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**Foreign & Colonial
Investment Trust PLC**

Report and accounts
for the half-year to **30 June 2007**

About your Company

Objective

To secure long-term growth in capital and income through a policy of investing primarily in a diversified international portfolio of equities with use of gearing.

Heritage

Founded in 1868 as the first ever investment trust. Pioneered the concept of collective investment, by giving the small investor the same advantage as the large institution by reducing risk through a spread of investments.

Today

One of the largest global growth trusts, with total assets of £2.6 billion investing in over 600 companies in 35 countries.

Over 100,000 shareholders, including over 70,000 investors through the F&C savings plans.

Reputation

Well-known and respected brand, with a reputation for delivering its long-term objectives in a responsible, prudent and effective way.

Management

Independent Board of Directors responsible for overall strategy and monitoring performance.

Management of the investments is carried out by F&C Management Limited ("F&C") under contract.

External third party sub-managers are used to enhance investment performance.

Manager incentivised to produce superior performance.

No cross-directorships, no cross-holdings and no conflicts of interest between the Company and its Manager.

Advantages of an investment trust

The ability as a closed-end fund to take a long-term view and ride out difficult conditions – we have ridden through two world wars and many market crashes.

The flexibility to invest in a wide range of assets.

The freedom to borrow money to improve returns to shareholders in rising markets – we have borrowed prudently in foreign currencies at low rates for many years.

The ability to buy back shares – we have introduced a buy-back policy to keep the discount below 10% in normal market conditions, enhancing net asset value per share for continuing shareholders.

Low charges to investors, typically well below those for comparable unit trusts – our total expense ratio for 2006 was 0.46% (excluding performance fee). The cumulative benefits of such low costs over many years are very significant for long-term investors.

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

Net asset value per share total return up **10.1%**
(debt at market value)

Interim dividend per share up 10.2% to **2.70p**

Share price up 7.0% to **304.5p**

Chairman's Statement

Dear Shareholder

In the first half of 2007 we had four key objectives, all of which we achieved.

- **To exceed our benchmark.** The total return of our benchmark of 40% FTSE All Share and 60% FTSE World ex UK was 7.4% and our own total return was 10.1% (debt at market value).
- **To beat our close peer group.** The total return of the size weighted average of our closest competitors was 8.6% and our return 10.1% (debt at market value).
- **To develop our private equity strategy.** In the first half we invested a net £62m in private equity which now represents 6.5% of the portfolio, significantly closer to our 10% target.
- **To increase the dividend faster than the rate of inflation.** The interim dividend will be 2.70 pence, an increase of 10.2%, and will be paid on 11 September. We anticipate the final dividend to be 3.15 pence, an increase of 10.5%. 2007 will be the 37th consecutive year of annual dividend increases and we expect another increase in 2008.

Markets

Markets performed better than we expected at the start of the year. Economic growth in the US slowed as house prices stagnated and low quality mortgage default levels escalated. Outside the US though there was a quickening of growth, most strikingly in Europe. As a result corporate profits were higher than forecast by analysts as profit margins were maintained or extended. Meanwhile there was another

increase in the breadth and size of takeover activity in many markets. The brief interruptions to the upward march of share prices were shorter and shallower than in previous years.

Contributors to total return in first half of 2007

	%
Benchmark return	7.4
Asset allocation	0.7
Stock Selection	0.9
Effect of management and performance fees/other costs	(0.3)
Effect of share buy-backs	0.5
Effect of gearing*	0.9
Net asset value total return*	10.1

*Debt at market value.

Source: F&C Management Limited

Performance and Attribution

Our net asset value total return of 10.1% was ahead of the benchmark return of 7.4% and the average of the close peer group return of 8.6%. Employing borrowings in rising markets was obviously beneficial but even more helpful was the impact of concentrating all our short-term borrowings in Yen. Not only did the average interest rate remain around 0.8% but the Yen fell to a fifteen year low against sterling so giving us a double benefit. Even more pleasing was the positive contribution from stock selection, particularly a sharp turnaround in performance in North America and a very strong result in Developed Asia. Asset allocation was again successful. The decisions to remain very overweight in Emerging Markets

Weighting and stock selection in each market vs Index in period to 30 June 2007

Market	Our portfolio weighting	Benchmark weighting	Our portfolio performance in sterling	Local index performance in sterling
	%	%	%	%
UK	41.2	40.0	7.8	7.6
North America	19.9	33.0	6.8	5.1
Europe ex UK	10.9	14.6	12.7	11.4
Japan	5.6	6.5	(0.1)	0.0
Emerging Markets	11.5	3.9	13.6	14.9
Developed Asia	4.4	2.0	22.5	16.2
Private Equity	6.5	0.0	8.1	0.0

Source: F&C Management Limited

and very underweight in North America both worked out well.

Portfolio Activity

In May and June we made significant sales of quoted shares in the UK, Europe and Emerging Markets. Part of the proceeds was used to fund private equity investments and part to fund buybacks as explained below. The most significant move was to raise sufficient cash to repay all of our short term borrowings as our fund manager took a more cautious view of markets. As a result at the end of June effective gearing was 5.7% with debt at market value. Apart from a brief period at the end of 2005, this is our lowest level of gearing since 2000.

Private Equity

This time last year I reported that we were increasing our commitments to private equity

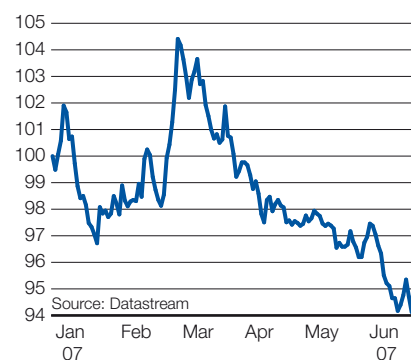
in order to reach a 10% weighting between 2009 and 2013. We have made significant progress towards this target with our exposure reaching 6.5% at 30 June after investing a net £62m in the half year. This was split between additional investments in existing funds and new investments in new funds. This has further broadened and deepened our exposure to the increasing range of opportunities in private equity globally. As a result, four of our top twenty investments are private equity funds. More importantly, our private equity portfolio produced a very pleasing absolute return, largely from increases in value from the funds we committed to at the end of 2002. We expect further progress in the rest of the year. In the long term we remain confident that private equity will continue to produce higher returns than public markets and enhance our own returns to shareholders.

Chairman's Statement (continued)

Share buybacks

We continued to buy back shares to enhance net asset value per share and maintain the discount at the same level in normal market conditions. We bought back 31,374,599 shares compared with 55,992,464 shares in the first six months of 2006. This added 0.5% per share to the net asset value of the remaining shares.

Percentage change in Yen/Sterling exchange rate (6 months to 30 June 2007)



Outlook

We reduced gearing in May in anticipation of more volatile market conditions which now seem to have arrived. In the last week of July concerns about the US sub prime mortgage market spread to other parts of the credit market. Share

prices globally fell sharply on concerns that US house prices would be weaker for longer than expected. There was also a new worry that debt fuelled takeover activity would grind to a halt, removing a significant support for share prices. A sharp reversal of the longstanding weakness of the Yen also unsettled investors.

It will not be clear for some time whether these concerns are justified. We are encouraged by the breadth and depth of global economic growth and the strength of company profits and dividends. Interest rates may have slightly further to rise in the UK, Europe and Japan but core inflation measures remain low in most countries.

We do not believe we are at the start of a new bear market but we do see market volatility remaining high. Such periods of market turbulence are also periods of great opportunity for those able to exploit them. Your company is as well placed as it has ever been to seize these opportunities for the benefit of shareholders.

Mark Loveday
August 2007

Twenty Largest Holdings

30 Jun 2007	31 Dec 2006	Company	Country	Value £'000s	% of total investments
1	(1)	BP	UK	82,387	3.1
2	(2)	Royal Dutch Shell	UK/Netherlands	81,479	3.1
3	(5)	Vodafone	UK	57,612	2.2
4	(4)	Glaxo Smithkline	UK	51,578	2.0
5	(7)	Pantheon Europe Fund III LP	USA	49,868	1.9
6	(10)	Rio Tinto	UK/Australia	46,754	1.8
7	(6)	HSBC	UK	43,621	1.7
8	(11)	Utilico	Bermuda	35,841	1.4
9	(3)	Resolution	UK	34,659	1.3
10	(8)	Scottish & Southern Energy	UK	33,431	1.3
11	(9)	Royal Bank of Scotland	UK	33,295	1.3
12	(14)	Utilico Emerging Markets	Bermuda	32,578	1.2
13	(13)	British American Tobacco	UK	29,777	1.1
14	(16)	Tesco	UK	29,516	1.1
15	(-)	Harbourvest Partners V Direct Fund LP	USA	27,263	1.0
16	(-)	Anglo American	UK	27,188	1.0
17	(12)	AstraZeneca	UK	25,759	1.0
18	(20)	Harbourvest Partners VII Buyout Fund LP	USA	25,709	1.0
19	(-)	Merrill Lynch Latin American Investment Trust	UK	22,708	0.9
20	(-)	Dover Street VI LP	USA	22,247	0.9

The value of the twenty largest holdings represents 30.3% (31 December 2006: 30.0%) of the Company's total investments. The country shown is the country of incorporation.

Unaudited Reconciliation of Movements in Shareholders' Funds

	Called-up share capital £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
Balance brought forward at 1 January 2006	206,814	55,948	2,045,443	105,796	2,414,001
Shares repurchased by the Company to 30 June 2006	(13,998)	13,998	(148,016)	–	(148,016)
Dividends paid to 30 June 2006	–	–	–	(20,382)	(20,382)
Return attributable to equity shareholders	–	–	8,322	31,079	39,401
Balance carried forward 30 June 2006	192,816	69,946	1,905,749	116,493	2,285,004
Balance brought forward at 1 January 2006	206,814	55,948	2,045,443	105,796	2,414,001
Shares repurchased by the Company to 31 December 2006	(19,320)	19,320	(205,879)	–	(205,879)
Dividends paid to 31 December 2006	–	–	–	(39,183)	(39,183)
Return attributable to equity shareholders	–	–	191,004	48,197	239,201
Balance carried forward 31 December 2006	187,494	75,268	2,030,568	114,810	2,408,140
Balance brought forward at 1 January 2007	187,494	75,268	2,030,568	114,810	2,408,140
Shares repurchased by the Company to 30 June 2007	(7,843)	7,843	(93,061)	–	(93,061)
Dividends paid to 30 June 2007	–	–	–	(21,081)	(21,081)
Return attributable to equity shareholders	–	–	187,398	27,485	214,883
Balance carried forward 30 June 2007	179,651	83,111	2,124,905	121,214	2,508,881

Unaudited Balance Sheet

Notes	30 June 07 £'000s	30 June 06 £'000s	31 Dec 06 £'000s
Fixed Assets			
Investments	2,615,606	2,464,533	2,578,696
Current assets			
Debtors	29,649	60,854	9,201
Cash at bank	–	24,491	28,153
	29,649	85,345	37,354
Creditors: amounts falling due within one year			
Bank overdraft	(14,453)	–	–
6 Foreign currency loans	–	(128,854)	(68,000)
Other	(11,346)	(25,445)	(29,335)
	(25,799)	(154,299)	(97,335)
Net current assets/(liabilities)	3,850	(68,954)	(59,981)
Total assets less current liabilities	2,619,456	2,395,579	2,518,715
Creditors: amounts falling due after more than one year			
Debentures	(110,575)	(110,575)	(110,575)
Net assets	2,508,881	2,285,004	2,408,140
Capital and reserves			
7 Called up share capital	179,651	192,816	187,494
Capital redemption reserve	83,111	69,946	75,268
Capital reserves	2,124,905	1,905,749	2,030,568
Revenue reserve	121,214	116,493	114,810
Total shareholders' funds – equity	2,508,881	2,285,004	2,408,140
9 Net asset value per share – prior charges at nominal value (pence)	349.13	296.27	321.10

Unaudited Summary Cash Flow Statement

Notes	6 months to 30 June 07 £'000s	6 months to 30 June 06 £'000s	Year ended 31 Dec 06 £'000s
10 Net cash inflow from operating activities	24,595	30,472	53,586
Interest paid	(6,849)	(7,199)	(14,868)
Total tax paid	(1,633)	(2,108)	(3,203)
Net cash inflow from purchases and sales of investments	138,686	37,487	138,020
Equity dividends paid	(21,081)	(20,382)	(39,183)
Net cash inflow before use of liquid resources and financing	133,718	38,270	134,352
(Increase) in short-term deposits	–	(8,844)	–
Net cash outflow from financing	(175,696)	(19,225)	(110,246)
(Decrease)/increase in cash	(41,978)	10,201	24,106
Reconciliation of net cash flow to movement in net debt			
Net cash movement	(41,978)	10,201	24,106
Increase in short-term deposits	–	8,844	–
Decrease in short term loans	65,112	(129,237)	(75,520)
Exchange movements	2,260	(1,561)	4,177
Movement in net debt in the period	25,394	(111,753)	(47,237)
Net debt at the beginning of the period	(150,422)	(103,185)	(103,185)
Net debt at the end of the period	(125,028)	(214,938)	(150,422)
Represented by:			
Cash at bank/(overdraft)	(14,453)	15,573	28,153
Short term deposits	–	8,918	–
Foreign currency loans	–	(128,854)	(68,000)
Debentures	(110,575)	(110,575)	(110,575)
Net debt at the end of the period	(125,028)	(214,938)	(150,422)

Unaudited Notes on the Accounts

1 Accounting policies

The interim financial statements have been prepared on the basis of the accounting policies set out in the Company's financial statements at 31 December 2006.

2 Income

	6 months to 30 June 07 £'000s	6 months to 30 June 06 £'000s	Year ended 31 Dec 06 £'000s
Income comprises			
UK dividends	19,860	21,438	36,150
UK fixed interest	92	90	182
Overseas dividends	17,592	19,252	29,173
Scrip dividends	11	83	316
Interest on cash and short-term deposits	433	352	1,052
Stock lending fees and other revenue*	142	144	350
	38,130	41,359	67,223

* F&C Management Limited received £40,000 (30 June 2006 – £48,000 and 31 December 2006 – £83,000) for managing the company's stock lending activities.

3 Fees and other expenses

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 07 £'000s	6 months to 30 June 06 £'000s	Year ended 31 Dec 06 £'000s
Fees and other expenses	11,059	3,496	13,772
Comprise:			
Allocated to Revenue Account (inclusive of irrecoverable VAT)			
– Management fees	2,358	1,958	4,059
– Other expenses	1,445	1,354	3,247
	3,803	3,312	7,306
Allocated to Capital Account (inclusive of irrecoverable VAT)			
– Management fees	2,609	2,232	4,589
– Performance fee provision/(write back)	4,610	(2,106)	1,756
– Other expenses	37	58	121
	7,256	184	6,466

4 Taxation

The taxation charge of £1,837,000 (30 June 2006 – £2,025,000 and 31 December 2006 – £3,019,000) relates to irrecoverable overseas taxation.

5 Total return

	6 months to 30 June 07 £'000s	6 months to 30 June 06 £'000s	Year ended 31 Dec 06 £'000s
Total Return	214,883	39,401	239,201
Revenue Return	27,485	31,079	48,197
Capital Return	187,398	8,322	191,004
Weighted average ordinary shares in issue	736,167,192	801,762,598	781,991,005

Unaudited Notes on the Accounts (continued)

6 Foreign currency loans

	6 months to 30 June 07	6 months to 30 June 06	Year ended 31 Dec 06
Loans	–	£129m	£68m
Comprise:			
– Euro denominated	–	€60m	–
– Japanese yen denominated	–	¥9,900m	¥9,900m
– US dollar denominated	–	US\$75m	US\$50m

7 Share capital

	Number	Authorised		Issued and fully paid	
		Nominal £'000s	Number	Nominal £'000s	Number
Equity share capital					
Ordinary shares of 25p each					
Balance at 31 December 2006	1,103,600,000	275,900	749,976,615	187,494	
Shares repurchased by the Company			(31,374,599)	(7,843)	
Balance at 30 June 2007	1,103,600,000	275,900	718,602,016	179,651	

31,374,599 ordinary shares were repurchased and cancelled during the period at a total cost of £93m. Since 30 June 2007 9,362,763 ordinary shares have been repurchased and cancelled at a total cost of £28,775,000.

8 Dividend

The final dividend of 2.85 pence in respect of the year ended 31 December 2006 was paid on 9 May 2007 to shareholders on the register at 16 March 2007. The interim dividend of 2.70 pence per ordinary share will be paid on 11 September 2007 to shareholders on the register at 10 August 2007.

The total cost of the dividend, which has not been accrued, based on 709,239,253 shares in issue, is £19,149,000 (30 June 2006 – £18,800,000 and 31 December 2006 – £21,081,000).

9 Net asset value per ordinary share

	6 months to 30 June 07	6 months to 30 June 06	Year ended 31 Dec 06
Net asset value per share (with debenture stocks at nominal value)	349.13p	296.27p	321.1p
Net assets attributable at end of period	£2,508,881,000	£2,285,004,000	£2,408,140,000
Ordinary shares of 25p each in issue at end of period*	718,602,016	771,261,686	749,976,615

Net asset value per share (with debenture stocks at market value) at 30 June 2007 was 344.5p (30 June 2006 290.75p and 31 December 2006 – 315.57p). The market value of debenture stocks at 30 June 2007 was £143,791,000 (30 June 2006 – £153,147,000 and 31 December 2006 – £152,037,000).

10 Reconciliation of revenue return before finance costs and taxation to net cash inflow from operating activities

	6 months to 30 June 07 £'000s	6 months to 30 June 06 £'000s	Year ended 31 Dec 06 £'000s
Total return before finance costs and taxation	223,462	48,668	257,194
Adjust for returns from non-operating activities:			
– Gains on investments	(194,158)	(12,338)	(199,553)
– Exchange (gains)/losses of a capital nature	(2,260)	1,561	(4,177)
– Non-operating expenses of a capital nature	37	58	121
Return from operating activities	27,081	37,949	53,585
Adjusted for non-cashflow items:			
– Exchange gains and losses of a revenue nature	27	(28)	(13)
– Decrease in accrued income	(2,803)	(3,559)	(318)
– Decrease in prepayments	58	57	13
– Increase in creditors	273	(3,759)	770
– Scrip dividends	(11)	(83)	(316)
– Effective yield adjustment	(30)	(105)	(135)
Net cash inflow from operating activities	24,595	30,472	53,586

11 Results

The results for the six months to 30 June 2007 and 30 June 2006, which are unaudited, constitute non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. The latest published accounts which have been delivered to the Registrar of Companies are for the year ended 31 December 2006; the report of the auditors thereon was unqualified and did not contain a statement under section 237 of the Companies Act 1985. The abridged financial statements shown above for the year end 31 December 2006 are an extract from those accounts.

By order of the Board
F&C Management Limited, Secretary
Exchange House
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London EC2A 2NY

1 August 2007

Our Manager, F&C, runs a number of savings products which have been set up to provide cost effective and flexible ways to invest. Details of these products are listed below. You can also buy Foreign & Colonial Investment Trust shares using a bank or stockbroker or through a telephone dealing service. The shares can also be bought on-line; the F&C website at www.fandc.com has a link to Selftrade, one of Europe's biggest on-line stockbrokers.

Gains arising from assets held in an Individual Savings Account and Child Trust Fund are exempt from tax. Interest and dividends received on assets in these savings products are free of income tax, and there are income tax savings for higher rate taxpayers.

Private Investor Plan (“PIP”)

It only costs 0.2% (plus 0.5% Government Stamp Duty) to invest in Foreign & Colonial Investment Trust via this simple savings scheme and there are no ongoing charges. You can invest from £50 each month via a Direct Debit (£25 on behalf of a child) or from £500 as a lump sum. The minimum for top-up investments is £250. Investments in the PIP can now be made on-line.

Pension Savings Plan (“PSP”)

You can maximise your tax benefits and save for your retirement using this low cost Personal Pension Plan. Contributions can be made via a minimum £1,000 lump sum or by a monthly minimum Direct Debit of £50. The minimum top-up is £500. Now that personal pensions are no longer restricted to those with earnings of their own, almost everyone under the age of 75 is eligible. This means that you can invest on behalf of non-working spouses or partners and children.

Child Trust Fund (“CTF”)

F&C has launched a CTF so that parents can invest the Government voucher issued to all children born since 1 September 2002. Parents and grandparents (or other relatives) can add contributions totalling £1,200 a year. You can invest from £25 each month via Direct Debit or from £300 for lump sums once you have invested your voucher.

Individual Savings Account (“ISA”)

You can invest up to £7,000 each year in F&C's Maxi ISA, or £4,000 in the Mini ISA – the minimum monthly Direct Debit is £50, minimum lump sum investment is £500 and the minimum top-up is £250. Investments in the ISA can be made on-line.

Personal Equity Plan (“PEP”)

Although PEPs are no longer available for new subscriptions you can transfer investments from one manager to another, subject to Inland Revenue requirements.

F&C's fixed rate charging structure provides excellent value for money as you pay one fixed annual management fee no matter how many Investment Trust PEPs or ISAs you hold with F&C.

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.

For further details on the savings schemes and application forms, please contact:

Investor Services on

0800 136 420

info@fandc.com

or Broker Support on

08457 992 299

adviser.enquiries@fandc.com

(UK calls charged at the local rate)

Fax **0131 243 1330**

You can also find more information on the website:

www.fandc.com

If you wish to write to us, the address is:

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F&C Management Limited,
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