



Foreign & Colonial Investment Trust PLC

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Date: 7th March 2018

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FOREIGN & COLONIAL INVESTMENT TRUST PLC
Audited Statement of Results
for the year ended 31 December 2017

Summary of Results

Share price total return of 21.0%, ahead of the market benchmark of 13.8%

A net asset value total return of 16.9% (debt at market value)

Annual Dividend per share up 5.6% to 10.4p, our 47th consecutive annual increase

Discount of 4.3%, our lowest year end level for over 10 years

The Chairman's Statement

Dear Shareholder,

As we begin to mark Foreign & Colonial's 150th anniversary and the launch of the investment trust industry, I am very pleased to report another year of strong gains with a total shareholder return of 21.0%.

150-year milestone

Before reporting on our results for last year, we should perhaps take a moment to reflect on the last 150 years. It is remarkable to think that the original purpose of Foreign & Colonial Investment Trust has remained relevant throughout its long history. Providing exposure to a globally diversified portfolio of private and listed securities in one place, with access to all aspects of portfolio construction including portfolio allocation, stockpicking, manager selection and risk management at a reasonable cost, the investment trust that launched an industry 150 years ago is as relevant today as it ever was.

Performance

2017 was a good year. Our Net Asset Value ("NAV") total return with debt at market value rose by 16.9% and our total shareholder return was 21.0%. We benefited from a rise in global stock markets with many indices reaching new record highs over the year. The 21.0% rise in our total shareholder return over the year significantly exceeded the 13.8% return of our benchmark, the FTSE All-World Index.

Many of our investment portfolios delivered returns in excess of their market benchmarks and we benefited from exposure to technology related stocks and the outperformance of Europe, Japan and Emerging Markets. In another year of strongly rising equity markets gearing was also helpful to performance. Returns on our private equity investments were lower than on our listed equities but have been higher over the longer term. The majority of our private equity portfolio was invested over ten years ago and is therefore quite mature. I am pleased to say that this means our fund of fund programme is returning cash to us (£77.8m net in 2017).

Delivering long-term growth in capital and income

We look to deliver sustainable long-term growth in capital and income and I am pleased to say that over ten years our share price total return is 156.1%. This is equivalent to 9.9% per annum. Over twenty years it is 453.4%, which equates to 8.9% per annum.

Dividend growth has also been strong, with an annualised rise of 5.9% in payments over the past decade and 7.4% over the past twenty years. Foreign & Colonial has paid a dividend every year for 150 years.

Earnings and Dividends

We continued to see good growth in income during the year helping to bring our Net Revenue Return per share up to 11.7 pence from 10.6 pence last year. While sterling had gained slightly against a number of major currencies by the end of the year, average exchange rate levels over the period were still down on 2016 and this was estimated to add to our income by £3m (£6m in 2016). Special dividends treated as income were £2.7m for the year, £1.7m lower than last year.

Shareholders will be asked to approve a final dividend of 2.7 pence per share payable on 1 May 2018. This will bring the total dividend for the year to 10.4 pence, a rise of 5.6%, which compares with the 3.0% rise in the Consumer Prices Index, and will be the 47th year of rising dividends. The 2017 dividends are fully covered by earnings and after payment of the final dividend the Revenue Reserves will significantly exceed one year's worth of dividends.

The Board remains confident that our investment portfolio will generate revenue increases higher than inflation over the long term and our intention is to continue to deliver sustainable real rises in dividend per share to shareholders.

Efficiency

Control of costs continues to be a focus of the Board. Annualised costs are calculated as a proportion of net assets in accordance with two recognised yardsticks: the AIC's "Ongoing Charges", and the EU's new "Total Cost" measure introduced under PRIIPs. Ongoing Charges for 2017, which take account of expected future costs, have remained level at around 0.8% of net assets for the last three years. This calculation includes approximately 0.3% attributable to fees incurred within investee funds. Total Costs, as measured under the EU rules for the first time, include costs such as interest and transaction charges as well as the charges within investee funds and therefore show a higher figure of 1.06%. The Board and Manager will keep the Company's costs under continuous review.

Discount

The Board has long been committed to an effective discount control that provides benefits for shareholders in terms of reducing volatility and enhancing returns. The Company's discount to NAV started the year at 7.4% but, due to improved investor demand, narrowed to 4.3% by the end of the period further enhancing shareholder returns. The average discount level of 6.7% for the year was the lowest seen for over twenty years.

The number of shares bought back by your Company in 2017 fell to a low level of 4.4m shares. The shares have recently been trading, and bought back, within a 5% discount level, which represents significant progress since adjusting our policy towards a 7.5% average attainment level in May 2015.

The Board will continue to use buybacks for the benefit of shareholders in pursuit of a sustainably low deviation between the price and NAV per share in normal market conditions. No reference will therefore be made in future to a specific attainment level for the Company's discount. The policy and the levels within which it operates will continue to be reviewed with the aim of achieving our long-held aspiration of seeing the Company's shares trading at or close to NAV.

Contributors to total return in 2017	%
Portfolio return	15.8
Management fees	(0.4)
Interest and other Expenses	(0.3)
Buy-backs	0.1
Change of value of debt	(0.1)
Gearing/other	1.8
Net Asset Value total return	16.9
Decrease in discount	4.1
Share price total return	21.0
FTSE All-World total return	13.8

Source: F&C

Key Information Documents

In the context of investment performance, I should draw your attention to the EU's PRIIPs regulations which came into effect in January of this year. Their purpose is to improve the functioning of financial markets and increase customer protection. One aspect is the responsibility of our management company to produce a Key Information Document. Retail

investors must now be directed to this before buying or selling shares in the Company. The document has been prepared

according to a prescriptive methodology under the regulation such that the investment performance scenarios, based on recent past performance, may indicate future returns for shareholders that are too optimistic. This affects investment trusts generally and concerns have been expressed within the industry. It is to be hoped that these issues will be quickly resolved but, in the meantime, we will continue to remind shareholders to heed the maxim that past performance should not be taken as a guide to the future.

The Board

As part of the Board's succession plans, we are very pleased that Beatrice Hollond agreed to join the Board in September. She brings to us her significant experience in asset management and as a non-executive director, including investment trusts.

"F&C Investment Trust"

Our anniversary year provides a natural reflection point to ensure your Company continues its contribution and relevance in the modern world. As part of this, our marketing will increasingly take place under the Company's commonly used name "F&C Investment Trust"; the name with which Foreign & Colonial has always been synonymous. At the AGM shareholders will be asked to approve an amendment to the articles of association to enable the Directors to change the Company's corporate name to "F&C Investment Trust PLC" in the year ahead.

Your Company, your future

While we look forward to celebrating our 150th anniversary in a number of ways our greatest focus is, as always, on the future of the Company and the part that it continues to play within the investment sector as a whole. Despite the growth in the industry, there is still much work to be done in helping people understand the benefits of saving and investing for the longer term given that there is now a much greater need for individuals to take control of their future financial wellbeing. State and private pensions will simply not be able to provide a comfortable retirement. The fact that life-expectancy is so much longer, combined with the rapid rise in the cost of care in old age means that people will have to plan their savings for their future requirements much more carefully. Consequently, we will be focusing considerable effort during our anniversary year on supporting broader financial education across schools and universities.

More than ever before the financial services industry needs to create simple to use, transparent investment products that help everybody in our society invest for the long term and secure their financial future. Your Company meets that need by being structured to provide a clear investment choice, particularly for smaller investors to have as a core holding of their investment portfolio. Indeed, we are confident that your Company will remain an appropriate choice for any longer-term investor, however small or large, for many years to come. In 2018 we face another period of political and economic uncertainty as well as market volatility, but we still strongly believe that the best long-term investment approach is to hold a globally diversified portfolio of publicly listed and private equities such as Foreign & Colonial.

Simon Fraser
Chairman
6 March 2018

Forward-looking statements

This document 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 document. Nothing should be construed as a profit forecast.

Weighting, stock selection and performance over one year in each investment portfolio strategy and underlying geographic exposure versus Index at 31 December 2017					
Investment Portfolio Strategy	Our portfolio strategy weighting %	Underlying geographic exposure* %	Benchmark weighting %	Our strategy performance in Sterling %	Index performance in Sterling %
UK	4.3	5.8	6.1	10.5	11.8
North America	33.8	47.7	54.2	14.9	11.3
Europe ex UK	13.2	19.9	15.1	19.3	17.2
Japan	8.5	10.6	8.6	15.7	14.4
Emerging Markets	11.1	13.2	11.8	25.6	25.8
Developed Pacific	-	2.9	4.2	-	15.9
Global Strategies**	22.8			15.8	13.8
Private Equity	6.3			5.9	

Source: F&C

*Represents the geographic exposure of the portfolio, including underlying exposures in private equity and fund holdings.

**The Global Strategies consist of Global Income, Global Multi-Manager and Global Smaller Companies.

Principal Risks and Future Prospects

The principal risks, both perceived and observed, together with their mitigations are described below. Note 25 on the Report and Accounts details the Financial Risk Management of the Company. The risks are unchanged from those reported in the prior year. The principal risks identified as most relevant to the assessment of the Company's future prospects and viability were those relating to potential investment portfolio under-performance and its effect on share price discount and dividends, as well as threats to security over the Company's assets.

Risk description: Inappropriate business strategy in relation to investor needs leading to significant pressure on the share price. **Unchanged throughout the year under review**

Mitigation: The Board assesses investor needs through targeted research and marketing, the effectiveness of which is kept under continuous review. Overall business strategy is formally discussed annually with the Manager and is monitored by the Board throughout the year against their own objectives. A discount control mechanism has operated over many years.

The Company's discount is a Key Performance Indicator (KPI) measured by the Board on an ongoing basis.

Risk description: Unfavourable markets or inappropriate asset allocation, sector and stock selection, currency exposure and use of gearing and derivatives may give rise to investment under-performance as well as impacting capacity to pay dividends to investors. Political risk factors could also impact performance. **Unchanged throughout the year under review**

Mitigation: Underlying investment strategies, performance, gearing and income forecasts are reviewed with the Fund Manager at each Board meeting. Cash, borrowing and derivative limits, as well as dividend paying capacity, are monitored. F&C's Performance and Risk Oversight team provides independent oversight on investment risk management for the directly managed portfolios. The portfolio is diversified and the Company's structure enables it to take a long-term view of countries, markets and currencies. The Company has a Revenue Reserve which can be used to pay growing dividends in years when income receipts fall as a result of poor market conditions.

The performance of the Company relative to its Market Benchmark, its peers and inflation is a KPI measured by the Board on an ongoing basis.

Risk description: Failure of F&C as the Company's main service provider to continue to operate effectively, including the loss of key staff, and within regulations. **Unchanged throughout the year under review**

Mitigation: The Board regularly reviews the strength of the Manager's investment management and client services resources and meets their risk management team to review internal control and risk reports. The Manager's appointment can be terminated at six months' notice. A business continuity plan is in place. The Manager structures its recruitment and remuneration packages in order to retain key staff and works closely with the Board on any significant management changes.

Performance KPIs and Manager errors are monitored by the Board for indications of continuity or other Manager issues.

Risk description: Errors, fraud or control failures at service providers or loss of data through business continuity failure or cyber attacks could damage reputation or investors' interests or result in loss. Cyber risks remain heightened. **Unchanged throughout the year under review**

Mitigation: The Board receives regular control reports from F&C covering risk and compliance, including oversight of third party service providers. The Board has access to F&C's Head of Business Risk and BMO's Group Information Security Officer, International and requires any significant issues directly relevant to the Company to be reported immediately. The Depositary is specifically liable for loss of any of the Company's securities and cash held in custody.

The Board additionally monitors efficiency of service providers' processes through efficiency KPIs.

Ten Year Horizon

Through a series of connected stress tests based on historical information, but forward-looking over the ten years commencing 1 January 2018, the Board assessed the effects of:

- Potential illiquidity of the Company's portfolio during substantial market falls when needing to fund private equity commitments.
- Substantial falls in investment values on the ability to maintain loan covenants and to repay and re-negotiate funding.
- Significant falls in income on the ability to continue paying steadily-rising dividends and maintaining adequate revenue reserves.

- Constraints on the Board's ability to control the discount including those concerning the funding of buybacks during periods of high volatility in the share price.

In concluding that ten years is a reasonable period over which to assess future prospects of the Company, the Board considers that this approximates the periods relating to:

- its private equity commitments;
- its borrowings, repayable by June 2031; and
- the Corporate Governance rules relating to the Directors' tenure.

The Board also took into consideration the perceived viability of its principal service providers, potential effects of anticipated regulatory changes and the potential threat from competition.

Based on its assessment and evaluation of the Company's future prospects, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the coming ten years; the Company's business model, strategy and the embedded characteristics have helped define and maintain the stability of Foreign & Colonial over many decades. The Board expects this to continue over many more years to come.

Statement of Directors' Responsibilities in Respect of the Financial Statements

In accordance with Chapter 4.1.12 of the Disclosure Guidance and Transparency Rules the Directors confirm, that to the best of their knowledge:

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- in the opinion of the Directors the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

**On behalf of the Board
Simon Fraser
Chairman
6 March 2018**

Income Statement

For the year ended 31 December	2017			2016		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Gains on investments and derivatives	-	486,348	486,348	-	620,118	620,118
Exchange movements on foreign currency loans and cash balances	(95)	3,328	3,233	857	(41,236)	(40,379)
Income	78,765	-	78,765	71,117	-	71,117
Management fees	(3,768)	(11,305)	(15,073)	(3,063)	(9,499)	(12,562)
Other expenses	(3,094)	(61)	(3,155)	(2,758)	(97)	(2,855)
Net return before finance costs and taxation	71,808	478,310	550,118	66,153	569,286	635,439
Finance costs	(1,858)	(5,574)	(7,432)	(1,722)	(5,167)	(6,889)
Net return on ordinary activities before taxation	69,950	472,736	542,686	64,431	564,119	628,550
Taxation on ordinary activities	(6,464)	(713)	(7,177)	(6,038)	-	(6,038)
Net return attributable to shareholders	63,486	472,023	535,509	58,393	564,119	622,512
Net return per share – basic (pence)	11.67	86.79	98.46	10.57	102.12	112.69

The total column of this statement is the profit and loss account of the Company.
All revenue and capital items in the above statement derive from continuing operations.
The net return attributable to Shareholders is also the total comprehensive income.

Statement of Changes in Equity

	Share Capital	Capital Redemption Reserve	Capital Reserves	Revenue Reserve	Total Shareholders' Funds
For the year ended 31 December 2017	£'000s	£'000s	£'000s	£'000s	£'000s
Balance brought forward 31 December 2016	140,455	122,307	2,867,579	83,094	3,213,435
Dividends paid	-	-	-	(55,260)	(55,260)
Shares repurchased by the Company and held in treasury	-	-	(25,661)	-	(25,661)
Net 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

	Share Capital	Capital Redemption Reserve	Capital Reserves	Revenue Reserve	Total Shareholders' Funds
For the year ended 31 December 2016	£'000s	£'000s	£'000s	£'000s	£'000s
Balance brought forward 31 December 2015	140,455	122,307	2,361,073	78,329	2,702,164
Dividends paid	-	-	-	(53,628)	(53,628)
Shares repurchased by the Company and held in treasury	-	-	(57,613)	-	(57,613)
Net return attributable to shareholders	-	-	564,119	58,393	622,512
Balance carried forward 31 December 2016	140,455	122,307	2,867,579	83,094	3,213,435

Balance Sheet

At 31 December	2017	2016
	£'000s	£'000s
Fixed assets		
Investments	3,926,558	3,432,682
Current assets		
Debtors	12,663	6,648
Cash at Bank and short-term deposits	31,136	26,463
	43,799	33,111
Creditors: amounts falling due within one year		
Loans	(50,000)	-
Other	(10,397)	(4,785)
	(60,397)	(4,785)
Net current (liabilities)/assets	(16,598)	28,326
Total assets less current liabilities	3,909,960	3,461,008
Creditors: amounts falling due after more than one year		
Loans	(241,362)	(246,998)
Debenture	(575)	(575)
	(241,937)	(247,573)
Net assets	3,668,023	3,213,435
Capital and Reserves		
Share capital	140,455	140,455
Capital redemption reserve	122,307	122,307
Capital reserves	3,313,941	2,867,579
Revenue reserve	91,320	83,094
Total shareholders' funds	3,668,023	3,213,435
Net asset value per share – prior charges at nominal value (pence)	676.53	587.92

Statement of Cash Flows

for the year ended 31 December

	2017 £'000s	2016 £'000s
Cash flows from operating activities before dividends received and interest paid	(26,226)	(21,403)
Dividends received	77,631	69,943
Interest paid	(7,344)	(6,512)
Cash flows from operating activities	44,061	42,028
Investing activities		
Purchases of investments	(1,390,393)	(1,233,876)
Sales of investments and derivatives	1,384,673	1,347,880
Other capital charges and credits	(55)	(93)
Cash flows from investing activities	(5,775)	113,911
Cash flows before financing activities	38,286	155,939
Financing activities		
Equity dividends paid	(55,260)	(53,628)
Repayment of loans	-	(547,676)
Drawdown of loans	50,000	456,100
Cash flows from share buybacks for treasury shares	(25,952)	(57,407)
Cash flows from financing activities	(31,212)	(202,611)
Net increase/(decrease) in cash and cash equivalents	7,074	(46,672)
Cash and cash equivalents at the beginning of the year	26,463	73,605
Effect of movement in foreign exchange	(2,401)	(470)
Cash and cash equivalents at the end of the year	31,136	26,463
Represented by:		
Cash at bank	3,461	10,071
Short-term deposits	27,675	16,392
Cash and cash equivalents at the end of the year	31,136	26,463

Notes

1 NET RETURN PER SHARE

	2017 pence	2017 £'000s	2016 pence	2016 £'000s
Total return	98.46	535,509	112.69	622,512
Revenue return	11.67	63,486	10.57	58,393
Capital return	86.79	472,023	102.12	564,119
Weighted average ordinary shares in issue, excluding shares held in treasury - number		543,844,221		552,403,894

2 DIVIDENDS

The Directors have proposed a final dividend in respect of the year ended 31 December 2017 of 2.7p per share payable on 1 May 2018 to all shareholders on the register at close of business on 3 April 2018.

3 FINANCIAL RISK MANAGEMENT

The Company is an investment company, listed on the London Stock Exchange, and conducts its affairs so as to qualify in the United Kingdom (UK) as an investment trust under the provisions of Section 1158 of the Corporation Tax Act 2010. In so qualifying, the Company is exempted in the UK from corporation tax on capital gains on its portfolio of investments.

The Company's investment objective is to secure long-term growth in capital and income through a policy of investing primarily in an internationally diversified portfolio of public listed equities, as well as unlisted securities and private equity, with the use of gearing. In pursuing the objective, the Company is exposed to financial risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit. The Board of Directors, together with the Manager, is responsible for the Company's risk management.

The full details of financial risks are contained in note 25 of the report and accounts.

4 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 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.

5 ANNUAL GENERAL MEETING

The annual general meeting will be held at The Brewery, 52 Chiswell Street, London EC1 on 23 April 2018 at 12 noon.

6 REPORT AND ACCOUNTS

This statement was approved by the Board on 6 March 2018. It is not the Company's statutory accounts. The

statutory accounts for the financial year ended 31 December 2017 have been approved and audited, and received an audit report which was unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report. The statutory accounts for the financial year ended 31 December 2016 received an audit report which was unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report.

The Report and Accounts will be posted to shareholders on or around 19 March 2018 and copies may be obtained thereafter during normal business hours from the Company's Registered Office, Exchange House, Primrose Street, London EC2A 2NY. Copies are available on the internet at foreignandcolonial.com from 7 March 2018.

Legal Entity Identifier: 213800W6B18ZHTNG7371

Information disclosed in accordance with Disclosure Guidance and Transparency Rule 4.1

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