12901

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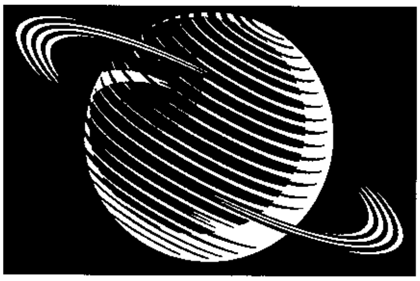
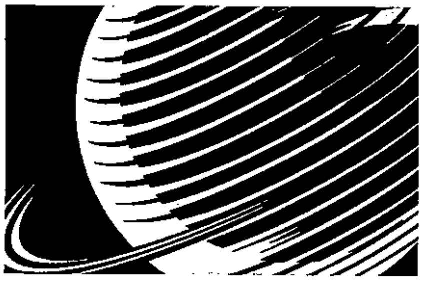


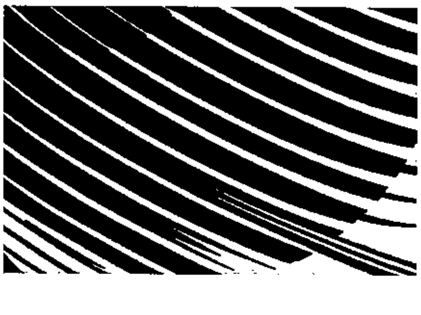
To secure for our shareholders long-term growth in net assets per share and regular increases in dividend which will beat the rate of inflation

Objective of Foreign & Colonial Investment Trust PLC



Summary of Consolidated Results

Attributable to Equity shareholders	31 Dec 1996	31 Dec 1995 (restated)	% change
Consolidated net assets	**£1,770m**	£1,689m	+ 4.8
Consolidated net assets per share (prior charges at nominal value)	**168.4p**	160.7p	+ 4.8
Consolidated net revenue	**£30.6m**	£25.4m	+ 20.5
Consolidated earnings per share	**2.91p**	2.41p	+ 20.5
Dividends per share	**2.28p**	2.07p	+ 10.1
Share price	**150.3p**	162.0p	– 7.2



Financial Calendar

Annual General Meeting	25 April 1997
Final dividend payable	28 April 1997
Interim results for 1997 announced	14 August 1997
Interim dividend payable	3 October 1997
Final results for 1997 announced	March 1998

Company Registration Number 12901

Chairman's Statement

Capital Performance

In 1996 inflation worldwide remained subdued, interest rates declined, bond markets were firm and corporate profits were buoyant. The result was that all major markets, apart from Japan, made good progress. I am sorry to report, however, that your Company did not fully participate in the resulting gains. Consolidated net asset value per share rose usefully by 4.8% to 168.4p, but this compared with currency adjusted rises in the relevant indices of 11.7% in the UK, 9.0% in the U.S.A. and 5.3% in Germany, and with a fall of 24.4% in Japan. For the first time in five years we underperformed our peer group of large international trusts.

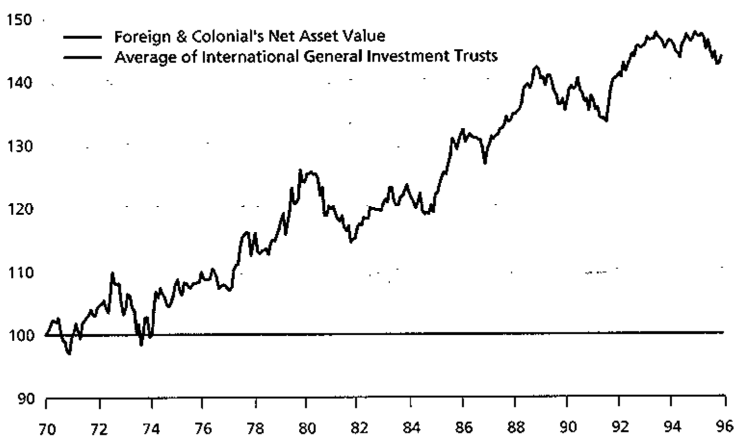
Our share price was also a disappointment as it fell from 162p to 150p with the shares going from a premium of 0.9% to a discount of 10.7% on net asset value. Widening discounts were a common feature of the investment trust market but there were particular factors affecting us which included our net asset value performance and our departure, for reasons beyond our control, from the FTSE 100 Index. In addition, as a trust with the majority of our investment overseas, we were exceptionally hard hit by the appreciation of sterling.

In 1996 the pound gained 10.2% against the dollar, 18.7% against the deutschmark and 24.0% against the yen. These movements severely reduced the returns on our foreign assets, particularly as we decided, wrongly with hindsight, not to hedge our overseas currency exposures to any great extent. This decision was the main cause of our underperformance.

John Sclater, Chairman

Our performance also suffered from a relatively poor showing by our UK equities. Much of this arose because we have always sought a substantial dividend income in this country in order to offset the low yields on almost all our investments overseas. This policy, which has served us well in the past, went against us in 1996 when the FTSE 350 Higher Yield Index rose by 6.9% while the FTSE 350 Lower Yield Index rose by 16.5%.

Performance of Foreign & Colonial's Net Asset Value compared with the average of International General Investment Trusts



Source: Datastream

Chairman's Statement
continued

Japan was another area of disappointment. At the start of the year the economic outlook appeared favourable. The yen was weakening, interest rates were declining and there was the prospect of a sharp rise in profits. Unfortunately, the economic recovery seen in the first quarter faded away, and the good relative performance of our Japanese holdings could not compensate for sharp falls in both the equity market and the yen in the second half. With hindsight again, we were over-exposed to Japan.

In the United States, on the other hand, we maintained a relatively high weighting and this served us well. We also benefited from the remarkable appreciation of some European and Asian markets. As the year developed we felt that there was a growing element of euphoria creeping into U.S. and UK markets and we therefore gradually reduced our effective gearing from about 9% to 7%. We also switched funds into emerging markets, particularly in Asia.

Revenue Account & Dividend

Net revenue once again showed a good increase. UK dividend income was buoyant. Fixed interest income was down because all the gilts and bonds held in 1995 were sold. Interest payable also fell.

Our policy for recognition of income has been altered as recommended by the recent Statement of Recommended Practice (SORP). Dividends are now credited on the ex-dividend date rather than the pay date and income on fixed interest securities is taken on an accruals basis. Our comparative figures for 1995 have been restated accordingly.

Total expenses rose by 0.9%. Private Investor Plan expenses fell by 14% thanks to the benefits of conversion to the nominee system. The management fee, which is based on a three year rolling average of assets, rose by 8%. This reflected the fact that asset values were substantially higher in 1996 than in 1993.

An interim dividend of 0.70p was paid on 4 October and your directors now propose a final dividend of 1.58p making a total of 2.28p for the year. This is a rise of 10%. It is also the 26th consecutive annual increase and compares with a rise of 2.5% in the Retail Price Index in 1996. The long term dividend record is shown on page 12.

Hypo Foreign & Colonial Management (Holdings) (HFCM)

On 12 December the five investment trusts, including your Company, which collectively owned 50% of the share capital of HFCM announced that Bayerische Hypotheken-und Wechsel-Bank AG ('Hypo Bank') would increase its effective interest in HFCM from 50% to 65%. Of the total consideration of £60 million, half related to the purchase of the additional 15% interest and the balance represented the premium paid for acquiring control of the company.

We did not reduce our effective interest in the management company but we received £18 million in cash as our share of the control premium. We decided not to reduce our stake because we believe that it will be a good long term investment. It is currently our third largest holding and has been valued independently by Phoenix Securities at

£51.2 million, which compares with £49.7 million at the end of 1995. The Phoenix valuation incorporates a 10% discount appropriate for an investment in an unquoted company. The long-term value of HFCM will depend on the level of world stockmarkets and the ability of the management company to attract new money. The progress and new structure of the group are described on pages 66 to 68.

Management Agreement

On 12 December 1996 the term of the management agreement between your company and HFCM was reduced from 3 years to 2 years in line with best practice in the investment trust industry.

Shareholders and Annual General Meeting

At the end of 1996 we had 102,784 shareholders compared with 11,934 in 1984 when the Private Investor Plan was launched. Over 50% of the shares are owned by private shareholders compared with 20% for quoted companies generally. The Private Investor Plan system has now settled down and is working efficiently after the problems of the change-over to the nominee system. Plan members continue to enjoy low costs, regular statements and all the rights of shareholders to receive annual and interim reports and to attend Annual General Meetings. The Plan provides a most cost-effective way of investing in a global portfolio under professional management.

This year's Annual General Meeting will again be held in the Porter Tun Room at the Whitbread Brewery in Chiswell Street. You are warmly invited to come and we look forward to seeing those of you who do. You will appreciate that it is difficult at the meeting to answer complex questions satisfactorily without notice because they may need some research. If you have a complicated question you are therefore likely to get a better answer if you contact the company secretary or myself in advance.

Directors, Management and Staff

We are pleased to welcome Ewen Macpherson to the Board. The knowledge and experience he has gained during his 26 years with the 3i Group will, I am sure, be of great benefit to us.

Lord Kingsdown, having attained the age of 70 in January, was due to retire at the forthcoming Annual General Meeting. However, his unique experience has proved to be of such value to your Company that it was the unanimous wish of the Board that he should be asked to remain a director for a further period of one year. This he has agreed to do and you will see that special notice has been received for his re-election.

Ewen Macpherson

Chairman's Statement
continued

Jeremy Tigue will become manager of the Company on 1 July and Michael Hart will be retiring from Foreign & Colonial Management in December.

Michael Hart

The distinction of Michael Hart's contribution to the Foreign & Colonial family cannot be exaggerated. He joined the Management Company forty-three years ago in 1954. He then became Manager of your Company in 1969 and a Director in 1973. The share price when he became Manager was 8p (adjusted); at the time of writing it is 160.5p. In 1984 Michael 'invented' savings schemes, which have been so important for the investment trust sector. He was Chairman of The Association of Investment Trusts from 1989 to 1991. I am not aware of any fund manager in the City today who has managed one substantial fund for such a long time and with such success.

Michael's act will be a hard one to follow. We are, however, fortunate that Jeremy Tigue has accepted the challenge and we are confident he is outstandingly well suited to manage the Company in the years ahead. He joined the management company in 1981 and has worked closely with Michael Hart ever since. He will no doubt do things in his own way, but any changes will most certainly be evolutionary and not revolutionary. We wish both Michael and Jeremy very well indeed.

I would also like to express our warmest thanks to all the staff of Foreign & Colonial Management. We continue to receive an excellent service from them.

Corporate Governance

We comply with the recommendations for best practice in corporate governance published by the Cadbury Committee and with the Greenbury Committee recommendations adopted by the Stock Exchange.

Prospects

In 1996 the good performance of most of the major stockmarkets reflected the ideal combination of low inflation, low interest rates, moderate growth and rising corporate profits. Prospects for 1997 depend on these favourable factors continuing.
Alan Greenspan, the Chairman of the U.S. Federal Reserve has asked the question "how do we know when irrational exuberance has unduly escalated asset values which then become subject to unexpected and prolonged contractions as they have in Japan over the past decade?". Less well publicised comments in the same speech were that "inflation was low but its future course was uncertain" and that "we have had the development of comfortable

product but tight labour markets in recent months, a phenomenon for which there is scant historic precedent". A great deal will depend on how events unfold in the U.S.A. and it is, as ever, very hard to make predictions there with any confidence. Similar uncertainties persist in the other major markets. Some commentators fear deflationary influences if the Japanese economy fails to revive and Europe is held back by the constraints imposed by the Maastricht agreement. In the UK we face the possibility of a new Government with a different set of priorities.

On balance, we are again cautious on Wall Street but we are expecting to make progress in other markets - in Japan with our very focussed portfolio as the economy recovers helped by low interest rates, a low yen and more evidence of reform and deregulation; and in Europe as it benefits from low interest rates, greater efficiency and improving corporate profitability. Emerging markets could also enjoy some appreciation. In Latin America stockmarkets should do well if good economic progress is coupled with greater interest on the part of international investors. In Asia, China is a growing influence and it is making an encouraging recovery from a difficult period. A smooth transition in Hong Kong will give a boost to the whole region, but areas like Korea and Thailand may take some time to recover from recent setbacks.

1996 may have been a disappointing year for our shareholders, especially in terms of the share price. However, we have had temporary setbacks in the past and we have always recovered and moved on to higher peaks. This is demonstrated clearly by the chart on page 3 and the chart showing total rates of return on page 35 which show our longer term performance. The good results which we have achieved for shareholders over the years have been based on keeping our nerve in difficult markets and learning from the past. So far in 1997, our net asset value has risen and the share price is now 160.5p, a rise of 6.8%.

We look forward to the future with confidence.

John Sclater.

J.R.Sclater
March 1997

Thirty Largest Equity Holdings

1 (2) Shell Transport & Trading, UK 3.2%
Leading international oil exploration, production and marketing group, which has a strong balance sheet and an attractive yield.

2 (1) Robert Fleming Holdings, UK* 2.9%
An unquoted UK merchant bank with diverse operations and a strong presence in the Far East.

3 (3) Hypo Foreign & Colonial Management, UK* 2.7%
Unquoted holding company for our investment in the fast growing fund management business, Foreign & Colonial Management.

4 (4) B.A.T Industries, UK 1.5%
Diversified group with cash generative international tobacco interests, and financial services through Allied Dunbar, Eagle Star and Farmers Group in the US.

5 (6) Glaxo Wellcome, UK 1.5%
Large annual research and development expenditure has led to a wide range of new products coming on to the market, and the take-over of Wellcome has produced greater economies of scale.

6 (8) British Telecommunications, UK 1.3%
Long-term growth in demand should be boosted by falling prices, better marketing and a range of new services. The proposed merger with MCI will add to BT's international capabilities and reduce further the proportion of regulated earnings.

7 (10) British Petroleum, UK 1.3%
Major integrated oil group with an excellent record of performance improvement.

8 (5) BTR, UK 1.2%
Major international manufacturing group. The new management team is expected to improve on recent lacklustre results.

9 (12) Rentokil Initial, UK 1.1%
International environmental services and healthcare group with an excellent record of growth and profitability. The acquisition of BET should continue this rate of growth.

10 (9) General Electric Company, UK 1.1%
Major electronics group with a strong balance sheet, some interesting new ventures and an attractive yield.

11 (17) Foreign & Colonial Portfolios Fund – American Smaller Companies – Luxembourg 1.0%
Specialist fund that gives exposure to growth companies which are too small for the Company to invest in directly.

12 (7) Roche Holdings, Switzerland 1.0%
Switzerland's second largest pharmaceutical and chemical company. Pharmaceuticals are by far its most important activity and prospects here remain excellent. The acquisition of Genentech added a new dimension to the group's traditional research work.

13 (24) Walgreen, USA 0.9%
An aggressive store opening programme and increasing contributions from prescription business provide Walgreen, the nation's largest drug-store retailer, with strong growth potential.

14 (18) Abbott Laboratories, USA 0.9%
Diversified healthcare firm with strong market positions in pharmaceuticals, nutritional products, diagnostic tests and hospital instruments.

15 (16) RTZ, UK 0.9%
A world leader in the mining industry concentrating on the development of large, high quality mineral deposits.

16 (27) Legal & General Group, UK 0.8%
A leading UK life assurance company, which should benefit from favourable demographic trends, while the restructuring of the life fund should allow a good rate of dividend growth.

17 (22) BAA, UK 0.8%
Long-term growth in air travel, and the further development of retailing give good prospects for the operator of Britain's major airports.

18 (20) Automatic Data Processing, USA 0.8%
A provider of data processing services to a wide range of industries. It has a good track record and generates a significant cash flow.

19 (15) Allied Colloids, UK 0.8%
Manufacturer of speciality chemicals which should benefit from the acquisition of a similar company in the US.

20 (21) United Utilities, UK 0.8%
The merger of North West Water and Norweb should create substantial efficiency savings to underpin good dividend growth.

21 (11) Foreign & Colonial Emerging Markets Investment Trust, UK 0.8%
Specialist fund giving exposure to fast growing emerging economies across the world.

22 (–) Bayer, Germany 0.7%
One of the largest chemical companies in the world and has strong positions in its markets. By concentrating on its core business units and a continuous cost cutting programme it should see strong earnings growth.

23 (–) Illinois Tool Works, USA 0.7%
Leading producer of industrial components and equipment with a strong track record of earnings growth, which looks set to continue.

24 (–) VNU, Netherlands 0.7%
Leading Dutch publisher of newspapers and consumer magazines. Having divested its printing business, the group is enjoying a strong recovery in profits as advertising in the Netherlands and elsewhere picks up, and it benefits from its recent acquisitions in the U.S.

25 (–) Kingfisher, UK 0.7%
Strong recovery in profits being led by B&Q, Comet and Woolworth, while consumer spending is expected to rise further.

26 (19) Southern Electric, UK 0.7%
The largest regional electricity company in the UK with a strong balance sheet and above average dividend prospects.

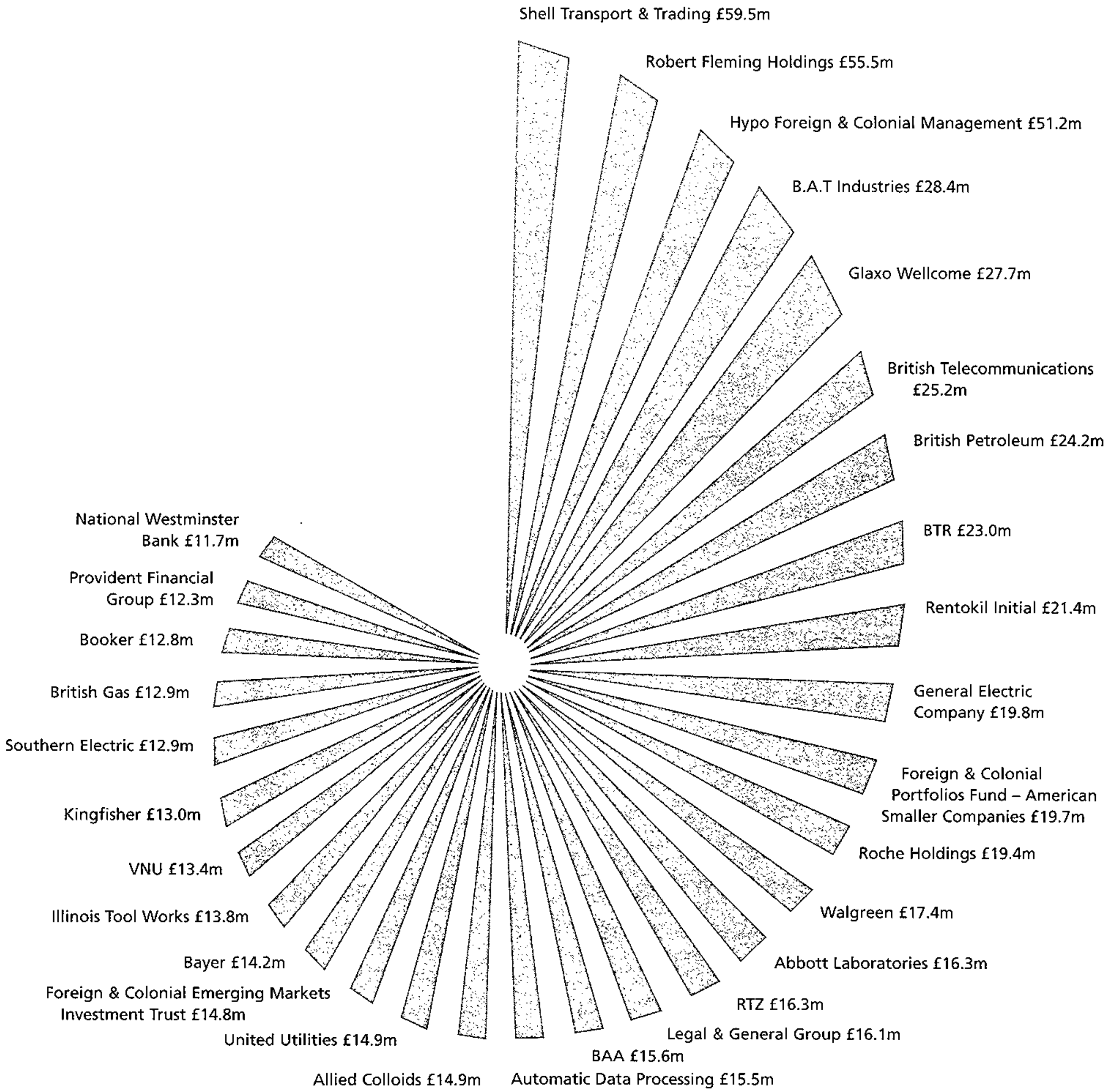
27 (25) British Gas, UK 0.7%
Value is expected to be realised by the demerger of the company, and the resolution of outstanding contracts with other major gas producers.

28 (–) Booker, UK 0.7%
International food distribution and agribusiness group which should see gains from the take-over of Nurdin & Peacock.

29 (30) Provident Financial Group, UK 0.7%
A leading provider of personal credit in the UK, with a record of consistent growth in earnings and dividends.

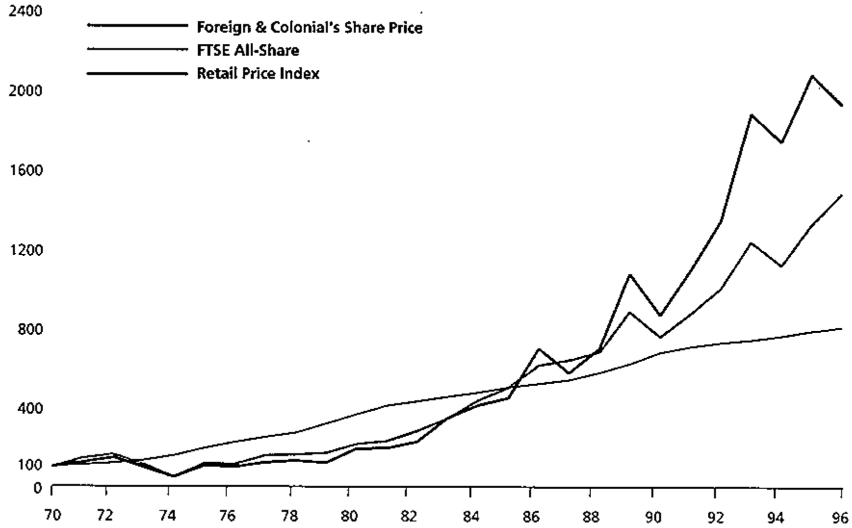
30 (–) National Westminster Bank, UK 0.6%
Further rationalisation of the core banking business should help to push earnings ahead.

*See note 12 on the accounts for further details of these investments.



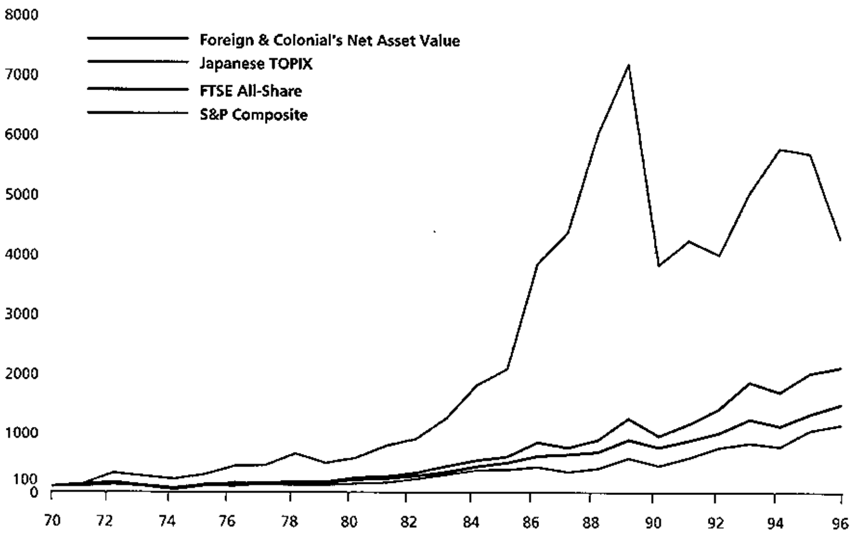
The value of the thirty largest equity holdings represents 34% (1995 – 35%) of the Company's total investments. The figures in brackets denote the position at the previous year-end. The country shown is the country of incorporation, the percentage is the percentage of the consolidated net assets attributable to ordinary shareholders and the value is the approximate market value.

Performance Charts



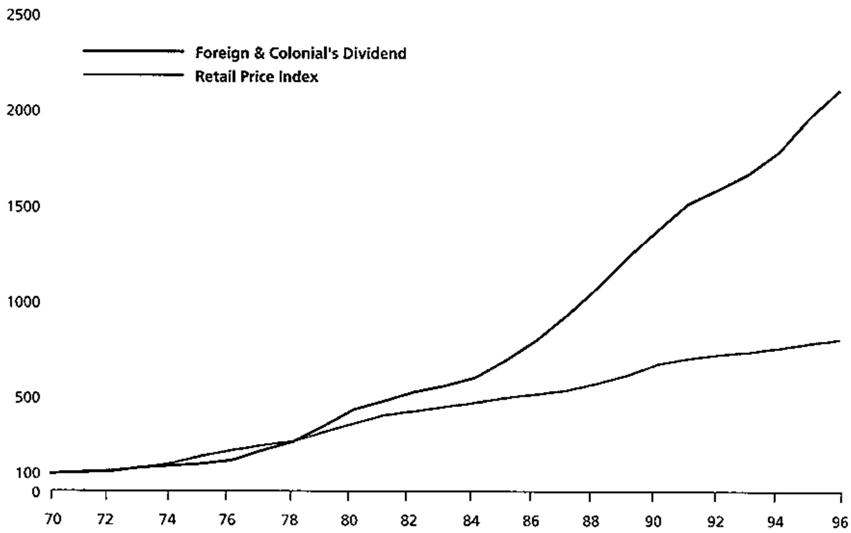
Foreign & Colonial's
Share Price Performance
Comparing the growth in the Company's share price with the FTSE All-Share Index and the Retail Price Index.

Source: Datastream



Foreign & Colonial's
Net Asset Value Record
Showing the Company's Net Asset Value per share compared with the FTSE All-Share Index, the Standard & Poor's Composite Index and the Japanese TOPIX Index. The indices have been adjusted for exchange rate movements, where appropriate.

Source: Datastream



Foreign & Colonial's
26th Consecutive
Increase in Dividend
Comparing the Company's cumulative annual dividend growth with the Retail Price Index.

Market Reviews

United Kingdom

The FTSE All-Share Index rose by 11.7% in 1996. A steadily improving economy, low inflation, low interest rates, good prospects for profits and dividends, takeovers and a bullish Wall Street were the main factors pushing the market higher. Investors remained unconcerned about the policies that a Labour government might introduce in 1997.

Our UK portfolio underperformed the index. 44% of our assets are invested in the UK but these produce 67% of the Company's portfolio income. To enable us to meet our dividend objectives, we need to own a portfolio of shares that yields more than the market average and 1996 was not a good year for higher yielding stocks. The FTSE 350 Higher Yield index rose 6.9% compared with the FTSE 350 Lower Yield index which rose 16.5%. On balance there was no net investment in the UK but as usual funds were steadily moved from highly rated shares into relatively depressed areas.

The best performers in the portfolio were Logica up 100%, Ladbroke up 58% and Legal & General up 39%.

The most disappointing holdings were Storehouse down 22%, Harrisons & Crosfield down 17% and B.A.T Industries down 15%.

It is possible that there will be a Labour government in 1997. It is almost certain that interest rates will rise during the year and corporate taxes could be increased. Wall Street has been going up for a long time and is overdue for a setback. Sterling's current strength will help to keep inflation down but will reduce margins on exports. These factors must suggest the need for caution. However, the UK economy is making good progress, Europe is recovering and reasonable increases in profits and dividends can be expected. On balance we would expect some modest progress over the year. In particular, it is likely that higher yielding shares will perform better in 1997 than they did in 1996.

Europe

1996 was an excellent year for Europe. Germany was up 25.0%, France 26.8%, the Netherlands 33.0%, and even more impressive were Sweden and Spain which were up 39.2% and 42.7% respectively. External factors were important with strong bond markets worldwide, a buoyant Wall Street and a firmer dollar, as news on the local economies and company profits was largely unexciting. What did attract investors within the European markets, however, were either the growth companies, where future earnings were rerated in the light of lower interest rates, or companies where major restructuring programmes were announced.

Apart from adding to Sweden, we made relatively few changes in terms of country weightings. Within the markets, we continued to focus on the major blue chip companies where, despite the depressed economic background, earnings were expected to progress because of either organic growth or restructuring measures being undertaken.

Market Reviews
continued

Our European portfolio overall performed well last year, due primarily to good stock selection, rather than to market allocation. In the major bourses, our greatest successes were in the Netherlands with Vendex, the retailer, up 55%, VNU, the publisher, up 64% and ABN, a leading bank, up 54% and in Germany with Bayer, a major chemical company, up 66%, Veba, an electrical utility, up 46% and Volkswagen up 33%. We performed marginally below the market in Switzerland, but less well in France where we were hampered by poorer performances from TF1, the television company, down 6% and from Lafarge, the cement company, down 1%. Elsewhere, our big winners were Ericsson in Sweden, up 62%, and Telefonica in Spain, up 88%.

We still look for positive returns in 1997, although not as great as those of last year. Economic growth should continue to pick up, but it is unlikely to be explosive. This, coupled with the absence of inflationary pressures, will keep interest rates at low levels. At the same time, corporate earnings should benefit from the better economic conditions, from the more favourable currency environment and from all the restructuring measures underway.

USA

The Standard & Poor's Composite Index rose by 20%. Remarkably this was the sixth successive year of economic growth without a serious stockmarket correction. Low interest rates, a good economic environment and, importantly, record money flows into mutual funds combined to make 1996 another excellent year. Corporate profits also exceeded expectations. Smaller company share prices underperformed for the third successive year. The November election results were interpreted favourably as the balance of power in Washington was maintained.

Technology, financials and the large growth companies did best. We suffered from a low weighting in the leading technology stocks but gained from an increased representation in the financial sector. Two of our best performers there were BankAmerica and First Chicago NBD, up 54% and 36% respectively because of profit increases above expectations. Our best performing stock was CalEnergy, up 72%, we have held it since 1983 when it was an unlisted company. However, Exide, a battery manufacturer, TCI International, a TV cable company, and United Healthcare, a healthcare provider, all suffered from competitive pressures and fell by 50%, 42% and 31% respectively.

Another year of steady economic growth and low inflation is forecast. Interest rates should be relatively stable although there is a risk that they may rise this year. An economic background favourable to financial markets and large flows of money into mutual funds may well continue. However, stockmarket valuations are stretched. For example, dividend yields under 2% are the lowest this century and there is also a risk that corporate profits could be disappointing. It is highly unlikely that the market will be able to repeat the strong performance of the past two years.

Japan

The Japanese stockmarket fell by 6.7% as measured by the TOPIX index. The first quarter of 1996 produced exceptionally strong, but unsustainable, economic growth. As the year progressed the strength of the recovery deteriorated. In August, the weakness of the Tankan quarterly business survey marked a significant deterioration in sentiment. Interest rates remained low throughout and yields on 10 year bonds fell below 2.5%.

After much political debate a resolution to the bad debt problems of the Jusen housing loan companies was found. A number of smaller financial institutions failed and towards the end of the year Hanwa became the first major bank insolvency since the war.

The Liberal Democratic Party failed to achieve a majority in the October election and formed a minority government. It has subsequently announced a programme of financial reform, a new structure for Nippon Telegraph & Telephone Company and the opening of the domestic insurance market.

Our Japanese portfolio significantly outperformed TOPIX. A concentration on electricals and other modestly rated companies was helpful, as was our negative view on banks. On balance we took money out of the market. The best performances came from Denso, part of the Toyota group producing electrical parts, which rose 45%, TDK up 43% and Sankyo, a pharmaceutical company with two big selling drugs, which went up 41%. Disappointments included Daiwa Securities, down 35%, which was affected by a lacklustre stockmarket and a write-off of loans to a subsidiary, Kamigumi, a warehouse company, which fell 23% and Sekisui Chemical, also down 23%, having been our best performing share in 1995.

The economy is expected to expand modestly in the current year. The official growth forecast in the fiscal year to March 1998 is 1.9% - the lowest for many years. This comes after an increase in the consumption tax from 3% to 5% with effect from 1 April 1997 and the elimination of income tax rebates. The stockmarket has been disappointed with this fiscal tightening even though interest rates remain very low. The two-tier nature of the market reflects the preference of the dominant buyers - U.S. investors and domestic pension funds. Performance is likely to remain dependent on stock selection.

Asia

There was considerable divergence amongst the Asian markets during 1996. Hong Kong and Taiwan performed best with gains of 33.5% and 34% respectively, whilst South Korea and Thailand were the worst performers with falls of 26% and 35% respectively. Overall we underperformed the composite index for the area. This was due to the diversified nature of the portfolio with positions in South Korea, Thailand, India and Pakistan working against us. Also, a low weighting in Australia relative to the index affected performance.

Market Reviews
continued

The Hong Kong market has benefited from a recovery in property prices, strong earnings growth and improving sentiment towards China. Following the introduction of an austerity programme in 1993, the Chinese brought their inflation under control, and there is now scope for monetary easing. In Taiwan, the market recovered dramatically once it became apparent that China's threats to launch missile attacks were simply sabre rattling. In contrast, the markets of South Korea and Thailand collapsed during the year. The former has been hit by a slowdown in export earnings and a resurgence of strike activity related to the introduction of new labour legislation. In Thailand, a collapse in political confidence combined with an excessive level of US dollar borrowings has led to a mini-financial crisis.

During the year we increased our exposure to the Asian region. After three years of relative underperformance Asian markets are expected to resume their growth path at some stage in 1997. Significant additions have been made to our holdings in Hong Kong, Malaysia and Australia.

Among the best performing holdings were the Hong Kong companies, Guangdong Investment up 38%, and Sun Hung Kai Properties up 31%. In Australia, Mayne Nickless rose 35% as its investment in the second telephone network comes to fruition. All the worst performers were in South Korea where the banking and finance sectors have been hit hard; Cho Hung Bank was down 37%, Hanil Bank down 39% and Daishin Securities down 43%.

For 1997, we expect the period of relative underperformance in Asia to come to an end and are looking for opportunities to increase exposure to the region. Hong Kong should continue to do well as the handover is successfully completed and markets in India, Pakistan and Singapore should have a better year. In the short term we remain cautious about South Korea and Thailand but will be looking for opportunities to increase exposure in these depressed markets.

Latin America
Latin American markets had a much better year with Brazil up 53%, Mexico up 17% and Argentina up 14% in dollar terms. The Brazilian market was lifted by progress on privatisation and reform while Mexico and Argentina were encouraged by the first real signs of economic recovery after the prolonged slowdown since the crisis of 1994.

The best performing investments in the Latin American portfolio were the Brazilian Investment Company up 40% and the Mexican Investment Company up 32%; the worst were Telmex up 3.5% and Brazilian Smaller Companies Investment Trust up 6.7%, all in dollar terms.

Prospects remain positive with valuations at attractive levels. The main concerns are the Mexican election in July and the possibility of rising US interest rates which would affect international liquidity flows. Local events will inevitably mean a wide divergence between the various Latin American markets.

South Africa

The market was up by 6%, unsettled by the weak Rand, rising interest rates and a dull gold price. Investors were also disenchanted by the slow pace of economic reform.

Anglo American Corporation was the best performer, up 19%, in our small portfolio of blue chips whilst the worst was South African Breweries, down 9%.

Stockmarket sentiment will depend on continuing reform and the attitude of foreign investors.

New Markets

Pathfinder investments were made during the year in Russia and Pakistan.

Unquoted Investments

Unquoted investments amount to 7% of the total portfolio.

Robert Fleming is our largest unquoted investment and our second largest holding. Foreign & Colonial owns 4.7% of the Company. In November, Flemings announced profits before tax of £92.2 million for the six months to 30 September 1996, an increase of 16%. The interim dividend was increased from 7p to 8p a share. In August, IMRO announced that it had fined companies within the Fleming Group £700,000 relating to investment management business delegated to Jardine Fleming Investment Management. In addition, Jardine Fleming paid £12 million in compensation to clients. Flemings is a strong, profitable, merchant bank with funds under management of approximately £61 billion. We believe long term prospects are good and that the valuation of the shares is conservative.

Hypo Foreign & Colonial Management (Holdings) (HFCM) is the management company of Foreign & Colonial Investment Trust. A report of the progress of HFCM is given on pages 66 to 68. Foreign & Colonial owns 30.5% of the company.

Additional detail on Robert Fleming and HFCM is given in note 12 on the accounts.

The only other unquoted investments of significance are a £4m stake in US Ventures, a San Francisco venture capital partnership specialising in retail and technology, £3m in Peregrine International Holdings, an Asian regional investment bank well placed to benefit from continued expansion of the area, especially China, and £1.7m in GP Capital Partners Venture Capital Fund managed by Garantia, the leading investment bank in Brazil.

Bonds and Currencies

Foreign & Colonial is primarily an equity investor but does participate in fixed interest markets from time to time.
We did not invest in bond markets in 1996. Our bond holdings were sold late in 1995. This proved to be a good move because at the end of the year, UK and U.S. bond markets had not yet recovered the levels at which we sold our securities.

Market Reviews
continued

Currency movements were a real problem for Foreign & Colonial in 1996. Almost all currencies were weak against sterling. The yen fell by 19.4% and the deutschmark by 15.7% while the dollar declined by 9.3%.

Because of fears that sterling would weaken as the election approached only a small amount of hedging of European currencies was in place at the year end. However, interest rate differentials, high oil prices and the idea that sterling was a safe haven at the time of European single currency uncertainty kept the pound strong.

Gearing

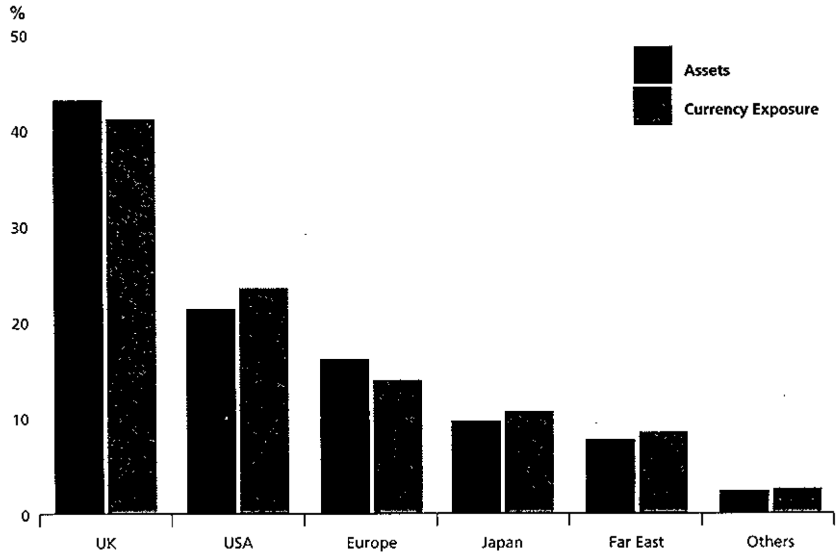
Foreign & Colonial has always believed in the prudent use of gearing to enhance shareholder value. When it is thought advantageous we borrow money to invest in stock and bond markets. Gearing can consist of long or short term loans. It may be employed for several reasons:

- To increase equity and fixed interest portfolios when rising markets are expected.
- To increase equity and fixed interest portfolios when favourable income differentials arise, the income gearing thus obtained enhancing earnings per share.
- To adjust the currency exposure of the portfolio, normally when the currency borrowed is expected to be weak. Such borrowing has no gearing effect in itself except, of course, when combined with one of the moves described above.

During the year gearing for use in equity markets was slowly reduced from 9% to 7%. However, the total amount of gearing rose from 10% to 13% as French franc and deutschmark borrowings were employed for hedging purposes.

Foreign & Colonial's Geographical Distribution of Assets

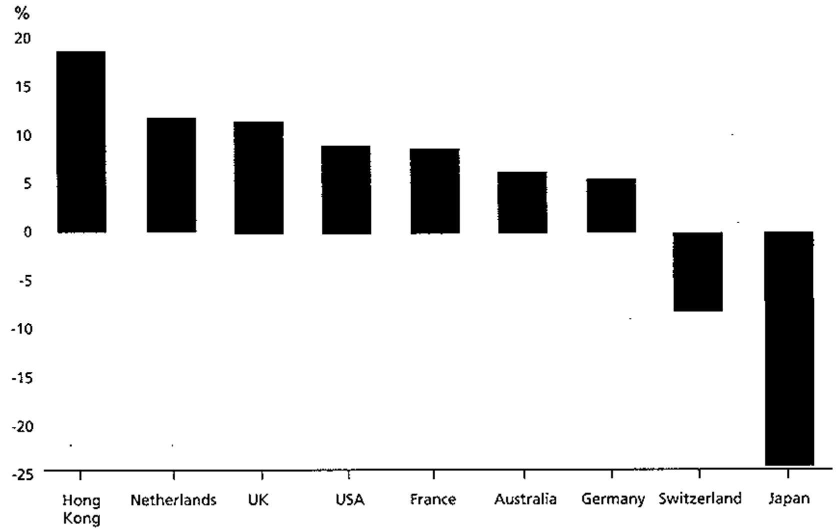
Geographical distribution of consolidated total assets less current liabilities (excluding loans) and currency exposure at 31 December 1996.



Movement of Major Equity Markets

FT/S&P - Actuaries World (Sterling) Indices for the year ended 31 December 1996.

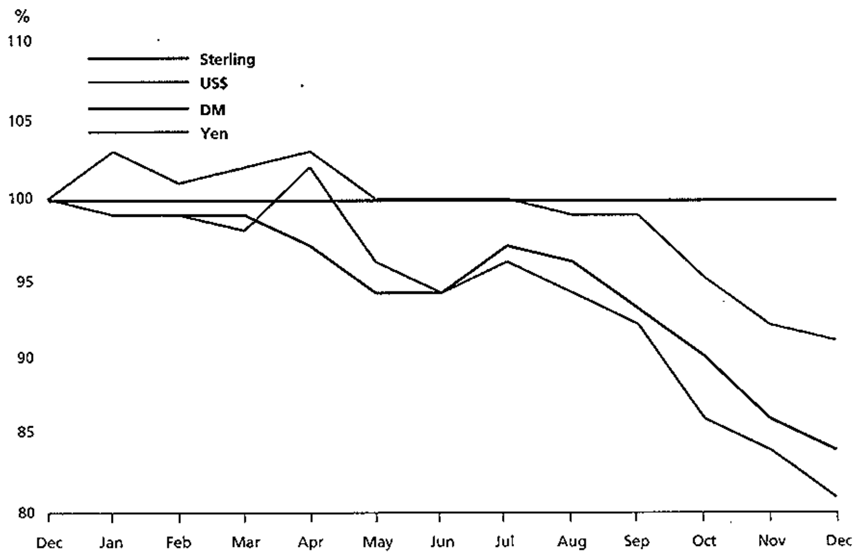
Source: Datastream



Currency Movements

This chart shows the movement of the deutschmark, US dollar and Japanese yen against the pound sterling for the year ended 31 December 1996.

Source: Datastream



List of Investments

Listed Investments	Holding	Value at 31 December 1996 £'000s
Africa:		
South Africa		
Anglo American	122,200	3,931
Anglovaal	205,100	3,536
Nedcor	68,000	2,296
South African Breweries	351,383	5,202
Total Africa		14,965
Continental Europe:		
Austria		
OMV	37,335	2,458
Belgium		
Générale de Banque	24,000	5,022
Denmark		
Tele Danmark	150,000	4,829
Finland		
Nokia	136,000	4,587
France		
Accor	80,000	5,908
Compagnie de St Gobain	95,000	7,838
Crédit Local de France	120,000	6,097
Elf Aquitaine	170,000	9,025
Lafarge-Coppée	135,420	4,738
Legrand	65,000	6,459
Michelin `B'	170,000	5,352
Pinault-Printemps	18,500	4,280
Promodès	44,000	7,245
Seita	150,000	3,659
Télévision Française 1	75,000	4,181
Total `B'	180,000	8,538
Total France		73,320
Germany		
Bayer	600,000	14,208
Deutsche Telekom	247,500	3,012
Foreign & Colonial German Investment Trust*	3,304,434	4,649
Foreign & Colonial German Investment Trust warrants*	525,886	
Mannesmann	32,500	8,220
Metro	100,000	4,702
Siemens	220,000	6,048
Veba warrants	40,000	7,794
Volkswagen	35,000	8,460
Total Germany		57,093
Italy		
Fiat	1,810,000	3,193
Italgas	1,650,000	4,017
Telecom Italia	3,825,000	5,792
Total Italy		13,002

Listed Investments	Holding	Value at 31 December 1996 £'000s
Netherlands		
ABN Amro	250,000	9,493
Akzo	92,000	7,335
Elsevier	640,000	6,313
Philips	110,000	2,601
Vendex	450,000	11,234
VNU	1,100,000	13,415
Total Netherlands		50,391
Norway		
Norsk Hydro	201,700	6,368
Orkla	56,660	2,307
Total Norway		8,675
Portugal		
Jeronimo Martins	148,792	4,479
Russia		
Lukoil ADR	21,700	590
Russian Investment Company	128,908	682
Total Russia		1,272
Spain		
Banco Popular Español	65,000	7,446
Repsol	245,550	5,494
Telefonica	400,000	5,418
Vallehermoso	209,755	2,653
Total Spain		21,011
Sweden		
Astra `A'	68,200	1,967
Ericsson	475,000	8,577
Sparbanken	700,000	7,009
Svenska Cellulosa	440,000	5,215
Volvo	240,000	3,091
Total Sweden		25,859
Switzerland		
Nestlé	8,000	5,003
Novartis	15,000	10,007
Roche Holdings part. certs.	4,281	19,404
Winterthur	15,000	5,053
Total Switzerland		39,467
Total Continental Europe		311,465
Far-East (excluding Japan):		
Australia		
Broken Hill Proprietary	653,055	5,432
Western Mining	1,306,069	4,807
News Corporation	1,150,000	3,544
Total Australia		13,783

Listed Investments	Holding	Value at 31 December 1996 £'000s
Hong Kong		
Asia Financial Holdings	6,701,667	1,456
Bank of East Asia	2,000,000	5,198
Cheung Kong Holdings	666,000	3,459
Guangdong Investment	6,200,000	3,489
Hong Kong Electric	1,266,000	2,458
Hong Kong & China Gas	4,009,512	4,528
Hong Kong Telecommunications	2,902,800	2,730
Hutchison Whampoa	1,660,000	7,618
Jardine Strategic Holdings	2,000,000	4,231
Sun Hung Kai Properties	1,286,000	9,205
Swire Pacific 'A'	1,013,072	5,644
Wharf	2,000,000	5,832
Total Hong Kong		**55,848**
India		
Alliance Capital Growth India Liberalisation 'A'	665,190	2,340
Indian Investment Company	470,799	1,513
State Bank of India GDR	140,000	1,440
Total India		**5,293**
Malaysia		
Genting	635,000	2,557
Malayan Banking	800,000	5,183
Petronas Gas	1,200,000	2,915
Sime Darby	2,400,000	5,525
Total Malaysia		**16,180**
New Zealand		
Carter Holt Harvey	4,150,000	5,500
Pakistan		
HUB Power GDR	24,000	295
Singapore		
Development Bank of Singapore	1,179,750	9,315
Foreign & Colonial Portfolios Fund: Asian Equity	126,670	1,628
Singapore Airlines	725,000	3,846
Total Singapore		**14,789**
South Korea		
Cho Hung	145,100	695
Hanil Bank	359,832	1,442
Korea Electric Power	233,200	3,965
Pohang Iron & Steel	35,000	1,174
Total South Korea		**7,276**

Listed Investments	Holding	Value at 31 December 1996 £'000s
Taiwan		
Cathay Construction	2,200,000	2,183
Cathay Life	621,000	2,309
Formosa Fund	680	3,755
Taipei Fund	550	2,941
Total Taiwan		**11,188**
Thailand		
Bangkok Investments	173,160	9,663
Total Far East (excluding Japan)		**139,815**
Japan		
Equities and convertibles		
Canon	791,000	10,195
Daikin Industries	700,000	3,630
Daiwa House Industry	750,000	5,626
Daiwa Securities	600,000	3,111
Denso	500,000	7,023
East Japan Railway	1,700	4,459
Fuji Photo Film	425,000	8,173
Hitachi	1,260,000	6,851
Ito Yokado	307,000	7,790
Kamigumi	1,050,000	4,018
Keyence	90,000	6,479
Kokuyo	326,000	4,694
Kyocera	170,000	6,179
Marubeni	1,500,000	3,761
Marui	250,000	5,042
Marui 3.5% conv. bond 1999	$1,000,000	
Matsushita Electric Industrial	680,000	6,470
Mitsubishi Heavy Industries	1,800,000	8,337
Mitsui Fudosan	585,000	3,416
Murata Manufacturing	250,000	4,846
NEC	198,718	3,961
NEC 2.875% conv. bond 2000	$1,850,000	
Nomura Securities	450,000	3,942
Olympus Optical	850,000	4,707
Omron	550,000	6,036
Sankyo	165,000	2,725
Secom	140,000	4,941
Sekisui Chemical	800,000	4,712
Sekisui House	385,000	2,660
Sekisui House warrants	540	
Sharp Corporation	600,000	4,984
Shimano	400,000	3,967
Sumitomo Corporation	1,145,000	5,263
Sumitomo Electric Industries	700,000	5,709
TDK	200,000	7,602
Tokio Marine & Fire Insurance	800,000	4,390
Toppan Printing	600,000	4,380
Yamanouchi Pharmaceutical	425,000	5,092
Total Japan		**185,171**

List of Investments
continued

Listed Investments	Holding	Value at 31 December 1996 £'000s
Latin America		
Argentinian Investment Company	75,000	892
Brazilian Investment Company	241,698	5,969
Brazilian Smaller Companies Investment Trust*	3,458,000	2,385
Brazilian Smaller Companies Investment Trust warrants*	440,000	
Latin American Extra Yield Fund	965,000	4,680
Latin American Investment Trust*	3,832,450	4,166
Latin American Investment Trust warrants*	766,490	
Mexican Investment Company	100,000	1,385
Telebras ADR	65,700	2,937
Telefonos de Mexico ADS	160,000	3,085
YPF ADS	75,000	1,107
Total Latin America		**26,606**
North America: United States		
Abbott Laboratories	550,000	16,311
Allied Signal	60,000	2,349
American International	74,500	4,713
Anheuser Busch	90,000	2,104
Automatic Data Processing	620,000	15,534
Banc One	99,000	2,488
BankAmerica	160,000	9,326
Boeing	110,000	6,846
Boise Cascade	183,000	3,395
Bristol Myers Squibb	100,000	6,369
CalEnergy	443,400	8,712
Carnival	152,300	2,937
Cincinnati Financial	103,500	3,924
Citicorp	50,000	3,009
Colgate Palmolive	200,000	10,781
Comcast 'A'	140,000	6,204
Comcast 'A' Special	457,500	
Deere	100,000	2,367
Depuy	200,000	2,367
Dresser Industries	250,000	4,529
Electronic Data Systems	200,000	5,055
Emerson Electric	40,000	2,264
Exide	107,500	1,453
Federal National Mortgage Association	150,000	3,298
First Chicago	200,000	6,282
First Data	500,000	10,664
Foreign & Colonial US Smaller Companies*	918,169	1,730
Foreign & Colonial US Smaller Companies warrants*	1,000,000	
Fort Howard	100,000	1,618
Gannett	80,000	3,500

Listed Investments	Holding	Value at 31 December 1996 £'000s
General Electric	175,000	10,111
Grainger W.W.	150,000	7,034
Halliburton	170,000	5,985
Hewlett-Packard	110,000	3,230
Home Depot	350,000	10,252
Foreign & Colonial Portfolios Fund:		
American Smaller Companies	894,794	19,738
Illinois Tool Works	295,700	13,802
Johnson & Johnson	250,000	7,268
JP Food Services	200,000	3,258
Kimberley-Clark	115,000	6,401
McDonalds	150,000	3,977
M.B.N.A	170,000	4,135
Medtronic	70,000	2,782
Minnesota Mining & Manufacturing	110,000	5,335
Mobil	40,000	2,857
Motorola	185,000	6,621
Northern Trust	500,000	10,591
Pall	190,000	2,845
Partner Re Holdings	345,000	6,854
Pep Boys, Manny, Moe & Jack	620,000	11,141
Philip Morris	160,000	10,565
Pioneer Hi Bred International	190,000	7,772
Schlumberger	70,000	4,085
Seagram	200,000	4,529
Servicemaster	100,000	1,527
St. Jude Medical	200,000	4,952
Sysco Corporation	445,000	8,484
Tele-Communications International	400,000	3,097
Therapeutic Discovery	25,000	163
Thermo Electron	251,250	6,056
Travelers	80,000	2,121
United Healthcare	155,000	4,076
Union Pacific Corporation	140,000	4,919
Union Pacific Resources	50,000	847
Vishay Intertechnology	417,500	5,672
Walgreen	740,000	17,405
Wal-Mart Stores	300,000	3,988
Walt Disney	107,959	4,400
Wells Fargo	35,000	5,517
William Wrigley Junior	320,000	10,515
Total United States		**405,036**
Canada		
Alberta Energy	300,000	4,182
Total North America		**409,218**

Listed Investments	Holding	Value at 31 December 1996 £'000s
United Kingdom		
Equities and convertibles		
Allied Colloids (nil paid rights)	3,499,428	
Allied Colloids	12,248,000	14,934
Allied-Domecq	2,236,153	10,208
Anglian Water	1,480,210	8,733
Asda Property Holdings	1,199,000	
Asda Property Holdings 5.125% conv. preference	416,515	2,510
BAA	3,198,255	15,560
Bank of Scotland	707,450	2,182
B.A.T Industries	5,870,913	28,445
BBA	2,140,263	7,577
Booker	3,209,000	12,820
British Gas	5,750,422	12,910
British Energy	1,090,000	1,602
British Petroleum	3,459,580	24,234
British Steel	1,735,000	2,785
British Telecommunications	6,385,000	25,189
BTR	8,049,196	
BTR warrants 1997	461,700	23,032
BTR warrants 1998	276,340	
Carlton Communications	200,000	1,029
Cable & Wireless	1,062,500	5,158
Dalgety	1,889,359	6,868
Electrocomponents	2,410,424	11,136
Eurotunnel Units	4,828,800	3,815
Foreign & Colonial Emerging Markets Investment Trust	15,384,975	
Foreign & Colonial Emerging Markets Investment Trust warrants	6,076,995	14,774
Foreign & Colonial Enterprise Trust	8,133,975	10,025
Foreign & Colonial Private Equity Trust	1,250,000	888
Foreign & Colonial Special Utilities Investment Trust 'S' Pool	5,000,000	
Foreign & Colonial Special Utilities Investment Trust 'S' Pool warrants	1,000,000	5,340
General Electric Company	5,186,038	19,811
Glaxo Wellcome	2,922,879	27,709
Grand Metropolitan	1,560,000	7,160
Great Universal Stores	1,570,000	9,608
Guardian Royal Exchange	1,865,835	5,215
Harrisons & Crosfield	6,080,000	8,117
HSBC	197,288	2,510
Iceland	1,770,000	1,496
Inchcape	2,075,000	5,654
Johnson Matthey	123,000	677
Kingfisher	2,066,235	13,048
Ladbroke Group	2,107,077	4,867
Land Securities	760,000	5,654

Listed Investments	Holding	Value at 31 December 1996 £'000s
LASMO	3,811,665	
LASMO oil production units	140,000	9,133
Legal & General Group	4,331,972	16,115
Logica	675,000	6,200
Marley	1,737,473	2,198
National Grid	2,086,700	4,079
NFC	3,925,000	7,320
National Power	600,000	2,934
National Westminster Bank	1,705,000	11,688
Northern Foods	2,294,864	4,693
Paterson Zochonis	105,000	
Paterson Zochonis 'A'	430,000	2,135
Pearson	737,925	5,531
Peninsular & Oriental Steam Navigation	1,511,951	8,922
Provident Financial Group	2,438,198	12,252
Redland	2,057,902	7,542
Rentokil Initial	4,865,000	21,357
RMC Group	550,000	5,486
Royal Sun Alliance	1,048,090	4,659
RTZ Corporation	1,737,076	16,268
Sainsbury J.	1,962,622	7,615
Scapa Group	1,555,000	3,810
Sears	4,170,000	3,962
Shell Transport & Trading	5,880,000	59,476
SmithKline Beecham 'A'	1,100,961	8,912
Smith W.H.	995,000	4,274
Smiths Industries	780,000	6,248
Southern Electric	1,622,850	12,918
Storehouse	1,100,000	2,838
Tarmac	7,010,416	6,870
Tomkins	2,934,651	7,880
Unilever	310,000	4,391
United Utilities	2,395,808	14,878
Wagon Industrial Holdings	1,020,000	
Wagon Industrial Holdings 7.25% conv. preference	1,557,173	4,560
Others individually valued at less than £100,000#		94
Total United Kingdom		660,518
Total Listed Investments		1,747,758

List of Investments
continued

Unlisted Investments	Holding	Value at 31 December 1996 £'000s
United Kingdom		
Equities		
F. & C. Ventures Limited Partnership II	£500	1,187
Robert Fleming Holdings	7,050,000	55,484
Total Equities		56,671
Bonds		
Foreign & Colonial Smaller Companies 11.5% debenture 2014	£10,000,000	13,050
Total United Kingdom		69,721
United States		
U.S. Ventures	802,164	4,245
Venture Associates	34	137
Total United States		4,382

Unlisted Investments	Holding	Value at 31 December 1996 £'000s
Other Countries		
Pakistan Telecom GDS	57,800	2,280
Peregrine International	3,200	3,130
GP Capital Partners	1	1,844
Korea International Trust IDR's	25	570
Total other countries		7,824
Total Unlisted Investments		81,927
Subsidiary undertakings (see note 12 on the accounts)		2,921
Associated undertakings (see note 12 on the accounts)		51,246
Total Investments		1,883,852

***Listed in Great Britain.**
#Listed outside Great Britain.

The total number of companies in the portfolio is 286 (1995: 282).
The value of convertible securities in the total portfolio at 31 December 1996 is £6,991,000 or 0.4% of total consolidated assets less current liabilities (1995 - £9,929,000 or 0.5%).

Directors

John Sclater§, *Chairman,* is 56. He was appointed a director in 1981 and became Chairman in 1985. He is Chairman of Berisford International PLC, Foreign & Colonial Private Equity Trust PLC and Foreign & Colonial Enterprise Trust PLC; Deputy Chairman of Yamaichi International (Europe) Limited and Millenium & Copthorne Hotels PLC; President of The Equitable Life Assurance Society and a director of James Cropper PLC. He is a trustee of The Grosvenor Estate, a member of the Council of the Duchy of Lancaster and a member of the CBI City Advisory Group.

Andrew Barker† is 52 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 Henderson American Capital and Income Trust PLC, a Deputy Chairman of The Association of Investment Trust Companies and a director of Foreign & Colonial Smaller Companies PLC, Foreign & Colonial Enterprise Trust PLC, Foreign & Colonial U.S. Smaller Companies PLC and National Provident Institution.

Sir Timothy Bevan*§, *Deputy Chairman,* is 69 and was appointed a director in 1988 and is Chairman of the Audit Committee. He was Chairman of Barclays Bank PLC from 1981 to 1987.

Oliver Dawson* is 66 and was appointed a director in 1982. He retired from the board of Foreign & Colonial Management Limited in December 1995 and until October 1996 remained as a consultant to that company. He is a director of Foreign & Colonial PEP Investment Trust PLC, Foreign & Colonial Income Growth Investment Trust PLC and The Monks Investment Trust PLC. He is a Church Commissioner and a member of both the investment advisory committee of the Nuffield Foundation and the consultative committee of the Cambridge University Council.

Sir John Egan* is 57 and was appointed a director in 1985. He is Chairman of London Tourist Board Limited, Chief Executive of BAA plc and Vice Chairman of Legal & General Group PLC.

Haruko Fukuda* is 50 and was appointed a director in 1988. She is Vice-Chairman of Nikko Europe Plc and a director of The First Ireland Investment Company plc.

Michael Hart†§, *Manager,* is 64. He is Chairman of Foreign & Colonial Management Limited and has been with the Group for 43 years. He became a director in 1973 and is also Chairman of Brazilian Smaller Companies Investment Trust PLC and Latin American Investment Trust PLC, a director of Foreign & Colonial PEP Investment Trust PLC, Foreign & Colonial Smaller Companies PLC and Foreign & Colonial Emerging Markets Investment Trust PLC, a member of the Investment Committee of the BP Pension Fund and an adviser to the British Steel Pension Fund.

Directors
continued

The Rt. Hon. Lord Kingsdown K.G., P.C.* is 70 and was appointed a director in 1993 following his retirement as Governor of the Bank of England. He is also a director of Hambros PLC and Redland PLC.

The Lord Nicholas Gordon Lennox*§ is 66 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.

Ewen Macpherson* is 55 and was appointed a director on 28 February 1997. He is currently Chief Executive of 3i Group plc, but will be retiring from that position in July 1997. He is also a director of Scottish Power plc and M&G Group PLC.

The Hon James Ogilvy† is 62 and was appointed to the board in 1989. He was a partner of stockbrokers, Rowe & Pitman, for many years and Vice-Chairman of Mercury Asset Management Limited before becoming Chief Executive of Foreign & Colonial Management Limited in 1988. He is also a director of Foreign & Colonial Emerging Markets Investment Trust PLC.

The Lord Rockley§ is 62 and was appointed a director in 1991. He is a director of Kleinwort Benson Group plc, Abbey National plc, Christies International plc and other companies.

†Director of Foreign & Colonial Management Limited.
*Independent non-executive director. These directors constitute the Audit Committee.
§Member of the Nomination Committee.

Secretary and Registered Office: Foreign & Colonial Management Limited, Exchange House, Primrose Street, London EC2A 2NY.
Regulated by Investment Management Regulatory Organisation Limited (IMRO) and the Personal Investment Authority.
Registered in England.
Telephone: 0171-628 8000, Telex: 886197 or 8811745 (FORCOL G), Facsimile: 0171-628 8188.

Banker: The Royal Bank of Scotland plc.

Registrars: The Royal Bank of Scotland plc, Registrar's Department, PO Box 435, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4BR. Telephone: 0131-556 8555.

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

AI TC *Member of The Association of Investment Trust Companies*

Management

Arnab Banerji*† is Chief Investment Officer of Foreign & Colonial Emerging Markets Limited. He is 40 and joined the Group in 1993.

Rob Donkin† is Joint Company Secretary of Foreign & Colonial Management Limited. He is 51 and joined the Group in 1973.

Robert Dowdall† is Finance Director of Foreign & Colonial Management Limited. He is 50 and joined the Group in 1990.

Nick Pitt-Lewis† is Compliance Director of Foreign & Colonial Management Limited. He is 43 and joined the Group in 1992.

Tony Thomson† is Chief Investment Officer of Foreign & Colonial Management Limited. He is 54 and joined the Group in 1994.

Jeremy Tigue† *Manager designate*, is 37 and joined the Group in 1981. He assists Michael Hart in the management of the UK portfolio.

Graham Walker† is Chief Operating Officer and Group Finance Director of the Foreign & Colonial Management Group. He is 50 and joined the Group in 1994.

Stephen White† manages the Group's investment trust European portfolios. He is 41 and joined the Group in 1985.

Ian Wright† is head of the Group's Japanese department. He is 43 and joined the Group in 1981.

* Director of Foreign & Colonial Emerging Markets Limited.
† Director of Foreign & Colonial Management Limited.

Foreign & Colonial Investment Managers
left to right: Andrew Barker, Ian Wright, Jeremy Tigue, Stephen White

Report of the Directors

The directors present their report and the financial statements of the Group and of the Company for the year ended 31 December 1996.

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 the year ended 31 December 1995.

Review of the Business

A review of the Company's activities is given in the Chairman's Statement on pages 3 to 7 and in the Market Reviews on pages 13 to 18.

Subsidiary and Associated Undertakings

As a result of Bayerische Hypotheken-und Wechsel-Bank A.G. ('Hypobank') increasing its effective interest in the Foreign & Colonial Management Group from 50% to 65% on 12 December 1996, Pountney Hill Holdings ceased to be a subsidiary of the Company. Note 1 to the accounts contains full details of the accounting policies adopted. Details of subsidiary and associated undertakings are given in note 12 to the accounts.

Foreign & Colonial Investment Trust retains a 30.5% interest in Foreign & Colonial Management Limited (the Manager) through its holding in Hypo Foreign & Colonial Management (Holdings) Limited (formerly Pountney Hill Holdings Limited). A revised Group structure is shown on page 68.

Consolidated Results and Dividends

Attributable to equity shareholders

	£'000s	£'000s
Revenue return attributable to equity shareholders		30,574
Dividends paid or payable:		
Ordinary shares		
Interim of 0.70p per share paid 4 October 1996	7,357	
Recommended final of 1.58p per share payable on 28 April 1997 to shareholders registered at the close of business on 7 April 1997	16,607	
		23,964
Amount transferred to reserve		6,610

The final dividend now recommended of 1.58p per share, together with the interim dividend, make a total dividend of 2.28p per ordinary share for the year ended 31 December 1996. This represents an increase of 10.1% over 2.0666p per share for the previous year.

Substantial Share Interests

At 19 March 1997 the Group had received notification of the following disclosable interests in its ordinary share capital:

	Ordinary Shares	%
GAN Life Holdings PLC	42,243,686	4.02
Skandia Life Group	42,054,327	4.00

Donations

During the year the Company contributed £26,667 for charitable purposes.

At the 1996 Annual General Meeting a resolution was passed authorising the directors to donate up to £25,000 to the Conservative Party. In accordance with this authority, a donation of £12,500 was made to the Conservative Party during the year and the remaining £12,500 was paid upon the announcement of the forthcoming General Election.

4.25% Perpetual Debenture Stock

A resolution approving the appointment of Hambros Trust Company Limited as the new trustee of the Company's 4.25% Perpetual Debenture Stock was passed at a meeting of the stockholders held on 20 September 1996.

Directors

The directors of the Company are listed on pages 25 and 26. With the exception of Mr. E.C.S. Macpherson, who was appointed to the board on 28 February 1997, all the directors held office throughout the year under review. In accordance with the Company's articles of association, Mr. E.C.S. Macpherson retires at the Annual General Meeting and, being eligible, offers himself for re-election. Sir John Egan, the Rt. Hon. Lord Kingsdown and the Lord Rockley retire by rotation and, being eligible, offer themselves for re-election. Lord Kingsdown has attained the age of 70 and special notice has been received of the intention to propose his re-election for a further period of one year until the conclusion of the Annual General Meeting in 1998.

No director has a service contract with the Company. Mr. A.C. Barker, Mr. M.J. Hart and the Hon. J.D.D. Ogilvy have two-year rolling contracts with the Manager.

Management

Note 3 to the accounts provides details of the Company's management agreement with Foreign & Colonial Management Limited.

Details of directors' shareholdings in the Company are contained in note 6(d) to the accounts.

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. The Manager's policy is that this commission should not exceed 15% of total commissions in any one year paid by clients of the Group which permit softing arrangements; in 1996 the figure was 10% of commissions.

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

Decisions on contested take-over bids are always referred to the board of directors.

Policy on Payment of Suppliers

The Company's principal supplier is the Manager which is paid in the month following the end of each calendar quarter, in accordance with the terms of the management agreement. Other suppliers are paid in accordance with the individual payment terms agreed with each supplier.

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 the Group as at 31 December 1996 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 and on a going concern basis. The Directors are also responsible for ensuring that adequate accounting records are maintained and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report by the Auditors on Corporate Governance Matters

To the Directors of Foreign & Colonial Investment Trust PLC

In addition to our audit of the financial statements we have reviewed your statements on pages 30 and 31 concerning the Group's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and the adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43 (j) and 12.43 (v), if not otherwise disclosed.

Basis of opinion

We carried out our review having regard to guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures nor on the ability of the Group to continue in operational existence.

Opinion

In our opinion, your statements on internal financial controls on pages 30 and 31 and on going concern on page 31, have provided the disclosures required by the Listing Rules referred to above and are consistent with the information which came to our attention as a result of our audit work on the financial statements.

In our opinion, based on enquiry of certain directors and officers of the Company and examination of relevant documents your statement on page 30 appropriately reflects the Group's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Price Waterhouse Price Waterhouse
Chartered Accountants
19 March 1997

Southwark Towers
32 London Bridge Street
London SE1 9SY

Auditors' Report

To the Members of Foreign & Colonial Investment Trust PLC

We have audited the financial statements on pages 36 to 62, which have been prepared under the historical cost convention as modified to include fixed asset investments and freehold investment properties at valuation, and the accounting policies set out on pages 41 to 43.

Respective responsibilities of directors and auditors

As described on page 32, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 1996 and of the total return of the Company and the Group and of the cash flows of the Group 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 Auditors
19 March 1997

Southwark Towers
32 London Bridge Street
London SE1 9SY

Explanatory Note on the Financial Statements

A number of changes have been introduced this year as a result of the Company's adoption of the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies', issued by The Association of Investment Trust Companies (AITC) in December 1995. The principal changes are as follows:

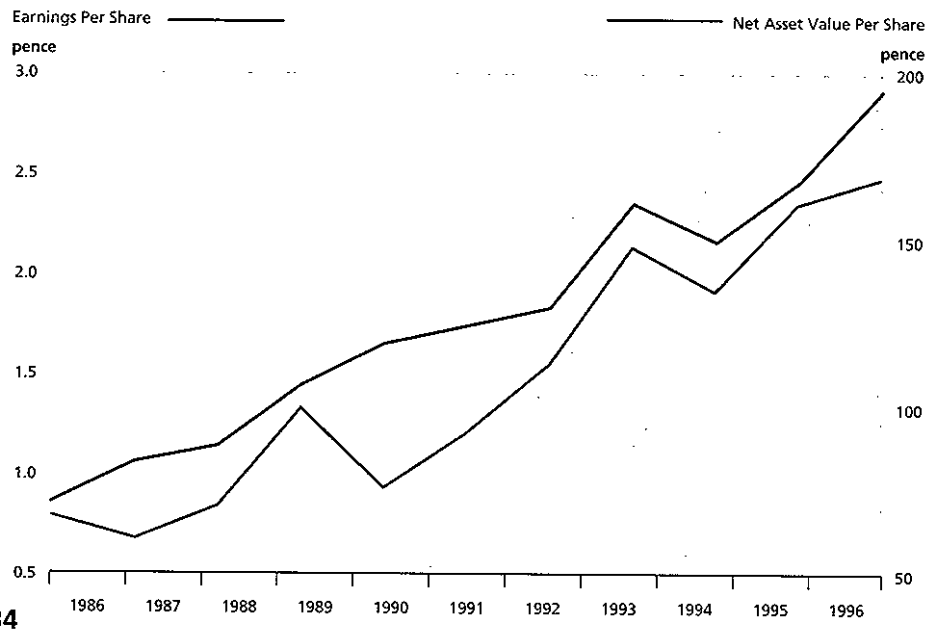
1. Accounting Policies

The Company has changed its accounting policies in line with the SORP recommendations to recognise dividend income on an ex-dividend basis and interest on fixed income securities on an accruals basis; previously dividends and interest received from investments were credited to revenue on the due payment dates without any adjustments for amounts accrued at the dates of acquisition and disposal of the investments. An analysis of the effects of the change in accounting policies is given in note 21 to the accounts.

The effect of the changes in accounting policies is to bring forward £4.0m of net income which has been added to the Group revenue reserve at 31 December 1994 and to increase consolidated net revenue attributable to ordinary shareholders for the year ended 31 December 1996 by £3,646,000 (year ended 31 December 1995 is decreased by £1,417,000). Group revenue reserves at 31 December 1995 as restated are £27,019,000, an increase of £2,582,000 on the balance as previously reported.

Consolidated earnings per share for the year to 31 December 1995 are decreased by 0.14p to 2.41p and increased by 0.35p to 2.91p for the year ended 31 December 1996. Consolidated net assets per ordinary share are increased by 0.38p for the year to 31 December 1995 and by 0.42p to 168.4p for the year ended 31 December 1996.

Although the SORP allows a proportion of management fees and interest expense to be allocated to capital in accordance with the Company's long term expected split of returns, it is the view of the Board that to do so would not be of benefit to the shareholders, as it would increase unnecessarily the minimum dividend payment required at the expense of potential capital growth.



Foreign & Colonial Investment Trust PLC Growth in NAV and Earnings per Share

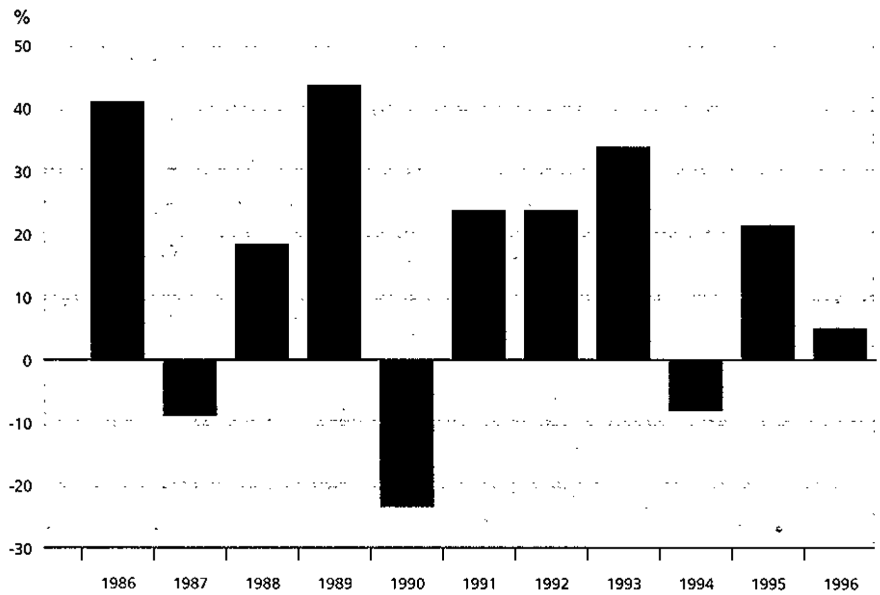
2. Statement of Total Return

This statement combines the revenue account and a statement of realised and unrealised capital gains to give a 'total return'. The bottom line of the statement shows how the total return per share may be split into both revenue and capital components.

This measure of return when applied to a period as short as one year generates highly volatile results as it is dominated by the valuation of investments at the last date of the financial year. A history of the 'total annual return' of the Group expressed in pence per share as a percentage of the net asset value on the 31 December over the 10 years to 31 December 1996 is illustrated below.

Foreign & Colonial's Group earnings and Group net asset value record over the 10 years to 31 December 1996 is graphically reproduced on page 34 and is clearly more relevant when assessing the performance of the underlying investments over the long-term. They are the more appropriate measure of how our objective 'to secure for our shareholders long-term growth in net assets per share and regular increases in dividend which will beat the rate of inflation' may be achieved.

The revenue element of 'total return' is relatively stable as it is generated by net returns over the whole of each financial year.



Foreign & Colonial Investment Trust PLC Total Rate of Return

Statement of Total Return of the Company (incorporating the Revenue Account*)

for the year ended 31 December

Revenue Notes	Capital Notes		1996 Revenue £'000s	1996 Capital £'000s	1996 Total £'000s	1995 (restated) Revenue £'000s	1995 (restated) Capital £'000s	1995 (restated) Total £'000s
	10	Unrealised surplus on revaluation of tangible fixed assets	—	112	112	—	—	—
	11	Gains on investments	—	78,664	78,664	—	262,721	262,721
	20	Exchange gains and losses on currency balances	(167)	958	791	131	3,341	3,472
2		Income	58,593	—	58,593	53,724	—	53,724
3		Management fee	(5,332)	—	(5,332)	(5,042)	—	(5,042)
4	20	Other expenses	(2,476)	(850)	(3,326)	(2,869)	(11)	(2,880)
		Net return before finance costs and taxation	50,618	78,884	129,502	45,944	266,051	311,995
5		Interest payable and similar charges	(12,651)	—	(12,651)	(14,103)	—	(14,103)
		Return on ordinary activities before taxation	37,967	78,884	116,851	31,841	266,051	297,892
8		Taxation on ordinary activities	(8,695)	—	(8,695)	(7,267)	—	(7,267)
		Return on ordinary activities after taxation	29,272	78,884	108,156	24,574	266,051	290,625
		Dividend on preference shares (non–equity)	(94)	—	(94)	(94)	—	(94)
		Return attributable to equity shareholders	29,178	78,884	108,062	24,480	266,051	290,531
		Dividends on ordinary shares (equity)						
		Interim of 0.70p (1995 : 0.63p)	(7,357)	—	(7,357)	(6,622)	—	(6,622)
		Proposed final of 1.58p (1995 : 1.4366p)	(16,607)	—	(16,607)	(15,099)	—	(15,099)
20	20	**Amount transferred to reserves**	5,214	78,884	84,098	2,759	266,051	268,810
9	9	**Return per ordinary share – pence**	2.78	7.51	10.29	2.33	25.31	27.64

21 21 The cumulative effect of prior year adjustments is to increase net assets at 31 December 1995 by £3,981,000.

*The revenue column of this statement is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

Consolidated Statement of Total Return (incorporating the Revenue Account*)

for the year ended 31 December

Revenue Notes	Capital Notes		1996 Revenue £'000s	1996 Capital £'000s	1996 Total £'000s	1995 (restated) Revenue £'000s	1995 (restated) Capital £'000s	1995 (restated) Total £'000s
	10	Unrealised surplus on revaluation of tangible fixed assets	—	112	112	—	—	—
	11	Gains on investments	—	78,664	78,664	—	268,412	268,412
	20	Exchange gains and losses on currency balances	(167)	958	791	134	3,341	3,475
2		Income	55,465	—	55,465	50,948	—	50,948
3		Management fee	(5,332)	—	(5,332)	(5,042)	—	(5,042)
4	20	Other expenses	(2,549)	(850)	(3,399)	(2,935)	(11)	(2,946)
		Net return before finance costs and taxation	47,417	78,884	126,301	43,105	271,742	314,847
5		Interest payable and similar charges	(12,651)	—	(12,651)	(14,114)	—	(14,114)
		Share of profits of associated undertakings	10,267	—	10,267	8,912	—	8,912
		Return on ordinary activities before taxation	45,033	78,884	123,917	37,903	271,742	309,645
8		Taxation on ordinary activities	(11,333)	—	(11,333)	(9,724)	—	(9,724)
		Return on ordinary activities after taxation	33,700	78,884	112,584	28,179	271,742	299,921
		Minority equity interests	(3,032)	—	(3,032)	(2,705)	(6,366)	(9,071)
		Dividend on preference shares (non–equity)	(94)	—	(94)	(94)	—	(94)
		Return attributable to equity shareholders	30,574	78,884	109,458	25,380	265,376	290,756
		Dividends on ordinary shares (equity)						
		Interim of 0.70p (1995 : 0.63p)	(7,357)	—	(7,357)	(6,622)	—	(6,622)
		Proposed final of 1.58p (1995 : 1.4366p)	(16,607)	—	(16,607)	(15,099)	—	(15,099)
20	20	**Amount transferred to reserves**	6,610	78,884	85,494	3,659	265,376	269,035
9	9	**Return per ordinary share – pence**	2.91	7.51	10.42	2.41	25.25	27.66

21 21 **The cumulative effect of prior year adjustments is to increase net assets at 31 December 1995 by £3,981,000.**

***The revenue column of this statement is the profit and loss account of the Group.**

All revenue and capital items in the above statement derive from continuing operations.

Company Balance Sheet
at 31 December

Notes		1996 £'000s	1996 £'000s	1995 (restated) £'000s	1995 (restated) £'000s
	Fixed assets				
10	**Tangible assets**		1,472		1,360
	Investments				
	Listed in Great Britain	673,354		625,462	
	Listed outside Great Britain	1,074,404		1,054,155	
11		1,747,758		1,679,617	
11	Unlisted at Directors' valuation	81,927		73,897	
11/12	Subsidiary undertakings	2,921		52,611	
11/12	Associated undertakings	51,246		—	
			1,883,852		1,806,125
	Current assets				
13	Debtors	6,131		10,421	
14	Taxation recoverable	4,376		5,253	
	Cash at bank and short-term deposits	81,532		20,352	
		92,039		36,026	
	Current liabilities				
	Creditors: amounts falling due within one year				
15	Foreign currency loans	68,099		14,986	
16	Other	26,283		29,642	
		94,382		44,628	
	Net current liabilities		(2,343)		(8,602)
17	**Total assets less current liabilities**		1,882,981		1,798,883
	Creditors: amounts falling due after more than one year				
18	Debentures		(110,575)		(110,575)
	Net Assets		1,772,406		1,688,308
	Capital and reserves				
19	Called up share capital: including non-equity share capital		265,452		265,452
20	Capital reserves	1,478,658		1,399,774	
20	Revenue reserve	28,296		23,082	
			1,506,954		1,422,856
	Total shareholders' funds		1,772,406		1,688,308
	Total shareholders' funds are attributable to:				
	Equity shareholders		1,769,716		1,685,618
	Non-equity shareholders		2,690		2,690
			1,772,406		1,688,308
22	**Net asset value per ordinary share – pence**		168.4		160.4

Approved by the board on 19 March 1997

J. R. Sclater

J. R. SCLATER Director

M. J. HART Director

Consolidated Balance Sheet

at 31 December

Notes		1996 £'000s	1996 £'000s	1995 (restated) £'000s	1995 (restated) £'000s
	Fixed assets				
10	**Tangible assets**		1,472		1,360
	Investments				
	Listed in Great Britain	673,354		625,462	
	Listed outside Great Britain	1,074,404		1,054,155	
11		1,747,758		1,679,617	
11	Unlisted at Directors' valuation	82,071		74,041	
11/12	Associated undertakings	51,246		81,506	
			1,881,075		1,835,164
	Current assets				
13	Debtors	6,119		14,641	
14	Taxation recoverable	4,370		6,318	
	Cash at bank and short-term deposits	81,573		20,383	
		92,062		41,342	
	Current liabilities				
	Creditors: amounts falling due within one year				
15	Foreign currency and sterling loans	68,269		15,171	
16	Other	22,933		29,043	
		91,202		44,214	
	Net current assets/(liabilities)		860		(2,872)
17	**Total assets less current liabilities**		1,883,407		1,833,652
	Creditors: amounts falling due after more than one year				
18	Debentures		(110,575)		(110,575)
	Minority equity interests		42		(31,730)
	Net Assets		1,772,874		1,691,347
	Capital and reserves				
19	Called up share capital: including non-equity share capital		265,452		265,452
20	Capital reserves	1,474,886		1,398,876	
20	Revenue reserve	32,536		27,019	
			1,507,422		1,425,895
	Total shareholders' funds		1,772,874		1,691,347
	Total shareholders' funds are attributable to:				
	Equity shareholders		1,770,184		1,688,657
	Non-equity shareholders		2,690		2,690
			1,772,874		1,691,347
22	**Net asset value per ordinary share – pence**		168.4		160.7

Approved by the board on 19 March 1997

J. R. Sclater

J. R. SCLATER Director

M. J. HART Director

Consolidated Cash Flow Statement

for the year ended 31 December

Notes			1996		1995 (restated)
		£'000s	£'000s	£'000s	£'000s
	Operating activities				
	Investment income received	44,904		44,074	
	Dividend from associated undertaking	–		3,756	
	Interest received	842		840	
	Underwriting commission received	279		200	
	Stock lending fees received	77		127	
	Other revenue	159		71	
	Fee paid to the management company	(5,332)		(5,042)	
	Cash paid to and on behalf of directors	(185)		(185)	
	Other cash payments	(2,466)		(2,124)	
25	**Net cash inflow from operating activities**		38,278		41,717
	Servicing of finance				
	Interest paid	(12,500)		(14,316)	
	Preference dividend paid	(94)		(94)	
	Ordinary dividends paid	(22,456)		(21,510)	
	Net cash outflow from the servicing of finance		(35,050)		(35,920)
	Taxation				
	UK tax received/(paid)	741		(215)	
	Overseas tax paid	(1,946)		(2,496)	
	Total tax paid		(1,205)		(2,711)
	Investing activities				
	Purchases of fixed interest securities	—		(83,873)	
	Purchases of equities and other investments	(269,071)		(329,026)	
	Sales of fixed interest securities	—		206,125	
	Sales of equities and other investments	256,653		318,471	
	Proceeds from reorganisation of subsidiary	18,300		—	
	Other capital charges and credits	(753)		(1)	
	Net cash inflow from investing activities		5,129		111,696
	Net cash inflow before financing		7,152		114,782
	Financing				
	Net sterling loans repaid	(15)		(6,600)	
	Net currency loans raised/(repaid)	55,049		(94,456)	
	Share capital raised in group undertakings	—		2,856	
	Net cash inflow/(outflow) from financing		55,034		(98,200)
26	**Increase in cash and cash equivalents**		62,186		16,582

Notes on the Accounts

1 ACCOUNTING POLICIES

(a) Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include fixed asset investments and freehold investment properties at valuation. The accounts have been prepared in accordance with applicable accounting standards except as noted below for the carrying value of investments in associated undertakings. Where necessary, the Company has changed its accounting policies to comply with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (SORP). The comparative figures for the prior year have been restated to reflect the changes (see note 21).

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company, subsidiary undertakings and share of results of associated undertakings (see note 1(d) below) made up to 31 December. The results of subsidiaries sold or acquired are included in the consolidated statement of total return up to, or from, the date control passes.

(c) Valuation of investments

As an investment trust, the 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 revenue account but are credited or charged to capital reserves. Listed investments are shown at middle market value and unlisted investments at directors' valuation.

(d) Investments in associated undertakings

Hypo Foreign & Colonial Management (Holdings) Limited (HFCM), the Group's associated undertaking, is accounted for in the consolidated revenue account using the equity method prescribed in SSAP 1.
The carrying value is stated in the consolidated balance sheet at directors' valuation, to be consistent with the Group's accounting policy for investments. As the investment in HFCM forms part of the Group's investment portfolio, the directors believe adoption of the equity method in the balance sheet would not show a true and fair view. The effect of this departure from SSAP 1 is set out in note 12 on the accounts.

(e) Foreign currency

Foreign currency assets and liabilities are expressed in sterling at rates of exchange ruling at the balance sheet date. Foreign currency transactions are translated at the rates of exchange ruling at the dates of those transactions. Exchange profits and losses on currency balances are credited or charged to capital reserves except where they relate to revenue items.

(f) Income

Income from quoted equity shares is brought into account on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield on the investment.

Franked investment income includes the imputed tax credit attaching to dividends credited and this tax has been written off within the taxation charge.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in capital reserve.

Foreign income dividends are included in the revenue account without the related notional income tax credit.

(g) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except those expenses incidental to the acquisition or disposal of investments which are charged through capital reserves.

(h) Finance costs

Finance costs are accounted for on an accruals basis and are charged through the revenue account.

(i) Taxation

Advance corporation tax (ACT) payable on dividends paid or payable for the year is written off, except when recoverability is considered to be reasonably certain. Irrecoverable ACT is charged to the revenue account. Deferred tax is provided in full on any material timing differences expected to crystallise in the foreseeable future.

(j) Investment properties

In accordance with Statement of Standard Accounting Practice 19 'Accounting for Investment Properties', freehold property is valued periodically, the aggregate surplus or deficit being transferred to capital reserves, and no provision is made for depreciation. Compliance with Statement of Standard Accounting Practice 19 continues to require departure from the provisions of the Companies Act 1985 relating to depreciation. The departure is, in the opinion of the directors, necessary for the accounts to show a true and fair view in accordance with applicable accounting standards.

(k) Capital Reserves

Capital reserve – realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments
- realised exchange differences of a capital nature
- other capital charges and credits charged or credited to this account in accordance with the above policies.

Capital reserve – unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year-end
- unrealised exchange differences of a capital nature.

2 INCOME

	1996		1995	
	Company £'000s	Group £'000s	Company (restated) £'000s	Group (restated) £'000s
Income from investments				
Franked dividends*	31,999	28,793	25,464	22,652
UK unfranked interest	1,150	1,150	6,167	6,167
Overseas dividends	18,869	18,869	17,051	17,051
Overseas interest	57	57	222	222
Foreign income dividends	2,197	2,197	2,160	2,160
Scrip dividends	2,872	2,872	1,461	1,461
	57,144	53,938	52,525	49,713
Other Income				
Interest on cash and short-term deposits	1,013	1,014	843	827
Underwriting commission	311	311	164	164
Stock lending fees	74	74	97	97
Other	51	128	95	147
	1,449	1,527	1,199	1,235
Total income	58,593	55,465	53,724	50,948
Total income comprises:				
Dividends	55,937	52,731	46,136	43,324
Interest from investments	1,207	1,207	6,389	6,389
Other income	1,449	1,527	1,199	1,235
	58,593	55,465	53,724	50,948
Income from investments:				
Listed UK	31,835	31,835	30,400	30,400
Listed overseas	18,798	18,798	16,205	16,205
Unlisted*	6,511	3,305	5,920	3,108
	57,144	53,938	52,525	49,713

*Franked dividends from unlisted investments in respect of the Company includes £3,206,000 from a subsidiary undertaking (1995: £2,833,000).

Notes on the Accounts
continued

3 MANAGEMENT FEE

Company and Group	1996 £'000s	1995 £'000s
Management fee	4,916	4,547
Irrecoverable VAT thereon	416	495
	5,332	5,042

The Manager 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 quarterly management fee is calculated on an amount equal to 0.075% of the average of the value of the funds of the Company managed by the Manager (excluding all holdings in funds or companies managed or advised by the Manager or any of its subsidiaries) as at the relevant calculation date, a date one year before such calculation date and a date two years before such calculation date. The management agreement may be terminated upon two years' notice given by either party.

4 OTHER EXPENSES

	1996 Company £'000s	1996 Group £'000s	1995 Company £'000s	1995 Group £'000s
Directors' emoluments:				
fees for services to Group companies (see note 6)	184	204	132	152
pension to widow of former director	14	14	13	13
General expenses	1,980	2,024	2,285	2,327
Irrecoverable VAT	258	258	366	366
Auditors' remuneration:				
for audit services	32	39	29	33
for audit related services	8	10	42	42
for non-audit services	—	—	2	2
	2,476	2,549	2,869	2,935

5 INTEREST PAYABLE AND SIMILAR CHARGES

	1996 Company £'000s	1996 Group £'000s	1995 Company £'000s	1995 Group £'000s
On debentures, bank loans, overdrafts and other loans				
Debenture stocks	12,399	12,399	12,399	12,399
Foreign currency and sterling loans	219	219	1,690	1,690
Other	33	33	14	25
	12,651	12,651	14,103	14,114
The interest is further analysed as follows:				
Loans repayable within 5 years, not by instalments	252	252	1,704	1,715
Borrowings repayable wholly in more than 5 years	12,399	12,399	12,399	12,399
	12,651	12,651	14,103	14,114

6 DIRECTORS' REMUNERATION AND CONTRACTS

(a) Remuneration from the Company and its subsidiary undertakings

Neither the Company nor any of its subsidiary undertakings had any employees during the year.The amounts paid by the Company and its subsidiary undertakings to the Directors of the Company were as follows :

	John Sclater (Chairman) £'000s	Sir Timothy Bevan £'000s	Sir John Egan £'000s	Haruko Fukuda £'000s	Lord Nicholas Gordon Lennox £'000s	Lord Kingsdown £'000s	Lord Rockley £'000s	Oliver Dawson £'000s	Total £'000s
1996 Fees from:									
— the Company	43	27	21	21	18	18	18	18	**184**
— Subsidiary undertakings	20	—	—	—	—	—	—	—	**20**
	63	27	21	21	18	18	18	18	**204**
1995 Fees from:									
— the Company	30	22	17	17	15	16	15	-	132
— Subsidiary undertakings	20	-	-	-	-	-	-	-	20
	50	22	17	17	15	16	15	-	152

None of the Directors of the Company other than those listed above received any remuneration from the Company or its subsidiary undertakings in either period.

(b) Remuneration from Foreign & Colonial Management Limited (FCM) attributable to the Company and its subsidiary undertakings

The Directors of the Company who were also directors of FCM during the year were Andrew Barker, Michael Hart and the Hon. James Ogilvy.

The costs of employment (excluding share option arrangements) of the above Directors were met in full during the year by FCM.

Company law requires the proportions of the emoluments received by these Directors from FCM in connection with the management of the affairs of the Company and its subsidiary undertakings to be disclosed, even though the Company neither determines nor pays these emoluments.These proportions of their emoluments from FCM are detailed below. Disclosure of their full remuneration arrangements with FCM is given in note 7.

	Andrew Barker £'000s	* Michael Hart £'000s	The Hon. James Ogilvy £'000s	** Eric Elstob £'000s	*** Oliver Dawson £'000s	Total £'000s
Salary	20	97	9	—	—	126
Benefits	2	8	—	—	—	10
Performance-related bonuses	1	41	9	—	—	51
1996 Total	**23**	**146**	**18**	—	—	**187**
1995 Total	24	149	15	9	13	210
1996 Pension contributions	**15**	**75**	**-**	-	-	**90**
1995 Pension contributions	7	83	-	11	2	103

* Highest paid Director.

** Eric Elstob retired as a Director of the Company and as a Director and employee of FCM in April 1995.

*** Oliver Dawson retired as a Director and employee of FCM in December 1995 but continued as a consultant to FCM until October 1996.

(c) Bandings

The amounts paid to Andrew Barker, Michael Hart, the Hon. James Ogilvy (and Oliver Dawson and Eric Elstob for 1995) by FCM, disclosed in note 6(b), together with amounts paid by the Company and its subsidiary undertakings disclosed in note 6(a), are in aggregate £481,000 (1995: £465,000). These amounts, excluding payments to pension schemes, have been taken into account in providing the following disclosure :

	1996 Number	1995 Number
£5,001 to £10,000	–	1
£10,001 to £15,000	–	4
£15,001 to £20,000	**5**	3
£20,001 to £25,000	**3**	2
£25,001 to £30,000	**1**	-
£35,001 to £40,000	–	-
£45,001 to £50,000	–	1
£60,000 to £65,000	**1**	-
£145,001 to £150,000	**1**	1

(d) Directors' interests in shares

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

	31 December 1996		31 December 1995	
	Beneficial	**Other**	Beneficial	Other
Andrew Barker	**119,148**	**7,000**	93,548	7,000
	11,686*	—	37,286*	—
Sir Timothy Bevan	**3,000**	—	3,000	—
Oliver Dawson	**110,266**	**250,000**	84,208	250,000
	11,686*	—	37,744*	—
Sir John Egan	**234,106**	—	234,106	—
Haruko Fukuda	**16,000**	—	16,000	—
Lord Nicholas Gordon Lennox	**2,000**	—	2,000	—
Michael Hart	**273,551**	**1,300**	247,453	1,300
	14,786*	—	40,842*	—
Lord Kingsdown	**3,364**	—	3,364	—
The Hon. James Ogilvy	**35,036**	—	8,936	—
	11,686*	—	37,742*	—
Lord Rockley	**2,389,000**	**2,476,000**	2,389,000	2,476,000
John Sclater	**20,000**	**630,598**	20,000	622,473

*Shares allocated under the terms of the F&C profit sharing scheme as part of the performance-related bonus arrangements within FCM. The shares are held by the trustees of the scheme on behalf of these Directors. The Company's register of Directors' interests contains full details of Directors' shareholdings.

There have been no changes in the Directors' shareholdings detailed above since the Company's year end. No Director held any interests in the issued shares of the Company other than stated above.

(e) Directors' interests in contracts with group companies

Other than the management agreement referred to in note 3, in which Andrew Barker, Oliver Dawson, Michael Hart and the Hon. James Ogilvy were interested by reason of their employment or consultancy with FCM, and other than the subscription of shares in Hypo Foreign & Colonial Management (Holdings) Limited

(HFCM), formerly called Pountney Hill Holdings Limited, disclosed below and in note 24, no contract of significance to which the Company or any of its subsidiary and associated undertakings is a party and in which a Director is or was materially interested subsisted during the year.

During the year the Company paid £137,000 (1995 - £1,742,000) in subscribing for shares in HFCM pursuant to the exercise of options granted to Directors and employees under the FCM share option scheme. Of such payments by the Company, the following amounts related to the exercise of options by the Directors of the Company:

	1996 £'000s	1995 £'000s
Andrew Barker	—	231
Oliver Dawson	—	46
Eric Elstob	—	41
Michael Hart	85	88
The Hon. James Ogilvy	—	134

7 REMUNERATION AND SHARE OPTION ARRANGEMENTS WITHIN THE HYPO FOREIGN & COLONIAL MANAGEMENT (HOLDINGS) LIMITED (HFCM) GROUP

Salaries, performance-related bonuses and options awarded to Directors and employees of Foreign & Colonial Management Limited (FCM) are approved by a remuneration committee appointed by the board of HFCM. Details of the remuneration committee are given on page 67. The total emoluments received from FCM by Andrew Barker, Oliver Dawson, Eric Elstob, Michael Hart and the Hon. James Ogilvy during the year were as follows:

	Andrew Barker £'000s	Michael Hart £'000s	The Hon. James Ogilvy £'000s	*Eric Elstob £'000s	**Oliver Dawson £'000s	Total £'000s
Salary	120	171	252	—	—	543
Benefits (i)	11	13	12	—	—	36
Performance-related bonuses (ii)	5	72	253	—	—	330
1996 Total	**136**	**256**	**517**	**—**	**—**	**909**
1995 Total	142	249	901	41	165	1,498
1996 Pension contributions (iii)	**86**	**132**	**—**	**—**	**—**	**218**
1995	42	138	—	55	20	255

* Eric Elstob retired as a Director of the Company and as a Director and employee of FCM in April 1995.

** Oliver Dawson retired as a Director and employee of FCM in December 1995 but continued as a consultant to FCM until October 1996. In his capacity as consultant to FCM, he received £25,000 in 1996.

(i) Salaries and benefits represent the amounts earned by and paid to Directors during the relevant year. Benefits are all tax assessable, arising from employment by FCM, and include such benefits as a company car and medical insurance.

(ii) The performance-related bonus is paid in the year following that in which it was earned. The Hon. James Ogilvy participated in a phantom share option scheme. A net profit of £386,000 accruing to him from the exercise of options under the scheme is included in his 1995 emoluments disclosed above. Further details of the scheme are given on pages 49 and 50.

(iii) The figures shown above for pension contributions are those paid by FCM on behalf of the Directors to non-contributory pension schemes.

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The FCM share option scheme was established in 1985. The scheme provides for the grant of options to subscribe for shares in FCM. The maximum number of shares in respect of which options may be granted under the scheme is limited to 10% of the number of ordinary shares in issue at the time of grant.

Shares in FCM issued pursuant to the exercise of options are required to be sold immediately on issue to Primrose Street Holdings Limited (PSH) at a price calculated, in the case of options granted prior to 31 March 1994, by reference to a fixed multiple of group pre-tax earnings per share of FCM or, in the case of options granted on or after 31 March 1994, at a price derived from a valuation of FCM provided by an independent valuer.

In addition to the exercises of options detailed below, one other Director of FCM exercised options in respect of 4,000 shares in FCM, for which the aggregate consideration paid by PSH on the purchase of those shares was £169,000. At 31 December 1996, options in respect of 183,900 shares in FCM, representing 5.1% of the shares in issue at that date, were held by 38 Directors and employees of FCM.

These options are exercisable between 1997 and 2003. The aggregate subscription price payable by the option holders to FCM on the exercise of the options, based on exercise prices applying at 31 December 1996 would be £6,376,000. The aggregate consideration for the purchase by PSH of the FCM shares issued pursuant to the exercise of the options, based on the 1996 sale price, would be £8,213,000. The Company would, under normal circumstances, expect to fund £2,505,000 (see (i) below) of this consideration by means of subscription for additional shares in HFCM, which in turn would subscribe for additional shares in PSH. Options in respect of 80,400 shares in FCM, based on exercise prices applying at 31 December 1996, are exercisable in 1997. Were all these options to be exercised, the aggregate subscription price payable by the option holders to FCM would be £2,244,000. The aggregate consideration for the purchase by PSH of FCM shares issued pursuant to the exercise of such options, based on the 1996 sale price, would be £3,524,000. The Company would expect, under normal circumstances, to fund £1,075,000 (see (ii) below) of this consideration by means of subscription for additional shares in HFCM, which in turn would subscribe for additional shares in PSH.

(i) Of the £2,505,000 referred to above, the following amounts relate to the Directors of the Company:

	£'000s
Andrew Barker	41
Michael Hart	264
The Hon. James Ogilvy	528

(ii) Of the £1,075,000 referred to above, the following amounts relate to the Directors of the Company:

	£'000s
Andrew Barker	24
Michael Hart	264
The Hon. James Ogilvy	528

The FCM phantom share option was established in 1989. It was terminated in 1995. On the grant of an option under the scheme a number of FCM shares were allocated to the grantee. On exercise of the option a payment equal to the increase in value of such shares between the dates of grant and exercise was made by FCM to the grantee; the FCM shares were not issued. The increase in value was determined by an independent valuer. Following the exercise in 1995 of the options granted to the Hon. James Ogilvy detailed on page 50, there are no outstanding options under the scheme.

Details of the interests of the Directors of the Company in options granted under the FCM share option scheme and of exercises of those options are given below.

	Number of FCM shares under option								
	1 Jan 1995	Granted/ (Exercised) during 1995	**1 Jan 1996**	**Granted/ (Exercised) during 1996**	**31 Dec 1996**	Exercisable between	Exercise price per FCM share £	1995 Sale price to PSH per FCM share £	**1996 Sale price to PSH per FCM share £**
Andrew Barker	2,400	(2,400)	–	–	–		1.55	43.56	
	1,750	(1,750)	–	–	–		1.60	43.56	
	4,000	(4,000)	–	–	–		3.20	43.56	
	500	(500)	–	–	–		4.94	43.56	
	8,650	(8,650)	–	–	–		6.00	43.56	
	1,700	-	**1,700**	–	**1,700**	1997 & 2000	15.25		
	1,000	-	**1,000**	–	**1,000**	1998 & 2001	32.21		
	-	-	–	**300**	**300**	2000 & 2003	45.76		
	20,000	(17,300)	**2,700**	**300**	**3,000**				
Oliver Dawson*	1,230	(1,230)	–	–	–		1.55	43.56	
	620	(620)	–	–	–		1.60	43.56	
	1,400	(1,400)	–	–	–		3.20	43.56	
	180	(180)	–	–	–		4.94	43.56	
	3,430	(3,430)	–	–	–				
Eric Elstob**	840	(840)	–	–	–		1.55	43.56	
	620	(620)	–	–	–		1.60	43.56	
	1,400	(1,400)	–	–	–		3.20	43.56	
	180	(180)	–	–	–		4.94	43.56	
	3,040	(3,040)	–	–	–				
Michael Hart	840	(840)	–	–	–		1.55	43.56	
	610	(610)	–	–	–		1.60	43.56	
	1,400	(1,400)	–	–	–		3.20	43.56	
	170	(170)	–	–	–		4.94	43.56	
	10,180	(3,580)	**6,600**	**(6,600)**	–		6.00	43.56	**42.13**
	20,000	-	**20,000**	–	**20,000**	1995 & 1997	32.21		
	33,200	(6,600)	**26,600**	**(6,600)**	**20,000**				

Notes on the Accounts
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	Number of FCM shares under option							1995	1996
	1 Jan 1995	Granted/ (Exercised) during 1995	**1 Jan 1996**	**Granted/ (Exercised) during 1996**	**31 Dec 1996**	Exercisable between	Exercise price per FCM share £	Sale price to PSH per FCM share £	**Sale price to PSH per FCM share £**
The Hon. James Ogilvy***									
	10,000	(10,000)	–	–	–		6.00	43.56	
	40,000	-	**40,000**	–	**40,000**	1995 & 1997	32.21		
	50,000	(10,000)	**40,000**	–	**40,000**				

* Oliver Dawson retired as a Director and employee of FCM in December 1995 but continued as a consultant to FCM until October 1996.

** Eric Elstob retired as a Director of the Company and as a Director and employee of FCM in April 1995.

*** The Hon. James Ogilvy also had an interest in options granted under the FCM phantom share option scheme. Details of this interest are given below:

Number of Phantom shares

1 Jan 1995	(Exercised) during 1995	Exercise price £	Net profit on exercise 1995 £
10,000	(10,000)	4.94	386,000

The net profit on exercise of the options is included in the Hon. James Ogilvy's emoluments disclosure on page 47.

8 TAXATION ON ORDINARY ACTIVITIES

	1996 Company £'000s	**1996 Group £'000s**	1995 Company (restated) £'000s	1995 Group (restated) £'000s
Corporation tax at 33% (1995: 33%)	**329**	**345**	1,268	1,270
Taxation on share of profits of associated undertakings	**—**	**3,262**	—	3,026
Relief for overseas tax	**(329)**	**(335)**	(1,268)	(1,270)
	—	**3,272**	—	3,026
Overseas taxation	**2,270**	**2,276**	2,174	2,181
Tax attributable to franked dividends	**6,400**	**5,759**	5,093	4,530
Adjustment for prior years	**25**	**26**	—	(13)
	8,695	**11,333**	7,267	9,724

9 RETURN PER EQUITY SHARE

Revenue return

Revenue return per share and earnings per share are synonymous terms.

Earnings per share is based on the consolidated revenue return attributable to equity shareholders of £30,574,000 (1995: £25,380,000) and £29,178,000 (1995: £24,480,000) in respect of the Company.

Capital return

Capital return per share is based on the consolidated capital return attributable to equity shareholders of £78,884,000 (1995: £265,376,000) and £78,884,000 (1995: £266,051,000) in respect of the Company.

Both the revenue and capital return are based on 1,051,047,680 ordinary shares in issue (1995: same).

10 TANGIBLE ASSETS

Company and Group	Freehold investment property £'000s
Valuation at 1 January 1996	1,360
Surplus on revaluation	112
Valuation at 31 December 1996	**1,472**

The freehold investment property is owned by three investment trusts managed by Foreign & Colonial Management Limited. The amount shown above represents the Company's proportion. An independent valuation of the freehold property was conducted by Chesterton at 31 December 1996 on the basis of open market value for its existing use. The Company's proportion of the original cost of the property plus additions was £2,853,000 against which depreciation of £298,000 would have been provided under historical cost accounting rules.

11 INVESTMENTS

Company	Listed (restated) £'000s	Unlisted £'000s	Subsidiary undertakings £'000s	Associated undertakings £'000s	Total (restated) £'000s
Cost at 1 January 1996	969,546	20,661	9,125	—	999,332
Unrealised appreciation at 1 January 1996	710,071	53,236	43,486	—	806,793
Valuation at 1 January 1996	1,679,617	73,897	52,611	—	1,806,125
Movements in the year					
Purchases at cost	262,786	5,102	747	—	268,635
Sales – proceeds	(250,420)	(852)	(18,300)	—	(269,572)
– realised gains on sales	11,447	201	18,300	—	29,948
Transfer to associates: cost of investments	—	—	(6,922)	6,922	—
Transfer to associates: opening unrealised appreciation	—	—	(43,515)	43,515	—
Increase in unrealised appreciation	44,328	3,579	—	809	48,716
Valuation at 31 December 1996	**1,747,758**	**81,927**	**2,921**	**51,246**	**1,883,852**
Cost at 31 December 1996	1,064,892	24,201	2,950	6,922	1,098,965
Unrealised appreciation at 31 December 1996	682,866	57,726	(29)	44,324	784,887
	1,747,758	**81,927**	**2,921**	**51,246**	**1,883,852**

Notes on the Accounts
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13 DEBTORS

	1996 Company £'000s	1996 Group £'000s	1995 Company (restated) £'000s	1995 Group (restated) £'000s
Investment debtors	546	546	5,954	5,954
Amounts owed by subsidiary undertakings	89	—	116	—
Amounts owed by associated undertakings	—	—	—	4,250
Prepayments and accrued income	5,458	5,470	4,342	4,368
Other debtors	38	103	9	69
	6,131	6,119	10,421	14,641

14 TAXATION RECOVERABLE

Taxation recoverable for both Company and Group includes advance corporation tax of £4,152,000 (1995: £3,775,000) in respect of the proposed final dividend on ordinary shares.

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR
FOREIGN CURRENCY AND STERLING LOANS

	1996 Company £'000s	1996 Group £'000s	1995 Company £'000s	1995 Group £'000s
FFr 263,500,000 repaid January 1997	29,618	29,618	—	—
FFr 172,500,000 repaid January 1997	19,333	19,333	—	—
DM 50,500,000 repaid January 1997	19,148	19,148	—	—
Yen 2,400,000,000 repaid January 1996	—	—	14,986	14,986
Other	—	170	—	185
	68,099	68,269	14,986	15,171

At 19 March 1997 short-term borrowings of the Group totalled £149,305,000.

16 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR
OTHER

	1996 Company £'000s	1996 Group £'000s	1995 Company £'000s	1995 Group £'000s
Investment creditors	843	843	6,188	6,188
Amounts payable to subsidiary undertakings	3,357	—	3,354	—
Proposed final dividend on ordinary shares	16,607	16,607	15,099	16,739
Advance corporation tax on proposed dividend	4,152	4,152	3,775	4,826
Accruals	1,127	1,134	1,122	1,128
Other creditors	197	197	104	162
	26,283	22,933	29,642	29,043

17 GEOGRAPHICAL AND INDUSTRIAL CLASSIFICATION : Consolidated total assets less current liabilities (excluding loans)

	UK %	North America %	Europe %	Japan %	Far East %	Others %	31 December 1996 Total %	31 December 1995 (restated) Total %
Assets								
Equities and convertibles								
Mineral extraction	5.6	0.9	1.6	—	0.9	0.5	**9.5**	8.1
General manufacturers	6.2	6.4	4.0	6.3	1.6	—	**24.5**	29.5
Consumer goods	5.8	3.8	2.2	0.4	—	—	**12.2**	13.5
Services	6.9	4.5	3.2	1.8	0.6	0.3	**17.3**	15.8
Utilities	4.5	0.6	1.6	—	0.8	0.3	**7.8**	7.0
Financials	8.6	4.2	2.2	0.8	3.3	0.9	**20.0**	20.9
Investment trusts	1.6	0.1	0.2	—	0.1	0.3	**2.3**	2.4
Miscellaneous	—	0.6	1.0	0.2	0.2	0.1	**2.1**	1.3
Total equities and convertibles	39.2	21.1	16.0	9.5	7.5	2.4	**95.7**	98.5
Fixed interest	0.7	—	—	—	—	—	**0.7**	0.7
Total investments	39.9	21.1	16.0	9.5	7.5	2.4	**96.4**	99.2
Freehold property	0.1	—	—	—	—	—	**0.1**	0.1
Net current assets	3.0	0.1	0.2	0.1	0.1	—	**3.5**	0.7
Total assets less current liabilities (excluding loans)	**43.0**	**21.2**	**16.2**	**9.6**	**7.6**	**2.4**	**100.0**	—
1995 Totals : (restated)	41.1	21.9	15.6	12.7	6.2	2.5	—	100.0
Financed by :								
Debentures	5.7	—	—	—	—	—	**5.7**	6.0
Foreign currency loans	—	—	3.5	—	—	—	**3.5**	0.8
Preference shares	0.1	—	—	—	—	—	**0.1**	0.1
Equity shareholders' exposure	37.2	21.2	12.7	9.6	7.6	2.4	**90.7**	93.1
Total funds employed	**43.0**	**21.2**	**16.2**	**9.6**	**7.6**	**2.4**	**100.0**	100.0

Note : Geographical classification for the investments held as fixed assets is determined by the location of the major part of the investee companies' business. The net assets of associated undertakings are all located in the UK.

18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

DEBENTURES

Company and Group	1996 £'000s	1995 £'000s
11.25% debenture stock 2014 – secured	**110,000**	110,000
4.25% perpetual debenture stock – secured	**575**	575
	110,575	110,575

The above debenture stocks are secured by floating charges over the assets of the Company and are stated at nominal value.

The 11.25% debenture stock 2014 is redeemable at par on 31 December 2014.

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19 SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number	Nominal £'000s	Number	Nominal £'000s
Non-equity share capital				
3.5% cumulative preference shares of £1 each at				
31 December 1996 (1995: same)	**2,690,000**	**2,690**	**2,690,000**	**2,690**
Equity share capital				
Ordinary shares of 25p each at				
31 December 1996 (1995: same)	**1,103,600,000**	**275,900**	**1,051,047,680**	**262,762**
				265,452

20 RESERVES

Company	Capital reserve – realised (restated) £'000s	Capital reserve – unrealised (restated) £'000s	Capital reserve – Total (restated) £'000s	Revenue reserve (restated) £'000s
Balance at 1 January as previously stated	590,605	807,770	1,398,375	20,500
Prior year adjustments (see note 21)	2,376	(977)	1,399	2,582
Balance at 1 January as restated	592,981	806,793	1,399,774	23,082
Realised gains and losses on investments	29,948	—	29,948	—
Transfer on disposal of investments	70,622	(70,622)	—	—
Exchange gains and losses on currency balances	(335)	1,293	958	—
Other capital charges and credits	(850)	—	(850)	—
Surplus on revaluation of freehold investment property	—	112	112	—
Increase in unrealised appreciation on investments	—	48,716	48,716	—
Amount transferred to revenue reserve	—	—	—	5,214
Balance at 31 December 1996	**692,366**	**786,292**	**1,478,658**	**28,296**

Group	Capital reserve – realised (restated) £'000s	Capital reserve – unrealised (restated) £'000s	Capital reserve – Total (restated) £'000s	Revenue reserve (restated) £'000s
Balance at 1 January as previously stated	594,595	802,882	1,397,477	24,437
Prior year adjustments (see note 21)	2,376	(977)	1,399	2,582
Balance at 1 January as restated	596,971	801,905	1,398,876	27,019
Realised gains and losses on investments	29,948	—	29,948	—
Transfer on disposal of investments	70,622	(70,622)	—	—
Exchange gains and losses on currency balances	(335)	1,293	958	—
Other capital charges and credits	(850)	—	(850)	—
Surplus on revaluation of freehold investment property	—	112	112	—
Increase in unrealised appreciation on investments	—	48,716	48,716	—
Amount transferred to revenue reserve	—	—	—	6,610
Revenue reserve movements in Group undertakings	—	—	—	(1,093)
Capital reserve movements in Group undertakings	—	(2,874)	(2,874)	—
Balance at 31 December 1996	**696,356**	**778,530**	**1,474,886**	**32,536**

Included within other capital charges and credits in respect of the Company and the Group is £853,000 inclusive of VAT charged in connection with the reorganisation of the investment in Hypo Foreign & Colonial Management (Holdings) Limited.

21 EFFECT OF CHANGES IN ACCOUNTING POLICY

Following the adoption of the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies', issued by The Association of Investment Trust Companies (AITC) in December 1995, the Company has changed its accounting policies to recognise dividend income on an ex-dividend basis and interest on fixed income securities on an accruals basis. Previously, dividends and interest received were credited to revenue on the due payment dates without any adjustment for amounts accrued at the dates of acquisition and disposal of the investments.

The comparative figures in respect of the year ended 31 December 1995 have been restated. The principal effects of this restatement are detailed below.

(a) Effect of restatement on previously reported amounts

Company	Net Assets £'000s	Capital reserves £'000s	Revenue reserve £'000s
31 December 1994 as previously stated	1,415,499	1,133,723	16,324
Effect of change in accounting policies:			
Prior year adjustment	3,999	—	3,999
31 December 1994 restated	**1,419,498**	**1,133,723**	**20,323**
31 December 1995 as previously stated	1,684,327	1,398,375	20,500
Prior year adjustment	3,999	—	3,999
	1,688,326	1,398,375	24,499
Effect of change in accounting policies on total return after taxation	(18)	1,399	(1,417)
31 December 1995 restated	**1,688,308**	**1,399,774**	**23,082**
Group			
31 December 1994 as previously stated	1,418,206	1,133,500	19,254
Prior year adjustment	3,999	—	3,999
31 December 1994 as restated	**1,422,205**	**1,133,500**	**23,253**
31 December 1995 as previously stated	1,687,366	1,397,477	24,437
Prior year adjustment analysed above	3,981	1,399	2,582
31 December 1995 restated	**1,691,347**	**1,398,876**	**27,019**

(b) Effect of restatement had reported amounts been stated on previous basis

Company	Net assets £'000s	Capital reserves £'000s	Revenue reserve £'000s
31 December 1996 in accordance with previous accounting policies	1,771,632	1,481,530	24,650
Effect of change in accounting policy on revenue return after taxation	774	(2,872)	3,646
31 December 1996 in accordance with new accounting policies	**1,772,406**	**1,478,658**	**28,296**
Group			
31 December 1996 in accordance with previous accounting policies	1,772,100	1,477,758	28,890
Adjustments analysed above	774	(2,872)	3,646
31 December 1996 in accordance with new accounting policies	**1,772,874**	**1,474,886**	**32,536**

Notes on the Accounts
continued

22 NET ASSET VALUE PER SHARE

The movements during the year in the assets attributable to each class of shares were as follows:

	Company Ordinary shares £'000s	Group Ordinary shares £'000s	Company and Group Preference Shares £'000s
Total net assets attributable at 1 January 1996	1,685,618	1,688,657	2,690
Total recognised gains and losses for the year	108,062	109,458	(94)
Dividends	(23,964)	(23,964)	94
Revenue reserve movements in Group undertakings	—	(1,093)	—
Capital reserve movements in Group undertakings	—	(2,874)	—
Total net assets attributable at 31 December 1996	1,769,716	1,770,184	2,690

Net asset value per ordinary share is based on total net assets less the nominal value of the preference shares in issue at the year-end, and on 1,051,047,680 ordinary shares in issue at the year end.

Net asset value per ordinary share is computed in accordance with the provisions of Financial Reporting Standard 4 'Capital Instruments', and coincides in all material respects with the rights under the Articles of Association of the respective classes of share.

23 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	1996 Company £'000s	1996 Group £'000s	1995 Company (restated) £'000s	1995 Group (restated) £'000s
Prior year equity interests as previously stated	1,681,637	1,684,676	1,412,809	1,415,516
Prior year adjustments (see note 21)	3,981	3,981	3,999	3,999
Prior year equity interests as restated	1,685,618	1,688,657	1,416,808	1,419,515
Return attributable to equity shareholders	84,098	85,494	268,810	269,035
Reserve movements in Group undertakings	—	(3,967)	—	107
Equity shareholders' funds at 31 December	1,769,716	1,770,184	1,685,618	1,688,657

24 CONTINGENT LIABILITIES

	1996 £'000s	1995 £'000s
Uncalled liabilities on nil and partly paid holdings	4,129	Nil

The Company has guaranteed rental payments to third parties in respect of properties leased by Foreign & Colonial Management Limited for which a fee of £17,000 is received annually by the Company. The current annual rentals, the subject of these guarantees, are £1,700,000.

The Company may be required to subscribe for additional shares in Hypo Foreign & Colonial Management (Holdings) Limited (formerly Pountney Hill Holdings Limited) in order to provide funds to enable: -

- Repayment by Primrose Street Holdings Limited of borrowings made or satisfaction of a liability incurred, in connection with the payment of the consideration for the acquisition of the issued share capital of ESN Pension Management Group Limited;
- Repayment by Foreign & Colonial Management Limited of borrowings made in connection with the payment of the consideration for the acquisition of the shares in Foreign & Colonial Emerging Markets (Holdings) Limited not already owned by Foreign & Colonial Management Limited, and
- Purchase by Primrose Street Holdings Limited of shares in Foreign & Colonial Management Limited issued on the exercise of options granted under the Foreign & Colonial Management Limited share option scheme, and
- Purchase by Foreign & Colonial Emerging Markets (Holdings) Limited of shares in Foreign & Colonial Emerging Markets Limited issued on the exercise of options granted under the Foreign & Colonial Emerging Markets Limited share option scheme.

As at 31 December 1996 the potential maximum payable by the Company in relation to these four funding arrangements were £19,215,000, £10,267,000 and £2,505,000 and £1,537,000 respectively.

The Company may also be required to subscribe for additional shares in Hypo Foreign & Colonial (Holdings) Limited in order to ensure that capital adequacy requirements of regulatory authorities in relation to subsidiaries of Hypo Foreign & Colonial Management (Holdings) Limited are satisfied. During 1996, the Company subscribed a total of £610,000 for this purpose.

NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

25 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996 £'000s	1995 (restated) £'000s
Net revenue before finance costs and taxation	**47,417**	43,105
Exchange profits and losses of a revenue nature	**167**	(134)
(Increase)/decrease in accrued income	**(1,084)**	477
Increase in other debtors	**(24)**	(630)
(Decrease)/increase in creditors	**(80)**	1,257
Dividend from associated undertaking	**3,206**	3,756
Scrip dividends	**(2,872)**	(1,461)
Franked dividends received as scrip	**(2,217)**	—
Tax on franked investment income included within income from UK companies	**(6,235)**	(4,653)
Net cash inflow from operating activities	**38,278**	41,717

26 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1996 £'000s	1995 £'000s
Balance at 1 January	20,383	2,831
Exchange gains and losses on currency balances	(996)	970
Net cash inflow	62,186	16,582
Balance at 31 December	81,573	20,383
Represented by :		
Cash at bank and short term deposits	81,573	20,383

27 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Debentures and loans 1996 £'000s	Share capital 1996 £'000s
Balance at 1 January	125,746	265,452
Net loans raised	55,034	—
Exchange gains and losses on currency balances	(1,936)	—
Balance at 31 December	178,844	265,452

Information for Shareholders

The following general notes are for guidance only for the fiscal year ending 5 April 1997. Investors are recommended to seek advice on their particular taxation position.

PEP Status

The Company is not operated to qualify as a Qualifying Investment Trust. The maximum value of Foreign & Colonial Investment Trust's shares that may be invested in a General PEP in any one year is therefore £1,500.

Capital Gains Tax

An approved investment trust does not pay tax on capital gains. Individuals may realise net capital gains of up to £6,300 in the 1996/7 tax year without incurring any tax liability. Following enactment of the Finance Bill, this amount is increased to £6,500 for the 1997/8 tax year. Net gains over £6,300 (£6,500 for 1997/8) 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.

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

	Unit of quotation	Market price
Ordinary shares	25p	14.875p
3.5% cumulative preference shares	£1	32.50p
4.25% perpetual debenture stock	£100	£28.25

The Inland Revenue operates 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. Investors through the Private Investor Plan 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 20%. Shareholders liable to tax at the higher rate will have additional tax to pay. Shareholders who pay no tax may recover from the Inland Revenue the tax credit applicable to their dividends. Overseas investors not liable to UK income tax may obtain a form from: Financial Intermediaries and Claims Office (FICO), Inland Revenue, FitzRoy House, PO Box 46, Nottingham, NG2 1BD.

Shareholders in doubt as to their tax positions should consult their professional advisers.

Ten Year Record

CONSOLIDATED ASSETS
at 31 December

£m†	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	**1996**
Total assets less current Liabilities (excl. loans)	858	801	928	1,166	983	1,175	1,358	1,756	1,673	1,849	**1,952**
Prior charges (incl. loans)	149	166	187	118	186	198	164	173	232	128	**182**
Available for ordinary shares	709	635	741	1,048	797	971	1,185	1,556	1,416	1,689	**1,770**
Net asset value per share* (prior charges at nominal value)	67.4p	60.5p	70.5p	99.7p	75.9p	92.4p	112.8p	148.0p	134.7p	160.7p	**168.4p**
Mid-market price per share	54.5p	45.0p	54.5p	84.0p	67.8p	85.3p	104.8p	146.8p	135.5p	162.0p	**150.3p**
High*	54.8p	72.5p	56.3p	84.8p	87.3p	91.0p	106.0p	147.0p	155.0p	162.5p	**169.5p**
Low*	34.0p	43.0p	45.3p	54.3p	62.5p	62.0p	75.0p	101.5p	127.5p	125.5p	**147.3p**

CONSOLIDATED REVENUE
for the year ended 31 December

£'000's†	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	**1996**
Total revenue	26,527	29,935	32,619	35,090	43,974	48,234	48,271	57,370	57,554	59,994	**65,732**
Interest payable	11,208	11,569	12,334	9,927	15,618	16,489	15,130	15,711	15,395	14,114	**12,651**
Expenses	2,024	2,686	3,193	3,982	5,232	5,501	5,677	6,449	7,059	7,977	**8,048**
Net revenue before taxation	13,295	15,680	17,092	21,181	23,124	26,244	27,464	35,210	35,100	37,903	**45,033**
Taxation	4,176	4,484	5,061	6,020	5,753	7,493	7,601	8,496	9,401	9,724	**11,333**
Available for ordinary shares	9,025	11,102	11,937	15,067	17,277	18,236	19,206	24,734	22,750	25,380	**30,574**
Earnings per share*	0.86p	1.06p	1.14p	1.44p	1.65p	1.74p	1.83p	2.35p	2.16p	2.41p	**2.91p**
Dividends per share*	0.85p	0.98p	1.13p	1.30p	1.45p	1.60p	1.68p	1.76p	1.88p	2.07p	**2.28p**

CONSOLIDATED TOTAL RETURN
year ended 31 December

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	**1996**
Total return per share*	19.99p	(5.97)p	11.18p	30.47p	(22.41)p	17.92p	22.07p	37.18p	(11.48)p	27.66p	**10.42p**

*** Adjusted for the 1 for 1 capitalisation issue in 1994.**

† Accounts for the years 1986 to 1991 were not consolidated, but the figures for 1991 have been restated on a consolidated basis. The accounts for subsequent years were prepared on a consolidated basis and the accounts for 1995 have been restated.

Analysis of Ordinary Shareholders

at 31 December 1996

Percentage of share capital held by	1991	1992	1993	1994	1995	1996
Investment companies	5.6	3.5	1.8	1.4	1.5	**1.9**
Insurance companies	22.3	22.7	19.1	19.1	19.2	**19.4**
Other companies	3.6	3.6	2.6	1.9	0.9	**0.7**
Pension funds	17.2	15.3	15.3	12.6	12.1	**10.1**
Universities, schools and other corporate bodies	4.0	3.9	3.1	2.4	1.8	**1.1**
Banks and nominee companies	12.3	12.1	12.2	13.3	13.6	**15.2**
Individuals	35.0	38.9	45.9	49.3	50.9	**51.6**
Total	100.0	100.0	100.0	100.0	100.0	**100.0**

Number of shareholders						
Investment companies	42	39	44	50	34	**32**
Insurance companies	48	51	43	35	34	**33**
Other companies	208	217	280	190	133	**126**
Pension funds	67	67	80	73	82	**80**
Universities, schools and other corporate bodies	210	226	257	288	230	**212**
Banks and nominee companies	215	206	167	217	228	**208**
Individuals	48,657	55,945	74,040	94,026	98,843	**102,093**
Total	49,447	56,751	74,911	94,879	99,584	**102,784**

Shareholder range analysis – percentage*						
1 – 1,000	1.5	1.7	2.4	0.9	1.3	**1.5**
1,001 – 5,000	10.5	12.5	16.0	9.9	11.0	**10.5**
5,001 – 10,000	7.7	8.5	9.6	10.1	7.5	**9.6**
10,001 – 100,000	16.3	16.5	17.4	24.4	24.2	**22.2**
100,001 – 500,000	8.2	8.1	7.9	6.5	9.3	**6.7**
500,001 – 1,000,000	5.0	4.9	5.0	3.6	3.6	**3.2**
1,000,001 & over	50.8	47.8	41.7	44.6	43.1	**46.3**
Total	100.0	100.0	100.0	100.0	100.0	**100.0**

*** Pre 1994 figures are not adjusted for 1 for 1 capitalisation issue in April 1994**

Hypo Foreign & Colonial Management (Holdings) Limited

Foreign & Colonial Investment Trust PLC (FCIT), with total assets of £1.95bn, accounts for approximately 7.5% of the £26bn of assets managed by subsidiaries of Hypo Foreign & Colonial Management (Holdings) Limited ('HFCM').

The HFCM Group has grown from Foreign & Colonial Management (FCM), which was formed in 1953 by investment trusts within the Group. In 1985 FCM was restructured in order to widen its range of business activities.

In 1989, the investment trust shareholders sold 50% of their holdings in FCM to Bayerische Hypotheken-und Wechsel-Bank AG of Munich (Hypo Bank) and in 1996 they sold a further 15% interest.

Hypo Bank is a major German bank with its headquarters in Munich. It plans to use FCM as its vehicle for expansion in international investment management. Investment in securities by private and institutional investors in Germany is growing substantially. The FCIT Board believes that the link with Hypo Bank has proved to be one of the most successful relationships in the City of London between UK and Continental financial institutions.

The HFCM Group now employs 380 people including 91 investment professionals of 17 nationalities. It provides investment management services to UK pension funds, investment trusts, unit trusts and offshore funds, charities, corporations and overseas institutions. Overseas clients represent 23% of the total business.

HFCM is a holding company which owns FCM. The board of HFCM includes 3 representatives from Hypo Bank, 2 from FCIT and the Chairman and Chief Executive of FCM.

FCM has two principal subsidiary companies - Foreign & Colonial Emerging Markets Limited (FCEM) and Foreign & Colonial Ventures Limited (FCV).

FCEM was established as a specialist investment manager in 1987 and has developed into one of the world's largest emerging markets money managers. In 1996 HFCM increased its stake in FCEM from 75.1% to 100%.

FCV is a wholly-owned subsidiary of FCM. This company was formed in 1985 to provide private equity finance to small and medium sized companies principally in the UK.

FCM has a joint venture in international investment management with The Long Term Credit Bank of Japan.

FCM joined with Massachusetts Financial Services, Boston, a leading US investment manager, to launch three international mutual funds in October 1995. There is now US$375 million under management.

In 1996 HFCM acquired the investment management arm of ESN Pension Management Group which manages substantially all the £15bn assets of the Electricity Supply Pension Scheme.

Throughout the year, business conditions remained highly competitive in the fund management industry.

Corporate Governance

The Group is conscious of the need to observe the highest standards of corporate governance.

FCIT's board has a majority of directors who are independent of FCM. In any situation where there could be a conflict of interest between FCIT and FCM, the directors of the Company who are employed by FCM have not taken part in the decision. FCIT's investment strategy is decided by the board taking account of the advice of FCM. Hypo Bank has no influence on the investment policy of FCIT.

FCIT is an independent public company. FCM is fully answerable to the board and the independent directors of FCIT review the management contract each year. Performance, security of assets and management charges are some of the main areas reviewed. The management contract cannot be taken for granted by FCM. Every decision made on behalf of the Company must be clearly seen to be for the benefit of the shareholders of FCIT.

Remuneration Committee

Mr. A.C. Barker, Mr. M.J. Hart and the Hon. James Ogilvy are employees of FCM and the costs of their employment (excluding share option arrangements) are met in full by that company - they receive no emoluments directly from FCIT. Only part of their remuneration relates to the management of FCIT. The annual management fee of 0.3% covers the cost of their services and all other investment management and general administrative services provided by FCM.

Salaries, bonuses and options of the directors and staff of the HFCM Group are reviewed annually by a remuneration committee comprising:

Martin Kölsch, Director, Hypo Bank
John Sclater, Chairman, FCIT
The Lord Rockley, Director, FCIT

Remuneration committee decisions are made on the basis of rewarding individuals for their performance, initiative and effort in respect of all their responsibilities for the HFCM Group and the need to retain top quality, highly motivated professionals taking into consideration the remuneration being paid by competing firms in the City of London.

The directors of FCM have two-year rolling contracts. Directors and senior employees also have share option arrangements with the management company.

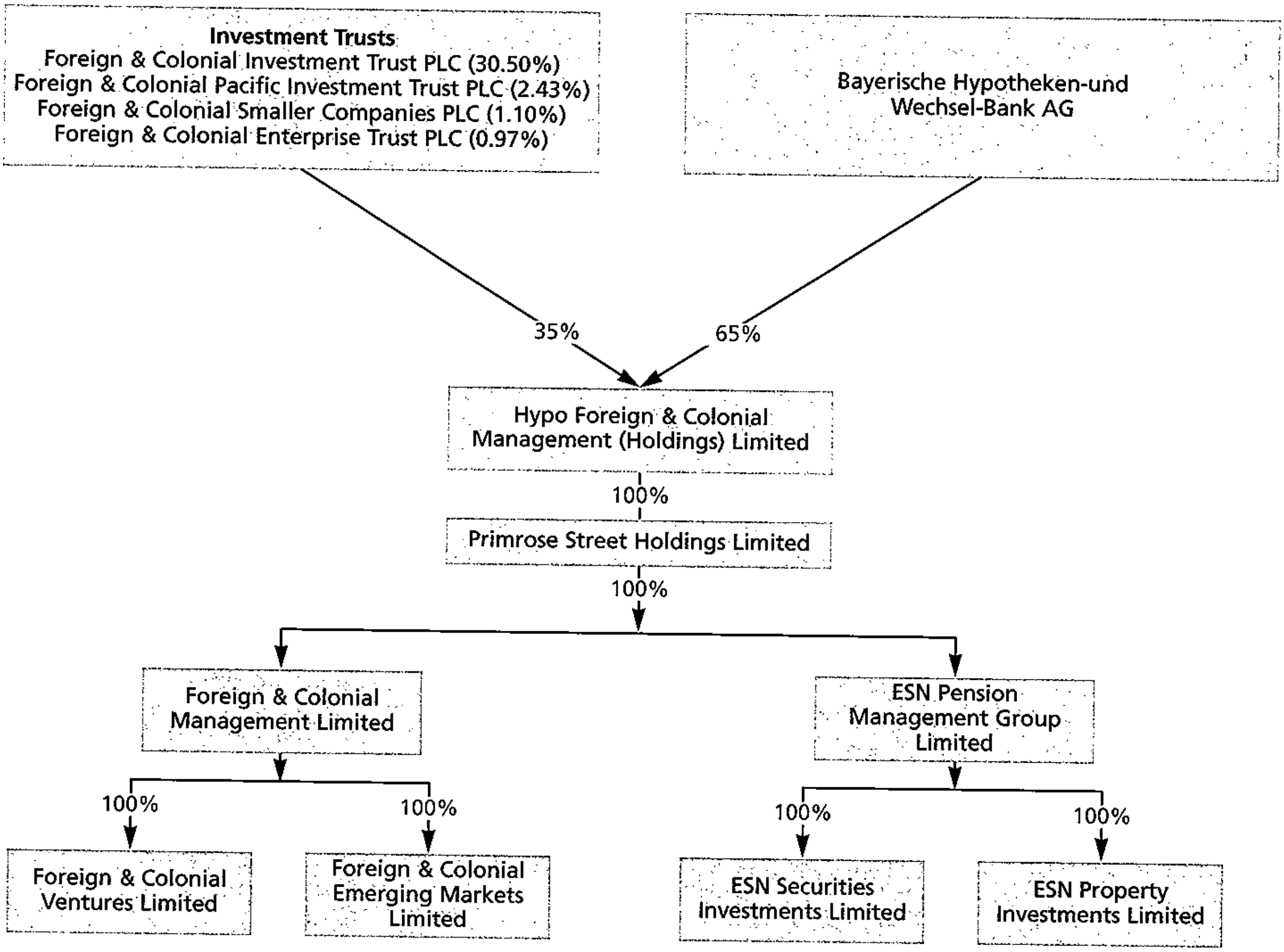
Hypo Foreign & Colonial Management (Holdings) Limited

continued

HFCM Group – Funds under management

At 31 December (£m)	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Investment trusts	1,097	1,272	1,660	1,360	1,699	1,991	2,666	2,536	2,700	**2,807**
UK tax exempt institutions	504	591	996	840	1,057	1,290	1,481	1,639	1,855	**16,142**
Open-ended funds	172	183	216	160	240	418	855	858	838	**798**
International institutions	137	208	295	304	535	581	1,885	1,954	2,114	**2,037**
Hypo Bank funds	—	—	158	461	923	2,715	3,042	4,008	4,464	**3,836**
Venture capital	47	79	88	76	100	176	182	196	186	**218**
Other funds	—	—	—	—	—	104	192	143	173	**178**
	1,957	2,333	3,413	3,201	4,554	7,275	10,303	11,334	12,330	**26,016**

Group Structure



Group Funds

INVESTMENT TRUSTS

Foreign & Colonial Investment Trust PLC†
Foreign & Colonial Emerging Markets Investment Trust PLC
Foreign & Colonial Enterprise Trust PLC§
Foreign & Colonial Eurotrust PLC§
Foreign & Colonial German Investment Trust PLC§
Foreign & Colonial Income Growth Investment Trust PLC§
Foreign & Colonial Pacific Investment Trust PLC†
Foreign & Colonial PEP Investment Trust PLC§
Foreign & Colonial Private Equity Trust PLC
Foreign & Colonial Smaller Companies PLC†
Foreign & Colonial Special Utilities Investment Trust PLC§
Foreign & Colonial U.S. Smaller Companies PLC†
Brazilian Smaller Companies Investment Trust PLC
Latin American Investment Trust PLC
Second Consolidated Trust PLC

For details of our investment trust products;

Private Investor Plan – regular or lump sum savings
Personal Equity Plan – tax-free savings
Pension Savings Plan – saving for retirement

please contact...Investor Services on 0171-454 1415 or
Broker Services on 0171-454 1434

SPECIALIST OFFSHORE FUNDS

Foreign & Colonial Portfolios Fund SICAV
Foreign & Colonial Reserve Asset Fund Ltd*
HYPO Capital Management Investmentgesellschaft Luxembourg S.A.
Contact: Helpdesk on 0171-454 1434

Argentinian Investment Company SICAV
Brazilian Investment Company SICAV
Colombian Investment Company SICAV*
Global Emerging Markets Investment Company SICAV
Indian Investment Company SICAV*
Latin American Extra Yield Fund*
Latin American Investment Company SICAV
Mexican Investment Company SICAV
Peruvian Investment Company SICAV*
Polish Investment Company SICAV*
Russian Investment Company SICAV*
Taiwan Investment Company SICAV*
Contact: Jane Davies on 0171-628 1234

* Professional investors only
§ Fully-qualifying for PEP purposes (maximum investment £6,000 p.a.)
† Part-qualifying for PEP purposes (maximum investment £1,500 p.a.)

US REGISTERED FUNDS

The Foreign & Colonial Emerging Middle East Fund, Inc.*
Contact: Jane Davies on 0171-628 1234

PENSION FUNDS

Balanced and specialist investment services are provided for a wide range of institutional pension funds.
Contact: Nigel Morecroft on 0171-628 8000

AUTHORISED UNIT TRUSTS

Foreign & Colonial European Smaller Companies Fund§
Foreign & Colonial High Income Fund§
Foreign & Colonial Japanese Smaller Companies Fund†
Foreign & Colonial UK Smaller Companies Fund§
Foreign & Colonial U.S. Smaller Companies Fund†
Contact: Investor Services on 0171-454 1415 or
Broker Services on 0171-454 1434

AUTHORISED EXEMPT FUNDS

Foreign & Colonial Anglo-Nippon Exempt Fund
Foreign & Colonial European Exempt Fund
Foreign & Colonial North American Exempt Fund
Foreign & Colonial Overseas Bond Exempt Fund
Foreign & Colonial South East Asia Exempt Fund
Foreign & Colonial UK Bond Exempt Fund
Foreign & Colonial UK Exempt Fund
Contact: Nigel Morecroft on 0171-628 8000

UNAUTHORISED EXEMPT FUNDS

Foreign & Colonial Balanced Exempt Fund
Foreign & Colonial Global Emerging Markets Exempt Fund
Foreign & Colonial Latin American Exempt Fund
Contact: Nigel Morecroft on 0171-628 8000

PRIVATE EQUITY FUNDS

Foreign & Colonial Ventures manages or advises seven funds concentrating on unquoted investments including three of the investment trusts above.
Contact: James Nelson on 0171-782 9829

CHARITY FUNDS

A comprehensive management service is available for larger charities while smaller ones can use our general and specialist pooled funds. We also offer two Charity Common Investment Funds (The Common Fund for Growth and The Common Fund for Income) and a Portfolio Management Service.
Contact: Nicola Ternan on 0171-628 8000

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