

Foreign & Colonial Investment Trust PLC

Report and Accounts for the half-
year ended 30 June 2017

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Introducing Foreign & Colonial

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.

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 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.

Offering investors a globally diversified portfolio, Foreign & Colonial aims to be at the centre of an investor's portfolio.

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

Legal Entity Identifier: 213800W6B18ZHTNG7371

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.

Summary of Unaudited Results for the half-year ended 30 June 2017

8.7%

Our share price was 586.0 pence representing a total return⁽¹⁾ of 8.7%

9.1%

Our net asset value total return^{(1), (2)} was 9.1% which compares with 6.3% from our benchmark, the FTSE All-World Index

The first interim dividend will be 2.5 pence per share while another above-inflation rise is planned for the 2017 total dividend. This will mark the 47th consecutive annual increase

(1) Total return – 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 Net Asset Value in the period

(2) Including debt at market value. Represents the replacement value of debt, assuming repaid and re-negotiated under current market conditions

Chairman's Statement

Markets and performance

The first half of 2017 saw further upward movement in equity markets with the FTSE All-World index progressing by 6.3%. Our Net Asset Value ("NAV") gained 9.1% in total return terms and so compared favourably to market indices.

Our shareholder returns were 8.7% over the period as our discount widened modestly to 7.7%. We continued our policy of buying back shares though, at 3.2m shares, our level of buybacks was down significantly on last year.

Equities performed strongly over the first half with a number of bellwether market indices, including the S&P 500 and the FTSE 100, hitting new record highs during the period. Corporate earnings surpassed expectations and, with a modest but synchronised upturn underway across the global economy, investor sentiment improved further. In contrast to 2016, growth stocks, particularly technology companies, performed strongly and there was marked rotation away from resources as the oil price declined and optimism over President Trump's pro-growth policies waned.

Within our portfolio we saw particular strength from Emerging Markets, which posted a gain of 18.9%, outperforming the market index. Our European equities strategy also posted strong absolute returns, of 12.7%, broadly in line with market returns. Elsewhere on the portfolio we delivered excess returns over market comparators with strong performance from our growth oriented strategy in US equities helping North American holdings to a 7.0%

return. Our global strategies also exceeded benchmark returns with our multi-manager funds and holdings in smaller companies both delivering good relative returns. All strategies delivered good absolute levels of return and most exceeded benchmarks. Private equity posted a relatively modest gain of 2.3% partly reflecting a lag in pricing of these investments. We made a small number of new commitments in this area, reflecting our flexible approach to private equity investments. In recent years we have taken advantage of record low rates of borrowing to restructure our debt maturity profile and, during the first half, our net gearing level dropped modestly to end the period at 6.4%.

Despite improving growth, inflationary pressures generally remained subdued in most economies. Nonetheless, the US Federal Reserve raised interest rates by another 0.5%

Contributors to total returns in first half of 2017

	%
Portfolio return	8.4
Management fees	(0.2)
Interest and other expenses	(0.2)
Buybacks	0.1
Change in value of debt	0.0
Gearing/other	1.0
Net asset value total return*	9.1
Increase in discount	(0.4)
Share price total return	8.7
FTSE All-World Total Return	6.3

*Debt at market value
Source: F&C

Chairman's Statement

over the period and a number of other central banks indicated that they were inclined to rein in easy policies which have been in place since the Global Financial Crisis.

Aside from more fundamental factors, politics remained a focus for investors. The honeymoon period for President Trump proved to be short-lived as he struggled to push forward plans for tax and healthcare reform and expectations for fiscal stimulus in the US ebbed. France elected a pro-Euro, reformist President in Emmanuel Macron and rejected the more extreme policies to the relief of many investors. The reduction of near-term political risk, combined with a marked improvement in Eurozone economic and corporate performance led to strength in the Euro and the equity market there. Closer to home, Theresa May's majority was reduced after a poor election campaign and, with growth slowing and inflation rising, the outlook for the UK economy seemed to have darkened as Brexit negotiations got underway.

Income and Dividends

Our reported income continued to make good progress and net revenue return per share rose 7.6% to 7.24p in the first six months of the year on the equivalent period of 2016. With a large portion of investments held overseas our income was helped by an estimated £3.8m through the fall in sterling year on year. Offsetting this, to some extent, we received less in special dividends, which fell from £4.2m in the first half of 2016, to £2.1m in 2017.

We paid an interim dividend of 2.45p per share in February 2017 and a final dividend

of 2.7p in respect of 2016 in May. The first interim dividend of 2.5p for 2017 will be paid on 1 August. It is the intention of the Board to deliver another real rise in dividends for 2017. This will mark the forty-seventh consecutive rise in annual dividends from your Company.

Outlook

Broadening global economic growth and an upturn in corporate earnings along with subdued inflation rates and borrowing costs continue to support equity markets.

It is not just the US where the fundamental picture has brightened. The Eurozone has plenty of spare capacity and has seen increased growth momentum. The corporate sector there, having disappointed consistently in recent years, is producing solid earnings growth and a potential reinvigoration of the EU under the progressive French President Macron and German Chancellor Merkel could yield further gains. In the Emerging Markets, with China continuing to deliver solid growth and Brazil and Russia exiting recession, the premium over developed market growth rates has begun to expand once again.

The UK is something of an outlier amongst major global economies. The picture here appears challenging with a squeeze in real incomes underway and increased political uncertainty.

Importantly for equity investors, corporate earnings are showing increased vigour, and this strength is helping to push global equity markets on to new record highs. The combination of low inflation levels, supported by improving earnings momentum along with a synchronised economic

Chairman's Statement

upturn is fuelling optimism on the outlook for corporates. In addition, within equity markets, a growth strategy has returned to favour, with technology stocks leading the way.

Inflation levels remain low and, while central bankers are likely to continue on the path of policy normalisation, rate rises should be modest. Indeed, the absence of inflationary pressures is helping to extend the economic cycle and the environment remains one where corporate earnings should continue to support equity prices. Despite potential

challenges we continue to see opportunities in equity markets. Nonetheless, a world of easy monetary policy has inflated valuations across multiple asset classes and so we should not be surprised to see greater headwinds to shorter-term market progress as and when interest rates rise further.



Simon Fraser
Chairman
26 July 2017

Weightings, stock selection and performance in each investment portfolio strategy and underlying geographic exposure versus index as at 30 June 2017

Investment portfolio strategy	Our portfolio strategy weighting %	Underlying geographic exposure* %	Benchmark weighting %	Our strategy performance in sterling %	Index performance in sterling %
UK	5.7	7.8	6.1	5.2	4.7
North America	32.4	46.6	54.9	7.0	3.9
Europe ex UK	13.3	20.0	15.4	12.7	12.8
Japan	8.3	10.1	8.4	6.7	5.2
Emerging Markets	10.8	12.9	11.0	18.9	12.7
Developed Pacific	–	2.6	4.3	–	8.2
Global Strategies	22.1			6.9	6.3
Private Equity	7.4			2.3	

*Represents the geographic exposure of the portfolio, including underlying exposures in private equity and fund holdings
Source: F&C

Forward-looking statements

This interim report 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 report. Nothing should be construed as a profit forecast.

Ten Largest Listed Company Holdings

30 Jun 2017	31 Dec 2016		Value £'000s	% of total investments
1	(1)	Amazon	52,890	1.4
2	(2)	Unitedhealth Group	41,951	1.1
3	(3)	Alphabet	40,961	1.1
4	(4)	Microsoft	39,462	1.1
5	(6)	Utilico Emerging Markets Limited	32,498	0.9
6	(7)	Facebook	31,797	0.9
7	(5)	BP	31,167	0.9
8	(9)	Priceline	27,792	0.8
9	(20)	Apple	26,851	0.7
10	(21)	Philip Morris	25,681	0.7

The value of the ten largest listed company holdings represents 9.6% (31 December 2016: 9.2%) of the Company's total investments. The figures in brackets denote the position at the previous year end.

Ten Largest Fund Holdings

30 Jun 2017	31 Dec 2016		Value £'000s	% of total investments
1	(1)	Pantheon Europe Fund V A	34,407	0.9
2	(2)	Pantheon Asia Fund V	23,860	0.7
3	(6)	Conventum Lyrical Fund	23,473	0.6
4	(5)	Artemis US Extended Alpha Fund I	22,828	0.6
5	(3)	HarbourVest Partners VIII Buyout Fund	22,193	0.6
6	(4)	HarbourVest Partners Ventures VIII Fund	21,309	0.6
7	(18)	Hermes Global Emerging Markets Fund	17,849	0.5
8	(7)	HIPEP VI Asia Pacific Fund	17,513	0.5
9	(8)	Findlay Park American Fund	17,130	0.5
10	(11)	Majedie Asset Management US Equity Z Acc GBP	15,958	0.4

The value of the ten largest fund holdings represents 5.9% (31 December 2016: 6.7%) of the Company's total investments. The figures in brackets denote the position at the previous year end.

Unaudited Condensed Income Statement

Notes	6 months to 30 June 2017			6 months to 30 June 2016			Year ended 31 December 2016		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
	–	254,320	254,320	–	205,681	205,681	–	620,118	620,118
	69	389	458	867	(40,045)	(39,178)	857	(41,236)	(40,379)
3	47,821	–	47,821	44,121	–	44,121	71,117	–	71,117
4	(3,265)	(5,411)	(8,676)	(2,813)	(4,362)	(7,175)	(5,821)	(9,596)	(15,417)
	44,625	249,298	293,923	42,175	161,274	203,449	66,153	569,286	635,439
4	(899)	(2,698)	(3,597)	(760)	(2,281)	(3,041)	(1,722)	(5,167)	(6,889)
	43,726	246,600	290,326	41,415	158,993	200,408	64,431	564,119	628,550
5	(4,282)	(160)	(4,442)	(3,839)	–	(3,839)	(6,038)	–	(6,038)
6	39,444	246,440	285,884	37,576	158,993	196,569	58,393	564,119	622,512
6	7.24	45.22	52.46	6.73	28.50	35.23	10.57	102.12	112.69

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

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

Unaudited Condensed Statement of Changes in Equity

Notes	Share capital £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
Half-year ended 30 June 2017					
Balance brought forward 31 December 2016	140,455	122,307	2,867,579	83,094	3,213,435
Movements during the half-year ended 30 June 2017					
7 Dividends paid	–	–	–	(28,108)	(28,108)
11 Shares repurchased by the Company and held in Treasury	–	–	(18,437)	–	(18,437)
Return attributable to shareholders	–	–	246,440	39,444	285,884
Balance carried forward 30 June 2017	140,455	122,307	3,095,582	94,430	3,452,774
Half-year ended 30 June 2016					
Balance brought forward 31 December 2015	140,455	122,307	2,361,073	78,329	2,702,164
Movements during the half-year ended 30 June 2016					
7 Dividends paid/payable	–	–	–	(40,833)	(40,833)
Shares repurchased by the Company and held in Treasury	–	–	(27,949)	–	(27,949)
Return attributable to shareholders	–	–	158,993	37,576	196,569
Balance carried forward 30 June 2016	140,455	122,307	2,492,117	75,072	2,829,951
Year ended 31 December 2016					
Balance brought forward 31 December 2015	140,455	122,307	2,361,073	78,329	2,702,164
Movements during the year ended 31 December 2016					
7 Dividends paid	–	–	–	(53,628)	(53,628)
Shares repurchased by the Company and held in Treasury	–	–	(57,613)	–	(57,613)
Return attributable to shareholders	–	–	564,119	58,393	622,512
Balance carried forward 31 December 2016	140,455	122,307	2,867,579	83,094	3,213,435

Unaudited Balance Sheet

Notes	30 June 2017 £'000s	30 June 2016 £'000s	31 Dec 2016 £'000s
Fixed Assets			
8 Investments	3,671,152	3,008,695	3,432,682
Current assets			
Debtors	14,811	55,172	6,648
Cash and cash equivalents	21,513	120,888	26,463
	36,324	176,060	33,111
Creditors: amounts falling due within one year			
9 Loans	–	(42,651)	–
10 Other	(9,098)	(68,773)	(4,785)
	(9,098)	(111,424)	(4,785)
Net current assets	27,226	64,636	28,326
Total assets less current assets	3,698,378	3,073,331	3,461,008
Creditors: amounts falling due after more than one year			
9 Loans	(245,029)	(242,805)	(246,998)
9 Debenture	(575)	(575)	(575)
	(245,604)	(243,380)	(247,573)
Net assets	3,452,774	2,829,951	3,213,435
Capital and reserves			
11 Share capital	140,455	140,455	140,455
Capital redemption reserve	122,307	122,307	122,307
Capital reserves	3,095,582	2,492,117	2,867,579
Revenue reserve	94,430	75,072	83,094
12 Total shareholders' funds	3,452,774	2,829,951	3,213,435
12 Net asset value per ordinary share			
– prior charges at nominal value (pence)	635.47	512.25	587.92

Unaudited Condensed Statement of Cash Flows

Notes	6 months to 30 June 2017 £'000s	6 months to 30 June 2016 £'000s	Year ended 31 Dec 2016 £'000s
13 Cash flows from operating activities before dividends received and interest paid	(13,791)	(11,760)	(21,403)
Dividends received	45,980	41,265	69,943
Interest paid	(3,577)	(2,777)	(6,512)
Cash flows from operating activities	28,612	26,728	42,028
Investing activities			
Purchases of Investments	(617,108)	(526,562)	(1,233,876)
Sales of Investments	631,180	653,790	1,347,880
Other capital charges and credits	(29)	(20)	(93)
Cash flows from investing activities	14,043	127,208	113,911
Cash flows before financing activities	42,655	153,936	155,939
Financing activities			
Equity dividends paid	(28,108)	(27,851)	(53,628)
Repayment of loans	(20,000)	(508,049)	(547,676)
Drawdown of loans	20,000	456,100	456,100
Cash flow from share buybacks for treasury shares	(17,989)	(26,263)	(57,407)
Cash flows from financing activities	(46,097)	(106,063)	(202,611)
Net (decrease)/increase in cash and cash equivalents	(3,442)	47,873	(46,672)
Cash and cash equivalents at the beginning of the period	26,463	73,605	73,605
Effect of movement in foreign exchange	(1,508)	(590)	(470)
Cash and cash equivalents at the end of the period	21,513	120,888	26,463
Represented by:			
Cash at bank	3,226	38,120	10,071
Short term deposits	18,287	82,768	16,392
Cash and cash equivalents at the end of the period	21,513	120,888	26,463

Unaudited Notes on the Condensed Accounts

1 Results

The results for the six months to 30 June 2017 and 30 June 2016 constitute non-statutory accounts within the meaning of Section 434 of the Companies Act 2006. The latest published accounts which have been delivered to the Registrar of Companies are for the year ended 31 December 2016; the report of the Auditors thereon was unqualified and did not contain a statement under section 498 of the Companies Act 2006. The condensed financial statements shown for the year end 31 December 2016 are an extract from those accounts.

2 Accounting policies

These condensed financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006, FRS102, Interim Financial Reporting (FRS104) and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts"(SORP).

The accounting policies applied for the condensed set of financial statements are set out in the Company's annual report for the year ended 31 December 2016.

3 Income

	6 months to 30 June 2017 £'000s	6 months to 30 June 2016 £'000s	Year ended 31 Dec 2016 £'000s
Income comprises:			
UK dividends	6,795	7,973	13,909
Overseas dividends	40,618	35,764	56,499
Rebate on management fees	327	329	603
Interest on short-term deposits and withholding tax reclaims	81	50	92
Underwriting commission	–	–	14
Sundry income	–	5	–
Income	47,821	44,121	71,117

4 Fees and other expenses and interest payable and similar charges

	6 months to 30 June 2017 £'000s	6 months to 30 June 2016 £'000s	Year ended 31 Dec 2016 £'000s
Fees and other expenses	8,676	7,175	15,417
Interest payable and similar charges	3,597	3,041	6,889
Total	12,273	10,216	22,306
Fees and other expenses comprise:			
Allocated to Revenue Account			
– Management fees payable directly to the Manager*	1,795	1,400	3,063
– Other expenses	1,470	1,413	2,758
	3,265	2,813	5,821
Allocated to Capital Account			
– Management fees payable directly to the Manager*	5,384	4,202	9,191
– Management fees payable directly to Private Equity Managers	–	139	308
– Other expenses	27	21	97
	5,411	4,362	9,596
Interest payable and similar charges comprise:			
Allocated to Revenue Account	899	760	1,722
Allocated to Capital Account	2,698	2,281	5,167

*including reimbursement in respect of services provided by sub-managers.

The primary related party transaction is with the Manager, F&C Investment Business Limited. The Manager receives remuneration of 0.365% per annum of the market capitalisation of the Company, calculated at each month end date 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. The services provided by the Manager remain unchanged from those disclosed within the accounts for the year ended 31 December 2016. The level of variable fees payable in respect of third party sub-managers and private equity managers remain unchanged since the year end.

Unaudited Notes on the Condensed Accounts

5 Taxation

The taxation charge of £4,442,000 (30 June 2016: £3,839,000 and 31 December 2016: £6,038,000) relates to irrecoverable overseas taxation.

6 Net return per share

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

	6 months to 30 June 2017 £'000s	6 months to 30 June 2016 £'000s	Year ended 31 Dec 2016 £'000s
Revenue return	39,444	37,576	58,393
Capital return	246,440	158,993	564,119
Total return	285,884	196,569	622,512
Weighted average ordinary shares in issue, excluding treasury shares (see note 11)	544,952,303	557,930,340	552,403,894
	6 months to 30 June 2017 pence	6 months to 30 June 2016 pence	Year ended 31 Dec 2016 pence
Revenue return	7.24	6.73	10.57
Capital return	45.22	28.50	102.12
Total return	52.46	35.23	112.69

7 Dividends

Dividends paid and payable on ordinary shares	Register date	Payment date	6 months to 30 Jun 2017 £'000s	6 months to 30 Jun 2016 £'000s	Year ended 31 Dec 2016 £'000s
2015 Third interim of 2.30p	8-Jan-2016	1-Feb-2016	–	12,857	12,748
2015 Final of 2.70p	1-Apr-2016	3-May-2016	–	14,994	14,994
2016 First interim of 2.35p	1-Jul-2016	1-Aug-2016	–	12,982	12,985
2016 Second interim of 2.35p	30-Sep-2016	1-Nov-2016	–	–	12,901
2016 Third interim of 2.45p	6-Jan-2017	1-Feb-2017	13,390	–	–
2016 Final of 2.70p	31-Mar-2017	2-May-2017	14,718	–	–
			28,108	40,833	53,628

The Directors have declared a first interim dividend in respect of the year ending 31 December 2017 of 2.50p per share, payable on 1 August 2017 to all shareholders on the register at close of business on 7 July 2017. The amount of this dividend will be £13,583,000 based on 543,319,179 shares in issue at 6 July 2017. This amount has not been accrued in the results for the half-year ended 30 June 2017.

8 Investments

Fair value hierarchy

The Company's Investments as disclosed in the balance sheet are valued at fair value.

The fair value as at the reporting date has been estimated using the following fair value hierarchy:

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

Level 2 includes investments for which the quoted price has been suspended, forward exchange contracts and other derivative instruments.

Level 3 includes investments in private companies or securities, whether invested in directly or through pooled Private Equity vehicles, for which observable market data is not specifically available.

The analysis of the valuation basis for financial instruments based on the hierarchy is as follows:

	As at 30 June 2017 £'000s	As at 30 June 2016 £'000s	As at 31 Dec 2016 £'000s
Level 1	3,416,934	2,736,375	3,166,561
Level 3	254,218	272,320	266,121
Total valuation of investments	3,671,152	3,008,695	3,432,682

There were no derivative investments held in the period (half-year ended 30 June 2016 and year ended 31 December 2016: same) and no investments held which are valued in accordance with level 2.

Unaudited Notes on the Condensed Accounts

9 Loans and debenture

	30 June 2017 £'000s	30 June 2016 £'000s	31 Dec 2016 £'000s
Loans falling due within one year	–	42,651	–
Loans falling due after more than one year	245,029	242,805	246,998
Debenture falling due after more than one year	575	575	575
Comprising:			
Euro denominated loan, falling due within one year	–	€25m	–
Yen denominated loan, falling due within one year	–	¥3bn	–
US dollar denominated loan, falling due after more than one year	\$80m	\$80m	\$80m
Yen denominated loan, falling due after more than one year	¥6.6bn	¥6.6bn	¥6.6bn
Sterling denominated loan, falling due after more one year	£75m	£75m	£75m
Euro denominated loan, falling due after more than one year	€72m	€72m	€72m
4.25% perpetual debenture stock	£0.575m	£0.575m	£0.575m

10 Other creditors falling due within one year

	30 June 2017 £'000s	30 June 2016 £'000s	31 Dec 2016 £'000s
Cost of ordinary shares repurchased	933	1,965	485
Investment creditors	5,071	50,110	686
Management fees payable to F&C	1,544	2,102	1,999
Dividend payable	–	12,982	–
Other accrued expenses	1,550	1,614	1,615
	9,098	68,773	4,785

11 Share capital

	Shares held in treasury Number	Shares entitled to dividend Number	Total shares in issue Number	Total shares in issue nominal £'000s
Equity share capital				
Ordinary shares of 25p each				
Balance at 31 December 2016	15,246,154	546,572,862	561,819,016	140,455
Shares repurchased by the Company and held in treasury	3,233,474	(3,233,474)	–	–
Balance at 30 June 2017	18,479,628	543,339,388	561,819,016	140,455

During the period, 3,233,474 shares were repurchased and held in treasury, at a total cost of £18,437,000. Since 30 June 2017 a further 225,233 ordinary shares have been repurchased and held in treasury at a cost of £1,354,000. Shares held in treasury have no voting rights and no right to dividend distributions and are excluded from the calculations of earnings per share and net asset value per share.

12 Net asset value per ordinary share

	30 June 2017	30 June 2016	31 Dec 2016
Net asset value per share – pence	635.47	512.25	587.92
Net assets attributable at end of period – £'000s	3,452,774	2,829,951	3,213,435
Ordinary shares of 25p in issue at end of period excluding shares held in treasury – number	543,339,388	552,458,517	546,572,862

Net asset value per share (with debenture stock and long-term loans at market value) at 30 June 2017 was 634.88p (30 June 2016: 512.27p and 31 December 2016: 587.21p). The market value of debenture stock at 30 June 2017 was £429,000 (30 June 2016 and 31 December 2016: £429,000). The market value of the long-term loans at 30 June 2017 was £248,382,000 (30 June 2016: £242,805,000 and 31 December 2016: £251,035,000) based on the equivalent benchmark gilts or relevant commercially available current debt.

Unaudited Notes on the Condensed Accounts

13 Reconciliation of net return before taxation to cash flows from operating activities

	6 months to 30 June 2017 £'000s	6 months to 30 June 2016 £'000s	Year ended 31 Dec 2016 £'000s
Net return on ordinary activities before taxation	290,326	200,408	628,550
Adjust for non-cash flow items, dividend income and interest expense:			
Gains on Investments	(254,320)	(205,681)	(620,118)
Exchange (gains)/losses	(458)	39,178	40,379
Non-operating expenses of a capital nature	27	21	97
Decrease/(increase) in other debtors	44	(65)	10
Decrease in creditors	(466)	(6)	(117)
Dividends receivable	(47,413)	(43,737)	(70,408)
Interest payable	3,597	3,041	6,889
Tax on overseas income	(5,128)	(4,919)	(6,685)
	(304,117)	(212,168)	(649,953)
Cash flows from operating activities (before dividends received and interest paid)	(13,791)	(11,760)	(21,403)

14 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 and arrangements 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.

15 VAT case

The Company reported, in its annual report and accounts to 31 December 2016, an interest in a case brought against HMRC to recover VAT paid on management fees in the period 1997 to 2000. On 11 April 2017, the Supreme Court issued a judgement in favour of HMRC. As a consequence the Company will not be entitled to any recoveries of VAT paid in the relevant period.

By order of the Board
F&C Investment Business Limited, Secretary
Exchange House
Primrose Street
London EC2A 2NY

26 July 2017

Directors' Statement of Principal Risks and Uncertainties

Most of the Company's principal risks and uncertainties are market related and no different from those of other investment trusts investing primarily in listed equities. They are described in more detail under the heading "Principal risks and future prospects" within the strategic report in the Company's annual report for the year ended 31 December 2016 and have not changed materially since the date of that report.

The risks include: having an inappropriate strategy in relation to investor needs; failure on the part of the Manager to continue to operate effectively; unfavourable markets or inappropriate asset allocation, sector and stock selection, currency exposure and use of gearing and derivatives leading to investment underperformance; and errors, fraud or control failures at service providers, or loss of data through cyber-threats or business continuity failure.

Directors' Statement of Responsibilities in Respect of the Half-Yearly Financial Report

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

- the condensed set of financial statements has been prepared in accordance with applicable UK Accounting Standards on a going concern basis, and gives a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the half-yearly report includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the financial statements;
- the Directors' Statement of Principal Risks and Uncertainties shown above is a fair review of the principal risks and uncertainties for the remainder of the financial year;
- the half-yearly report includes a fair review of the related party transactions that have taken place in the first six months of the financial year.

On behalf of the Board
Simon Fraser
Chairman
26 July 2017

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 Investments.

F&C Investment Trust ISA

You can use your ISA allowance to make an annual tax-efficient investment of up to £20,000 for the 2017/18 tax year with a lump sum from £500 or regular savings from £50 a month per Trust. You can also transfer any existing ISAs to us whilst maintaining the tax benefits

Junior ISA ("JISA")*

You can invest up to £4,128 for the tax year 2017/18 from £500 lump sum or £30 a month per Trust, or a combination of both. Please note, if your child already has a Child Trust Fund (CTF), then you cannot open a separate JISA, however you can transfer the existing CTF (held either with F&C or another provider) to an F&C JISA

F&C Child Trust Fund ("CTF")*

If your child has a CTF you can invest up to £4,128 for the 2017/18 tax year, from £100 lump sum or £25 a month per Trust, or a combination of both. You can also transfer a CTF from another provider to an F&C CTF. Please note, the CTF has been replaced by the JISA and is only available to investors who already hold a CTF.

F&C Private Investor Plan ("PIP")

This is a flexible way to invest in our range of Investment Trusts. There are no maximum contributions, and investments can be made from £500 lump sum or £50 a month per Trust. You can also make additional lump sum top-ups at any time from £250 per Trust.

F&C Children's Investment Plan ("CIP")

This is a flexible way to save for a child in our range of Investment Trusts. There are no maximum contributions, and the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) 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 per Trust. You can also make additional lump sum top-ups at any time from £100 per Trust.

Charges

Annual management charges and other charges 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 charges

ISA: 0.2%

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

Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits for the PIP, CIP and JISA.

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

Government stamp duty of 0.5% also applies on the purchase of shares (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 our savings plans and charges, please read the Key Features and Terms and Conditions of the plan – available on our website fandc.co.uk.

How to Invest

To open a new F&C savings plan, apply online at fandc.com/apply

Note, this is not available if you are transferring an existing plan with another provider to F&C, or if you are applying for a new plan in more than one name.

New Customers:

Contact our Team

Call: **0800 136 420****
(8:30am – 5:30pm, weekdays)

Email: info@fandc.com

Existing Plan Holders:

Contact our Team

Call: **0345 600 3030****
(9:30am – 5:30pm, weekdays)

Email: investor.enquiries@fandc.com

By post: [F&C Plan Administration Centre](#)
[PO Box 11114](#)
[Chelmsford CM99 2DG](#)

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include: Alliance Trust Savings, Barclays Stockbrokers, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, Lloyds Bank, Selftrade, TD Direct Investing, The Share Centre.

The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please read our Key Features Document before you invest and this can be found on our website fandc.co.uk. F&C cannot give advice on the suitability of investing in our investment trust or savings plans. If you have any doubt as to the suitability of an investment, please contact a professional financial adviser.

Notes

*The CTF and JISA accounts are opened in the child's name and they can have access to the account at age 18.

**Calls may be recorded or monitored for training and quality purposes.

Availability of report and accounts

The Company's report and accounts are available on the Internet at www.foreignandcolonial.com. Printed copies may be obtained from the Company's registered office, Exchange House, Primrose Street, London EC2A 2NY

If you have trouble reading small print, please let us know. We can provide literature in alternative formats, for example large print or on audiotape. Please call 0345 600 3030**.

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