

Foreign & Colonial Investment Trust PLC

REPORT AND ACCOUNTS FOR
THE HALF-YEAR ENDED 30 JUNE 2018

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Foreign & Colonial Investment Trust PLC

REPORT AND ACCOUNTS FOR
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Company Overview

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, F&C Investment Trust 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, F&C Investment Trust aims to be at the centre of an investor's portfolio.

F&C Investment Trust 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.

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.

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 dividends 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 2018

8.0%

Our share price was 693.0 pence representing a total return⁽¹⁾ of 8.0%

3.7%

Our net asset value total return^{(1), (2)} was 3.7% which compares with 2.1% from our benchmark, the FTSE All-World Index

0.2%

Our share price discount* to NAV narrowed to just 0.2%; the lowest discount level for over twenty years

The first interim dividend will be 2.7 pence per share while another above-inflation rise is planned for the 2018 total dividend. This will mark the 48th 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*

*See full details of the explanation and calculation of Alternative Performance Measures in the Report and Accounts as at 31 December 2017

Chairman's Statement

Markets and performance

In our 150th year I am pleased to report further outperformance. Our shareholder and Net Asset Value ("NAV") returns exceeded the benchmark: total shareholder return was 8.0% and NAV return 3.7% versus 2.1% from the benchmark FTSE All-World Index. Our share price discount to NAV narrowed to just 0.2% over the first half, the lowest discount level for over twenty years. This starts to meet our long-held aspiration of seeing the Company's shares trading at or close to NAV. There were no buybacks in the period. Year on year, the share price total return was 20.3%.

While positive corporate earnings and a generally robust global economy supported sentiment for much of the period, rising US inflation and worries over Federal Reserve rate tightening weighed on global equity markets as the period progressed. There were also increasing worries about the prospect of a full-blown trade war, especially after the Trump administration unveiled planned tariffs of a variety of foreign imports. The threat of retaliation from China and other nations prompted fears of escalation, with negative repercussions for the global economy and corporate earnings.

With regard to earnings, the US again led globally, with upgrades to expectations helping to drive returns. Indeed, optimism over the outlook took equity markets markedly higher in the early part of the period with accelerating gains driving the US and UK indices to new record highs before a reappraisal of prospects led to a tempering

of enthusiasm and, following a sharp setback, more modest returns.

It was, once again, the so-called 'disruptors' which produced a large portion of market gains. Amazon, for example, posted spectacular gains of over 45% in the first six months of the year, closing the gap on Apple in the race to be the first US company to reach a value of \$1 trillion. Gains in these growth stocks, the key drivers of this long bull market, were supplemented by strong returns from oil companies as the crude price rallied in response to renewed sanctions on Iran and concerns over a reduction in supply. By contrast, it was a poor period for performance of banks, with European exposure particularly weak as disappointing economic data, concerns relating to Italian politics and ongoing woes of Deutsche Bank (not held by the portfolio but down by over 40%) weighed on sentiment.

Within our portfolio North American strategies produced the strongest returns in both absolute

Contributors to total return in first half of 2018

	%
Portfolio return	3.7
Management fees	(0.2)
Interest and other expenses	(0.1)
Buybacks	–
Change in value of debt	–
Gearing	0.3
Net asset value total return*	3.7
Decrease in discount	4.3
Share price total return	8.0
FTSE All World Total Return	2.1

*Debt at market value
Source: F&C

Chairman's Statement

and relative terms. Gains from US growth stocks, of 14.9%, led to a return of 8.8% from this region. Only our private equity holdings, posting returns of 9.6% in the first half, exceeded this regional gain. Both these areas benefited from a modest decline in sterling versus the US dollar which, after early gains, fell back as sentiment on the ongoing Brexit negotiations continued to weigh.

Other areas of the portfolio generally exceeded market comparators but produced more muted returns. Our European exposure eked out a gain of 0.3%, ahead of market losses there while our UK exposure produced a return of 3.2%, ahead of the 1.6% gain from the market. Elsewhere, our Global Strategies outperformed, buoyed by a 6.4% gain from Small Cap exposure while Emerging Markets lagged developed market returns, suffering from strength in the US dollar, rising US interest rates and concerns over trade. Our exposure here declined by 3.3%, falling by less than market comparators. Japan lagged market returns and also declined in value by 2.2% over the period.

Globally, interest rates now appear to be on a rising path with the US Federal Reserve hiking to 2% and the European Central Bank indicating their intention to cap their bond-buying programme by year-end. Even in the UK, which has seen a marked slowdown in growth and some rise in inflation, the Bank appears more balanced with regards to their intentions on future rates rises. Against this backdrop, we took advantage of attractive borrowing rates to secure a 30 year private placement, borrowing £75m at a rate of 2.92%. Our gearing level rose modestly to end the period at 6.8%.

Income and Dividends

Our net revenue return per share rose 7.5%, to 7.78p, in the first six months of the year on the equivalent period of 2017. We benefited from a rise in special dividends, which rose to £3.9m, from £2.1m in the comparative period of 2017.

We paid a third interim dividend of 2.7p per share for the year ended 31 December 2017 in February 2018 and a final dividend of 2.7p in May. The first interim dividend of 2.7p for 2018 will be paid on 1 August. It is the intention of the Board to deliver another real rise in dividends for 2018. This will mark the forty-eighth consecutive rise in annual dividends from your Company.

150th Anniversary and beyond

Your Company celebrated its 150th anniversary in March of this year. A key feature of its success over time has been its steadfast focus on the longer term.

To ensure this milestone is celebrated in keeping with these values and in a meaningful way for all shareholders, we have taken the opportunity to undertake a wide range of activities designed to strengthen its position in the future financial landscape. These include financial education across schools and universities as we reach out to the next generation of investors.

Change of Name and branding of the savings plans

Following shareholder approval in April, the Directors will change the legal name of your Company to "F&C Investment Trust PLC" later in the year. In deciding on this change, and in keeping with our focus on the future,

Chairman's Statement

we took into consideration its identification and ease of access on platforms and other digital media.

Our Fund Manager, F&C Asset Management, recently announced their intention to transition their remaining F&C branded products and funds to their parent company brand later in the year; that is to say, to the "BMO" (Bank of Montreal) brand that has appeared on much of their literature over the past three years. Their savings plans, through which many of our shareholders invest, will also align to the BMO brand.

Outlook

Our current assessment is that, while risks and concerns over issues such as trade and the impact of rising interest rates abound, the fundamental backdrop remains broadly supportive for equity investment. Selectivity

within our strategies will again be needed and it will remain important to adopt a diversified approach as risks rise. Over the longer term our strategies are typically focused on businesses with sustainable business franchises supported by strong cash flow generation and attractive valuations against growth prospects. This selective approach should continue to offer attractive returns against other assets, where valuations appear particularly extended. Your Company remains well positioned to withstand any short-term volatility and to continue to deliver long-term growth in capital and income.



Simon Fraser
Chairman
27 July 2018

Weightings, stock selection and performance in each investment portfolio strategy and underlying geographic exposure versus index as at 30 June 2018

Investment portfolio strategy	Our portfolio strategy weighting %	Underlying geographic exposure* %	Benchmark weighting %	Our strategy performance in sterling %	Index performance in sterling %
UK	3.8	6.5	6.0	3.2	1.6
North America	36.0	50.1	55.4	8.8	5.1
Europe ex UK	12.2	18.4	14.6	0.3	(1.0)
Japan	8.1	9.8	8.4	(2.2)	0.5
Emerging Markets	10.5	12.7	11.5	(3.3)	(4.4)
Developed Pacific		2.6	4.1		0.5
Global Strategies	22.7			2.9	2.1
Private Equity	6.7			9.6	

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

Twenty Largest Holdings

30 Jun 2018	31 Dec 2017		Value £'000s	% of total investments
1	(1)	Amazon.com	81,874	2.0
2	(2)	Microsoft	54,989	1.4
3	(3)	Alphabet	44,848	1.1
4	(4)	Unitedhealth	43,052	1.1
5	(5)	Facebook	42,036	1.0
6	(8)	Anthem	40,061	1.0
7	(18)	Booking Holdings*	30,671	0.8
8	(10)	JPMorgan Chase	28,954	0.7
9	(6)	Utilico Emerging Markets	28,467	0.7
10	(14)	Alibaba	27,706	0.7

The value of the twenty largest listed securities represents 17.0% (31 December 2017: 16.2%) of the Company's total investments. The figures in brackets denote the position at the previous year end.

*Previously called Priceline

30 Jun 2018	31 Dec 2017		Value £'000s	% of total investments
11	(21)	Pfizer	27,067	0.7
12	(16)	Artemis US Extended Alpha Fund	26,867	0.7
13	(9)	BP	26,845	0.7
14	(13)	Citigroup	26,175	0.7
15	(19)	Intesa Sanpaolo	26,021	0.7
16	(22)	Lowe	25,674	0.6
17	(23)	Visa	25,586	0.6
18	(25)	Chevron	25,359	0.6
19	(37)	Boeing	25,340	0.6
20	(32)	Syncona	25,337	0.6

Unaudited Condensed Income Statement

Notes	6 months to 30 June 2018			6 months to 30 June 2017			Year ended 31 December 2017		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
	–	99,822	99,822	–	254,320	254,320	–	486,348	486,348
	(77)	(1,409)	(1,486)	69	389	458	(95)	3,328	3,233
3	51,851	–	51,851	47,821	–	47,821	78,765	–	78,765
4	(4,280)	(6,241)	(10,521)	(3,265)	(5,411)	(8,676)	(6,862)	(11,366)	(18,228)
	47,494	92,172	139,666	44,625	249,298	293,923	71,808	478,310	550,118
4	(1,004)	(3,011)	(4,015)	(899)	(2,698)	(3,597)	(1,858)	(5,574)	(7,432)
	46,490	89,161	135,651	43,726	246,600	290,326	69,950	472,736	542,686
5	(4,333)	–	(4,333)	(4,282)	(160)	(4,442)	(6,464)	(713)	(7,177)
6	42,157	89,161	131,318	39,444	246,440	285,884	63,486	472,023	535,509
6	7.78	16.44	24.22	7.24	45.22	52.46	11.67	86.79	98.46

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 2018					
Balance brought forward 31 December 2017	140,455	122,307	3,313,941	91,320	3,668,023
Movements during the half-year ended 30 June 2018					
7 Dividends paid	–	–	–	(29,278)	(29,278)
Return attributable to shareholders	–	–	89,161	42,157	131,318
Balance carried forward 30 June 2018	140,455	122,307	3,403,102	104,199	3,770,063
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)
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
Year ended 31 December 2017					
Balance brought forward 31 December 2016	140,455	122,307	2,867,579	83,094	3,213,435
Movements during the year ended 31 December 2017					
7 Dividends paid	–	–	–	(55,260)	(55,260)
Shares repurchased by the Company and held in Treasury	–	–	(25,661)	–	(25,661)
Return attributable to shareholders	–	–	472,023	63,486	535,509
Balance carried forward 31 December 2017	140,455	122,307	3,313,941	91,320	3,668,023

Unaudited Balance Sheet

Notes	30 June 2018 £'000s	30 June 2017 £'000s	31 Dec 2017 £'000s
Fixed Assets			
8 Investments	4,020,017	3,671,152	3,926,558
Current assets			
Debtors	25,078	14,811	12,663
Cash and cash equivalents	73,172	21,513	31,136
	98,250	36,324	43,799
Creditors: amounts falling due within one year			
9 Loans	(20,000)	–	(50,000)
10 Other	(8,230)	(9,098)	(10,397)
	(28,230)	(9,098)	(60,397)
Net current assets/(liabilities)	70,020	27,226	(16,598)
Total assets less current assets	4,090,037	3,698,378	3,909,960
Creditors: amounts falling due after more than one year			
9 Loans	(319,399)	(245,029)	(241,362)
9 Debenture	(575)	(575)	(575)
	(319,974)	(245,604)	(241,937)
Net assets	3,770,063	3,452,774	3,668,023
Capital and reserves			
11 Share capital	140,455	140,455	140,455
Capital redemption reserve	122,307	122,307	122,307
Capital reserves	3,403,102	3,095,582	3,313,941
Revenue reserve	104,199	94,430	91,320
12 Total shareholders' funds	3,770,063	3,452,774	3,668,023
12 Net asset value per ordinary share			
– prior charges at nominal value (pence)	695.35	635.47	676.53

Unaudited Condensed Statement of Cash Flows

Notes	6 months to 30 June 2018 £'000s	6 months to 30 June 2017 £'000s	Year ended 31 Dec 2017 £'000s
13 Cash flows from operating activities before dividends received and interest paid	(14,140)	(13,791)	(26,226)
Dividends received	49,843	45,980	77,631
Interest paid	(3,848)	(3,577)	(7,344)
Cash flows from operating activities	31,855	28,612	44,061
Investing activities			
Purchases of Investments	(707,605)	(617,108)	(1,390,393)
Sales of Investments	700,739	631,180	1,384,673
Other capital charges and credits	(34)	(29)	(55)
Cash flows from investing activities	(6,900)	14,043	(5,775)
Cash flows before financing activities	24,955	42,655	38,286
Financing activities			
Equity dividends paid	(29,278)	(28,108)	(55,260)
Repayment of loans	(30,000)	(20,000)	–
Drawdown of loans	75,000	20,000	50,000
Cash flow from share buybacks for treasury shares	(194)	(17,989)	(25,952)
Cash flows from financing activities	15,528	(46,097)	(31,212)
Net increase/(decrease) in cash and cash equivalents	40,483	(3,442)	7,074
Cash and cash equivalents at the beginning of the period	31,136	26,463	26,463
Effect of movement in foreign exchange	1,553	(1,508)	(2,401)
Cash and cash equivalents at the end of the period	73,172	21,513	31,136
Represented by:			
Cash at bank	5,103	3,226	3,461
Short term deposits	68,069	18,287	27,675
Cash and cash equivalents at the end of the period	73,172	21,513	31,136

Unaudited Notes on the Condensed Accounts

1 Results

The results for the six months to 30 June 2018 and 30 June 2017 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 2017; 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 2017 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, FRS 102, Interim Financial Reporting (FRS 104) and the revised Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (SORP), issued by the AIC in November 2014 and updated in February 2018.

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 2017.

3 Income

	6 months to 30 June 2018 £'000s	6 months to 30 June 2017 £'000s	Year ended 31 Dec 2017 £'000s
Income comprises:			
UK dividends	6,013	6,795	12,601
Overseas dividends	45,360	40,618	65,333
Rebate on management fees	289	327	623
Interest on short-term deposits and withholding tax reclaims	184	81	208
Underwriting commission	5	–	–
Income	51,851	47,821	78,765

4 Fees and other expenses and interest payable and similar charges

	6 months to 30 June 2018 £'000s	6 months to 30 June 2017 £'000s	Year ended 31 Dec 2017 £'000s
Fees and other expenses	10,521	8,676	18,228
Interest payable and similar charges	4,015	3,597	7,432
Total	14,536	12,273	25,660
Fees and other expenses comprise:			
Allocated to Revenue Account			
– Management fees payable directly to the Manager*	2,073	1,795	3,768
– Other expenses	2,207	1,470	3,094
	4,280	3,265	6,862
Allocated to Capital Account			
– Management fees payable directly to the Manager*	6,220	5,384	11,305
– Other expenses	21	27	61
	6,241	5,411	11,366
Interest payable and similar charges comprise:			
Allocated to Revenue Account	1,004	899	1,858
Allocated to Capital Account	3,011	2,698	5,574

*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 2017. 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 £4,333,000 (30 June 2017: £4,442,000 and 31 December 2017: £7,177,000) 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 2018 £'000s	6 months to 30 June 2017 £'000s	Year ended 31 Dec 2017 £'000s
Revenue return	42,157	39,444	63,486
Capital return	89,161	246,440	472,023
Total return	131,318	285,884	535,509
Weighted average ordinary shares in issue, excluding treasury shares (see note 11)	542,180,712	544,952,303	543,844,221
	6 months to 30 June 2018 pence	6 months to 30 June 2017 pence	Year ended 31 Dec 2017 pence
Revenue return	7.78	7.24	11.67
Capital return	16.44	45.22	86.79
Total return	24.22	52.46	98.46

7 Dividends

Dividends paid and payable on ordinary shares	Register date	Payment date	6 months to 30 June 2018 £'000s	6 months to 30 June 2017 £'000s	Year ended 31 Dec 2017 £'000s
2016 Third interim of 2.45p	6-Jan-2017	1-Feb-2017	–	13,390	13,390
2016 Final of 2.70p	31-Mar-2017	2-May-2017	–	14,718	14,718
2017 First interim of 2.50p	7-Jul-2017	1-Aug-2017	–	–	13,583
2017 Second interim of 2.50p	29-Sep-2017	1-Nov-2017	–	–	13,569
2017 Third interim of 2.70p	5-Jan-2018	1-Feb-2018	14,639	–	–
2017 Final of 2.70p	3-Apr-2018	1-May-2018	14,639	–	–
			29,278	28,108	55,260

The Directors have declared a first interim dividend in respect of the year ending 31 December 2018 of 2.70p per share, payable on 1 August 2018 to all shareholders on the register at close of business on 6 July 2018. The amount of this dividend will be £14,639,000 based on 542,180,712 shares in issue at 5 July 2018. This amount has not been accrued in the results for the half-year ended 30 June 2018.

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 2018 £'000s	As at 30 June 2017 £'000s	As at 31 Dec 2017 £'000s
Level 1	3,772,792	3,416,934	3,699,872
Level 3	247,225	254,218	226,686
Total valuation of investments	4,020,017	3,671,152	3,926,558

There were no derivative investments held in the period (half-year ended 30 June 2017 and year ended 31 December 2017: 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 2018 £'000s	30 June 2017 £'000s	31 Dec 2017 £'000s
Loans falling due within one year	20,000	–	50,000
Loans falling due after more than one year	319,399	245,029	241,362
Debenture falling due after more than one year	575	575	575
Comprising:			
Sterling denominated loan, falling due within one year	£20m	–	£50m
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	£150m	£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 2018 £'000s	30 June 2017 £'000s	31 Dec 2017 £'000s
Cost of ordinary shares repurchased	–	933	194
Investment creditors	4,689	5,071	6,820
Management fees payable to F&C	1,842	1,544	1,734
Other accrued expenses	1,699	1,550	1,649
	8,230	9,098	10,397

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 2017 and 30 June 2018	19,638,304	542,180,712	561,819,016	140,455

No shares were repurchased either during the period or since 30 June 2018 up to 27 July 2018. 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 2018	30 June 2017	31 Dec 2017
Net asset value per share – pence	695.35	635.47	676.53
Net assets attributable at end of period – £'000s	3,770,063	3,452,774	3,668,023
Ordinary shares of 25p in issue at end of period excluding shares held in treasury – number	542,180,712	543,339,388	542,180,712

Net asset value per share (with debenture stock and long-term loans at market value) at 30 June 2018 was 694.34p (30 June 2017: 634.88p and 31 December 2017: 675.78p). The market value of debenture stock at 30 June 2018 was £429,000 (30 June 2017 and 31 December 2017: £429,000). The market value of the long-term loans at 30 June 2018 was £325,012,000 (30 June 2017: £248,382,000 and 31 December 2017: £245,595,000) 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 2018 £'000s	6 months to 30 June 2017 £'000s	Year ended 31 Dec 2017 £'000s
Net return on ordinary activities before taxation	135,651	290,326	542,686
Adjust for non-cash flow items, dividend income and interest expense:			
Gains on Investments	(99,822)	(254,320)	(486,348)
Exchange losses/(gains)	1,486	(458)	(3,233)
Non-operating expenses of a capital nature	21	27	61
Decrease/(increase) in other debtors	762	44	(793)
Decrease in creditors	(50)	(466)	(201)
Dividends receivable	(51,373)	(47,413)	(77,934)
Interest payable	4,015	3,597	7,432
Tax on overseas income and Indian Capital Gains Tax	(4,830)	(5,128)	(7,896)
	(149,791)	(304,117)	(568,912)
Cash flows from operating activities (before dividends received and interest paid)	(14,140)	(13,791)	(26,226)

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.

By order of the Board
F&C Investment Business Limited, Secretary
Exchange House
Primrose Street
London EC2A 2NY
27 July 2018

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 2017 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. During the period the Company put in place the necessary steps to comply with the General Data Protection Regulation ("GDPR").

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; and
- 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
27 July 2018

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 2018/19 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 £4,260 for the tax year 2018/19 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 £4,260 for the 2018/19 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.

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 ensure you have read the full Terms and Conditions, Privacy Policy and relevant Key Features documents before investing. For regulatory purposes, please ensure you have read the Pre-sales cost disclosures related to the product you are applying for, and the relevant Key Information Documents (KIDs) for the investment trusts you are wanting to invest into.

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, The Share Centre**

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.

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F&C Management Limited

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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 0345 600 3030**.