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**Foreign & Colonial
Investment Trust PLC**

Report and accounts

for the half-year ended **30 June 2014**

Your Company in Today's World

Objective

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

Heritage

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

Core investment

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

Long-term outperformance

In the ten years to 31 December 2013 Foreign & Colonial has turned a £1,000 investment, with dividends reinvested, into £2,527 compared with £2,323 from the market benchmark and a £1,000 investment over 20 years would have grown to £3,783.

Income

Well-positioned for future dividend growth with significant income reserves. The dividend has increased every year for the past 43 years and over the ten years to 31 December 2013 is up 143.2% or 9.3% compound compared with inflation of 38.1% or 3.3% compound.

Cost effective

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

Stability and liquidity

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

Suitable for retail distribution

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

Visit our website at
www.foreignandcolonial.com

Registered in England with Company Registration Number: 12901

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 2014

Net asset value per share **424.9 pence**

Share price of **378.2 pence**

Net asset value per share total return **1.1%**

Share price total return **0.8%**

The total dividend for 2014 can be expected to be at least **9.30 pence** per share, an increase of **3.3%** on 2013 and the forty-fourth consecutive annual increase

(Net asset value based on debt at market value)

Chairman's Statement

Dear Shareholder

Markets and performance

After one of the strongest years for global equity investors in recent decades it is perhaps not surprising that, so far, 2014 has seen more subdued levels of market returns.

Many investors were anticipating an improvement in global economic momentum coming into the year and forecasting a rise in government bond yields but, despite these bullish expectations, the first quarter saw a significant contraction of 2.9% in the US economy, attributed to adverse weather conditions. This economic weakness and a general commitment by central banks to pursue low rates pushed bond yields down, to the surprise of most who had been positioned for rising rates. The US Federal Reserve reiterated their intention to maintain low interest rates in the longer term and the European Central Bank announced a major new programme of lending to banks. The Bank of England was seen as presenting a slightly more hawkish view with expectations of rate rises being pulled forward into 2014, leading to a strengthening of sterling.

The broad based rise of sterling against the major currencies held back returns from global investments in the first six months of the year. The Company's Net Asset Value total return per share was 1.1% and the share price total return was 0.8%. This compares less favourably with a total return of 3.2% from the FTSE All World Index, largely attributable to stock selection which detracted from our investment performance. There was a marked rotation within global equity markets with investors moving away from some of the high

quality stocks, which we continue to favour, towards some of the stocks that had previously lagged particularly in the UK and Europe.

As indicated previously, in the early part of the year we reduced our UK portfolio in a further step towards establishing a truly global portfolio, investing the £250m proceeds in a global portfolio of funds and raising our European equity exposure over the period. Our private equity portfolio produced an impressive return of 5.7% during the period and generated net cashflow of £39m, significantly up from the £30m produced in the equivalent period last year.

Contributors to total return in first half of 2014

	%
Benchmark total return	3.2
Asset allocation	0.2
Stock selection	(2.1)
Effect of directly incurred management fees	(0.2)
Other expenses	(0.1)
Interest expense	(0.3)
Buybacks	0.0
Change in debenture valuation	0.2
Gearing	0.2
Net asset value total return*	1.1
Effect of discount	(0.3)
Share price total return	0.8

* Debt at market value.

Source: F&C Investment Business Limited

Chairman's Statement (continued)

Dividends

Our total income fell modestly in the first half by comparison to the first six months of 2013. A switch from UK equities, which offer a higher yield relative to overseas markets, accounted for this.

We paid an interim dividend of 2.1p per share in February 2014 and a final dividend of 2.7p in May in respect of 2013. The first interim dividend of 2.2p for 2014 will be paid on 1 August. Second and third interim dividends of 2.2p each will be paid in November 2014 and February 2015 respectively. A final dividend payment of 2.7p can be expected in May 2015 bringing the total for 2014 to 9.3p; a 3.33% rise on 2013 and the forty-fourth consecutive rise in dividends.

Outlook

The extraordinary policy measures implemented in recent years by central banks continue to have a material impact on global asset markets. Low interest rates and abundant liquidity had been necessary in order to avert a more damaging systemic crisis and help unwind excessive debt in the underlying economies but, with improving growth in many major economies, central bankers are now trying to navigate a challenging exit from these loose policy measures.

Recent years have seen global equity markets rise in price relative to fundamentals and, on many metrics, they now offer less compelling valuation upside on a prospective basis. Arguments for lower returns from here are well founded but, for investors faced with a dearth of value amongst competing assets, equities continue to offer relative attractions. Nonetheless, we are of the view that fundamental improvement in earnings is required in order to

see significant further upside in equities from current levels. In addition, while we expect interest rate rises in the US and the UK to be relatively modest the global economy continues to tread a narrow path in terms of growth and inflation and we are mindful of the risks to markets from both further falls in inflation, notably in the Eurozone, and from some acceleration in pricing pressure, perhaps emanating from labour markets in the US and the UK.

In response to the strength in listed equity markets and reasonable expectations of lower prospective returns we have reduced our gearing further at the end of June, to 7%. The redemption of our longstanding £110m debenture at the end of the year will lead to a significant reduction in overall borrowing costs going forward.

The future is inherently uncertain but we are well placed to deal with any rise in volatility from current low levels. The handover to our new Fund Manager, Paul Niven, on 1 July 2014 has been seamless; our portfolio diversification is high; our borrowing costs are diminishing and we are generating significant and rising cash levels from our private equity portfolio. A more global approach has had the short term effect of dampening underlying earnings but we remain confident that more breadth will bring more opportunities and enable us to continue to achieve our objective of growing capital and income in the longer term for the benefit of our shareholders.



Simon Fraser
Chairman
29 July 2014

Weightings, stock selection and performance in each market versus Index in the period to 30 June 2014

Portfolio	Our portfolio weighting %	Benchmark weighting %	Our portfolio performance in sterling %	Index performance in sterling %
UK	10.3	7.9	(4.1)	1.7
North America	30.5	51.8	2.1	4.1
Europe ex UK	13.5	16.4	(1.0)	3.0
Japan	4.7	8.0	(0.8)	(1.9)
Emerging Markets	8.6	15.9	3.5	3.8
Private Equity	14.5	–	5.7	–
Global Income	6.6	–	5.5	3.2
Global Funds	1.6	–	3.4	3.2
Global Multi-Manager*	9.7	–	1.8	–

Source: F&C Investment Business Limited

*performance since 1 April 2014

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 Securities

30 Jun 2014	31 Dec 2013		Value £'000s	% of total investments
1	(1)	BP	27,608	1.1
2	(6)	Utilico Emerging Markets	26,516	1.0
3	(-)	Novartis	20,630	0.8
4	(7)	Google	19,673	0.8
5	(-)	Roche	19,242	0.7
6	(2)	HSBC	17,999	0.7
7	(-)	American Express	15,788	0.6
8	(9)	Amazon	15,234	0.6
9	(3)	GlaxoSmithKline	14,586	0.6
10	(-)	Jupiter US Smaller Companies	13,853	0.5

The value of the ten largest listed securities represents 7.4% (31 December 2013: 10.1%) of the Company's total investments.

The figures in brackets denote the position in the ten largest listed securities at the previous year end.

Ten Largest Fund Holdings

30 Jun 2014	31 Dec 2013		Value £'000s	% of total investments
1	(1)	Pantheon Europe Fund V	58,581	2.3%
2	(2)	HarbourVest V Direct Fund	44,329	1.7%
3	(3)	Dover Street VII	34,975	1.4%
4	(4)	Pantheon Europe Fund III	34,437	1.3%
5	(6)	HarbourVest Partners VIII Buyout Fund	27,089	1.0%
6	(5)	HarbourVest Partners VII Buyout Fund	26,537	1.0%
7	(7)	Dover Street VI	23,674	0.9%
8	(10)	HarbourVest Partners VIII Venture Fund	22,765	0.9%
9	(8)	Pantheon Asia Fund IV	22,657	0.9%
10	(9)	Pantheon Asia Fund V	22,577	0.9%

The value of the ten largest fund holdings represents 12.3% (31 December 2013: 12.8%) of the Company's total investments.

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

Unaudited Condensed Income Statement

Notes	6 months to 30 June 2014			6 months to 30 June 2013			Year ended 31 December 2013		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
	–	2,348	2,348	–	250,381	250,381	–	386,631	386,631
	(145)	1,503	1,358	60	125	185	(198)	9,004	8,806
3	35,686	–	35,686	36,695	–	36,695	63,106	–	63,106
4	(3,502)	(2,708)	(6,210)	(3,313)	(2,547)	(5,860)	(6,676)	(5,226)	(11,902)
	32,039	1,143	33,182	33,442	247,959	281,401	56,232	390,409	446,641
	(3,884)	(3,884)	(7,768)	(4,340)	(4,340)	(8,680)	(8,685)	(8,685)	(17,370)
	28,155	(2,741)	25,414	29,102	243,619	272,721	47,547	381,724	429,271
5	(2,395)	–	(2,395)	(2,062)	–	(2,062)	(3,510)	–	(3,510)
6	25,760	(2,741)	23,019	27,040	243,619	270,659	44,037	381,724	425,761
6	4.53	(0.48)	4.05	4.71	42.42	47.13	7.69	66.68	74.37

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.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

Unaudited Condensed Reconciliation of Movements in Shareholders' Funds

Notes	Share capital £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
Half-year ended 30 June 2014					
Balance brought forward at 31 December 2013	142,590	120,172	2,068,847	98,713	2,430,322
10 Shares repurchased by the Company	(921)	921	(13,902)	–	(13,902)
11 Dividends paid	–	–	–	(27,337)	(27,337)
Return attributable to shareholders	–	–	(2,741)	25,760	23,019
Balance carried forward 30 June 2014	141,669	121,093	2,052,204	97,136	2,412,102
Half-year ended 30 June 2013					
Balance brought forward 31 December 2012	144,298	118,464	1,711,696	104,538	2,078,996
Shares repurchased by the Company	(1,467)	1,467	(20,999)	–	(20,999)
11 Dividends paid	–	–	–	(25,884)	(25,884)
Return attributable to shareholders	–	–	243,619	27,040	270,659
Balance carried forward 30 June 2013	142,831	119,931	1,934,316	105,694	2,302,772
Year ended 31 December 2013					
Balance brought forward 31 December 2012	144,298	118,464	1,711,696	104,538	2,078,996
Shares repurchased by the Company	(1,708)	1,708	(24,573)	–	(24,573)
11 Dividends paid	–	–	–	(49,862)	(49,862)
Return attributable to shareholders	–	–	381,724	44,037	425,761
Balance carried forward 31 December 2013	142,590	120,172	2,068,847	98,713	2,430,322

Unaudited Condensed Balance Sheet

Notes	30 June 2014 £'000s	30 June 2013 £'000s	31 Dec 2013 £'000s
Fixed Assets			
7 Investments	2,585,394	2,581,266	2,623,202
Current assets			
Debtors	11,611	12,493	5,280
Cash at bank and short term deposits	20,508	22,091	32,477
	32,119	34,584	37,757
Creditors: amounts falling due within one year			
7 Derivative financial instruments	–	(158)	(19)
8 Loans	–	(95,000)	(30,000)
8 Debentures	(110,000)	–	(110,000)
9 Other	(9,946)	(10,792)	(3,827)
	(119,946)	(105,950)	(143,846)
Net current liabilities			
	(87,827)	(71,366)	(106,089)
Total assets less current liabilities			
	2,497,567	2,509,900	2,517,113
Creditors: amounts falling due after more than one year			
8 Loans	(84,890)	(96,553)	(86,216)
8 Debentures	(575)	(110,575)	(575)
	(85,465)	(207,128)	(86,791)
Net assets			
	2,412,102	2,302,772	2,430,322
Capital and reserves			
10 Share capital	141,669	142,831	142,590
Capital redemption reserve	121,093	119,931	120,172
Capital reserves	2,052,204	1,934,316	2,068,847
Revenue reserve	97,136	105,694	98,713
12 Total shareholders' funds	2,412,102	2,302,772	2,430,322
Net asset value per share – prior charges at nominal value (pence)			
	425.66	403.06	426.10

Unaudited Condensed Cash Flow Statement

Notes	6 months to 30 June 2014 £'000s	6 months to 30 June 2013 £'000s	Year ended 31 Dec 2013 £'000s
13 Net cash inflow from operating activities	25,224	25,482	47,339
Interest paid and similar charges	(7,864)	(8,679)	(17,262)
Net cash inflow from financial investment	39,918	45,127	137,382
Equity dividends paid	(27,337)	(25,884)	(49,862)
Net cash inflow before use of liquid resources and financing			
	29,941	36,046	117,597
Decrease/(increase) in short-term deposits	11,455	6,136	(9,432)
Net cash (outflow)/inflow from financing	(42,087)	(40,457)	(110,164)
(Decrease)/increase in cash			
	(691)	1,725	(1,999)
Reconciliation of net cash movement to movement in net debt			
Net cash movement	(691)	1,725	(1,999)
(Decrease)/increase in short-term deposits	(11,455)	(6,136)	9,432
Decrease in loans	30,000	20,000	85,000
Exchange movements	1,503	125	9,004
Movement in net debt in the period	19,357	15,714	101,437
Net debt brought forward	(194,314)	(295,751)	(295,751)
Net debt carried forward			
	(174,957)	(280,037)	(194,314)
Represented by:			
Cash at bank	6,325	11,704	7,002
Short term deposits	14,183	10,387	25,475
Loans	(84,890)	(191,553)	(116,216)
Debentures	(110,575)	(110,575)	(110,575)
Net debt carried forward			
	(174,957)	(280,037)	(194,314)

Unaudited Notes on the Condensed Accounts

1 Results

The results for the six months to 30 June 2014 and 30 June 2013 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 2013; 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 above for the year end 31 December 2013 are an extract from those accounts.

2 Accounting policies

These condensed half-year financial statements for the six months to 30 June 2014 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with the UK Accounting Standard Board's Half-yearly Financial Reports Statement. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

3 Income

	6 months to 30 June 2014 £'000s	6 months to 30 June 2013 £'000s	Year ended 31 Dec 2013 £'000s
Income comprises:			
UK dividends	8,747	13,389	25,569
Overseas dividends	26,793	22,916	36,964
Derivative income	116	298	470
Interest on cash and short-term deposits	22	22	32
Underwriting Commission	5	70	70
Stock lending fees	–	–	1
Sundry income	3	–	–
Total income	35,686	36,695	63,106

4 Fees and other expenses

	6 months to 30 June 2014 £'000s	6 months to 30 June 2013 £'000s	Year ended 31 Dec 2013 £'000s
Fees and other expenses	6,210	5,860	11,902
Comprise:			
Allocated to Revenue Account			
– Management fees payable directly to F&C*	2,376	2,203	4,545
– Other expenses	1,126	1,110	2,131
	3,502	3,313	6,676
Allocated to Capital Account			
– Management fees payable directly to F&C*	2,376	2,203	4,545
– Management fees payable directly to Private Equity Managers	305	304	614
– Other expenses	27	40	67
	2,708	2,547	5,226

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

The Manager, F&C Management Limited until 21 July 2014 and thereafter F&C Investment Business Limited, a fellow subsidiary of the F&C Management Group, 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. The services provided by F&C remain unchanged from those disclosed within the accounts for the year ended 31 December 2013. Variable fees payable in respect of third party sub-managers and private equity managers remain unchanged since the year end.

5 Taxation

The taxation charge of £2,395,000 (30 June 2013 – £2,062,000 and 31 December 2013 – £3,510,000) relates to irrecoverable overseas taxation.

Unaudited Notes on the Condensed Accounts (continued)

6 Net return

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 2014 £'000s	6 months to 30 June 2013 £'000s	Year ended 31 Dec 2013 £'000s
Total Return	23,019	270,659	425,761
Revenue Return	25,760	27,040	44,037
Capital Return	(2,741)	243,619	381,724
Weighted average ordinary shares in issue	569,004,502	574,336,281	572,445,619

	6 months to 30 June 2014 pence	6 months to 30 June 2013 pence	Year ended 31 Dec 2013 pence
Total Return	4.05	47.13	74.37
Revenue Return	4.53	4.71	7.69
Capital Return	(0.48)	42.42	66.68

7 Investments and derivative financial instruments

	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	6 months to 30 June 2014 Total £'000s
Cost at 1 January 2014	1,621,484	–	354,155	1,975,639
Unrealised gains at 1 January 2014	606,310	–	41,234	647,544
Valuation at 1 January 2014 of investments and derivatives	2,227,794	–	395,389	2,623,183
Purchases at cost	745,142	–	10,717	755,859
Sales proceeds	(745,602)	–	(50,394)	(795,996)
Gains/(losses) on derivatives sold	19	–	–	19
Gains/(losses) on investments sold	148,259	–	21,228	169,487
Gains/(losses) on investments held	(167,289)	–	131	(167,158)
Valuation at 30 June 2014 of investments and derivatives	2,208,323	–	377,071	2,585,394
Analysed at 30 June 2014				
Cost at 30 June 2014	1,769,302	–	335,706	2,105,008
Unrealised gains at 30 June 2014	439,021	–	41,365	480,386
Valuation at 30 June 2014 of investments and derivatives	2,208,323	–	377,071	2,585,394
			30 Jun 2014 £'000s	30 Jun 2013 £'000s
Valuation of investments and derivatives				31 Dec 2013 £'000s
Valuation of investments			2,585,394	2,581,266
Valuation of derivatives			–	(158)
			2,585,394	2,581,108
				2,623,183

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

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

Level 3 includes investments in private companies or securities, whether invested in directly or through pooled Private Equity vehicles.

Unaudited Notes on the Condensed Accounts (continued)

8 Loans and debentures

	30 June 2014 £'000s	30 June 2013 £'000s	31 Dec 2013 £'000s
Loans falling due within one year	–	95,000	30,000
Debenture falling due within one year	110,000	–	110,000
Loans falling due after more than one year	84,890	96,553	86,216
Debentures falling due after more than one year	575	110,575	575
Comprise:			
– Sterling denominated falling due within one year	–	£95m	£30m
– 11.25% debenture stock 2014 falling due within one year	£110m	–	£110m
– US dollar denominated loan falling due after more than one year	\$80m	\$80m	\$80m
– Yen denominated loan falling due after more than one year	¥6.60bn	¥6.60bn	¥6.60bn
– 11.25% Debenture Stock 2014 falling due after more than one year	–	£110m	–
– 4.25% perpetual debenture	£0.575m	£0.575m	£0.575m

The 11.25% debenture stock is redeemable at par on 31 December 2014.

9 Other creditors falling due within one year

	30 June 2014 £'000s	30 June 2013 £'000s	31 Dec 2013 £'000s
Cost of ordinary shares repurchased	1,814	1,134	–
Investment creditors	6,022	7,323	1,600
Management fees payable to F&C	986	973	965
Other accrued expenses	1,124	1,362	1,262
	9,946	10,792	3,827

10 Share capital

	Issued and fully paid	
	Number	Nominal £'000s
Equity Share Capital		
Ordinary shares of 25p each		
Balance at 31 December 2013	570,359,016	142,590
Shares repurchased by the Company	(3,682,000)	(921)
Balance at 30 June 2014	566,677,016	141,669

3,682,000 ordinary shares were repurchased and cancelled during the period at a total cost of £13,902,000. Since 30 June 2014 a further 1,630,000 ordinary shares have been repurchased at a cost of £6,215,000.

11 Dividends

Dividends paid on ordinary shares	Register date	Payment date	6 months to 30 Jun 2014 £'000s	6 months to 30 Jun 2013 £'000s	Year ended 31 Dec 2013 £'000s
2012 Second interim of 2.00p	11/01/2013	01/02/2013	–	11,544	11,544
2012 Final of 2.50p	05/04/2013	01/05/2013	–	14,340	14,340
2013 First interim of 2.10p	12/07/2013	01/08/2013	–	–	11,995
2013 Second interim of 2.10p	04/10/2013	01/11/2013	–	–	11,983
2013 Third interim of 2.10p	03/01/2014	03/02/2014	11,978	–	–
2013 Final of 2.70p	28/03/2014	01/05/2014	15,359	–	–
			27,337	25,884	49,862

The first interim dividend for 2014 of 2.20p will be paid on 1 August 2014 to shareholders on the register on 4th July 2014.

The total cost of the first interim dividend of 2014, which has not been accrued, based on 566,277,016 shares in issue on 4 July 2014 is £12,458,000.

Unaudited Notes on the Condensed Accounts (continued)

12 Net asset value per ordinary share

	30 June 2014	30 June 2013	31 Dec 2013
Net asset value per share (with debenture stocks at nominal value)	425.66p	403.06p	426.10p
Net assets attributable at end of period – £'000s	2,412,102	2,302,772	2,430,322
Ordinary shares of 25p each in issue at end of period – number	566,677,016	571,324,016	570,359,016

Net asset value per share (with debenture stocks at market value) at 30 June 2014 was 424.85p (30 June 2013 – 401.09p and 31 December 2013 – 424.80p). The market value of debenture stocks at 30 June 2014 was £115,126,000 (30 June 2013 – £121,814,000 and 31 December 2013 – £117,997,000).

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

	6 months to 30 June 2014 £'000s	6 months to 30 June 2013 £'000s	Year ended 31 Dec 2013 £'000s
Total return before finance costs and taxation	33,182	281,401	446,641
Adjust for returns from non-operating activities:			
– Gains on investments and derivatives	(2,348)	(250,381)	(386,631)
– Exchange gains of a capital nature	(1,503)	(125)	(9,004)
– Non-operating expenses of a capital nature	27	40	67
Return from operating activities	29,358	30,935	51,073
Adjusted for non-cash flow items:			
– Exchange losses/(gains) of a revenue nature	145	(60)	198
– (Increase)/decrease in accrued income	(1,474)	(2,851)	149
– Decrease in prepayments	40	38	58
– Decrease in creditors	(135)	(206)	(172)
– Overseas taxation	(2,710)	(2,374)	(3,967)
Net cash inflow from operating activities	25,224	25,482	47,339

By order of the Board
F&C Investment Business Limited, Secretary
Exchange House
Primrose Street
London EC2A 2NY
29 July 2014

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 their management" within the strategic report in the Company's annual report for the year ended 31 December 2013 and have not changed materially since the date of that report.

The risks include: having an inappropriate strategy in relation to investor demands in

a rapidly changing financial services and savings market; failure on the part of the Manager to continue operate effectively putting in jeopardy the business of the Company; inappropriate asset allocation, sector and stock selection, currency exposure and use of gearing and derivatives leading to investment underperformance; those relating to private equity investments, which can prove difficult or impossible to realise; and administrative errors or control failures by or between other service providers.

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

On behalf of the Board
Simon Fraser
Chairman
29 July 2014

How to invest

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

F&C Private Investor Plan ("PIP")

A flexible way to invest with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250.

F&C Investment Trust ISA

Use your ISA allowance to make an annual tax-efficient investment of up to £15,000 for the 2014/15 tax year with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250 and transfer any existing ISAs to us whilst maintaining all the tax benefits.

F&C Child Trust Fund ("CTF")

CTFs are closed to new investors; however, if your child has a CTF with another provider, it is easy to transfer it to F&C. Additional contributions can be made from as little as £25 per month or £100 lump sum – up to a maximum of £4,000 for birthdays in the 2014/15 tax year.

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

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

Junior ISA ("JISA")

This is a tax-efficient savings plan for children who did not qualify for a CTF. It allows you to invest up to £4,000 for the 2014/15 tax year with all the tax benefits of the CTF. You can invest from £30 a month, or £500 lump sum, or a combination of both.

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

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

Annual account charge

ISA: £60+VAT

PIP: £40+VAT

JISA/CIP/CTF: £25+VAT

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

Dealing charge per holding

ISA: 0.2%

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

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

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

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

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

How to Invest

You can invest in all our savings plans online.

New Customers:

Contact our Investor Services Team

Call: **0800 136 420***

Email: **info@fandc.com**

Investing online: **www.fandc.com**

*8:30 am – 5:30 pm, weekdays

Calls may be recorded.

Existing Plan Holders:

Contact our Investor Services Team

Call: **0845 600 3030****

Email: **investor.enquiries@fandc.com**

By post: **F&C Plan Administration Centre**

PO Box 11114

Chelmsford

CM99 2DG

**9:00 am – 5:00 pm, weekdays.

Calls may be recorded.

BMO  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.

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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 0845 600 3030**.