Foreign & Colonial Investment Trust PLC

REPORT AND ACCOUNTS 31 DECEMBER 2015

Foreign & Colonial
INVESTMENT TRUST

Contents

Tower Bridge photograph c.1920 and 2014 by courtesy of the Museum of London

Financial Calendar	
Annual General Meeting	26 April 2016
Final dividend payable for 2015	3 May 2016
Interim results for 2016 announced	end July 2016
First interim dividend for 2016	1 August 2016
Second interim dividend for 2016	1 November 2016
Third interim dividend for 2016	1 February 2017
Final Results for 2016 announced	March 2017
Final dividend for 2016	May 2017

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 (as amended by the Financial Services Act 2012) 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.

Introducing Foreign & Colonial

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

Our objective is 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.

Our approach is designed to provide investors with the performance benefits of having concentrated individual investment portfolios together with the diversification benefits of lower risk and volatility that derive from being managed as part of a larger combined portfolio.

Conservatively managed and offering investors a globally diversified portfolio, Foreign & Colonial aims to be at the centre of an investor's portfolio as part of a wider investment solution.

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, as well as the rewards, of exposure to equities.

Visit our website at www.foreignandcolonial.com

The Company is registered in England and Wales with company registration number 12901

Financial highlights 2015

Strengthening our performance record

7.5%

Strong performance with 7.5% NAV Total Return

Our net asset value total return was 7.5% which compares with 4.0% from our benchmark, the FTSE All World Index.

9.0%

Share price total return of 9.0%

Our share price total return for 2015 was 9.0% and over ten years is 118%, the equivalent of 8.2% per annum.

7.0%

Improved rating – discount down to 7.0%

Our share price discount to net asset value reduced to 7.0%, down from 8.1%. Buybacks of 3.3m shares were at the lowest level in a decade.

9.60 pence

Dividend of 9.60 pence – 45th consecutive annual increase

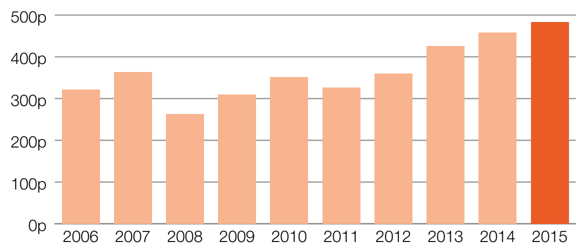
We recognise the importance of a rising dividend in real terms. The total dividend for the year is 9.60 pence, an increase of 3.2%.

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.

To deliver long-term growth in capital and income

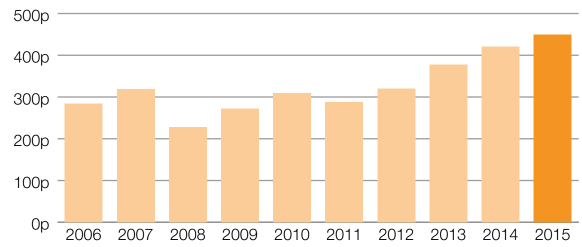
In the last ten years Foreign & Colonial has turned a £1,000 investment, with dividends reinvested, into £2,184 compared with £1,989 from the market benchmark.

NET ASSET VALUE PER SHARE WITH DEBT AT MARKET VALUE AT 31 DECEMBER – PENCE



Source: F&C

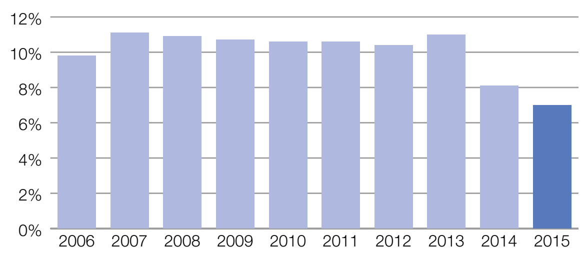
MID-MARKET PRICE PER SHARE AT 31 DECEMBER – PENCE



Source: F&C

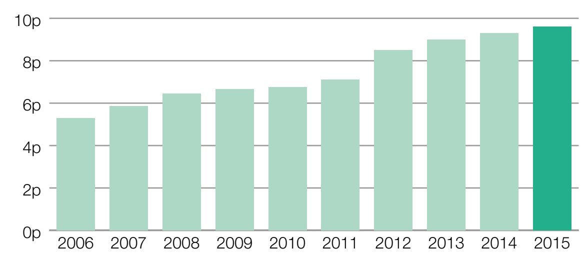
We have controlled the discount, reducing volatility and enhancing net asset value per share.

SHARE PRICE DISCOUNT TO NET ASSET VALUE AT 31 DECEMBER – %



Source: F&C

DIVIDENDS PER SHARE – PENCE



Source: F&C

The dividend has increased every year for the past 45 years and over the last ten years is up 102.1% or 7.3% compound per annum, compared with inflation of 27.2% or 2.4% compound per annum.

‘A financial proposal of a novel kind will tomorrow be submitted to the public, which is called by its promoters “The Foreign & Colonial Government Trust”…. Should the plan prove successful, the idea may be applied in a great variety of directions, and as it is both new and bold, is worthy of attentive consideration…. It is for the public to determine.’

The Evening Star

18 March 1868

'Our ability to step back and take a longer-term perspective on investment opportunities is a distinct advantage in delivering performance over time.'

Simon Fraser, Chairman

7 March 2016

Chairman's statement

Simon Fraser, Chairman

Despite 2015 being a challenging year for stock markets, I am very glad to report that your Company delivered a total shareholder return of 9.0% for the year. The net asset value per share with debt at market value rose from 458.4p to 483.4p per share and the share price rose by 6.7% to 449.2p. Underlying growth in net assets and the improved rating of the Company were both positive drivers of total shareholder return in 2015. The discount to net asset value per share narrowed from 8.1% at the start of the year to 7.0% by the end. The dividend for 2015 will be 9.60p, an increase of 3.2% on the year **– our forty-fifth consecutive annual rise in dividends.**

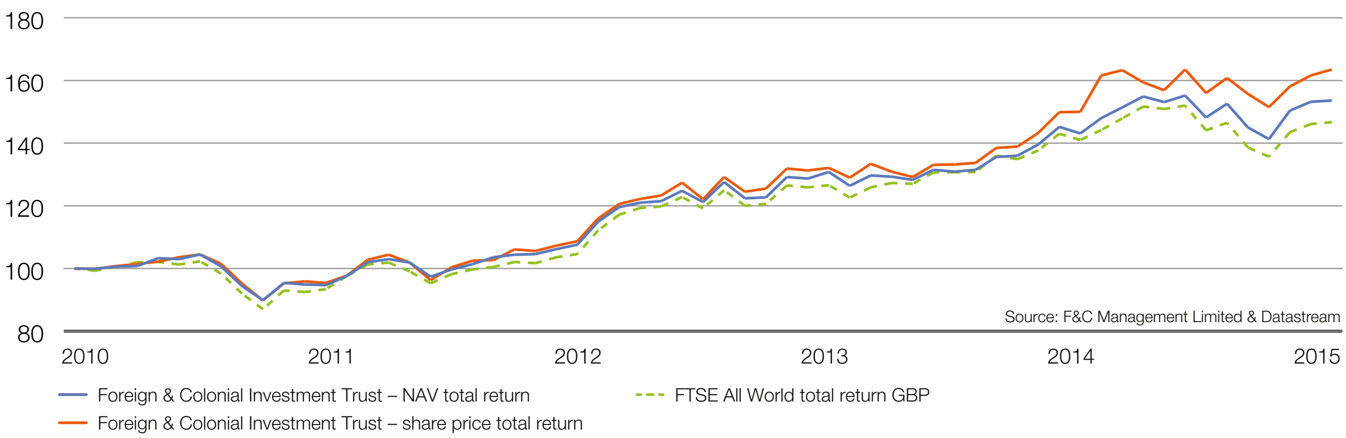
This year's results strengthen our long-term record of delivering growth in capital and income for our shareholders. Over ten years our share price total return is 118%, equivalent to 8.2% per annum and over twenty years is 312%, which equates to 7.3% per annum.

Performance

Global equity markets exhibited higher volatility and lower returns in 2015 than investors have become accustomed to in recent years. Indeed, the bellwether US S&P500 index finished the year marginally lower in price terms with dividends pushing total returns just into positive territory. Despite a flat year for the US equity market there was a great deal of return dispersion within and across equity markets. The collapse in the oil price and ongoing decline in commodity prices placed stocks exposed to these areas under considerable pressure throughout 2015.

With concerns over Chinese growth and policy, weakening commodity prices and a strong dollar, Emerging Market assets had

Foreign & Colonial's net asset value and share price performance vs Benchmark over five years



another poor year. Underlying macroeconomic fundamentals globally remained tepid but, despite anaemic growth, it was a better year for Japanese and European equity markets rising 17.6% and 6.0% respectively. Closer to home, the FTSE100 reached an all-time high but ended 2015 down on the year.

Our net asset value total return of 7.5% was above the 4.0% delivered by the FTSE All World Index over the year. It is pleasing to report that we have delivered excess returns against our benchmark index over one, three, five and ten years. We benefited from good stock selection across a broad number of our underlying strategies and strong performance from our Private Equity portfolio, with high levels of cashflow from this area also boosting returns.

Performance relative to our peers in the AIC Global Investment Trust universe and comparable open-ended investment companies was also strong over 2015. Against these competitors we also delivered outperformance over one, three, five and ten year periods.

Asset allocation changes were relatively few in 2015. We have made substantial changes in recent years to achieve truly global exposure, reducing UK equity allocations, and benefiting from our maturing Private Equity portfolio. Our strategic positioning to provide diversified exposure to listed equities and to Private Equity has served shareholders well and, with a range of global and regional strategies, we believe that we are well placed to continue to deliver growth in capital and income over the long term with less volatility than our key competitors.

Gearing

Gearing levels ended 2015 at a slightly lower level than the start. In July, however, our Manager took the opportunity presented by the low interest rate environment to secure some medium term (seven year) borrowing which was partially invested into equity markets during the weakness which occurred in August. The seven-year bank loan offered an attractive opportunity to lock in low rates and we drew £50m of debt, denominated in Euros, with an effective interest rate of less than 1.7%.

As the year progressed, our Manager lightened equity weightings, cutting exposure in December and raising cash levels. In addition, healthy cashflow from our maturing Private Equity holdings was not reinvested as we consciously reduced our market exposure in response to increased concerns over prospects for 2016.

'We have delivered excess returns against our benchmark index over one, three, five and ten years'

We are in a strong position with regard to our funding costs, following the maturity of our long-standing debenture at the end of 2014. At the end of 2015 around half of our borrowings were short dated in nature where we paid rates of between 0.4% and 0.8%. This strategy of deliberately structuring a range of maturities, reduces our refinancing risks and has enabled us to secure certainty of funding while maintaining highly attractive rates for our borrowing. Our current blended cost of borrowing is around 1.6%.

Private Equity

2015 was another good year for our Private Equity holdings, which delivered returns of 13.9% and generated £129m of cash. Our longer term shareholders will recall that our most recent programme of Private Equity investments was made between 2003 and 2008. I am pleased to report that, by the end of 2015, we had received back our original investment in sterling terms, ending the year with a further £276m (or 9.4% of the portfolio) still to be realised. Your Company has the considerable advantage of a closed ended capital structure, which enables us to make long-term commitments to unlisted and illiquid investments. Returns, net of all fees, from our Private Equity investments have substantially exceeded those from listed equity markets and, as a result, the decision to commit to this area more than a decade ago has added value for our shareholders. Looking forward, the Board have been engaged with the Manager over future commitments to Private Equity investments and we have agreed that we set up a new structure for future Private Equity commitments that will draw on our Manager's internal expertise in Private Equity more directly. Our new approach will give us more control and flexibility as well as a cost effective way of accessing exposure to Private Equity opportunities going forward.

Expenses

Your Board remains focused on the effective management of our cost base and, during the year, undertook a comprehensive review of our existing fee arrangements both in absolute terms and relative to our wider competition. We have reduced our Ongoing Charges from 0.87% to 0.80% in 2015. We anticipate further material reductions in Ongoing Charges by lowering the costs associated with the management of our Private Equity portfolio in the future. We believe that these reductions will strengthen the Company's relative positioning in relation to reporting our expense ratio. Whilst attempts have been made by our industry body to standardise the reporting of ongoing charges across the marketplace, it is clear that further action is required before consistent application is achieved. Our Total

Expense Ratio of 0.53% places the Company very competitively within its peer group.

As reported last year, 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.

Dividend

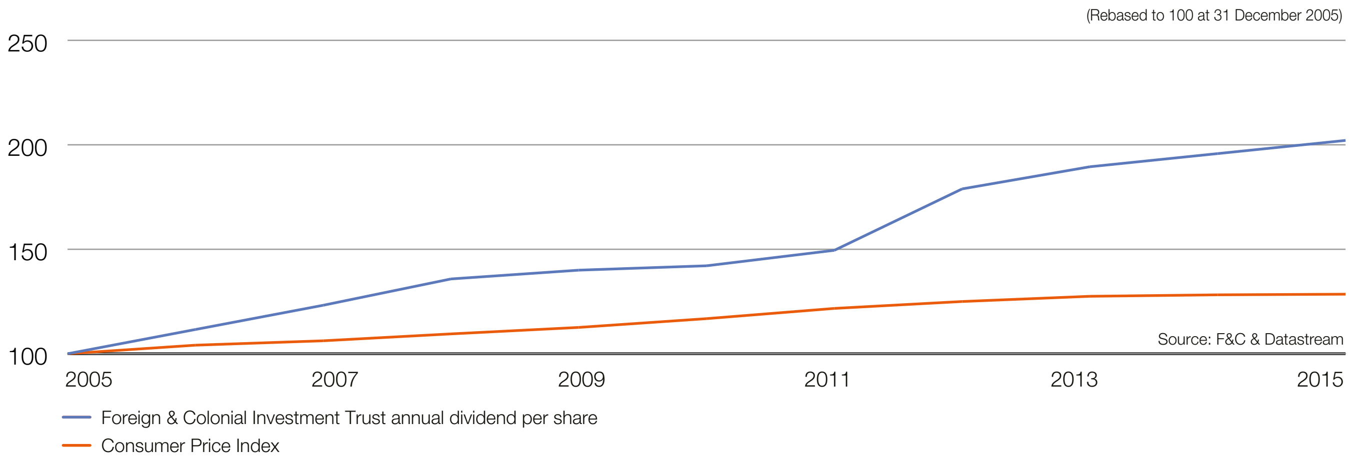
Subject to shareholder approval at the Annual General Meeting, you will receive a final dividend of 2.70 pence per share on 3 May 2016. This will bring the total dividend for the year to 9.60 pence. That will be an increase of 3.2% over 2014 compared with an increase of 1.2% in the Retail Price Index and 0.2% in the Consumer 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 dividend growth ahead of the rate of inflation. While the economic outlook remains uncertain, and we may well see some pressure on certain dividend payers within the portfolio, the Board is planning another dividend increase ahead of inflation for 2016. Diversification in our underlying holdings helps to protect our income and we have accumulated substantial revenue reserves to help to smooth dividend payments for our shareholders. In seeking to deliver on our dual objectives of long-term growth in both capital and income the Manager and Board seek to achieve an appropriate blend of rising real income on our investment portfolio without compromising capital returns. In that regard, we will draw down £6.28m (1.1p per share) from our revenue reserve account in 2015 to fund payments of dividends to shareholders. This drawdown is significantly lower than the £14.3m which was drawn from our revenue reserve in 2014.

'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.'

Buyback and Share Issue Policies

As was the case in 2014, your Company enjoyed an improvement in the rating of its shares over the year. The share price discount to the net asset value per share reduced to 7.0% at the end of 2015, down from 8.1% at the start of the year, boosting shareholder returns. Each 1% reduction in the discount adds more than £25m to total shareholder returns.

Foreign & Colonial's annual dividend per share vs Consumer Price Index over 10 years



The Board introduced a maximum discount policy in 2005 and, in recent years, we have seen a substantial reduction in share buybacks required to maintain this level. Indeed, 2015 saw buybacks of 3.3m shares (versus 8.0m in 2014) which was the lowest level in a decade. This reduced level of buybacks is, in part, a function of a substantially changed shareholder base, with the vast majority of your Company's shares now held by private investors. It also reflects the Company's improved rating through the strength of its investment proposition to the retail marketplace. For investors seeking diversified exposure to both listed and unlisted equity markets your Company has demonstrated a long-term track record of strong absolute and relative performance against both market indices and peers. Importantly, this performance has been delivered in a risk-controlled manner.

'Your Company enjoyed an improvement in the rating of its shares over the year.'

The Board implemented two policy changes during the year as part of a more flexible and progressive discount control strategy. Firstly, the target discount to net asset value at which the Company buys back shares was reduced from a level of 10% to an average level of 7.5%. Secondly, as approved by shareholders at the 2015 annual general meeting, repurchased shares are now being held in Treasury. The Board will continue to review its buyback policy. We retain the aspiration of seeing the Company's discount narrowing further towards the long-held aim of the shares trading at or close to net asset value and with the ultimate future resale of shares from treasury. Any such sales of treasury shares would always be at a premium to net asset value.

The Board and Corporate Governance

Christopher Keljik, your Senior Independent Director, will retire following the Annual General Meeting having served on the Board for over ten years. He is a member of all of the committees and has worked tirelessly with great enthusiasm and diligence in his time on the Board in the pursuit of your Company continuing to deliver the highest levels of performance. We will miss his contribution very much. Sir Roger Bone will be appointed Senior Independent Director in his place. Your Board is committed to the highest standards of corporate governance and has complied with the relevant guidance throughout the year.

Following a detailed review by the Management Engagement Committee, the Board has reappointed the Manager for another year and continues to work closely with our Fund Manager in developing further your Company as a truly global investment trust. We continue to monitor all aspects of the Manager's performance very carefully and as part of the reappointment process met not only with their senior management, but also those from its parent company, the Bank Of Montreal. We are pleased with the stability and the broadening of investment expertise that the new owner of F&C is bringing and will continue to look for opportunities from the Group that can be of benefit to shareholders.

Change of auditor

For the reasons set out in the Report of the Audit Committee, PricewaterhouseCoopers LLP ("**PwC**") will not seek reappointment as external auditor at the Annual General Meeting. This is by mutual agreement between the Board and PwC who have provided excellent service to Foreign & Colonial since inception in 1868. Shareholders will be asked to approve a resolution to appoint Ernst & Young LLP ("**EY**") as the Company's independent auditor with effect from the conclusion of the Annual General Meeting in April.

Outlook

The Great Recession of 2007-9 still casts a shadow on the global economy and financial markets. Despite an interest rate hike from the US Federal Reserve in December 2015 rates globally remain extraordinarily low. Major central banks such as the Bank of Japan and the European Central Bank continue to ease policy, with rates there negative and falling. Slowing growth in China and the weakness in commodity markets is continuing to create deflationary worries and this seems to be reducing the impact of accommodative central bank policy. The UK's forthcoming referendum on whether to stay in the European Union is likely to continue to add to the uncertainty and nervousness of markets in the months ahead.

With the global economy in an anaemic state and many emerging economies showing materially lower rates of growth the outlook for asset markets remains challenged. There are signs that corporate profits globally are struggling, even outside of the resources and energy sectors, and risk appetite from investors is at low levels.

Despite these challenges Foreign & Colonial remains well placed to withstand short-term volatility and to deliver positive returns for our shareholders over the long term. Our diversified approach to a variety of underlying investment strategies helps us reduce risk in an uncertain world and we are also benefiting from extremely low rates on our borrowings. Our closed-ended structure allows us to take advantage of attractive investments which have low levels of liquidity. We have enjoyed good returns over public markets from our Private Equity investments and by recommitting to this area, in a more flexible and cost effective way, we expect to further enhance long-term returns for our shareholders. While the near term appears difficult, our ability to step back and take a longer-term perspective on investment opportunities is a distinct advantage in delivering performance over time.

Simon Fraser
Chairman
7 March 2016

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

Foreign & Colonial's objective is to deliver long-term growth in both capital and income for our shareholders. In order to meet this objective the Board believes that equity exposure – sourced from public and private markets – should be the strategic focus.

Our approach

Our approach is designed to provide shareholders with the long-term investment performance benefits of concentrated individual investment portfolio strategies alongside the diversification benefits of lower risk and volatility that derive from being managed as part of a larger combined portfolio. These distinct strategies are managed on both a global and regional basis, without constraints to specific countries, continents, industries or sectors, to provide a breadth of sources of return.

We blend the expertise of our appointed Manager, F&C, with those of external fund managers to create a truly diversified global investment strategy. F&C has overall responsibility for the management of the Company's assets, asset allocation, gearing, stock and sector selection and risk within policies set by the Board.

Whilst a number of the individual portfolio strategies are managed directly by F&C, they have the flexibility to delegate to external third party managers. The North America large and mid-cap equity portfolios and the Private Equity funds of funds portfolios are managed externally. The Global Multi-Manager portfolio comprises a wide range of externally managed funds selected by F&C's specialist multi-manager team.

Information on the Company's investment strategy can be found in the Fund Manager's Review. The top twenty listed holdings and funds can be found on pages 20 and 21 and the full list of investments can be viewed on the website. While we invest mainly in the shares or equities of companies publicly listed on global stock markets, we retain complete investment flexibility. We will invest in other types of securities or assets depending on the return prospects and in consideration of implications for the broader portfolio.

F&C's fee is based on the market capitalisation of the Company, thus fully aligning their interests with shareholders through share price performance. The ancillary functions of administration, secretarial, accounting and marketing services are also carried out by F&C.

The Board

The Board is responsible 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. An important responsibility is the formal annual evaluation and appointment of the Manager, which also acts as the Alternative Investment Fund Manager. The wholly non-executive Board comprises six male and two female Directors.

The Fund Manager

As Fund Manager on behalf of F&C, Paul Niven is responsible for developing and implementing the investment strategy with the Board and for the day-to-day management of the total portfolio covering the entire range of individual investment portfolio strategies. The role covers tactical decisions over the allocation of assets between the different investment portfolio strategies as well as decisions over levels and timing of gearing within the prescribed range. Paul Niven is responsible for overall portfolio composition but delegates stock selection decisions. The underlying portfolio specialist management teams are responsible and accountable to him and ultimately to the Board for their investment performance.

Marketing

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 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 make their own investment decisions in the wake of the Retail Distribution Review.

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

Policies

Responsible ownership

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, and continues to work on systematically incorporating environmental, social and governance factors into its investment processes. This is based on the view that companies with strong management focus on these areas have the potential to reduce risks facing their business and deliver sustainable performance over the longer term. Engagement with companies on significant matters, so as to reduce risk, improve performance, encourage best practice and underpin long-term investor value forms an important part of F&C's approach towards responsible investment.

The Board periodically receives a report on instances where the Manager has voted against the recommendation of the management on any resolution. It also expects to be informed of any sensitive voting issues involving the Company's investments. Information on F&C's engagement and voting at company meetings in relation to the Company and where to find their statement of compliance with The UK Stewardship Code can be found on pages 28 and 29.

Gearing

Over many years the Company has used borrowings to enhance its returns. The Board has set a gearing range as explained opposite in the Investment policy statement. The flexible structure created to manage borrowings is explained by the Fund Manager on page 17.

Buybacks and share issues

Stability in Foreign & Colonial's share price discount to net asset value has been achieved and maintained over many years through the Board's adherence to its long-held policy of buying back shares for cancellation. The Board's aspiration, however, is to see Foreign & Colonial's shares trading in the market at or close to its net asset value per share. Therefore the Board announced in May 2015 that the ceiling within which Foreign & Colonial buys back its shares was being lowered from 10% to a new average level of 7.5%, in normal market conditions, as part of a progressive discount control strategy. The policy will be kept under review.

Buying back shares at a discount to net asset value not only reduces discount volatility, it can also enhance shareholder returns. In the event that the share price moves to a premium the Board will utilise its shareholder authority to sell shares held in treasury or to issue new shares. This would have the similar effect of moderating any excessive premium whilst making small accretions to the net asset value per share. Shareholder authority will be sought at the Annual General Meeting for the renewal of powers to buy back shares to be held in, and ultimately to be resold from, treasury.

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%.

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 portfolio management covering tactical asset allocation and risk mitigation including protection against currency risks within strict limits.

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

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 largely 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. Compound annual dividend growth
4. Discount to net asset value
5. Expenses
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 and Fund Manager's Review.

Net asset value total return performance

	1 Year %	3 Years %	5 Years %	10 Years %
Foreign & Colonial net asset value† (with debt at market value)	7.5	43.9	55.8	104.0
AIC Global Sector weighted average net asset value†	7.1	41.9	46.6	101.4
FTSE All World Index†	4.0	40.2	46.7	98.9

†Total return. Source: F&C and Morningstar UK Limited

Share price total return performance

	1 Year %	3 Years %	5 Years %	10 Years %
Foreign & Colonial share price†	9.0	50.2	63.3	118.4
AIC Global Sector weighted average share price† (investment companies)	8.9	50.3	54.6	110.9
IA Global Sector average (open ended funds)	2.9	34.1	33.3	70.0
Consumer Prices Index	0.2	2.8	10.0	27.1

†Total return. Source: F&C and Morningstar UK Limited

Compound annual dividend growth

	5 Years %	10 Years %
Foreign & Colonial	6.9	7.3
FTSE All-Share	7.6	4.3
Inflation (CPI)	1.9	2.4

Source: F&C and Morningstar UK Limited

Expenses

	TER* %	Ongoing charges %
2015	0.53	0.80
2014	0.53	0.87
2013	0.50	0.86

*See Glossary of Terms on page 90 for explanation
Source: F&C and Morningstar UK Limited

Discount(1)

31 December	%
2015	7.0
2014	8.1
2013	11.0
2012	10.4
2011	10.6

(1) With debt at market value cum income.

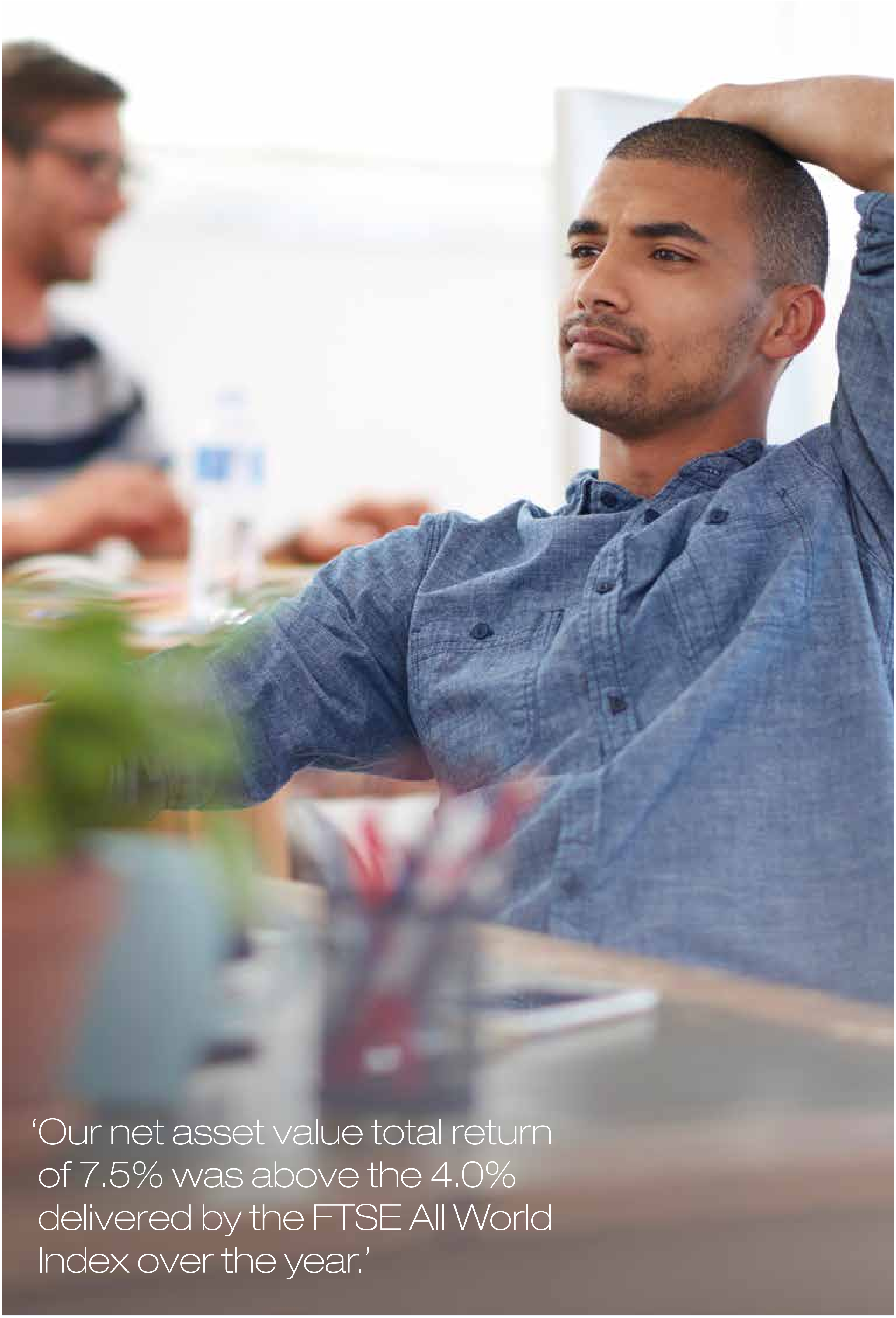
Foreign & Colonial's investment flows within F&C Savings Plans

£m	2015	2014	2013	2012	2011
Purchases	55	54	53	59	58
Withdrawals	60	54	93	54	55
Net flow	(5)	–	(40)*	5	3

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


'Our net asset value total return of 7.5% was above the 4.0% delivered by the FTSE All World Index over the year.'

Fund Manager's Review

Paul Niven, Fund Manager

2015 Results

In 2015 our portfolio benefited from a positive contribution from both stock selection and asset allocation as well as gearing decisions. Shareholder returns were further enhanced by an improved rating for your Company.

As a result of these positive factors and, taking into account expenses (including management costs and interest payments) and the effect of buybacks, the net asset value total return of 7.5% was comfortably ahead of the benchmark (4.0%). Shareholder total returns were better still, at 9.0%.

Contributors to total returns in 2015

	%
Benchmark return	4.0
Contributors:	
Active return	3.2
Management fees	(0.4)
Interest Expenses	(0.1)
Other Expenses	(0.1)
Buy-backs	0.1
Gearing	0.8
Net Asset Value total return	7.5
Decrease in discount	1.5
Share price total return	9.0

Source: F&C

It is pleasing to report another year of positive investment performance and a reduction in our discount to net asset value. The further improvement in the rating of your Company reflects the attractiveness of the Company's proposition to investors who are seeking well diversified global exposure to public and Private Equity. A shareholder register which is stable and long term in nature, combined with our attractive risk-adjusted returns represents a strong proof statement for the investment approach which we have pursued. Whilst your Company has, by necessity, evolved considerably since inception and will continue to change to capture new opportunities, it has a long and enviable history of delivering consistent returns for shareholders. Our new progressive discount control policy represents a further step forward in our aim of achieving a higher rating for your Company and we are encouraged that, with a lower discount aspiration, our initial target has been met with limited buy backs required. Indeed, for 2015, the average discount level of 7.3% represents the highest average rating for your Company for a number of decades. Nonetheless, and despite the fact that we are building on positive foundations, the discount policy will be kept under review in pursuit of the long-term aspiration of closing the discount further and ultimately trading at or close to net asset value.

Investment Returns

Within the portfolio, we saw good returns across most of our investment strategies in absolute and relative terms in 2015. The main exceptions to this positive trend were emerging market equities which suffered a torrid year, with our investments in this area (totalling £214m) falling by 7.4%, and our Global Income Strategy (£206m), which fell by 1.7%.

Within Emerging Markets there were broad based declines in equity prices and currency weakness further eroded sterling returns. China was also a dominant consideration during the year with the domestic equity boom turning to bust and heightened concern from investors over intention and control of policy – particularly with regard to their currency, where a modest devaluation was sufficient to spark wider market panic. Whilst our portfolio of emerging market assets was relatively well placed, as we held little direct Chinese exposure, our relative outperformance of the benchmark was not sufficient to avoid capital loss.

The China effect was evident across global financial markets, and it permeated many key investment themes over the year. Indeed, the well publicised collapse in oil prices can be ascribed to a number of catalysts, including Saudi Arabia's squeeze on other producers, but some moderation in demand growth for commodities from China, as well as general oversupply and weakness relative to forecast demand, contributed to a rout in energy and resources stocks across the globe.

Whilst most of our strategies delivered good relative returns in this challenging environment, as noted above, our Global Income portfolio struggled. This component seeks stocks with an above market yield and good return prospects but income strategies across the market fared poorly in 2015.

Elsewhere, returns on the investment portfolio were more positive. Our significant allocation to North American equities (£982m) delivered strong results. Our growth manager (T Rowe Price), in particular, produced excellent returns (as shown on page 18) as a few preferred stocks produced outsized returns. The growth component of the portfolio in North America was well placed to capture this market trend and high weightings towards some of the preferred stocks in technology, consumer discretionary and

'We saw good returns across most of our investment strategies in absolute and relative terms in 2015'

Weighting, stock selection and performance in each investment portfolio strategy vs Index at 31 December 2015

Investment Portfolio Strategy	Allocation %	Benchmark weighting %	Our performance %	Local index performance in Sterling %
UK	7.8	6.9	4.1	(0.8)
North America	33.6	54.8	10.6	5.4
Europe ex UK	16.5	15.4	9.0	6.0
Japan	8.8	8.8	22.2	17.6
Emerging Markets	7.3	14.1	(7.4)	(9.7)
Global Income*	7.0		(1.7)	
Global Funds*	0.8		(3.0)	
Global Multi-Manager*	8.8		6.3	
Private Equity	9.4		13.9	

* Underlying geographic exposure is included in the chart on page 16.

Source: F&C

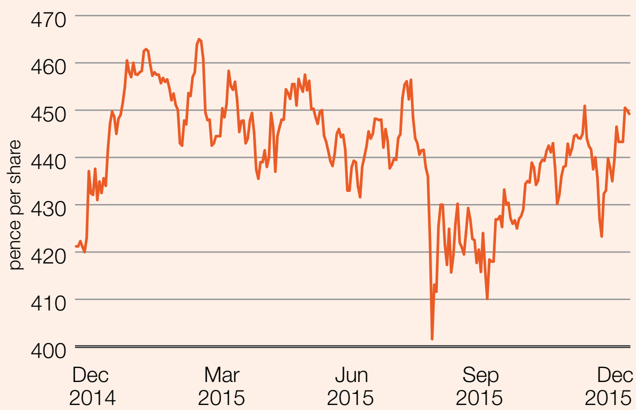
healthcare led to strong excess returns. Our value manager (Barrow Hanley) produced returns that were broadly in line with the market benchmark over the year but continued to beat "value-related" indices, which have been lagging "growth" styles in recent years. Elsewhere, within North America, our directly held US Smaller Companies portfolio produced strong relative and absolute returns, beating large cap indices in the process and our decision to avoid Canadian stocks added value as currency weakness there eroded already poor returns for the sterling based investor.

Closer to home, UK equities (£229m) posted good relative returns and strong stock selection in Europe (£483m) added to the already positive long-term track record in that region. The Global multi-manager portfolio (£258m), established to invest in third party funds, also had a good year as did our Japanese strategy (£259m).

As well as positive stock selection from a range of our underlying strategies we benefited from our allocation to Private Equity during the year (£276m). The 13.9% return from this area was materially above that of listed equities and the long-term benefit of investment into this area has become evident in recent years. In particular, in a year where many equity markets struggled to deliver meaningful positive returns, it was pleasing to see strong capital uplifts as well as returns of cash from this area.

Asset allocation also added value for shareholders during the year. Avoidance of some of the poorly performing areas helped performance and, in combination with some of our borrowing decisions, we added exposure to two of the areas with strongest returns during the period; Japan and Europe. In addition, the timing of some of our portfolio changes, in particular the borrowing and investment decisions made around July and August added to returns at the margin.

Foreign & Colonial Investment Trust share price 2015

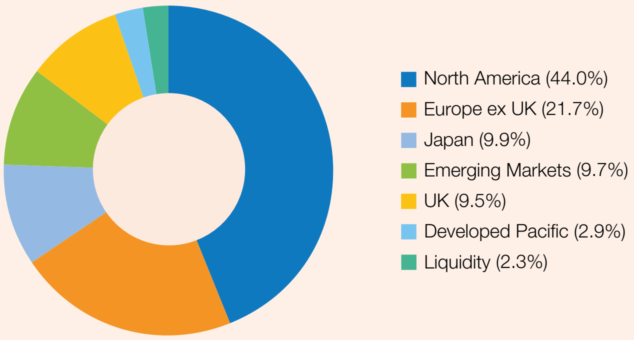


Source: F&C

Portfolio activity

2015 saw fewer asset allocation changes than in some recent years. We have now transitioned fully to global exposure and have in place a number of portfolio strategies that are designed to deliver value on

Underlying Geographical Exposure as at 31 December 2015



Source: F&C

'Understanding the true underlying exposure, in terms of security, sector, country and currency, is critical in terms of portfolio management.'

both a global and a regional basis. Nonetheless, we saw a continued reduction in the weighting of our Private Equity exposure with our holdings falling from 12.9% to 9.4% of the portfolio by the end of the period. This reduction in Private Equity occurred despite strong capital returns and resulted from the receipt of £129m of net cash distributions in the year. It is worth reiterating the comment made in the Chairman's Statement that the cash contributions received from our Private Equity investments have repaid in full our initial commitment to that area in Sterling terms with a further £276m remaining unrealised at the year end. Whilst our allocation to Private Equity has fallen materially we intend to allocate new capital to this area in coming years.

Our future allocation to Private Equity will be on more cost-effective commercial terms than our historical arrangements. Our programme from 2003–08 invested in a range of fund of Private Equity funds and, while returns from these investments net of all fees have been strong, we will implement a lower cost solution in the future. In this regard, we paid our fund of fund managers £4.6m in fees in 2015, which represents 17bp of our 80bp ongoing charge (referred to in the Ten Year Record). The fees paid to our third party fund of Private Equity funds managers will diminish materially in coming years. It is our belief that our future approach of more focused Private Equity exposure delivered in a flexible and cost-effective manner will enhance long-term returns for shareholders.

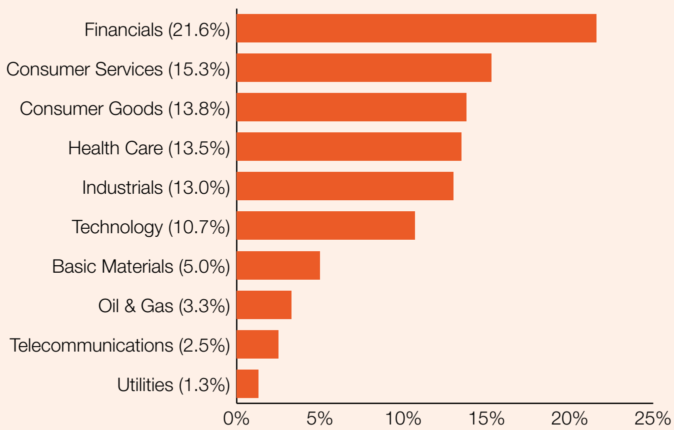
In terms of listed equity markets, we allocated capital to Europe at the end of 2014, anticipating an improvement in economic and corporate fundamentals and greater policy action from the European Central Bank. We added further to the position during the market sell-off in August, partly financing the move from medium dated debt raised during July.

During the year we almost doubled our direct exposure to Japanese equities. With a much greater focus on shareholder value and signs of a concerted policy effort (beyond monetary stimulus) there is more optimism over longer term prospects than has been the case for a number of years. This proved to be a good decision, with the Japanese equity market the best performing area in 2015 among the main geographic blocs. Japan has been an area where the Company has historically had limited exposure and, while concern grows that the world may be turning Japanese – with low inflation and stagnant growth – there are now some signs that Japan may be turning, in a positive and corporate sense, more American. There is, now more than ever, a greater focus on shareholder value there with signs of a concerted policy effort (beyond monetary stimulus) that give rise to greater optimism for the long term than has been the case for a number of years.

Aside from the moves in Europe and Japan and the decline in our Private Equity exposure, allocation changes during the year were modest. We further reduced UK equity weightings and took the opportunity to reduce some holdings within the Global Funds component of the portfolio. Towards the end of 2015 we cut equity weightings by reducing exposure to our global multi-manager strategies. We also allowed cash to accumulate from Private Equity distributions in order to reduce our gearing level as we identified potential stress points for 2016 and beyond.

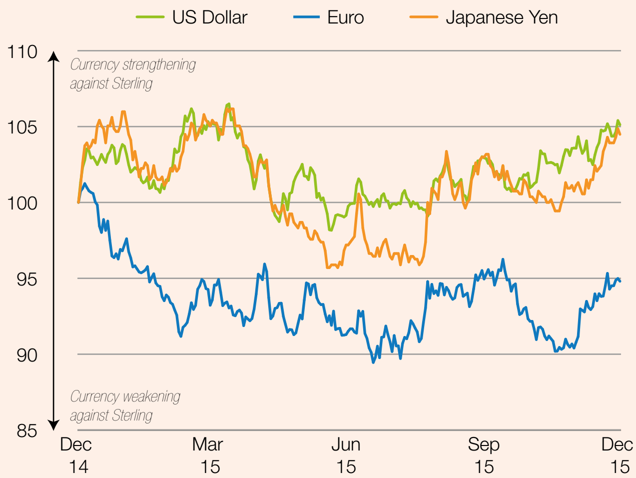
When managing the total portfolio we look through our various investment portfolio strategies to the underlying holdings. The chart above shows the geographic exposure including Private Equity and our global funds. Thus the true underlying exposure to North America, for instance, is significantly higher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

Underlying Classification of Listed Investment Portfolio as at 31 December 2015



Source: F&C

Currency movements vs Sterling in 2015



Source: F&C

We expect that each investment portfolio strategy will add value over time. Management of these strategies, while understanding 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 above.

Revenue Returns

Our Income grew modestly at the overall level on the year. Nonetheless, our Net Income per share showed a marked improvement and rose by 26% from 6.69p per share to 8.42p. We benefited from a significant reduction in our interest expenses (relating to refinancing at lower rates after the maturity of our debenture at the end of 2014) and, to a lesser extent, a change in our allocation basis announced last year, where we now allocate 25% of our management fees and interest expenses against revenue, down from 50% previously.

While our dividend coverage ratio improved materially in 2015 we have seen a £6.1m reduction in our revenue reserve over the course of the year as dividend payments exceeded the net return attributable to shareholders. Despite this, we held £78.3m in our reserves at the end of the year, equivalent to 14.0p per share

Looking forward, we continue to focus on both growth in income and capital for our shareholders. On this point, we believe that it is critically important to balance these objectives and do not intend to risk shareholders' capital in the pursuit of income. Indeed, at a time when the equity market in some areas appears bifurcated between high yielding but risky stocks (particularly in the energy and resources sectors) and low yielding but highly priced "safety" the challenges for stock pickers are significant. In that context, we are mindful to the risks of some of the higher yielding stocks in the market and the potential for dividend cuts such as from mining and oil stocks. Through prudent investment decisions and management of our accumulated reserves, which have been built up from many years, we are confident in our ability to maintain and extend your Company's long track record of dividend growth.

Gearing levels/Debt Funding

2015 saw a material reduction in borrowing costs, which fell from £15.7m to £4.8m year on year. The maturity of the long-standing debenture at the end of 2014, costing 11.25%, enabled us to restructure Company borrowing commitments. During the year we funded most of our gearing through a revolving credit facility which provides us with short dated loans. We have £91.5m seven year US dollar and Yen loans which mature in 2019. In order to diversify our borrowing, reduce refinancing risk and take advantage of low interest rates we entered into a new £50m equivalent seven-year euro-denominated bank loan during the year. The rate on this borrowing was less than 1.7% for the seven year term which, in our view, reflects an attractive funding source for the coming years.

We ended the year with a net gearing level (including cash balances) of 8.6%, down from 8.9% at the start of the year. Importantly, the blended interest rate on our borrowings equated to less than 1.7% at year end which is extremely low in an historical context and down from an average borrowing rate of over 7% only two years ago. We are continuing to explore opportunities to lock in attractive rates on a longer dated basis but our intention is to diversify maturities while retaining flexibility in our financing needs.

Investment portfolio strategies attribution in Sterling						
		1 year %		3 years %		5 years %
Region	Return	Index return	Return	Index return	Return	Index return
UK	4.1	(0.8)	22.4	18.5	27.1	28.5
North America	10.6	5.4	75.5	61.6	104.9	81.2
Europe ex UK	9.0	6.0	41.4	34.1	66.1	34.6
Japan	22.2	17.6	56.2	50.9	36.3	35.8
Emerging Markets	(7.4)	(9.7)	(9.2)	(9.6)	(15.8)	(15.5)
Global Income	(1.7)					
Global Funds	(3.0)					
Global Multi-Manager	6.3	4.0				
Private Equity	13.9		44.9		72.9	

The Company's benchmark is the FTSE All World Index whereas for the purposes of this table the relevant regional sub-indices are used for comparison.
The global investment portfolio strategies do not have index comparators and have been in existence for less than three years.
Source: F&C

North American performance in US Dollars			
		31 December 2015	
	Value (US$m)	% of US Portfolio	1 year %
T Rowe Price US Large Cap Growth*	696.3	47.8	10.0
Barrow Hanley US Large Cap Value*	636.1	43.7	(1.3)
US Smaller Companies	123.9	8.5	0.6
Total North America portfolio	1,456.3	100.0	4.7
S&P 500 Index			1.4
Russell 1000 Value Index			(3.8)
Russell 1000 Growth Index			5.7
Russell 2000 Index			(4.4)

* 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

Conclusion

Our objective of long-term growth in capital and income for investors leads us towards listed equity markets and Private Equity exposure. We had previously suggested that volatility was likely to rise and investors would, unfortunately, have to get used to more significant short-term swings in asset prices than had been evident in recent years. Looking forward, the palliative effects of monetary policy are diminishing and, with the US (and eventually the UK) likely to raise rates further, global stresses are likely to increase. China remains the current epicentre of structural and cyclical concerns for investors and, given the nature of their domestic policy it is likely that markets will grapple with policy makers' intentions and broader implications for some time yet. Furthermore, the ability and willingness of central banks to smooth the path towards a lower growth trajectory has broad ramifications across global economies and markets.

In the UK in 2016 the electorate will determine whether the future of the country remains within the European Union. The debate over the relative merits of "Brexit" will intensify in coming months and, at the present time, the vote appears to be finely balanced. Markets dislike uncertainty and there are already signs of increased risk aversion from investors towards UK assets. A vote to exit the EU will likely bring further stress for UK financial markets in the near term with the currency most likely to take the brunt of any pain. For the corporate sector, however, other factors are likely to be more important for longer-term performance and the vote on the EU membership may, ultimately, be overshadowed by the global economic factors this year.

Beyond the macroeconomic issues, corporate earnings remain critical. There has been little growth in underlying earnings for some time now and, therefore, selectivity in stock selection is required. That said, while fundamentals on large swathes of the equity market have been deteriorating, valuations in some areas have been improving. We remain mindful of the scope for opportunities amongst the stress that is evident within financial markets at present.

In terms of Private Equity, we have stated our intention to recommit capital to this area and expect to make selectively some new investments over the course of 2016. Unlisted Private Equity investments have been a source of considerable added value for the Company but there are a number of lessons from our past. Specifically

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	**2015**	**290,000**	**272,150**	**17,850**	**307,746**	**112,141**
	2014	290,000	263,875	26,125	228,238	154,458
		US$'000s	US$'000s	US$'000s	US$'000s	US$'000s
Total US Dollar denominated portfolio	**2015**	**589,050**	**545,170**	**43,880**	**504,829**	**284,730**
	2014	589,050	526,918	62,132	367,774	379,450
				Commitment outstanding 31 December 2015 £'000s		Value of holding 31 December 2015 £'000s
Total Private Equity portfolio(1)			Brought forward	60,122		363,222
Committed in 2015(2)				–		–
Cash drawn in 2015(2)				(17,786)		17,786
Cash returned in 2015(2)				–		(147,152)
Valuation movements(3)				–		37,367
Exchange movements				589		4,609
Total Private Equity portfolio(3)			Carried forward	42,925		275,832

(1) At exchange rates ruling at 31 December 2014
(2) At actual exchange rates in 2015
(3) At exchange rates ruling at 31 December 2015
Source: F&C

while the returns have been positive the cost of access using agents needs to be carefully considered. In addition, while diversification is helpful to reduce risks it now makes sense to be more focused and selective with our Private Equity exposure. Finally, retaining control and flexibility in all aspects is critical. Taking these lessons from our positive experience on Private Equity forward, shareholders can expect a more cost-effective and focused set of Private Equity investments where control and flexibility is retained by Foreign & Colonial.

In conclusion, while 2015 was a quieter year in terms of strategic portfolio changes we have continued to move your Company forward. Performance was strong in difficult market conditions and we have seen further Improvement in the rating of the Company's shares. The strength of our investment proposition, where strategies are combined to deliver our portfolio objectives, is evidenced by our strong risk-adjusted return. For the investor seeking diversified exposure to global public and Private Equity markets, our close to 150 year record in delivery of growth in capital and income leads us to believe that Foreign & Colonial continues to represent a compelling proposition for both our existing and prospective shareholders.

Paul Niven
Fund Manager
7 March 2016

Twenty largest listed company holdings

1. Amazon.com (11)
US online retailer.
1.21% Total investments
£35.4m Value

2. Alphabet (–)
US holding company of Google
1.11% Total investments
£32.4m Value

3. Unitedhealth (5)
US owner and manager of organised health systems.
1.08% Total investments
£31.7m Value

4. Microsoft (12)
US technology company focused on software products.
0.99% Total investments
£29.2m Value

5. Novartis (1)
Swiss global pharmaceutical company.
0.97% Total investments
£28.6m Value

6. Roche (3)
Swiss global pharmaceutical company.
0.94% Total investments
£27.6m Value

7. CRH PLC (–)
Irish building materials group
0.89% Total investments
£26.2m Value

8. Utilico Emerging Markets (2)
Specialist closed-ended fund investing in utility and infrastructure industries.
0.83% Total investments
£24.2m Value

9. Unilever (–)
UK consumer goods manufacturer.
0.70% Total investments
£20.6m Value

10. Allianz (15)
German insurer.
0.65% Total investments
£19.0m Value

11. Bayer (9)
German healthcare company.
0.64% Total investments
£18.8m Value

12. UBS (19)
Swiss financial services firm.
0.61% Total investments
£18.0m Value

13. Medtronic (6)
US developer of medical products.
0.60% Total investments
£17.6m Value

14. Pfizer (10)
US global pharmaceutical company.
0.59% Total investments
£17.4m Value

15. Facebook, Inc. A (–)
US operator of social networking sites
0.56% Total investments
£16.5m Value

16. SAP SE (–)
German software company
0.55% Total investments
£16.3m Value

17. Philip Morris (16)
US manufacturer of tobacco products.
0.54% Total investments
£15.9m Value

18. Wells Fargo (13)
US diversified financial services company.
0.53% Total investments
£15.7m Value

19. The Priceline Group, Inc. (–)
US online travel company
0.52% Total investments
£15.2m Value

20. RELX NV (–)
Dutch publisher and information provider
0.51% Total investments
£15.0m Value £'000s

The value of the twenty largest listed securities represents 15.02% (2014: 12.57%) 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 2015 was £239,000 or 0.0% of total assets less current liabilities (2014: £239,000 or 0.0% of total assets less current liabilities).

Twenty largest fund holdings

PANTHEON

1 Pantheon Europe Fund V* (1)

Fund of funds investing in Europe, with the largest exposure being to the UK. It distributed a net £19.2m in 2015.

1.41% Total Investments

£41.5m Value

HARBOURVEST

2 HarbourVest Partners VIII Venture Fund* (9)

Investing in US venture capital, the Fund distributed a net £4.6m in 2015.

0.85% Total Investments

£24.9m Value

HARBOURVEST

3 HarbourVest Partners VIII Buyout Fund* (4)

Investing in buyouts of US businesses. The fund distributed a net £10.2m in 2015.

0.84% Total investments

£24.6m Value

PANTHEON

4 Pantheon Asia Fund V* (8)

Fund of funds investing in Asian markets. It distributed a net £4.9m in 2015.

0.78% Total investments

£22.8m Value

HARBOURVEST

5 HarbourVest V Direct Fund* (2)

Specialist fund investing directly alongside other fund managers. It distributed a net £22.9m in 2015.

0.77% Total Investments

£22.6m Value

HARBOURVEST

6 Dover Street VII* (3)

HarbourVest managed Fund with holdings in other Private Equity funds. It distributed a net £13.3m in 2015.

0.72% Total Investments

£21.2m Value

HARBOURVEST

7 HarbourVest Partners VII Buyout Fund* (6)

Investing in buyouts of US businesses, the Fund distributed a net £11.6m in 2015.

0.64% Total Investments

£18.9m Value

PANTHEON

8 Pantheon Europe Fund III* (5)

Fund of funds investing in UK and European management buyouts which distributed a net £9.7m in 2015.

0.63% Total Investments

£18.5m Value

HARBOURVEST

9 Dover Street VI* (7)

HarbourVest managed Fund with holdings in existing Private Equity funds. It distributed a net £8.9m in 2015.

0.60% Total Investments

£17.5m Value

IRIDIAN

10 Iridian US Equity IP USD (11)

Concentrated US portfolio with an emphasis on bottom up selection criteria and a focus on corporate change.

0.53% Total Investments

£15.7m Value

J O Hambro Capital Management Group

11 JOHCM Continental European Y GBP (–)

Large cap biased European fund.

0.53% Total Investments

£15.6m Value

ARTEMIS The Profit Hunter

12 Artemis US Extended Alpha Fund I (16)

Fund with a US portfolio, able to take short positions against long stock positions.

0.53% Total Investments

£15.4m Value

Lyrical Asset Management LP

13 Conventum Lyrical Fund (19)

Deep value US strategy utilising systematic strategies.

0.51% Total Investments

£15.0m Value

POLAR CAPITAL

14 Polar Capital North American I USD Inc (14)

Focused North American portfolio driven by bottom up fundamental decisions.

0.49% Total Investments

£14.3m Value

FINDLAY PARK PARTNERS LLP

15 Findlay Park American Fund (12)

Portfolio of US and Latin America stocks following a value based approach.

0.48% Total Investments

£14.2m Value

HARBOURVEST

16 HIPEP VI Asia Pacific Fund (–)

Fund of funds investing in Private Equity opportunities in Asia. It distributed a net £2.7m in 2015.

0.46% Total Investments

£13.5m Value

Nordea Asset Management

17 Nordea North American All Cap BI USD (–)

North American equity fund with a value and reasonable growth approach.

0.46% Total Investments

£13.4m Value

MAJEDIE Asset Management

18 Majedie Asset Management US Equity Z Acc GBP (–)

Value focused US equity fund seeking out of favour stocks.

0.44% Total Investments

£13.0m Value

MAJEDIE Asset Management

19 Majedie UK Focus X Inc (–)

Unconstrained UK equity fund.

0.44% Total Investments

£13.0m Value

HARBOURVEST

20 HarbourVest Partners VII Venture* Fund (17)

Fund of funds investing in US venture capital. Distributed a net £4.5m in 2015.

0.4% Total Investments

£11.9m Value

* 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 twenty largest funds represents 12.51% (2014: 16.18%) of the Company's total investments. The figures in brackets denote the position within the top 20 at the previous year end.

Principal Risks and Future Prospects

During the year the Board carried out a robust assessment of the principal risks and uncertainties that could threaten Foreign & Colonial's objective, future performance, liquidity and solvency. Its future prospects and viability were also considered as an integral part of this assessment in accordance with new requirements under the UK Code.

The principal risks and their mitigations are set out in the table below and the processes for monitoring them are set out on pages 42 and 43. Note 25 on the accounts reports on the Financial Risk Management of the Company. The risks that affect the Company's ongoing operations may vary in significance from time to time.

The principal risks identified as most relevant to the assessment of the Company's future prospects and viability were those relating to potential investment portfolio under-performance and its effect on share price discount and dividends, as well as threats to security over the Company's assets.

Principal Risks	Mitigation
Inappropriate business strategy particularly in relation to investor needs leading to significant pressure on the share price discount to net asset value per share. **Unchanged throughout the year under review**	The Board specifically considers business strategy at a formal meeting annually and monitors investor requirements and themes at each Board meeting. A discount control mechanism has operated over many years. The effectiveness of the marketing strategy is also reviewed at each meeting.
Unfavourable Markets or inappropriate asset allocation, sector and stock selection, currency exposure and use of gearing and derivatives may give rise to investment under-performance as well as impacting capacity to pay dividends to investors. **Decreased in the year under review**	Underlying investment strategies, performance and gearing are reviewed with the Fund Manager at each Board meeting. Cash, borrowing and derivative limits are also monitored. F&C's Performance and Risk Oversight team provides independent oversight on investment risk management for the directly managed portfolios. The portfolio is diversified and the Company's structure enables it to take a long-term view of countries, markets and currencies.
Failure of F&C as the Company's main service provider to continue to operate effectively including the loss of key staff. **Decreased in the year under review**	The Board regularly reviews the strength of the Manager's investment management and client services resources and meets their risk management team to review internal control and risk reports. The Manager's appointment can be terminated at six month's notice. A business continuity plan is in place. The Manager structures its recruitment and remuneration packages in order to retain key staff and works closely with the Board on any significant management changes.
Errors, fraud or control failures at service providers or loss of data through increasing levels of cyber-threats or business continuity failure could damage reputation or investors' interests or result in loss. **Increased in the year under review**	The Board receives regular control reports from F&C covering risk and compliance including oversight of third party service providers. The Board has access to F&C's Head of Business Risk and requires any significant issues directly relevant to the Company to be reported immediately. The Depositary is specifically liable for loss of any of the Company's securities and cash held in custody.

When considering the risk of under-performance, the Board assessed and evaluated the following areas through a series of stress tests:

- potential illiquidity of the Company's portfolio;
- the effects of any substantial future falls in investment values and income receipts on the ability to repay and re-negotiate borrowings, potential breaches of loan covenants, the maintenance of dividend payments and retention of investors; and
- the potential need for more extensive share buybacks in the event of increasing share price volatility and constraints on controlling the discount.

The Board's conclusions are set out under the Ten Year Horizon opposite.

Actions taken on Principal Risks in the year
The Board tightened its discount policy but bought back fewer shares than in 2014. Marketing campaigns continued throughout the year including advertising across financial and price comparison websites.
The Company outperformed its benchmark. Substantial changes in the portfolio have been made in recent years while the focus in 2015 was on the future structure of the Private Equity portfolio. Loan interest costs were much lower following the repayment of a long-term debenture on 31 December 2014.
The Board has reviewed F&C's controls and risk management structure as part of its annual assessment. The Manager now benefits from the long-term financial strength and policies of its parent company, BMO, and the Board meets senior management at least annually as part of the reappointment process.
The Manager continues to strengthen its Risk, Compliance and Internal Control functions as part of the integration of its operations with BMO including IT security. Supervision of third party service providers has been maintained by F&C and includes assurances regarding IT security and cyber-threat. The Depositary oversees custody of investments and cash and reports to the Company in accordance with the AIFMD.

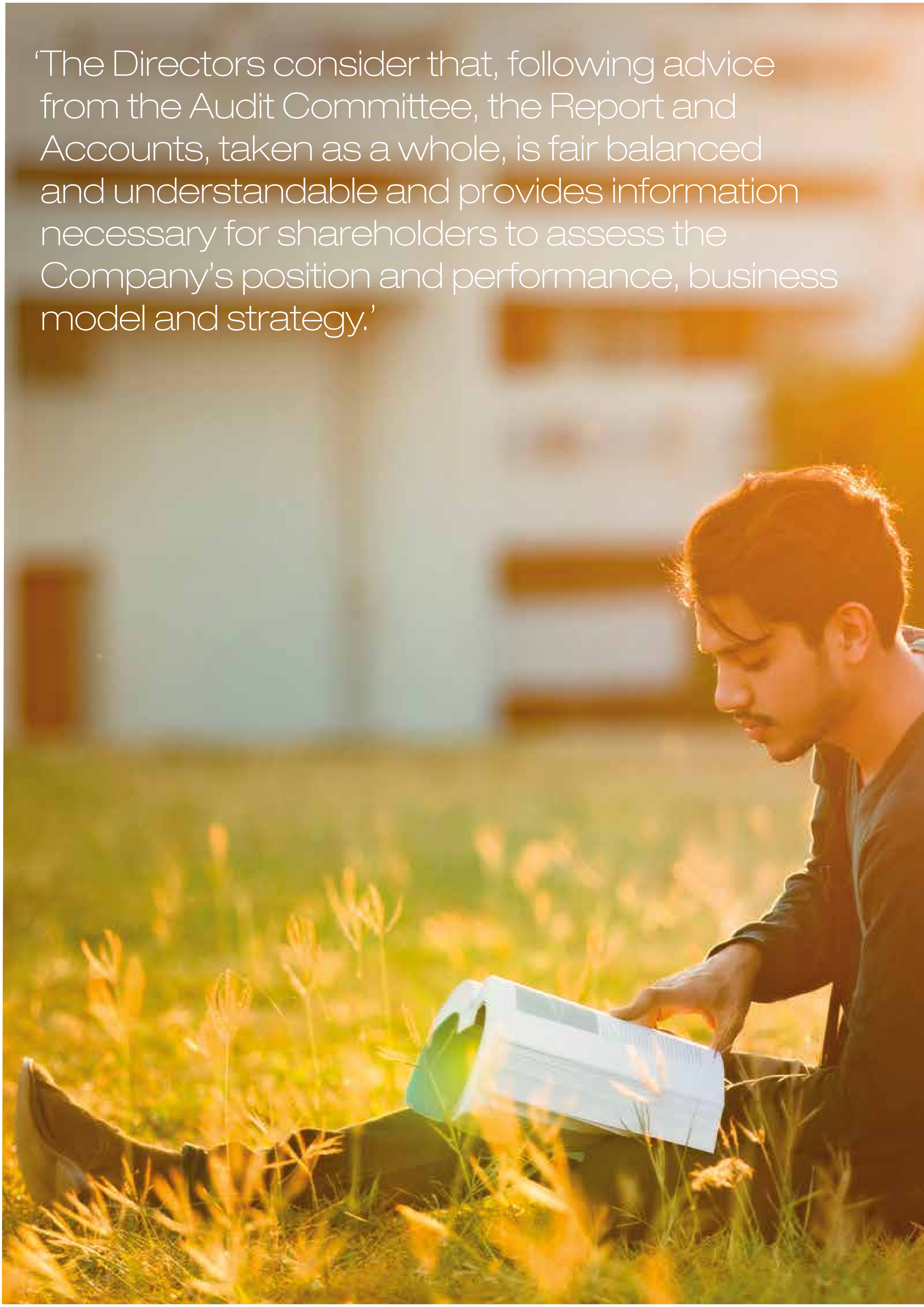
Ten Year Horizon

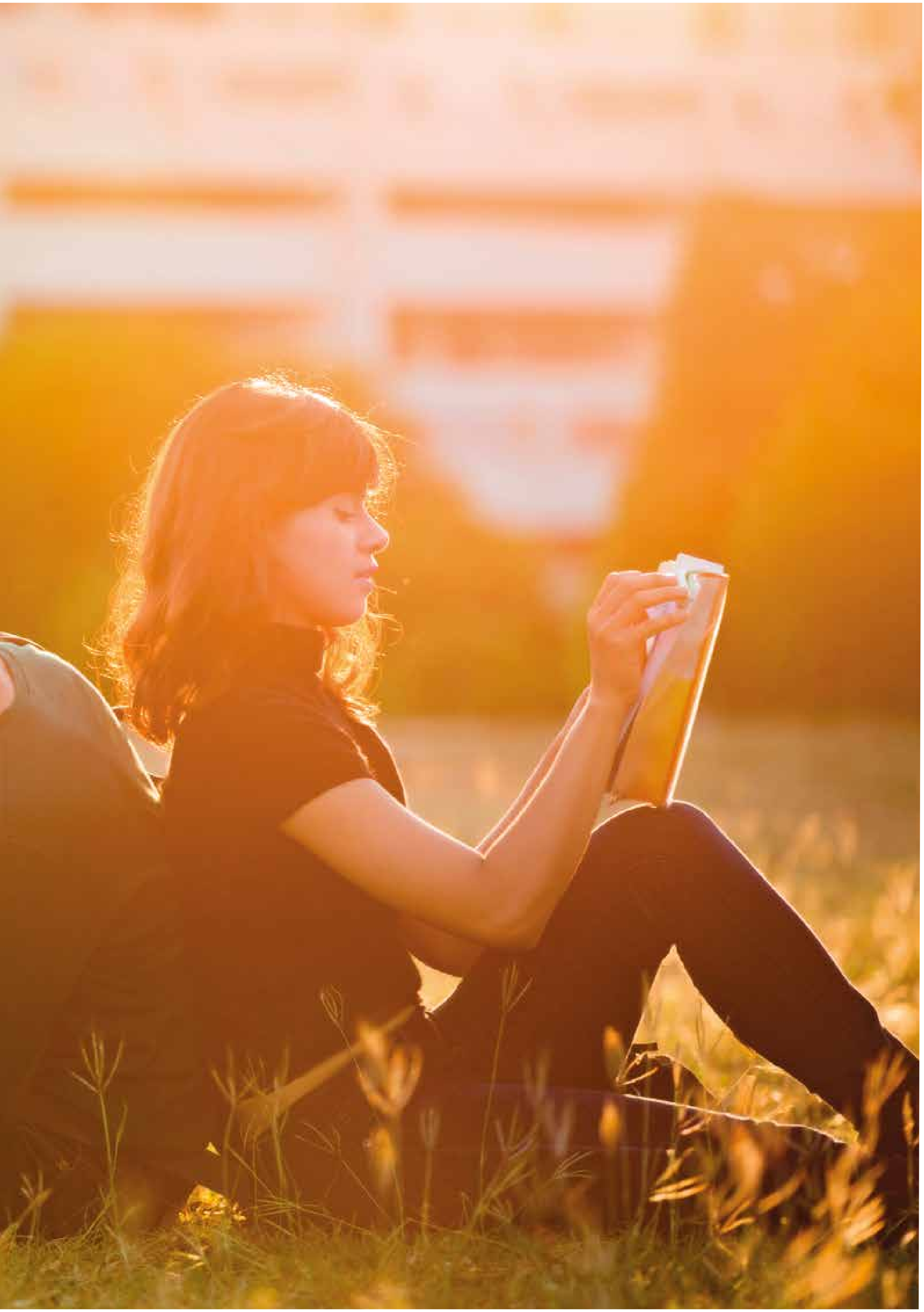
Based on its assessment and evaluation of the Company's future prospects, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the coming ten years; the Company's business model, strategy and the embedded characteristics listed below have helped define and maintain the stability of Foreign & Colonial over many decades. The Board expects this to continue over many more years to come.

- The Company has a long-term investment strategy under which it invests mainly in readily realisable, publicly listed securities and which restricts the level of borrowings.
- The Company's business model and strategy are not time limited.
- The Company is inherently structured for long-term outperformance, rather than short-term opportunities, with ten years as a sensible time-frame for measuring and assessing long-term investment performance.
- The Company is able to take advantage of its closed-end investment trust structure.
- The Company has the ability to hold a proportion of long-term less liquid Private Equity investments with ten years being the period over which commitments are made and realisations are expected to be received.
- The Company has a long-term borrowing facility and has the ability to secure additional finance in excess of ten years.
- There is rigid monitoring of the Company's substantial bank borrowing covenant headroom.
- Regular and robust review of revenue and expenditure forecasts is undertaken throughout the year against a backdrop of large revenue and capital reserves.
- The Company retains title to all assets held by the Custodian which are subject to further safeguards imposed on the Depositary.
- The Company has put in place a business continuity plan.

By order of the Board
Simon Fraser
Chairman
7 March 2016

‘The Directors consider that, following advice from the Audit Committee, the Report and Accounts, taken as a whole, is fair balanced and understandable and provides information necessary for shareholders to assess the Company’s position and performance, business model and strategy.’





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 organisation 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 is also chairman of The Merchants Trust PLC and is a non-executive director of Ashmore Group PLC and Fidelity European Values 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. He was also one of the Prime Minister's honorary ambassadors for British business from 2010 to 2015. He is a non-executive director of ITM Power plc, a designer and manufacturer of hydrogen energy systems for energy storage and clean fuel production and is also chairman of Over-c-ltd, a small high tech company in the telecoms sector.

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.

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 Systems 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. She 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, Share Plc, Marshall Motor Holdings plc and VISTA Ltd.

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 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

Directors' Report

The Directors submit the Report and Accounts of the Company for the year ended 31 December 2015. The Corporate Governance Statement; the Reports of the Management Engagement, Nomination and Audit Committees; and the Remuneration Policy and Remuneration Report all form part of this Directors' Report.

Statement regarding Report and Accounts

The Directors consider that, following advice from the Audit Committee, the Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Audit Committee had reviewed the draft Report and Accounts for the purpose of this assessment having also put in place an arms' length process to provide additional comfort to the Directors in making this statement. The outlook for the Company can be found on pages 9, 17, 18 and 19. Principal Risks can be found on page 22 with further information in note 25 to the accounts. There are no instances where the Company is required to make disclosures in respect of Listing Rule 9.8.4R.

Results and dividends

The results for the year are set out in the attached accounts. The three interim dividends totalling 6.90 pence per share, together with the final dividend of 2.70 pence per share, which will be paid on 3 May 2016 to shareholders registered on 1 April 2016 subject to approval at the Annual General Meeting (Resolution 3), will bring the total dividend for the year to 9.60 pence per share. This represents an increase of 3.2% over the comparable 9.3 pence per share paid in respect of the previous year.

Company status

The Company is a public limited company and 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 and European legislation and regulations including 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. The Company has been approved by HM Revenue and Customs as an investment trust, subject to it continuing to meet the relevant eligibility conditions and ongoing requirements.

Accounting

The Financial Statements, starting on page 53, 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 47. Shareholders will be asked to approve the adoption of the Report and Accounts at the Annual General Meeting (Resolution 1).

Statement as to disclosure of information to the auditors

Each of the Directors confirms that, to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Report and Accounts of which PwC is unaware and he or she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that PwC is aware of that information.

For the reasons explained on pages 43, 44 and 85, PwC will not seek reappointment at the Annual General Meeting.

Voting policy on portfolio investments

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. In 2015, F&C had engaged with 172 companies held by Foreign & Colonial over 31 countries and had voted in respect of Foreign & Colonial's holdings at 369 company meetings on a range of issues. Key themes in 2015 included the risks associated with fossil fuel investment, the alignment of pay with business strategy and risk, and emerging market labour standards in supply chains.

F&C's statement of compliance with The UK Stewardship Code 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.

In 2015 our Manager engaged with 172 companies held by Foreign & Colonial over 31 countries and had voted in respect of Foreign & Colonial's holdings at 369 company meetings on a range of issues.

Capital structure

At the annual general meeting held on 28 April 2015, shareholders authorised the Board to buy back up to 14.99% of the Company's ordinary shares either to be held in treasury or to be cancelled. A total of 3,318,947 shares were bought back of which 473,000 were cancelled and 2,845,947 were held in treasury. The shares bought back represented 0.6% of the shares in issue at 31 December 2014. This enhanced the net asset value per share by 0.1 pence. The purchases were made at prices ranging between 431.92 pence and 452.87 pence and the aggregate consideration paid for the shares, including stamp duty and commissions, was £14,788,000. As at 31 December 2015 there were 561,819,016 ordinary shares of 25 pence each ("**ordinary shares**") in issue of which 2,845,947 were held in treasury. Therefore the total number of voting rights in the Company at that date was 558,973,069. Between the date of the year end and 3 March 2016 a total of 2,770,047 shares have been bought back leaving the number of shares in issue at 561,819,016 of which the number of shares in treasury is 5,615,994.

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 17 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.

Voting rights and proportional voting

At 3 March 2016 the Company's 561,819,016 ordinary shares in issue less the 5,615,994 shares held in treasury represented a total of 556,203,022 voting rights. As at 31 December 2015 and since that date no notifications of significant voting rights have been received under the Financial Conduct Authority's Disclosure and Transparency Rules.

Approximately 44% 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 611,000 shares that any one individual investor can vote, being approximately 5% of the minimum threshold, also applies. Any shares voted by an investor in excess of the maximum limit remain valid, but do not form part of the proportional voting basis. Planholders have the right to exclude their shares from the proportional voting arrangement.

Borrowings

The Company has the flexibility to borrow over the longer term and to use short-term borrowings by way of loans and overdrafts, subject to the limit set out on page 11 in the Company's investment policy statement. A fixed term seven year £50 million borrowing in the currency equivalent of €72 million was put in place with Royal Bank of Scotland during the year. There is a borrowing of £100 million 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 Scotia Capital and Royal Bank of Scotland which mature in December 2016 and 2017. 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 JPMorgan Chase. Further reference is made on page 17 and in notes 13 and 15 on the accounts. The Company also has a longstanding £575,000 4.25% perpetual debenture stock.

Directors' remuneration report

The Directors' remuneration policy and annual remuneration report, which can be found on pages 38 to 40, provide detailed information on the remuneration arrangements for Directors of the Company. Shareholders will be asked to approve the Directors' Annual Report on Remuneration on page 39 (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 26 to 27 and are incorporated into this report by reference. All the Directors held office throughout the year under review and, with the exception of Mr Keljik, 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 10). 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. Mr Keljik will retire immediately following the meeting having served as a Director for over ten years.

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. 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 acts as the Company's Depositary in accordance with the Alternative Investment Fund Managers Directive ("**AIFMD**"). The Depositary's responsibilities, which are set out in an Investor Disclosure Document on the Company's website, include: cash monitoring; ensuring the proper segregation and safe keeping of the Company's financial instruments that are held by the Custodian; 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.

Although the Depositary has delegated the safekeeping of all assets held within the Company's investment portfolio to the Custodian, in the event of loss of those assets that constitute financial instruments under the AIFMD, the Depositary will be obliged to return to the Company financial instruments of an identical type, or the corresponding amount of money, unless it can demonstrate that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

Management fees

Information on the management fees payable by the Company are set out in the Report of the Management Engagement Committee on page 35.

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.

Annual General Meeting

The Annual General Meeting will be held at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2 on Tuesday, 26 April 2016 at 12 noon. The Notice of Annual General Meeting appears on pages 81 to 84 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.

Appointment of auditor and auditor's remuneration (Resolutions 11 and 12)

The auditor of a company has to be appointed at each annual general meeting at which accounts are laid before shareholders. By mutual agreement between PwC and the Board, PwC will not seek reappointment when their term of office expires at the end of the Annual General Meeting for the reasons set out in the Report of the Audit Committee on pages 43 and 44 and in PwC's statement set out on page 85. Shareholders will be asked to approve resolutions to appoint EY as the Company's independent external auditors with effect from the conclusion of the Annual General Meeting and for the Audit Committee to determine their remuneration. The Report of the Audit Committee on page 41 provides more background to the recommendation to appoint EY.

Authority to allot shares and sell shares from treasury (Resolutions 13 and 15)

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 13 gives the Directors the necessary authority to allot securities up to an aggregate nominal amount of £6.95m, (27.8m 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 3 March 2016, 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 2017 or on 30 June 2017, whichever is the earlier.

Resolution 15 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 £6.95m (representing approximately 5% of the issued ordinary share capital of the Company at 3 March 2016).

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 11 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.

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 83,370,000 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 11. 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 13, see above) 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 2017 or on 30 June 2017, whichever is the earlier. The Board intends to seek a renewal of such authority at subsequent annual general meetings.

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 so wish.

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

Form of direction and proportional voting

If you are an investor in any of the F&C Savings Plans, you will have received a form of direction for use at the Annual General Meeting and you will also have the option of lodging your voting directions using the Internet. F&C operates a proportional voting arrangement, which is explained on page 29.

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 12 noon on 19 April 2016, 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
7 March 2016

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.

AIFMD

The Company is defined as an AIF under the Alternative Investment Fund Managers Directive issued by the European Parliament, which requires that all AIFs must appoint a Depositary and an Alternative Investment Fund Manager ("**AIFM**"). The Board remains fully responsible for all aspects of the Company's strategy, operations and compliance with regulations. The Company's AIFM is FCIB.

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 September 2015 to consider strategic issues and also met regularly in private session during the year, without any representation from the Manager.

Directors' attendance

	Board	Audit Committee	Nomination Committee	Management Engagement Committee
No. of meetings	9	4	2	2
Simon Fraser(1)	9	4	2	2
Sarah Arkle	9	4	n/a	2
Sir Roger Bone	9	n/a	2	2
Stephen Burley	9	4	n/a	2
Francesca Ecsery	9	n/a	n/a	2
Jeffrey Hewitt	9	4	n/a	2
Christopher Keljik(2)	8	3	2	2
Nicholas Moakes(3)	8	n/a	2	2

(1) Attends but is not a member of the Audit Committee
(2) Absence due to illness
(3) Absence for a meeting convened at short notice due to prior commitments

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 or issuance of the Company's shares are explained on pages 11 and 31.

Appointments

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. An induction process is in place for new appointees and all Directors are encouraged to attend relevant training courses and seminars. All the other Directors stand for re-election by shareholders annually.

Board effectiveness

The 2015 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 appraisal for 2013 for which the Chairman was supported by independent consultants, the Board Advisory Partnership LLP, and from the objectives set following the internal appraisal in 2014 and in January 2015. 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 2016 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 2016, 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 41.

Management Engagement Committee

The Board has established a Management Engagement Committee the role and responsibilities of which are set out on page 35.

Nomination Committee

The Board has established a Nomination Committee the role and responsibilities of which are set out on page 37.

Committee terms of reference

The terms of reference for each of the committees are available on request and can also be found on the Company's website at www.foreignandcolonial.com. Committee membership is listed on pages 26 and 27 and attendance at meetings on page 32.

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 38 to 40 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.

Shareholders wishing to communicate with the Chairman, the Senior Independent Director or any other member of the Board may do so by writing to the Company, for the attention of the Company Secretary, at the address set out on page 34.

By order of the Board
for and on behalf of
F&C Investment Business Limited
Secretary
7 March 2016

Management and Advisers

The Management Company

Foreign & Colonial Investment Trust PLC ("**Foreign & Colonial**" or the "**Company**") is managed by F&C Investment Business Limited ("**FCIB**" or the "**Manager**"), a wholly-owned subsidiary of F&C Asset Management plc ("**F&C**") which is ultimately owned by Bank of Montreal. FCIB is appointed under a management agreement with Foreign & Colonial, setting out its responsibilities for investment management, administration and marketing. As Manager, it is authorised and regulated in the UK by the Financial Conduct Authority.

The Manager also acts as the Alternatives Investment Fund Manager ("**AIFM**").

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 with responsibility for F&C's relationship with Foreign & Colonial. He joined F&C in 1989.

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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 Company's Registered Office

F&C Investment Business Limited, Exchange House, Primrose Street, London EC2A 2NY

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

Independent Auditors*

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

* PwC will not seek reappointment at the Annual General Meeting, when shareholders will be asked to appoint EY.

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

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

Solicitors

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

Stockbrokers

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

Report of the Management Engagement Committee

Role of the Committee
The primary 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. All of the Management Engagement Committee's responsibilities have been carried out over the course of 2015 and in January 2016.

Composition of the Committee
All the Directors are members of the Committee. Its terms of reference can be found on the website at www.foreignandcolonial.com

Manager evaluation process
The Committee met twice during the year and again in January 2016 for the purpose of the formal evaluation of the Manager's performance (including the contribution from F&C more widely). Their performance is considered by the Board at every meeting, with a formal evaluation by the Committee 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, which is relevant in monitoring F&C, the sub-managers and the Private Equity managers, is set out on pages 14 to 19.

Manager reappointment
The annual evaluation that took place in January 2016 included presentations from F&C's Chief Executive Officer, the 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 BMO 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 one, three, five and ten years and the weighted average of the net asset value total return of the AIC Global sector over the same period. The 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.

The Manager's fees
An important responsibility of the Committee is that relating to management 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 £9.0 million (2014: £7.9 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.

Review of the Manager's fee
The Committee met in December 2015 to review the fee paid to the Manager, which had last been set five years ago. Presentations were given by both F&C and an independent consultant, which had provided an in-depth analysis of fees prevailing in the market place and trends both within the investment trust industry and more widely. The findings of the independent consultant were that the existing structure and fee level were both sensible and aligned in the key areas. Although market capitalisation as the basis for the fee calculation was uncommon, this was now appearing more and more in new issues and the basis had worked well for Foreign & Colonial in terms of its simplicity; clarity; discount tightening; and alignment. This was consistent with F&C's own assessment. In summary, the Company was meeting the key criteria for an appropriate management fee structure, which were regarded as:

- Competitive
- Simple and uncomplicated
- Sufficiently incentivised

The Committee also took into consideration that the Company had broadened its investment capabilities by allocating additional assets to F&C's Multi Manager team at no additional direct management cost as well as services from other areas within the business. There also remained scope to reduce management costs from externally managed assets by utilising existing resource within F&C under the new structure referred to on page 16.

The Committee concluded that on the basis of the review there was no immediate need for the Company to change the rate of the fee payable to the Manager but to continue to monitor developments and made a recommendation to the Board to that effect. The Board subsequently endorsed the Committee's recommendation and agreed that in future the fee would be reviewed every three years instead of five.

Third Party Managers' fees

F&C incurs investment management fees from the sub-managers appointed to manage the North America portfolio. The Company reimburses F&C for these fees, which in 2015 amounted to £2.4 million (2014: £2.0 million) (see note 4 on the accounts).

The fees paid to Pantheon and HarbourVest in respect of the Private Equity funds of funds amounted to £4.6 million for 2015 (2014: £5.4 million) of which £0.3 million was paid directly and £4.3 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.

Committee evaluation

The activities of the Committee were considered as part of the Board appraisal process.

On behalf of the Board
Simon Fraser
Chairman
7 March 2016

Report of the Nomination Committee

Role of the Committee

The primary role of the Committee is to review and make recommendations with regard to Board structure, size and composition, the balance of knowledge, experience, skill ranges and diversity and consider succession planning and tenure policy. All of the Committee's responsibilities have been carried out over the course of 2015 and in January 2016. The Committee met twice during the year and specifically considered, monitored and reviewed the following matters:

- The structure and size of the Board and its composition particularly in terms of succession planning and the experience and skills of the individual Directors and diversity across the Board as a whole;
- tenure policy;
- the criteria for future Board appointments and the methods of recruitment, selection and appointment;
- the appointment of new Directors and the reappointment of those Directors standing for re-election at annual general meetings;
- the need for any changes in committee membership;
- the attendance and time commitment of the Directors in fulfilling their duties, including the extent of their other directorships;
- the question of each Director's independence prior to publication of the Report and Accounts;
- 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.

Composition of the Committee

Committee membership is listed on pages 26 and 27 and its terms of reference can be found on the website at www.foreignandcolonial.com

Succession planning

No new appointments were made to the Board during the year, but this has been under active consideration. In December 2015 the Committee met to consider the appointment of a search agency for the purpose of seeking a non-executive Director to replace Mr Keljik, who will retire immediately following the Annual General Meeting. Following a presentation to the Committee in early January 2016, approval was given to appoint Nurole as the search agency. This agency uses an innovative digital platform designed to assist organisations find the right people and those people to find the right roles by intelligently matching the competencies specified in the role with registered individuals. The process is underway with a view to appointing one new non-executive Director, with banking, finance and/or capital markets experience, during the course of 2016. Consideration has also been given as to which of the Directors will replace Mr Keljik as Senior Independent Director and the Board approved a recommendation from the Committee in March 2016 that Sir Roger Bone take on the role with effect from 26 April 2016. The final decision with regard to new appointments always rests with the Board.

Diversity and tenure policy

In carrying out its responsibilities, the Committee applies the policies of the Board with regard to its belief in the benefits of having a diverse range of experience, skills and backgrounds, including gender and length of service. 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.

Committee evaluation

The activities of the Committee were considered as part of the Board appraisal process.

On behalf of the Board
Simon Fraser
Chairman
7 March 2016

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. This policy was approved by shareholders in 2014 and it is the Board's intention that it will next be put to a shareholder vote at the annual general meeting in 2017. The Board has not received any views from shareholders in respect of the levels of Directors' remuneration.

The Company's articles of association limit the aggregate fees payable to the Board 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 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. 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 no increases be made for the year commencing 1 January 2016.

The Board 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. 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, other than Christopher Keljik, will stand for re-election.

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

Annual fees for Board Responsibilities

	2016 £'000s	2015 £'000s
Board		
Chairman	68.0	68.0
Senior Independent Director	40.3	40.3
Director	34.0	34.0
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 2016 would be as follows:

	2016 £'000s	2015* £'000s
Simon Fraser	71.0	71.0
Sarah Arkle	39.0	39.0
Sir Roger Bone**	44.5	37.0
Stephen Burley	39.0	39.0
Francesca Ecsery	34.0	34.0
Jeffrey Hewitt	44.0	44.0
Christopher Keljik***	16.0	48.3
Nicholas Moakes	37.0	37.0
Total	324.5	349.3

* Actual
** Senior Independent Director and member of the Audit Committee with effect from 26 April 2016
*** Retires 26 April 2016

Directors' Annual Report on Remuneration

An ordinary resolution for the approval of the Directors' Annual Report on Remuneration will be put shareholders at the forthcoming Annual General Meeting. At the Company's last annual general meeting, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 December 2014. 93% of votes were cast in favour of the resolution.

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	2015 £'000s	2014 £'000s
Simon Fraser[(1)]	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

(1) Highest paid Director

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

Actual expenditure

	2015 £'000s	2014 £'000s	% Change
Aggregate Directors' Remuneration	349.3	340.3	2.6
Aggregate Dividends paid to Shareholders	53,323	52,180	2.2
Aggregate cost of ordinary shares repurchased	14,788	30,983	(52.3)

'Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.'

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)

	2015	2014
Simon Fraser	36,770	36,646
Sarah Arkle	10,000	10,000
Sir Roger Bone	54,622	50,855
Stephen Burley	25,000	25,000
Francesca Ecsery	4,816	3,614
Jeffrey Hewitt	19,291	17,579
Christopher Keljik	73,085	63,001
Nicholas Moakes	1,252	1,252

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

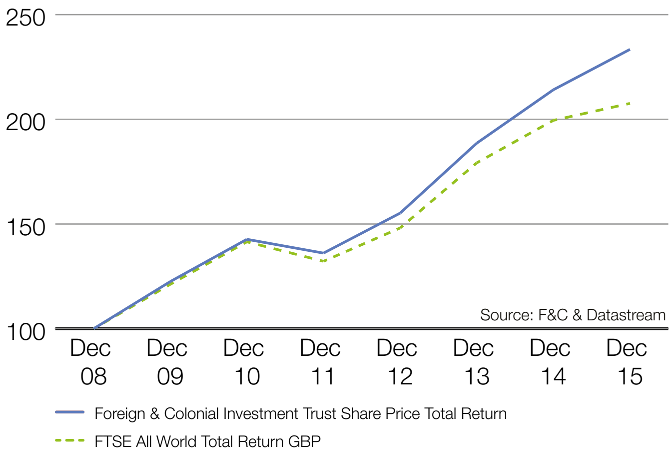
Nicholas Moakes held 29,642 units in the Old Mutual Wealth – F&C Investment Fund, a collective investment fund investing solely in the Company's shares. Since the year end, Mr Moakes has disposed of these units and invested the proceeds in 70,000 shares through a SIPP. Also since the year end, the following Directors have acquired further ordinary shares: Simon Fraser 37, Christopher Keljik 288, Sir Roger Bone 776, Jeffrey Hewitt 345 and Francesca Ecsery 1,260. There have been no changes in any of the other Directors' shareholdings detailed above. No Director held any interests in the issued stock or shares of the Company other than as stated above. There is no requirement for the Directors to hold shares in the Company.

As at 3 March 2016 the Fund Manager held 57,796 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. An explanation of the performance of the Company for the year ended 31 December 2015 is given in the Chairman's Statement and Fund Manager's Review. A comparison of the Company's performance over the required seven year period is set out on the graph below. This shows the total return (assuming all dividends are reinvested) to ordinary shareholders against the Company's benchmark.

Shareholder total return vs Benchmark total return over seven years



On behalf of the Board
Simon Fraser
Chairman
7 March 2016

Report of the Audit Committee

I am pleased to present to you the Report of the Audit Committee for the year ended 31 December 2015. We have spent time bedding in the significant regulatory changes introduced in the previous year and considering the impending new EU regulations concerning auditors and provision of non-audit services. By mutual agreement with PwC the Committee has recommended to the Board and the Board has agreed that PwC will not seek re-appointment as auditors at the AGM in April 2016 and that EY be appointed for the 31 December 2016 audit, subject to approval by shareholders.

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 four 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. PwC attended all of the meetings and twice met in private session with the Committee. The Board Chairman was invited to and regularly attended Committee meetings.

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

- The audited annual results statement and annual report and accounts and the unaudited half-yearly report and accounts, including advice to the Board as to whether the annual report and accounts taken as a whole are fair, balanced and understandable;
- The accounting policies of the Company including the application of new accounting standards;
- The Principal Risks faced by the Company and the effectiveness of the Company's internal control and risk management environment, including consideration of the assumptions underlying the Board's Future Prospects statement on viability;
- The effectiveness of the audit process and the current independence and objectivity of the external auditor, their appointment, remuneration and terms of engagement;
- The policy on the engagement of the external auditor to supply non-audit services in light of changing regulations;
- The need for the Company to have its own internal audit function;
- 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 trademarks and intellectual property rights;
- The Company's Directors' and Officers' liability insurance; and
- The Committee's Terms of Reference for approval by the Board.

Comprehensive papers relating to each of these matters were prepared by either F&C or PwC 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.

The Board retains ultimate responsibility for all aspects relating to external financial statements and other significant published financial information as is noted in the Statement of Directors' Responsibilities on page 45. On broader control policy issues, the Committee has reviewed, and is satisfied with 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 with appropriate follow up action. In 2015 there were no such concerns raised with the Committee.

Composition of the Committee

Committee membership is listed on pages 26 and 27 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 or having recently been 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. Several have wide experience of the investment trust sector.

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 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.

F&C's Business Risk Department also provides regular control report updates to the Committee covering risk and compliance whilst any significant issues of direct relevance to the Company are required to be reported to the Committee and Board immediately. F&C are integrating their control framework within the wider BMO organisation and the Committee is monitoring the continued awareness of Company relevant control issues.

The significant control issues considered by the Committee, and F&C's response on policies and procedures in operation in 2015, are summarised in the table below.

A key risk "radar" summary is produced by F&C in consultation with the Board to identify the risks to which the Company is exposed, the controls in place and the actions being taken to mitigate them. The Board has a robust process for considering 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 22 with additional information given in note 25 on the Accounts.

Significant Issues considered by the Audit Committee in 2015

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 reporting 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. Specific recommendations by F&C's Valuations Committee on individual securities investments were considered as appropriate.
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 AAF Report for the year ended 31 October 2015 which details the controls around the reconciliation of F&C's records to those of the Custodian. The Committee also reviewed the Custodian's annual internal control report, which is reported on by independent reporting accountants, and which provided details on its control environment. The Depositary issued reports confirming the safe custody of the Company's assets for the period ended 31 December 2015.
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 AAF Report as above. The final level of income received was compared with forecasts made during the year. The accounting treatment of special or unusual dividends were reviewed and agreed with F&C.

During the year, the Committee has in particular considered the UK Code issued by the Financial Reporting Council in September 2014 which strengthens the reporting on risk management and on viability. The Committee noted the robustness of the Board's review of Principal Risks and of course participated as Board members themselves. The integration of these risks into the analyses underpinning the Future Prospects "Ten Year Horizon" Statement on viability on page 23 was fully considered and the Committee concluded that the Board's statement was soundly based. The period of ten years was also agreed as appropriate for the reasons given in the statement though recognising that the period is longer than that used by many other companies.

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 Company's internal controls. The assessment included a review of the F&C risk management infrastructure and the report on policies and procedures in operation and tests for the year to 31 October 2015 (the "**AAF Report**") and subsequent confirmation from F&C that there had been no material changes to the control environment. This had 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). The AAF Report from independent reporting accountants KPMG sets out F&C's control policies and procedures with respect to the management of clients' investments and maintenance of their financial records. The effectiveness of these controls is monitored by F&C's Group Audit and Compliance 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 Committee and Board meeting by F&C. No failings or weaknesses material to the overall control environment and financial statements were identified in the year. 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 nor to the date of this Report.

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

External audit process and significant issues considered by the Committee

In carrying out its responsibilities, the Committee has considered the planning arrangements, scope, materiality levels and conclusions of the external audit for 2015. The table on page 42 describes the significant control issues considered by the Committee in relation to the financial statements for the year and how these issues were addressed.

As last year, procedures for investment valuation and recognition of income were the main areas of audit focus and testing, supplemented by specific focus on policy and disclosure changes relating to the implementation of new UK accounting standard FRS 102. The effects of the adoption of FRS 102 are described in note 2(b) on the accounts. For unlisted Private Equity investments in particular, the Committee questioned the fund-of-fund managers on their processes in meetings during the year and noted the further challenge provided by PwC as part of the year-end audit process. The year-end valuation is an estimate based on the September valuations extrapolated to the year-end by adjusting for cash flows and any known events (as described in notes 2(c)(ii) and 25(d) on the Accounts). The Committee reviewed prior year experience on the validity of this estimation process by comparing the estimated value with the actual audited values (which become known in May/June of the following year). The variances were not material for the prior-years tested.

The Committee met in February 2016 to discuss the final draft of the Report and Accounts, with representatives of PwC and F&C in attendance. PwC submitted their Year-End Report and confirmed that they had no reason not to issue an unqualified audit opinion in respect of the Report and Accounts. The Committee established that there were no material issues or findings arising which needed to be brought to the attention of the Board. The Committee also noted that an objective and skilled third party had read the Report and Accounts and commented on fairness, balance and understandability. Consequently, the Committee recommended to the Board that the Report and Accounts were in their view, fair, balanced and understandable in accordance with accounting standards, regulatory requirements and best practice. The Auditor's Report which sets out the unqualified audit opinion, the scope of the audit and the areas of focus, in compliance with applicable auditing standards, can be found on pages 47 to 51.

Auditor, assessment, independence and appointment

The Committee reviews the reappointment of the auditor every year. In May 2014 the Committee undertook a tender process for the external audit in light of the existing UK Code, FRC Guidance, the impending EU mandatory audit rotation regulations and the CMA's rules. The process was described fully in the 2014 Audit Committee Report. The Committee concluded that, notwithstanding their previous tenure, PwC should justifiably win the tender and continue with their appointment as auditors. Subsequently, shareholders at the 2015 Annual General Meeting approved the re-appointment of PwC as auditors.

It was also noted last year that PwC had provided specialist tax services to the Company for a number of years and continued to do so on a contingent fee basis in respect of a long running case for reclaim of VAT. The Committee and PwC took the view that this work did not compromise PwC's independence as auditors as the outcome of the case is not dependent on any audit judgment and the potential fee is not material to PwC. During 2015 the FRC has been considering and consulting on the non-audit services that an external auditor can provide in light of the EU Regulations that were put out for member country modification ahead of implementation. These restrictions take the form of prohibitions, particularly regarding tax work and work on a contingent fee basis. Though the conclusions of the FRC's consultations on the EU Regulations (including such prohibited non-audit services) are not yet finalised, the Regulations will come into force on 17 June 2016 for application by companies in their first financial year after that date (the year beginning 1 January 2017 for the Company). In the consultation, the FRC has proposed that the EU Regulations be enacted fully, including the absolute prohibition of contingent fee arrangements.

While PwC have confirmed to the Committee and the Board that they are independent of the Company and have complied with relevant auditing standards, to which we have concurred, the Board and PwC have nevertheless mutually decided that in view of the contingent fee arrangement PwC would be unable to continue as auditor whilst pursuing the VAT claim. PwC will therefore cease to be the auditors at the conclusion of the Annual General Meeting to be held in April 2016. As required, PwC have written a letter to the Company setting out the reasons a copy of which can be found on page 85.

Under the CMA Regulations that came into force on 1 January 2015, there are specific requirements for an audit tender process and auditor selection. Under these Regulations I, as Chairman, and the Committee have primary responsibility for an audit tender process and consequent recommendations on auditor selection to the Board (and thence to shareholders). In complying with these regulations, the Committee has considered the requirements in respect of the full audit tender process carried out in May 2014 (as described in the 2014 Report and Accounts) and concluded that a repeat of this process would not be required in seeking a replacement for PwC. EY came a very close second to PwC at that time and hence EY has been recommended to become the auditor. The same EY team that participated in the May 2014 tender process has recently refreshed its audit proposal to the Committee and Board. The team is of high quality and experienced in the audit of investment trusts and will further refresh the audit process. The Board has accepted the Committee's recommendation to appoint EY and this will be put to shareholders at the Annual General Meeting as noted on page 30. EY currently provide limited tax compliance advice to the Company, in respect of recovery of, and compliance with, US tax on Private Equity investments and Indian tax on capital gains. To avoid any difficulty with the proposed new FRC regulations, the Committee has required this work to be transferred to another provider and EY has agreed.

The retirement of PwC does not imply any concern with the quality of their audit in 2015 or prior years. From direct observation and indirect enquiry of relevant F&C management, the Committee remains satisfied that PwC has provided appropriate challenge in carrying out their audit responsibilities. Additionally, during 2015 the audit of the 2014 Report and Accounts by PwC was subject to routine review by the Audit Quality Review ("**AQR**") team of the FRC. The AQR team reviews the process of the audit by examining the audit papers and discusses issues with the PwC partner and with me as Chair of the Audit Committee. At the end of the review the AQR writes to both, giving their comments. The Committee is satisfied with the outcome, which underpins our view on the quality of the PwC audit. One minor comment on a disclosure that was made has been acted upon in the current year Report and Accounts. The AQR process is useful in strengthening overall audit quality and is commended by the Committee.

The Committee regard the continued independence of the external auditors to be a matter of the highest priority. The Company's policy with regard to the provision of non-audit services by the external auditor ensures that no engagement will be permitted if:

- the provision of the services would contravene any regulation or ethical standard;
- the auditors are not considered to be expert providers of the non-audit services; and
- the provision of such services by the auditor creates a conflict of interest for either the Board or the Manager; the services are considered to be likely to inhibit the auditor's independence or objectivity as auditors.

In particular, the Committee has a policy that the accumulated costs of all non-audit services sought from the auditors in any one year should not exceed 30% of the likely audit fees for that year; and any individual service likely to exceed £5,000 should be agreed by the Committee prior to commencement of the services and be accompanied by terms regarding liability, cost and responsibilities.

The audit fee for the 2015 audit was £74,000, inclusive of a £5,000 one-off fee for review of the adoption by the Company of new UK Accounting Standards, having been agreed by the Committee. This compared with £67,000 last year as shown in Note 5 on the Accounts. Non-audit services incurred with PwC in 2015 amounted to £20,000 and related to recovery of French withholding taxes, compliance with certain other UK and overseas tax regulations and assistance with conversion of the Company's UK Corporation tax return into required iXBRL computer format. The Committee does not view these activities as prejudicial to the independence of PwC.

Committee evaluation

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

Jeffrey Hewitt
Audit Committee Chairman
7 March 2016

Statement of Directors' Responsibilities

in respect of the financial statements

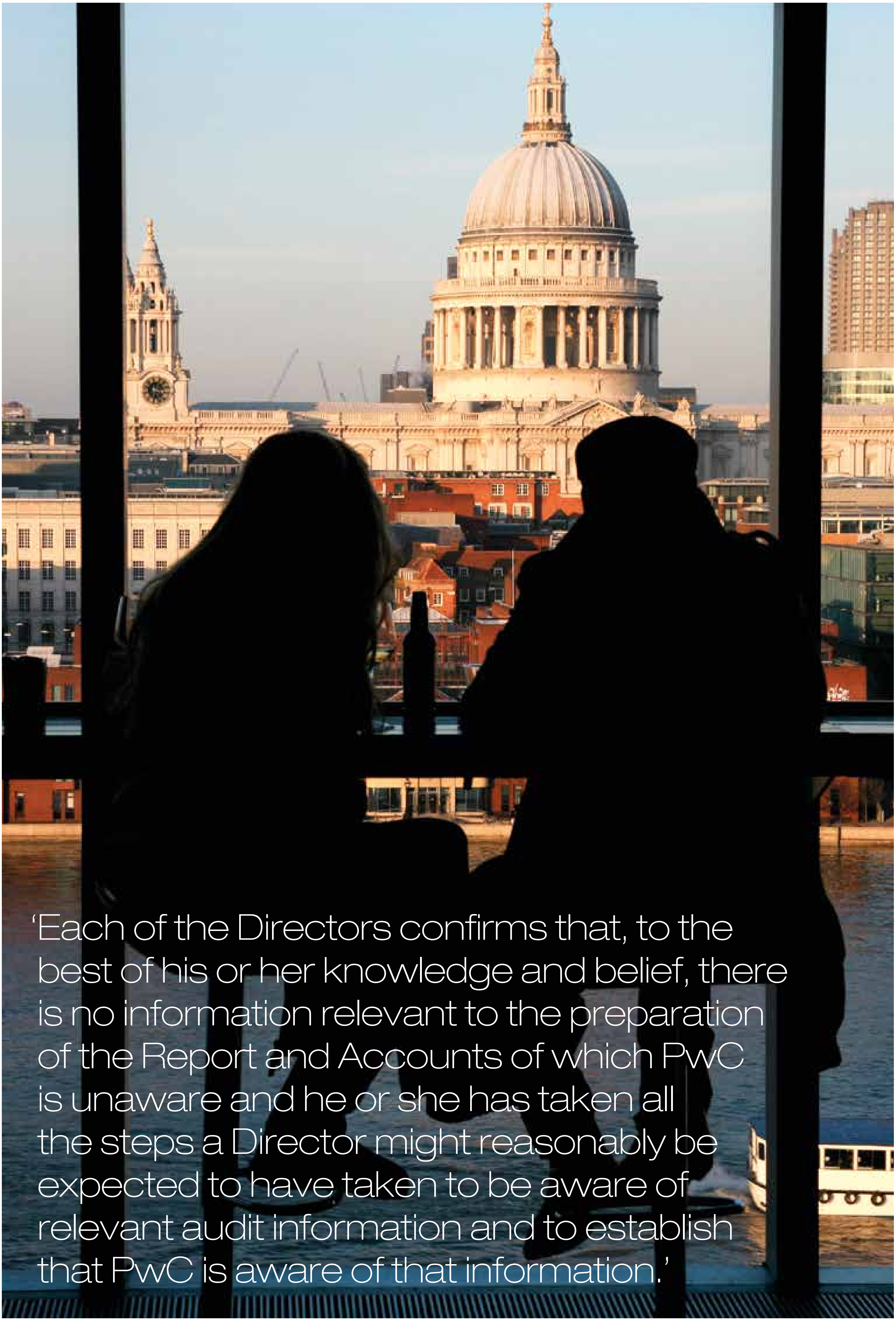
As required by company law, the Directors are responsible for the preparation of the Report and Accounts, which is required to include a Strategic Report, Directors' Report, Directors' Annual Report on Remuneration and Corporate Governance Statement. The Directors must not approve the financial statements unless in their opinion they give a true and fair view of the state of affairs of the Company as at 31 December 2015 and of the results for the year then ended. The Directors are also responsible for ensuring that the 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' 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 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 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
7 March 2016



‘Each of the Directors confirms that, to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Report and Accounts of which PwC is unaware and he or she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that PwC is aware of that information.’

Independent Auditors' Report

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 2015 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

The financial statements, included within the Report and Accounts (the "**Annual Report**"), comprise:

- the Balance Sheet as at 31 December 2015;
- the Income Statement for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Our audit approach

Overview

- Overall materiality: £27.0 million which represents 1% of net assets.

- 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 party 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 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.	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 as set out in note 2 on pages 57 to 60 of the financial statements. 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 of investments to independent third party sources. **No misstatements were identified by our testing 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 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 revenue 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 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 41 (Report of the Audit Committee), pages 57 to 60 (Accounting Policies) and pages 60 to 78 (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 (£2,654 million) and investments in Private Equity funds and other unquoted investments (£278 million). 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 by our testing 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. **No misstatements were identified by our testing which required reporting to those charged with governance.** 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 misstatements were identified by our testing which required reporting to those charged with governance.**

Refer to page 41 (Report of the Audit Committee), page 57 (Accounting Policies) and page 65 (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 geographic structure of the company, the accounting processes and controls, and the industry in which the company operates.

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 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 on the individual financial statement line items and disclosures and in evaluating 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
£27.0 million (2014: £25.8 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 £1.4 million (2014: £1.3 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 pages 23 and 72, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. 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 Directors' Report 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.

- the statement given by the directors on page 43, 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 position and 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.

- the section of the Annual Report on page 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.

The directors' assessment of the prospects of the company and of the principal risks that would threaten the solvency or liquidity of the company

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

- the directors' confirmation on page 22 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.

  We have nothing material to add or to draw attention to.

- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

  We have nothing material to add or to draw attention to.

- the directors' explanation on page 23 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

  We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the company and the directors' statement in relation to the longer-term viability of the company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

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 ten further provisions of the 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 set out on page 45, 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.

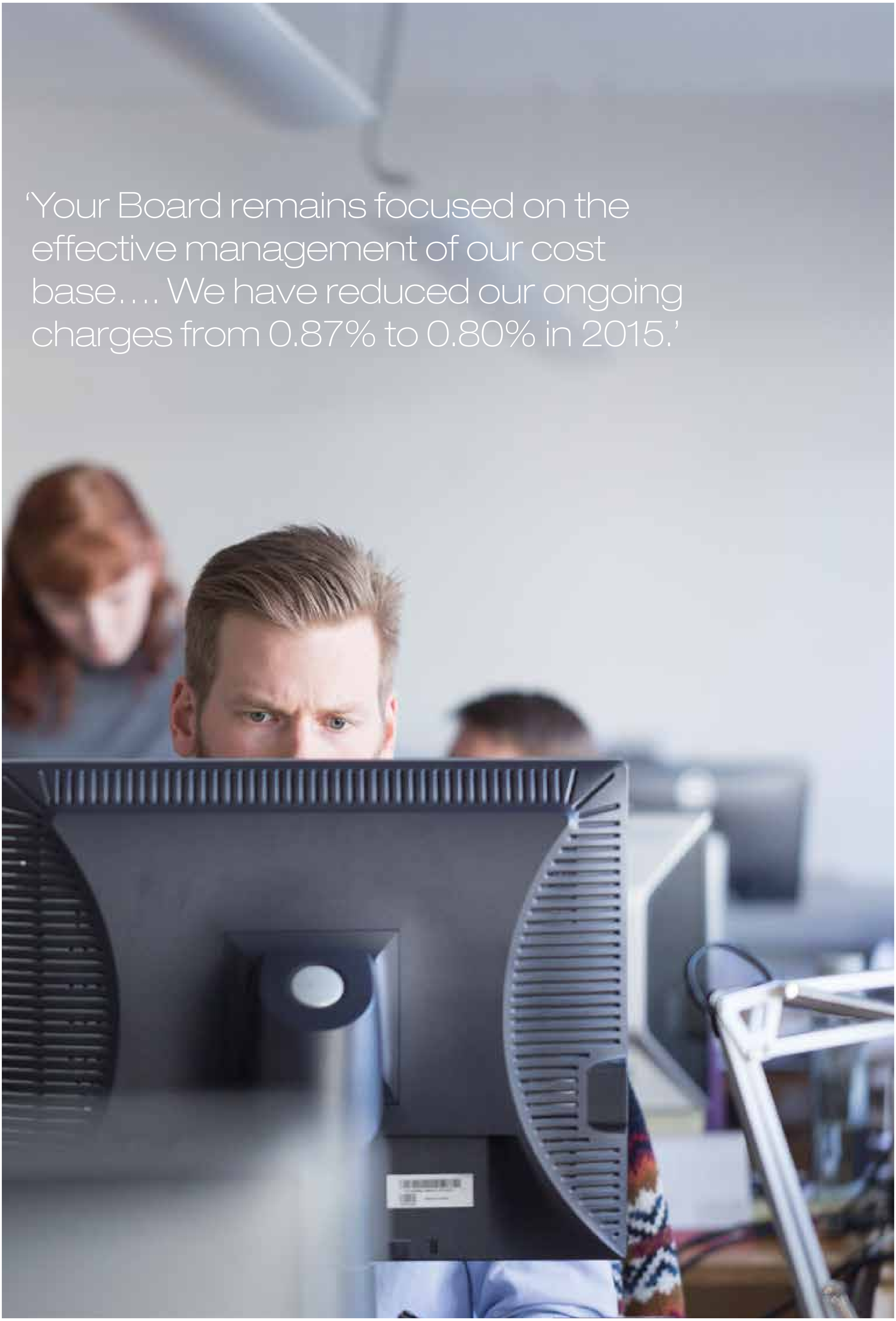
We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

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 and Statutory Auditors
London
7 March 2016

‘Your Board remains focused on the effective management of our cost base…. We have reduced our ongoing charges from 0.87% to 0.80% in 2015.’



Income Statement

Revenue notes	Capital notes	For the year ended 31 December	2015 Revenue £'000s	2015 Capital £'000s	2015 Total £'000s	2014 Revenue £'000s	2014 Capital £'000s	2014 Total £'000s
	10	Gains on investments and derivatives	–	164,815	164,815	–	202,963	202,963
	19	Exchange (losses)/gains	(127)	(6,577)	(6,704)	(106)	2,998	2,892
3		Income	57,982	–	57,982	57,132	–	57,132
4	4	Management fees	(2,849)	(8,791)	(11,640)	(4,981)	(5,575)	(10,556)
5	19	Other expenses	(2,403)	(59)	(2,462)	(2,390)	(63)	(2,453)
		Net return before finance costs and taxation	52,603	149,388	201,991	49,655	200,323	249,978
6	6	Finance costs	(1,206)	(3,619)	(4,825)	(7,826)	(7,826)	(15,652)
		Net return on ordinary activities before taxation	51,397	145,769	197,166	41,829	192,497	234,326
7	7	Taxation on ordinary activities	(4,135)	(269)	(4,404)	(3,972)	–	(3,972)
8	8	**Net return attributable to shareholders**	47,262	145,500	192,762	37,857	192,497	230,354
8	8	Net return per share – basic (pence)	8.42	25.94	34.36	6.69	34.00	40.69

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.
The notes on pages 57 to 78 form an integral part of the financial statements.

Statement of Changes in Equity

For the year ended 31 December 2015

Notes		Share capital £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserves £'000s	Total shareholders' funds £'000s
	Balance brought forward 31 December 2014	140,573	122,189	2,230,361	84,390	2,577,513
9	Dividends paid	–	–	–	(53,323)	(53,323)
17	Shares repurchased by the Company	(118)	118	(2,121)	–	(2,121)
17	Shares repurchased by the Company and held in treasury	–	–	(12,667)	–	(12,667)
	Return attributable to shareholders	–	–	145,500	47,262	192,762
	Balance carried forward 31 December 2015	140,455	122,307	2,361,073	78,329	2,702,164

For the year ended 31 December 2014

Notes		Share capital £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserves £'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)
17	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

The notes on pages 57 to 78 form an integral part of the financial statements.

Balance Sheet

Notes	at 31 December	£'000s	2015 £'000s	£'000s	2014 £'000s
	Fixed assets				
10	Investments		2,932,572		2,805,363
	Current assets				
12	Debtors	6,044		4,495	
	Cash at bank and short term deposits	73,605		32,831	
		79,649		37,326	
	Creditors: amounts falling due within one year				
13	Loans	(154,096)		(173,405)	
14	Other	(10,818)		(4,585)	
		(164,914)		(177,990)	
	Net current liabilities		(85,265)		(140,664)
	Total assets less current liabilities		2,847,307		2,664,699
	Creditors: amounts falling due after more than one year				
15	Loans	(144,568)		(86,611)	
16	Debenture	(575)		(575)	
			(145,143)		(87,186)
	Net assets		2,702,164		2,577,513
	Capital and reserves				
17	Share capital		140,455		140,573
18	Capital redemption reserve		122,307		122,189
19	Capital reserves		2,361,073		2,230,361
19	Revenue reserve		78,329		84,390
	Total shareholders' funds		2,702,164		2,577,513
20	**Net asset value per share – prior charges at nominal value (pence)**		483.42		458.39

The notes on pages 57 to 78 form an integral part of the financial statements.

The Financial Statements were approved by the Board on 7 March 2016 and signed on its behalf by

Simon Fraser
Chairman

Jeffrey Hewitt
Director

Statement of Cash Flows

Notes	at 31 December	2015 £'000s	2014 £'000s
21	Cash flows from operating activities	34,466	25,343
	Investing activities		
	Purchases of investments	(1,084,118)	(1,380,957)
	Sales of investments	1,126,372	1,402,342
	Other capital charges and credits	(58)	(62)
	Cash flows from investing activities	42,196	21,323
	Cash flows before financing activities	76,662	46,666
	Financing activities		
	Equity dividends paid	(53,323)	(52,180)
	Movement on loans	31,873	145,637
	Repayment of debenture	–	(110,000)
	Cash flow from share buybacks for treasury shares	(12,464)	–
	Cash flow from share buybacks for cancellation	(2,121)	(30,983)
	Cash flows from financing activities	(36,035)	(47,526)
	Net increase/(decrease) in cash and cash equivalents	40,627	(860)
	Cash and cash equivalents at the beginning of the year	32,831	32,477
	Effect of movement in foreign exchange	147	1,214
	Cash and cash equivalents at the end of the year	73,605	32,831

Represented by:		
Cash at bank	8,322	8,921
Short-term deposits	65,283	23,910
Cash and cash equivalents at the end of the year	73,605	32,831

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 has conducted its affairs so as to qualify as an Investment Trust under the provisions of Section 1158 of the Corporation Tax Act, 2010 and intends to continue to do so. 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.

There have been no significant changes to the Company's accounting policies during the year ended 31 December 2015, as set out in note 2 below. Changes to investment classifications, in accordance with new Accounting Standards applicable in the United Kingdom, are described in note 2(c)(i). Changes to the bases of allocation of expenses are described in note 2(c)(vii).

2. Significant accounting policies

(a) Going concern

As referred to in note 24 and the Statement of Directors' Responsibilities, 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 Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP") issued in November 2014. The Company is applying for the first time Financial Reporting Standard (FRS 102) applicable in the UK and Republic of Ireland, which forms part of the revised Generally Accepted Accounting Practice (New UK GAAP) issued by the Financial Reporting Council (FRC) in 2012 and 2013. As a result of the first time adoption of New UK GAAP, comparative amounts and presentation formats have been amended where required. The prior year net return attributable to ordinary shareholders and total shareholders' funds remain unchanged from under the old UK GAAP basis. The prior year Statement of Cash Flows has been restated to reflect presentational changes required under FRS 102 and does not include any other material changes.

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 2015 and 31 December 2014. Consequently, consolidated accounts have not been prepared.

The Directors are of the opinion that the Company's activities comprise a single operating segment, which is investing internationally in equities to secure long-term growth in income and capital.

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)(vii)). Net revenue returns are allocated via the revenue account to the Revenue Reserve, out of which interim and final dividend payments are made. The amounts paid by way of dividend are shown in the Statement of Changes in Equity. 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. The Company may 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 the Revenue Reserve.

2. Significant accounting policies (continued)

(c) Principal accounting policies

The policies set out below have been applied consistently throughout the year. Changes to the hierarchical classification of Investments, applying with effect from 1 January 2015, are explained in note 2(c)(i) below. Changes to the bases of allocation of expenses between Revenue and Capital, applying with effect from 1 January 2015, are explained in note 2(c)(vii) below.

(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 A – previously called Level 1) and the lowest priority to unobservable inputs (Level C (ii) – previously called Level 3). The classification of financial instruments depends on the lowest significant applicable input, as follows:

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

Level B – Where quoted prices are unavailable, the price of a recent transaction for an identical asset is used, adjusted if necessary if the transaction arose from a forced sale or similar unusual circumstances. Examples of such instruments would be forward exchange contracts and certain other derivative instruments. The Company held no such securities during the year under review.

Level C – Where no active market exists and recent transactions for identical instruments do not provide a good estimate of fair value, the 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. Level C (i) comprises instruments for which observable market data exists. Level C (ii) relates to instruments for which there is no observable market data. 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

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 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.

2. Significant accounting policies (continued)

(iv) Debt instruments

The Company's debt instruments include the 4.25% perpetual 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 4.25% perpetual debenture stock was issued in 1960. The fair market value of the perpetual debenture stock is set out in note 16 on the accounts. Finance charges, including interest, are accrued using the effective interest rate method. See 2(c)(vii) below for allocation of finance charges within the Income Statement. The 11.25% debenture stock issued in 1989 was repaid in full in December 2014.

(v) Foreign currency

Foreign currency monetary assets and liabilities are expressed in Sterling at rates of exchange ruling at the balance sheet date. Purchases and sales of investment securities, dividend income, interest income and expenses are translated at the rates of exchange prevailing at the respective dates of such transactions. Exchange profits and losses on fixed assets investments are included within the changes in fair value in the Capital Account. Exchange profits and losses on other currency balances are separately credited or charged to the Capital Account except where they relate to revenue items.

(vi) Income

Income from equity shares is brought into the Revenue Account (except where, in the opinion of the Directors, its nature indicates it should be recognised as within the Capital Account) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield on the investment. Dividends are accounted for on the basis of income actually receivable, without adjustment for any tax credit attaching to the dividends. Dividends from overseas companies are 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 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;
- 75% (prior to 1 January 2015, 50%) of other management fees and 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. The change in proportion reflects the Board's changed expectation of the long-term split of returns from the investment portfolio.
- All expenses are accounted for on an accruals basis.

(viii) Taxation

Deferred tax is provided on an undiscounted basis on all timing differences that have originated but not reversed by the Balance Sheet date, based on tax rates enacted by the reporting date 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.

2. Significant accounting policies (continued)

(ix) Capital Redemption Reserve

This is a 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. Where shares are repurchased into treasury, the transfer of nominal value to the Capital Redemption Reserve is made if and when the shares are cancelled.

(x) Capital Reserves

These are distributable reserves which may be utilised for the repurchase of share capital and for distributions to shareholders by way of dividend.

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 into treasury or for cancellation, including related stamp duty, 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

	2015 £'000s	2014 £'000s
UK dividends	12,121	14,568
Overseas dividends	45,290	42,198
	57,411	56,766
Other Income		
Rebates on management fees	424	90
Interest on cash and short-term deposits	125	121
Sundry income	–	33
Underwriting commission	22	5
Derivative income*	–	117
	571	366
Income	57,982	57,132
Income comprises:		
Dividends	57,411	56,766
Other income	571	366
	57,982	57,132
Income from investments comprises:		
Quoted UK	11,798	14,568
Quoted Overseas	45,290	41,338
Unquoted	323	860
	57,411	56,766

* Derivative income has been derived from premiums received on put and call options written on securities held in the portfolio of investments.

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4. Management fees

		£'000s	2015 £'000s	£'000s	2014 £'000s
Payable directly to F&C:					
– in respect of management services provided by the Manager	(i)	9,030		7,941	
– reimbursement in respect of services provided by sub-managers	(i)	2,365		2,021	
			11,395		9,962
Payable directly to Private Equity managers	(ii)		245		594
Total directly incurred management fees			11,640		10,556
Incurred indirectly within funds managed by Private Equity managers	(iii)		4,341		4,847
Total direct and indirect management fees			15,981		15,403

(i) 75% of these fees allocated to capital reserve arising on investments sold (2014: 50%). See note 2(c)(vii)
(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	2015 £'000s	2014 £'000s
– payable directly to F&C	11,395	9,962
– payable directly to Private Equity managers	245	594
	11,640	10,556
Less: allocated to capital reserves (see note 19)	(8,791)	(5,575)
Allocated to revenue account	2,849	4,981

(a) Management fees payable to F&C

The Manager, F&C Investment Business Limited, a 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 2015 the Company had commitments in five Private Equity funds managed by Pantheon Ventures Limited (2014: five) and eleven funds managed by HarbourVest Partners LLC (2014: eleven). Fees in respect of the Pantheon Europe Fund III are paid quarterly, directly to Pantheon Ventures Limited, at a rate of 0.32% per annum (2014: 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 and are disclosed for information purposes only. The fee rates applying during 2015 varied from 0.1% per annum to 1.26% per annum (2014: 0.32% to 1.37%).

5. Other expenses

	2015 £'000s	2014 £'000s
Auditors' remuneration:		
for audit and audit-related assurance services*	79	74
for other services**	21	62
Custody fees	339	248
Depositary fees	153	60
Directors' emoluments (see Directors' Remuneration Report on pages 38 to 40):		
Fees for services to the Company	349	340
Subscriptions	23	23
Directors' and officers' liability insurance	37	47
Marketing	656	455
Loan commitment and arrangement fees***	72	499
Registrars fees	157	117
Professional charges	204	109
Printing and postage	145	154
Sundry	168	202
	2,403	2,390

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

* Total auditors' remuneration for audit services, exclusive of VAT, amounted to £74,000 (2014: £67,000).

** Total auditors' remuneration for other services, exclusive of VAT, amounting to £20,000 (2014: £55,000), comprised; £20,000 for taxation compliance services (2014: £50,000); and £nil relating to other assurance services in relation to a review of the company's disaster recovery plan (2014: £5,000). No part of these amounts was charged to capital reserves (2014: £nil). No amounts fell to be payable under the terms of the contingent fee for VAT reclamation (see note 22(a)).

*** Under loan facility agreements (see notes 13 and 15) the Company pays commitment fees on any undrawn portions of the facilities.

6. Finance costs

	2015 £'000s	2014 £'000s
Debenture stock	24	12,399
Loans	4,732	3,178
Overdrafts	69	75
	4,825	15,652
Less: allocated to capital reserves (see note 2(c)(vii) and note 19)	(3,619)	(7,826)
	1,206	7,826
The interest on the debenture stock, loans and overdrafts is further analysed as follows:		
Loans and overdrafts repayable within one year, not by instalments (note 13)	2,247	12,601
Debentures and loans repayable after more than one year, not by instalments (notes 15 and 16)	2,578	3,051
	4,825	15,652

7. Taxation on ordinary activities

(a) Analysis of tax charge for the year

	Revenue £'000s	Capital £'000s	2015 Total £'000s	Revenue £'000s	Capital £'000s	2014 Total £'000s
Corporation tax at 20.25% (2014: 21.50%)	–	–	–	–	–	–
Relief for overseas taxation	–	–	–	–	–	–
	–	–	–	–	–	–
Overseas taxation	(4,086)	–	(4,086)	(3,898)	–	(3,898)
Indian capital gains tax on sale of overseas investments	–	(269)	(269)	–	–	–
Total current taxation	(4,086)	(269)	(4,355)	(3,898)	–	(3,898)
Deferred tax	(49)	–	(49)	(74)	–	(74)
Total taxation (note 7(b))	(4,135)	(269)	(4,404)	(3,972)	–	(3,972)

The tax assessed for the year is lower (2014: lower) than the standard rate of Corporation tax in the UK.

(b) Factors affecting tax charge for the year

	Revenue £'000s	Capital £'000s	2015 Total £'000s	Revenue £'000s	Capital £'000s	2014 Total £'000s
Return on ordinary activities before taxation	51,397	145,769	197,166	41,829	192,497	234,326
Return on ordinary activities multiplied by the standard rate of UK corporation tax of 20.25% (2014: 21.50%)	10,408	29,518	39,926	8,993	41,387	50,380
Effects of:	–	–	–			
Dividends*	(11,626)	–	(11,626)	(12,205)	–	(12,205)
Exchange losses*	26	–	26	23	–	23
Capital returns*	–	(32,043)	(32,043)	–	(44,282)	(44,282)
Expenses not deductible for tax purposes	49	12	61	45	14	59
Expenses not utilised in the year	1,143	2,513	3,656	3,144	2,881	6,025
Unutilised overseas tax in excess of double taxation relief	4,086	–	4,086	3,898	–	3,898
Indian tax on capital gains	–	269	269	–	–	–
Deferred tax movement	49	–	49	74	–	74
Total taxation (note 7(a))	4,135	269	4,404	3,972	–	3,972

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

The deferred tax asset of £50.9 million (2014: £51.8 million) in respect of unutilised expenses at 31 December 2015 has not been recognised as it is unlikely that the unrecognised asset will be utilised in the foreseeable future. Of this amount £19.5 million (2014: £19.4 million) relates to revenue expenses and £31.4 million (2014: £32.4 million) to capital expenses.

8. Net return per share

	2015 pence	2015 £'000s	2014 pence	2014 £'000s
Total return	34.36	192,762	40.69	230,354
Revenue return	8.42	47,262	6.69	37,857
Capital return	25.94	145,500	34.00	192,497
Weighted average ordinary shares in issue, excluding shares held in treasury – number		560,998,806		566,157,523

9. Dividends

Dividends on ordinary shares	Register date	Payment date	2015 £'000s	2014 £'000s
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	4 Oct 2014	3 Nov 2014	–	12,375
2014 Third interim of 2.20p	5 Jan 2015	2 Feb 2015	12,370	–
2014 Final of 2.70p	28 Mar 2015	1 May 2015	15,168	–
2015 First interim of 2.30p	3 Jul 2015	3 Aug 2015	12,896	–
2015 Second interim of 2.30p	2 Oct 2015	2 Nov 2015	12,889	–
			53,323	52,180

A third interim dividend of 2.30 pence was paid on 1 February 2016 to all shareholders on the register on 8 January 2016.

The Directors have proposed a final dividend in respect of the year ended 31 December 2015 of 2.70p payable on 3 May 2016 to all shareholders on the register at close of business on 1 April 2016. The total dividends payable in respect of the financial year for the purposes of the income retention test for Section 1159 of the Income and Corporation Tax Act 2010 are set out below.

	2015 £'000s	2014 £'000s
Revenue available for distribution by way of dividends for the year	47,262	37,857
First interim dividend for the year ended 31 December 2015 – 2.30p per share	(12,896)	(12,468)
Second interim dividend for the year ended 31 December 2015 – 2.30p per share	(12,889)	(12,375)
Third interim dividend for the year ended 31 December 2015 – 2.30p per share	(12,737)	(12,370)
Proposed final dividend for the year ended 31 December 2015 – 2.70p per share (estimated cost based on 556,203,022 shares in issue at 3 March 2016, excluding shares held in treasury)	(15,017)	(15,182)
Estimated revenue reserve utilised for Section 1159 purposes	(6,277)	(14,538)

10. Investments and derivative financial instruments

	Level A* £'000s	Level C(ii)* £'000s	2015 Total £'000s	Level A* £'000s	Level C(ii)* £'000s	2014 Total £'000s
Cost at 1 January	1,902,941	306,653	2,209,594	1,621,484	354,155	1,975,639
Unrealised gains at 1 January	536,546	59,223	595,769	606,310	41,234	647,544
Valuation at 1 January	2,439,487	365,876	2,805,363	2,227,794	395,389	2,623,183
Purchases at cost	1,071,620	17,786	1,089,406	1,362,533	18,603	1,381,136
Sales proceeds	(979,860)	(147,152)	(1,127,012)	(1,291,639)	(110,280)	(1,401,919)
Gains on derivatives sold	–	–	–	19	–	19
Gains on investments sold	123,525	77,654	201,179	210,544	44,175	254,719
(Losses)/gains on investments held	(525)	(35,839)	(36,364)	(69,764)	17,989	(51,775)
Valuation at 31 December of investments and derivatives	2,654,247	278,325	2,932,572	2,439,487	365,876	2,805,363
Analysed at 31 December						
Cost	2,118,226	254,941	2,373,167	1,902,941	306,653	2,209,594
Unrealised gains	536,021	23,384	559,405	536,546	59,223	595,769
Valuation at 31 December of investments and derivatives	2,654,247	278,325	2,932,572	2,439,487	365,876	2,805,363

Valuation of investments and derivatives	2015 £'000s	2014 £'000s
Valuation of investments at 31 December	2,932,572	2,805,363
Valuation of derivatives at 31 December	–	–
Total valuation of investments and derivatives at 31 December	2,932,572	2,805,363

Gains/(losses) on investments and derivatives held at fair value	2015 £'000s	2014 £'000s
Gains on investments sold	201,179	254,719
Gains on derivatives sold	–	19
Losses on investments held at year end	(36,364)	(51,775)
Total gains on investments and derivatives	164,815	202,963

* The hierarchy of investments and derivative instruments is described in note 2(c)(i) and below. There are no investments held which are valued in accordance with Level B or Level C(i) (prior year: none).

Level A 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 B includes investments for which the quoted price has been suspended, forward exchange contracts and other derivative instruments.
Level C(i) includes investments in securities which are not quoted or listed but for which observable market data is available for use in assessing value.
Level C(ii) includes investments in private companies or securities, whether invested in directly or through pooled Private Equity vehicles, for which observable market data is not specifically available.

Investments managed or advised by F&C

The portfolio of investments does not include any funds or investments managed or advised by F&C (2014: none). 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 (2014: £nil) of such investments, and received £nil (2014: £15.2 million) from sales.

Unquoted investments

Unquoted investments include £275.8 million (2014: £363.2 million) of investments described as Private Equity, together with £2.5 million (2014: £2.7 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(c)(ii) 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. Further details on the valuation process in respect of Private Equity investments can be found in note 25(d).

11. Substantial interests

At 31 December 2015 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 Acc	England	12,154,000	6.86
CF Morant Wright Nippon Yield B Inc	England	3,494,850	3.04
Conventum – Lyrical Fund I	Luxembourg	114,675	3.21
Edinburgh Partners European Opps I GBP	Ireland	5,471,009	5.18
Hector Eagle Emerging Markets Eq A Acc USD	Luxembourg	177,067	19.80
JPM America Equity C Net Inc	England	8,132,000	63.15
Majedie Asset Management US Equity Z Acc	Ireland	10,083,894	7.95
Memnon European Fund I	Luxembourg	85,002	3.21
Standard Life GEM Equity Unconstrained I Acc	Scotland	25,870,905	51.53
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	1,159,841	4.83
Utilico Emerging Markets Limited ord 10p	Bermuda	14,450,000	6.82

* The Company neither has a controlling interest nor participates in the management of any of these undertakings.

12. Debtors

	2015 £'000s	2014 £'000s
Investment debtors	1,508	869
Prepayments and accrued income	3,217	2,818
Overseas taxation recoverable	1,319	808
	6,044	4,495

13. Creditors: amounts falling due within one year

Loans Non-instalment debt payable on demand or within one year	2015 £'000s	2014 £'000s
Euro loan €100 million repaid January 2016	73,702	73,505
Yen loan ¥14.254 billion repaid January 2016	80,394	24,900
Sterling Loan £75 million repaid March 2015	–	75,000
	154,096	173,405

At 31 December 2015 the Company's £154.1 million short term loans were drawn down under two unsecured revolving credit facilities, expiring in December 2016 and December 2017 respectively. Both facilities are for £100 million with the option to extend the commitment by a further £100 million. Interest rate margins on the amounts drawn down are variable and are dependent upon commercial terms agreed with each bank. Commitment Commissions are payable on undrawn amounts at commercial rates.

At 3 March 2016, there were £114.6 million short term borrowings.

14. Creditors: amounts falling due within one year

Other	2015 £'000s	2014 £'000s
Investment creditors	7,083	1,795
Management fees payable to the Manager	2,224	1,588
Cost of ordinary shares repurchased	203	–
Other accrued expenses	1,308	1,202
	10,818	4,585

15. Creditors: amounts falling due after more than one year

Loans Non-instalment debt payable after more than one year	2015 £'000s	2014 £'000s
$80 million repayable April 2019	54,278	51,307
¥6,600 million repayable April 2019	37,224	35,304
Euro loan €72 million repayable July 2022	53,066	–
	144,568	86,611

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. In July 2015 the Company entered into a further loan arrangement facility drawing loans in Euros equivalent to £50 million at commercial interest rates, expiring July 2022. Early redemption penalties apply.

At 3 March 2016, long-term borrowings comprised $80 million, ¥6,600 million and €72 million (£153.2 million).

16. Creditors: amounts falling due after more than one year

Debenture	2015 £'000s	2014 £'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 2015 was £429,000 (31 December 2014: £429,000).

17. Share capital

2015	Shares held in treasury Number	Shares entitled to dividend Number	Total shares in issue Number	Issued and fully paid Nominal £'000s
Ordinary shares of 25p each				
Balance brought forward	–	562,292,016	562,292,016	140,573
Shares repurchased by the Company and cancelled	–	(473,000)	(473,000)	(118)
Shares repurchased by the Company and held in treasury	2,845,947	(2,845,947)	–	–
Balance carried forward	2,845,947	558,973,069	561,819,016	140,455

2014	Shares held in treasury Number	Shares entitled to dividend Number	Total shares in issue Number	Issued and fully paid Nominal £'000s
Ordinary shares of 25p each				
Balance brought forward	–	570,359,016	570,359,016	142,590
Shares repurchased by the Company and cancelled	–	(8,067,000)	(8,067,000)	(2,017)
Balance carried forward	–	562,292,016	562,292,016	140,573

During the year the Company bought back 3,318,947 ordinary shares at a total cost of £14,788,000, of which 2,845,947 (costing £12,667,000) were placed in treasury and 473,000 (costing £2,121,000) were cancelled. The nominal value of shares repurchased for cancellation) is transferred to Capital Redemption Reserve. The full cost of all shares bought back is dealt with in Capital Reserve arising on investments sold.

Ordinary shares held in treasury have no voting rights and are not entitled to dividends.

Since the year end a further 2,770,047 shares have been bought back into treasury at a cost of £11,593,000.

18. Capital redemption reserve

	2015 £'000s	2014 £'000s
Balance brought forward	122,189	120,172
Transfer from share capital on repurchase of ordinary shares	118	2,017
Balance carried forward	122,307	122,189

19. 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)	201,179	–	201,179	–
Losses on investments held at year end (see note 10)	–	(36,364)	(36,364)	–
Exchange movement on currency balances	7,759	(14,336)	(6,577)	–
Management fees (see note 4)	(8,791)	–	(8,791)	–
Finance costs (see note 6)	(3,619)	–	(3,619)	–
Taxation (see note 7)	(269)	–	(269)	–
Other capital charges	(59)	–	(59)	–
Revenue return attributable to shareholders	–	–	–	47,262
Total gains and losses transferred in current year	196,200	(50,700)	145,500	47,262
Cost of ordinary shares repurchased in year	(14,788)	–	(14,788)	–
Dividends paid in year (see note 9)	–	–	–	(53,323)
Balance brought forward	1,614,285	616,076	2,230,361	84,390
Balance carried forward	1,795,697	565,376	2,361,073	78,329

Included within the capital reserve movement for the year is £936,000 (2014: £6,649,000) of dividend receipts recognised as capital in nature. £692,000 of transaction costs on purchases of investments are included within the capital reserve movements disclosed above (2014: £806,000). £607,000 of transaction costs on sales of investments are similarly included (2014: £1,198,000).

20. Net asset value per ordinary share

	2015	2014
Net asset value per share (with the debenture stock at nominal value) – pence	483.42	458.39
Net assets attributable at end of period – £'000s	2,702,164	2,577,513
Ordinary shares of 25p in issue at end of year, excluding shares held in treasury – number	558,973,069	562,292,016

Net asset value per share cum dividend (with the debenture stock at market value) was 483.44p (31 December 2014: 458.41p). The market value of the debenture stock at 31 December 2015 was £429,000 (31 December 2014: £429,000).

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

	2015 £'000s	2014 £'000s
Profit before taxation	197,166	234,326
Adjust for non-cash flow items:		
Gains on investments	(164,815)	(202,963)
Exchange losses/(gains)	6,704	(2,892)
Non-operating expenses of a capital nature	59	63
(Increase)/decrease in accrued income	(617)	369
Decrease/(increase) in other debtors	65	(54)
Increase in creditors	769	618
Tax on overseas income	(4,865)	(4,124)
	(162,700)	(208,983)
Cash flows from operating activities	34,466	25,343

22. Contingencies and capital commitments

(a) VAT legal case

The Company is one of a number of claimants in a case brought against HMRC to seek recovery of VAT paid on Management fees in the period 1997 to 2000, together with interest on a compound basis. The case was heard in the Court of Appeal in October 2014. The Court's decision passed down in 2015 was that the claimants are entitled to recover a proportion of the VAT paid in mistake of law. Both HMRC and the claimants have appealed the decision to the Supreme Court, which will hear the case in May 2016. As a consequence of the continuing uncertainty over the outcome of the case, no VAT or related interest recovery has been accrued or recognised as a contingent asset.

PwC are assisting the Company and other claimants in the Supreme Court and their fee in respect of the claim by the Company is contingent on the successful outcome of the case.

22. Contingencies and capital commitments (continued)

(b) Capital commitments

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

	2015 Currency	2014 Currency	2015 £'000s	2014 £'000s
HarbourVest Partners VII:				
– Buyout Partnership Fund LP	US$4.3m	US$5.1m	2,911	3,252
– Venture Partnership Fund LP	US$0.7m	US$1m	458	625
– Mezzanine Fund LP	US$0.7m	US$0.8m	488	500
Dover Street VI LP	US$3.1m	US$3.1m	2,108	1,993
Dover Street VII LP	US$3.2m	US$3.9m	2,162	2,525
HarbourVest Partners V– Asia Pacific and Rest of World LP	US$1.8m	US$2m	1,187	1,283
HarbourVest Partners VIII:				
– Buyout Partnership Fund LP	US$5.4m	US$7.5m	3,664	4,810
– Venture Partnership Fund LP	US$1.2m	US$2.2m	814	1,411
HarbourVest Partners V – Direct Fund LP	€3.0m	€3m	2,211	2,328
HIPEP VI – Asia Pacific Fund LP	US$5.8m	US$9.1m	3,943	5,852
HIPEP VI – Emerging Markets Fund	US$7.6m	US$9.9m	5,131	6,373
Pantheon Europe Fund III LP	€5.8m	€8.6m	4,238	6,693
Pantheon Europe Fund V LP	€9.1m	€14.5m	6,707	11,253
Pantheon Asia Fund IV LP	US$3.0m	US$6.8m	2,001	4,329
Pantheon Asia Fund V LP	US$4.8m	US$7.7m	3,240	4,906
Pantheon Global Secondary Fund III LP	US$2.4m	US$3.1m	1,662	1,989
Esprit Capital Fund I LP	£0.27m	£0.27m	265	265
			43,190	60,387

23. 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 39 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 14 in relation to fees owed to F&C at the Balance Sheet date.

24. Going Concern

The Company's investment objective, strategy and policy are subject to a process of regular Board monitoring and are designed to ensure that the Company is invested mainly in readily realisable, listed securities and that the level of borrowings is restricted. The Company retains title to all assets held by the Custodian and agreements cover its borrowing facilities. Cash is held with banks approved and regularly reviewed by the Manager and the Board.

The Directors believe that: the Company's objective and policy continue to be relevant to investors; the Company operates within a robust regulatory environment; and the Company has sufficient resources to continue operating within its stated policy for the 12 month period commencing from the date of this report. Accordingly, the financial statements have been drawn up on the basis that the Company is a going concern.

25. 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 publicly 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 note 16 in respect of the perpetual debenture stock. The Company does not make use of hedge accounting rules.

(a) Market risks

The fair value of equity and other financial securities, including any 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 borrowings are limited to amounts and currencies commensurate with the portfolio's exposure to those currencies; and gearing – borrowings including the debenture valued at market value – should not normally exceed 20% of shareholders' funds. The total nominal exposure arising from derivative holdings is limited to a maximum of 5% of the portfolio at the time of investment. There were no derivative positions held or outstanding 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. 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 deeds and loan contracts are agreed and signed by the Board and compliance with the agreements is monitored by the Board at each meeting. 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.

25. Financial Risk Management (continued)

Currency Exposure

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

2015	Short-term debtors £'000s	Cash and deposits/ (overdrafts) £'000s	Debentures £'000s	Unsecured loans £'000s	Short-term creditors £'000s	Net monetary assets/ (liabilities) £'000s	Investments £'000s	Net exposure £'000s
Sterling	1,278	33,205	(575)	–	(2,125)	31,783	413,233	445,016
US Dollar	2,914	35,003	–	(54,278)	(2,898)	(19,259)	1,413,447	1,394,188
Euro	873	3,999	–	(126,768)	(182)	(122,078)	430,275	308,197
Yen	699	1,344	–	(117,618)	(226)	(115,801)	286,350	170,549
Other	280	54	–	–	(5,387)	(5,053)	389,267	384,214
Total	6,044	73,605	(575)	(298,664)	(10,818)	(230,408)	2,932,572	2,702,164

2014	Short-term debtors £'000s	Cash and deposits/ (overdrafts) £'000s	Debentures £'000s	Unsecured loans £'000s	Short-term creditors £'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

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:

	2015	Average	2014
US Dollar	1.4739	1.5279	1.5592
Euro	1.3568	1.3751	1.2886
Yen	177.3028	184.7870	186.9463

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:

			2015			2014
Weakening of Sterling	US$ £'000s	€ £'000s	¥ £'000s	US$ £'000s	€ £'000s	¥ £'000s
Income Statement Return after tax						
Revenue return	1,305	869	406	852	630	169
Capital return	139,419	30,820	17,055	134,683	34,093	8,330
Total return	140,724	31,689	17,461	135,535	34,723	8,499
NAV per share – pence	25.18	5.67	3.12	24.10	6.18	1.51

25. Financial Risk Management (continued)

Strengthening of Sterling	US$ £'000s	€ £'000s	2015 ¥ £'000s	US$ £'000s	€ £'000s	2014 ¥ £'000s
Income statement return after tax						
Revenue return	(1,305)	(869)	(406)	(852)	(632)	(169)
Capital return	(139,419)	(30,820)	(17,055)	(134,683)	(34,093)	(8,330)
Total return	(140,724)	(31,689)	(17,461)	(135,535)	(34,725)	(8,499)
NAV per share – pence	(25.18)	(5.67)	(3.12)	(24.10)	(6.18)	(1.51)

These analyses are broadly representative of the Company's activities during the current and prior years 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:

			2015			2014
	Within one year £'000s	More than one year £'000s	Total £'000s	Within one year £'000s	More than one year £'000s	Total £'000s
Exposure to floating rates						
Cash and deposits	8,322	–	8,322	8,921	–	8,921
Borrowings	–	–	–	–	–	–
Overdrafts	–	–	–	–	–	–
Exposure to fixed rates						
Cash and deposits	65,283	–	65,283	23,910	–	23,910
Debentures	–	(575)	(575)	–	(575)	(575)
Other borrowings	(154,096)	(144,568)	(298,664)	(173,405)	(86,611)	(260,016)
Net exposures						
At year end	(80,491)	(145,143)	(225,634)	(140,574)	(87,186)	(227,760)
Maximum in year	(176,963)	(145,143)	(322,106)	(140,574)	(88,631)	(229,205)
Minimum in year	(80,491)	(85,739)	(166,230)	(78,036)	(85,466)	(163,502)

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 rate applying on the debenture stock is set out in note 16 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 debenture on which the interest rate is fixed. The debenture is 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:

25. Financial Risk Management (continued)

	2015 Increase in rate £'000s	2015 Decrease in rate £'000s	2014 Increase in rate £'000s	2014 Decrease in rate £'000s
Revenue return	166	(166)	178	(178)
Capital return	–	–	–	–
Total return	166	(166)	178	(178)
NAV per share – pence	0.03	(0.03)	0.03	(0.03)

Other market risk exposures

The portfolio of investments, valued at £2,932,572,000 at 31 December 2015 (2014: £2,805,363,000) 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.

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:

	2015 Increase in value £'000s	2015 Decrease in value £'000s	2014 Increase in value £'000s	2014 Decrease in value £'000s
Income statement capital return	586,514	(586,514)	561,073	(561,073)
NAV per share – pence	104.93	(104.93)	99.78	(99.78)

(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 2015); 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 £350 million as set out in notes 13 and 15 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. The most onerous financial covenant limits total borrowings to 33.3% of the Company's adjusted net asset value, which at 31 December 2015 was £2,425 million. Actual borrowings at market value at 31 December 2014 were £298.7 million in loans (see notes 13 and 15 and £0.4 million in a debenture at market value (see note 16).

At 31 December 2015 the Company had £43.2 million outstanding commitments to Private Equity investments, payable over more than one year (see note 22(b)).

25. Financial Risk Management (continued)

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:

2015	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	154,096	–	–	154,096
Other creditors	10,818	–	–	10,818
Long-term liabilities	–	–	161,787	161,787
	164,914	–	161,787	326,701

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	–	–	87,210	87,210
	177,990	–	87,210	265,224

(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.

25. Financial Risk Management (continued)

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 (2014: 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	Balance sheet date £'000s	2015 Maximum exposure £'000s	Balance sheet date £'000s	2014 Maximum exposure £'000s
Derivative financial instruments	–	–	–	9,250

(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 2015, was £429,000 (2014: £429,000). 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 exchange 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 estimated 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. The estimated valuations relating to the Private Equity funds' period ends are compared annually by the Directors to the final audited annual valuations of those funds to ensure that the managers' valuation techniques gave rise to valid estimates. The Directors were satisfied with the results of this annual review, which took place most recently in June 2015, indicating that the Company can, all things being equal, continue to place reliance on the managers' estimates and valuation techniques.

(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 terms; 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 17 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, 15 and 16 on the accounts.

26. AIFMD

In accordance with the AIFMD, information in relation to the Company's leverage and the remuneration of the Company's AIFM are required to be made available to investors. Detailed regulatory disclosures including those on the AIFM's remuneration policy and costs are available on the Company's website or from F&C on request.

The Company's maximum and actual leverage levels at 31 December 2015 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum permitted limit	200%	200%
Actual	110%	111%

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 Articles of Association. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

27. Post balance sheet movement in net assets

The NAV per share (debt at par) on 3 March 2016 was 475.84p (31 December 2015: 483.42p).

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	2005*	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total assets less current liabilities (excl loans)	2,527	2,587	2,694	2,003	2,069	2,425	2,214	2,401	2,657	2,838	**3,001**
Prior changes	111	179	203	221	111	282	286	322	227	261	**299**
Available for ordinary shares	2,416	2,408	2,491	1,782	1,958	2,143	1,928	2,079	2,430	2,577	**2,702**
Number of ordinary shares (million)	827	750	685	679	632	610	590	577	570	562	**559**

Net Asset Value
at 31 December

pence	2005*	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015
NAV per share	291.8	321.1	363.5	262.5	309.8	351.2	326.6	360.2	426.1	458.4	**483.4**
NAV total return on 100p – 5 years†											**155.8**
NAV total return on 100p – 10 years†											**204.0**

† Source: Morningstar UK Limited.

Share Price
at 31 December

pence	2005*	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015
Mid-market price per share	258.5	284.5	318.8	228.5	272.1	309.6	288.5	320.5	378.0	421.2	**449.2**
Share price High	259.0	287.5	326.3	319.0	275.3	311.0	327.9	321.6	383.0	425.9	**465.0**
Share price Low	188.0	240.0	273.0	209.0	185.8	251.4	261.5	282.5	320.5	363.0	**401.6**
Share price total return on 100p – 5 years†											**163.3**
Share price total return on 100p – 10 years†											**218.4**

† Source: Morningstar UK Limited.

Revenue
for the year ended 31 December

	2005*	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net return attributable to shareholders – £'000s	49,122	48,197	45,909	46,989	35,609	34,654	40,270	40,841	44,037	37,857	**47,262**
Net return per share – pence	5.57	6.16	6.40	6.90	5.31	5.61	6.74	7.02	7.69	6.69	**8.42**
Dividends per share – pence	4.75	5.30	5.85	6.45	6.65	6.75	7.10	8.50	9.00	9.30	**9.60**

*Restated for changes in accounting policies.

Ten Year Record

Performance
(rebased at 31 December 2005)

	2005*	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015
NAV per share	100.0	110.0	124.6	90.0	106.2	120.4	111.9	123.4	146.0	157.1	**165.7**
Middle market price per share	100.0	110.1	123.3	88.4	105.3	119.8	111.6	124.0	146.2	162.9	**173.8**
Earnings per share	100.0	110.6	114.9	123.9	95.3	100.7	121.0	126.0	138.1	120.1	**151.2**
Dividends per share	100.0	111.6	123.2	135.8	140.0	142.1	149.5	178.9	189.5	195.8	**202.1**
RPI	100.0	104.4	108.7	109.7	112.3	117.7	123.3	127.2	130.6	132.7	**134.3**
CPI	100.0	103.0	105.1	108.4	111.5	115.6	120.5	123.8	126.2	126.9	**127.2**

* Restated for changes in accounting policies.

Cost of running the Company
for the year ended 31 December

%	2005*	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expressed as a percentage of average net assets											
Total Expense Ratio	0.57	0.58	0.76	0.64	0.63	0.59	0.57	0.55	0.50	0.53	**0.53**
Ongoing Charges**	–	–	–	–	–	–	0.92	0.90	0.86	0.87	**0.80**

* Restated for changes in accounting policies
**Not calculated for years prior to 2011

Gearing
at 31 December

%	2005*	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net gearing	4.4	7.0	7.0	12.2	6.0	13.2	15.8	14.3	8.0	8.9	**8.6**

* Restated for changes in accounting policies

Analysis of ordinary shareholders at 31 December 2015

Category	Holding %
F&C savings plans	43.8
Discretionary/Advisory	30.0
Institutions	11.7
Direct individuals	9.9
Skandia IFA products*	3.6
New Zealand individuals	1.0
	100.0

Source: F&C
*Independent Financial Adviser products

Notice of Annual General Meeting

Notice is hereby given that the one hundred and thirty-seventh Annual General Meeting of the Company will be held at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2 on Tuesday, 26 April 2016 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 2015.
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 Nicholas Moakes as a Director.
11. To appoint Ernst & Young LLP as auditors to the Company.
12. To authorise the Audit Committee to determine the remuneration of the auditors.

13. 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 £6,950,000 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 2017 or 30 June 2017 (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.

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 83,370,000 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 on the trading venues where the purchase is carried out;
    (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 2017, 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.

15. Disapplication of pre-emption rights

THAT, subject to the passing of resolution 13 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 13 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 15) of equity securities up to an aggregate nominal amount of £6,950,000, and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or on 30 June 2017 (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
7 March 2016

Registered office:
Exchange House
Primrose Street
London EC2A 2NY

Notes:

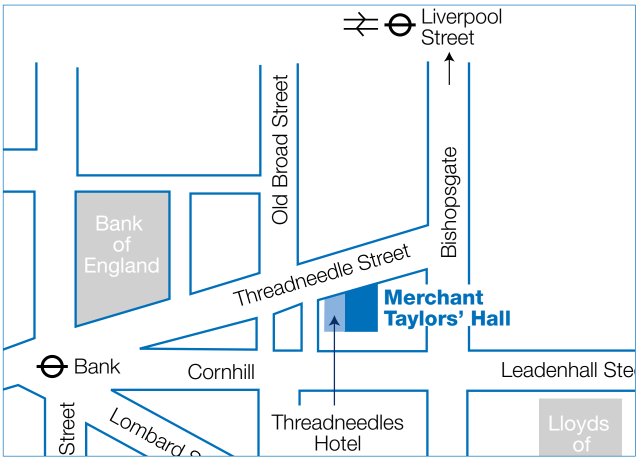
1. PwC will retire immediately following Annual General Meeting and, subject to shareholder approval, EY will act as auditors with immediate effect. A copy of PwC's letter explaining the reasons for their retirement are set out in the appendix to this Notice of Meeting.

2. 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.

3. 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 ("**FCA**"). As a result, any person holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules need not make a separate notification to the Company and the FCA.

4. 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.

5. 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.

6. 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.

7. 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 12 noon on 19 April 2016. 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 no later than 12 noon on 19 April 2016.

8. 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 2, 5 and 6 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.

9. 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.

10. 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 "**Act**"), the Company has specified that only those members registered on the register of members of the Company at 11 p.m. on 24 April 2016 (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.

11. 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.

12. 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 5 and 6 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.

13. 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).

14. 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).

15. 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.

16. 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.

17. 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 Act to publish on a website.

18. 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.

19. As at 3 March 2016, being the last practicable date prior to the printing of this notice, the Company's issued capital (less the shares held in Treasury) consisted of 556,203,022 ordinary shares of 25 pence each carrying one vote each. Therefore, the total voting rights in the Company as at 3 March 2016 are 556,203,022.

20. 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 3 March 2016 being the last practicable date 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.

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

22. 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.

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

24. Under sections 338 and 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company;
    (a) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting, and/or
    (b) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.

    A resolution may properly be moved or a matter may properly be included in the business unless:
    (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the company's constitution or otherwise),
    (b) it is defamatory of any person or
    (c) it is frivolous or vexatious.

    Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 11 March 2016, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Appendix

In accordance with section 519 of the Act, PwC have made the following statement in connection with them ceasing to hold office.

pwc

The Directors
Foreign & Colonial Investment Trust PLC
Exchange House
12 Primrose Street
London
EC2A 2NY

7 March 2016

Dear Sirs,

Statement of Reasons connected with ceasing to hold office as Auditors

In accordance with Section 519 of the Companies Act 2006 (the "Act"), we set out below the reasons connected with PricewaterhouseCoopers LLP, registered auditor number C001004062, ceasing to hold office as auditors of Foreign & Colonial Investment Trust PLC, registered no: 12901 (the "Company") effective from 26 April 2016.

The reason we are ceasing to hold office is that PwC is providing non-audit services to the Company on a contingent fee arrangement basis which will be impermissible under the new auditor independence rules which take effect from 17 June 2016. Consequently, we have mutually agreed with the Company not to seek reappointment as statutory auditors at the AGM.

There are no reasons for and no other matters connected with our ceasing to hold office as auditors of the Company that we consider need to be brought to the attention of the Company's members or creditors.

Yours faithfully,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT
T: +44 (0) 2075 835 000, F: +44 (0) 2072 127 500, www.pwc.co.uk

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

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 £11,100 in the tax year ended 5 April 2016 without incurring any tax liability.

A rate of CGT of 18% will apply where taxable income and gains do not exceed the income tax higher rate threshold (£31,785 in 2015–16 tax year). A higher rate of 28% will apply to those whose income and gains exceed this figure.

Income tax

The final dividend of 2.70 pence per share is payable on 3 May 2016. From April 2016 dividend tax credits will be replaced by an annual £5,000 tax-free allowance to UK residents on dividend income received in their entire share portfolios. Dividend income received in excess of this amount will be taxed at rates of 7.5% (basic rate taxpayers), 32.5% (higher rate taxpayers) or 38.1% (additional rate taxpayers).

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

Unclaimed dividends

The Company has engaged the services of Georgeson (a subsidiary of Computershare) to locate shareholders, or their beneficiaries, who have lost track of 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.

Common reporting standards

New tax legislation under The OECD (Organisation for Economic Co-operation and Development) Common Reporting Standard for Automatic Exchange of Financial Account Information ("**The Common Reporting Standard**") has been introduced with effect from 1st January 2016. The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. The Company will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders, and corporate entities.

All new shareholders, excluding those whose shares are held in CREST, who are entered onto the share register from 1 January 2016 will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders www.gov.uk/government/publications/exchange-of-information-account-holders.

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 Investment Trust ISA

Use your ISA allowance to make an annual tax-efficient investment of up to £15,240 for 2015/16 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 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 £4,080 for 2015/16 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. Since 6 April 2015, CTF holders can choose to transfer an existing CTF to a Junior ISA.

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. Since 6 April 2015, the Registered Contact on a CTF can choose to transfer an existing CTF to a Junior ISA. Additional contributions can be made to the shares account version of the CTF from as little as £25 per month or £100 lump sum – up to a maximum of £4,080 for 2015/16 tax year.

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 Children's Investment Plan (CIP)

A flexible way to save for a child. With no maximum contributions, the plan can easily be set-up under bare trust (where the child is noted as the beneficial owner) to help reduce inheritance tax liability or kept in your name if you wish to retain control over the investment. 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.

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 for the PIP/CIP/JISA or the investment of regular monthly savings.

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

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

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

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/apply

Existing Plan Holders:
Contact our Investor Services Team
Call: 0345 600 3030**
Email: investor.enquiries@fandc.com
By post: F&C Plan Administration Centre
PO Box 11114
Chelmsford CM99 2DG

*8:30am – 5:30pm, weekdays. Calls may be recorded.
**9:00am – 5:00pm, weekdays. Calls may be recorded.

A part of BMO Financial Group

F&C Management Limited is authorised and regulated by the Financial Conduct Authority FRN: 119230 and is a member of the F&C Group. The ultimate parent company of the F&C Group is the Bank of Montreal.

Glossary of Terms

AAF Report – Report prepared in accordance with 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, remains 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 ("**FCIB**"), a wholly-owned subsidiary of F&C Asset Management plc and ultimately BMO.

BMO – Bank of Montreal, which is the ultimate parent company of F&C

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 the shares of which are traded on an exchange at a price not necessarily related to the net asset value of the company and which can only be issued or bought back by the company in certain circumstances.

CMA – Competition and Markets Authority, an independent non-ministerial government department which promotes competition for the benefit of consumers.

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 – The Custodian is JP Morgan Chase Bank. The custodian is a 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.

Depositary – The Depositary is JPMorgan Europe Limited. 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 buybacks, dividend payments and adherence to investment limits.

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

Discount/Premium – the share price of an Investment Trust is derived from buyers and sellers trading their shares on the stock market. This price is not identical to 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 said to be at a premium, in which case there tend to be more buyers than sellers. The Board of the Company tries to ensure that the shares trade, in normal market conditions, at around 92.5% of the value of the net assets (i.e. that the discount is on average around 7.5%) 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 deal 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), 17, 18 and 19 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. The "ex-dividend" date is normally the business day prior to the record date (most ex-dividend dates are on a Thursday).

F&C – F&C Asset Management plc and its subsidiaries (including the Manager).

F&C savings plans – the F&C Private Investor Plan, F&C Children's Investment Plan, F&C Investment Trust ISA, F&C Junior ISA and F&C Child Trust Fund operated by F&C Management Limited, a company authorised by the Financial conduct Authority.

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, 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. 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 borrowings). 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 of F&C Asset Management plc, which in turn is wholly owned by the Bank of Montreal Group ("**BMO**"). The responsibilities and remuneration of FCIB are set out in the Business Model, Directors' Report and note 4 on the accounts.

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

Net asset value (NAV) – the assets less 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 is valued in the Accounts at par (redemption value) and this Balance Sheet NAV is sometimes referred to as "NAV, debt at par". The debenture has historically traded at values different from its nominal value and the NAV using this value is described as "NAV, debt at market value".

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

Ongoing Charges – all operating costs expected to be regularly incurred 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, 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 of Corporate Governance (UK Code) – the standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders that all companies with a Premium Listing on the London Stock Exchange are required to report on in their annual report and accounts.

Foreign & Colonial Investment Trust PLC

REPORT AND ACCOUNTS 31 DECEMBER 2015

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