

1990493

FOREIGN &
COLONIAL
INVESTMENT
TRUST PLC

**Report
and
Accounts**

1992

Foreign & Colonial

CONTENTS

1	Company Objective
1	Summary of Consolidated Results
2-7	Chairman's Statement
6-9	Chairman's Report
10	Private Investor Plan
11	Personal Equity Plan
12-13	Performance Record
14-21	Market Reviews
22-23	Thirty Largest Equity Holdings
24	Five Year Record
25	Analysis of Ordinary Shareholders
26-29	List of Investments
30-31	Directors and Management
32	The Role of the Audit Committee
33	Foreign & Colonial Management
34-36	Report of the Directors
38	Consolidated Revenue Account
38	Statement of Total Recognised Gains and Losses
39	Consolidated Balance Sheet
40	Parent Company Balance Sheet
41	Consolidated Cash Flow Statement
42-51	Notes to Accounts
52	Directors' Statement of Responsibility
52	Auditors' Report
53	Information for Investment Trust Shareholders
54-55	Notes of Meeting
56	Foreign & Colonial Funds

FINANCIAL CALENDAR

- Annual General Meeting: 7 April 1993
- Final dividend payable: 15 April 1993
- Interim results for 1993 (annualised): 12 August 1993
- Interim dividend payable: 1 October 1993
- Final results for 1993 (annualised): March 1994

COMPANY OBJECTIVE

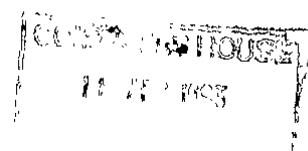
12901

*To secure for shareholders
long-term growth in assets per share
and regular increases
in dividend which will beat the
rate of inflation*

SUMMARY OF CONSOLIDATED RESULTS

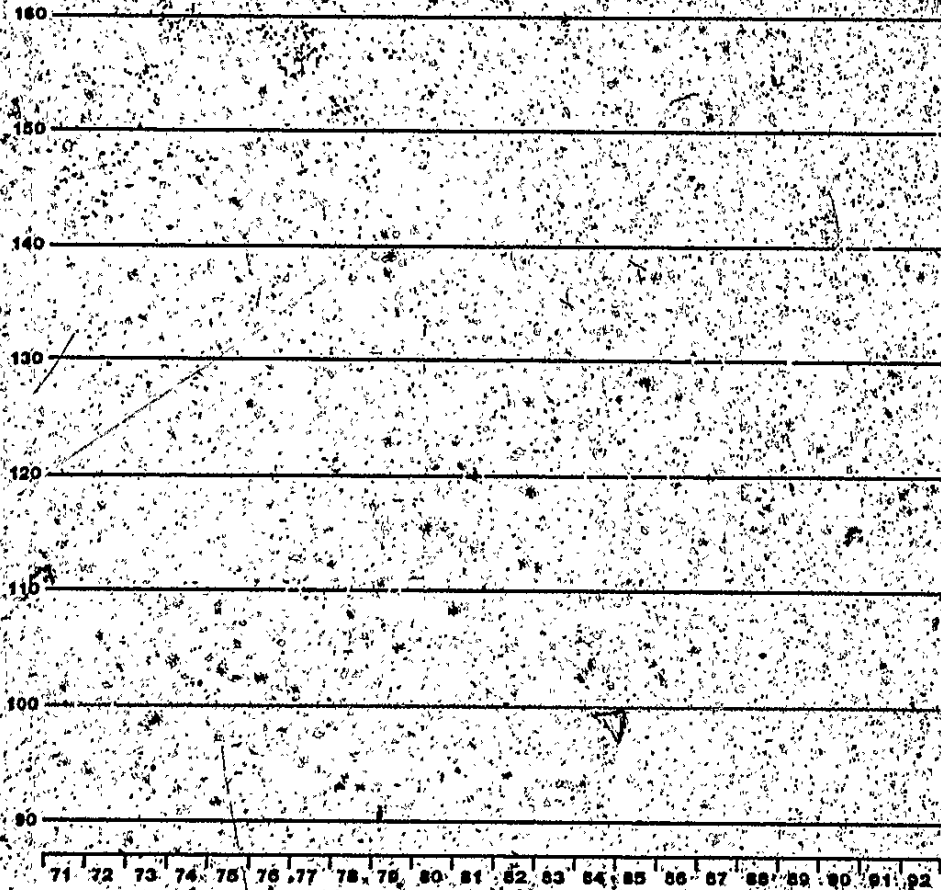
Attributable to Ordinary Shareholders	31 Dec	31 Dec	%
	1992	1991†	
Consolidated net assets	£1,184.9m	£970.5m	+22.1
Consolidated net assets per share (Prior charges at nominal value)	225.5p	184.7p	+22.1
Consolidated net revenue	£19.2m	£18.2m	+5.2
Consolidated earnings per share	3.85p	3.47p	+8.2
Dividends per share	3.35p	3.19p	+5.0
Share price	209.5p	170.5p	+22.0

† Restated as the figures in the 1991 Report were not consolidated



CHAIRMAN'S STATEMENT

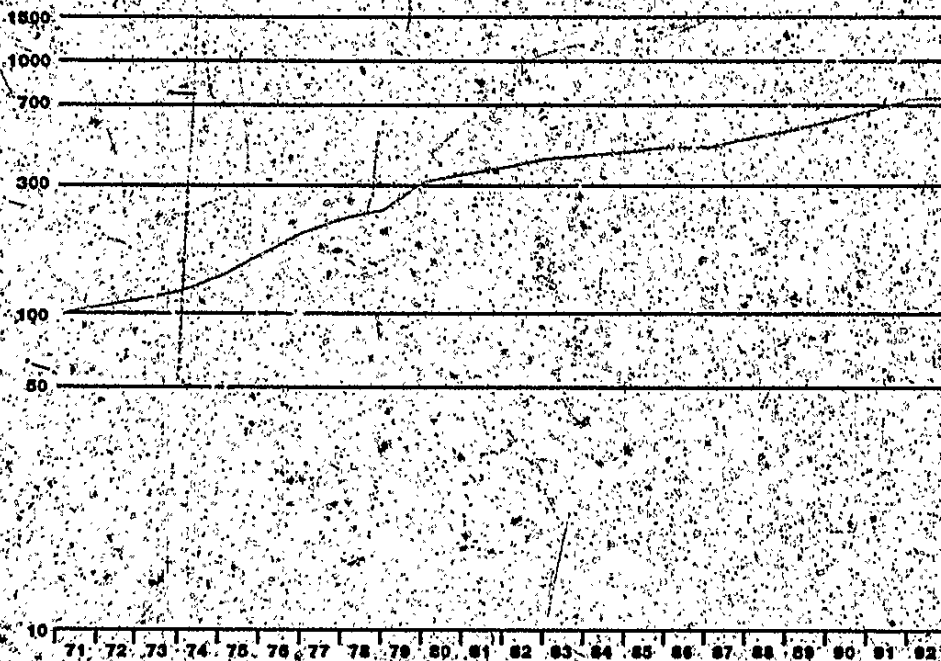
Performance of Foreign & Colonial's Net Asset Value compared with the average of non-specialist investment trusts.



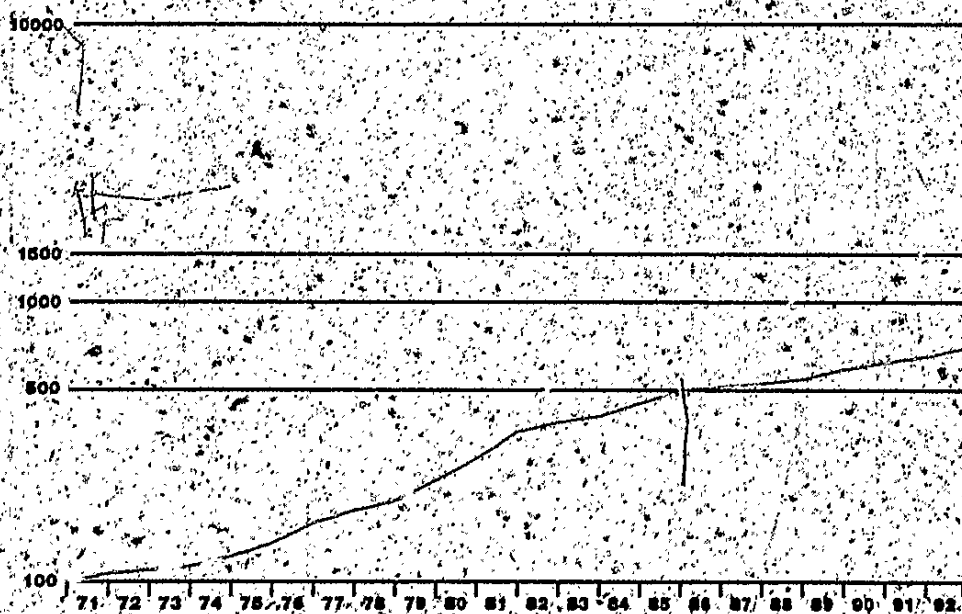
Source: Datastream

CHAIRMAN'S STATEMENT

Foreign & Colonial's share price performance



Foreign & Colonial's 22nd consecutive increase in dividend





Dear Shareholder

CAPITAL PERFORMANCE

I am pleased to report that your company made excellent progress in 1992. Net asset value per share rose by 22% compared with rises in the FT-Actuaries All-Share Index of 15%, the US Standard & Poors Composite Index of 29% and the German IAZ Index of 9%, and a fall of 6% in the Tokyo Topix Index these indices being adjusted for currency movements where appropriate. The price of your shares rose by 23%.

Three particularly important features of the year were the UK general election, the slower than expected recovery of the US economy despite very low interest rates, and the steady deterioration of European economies as the German Bundesbank persisted with its high interest rate policy. This policy eventually precipitated currency and stock market turmoil in September when sterling left the ERM. Following the devaluation of the pound and the reduction of sterling interest rates, the UK became one of the best performing markets of 1992 although the star of the year was Hong Kong. Ignoring currency movements, US and Continental European markets remained subdued. The Japanese market was a great disappointment as political

scandals and very tight monetary policies undermined confidence.

During the year, we frequently changed our tactics in order to exploit the changing investment scene but our constant theme was to search for value in depressed markets. Taking the year as a whole, we withdrew money from Continental Europe and fixed interest markets and increased our investment in the UK, US, Japan, other Far Eastern markets and Latin America. The relevant parts of our portfolio outperformed the local indices in every geographical area except France.

We continued to pay close attention to the management of our borrowings. Early in the year, we borrowed yen and dollars in order to take advantage of low interest rates in those currencies but happily we repaid the loans and switched most of our borrowings into sterling before the 'Black Wednesday' currency crisis.

In 1992, we again outperformed the average non-specialist investment trust, this year by almost 6%. Good stock selection and our relatively large US dollar exposure were particularly helpful. Since 1971, our outperformance has been 55%. No other major investment trust can match the long term record shown in the chart on page 2.

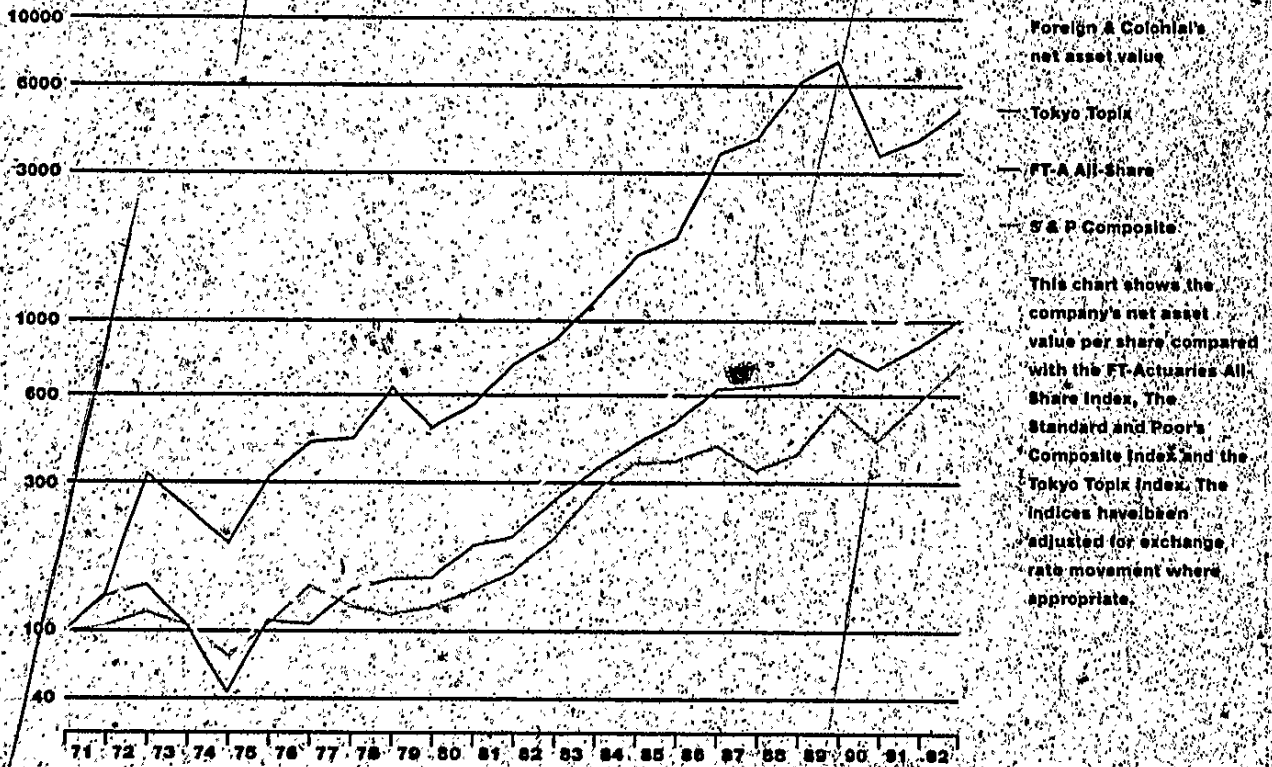
REVENUE ACCOUNT

As I anticipated a year ago, 1992 was a more difficult year for dividends and a number of companies were forced to make sharp reductions in their pay outs.

Notwithstanding this, our total income from equities held up well. From time to time we borrowed in order to invest in fixed interest securities. This led to an increased contribution from interest income and we also made some useful capital profits from rising bond prices. Lower interest rates led to a fall in deposit income.

CHAIRMAN'S STATEMENT

Foreign & Colonial's Net Asset Value Record



We continued to make considerable efforts to keep expenses down but some rise was inevitable. Our management fee of 0.3% is based on a three-year rolling average of assets and as a result rose by 4.9%. Other expenses rose by 1.0% so total expenses were up 3.2%.

An interim dividend of 1.12p has been paid and your Directors are now proposing a final dividend of 2.23p making 3.35p for the year. This is an increase of 5.0% and the 22nd consecutive increase. The retail price index rose by 2.6% in 1992 and the long term record of dividend growth versus inflation is shown in the chart on page 4.

CADBURY COMMITTEE

During the year, your board carefully considered the recommendations of the Cadbury Committee for the governance of companies. We believe that we comply with the current requirements of the Code and will continue to pursue best practice on matters of corporate conduct. During 1992, we established an Audit Committee under the Chairmanship of Sir Timothy Bevan and you will find his explanation of the operation of this committee on page 32.

CHARITABLE DONATIONS & SCHOLARSHIPS

In response to comments made at last year's Annual General Meeting, we are including more details of our charitable donations on page 53 of this report. The language scholarship scheme, which we introduced in 1992, has been very well received and we are repeating it in 1993.

SHAREHOLDERS

The Foreign & Colonial Private Investor Plan continues to attract new investors. At 31 December your company had 56,751 shareholders, an increase of 15% in 1992. Individual shareholders now own 39% of the company.

This compares with the average of 20% for all publicly quoted companies.

This year the Annual General Meeting will be held at the Merchant Taylors' Hall to accommodate more shareholders. You are warmly invited to attend and we look forward to meeting many of you.

FOREIGN & COLONIAL MANAGEMENT

Foreign & Colonial Management has enjoyed another year of remarkable progress. Funds under management at 31 December 1992 were £7.3bn, up 60% on the year. The link with Hypo Bank of Munich has proved highly successful and has resulted in large money flows from Germany. Your Company effectively owns 30.5% of the management company, through its stake in Pountney Hill Holdings Limited and this is currently independently valued at £13m.

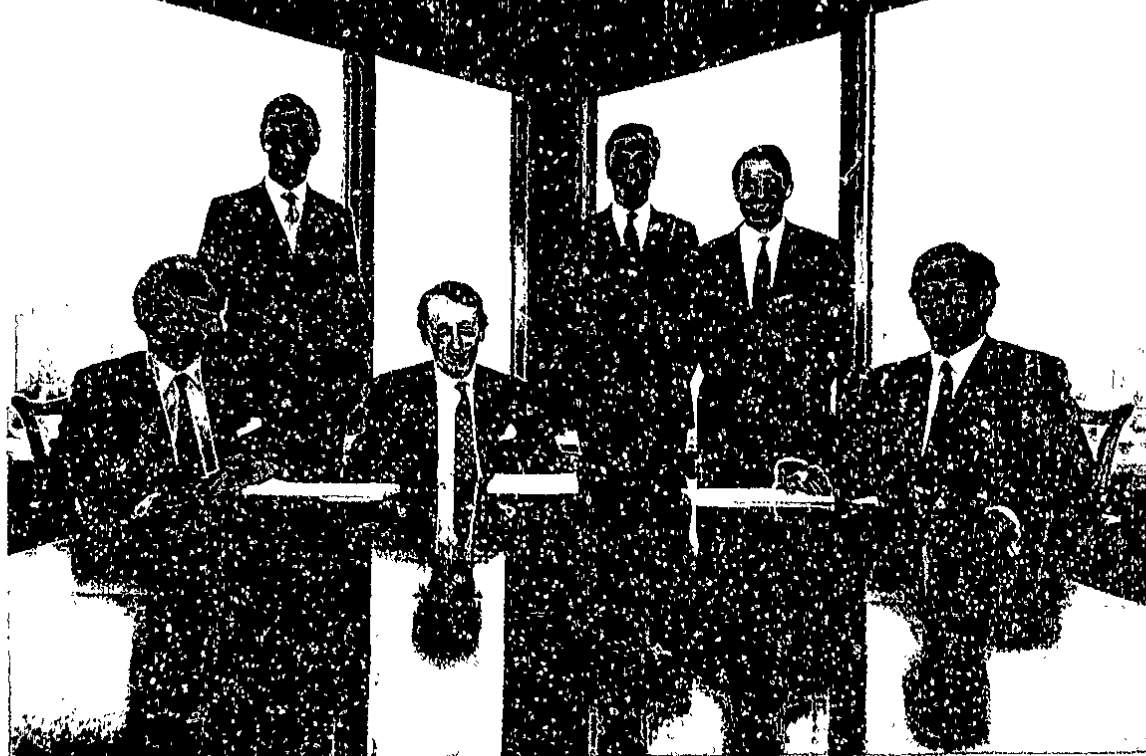
CONSOLIDATED ACCOUNTS

I would like to thank on your behalf all the staff of Foreign & Colonial Management who continue to provide a first class service to your company. In view of the growing importance of the management company, the Board believes that it is appropriate to prepare the accounts for 1992, and future years, on a consolidated basis, with comparatives.

PROSPECTS

In 1993, your Company is 125 years old and I am hopeful that we can continue to make progress this year. The outcome for our portfolio will depend to a great extent on how events unfold in the USA and Germany. Wall Street is looking rather highly valued but could see further gains if President Clinton can foster economic growth without a resurgence of inflation.

Recovery in the USA will be important to



Management team – (from left to right) Eric Elstob, Jeremy Tighe, Michael Hart, Stephen White, Ian Wright and Andrew Barker.

European markets but the key factor will be German interest rates. The poor state of the German economy means that further reductions in interest rates are almost inevitable at some stage in 1993. However, the experience of 1992 suggests it might be prudent to expect interest rates to be cut slowly and cautiously. As German rates come down further, all European markets should benefit.

In the UK, improved company profits resulting from devaluation, rationalisation and lower interest rates will help the market but the large government deficit and the adverse balance of payments are major negatives to be overcome. We continue to be cautious about the prospects for sterling and therefore expect to maintain a high overseas content in our portfolio.

The outlook for the Japanese market is uncertain. Valuations are still very high by international standards and corporate profits may decline further. However, the market is discounting a great deal of bad news. If the Japanese economy is to make progress in 1993, the government will soon have to announce further expansionary measures. On balance, we expect the market to show some recovery this year.

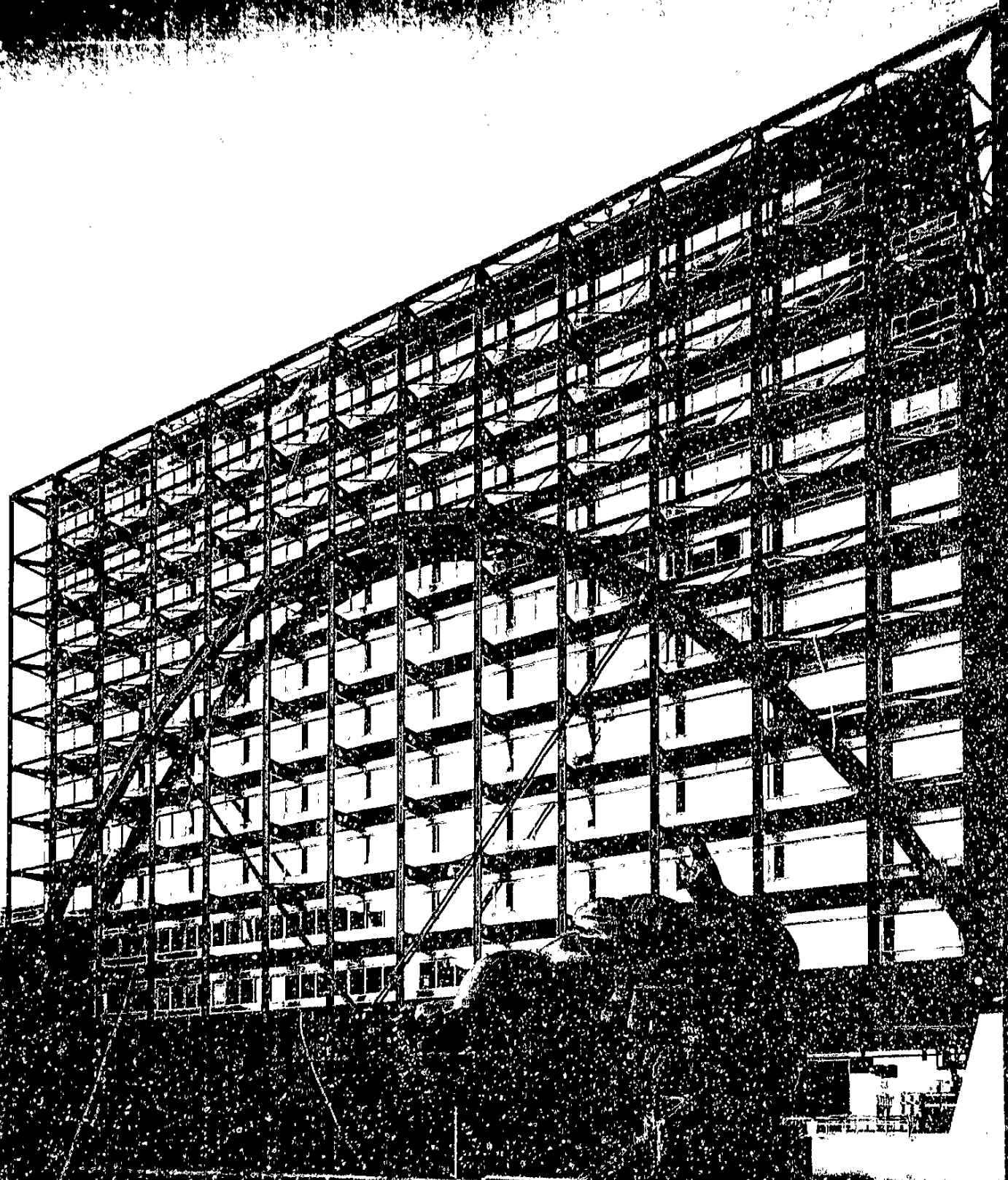
Some of the smaller markets should also be rewarding if the US recovery continues. Last year was disappointing for Latin American markets but we expect 1993 to be better. Far Eastern markets may also make further gains especially if the remarkable transformation of the Chinese economy continues.

Revenue is unlikely to be buoyant in 1993. Many companies will report higher profits but in most cases they will be anxious to rebuild liquidity and will therefore be conservative with their dividend payments. On the other hand, the value of overseas income will be enhanced by the devaluation of sterling.

Taking everything into account, we expect once again to achieve our objective of long term growth in assets per share and regular increases in dividend which will beat the rate of inflation.

John Sclater

March 1993



Exchange House:
The offices of Foreign &
Colonial Management
Limited are on the
8th Floor.

PRIVATE INVESTOR PLAN

The Foreign & Colonial Private Investor Plan provides six separate ways for investors, whether shareholders or not, to purchase shares in Foreign & Colonial investment trusts in a convenient and economical way. Once a week our registrars, The Royal Bank of Scotland, aggregate individual orders and purchase a block of shares on the stock market. Expenses, excluding 0.5% Stamp Duty, normally work out at about 0.2% and for a small investor are now substantially lower than those incurred on other similar types of investment. Amounts of £10,000 and above will be invested at any time of the month immediately cheques are cleared.

Monthly purchases of Foreign & Colonial shares. Savings can be made on a regular basis by monthly purchase subject to a minimum of £25.

Gifts of Foreign & Colonial shares. Investors can send a cheque to The Royal Bank of Scotland who will buy shares and register them in the name and address of the person specified. The minimum amount is £250.

Investment of other companies' dividends/ interest payments. Foreign & Colonial shareholders can mandate dividend and interest payments from other sources direct to The Royal Bank of Scotland who will purchase additional Foreign & Colonial shares to be added to their holdings.

Occasional purchases of Foreign & Colonial shares. Investors can send a cheque to The Royal Bank of Scotland with a brief letter requesting a purchase of shares. For existing shareholders the minimum is £25. The minimum for others is £250.

Investment of Foreign & Colonial dividends. The Royal Bank of Scotland can apply shareholders' net dividend payments to the purchase of additional Foreign & Colonial shares to be added to their holdings.

Share Exchange. You can sell shares through ShareLink and invest the proceeds in any of the Foreign & Colonial Investment Trusts.

ABOUT YOUR COMPANY

Foreign & Colonial was the first public investment trust and celebrates its 125th anniversary in 1993. Formed in 1868, it operated originally as a common law trust until doubts about the legality of this resulted in a change to limited liability status. This is how investment trusts came to be called trusts although, of course, they are no longer trusts but public companies.

The Company was originally named The Foreign and Colonial Government Trust and specialised in overseas Government bonds. British Government securities were then yielding about 3% while overseas bonds offered a much better return. The stated objective was 'to provide the investor of moderate means the same advantages as the large capitalists in diminishing the risk of foreign and colonial stocks by spreading the investment over a number of stocks'.

The present name was adopted in 1899 and the Company widened its scope by investing in railway and industrial debentures. Equity investments were first made in the early 1920s and the original emphasis on overseas markets has never been lost.

In 1961, the Company was one of the first UK investors to take an interest in post-war Japan. Subsequently, in 1968, the Japanese portfolio was expanded by the acquisition of the Anglo-Nippon Trust Limited.

In 1984, Foreign & Colonial was the first investment trust to introduce a Private Investor Plan which made it cheap and simple for investors to buy investment trust shares.

In December 1987, Foreign & Colonial became the first British investment trust to obtain a listing for its shares on the Tokyo Stock Exchange.

The Board believes that Foreign & Colonial and other investment trusts fulfil an important and distinctive role by offering investors a sound medium to long term investment. The performance of the Company's shares has been superior to many other forms of investment, as shown by the tables on pages 12 and 13.

The price of Foreign & Colonial Investment Trust shares can be found every day in the investment trust section of the stockmarket page in most of the leading national newspapers, normally under "For. & Col."

PERFORMANCE RECORD

Original Investment of £1,000 in December 1945, net income reinvested.

Britain devalues
DAILY MAIL 1949

**Prime Minister
defends devaluation**
THE TIMES 1949

Panic over the pound
DAILY MAIL 1949

**Beaten Lamont
devalues**
THE TIMES 1949

Foreign & Colonial*	Building Society**	Retail Price Index
£1,000	£1,000	£1,000
£1,782	£1,188	£1,235
£5,678	£1,346	£1,553
£9,108	£1,589	£1,712
£15,680	£1,901	£2,031
£30,210	£2,369	£2,580
£35,347	£3,304	£4,982
£72,051	£5,046	£9,400
£190,992	£7,741	£12,919
£395,275	£12,051	£17,466
£634,212	£13,991	£18,744

*Based on mid-market prices allowing for notional deduction of 3.5% on reinvested income to cover transaction costs and the market makers' spread as recommended by AITC. Current charges are 0.2% commission and 0.5% Government Stamp Duty (minimum 50p).

**Basic net rate in 1972 - Source: HZWS. Thereafter, highest net rate - Source: Micropal. Past performance is no guide to the future. Prices and income may go down as well as up. Investors may not get back the original amount invested in Foreign & Colonial, especially in the short term.

PERSONAL EQUITY PLAN

The Foreign & Colonial Investment Trusts Personal Equity Plan offers the combination of Foreign & Colonial's investment trust expertise and tax concessions given by the government.

In the 1992/93 tax year you can invest up to £6,000 in a Foreign & Colonial Personal Equity Plan. There may be changes in future tax years and you should contact Foreign & Colonial for up to date information.

1

Choice of eleven Foreign & Colonial trusts. You can invest in any of the Group's investment trusts including Foreign & Colonial PEP Investment Trust.

2

Low Initial Charges.

There is a flat rate charge of £50 + VAT to invest in a Foreign & Colonial PEP and no commission is paid to intermediaries so more of your money is working for you.

3

Fixed Costs. The annual administration charge is £60 + VAT even if you add to your PEP year after year. This means more of your money is working for you.

4

Transfers from other Personal Equity Plans.

If you want to switch into the Foreign & Colonial PEP we will deal with all the paperwork involved at no additional charge.

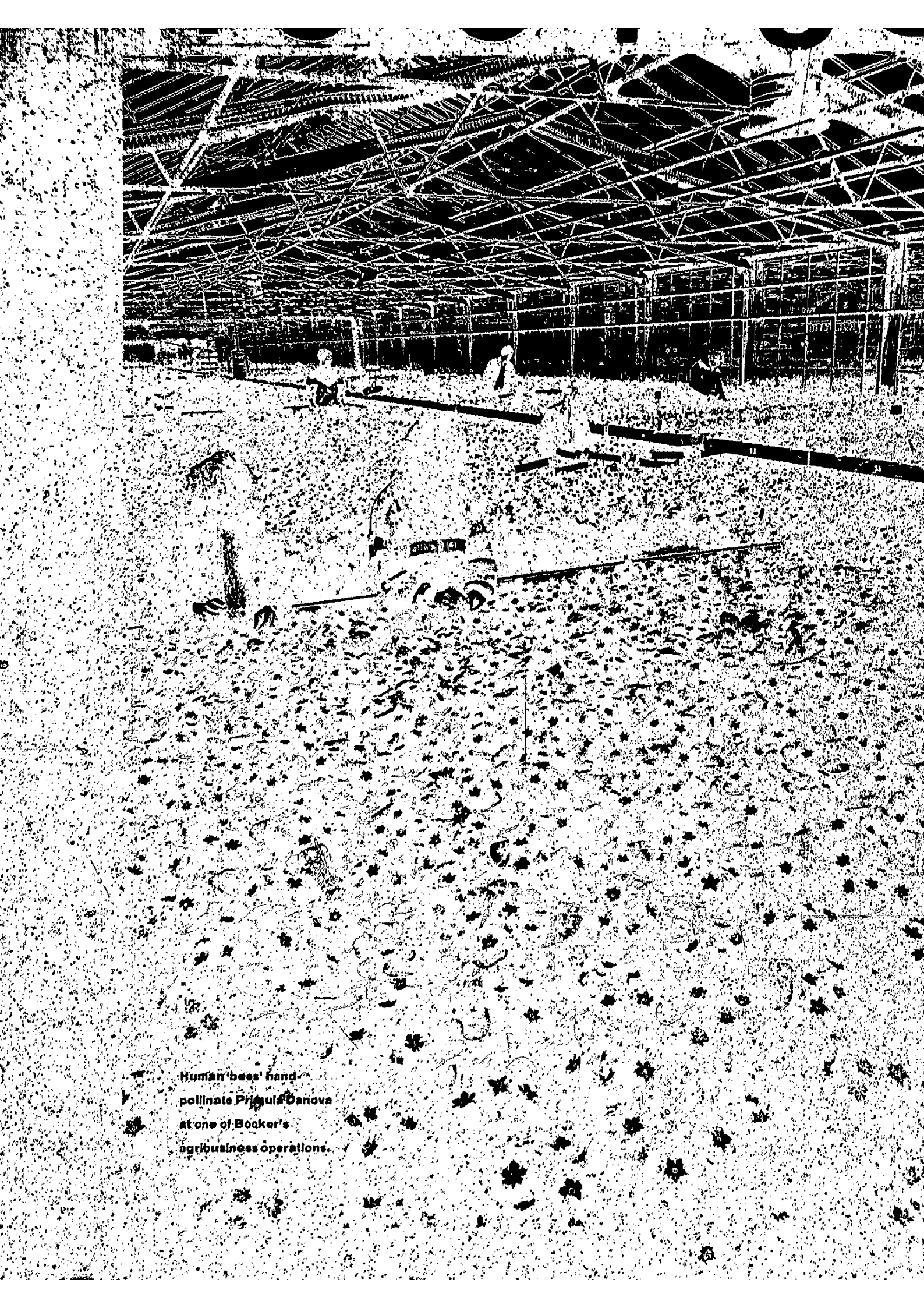
Please complete the enclosed card for further details of the Private Investor Plan and/or Personal Equity Plan or telephone:

0734 344 447 (for PIP)

0734 341 219 (for PEP)

The information on pages 10 and 11 has been issued and approved by Foreign & Colonial Management Limited, a member of F&C, Exchange House, Portrose Street, London EC2A 2NY.

Investors are reminded that the price of shares, and the income from them, may go down as well as up and they may not get back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.



Human 'bees' hand-
pollinate *Primula* Danova
at one of Bocker's
agribusiness operations.

**Share Price of Foreign & Colonial compared with
the FT 30 Share Index and its present constituents**

Five years to 31 December 1992	
Stock	% change
Gumex	255.9
Glaxo	222.0
Reuters	185.6
SmithKline Beecham	173.7
Boots	137.7
Foreign & Colonial	132.0
Courtaulds	113.3
British Airways	112.8
Grand Metropolitan	109.4
BTR	105.7
BOC	100.5
Late & Lyle	100.0
Cadbury Schweppes	91.4
Allied-Lyons	87.5
Hanson	83.9
British Telecommunications	81.8
Mark & Spencer	80.1
British Gas	77.7
GEC	76.1
Thorn EMI	71.6
GKN	60.0
FT30 Share Index	59.1
National Westminster Bank	40.2
BIC	6.9
P&O	6.4
British Petroleum	- 1.4
Lucas Industries	1.5
RPI	1.0
Blue Circle	4.4
Forte	- 13.4
Royal Insurance	33.0
Astra	- 61.6

Source: Datastream

**Performance of a with-profit endowment policy (monthly premiums of £30) compared with the growth
of £30 per month saved with Foreign & Colonial, with income reinvested. No account is taken of
Capital Gains Tax.**

	10 years to 1 Jan 1993	25 years to 1 Jan 1993
Best Endowment Policy	7,705	65,464
Foreign & Colonial	9,132	97,064

Source: Financial Times

Calculated on compound accumulation. Source as table opposite



Colgate Palmolive

1 2 3 4 5

Colgate Palmolive

Colgate Palmolive
products selling around
the world.

MARKET REVIEWS

UNITED KINGDOM

The FT-A All-Share index rose by 15% in 1992. In the first few months the Labour Party was ahead in the polls and election nerves depressed share prices. When the Conservatives unexpectedly won with a 21 seat majority the market rose sharply. This soon gave way to gloom about continuing recession, poor company results and dividend cuts. As the year progressed the long awaited reduction in German interest rates did not materialise and the pound struggled to maintain its position within the ERM. On 'Black Wednesday' 16 September, there was a full blown sterling crisis and the Bank of England and the Treasury had to admit defeat when interest rates of 15% failed to save the pound. The market was overjoyed at the release from the interest rate shackles of the ERM and share prices ended the year at record highs.

Our UK portfolio outperformed the index. We put additional funds into the market but our investment policy was adjusted several times over the year. In the run up to the election we were cautious buyers especially of privatised companies. This was reversed during the post election rally but we began buying again during the summer when the emphasis was on adding to companies with a high overseas content. Among our best performers were *Provident Financial* up 39%, *Electrocomponents* up 37% and *B.A.T Industries* up 36% but *Willis Corroon*, *LSMO* and *Taylor Woodrow* which fell by 34%, 38% and 55% respectively were great disappointments.

In the current year, although the market is on a fairly high rating, we still believe that further gains are possible as interest rates fall and recovery in the United States continues. The severe recession has forced many companies into drastic cutbacks and rationalisation of

their businesses. This, coupled with lower interest rates and the benefit of devaluation of sterling, should have a positive impact on profits. Our optimism is tempered by the precarious state of government finances and the trade deficit which are major hurdles to be overcome.

UNITED STATES OF AMERICA

Wall Street reached record levels but moved within a very narrow trading range. The Standard & Poor's Composite Index rose by 4%. Confidence in the strength of the economic recovery fluctuated all year and this was reflected in the market. Low interest rates and a competitive dollar finally combined to stimulate the economy. The optimists were rewarded with stronger than expected economic growth but this was at less than half the rate of past recoveries. The Presidential election had little influence on the market. Private investors continued to switch from low yielding deposits to equities and new equity and debt issues reached record levels. The share prices of smaller companies significantly outperformed for the second year in succession.

Our US performance was better than the index for the fifth year running. We are not greatly influenced by the prospects for sectors but more for individual companies and our focus on growth again proved profitable. The share prices of many of our largest holdings were re-rated still further given the strength and predictability of their earnings and *Great Lakes Chemical* rose 21%, *Sysco* 16% and *Granger* 11%. The best performance came from *Home Depot* and *First Financial Management* both up 50%. *Home Depot* our largest holding also rose by 161% and 58% in 1990 and 1991. Our biggest disappointment was the performance of several of our pharmaceutical companies whose



Low temperature
storage of biological
preparations at Bayer's
Pharmaceutical
Research Centre in
Wuppertal.

difficult prospects we had believed were already discounted. We changed the emphasis of the portfolio towards growth companies whose prospects are more closely linked to the strengthening economy. We also built up new holdings in the financial sector. On balance we were net investors in the USA.

The economy has now strengthened for eight consecutive quarters. President Clinton has proposed a fiscal package which promises some reduction in the budget deficit. Most forecasters expect another year of steady growth with low inflation. Valuations are demanding but we expect equity prices to rise further given the encouraging prospects for the economy, inflation, interest rates and a strong recovery in corporate profits in 1993 and 1994.

JAPAN

The Japanese stock market fell during 1992 with the TOPIX Index declining by 24%. Most of the weakness occurred in the first seven months of the year. Measures to support the banking system were announced in August and a subsequent £50 billion economic package provoked a sharp rally.

The declining stock market reflected the poor state of the economy. Inventories continued at a high level despite cuts in industrial production. Capital spending plans were revised downwards as demand weakened and borrowing costs increased. Consumer spending, particularly at department stores, was weak reflecting less overtime and lower bonuses. A fall in house values also adversely affected confidence and resulted in a substantial flow of savings into cash deposits rather than the stock market. Corporate profits fell for the third year in a row. Interest rates continued to fall but there was no pick up in monetary growth as the

banking sector was affected by bad debts accumulated during the 'bubble' economy of the late '80s.

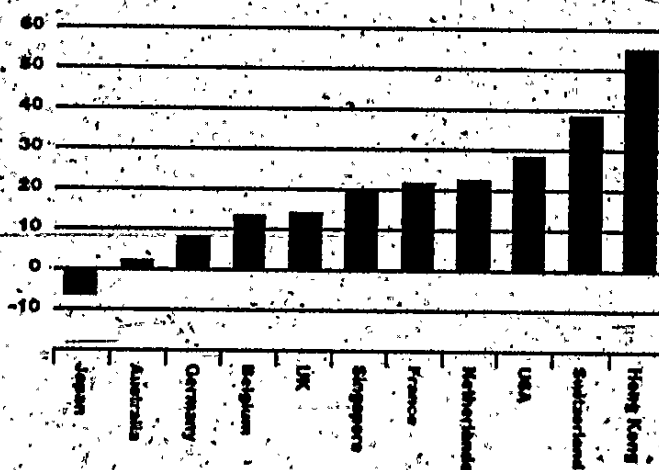
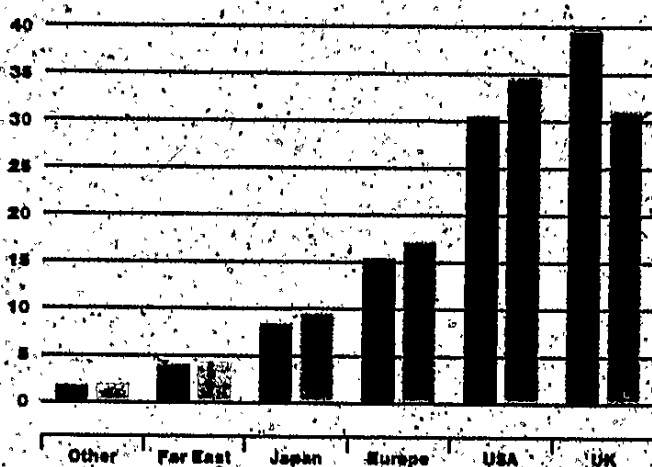
Our performance in 1992 was ahead of the index. The big exporting companies in general performed well but weakness was seen in banking, where we now have no holdings, and in other domestic areas. Our best performing share was *Aisin Seiki* a motor component company associated with *Toyota* which rose 18% on developments in fusion technology. *Murata*, the components company rose by 14%. Disappointments included *Japan Radio* down by 49% and *Daiichi Kogyo*, an air conditioning company, which fell by 48%.

Our strategy was to try to find value in a depressed market and additional funds were invested during the year. Some of our purchases benefited from the sharp rally which occurred in August.

Activity remains low but the market appears well supported by investment from public pension funds. On the other hand, any rise is likely to meet selling either from speculators or banks. A major shift into equities will depend on a recovery in the economy. The Government may well take more action to stimulate demand which could include further public works spending, lower interest rates and maybe tax reductions. Lower interest rates would encourage money to flow from cash into bonds and equities. There are also increasing signs of companies taking action to restructure operations and become more profitable. The companies in our portfolio are on below average ratings which should give some protection against another fall but we believe the market will move higher during the course of the year despite the present uninspiring environment.

**Geographical Distribution
of Consolidated Total Assets
(less Current Liabilities)
and Currency Exposure**

Assets
Currency Exposure



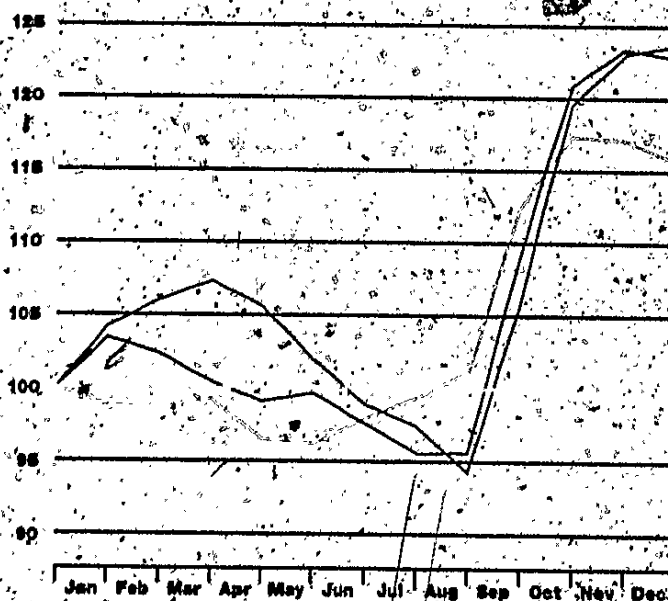
**Movement of Major Equity
Markets**

Adjusted to Sterling
for the year ended
31 December 1992

Currency Movements

US Dollar
Deutschmark
Japanese Yen
Sterling

This chart shows the
movement of the
Deutschmark, US Dollar
and Japanese Yen against
the Pound Sterling for
the year ended
31 December 1992



EUROPEAN AND ASIAN MARKETS

The Hong Kong market rose by 28%, Korea by 7% and Thailand by 24%. Taiwan fell by 20% because of adverse political and interest rate developments.

An important factor in this region has been the remarkable growth of the Chinese economy.

Additional funds were invested in East Asia in 1992 but with the benefit of hindsight we should have had more money in Hong Kong.

Now that this region is enjoying a new era of peace and stability we believe that the economic outlook for the 1990s could be among the best in the world. We will be making further investments as opportunities occur.

THE CONTINENTAL EUROPE

1992 was a year of mixed fortunes for the European markets. Switzerland was up 22%, the Netherlands up 60% and France up 4%. Germany, however, was more disappointing falling by 8%.

The early part of the year saw share prices move confidently ahead on hopes of lower interest rates in Europe and an economic upturn in the US. By the summer, however, sentiment had turned more bearish. Not only did the continuing high inflation numbers in Germany rule out any immediate easing in monetary policy by the Bundesbank, but signs began to emerge of a marked slowing in economic activity across the Continent which provoked further cuts in forecasts for corporate profits. On the whole, the major markets were able to resist the downward trend better than some of the smaller bourses which were affected in addition by turbulence in the European currency markets in the autumn.

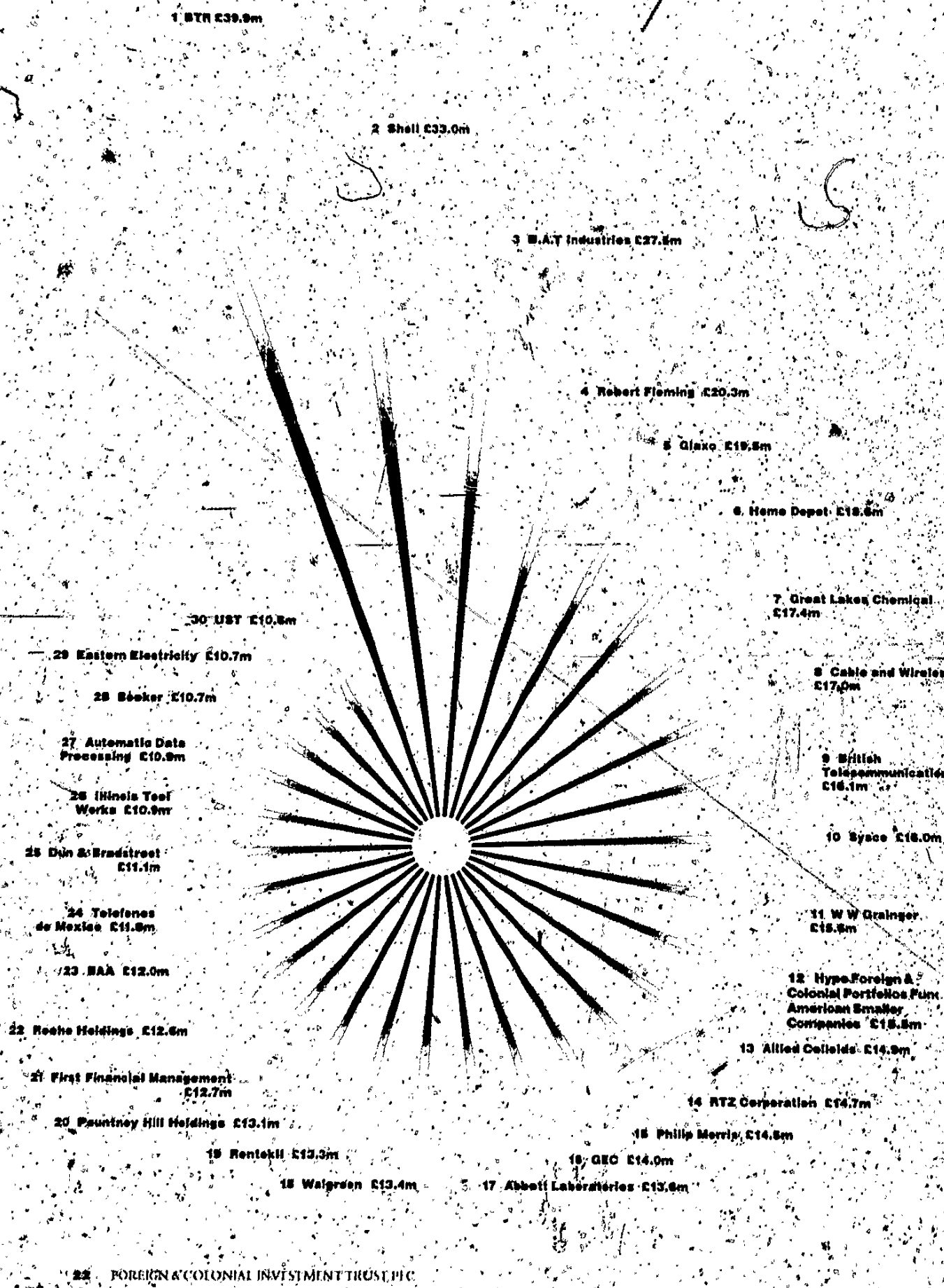
As before, we continued to focus on the major

markets. Our Swiss stocks performed particularly well. Among the successes were *Roche* the pharmaceutical group, up 60%, and *Nestle* up 36%. We were also well rewarded by our holdings in the Netherlands with the publishers *Wolters Kluwer* and *Elsevier* up 34% and 22% respectively and the supermarket group *Hold* up 13%. Our German portfolio performed broadly in line with the market, whereas our French portfolio which had distinguished itself in 1991 did less well. Issues with sound earnings visibility such as *l'Oréal* up 42% and *Alcatel Alsthom* up 21% did well, but this was offset by poor relative performances from the more cyclical stocks such as *Puget* down 1% and *Lafarge Copp* up only 3% where the earlier anticipated recovery in earnings failed to materialise. Because of the difficult outlook we withdrew funds from the European portfolio.

In the short term, the European markets are likely to be held back by the uninspiring outlook for company profits given the slower pace of economic activity in Germany and on the rest of the Continent. The catalyst for any sustained upward move in markets must come from lower interest rates. The Bundesbank may continue for the time being to err on the side of caution given the still uncomfortable inflation numbers in Germany, but it must respond more positively at some stage to the rapid slowdown in the economy. This, coupled with the more definite signs recently of recovery in the US and firmer tone to the dollar, should provide a reasonably favourable background to the continental markets looking further ahead.

LATIN AMERICA

Generally in 1992, investors in Latin America experienced mixed results after an excellent



THIRTY LARGEST EQUITY HOLDINGS

and why they are held

1 (1) BTR UK	3.37%	18 (22) OEC UK	1.19%
Major international manufacturing group with an excellent long-term record that is successfully absorbing its acquisition Hawker Siddley		Major electronics group with a strong balance sheet, good yield and some interesting new ventures	
2 (2) Shell UK	2.79%	17 (8) Abbott Laboratories USA	1.16%
Leading international exploration, production and marketing group with a strong balance sheet and a good yield		Healthcare products manufacturer with a wide range of best-selling pharmaceuticals, diagnostic tests and hospital instruments	
3 (4) B.A.T Industries UK	2.32%	18 (25) Walgreen USA	1.13%
Strong cash flow from tobacco and packaging expansion in financial services through Allied Bank of England and Finance Group, while providing a good yield		The largest chain's chain in the USA, now moving into mail order pharmacy	
4 (5) Robert Fleming UK	1.71%	19 (24) Rentokil UK	1.13%
Leading fund manager bank with a major Far Eastern presence and a strong balance sheet, financial services and its own company and through Sinc & Property		International environmental services and health care group with an excellent record of growth, profitability and financial strength	
5 (3) Glaxo UK	1.65%	20 (20) Pountney Hill Holdings UK	1.10%
Second largest pharmaceutical company in the world with a wide range of new products coming on to the market to complement the success of its Zenith share drug		Holding company for our investment in the fast growing food management business <i>Leopold & Colonial Management</i>	
6 (21) Home Depot USA	1.57%	21 (—) First Financial Management UK	1.07%
A leading chain of DIY stores, growing rapidly in a highly fragmented market by opening stores across the USA		A leader in information services offering a range of data processing, management and storage products	
7 (15) Great Lakes Chemical USA	1.47%	22 (—) Roche Holdings Switzerland	1.06%
Major chemicals producer with a wide range of products, many used in environmentally friendly applications		Switzerland's third largest pharmaceutical and chemical company. The acquisition of Genentech has added a new dimension to the group's <i>biological research work</i>	
8 (7) Cable and Wireless UK	1.43%	23 (29) BAA UK	1.01%
Maritime Communications is starting to make a major contribution to the international telecommunications group		Operator of Britain's major airports benefiting from tighter control of costs, the development of retailing and long term growth in air travel	
9 (11) British Telecommunications UK	1.36%	24 (30) Telefonos de Mexico Mexico	1.00%
Long term growth in demand and a strong financial position contribute to the good prospects for the national telephone network		Rapidly rising demand for telecommunications services and a favourable regulatory environment are helping produce fast growth in <i>profits for this private company</i>	
10 (14) Sysco USA	1.35%	25 (26) Dun & Bradstreet USA	0.93%
America's largest distributor of food to restaurants, schools and hospitals with strong management and excellent growth prospects		Leading supplier of information services to the business world and a publisher of 'Yellow Pages' telephone directories	
11 (16) W.W. Grainger USA	1.32%	26 (28) Illinois Tool Works USA	0.92%
One of America's leading distributors of electrical products, benefiting from the economic recovery		Leading international engineering company with a strong growth record	
12 (17) Hypo Foreign & Colonial Portfolios Funds American Smaller Companies Luxembourg	1.31%	27 (—) Automatic Data Processing USA	0.92%
Specialist fund that gives exposure to growth companies which are too small for us to invest in directly		The largest independent computing services firm in the USA	
13 (12) Allied Colloids UK	1.26%	28 (10) Booker UK	0.90%
Speciality chemicals manufacturer with a record of innovation, growth and high overseas earnings		International food distribution and agribusiness group with an attractive yield	
14 (18) RTZ Corporation UK	1.24%	29 (—) Eastern Electricity UK	0.90%
Leading metals and natural resources group operating many important mines around the world		Largest regional electricity company operating in an attractive geographical area and with a good yield	
15 (6) Philip Morris USA	1.22%	30 (27) UST USA	0.89%
Manufacturer of Marlboro cigarettes expanding by acquisitions into the food business		Largest manufacturer of smokeless chewing tobacco which is the only growing segment of the tobacco market in the USA	

The value of the Thirty Largest Equity Holdings represents 46% of 1991-92 cost of the company's portfolio. The figures in brackets denote the position at the previous year end. The country shows the country of incorporation, the percentage is the percentage of the net assets attributable to ordinary shareholders, and the ratio is the approximate market value.

TEN YEAR RECORD

at 31 December

£m	1982†	1983	1984	1985	1986	1987	1988	1989	1990	1991†	1992†
Assets											
Total assets less current liabilities (excluding loans)	352	463	539	632	858	801	928	1,166	983	1,175	1,358
Prior charges (including loans)	71	89	84	125	149	166	187	118	186	198	164
Available for ordinary shares	279	374	455	507	709	635	741	1,048	797	971	1,185
Net asset value per share* (prior charges at nominal value)											
	53.1p	71.2p	86.7p	96.5p	134.8p	120.9p	141.0p	199.4p	151.7p	184.7p	225.5p
Mid-market price per share*											
	35.5p	54.5p	64.5p	70.0p	109.0p	90.0p	109.0p	168.0p	135.5p	170.5p	209.5p
High*											
	36.0p	54.5p	65.0p	73.5p	109.5p	145.0p	112.5p	169.5p	174.5p	182.0p	212.0p
Low*											
	28.5p	36.0p	49.5p	59.0p	68.0p	86.0p	90.5p	108.5p	125.0p	124.0p	150.0p

Revenue

year ended 31 December

£'000s	1982†	1983	1984	1985	1986	1987	1988	1989	1990	1991†	1992†
Total revenue	14,591	18,514	20,968	21,691	26,527	29,935	32,619	35,090	43,974	48,234	46,271
Interest payable	4,112	7,136	8,915	8,915	11,208	11,569	12,334	9,927	15,618	16,489	15,130
Expenses	887	1,243	1,396	1,676	2,024	2,686	3,193	3,982	5,232	5,501	5,677
Net revenue before taxation	9,592	10,135	11,557	12,000	13,295	15,680	17,092	21,181	23,124	26,244	27,464
Taxation	3,440	3,586	4,636	3,970	4,176	4,484	5,061	6,020	5,753	7,493	7,601
Available for ordinary shares	6,040	6,455	6,827	7,936	9,025	11,102	11,937	15,067	17,277	18,236	19,206
Earnings per share*											
	1.15p	1.23p	1.30p	1.51p	1.72p	2.11p	2.27p	2.87p	3.29p	3.47p	3.65p
Dividends per share*											
	1.12p	1.19p	1.28p	1.47p	1.69p	1.96p	2.26p	2.60p	2.90p	3.19p	3.35p

*Adjusted to present capital.

†The figures for the years 1982 and 1992 are based on consolidated accounts of the group. Accounts for the years 1983 to 1991 were not consolidated, but for 1991 have been restated.

ANALYSIS OF ORDINARY SHAREHOLDERS

31 December

	1987	1988	1989	1990	1991	1992
Percentage of share capital held by:						
Investment companies	5.5	6.2	6.3	6.3	5.6	3.5
Insurance companies	23.4	26.4	24.6	22.4	22.3	22.7
Other companies	2.8	3.3	2.9	3.4	3.6	3.6
Pension funds	21.9	22.1	22.9	21.4	17.2	15.3
Universities, schools and other corporate bodies	4.6	4.6	4.8	4.2	4.0	3.9
Bank and other nominee companies	16.9	13.8	13.1	13.0	12.3	12.1
Individuals	24.9	23.6	25.4	29.3	35.0	38.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

Number of shareholders

Investment companies	34	35	45	47	42	39
Insurance companies	63	50	52	57	48	51
Other companies	92	88	105	169	208	217
Pension funds	85	79	71	84	67	67
Universities, schools and other corporate bodies	132	130	160	196	210	226
Bank and other nominee companies	291	300	313	263	215	206
Individuals	18,488	20,186	24,872	37,429	48,657	55,945
Total	19,185	20,868	25,611	38,245	49,447	56,751

Shareholder range analysis – percentage

1 – 1,000	0.3	0.5	0.6	1.1	1.5	1.7
1,001 – 5,000	4.1	4.6	5.6	8.1	10.5	12.5
5,001 – 10,000	5.1	5.1	5.5	6.6	7.7	8.5
10,001 – 100,000	16.0	15.2	15.1	15.7	16.3	16.5
100,001 – 500,000	8.5	8.9	9.2	9.1	8.2	8.1
500,001 – 1,000,000	6.9	5.3	4.7	5.9	5.0	4.9
1,000,001 + over	59.1	60.4	59.3	53.5	50.8	47.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Parent company excluding associated and subsidiary undertakings

26 FOREIGN & DOMESTIC INVESTMENT TRUST CO

Parent company exclusively associated and subsidiary undertakings

	Value at 31 Dec 92 £'000s		Value at 31 Dec 92 £'000s
Far East (excluding Japan):			
Australia			
BIR Nykø 1992 10% convertible bond	4,000,000	4,000,000	4,000,000
Eastern Bowwing Group	1,000,000	1,000,000	1,000,000
Total Australia	3,173		
Hong Kong			
Avon Imperial Holdings	9,215,000	9,215,000	9,215,000
China Light & Power Corp. Pacific	1,200,000	1,200,000	1,200,000
Delta Land International Holdings	1,000,000	1,000,000	1,000,000
Hong Kong Bank	1,000,000	1,000,000	1,000,000
Hong Kong & China Gas warrants 1993	1,000,000	1,000,000	1,000,000
Hong Kong Land Holdings	1,000,000	1,000,000	1,000,000
Hong Kong Whampoa	1,000,000	1,000,000	1,000,000
Sun Hung Kai Properties	1,000,000	1,000,000	1,000,000
Sun Hung Kai Properties warrants	1,000,000	1,000,000	1,000,000
Swire Pacific A	1,000,000	1,000,000	1,000,000
Wharf Holdings	1,000,000	1,000,000	1,000,000
World International Holdings	1,000,000	1,000,000	1,000,000
Total Hong Kong	30,835		
Singapore			
Development Bank of Singapore	1,000,000	1,000,000	1,000,000
Hyperforeign & Colonial Properties Fund	1,000,000	1,000,000	1,000,000
Asia Equities	1,000,000	1,000,000	1,000,000
Singapore Press Holdings	1,000,000	1,000,000	1,000,000
Total Singapore	8,035		
Taiwan			
Asia Pacific Global Depository Shares	1,000,000	1,000,000	1,000,000
China Steel Global Depository Shares	1,000,000	1,000,000	1,000,000
Total Taiwan	1,205		
Thailand			
Bangkok Investments	1,000,000	1,000,000	1,000,000
Siam Cement	1,000,000	1,000,000	1,000,000
Total Thailand	10,818		
Total Far East (excluding Japan)	54,246		
Japan			
Empire of Japan	1,000,000	1,000,000	1,000,000
Canon warrants 1993	1,000,000	1,000,000	1,000,000
Daiichi Pharmaceutical	1,000,000	1,000,000	1,000,000
Daiichi Industrial	1,000,000	1,000,000	1,000,000
Daiichi Chemical	1,000,000	1,000,000	1,000,000
Total Japan	114,838		
Latin America:			
Argentine Investment Company	1,000,000	1,000,000	1,000,000
Brazilian Investment Company	1,000,000	1,000,000	1,000,000
Brazilian Investment Trust	1,000,000	1,000,000	1,000,000
Brazilian Investment Trust warrants	1,000,000	1,000,000	1,000,000
Comodoro Mexico ADRs	1,000,000	1,000,000	1,000,000
Latin American Extra Yield Fund	1,000,000	1,000,000	1,000,000
Latin American Investment Trust	1,000,000	1,000,000	1,000,000
Latin American Investment Trust warrants	1,000,000	1,000,000	1,000,000
Mexican Investment Company	1,000,000	1,000,000	1,000,000
Teknomic Mexico ADRs	1,000,000	1,000,000	1,000,000
Others are initially valued at less than £100,000			
Total Latin America	27,697		

FINANCIAL STATEMENTS

Parent company excluding associated and subsidiary undertakings

		Value at 31 Dec 92 £'000s			Value at 31 Dec 92 £'000s	
	Holding			Holding		
United States						
Equities			Lyson Foods 'A'	686,640	2,714	
Abbott Laboratories	680,000	136,000	Union Pacific Corporation	155,000	5,988	
Albertsons	170,000	5,669	USI	500,000	10,565	
Alltel Corporation	154,000	4,859	Walgreen	465,000	13,495	
Alza Corporation 'A'	250,000	7,700	Wal-Mart Stores	120,000	5,071	
AMGEN	80,000	5,300	Waste Management	100,000	2,641	
Automatic Data Processing	300,000	8,085	Wells Fargo	135,000	6,808	
Bristol Myers Squibb	130,000	5,701	William Wingley Junior	315,000	6,760	
Browning-Ferris Industries	510,000	8,098	Others individually valued at less than £100,000		60	
Caltan Energy	633,538	880				
Capital Cities ABC	15,500	5,000	Total equities		392,714	
Cemex Corporation	160,000	3,702	Bonds			
Celgene Pharmaceuticals	190,000	6,028	USA Treasury Notes 6.375% 1999	US\$100,000,000	6,080	
Comcast 'A'	140,000	3,350	USA Treasury Notes 8.75% 1998	US\$15,000,000	11,633	
Comcast 'A' Special	130,000					
Coston Wholesale Corporation	185,000	2,000	Total bonds		17,120	
Dillard Department Stores 'A'	285,000	9,000				
R. R. Donnelley & Sons	330,000	1,000	Total United States		409,834	
Dun & Bradstreet	290,000	11,000				
First Financial Management	462,375		United Kingdom			
First Financial Management warrants	70,000	32,700	Equities and convertibles			
Gannett	130,000	1,000	Alltel Equities	6,124,000	24,000	
General Mills	40,000	1,800	Alltel Equities	1,050,000	6,000	
Golden West Financial Corporation	55,000	2,000	Anglian Water	1,612,455	8,000	
W. W. Grainger	394,000	15,000	Argyll Group	1,640,666	6,400	
Great Lakes Chemical	380,000	1,000	Aula Property Holdings	600,000		
Hilton Hotels	10,000	200	Aula Property Holdings 5.125% conv. preference	410,515		
Home Depot	416,250	15,000	BAA	1,522,500	11,000	
George A. Hormel	365,000	5,000	B & I Industries	2,800,020	27,500	
J. B. Hunt Transport Services	223,000	5,000	Berstead International	3,175,000	0,000	
Hypo Foreign & Colonial Portfolios Fund			Boscor	2,835,000	10,000	
American Equity	110,000	1,000	Brammer	925,000	1,000	
American Smaller Companies	1,300,516	15,000	British Gas	140,000	400	
Minors Tool Works	252,500	1,000	British Petroleum	3,924,500	9,000	
Invera	125,000	2,000	British Steel	2,750,000	1,500	
Ingersoll Rand	160,000	3,000	British Telecommunications	3,240,000	16,128	
Johnson & Johnson	100,000	4,000	British Telecommunications (partly paid)	1,020,000		
Kemper	260,000	5,000	BTR	6,825,518		
Th Lilly	169,858	6,000	BTR warrants 1992/93	226,833		
Th Lilly contingent payment units	40,000		BTR warrants 1993/94	226,833		
May Department Stores	60,500	2,800	BTR warrants 1994/95	499,033	39,920	
Merck	234,000	6,000	BTR warrants 1995/96	297,020		
Nalco Chemical	260,000	5,000	BTR warrants 1997	277,020		
NBD Bank Corporation	165,000	3,000	Cable and Wireless	2,429,667	16,983	
Pep Boys, Manny, Moe & Jack	550,000	8,000	Countryside Properties	873,333	775	
Philip Morris	285,000	14,500	Dalgety	672,200	3,203	
Pitney Bowes	140,000	4,000	Eastern Electricity	2,510,200	10,660	
Schlumberger	130,000	4,900	Electrocomponents	1,500,000	5,512	
Seagram	170,000	2,800	Eurotunnel	3,018,000	10,231	
Shared Technologies	182,500	700	Evode Group	1,200,000	1,700	
Snap-On Tools Corporation	200,000	4,100	I & C Buy-Out Trust 'A'†	10,000	600	
Syco Corporation	920,000	16,000	First National Finance	2,405,000		
Toys 'R' Us	150,000	3,000	First National Finance 6.3% conv. pref	684,000	2,080	
Travelers Corporation	280,000	5,000				

LISTED INVESTMENTS

Parent company excluding associated and subsidiary undertakings

	Holding	Value at 31 Dec 92 £'000s
Escom	1,874,990	4,944
Foreign & Colonial Enterprise Trust	8,633,975	4,812
Foreign & Colonial Smaller Companies	2,411,693	2,810
General Electric Company	4,958,000	14,947
Glasco Holdings	2,400,000	19,608
Great Universal Stores 'A'	350,000	6,013
Guardian Royal Exchange	1,795,446	2,934
Harrisons & Crossfield	606,1000	98,24
Hill & Smith Holdings	1,025,402	11,067
Hilldown Holdings	762,500	3,034
Imperial Chemical Industries	185,000	7,979
Inchcap	275,000	3,562
Kingsbury	1,300,000	8,008
Kilmort Development Fund	486,004	0,255
Ladbroke Group	2,167,077	9,812
Land Securities	475,000	2,006
LASMO	4,441,625	7,005
LA'MO oil production unit	140,000	112
Legal & General Group	1,985,000	88
Logica	2,327,439	6,256
National Westminster Bank	1,165,000	4,000
North West Water	1,798,407	15,460
Paterson Zochonis	105,000	6,626
Paterson Zochonis 'A'	140,000	0
Pearson	786,874	0
Peninsular & Oriental Steam Navigation	1,323,333	6,600
Portals Holdings	665,000	6,342
Provident Financial Group	845,140	6,609
Redland	1,843,902	1,436
Rentokil	6,430,000	10,907
RMC Group	400,000	2,005
RLZ Corporation	2,145,214	14,608
Scapa Group	1,550,000	6,402
Sedgwick Group	920,000	1,540
Shell Transport & Trading	5,880,000	46,040
SmithKline Beecham 'A'	1,080,432	6,656
Smiths Industries	1,860,000	6,005
Southern Electricity	1,600,000	7,001
Sun Alliance Group	492,000	1,284
Suter	2,934,493	2,846
Tarmac	2,708,333	2,000
Taylor Woodrow	1,191,147	8,82
Tomkins	950,000	2,839
Tomkins (US) partly paid	225,000	0
Unitel	800,000	1,364
Vodafone Group	2,026,425	8,653
Wagon Industrial Holdings	583,124	5,066
Wagon Industrial Holdings new	257,000	
Wagon Industrial Holdings 7.25% conv. pref.	1,572,373	
Walker Greenbank	2,900,000	2,111
Wellcome	120,638	1,267
Wilby Corrosion Group	150,000	1,416
Total United Kingdom		471,700

* Listed in Great Britain
† Listed outside Great Britain

UNLISTED INVESTMENTS

Parent company excluding associated and subsidiary undertakings

	Holding	Value at 31 Dec 92 £'000s
United Kingdom		
Equities and convertibles		
Assembly & Automation (Electronics)	4,684	502
I & C Ventures Limited Partnership II	500	6,000
I & C Ventures Limited Partnership II loan stock	649,500	
Robert Fleming Holdings	2,350,000	20,504
General Portfolio	333,583	674
Hypo Foreign & Colonial UK Growth Fund	700,000	6,16
Newspaper Publishing	541,130	50
Union Jack Oil	1,540,717	1,479
Venture Link (Investments)	174,616	106
Others individually valued at less than £ 100,000		21
Total equities and convertibles		25,228
Bonds		
Foreign & Colonial Smaller Companies Ltd 2014	£ 10,000,000	11,850
Total United Kingdom		37,078
United States		
US Ventures	4,839	1,000
Venture Associates	321	1,000
Others individually valued at less than £ 100,000		0
Total United States		1,680
Other Countries		
CIPIA Group	200,000	1,000
CIPIA Group 9.5% conv. pref.	9,000	0
Korea International Trust II DR's	25	0
Korea Trust units	15,000	406
Others individually valued at less than £ 100,000		0
Total Other Countries		1,209
Total Unlisted Investments		39,973
Total Listed Investments		1,279,015
Total Portfolio (excluding associated and subsidiary undertakings)		1,318,988

The total number of companies in the portfolio is 261 (1991 - 256)

The value of convertible securities included in the total portfolio at 31 December 1992 is £18,338,000 or 1.4% of total consolidated assets less current liabilities (1991 - £25,950,000 or 2.2%)

[DIRECTORS AND MANAGEMENT]

[DIRECTORS]

John Slater *Chairman* is 52. He was appointed a director in 1981 and became Chairman in 1985. He is Chairman of Hill Samuel Bank Limited, Berrisford International PLC and Foreign & Colonial Enterprise Trust PLC, Deputy Chairman of The Union Discount Company of London PLC and Yamachi International (Europe) Limited; a director of James Cropper PLC and The Equitable Life Assurance Society, a Trustee of The Grosvenor Estate and a Member of the Council of the Duchy of Lancaster.

Andrew Barker† is 47 and is head of the Group's North American Department. He joined the Group in 1970 and was appointed a director in 1991. He is Chairman of The Bankers Investment Trust PLC and a director of Foreign & Colonial Smaller Companies PLC, Foreign & Colonial US Smaller Companies PLC, Foreign & Colonial Enterprise Trust PLC and River & Mercantile American Capital and Income Trust PLC.

Sir Timothy Boyan* is 65, was appointed a director in 1988 and is Chairman of the Audit Committee. He is a director of Barclays PLC, having been its Chairman from 1981 to 1987.

Oliver Dawson† is 62 and was appointed a director in 1982. He is Chief Investment Officer of Foreign & Colonial Management which he joined in 1981 after 27 years with a firm of stockbrokers preceded by a brief spell in the discount market. He is a director of Foreign & Colonial PEP Investment Trust PLC, is on the UK board of AMP & London Life and a member of the investment advisory committee of the Nuffield Foundation.

Sir John Egan* is 54 and was appointed a director in 1985. He is Chief Executive of BAA plc and a director of Legal & General Group PLC.

Eric Elstob† *Joint manager* is 49 and has been with Foreign & Colonial Management for 27 years. He was appointed to the board in 1973. His other directorships include FR Smaller Companies PLC, G.T. Japan Investment Trust PLC, Thornton Pan European Investment Trust PLC and the World Trust Fund. He is Deputy Chairman of Foreign & Colonial Eurotrust PLC, Foreign & Colonial German Investment Trust PLC and Foreign & Colonial Pacific Investment Trust PLC.

Haruko Fukuda* is 46 and was appointed a director in 1988. She is Japanese and is a director of Nikko Europe Plc.

Michael Hart† *Joint manager* is 60, is Chairman of Foreign & Colonial Management and head of its UK Department. He has been with the Group for 39 years, became a director in 1973 and is also Chairman of Brazilian Investment Trust PLC and Latin American Investment Trust PLC, a director of Foreign & Colonial PEP Investment Trust PLC, Foreign & Colonial Smaller Companies PLC, Foreign & Colonial High Income Trust PLC and Union Jack Oil plc, a member of the Investment Committee of the BP Pension Fund and an adviser to the British Steel Pension Fund.

Lord Nicholas Gordon Lennox* is 62 and was appointed a director in 1990 after a distinguished career in the Diplomatic Service in which his last post was Ambassador to Spain. He is a director of Sotheby's and a Governor of the BBC.

The Hon James Ogilvy† is 58 and was appointed to the board in 1989. He was a partner of Rowe & Pitman the stockbrokers for many years and Vice-Chairman of Mercury Asset Management before becoming Chief Executive of Foreign & Colonial Management in 1988.

Lord Rockley† is 58 and was appointed a director in 1991. He is Chairman-elect of Klemwort Benson Group plc and a director of Abbey National plc, Christies International plc and other companies.

* *Chairman of the Foreign & Colonial Management Board* * This information is correct as at the completion of the Chairman's mandate to the Audit Committee.

MANAGEMENT

Rob Donkin† is Joint Company Secretary of Foreign & Colonial Management Limited. He is 47 and joined the Group in 1973.

Robert Dowdall† is Finance Director of Foreign & Colonial Management Limited. He is 46 and joined the Group in 1980.

Nick Pitt-Lewis is Director of Compliance of Foreign & Colonial Management Limited. He is 39 and joined the Group in 1992.

Jeremy Tighe† is 33 and joined the Group in 1981. He assists Michael Hart in the management of the UK portfolio.

Stephon Whitte† is head of the Group's European Department. He is 37 and joined the Group in 1985.

Ian Wright† is head of the Group's Far Eastern Department. He is 39 and joined the Group in 1981.

†Honorary directors of Foreign & Colonial Management Limited

Secretary and Registered Office Foreign & Colonial Management Limited,

Exchange House, Primrose Street, London EC2A 2NY

Authorised Institution under the Banking Act 1987

Member of the Investment Management Regulatory Organisation Limited (IMRO)

Telephone 071-628 8000, Telex 886197 or 8811745 (Forecol Co), Facsimile 071-628 8189

Bankers The Royal Bank of Scotland plc, The Bank of New York, The Fup Bank Limited

Registrars The Royal Bank of Scotland plc, Registrar's Department, PO Box 435, Owen House, 8 Bankhead

Crossway North, Edinburgh EH11 4BR, Telephone 031-442 4111

Auditors Price Waterhouse, Southwark Towers, 32 London Bridge Street, London SE1 9SY

Company Registration No 12901



Member of the Association of
Investment Trust Companies

In the United States, since 1978, the New York Stock Exchange has required all listed companies to have an Audit Committee composed solely of independent directors. In the United Kingdom, such committees have evolved more slowly, but although there is no legal requirement to have one, around two-thirds of the top 250 listed companies now have an Audit Committee. It is likely this trend will increase following the recommendations of the Cadbury Committee report on Corporate Governance. Your Company's Audit Committee was formed early in 1992.

This gives rise to two questions – what does the Audit Committee do? and why did Foreign & Colonial not have one before?

The Committee has a clear, written remit from the Board: 'The Audit Committee will review the accounting policies and the contents of the external financial reports, the adequacy and scope of the external audit and compliance with regulatory and financial reporting requirements.

The Board felt that with the increasing size of the Foreign & Colonial group, the rising level of regulation and the increasing complexity of financial instruments available, it would be useful to have a forum where matters could be discussed in more detail than is, in practice, possible at a board meeting. The Committee also has direct access to the Auditors, Price Waterhouse, and the Management Company's Director of Compliance.

However, this description gives, I think, a rather one-sided view of the Committee's work emphasising as it does its concern with reporting and regulatory requirements. Rather, my colleagues and I regard the Committee as another tool to help in the



running of the Company by making available in greater detail to the managers the outside views and experience that non-executive directors can bring.

In short it is my view that an Audit Committee provides reassurance to the outside world, but equally importantly provides a way for the non-executive members of the Committee to assist the Company more effectively, thus doing a better job for its proprietors, you the shareholders.

Timothy Bevan

FOREIGN & COLONIAL MANAGEMENT

Foreign & Colonial Investment Trust's experience of international investment dates back to 1868. The management company now employs 153 people including 38 investment managers. In addition to investment trusts, the Company provides investment management services to UK and offshore open-ended funds, pension funds, charities and corporations in the UK and overseas institutions.

Foreign & Colonial Management has joint ventures in investment management overseas with the Long Term Credit Bank of Japan, National Securities (closely associated with the Matsushita Group), the US Trust Company of New York, Petercam in Brussels and Banco de Investimentos Garantia in Brazil.

In 1989 the investment trusts in the Group sold a 50% interest in Foreign & Colonial Management to the Bayerische Hypotheken- und Wechsel-Bank of Munich ('Hypo Bank'). Hypo Bank is the fifth largest commercial bank in Germany. The strategic objective of this partnership is to combine Foreign & Colonial Management's skills and experience of international investment management with Hypo Bank's strong retail base and distribution capabilities in Germany. Investment in securities by private and institutional investors in Germany is growing substantially. The flow of money is accelerating. Your Company benefits directly from the greater expertise the Group now has in continental European equity and fixed interest securities. The marketing effort has been extended to other countries in Europe.

1992 was a good year in terms of performance and growth of funds under management. If you would like to receive a copy of the Annual Review of Foreign & Colonial Management's activities please write to Nigel Morecroft at the registered office of the Company.

FUND UNDER MANAGEMENT

31 December £m	1984	1985	1986	1987	1988	1989	1990	1991	1992
Investment Trusts	710	831	1,165	1,097	1,272	1,660	1,360	1,699	1,991
UK Tax Exempt Institutions	277	354	458	504	591	986	840	1,057	1,290
Open-ended Funds	69	118	218	172	183	216	160	240	418
International Institutions	91	106	150	137	208	295	304	535	581
Hypo Bank Funds						158	461	923	2,715
Venture Capital	30	27	40	47	79	88	76	100	176
Other Funds									104
	<u>1,177</u>	<u>1,436</u>	<u>2,031</u>	<u>1,957</u>	<u>2,333</u>	<u>3,413</u>	<u>3,201</u>	<u>4,554</u>	<u>7,275</u>

Following its purchase of shares in July 1989, Hypo Bank now owns indirectly 50% of the shares of Foreign & Colonial Management. The balance is beneficially owned 30.5% by Foreign & Colonial Investment Trust, 10% Foreign & Colonial Pacific Investment Trust, 4.5% Foreign & Colonial Smaller Companies, 4% Foreign & Colonial Enterprise Trust and 1% Foreign & Colonial Eurotrust. Some employees have options which enable them to participate in the success of the Company.

REPORT OF THE DIRECTORS

The directors present the financial statements of the Group for the year ended 31 December 1992.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Foreign & Colonial Investment Trust Group is to carry on the business of investment management. A review of the business is given in the Chairman's Statement on pages 2 to 7 and in the Market Reviews on pages 14 to 21.

STATUS OF COMPANY

The Company is an investment company as defined by Section 266 of the Companies Act 1985.

During the year under review the Company carried on the business of an investment trust and has since conducted its affairs so as to continue to qualify as such under the provisions of Section 842 of the Income and Corporation Taxes Act 1988. The last accounting period for which the Company has been treated as approved by the Inland Revenue was for the year ended 31 December 1991.

The close company provisions of the Income and Corporation Taxes Act 1988, as amended, do not apply to the Company.

SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

The principal subsidiary is Portney Hill Holdings Limited, which, through its holding in Hypo Foreign & Colonial Management (Holdings) Limited, has an indirect interest in 30.5% of Foreign & Colonial Management Limited. Details of the management agreement with the latter company are given on page 36.

Details of subsidiary and associated undertakings are given in note 10 on the accounts. Note 1 on the accounts states the accounting policies adopted.

NAME OF COMPANY

At the annual general meeting held on 7 April 1992 it was resolved that the name of the Company be changed from The Foreign and Colonial Investment Trust PLC to Foreign & Colonial Investment Trust PLC, this duly becoming effective on 15 April 1992.

RESULTS AND DIVIDENDS

	£'000s	£'000s
Net revenue after taxation and minority interests		19,300
Dividends paid or payable		
Preference Stock	94	
Ordinary Shares		
Interim of 1 1/2p per share paid 1 October 1992	5,886	
Proposed final of 2 2/3p per share payable 15 April 1993 to shareholders registered at the close of business on 25 March 1993	11,719	
		17,699
Amount set aside to reserves		1,601

The final dividend now recommended of 2 2/3p per share makes a total dividend of 3 3/5p per ordinary share for the year ended 31 December 1992. This represents an increase of 5.0% over 3 1/9p per share for the previous year.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHARE INTERESTS

At 10 March 1993 the Company had received notification of the following holdings of more than 3% of its ordinary share capital.

Standard Life Assurance Company: 27,462,000 ordinary shares 5.23%

Foreign & Colonial Management Limited (on behalf of discretionary clients): 15,807,785 ordinary shares 3.01%

DONATIONS

During the year the Group contributed £20,000 for charitable purposes. Further details of these donations are shown on page 53. In addition, a contribution of £3,700 was made to the Economic League.

In accordance with the authority given by shareholders, a total contribution of £25,000 was made to the Conservative Party during the year, comprising the regular donation of £12,500 and a special payment of £12,500 for the general election campaign. For the current year shareholders will be asked to approve a donation of £12,500 to the Conservative Party and a resolution to that effect will be proposed at the annual general meeting on 7 April 1993.

DIRECTORS

The directors in office throughout the year under review, are listed on page 30. Mr D. A. H. Bizer retired from the board on 7 April 1992. Sir John Egan retires by rotation and, being eligible, offers himself for re-election.

The interests of the directors in the ordinary shares of the Company were as follows:

	31 December 1992		31 December 1991	
	Beneficial	Other	Beneficial	Other
A. C. Barker	29,713	—	24,727	—
	*18,794	—	*18,900	—
Sir Timothy Bevan	1,500	—	1,500	—
C. M. Dawson	31,083	125,000	26,077	125,000
	*20,476	—	*20,591	—
Sir John Egan	117,053	—	59,983	—
P. C. Ekroth	71,056	2,916	66,928	2,206
	*20,374	—	*18,930	—
Haruko Fukuda	8,000	—	8,000	—
Lord Nicholas Gordon Lennox	—	—	—	—
M. J. Hart	118,802	650	112,452	—
	*21,368	—	*19,933	—
The Hon James Ogilvy	449	—	10,317	—
	*13,417	—	*8,546	—
Lord Rockley	1,194,500	1,238,000	1,194,500	1,238,000
J. R. Schlater	10,110	298,787	10,110	293,280

*Shares allocated under the terms of The F. & C. Profit Sharing Schemes 1981 and 1990 and held by the Trustees of the Schemes on behalf of these directors.

Since the year end the following director have acquired further ordinary shares under the Private Investor Plan:

	Number of Shares
P. C. Ekroth	92
M. J. Hart	186

There have been no changes in any of the other directors' shareholdings detailed above. No director held any interests in the issued stocks or shares of the Company or Group other than stated above.

[REPORT OF THE DIRECTORS]

[MANAGEMENT]

Foreign & Colonial Management Limited provides investment management and general administrative services to the Company for a quarterly fee of 0.075% based upon a three-year historic average of assets under management. The management agreement may be terminated upon three year notice given by either party.

Other than the agreement referred to above in which Mr A C Barker, Mr O N Dawson, Mr I C Hinch, Mr M J Hart and the Hon James Ogilvy have an interest by reason of their employment with Foreign & Colonial Management, no contracts in which any director of the Company was materially interested and which were significant in relation to the Company's business have existed at any time during the year.

The Foreign & Colonial Group has arrangements under which stockbrokers pay for various investment services used by the Group in return for stated amounts of commission. Foreign & Colonial Management's policy is that this commission should not exceed 15% of total commission in any one year.

It is the Company's policy to exercise its voting rights at shareholders' meetings of investee companies.

[AUTHORITY TO ALLOT SHARES]

Shareholders will find on pages 54 and 55 the notice of the forthcoming annual general meeting of the Company to be held on 7 April 1993. In addition to the ordinary business of the meeting and the annual resolution in respect of the donation to the Conservative Party, two resolutions (numbered 5 and 6) renewing authorities given to the directors at the last annual general meeting are proposed as special business. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or rights in respect of shares) without first offering them to existing shareholders in proportion to their holdings. Resolution No 5 gives the directors the necessary authority for a period of five years, to allot shares up to an aggregate nominal amount of £43,793,648 (being the present authorised but unissued share capital of the Company). Resolution No 6 empowers the directors, until the next annual general meeting of the Company, to allot shares for cash otherwise than to existing shareholders on a pro-rata basis, up to an aggregate nominal sum of £10,560,000, which is equivalent to 5% of the issued ordinary share capital. This authority provides the directors with a degree of flexibility to increase the assets of the Company by the issue of new shares, should any favourable opportunities arise to the advantage of shareholders. Under no circumstances would the directors use such authority to dilute the interests of existing shareholders. Resolution 6 also enables the directors, in the case of a rights issue, to deal with fractional entitlements and to make such exclusions or other arrangements as may be appropriate to resolve legal, regulatory or practical problems which might arise, particularly with regard to overseas shareholders.

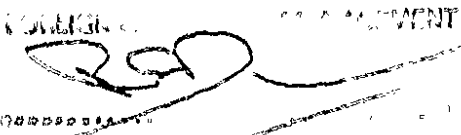
[AUDITORS]

The auditors, Price Waterhouse, have indicated their willingness to continue in office and a resolution re-appointing them and authorising the directors to fix their remuneration will be submitted at the annual general meeting.

By order of the board,

Foreign & Colonial Management Limited, Secretary

10 March 1993

For and on behalf of
FOREIGN & COLONIAL INVESTMENT LIMITED

SECRETARY

FOREIGN
& COLONIAL
INVESTMENT
TRUST PLC

Financial Statements

1992

CONSOLIDATED REVENUE ACCOUNT

for the year ended 31 December

Notes	£'000s	1992 £'000s	1991 [†] £'000s
2 Dividends and interest on investments			
Franked		21,385	21,907
Unranked		21,883	20,640
		43,268	42,547
Interest on loans and deposits		2,389	3,302
		45,657	45,849
Share of profits of associated undertakings		2,129	1,663
Underwriting commission		326	405
Other revenue		160	317
3 Total revenue		48,271	48,234
4 Interest payable and similar charges		15,130	16,489
Net revenue after interest payable		33,141	31,745
5 Expenses		5,677	5,501
Net revenue on ordinary activities before taxation		27,464	26,244
6 Taxation		7,601	7,493
Net revenue on ordinary activities after taxation		19,863	18,751
Minority interests		563	421
Net revenue after taxation and minority interests		19,300	18,330
Dividend on preference stock		94	94
7 Net revenue attributable to ordinary shareholders		19,206	18,236
Dividends on ordinary shares			
Interim of 1 1/2p (1991 - 1 1/2p)	5,086		5,023
Final of 2 23p	11,719		
Second interim of 2 1/2p	—		11,141
		17,605	16,164
Amount set aside to reserves		1,601	1,472
Revenue reserve at 1 January		9,603	8,131
Revenue reserve at 31 December		11,204	9,603
8 Earnings per share		3.65p	3.47p

[†] Related as the figures in the 1991 Report were not consolidated

STATEMENT OF TOTAL PROVISIONAL GAINS AND LOSSES

for the year ended 31 December

	1992 £'000s	1991 £'000s
Capital profit on investing activities		
Realised gains and losses	6,748	18,634
Unrealised gains and losses	207,301	152,099
	214,049	170,733
Unrealised deficit on revaluation of tangible fixed assets	(1,280)	(640)
Capital surplus for the year	212,769	170,093
Net revenue after taxation and minority interests	19,300	18,330
Total recognised gains and losses for the year	232,069	188,423

STATEMENT OF BALANCE SHEET

as at 31 December

Notes	£'000s	1992 £'000s	1991* £'000s
Fixed assets			
9 Tangible assets		1,288	2,568
10 Investments			
Listed in Great Britain	479,832		447,602
Listed outside Great Britain	799,183		676,666
	1,279,015		1,124,268
Unlisted at Directors' valuation	40,141		41,353
Associated undertakings	31,380		16,735
		1,350,536	1,182,356
Current assets			
11 Investments of dealing subsidiary undertaking	—		93
12 Debtors	8,920		3,205
13 Taxation recoverable	3,973		3,422
Cash at bank	4,462		335
Short term deposits	11,552		8,742
	28,915		16,015
Current liabilities			
Creditors' amounts falling due within one year			
14 Foreign currency and sterling loans	48,691		81,772
15 Other	23,156		26,360
	71,847		108,132
Not current liabilities		(42,932)	(92,117)
16 Total assets less current liabilities		1,308,892	1,092,807
Creditors' amounts falling due after more than one year			
17 Debentures and unsecured loan stock		(113,075)	(113,180)
Minority interests		(8,250)	(6,430)
		1,187,567	973,197
Capital and reserves			
18 Called up share capital		134,071	134,071
Reserves			
19 Share premium	14		14
20 Capital reserve	1,042,278		820,509
Revenue reserve	11,204		9,603
		1,053,496	839,126
		1,187,567	973,197

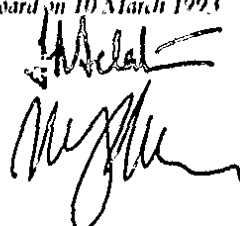
* Restated as the figures in the 1991 Report were not yet audited

Approved by the Board on 10 March 1993

J. R. Slater

M. J. Hart

Directors



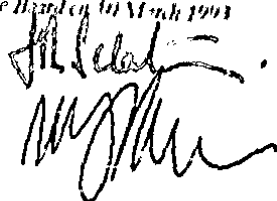
[PARENT COMPANY BALANCE SHEET]

at 31 December

Notes	£'000s	1992 £'000s	1991 £'000s
Fixed assets			
9 Tangible assets			
10 Investments		1,288	2,568
Listed in Great Britain	479,832		
Listed outside Great Britain	709,183		
		447,602	
		676,666	
Unlisted at Directors' valuation	1,279,015		
Associated undertakings	39,073		
Subsidiary undertakings	9,932		
	12,869		
		9,813	
Current assets		1,341,789	1,175,310
12 Debtors	7,685		
13 Taxation recoverable	3,968		
Cash at bank	4,461		
Short term deposits	11,393		
	27,505		
		15,006	
Current liabilities			
Creditors: amounts falling due within one year			
14 Foreign currency and other loans	48,500		
15 Other	22,568		
	71,068		
		81,578	
		26,004	
Net current liabilities		107,582	
		(43,563)	
Total assets less current liabilities			92,576
Creditors: amounts falling due after more than one year		1,299,514	1,087,000
17 Debentures and unsecured loan stock			
		(113,075)	
			(113,180)
Capital and reserves		1,186,439	922,122
18 Called up share capital			
Reserve		134,071	134,021
19 Share premium			
20 Capital reserve	14		
Revenue reserve	1,041,743		
	10,811		
		14	
		829,649	
		9,488	
		1,052,368	838,051
		1,186,439	922,122

Approved by the Board on 10 March 1993

J R Schuler
M J Hart
Directors



CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December

Notes	£'000s	1992 £'000s	1991 £'000s
Operating activities			
Investment income received	38,792	37,372	
Interest received	2,436	3,098	
Underwriting commission received	410	356	
Other revenue	358	309	
Investment management fees paid	(3,227)	(3,085)	
Cash paid to and on behalf of directors	(80)	(100)	
Other cash payments	(2,351)	(2,274)	
24 Net cash inflow from operating activities		36,338	36,276
Returns on investments and servicing of finance			
Interest paid	(16,297)	(16,425)	
Preference dividend paid	(94)	(94)	
Ordinary dividend paid	(17,350)	(15,741)	
Net cash outflow from returns on investments and servicing of finance		(32,741)	(32,260)
Taxation			
UK tax repaid (paid)	821	(1,518)	
Overseas tax (paid)	(2,055)	(867)	
Total tax paid		(1,234)	(2,385)
Investing activities			
Purchases of investments	(243,953)	(317,218)	
Sale of investments	295,116	244,411	
Capital expenses	(14)	(44)	
Net cash inflow/(outflow) from investing activities		51,149	(72,851)
Net cash inflow/(outflow) before financing		53,512	(71,220)
Financing			
Net sterling loans raised	39,990	8,470	
Net currency loans (repaid) raised	(83,038)	5,641	
Other creditor (repaid) incurred	(4,808)	4,808	
Debentures (repaid)	(2,500)		
Share capital raised	112		
Net cash (outflow)/inflow from financing		(50,244)	18,919
25 Increase/(decrease) in cash and cash equivalents		3,268	(52,301)

1 Accounting policies

The accounts have been prepared on the historical cost basis of accounting, modified to include fixed asset investments at valuation and have been prepared in accordance with applicable accounting standards, except as noted below for investments in associated undertakings.

As an investment trust, the parent company treats all transactions on the realisation and revaluation of investments held as fixed assets as transactions on capital account. These items, whether profits or losses, are not part of and are not reflected in the consolidated revenue account of the year but are charged to capital reserves. Dealing profits of the investment subsidiary undertakings are included in the consolidated revenue account.

The consolidated accounts include the results of the parent company and its subsidiary undertakings for the year ended 31 December 1992.

Investments in associated undertakings are stated in the consolidated balance sheet at directors' or market valuation, which accords with the Group's accounting policy for investments, rather than the equity method as prescribed in Statement of Standard Accounting Practice 1. The effect of adopting this policy is set out in note 10 on the accounts.

Listed investments are shown at middle market value and unlisted investments at directors' valuation except that investments held by the dealing subsidiary undertakings are included in the consolidated balance sheet under the heading of current assets and are shown at the lower of cost and market value.

Foreign currency assets and liabilities are expressed in sterling at rates of exchange ruling at the balance sheet date.

Dividends and interest received from investments are credited to revenue on the due payment dates without making any adjustment for amounts accrued at the dates of acquisition and disposal of the securities. Franked investment income includes the imputed tax credit relating to dividends receivable and this tax has been written off within the taxation charge.

No depreciation is provided on the freehold property as it has been included on the basis of a valuation carried out by C. Chesterton at 31 December 1992.

Deferred tax is provided on any material timing differences expected to crystallise in the foreseeable future.

2 Dividends and interest on investments

	Franked £'000s	Un- franked £'000s	1992 Total £'000s	Franked £'000s	Un- franked £'000s	1991 Total £'000s
Dividends						
Listed investments	20,303	11,535	31,838	20,303	11,504	31,807
Unlisted investments	1,082	124	1,206	987	110	1,097
Interest						
Listed investments	—	9,074	9,074	—	7,820	7,820
Unlisted investments	—	1,150	1,150	—	1,200	1,200
	21,385	21,883	43,268	21,290	20,634	41,924

Investment income shown above includes interest received on British and Foreign Government Stocks and Bonds of £8,849,000 (1991: £7,215,000). The interest accruing on such stocks during the year amounted to £3,983,000 (1991: £3,553,000).

3 Segmental information

Total consolidated revenue was received from the following geographical areas:

UK 60.0% North America 12.0% Europe 20.0% Far East 2.8% Japan 2.7% Other 0.8%

Substantially all expenses are incurred in the UK.

NOTES ON ACCOUNTS

4 Interest payable and similar charges

	1992 £'000s	1991 £'000s
Domestic stocks	12,672	12,737
Foreign unsecured loan stock	7	7
Foreign currency and sterling loans	2,430	3,728
Other	21	17
	15,130	16,489
The interest is further analysed as follows		
Loans repayable within five years	2,722	4,083
Other loans	12,408	12,406
	15,130	16,489

5 Expenses

Under the arrangements for the Company's management and administration (see Report of the Directors for details), which commenced on 1 April 1985, the Group does not employ any staff

	1992 £'000s	1991 £'000s
Management fees	3,223	3,085
Directors' emoluments		
Fees for services to group companies	106	100
Pension to widow of former director	12	11
General expenses	2,275	2,267
Auditors' remuneration		
for services as auditors	32	28
for non-audit services	29	10
	5,677	5,501

Mr A C Barker, Mr C N Dawson, Mr E C Elstob, Mr M J Hart and The Hon James Ogilvy receive emoluments from Foreign & Colonial Management Limited for their services to that company. The proportion of their emoluments which relates to the management of the affairs of the Company or any of its subsidiary undertakings amounts to approximately £225,000 (1991: £195,000). This amount has been taken into account, together with the £100,000 (1991: £100,000) paid directly by the Company to the non-executive directors, in providing the following disclosure.

Directors' emoluments (including payments by all subsidiary undertakings but excluding pensions contributions) for 1991 have been restated.

	1992	1991
Chairman	£20,000	£25,000
Highest paid director	£138,000	£114,000
£1 - £5,000	1	
£10,001 - £15,000	6	7
£15,001 - £20,000	1	1
£25,001 - £30,000	2	2

[NOTES ON ACCOUNTS]

6 Taxation

	1992	1991
	£'000s	£'000s
Corporation tax at 33% (1991 - 33.25%)	1,223	567
Relief for overseas tax	(1,220)	(565)
	3	2
Overseas tax	1,540	1,467
Imputed tax credit on franked income	6,057	6,029
Adjustment for prior years	1	(5)
	7,601	7,493

7 Revenue account

As permitted by Section 228(7) of the Companies Act 1985, the revenue account of the parent company is not presented as part of these accounts. The consolidated revenue account includes £18,828,000 (1991 - £17,783,000) which is dealt with in the accounts of the parent company.

8 Earnings per share

The basic earnings per share are calculated on the 'net' basis of earnings of £19,206,000 (1991 - £18,236,000) and on 525,523,840 (1991 - same) ordinary shares in issue at the year end.

Earnings on the 'ml' basis are the same.

9 Tangible assets

	Freehold property		Paintings		Total	
	Parent	Group	Parent	Group	Parent	Group
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Cost or valuation at						
1 January 1992	2,560	2,560	8	8	2,568	2,568
Deficit on revaluation	1,280	(1,280)			(1,280)	(1,280)
	1,280	1,280	8	8	1,288	1,288

The freehold property and paintings are owned jointly by three investment trusts managed by Foreign & Colonial Management Limited and the amounts shown above represent this Company's proportion. A valuation of the freehold property was conducted by Chesterton at 31 December 1992 on the basis of the open market value for its existing use. The original cost of the property plus additions was £2,853,000 against which depreciation of £230,000 would have been provided under historical cost accounting rules. Paintings are included at cost.

[NOTES ON ACCOUNTS]

10 Investments

	Valuation		Cost	
	Parent £'000s	Group £'000s	Parent £'000s	Group £'000s
Balance at 1 January	1,175,310	1,182,356	793,465	802,716
Purchases	246,383	246,514	246,383	246,514
Sales	(300,701)	(300,695)	(287,386)	(287,386)
Realised profit on sale of investments	13,315	13,315	—	—
Increase in unrealised appreciation	207,482	209,046	—	—
Balance at 31 December	<u>1,341,789</u>	<u>1,350,530</u>	<u>752,462</u>	<u>761,844</u>

Subsidiary undertakings

	1992 £'000s	1991 £'000s
Shares at cost or valuation less provision for losses	15,876	12,847
Amounts due from subsidiary undertakings	241	234
	16,117	13,081
Amount due to subsidiary undertaking	(3,248)	(3,248)
	<u>12,869</u>	<u>9,833</u>

The following were subsidiary undertakings at 31 December 1992

Company and business	Country of registration & incorporation	No & class of shares held	Holding %	Capital & reserves at 31.12.92 £'000s	P.L.I. for v/e 31.12.92 £'000s
Amphion Securities Limited (investment dealing)	England	134,400 shares of £1	64.0	156	13
Anglo-Nippon Trust Limited (dormant) (investment trust - used only as nominee company)	England	5,250,000 shares of 25p	100.0	3,248	
C & I Securities Limited (dormant) (investment dealing)	England	1,000 shares of £1	90.9	(142)	
I & C Securities Limited (dormant) (investment dealing)	England	100 shares of £1	100.0	(538)	
Marindale Securities Limited (venture capital)	England	64 shares of £1	64.0	(354)	21
Pountney Hill Holdings Limited (investment holding)	England	854,061 shares of £1	61.0	21,448	1,186

NOTES ON ACCOUNTS

Associated undertakings

At 31 December 1992 the Group held more than 20% of one class of the equity of the following undertakings:

Company and business	Country of registration & incorporation	No. & class of shares held	Holding %
Foreign & Colonial PEP Investment Trust PLC (investment trust)	England	9,689,444 shares of 25p	32.0
Hypo Foreign & Colonial Management (Holdings) Limited (holding company)	England	854,000 'A' shares of £1	30.5

The investment in Foreign & Colonial PEP Investment Trust has been reduced to 16.8% as at 10 March 1993.

As disclosed in the accounting policies note, the above companies have been included in the consolidated balance sheet at directors' or market valuation as appropriate. The effect of adopting this policy is to increase the consolidated net assets by £4,741,000 (1991: £2,016,000).

Substantial interests

At 31 December 1992 the Group held more than 5% of one class of the share capital of the following undertakings held as investments, none of which represented a participating interest:

	Country of registration & incorporation	No. & class of shares held	Holding %
Assembly & Automation (Electronics) Limited	England	4,684 ordinary shares of £1	9.4
I & C Buy-out Trust	Jersey	10,000 'A' units of £100	10.0
Foreign & Colonial Enterprise Trust PLC	England	8,633,976 ordinary shares of 10p	9.2
Foreign & Colonial German Investment Trust PLC	England	3,204,434 ordinary shares of 25p	8.2
Robert Hemming Holdings Limited	England	525,886 warrants	6.7
		2,350,000 ordinary shares of 25p	5.0
Hypo Foreign & Colonial Portfolios Fund	Luxembourg		
American Equity		110,000 shares	82.3
American Smaller Companies Equity		1,300,516 shares	77.2
Mediterranean Equity		48,828 shares	29.0
Nordic Equity		123,600 shares	65.9
Asian Equity		126,670 shares	27.5
Kleinwort Development Fund PLC	England	486,064 ordinary shares of 25p	8.0
Latin American Investment Trust PLC	England	3,832,450 ordinary shares of US\$0.10	5.1
		766,490 warrants	5.1
Union Jack Oil plc	England	1,840,217 ordinary shares of 25p	8.4

NOTES ON ACCOUNTS

11 Investments of dealing subsidiary undertaking

	1992 £'000s	1991 £'000s
Listed in Great Britain at market value	—	93

12 Debtors

	1992 Parent £'000s	1992 Group £'000s	1991 Parent £'000s	1991 Group £'000s
Investment debtors	6,512	6,512	926	926
Amounts owed by undertakings in which the Group has a participating interest*	1,000	1,000	1,000	1,000
Prepayments and accrued income	141	1,384	407	1,239
Other debtors	32	32	40	40
	7,685	8,928	2,373	3,205

*Subordinated loan to Foreign & Colonial Management Limited, with interest at three months LIBOR plus 5% repayable after more than one year

13 Taxation recoverable

Taxation recoverable includes advance corporation tax recoverable of £3,000,000 (1991: £3,047,000) in respect of the final dividend (1991: second interim) which in the opinion of the directors will be recovered against tax credits on franked income to be received in 1993

14 Creditors: Amounts falling due within one year

Foreign currency and sterling loans

	1992 Parent £'000s	1992 Group £'000s	1991 Parent £'000s	1991 Group £'000s
£48,500,000 repayable January 1993	48,500	48,500	—	—
£8,500,000 repaid January 1992	—	—	8,500	8,500
US\$128,000,000 repaid January 1992	—	—	68,402	68,402
US\$8,750,000 repaid September 1992	—	—	4,676	4,676
Other	—	191	—	194
	48,500	48,691	81,578	81,772

At 30 March 1993, borrowings totalled £38,600,000

[NOTES ON ACCOUNTS]

15 Creditors: Amounts falling due within one year
Other

	Parent	1992 Group	Parent	1991 Group
	£'000s	£'000s	£'000s	£'000s
7% unsecured loan stock 1988/93	105	105	—	—
6.25% debenture stock 1987/92	—	—	2,500	2,500
Bank overdrafts	—	—	93	93
Investment creditors	6,293	6,293	3,733	3,733
Other creditors	80	102	4,880	4,900
Final dividend on ordinary shares (1991 – second interim)	11,719	12,205	11,141	11,468
Advanced corporation tax on final dividend (1991 – second interim)	3,906	3,906	3,047	3,047
Accruals and deferred income	465	545	619	619
	22,568	23,156	26,004	26,360

16 Segmental Information: Total consolidated assets less current liabilities

Geographical and industrial classification

	North				Far		1992	1991
	UK	America	Japan	Europe	East	Others	Total	Total
	%	%	%	%	%	%	%	%
Assets								
Equities and convertibles								
Capital goods	8.8	4.1	2.3	5.6	0.2	0.1	21.1	20.1
Consumer group	6.3	17.9	5.4	1.3	0.1	—	27.0	26.0
Oil and Gas	3.8	0.4	0.6	—	0.5	—	5.3	7.2
Other groups	13.1	8.5	1.3	1.2	1.2	0.9	26.2	23.6
Financial group	6.9	2.2	2.6	0.4	2.1	1.0	15.2	13.3
Total	38.9	29.1	12.2	8.5	4.1	2.0	94.8	90.2
Fixed interest	0.9	1.2	2.6	—	—	—	4.7	10.5
Total investments	39.8	30.3	14.8	8.5	4.1	2.0	99.5	100.7
Freehold property and paintings	0.1	—	—	—	—	—	0.1	0.2
Net current assets/(liabilities)	—	—	0.3	0.1	—	—	0.4	(0.9)
Total assets less current liabilities								
(excluding loans)	39.9	30.3	15.1	8.6	4.1	2.0	100.0	
1991 Totals	41.6	26.7	9.3	18.0	2.8	1.6	—	100.0

NOTES ON ACCOUNTS

16 Segmental information: Total consolidated assets less current liabilities – continued

Geographical and industrial classification

	UK %	North America %	Japan %	Europe %	Far East %	Others %	1992 Total %	1991 Total %
Financed by								
Debentures and unsecured loan stock	8.3						8.3	9.7
Foreign currency and sterling loans	3.6						3.6	7.0
Preference stock	0.2						0.2	0.2
Equity shareholders exposure	27.8	30.3	15.1	8.6	4.1	2.0	87.9	83.1
Total funds employed	39.9	30.3	15.1	8.6	4.1	2.0	100.0	100.0

Note: Geographical classification is determined by the location of the major part of the companies' business

17 Debentures and unsecured loan stock

	Parent £'000s	1992 Group £'000s	Parent £'000s	1991 Group £'000s
7.25% debenture stock 1989/94 secured	2,500	2,500	2,500	2,500
11.25% debenture stock 2014 secured	110,000	110,000	110,000	110,000
4.25% perpetual debenture stock secured	575	575	575	575
7% unsecured loan stock 1988/93 (see Creditors above)	—	—	105	105
	113,075	113,075	113,180	113,180

18 Share capital

	1992 £'000s	1991 £'000s
Authorised capital		
35% cumulative preference stock	2,690	2,690
700,696,000 (1991 – same) ordinary shares of 25p	175,174	175,174
	177,864	177,864
Called up share capital		
35% cumulative preference stock	2,690	2,690
525,523,840 (1991 – same) ordinary shares of 25p	131,381	131,381
	134,071	134,071

19 Share premium

	1992 £'000s	1991 £'000s
Balance at 1 January and 31 December	14	14

NOTES ON ACCOUNTS

20 Capital reserve

	1992		1991	
	Parent	Group	Parent	Group
	£'000s	£'000s	£'000s	£'000s
Balance at 1 January	828,649	829,509	657,220	659,416
Net surplus on realisation of investments during the year	13,315	13,315	16,722	16,722
Exchange flows, gains	(6,382)	(6,526)	2,119	1,945
Capital expenses	(41)	(41)	(33)	(35)
Deficit on revaluation of property	(1,280)	(1,280)	(640)	(640)
Increase in unrealised surplus on investments	207,482	207,301	153,261	152,999
Balance at 31 December	<u>1,041,743</u>	<u>1,042,278</u>	<u>828,649</u>	<u>829,509</u>
Representing				
Capital reserve	452,416	456,462	446,804	450,994
Unrealised surplus on investments (see below)	589,327	585,816	381,845	378,515
	<u>1,041,743</u>	<u>1,042,278</u>	<u>828,649</u>	<u>829,509</u>

The unrealised surplus on investments is the difference between the valuation of investments at 31 December 1992 and the cost of those investments (see note 19)

21 Historical cost profits and losses

	1992	1991
	£'000s	£'000s
Net revenue on ordinary activities before taxation	27,464	26,244
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	(17)	(17)
Historical cost net revenue on ordinary activities before taxation	<u>27,447</u>	<u>26,227</u>
Historical cost net revenue for the year retained after taxation, minority interests and dividends	<u>1,584</u>	<u>1,455</u>

22 Reconciliation of movement in ordinary shareholders' funds

	1992	1991
	£'000s	£'000s
Net revenue after taxation and minority interests	19,300	18,330
Dividends	(17,699)	(16,858)
Other recognised net gains for the year	212,769	170,093
Net addition to ordinary shareholders' funds	214,370	171,565
Ordinary shareholders' funds at 1 January	970,507	798,942
Ordinary shareholders' funds at 31 December	<u>1,184,877</u>	<u>970,507</u>

{ NOTES ON ACCOUNTS }

23 Contingent liabilities

	1992	1991
	£'000s	£'000s
Uncalled liabilities on nil and partly paid holdings	1,071	5,179
Guarantees have been given to third parties in respect of Foreign & Colonial Management Limited and Hypo Foreign & Colonial (Marketing) Limited amounting to a maximum of £3,200,000		

{ NOTES TO CONSOLIDATED CASH FLOW STATEMENT }

24 Reconciliation of operating profit to net cash inflow from operating activities

	1992	1991
	£'000s	£'000s
Net revenue on ordinary activities before taxation	27,464	26,244
Add back interest payable	15,130	16,489
Income before interest payable and taxation	42,594	42,733
Increase in accrued income	(145)	(219)
Decrease in other debtors	8	
Decrease in creditors	(62)	(209)
Tax on franked investment income included within income from UK companies	(6,057)	(6,029)
Net cash inflow from operating activities	36,338	36,276

25 Analysis of changes in cash and cash equivalents during the year

	1992	1991
	£'000s	£'000s
Balances brought forward		
Exchange gains	9,202	60,395
Net cash inflow/outflow	3,544	1,168
	3,268	(52,301)
Balance at 31 December	16,014	9,202
Represented by		
Cash		
Short term deposits	4,462	333
Bank overdrafts	11,552	8,962
	—	(93)
	16,014	9,202

DIRECTORS' STATEMENT OF RESPONSIBILITY

As required by company law, the Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the company and group as at 31 December 1992 and of the results for that year.

In preparing the financial statements, suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made. The balance sheet treatment of the Group's investment in associated undertakings is explained in the accounting policies in note 1 on the accounts. In all other respects the financial statements are prepared in accordance with applicable accounting standards. The Directors are also responsible for ensuring that adequate accounting records are maintained and that there are adequate procedures in place to safeguard the assets of the Group and to prevent fraud and other irregularities.

AUDITORS' REPORT

To the Members of Foreign & Colonial Investment Trust PLC

We have audited the financial statements on pages 38 to 51 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 1992 and of the result of the Group's operations and its cash flows for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse

Chartered Accountants

and Registered Auditor

10 March 1993



Southwark Towers

12 London Bridge Street

London SE1 1SY

INFORMATION FOR INVESTMENT TRUST SHAREHOLDERS

CHARITABLE DONATIONS

During the year your Company contributed £10,000 to the City University to provide language bursaries for five students. In addition, donations of £1,000 or more were made to the Arthritis & Rheumatism Council, Cancer Relief Macmillan Fund, Crisis at Christmas, Distressed Gentlefolk's Aid Association, King Edward VII's Hospital for Officers and Queen Elizabeth's Foundation for the Disabled and smaller amounts to several other charities.

The following general notes are for guidance only for the fiscal year ending 5 April 1993. Investors are recommended to seek advice on their particular taxation position.

PIP STATUS

Although the Chancellor of the Exchequer relaxed the restrictions on PIPs in his 1992 Budget, your Company is still not a Qualifying Investment Trust. The maximum value of Foreign & Colonial Investment Trust's shares that can be invested in a PIP in the fiscal year 1992/93 is therefore £1,500.

CAPITAL GAINS TAX

An investment trust does not pay tax on capital gains.

Individuals can realise net capital gains up to £9,800 within the 1992/93 tax year without incurring any tax liability. Net gains over £9,800 are added to income and taxed at an individual's highest rate of income tax. Gains may be reduced by an appropriate adjustment for inflation over the period of the holding since 31 March 1982.

The base prices at 31 March 1982 for calculation relief, adjusted for capital changes, are as follows:

	Unit of quotation	Market price
Ordinary shares	25p	29.75p
3.5% cumulative preference stock	£1	32.50p
5% unsecured loan stock 1988/93	£100	£56.25
7.25% debenture stock 1989/94	£100	£59.25
4.25% non-cumulative debenture stock	£100	£28.25

The Inland Revenue has introduced an optional rule for calculating the capital gains on shares purchased on a monthly basis through the Private Investor Plan. This allows purchases made within the Company's accounting year to be aggregated and treated as a single investment in July of that year. You are advised to keep a separate note of purchases through the Plan, as other purchases are not eligible for inclusion in the option. Guidance notes prepared by the Association of Investment Trust Companies are available free of charge from the Company.

INCOME TAX

Dividends are paid to shareholders net of a tax credit of 25%. Shareholders liable to higher rates will have additional tax to pay. Shareholders who pay no tax can recover from the Inland Revenue the tax credit applicable to their dividends. Overseas investors not liable to UK Income Tax can obtain a claim form from The Inspector of Foreign Dividends, Lynwood Road, Thames Ditton, Surrey KT17 0DJ.

Notice is hereby given that the one hundred and fourteenth annual general meeting of Foreign & Colonial Investment Trust PLC will be held at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8AY on Wednesday 7 April 1993 at 12.00 noon for the following purposes:

- 1** To receive and adopt the directors' report and accounts for the year ended 31 December 1992
- 2** To declare a dividend on the ordinary shares
- 3** To re-elect Sir John Egan as a director
- 4** To re-appoint the auditors and authorise the directors to fix their remuneration

Special Business

- 5** To consider and, if thought fit, pass the following resolution as an ordinary resolution

THAT

a the directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ('the Act') to exercise all the powers of the Company to allot relevant securities (as defined in that Section) up to an aggregate nominal amount of £43,393,949 during the period commencing on the date of the passing of this resolution and expiring on 6 April 1998 (both dates inclusive), but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry,

b all authorities previously conferred under Section 80 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect, and

c words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings in this resolution

- 6** To consider and, if thought fit, pass the following resolution as a special resolution

THAT, subject to the passing of resolution Number 5 set out above:

a the directors be and they are hereby empowered, pursuant to Section 94 of the Companies Act 1985 ('the Act'), to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority given in accordance with Section 80 of the Act by the said resolution Number 5 as if Section 80(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities

i during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the next following annual general meeting of the Company, but so that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted after the expiry of this power,

ii in connection with an offer of securities, open for acceptance for a period fixed by the directors, by way of rights to holders of ordinary shares of the Company in proportion (as nearly as may be) to their holdings on a record date fixed by the directors (but subject to such exclusion or other arrangements as the directors may deem necessary or expedient to deal with matters arising under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or in connection with fractional entitlements or otherwise howsoever), and

iii (otherwise than pursuant to sub-paragraph ii above) up to an aggregate nominal amount of £15,500,000,

- b all powers previously conferred under Section 95 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect, and
- c words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings in this resolution
- 7 To consider and, if thought fit, pass the following resolution as an ordinary resolution
- THAT the directors be and they are hereby authorised to make a donation of £12,500 to the Conservative Board of Finance
- By order of the board*

Loreyn E. Colonial Management Limited, Secretary

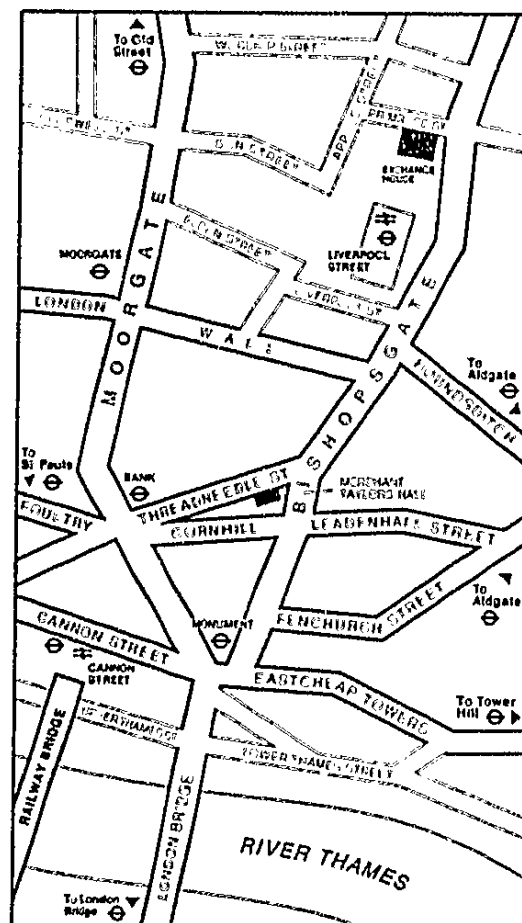
16 March 1993

Notes

Only the holders of ordinary shares are entitled to attend and vote or to be represented at the meeting. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on a poll vote instead of him. A proxy need not also be a member. A form of proxy for use by ordinary shareholders is enclosed with this annual report. Completion and return of the proxy card will not preclude a shareholder from attending the meeting and voting in person.

The register of directors' holdings and the Company's articles of association are available for inspection at the Company's registered office during normal business hours on any weekday.

No director has any contract of service with the Company.



FOREIGN & COLONIAL TRUSTS

INVESTMENT TRUSTS

Foreign & Colonial Investment Trust PLC
 Foreign & Colonial Enterprise Trust PLC
 Foreign & Colonial Eurotrust PLC
 Foreign & Colonial German Investment Trust PLC
 Foreign & Colonial High Income Trust PLC
 Foreign & Colonial PEP Investment Trust PLC

Foreign & Colonial Pacific Investment Trust PLC
 Foreign & Colonial Smaller Companies PLC
 Foreign & Colonial US Smaller Companies PLC
 Brazilian Investment Trust PLC
 Latin American Investment Trust PLC
 Second Consolidated Trust PLC

Private Investor Plans and Personal Equity Plans are available for most of the above investment trusts

Contact: Eleanor Brett

UNIT TRUSTS

Hypo Foreign & Colonial European Fund
 Hypo Foreign & Colonial Far Eastern Fund
 Hypo Foreign & Colonial High Income Fund
 Hypo Foreign & Colonial Overseas Income Fund

Hypo Foreign & Colonial UK Growth Fund
 Hypo Foreign & Colonial UK Income Fund
 Hypo Foreign & Colonial US Smaller Companies Fund

Contact: Richard Tennyson

SPECIALIST COLLECTIBLE FUNDS

Hypo Foreign & Colonial Reserve Asset Fund Limited
 Hypo Foreign & Colonial Portfolios SICAV
 Contact: Richard Tennyson

Hypo Capital Management S.A. (Luxembourg F.C.P.s)

Argentinian Investment Company
 Brazilian Investment Company
 Contact: Audley Twiston Davies

Latin American Investment Company
 Mexican Investment Company

ASSET PROTECTED EXEMPT FUNDS

Foreign & Colonial Anglo-Nippon Exempt Fund
 Foreign & Colonial European Exempt Fund
 Foreign & Colonial North American Exempt Fund
 Contact: Nigel Morecroft

Foreign & Colonial South East Asia Exempt Fund
 Foreign & Colonial UK Exempt Fund

UNAUTHORISED EXEMPT FUNDS

Foreign & Colonial Balanced Exempt Fund
 Contact: Nigel Morecroft

Foreign & Colonial Latin American Exempt Fund

PENSION FUNDS

Balanced and specialist investment services are provided for a wide range of institutional pension funds
 Contact: Nigel Morecroft

CHARITIES

A comprehensive management service is available for larger charities while smaller ones can use our general and specialist pooled funds
 Contact: Nigel Morecroft

VENTURE CAPITAL FUNDS

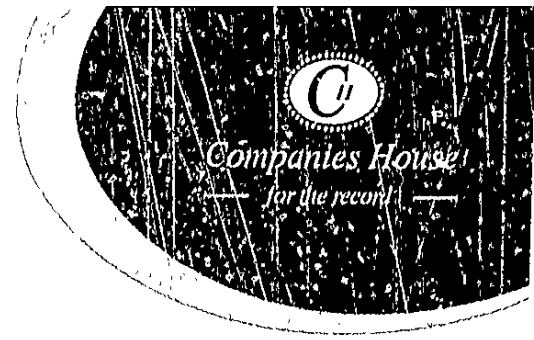
F & C Ventures Limited Partnership
 Contact: James Nelson

F & C Ventures Limited Partnership II

The information on this page has been issued and approved by Foreign & Colonial Management Limited, a member of ISMO

Telephone: 071-6288000 Exchange House, Primrose Street, London EC2A 2NY

The company is a public limited company. Incorporated in England. Registered office: Exchange House, Primrose Street, London EC2A 2NY. Registered number: 00000000.



NOTICE OF ILLEGIBLE DOCUMENT ON THE MICROFICHE RECORD

Companies House regrets that the microfiche record for this company, contain some documents, which are illegible.

The poor quality has been noted, but unfortunately steps taken to improve them were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause