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**Foreign & Colonial
Investment Trust PLC**

Report and accounts

for the half-year ended **30 June 2012**

About your Company

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. 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 over £2.3 billion investing in over 460 listed companies in 30 countries.

Some 108,000 shareholders, with over 90,000 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 (the “**Manager**” or “**F&C**”) under contract.

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

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

Ongoing charges

In accordance with the Association of Investment Companies’ recent guidance we have calculated our Ongoing Charges figure, which includes directly incurred costs as well as imputed costs suffered within underlying private equity and investment funds. In 2011 this was 0.92% of average net assets.

Our total expense ratio (TER) which includes all directly incurred operating expenses, was 0.57% of average net assets in 2011. These charges to investors are typically well below those for comparable unit trusts. The cumulative benefits of such low costs over many years are very significant for long-term investors.

Other advantages of an investment trust

The ability as a closed-end fund to take a long-term view and ride out difficult short-term conditions.

The flexibility to invest in a wide range of assets. Our exposure to private equity has added value for shareholders over the last three years.

The freedom to borrow money to improve returns to shareholders in rising markets.

The ability to buy back shares to enhance net asset value and reduce discount volatility. We have a buy back policy to keep the discount below 10% in normal market conditions.

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

Net asset value per share up **5.1%** to **339.37 pence**

Share price up **3.9%** to **299.7 pence**

Net asset value per share total return **6.4%**

Share price total return **5.3%**

Half-year dividend per share increased by **33%** to **4.00 pence** and move to quarterly dividend payments from February 2013

(Net asset value based on debt at market value)

Chairman's Statement

Dear Shareholder

In my statement in the annual report I expressed optimism about your Company's prospects for three reasons – positive cash flows from private equity, lower borrowing costs and rising dividend income. All of these contributed to our results for the first half.

Firstly, our private equity portfolio continued to produce a positive cash flow and an increase in value. We received net cash of £9m in the half year and thirteen of our sixteen fund holdings made distributions; the highest profile transaction was the partial disposal of Facebook. Our private equity portfolio has outperformed listed markets over the last three years and we expect to see more cash realisations at a premium to current values.

Secondly, we fixed £100m worth of borrowings in US Dollars and Japanese Yen for seven years at a blended interest rate of 3.25%. We believe this is a very attractive rate for this length of time and it compares very favourably to the dividend yield on our listed portfolio. In two and a half years time we will repay the £110m debenture which has an interest rate of 11.25%.

Thirdly, the companies in our listed portfolio continue to increase their dividends. Our revenue return per share rose by 8% after a 20% increase in 2011. We expect further dividend growth from the portfolio in the second half and into next year.

Dividend

We recently announced several important changes to our dividend policy which we believe are very good news for shareholders.

The interim dividend to be paid on 7 September will be 4.00 pence, a 33% rise on last year.

From February 2013 we will pay dividends quarterly, starting with 2.00 pence. Subject to shareholder approval at the AGM we will pay a final dividend of 2.50 pence in May 2013. The total dividend for 2012 will therefore be

Contributors to total return in first half of 2012

| | % |
|--------------------------------|------|
| Benchmark total return | 4.6 |
| Asset allocation | -0.3 |
| Stock selection | 1.4 |
| Effect of management fees | -0.2 |
| Other Expenses | -0.1 |
| Interest expense | -0.4 |
| Effect of buybacks | 0.2 |
| Change in debenture valuation | 0.2 |
| Effect of gearing | 1.0 |
| Net asset value total return* | 6.4 |
| Effect of increase in discount | -1.1 |
| Share price total return | 5.3 |

* Debt at market value.
Source: F&C Management Limited

Chairman's Statement (continued)

8.50 pence, an increase of 20% on last year and the 42nd consecutive annual increase.

For 2013 and thereafter interim dividends will be paid in August, November and February with a final dividend paid in May.

Our policy of long term growth in capital and income is unchanged. You will now receive more of your total return from predictable dividend income rather than unpredictable capital gains.

Performance

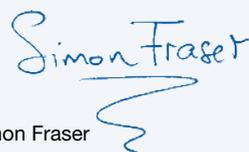
Markets rose strongly at the start of the year and then fell back on renewed concerns about the Eurozone and fresh concerns about slowing global growth, especially in China.

Our net asset value outperformed our benchmark by 1.8%. Stock selection was strong in every region of our listed portfolio with a particularly impressive performance in Europe. Asset allocation had a small negative impact because of the strength of North America relative to other areas. There was a positive contribution from gearing which was unchanged over the period.

Outlook

None of the macro economic problems of the last five years have been resolved. The recovery from the financial crisis is going to be pedestrian and prolonged. But change and innovation continue to create opportunities, the global economy is still growing and companies are generally in robust financial health.

Our job is to make the best of the market conditions to make you money. Positive cash flow from private equity and the repayment of our debenture in 2014 will help us make the most of the opportunities to continue to increase your dividend.



Simon Fraser
Chairman
27 July 2012

Weightings, stock selection and performance in each market versus Index in period to 30 June 2012

| Market | Our investment portfolio weighting % | Benchmark weighting % | Our portfolio performance in sterling % | Local index performance in sterling % |
|------------------|--------------------------------------|-----------------------|---|---------------------------------------|
| UK | 32.5 | 40.0 | 4.9 | 3.3 |
| North America | 24.4 | 33.5 | 8.6 | 7.8 |
| Europe ex UK | 9.3 | 14.7 | 7.2 | 1.9 |
| Japan | 4.4 | 5.1 | 4.4 | 2.0 |
| Emerging Markets | 10.3 | 6.7 | 4.5 | 3.3 |
| Private Equity | 19.1 | – | 4.5 | – |

Source: F&C Management Limited

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.

Twenty Largest Holdings

| 30 Jun 2012 | 31 Dec 2011 | | Value £'000s | % of total investments |
|----------------|----------------|--|-----------------|---------------------------|
| 1 | (1) | Vodafone | 58,518 | 2.5 |
| 2 | (3) | Pantheon Europe Fund V* | 57,020 | 2.5 |
| 3 | (4) | Harbourvest V Direct Fund* | 54,839 | 2.4 |
| 4 | (2) | Pantheon Europe Fund III* | 50,370 | 2.2 |
| 5 | (5) | Dover Street VII* | 46,450 | 2.0 |
| 6 | (6) | GlaxoSmithKline | 45,798 | 2.0 |
| 7 | (8) | British American Tobacco | 42,140 | 1.8 |
| 8 | (10) | HSBC | 41,129 | 1.8 |
| 9 | (7) | BP | 39,236 | 1.7 |
| 10 | (9) | Harbourvest Partners VII Buyout Fund* | 38,539 | 1.7 |

| 30 Jun 2012 | 31 Dec 2011 | | Value £'000s | % of total investments |
|----------------|----------------|--|-----------------|---------------------------|
| 11 | (12) | Dover Street VI* | 31,917 | 1.4 |
| 12 | (13) | Utilico Emerging Markets | 30,512 | 1.3 |
| 13 | (11) | Royal Dutch Shell | 29,370 | 1.3 |
| 14 | (15) | Harbourvest Partners VIII Buyout Fund* | 26,700 | 1.2 |
| 15 | (14) | Pantheon Asia Fund IV* | 25,576 | 1.1 |
| 16 | (-) | Apple | 24,723 | 1.1 |
| 17 | (19) | Scottish & Southern Energy | 23,091 | 1.0 |
| 18 | (17) | Pantheon Asia Fund V* | 22,907 | 1.0 |
| 19 | (20) | Harbourvest Partners VIII Venture Fund* | 21,924 | 1.0 |
| 20 | (18) | Pantheon Global Secondary Fund III* | 19,785 | 0.9 |

The value of the twenty largest holdings represents 31.9% (31 December 2011: 30.9%) of the Company's total investments.

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

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

Unaudited Condensed Income Statement

| Notes | 6 months to 30 June 2012 | | | 6 months to 30 June 2011 | | | Year ended 31 December 2011 | | |
|-------|--------------------------|-------------------|-----------------|--------------------------|-------------------|-----------------|-----------------------------|-------------------|------------------|
| | Revenue £'000s | Capital £'000s | Total £'000s | Revenue £'000s | Capital £'000s | Total £'000s | Revenue £'000s | Capital £'000s | Total £'000s |
| | – | 95,498 | 95,498 | – | 64,336 | 64,336 | – | (136,431) | (136,431) |
| | 18 | 1,062 | 1,080 | 61 | 407 | 468 | 28 | (5,069) | (5,041) |
| 3 | 34,256 | – | 34,256 | 32,681 | – | 32,681 | 57,783 | – | 57,783 |
| 4 | (3,389) | (2,235) | (5,624) | (3,605) | (2,349) | (5,954) | (6,920) | (4,523) | (11,443) |
| | 30,885 | 94,325 | 125,210 | 29,137 | 62,394 | 91,531 | 50,891 | (146,023) | (95,132) |
| | (4,283) | (4,283) | (8,566) | (3,817) | (3,817) | (7,634) | (7,960) | (7,960) | (15,920) |
| | 26,602 | 90,042 | 116,644 | 25,320 | 58,577 | 83,897 | 42,931 | (153,983) | (111,052) |
| 5 | (1,648) | – | (1,648) | (1,595) | (137) | (1,732) | (2,661) | (137) | (2,798) |
| 6 | 24,954 | 90,042 | 114,996 | 23,725 | 58,440 | 82,165 | 40,270 | (154,120) | (113,850) |
| 6 | 4.26 | 15.37 | 19.63 | 3.94 | 9.70 | 13.64 | 6.74 | (25.80) | (19.06) |

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

| | Share capital £'000s | Capital redemption reserve £'000s | Capital reserves £'000s | Revenue reserve £'000s | Total shareholders' funds £'000s |
|---|----------------------------|--|-------------------------------|------------------------------|---|
| Half-year ended 30 June 2012 | | | | | |
| Balance brought forward 31 December 2011 | 147,584 | 115,178 | 1,554,305 | 110,825 | 1,927,892 |
| Shares repurchased by the Company | (2,438) | 2,438 | (29,877) | – | (29,877) |
| Dividends paid | – | – | – | (23,947) | (23,947) |
| Return attributable to shareholders | – | – | 90,042 | 24,954 | 114,996 |
| Balance carried forward 30 June 2012 | 145,146 | 117,616 | 1,614,470 | 111,832 | 1,989,064 |
| Half-year ended 30 June 2011 | | | | | |
| Balance brought forward 31 December 2010 | 152,530 | 110,232 | 1,769,398 | 110,850 | 2,143,010 |
| Shares repurchased by the Company | (3,662) | 3,662 | (45,893) | – | (45,893) |
| Dividends paid | – | – | – | (22,480) | (22,480) |
| Return attributable to shareholders | – | – | 58,440 | 23,725 | 82,165 |
| Balance carried forward 30 June 2011 | 148,868 | 113,894 | 1,781,945 | 112,095 | 2,156,802 |
| Year ended 31 December 2011 | | | | | |
| Balance brought forward 31 December 2010 | 152,530 | 110,232 | 1,769,398 | 110,850 | 2,143,010 |
| Shares repurchased by the Company | (4,946) | 4,946 | (60,973) | – | (60,973) |
| Dividends paid | – | – | – | (40,295) | (40,295) |
| Return attributable to shareholders | – | – | (154,120) | 40,270 | (113,850) |
| Balance carried forward 31 December 2011 | 147,584 | 115,178 | 1,554,305 | 110,825 | 1,927,892 |

Unaudited Condensed Balance Sheet

| Notes | 30 June 2012 £'000s | 30 June 2011 £'000s | 31 Dec 2011 £'000s |
|--|---------------------------|---------------------------|--------------------------|
| Fixed Assets | | | |
| Investments | 2,297,140 | 2,447,359 | 2,228,118 |
| Current assets | | | |
| Debtors | 16,682 | 11,620 | 5,881 |
| Cash at bank and short term deposits | 19,914 | – | – |
| | 36,596 | 11,620 | 5,881 |
| Creditors: amounts falling due within one year | | | |
| 7 Loans | (125,000) | (100,430) | (175,501) |
| 8 Other | (5,353) | (91,172) | (20,031) |
| | (130,353) | (191,602) | (195,532) |
| Net current liabilities | (93,757) | (179,982) | (189,651) |
| Total assets less current liabilities | 2,203,383 | 2,267,377 | 2,038,467 |
| Creditors: amounts falling due after more than one year | | | |
| 7 Loans | (103,744) | – | – |
| Debentures | (110,575) | (110,575) | (110,575) |
| Net assets | 1,989,064 | 2,156,802 | 1,927,892 |
| Capital and reserves | | | |
| 9 Share capital | 145,146 | 148,868 | 147,584 |
| Capital redemption reserve | 117,616 | 113,894 | 115,178 |
| Capital reserves | 1,614,470 | 1,781,945 | 1,554,305 |
| Revenue reserve | 111,832 | 112,095 | 110,825 |
| Total shareholders' funds | 1,989,064 | 2,156,802 | 1,927,892 |
| 11 Net asset value per share – prior charges at nominal value (pence) | 342.60 | 362.20 | 326.57 |

Unaudited Condensed Cash Flow Statement

| Notes | 6 months to 30 June 2012 £'000s | 6 months to 30 June 2011 £'000s | Year ended 31 Dec 2011 £'000s |
|---|--|--|--|
| 12 Net cash inflow from operating activities | 25,318 | 23,661 | 43,347 |
| Interest paid and similar charges | (8,774) | (7,385) | (15,764) |
| Net cash inflow from financial investment | 19,468 | 43,219 | 58,094 |
| Equity dividends paid | (23,947) | (22,480) | (40,295) |
| Net cash inflow before use of liquid resources and financing | 12,065 | 37,015 | 45,382 |
| Net cash inflow/(outflow) from financing | 24,399 | (44,635) | 10,651 |
| Increase/(decrease) in cash | 36,464 | (7,620) | 56,033 |
| Reconciliation of net cash movement to movement in net debt | | | |
| Net cash movement | 36,464 | (7,620) | 56,033 |
| Increase in loans | (52,939) | (1,560) | (72,718) |
| Exchange movements | 1,062 | 407 | (5,069) |
| Movement in net debt in the period | (15,413) | (8,773) | (21,754) |
| Net debt brought forward | (303,992) | (282,238) | (282,238) |
| Net debt carried forward | (319,405) | (291,011) | (303,992) |
| Represented by: | | | |
| Cash at bank/(overdrafts) | 7,254 | (80,006) | (17,916) |
| Short term deposits | 12,660 | – | – |
| Loans | (228,744) | (100,430) | (175,501) |
| Debentures | (110,575) | (110,575) | (110,575) |
| Net debt carried forward | (319,405) | (291,011) | (303,992) |

Unaudited Notes on the Condensed Accounts

1 Results

The results for the six months to 30 June 2012 and 30 June 2011, which have been reviewed by our independent accountants PricewaterhouseCoopers LLP, 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 2011; 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 2011 are an extract from those accounts.

2 Accounting policies

These condensed half-year financial statements for the six months ended 30 June 2012 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 2011, 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 2012 £'000s | 6 months to 30 June 2011 £'000s | Year ended 31 Dec 2011 £'000s |
|--|---------------------------------------|---------------------------------------|-------------------------------------|
| Income comprises: | | | |
| UK dividends | 16,514 | 16,077 | 29,505 |
| Overseas dividends | 16,652 | 16,337 | 27,415 |
| Scrip dividends | – | – | 150 |
| Stock lending fees | 183 | 259 | 469 |
| Derivative income | 732 | – | 234 |
| Interest on cash and short-term deposits | 81 | 2 | 4 |
| Underwriting Commission | 94 | 6 | 6 |
| | 34,256 | 32,681 | 57,783 |

4 Fees and other expenses

| | 6 months to 30 June 2012 £'000s | 6 months to 30 June 2011 £'000s | Year ended 31 Dec 2011 £'000s |
|--|---------------------------------------|---------------------------------------|-------------------------------------|
| Fees and other expenses | 5,624 | 5,954 | 11,443 |
| Comprise: | | | |
| Allocated to Revenue Account | | | |
| – Management fees payable directly to F&C* | 1,900 | 1,986 | 3,809 |
| – Other expenses | 1,489 | 1,619 | 3,111 |
| | 3,389 | 3,605 | 6,920 |
| Allocated to Capital Account | | | |
| – Management fees payable directly to F&C* | 1,900 | 1,986 | 3,808 |
| – Management fees payable directly to Private Equity Managers | 308 | 319 | 643 |
| – Other expenses | 27 | 44 | 72 |
| | 2,235 | 2,349 | 4,523 |

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

The Managers remuneration fee is 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 2011. 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 £1,648,000 (30 June 2011 – £1,732,000 and 31 December 2011 – £2,798,000) relates to irrecoverable overseas taxation.

Unaudited Notes on the 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 2012 | 6 months to 30 June 2011 | Year ended 31 Dec 2011 |
|---|-------------------------------------|-----------------------------|---------------------------|
| | £'000s | £'000s | £'000s |
| Total Return | 114,996 | 82,165 | (113,850) |
| Revenue Return | 24,954 | 23,725 | 40,270 |
| Capital Return | 90,042 | 58,440 | (154,120) |
| Weighted average ordinary shares in issue | 585,669,574 | 602,218,690 | 597,460,093 |

| | 6 months to 30 June 2012 | 6 months to 30 June 2011 | Year ended 31 Dec 2011 |
|----------------|-------------------------------------|-----------------------------|---------------------------|
| | pence | pence | pence |
| Total Return | 19.63 | 13.64 | (19.06) |
| Revenue Return | 4.26 | 3.94 | 6.74 |
| Capital Return | 15.37 | 9.70 | (25.80) |

7 Loans

| | 30 June 2012 | 30 June 2011 | 31 Dec 2011 |
|--|---------------------|--------------|-------------|
| | £'000s | £'000s | £'000s |
| Loans falling due within one year | 125,000 | 100,430 | 175,501 |
| Loans falling due after more than one year | 103,744 | – | – |
| | 228,744 | 100,430 | 175,501 |

Comprise:

| | | | |
|--|----------------|---------|---------|
| – Sterling denominated falling due within one year | £125m | £50m | £125m |
| – Yen denominated falling due within one year | – | ¥6.54bn | ¥6.04bn |
| – US dollar denominated falling due after one year | \$80m | – | – |
| – Yen denominated falling due after one year | ¥6.60bn | – | – |

8 Other creditors falling due within one year

| | 30 June 2012 | 30 June 2011 | 31 Dec 2011 |
|-------------------------------------|---------------------|--------------|-------------|
| | £'000s | £'000s | £'000s |
| Cost of ordinary shares repurchased | 1,345 | 796 | 7 |
| Investment creditors | 1,455 | 8,252 | 239 |
| Bank overdraft | – | 80,006 | 17,916 |
| Management fees payable to F&C | 758 | 811 | 746 |
| Other accrued expenses | 1,795 | 1,307 | 1,123 |
| | 5,353 | 91,172 | 20,031 |

9 Share capital

| | Authorised Number | Nominal £'000s | Issued and fully paid Number | Nominal £'000s |
|-----------------------------------|----------------------|-------------------|---------------------------------|-------------------|
| Ordinary shares of 25p each | | | | |
| Balance at 31 December 2011 | 1,103,600,000 | 275,900 | 590,337,016 | 147,584 |
| Shares repurchased by the Company | – | – | (9,753,000) | (2,438) |
| Balance at 30 June 2012 | 1,103,600,000 | 275,900 | 580,584,016 | 145,146 |

9,753,000 ordinary shares were repurchased and cancelled during the period at a total cost of £29,877,000. Since 30 June 2012 a further 790,000 ordinary shares have been repurchased at a cost of £2,415,000.

Unaudited Notes on the Accounts (continued)

10 Dividend

The final dividend of 4.10p in respect of the year ended 31 December 2011 was paid on 11 May 2012 to all shareholders on the register at close of business on 13 April 2012. The half-year dividend of 4.00p per ordinary share will be paid on 7 September 2012 to shareholders on the register on 10 August 2012.

The total cost of the half-year dividend, which has not been accrued, based on 579,794,016 shares in issue, is £23,192,000 (30 June 2011 half-year dividend – £17,815,000 and 31 December 2011 final dividend – £23,947,000).

11 Net asset value per ordinary share

| | 30 June 2012 | 30 June 2011 | 31 Dec 2011 |
|--|--------------------|--------------|-------------|
| Net asset value per share | | | |
| (with debenture stocks at nominal value) | 342.60p | 362.20p | 326.57p |
| Net assets attributable at end of period – £'000s | 1,989,064 | 2,156,802 | 1,927,892 |
| Ordinary shares of 25p each in issue at end of period – number | 580,584,016 | 595,472,016 | 590,337,016 |

Net asset value per share (with debenture stocks at market value) at 30 June 2012 was 339.37p (30 June 2011 – 358.25p and 31 December 2011 – 322.86p). The market value of debenture stocks at 30 June 2012 was £129,304,000 (30 June 2011 – £134,094,000 and 31 December 2011 – £132,513,000).

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

| | 6 months to 30 June 2012 £'000s | 6 months to 30 June 2011 £'000s | Year ended 31 Dec 2011 £'000s |
|---|---------------------------------------|---------------------------------------|-------------------------------------|
| Total return before finance costs and taxation | 125,210 | 91,531 | (95,132) |
| Adjust for returns from non-operating activities: | | | |
| – (Gains)/losses on investments | (95,498) | (64,336) | 136,431 |
| – Exchange (gains)/losses of a capital nature | (1,062) | (407) | 5,069 |
| – Non-operating expenses of a capital nature | 27 | 44 | 72 |
| Return from operating activities | 28,677 | 26,832 | 46,440 |
| Adjusted for non-cash flow items: | | | |
| – Exchange gains of a revenue nature | (18) | (61) | (28) |
| – Increase in accrued income | (1,823) | (1,460) | (119) |
| – Decrease in prepayments | 43 | 213 | 148 |
| – Increase/(decrease) in creditors | 172 | (172) | (317) |
| – Scrip dividends | – | – | (150) |
| – Overseas taxation | (1,733) | (1,691) | (2,627) |
| Net cash inflow from operating activities | 25,318 | 23,661 | 43,347 |

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

27 July 2012

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 business review in the Company's annual report for the year ended 31 December 2011 and have not changed materially since the date of that report.

The risks include: having an inappropriate objective and strategy in relation to investor demands in a rapidly changing financial services and savings market; any failure on the part of

the Manager to continue operating 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 service providers, most notably the change of administrator of the F&C savings plans. Arrangements are in place to mitigate other more general risks including those relating to safe custody of assets and counterparty 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; 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
27 July 2012

Independent Review Report to Foreign & Colonial Investment Trust PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012, which comprises the income statement, the balance sheet, the cash flow statement, the reconciliation of movements in shareholders' funds and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the Statement "Half-yearly financial reports" issued by the UK Accounting Standards Board.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with the Statement "Half-yearly financial reports" issued by the UK Accounting Standards Board and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
27 July 2012
London

Note: The maintenance and integrity of Foreign & Colonial Investment Trust PLC's website is the responsibility of the directors; the work carried out by PricewaterhouseCoopers LLP does not involve consideration of these matters and, accordingly, PricewaterhouseCoopers LLP accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

How to invest

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

F&C Private Investor Plan

A flexible, low cost 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 (£11,280 for the 2012/13 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")

The CTF is a long-term tax-free savings account for eligible children born between 1 September 2002 and 2 January 2011, using the government's CTF voucher. If your child has a CTF with another provider, you can switch it to F&C – this is simple and straight forward. The maximum that can be invested annually is £3,600 and you can invest from as little as £25 a month.

F&C Children's Investment Plan

Aimed at children ineligible for a CTF, or if you need access to the funds before the child is 18. This flexible plan can easily be written under trust to help reduce inheritance tax liability. 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.

F&C Junior ISA ('JISA')

This is a tax-efficient saving plan for children who did not qualify for a CTF. It allows you to invest up to £3,600 each year, with all the tax benefits of the old CTF that it replaces. 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.

How to invest

You can invest in all our savings plans online, except for the CTF. It's simple to register and invest using your debit card. Alternatively, please contact us for application forms.

New Customers:

Contact our Investor Services Team

Call: **0800 136 420***

Email: **info@fandc.com**

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

Existing Plan Holders:

Contact our Investor Services Team

Call: **0845 600 3030***

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

By post: **F&C Plan Administration Centre**
PO Box 11114
Chelmsford
CM99 2DG

*9:00am – 5:00pm, weekdays, call may be recorded.

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.*

The above has been approved by F&C Management Limited which is a member of the F&C Asset Management Group and is authorised and regulated in the UK by the Financial Services Authority.

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