Foreign & Colonial
INVESTMENT TRUST

Foreign & Colonial Investment Trust PLC

Report and Accounts

2014

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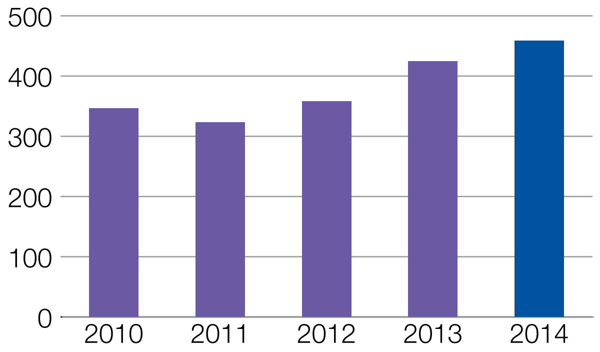
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in Foreign & Colonial Investment Trust PLC please forward this document, together with the accompanying documents, immediately to the purchaser or transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of shares, you should retain these documents.

Financial Highlights

Summary of Results

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



Source: F&C

Net Asset Value Total Return

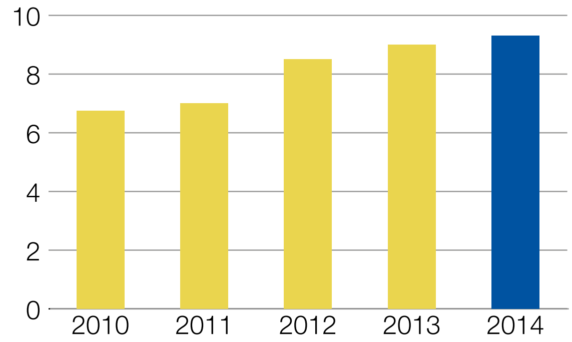
10.3%

Net Asset Value per share up

7.9% to **458.4p**

(debt at market value)

Dividends per share – pence



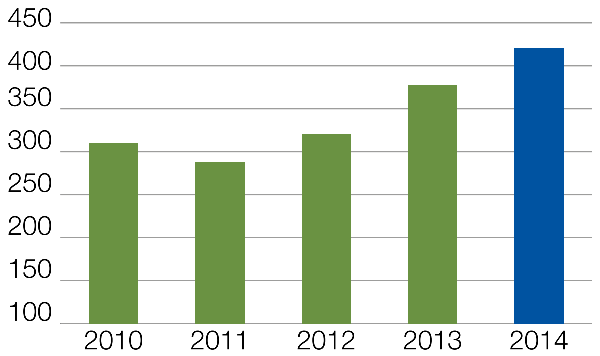
Source: F&C

Annual Dividend per share up

3.3% to **9.3p**

the 44th consecutive annual increase

Mid-market price per share at 31 December – pence



Source: F&C

Share Price Total Return

13.5%

Share Price up

11.4% to **421.2p**

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 £2,728 compared with £2,332 from the market benchmark and a £1,000 investment over 20 years would have grown to £4,683.

Income

Well-positioned for future dividend growth with significant income reserves. The dividend has increased every year for the past 44 years and over the last ten years is up 121.4% or 8.3% compound compared with inflation of 35.6% or 3.1% compound. The dividend increase has outpaced inflation in all but one of the last 35 years.

Cost effective

With an Ongoing Charge ratio of 0.87% 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, and the ability to issue shares in the event of a share premium, 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

2014 proved to be another good year for your Company with a net asset value total return of 10.3%. The net asset value per share with debt at market value rose by 7.9% to 458.4p per share. The share price rose by 11.4% to 421.2p and total shareholder return was 13.5% reflecting the improved rating of your Company. The share price discount to the net asset value per share narrowed from 11% at the start of the year to 8.1% at the end. The dividend for 2014 will be 9.3 pence, an increase of 3.3% on the year – our forty-fourth consecutive year of increases.

These results add to our record of achieving our objective of long-term growth in capital and income; over ten years the share price total return is 173%, equivalent to 10.6% per annum and over twenty years is 368%, which equates to 8.0% per annum.

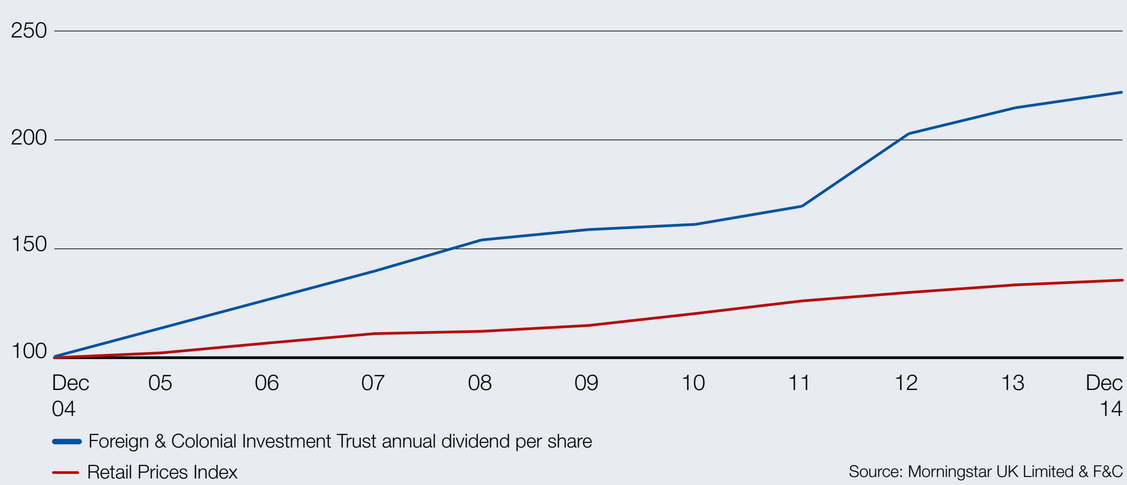
Over ten years the share price total return is 173%, equivalent to 10.6% per annum

Performance

The performance of stock markets proved less broad-based in 2014 with the US equity market leading gains globally. Currencies played an increasingly important role in shareholder returns and sterling based investors had their returns enhanced by a rise in the dollar, which was buoyed by strong performance of the US economy.

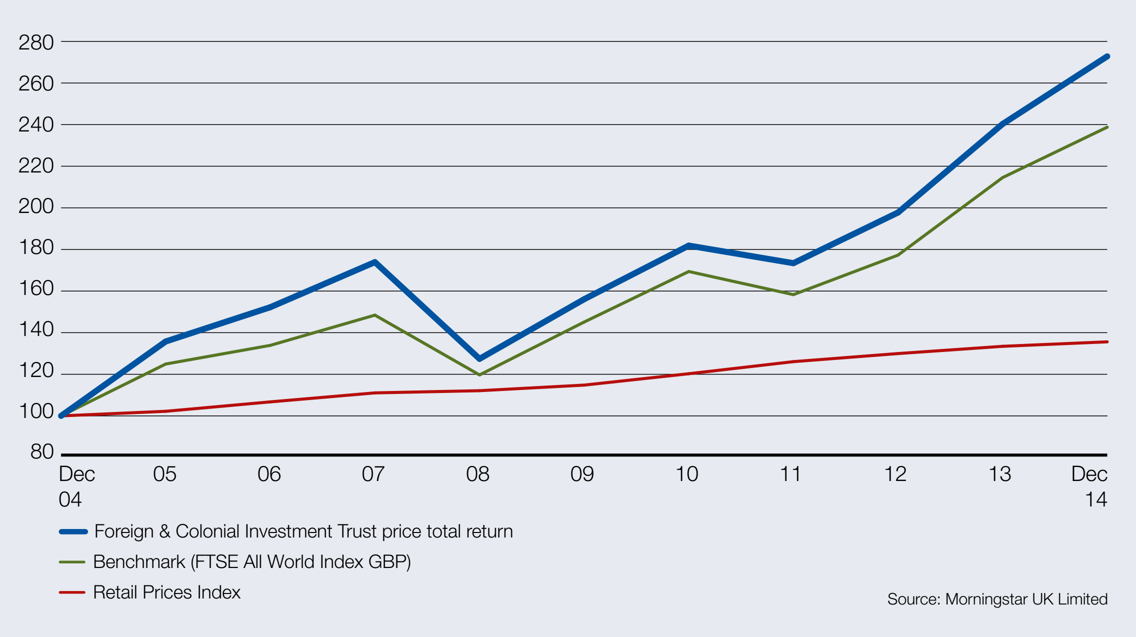
There was a marked divergence in economic conditions across the major regional blocs. The US economy continued to strengthen, despite a weather-induced contraction at the start of the year, while Europe and Japan struggled to deliver consistent growth.

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



The UK economy performed well, although by the end of the year there were signs that the momentum in domestic activity was already beginning to moderate. Political considerations were high on the agenda in 2014, with the Scottish referendum in particular creating some unwelcome uncertainty for investors. 2015 looks set to be another year of political concerns for investors in the UK.

Those who entered the year looking for earnings to drive equity market returns were generally disappointed. Corporate profits rose in the US, but not by as much as equity prices meaning that valuation levels moved further upwards.

Our net asset value total return of 10.3% was below the return of the FTSE All World Index, which rose by 11.3% over the year. We have outperformed against the Index over longer time periods, including three, five and ten years. Shorter term returns were hurt by under-allocation to the North American market and some weak stock selection in the early part of the year. Our Fund Manager took action to address these issues and we saw a much improved return in the second half of 2014.

Performance relative to our investment trust peers was strong in 2014. The net asset value total return of 8.2% for our comparable AIC Global peer group was substantially lower than the returns we enjoyed over the year. I am delighted to report that we are now delivering strong relative performance over one, three and five year periods in terms of both net asset value and shareholder returns. Your Company also continues to deliver substantial excess returns against global open-ended investment companies and unit trusts over most time periods.

Our private equity portfolio materially outperformed listed stock markets again in 2014

2014 was another good year for our private equity portfolio, which generated strong levels of return and also provided healthy cashflow as the portfolio continued to mature. Our private equity portfolio materially outperformed listed stock markets again in 2014 and has done so since the initial investments were made in 2003. Your Company is fortunate to have the ability to make genuinely longer-term but less liquid commitments.

As previously reported, in the early part of the year we reduced our UK portfolio as part of our strategy towards establishing a truly global portfolio, largely investing the

£340m proceeds in a global multi-manager portfolio of funds and raising our European equity exposure.

Gearing

Gearing levels generally declined over the year, but our Manager tactically raised gearing levels in December to buy European equities during a bout of market weakness. Gearing levels ended the year modestly higher at 9% against 8% at the start of the year. Looking forward, we will benefit from significantly reduced borrowing costs as our 25-year debenture matured at the end of our financial year. We have replaced this long-term debt costing 11.25% with short-term borrowings costing between 0.66% and 1.32%. Consideration will also be given to locking in medium to long-term borrowings at low cost.

Fund Manager Transition

The Board engaged fully with F&C on the appointment of our new Fund Manager, Paul Niven, who replaced Jeremy Tigue on 1 July 2014 following his retirement after 17 years. The process of transition to Paul was monitored carefully and we are delighted to report a seamless transfer of responsibilities. As Foreign & Colonial applies a number of different investment strategies, it was of key importance to the Board to ensure that our new Fund Manager had considerable breadth of experience. Paul Niven met our criteria and is working closely with the Board on all aspects of investment strategy. We expect that the investment approach will continue to evolve under his stewardship and look forward to continuing our record of delivering strong long-term shareholder returns.

Expenses

The Ongoing Charges figure in 2014 of 0.87% of net assets, which takes account of direct and indirect costs in underlying investee funds, remains competitive in comparison with other investment vehicles. Keeping tight control of costs is an important responsibility of the Board and one that we are determined to continue.

The Company's management fees and interest charges are allocated between the revenue and capital accounts in accordance with the long-term expected split of capital and revenue returns from the portfolio. Recognising the effect of the recent portfolio changes on the elements of the total return, the Board has reviewed the basis of allocation and has decided to increase the proportion allocated to the capital account from 50% to 75% with effect from 1 January 2015. The change will not affect the overall cost structure of the Company or the total return. Further comment on the portfolio changes and rationale for the amendment to the allocation basis can be found in the Fund Manager's review.

Another dividend increase ahead of inflation is planned for 2015

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 2015. This will bring the total dividend for the year to 9.30 pence. That will be an increase of 3.3% over 2013 compared with an increase of 1.6% in the Retail Price Index. We recognise the importance of a rising income stream in real terms for our shareholders and it is a clear focus of the Board that we maintain our record of long-term growth ahead of the rate of inflation. In this regard, ongoing cash realisations from our private equity portfolio and substantially lower interest payments resulting from the repayment of our costly debenture at the end of 2014 help enormously. The Board is planning another dividend increase ahead of inflation for 2015.

Buyback and Share Issue Policies

One of the most pleasing aspects of 2014 was the fact that your Company enjoyed an uplift in the rating of its shares. The share price discount to the net asset value per share closed 2014 at 8.1%, the lowest year-end close for twenty years, boosting shareholder returns. Each 1% reduction in the discount adds more than £25m to total shareholder returns.

As 2014 progressed we saw a reduced need for the Company to buy back its shares. The Company's adherence over time to its policy of buying back shares when the discount has exceeded 10% has substantially enhanced shareholder returns and

Chairman's Statement (continued)

has led to a change in the shareholder profile. The shareholder base is now overwhelmingly comprised of private investors, rather than City institutions, and there is good demand for the Company's shares from a broad range of investors. Your Board believes that Foreign & Colonial presents a compelling proposition for those investors who seek exposure to global public and private equity via a well-diversified, low cost portfolio with a focus on growing both capital and income through time. Strong performance in absolute and relative terms over extended periods of time, with low volatility against its peers, demonstrates the risk-adjusted attributes of our investment approach. Furthermore, we have demonstrated our ability to evolve our investment approach successfully through time to take advantage of a broad range of changing opportunities for the benefit of shareholders.

The trend in the narrowing of our discount is to be welcomed along with the prospect of attaining the long-held aim for your Company's shares to trade at or around net asset value per share. Since the year end the discount has narrowed further.

The discount closed 2014 at 8.1% and has since narrowed further

Limiting share price volatility relative to the net asset value, and ensuring good liquidity in the Company's shares, has always been a key objective of the Board. Not only has it been important to moderate the level of the discount, it will also be important to moderate the level of any potential premium should the trend in demand for the shares prevail. At the Annual General Meeting, therefore, the Board will seek to renew its powers to issue shares, as well as to renew its buyback powers so that we do not lose sight of our successful discount policy. As part of this we will also seek shareholder approval for the option of reissuing from treasury any future repurchased shares, rather than simply cancelling them. Any shares issued, or sold from treasury, will be at prices no less than a premium to the net asset value per share thus ensuring that any issuance is accretive to our existing shareholders.

The Board and Corporate Governance

The Board has continued to work closely with our Manager on a number of fronts. As highlighted in my report last year, F&C was bought by the asset management arm of Bank of Montreal. The Board has met on a number of occasions with senior management from both organisations as part of the annual management reappointment process. The Board has reappointed the Manager for another year and welcomes the stability and broadening of investment expertise that the new owner of F&C will add. We will continue to monitor all aspects of the Manager's performance very carefully.

There is already a robust regulatory structure in place for listed investment companies on top of which a new EU regulatory regime, known as the Alternative Investment Fund Managers Directive, became effective during the year. This is intended to apply a similar regulatory framework to closed-ended funds as those already applied to open-ended funds. The necessary arrangements have been put in place, which required an internal change of management company from F&C Management Limited to F&C Investment Business Limited and its simultaneous appointment as Alternative Investment Fund Manager in line with the new regulations. At the same time we took the opportunity to review the provisions of the investment management contract. A depositary has also been appointed and, when entering into this agreement, we also reviewed the safe custody agreement. In addition to the work involved in complying with the new directive, our Audit Committee reviewed the appointment of the auditor through a full tender process. Your Board remains committed to the highest standards of corporate governance and has complied with the relevant guidance throughout the year.

The future

Uncertainty over the global economy remains high and underlying economies are diverging markedly, with the US and UK moving closer to increases in interest rates, while policy is being eased in Europe and Japan. Financial markets have been buoyed by central bank largesse – in terms of easy monetary policy - and distortions in fixed income markets continue to drive a global reach for yield that is benefiting most financial assets.

In our view, equities remain attractively priced relative to other financial assets, particularly those in fixed income. For investors, however, the fragile underlying environment and finely balanced risks makes a conservatively managed growth portfolio which is globally focused an attractive prospect. Your Company is now more global than ever and, with lower borrowing costs, high cash realisations from our private equity portfolio and a diversified set of individual portfolio strategies we believe that we are well placed to weather any near term volatility in equity markets.

Simon Fraser
Chairman
2 March 2015

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 and Strategy

The Board and the Manager

The Company's Board of Directors has appointed F&C Investment Business Limited as Manager to deliver investment performance. The Manager is part of F&C and 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 that it receives is based on the market capitalisation of the Company, thus aligning its interests with shareholders through share price performance. It is also the appointed Alternative Investment Fund Manager, under the investment management agreement, in accordance with the Alternative Investment Fund Managers Directive.

Paul Niven acts as Fund Manager to the Company, on behalf of the Manager. He is responsible and accountable for the entire portfolio including the North America and private equity portfolios, which are managed externally. He succeeded Jeremy Tigue on 1 July 2014.

The Company has no employees. Its wholly non-executive Board of six male and two female Directors 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 budgets. The ancillary functions of administration, secretarial, accounting and marketing services are carried out by the Manager.

Further information in relation to the Board can be found on page 31. Information on the individual Directors, all of whom are resident in the UK can be found on pages 20 and 21. Remuneration information is set out on pages 34 to 36. Information on the fees payable to F&C under the investment management agreement can be found on page 26 and in note 4 on the Accounts.

Investment strategy

The Company typically remains fully invested in equities but maintains the flexibility to invest in other types of securities or assets. Its emphasis is towards a global equity focus through a diversified set of investment strategies. These investment portfolio strategies are listed in the table on page 11. The Company has moved to a much lower weighting in the UK than in the past. 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.

Foreign & Colonial's approach is to blend F&C's stock selection expertise with those of external fund managers. The Fund Manager has the flexibility to recommend to the Board the delegation of the investment portfolio strategies to external third party sub-managers when this seems likely to result in better investment performance. Two external sub-managers manage the North America large and mid-cap equity portfolios, namely Barrow Hanley and T Rowe Price. The Global Multi-Manager portfolio comprise a wide range of externally managed funds selected by F&C's specialist multi-manager team. 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.

An analysis of the portfolio on 31 December 2014 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 15, and the twenty largest fund holdings are on page 16.

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 F&C in its belief that good governance creates value. F&C 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 24.

Gearing strategy

Over many years the Company has used borrowings to enhance its returns. The Board has set a gearing range as explained below in the Investment policy statement. The flexible structure created to manage borrowings is explained by the Fund Manager on page 13.

Share issue and buyback strategy

The Company has for many years bought back its own shares for cancellation at a discount to net asset value per share with the aim of achieving a less volatile discount, with a ceiling of 10%, in normal market conditions.

In recent months the share price discount has narrowed significantly with the potential for attaining the long held ambition of the share price trading at or around the net asset value per share. In the event of the share price moving to a premium the Board will utilise its shareholder authority to issue new shares. This would have the similar effect of moderating any excessive premium and making small accretions to the net asset value per share. In addition to renewing its powers to buy back and cancel shares, the Board will seek shareholder authority to reissue shares from treasury.

Marketing strategy

F&C 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 as a beneficiary of the Retail Distribution Review and continues 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 look to make their own investment decisions.

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

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.

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.

Fund Manager's Review

Paul Niven
Fund Manager

2014 Results

Our portfolio produced good returns in 2014 and we implemented a number of important changes during the year. The share price also benefited from a higher rating, reflected in the lower discount to net assets which boosted shareholder returns by 3.2% as shown in the table below. This improvement in rating was due to several factors which increased demand for the shares. First, your Company has performed strongly against its benchmark and the majority of peers over many time periods, resulting in increased investor demand. Second, the Company is increasingly recognised as an ideal solution for investors seeking low cost and diversified exposure to listed and unlisted equity markets. Third, the longstanding buyback policy of the Board has resulted in a more stable register of shareholders.

Contributors to total returns in 2014

	%
Benchmark return	11.3
Contributors:	
Active return	(1.3)
Management fees	(0.4)
Interest Expenses	(0.6)
Other Expenses	(0.1)
Buy-backs	0.1
Change in Debenture Valuation	0.3
Gearing	1.0
Net Asset Value total return	10.3
Decrease in discount	3.2
Share price total return	13.5

*Debt at market value. Source: F&C

Returns were further enhanced by gearing, which partially offset underperformance from active return (stock selection and asset allocation relative to benchmark). We held a significant exposure to US assets on our portfolio but, against our benchmark index, our underweight position did cost some performance in asset allocation terms. In addition, notwithstanding our substantially reduced holding in UK equities, we continued to hold more than the index. Given that UK equities underperformed relative to international markets during 2014, this position was also detrimental to performance. Our investments in the highly performing private equity portfolio were a positive for returns as was a general underweight position on European equities during the year.

Underlying stock selection experience was mixed in 2014. North American equities have been a long-term positive for our relative performance but suffered a period of underperformance in 2014. Despite reducing our exposure to US smaller companies over the year, the underperformance from this area against large cap stocks hurt, offsetting the positive decision to be underweight the poorly performing Canadian stockmarket within our portfolio. Underlying stock selection from our external managers in US equities were in line with the index from one manager (Barrow Hanley) but we saw underperformance from the other manager (T Rowe Price). This is covered in more detail on page 28.

Elsewhere, our long-term performance record in European equities continues to be strong although this team posted a flat relative outturn for 2014. The standout performer for us in terms of listed equities during the year was our Global Income portfolio, established in 2013, which gained 16.5%, second only to absolute performance from our North America portfolio, which was up by 17.5% overall. UK equities were a significant detractor from relative returns at the total fund level. We had started 2014 poorly in this market, when it accounted for over 20% of assets. This hit our relative returns for the year despite the fact that, having changed manager on this part of our portfolio, we saw a positive relative return after the first quarter on the reduced allocation. Our new Global Multi-Manager portfolio posted modest underperformance since its inception earlier in the year.

Weighting, stock selection and performance in each investment portfolio strategy vs Index at 31 December 2014				
Investment Portfolio Strategy	Allocation %	Benchmark weighting %	Our performance %	Local index performance in Sterling %
UK	9.8	7.2	(0.9)	0.6
North American	32.1	54.9	17.5	19.6
Europe ex UK	14.5	15.0	0.1	0.0
Japan	4.6	7.8	3.9	2.7
Emerging Markets	8.2	10.6	5.9	4.3
Global Income†	6.8	–	16.5	–
Global Funds†	1.4	–	1.6	–
Global Multi-Manager*†	9.7	–	8.6	–
Private Equity	12.9	–	17.7	–

* Established 1 April 2014
† Underlying geographic exposure is included in the chart on page 12.

Source: F&C

Our Private Equity portfolio had a very strong year. The bulk of our commitment to this asset class was made between 2003 and 2008 and during the year we undertook a detailed exercise to assess the long-term performance. Our analysis showed that since investment the Private Equity portfolio has materially outperformed listed equities after fees and it is likely that this margin will widen further before our holdings fully mature. This performance is welcome and demonstrates the value that can be added for shareholders through our ability to access such long-term investment opportunities.

Private equity has outperformed listed equities

Foreign & Colonial Investment Trust share price 2014

Source: F&C

Income earned by our portfolio as a whole fell for the year, largely as a result of our asset allocation changes. Reducing the high yielding UK equity market to fund overseas opportunities boosted capital returns but did lead to a decline in income, despite rising underlying dividends from global companies. Our revenue return fell, as a result, from 7.69p to 6.69p for the year meaning that the total dividend will, in part, be funded as in some previous years, by a transfer from our revenue reserve. Our revenue reserve, built up over many years, remains sizeable, ending the year at £84.4m, equivalent to 15.0p per share. 2015 should see further dividend growth and we expect positive cashflow from our Private Equity portfolio. From a cost perspective, we will likely save in excess of £10m of interest costs due to the refinancing of our long-term debt with the short-dated facilities covered later in my review.

Portfolio activity

We made a number of important changes to the investment portfolio during 2014. First, we continued the trend of recent years to become more global in terms of our investment exposure by selling UK assets and reinvesting them more widely across the globe. Second, we continued to allow our private equity exposure to decline, benefiting from high rates of return and strong net cashflow from this

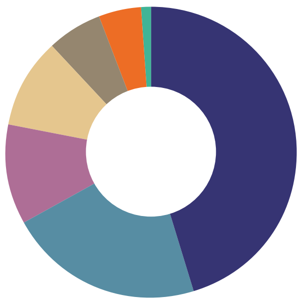
Fund Manager's Review (continued)

We consider exposures by looking through our strategies to our underlying holdings

area. Third, we allowed gearing levels to drift lower until the final few weeks of the year when we took advantage of short-term weakness and increased borrowings at low rates to buy more equities on a tactical basis. Finally, we replaced our longstanding expensive borrowing with significantly cheaper short dated debt.

When managing the total portfolio we look through our various investment portfolio strategies to the underlying holdings. The table below shows the geographic exposure including private equity and our global funds. Thus the true underlying exposure to North America, for instance, is significantly higher than shown in the table on the previous page.

Underlying Geographical Exposure as at 31 December 2014

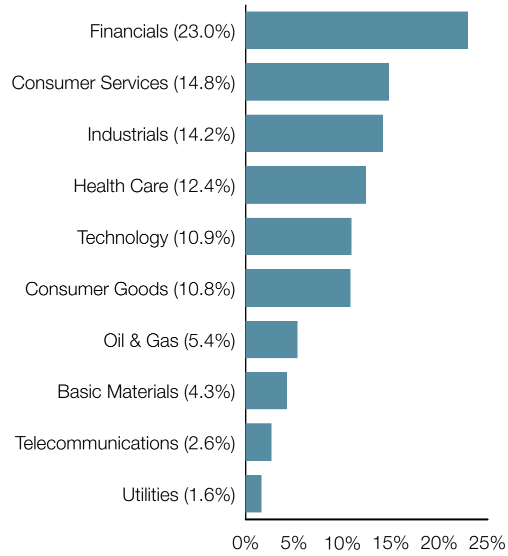


Source: F&C

We expect that each investment portfolio strategy will add value through time and management of these strategies, while showing the true underlying exposure, in terms of security, sector, country and currency, is critical in terms of portfolio management.

Year-end exposure, in terms of industrial classification on listed holdings, is shown in the chart below.

Underlying Classification of the Quoted Investment Portfolio as at 31 December 2014



Source: F&C

During the first quarter we sold £340m of UK equities with the proceeds being largely reinvested into overseas markets. In 2012 we had over a third of our portfolio in UK equities. By the start of 2014 this had fallen to 21.9% and by the end of the year it was down to 9.8% (11.2% on a look-through basis). In addition to cutting our UK equity allocation we made changes to the investment process and the individual management on this portfolio, following a prolonged period of disappointing performance. It is pleasing to report that performance from our UK equity investments have shown improvement after these changes were implemented.

As part of the reinvestment into overseas markets, we initiated a portfolio of fund holdings. These invest into third party managers and are selected by fund selection specialists from within F&C. This allocation is invested on a global basis and allows Foreign & Colonial to access a broad range of diversifying investment strategies from across the market. This exposure allows us to benefit from our manager selection expertise and continues our approach of blending F&C stock selection expertise with third party managers.

Despite a substantial outperformance over listed equities in 2014, our Private Equity

Our 25 year 11.25% debenture matured and we ended the year with 9% gearing at substantially lower rates of interest

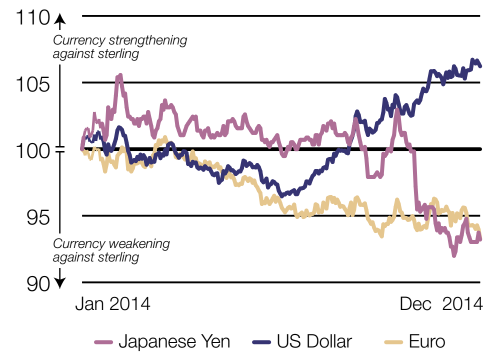
portfolio continued to decline as a proportion of the Company's total assets. The portfolio is now mature and the underlying managers are realising investments and returning capital to us – a net cash flow of some £90m in 2014. The holding in private equity is expected to decline to around 10% of total assets perhaps by the end of 2015, having reached levels approaching 20% only a few years ago.

As well as the reallocation from UK to overseas equity markets, we took the opportunity to specifically add to our European equity exposure, funding a move late in the year through our euro denominated loan. The move was undertaken despite the poor state of the Eurozone economy and in anticipation of an improving market and economic environment. European equity markets have been persistently disappointing in recent years and the underlying economic environment has been poor. In our view, markets have now discounted much of this and, with the decline in the euro and oil price and action from the European Central Bank, we may well see better relative performance from this area in the period ahead.

Funding

In 1989 your Company took out a £110m debenture bearing a coupon of 11.25%. For the following 25 years, we have been paying £12.38m a year in annual interest payments to service this debt. This debenture matured at the end of 2014 and we renegotiated terms and drew down on existing short-dated bank borrowing facilities in order to both pay off the debenture and to increase our gearing levels. This is the first time your Company has undertaken significant borrowings in euros – £75m equivalent at the time – to fund an increase in our European equity exposure and to hedge the currency on a portion of our European portfolio. In addition, we added £25m equivalent further of Japanese yen borrowing and £75m of sterling. These combined £175m of short-dated facilities are costing an annual rate of around 0.7% for the euro and yen borrowing and 1.3% for our sterling borrowing and sit alongside our existing medium term borrowing of £87m denominated in US dollars and yen. We ended the year with 9% gearing, a modest rise from the 8% starting level but, importantly, at substantially lower rates of interest.

Currency movements vs Sterling in 2014



Source: F&C

Outlook

2014 saw further evolution in your Company as we took steps to shape the portfolio to take advantage of a broad range of investment opportunities for the benefit of our shareholders. We are now truly global in terms of our investments and have a fully diversified set of investment strategies that we expect will deliver strong performance through time.

Reflecting the historic experience of drivers of return between capital and income in the Company and, as a function of recent portfolio changes which have reduced our allocation to the higher yielding UK equity market, the Board has agreed that a change in the basis of allocation of management fees and interest expenses is appropriate. The change to a 75% allocation to the capital account and 25% to the revenue account will take effect from 1 January 2015. Previously, the allocation was split equally. Had this new basis applied in 2014, net revenue after tax for the year would have been increased, and the capital account decreased, by £6.4m. Our primary objective of long-term growth in both capital and income is not impacted by this change in treatment.

We have already made a number of changes to the portfolio, with allocations being altered, strategies

Fund Manager's Review (continued)

being replaced or added, and existing processes refined. We have the tremendous benefit of flexibility with regards to our borrowing and are considering taking advantage of record low long-term rates to fund our long-term investments. In addition, the corporate structure of your Company allows us to allocate capital to private equity assets and we are determining how best we can access the potential for higher returns which may be delivered through these types of investments.

In addition to these strategic considerations we are mindful of short-term risks and opportunities. The global economy is diverging; growth and monetary policy are moving in different directions between the US, Europe, and Asia. Currency volatility is picking up and has already proven to be a key determinant of returns for investors in 2014. The bull market is maturing and stock markets are no longer a one-way bet for investors. In the coming year I expect that volatility will be on a rising trend and, while risks rise, there are also likely to be some great opportunities. Our portfolio of focused strategies across listed and unlisted markets with careful strategic and tactical allocation and selective use of borrowings should continue to serve investors well.

Paul Niven
Fund Manager
2 March 2015

Twenty Largest Listed Company Holdings

This Year	*Last Year*	**Company** Description	% of total investments	Value £'000s
1	*(19)*	**Novartis** Swiss global pharmaceutical company.	0.96%	26,900
2	*(6)*	**Utilico Emerging Markets** Specialist closed-ended fund investing in utility and infrastructure industries in emerging markets.	0.94%	26,299
3	*(15)*	**Roche** Swiss global pharmaceutical company.	0.79%	22,252
4	*(1)*	**BP** London listed oil and petrochemicals company.	0.78%	21,980
5	*(–)*	**Unitedhealth** US owner and manager of organised health systems.	0.76%	21,282
6	*(–)*	**Medtronic** US developer of medical products.	0.70%	19,578
7	*(7)*	**Google** US technology company focused on web search.	0.69%	19,248
8	*(2)*	**HSBC** International banking and financial services group.	0.66%	18,476
9	*(–)*	**Bayer** German healthcare company.	0.60%	16,736
10	*(–)*	**Pfizer** US global pharmaceutical company.	0.57%	16,089
11	*(9)*	**Amazon.Com** US online retailer.	0.56%	15,764
12	*(–)*	**Microsoft** US technology company focused on software products.	0.56%	15,640
13	*(–)*	**Wells Fargo** US diversified financial services company.	0.53%	14,932
14	*(–)*	**State Street** US financial services company.	0.53%	14,882
15	*(–)*	**Allianz** German insurer.	0.52%	14,573
16	*(–)*	**Philip Morris** US manufacturer of tobacco products.	0.52%	14,473
17	*(12)*	**American Express** US global payment and travel services company.	0.51%	14,342
18	*(–)*	**Oracle** US software provider.	0.47%	13,218
19	*(–)*	**UBS** Swiss financial services firm.	0.46%	12,988
20	*(3)*	**GlaxoSmithKline** London listed pharmaceutical company.	0.46%	12,837

The value of the twenty largest listed securities represents 12.57% (2013: 15.60 %) of the Company's total investments.
The figures in brackets denote the position within the top 20 at the previous year end.
The value of convertible securities in the total portfolio at 31 December 2014 was £239,000 or 0.0% of total assets less current liabilities (2013: £30,000 or 0.0% of total assets less current liabilities).

The Company's full list of investments exceeds 500 and is published monthly on the website at

www.foreignandcolonial.com

Copies are also available on request from the Secretary

Twenty Largest Fund 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 £12.6 million in 2014.	1.90%	53,231
2	*(2)*	**HarbourVest V Direct Fund*** Specialist fund that makes direct investments alongside other fund managers. It distributed a net £13.9 million in 2014.	1.40%	39,298
3	*(3)*	**Dover Street VII*** HarbourVest managed fund of funds specialising in buying holdings in existing private equity funds. It distributed a net £13.2 million in 2014.	1.13%	31,706
4	*(6)*	**HarbourVest Partners VIII Buyout Fund*** Fund of funds investing in buyouts of US businesses. It distributed a net £5.0 million in 2014.	1.01%	28,233
5	*(4)*	**Pantheon Europe Fund III*** Fund of funds investing principally in UK and European management buyouts which distributed a net £12.3 million in 2014.	0.97%	27,338
6	*(5)*	**HarbourVest Partners VII Buyout Fund*** Fund of funds investing in buyouts of US businesses. It distributed a net £7.8 million in 2014.	0.95%	26,544
7	*(7)*	**Dover Street VI*** HarbourVest managed fund of funds specialising in buying holdings in existing private equity funds. It distributed a net £34.7 million in 2014.	0.91%	25,461
8	*(9)*	**Pantheon Asia Fund V*** Fund of funds investing in Asian markets. It distributed a net £3.1 million in 2014.	0.87%	24,377
9	*(10)*	**HarbourVest Partners VIII Venture Fund*** Fund of funds investing principally in US venture capital. Distributed a net £4.8 million in 2014.	0.84%	23,496
10	*(8)*	**Pantheon Asia Fund IV*** Fund of funds investing in Asian markets. It distributed a net £8.3 million in 2014.	0.78%	22,014
11	*(–)*	**Iridian US Equity IP USD** Concentrated portfolio of US stocks with an emphasis on bottom up selection criteria with a focus on corporate change.	0.60%	16,824
12	*(–)*	**Findlay Park American Fund** Portfolio of US and Latin America stocks following a value based approach.	0.60%	16,736
13	*(–)*	**Nordea 1 SICAV North America** Concentrated portfolio of US stocks managed with a focus on value and growth.	0.59%	16,603
14	*(–)*	**JP Morgan Fund II ICVC America** Concentrated portfolio of US stocks with a value and growth component.	0.59%	16,473
15	*(–)*	**Brown Advisory American Fund B** Fund of US stocks covering large and small market capitalisation.	0.54%	15,187
16	*(–)*	**Artemis US Extended Alpha Fund I** US portfolio which incorporates an extended opportunity set through the ability to take short positions against long stock positions.	0.51%	14,430
17	*(11)*	**HarbourVest Partners VII Venture* Fund** Fund of funds investing principally in US venture capital. Distributed a net £3.0 million in 2014.	0.51%	14,296
18	*(–)*	**Coupland Cardiff Japan Alpha B** Concentrated portfolio of Japanese stocks.	0.50%	14,072
19	*(–)*	**Conventum Lyrical Fund** Deep value US strategy utilising systematic strategies.	0.50%	13,983
20	*(12)*	**Pantheon Global Secondary Fund III*** Fund investing in secondary private equity market. Distributed a net £3.1 million in 2014.	0.48%	13,515

* Unquoted Private Equity Limited Partnership investment held at estimated fair value, with no fixed capital and no distributable income in the ordinary course of business.

The value of the 20 largest funds represents 16.18% of the Company's total investments. The figures in brackets denote the position within the top 20 at the previous year end.

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 driven by 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 27 in relation to portfolio performance attribution and the Manager's reappointment.

Net asset value total return performance

	1 Year %	3 Years %	5 Years %	10 Years %
Foreign & Colonial net asset value† (with debt at market value)	10.3	55.3	66.2	148.9
AIC Global Sector weighted average net asset value†	8.2	47.5	59.4	135.6
FTSE All World Index†	11.3	50.9	64.5	138.8

†Total return

Source: Morningstar UK Limited and F&C

Share price total return performance

	1 Year %	3 Years %	5 Years %	10 Years %
Foreign & Colonial share price†	13.5	57.3	74.8	172.8
AIC Global Sector weighted average share price†	11.5	54.4	69.6	152.7
IMA Global Sector weighted average share price†	7.3	44.8	52.3	113.2
Retail Prices Index	1.6	7.6	18.1	35.6

†Total return

Source: Morningstar UK Limited and F&C

Compound annual dividend growth

%	5 years	10 years
Foreign & Colonial	6.9	8.3
FTSE All-Share	6.1	4.9
Retail Prices Index	3.4	3.1

Source: F&C and Morningstar UK Limited

Ongoing charges ratio

	%
2014	0.87
2013	0.86
2012	0.90
2011	0.92

Source: F&C

Discount(1)

31 December	%
2014	8.1
2013	11.0
2012	10.4
2011	10.6
2010	10.6

(1) With debt at market value cum income.

Source: F&C

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

£m	2014	2013	2012	2011	2010
Purchases	54	53	59	58	69
Withdrawals	54	93	54	55	60
Net flow	-	(40)*	5	3	9

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

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

Source: F&C

Principal Risks and Changes in the Year

Most of the Company's principal risks are market-related and no different to those of other investment trusts investing primarily in listed markets. The principal ongoing risks and uncertainties currently faced by the Company, and the controls and actions to mitigate those risks, are described below.

Principal Risks	Mitigation
Inappropriate strategy in relation to investor demand leading to volatility in the share price discount/premium to net asset value per share. *Risk reduced*	The Board considers strategic direction annually and, in conjunction with the Fund Manager, underlying investment strategies at each meeting together with performance versus peers and benchmark. The effectiveness of the marketing strategy is also reviewed at each Board meeting. A discount control mechanism has operated over many years.
Inappropriate asset allocation, sector and stock selection, currency exposure and use of gearing and derivatives may give rise to investment under-performance. *No change in overall risk in year.*	Investments are held in a diversified spread of international publicly listed equities, quoted funds of funds and unquoted private equity funds. Investment performance and borrowings are considered at each Board meeting with the Fund Manager. The ability of the Company to gear up enables it to take a long-term view of the countries, markets and currencies in which it is invested. Cash, borrowing and derivative limits are set and monitored regularly. F&C's Investment Risk Oversight team provides independent oversight on the effectiveness of all fund managers in managing the investment risk in their portfolios.
Loss of F&C's senior staff or failure to plan their succession could adversely affect investment returns. *Risk reduced.*	The Board provides feedback to F&C on the performance of the Fund Manager as part of the annual appraisal process and requires assurance that remuneration is market competitive and is structured in such a way as to align with the Company's performance. The Board regularly reviews the strength of F&C's investment management and client service resources.
Failure of F&C as the Company's main service provider to continue to operate effectively. *Risk reduced.*	The Board meets regularly with the risk management of F&C and receives regular Internal Control and Risk Reports. The Manager's appointment, which can be terminated at six months' notice, is reviewed annually. The Board has contingency arrangements in place to facilitate ongoing operations in the event of a failure of F&C's business.
Administrative errors, control failures or IT weaknesses in or between service providers could result in loss or damage. *Risk reduced.*	The Board receives annual reports from F&C on its own internal controls as well as in respect of its monitoring of third party service providers. F&C holds regular service review meetings with key third party providers and informs the Board of their performance, including on systems risk such as cybercrime.

The Report of the Audit Committee on pages 38 and 39 summarises the risk management arrangements. Note 26 on the Accounts on page 66 sets out the Company's Financial Risk Management policy and analysis of the risks.

The risks which affect the Company's ongoing operations may vary in significance from time to time. The Board has satisfied itself, in this regard, that those posed by investment in the Private Equity portfolio are no longer significant, given the Company's continuing reduction in exposure to the funds as they mature. The Fund Manager's Review on page 11 and the table of valuation movements and commitments on page 27 explain the changes in the year in the Private Equity portfolio.

Actions taken in the year

Approximately 8 million shares (1.4% of the shares outstanding at 31 January 2014) were bought back during the year though the monthly rate reduced sharply. The share price discount to net asset value reduced from 11.0% to 8.1% and has narrowed further since the year end.

Net asset value total return was 10.3% adding to the long-term record of achieving long-term growth in capital and income. The contributors to the total return are analysed on page 10. Bank borrowing facilities totalling £300m were in place throughout the year and the expensive £110m 25-year debenture matured on the last day of the year, which means that interest costs will reduce in 2015.

The successful Fund Manager changeover from Jeremy Tigue to Paul Niven was closely supervised by the Board. As part of this process the Board was also able to assess the strength in depth of the broader F&C investment management resource.

The Board has reviewed F&C's controls and risk management structure as part of its annual assessment. The Board has welcomed the acquisition of F&C by BMO during the year and has met the the BMO senior management several times. Comfort has been taken as to the long-term financial strength and policies of BMO with regard to their commitment to F&C's investment trust management business.

F&C, as part of BMO, has further strengthened its Compliance, Risk and Internal Audit functions and continues to invest in IT security. Supervision of third party service providers, including State Street and IFDS, has been maintained by F&C and includes assurances regarding IT security and cyber-attack prevention. The Company's Depositary commenced their duties under AIFMD requirements. The investment management agreement with F&C was fully revised during the year to reflect its new responsibilities under the AIFMD.

On behalf of the Board
Simon Fraser
Chairman
2 March 2015

Directors

Simon Fraser†

Chairman

Appointed to the Board in September 2009, appointed Chairman in May 2010 and is Chairman of the Nomination Committee and the Management Engagement Committee. He is also chairman of the Investor Forum, an investor led organization established for the purpose of improving long-term returns from investment through collective shareholder engagement. 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 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. 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 was president of Boeing UK from 2005 to 2014. In 2010 he accepted an invitation from the Prime Minister to be an honorary ambassador for British business. He is a non-executive director of ITM Power Limited, a designer and manufacturer of hydrogen energy systems for energy storage and clean fuel production.

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 Committee

Appointed in September 2010 and as Chairman of the Audit 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 and as Senior Independent Director in 2011. A Chartered Accountant, 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 senior independent director of The Asian Total Return Investment Company plc, a non-executive director of Sanditon Investment Trust plc and Waverton Investment Management Limited.

Nicholas Moakes†

Appointed to the Board In March 2011. He is Managing Director of the Investment Division at The Wellcome Trust and a member of the Investor Forum. He was Head of the Asia Pacific investment team and Co-Head of Emerging Markets at BlackRock Investment Management until 2007. He has over 25 years' experience in Asia and over 20 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 Committee
† Members of the Nomination Committee
All the Directors are members of the Management Engagement Committee

Management and Advisers

The Management Company

Foreign & Colonial Investment Trust PLC ("**Foreign & Colonial**" or the "**Company**") has been managed by F&C Investment Business Limited ("**FCIB**" or the "**Manager**") since 22 July 2014. Previously the Manager was F&C Management Limited. Both managers are wholly-owned subsidiaries within the F&C Asset Management Group ("**F&C**") which is now owned by Bank of Montreal Group ("**BMO**"). FCIB 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 entities.

Paul Niven Appointed Fund Manager (the "**Fund Manager**") of Foreign & Colonial in July 2014. Head of Multi-Asset Investment and chairs F&C'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 F&C 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 Investment Business Limited, 80 George Street, Edinburgh EH2 3BU

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.

Independent Auditors

PricewaterhouseCoopers LLP, ("**PwC**" or the "**auditors**"), 7 More London Riverside, London SE1 2RT

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

Custodian

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

Depositary

JPMorgan Europe Limited (the "**Depositary**"), 25 Bank Street, Canary Wharf, London E14 5JP

Share Registrars

Computershare Investor Services PLC (the "**Registrar**"), 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

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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
LISTED
PREMIUM

Directors' Report

The Directors submit the Annual Report and Accounts of the Company for the year ended 31 December 2014. The Corporate Governance Statement commencing on page 31; the Report of the Audit Committee on page 37; and the Remuneration Policy and Remuneration Report on pages 34 to 36 form part of this Directors' Report. There are no instances where the Company is required to make disclosures in respect of Listing Rule 9.8.4R.

Statement regarding Annual Report and Accounts

The Directors consider that, following advice from the Audit Committee, 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 three interim dividends totalling 6.60 pence per share, together with the final dividend of 2.70 pence per share, which will be paid on 1 May 2015 to shareholders registered on 27 March 2015 (Resolution 3), will bring the total dividend for the year to 9.30 pence per share. This represents an increase of 3.3% over the comparable 9.0 pence per share paid in respect of the previous year.

Company status

The Company is an investment company as defined by Section 833 of the Companies Act 2006. 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 49, comply with current UK Financial Reporting Standards, supplemented by the 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 43. The Company's investment policy statement, as set out on page 9, places the emphasis on investing in readily realisable listed securities and puts a limit on borrowings. The Company retains title to all assets held in custody by the Custodian. Agreements cover its bank borrowing facilities and a trust deed governs its remaining small debenture. Cash is held on deposit only with banks approved and regularly reviewed by F&C.

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 twelve-month period commencing from the date of this report. In addition, the Directors believe that the Company's objective and policy continue to be relevant to investors and that this, together with a robust regulatory environment within which it operates, supports the Company's long-term future prospects. 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

During the year the audit was put out to tender. As explained on page 40, PwC were reappointed as auditors to the Company. PwC have indicated their willingness to continue in office and resolutions will be proposed at the Annual General Meeting to reappoint them and determine their remuneration (Resolutions 12 and 13).

Directors' Report (continued)

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.

Voting policy

The Manager, 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 F&C'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 and updated in 2012, has been reviewed and endorsed by the Board, which encourages and supports F&C on its voting policy and its stance towards environmental, social and governance issues. The statement is available on F&C's website at www.fandc.com/ukstewardshipcode. The Board periodically receives a report on instances where F&C 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 2014 there were 562,292,016 ordinary shares of 25 pence each ("**ordinary shares**") in issue. There had been no changes to the number of ordinary shares as at 27 February 2015 (being the latest practicable date before before publication of this report). 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), together with the realised capital profits of the Company, 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. Full details are set out in the Company's articles of association.

At the Annual General Meeting held on 29 April 2014, shareholders renewed the Board's authority to buy back up to 14.99% of the Company's ordinary shares for cancellation. A total of 8,067,000 shares were bought back and cancelled, representing 1.4% of the shares in issue at 31 December 2013. This enhanced the net asset value per share by 0.6 pence. The purchases were made at prices ranging between 370.7 pence and 398.9 pence and the aggregate consideration paid for the shares, including stamp duty and commissions, was £30,983,000. There have been no buybacks between the date of the year end and the date of this report.

Voting rights and proportional voting

At 27 February 2015 the Company's 562,292,016 ordinary shares in issue represented a total of 562,292,016 voting rights. As at 31 December 2014 and since that date no notifications of significant voting rights have been received under the Financial Conduct Authority's Disclosure and Transparency Rules.

Approximately 46.3% 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 650,000 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 repaid in full its 25-year £110 million 11.25% debenture stock on 31 December 2014. The £575,000 4.25% perpetual debenture stock remains in place. The Company has the ability to use short-term borrowings by way of loans and overdrafts, subject to the limits set out on page 9 in the Company's investment policy statement and in the debenture deed. 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. Two £100 million committed multi-currency facilities are in place with Royal Bank of Scotland and Scotia Capital which mature in December 2015 and 2016. Both of these facilities provide for the option to request an additional commitment of £100 million. There is also a multi-currency overdraft facility with JP Morgan Chase. Further reference is made on page 9 and in notes 13, 14, 16 and 17 on the accounts.

Directors' remuneration report

The Directors' remuneration policy and annual remuneration report, which can be found on pages 34 to 36, provide detailed information on the remuneration arrangements for Directors of the Company. Shareholders will be be asked to approve the Directors' Annual Report on Remuneration on page 35 (excluding the remuneration policy which is next due for approval in 2017) (Resolution 2).

Director re-elections

The names of the Directors of the Company, along with their biographical details, are set on pages 20 to 21 and are incorporated into this report by reference. 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 4 to 11). The Nomination Committee has considered each Director and the Board has concurred with the Nomination Committee's assessment that each Director is independent, continues to make a valuable and effective contribution and remains committed in the role.

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. This deed of indemnity is a qualifying third-party provision (as defined by section 234 of the Companies Act 2006) and 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, JPMorgan Chase, and who was reappointed on 22 July 2014. Operational matters with the Custodian are carried out on the Company's behalf by the Manager via F&C in accordance with the provisions of the investment management agreement. The Custodian is paid a variable fee dependent on the number of trades transacted and location of the securities held.

Depositary

JPMorgan Europe Limited was appointed as Depositary on 22 July 2014 in accordance with the Alternative Investment Fund Managers Directive ("**AIFMD**"). The role is a new one introduced by this Directive. The Depositary's responsibilities, which are set out in an Investor Disclosure Document on the Company's website, include: cash monitoring;

Directors' Report (continued)

segregation and safe keeping of the Company's financial instruments; and monitoring the Company's compliance with investment and leverage limits requirements. The Depositary receives for its services a fee of one basis point per annum on the first £1 billion of the Company's net assets and 0.25 basis points per annum on net assets in excess of that amount, payable monthly in arrears.

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 £7.9 million (2013: £7.3 million). Note 4 on the accounts provides detailed information in relation to the management fee.

Whilst the funds held in the Global Multi-Manager portfolio levy management fees, no fees are paid to the Manager for the selection of the funds.

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 2014 amounted to £2.0 million (2013: £1.8 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 £5.4 million for 2014 (2013: £6.0 million) of which £0.6 million was paid directly and £4.8 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.

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.

"Foreign & Colonial" and "F&C"

Once owned by Foreign & Colonial, F&C is now a large pan-European investment group owned by the asset management arm of Bank of Montreal. 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, they 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

F&C's performance (including that of the Manager) is considered by the Board at every meeting, with a formal evaluation by the Management Engagement Committee 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 portfolio strategies. 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; the sources of positive and negative contribution to the portfolio in terms of gearing, asset allocation and stock selection; and the performance of each investment portfolio strategy against its local index, where applicable, and the risk/return characteristics of the portfolio. Portfolio performance information is set out on pages 27 and 28.

Investment portfolio strategies attribution in Sterling

Region	1 year % Return	1 year % Index return	3 years %* Return	3 years %* Index return	5 years %* Return	5 years %* Index return
UK	(0.9)	0.6	30.7	34.2	37.6	48.4
North America	17.5	19.6	78.6	69.9	120.4	104.8
Europe ex UK	0.1	–	65.1	48.4	60.8	34.2
Japan	3.9	2.7	38.9	32.6	30.9	37.5
Emerging Markets	5.6	4.3	13.0	13.5	7.6	15.0
Global Income	16.5	–	–	–	–	–
Global Funds	1.6	–	–	–	–	–
Global Multi-Manager#	8.6	–	–	–	–	–
Private Equity	17.7	–	33.5	–	80.7	–

performance since 1 April 2014

The global investment portfolio strategies do not have index comparators and have been in existence for less than three years.

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	2014	290,000	263,875	26,125	228,238	154,458
	2013	290,000	260,875	29,125	176,898	174,795
		US$'000s	US$'000s	US$'000s	US$'000s	US$'000s
Total US Dollar denominated portfolio	2014	589,050	526,918	62,132	367,774	379,450
	2013	589,050	500,490	88,560	255,712	408,328

		Commitment outstanding 31 December 2014 £'000s	Value of holding 31 December 2014 £'000s
Total private equity portfolio(1)	Brought forward	77,702	391,961
Committed in 2014(2)		–	–
Cash drawn in 2014(2)		(18,486)	18,486
Cash returned in 2014(2)		–	(109,455)
Valuation movements(3)		–	58,134
Exchange movements		906	4,096
Total private equity portfolio(3)	Carried forward	60,122	363,222

(1) At exchange rates ruling at 31 December 2013
(2) At actual exchange rates in 2014
(3) At exchange rates ruling at 31 December 2014

Source: F&C

Directors' Report (continued)

North American performance (US Dollars)			
	31 December 2014		12 month performance %
	Value (US$m)	% of US Portfolio	
T Rowe Price US Large Cap Growth*	624.6	43.8	10.2
Barrow Hanley US Large Cap Value*	644.6	45.2	13.5
US Smaller Companies F&C managed portfolio	157.2	11.0	1.9
Total North America portfolio	1,426.4	100.0	10.6
S&P 500 Total Return Index			13.7
Russell 1000 Value Index			13.5
Russell 1000 Growth Index			13.1
Russell 2000 Index			4.9

* 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

Manager reappointment

The annual evaluation took place in January 2015 with presentations from F&C's Chief Executive Officer, Co-Head of Investment, the Fund Manager and the Head of Investment Trusts. This focused primarily on the objectives set by the Board and F&C's contribution towards achieving those objectives particularly in regard to investment strategy and marketing. As part of the evaluation, the Group Head of BMO Wealth Management and the Co-CEO of BMO Global Asset Management reported to the Board on the strength of these businesses and the resources and opportunities for F&C as part of the BMO Group and their continued support for its investment trust business. With regard to performance, the net asset value total return had beaten the Company's benchmark over three, five and ten years and the weighted average of the net asset value total return of the AIC Global sector over one, three, five and ten years.

The Management Engagement Committee met in closed session following the presentations and concluded that in their opinion the continuing appointment of FCIB as Manager on the terms agreed was in the interests of shareholders as a whole. The Board ratified this recommendation.

Annual General Meeting

The Annual General Meeting will be held at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2 on Tuesday, 28 April 2015 at 12 noon. The Notice of Annual General Meeting appears on pages 74 to 78 and includes a map of the venue. The Fund Manager will give a presentation and there will be an opportunity to ask questions during the meeting. Shareholders will be able to meet the Directors informally over refreshments afterwards.

Authority for the Company to purchase its own shares (Resolution 14)

Resolution 14 authorises the Company to purchase in the market up to a maximum of 84,287,000 ordinary shares (equivalent to approximately 14.99% of the issued share capital exclusive of treasury shares) 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, reflecting requirements of the Companies Act 2006 and the Listing Rules.

The Directors would continue to use this authority in accordance with the strategy set out on page 9. Under the Companies Act 2006, the Company is allowed to hold its own shares in treasury following a buyback, instead of having to cancel them. This gives the Company the ability to reissue treasury shares quickly and cost-effectively (including pursuant to the authority under resolution 15, see below) and provides the Company with additional flexibility in the management of its capital base. Such shares may be resold for cash but all rights attaching to them, including voting rights and any right to receive dividends are suspended whilst they are in the treasury. If the Board exercises the authority conferred by resolution 14, the Company will have the option of either holding in treasury or of cancelling any of its shares purchased pursuant to this authority and will decide at the time of purchase which option to pursue.

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 2016 or on 30 June 2016, whichever is the earlier.

The Board intends to seek a renewal of such authority at subsequent annual general meetings.

Authority to allot shares and sell shares from treasury (Resolutions 15 and 16)

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 or selling shares out of treasury, without first offering them to existing shareholders in proportion to their holdings.

Resolution 15 gives the Directors the necessary authority to allot securities up to an aggregate nominal amount of £7m, (28m ordinary shares, being equivalent to approximately 5% of the Company's current issued share capital (calculated exclusive of any shares being held by the Company in treasury) as at 27 February 2015, being the latest practicable date before the publication of the Notice of the Annual General Meeting), 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 2016 or on 30 June 2016, whichever is the earlier.

Resolution 16 empowers the Directors to allot such securities for cash, other than to existing shareholders on a pro-rata basis and also to sell treasury shares without first offering them to existing shareholders in proportion to their holdings up to an aggregate nominal amount also of £7m (representing approximately 5% of the issued ordinary share capital of the Company at 27 February 2015).

These authorities and powers provide the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares or the sale of treasury shares, in accordance with the policies set out on page 9 or should any other favourable opportunities arise to the advantage of shareholders.

The Directors anticipate that they will mainly use them to satisfy demand from participants in 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 them to issue shares or sell treasury shares at a price which would result in a dilution of net asset value per ordinary share.

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.

Directors' Report (continued)

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. F&C operates a proportional voting arrangement, which is explained on page 24.

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 Annual General 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 Investment Business Limited
Secretary
2 March 2015

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. These are categorised under 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 and issue 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 F&C.

* 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 November 2014 to consider strategic issues and also met regularly in private session during the year, without any representation from the Manager. Separate working committee meetings were also held to consider the AIFMD.

Directors' attendance

	Board	Audit Committee	Nomination Committee
No. of meetings	8	5	1
Simon Fraser(1)	8	5	1
Sarah Arkle	8	5	n/a
Sir Roger Bone	8	n/a	1
Stephen Burley	8	4	n/a
Francesca Ecsery	8	n/a	n/a
Jeff Hewitt	8	5	n/a
Christopher Keljik	8	5	1
Nicholas Moakes	8	n/a	1

(1) Attends but is not a member of the Audit Committee.

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 that allows any Director's 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 investment management agreement. The powers of the Board relating to the buying back

Corporate Governance Statement (continued)

or issuance of the Company's shares are explained on pages 5, 6, 9 and 24.

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 annual general meeting 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.

The Board believes in the benefits of having a diverse range of experience, 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 2014 annual appraisal of the Board, the committees and the individual Directors has been carried out by the Chairman. This built on the objectives identified from the previous year's appraisal for which the Chairman was supported by independent consultants, the Board Advisory Partnership LLP. The process included confidential unattributable one-to-one interviews between the Chairman 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 Chairman's report on progress against the objectives was submitted to the Board in January 2015 and new objectives set to take this further in the year.

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. The provisions under which a Director would automatically cease to be a Director are set out in the articles of association.

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 F&C and of the Company itself; none has a past or current connection with F&C 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 2015, 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 Committee

The Board has established an Audit Committee, the role and responsibilities of which are set out in the report on page 37.

Management Engagement Committee

The role of the Management Engagement Committee is to review the investment management agreement and monitor the performance of the Manager for the investment, secretarial, financial, administration, marketing and support services that it provides under that agreement, together with its terms including the level and structure of fees payable, the length of notice period and best practice provisions generally. This committee was formally established on 1 January 2015; its responsibilities during 2014 were carried out by the Board as a whole.

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 reappointment 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 2014 and in January 2015.

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 20 and 21 and attendance at meetings on page 31.

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 34 to 36 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 asset managers.

Unclaimed dividends

The Company has engaged the services of Georgeson (a subsidiary of Computershare) to locate shareholders, or their beneficiaries, who have lost track or are unaware of their investments. The service is provided at no cost to the Company; Georgeson retain 10% of unclaimed dividends from the shareholder on completion of each successful claim. Alternatively, shareholders are given the option of contacting the Registrar themselves, thereby incurring no charges.

By order of the Board
for and on behalf of
F&C Investment Business Limited
Secretary

2 March 2015

Remuneration Report

Directors' Remuneration Policy

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.

At the Company's last annual general meeting, held on 29 April 2014, shareholders approved the Directors' Remuneration Policy and the Directors' Remuneration Report. 93% of votes were in favour of the resolutions and 7% were against. The Directors' Remuneration Policy will next be put to shareholders for approval at the annual general meeting in 2017 unless changes are proposed to be made in the meantime.

The Board considers the level of Directors' fees at least annually. Towards the end of the year the Chairman carried out a review of fee rates in accordance with the policy. The Board agreed his recommendation that, commencing 1 January 2015, the basic fee should be £34,000, representing an increase of 3.3% since the last increase on 1 January 2013. The Board also agreed to the Senior Independent Director's recommendation that an increase be made to the Chairman's fee commensurate with the increase in the basic fee; an increase to £68,000.

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 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.

The fees for specific responsibilities are set out in the table below. No fees are payable for membership of the Management Engagement Committee.

Annual fees for Board responsibilities

	2015 £'000s	**2014 £'000s**
Board		
Chairman	68.0	**66.0**
Senior Independent Director	40.3	**39.3**
Director	34.0	**33.0**
Audit 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 2015 would be as follows:

	2015 £'000s	**2014* £'000s**
Simon Fraser	71.0	**69.0**
Sarah Arkle	39.0	**38.0**
Sir Roger Bone	37.0	**36.0**
Stephen Burley	39.0	**38.0**
Francesca Ecsery	34.0	**33.0**
Jeffrey Hewitt	44.0	**43.0**
Christopher Keljik	48.3	**47.3**
Nicholas Moakes	37.0	**36.0**
Total	349.3	**340.3**

*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.

Directors' emoluments for the year

The Directors who served during the year received the following emoluments in the form of fees:

Fees for services to the Company (audited)

Director	2014 £'000s	2013 £'000s
Simon Fraser[(1)]	**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[(2)]	**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

(1) Highest paid Director

(2) Appointed a Director on 1 August 2013

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

Actual expenditure	2014 £'000s	2013 £'000s	% Change
Aggregate Directors' Remuneration	340.3	321.1	6.0
Aggregate Dividends paid to Shareholders	52,180	49,862	4.6
Aggregate cost of ordinary shares repurchased	30,983	24,573	26.1

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)

	2014	2013
Simon Fraser	**36,646**	36,508
Sarah Arkle	**10,000**	10,000
Sir Roger Bone	**50,855**	46,617
Stephen Burley	**25,000**	25,000
Francesca Ecsery	**3,614**	–
Jeffrey Hewitt	**17,579**	15,652
Christopher Keljik	**63,001**	61,788
Nicholas Moakes*	**1,252**	1,252

*Nicholas Moakes also holds 21,792 units in the Old Mutual Wealth – 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.

Since the year end, the following Directors have acquired further ordinary shares: Simon Fraser 31, Christopher Keljik 9,238, Sir Roger Bone 685, Jeffrey Hewitt 306 and Francesca Ecsery 17. 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.

As at 27 February 2015 the Fund Manager held 47,462 shares in the Company.

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 36 compares, for the six financial years ended 31 December 2014, 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 ended 31 December 2014 is given in the Chairman's Statement and Fund Manager's Review.

Remuneration Report

Directors' Annual Report on Remuneration (continued)

Benchmark total return over six 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 its benchmark, the FTSE All World Index GBP, the benchmark performance has been shown as the comparator. A ten-year performance graph can be found on page 4.

On behalf of the Board
Simon Fraser
Chairman
2 March 2015

Report of the Audit Committee

I am delighted to present to you the Report of the Audit Committee for the year ended 31 December 2014. This was a busy year particularly introducing the Alternative Investment Fund Managers Directive, which further strengthens F&C's existing internal controls and risk management structure. We also dealt with the competitive tendering of the external audit, which was a valuable process. PwC, the incumbent, retained the audit with a progressive service offering and lowered fees. This year, the committee has evolved from the "Audit and Management Engagement Committee" to focus on the audit elements. A new Management Engagement Committee has been formed (comprising all members of the Board) to take on the other roles and this will strengthen overall governance.

Role of the committee

The primary responsibilities of the Audit Committee are to monitor the integrity of the financial reporting and statements of the Company, and to oversee the audit of the annual accounts, preparation of the half yearly accounts and the internal control and risk management processes. The committee met five times during the year with F&C's Head of Trust Accounting, Head of Investment Trusts, Head of Business Risk and the Fund Manager in attendance. The external auditor PwC attended all of the scheduled committee meetings and twice met in private session with the committee. For the audit tendering process other members of the Board also joined in certain of these meetings.

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

- The audited annual results statement and annual report and accounts and the half-yearly report and accounts and interim management statements;
- The accounting policies of the Company and the allocation of management expenses and interest costs between capital and revenue;
- To advise the Board as to whether the Annual Report and Accounts taken as a whole is fair, balanced and understandable;
- The effectiveness of the Company's internal control and risk management environment;
- The effectiveness of the audit process and the independence and objectivity of the external auditor, their reappointment, remuneration and terms of engagement;
- The policy on the engagement of the external auditor 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 F&C, 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, other than F&C, and the fees charged in respect of those services;
- Counterparty approval and F&C's dealing efficiency and associated costs;
- Investment and leverage restrictions including limits on the writing of options;
- The Company's trade marks and intellectual property rights;
- The Company's Directors' and Officers' liability insurance; and
- The committee's terms of reference.

Comprehensive papers and reports, including recommendations, relating to each of these matters were prepared by either F&C or the Auditor for discussion. These were debated by the Committee and any recommendations were fully considered if there was a judgement to be applied in arriving at conclusions. Recommendations were then made to the Board as appropriate.

As last year, the Board sought the advice of the committee as to whether the Annual Report taken as a whole was fair, balanced and understandable. The committee reviewed the draft Annual Report in light of this requirement and also put an arms-length process in place to provide additional comfort from a wider perspective that the Annual Report and Accounts met the necessary standards. The committee was satisfied and advised the Board as such.

The Board retains ultimate responsibility for all aspects relating to external financial statements and other significant published financial information as is noted in the Directors' Responsibility Statement on page 42. On broader control policy issues, the committee has reviewed, and is satisfied with,

Report of the Audit Committee (continued)

F&C's Anti-Fraud, Bribery and Corruption Strategy and Policy and with the "whistleblowing" policy that has been put in place by F&C 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 communication to this committee where matters might impact the Company.

Composition of the committee

Committee membership is listed on pages 20 and 21 and its terms of reference can be found on the website at www.foreignandcolonial.com. All the committee members are independent non-executive Directors. I, Jeffrey Hewitt, am chairman of the committee and a Chartered Accountant and was for many years Group Finance Director of Electrocomponents plc, as well as currently 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, which are managed via the Manager by F&C. 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 by the committee through regular reports provided by F&C. The reports cover investment performance, performance attribution, compliance with agreed and regulatory investment restrictions, financial analyses, revenue estimates, performance of the third party administrators of the F&C savings plans and on other relevant management issues. The committee has direct access to F&C's Group Audit Committee and Head of Business Risk for internal audit and risk management activities. F&C's Business Risk department provides regular control report updates to the committee covering risk and compliance issues and internal audit team findings that might affect the Company. The significant issues considered by the committee, and F&C's control report to the committees on policies and procedures in operation in 2014, are discussed below.

The department produces a key risk summary to help identify the risks to which the Company is exposed and the controls in place and actions being taken to mitigate them. The Board discusses the resulting risk matrix at each of its meetings and dynamically reviews the significance of the risks and the reasons for any changes. The Company's principal risks are set out on page 18 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 by the committee, the Board has assessed the effectiveness of the internal control systems. This included a review of the F&C risk management infrastructure and the report on policies and procedures in operation and tests for the period 1 January to 31 December 2014 (the "**Report**"). This has been prepared by F&C for all 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, KPMG, the Report sets out F&C'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 F&C's Group Audit Committee, which receives regular reports from its Internal Audit department. Procedures are also in place to capture and evaluate any failings and weaknesses within F&C's control environment and those extending to any outsourced service providers to ensure that action would be taken to remedy any significant issues. Any errors or breaches relating to the Company are reported at each Board meeting by F&C. No failings or weaknesses material to the overall control environment and financial statements were identified

Significant Issues considered by the Audit Committee in 2014

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 F&C's, the sub-managers' and private equity managers' annual internal control reports which are reported on by independent external accountants 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 F&C's annual internal control report for the year ended 31 December 2014 which details the controls around the reconciliation of F&C's records to those of the Custodian. The committee also reviewed the Custodian's latest annual internal control reports, which is reported on by independent external accountants and which provides details regarding its control environment. The Depositary has issued reports via the Manager confirming the safe custody of the Company's assets for the periods since implementation of the AIFMD to 31 December 2014.
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 F&C's annual internal control report and updates. It also compared the final level of income received against forecasts made during the year and discussed the accounting treatment of special or unusual dividends with F&C.

in the year under review. The committee also reviewed the control reports of the Custodian, the Depositary, third party sub-managers, private equity managers and the Registrar and were satisfied that there were no material exceptions.

Through the reviews noted above and by direct enquiry of F&C and other relevant parties, the committee and the Board have satisfied themselves that there were no material control failures or exceptions affecting the Company's operations during the year or likely in the immediate future.

Based on processes and controls in place within F&C, the committee has concluded that there is no current need for the Company to have an internal audit function and the Board has concurred.

The committee has noted the revised Corporate Governance Code issued by the Financial Reporting Council in September 2014 which strengthens the reporting on risk management and on viability. The Company will report on these matters as required by the Code in 2015.

Report of the Audit Committee (continued)

External audit process – significant issues

In carrying out its responsibilities, the committee has considered the planning arrangements, scope, materiality levels and conclusions of the external audit 2014. As last year, procedures for investment valuation and recognition of income were the main areas of audit focus and testing. The committee approved a change on the interim results reporting whereby a review by the auditor was no longer undertaken as such review provided little additional reassurance.

The table on page 39 describes the significant issues considered by the committee in relation to the financial statements for the year and how these issues were addressed.

The committee met in February 2015 to discuss the draft final Annual Report and Accounts, with representatives of the auditor and F&C in attendance.

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 Annual Report and Accounts. The committee established and agreed that there were no material issues or findings arising which needed to be brought to the attention of the Board. Consequently the committee recommended to the Board that the Annual 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 43 to 48.

Auditor tender, assessment, independence and appointment

The Company reviews the reappointment of the auditor every year. Under new EU mandatory audit rotation rules and the UK Competition and Market Authority's rotation rules, the Company will be required to put the external audit out to tender at least every ten years and it is anticipated that the auditor will change at least every twenty years. Partly in light of these requirements and the pre-existing FRC guidance on tendering at the time of the lead partner rotation, the Company undertook a tender immediately after the 2014 Annual General Meeting. The process was foreshadowed in the Audit Committee Report last year. The audit tender process was overseen by the committee and executed by F&C. The Company invited five audit firms to tender of which three, including the incumbent PwC, were shortlisted. These firms provided good quality written responses to the brief and gave comprehensive presentations to the committee on their respective audit team standing, skills and experience. Each demonstrated extensive investment trust and private equity experience alongside the necessary accounting, tax, emerging financial reporting and governance expertise. Following an assessment of each firm's credentials against a standard set of criteria the committee concluded that, notwithstanding their previous tenure, PwC should win the tender and continue with their appointment as auditors. The use of progressive technology for the audit process and lower fees as well as the high level of confidence in the incoming lead audit partner, and in the continuity and calibre of their audit teams, were key factors in the decision to recommend PwC to the Board.

At the Annual General Meeting in 2015 shareholders will of course vote on the reappointment of PwC for the 2015 audit. From direct observation and indirect enquiry of management, the committee remains satisfied that PwC provide appropriate challenge in carrying out their responsibilities. The committee has been satisfied with the effectiveness of PwC performance on the audit just completed. The fee for the audit was £67,000 compared with £94,000 last year as shown in Note 5 on the accounts.

PwC have confirmed that they are independent of the Company and have complied with relevant auditing standards. The committee will continue to consider the appointment annually and the need for putting the external audit out to tender for reasons of quality or independence. Given the EU regulations and transition rules on firm rotation, PwC will not be available for appointment as auditors beyond the annual general meeting following 17 June 2020 given PwC's tenure.

The committee regard the continued independence of the auditor to be a matter of the highest priority. The Company's policy with regard to the provision of non-audit services is that appropriate safeguards should be in place and that the subject of the services should not have a material effect on the financial statements. PwC non-audit services in 2014 on behalf of the Company were £55,000 and comprised: ongoing services relating to UK and Taiwanese tax returns (£12,000); protective claims against French tax authorities (£38,000); and an emergency procedure review (£5,000). The Company has submitted claims, with the assistance of PwC, against French tax authorities for tax potentially overpaid in periods since 2009. The fees for the work were agreed by the committee prior to work commencing. The total potential amount to be recouped via the claims is anticipated to be well in excess of the costs incurred to date but has not been accrued in the accounts due to the uncertainty. The one-off emergency procedure review related to the Company's ability under its emergency procedures to recover accounting data in the event of F&C's unforeseen demise. The committee considers the services to have been cost effective and not to have compromised the independence of PwC. PwC has also represented its independence to the committee and that it has complied with the Company's policy.

The new EU Regulations will further constrain non-audit services provided by the auditor. Prohibited services will include tax and systems work, though the details are still to be decided. There will also be a cap of non-audit service fees set at 70% of audit fees over an averaged three year period, though again the detailed implementation has still to be decided. The Company's policy on non-audit services will be aligned to the finalised regulations. Auditor independence and objectivity will remain the primary concern of the committee.

Committee evaluation

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

Jeffrey Hewitt
Audit Committee Chairman
2 March 2015

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 2014 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
2 March 2015

Independent Auditors' Report

to the Members of Foreign & Colonial Investment Trust PLC

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, Foreign & Colonial Investment Trust PLC's financial statements (the "**financial statements**"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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.

What we have audited

Foreign & Colonial Investment Trust PLC's financial statements comprise:

- the Balance Sheet as at 31 December 2014;
- the Income Statement for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Reconciliation of Movements in Shareholders' Funds for the year then ended; and
- the notes on the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

■ Overview

- Overall materiality: £25.8 million which represents 1% of net assets.
- We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.3 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

- The company is a standalone Investment Trust Company and engages F&C Investment Business Limited (the "**Manager**") to manage its assets.
- We tailored the scope of our audit taking into account the types of investments within the company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the company operates.

- Income
- Valuation and existence of investments

■ The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("**ISAs (UK & Ireland)**").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in

Independent Auditors' Report (continued)

order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Income	
We focused on the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP'). This is because incomplete or inaccurate income could have a material impact on the company's net asset value and dividend cover. We also focused on gains/losses on investments held at fair value due to the subjective nature of the valuation of private equity investments.	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. *We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy.* We understood and assessed the design and implementation of key controls surrounding income recognition. We tested dividend receipts by agreeing the dividend rates for a sample of investments to independent third party sources. Our sample covered at least 50% of dividend income from quoted investments and 100% of dividend income from unquoted investments. *No misstatements were identified which required reporting to those charged with governance.* To test for completeness, we tested that appropriate dividends had been received in the year by reference to independent data of dividends declared by a sample of investment holdings from within the portfolio. *Our testing did not identify any unrecorded dividends.* We tested the allocation and presentation of dividend income between the income and capital return columns of the Income Statement, in line with the requirements set out in the AIC SORP. We then tested the validity of income and capital special dividends to independent third party sources. *We did not find any special dividends that were not treated in accordance with the AIC SORP.* The gains/losses on private equity investments held at fair value comprise realised and unrealised gains/losses: • For unrealised gains/losses, we obtained an understanding of, and then tested the valuation process as set out in the "Valuation and existence of investments" area of focus, to ascertain whether these gains/losses were appropriately calculated. • For realised gains/losses, we tested disposal proceeds by agreeing the proceeds to bank statements and sale agreements and we re-performed the calculation of a sample of realised gains/losses. *No misstatements were identified by our testing which required reporting to those charged with governance.*
Refer to page 39 (Report of the Audit Committee), pages 52 to 54 (Accounting Policies) and pages 55 and 60 (notes).	

Area of focus	How our audit addressed the area of focus
Valuation and existence of investments	
The investment portfolio at the year-end comprised of quoted equity investments (£2,439m) and investments in private equity funds and other unquoted investments (£366m). We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the financial statements.	We tested the valuation of the investment portfolio as follows: • for quoted equity investments we tested the prices used in the valuation to independent third party sources; • for investments in private equity funds, we obtained confirmation of the valuation from the private equity managers, Pantheon Ventures Limited and HarbourVest Partners LLC. We discussed the valuations with them and the Manager in order to challenge and substantiate the valuations applied. We read the accounting policies for a sample of the underlying funds to assess whether they follow a fair value approach. We considered the controls reports issued by the private equity managers, Pantheon Ventures Limited and HarbourVest Partners LLC, to understand and evaluate the controls in place around the valuation and reporting procedures and obtained letters bridging to year end. We also assessed the accuracy of prior year valuations which were based on estimates and unaudited financial statements, by reference to their respective audited financial statements obtained during the year. *No misstatements were identified which required reporting to those charged with governance.* We tested the existence of the quoted investment portfolio by agreeing the holdings for investments to an independent custodian confirmation received from JP Morgan Chase Bank. We tested the existence of the unquoted investment portfolio by agreeing holdings to statements received directly from Pantheon Ventures Limited and HabourVest Partners LLC. *No differences were identified.*
Refer to page 39 (Report of the Audit Committee), pages 52 to 53 (Accounting Policies) and page 60 (notes).	

■ How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the types of investments within the company, the involvement of the Manager and State Street Bank and Trust Company (the "**Administrator**"), the accounting processes and controls, and the industry in which the company operates.

The Manager delegates certain accounting and administrative functions to the Administrator on which they report to the Manager.

As part of our risk assessment, we assessed the control environment in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and reading the relevant control reports issued by the independent auditor of the Manager and the Administrator in accordance with

Independent Auditors' Report (continued)

generally accepted assurance standards for such work. We then identified those key controls at the Administrator on which we could place reliance to provide audit evidence. We also assessed the gap period of three months between the period covered by the controls report and the year-end of the company. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements, including whether we needed to perform additional testing in respect of those key controls to support our substantive work. For the purposes of our audit, we determined that additional testing of controls in place at the Administrator was not required because additional substantive testing was performed.

■ Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and 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 materiality for the financial statements as a whole as follows:

Overall materiality £25.8 million (2013: £24.3 million).
How we determined it 1% of net assets.
Rationale for benchmark applied We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be more appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.3 million (2013: £1.2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

■ Going Concern

Under the Listing Rules we are required to review the directors' statement, set out on page 23, 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 company's 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.

OTHER REQUIRED REPORTING

Consistency of other information

■ Companies Act 2006 opinions

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

■ ISAs (UK & Ireland) reporting

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
  - otherwise misleading.

We have no exceptions to report arising from this responsibility.

- the statement given by the Directors on page 23, in accordance with provision C.1.1 of the UK Corporate Governance Code ("**the Code**"), 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 is materially inconsistent with our knowledge of the company acquired in the course of performing our audit.

We have no exceptions to report arising from this responsibility.

- the section of the Annual Report on pages 37 to 41 as required by provision C.3.8 of the Code, 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.

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

■ Directors' Remuneration Report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

■ Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not 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 ten provisions of the UK Corporate Governance Code.

We have nothing to report having performed our review.

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 in Respect of Financial Statements set out on page 42, 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.

What an audit of financial statements involves

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.

We primarily focus 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.

Independent Auditors' Report (continued)

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in 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.

Jeremy Jensen (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
London
2 March 2015

Income Statement

Revenue Notes	Capital Notes	For the year ended 31 December	2014 Revenue £'000s	2014 Capital £'000s	2014 Total £'000s	2013 Revenue £'000s	2013 Capital £'000s	2013 Total £'000s
	10	Gains on investments and derivatives	-	202,963	202,963	–	386,631	386,631
	20	Exchange (losses)/gains	(106)	2,998	2,892	(198)	9,004	8,806
3		Income	57,132	-	57,132	63,106	–	63,106
4	4	Management fees	(4,981)	(5,575)	(10,556)	(4,545)	(5,159)	(9,704)
5	20	Other expenses	(2,390)	(63)	(2,453)	(2,131)	(67)	(2,198)
		Net return before finance costs and taxation	49,655	200,323	249,978	56,232	390,409	446,641
6	20	Finance costs	(7,826)	(7,826)	(15,652)	(8,685)	(8,685)	(17,370)
		Net return on ordinary activities before taxation	41,829	192,497	234,326	47,547	381,724	429,271
7		Taxation on ordinary activities	(3,972)	–	(3,972)	(3,510)	–	(3,510)
8	8	**Net return attributable to shareholders**	37,857	192,497	230,354	44,037	381,724	425,761
8	8	**Net return per share – basic (pence)**	6.69	34.00	40.69	7.69	66.68	74.37

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 2014	Share Capital £'000s	Capital Redemption Reserve £'000s	Capital Reserves £'000s	Revenue Reserve £'000s	Total Shareholders' Funds £'000s
	Balance brought forward 31 December 2013	142,590	120,172	2,068,847	98,713	2,430,322
9	Dividends paid	–	–	–	(52,180)	(52,180)
18	Shares repurchased by the Company	(2,017)	2,017	(30,983)	–	(30,983)
	Return attributable to shareholders	–	–	192,497	37,857	230,354
	Balance carried forward 31 December 2014	**140,573**	**122,189**	**2,230,361**	**84,390**	**2,577,513**

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

Balance Sheet

Notes	At 31 December	£'000s	2014 £'000s	£'000s	2013 £'000s
	Fixed assets				
10	Investments		**2,805,363**		2,623,202
	Current assets				
12	Debtors	**4,495**		5,280	
	Cash at Bank and short term deposits	**32,831**		32,477	
		37,326		37,757	
	Creditors: amounts falling due within one year				
10	Derivative financial instruments	**–**		(19)	
13	Loans	**(173,405)**		(30,000)	
14	Debenture	**–**		(110,000)	
15	Other	**(4,585)**		(3,827)	
		(177,990)		(143,846)	
	Net current liabilities		**(140,664)**		(106,089)
	Total assets less current liabilities		**2,664,699**		2,517,113
	Creditors: amounts falling due after more than one year				
16	Loans	**(86,611)**		(86,216)	
17	Debenture	**(575)**		(575)	
			(87,186)		(86,791)
	Net assets		**2,577,513**		2,430,322
	Capital and reserves				
18	Share capital		**140,573**		142,590
19	Capital redemption reserve		**122,189**		120,172
20	Capital reserves		**2,230,361**		2,068,847
20	Revenue reserve		**84,390**		98,713
	Total shareholders' funds		**2,577,513**		2,430,322
21	**Net asset value per share – prior charges at nominal value (pence)**		**458.39**		426.10

The Financial Statements were approved by the Board on 2 March 2015 and signed on its behalf by:

Simon Fraser
Chairman

Jeffrey Hewitt
Director

Cash Flow Statement

Notes	For the year ended 31 December	£'000s	2014 £'000s	£'000s	2013 £'000s
	Operating activities				
	Investment income	**53,012**		58,739	
	Interest received	**29**		32	
	Stock lending fees received	**–**		3	
	Premium from option writing	**117**		439	
	Other revenue	**219**		70	
	Management fees paid	**(9,933)**		(9,556)	
	Fees paid to Directors	**(340)**		(321)	
	Other cash payments	**(2,109)**		(2,067)	
22	Net cash inflow from operating activities		**40,995**		47,339
	Servicing of finance				
	Interest paid	**(15,599)**		(17,262)	
	Cash outflow from servicing of finance		**(15,599)**		(17,262)
	Financial investment				
	Purchases of investments and derivatives	**(1,380,957)**		(865,197)	
	Sales of investments and derivatives	**1,402,342**		1,002,646	
	Other capital charges and credits	**(62)**		(67)	
	Net cash inflow from financial investment		**21,323**		137,382
	Dividends paid		**(52,180)**		(49,862)
	Net cash (outflow)/inflow before use of liquid resources and financing		**(5,461)**		117,597
	Management of liquid resources				
	Decrease/(increase) in short term deposits		**2,238**		(9,432)
	Financing				
	Net loans raised/(repaid)	**145,637**		(85,000)	
	Debenture repaid	**(110,000)**		–	
	Costs of shares repurchased	**(30,983)**		(25,164)	
	Net cash inflow/(outflow) from financing		**4,654**		(110,164)
23	**Increase/(decrease) in cash**		**1,431**		(1,999)

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.

As a consequence of changes to the Company's articles of association in 2014, the Company may now distribute net capital returns by way of dividend. It is the Board's current stated intention, however, to continue paying dividends to equity shareholders out of Revenue Reserves. The amounts paid and payable by way of dividend are shown in the Reconciliation of Movement in Shareholders Funds.

2 Significant accounting policies

(a) Going concern

As refererred to in the Directors' Report on page 23, the Directors believe that it is appropriate for the accounts to be prepared on a going concern basis.

(b) 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.

At the date of authorisation of these Accounts, the following Standards which are in issue have not been applied in these Accounts as they are not yet effective:

- Financial Reporting Standard 102 issued by the Financial Reporting Council and applicable, for financial periods beginning on or after 1 January 2015, to the financial statements of UK and Republic of Ireland entities not applying EU-adopted International Financial Reporting Standards.
- Revised SORP issued in November 2014 and effective for financial periods beginning on or after 1 January 2015.

The application of these Standards in future financial periods is not expected to have a material effect on the reported results of the Company.

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 2014 and 31 December 2013. Consequently, consolidated accounts have not been prepared.

There have been no significant changes to the accounting policies during the year ended 31 December 2014.

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(c) 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.

(c) 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.

2 Significant accounting policies (continued)

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.

(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.

Notes on the Accounts (continued)

2 Significant accounting policies (continued)

(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.

(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. With effect from 1 January 2015, the proportion will be increased from 50% to 75%, reflecting the Board's changed expectation of the long-term split of returns from the investment portfolio; 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 (non-distributable 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 (distributable 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

	2014 £'000s	2013 £'000s
UK dividends	14,568	25,569
Overseas dividends	42,198	36,964
	56,766	62,533
Other Income		
Interest on cash and short-term deposits	121	32
Sundry income	123	–
Underwriting commission	5	70
Derivative income	117	470
Stock lending fees*	–	1
	366	573
Total income	57,132	63,106
Total income comprises:		
Dividends	56,766	62,533
Other income	366	573
	57,132	63,106
Income from investments comprises:		
Quoted UK	14,568	25,569
Quoted Overseas	41,338	35,458
Unquoted	860	1,506
	56,766	62,533

As described in note 2(c)(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

		2014 £'000s	2014 £'000s	2013 £'000s	2013 £'000s
Payable directly to the Manager:					
– in respect of management services provided by the Manager	(i)	7,941		7,300	
– reimbursement in respect of services provided by sub-managers	(i)	2,021		1,790	
			9,962		9,090
Payable directly to private equity managers	(ii)		594		614
Total directly incurred management fees			10,556		9,704
Incurred indirectly within funds managed by private equity managers	(iii)		4,847		5,350
Total direct and indirect management fees			15,403		15,054

(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:

Management fees	2014 £'000s	2013 £'000s
Payable directly to the Manager	9,962	9,090
Payable directly to private equity managers	594	614
	10,556	9,704
Less: allocated to capital reserves	(5,575)	(5,159)
Allocated to revenue account	4,981	4,545

(a) Management fees payable to the Manager

The Manager, F&C Management Limited until 21 July 2014 and thereafter F&C Investment Business Limited, a fellow subsidiary of 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 2014 the Company had commitments in five private equity funds managed by Pantheon Ventures Limited (2013: five) and eleven funds managed by HarbourVest Partners LLC (2013: 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 (2013: 0.64%) 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 2014 varied from 0.32% per annum to 1.37% per annum (2013: 0.65% to 1.61%).

5 Other expenses

	2014 £'000s	2013 £'000s
Auditors' remuneration:		
for audit and audit-related assurance services*	74	101
for other services**	62	11
Custody	248	283
Directors' emoluments (see Directors' Remuneration Report on pages 34 to 36):		
fees for services to the Company	340	321
Subscriptions	23	25
Directors' and officers' liability insurance	47	57
Marketing	455	549
Savings Plans	–	108
Loan commitment and arrangement fees***	499	106
Registrars	117	127
Professional charges	169	98
Printing and postage	154	158
Sundry	202	187
	2,390	2,131

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

* Total auditors' remuneration for audit services, exclusive of VAT, amounted to £67,000 (2013: £94,000). There were £nil costs relating to an independent review report for the period to 30 June 2014 (2013: £18,000).

** Total auditors' remuneration for other services, exclusive of VAT, amounting to £55,000 (2013: £10,000), comprised; £50,000 for taxation compliance services (2013: £8,000); £5,000 other assurance services in relation to a review of the company's disaster recovery plan (2013: £nil); £nil relating to other assurance services for review of debenture compliance certificate (2013: £2,000). No part of these amounts was charged to capital reserves (2013: £nil).

*** Under loan facility agreements (see notes 13 and 16) the Company pays commitment fees on any undrawn portions of the facilities.

6 Finance costs

	2014 £'000s	2013 £'000s
Debenture stocks	12,399	12,399
Loans	3,178	4,959
Overdrafts	75	12
	15,652	17,370
Less: allocated to capital reserves (see note 20)	(7,826)	(8,685)
	7,826	8,685
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)	12,601	12
Debentures and loans repayable between one and five years, not by instalments (notes 14, 16 and 17)	3,051	13,515
Loans repayable after more than five years (note 16)	–	3,843
	15,652	17,370

Notes on the Accounts (continued)

7 Taxation on ordinary activities

(a) Analysis of tax charge for the year

			2014			2013
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Corporation tax at 21.5% (2013: 23.25%)	–	–	–	–	–	–
Relief for overseas taxation	–	–	–	–	–	–
	–	–	–	–	–	–
Overseas taxation	(3,898)	–	(3,898)	(3,439)	–	(3,439)
Total current taxation (note 7(b))	(3,898)	–	(3,898)	(3,439)	–	(3,439)
Deferred tax	(74)	–	(74)	(71)	–	(71)
	(3,972)	–	(3,972)	(3,510)	–	(3,510)

The tax assessed for the year is lower (2013: lower) than the standard rate of Corporation tax in the UK rate of Corporation tax in the UK.

(b) Factors affecting tax charge for the year

			2014			2013
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Return on ordinary activities before taxation	41,829	192,497	234,326	47,547	381,724	429,271
Return on ordinary activities multiplied by the standard rate of UK corporation tax of 21.50% (2013: 23.25%)	8,993	41,387	50,380	11,055	88,751	99,806
Effects of:						
Dividends*	(12,205)	–	(12,205)	(14,507)	–	(14,507)
Exchange losses not subject to corporation tax	23	–	23	46	–	46
Capital returns*	–	(44,282)	(44,282)	–	(91,985)	(91,985)
Expenses not deductible for tax purposes	45	14	59	71	15	86
Expenses not utilised in the year	3,144	2,881	6,025	3,501	3,219	6,720
Unutilised overseas tax in excess of double taxation relief	3,898	–	3,898	3,273	–	3,273
Total current taxation (note 7(a))	3,898	–	3,898	3,439	–	3,439

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

The deferred tax asset of £51.8 million (2013: £48.0 million) in respect of unutilised expenses at 31 December 2014 has not been recognised as it is unlikely that the unrecognised asset will be utilised in the foreseeable future. Of this amount £19.4 million (2013: £16.8 million) relates to revenue expenses and £32.4 million (2013: £31.2 million) to capital expenses.

8 Net return per share

	2014 pence	2014 £'000s	2013 pence	2013 £'000s
Total return	40.69	230,354	74.37	425,761
Revenue return	6.69	37,857	7.69	44,037
Capital return	34.00	192,497	66.68	381,724
Weighted average ordinary shares in issue		566,157,523		572,445,619

9 Dividends

Dividends on ordinary shares	Register date	Payment date	2014 £'000s	2013 £'000s
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	–	14,340
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	–	11,983
2013 Third interim of 2.10p	3-Jan-2014	3-Feb-2014	11,978	–
2013 Final of 2.70p	28-Mar-2014	1-May-2014	15,359	–
2014 First interim of 2.20p	4-Jul-2014	1-Aug-2014	12,468	–
2014 Second interim of 2.20p	3-Oct-2014	3-Nov-2014	12,375	–
			52,180	49,862

A third interim dividend of 2.20 pence, in respect of the year ended 31 December 2014, was paid on 2 February 2015 to all shareholders on the register on 5 January 2015.

The Directors have proposed a final dividend in respect of the year ended 31 December 2014 of 2.70p payable on 1 May 2015 to all shareholders on the register at close of business on 27 March 2015. The total dividends paid and 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.

	2014 £'000s
Revenue available for distribution by way of dividends for the year	37,857
First interim dividend for the year ended 31 December 2014 – 2.20p per share	(12,468)
Second interim dividend for the year ended 31 December 2014 – 2.20p per share	(12,375)
Third interim dividend for the year ended 31 December 2014 – 2.20p per share (cost based on 562,292,016 shares in issue at 2 February 2015)	(12,370)
Proposed final dividend for the year ended 31 December 2014 – 2.70p per share (estimated cost based on 562,292,016 shares in issue at 27 February 2015)	(15,182)
Estimated revenue reserve utilised for Section 1159 purposes	(14,538)

Notes on the Accounts (continued)

10 Investments and derivative financial instruments

	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2014 Total £'000s	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2013 Total £'000s
Cost at 1 January	**1,621,484**	**–**	**354,155**	**1,975,639**	1,493,454	–	386,686	1,880,140
Unrealised gains at 1 January	**606,310**	**–**	**41,234**	**647,544**	450,504	–	43,753	494,257
Valuation at 1 January	**2,227,794**	**–**	**395,389**	**2,623,183**	1,943,958	–	430,439	2,374,397
Purchases at cost	**1,362,533**	**–**	**18,603**	**1,381,136**	841,433	–	24,613	866,046
Sales proceeds	**(1,291,639)**	**–**	**(110,280)**	**(1,401,919)**	(908,898)	–	(94,993)	(1,003,891)
Gains/(losses) on derivatives sold	**19**	**–**	**-**	**19**	(91)	–	–	(91)
Gains on investments sold	**210,544**	**–**	**44,175**	**254,719**	195,586	–	37,849	233,435
Losses on derivatives held	**–**	**–**	**–**	**–**	(19)	–	–	(19)
(Losses)/gains on investments held	**(69,764)**	**–**	**17,989**	**(51,775)**	155,825	–	(2,519)	153,306
Valuation at 31 December of investments and derivatives	**2,439,487**	**–**	**365,876**	**2,805,363**	2,227,794	–	395,389	2,623,183
Analysed at 31 December								
Cost	**1,902,941**	**–**	**306,653**	**2,209,594**	1,621,484	–	354,155	1,975,639
Unrealised gains	**536,546**	**–**	**59,223**	**595,769**	606,310	–	41,234	647,544
Valuation at 31 December of investments and derivatives	**2,439,487**	**–**	**365,876**	**2,805,363**	2,227,794	–	395,389	2,623,183

Valuation of investments and derivatives	2014 £'000s	2013 £'000s
Valuation of investments at 31 December	**2,805,363**	2,623,202
Valuation of derivatives at 31 December	**–**	(19)
Total valuation of investments and derivatives at 31 December	**2,805,363**	2,623,183

Gains/(losses) on investments and derivatives held at fair value	2014 £'000s	2013 £'000s
Gains on investments sold	**254,719**	233,435
Gains/(Losses) on derivatives sold	**19**	(91)
(Losses)/gains on investments held at year end	**(51,775)**	153,306
Losses on derivatives held at year end	**–**	(19)
Total gains on investments and derivatives	**202,963**	386,631

see note 2(c)(i)

Level 1 includes investments and derivatives quoted on any recognised stock exchange or quoted on the AIM market in the UK and quoted open-ended funds.
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 F&C

Investments at the year end include £nil (2013: £29.6 million) of funds and investments managed or advised by F&C. These investments represent nil % (2013: 1.1%) 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 (2013: £nil) of such investments, and received £15.2 million (2013: £10.8 million) from sales.

Unquoted investments

Unquoted investments include £363.2 million (2013: £392.0 million) of investments described as private equity, together with £2.7 million (2013: £3.4 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 unquoted 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 materially different from that reflected in the accounts.

11 Substantial interests

At 31 December 2014 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 and share class	Country of registration and incorporation	Number of units/shares held	Holding* %
Open-ended funds			
Artemis US Extended Alpha I Accumulation	England	13,100,000	24.88
BGF Asian Growth Leaders A2 USD	Luxembourg	830,500	6.92
Brown Advisory American B USD	Ireland	1,494,000	8.02
Coupland Cardiff Asia Alpha B USD	Ireland	686,850	4.30
CF Morant Wright Nippon Yield B Income	England	4,935,000	5.53
Conventum Lyrical Fund I	Luxembourg	106,150	3.00
Coupland Cardiff Japan Alpha GBP	Ireland	1,279,000	5.59
Hector Eagle Emerging Markets Eq A Accumulation USD	Luxembourg	107,900	20.72
Edinburgh Partners European Opps I GBP	Ireland	5,471,009	3.66
JPMorgan America Equity C Net Inc	England	14,140,000	78.29
Standard Life GEM Equity Unconstrained I Accumulation	Scotland	21,233,905	48.74
Private Equity Funds			
Dover Street VI LP	USA	–	11.12
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
Other Investments			
Esprit Capital Fund 1 LP	England	–	10.80
Jupiter US Smaller Companies PLC ord 25p**	England	1,342,511	5.59
Utilico Emerging Markets Limited ord 10p	Bermuda	14,450,000	6.78
Utilico Investments Limited ord 1.5625p	Bermuda	9,579,919	9.66

* Not a controlling interest.
** Formerly "F&C US Smaller Companies PLC"

12 Debtors

	2014 £'000s	2013 £'000s
Investment debtors	869	1,381
Prepayments and accrued income	2,818	3,312
Overseas taxation recoverable	808	584
Other debtors	–	3
	4,495	5,280

Notes on the Accounts (continued)

13 Creditors: amounts falling due within one year

Loans Non-instalment debt payable on demand or within one year	2014 £'000s	2013 £'000s
£30 million repaid January 2014	–	30,000
Euro loan €94.718 million repayable March 2015	73,505	–
Yen loan ¥4.655 billion repayable March 2015	24,900	–
Sterling Loan £75 million repayable March 2015	75,000	–
	173,405	30,000

At 31 December 2014 the Company's £173.4 million short term loans were drawn down under two unsecured revolving credit facilities. The facilities run for one and two 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 27 February 2015, there were £169 million short term borrowings.

14 Creditors: amounts falling due within one year

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

The 11.25% debenture stock was redeemed at par on 31 December 2014. It was secured by floating charges over the assets of the Company. The market value of the debenture at 31 December 2013 was £117,568,000. The Company complied at all times with the terms of the debenture trust deed.

15 Creditors: amounts falling due within one year

Other	2014 £'000s	2013 £'000s
Investment creditors	1,795	1,600
Management fees payable to the Manager	1,588	965
Other accrued expenses	1,202	1,262
	4,585	3,827

16 Creditors: amounts falling due after more than one year

Loans Non-instalment debt payable after more than one year	2014 £'000s	2013 £'000s
$80 million repayable April 2019	51,307	48,302
¥6,600 million repayable April 2019	35,304	37,914
	86,611	86,216

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 27 February 2015, long-term borrowings comprised $80 million and ¥6,600 million (£87 million).

17 Creditors: amounts falling due after more than one year

Debenture	2014 £'000s	2013 £'000s
4.25% perpetual debenture stock – secured	575	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 2014 was £429,000 (31 December 2013: £429,000).

18 Share capital

	2014 Number	2014 Issued and fully paid Nominal £'000s	2013 Number	2013 Issued and fully paid Nominal £'000s
Share capital ordinary shares of 25p each				
Balance brought forward	**570,359,016**	**142,590**	577,191,016	144,298
Shares repurchased by the Company	**(8,067,000)**	**(2,017)**	(6,832,000)	(1,708)
Balance carried forward	**562,292,016**	**140,573**	570,359,016	142,590

8,067,000 ordinary shares were repurchased and cancelled during the year at a total cost of £30,983,000.

19 Capital redemption reserve

	2014 £'000s	2013 £'000s
Balance brought forward	**120,172**	118,464
Transfer from share capital on repurchase of ordinary shares	**2,017**	1,708
Balance carried forward	**122,189**	120,172

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)	254,719	–	254,719	–
Gains on derivatives sold (see note 10)	19	–	19	–
Losses on investments held at year end (see note 10)	–	(51,775)	(51,775)	–
Exchange movement on currency balances	(1,224)	4,222	2,998	–
Management fees (see note 4)	(5,575)	–	(5,575)	–
Finance costs (see note 6)	(7,826)	–	(7,826)	–
Other capital charges	(63)	–	(63)	–
Revenue return attributable to shareholders	–	–	–	37,857
Total gains and losses transferred in current year	240,050	(47,553)	192,497	37,857
Cost of ordinary shares repurchased in year	(30,983)	–	(30,983)	–
Dividends paid in year (see note 9)	–	–	–	(52,180)
Balance brought forward	1,405,218	663,629	2,068,847	98,713
Balance carried forward	**1,614,285**	**616,076**	**2,230,361**	**84,390**

Included within the capital reserve movement for the year is £6,649,000 (2013: £355,000) of dividend receipts recognised as capital in nature. £806,000 of transaction costs on purchases of investments are included within the capital reserve movements disclosed above (2013: £779,000). £1,198,000 of transaction costs on sales of investments are similarly included (2013: £1,361,000).

At the Company's Annual General Meeting on 29 April 2014, shareholders voted to adopt new articles of association which remove the previous restriction prohibiting the distribution of realised capital profits by way of dividend.

Notes on the Accounts (continued)

21 Net asset value per ordinary share

	2014	2013
Net asset value per share (with debenture stocks at nominal value) – pence	**458.39**	426.10
Net assets attributable at end of period – £'000s	**2,577,513**	2,430,322
Ordinary shares of 25p in issue at end of year – number	**562,292,016**	570,359,016

Net asset value per share cum dividend (with debenture stocks at market value) was 458.37p (31 December 2013: 424.80p). The market value of debenture stocks at 31 December 2014 was £429,000 (31 December 2013: £117,997,000).

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

	2014 £'000s	2013 £'000s
Net return before finance costs and taxation	**249,978**	446,641
Adjust for returns from non-operating activities		
– Gains on investments and derivatives held at fair value	**(202,963)**	(386,631)
– Exchange gains of a capital nature	**(2,998)**	(9,004)
– Non-operating expenses of a capital nature	**63**	67
Return from operating activities	**44,080**	51,073
Adjust for non cash-flow items		
– Exchange losses of a revenue nature	**106**	198
– Decrease in accrued income	**369**	149
– (Increase)/decrease in prepayments	**(54)**	58
– Increase/(decrease) in creditors	**618**	(172)
– Overseas taxation	**(4,124)**	(3,967)
Net cash inflow from operating activities	**40,995**	47,339

23 Reconciliation of net cash movement to movement in net debt

	2014 £'000s	2013 £'000s
Net cash movement	**1,431**	(1,999)
(Decrease)/increase in short-term deposits	**(2,238)**	9,432
Repayment of debenture	**110,000**	–
(Increase)/decrease in loans	**(145,637)**	85,000
Change in net debt resulting from cash flows	**(36,444)**	92,433
Exchange movement	**2,998**	9,004
Movement in net debt in the year	**(33,446)**	101,437
Net debt brought forward	**(194,314)**	(295,751)
Net debt carried forward	**(227,760)**	(194,314)

Represented by:	Balance at 1 January 2014 £'000s	Cash flow £'000s	Exchange Movement £'000s	**Balance at 31 December 2014 £'000s**
Cash at bank	7,002	1,431	488	**8,921**
Short-term deposits	25,475	(2,238)	673	**23,910**
	32,477	(807)	1,161	**32,831**
Loans	(116,216)	(145,637)	1,837	**(260,016)**
Debentures	(110,575)	110,000	–	**(575)**
	(194,314)	(36,444)	2,998	**(227,760)**

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 uncertain.

b) Capital commitments

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

	2014 Currency	2013 Currency	2014 £'000s	2013 £'000s
HarbourVest Partners VII:				
– Buyout Partnership Fund LP	US$5.1m	US$5.9m	3,252	3,532
– Venture Partnership Fund LP	US$1m	US$1.4m	625	860
– Mezzanine Fund LP	US$0.8m	US$0.9m	500	543
Dover Street VI LP	US$3.1m	US$3.8m	1,993	2,293
Dover Street VII LP	US$3.9m	US$4.7m	2,525	2,830
HarbourVest Partners V– Asia Pacific and Rest of World LP	US$2m	US$2.3m	1,283	1,358
HarbourVest Partners VIII:				
– Buyout Partnership Fund LP	US$7.5m	US$12.3m	4,810	7,426
– Venture Partnership Fund LP	US$2.2m	US$4.6m	1,411	2,777
HarbourVest Partners V – Direct Fund LP	€3m	€3.0m	2,328	2,496
HIPEP VI – Asia Pacific Fund LP	US$9.1m	US$14.1m	5,852	8,528
HIPEP VI – Emerging Markets Fund	US$9.9m	US$14.6m	6,373	8,830
Pantheon Europe Fund III LP	€8.6m	€8.6m	6,693	7,176
Pantheon Europe Fund V LP	€14.5m	€17.5m	11,253	14,560
Pantheon Asia Fund IV LP	US$6.8m	US$7.8m	4,329	4,680
Pantheon Asia Fund V LP	US$7.7m	US$11.3m	4,906	6,793
Pantheon Global Secondary Fund III LP	US$3.1m	US$5m	1,989	3,020
Esprit Capital Fund I LP	£0.27m	£0.38m	265	382
			60,387	78,084

25 Related Party Transactions

The following are considered related parties: the Board of Directors, the Manager and fellow members of BMO.

There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on page 35 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 or advised by F&C are disclosed; and in note 15 in relation to fees owed to F&C at the Balance Sheet date.

Notes on the Accounts (continued)

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 unquoted 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. There were no outstanding derivative positions at year end. 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.

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.

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:

2014	Short-term debtors £'000s	Cash and deposits/ (overdrafts) £'000s	Debentures £'000s	Short-term unsecured loans £'000s	Short-term creditors and derivatives £'000s	**Net monetary assets/ (liabilities) £'000s**	Investments £'000s	Net exposure £'000s
Sterling	1,372	9,049	(575)	(75,000)	(1,844)	**(66,998)**	479,986	412,988
US Dollar	1,901	21,494	–	(51,307)	(2,546)	**(30,458)**	1,377,886	1,347,428
Euro	472	1,561	–	(73,505)	(20)	**(71,492)**	412,458	340,966
Yen	316	649	–	(60,204)	(174)	**(59,413)**	142,858	83,445
Other	434	78	–	–	(1)	**511**	392,175	392,686
Total	**4,495**	**32,831**	**(575)**	**(260,016)**	**(4,585)**	**(227,850)**	**2,805,363**	**2,577,513**

2013	Short-term debtors £'000s	Cash and deposits/ (overdrafts) £'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

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:

	2014	Average	2013
US Dollar	**1.5592**	1.6472	1.6562
Euro	**1.2886**	1.2436	1.2020
Yen	**186.9463**	175.1483	174.0800

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:

			2014			2013
Weakening of Sterling	**US$ £'000s**	**€ £'000s**	**¥ £'000s**	US$ £'000s	€ £'000s	¥ £'000s
Income Statement Return after tax						
Revenue return	**852**	**630**	**169**	743	551	106
Capital return	**134,683**	**34,093**	**8,330**	109,808	38,189	9,725
Total return	**135,535**	**34,723**	**8,499**	110,551	38,740	9,831
NAV per share – pence	**24.10**	**6.18**	**1.51**	19.38	6.79	1.72

Notes on the Accounts (continued)

26 Financial Risk Management (continued)

Strengthening of Sterling	2014 US$ £'000s	2014 € £'000s	2014 ¥ £'000s	2013 US$ £'000s	2013 € £'000s	2013 ¥ £'000s
Income statement return after tax						
Revenue return	**(852)**	**(632)**	**(169)**	(743)	(551)	(106)
Capital return	**(134,683)**	**(34,093)**	**(8,330)**	(109,808)	(38,189)	(9,725)
Total return	**(135,535)**	**(34,725)**	**(8,499)**	(110,551)	(38,740)	(9,831)
NAV per share – pence	**(24.10)**	**(6.18)**	**(1.51)**	(19.38)	(6.79)	(1.72)

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:

	2014 Within one year £'000s	2014 More than one year £'000s	2014 Total £'000s	2013 Within one year £'000s	2013 More than one year £'000s	2013 Total £'000s
Exposure to floating rates						
Cash and deposits	**8,921**	**–**	**8,921**	21,846	–	21,846
Borrowings	**–**	**–**	**–**	–	–	–
Overdrafts	**–**	**–**	**–**	–	–	–
Exposure to fixed rates						
Cash and deposits	**23,910**	**–**	**23,910**	10,631	–	10,631
Debentures	**–**	**(575)**	**(575)**	(110,000)	(575)	(110,575)
Other borrowings	**(173,405)**	**(86,611)**	**(260,016)**	(30,000)	(86,216)	(116,216)
Net exposures						
At year end	**(140,574)**	**(87,186)**	**(227,760)**	(107,523)	(86,791)	(194,314)
Maximum in year	**(140,574)**	**(88,631)**	**(229,205)**	(89,436)	(210,406)	(295,890)
Minimum in year	**(78,036)**	**(85,466)**	**(163,502)**	2,477	(196,791)	(194,314)

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:

	2014 Increase in rate £'000s	2014 Decrease in rate £'000s	2013 Increase in rate £'000s	2013 Decrease in rate £'000s
Revenue return	**178**	**(178)**	219	(219)
Capital return	**–**	**–**	–	–
Total return	**178**	**(178)**	(219)	(219)
NAV per share – pence	**0.03**	**(0.03)**	0.04	(0.04)

26 Financial Risk Management (continued)

Other market risk exposures

The portfolio of investments, valued at £2,805,363,000 at 31 December 2014 (2013: £2,623,202,000) is 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 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:

	2014 Increase in value £'000s	2014 Decrease in value £'000s	2013 Increase in value £'000s	2013 Decrease in value £'000s
Income statement capital return	**561,073**	**(561,073)**	524,640	(524,640)
NAV per share – pence	**99.78**	**(99.78)**	91.98	(91.98)

(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 500 at 31 December 2014); 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 2014 the most onerous financial covenant limits total borrowings to 33.3% of the Company's adjusted net asset value, which at 31 December 2014 was £2,472 million. Actual borrowings at market value at 31 December 2014 were £260.0million in loans (see notes 13 and 16) and £0.4 million in a debenture at market value (see notes 14 and 17).

At 31 December 2014 the Company had £60.4 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:

2014	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	173,405	–	–	173,405
Other creditors	4,585	–	–	4,585
Long-term liabilities	–	–	86,611	86,611
Debentures	–	–	575	575
	177,990	–	87,186	265,176
Interest payable on debenture*	–	24	24	48
	177,990	**24**	**87,210**	**265,224**

* per annum in perpetuity

Notes on the Accounts (continued)

26 Financial Risk Management (continued)

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

(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 2014. Details of securities held in custody on behalf of the Company are received and reconciled monthly. The Company's depositary, JPMorgan Europe Limited ("**JPMEL**"), has regulatory responsibilities relating to segregation and safe keeping of the Company's financial assets, amongst other duties, as set out in the Directors' Report. The Board has direct access to JPMEL and receives regular reports from it via the Manager.

To the extent that the Manager 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 the F&C's Risk Management function. In reaching its conclusions, the Board also reviews F&C's annual Audit and Assurance Faculty Report.

The Company had no credit-rated bonds or similar securities in its portfolio at the year end (2013: 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**	**2014 Maximum exposure £'000s**	Exposure at Balance sheet date £'000s	2013 Maximum exposure £'000s
Derivative financial instruments	**–**	**9,250**	9,250	9,250

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 2014, was £429,000 (2013: £117,997,000). Borrowings under overdraft and loan facilities 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 and capital 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. The Directors have no current intention to pay dividends out of capital reserves. Borrowings are set out in notes 13,14, 16 and 17 on the accounts.

27 Alternative Investment Fund Managers Directive ("AIFMD")

In accordance with the AIFMD, information in relation to the Company's leverage and the remuneration of the Company's AIFM, F&C Investment Business Limited, is required to be made available to investors. Detailed regulatory disclosures including those on the AIFM's remuneration policy are available on the Company's website or from F&C on request. The numerical remuneration disclosures in relation to the AIFM's first relevant accounting period will be made available in due course.

The Company's maximum and actual leverage levels at 31 December 2014 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum permitted limit	200%	200%
Actual	110%	110%

The Leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articules of Association. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

28 Post balance sheet movement in net assets

The NAV per share (debt at par) on 27 February 2015 was 480.67p (31 December 2014: 458.39p).

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	2004*	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total assets less current liabilities (excl loans)	2,346	2,527	2,587	2,694	2,003	2,069	2,425	2,214	2,401	2,657	**2,838**
Prior charges	215	111	179	203	221	111	282	286	322	227	**261**
Available for ordinary shares	2,131	2,416	2,408	2,491	1,782	1,958	2,143	1,928	2,079	2,430	**2,577**
Number of ordinary shares (million)	913	827	750	685	679	632	610	590	577	570	**562**

Net Asset Value

at 31 December

pence	2004*	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014
NAV per share	233.4	291.8	321.1	363.5	262.5	309.8	351.2	326.6	360.2	426.1	**458.4**
NAV total return on 100p – 5 years†											**167.5**
NAV total return on 100p – 10 years†											**242.2**

† Source: Morningstar UK Limited.

Share Price

at 31 December

pence	2004*	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014
Mid-market price per share	194.5	258.5	284.5	318.8	228.5	272.1	309.6	288.5	320.5	378.0	**421.2**
Share price High	196.0	259.0	287.5	326.3	319.0	275.3	311.0	327.9	321.6	383.0	**425.9**
Share price Low	163.0	188.0	240.0	273.0	209.0	185.8	251.4	261.5	282.5	320.5	**363.0**
Share price total return on 100p – 5 years†											**174.6**
Share price total return on 100p – 10 years†											**272.8**

† Source: Morningstar UK Limited.

Revenue

for the year ended 31 December

	2004*	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014
Available for ordinary shares – £'000s	42,293	49,122	48,197	45,909	46,989	35,609	34,654	40,270	40,841	44,037	**37,857**
Net revenue return per share – pence	4.54	5.57	6.16	6.40	6.90	5.31	5.61	6.74	7.02	7.69	**6.69**
Dividends per share – pence	4.20	4.75	5.30	5.85	6.45	6.65	6.75	7.10	8.50	9.00	**9.30**

Performance

(rebased at 31 December 2004)

	2004*	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014
NAV per share	100.0	125.0	137.6	155.7	112.5	132.7	150.5	139.9	154.3	182.6	**196.4**
Mid-market price per share	100.0	132.9	146.3	163.9	117.5	139.9	159.2	148.3	164.8	194.3	**216.6**
Net revenue return per share	100.0	122.7	135.7	141.0	152.0	117.0	123.6	148.5	154.6	169.4	**147.4**
Dividends per share	100.0	113.1	126.2	139.3	153.6	158.3	160.7	169.0	202.4	214.3	**221.4**
RPI	100.0	102.2	106.7	111.1	112.1	114.8	120.3	126.1	130.0	133.4	**135.6**

* Restated for changes in accounting policies.

Cost of running the Company

for the year ended 31 December

%	2004*	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expressed as a percentage of average net assets											
Total Expense Ratio	0.55	0.57	0.58	0.76	0.64	0.63	0.59	0.57	0.55	0.50	**0.53**
Ongoing Charges	–	–	–	–	–	–	–	0.92	0.90	0.86	**0.87**

* restated for changes in accounting policies

Gearing

at 31 December

%	2004*	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net gearing	7.6	4.4	7.0	7.0	12.2	6.0	13.2	15.8	14.3	8.0	**8.9**

* restated for changes in accounting policies

Analysis of ordinary shareholders at 31 December 2014

Category	Holding %
F&C savings plans	46.3
Discretionary/Advisory	26.5
Institutions	12.0
Direct individuals	10.3
Skandia IFA products*	3.7
New Zealand individuals	1.2
	100.0

Source: F&C
*Independent Financial Adviser products

Notice of Annual General Meeting

Notice is hereby given that the one hundred and thirty-sixth Annual General Meeting of the Company will be held at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2 on Tuesday, 28 April 2015 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 2014.
2. To approve the Directors' annual report on remuneration.
3. To declare a dividend on the ordinary shares.
4. To re-elect Ms Sarah Arkle as a Director.
5. To re-elect Sir Roger Bone as a Director.
6. To re-elect Mr Stephen Burley as a Director.
7. To re-elect Ms Francesca Ecsery 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 reappoint PricewaterhouseCoopers LLP as auditors to the Company.
13. 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:

14. Share buyback authority

THAT, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, 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 fully paid ordinary shares of 25p 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 84,287,000 or, if less, 14.99% of the number of ordinary shares in issue (excluding treasury shares) as at the date of the passing of this resolution;

(b) the minimum price (exclusive of expenses) which may be paid for an ordinary share shall be 25p;

(c) the maximum price (exclusive of expenses) which may be paid for an ordinary share is the higher of (i) 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, and (ii) an amount equal to the higher of the price of the last independent trade for an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System;

(d) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company after passing of this resolution or on 30 June 2016, whichever is earlier, unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; and

(e) the Company may at any time prior to the expiry of such authority enter into a contract or contracts to purchase ordinary shares under such authority which will or may be completed or executed wholly or partly after the expiration of such authority and the Company may purchase ordinary shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.

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

15. Authority to allot shares

THAT, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be and they are hereby 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 convert any security into, shares in the Company (together being "**relevant securities**") up to an aggregate nominal amount of £7,000,000 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 2016 or 30 June 2016 (whichever is earlier), unless previously revoked, varied or extended by the Company in a general meeting (the "**relevant period**") save that the Company may, at any time prior to the expiry of this authority, make offers or enter into agreements which would or might require relevant securities to be allotted after the expiry of the relevant period and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements.

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

16. Disapplication of pre-emption rights

THAT, subject to the passing of resolution 15 above and in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be and they are hereby empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (the "**Act**"), to allot equity securities (within the meaning of section 560 of the Act) either pursuant to the authority conferred by resolution 15 for cash or by way of a sale of treasury shares as if section 561(1) of the Act did not apply to any such allotment or transfer, provided this power shall be limited to:

(a) the allotment of equity securities in connection with an offer of equity securities:

   (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

   (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

   and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements or securities represented by depositary receipts, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter; and

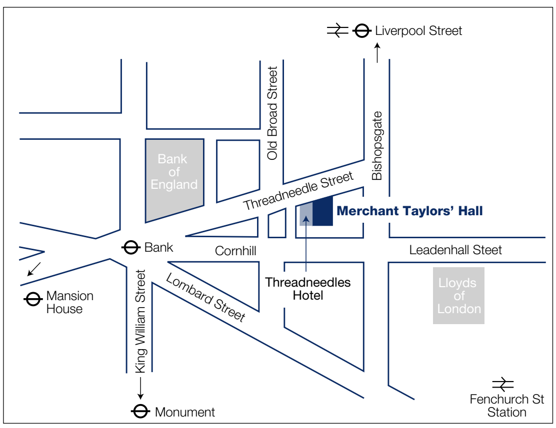
(b) the allotment (otherwise than under paragraph (a) of this Resolution 16) of equity securities up to an aggregate nominal amount of £7,000,000,

and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or 30 June 2016 (whichever is the earlier), unless extended by the Company in a general meeting ("the **relevant period**") save that the Company may at any time prior to the expiry of this authority make offers or enter into agreements which would or might require equity securities to be allotted or transferred after the expiry of the relevant period and notwithstanding such expiry the Directors may allot or transfer equity securities in pursuance of such offers or agreements.

By Order of the Board
For and on behalf of
F&C Investment
Business Limited
Secretary
2 March 2015

Registered office:
Exchange House
Primrose Street
London EC2A 2NY

Location of Meeting



Notice of Annual General Meeting (continued)

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 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 ompany 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, 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 26 April 2015 (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, 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 of 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 27 February 2015, being the last business day prior to the printing of this notice, the Company's issued capital consisted of 562,292,016 ordinary shares of 25 pence each carrying one vote each. Therefore, the total voting rights in the Company as at 27 February 2015 are 562,292,016.

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 27 February 2015 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

Notice of Annual General Meeting (continued)

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; 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 and New Zealand Stock Exchanges. The current share price of Foreign & Colonial 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. 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 £11,000 in the tax year ended 5 April 2015 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 (£31,865 in 2014-15 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 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 2015. 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 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	**28 April 2015**
Final dividend payable for 2014	**1 May 2015**
Interim results for 2015 announced	**end July 2015**
First interim dividend for 2015	**3 August 2015**
Second interim dividend for 2015	**2 November 2015**
Third interim dividend for 2015	**1 February 2016**
Final Results for 2015 announced	**March 2016**
Final dividend for 2015	**May 2016**

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 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 £15,000 for the 2014/15 tax year 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 £4,000 for birthdays in the 2014/15 tax year.

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 £4,000 for the 2014/15 tax year 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

PIP: £40+VAT

JISA/CIP/CTF: £25+VAT

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

Dealing 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 two 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.

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.

BMO | A part of BMO Financial Group

Glossary of Terms

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

Administrator – State Street Bank and Trust Company.

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 ("**AIFs**") in the European Union, including Investment Trusts, must appoint a Depositary and an Alternative Investment Fund Manager ("**AIFM**"). 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. The Company's AIFM is F&C Investment Business Limited.

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. Divergence between the performance of the Company and the Index is to be expected 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.

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.

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. Under the AIFMD rules, the depositary has strict liability for the loss of the Company's financial assets in respect of which it has safe–keeping duties. The depositary's oversight duties will include but are not limited to oversight of share buy backs, dividend payments and adherence to investment limits. The Company's Depositary is JPMorgan Europe Limited.

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 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 or holding them in treasury. Buybacks effectively create 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 2(c), 18, 19 and 20 on the accounts). Company Law requires that Share Capital and the Capital Redemption Reserve may not be distributed. The Company's articles of association allow distributions by way of dividend out of Capital Reserves. Dividend payments are currently made out of Revenue Reserve. 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 register of shareholders 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).

Glossary of Terms (continued)

F&C – F&C Asset Management plc, together with its subsidiaries (including the Manager) which forms the F&C Asset Management Group.

Foreign & Colonial – Foreign & Colonial Investment Trust PLC, also "**the Company**".

Fund Manager – Paul Niven, an employee of the Manager with overall management responsibility for the total portfolio.

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) on the accounts), 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 portfolio strategies – the separate regional, global and private equity portfolios that together make up the total investment portfolio of the Company.

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.

Leverage – as defined under AIFMD rules, leverage is any method by which the exposure of an AIF (being an investment vehicle under the AIFMD) is increased through borrowing of cash or securities or leverage embedded in derivative positions. Leverage is broadly equivalent to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

Manager (AIFM) – F&C Investment Business Limited ("**FCIB**"), a subsidiary within the F&C Asset Management Group, which in turn is wholly owned by the Bank of Montreal Group ("**BMO**"). Prior to 22 July 2014, the Manager was F&C Management Limited ("**FCM**"), a fellow subsidiary of BMO. The responsibilities and remuneration of FCIB are unchanged from those of FCM and are set out in the Business Model and Strategy, 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 liabilities of the Company, as set out in the Balance Sheet, all valued in accordance with the Company's Accounting Policies (see note 2 on the accounts) 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 4.25% Perpetual debenture and 11.25% debenture stock 2014 are valued in the Accounts at par (redemption value) and this Balance Sheet NAV is sometimes referred to as "NAV, debt at par". The debentures have historically traded at values different from their redemption values and the NAV using these values is described as "NAV, debt at market value". The 11.25% debenture 2014 was redeemed on 31 December 2014 at par (see note 14 on the accounts). The 4.25% Perpetual debenture remains in issue (see note 17 on the accounts).

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.

Open-ended Fund – a collective investment scheme which issues shares or units directly to investors, and redeems directly from investors, at a price that is linked to the net asset value of the fund.

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 on the accounts.

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.

Treasury shares – ordinary shares previously issued by the Company that have been bought back from shareholders on the open market and kept in the Company's own treasury. Such shares may, at a later date, be re-issued for sale on the open market or cancelled if demand is insufficient. Treasury shares carry no rights to dividends and have no voting rights and hence are not included within calculations of earnings per share or net asset value per share.

UK Code – the principles set out in the UK Corporate Governance Code.

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**

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www.foreignandcolonial.com

info@fandc.com

Registrars:

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The Pavilions, Bridgwater Road,

Bristol BS99 6ZZ

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