following emoluments in the form of fees:

Fees for services to the Company (audited)

Director	2013 £'000s	2012 £'000s
Simon Fraser(1)	**69.0**	66.2
Sarah Arkle(2)	**38.0**	35.2
Sir Roger Bone	**36.0**	35.0
Stephen Burley	**38.0**	37.0
Francesca Ecsery(3)	**13.8**	–
Jeffrey Hewitt	**43.0**	42.0
Christopher Keljik(4)	**47.3**	46.0
Nicholas Moakes(5)	**36.0**	33.9
Sir Michael Bunbury(6)	**–**	14.3
Sir David Clementi(6)	**–**	12.5
Total	**321.1**	322.1

(1) Highest paid Director
(2) Joined the Audit & Management Engagement Committee on 8 May 2012
(3) Appointed a Director on 1 August 2013
(4) Joined the Nomination Committee on 26 January 2012
(5) Joined the Nomination Committee on 8 May 2012
(6) Retired as Director on 8 May 2012.

The table below shows the actual expenditure during the year in relation to Directors' remuneration and shareholder distributions:

	2013 £'000s	2012 £'000s	% Change
Aggregate Directors' Remuneration	321.1	322.1	-0.3%
Aggregate Dividends paid to Shareholders	49,862	47,128	+5.8%
Aggregate cost of ordinary shares repurchased	24,573	40,414	-39.2%

Towards the end of the year the Chairman carried out a review of fee rates. The Board agreed his recommendation that no increases be made for the year commencing 1 January 2014.

Directors' shareholdings

The Directors who served during the year held the following interests in the Company's Ordinary Shares at the year end:

Directors' share interests (audited)

	2013	2012
Simon Fraser	**36,508**	36,377
Sarah Arkle	**10,000**	10,000
Sir Roger Bone	**46,617**	26,255
Stephen Burley	**25,000**	25,000
Francesca Ecsery	**–**	–
Jeffrey Hewitt	**15,652**	13,675
Christopher Keljik	**61,788**	60,610
Nicholas Moakes*	**1,252**	–

*Nicholas Moakes also holds 16,574 units in the Skandia F&C Investment Fund, a collective investment fund investing solely in the Company's shares.

The Company's register of Directors' interests contains full details of Directors' shareholdings.

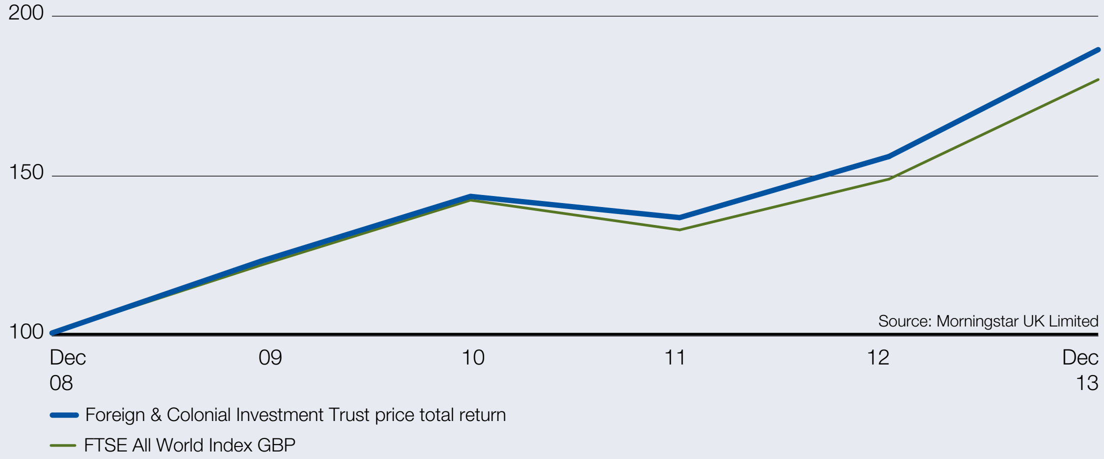
As at 3 March 2014 the Fund Manager held 480,821 shares in the Company (31 December 2013: 477,194 shares).

Since the year end, the following Directors have acquired further ordinary shares: Simon Fraser 37, Christopher Keljik 285, Sir Roger Bone 794, Jeffrey Hewitt 353 and Francesca Ecsery 808. There have been no changes in any of the other Directors' shareholdings detailed above. No Director held any interests in the issued stocks or shares of the Company other than as stated above.

Company Performance

The Board is responsible for the Company's investment strategy and performance, whilst the management of the investment portfolio is delegated to the Manager. The graph on page 31 compares, for the five financial years ended 31 December 2013, the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the Company's benchmark, the FTSE All World Index. An explanation of the performance of the Company for the year

Benchmark total return over five years



It is a company law requirement to compare the performance of the Company's share price to a single broad equity market index. As the Manager's performance is measured against FTSE All World Index GBP. A ten-year performance graph can be found on page 4.

ended 31 December 2013 is given in the Chairman's Statement and Fund Manager's Review.

On behalf of the Board
Simon Fraser
Director
3 March 2014

Report of the Audit and Management Engagement Committee

Role of the committee

The primary responsibilities of the Audit and Management Engagement Committee are to monitor the integrity of the financial reporting and statements of the Company, and to oversee the audit of the annual and half-yearly accounts and the internal control and risk management processes. The committee met on four occasions during the year with the Manager's Head of Trust Accounting, Head of Internal Audit and the Fund Manager in attendance. PwC attended all of the scheduled committee meetings and occasionally met in closed session with the committee.

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

- The audited results statements, annual and half-yearly reports and accounts and interim management statements;
- The accounting policies of the Company;
- The effectiveness of the Company's internal control environment;
- The effectiveness of the audit process and the independence and objectivity of PwC, their reappointment, remuneration and terms of engagement;
- The policy on the engagement of PwC to supply non-audit services;
- The need for the Company to have its own internal audit function;
- The implications of proposed new accounting standards and regulatory changes;
- The receipt of AAF and SSAE16 reports or their equivalent from the Custodian, the private equity managers and the sub-managers and a due diligence report from the Company's share registrars;
- The performance of the Company's third party service providers and administrators, and the fees charged in respect of those services including those of the Manager and Custodian;
- Counterparty approval and the Manager's dealing efficiency and associated costs;
- Investment restrictions including limits on the writing of options;
- Compliance with the provisions of the trust deed for the 11.25% debenture stock 2014;
- The Company's trade marks and intellectual property rights;
- Directors' and officers' liability insurance; and
- The committee's terms of reference.

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

Composition of the committee

Committee membership is listed on pages 14 and 15 and its terms of reference can be found on the website at www.foreignandcolonial.com. All the committee members are independent non-executive Directors. Jeff Hewitt, chairman of the committee, is a chartered accountant and was for many years Group Finance Director of Electrocomponents plc. He was, until recently, the External Chairman of the Audit and Risk Committee of the John Lewis Partnership as well as being audit committee chairman of other listed companies. The other members of the committee have a combination of financial, investment and business experience through the senior posts held throughout their careers.

Internal controls and management of risk

The Board has overall responsibility for the Company's systems of internal controls, for reviewing their effectiveness and ensuring that risk management and control processes are embedded in the day-to-day operations of the Company. The committee has reviewed and reported to the Board on these controls, which aim to ensure that the assets of the Company are safeguarded, proper accounting records are maintained, and the financial information used within the business and for publication is reliable. Control of the risks identified, covering financial, operational, compliance and overall risk management, is exercised through regular reports provided by the Manager on investment performance, performance attribution, compliance with agreed investment restrictions, financial analyses, revenue estimates, performance of the third party administrators of the F&C savings plans and on other management issues. The committee has direct access to the Manager's group audit committee and its Internal Audit Department prepares a control report that provides details of any internal significant control failure. A key risk summary is also produced to help identify the risks to which the Company is exposed and the controls in place to mitigate them, including risks that are not directly the responsibility of the Manager. The Company's principal risks are set out on page 13 with additional information given in note 26 on the accounts.

The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement, or loss or fraud. Further to the review of the committee, the Board has assessed the effectiveness of the internal control systems, including a review of the Manager's risk management infrastructure and the report on policies and procedures in operation and tests for the period 1 January to 31 December 2013 (the "**Report**"). This has been prepared by the Manager for its investment trust clients to the standards of the Institute of Chartered Accountants in England and Wales Technical Release AAF (01/06).

Containing a report from independent external accountants, the Report sets out the Manager's control policies and procedures with respect to the management of its clients' investments and maintenance of their financial records. The effectiveness of these controls is monitored by the Manager's group audit committee, which receives regular reports from the Manager's Internal Audit Department. Procedures are in place to capture and evaluate failings and weaknesses and ensure that action would be taken to remedy any significant issues identified from this monitoring, which would be reported to the Board. No failings or weaknesses material to the overall control environment and financial statements were identified in the year under review.

Through the procedures noted above the committee assisted the Board in its ongoing process for identifying; evaluating and managing the Company's significant risks and in the regular and recent review of internal controls (in accordance with the Turnbull Guidance).

Following a recommendation from the committee, the Board has concluded that there is no current need for the Company to have an internal audit function. All of the Company's management functions are delegated to the Manager, which has its own internal audit department, and whose controls are monitored by the Committee and Board.

External audit process – significant issues

In carrying out its responsibilities the committee has considered the planning arrangements, materiality levels and conclusions of the audit for the period under review.

PwC carried out an interim audit for the half-year ended 30 June 2013 and in October 2013 the committee considered and approved PwC's plan for the full year audit.

The table on page 34 describes the significant issues considered by the committee in relation to the financial statements for the year ended 31 December 2013 and how these issues were addressed.

The committee met in February 2014 to discuss the draft final Report and Accounts for the year ended 31 December 2013, with representatives of the auditor and the Manager in attendance.

The committee established and agreed that there were no material issues arising which needed to be brought to the attention of the Board. PwC submitted their report to the committee at this meeting and confirmed that they had no reason not to issue an unqualified audit report in respect of the Report and Accounts for the year. The committee subsequently recommended to the Board that the Report and Accounts were in their view, fair, balanced and understandable in accordance with accounting standards, regulatory requirements and best practice. The unqualified audit report, which sets out the scope of the audit and the areas of focus, in compliance with applicable auditing standards, can be found on pages 37 to 40.

Report of the Audit and Management Engagement Committee (continued)

Significant Issues considered by the Audit and Management Engagement Committee in 2013

Matter	Action
Investment Portfolio Valuation	
The Company's portfolio is invested in securities listed on recognised stock exchanges and in private equity investments. The listed securities are highly liquid. The private equity portfolio comprises funds of funds holding a diversity of unlisted investments whose values are subjective. Errors in valuation of the portfolio could have a material impact on the Company's net asset value per share.	The committee reviewed the Manager's, sub-managers' and private equity managers' annual internal control reports which are reported on by independent external auditors and which detail the systems and controls around the daily pricing and valuation of securities. The committee reviewed the valuation of the unlisted portfolio in detail twice in the year and had access to the managers of the private equity funds of funds.
Misappropriation of Assets	
Misappropriation of the Company's investments or cash balances could have a material impact on its net asset value per share.	The committee reviewed the Manager's annual internal control report for the year ended 31 December 2013 which details the controls around the reconciliation of the Manager's records to those of the Custodian. The Audit Committee also reviewed the Custodian's annual internal control report to 30 September 2013, which is reported on by independent external accountants and which provides details regarding its control environment. Regular updates from the Manager and Custodian, in respect of controls operating in subsequent periods up to 31 December 2013, were also reviewed.
Income Recognition	
Incomplete or inaccurate recognition could have an adverse effect on the Company's net asset value and earnings per share and its level of dividend cover.	The committee reviewed the Manager's annual internal control report and updates. It also compared the final level of income received for the year to the budget which was set at the start of the year and discussed the accounting treatment of special dividends with the Manager.

Auditor assessment, independence and appointment

As part of the review of auditor independence and effectiveness, PwC have confirmed that they are independent of the Company and have complied with relevant auditing standards. In evaluating PwC, the committee has taken into consideration the standing, skills and experience of the firm and the audit team. From direct observation and indirect enquiry of management, the committee remains satisfied that PwC continue to provide effective independent challenge in carrying out their responsibilities. Nevertheless, the appointment has not previously been put out to tender and, as indicated last year, a tender will be conducted later in 2014, in conjunction with the rotation of the audit partner. Meanwhile, the committee has recommended the reappointment of PwC to the Board ahead of the tender taking place.

The Company's policy with regard to the provision by PwC of non-audit services is that: the services should not be managed by members of the audit engagement team; the services should not have a material effect on the financial statements; and the fees thereon should not be contingent. The committee has reviewed the provision of such non-audit services in 2013, totalling £10,000. PwC has confirmed to the committee that the services were provided in compliance with the Company's policy, and the committee considers the services to have been cost-effective and not to have compromised the independence of PwC. The non-audit services include taxation matters and assistance in analysing and mitigating risk. The chairman of the committee is advised of non-audit work required and a decision to authorise is taken on a case-by-case basis. Further information can be found in note 5 on the accounts.

The activities of the committee were evaluated as part of the Board appraisal process.

Jeffrey Hewitt
Audit and Management
Engagement Committee Chairman
3 March 2014

Statement of Directors' Responsibilities in Respect of the Financial Statements

As required by company law, the Directors are responsible for the preparation of the Annual Report and Accounts, which is required to include a Strategic Report, Directors' Report, Directors' Annual Report on Remuneration and Corporate Governance Statement. The Directors must not approve the financial statements unless in their opinion they give a true and fair view of the state of affairs of the Company as at 31 December 2013 and of the results for the year then ended. The Directors are also responsible for ensuring that the Annual Report and Accounts is fair, balanced and understandable and that adequate accounting records are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Annual Report on Remuneration comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. In preparing the financial statements, suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made.

The Annual Report and Accounts is published on the www.foreignandcolonial.com website, which is maintained by F&C. The content and integrity of the website maintained by F&C or any of its subsidiaries is, so far as it relates to the Company, the responsibility of F&C. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Overseas visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the Annual Report and Accounts may differ from legislation in their jurisdiction.

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

- the financial statements have been prepared in accordance with applicable UK generally accepted accounting standards, on a going concern basis, and give a true and fair view of the assets, liabilities, financial position and return of the Company;
- the Strategic Report includes a fair review of the development and performance of the Company and the important events that have occurred during the financial year and their impact on the financial statements, including a description of principal risks and uncertainties for the forthcoming financial year; and
- the financial statements and the Directors' Report include details on related party transactions.

On behalf of the Board
Simon Fraser
Chairman
3 March 2014

Independent Auditors' Report

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its net return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Foreign & Colonial Investment Trust PLC (the 'Company'), comprise:

- the balance sheet as at 31 December 2013;
- the income statement for the year then ended;
- the reconciliation of movements in shareholders' funds and the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report and Accounts (the 'Annual Report') to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined an overall materiality for the financial statements as a whole of £24.3 million, which is approximately 1% of Net Assets.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.2 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Company is a standalone Investment Trust Company managed by an independent investment manager, F&C Management Limited (the 'Investment Manager').

The financial statements, which remain the responsibility of the Directors, are prepared on their behalf by the Investment Manager. The Investment Manager has, with the consent of the Directors, delegated the provision of certain administrative functions to State Street Bank and Trust Company (the 'Company Administrator').

In establishing the overall approach to our audit we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the Company's interaction with the Investment Manager and Company Administrator, and we assessed the control environment in place at both organisations to the extent relevant to our audit of the Company.

Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Independent Auditors' Report (continued)

Areas of particular audit focus

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit.

We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 34.

Area of focus	How the scope of our audit addressed the area of focus
Valuation and existence of investments	
We focused on this area because investments represent the principal element of the financial statements and some private equity valuations are subjective.	The investment portfolio comprises listed equity investments and investments in private equity through funds or partnerships. We tested the existence of the investment portfolio by agreeing the holdings to an independent confirmation. We tested the valuation of the listed investment portfolio by agreeing the valuation of 100% of the listed investments to independent third party sources. For the private equity portfolio, we obtained confirmation of the valuation from the private equity managers. We also discussed the valuations with them and the Investment Manager in order to challenge the appropriateness of the methodology and the valuations used.
Income recognition	
We focused on this area because incomplete or inaccurate income could have a material impact on the Company's net asset value and dividend cover.	We tested a sample of dividend receipts to independent third party sources. Our sample covered at least 50% of dividend income from listed investments and 100% of dividend income from unlisted investments. We have also performed tests on whether income the Company is entitled to has been recorded.
Risk of management override of internal controls	
ISAs (UK & Ireland) require that we consider management override of controls. We focused on this area because whilst the posting of journals is performed by the Company Administrator, the instruction is given by the Investment Manager who, along with the Directors, may exert bias or influence.	We tested journal entries to determine whether adjustments were supported by evidence and were appropriately authorised. We also built an element of "unpredictability" into our detailed testing.

Going Concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 17, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern.

Opinions on matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 17 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Company's performance, business model and strategy. On page 34, as required by C3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Independent Auditors' Report (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 36, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Alex Bertolotti (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 March 2014

Income Statement

Revenue Notes	Capital Notes	For the year ended 31 December	**2013** Revenue £'000s	**2013** Capital £'000s	**2013** Total £'000s	2012 Revenue £'000s	2012 Capital £'000s	2012 Total £'000s
	10	Gains on investments and derivatives	**–**	**386,631**	**386,631**	–	202,612	202,612
	20	Exchange (losses)/gains	**(198)**	**9,004**	**8,806**	(146)	8,523	8,377
3		Income	**63,106**	**–**	**63,106**	59,403	–	59,403
4	4	Management fees	**(4,545)**	**(5,159)**	**(9,704)**	(3,858)	(4,461)	(8,319)
5	20	Other expenses	**(2,131)**	**(67)**	**(2,198)**	(2,944)	(51)	(2,995)
		Net return before finance costs and taxation	**56,232**	**390,409**	**446,641**	52,455	206,623	259,078
6	20	Finance costs	**(8,685)**	**(8,685)**	**(17,370)**	(8,818)	(8,818)	(17,636)
		Net return on ordinary activities before taxation	**47,547**	**381,724**	**429,271**	43,637	197,805	241,442
7		Taxation on ordinary activities	**(3,510)**	**–**	**(3,510)**	(2,796)	–	(2,796)
8	8	**Net return attributable to shareholders**	**44,037**	**381,724**	**425,761**	40,841	197,805	238,646
8	8	**Net return per share – basic (pence)**	**7.69**	**66.68**	**74.37**	7.02	33.98	41.00

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

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

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

Reconciliation of Movements in Shareholders' Funds

Notes	For the year ended 31 December 2013	**Share Capital £'000s**	**Capital Redemption Reserve £'000s**	**Capital Reserves £'000s**	**Revenue Reserve £'000s**	**Total Shareholders' Funds £'000s**
	Balance brought forward 31 December 2012	144,298	118,464	1,711,696	104,538	2,078,996
9	Dividends paid	–	–	–	(49,862)	(49,862)
18	Shares repurchased by the Company	(1,708)	1,708	(24,573)	–	(24,573)
	Return attributable to shareholders	–	–	381,724	44,037	425,761
	Balance carried forward 31 December 2013	**142,590**	**120,172**	**2,068,847**	**98,713**	**2,430,322**

Notes	For the year ended 31 December 2012	Share Capital £'000s	Capital Redemption Reserve £'000s	Capital Reserves £'000s	Revenue Reserve £'000s	Total Shareholders' Funds £'000s
	Balance brought forward 31 December 2011	147,584	115,178	1,554,305	110,825	1,927,892
9	Dividends paid	–	–	–	(47,128)	(47,128)
18	Shares repurchased by the Company	(3,286)	3,286	(40,414)	–	(40,414)
	Return attributable to shareholders	–	–	197,805	40,841	238,646
	Balance carried forward 31 December 2012	144,298	118,464	1,711,696	104,538	2,078,996

Balance Sheet

Notes	At 31 December	£'000s	2013 £'000s	£'000s	2012 £'000s
	Fixed assets				
10	Investments		**2,623,202**		2,374,431
	Current assets				
12	Debtors	**5,280**		3,831	
	Cash at Bank and short term deposits	**32,477**		25,999	
		37,757		29,830	
	Creditors: amounts falling due within one year				
10	Derivative financial instruments	**(19)**		(34)	
13	Loans	**(30,000)**		(115,000)	
14	Debentures	**(110,000)**		–	
15	Other	**(3,827)**		(3,481)	
		(143,846)		(118,515)	
	Net current liabilities		**(106,089)**		(88,685)
	Total assets less current liabilities		**2,517,113**		2,285,746
	Creditors: amounts falling due after more than one year				
16	Loans	**(86,216)**		(96,175)	
17	Debentures	**(575)**		(110,575)	
			(86,791)		(206,750)
	Net assets		**2,430,322**		2,078,996
	Capital and reserves				
18	Share capital		**142,590**		144,298
19	Capital redemption reserve		**120,172**		118,464
20	Capital reserves		**2,068,847**		1,711,696
20	Revenue reserve		**98,713**		104,538
	Total shareholders' funds		**2,430,322**		2,078,996
21	**Net asset value per share – prior charges at nominal value (pence)**		**426.10**		360.19

The Financial Statements were approved by the Board on 3 March 2014 and signed on its behalf by:

Simon Fraser
Chairman

Jeffrey Hewitt
Director

Cash Flow Statement

Notes	For the year ended 31 December	£'000s	2013 £'000s	£'000s	2012 £'000s
	Operating activities				
	Investment income	**58,739**		57,352	
	Interest received	**32**		97	
	Stock lending fees received	**3**		274	
	Premium from option writing	**439**		1,025	
	Other revenue	**70**		369	
	Management fees paid	**(9,556)**		(8,248)	
	Fees paid to Directors	**(321)**		(322)	
	Other cash payments	**(2,067)**		(2,610)	
22	Net cash inflow from operating activities		**47,339**		47,937
	Servicing of finance				
	Interest paid	**(17,262)**		(17,780)	
	Cash outflow from servicing of finance		**(17,262)**		(17,780)
	Financial investment				
	Purchases of investments and derivatives	**(865,197)**		(499,960)	
	Sales of investments and derivatives	**1,002,646**		556,528	
	Other capital charges and credits	**(67)**		(49)	
	Net cash inflow from financial investment		**137,382**		56,519
	Equity dividends paid		**(49,862)**		(47,128)
	Net cash inflow before use of liquid resources and financing		**117,597**		39,548
	Management of liquid resources				
	Increase in short term deposits		**(9,432)**		(16,416)
	Financing				
	Net loans (repaid)/raised	**(85,000)**		42,939	
	Costs of shares repurchased	**(25,164)**		(39,830)	
	Net cash (outflow)/inflow from financing		**(110,164)**		3,109
23	**(Decrease)/increase in cash**		**(1,999)**		26,241

Notes on the Accounts

1 General information

Foreign & Colonial Investment Trust PLC is an Investment Company, incorporated in the United Kingdom with a premium listing on the London Stock Exchange. The Company Registration number is 12901, and the Registered office is Exchange House, Primrose Street, London, EC2A 2NY, England. The Company conducts its affairs so as to qualify as an Investment Trust under the provisions of Section 1158 of the Corporation Tax Act, 2010. Approval of the Company under S1158 has been received. The Company intends to conduct its affairs so as to enable it to continue to comply with the requirements of S1158. Such approval exempts the Company from UK Corporation Tax on gains realised in the relevant year on its portfolio of fixed asset investments and derivatives.

Under the Company's Articles of Association, 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 shown in the Reconciliation of Movement in Shareholders' Funds.

2 Significant accounting policies

(a) Basis of accounting

The accounts of the Company have been prepared on a going concern basis under the historical cost convention, modified to include fixed asset investments and derivatives at fair value, and in accordance with the Companies Act 2006, Accounting Standards applicable in the United Kingdom and with the Revised Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP") issued in January 2009.

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

The Company had no operating subsidiaries at any time during the years ended 31 December 2013 and 31 December 2012. Consequently, consolidated accounts have not been prepared.

There have been no significant changes to the accounting policies during the year ended 31 December 2013.

In accordance with the SORP, the Income Statement has been analysed between a Revenue Account (dealing with items of a revenue nature) and a Capital Account (relating to items of a capital nature). Revenue returns include, but are not limited to, dividend income and operating expenses and tax (insofar as the expenses and tax are not allocated to capital, as described in note 2(b) 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 derivatives and currency profits and losses on cash and borrowings.

(b) Principal accounting policies

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

(i) Financial instruments

Financial Instruments include fixed asset investments, derivative assets and liabilities, and long-term debt instruments, cash and short-term deposits, debtors and creditors. Accounting Standards recognise a hierarchy of fair value measurements, for financial instruments measured at fair value in the Balance Sheet, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The classification of financial instruments depends on the lowest significant applicable input, as follows:

Level 1 – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Included within this category are investments listed on any recognised stock exchange or quoted on the AIM Market in the UK.

Level 2 – Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such Instruments would be those for which the quoted price has been suspended, forward exchange contracts and certain other derivative instruments. The Company held no such securities during the year under review.

Level 3 – External inputs are unobservable. Value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instrument. Included within this category are investments in private companies or securities, whether invested in directly or through pooled Private Equity vehicles.

2 Significant accounting policies (continued)

(ii) Fixed asset investments and derivative financial instruments

As an Investment Trust, the Company measures its fixed asset investments at fair value through profit or loss and treats all transactions on the realisation and revaluation of investments held as fixed assets, as transactions on the Capital Account. Purchases are recognised on the relevant trade date, inclusive of expenses which are incidental to the acquisition of the investments. Sales are also recognised on the trade date, after deducting expenses incidental to the sales. Quoted investments are valued at bid value at the close of business on the relevant date on the exchange on which the investment is listed. Investments which are not quoted or which are not frequently traded are stated at Directors' best estimate of fair value. In arriving at their estimate, the Directors make use of recognised valuation techniques and may take account of recent arm's length transactions in the same or similar investment instruments. Where no reliable fair value can be estimated, investments are carried at cost or less any provision for impairment.

With respect specifically to investments in private equity, whether through funds or partnerships, the Directors rely on unaudited valuations of the underlying unlisted investments as supplied by the managers of those funds or partnerships. The Directors regularly review the principles applied by the managers to those valuations to ensure they are in compliance with the above policies. Distributions from private equity funds are recognised when the right to distributions is established.

(iii) Derivative Instruments

Derivatives including forward exchange contracts and options are classified as held for trading and are accounted for as financial assets or liabilities. Where it can be demonstrated that the derivative is connected to the maintenance of the Company's investments, the change in fair value is recognised as capital and shown in the Capital column of the Income Statement. Where an option is written in the expectation that it will not be exercised, or that any losses on exercise will be outweighed by the value of the premiums received, the premiums are recognised in the Revenue column of the Income Statement. The value of the premium is usually the option's initial fair value and is recognised evenly over the life of the option. Subsequent changes to fair value are adjusted in the Capital column of the Income Statement such that the total amounts recognised within Revenue and Capital represent the change in fair value of the option.

(iv) Debt Instruments

The Company's debt instruments include the debenture stock included in the Balance Sheet at proceeds received, net of issue costs, and short-term bank borrowings and overdrafts, initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. No debt instruments held during the year required hierarchical classification.

The 11.25% debenture stock was issued in 1989 and 4.25% perpetual debenture stock was issued in 1960. The fair market value of these debenture stocks is set out in notes 14 and 17 on the accounts. Finance charges, including interest, are accrued using the effective interest rate method. See 2(vii) below for allocation of finance charges within the Income Statement.

(v) Foreign currency

Foreign currency monetary 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.

(vi) 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 reserves.

Notes on the Accounts (continued)

2 Significant accounting policies (continued)

(vii) 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;

– 100% of management fees, invoiced to the Company in respect of certain Private Equity investments, are allocated to capital reserves, via the Capital Account, in accordance with the Board's long-term expected split of returns from those investments;

– 50% of other management fees, and 50% of finance costs (both net of applicable tax relief) are allocated to Capital Reserves via the Capital Account, in accordance with the Board's long-term expected split of returns from the investment portfolio (excluding private equity investments) of the Company; and

– all expenses are accounted for on an accruals basis.

(viii) Taxation

Deferred tax is provided on an undiscounted basis in accordance with FRS19 on all timing differences that have originated but not reversed by the Balance Sheet date, based on tax rates that are expected to apply in the period when the liability is settled or the asset is realised. 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.

(ix) 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, on a trade date basis.

(x) Capital Reserves

Capital reserve – arising on investments sold

The following are accounted for in this reserve:

– gains and losses on the disposal of fixed asset investments and derivatives;

– 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; and

– costs of repurchasing ordinary share capital are recognised on a trade date basis.

Capital reserve – arising on investments held

The following are accounted for in this reserve:

– increases and decreases in the valuation of fixed asset investments and derivatives held at the year end; and

– unrealised exchange differences of a capital nature.

3 Income

	2013 £'000s	2012 £'000s
UK dividends	25,569	28,492
Overseas dividends	36,964	29,141
Scrip dividends	–	72
	62,533	57,705
Other Income		
Stock lending fees*	1	237
Derivative income	470	995
Underwriting commission	70	216
Interest on cash and short-term deposits	32	97
Sundry income	–	153
	573	1,698
Total income	63,106	59,403
Total income comprises:		
Dividends	62,533	57,705
Other income	573	1,698
	63,106	59,403
Income from investments comprises:		
Listed UK	25,569	28,149
Listed Overseas	35,458	29,213
Unlisted	1,506	343
	62,533	57,705

As described in note 2(b)(iii), derivative income has been derived from premiums received on put and call options written on securities held in the portfolio of investments.

*With effect from 17 January 2013 the Company ceased stock lending.

Notes on the Accounts (continued)

4 Management fees

			2013		2012
		£'000s	**£'000s**	£'000s	£'000s
Payable directly to F&C:					
– in respect of management services provided by F&C	(i)	**7,300**		6,228	
– reimbursement in respect of services provided by sub-managers	(i)	**1,790**		1,488	
			9,090		7,716
Payable directly to Private Equity Managers	(ii)		**614**		603
Total directly incurred management fees			**9,704**		8,319
Incurred indirectly within Funds managed by Private Equity Managers	(iii)		**5,350**		5,650
Total direct and indirect management fees			**15,054**		13,969

(i) 50% of these fees allocated to capital reserve arising on investments sold
(ii) 100% of these fees allocated to capital reserve arising on investments sold
(iii) Indirectly incurred fees included within the value of the respective funds

Directly incurred fees are analysed as follows:

	2013	2012
Management fees	**£'000s**	£'000s
– payable directly to F&C	**9,090**	7,716
– payable directly to private equity managers	**614**	603
	9,704	8,319
Less: allocated to capital reserves	**(5,159)**	(4,461)
Allocated to revenue account	**4,545**	3,858

(a) Management fees payable to F&C

F&C provides investment management, company secretarial, financial, marketing and general administrative services to the Company under the terms of an agreement which may be terminated upon six months' notice given by either party. In the event of a change of control of the Manager, the Company may give three months' notice of termination.

The Manager's remuneration is based on a fee of 0.365% per annum of the market capitalisation of the Company, calculated at each month end on a pro-rata basis; the fee is adjusted for fees earned by the Manager in respect of investment holdings managed or advised by the Manager. Variable fees payable in respect of third party sub-managers are also reimbursed.

(b) Management fees payable to the private equity managers

At 31 December 2013 the Company had commitments in five private equity funds managed by Pantheon Ventures Limited (2012: five) and eleven funds managed by HarbourVest Partners LLC (2012: eleven). Fees in respect of the Pantheon Europe Fund III are paid quarterly, directly to Pantheon Ventures Limited, at a rate of 0.64% per annum (2012: 0.65%) based on capital commitments. These fees are allocated fully to Capital Reserve on investments sold. Fees in respect of all other private equity funds are based on capital commitments and are charged quarterly against the underlying investments in those funds. The fees are not directly incurred by the Company. The fee rates applying during 2013 varied from 0.65% per annum to 1.61% per annum (2012: 0.65% to 1.91%).

5 Other expenses

	2013 £'000s	2012 £'000s
Auditors' remuneration:		
for audit and audit-related assurance services*	101	92
for other services**	11	12
Custody	283	215
Directors' emoluments (see Directors' Remuneration Report on pages 30 to 31):		
fees for services to the Company	321	322
Subscriptions	25	27
Directors' and officers' liability insurance	57	57
Marketing	549	494
Savings Plans	108	1,199
Loan commitment and arrangement fees	106	22
Registrars	127	108
Professional charges	98	77
Printing and postage	158	145
Sundry	187	174
	2,131	2,944

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

* Total auditors' remuneration for audit services, exclusive of VAT, amounting to £94,000 (2012: £89,000) includes £18,000 costs relating to an independent review report for the period to 30 June 2013 (2012: £18,000).

** Total auditors' remuneration for other services , exclusive of VAT, amounting to £10,000 (2012: £11,000), comprised; £8,000 for taxation compliance services (2012: £9,000); £2,000 relating to other assurance services for review of debenture compliance certificate (2012: £2,000). No part of these amounts was charged to capital reserves (2012: £nil).

6 Finance costs

	2013 £'000s	2012 £'000s
Debenture stocks	12,399	12,399
Loans	4,959	5,107
Overdrafts	12	130
	17,370	17,636
Less: allocated to capital reserves (see note 20)	(8,685)	(8,818)
	8,685	8,818
The interest on debenture stocks, loans and overdrafts is further analysed as follows:		
Loans and overdrafts repayable within one year, not by instalments (note 13)	12	2,946
Debentures and loans repayable between one and five years, not by instalments (notes 14 and 17)	13,515	12,399
Loans repayable after more than five years (note 16)	3,843	2,291
	17,370	17,636

Notes on the Accounts (continued)

7 Taxation on ordinary activities

(a) Analysis of tax charge for the year

			2013			2012
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Corporation tax at 23.25% (2012: 24.5%)	–	–	–	–	–	–
Relief for overseas taxation	–	–	–	–	–	–
	–	–	–	–	–	–
Overseas taxation	3,439	–	3,439	2,807	–	2,807
Total current taxation (note 7(b))	3,439	–	3,439	2,807	–	2,807
Deferred tax	71	–	71	(11)	–	(11)
	3,510	–	3,510	2,796	–	2,796

The tax assessed for the year is lower (2012: lower) than the standard rate of Corporation tax in the UK.

(b) Factors affecting tax charge for the year

			2013			2012
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Return on ordinary activities before taxation	47,547	381,724	429,271	43,637	197,805	241,442
Return on ordinary activities multiplied by the standard rate of UK corporation tax of 23.25% (2012: 24.50%)	11,055	88,751	99,806	10,691	48,462	59,153
Effects of:						
Dividends*	(14,507)	–	(14,507)	(14,088)	–	(14,088)
Exchange losses/(gains) not subject to corporation tax	46	–	46	36	–	36
Capital returns*	–	(91,985)	(91,985)	–	(51,728)	(51,728)
Expenses not deductible for tax purposes	71	15	86	208	13	221
Expenses not utilised in the year	3,501	3,219	6,720	3,153	3,253	6,406
Unutilised overseas tax in excess of double taxation relief	3,273	–	3,273	2,807	–	2,807
Total current taxation (note 7(a))	3,439	–	3,439	2,807	–	2,807

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

The deferred tax asset of £48.0 million (2012: £42.4 million) in respect of unutilised expenses at 31 December 2013 has not been recognised as it is likely that the unrecognised asset will diminish in the foreseeable future. Of this amount £16.8 million (2012: £13.2 million) relates to revenue expenses and £31.2 million (2012: £29.2 million) to capital expenses.

8 Net return per share

	2013 pence	2013 £'000s	2012 pence	2012 £'000s
Total return	74.37	425,761	41.00	238,646
Revenue return	7.69	44,037	7.02	40,841
Capital return	66.68	381,724	33.98	197,805
Weighted average ordinary shares in issue		572,445,619		582,126,715

9 Dividends

Dividends on ordinary shares	Register date	Payment date	2013 £'000s	2012 £'000s
2011 Final of 4.10p	13-Apr-2012	11-May-2012	–	23,947
2012 First interim of 4.00p	10-Aug-2012	7-Sep-2012	–	23,181
2012 Second interim of 2.00p	11-Jan-2013	1-Feb-2013	11,544	–
2012 Final of 2.50p	5-Apr-2013	1-May-2013	14,343	–
2013 First interim of 2.10p	12-Jul-2013	1-Aug-2013	11,995	–
2013 Second interim of 2.10p	4-Oct-2013	1-Nov-2013	11,980	–
			49,862	47,128

A third interim dividend of 2.10 pence was paid on 3 February to all shareholders on the register on 3 January 2014.

The Directors have proposed a final dividend in respect of the year ended 31 December 2013 of 2.70p payable on 1 May 2014 to all shareholders on the register at close of business on 28 March 2014. The total dividends payable in respect of the financial year for the purposes of the income retention test for Section 1159 of the Income and Corporation Tax Act 2010 are set out below.

	2013 £'000s
Revenue available for distribution by way of dividends for the year	44,037
First interim dividend for the year ended 31 December 2013 – 2.10p per share	(11,995)
Second interim dividend for the year ended 31 December 2013 – 2.10p per share	(11,980)
Third interim dividend for the year ended 31 December 2013 – 2.10p per share (estimated cost based on 570,359,016 shares in issue at 3 February 2014)	(11,978)
Proposed final dividend for the year ended 31 December 2013 – 2.70p per share (estimated cost based on 570,359,016 shares in issue at 28 February 2014)	(15,400)
Estimated revenue reserve utilised, for Section 1159 purposes	(7,316)

Notes on the Accounts (continued)

10 Investments and derivative financial instruments

	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2013 Total £'000s	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2012 Total £'000s
Cost at 1 January	1,493,454	–	386,686	1,880,140	1,510,805	–	385,350	1,896,155
Unrealised gains at 1 January	450,504	–	43,753	494,257	280,883	–	51,080	331,963
Valuation at 1 January	1,943,958	–	430,439	2,374,397	1,791,688	–	436,430	2,228,118
Purchases at cost	841,433	–	24,613	866,046	465,025	–	35,144	500,169
Sales proceeds	(908,898)	–	(94,993)	(1,003,891)	(496,660)	–	(59,842)	(556,502)
Gains/(losses) on derivatives sold	(91)	–	–	(91)	(397)	–	–	(397)
Gains/(losses) on investments sold	195,586	–	37,849	233,435	14,681	–	26,034	40,715
Gains/(losses) on derivatives held	(19)	–	–	(19)	(34)	–	–	(34)
Gains/(losses) on investments held	155,825	–	(2,519)	153,306	169,655	–	(7,327)	162,328
Valuation at 31 December of investments and derivatives	2,227,794	–	395,389	2,623,183	1,943,958	–	430,439	2,374,397
Analysed at 31 December								
Cost	1,621,484	–	354,155	1,975,639	1,493,454	–	386,686	1,880,140
Unrealised gains	606,310	–	41,234	647,544	450,504	–	43,753	494,257
Valuation at 31 December of investments and derivatives	2,227,794	–	395,389	2,623,183	1,943,958	–	430,439	2,374,397

Valuation of investments and derivatives	**2013 £'000s**	2012 £'000s
Valuation of investments at 31 December	2,623,202	2,374,431
Valuation of derivatives at 31 December	(19)	(34)
Total valuation of investments and derivatives at 31 December	2,623,183	2,374,397

Gains/(losses) on investments and derivatives held at fair value	**2013 £'000s**	2012 £'000s
Gains on investments sold	233,435	40,715
Losses on derivatives sold	(91)	(397)
Gains on investments held at year end	153,306	162,328
Losses on derivatives held at year end	(19)	(34)
Total gains on investments and derivatives	386,631	202,612

see note 2(b)(i)

Level 1 includes investments and derivatives listed on any recognised stock exchange or quoted on the AIM market in the UK.
Level 2 includes investments for which the quoted price has been suspended, forward exchange contracts and other derivative instruments.
Level 3 includes investments in private companies or securities, whether invested in directly or through pooled Private Equity vehicles.

Investments managed or advised by the F&C Group

Investments include £29.6 million (2012: £36.0 million) of funds and investments managed or advised by F&C or its subsidiaries. These investments represent 1.1% (2012: 1.5%) of total assets less current liabilities (excluding loans) of the Company. Under the terms of the Company's Management Agreement with F&C set out in note 4, the management fee is adjusted for fees earned by the Manager on all such holdings. During the year the Company purchased £nil (2012: £nil) of such investments, and received £10.8 million (2012: £nil) from sales.

Unlisted investments

Unlisted investments include £392.0 million (2012: £424.1 million) of investments described as Private Equity, together with £3.4 million (2012: £6.3 million) of other partnerships, the underlying portfolios of which principally comprise unlisted investments. These are valued in accordance with the policies set out in note 2 on the accounts.

It is in the nature of private equity and similar unlisted investments that they may be loss making, with no certainty of survival, and that they may prove difficult to realise. The concept of "fair value" as applied to such investments is not precise and their ultimate realisation may be at a value significantly different from that reflected in the accounts.

11 Subsidiary and substantial interests

Subsidiary undertaking

The consolidation of the subsidiary undertakings is not material for the purpose of giving a true and fair view and hence in accordance with Section 405(2) of the Companies Act 2006, the Company has not prepared consolidated accounts.

				At 31 December 2013
Company and business	Country of registration, incorporation and operation	Number and class of shares held	Holding %	Capital and reserves £'000s
F&C Securities Limited (dormant – Investment dealing)	England	100 ordinary shares of £1	100	(538)

Substantial interests

At 31 December 2013 the Company held more than 3% of one class of the capital of the following undertakings held as investments, none of which, in the opinion of the Directors, represent a participating interest.

Investment	Country of registration and incorporation	Number and class of shares held	Holding %
Dover Street VI LP	USA	–	11.12
Esprit Capital Fund 1 LP	England	–	10.80
F&C Portfolios Fund SICAV			
European High Yield Bond Fund(1)(2)	Luxembourg	1,307,696 shares	29.43
F&C US Smaller Companies PLC(1)	England	2,173,911 ordinary shares of 25p	9.05
HarbourVest Partners VII – Buyout Partnership Fund LP	USA	–	3.86
HIPEP V – Direct Fund LP	USA	–	15.66
HIPEP V – Asia Pacific and Rest of World Partnership Fund LP	USA	–	4.74
HIPEP VI – Emerging Markets Fund	USA	–	12.06
HIPEP VI – Asia Pacific Fund LP	USA	–	4.93
Pantheon Europe Fund III LP	USA	–	44.41
Pantheon Europe Fund V LP	Scotland	–	9.29
Pantheon Asia Fund IV LP	Channel Islands	–	8.40
Pantheon Asia Fund V LP	Channel Islands	–	6.19
Pantheon Global Secondary Fund III LP	Scotland	–	3.50
Utilico Emerging Markets Limited	Bermuda	14,900,000 ordinary shares of 10p	6.99
Utilico Investments Limited	Bermuda	10,452,260 ordinary shares of 10p	10.54

(1) Investment funds managed by F&C

(2) The holding represents 0.60% of the voting rights in the F&C Portfolios Fund SICAV.

Notes on the Accounts (continued)

12 Debtors

	2013 £'000s	2012 £'000s
Investment debtors	**1,381**	51
Prepayments and accrued income	**3,312**	3,727
Overseas taxation recoverable	**584**	50
Other debtors	**3**	3
	5,280	3,831

13 Creditors: amounts falling due within one year

Loans **Non-instalment debt payable on demand or within one year**	2013 £'000s	2012 £'000s
£115 million repaid January 2013	**–**	115,000
£30 million repaid January 2014	**30,000**	–
	30,000	115,000

At 31 December 2013 the Company's £30 million short term loan was drawn down under one of the two unsecured revolving credit facilities. The facilities run for two and three years respectively. Both facilities are for £100 million with the option to extend the commitment by a further £100 million, interest rate margins on the amounts drawn down are variable and are dependent upon commercial terms agreed with each bank. Commitment Commissions are payable on undrawn amounts at commercial rates.

At 3 March 2014, there were £20 million short term borrowings.

14 Creditors: amounts falling due within one year

Debenture	2013 £'000s	2012 £'000s
11.25% debenture stock 2014 – secured	**110,000**	–
	110,000	–

The debenture stock is listed on the London Stock Exchange and secured by floating charges over the assets of the Company. The market value of the debenture stock at 31 December 2013 was £117,568,000 (31 December 2012: £125,092,000).

The 11.25% debenture stock is redeemable at par on 31 December 2014. Under the terms of the debenture trust deed: the total of all borrowings, valued in accordance with the Company's accounting policies, shall not at any time exceed the Company's "Adjusted Total of Capital and Reserves" ("ATCR") – at 31 December 2013 the value of the ATCR was £2,088 million and the value of all borrowings was £227 million. The trust deed also specifies that the aggregate of the Company's debenture stocks valued at par shall not exceed two-thirds of the ATCR.

Each year, the Company issues a certificate of compliance with the provisions of the trust deed to the trustee of the debenture stock, showing that the borrowing limits have not been exceeded at the relevant accounting date. The Company has complied at all times with the terms of the trust deed.

The 11.25% debenture stock may be redeemed early by the Company giving notice of not less than 30 days in writing to stockholders. In such event, the redemption price must be the higher of par and the price equivalent to the gross redemption yield on the relevant date of 12% Exchequer Stock 2013/17.

The Directors have no present intention to redeem the 11.25% debenture stock before 31 December 2014.

15 Creditors: amounts falling due within one year

Other	2013 £'000s	2012 £'000s
Cost of ordinary shares repurchased	**–**	591
Investment creditors	**1,600**	356
Management fees payable to F&C	**965**	817
Other accrued expenses	**1,262**	1,717
	3,827	3,481

16 Creditors: amounts falling due after more than one year

Loans Non-instalment debt payable after more than one year	2013 £'000s	2012 £'000s
$80 million repayable April 2019	**48,302**	49,216
¥6,600 million repayable April 2019	**37,914**	46,959
	86,216	96,175

In April 2012 the Company entered into a loan arrangement facility drawing loans in Yen and US dollars equivalent to £100 million at commercial interest rates expiring April 2019. Early redemption penalties apply.

At 3 March 2014, there were £100 million long-term borrowings comprising $80 million and ¥6,600 million.

17 Creditors: amounts falling due after more than one year

Debentures	2013 £'000s	2012 £'000s
11.25% debenture stock 2014 – secured	**–**	110,000
4.25% perpetual debenture stock – secured	**575**	575
	575	110,575

The 4.25% perpetual debenture stock is listed on the London Stock Exchange and secured by floating charges over the assets of the Company. The market value of the debenture stock at 31 December 2013 was £429,000 (31 December 2012: £456,000).

18 Share capital

	2013 Number	2013 Issued and fully paid Nominal £'000s	2012 Number	2012 Issued and fully paid Nominal £'000s
Share capital ordinary shares of 25p each				
Balance brought forward	**577,191,016**	**144,298**	590,337,016	147,584
Shares repurchased by the Company	**(6,832,000)**	**(1,708)**	(13,146,000)	(3,286)
Balance carried forward	**570,359,016**	**142,590**	577,191,016	144,298

6,832,000 ordinary shares were repurchased and cancelled during the year at a total cost of £24,573,000.

19 Capital redemption reserve

	2013 £'000s	2012 £'000s
Balance brought forward	**118,464**	115,178
Transfer from share capital on repurchase of ordinary shares	**1,708**	3,286
Balance carried forward	**120,172**	118,464

Notes on the Accounts (continued)

20 Other reserves

	Capital reserve arising on investments sold £'000s	Capital reserve arising on investments held £'000s	Capital reserves – total £'000s	Revenue reserve £'000s
Gains and losses transferred in current year				
Gains on investments sold (see note 10)	233,435	–	233,435	–
Losses on derivatives sold (see note 10)	(91)	–	(91)	–
Gains on investments held at year end (see note 10)	–	153,306	153,306	–
Losses on derivatives held at year end (see note 10)	–	(19)	(19)	–
Exchange movement on currency balances	(30)	9,034	9,004	–
Management fees (see note 4)	(5,159)	–	(5,159)	–
Finance costs (see note 6)	(8,685)	–	(8,685)	–
Other capital charges	(67)	–	(67)	–
Revenue return attributable to shareholders	–	–	–	44,037
Total gains and losses transferred in current year	219,403	162,321	381,724	44,037
Cost of ordinary shares repurchased in year	(24,573)	–	(24,573)	–
Dividends paid in year	–	–	–	(49,862)
Balance brought forward	1,210,388	501,308	1,711,696	104,538
Balance carried forward	**1,405,218**	**663,629**	**2,068,847**	**98,713**

Included within the capital reserve movement for the year is £355,000 (2012: £nil) of dividend receipts recognised as capital in nature. £779,000 of transaction costs on purchases of investments are included within the capital reserve movements disclosed above (2012: £1,139,000). £1,361,000 of transaction costs on sales of investments are similarly included (2012: £998,000).

21 Net asset value per ordinary share

	2013	2012
Net asset value per share (with debenture stocks at nominal value) – pence	**426.10**	360.19
Net assets attributable at end of period – £'000s	**2,430,322**	2,078,996
Ordinary shares of 25p in issue at end of year – number	**570,359,016**	577,191,016

Net asset value per share cum dividend (with debenture stocks at market value) was 424.80p (31 December 2012: 357.60p). The market value of debenture stocks at 31 December 2013 was £117,997,000 (31 December 2012: £125,548,000).

22 Reconciliation of total return before finance costs and taxation to net cash inflow from operating activities

	2013 £'000s	2012 £'000s
Net return before finance costs and taxation	446,641	259,078
Adjust for returns from non-operating activities		
– Gains on investments and derivatives held at fair value	(386,631)	(202,612)
– Exchange gains of a capital nature	(9,004)	(8,523)
– Non-operating expenses of a capital nature	67	51
Return from operating activities	51,073	47,994
Adjust for non cash-flow items		
– Exchange losses of a revenue nature	198	146
– Increase in accrued income	149	2,594
– Increase/(decrease) in prepayments	58	(33)
– (Decrease)/increase in creditors	(172)	115
– Scrip dividends	–	(72)
– Overseas taxation	(3,967)	(2,807)
Net cash inflow from operating activities	47,339	47,937

23 Reconciliation of net cash movement to movement in net debt

	2013 £'000s	2012 £'000s
Net cash movement	(1,999)	26,241
Increase in short-term deposits	9,432	16,416
Decrease/(increase) in loans	85,000	(42,939)
Change in net debt resulting from cash flows	92,433	(282)
Exchange movement	9,004	8,523
Movement in net debt in the year	101,437	8,241
Net debt brought forward	(295,751)	(303,992)
Net debt carried forward	(194,314)	(295,751)

Represented by:	Balance at 1 January 2013 £'000s	Cash flow £'000s	Exchange Movement £'000s	Balance at 31 December 2013 £'000s
Cash at bank	9,660	(1,999)	(659)	7,002
Short term deposits	16,339	9,432	(296)	25,475
	25,999	7,433	(955)	32,477
Loans	(211,175)	85,000	9,959	(116,216)
Debentures	(110,575)	–	–	(110,575)
	(295,751)	92,433	9,004	(194,314)

Notes on the Accounts (continued)

24 Contingencies and capital commitments

(a) VAT legal case

A case has been brought against HMRC to seek recovery of recoverable VAT relating to the period 1997 to 2000, together with interest on a compound basis. No VAT or related interest recovery has been accrued or recognised as a contingent asset, as the outcome of the case is expected to remain uncertain for several years.

b) Capital commitments

The Company had the following capital commitments at the year end.

	2013 Currency	2012 Currency	2013 £'000s	2012 £'000s
HarbourVest Partners VII:				
– Buyout Partnership Fund LP	US$5.9m	US$7.4m	3,532	4,559
– Venture Partnership Fund LP	US$1.4m	US$2.3m	860	1,384
– Mezzanine Fund LP	US$0.9m	US$1m	543	627
Dover Street VI LP	US$3.8m	US$5.2m	2,293	3,186
Dover Street VII LP	US$4.7m	US$7.3m	2,830	4,499
HarbourVest Partners V– Asia Pacific and Rest of World LP	US$2.3m	US$3.3m	1,358	1,999
HarbourVest Partners VIII:				
– Buyout Partnership Fund LP	US$12.3m	US$16.2m	7,426	9,966
– Venture Partnership Fund LP	US$4.6m	US$7.8m	2,777	4,799
HarbourVest Partners V – Direct Fund LP	€3.0m	€3.0m	2,496	2,433
HIPEP VI – Asia Pacific Fund LP	US$14.1m	US$17m	8,528	10,458
HIPEP VI – Emerging Markets Fund	US$14.6m	US$17.8m	8,830	10,920
Pantheon Europe Fund III LP	€8.6m	€8.6m	7,176	6,996
Pantheon Europe Fund V LP	€17.5m	€27m	14,560	21,899
Pantheon Asia Fund IV LP	US$7.8m	US$10.8m	4,680	6,613
Pantheon Asia Fund V LP	US$11.3m	US$13.3m	6,793	8,151
Pantheon Global Secondary Fund III LP	US$5m	US$5.8m	3,020	3,538
Esprit Capital Fund I LP	£0.38m	£0.38m	382	382
			78,084	102,409

25 Related Party Transactions

The following are considered related parties: The Board of Directors and F&C.

There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on page 30, and as set out in note 5 on the accounts. There are no outstanding balances with the Board at year end. Transactions between the Company and F&C are detailed in note 4 on management fees; in note 10, where investments managed and advised by F&C are disclosed; and in note 15 in relation to fees owed to F&C at the Balance Sheet date.

26 Financial Risk Management

The Company is an investment company, listed on the London Stock Exchange, and conducts its affairs so as to qualify in the United Kingdom (UK) as an investment trust under the provisions of Section 1158 of the Corporation Tax Act 2010. In so qualifying, the Company is exempted in the UK from corporation tax on capital gains on its portfolio of investments.

The Company's investment objective is to secure long-term growth in capital and income through a policy of investing primarily in an internationally diversified portfolio of public listed equities, as well as unlisted securities and private equity, with the use of gearing. In pursuing the objective, the Company is exposed to financial risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit. The Board of Directors, together with the Manager, is responsible for the Company's risk management. The Directors' policies and processes for managing the financial risks are set out in (a), (b) and (c) below.

The accounting policies which govern the reported Balance Sheet carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 2 on the accounts. The policies are in compliance with UK Accounting Standards and best practice, and include the valuation of financial assets and liabilities at fair value except as noted in (d) below and in notes 14 and 17 in respect of debenture stocks. The Company does not make use of hedge accounting rules.

(a) Market risks

The fair value of equity and other financial securities including derivatives held in the Company's portfolio fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. The Board's policies for managing these risks within the Company's objective include: risk diversification – no more than 5% of the portfolio may be invested in unlisted securities, excluding private equity investments, and no single investment may be made which exceeds 10% of the value of the portfolio at the time of acquisition; currency exposure borrowings are limited to amounts and currencies commensurate with the portfolio's exposure to those currencies; and gearing – borrowings including the debentures' value at market value – should not normally exceed 20% of shareholders funds. Options may only be written on quoted stocks and the total nominal exposure is limited to a maximum of 5% of the UK portfolio at the time of investment for both put and call options. The Board meets regularly to review full, timely and relevant information on investment performance and financial results. The Manager assesses exposure to market risks when making each investment decision and monitors ongoing market risk within the portfolio.

A description of derivative positions, which are also exposed to market price changes, together with the Manager's and Board's strategies for using these positions for efficient portfolio management is contained in this note, under "Other market risk exposures" (page 62).

The Company's other assets and liabilities may be denominated in currencies other than Sterling and may also be exposed to interest rate risks. The Manager and the Board regularly monitor these risks. The Company does not normally hold significant cash balances. Borrowings are limited to amounts and currencies commensurate with the portfolio's exposure to those currencies, thereby limiting the Company's exposure to future changes in foreign exchange rates. Debenture stocks were issued as part of the Company's planned gearing. All contracts and compliance with them, including the Debenture trust deeds, are agreed and monitored by the Board. Gearing may be short or long-term in Sterling and foreign currencies, and enables the Company to take a long-term view of the countries and markets in which it is invested without having to be concerned about short-term volatility.

Notes on the Accounts (continued)

26 Financial Risk Management (continued)

Currency Exposure

The carrying value of the Company's assets and liabilities at 31 December, by currency, are shown below:

2013	Short-term debtors £'000s	Cash and deposits £'000s	Debentures £'000s	Unsecured loans £'000s	Short-term creditors and derivatives £'000s	**Net monetary assets/ (liabilities) £'000s**	Investments £'000s	Net exposure £'000s
Sterling	2,344	2,539	(110,575)	(30,000)	(1,381)	**(137,073)**	675,799	538,726
US Dollar	1,485	24,064	–	(48,302)	(1,723)	**(24,476)**	1,122,685	1,098,209
Euro	314	4,607	–	–	–	**4,921**	377,284	382,205
Yen	93	1,183	–	(37,914)	(179)	**(36,817)**	133,981	97,164
Other	1,044	84	–	–	(563)	**565**	313,453	314,018
Total	**5,280**	**32,477**	**(110,575)**	**(116,216)**	**(3,846)**	**(192,880)**	**2,623,202**	**2,430,322**

2012	Short-term debtors £'000s	Cash and deposits £'000s	Debentures £'000s	Unsecured loans £'000s	Short-term creditors and derivatives £'000s	Net monetary assets/ (liabilities) £'000s	Investments £'000s	Net exposure £'000s
Sterling	2,760	8,407	(110,575)	(115,000)	(2,287)	(216,695)	816,108	599,413
US Dollar	407	11,408	–	(49,216)	(773)	(38,174)	878,109	839,935
Euro	–	4,936	–	–	–	4,936	325,804	330,740
Yen	122	1,143	–	(46,959)	(225)	(45,919)	100,082	54,163
Other	542	105	–	–	(230)	417	254,328	254,745
Total	3,831	25,999	(110,575)	(211,175)	(3,515)	(295,435)	2,374,431	2,078,996

The principal currencies to which the Company was exposed were the US Dollar, Euro and Yen. The exchange rates applying against Sterling at 31 December, and the average rates during the year, were as follows:

	2013	Average	2012
US Dollar	**1.6562**	1.5708	1.6255
Euro	**1.2020**	1.1815	1.2329
Yen	**174.0800**	152.5053	140.5489

Based on the financial assets and liabilities held, and exchange rates applying at each Balance Sheet date, a weakening or strengthening of Sterling against each of these currencies by 10% would have had the following approximate effect on annualised income after tax and on net asset value (NAV) per share:

		2013			2012	
Weakening of Sterling	**US$ £'000s**	**€ £'000s**	**¥ £'000s**	US$ £'000s	€ £'000s	¥ £'000s
Income Statement Return after tax						
Revenue return	**743**	**551**	**106**	676	383	109
Capital return	**109,808**	**38,189**	**9,725**	84,023	33,074	5,427
Total return	**110,551**	**38,740**	**9,831**	84,699	33,457	5,536
NAV per share – pence	**19.38**	**6.79**	**1.72**	14.67	5.80	0.96

26 Financial Risk Management (continued)

Strengthening of Sterling	US$ £'000s	€ £'000s	2013 ¥ £'000s	US$ £'000s	€ £'000s	2012 ¥ £'000s
Income statement return after tax						
Revenue return	(743)	(551)	(106)	(676)	(383)	(109)
Capital return	(109,808)	(38,189)	(9,725)	(84,023)	(33,074)	(5,427)
Total return	(110,551)	(38,740)	(9,831)	(84,699)	(33,457)	(5,536)
NAV per share – pence	(19.38)	(6.79)	(1.72)	(14.67)	(5.80)	(0.96)

These analyses are broadly representative of the Company's activities during the current and prior year as a whole, although the level of the Company's exposure to currencies fluctuates in accordance with the investment and risk management processes.

Interest rate exposure
The exposure of the financial assets and liabilities to interest rate risks at 31 December is shown below:

	Within one year £'000s	More than one year £'000s	2013 Total £'000s	Within one year £'000s	More than one year £'000s	2012 Total £'000s
Exposure to floating rates						
Cash and deposits	21,846	–	21,846	9,660	–	9,660
Borrowings	–	–	–	–	–	–
Overdrafts	–	–	–	–	–	–
Exposure to fixed rates						
Cash and deposits	10,631	–	10,631	16,339	–	16,339
Debentures	(110,000)	(575)	(110,575)	–	(110,575)	(110,575)
Other borrowings	(30,000)	(86,216)	(116,216)	(115,000)	(96,175)	(211,175)
Net exposures						
At year end	(107,523)	(86,791)	(194,314)	(89,001)	(206,750)	(295,751)
Maximum in year	(89,436)	(210,406)	(295,890)	(129,784)	(215,607)	(345,391)
Minimum in year	2,477	(196,791)	(194,314)	(92,053)	(161,479)	(253,532)

Exposures vary throughout the year as a consequence of changes in the composition of the net assets of the Company arising out of the investment and risk management processes.

Interest received on cash balances, or paid on bank overdrafts and borrowings, is at ruling market rates. The interest rates applying on the debenture stocks are set out in notes 14 and 17 on the accounts. There were no material holdings in fixed interest investment securities during the year or at the year end.

The Company's total returns and net assets are sensitive to changes in interest rates on cash and borrowings, except in respect of the debentures on which the interest rate is fixed. The debentures are valued in the accounts at par value.

Based on the financial assets and liabilities held, and the interest rates pertaining, at each Balance Sheet date, a decrease or increase in interest rates by 2% would have the following approximate effects on the Income Statement revenue and capital returns after tax and on the NAV:

	Increase in rate £'000s	2013 Decrease in rate £'000s	Increase in rate £'000s	2012 Decrease in rate £'000s
Revenue return	219	(219)	97	(97)
Capital return	219	(219)	97	(97)
Total return	438	(438)	194	(194)
NAV per share – pence	0.08	(0.08)	0.03	(0.03)

Notes on the Accounts (continued)

26 Financial Risk Management (continued)

Other market risk exposures

The portfolio of investments, valued at £2,623,202,000 at 31 December 2013 (2012: £2,374,431,000) is therefore exposed to market price changes. The Manager assesses these exposures at the time of making each investment decision. The Board reviews overall exposures at each meeting against indices and other relevant information. An analysis of the portfolio by country and major industrial sector is set out in the Fund Manager's Review. Derivative contracts entered into during the year comprise options written in the expectation that they will not be exercised.

Based on the portfolio of investments held at each Balance Sheet date, and assuming other factors remain constant, a decrease or increase in the fair values of the portfolio by 20% would have had the following approximate effects on the net capital return attributable to equity shareholders and on the NAV:

	2013 Increase in value £'000s	**2013 Decrease in value £'000s**	2012 Increase in value £'000s	2012 Decrease in value £'000s
Income statement capital return	**524,640**	**(524,640)**	474,886	(474,886)
NAV per share – pence	**91.98**	**(91.98)**	82.28	(82.28)

(b) Liquidity risk exposure

The Company is required to raise funds to meet commitments associated with financial instruments, private equity investments and share buybacks. These funds may be raised either through the realisation of assets or through increased borrowing. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given: the large number of quoted investments held in the Company's portfolio (over 600 at 31 December 2013); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio and the existence of ongoing overdraft and loan facility agreements. Cash balances are held with approved banks, usually on overnight deposit. The Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting.

The Company has loan facilities of £300 million as set out in notes 13 and 16 on the accounts. The facilities limit the amount which the Company may borrow at any one time as a proportion of the relevant portfolio of investments and cash. At 31 December 2013 the most onerous financial covenant limits total borrowings to 33.3% of the Company's adjusted net asset value, which at 31 December 2013 was £2,088 million. Actual borrowings at market value at 31 December 2013 were £116 million in loans (see notes 13 and 16) and £118 million debentures at market value (see notes 14 and 17). The 11.25% debenture stock is governed by a trust deed and is redeemable in 2014 or at an earlier date or dates at the Company's behest. The perpetual debenture stock is also governed by a trust deed and is redeemable at par only on the security becoming enforceable. The Board does not therefore consider the repayment of these debenture stocks as a liquidity issue.

At 31 December 2013 the Company had £78.1 million outstanding commitments to private equity investments, payable over more than one year (see note 24).

The remaining contractual maturities of the financial liabilities at each balance sheet date, based on the earliest date on which payment can be required, were as follows:

2013	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
Current liabilities				
Overdrafts	–	–	–	–
Other borrowings	30,000	–	–	30,000
Other creditors	3,846	–	–	3,846
Long-term liabilities	–	–	86,216	86,216
Debentures	–	110,000	575	110,575
	33,846	110,000	86,791	230,637
Interest payable on debentures	–	12,399	24	12,423
	33,846	**122,399**	**86,815**	**243,060**

26 Financial Risk Management (continued)

2012	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
Current liabilities				
Overdrafts	–	–	–	–
Other borrowings	115,000	–	–	115,000
Other creditors	3,515			3,515
Long-term liabilities	–	–	96,175	96,175
Debentures	–	–	110,575	110,575
	118,515	–	206,750	325,265
Interest payable on debentures	–	12,399	12,399	24,798
	118,515	12,399	219,149	350,063

(c) Credit Risk and counterparty exposure

The Company is exposed to potential failure by counterparties to deliver securities for which the Company has paid, or to pay for securities which the Company has delivered. The Board approves all counterparties used in such transactions, which must be settled on the basis of delivery against payment (except where local market conditions do not permit).

A list of pre-approved counterparties is maintained by the Manager and regularly reviewed by the Board. Broker counterparties are selected based on a combination of criteria, including credit rating, balance sheet strength and membership of a relevant regulatory body. The rate of default in the past has been negligible. Payments in respect of private equity investments are made only to counterparties with whom a contracted commitment exists. Cash and deposits are held with approved banks.

The Company has an ongoing contract with its Custodian for the provision of custody services. The contract was reviewed and updated in 2010. Details of securities held in custody on behalf of the Company are received and reconciled monthly.

To the extent that F&C carries out management and administrative duties (or causes similar duties to be carried out by third parties) on the Company's behalf, the Company is exposed to counterparty risk. The Board assesses this risk continuously through regular meetings with the management of F&C (including the Fund Manager) and with F&C's Internal Audit function. In reaching its conclusions, the Board also reviews F&C's parent group's annual Audit and Assurance Faculty Report, Group Accounts and other public information indicative of its financial position and performance.

The Company had no credit-rated bonds or similar securities in its portfolio at the year end (2012: none) and does not normally invest in them. None of the Company's financial liabilities are past their due date or impaired.

In summary, compared to the amounts included in the balance sheet, the maximum exposure to credit risk was as follows:

Current liabilities	**Exposure at Balance sheet date £'000s**	**2013 Maximum exposure £'000s**	Exposure at Balance sheet date £'000s	2012 Maximum exposure £'000s
Derivative financial instruments	**9,250**	**9,250**	2,500	19,020

Notes on the Accounts (continued)

26 Financial Risk Management (continued)

(d) Fair Values of financial assets and liabilities

The assets and liabilities of the Company are, in the opinion of the Directors, reflected in the balance sheet at fair value, or at a reasonable approximation thereof, except for the debentures which are carried at par value in accordance with Accounting Standards. The fair value of the debentures, derived from their quoted market price at 31 December 2013 was £117,997,000 (2012: £125,548,000). Borrowings under overdraft and loan facilities are short-term in nature and hence do not have a value materially different from their capital repayment amount. Borrowings in foreign currencies are converted into Sterling at exchanges rates ruling at each valuation date.

The fair value of investments quoted on active markets is determined directly by reference to published price quotations in these markets.

Unquoted investments, including private equity investments, are valued based on professional advice and assumptions that are not wholly supported by prices from current market transactions or by observable market data. The Directors make use of recognised valuation techniques and may take account of recent arm's length transactions in the same or similar investments. With respect specifically to investments in private equity funds or partnerships, the underlying managers provide regular valuations to the Directors, based on the latest information available to the managers and not necessarily co-terminous with the reporting dates of the Company. The Directors review the valuations for consistency with the Company's accounting policies and with fair value principles.

(e) Capital Risk Management

The objective of the Company is stated as being to provide shareholders with long-term growth in capital and income. In pursuing this long-term objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern. It must therefore maintain an optimal capital structure through varying market conditions. This involves the ability to:

- issue and buy back share capital within limits set by the shareholders in general meeting;
- borrow monies in the short and long term; and
- pay dividends to shareholders out of current year revenue earnings as well as out of brought forward revenue reserves.

Changes to ordinary share capital are set out in note 18 on the accounts. Dividend payments are set out in note 9 on the accounts. Borrowings are set out in notes 13,14, 16 and 17 on the accounts.

27 Post Balance Sheet Movement in Net Assets

The NAV per share (debt at par) on 28 February 2014 was 422.45p (31 December 2013: 426.10p).

Ten Year Record

All data is based on assets, liabilities, earnings and expenses as reported in accordance with the Company's accounting policies.

Assets

at 31 December

£m	2003*	2004*	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total assets less current liabilities (excl loans)	2,259	2,346	2,527	2,587	2,694	2,003	2,069	2,425	2,214	2,401	**2,657**
Prior charges	201	215	111	179	203	221	111	282	286	322	**227**
Available for ordinary shares	2,058	2,131	2,416	2,408	2,491	1,782	1,958	2,143	1,928	2,079	**2,430**
Number of ordinary shares (million)	949	913	827	750	685	679	632	610	590	577	**570**

Net Asset Value

at 31 December

pence	2003*	2004*	2005	2006	2007	2008	2009	2010	2011	2012	2013
NAV per share	216.9	233.4	291.8	321.1	363.5	262.5	309.8	351.2	326.6	360.2	**426.1**
NAV total return on 100p – 5 years†											**182.8**
NAV total return on 100p – 10 years†											**242.0**

† Source: Morningstar UK Limited.

Share Price

at 31 December

pence	2003*	2004*	2005	2006	2007	2008	2009	2010	2011	2012	2013
Mid-market price per share	188.5	194.5	258.5	284.5	318.8	228.5	272.1	309.6	288.5	320.5	**378.0**
Share price High	191.8	196.0	259.0	287.5	326.3	319.0	275.3	311.0	327.9	321.6	**383.0**
Share price Low	141.0	163.0	188.0	240.0	273.0	209.0	185.8	251.4	261.5	282.5	**320.5**
Share price total return on 100p – 5 years†											**188.3**
Share price total return on 100p – 10 years†											**252.7**

† Source: Morningstar UK Limited.

Revenue

for the year ended 31 December

	2003*	2004*	2005	2006	2007	2008	2009	2010	2011	2012	2013
Available for ordinary shares – £'000s	40,893	42,293	49,122	48,197	45,909	46,989	35,609	34,654	40,270	40,841	**44,037**
Net revenue return per share – pence	4.31	4.54	5.57	6.16	6.40	6.90	5.31	5.61	6.74	7.02	**7.69**
Dividends per share – pence	3.70	4.20	4.75	5.30	5.85	6.45	6.65	6.75	7.10	8.50	**9.00**

Performance

(rebased at 31 December 2003)

	2003*	2004*	2005	2006	2007	2008	2009	2010	2011	2012	2013
NAV per share	100.0	107.6	134.5	148.0	167.6	121.0	142.8	161.9	150.6	166.1	**196.4**
Mid-market price per share	100.0	103.2	137.1	150.9	169.1	121.2	144.4	164.2	153.1	170.0	**200.5**
Net revenue return per share	100.0	105.3	129.2	142.9	148.5	160.1	123.2	130.2	156.4	162.9	**178.4**
Dividends per share	100.0	113.5	128.4	143.2	158.1	174.3	179.7	182.4	191.9	229.7	**243.2**
RPI	100.0	103.5	105.8	110.5	114.9	116.0	118.8	124.5	130.5	134.5	**138.1**

* Restated for changes in accounting policies.

Ten Year Record (continued)

Cost of running the Company

for the year ended 31 December

%	2003*	2004*	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expressed as a percentage of average net assets											
Total Expense Ratio	0.64	0.55	0.57	0.58	0.76	0.64	0.63	0.59	0.57	0.55	**0.50**
Ongoing Charges	–	–	–	–	–	–	–	–	0.92	0.90	**0.86**

* restated for changes in accounting policies

Gearing

at 31 December

%	2003*	2004*	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net gearing	8.3	7.6	4.4	7.0	7.0	12.2	6.0	13.2	15.8	14.3	**8.0**

* restated for changes in accounting policies

Analysis of ordinary shareholders at 31 December 2013

Category	Holding %
F&C savings plans	45.3
Discretionary/Advisory	25.7
Institutions	12.5
Direct individuals	11.3
Skandia IFA products*	3.9
New Zealand individuals	1.3
	100.0

Source: F&C
*Independent Financial Adviser products

Notice of Annual General Meeting

Notice is hereby given that the one hundred and thirty-fifth Annual General Meeting of the Company will be held at **Merchant Taylors' Hall, 30 Threadneedle Street, London EC2** on Tuesday, 29 April 2014 at 12 noon for the following purposes:

Ordinary Resolutions:

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

1. To receive and adopt the Directors' report and accounts for the year ended 31 December 2013.
2. To approve the Directors' remuneration policy.
3. To approve the Directors' annual remuneration report.
4. To declare a dividend on the ordinary shares.
5. To re-elect Ms Sarah Arkle as a Director.
6. To re-elect Sir Roger Bone as a Director
7. To re-elect Mr Stephen Burley as a Director.
8. To re-elect Mr Simon Fraser as a Director.
9. To re-elect Mr Jeffrey Hewitt as a Director.
10. To re-elect Mr Christopher Keljik as a Director.
11. To re-elect Mr Nicholas Moakes as a Director.
12. To elect Ms Francesca Ecsery as a Director.
13. To reappoint PricewaterhouseCoopers LLP as auditors to the Company.
14. To authorise the Directors to determine the remuneration of the auditors.

Special Resolutions:

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

15. THAT the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the "**Act**"), to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25 pence each in the capital of the Company ("**ordinary shares**") on such terms and in such manner as the Directors may from time to time determine, provided that:
    (a) the maximum number of ordinary shares hereby authorised to be purchased shall be 85,450,000;
    (b) the minimum price which may be paid for an ordinary share is 25 pence;
    (c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased;
    (d) the minimum and maximum prices per ordinary share referred to in sub-paragraphs (b) and (c) of this resolution are in each case exclusive of any expenses payable by the Company;
    (e) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2015 or, if earlier, on 31 October 2015, unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; and
    (f) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed wholly or partly after the expiration of such authority.
16. THAT:
    (a) the Directors be and they are hereby:
        (i) generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006 (the "**Act**"), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £7,129,000 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the Annual General Meeting of the Company in 2015 or, if earlier, on 31 October 2015; and
        (ii) empowered, pursuant to section 570 of the Act, to allot equity securities pursuant to the authority referred to in paragraph (a)(i) of this resolution as if section 561(1) of the Act did not apply to any such allotment,

    but so that this authority and power shall enable the Company to make offers or agreements which would or might require

Notice of Annual General Meeting (continued)

shares to be allotted or rights to subscribe for, or to convert any security into, shares to be granted after the expiry of this authority and power and notwithstanding such expiry the Directors may allot shares or grant rights to subscribe for, or to convert any security into, shares in pursuance of such offers or agreements;

(b) all authorities and powers previously conferred under section 551 or section 570 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect; and

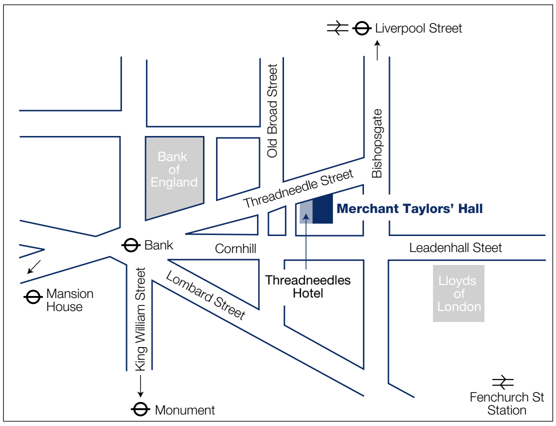
(c) words and expressions defined in or for the purposes of Part 17 of the Act shall bear the same meanings in this resolution.

17. THAT the articles of association produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.

By Order of the Board	Registered office:
For and on behalf of	Exchange House
F&C Management Limited	Primrose Street
Secretary	London EC2A 2NY

3 March 2014

Location of Meeting



Notes:

1. A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by that member.

2. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any person holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules need not make a separate notification to the Company and the Financial Conduct Authority.

3. Any such person holding 3% or more of the voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such person complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

4. A Form of Proxy is provided with this notice for members. If a member wishes to appoint more than one proxy and so requires additional proxy forms, the member should contact Computershare Investor Services PLC on 0800 923 1506. To be valid, the Form of Proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be received by post or (during normal business hours only) by hand at the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not less than 48 hours before the time of the holding of the meeting or any adjournment thereof. Completion and return of a Form of Proxy will not preclude members from attending and voting at the meeting should they wish to do so. Amended instructions must also be received by the Company's registrars by the deadline for receipt of Forms of Proxy.

5. Alternatively, members may register the appointment of a proxy for the meeting electronically, by accessing the website **www.eproxyappointment.com** where full instructions for the procedure are given. The Control Number, Shareholder Reference and PIN as printed on the Form of Proxy will be required in order to use the electronic proxy appointment system. This website is operated by Computershare Investor Services PLC. The proxy appointment and any power of attorney or other authority under which the proxy appointment is made must be received by Computershare Investor Services PLC not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the

meeting or adjourned meeting) for the taking of the poll at which it is to be used. If you want to appoint more than one proxy electronically please contact Computershare Investor Services PLC on 0800 923 1506.

6. Investors holding shares in the Company through the F&C Private Investor, Pension Savings or Children's Investment Plans, the F&C Child Trust Fund, Junior ISA or in an F&C Individual Savings Account should ensure that forms of direction are returned to Computershare Investor Services PLC not later than 96 hours before the time appointed for holding the meeting. Alternatively, voting directions can be submitted electronically at **www.eproxyappointment.com** by entering the Control Number, Shareholder Reference Number and PIN as printed on the form of direction. Voting directions must be submitted electronically not less than 96 hours before the time appointed for holding the meeting.

7. Any person receiving a copy of this notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "**Nominated Person**") should note that the provisions in notes 1, 4 and 5 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member do not apply to a Nominated Person as only shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.

8. Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or, perhaps, the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.

9. Pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001 (as amended) and for the purposes of section 360B of the Companies Act 2006, the Company has specified that only those members registered on the register of members of the Company at 11 p.m. on 27 April 2014 (the "**Specified Time**") (or, if the meeting is adjourned to a time more than 48 hours after the Specified Time, by 11 p.m. on the day which is two days prior to the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. If the meeting is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via **www.euroclear.com/CREST**). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number 3RA50) by the latest time(s) for receipt of proxy appointments specified in notes 4 and 5 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

12. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (**www.euroclear.com/CREST**).

13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

14. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative,

Notice of Annual General Meeting (continued)

it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

15. Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:

    (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or

    (b) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006

16. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

17. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any question relating to the business being dealt with at the meeting put by a member attending the meeting. However, members should note that no answer need be given in the following circumstances:

    (a) if to do so would interfere unduly with the preparation for the meeting or would involve a disclosure of confidential information;

    (b) if the answer has already been given on a website in the form of an answer to a question; or

    (c) if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

18. As at 28 February 2014, being the last business day prior to the printing of this notice, the Company's issued capital consisted of 570,359,016 ordinary shares of 25 pence each carrying one vote each. Therefore, the total voting rights in the Company as at 28 February 2014 are 570,359,016.

19. This notice, together with information about the total number of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting as at 28 February 2014 being the last business day prior to the printing of this notice and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice, will be available at **www.foreignandcolonial.com**.

20. Any electronic address provided either in this notice or in any related documents (including the Form of Proxy) may not be used to communicate with the Company for any purposes other than those expressly stated.

21. Copies of the letters of appointment between the Company and its Directors; a copy of the articles of association of the Company; a copy of the proposed new articles of association of the Company (including a copy marked to show changes to the existing articles of association); the register of Directors' holdings; and a deed poll relating to Directors' indemnities will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and Bank Holidays excluded) until the date of the meeting and also on the date and at the place of the meeting from 15 minutes prior to the commencement of the meeting to the conclusion thereof.

22. No Director has a service agreement with the Company.

Information for Shareholders

Net asset value and share price

The Company's net asset value is released daily, on the working day following the calculation date, to the London Stock Exchange. The current share price of Foreign & Colonial Investment Trust is shown in the investment trust section of the stock market page in most leading newspapers, usually under "For & Col". Investors in New Zealand can obtain share prices from leading newspapers in that country.

Performance information

Information on the Company's performance is provided in the half-yearly and final reports which are sent to shareholders in August and March respectively and in the interim management statement announcements. More up-to-date performance information, including the full list of investments in the portfolio as at the most recent month end, is available on the Internet at www.foreignandcolonial.com under "Investor Information". The F&C website (at www.fandc.com) also provides a monthly update on the Company's geographic spread and largest holdings, along with comments from the Fund Manager.

UK capital gains tax ("CGT")

An approved investment trust does not pay tax on capital gains. UK resident individuals may realise net capital gains of up to £10,900 in the tax year ended 5 April 2014 without incurring any tax liability.

The rate of CGT of 18% will apply where taxable income and gains do not exceed the income tax higher rate threshold (£32,010 in 2013-14 tax year). The higher rate of 28% will apply to those whose income and gains exceed this figure.

For UK investors who acquired Foreign & Colonial Investment Trust stock prior to 31 March 1982, the costs for CGT purposes, based on the price at that date, adjusted for capital changes are as follows:

	Unit of Quotation	Market price
Ordinary shares	25p	14.875p
4.25% perpetual debenture stock	£100	£28.25

Shareholders in doubt as to their CGT position should consult their professional advisers.

Income tax

The final dividend of 2.70 pence per share is payable on 1 May 2014. Individual UK resident shareholders who are subject to UK income tax at the lower rate or the basic rate have no further tax liability. Shareholders not resident in the UK, and any shareholders in doubt as to their tax position, should consult their professional advisers.

Dividend Re-investment Plan ("DRIP")

The Company through Computershare Investor Services PLC now offers shareholders the opportunity to purchase further shares through the DRIP. DRIP forms may be obtained from Computershare through their secure website www.investorcentre.co.uk, or by phoning 0870 707 1694.

Association of Investment Companies ("AIC")

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

aic
The Association of
Investment Companies

Financial Calendar

Annual General Meeting	**29 April 2014**
Final dividend payable for 2013	**1 May 2014**
Interim results for 2014 announced	**end July 2014**
First interim dividend for 2014	**1 August 2014**
Second interim dividend for 2014	**3 November 2014**
Third interim dividend for 2014	**2 February 2015**
Final Results for 2014 announced	**March 2015**
Final dividend for 2014	**May 2015**

Registered in England and Wales with Company Registration No. 12901

How to Invest

One of the most convenient ways to invest in Foreign & Colonial Investment Trust PLC is through one of the savings plans run by F&C Management Limited ("F&C").

F&C Private Investor Plan ("PIP")
A flexible way to invest with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250.

F&C Investment Trust ISA
Use your ISA allowance to make an annual tax-efficient investment of up to £11,520 for the 2013/14 tax year (£11,880 for 2014/15) with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250 and transfer any existing ISAs to us whilst maintaining all the tax benefits.

F&C Child Trust Fund ("CTF")
CTFs are closed to new investors; however, if your child has a CTF with another provider, it is easy to transfer it to F&C. Additional contributions can be made from as little as £25 per month or £100 lump sum – up to a maximum of £3,720 for the 2013/14 tax year (£3,840 for 2014/15).

F&C Children's Investment Plan ("CIP")
A flexible way to save for a child. With no maximum contributions, the plan can easily be written under trust to help reduce inheritance tax liability or kept in your name if you may need access to the funds before the child is 18. Investments can be made from a £250 lump sum or £25 a month. You can also make additional lump sum top-ups at any time from £100.

Junior ISA ("JISA")
This is a tax-efficient savings plan for children who did not qualify for a CTF. It allows you to invest up to £3,720 for the 2013/14 tax year (£3,840 for 2014/15) with all the tax benefits of the CTF. You can invest from £30 a month, or £500 lump sum, or a combination of both.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and you may not receive back the full amount originally invested. Tax rates and reliefs depend on the circumstances of the individual. The CTF and JISA accounts are opened in the child's name. Money cannot be withdrawn until the child turns 18.

Annual management charges and certain transaction costs apply according to the type of plan.

Annual account charge

ISA: £60+VAT

JISA: £25+VAT

PIP: £40+VAT

CIP/CTF: £25+VAT

You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits)

Dealing charge per holding

ISA: 0.2%

PIP/CIP/JISA: postal instructions £12, online instruction £8

The dealing charge applies when shares are bought or sold but the fixed rate charge does not apply to the reinvestment of dividends or the investment of regular monthly savings.

There is no dealing charge on a CTF but a switching charge of £25 applies if more than 2 switches are carried out in one year.

Government stamp duty of 0.5% also applies on purchases (where applicable).

There may be additional charges made if you transfer a plan to another provider or transfer the shares from your plan. For full details of charges, please read the Key Features and Terms and Conditions of the plan before investing.

The above has been approved by F&C Management Limited which is a member of the F&C Asset Management Group and is authorised and regulated by the Financial Conduct Authority.

How to Invest

You can invest in all our savings plans online.

New Customers:

Contact our Investor Services Team

Call:	**0800 136 420***
Email:	**info@fandc.com**
Investing online:	**www.fandc.com**

*8:30am – 5:30pm, weekdays

Calls may be recorded.

Existing Plan Holders:

Contact our Investor Services Team

Call:	**0845 600 3030****
Email:	**investor.enquiries@fandc.com**
By post:	F&C Plan Administration Centre PO Box 11114 Chelmsford CM99 2DG

**9:00am – 5:00pm, weekdays.

Calls may be recorded.

If you have trouble reading small print, please let us know. We can provide literature in alternative formats, for example large print or on audiotape. Please call 0845 600 3030**.

The above has been approved by F&C Management Limited which is a member of the F&C Asset Management Group and is authorised and regulated by the Financial Conduct Authority.

Glossary of Terms

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

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

AIFMD – Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires that all investment vehicles in the European Union, including Investment Trusts, must appoint a Depositary and an Alternative Investment Fund Manager before 22 July 2014. The Board of Directors of an Investment Trust, nevertheless, will remain fully responsible for all aspects of the Company's strategy, operations and compliance with regulations.

Benchmark – the FTSE All-World (Total Return) Index is the benchmark against which the increase or decrease in the Company's net asset value is measured. The Index averages the performance of a defined selection of companies listed in stock markets around the world and gives an indication of how those markets have performed in any period. As the investments within this Index are not identical to those of the Company, the Index does not take account of operating costs and the Company's strategy does not include replicating (tracking) this Index, there is likely to be some level of divergence between the performance of the Company and the Index.

Closed-end company – a company, including an Investment Company, with a fixed issued ordinary share capital which is traded on an exchange at a price not necessarily related to the net asset value of the company and which shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open-ended company or Fund, which has units not traded on an exchange but issued or bought back from investors at a price directly related to net asset value.

Cum-dividend – shares are classified as cum-dividend when the buyer of a security is entitled to receive a dividend that has been declared, but not paid. Shares which are not cum-dividend are described as ex-dividend.

Custodian – A specialised financial institution responsible for safeguarding, worldwide, the listed securities and certain cash assets of the Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services. The Company's Custodian is JP Morgan Chase Bank.

Depositary – under AIFMD rules applying from July 2014, the Company must appoint a Depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. The Depositary will be strictly liable for loss of any investments or other assets in its custody and will be obliged to maintain oversight of share buy backs, dividend payments and adherence to investment limits.

Derivative – a contract between two or more parties, the value of which fluctuates in accordance with the value of an underlying security. The contract is usually short-term (for less than one year). Examples of derivatives are Put and Call Options, Swap contracts, Futures and Contracts for Difference. A derivative can be an asset or a liability and is a form of gearing because the fluctuations in its value are usually greater than the fluctuations in the underlying security's value.

Discount/Premium – the share price of an Investment Trust is derived from buyers and sellers trading their shares on the stock market. This price is not identical to the net asset value (NAV) per share of the underlying assets less liabilities of the Company. If the share price is lower than the NAV per share, the shares are trading at a discount. This usually indicates that there are more sellers of shares than buyers. Shares trading at a price above NAV per share are deemed to be at a premium. The Board of the Company tries to ensure that the shares trade in normal market conditions at around 90% of the value of the net assets (i.e. that the discount is around 10%) by means of buying shares from sellers at the below-NAV price and cancelling them. This effectively creates a profit for the Company and at least temporarily deals with the perceived excess of shares in the market.

Distributable Reserves – Reserves distributable by way of dividend or for the purpose of buying back ordinary share capital (see notes 19 to 21). Company Law requires that Share Capital and the Capital Redemption Reserve may not be distributed. The Company's articles of association currently further restrict it from making distributions by way of dividend out of Capital Reserves although a resolution will be put to shareholders to remove this prohibition. All dividend payments are currently made out of Revenue Reserve and the cost of all share buybacks is deducted from Capital Reserves.

Dividend Dates – Reference is made in announcements of dividends to three dates. The "record" date is the date after which buyers of the shares will not be recorded on the shareholders' register as qualifying for the pending dividend payment. The "payment" date is the date that dividends are credited to shareholders' bank accounts. This may be several weeks or even months after the record date. The "ex-dividend" date is normally the second business day prior to the record date (most ex-dividend dates are on a Wednesday).

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

Gearing – this is the ratio of the borrowings of the Company to its net assets. Borrowings have a "prior charge" over the assets of a company, ranking before ordinary shareholders in their entitlement to capital and/or income. They include: preference shares; debentures; overdrafts and short and long-term loans from banks; and derivative contracts. If the Company has cash assets, these may be assumed either to net off against borrowings, giving a "net" or "effective" gearing percentage, or to be used to buy investments, giving a "gross" or "fully invested" gearing figure. Where cash assets exceed borrowings, the Company is described as having "net cash". The Company's maximum permitted level of gearing is set by the Board and is described within the Strategic Report and Directors' Report.

Investment Company (Section 833) – UK Company Law allows an Investment Company to make dividend distributions out of realised distributable reserves, even in circumstances where it has made Capital losses in any year (see note 2 (a)), provided the Company's assets remaining after payment of the dividend exceed 150% of the liabilities. An Investment Company is defined as investing its funds in shares, land or other assets with the aim of spreading investment risk.

Investment Trust taxation status (Section 1158) – UK Corporation Tax law allows an Investment Company (referred to in Tax law as an Investment Trust) to be exempted from tax on its profits realised on investment transactions, provided it complies with certain rules. These are similar to Section 833 Company law rules but further require that the Company must be listed on a regulated stock exchange and that it cannot retain more than 15% of income received (set out in note 3 on the accounts). The Directors Report contains confirmation of the Company's compliance with this law and its consequent exemption from taxation on capital gains.

Manager – F&C Management Limited (F&C), a subsidiary of the F&C Asset Management Group (FCAM). The responsibilities and remuneration of the Manager are set out in the Buisness Model, Directors Report and note 4 on the accounts.

Market capitalisation – the stock market quoted price of the Company's shares, multiplied by the number of shares in issue. If the Company's shares trade at a discount to NAV, the market capitalisation will be lower than the Net asset value.

Net asset value (NAV) – the assets less the liabilities of the Company, as set out on the Balance Sheet, all valued in accordance with the Company's Accounting Policies (see note 2) and UK Accounting Standards. The net assets correspond to Total Shareholders Funds, which comprise the share capital account, capital redemption reserve, and capital and revenue reserves. The Company's debenture is valued in the Accounts at par (redemption value) and this Balance Sheet NAV is sometimes referred to as "NAV, Debenture at par". The Debenture trades on the London Stock Exchange at a value higher than its redemption value and the NAV using this debenture value is described as "NAV, debenture at market value".

Non-executive Director – a Director who has a contract for services, rather than a contract of employment, with the Company. The Company does not have any executive directors. Non-executive Directors' remuneration is described in detail in the Remuneration Report. The duties of the Directors, who govern the Company through the auspices of a Board and Committees of the Board, are set out in the Corporate Governance Statement.

Ongoing Charges – all operating costs expected to be incurred in future and that are payable by the Company or suffered within underlying investee funds (including private equity funds), expressed as a proportion of the average net assets of the Company over the reporting year (see Ten year Record). The costs of buying and selling investments and derivatives are excluded, as are interest costs, taxation, non-recurring costs and the costs of buying back or issuing ordinary shares.

Private Equity – an asset consisting of shares and debt in operating companies that are not publicly traded on a stock exchange. The holdings in such companies may be collected in a Fund which operates as a limited partnership (LP), with Partners contributing capital to the Fund over a period of years and receiving proportional repayments of capital and income as and when the investments are sold.

SSAE – Statement on Standards for Attestation Engagements issued by the American Institute of Certified Public Accountants.

SORP – Statement of Recommended Practice. The accounts of the Company are drawn up in accordance with the Investment Trust SORP, issued by the AIC, as described in note 2.

Total expense ratio (TER) – an alternative measure of expenses to Ongoing Charges. It comprises all operating costs incurred in the reporting period by the Company, calculated as a percentage of the average net assets in that year (see Ten Year Record). Operating costs exclude costs suffered within underlying investee funds, costs of buying and selling investments and derivatives, interest costs, taxation and the costs of buying back or issuing ordinary shares.

Total return – the return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV in the period. The dividends are assumed to have been re-invested in the form of shares or net assets, respectively, on the date on which the shares were quoted ex-dividend.

Notes

Warning to shareholders – Boiler Room Scams

In recent years, many companies have become aware that their shareholders have been targeted by unauthorised overseas-based brokers selling what turn out to be non-existent or high risk shares, or expressing a wish to buy their shares. If you receive unsolicited investment advice or requests:

- Make sure you get the correct name of the person or organisation
- Check that they are properly authorised by the Financial Conduct Authority (FCA) before getting involved by visiting **www.fca.org.uk/firms/systems-reporting/register**
- Report the matter to the FCA by calling **0800 111 6768**
- If the calls persist, hang up.

More detailed information on this can be found on the FCA's website **www.fca.org.uk/consumer/scams**

Registered office:

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Tel: 020 7628 8000 Fax: 020 7628 8188
www.foreignandcolonial.com
info@fandc.com

Registrars:

Computershare Investor Services PLC,
PO Box 82, The Pavilions, Bridgwater Road,
Bristol BS99 7NH
Tel: 0800 923 1506 Fax: 0870 703 6143
www.computershare.com
web.queries@computershare.co.uk

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