



Foreign & Colonial
Eurotrust PLC
Report and Accounts
2007

Objective

The objective of Foreign & Colonial Eurotrust PLC is to achieve long-term capital growth through a diversified portfolio of Continental European securities

As an investment trust we enjoy a number of advantages over other forms of savings – for example:

- The freedom to borrow money to invest to improve returns to shareholders.
- The ability to buy back our shares to enhance net asset value.

We aim to use these advantages to the full to make more money for our shareholders. We also have strengths of our own which contribute to our performance:

- **Experience:** Founded in 1972.
- **Size:** With total assets of over £496 million, Foreign & Colonial Eurotrust is one of the larger investment trusts in its peer group.
- **Spread:** We own shares in over 90 companies throughout Europe.
- **Number of shareholders:** Over 74% of the Company's share capital is owned by individuals.

Financial Highlights

Contents

Summary of results

Attributable to equity shareholders	30 September 2007	30 September 2006	% Change
Net assets	£464.52m	£406.69m	+14.2
Net asset value per share	897.31p	731.20p	+22.7
Share price	812.50p	664.50p	+22.3
Revenue return per share	8.04p	8.73p	-7.9
Dividends per share	8.30p	9.00p	-7.8

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Financial calendar

Annual General Meeting	13 December 2007
Final and special dividends payable*	20 December 2007
Interim results for 2007/8 announced	May 2008
Final results for 2007/8 announced	November 2008

* to shareholders on the register at the close of business on 16 November 2007

Chairman's Statement

Capital performance

Over the year to 30 September 2007, Continental European markets made good progress despite heightened market volatility in recent months. A positive global economic backdrop has supported earnings growth in the region. Your Company's net asset value per share rose by 22.7% from 731.2p to 897.3p compared with a rise of 16.9% in the FTSE World Europe Index, excluding the UK and adjusted to sterling. The Company's share price rose by 22.3% from 664.5p to 812.5p. The discount widened slightly from 9.1% to 9.5%. You will find an account of developments in the portfolio in the Manager's Review on pages 4 and 5.

Revenue

Our gross income for the year decreased, reflecting our bias towards growth stocks. Expenses have increased with the management fee having risen in line with the increased value of the portfolio. Finance costs have increased due to higher interest rates coupled with the loan having been maintained throughout the year. The net revenue return attributable to shareholders has decreased by 14.3% from £5.0m to £4.3m.

Dividend

As in previous years, the Board is declaring a special dividend and is proposing a final dividend. The Board is recommending an unchanged final dividend of 1.7p per share in addition to the special dividend of 6.6p to give a combined dividend of 8.3p. This compares with last year's combined dividend of 9.0p and reflects the reduced net revenue available for distribution. The combined dividend appears higher than earnings per share as it is based on the number of shares in issue today rather than the average in issue during the year, which is the case for earnings per share. The total amount to be distributed is slightly less than the Company's net earnings for the year.

Gearing

The effective gearing of the Company was 8.1% at 30 September 2007, reflecting our positive stance on the market during 2007. It is the policy of the Board that the level of gearing should not exceed 20%.

Share buy-backs and demand for shares

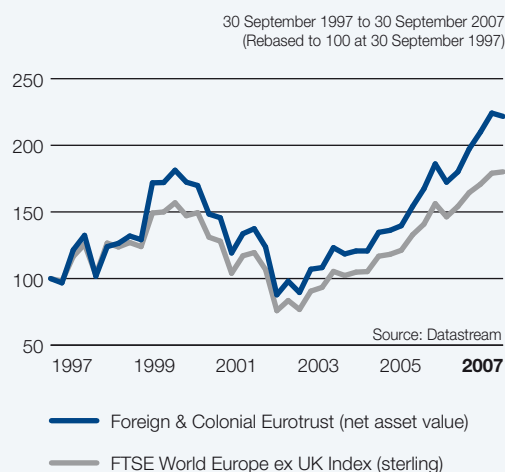
The Company bought back and cancelled 3,851,861 shares during the financial year, and a further 107,100 shares have been bought back and cancelled since the year end. The Board will again propose to the Annual General Meeting that the Company be granted powers to make further purchases as appropriate. We continue to monitor the level of discount to net asset value at which your shares trade and believe that share buy-backs are an important factor in addressing supply/demand imbalances while at the same time increasing the net asset value per share.

At the end of September, there were over 1,900 individuals participating in the private investor plan on a regular monthly basis. It is a cost effective way for the private investor to buy shares. We now have some 19,000 shareholders and the percentage of the Company's share capital owned by private individuals is over 74%. This is amongst the highest levels of individual ownership in the investment trust sector, and is a feature of the Company we are keen to see continue.

Business Review

The Report of the Directors contains a detailed Business Review on pages 16 to 20. It sets out the operating background against which your Company works, highlighting the responsibilities of the Board

Net asset value performance over 10 years



and the Manager, the various risks that we have identified and the controls in place to mitigate these. I hope shareholders find the Review informative.

VAT review

The European Court of Justice ruling in June, that investment trusts should be regarded as special investment funds, has recently been accepted in principle by the UK authorities, although a number of legal and procedural matters remain to be resolved. The consequences of this decision are twofold. Firstly, management fees paid by the Company will not be subject to VAT in future. Secondly, there is a probability that the Company will be able to recover at least some of the VAT suffered in the past on management fees and the Board is in discussion with the Manager and the AIC over this issue.

Management arrangements

On 1 August 2007, Peter Jarvis, who had been assistant manager since January 2005 and acting manager for much of the past year, was appointed as lead manager to the Company. The Board looks forward to continuing to work with him.

The Board

William Eason was appointed as a non-executive director on 16 May 2007. He has been involved in the fund management and private client investment management business for over 30 years and is already making a valuable contribution to the Board.

Detlef Bierbaum and Clemence Börsig, who have both been on the Board for over nine years, have decided to stand down after the Annual General Meeting. I thank them both for their outstanding contributions over a long period.

Annual General Meeting

We hope that as many shareholders as possible will attend the Annual General Meeting which will be held at 11 am on Thursday 13 December at the offices of F&C Management at Exchange House, Primrose Street, London EC2A 2NY. We look forward to meeting all of you who can come.

Douglas McDougall
November 2007

Manager's Review

Investors in European equities enjoyed strong returns in the year under review. Corporate fundamentals have remained solid, which has been demonstrated by healthy earnings' reports. During the recent results season corporate earnings have tended to beat expectations with positive surprises exceeding negative ones by a ratio of around three to one. This was driven by a range of factors, including pessimistic profit forecasts and the positive impact of cost cutting, margin expansion and investment spending.

Additional support came from the high level of merger and acquisition ("M&A") activity and the increasing return of capital to investors through share buy-backs and dividends.

Towards the end of the period market sentiment was driven by turmoil in credit and lending markets. The chain of problems that arose from defaults on US sub-prime mortgages caused falls in financial stocks that soon spread to most sectors. Investors' concerns were exacerbated by news that losses had caused problems in the wider financial system. Risk aversion increased on speculation about the financial sector's exposure to bad debts in the US. A number of funds temporarily suspended withdrawals, and the ECB loaned €94.8 billion to banks overnight in early August to ease a credit crunch.

Markets were also troubled by data showing that economic growth had softened more than

expected in the second quarter of 2007, although the ECB maintained its growth expectations. The effects of market turmoil in recent weeks have caused the central bank to reconsider further interest rate tightening until the impact can be assessed with more certainty. However, growth in consumer spending and domestic demand remains robust. Industrial production has been on an upward trend, benefiting from growth originating within and beyond the Continent's shores, especially the Far East.

Portfolio strategy

For much of the period the portfolio benefited from its selective exposure to small and medium sized companies, a segment of the market which performed exceptionally well. Smaller firms are often characterised by attractive growth profiles and flexibility. Crucial to this is the competence and ability of management teams to realise business potential. Stepstone ASA typifies the latter, being one of the world's largest providers of on-demand human resource solutions. It offers a portfolio of technology, software and online services that enables organisations to attract, recruit, develop, retain and manage the best available talent.

Infrastructure investment

Within the capital goods sector, the Company has enjoyed considerable success from investing in the themes of increasing global infrastructure investment, particularly in the areas of rail and power. Two core holdings exposed to these trends are Vossloh, a German rail equipment manufacturer, and Alstom, a French power and rail equipment producer. These stocks have benefited from strong growth and good pricing, driven by expansion in emerging economies, as well as strong demand in developed markets after decades of underinvestment.

M&A activity drives market

The value offered by corporate Europe has played a key role in driving the incidence of M&A activity. Combined with strong balance sheets and cash rich private equity firms, M&A has remained a prevailing theme; among the most high profile being the RBS consortium buyout of ABN Amro. The Company benefited from the latter as well as the bid premium paid for its holdings in mapping software company TeleAtlas and Altadis, which manufactures and markets tobacco products.

The European banking sector remains one in which successful stock selection is crucial and we continue to prefer the smaller regional players such as National Bank of Greece, which has performed well. However, whilst remaining lightly represented in financials relative to the wider market, we took advantage of weakness in financial stocks (prompted by fears over the wider impact of problems in the US sub-prime housing market) to buy shares in Société Générale and Santander.



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SeLoger.com operates a real estate portal website which provides a search engine for prospective buyers and/or renters.

Tapping into demographic trends

Whilst the US consumer is showing signs of weakness, spending in many parts of the world remains on an upward trend, especially in those areas demonstrating strong domestic growth. To take advantage of this the Company established a position in Folli Follie, a Greek company which designs, manufactures and distributes jewellery, watches and fashion accessories. It seeks to

offer 'affordable, fashionable luxury' under the Folli Follie brand. To date the performance of the company has exceeded our expectations, delivering impressive levels of profitability. Its penetration into the Chinese market places it in a strong position; it is already operating 68 stores in China and is on track to open its 100th outlet during 2008. Expansion also looks on track into Russia with the opening of its first store in a joint venture with a local partner.



Folli Follie is a designer, manufacturer and distributor of own branded jewellery, watches and fashion accessories.

capital expenditure than many others there is significant scope for transforming increased sales into free cash flow.

Elsewhere, the portfolio benefited from its position in Actelion, a successful biotech company, which experienced faster than anticipated growth in its flagship product, Tracleer, and rising expectations over its first in class insomnia drug, Almoxerant, which is currently in phase II.

Outlook

Despite the risks posed by slower US growth, we continue to expect solid economic growth across Europe and we believe that strong balance sheets and cash flows should offer support. Themes which look likely to create opportunities include EU enlargement, Asian growth and technological innovation.

Peter Jarvis
November 2007

Innovative businesses offer potential

In seeking businesses well placed to grow we look to identify those offering innovative solutions. French classified property advert website SeLogger.com looks attractively valued given its strong growth potential. There remains significant scope for further market penetration, particularly if the firm is able to achieve a similar market share to that which Rightmove has achieved in the UK. With the business less reliant on



Actelion is a pharmaceutical company that develops and markets synthetic small-molecule drugs against diseases related to the endothelium.

Twenty Largest Equity Holdings

This year	Last year*	Company	Sector (Country)	% of total investments	Value £'000s
1	(2)	Total	Oil & gas producers (France)	3.0	15,302
		<p>Total is one of the world's largest integrated oil companies. It continues to trade at a discount to its peers, despite having delivered consistently on its targets. It offers above-average production growth, is less exposed to the problem of mature field decline and has a much respected management team. Furthermore, it will use part of its excess cash flow, as well as proceeds from planned disposals, to buy back shares.</p>			
2	-	Nokia	Technology hardware & equipment (Finland)	2.6	13,295
		<p>Nokia is a manufacturer of mobile devices and networks that provide solutions for voice, data, imaging, games, multimedia and business applications. With Nokia Siemens it also provides equipment, solutions and services for its operator and enterprise customers. The company has established itself as the clear leader and low-cost producer of mobile handsets, with key positions in emerging markets. The group should enjoy good growth with increasing mobile penetration. With a change of management the group has been developing more innovative channels of growth, with an ambitious online music platform and its recent acquisition of mapping database company Navtec.</p>			
3	-	Arques Industries	General financial (Germany)	2.4	12,146
		<p>Arques Industries is a German industrial company which focuses on the acquisition and restructuring of enterprises with poor operating performance. The company has a proven track record of acquiring assets at low valuations and then improving both the top line and operating margins, without the need to cut aggressively into labour or use debt. All this means Arques has become the acquirer of choice for underperforming non-core assets for corporate Europe. Once enterprises have been rehabilitated, Arques exits with very attractive returns on capital.</p>			
4	(1)	Roche	Pharmaceuticals & biotechnology (Switzerland)	2.3	11,784
		<p>Roche is the sixth largest pharmaceutical company in the world and has a focus on secondary care. Consequently Roche does not have the large cost base that results from a primary care sales force. In partnership with Genentech, in which it owns a 55.2% stake, it sells the oncology products Avastin and Herceptin, both of which have blockbuster potential. The combination of the low cost base and rapidly growing sales gives a degree of operating leverage unusual for pharmaceutical companies resulting in very strong EPS growth.</p>			
5	-	Société Générale	Banks (France)	2.2	10,841
		<p>Société Générale is one of the leading banking groups in France, with an extensive international retail banking network, consumer finance, private banking and equity derivatives. Société Générale has been derated following recent credit turmoil, which does not affect the group significantly. The bank now trades at a significant discount to its European bank peers.</p>			
6	(8)	ENI	Oil & gas producers (Italy)	2.2	10,806
		<p>ENI is an Italian integrated oil and gas company. Its key business areas are in exploration and production (upstream), refining and marketing (downstream), and power generation and chemicals. ENI has strong positions in exploration and production. Upstream performance in ENI is strong and underpinned by robust projects. The group should deliver top quartile growth of about 5% p.a. through to 2008. The shares offer a dividend yield of 5%, which is attractive relative to its peers. The group also has a strong position in the Italian gas market. Despite the opening up to competition the gas business has performed better than analyst's expected.</p>			
7	(14)	Siemens	Electronic & electrical equipment (Germany)	1.8	9,158
		<p>Siemens is Europe's largest industrial engineering company, involved in a wide range of activities. The latter includes communications, power generation and transmission, medical equipment, automation and control, transportation and lighting. The group has undergone a major restructuring over the past few years and is now benefiting from the global upswing in many of its industries. Following a change in management the group is tackling underperforming business units.</p>			

This year	Last year*	Company	Sector (Country)	% of total investments	Value £'000s
8	–	Daimler	Automobiles & parts (Germany)	1.8	8,792
<p>Daimler is a leading supplier of premium passenger cars as well as the world's largest manufacturer of commercial vehicles. After nearly a decade of poor performance, the group recently disposed of Chrysler. The company can now focus on its main Mercedes-Benz brand and on improving its operational performance in its commercial vehicles where its margins still lag industry leaders.</p>					
9	–	Ericsson	Technology hardware & equipment (Sweden)	1.7	8,545
<p>Ericsson is a global leader in mobile infrastructure, a leading supplier of fixed telecom network equipment and has a joint venture with Sony. Emerging markets continue to invest in infrastructure as mobile penetration continues to grow. In developed markets networks are being upgraded to 3G and increased in capacity as mobile data usage increases. Ericsson's large installed base will provide them with recurring service revenues and further upgrade opportunities as the complexity of the systems means operators tend to stick to existing suppliers. The balance sheet is very strong and the valuation is attractive.</p>					
10	(18)	National Bank of Greece	Banks (Greece)	1.7	8,525
<p>National Bank of Greece ("NBG") is the largest bank in Greece with extensive operations in Greece, Turkey and the Balkans. NBG offers a full range of banking products to its customers but is particularly well placed in consumer banking where it has the largest market share in deposits and mortgages. The Greek and Turkish markets are very attractive due to a combination of faster than average EU growth, under-penetration of banking products compared to EU average levels and relatively concentrated markets. As a result NBG is delivering strong revenue and profit growth.</p>					
11	(7)	UBS	Banks (Switzerland)	1.7	8,297
<p>UBS is one of the world's leading financial firms. Not only is it the largest retail and commercial bank in Switzerland, a major institutional asset manager and a global investment bank, it is also one of the world's leading wealth management businesses. Profits in the wealth management business have continued to grow thanks to the steady net inflow of new money and sound cost control. Its high cash generation has enabled management to make small bolt-on acquisitions and to buy back shares.</p>					
12	–	Intralot	Travel & leisure (Greece)	1.6	8,147
<p>Intralot is a leading provider of state-of-the-art integrated gaming systems to lottery organisations worldwide. The company delivers cutting edge game content, network integration, transaction processing and value added services. Intralot has and will continue to benefit from the global trend of privatising lotteries. The company has recently won contracts in South Africa, South Korea and Russia, with further tenders outstanding.</p>					
13	(10)	Allianz	Non-life insurance (Germany)	1.6	7,860
<p>Allianz Group is one of the world's leading insurers and financial services providers. Allianz continues to drive shareholder value through group wide operational restructuring culminating in meaningful revenue and cost synergies. Additionally, management review the generation of surplus capital which is likely to be repatriated to shareholders on a medium term outlook.</p>					
14	–	Metro	General retailers (Germany)	1.5	7,632
<p>Metro Group is one of Europe's largest retailers. The group is made up of several retail businesses, though the jewels in the crown are undoubtedly the cash & carry and consumer electronics divisions. The cash & carry operations are able to gain exposure to fast growing emerging economies before any traditional retailer is able to enter the market. As the market develops, the other retail divisions are then able to follow, with the Metro Group using the intelligence it has already gathered. The consumer electronics business is the largest electricals retailer in Europe and is widely recognised to be the best. Following a change in management Metro will be addressing problems in its smaller divisions, allowing it to focus more on its successes.</p>					

Twenty Largest Equity Holdings (continued)

This year	Last year*	Company	Sector (Country)	% of total investments	Value £'000s
15	(20)	Unilever	Food producers (Netherlands)	1.5	7,617
<p>Unilever is a global food and household products company with a turnover of €39.6bn in 2006, and a presence in 150 countries. It is represented across a broad range of products from spreads to personal care and has 12 €1bn brands. While Unilever has been through a few turbulent years, it does have an historic record of strong growth in developing and emerging markets with organic growth of around 8% pa since 1990 with its exposure increasing from 20% to 38% over the period. Unilever is a company in transition, with a focus on cost savings and a renewed emphasis on innovation and investing behind their brands. Unilever has a strong balance sheet which should enable the company to increase returns to shareholders.</p>					
16	–	FLSmidth	Construction & materials (Denmark)	1.5	7,596
<p>FLSmidth is a leading supplier of complete plants and engineering solutions as well as equipment and services to the global cement and minerals industries. With an extensive global network, the company is benefiting from high growth in emerging markets. FLSmidth has adapted its business model to become more asset-light and so increasing its returns on capital.</p>					
17	–	Koninklijke (Royal) Philips Electronics	Leisure goods (Netherlands)	1.5	7,383
<p>Koninklijke (Royal) Philips Electronics (“Philips”) is a leading global electronics company, with strong positions in lighting, consumer electronics, domestic appliances and medical equipment. Philips has been exiting non-core businesses, such as its semiconductors business, and acquiring and forming joint ventures in its core sectors, including medical equipment, financing and lighting. Philips has a strong balance sheet with good potential to continue growing.</p>					
18	–	Folli Follie	Personal goods (Greece)	1.5	7,348
<p>Folli-Follie is a global jewellery retailer. It has a strong position in an attractive, fast growing niche market (affordable branded jewellery). It has a high exposure (45%) to Asia ex-Japan and holds a licence to operate retail stores in China. The group also holds a 52% stake in Hellenic Duty Free shops (“HDF”). HDF holds an exclusive licence to run Greece’s duty free shops until 2048. The group acquired Links of London in 2006 and intends to grow the brand in Asia.</p>					
19	–	Corporate Express	Support services (Netherlands)	1.4	7,134
<p>Corporate Express is one of the world’s leading suppliers of office products to businesses and institutions. The company has a widespread global proprietary distribution network spanning North America, Europe and Australia. The group trades on an attractive valuation, with the potential to create value via asset restructuring within the group.</p>					
20	–	Capitalia	Banks (Italy)	1.4	7,092
<p>Capitalia attracts deposits and offers retail, commercial and investment banking services. Capitalia has recently been acquired by Unicredito.</p>					

The value of the twenty largest equity holdings represents 36.9% of the Company’s total investments (30 September 2006: 41.9%).

* The figures in brackets denote the position at 30 September 2006.

The country is the country of incorporation.

Directors

Douglas C P McDougall OBE Chairman

Appointed Chairman in May 1999 having joined the Board in February 1999. He is chairman of The Law Debenture Corporation PLC, The Independent Investment Trust PLC and The Scottish Investment Trust plc. He is a former senior partner of Baillie Gifford and Co and a former chairman of IMRO and The Association of Investment Companies. Age 63.

Detlef F E Bierbaum

Partner of Sal. Oppenheim Jr & Cie., bankers in Cologne, and is in charge of the bank's asset management and investment research departments. He is the chairman of the supervisory board of IVG AG and a member of the supervisory boards of Douglas AG, Cologne Reinsurance AG, DWS Investment Group and LVM Insurance. He was appointed to the Board in February 1993. Age 65.

Clemens A H Börsig

Chairman of the supervisory board of Deutsche Bank AG and member of the supervisory boards of Bayer AG, Daimler AG, Linde AG and Deutsche Lufthansa AG. He was previously a member of the board of managing directors, chief financial officer ("CFO") and chief risk officer of Deutsche Bank AG, a member of the board of managing directors and CFO of RWE AG and a member of the board of managing directors of Robert Bosch GmbH. He was appointed to the Board in September 1998. Age 59.

William D Eason

Chairman of the investment committee of Cheviot Asset Management. He has been involved in the fund management and private client investment management business for over 30 years, mainly at

Laing & Cruickshank. He was formerly chairman of Henderson High Income Trust PLC. He was appointed to the Board in May 2007. Age 57.

Ralph Kanza

He is senior adviser to Egerton Capital, and former vice chairman of Schroder & Co Ltd, based in London. Previously he was chairman of the French stockbroking firm Cheuvreux de Virieu, and responsible for European equity markets at Banque Indosuez. He was appointed to the Board in September 1997. Age 61.

Michael B Moule Senior Independent Director

Has considerable experience of investment trust management. He managed two investment trusts for Henderson Global Investors for 10 years until his retirement in the summer of 2003. He is a director of Polar Capital Technology Trust plc, Lowland Investment Company PLC and Montanaro UK Smaller Companies Trust PLC and was previously a director of The Bankers Investment Trust PLC. He was appointed to the Board in January 2004. Age 61.

Members of the Audit & Management Engagement Committee

D C P McDougall (Chairman)
W D Eason
M B Moule

Members of the London Committee

D C P McDougall (Chairman)
W D Eason
R Kanza
M B Moule

Management and Advisers

The management company

The Company is managed by F&C Management Limited (the “Manager”), which is authorised and regulated in the UK by the Financial Services Authority and is a wholly owned subsidiary of F&C Asset Management plc which is listed on the London Stock Exchange. The Manager is appointed under a management agreement with the Company setting out its responsibilities for investment management, administration and marketing.

Peter Jarvis, Fund Manager

Director of European Equities at F&C, has managed European equity portfolios for around 13 years.

Investment Manager, Secretary and registered office

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Bankers and custodian

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Facsimile: 0870 703 6143

Authorised and regulated in the UK by the Financial Services Authority

List of Investments by Sector

Listed Investments	30 September 2007		
	% of total investments	Holding number	Value £'000s
AUTOMOBILES & PARTS	4.5%		
Continental		49,713	3,376
Daimler		178,236	8,792
Haldex		331,800	3,726
Valeo		243,774	6,636
Total Automobiles & Parts			22,530
BANKS	12.6%		
Bank of Cyprus		399,902	3,456
BBVA		709,657	6,747
Capitalia		1,516,377	7,092
Deutsche Postbank		87,908	3,154
Intesa Sanpaolo		1,213,428	4,587
KBC Groupe		89,252	6,011
National Bank of Greece		273,233	8,525
Nordea		547,100	4,662
Société Générale		131,999	10,841
UBS		315,688	8,297
Total Banks			63,372
CHEMICALS	1.3%		
Bayer		171,672	6,665
Total Chemicals			6,665
CONSTRUCTION & MATERIALS	4.3%		
Acciona		37,409	4,976
CRH		276,321	5,372
FLSmidth		146,150	7,596
Wacker Construction		250,194	3,446
Total Construction & Materials			21,390
ELECTRICITY	3.9%		
Electricite de France		101,336	5,244
Energias De Portugal		1,417,941	4,048
Iberdrola		183,655	5,280
Oest Elektrizitats		169,687	4,788
Total Electricity			19,360

Listed Investments	30 September 2007		
	% of total investments	Holding number	Value £'000s
ELECTRONIC & ELECTRICAL EQUIPMENT	5.3%		
Legrand Promesses		180,574	2,970
Prysmian		466,676	6,535
Sez Holdings		299,188	3,407
Siemens		136,303	9,158
Swisslog Holdings		6,370,970	4,390
Total Electronic & Electrical Equipment			26,460
FOOD PRODUCERS	4.1%		
Aarhuskarlshamn		325,100	3,712
Barry Callebaut		14,950	5,380
IAWS Group		334,865	3,644
Unilever		504,258	7,617
Total Food Producers			20,353
GAS, WATER & MULTI-UTILITIES	1.5%		
BKW FMB Energie		37,860	2,020
Enagas		452,698	5,739
Total Gas, Water & Multi-utilities			7,759
GENERAL FINANCIAL	4.3%		
Aareal Bank		225,079	5,452
Arques Industries		531,651	12,146
Bolsas Y Mercados		136,024	4,121
Total General Financial			21,719
GENERAL INDUSTRIALS	1.2%		
CIR		3,283,521	6,274
Total General Industrials			6,274
GENERAL RETAILERS	1.5%		
Metro		172,891	7,632
Total General Retailers			7,632

List of Investments by Sector (continued)

Listed Investments	30 September 2007			Listed Investments	30 September 2007		
	% of total investments	Holding number	Value £'000s		% of total investments	Holding number	Value £'000s
INDUSTRIAL ENGINEERING	3.1%			OIL & GAS PRODUCERS	8.6%		
Awilco Offshore		787,000	4,510	Aceryg		448,900	6,512
Konecranes		283,023	5,573	ENI		595,664	10,806
Vallourec		38,928	5,489	Revus Energy		639,190	4,007
Total Industrial Engineering			15,572	Statoilhydro		388,600	6,455
				Total		384,519	15,302
INDUSTRIAL METALS	1.6%			Total Oil & Gas Producers			43,082
Advanced Metallurgic		124,500	3,328				
Mytilineos Holdings		164,063	4,581	OIL EQUIPMENT, SERVICES & DISTRIBUTION	1.9%		
Total Industrial Metals			7,909	Electromagnetic Geo		316,400	2,563
				Remedial Cyprus		150,000	1,833
INDUSTRIAL TRANSPORTATION	1.0%			Saipem		248,757	5,195
Aeroporto De Paris		44,470	2,503	Total Oil Equipment, Services & Distribution			9,591
Vossloh		47,202	2,486				
Total Industrial Transportation			4,989	PERSONAL GOODS	4.5%		
				Cie Finance Richemont		167,456	5,418
LEISURE GOODS	1.9%			Folli Follie		368,060	7,348
Hanse Yachts		97,404	2,040	LVMH		84,697	4,970
Koninklijke (Royal) Philips Electronics		334,191	7,383	The Swatch Group		31,336	5,016
Total Leisure Goods			9,423	Total Personal Goods			22,752
LIFE INSURANCE	1.5%			PHARMACEUTICALS & BIOTECHNOLOGY	8.4%		
ING		201,733	4,381	Actelion		174,212	4,718
Storebrand		436,090	3,304	AGI Therapeutics		3,477,492	3,398
Total Life Insurance			7,685	Basilea Pharma		13,906	1,551
				Elan Corporation		467,700	4,821
MEDIA	1.3%			Ipsen		215,564	6,071
SeLogger.com		151,000	4,221	Roche		132,922	11,784
Zodiak Television		1,220,300	2,407	Sanofi-Aventis		127,594	5,288
Total Media			6,628	Stada Arzneimittel		143,800	4,588
				Total Pharmaceutical & Biotechnology			42,219
NON-LIFE INSURANCE	3.4%						
Allianz		68,754	7,860	REAL ESTATE	0.6%		
Wiener Staedtische Versicherung		123,255	4,216	Arco Vara		2,421,550	3,059
Zurich Financial		34,147	5,007	Total Real Estate			3,059
Total Non-life Insurance			17,083				

	30 September 2007		
Listed Investments	% of total investments	Holding number	Value £'000s
SOFTWARE & COMPUTER SERVICES	5.9%		
Compugroup		379,000	3,836
F Secure		2,548,011	4,269
HIQ International		2,020,600	6,194
Orc Software		226,200	2,858
SAP		223,280	6,395
United Internet		543,578	5,900
Total Software & Computer Services			29,452
SUPPORT SERVICES	3.9%		
Corporate Express		1,337,701	7,134
Datalex		3,732,900	1,876
Randstad Holdings		133,638	3,535
Stepstone		3,516,477	7,035
Total Support Services			19,580
TECHNOLOGY HARDWARE & EQUIPMENT	5.5%		
Axis Communications		429,801	4,533
Balda		274,543	1,301
Ericsson		4,365,000	8,545
Nokia		714,395	13,295
Total Technology Hardware & Equipment			27,674
TRAVEL & LEISURE	2.4%		
Attica		1,112,443	4,038
Intralot		402,475	8,147
Total Travel & Leisure			12,185
TOTAL INVESTMENTS			502,397

List of Investments by Country

Listed Investments	30 September 2007			Listed Investments	30 September 2007		
	% of total investments	Holding number	Value £'000s		% of total investments	Holding number	Value £'000s
AUSTRIA	1.8%			Total		384,519	15,302
Oest Elektrizitats		169,687	4,788	Valeo		243,774	6,636
Wiener Staedtische Versicherung		123,255	4,216	Vallourec		38,928	5,489
Total Austria			9,004	Total France			69,535
BELGIUM	1.2%			GERMANY	18.8%		
KBC Groupe		89,252	6,011	Aareal Bank		225,079	5,452
Total Belgium			6,011	Allianz		68,754	7,860
CYPRUS	1.1%			Arques Industries		531,651	12,146
Bank of Cyprus		399,902	3,456	Balda		274,543	1,301
Remedial Cyprus		150,000	1,833	Bayer		171,672	6,665
Total Cyprus			5,289	Compugroup		379,000	3,836
DENMARK	1.5%			Continental		49,713	3,376
FLSmidth		146,150	7,596	Daimler		178,236	8,792
Total Denmark			7,596	Deutsche Postbank		87,908	3,154
ESTONIA	0.6%			Hanse Yachts		97,404	2,040
Arco Vara		2,421,550	3,059	Metro		172,891	7,632
Total Estonia			3,059	SAP		223,280	6,395
FINLAND	4.6%			Siemens		136,303	9,158
F Secure		2,548,011	4,269	Stada Arzneimittel		143,800	4,588
KCI Konecranes		283,023	5,573	United Internet		543,578	5,900
Nokia		714,395	13,295	Vossloh		47,202	2,486
Total Finland			23,137	Wacker Construction		250,194	3,446
FRANCE	13.8%			Total Germany			94,227
Aeroport De Paris		44,470	2,503	GREECE	6.5%		
Electricite de France		101,336	5,244	Attica		1,112,443	4,038
Ipsen		215,564	6,071	Folli Follie		368,060	7,348
Legrand Promesses		180,574	2,970	Intralot		402,475	8,147
LVMH		84,697	4,970	Mytilineos Holdings		164,063	4,581
Sanofi-Aventis		127,594	5,288	National Bank of Greece		273,233	8,525
SeLoger.com		151,000	4,221	Total Greece			32,639
Société Générale		131,999	10,841	IRELAND	3.8%		
				AGI Therapeutics		3,477,492	3,398
				CRH		276,321	5,372
				Datalex		3,732,900	1,876
				Elan Corporation		467,700	4,821
				IAWS Group		334,865	3,644
				Total Ireland			19,111

Listed Investments	30 September 2007		
	% of total investments	Holding number	Value £'000s
ITALY	8.1%		
Capitalia		1,516,377	7,092
CIR		3,283,521	6,274
ENI		595,664	10,806
Intesa Sanpaolo		1,213,428	4,587
Prysmian		466,676	6,535
Saipem		248,757	5,195
Total Italy			40,489

NETHERLANDS	6.6%		
Advanced Metallurgic		124,500	3,328
Corporate Express		1,337,701	7,134
ING		201,733	4,381
Koninklijke (Royal) Philips Electronics		334,191	7,383
Randstad Holdings		133,638	3,535
Unilever		504,258	7,617
Total Netherlands			33,378

NORWAY	6.8%		
Acergy		448,900	6,512
Awilco Offshore		787,000	4,510
Electromagnetic Geo		316,400	2,563
Revus Energy		639,190	4,007
Statoilhydro		388,600	6,455
Stepstone		3,516,477	7,035
Storebrand		436,090	3,304
Total Norway			34,386

PORTUGAL	0.8%		
Energias De Portugal		1,417,941	4,048
Total Portugal			4,048

SPAIN	5.4%		
Acciona		37,409	4,976
BBVA		709,657	6,747
Bolsas Y Mercados		136,024	4,121
Enagas		452,698	5,739
Iberdrola		183,655	5,280
Total Spain			26,863

Listed Investments	30 September 2007		
	% of total investments	Holding number	Value £'000s
SWEDEN	7.3%		
Aarhuskarlshamn		325,100	3,712
Axis Communications		429,801	4,533
Ericsson		4,365,000	8,545
Haldex		331,800	3,726
HIQ International		2,020,600	6,194
Nordea		547,100	4,662
Orc Software		226,200	2,858
Zodiak Television		1,220,300	2,407
Total Sweden			36,637

SWITZERLAND	11.3%		
Actelion		174,212	4,718
Barry Callebaut		14,950	5,380
Basilea Pharma		13,906	1,551
BKW FMB Energie		37,860	2,020
Cie Finance Richemont		167,456	5,418
Roche		132,922	11,784
Sez Holdings		299,188	3,407
Swisslog Holdings		6,370,970	4,390
The Swatch Group		31,336	5,016
UBS		315,688	8,297
Zurich Financial		34,147	5,007
Total Switzerland			56,988

TOTAL INVESTMENTS	502,397
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The number of companies in the portfolio is 92 (2006: 101).

There are no convertible securities in the portfolio (2006: none).

Report of the Directors

The Directors present their report and the financial statements of the Company for the year ended 30 September 2007.

BUSINESS REVIEW

Investment objective and policy

The Company's investment objective is to achieve long-term capital growth through a diversified portfolio of Continental European securities. The Board believes that investment in the diverse and increasingly accessible markets of this region provides opportunities for capital growth over the long term. At the same time it considers the structure of the Company as a UK listed investment trust, with a fixed capital and an independent Board of Directors, to be well suited to investors seeking longer-term returns.

The Company has adopted a disciplined and relatively conservative investment style, using a bottom up stock selection approach, overlaid by the identification of strong themes with investments drawn from across the capitalisation scale. Investments are focused on those companies that either offer undervalued organic growth, or are set to benefit from restructuring, cost cutting and other profitability improvements. Small companies are identified which have market leading or innovative positions within their market place. Small capitalisation companies can be relatively volatile, whether financially or operationally or in terms of management or market position, and are highly geared to growth.

The Board recognises that investment in some European countries can be riskier than in others. Investment risks are diversified through holding a wide range of securities in different countries and industrial sectors. At the end of September 2007, the portfolio was made up of over 90 stocks with market capitalisations ranging from €53m to €136bn. No more than 10% of the value of the portfolio in aggregate may be held in securities in those countries which are not included in the FTSE All World Europe Index.

The Board has the authority to hedge its exposure to movements in the rate of exchange of currencies, principally the Euro, in which the Company's investments are denominated, against sterling, its

reporting currency. However, it is not generally the Board's practice to do this and the portfolio is not currently hedged.

No investments in unquoted investments can be made without the prior approval of the Board. There are no unquoted investments at present. The level of gearing within the portfolio is agreed by the Board and should not exceed 20%.

No more than 10% of the total assets of the Company may be invested in other listed investment companies (including investment trusts) except in such other investment companies which themselves have stated they will invest no more than 15% of their total assets in other listed investment companies, in which case the limit is 15%.

Compliance with the investment policy is monitored by the Board.

Corporate structure, governance and regulation

The Company is an investment company which manages its affairs to qualify as an investment trust. It has a fixed share capital although, subject to and on the terms of the approvals granted annually by its shareholders, it may purchase its own shares and issue new shares. The Company is listed and its shares are traded on the London Stock Exchange, the New Zealand Stock Exchange and the Deutsche Börse. It is subject to the laws and regulations relating to UK quoted companies and its Articles of Association. At least one shareholders' meeting is held in each year to allow shareholders to vote on the appointment of the Directors and auditors, dividend payments, share issues and buy-backs and any other special business. The business of the next such Annual General Meeting ("AGM"), scheduled for 13 December 2007, is set out in the Notice of Meeting included in this annual report.

The Company's Board of Directors is responsible for overall stewardship of the Company, including corporate strategy, investment policy, corporate governance, risk and controls assessment, and oversight of the management of the Company. In common with most investment trusts, all the Directors are non-executive and the Company does not have any employees. The Board has appointed F&C Management Limited ("the Manager") to manage the investment portfolio on a day-to-day basis, as well as to carry out the administrative, accounting, secretarial and marketing activities on

behalf of the Company. The Manager's performance is monitored by the Board and the remuneration and re-appointment of the Manager is assessed annually. The Corporate Governance section of this annual report contains a thorough review of the Company's corporate governance practices.

The Company analyses its income between profits available for distribution by way of dividends (revenue profits) and other profits available for distribution by way of capital reductions (capital profits). The financial statements, starting on page 31, are drawn up in compliance with current UK Financial Reporting Standards, supplemented by the Revised Statement of Recommended Practice for Investment Trust Companies ("SORP"). The auditors' opinion on the financial statements, which is unqualified, appears on page 30.

The Company is subject to UK corporation tax on its net revenue profits but is exempt from corporation tax on capital profits, provided it complies at all times with Section 842 of the Income and Corporation Taxes Act 1988. Section 842 requires, broadly, that:

- the Company's revenue (including dividend and interest receipts but excluding profits on sale of shares and securities) should be derived wholly or mainly from shares and securities;
- the Company must not retain more than 15% of its income from shares and securities in respect of any accounting period;
- no holding in a company other than a qualifying investment trust should represent more than 15% by value of the Company's investments in shares and securities;
- realised profits on sale of shares and securities may not be distributed by way of dividend; and
- the Company must not be a close company.

Compliance with these rules is demonstrated annually in retrospect to HM Revenue and Customs (HMRC). HMRC approval of the Company as an investment trust is granted "subject to there being no subsequent enquiry under corporation tax self-assessment". Such approval has been received in respect of all relevant years up to and including the year ended 30 September 2006, and the Company continues to manage its affairs so as to comply with these rules.

Management

The Company has a Management Agreement with the Manager under which the Manager provides services to the Company for a quarterly management fee, payable in arrears, equal to 0.125% of the funds under management at each quarter end. In addition, the Manager is eligible for a performance-related management fee payable at the rate of 0.05% per 1% of annual outperformance by the net asset value ("NAV") per share of "target performance", defined as a margin of 1.5% over the FTSE World Europe ex UK Index (total return, sterling adjusted) ("the Index"). Further details, including provisions relating to any underperformance and limits on fees, are set out in note 4 on the accounts. No performance related fee provision has been made in the year ended 30 September 2007.

The Company's investments are managed by the Manager in accordance with the investment objective and policy described on page 16. Investment selection and monitoring is undertaken by the fund manager, Peter Jarvis, who specialises in Continental European companies, with support from analysts and research teams. Assessing the quality of management through meetings with potential and existing investee companies is a key input into the investment process. Extensive work is carried out in analysing potential investments for their market positioning and competitive advantage, financial strength and cashflow characteristics. Various valuation benchmarks are used to assess the potential attractiveness of investment opportunities and to set price targets for the individual stocks. The Board reviews the composition and performance of the portfolio at each Board meeting.

The Manager provides a dedicated company secretarial and accounting function for the Company including administration, legal and audit, risk and compliance services. The Manager also undertakes investor relations and marketing for the Company and offers a range of private investor savings schemes through which individuals may invest in the Company.

The Board conducted a review of the Manager in 2007 in accordance with the Listing Rules published by the Financial Services Authority. This took into consideration the Company's investment record over short and long-term periods and the performance, competence and resources of the Manager, both as

Report of the Directors (continued)

a management company and with regard to the fund management team in place, as well as the other services provided by F&C Management Limited. On the basis of this review it is the Board's opinion that the continuing appointment of the Manager on the terms agreed is in the best interests of shareholders as a whole.

Capital structure, share repurchases, gearing and currency exposure

The Company has a fixed share capital although, subject to and on the terms of the approvals granted annually by its shareholders, it may purchase its own shares and issue new shares. The Board is seeking to renew these authorities at the AGM in December 2007 and details are set out in the section of this report headed Annual General Meeting.

The Company's shares have traded at a discount to NAV throughout the year. The level of the discount will vary from time to time according to a number of factors including market sentiment and supply and demand for the Company's shares. The Board approves the repurchase of shares when it is considered appropriate and will only do so when it increases NAV per share. The Board regularly monitors the management of share repurchases which are conducted by the Manager within the limits of the authority granted by shareholders. At the last AGM shareholders renewed the Company's authority to buy back up to 8,302,088 ordinary shares for cancellation. During the year under review 3,851,861 shares were purchased under this authority representing 6.9% of the issued share capital at 30 September 2006. The purchases were made at prices ranging from 675.5p to 862.5p per share. Since the year end, the Company has purchased a further 107,100 shares for cancellation at prices ranging from 826.5p to 831.8p.

The Board's policy is that the level of gearing of the Company should not exceed 20%. Within that overall policy the Board agrees with the Manager an operational limit on gearing from time to time and reviews this on a monthly basis. Gearing was around 10% for much of the year and ended the year at 8.1%. The Company maintains a multi-currency credit facility with The Royal Bank of Scotland which enables it to borrow in Euros or other European currencies. In practice the Company borrows and holds any short-term cash deposits in Euros.

The Board has the authority to hedge its currency exposure, but it is not generally the practice to do so and the portfolio is not currently hedged.

Performance, results and dividends

The Board uses the following key performance indicators (KPIs) to help assess progress against the Company's objectives:

- NAV per share total return compared to the Index
- NAV per share compared to other investment trusts specialising in Continental Europe
- Share price discount to NAV per share
- Total expense ratio

Investment performance is measured primarily against the Index. As reported in the Chairman's Statement, the Company's NAV per share increased by 22.7% in the year to 30 September 2007, compared to an increase of 16.9% in the Index. A full discussion of the background to this performance is found within the Manager's Review.

Discount

At 30 September	%
2007	9.5
2006	9.1
2005	10.4
2004	13.9
2003	19.4

Source: F&C Management Limited

Total expense ratio*

At 30 September	%
2007	0.7
2006	0.7
2005	0.8
2004	0.7
2003	0.8

* as a percentage of average total assets.

Source: F&C Management Limited.

The net assets of the Company as at 30 September 2007 were £464,520,000 (2006: £406,690,000) and dividends paid in respect of the year are set out below.

Results and dividends for the year ended 30 September 2007	
	£'000s £'000s
Revenue return attributable to equity shareholders	4,321
Dividends paid in the year:	
Final dividend of 1.7p per share	(940)
Special dividend of 7.3p per share (both paid on 21 December 2006 to shareholders on the register at 17 November 2006)	(4,037)
	(4,977)
Amount transferred from revenue reserve	(656)

Source: F&C Management Limited

Principal risks and risk management

In accordance with "Internal Control: Guidance for Directors on the Combined Code" published by the Working Party for the Institute of Chartered Accountants in England and Wales, the Board has established a process for identifying, evaluating and managing significant risks faced by the Company and regularly reviews the effectiveness of the internal control systems. This process was in place throughout the year under review and will continue to be regularly reviewed by the Board. A summary of the Company's system of internal control and management of risk is set out in the Corporate Governance section of this annual report.

The principal risks faced by the Company, together with the Board's approach to mitigation, include the following:

Market | the Company's assets consist of quoted equity securities and it is therefore exposed to movements in the price of individual securities and the market generally. The large number of investments held, together with the geographic and sector diversity of the portfolio, enables the Company to spread its risks with regard to individual companies and sectors, but a significant fall in European equity markets would have an adverse impact on the value of the Company's investment portfolio.

Investment strategy | inappropriate investment strategy or ineffective implementation of this strategy could result in poor returns for shareholders and a widening of the discount of the share price to the NAV per share. The Board periodically reviews the investment strategy and regularly monitors the Company's investment portfolio and the investment selection, performance and operations of the Manager.

Currency and gearing | the Company's assets are denominated in European currencies, principally the Euro, but are valued in sterling in accordance with the Company's accounting policies. Any weakening of the Euro against sterling will adversely affect performance of those assets when measured in sterling. Although the Board has the authority to hedge this currency risk it does not routinely do so. Borrowing money for investment ("gearing") increases the negative impact on the Company's asset value if the value of those investments subsequently falls. The Board's policy is that the level of gearing of the Company should not exceed 20%. Within that overall policy the Board agrees with the Manager an operational limit on gearing from time to time and reviews this on a monthly basis.

Investment management resources | the quality of the management team employed by the Manager is a crucial factor in delivering good performance and loss of key staff could adversely affect investment returns. The Manager has training and development programmes in place for its employees and develops its recruitment and remuneration packages in order to retain key staff.

Regulatory | failure to comply with regulations could result in the Company losing its listing and/or being subjected to corporation tax on its capital gains. The Board receives and reviews regular reports from the Manager on the controls in place to ensure compliance by the Company with rules and regulations. The Board also receives regular investment listings and income forecasts as part of its monitoring of compliance with the provisions of Section 842.

Internal controls | inadequate financial controls could result in misappropriation of assets, loss of income

Report of the Directors (continued)

and debtor receipts and mis-reporting of NAVs. The Board regularly reviews the Manager's statements on its internal controls and procedures and subjects the books and records of the Company to an annual audit.

The financial risks are set out in more detail in note 24 on the accounts.

ANNUAL GENERAL MEETING

Special business

Shareholders will find the Notice of the AGM of the Company, to be held at Exchange House, Primrose Street, London EC2A 4NY on Thursday 13 December 2007 at 11 am, on pages 50 and 51. In addition to the ordinary business of the meeting, resolutions numbered 9 and 10 will be proposed as special business.

Authority to allot shares (Resolution 9)

Resolution 9 is similar to the authority and power given to the Directors at previous AGMs. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. In addition, Directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash without first offering them to existing shareholders in proportion to their holdings. Resolution 9 gives the Directors, for the period until the conclusion of the AGM in 2008, the necessary authority to allot securities up to an aggregate nominal amount of £645,760 which is equivalent to approximately 5% of the issued share capital and empowers the Directors to allot securities for cash, otherwise than to existing shareholders on a pro-rata basis. This authority provides the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares should any favourable opportunities arise to the advantage of shareholders.

The Directors can, if necessary, use this authority to satisfy demand from participants in the F&C savings schemes when they believe it is advantageous to such participants and the Company's shareholders to do so.

In no circumstances would the Directors use the authority to issue shares at a price which would result in a dilution of the NAV per ordinary share.

Authority for the Company to purchase its own shares (Resolution 10)

Resolution 10 authorises the Company to purchase in the market up to a maximum of 7,743,954 ordinary shares (equivalent to approximately 14.99% of the issued share capital) for cancellation at a minimum price of 25 pence per share and a maximum price per share of not more than 5% above the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately before the date of purchase.

Under this authority purchases would only be made within guidelines established from time to time by the Board. They would be made through the market for cash at prices below the prevailing NAV per ordinary share, which would have the effect of increasing NAV per ordinary share for the remaining shareholders. Any ordinary shares which were purchased would be cancelled.

The Directors consider that it would be advantageous to shareholders for the Company to have the authority to make such purchases as and when it considers the timing to be favourable. However, use of this authority, if given, will depend upon market conditions and the Board's judgement of its likely effectiveness in increasing NAV per share and/or reducing the discount.

It is proposed that any purchase of ordinary shares would be financed out of realised reserves and funded from the Company's own cash resources or, if appropriate, from short-term borrowings.

The authority to purchase ordinary shares will continue until 12 June 2009 unless it is varied, revoked or renewed prior to that by the Company in general meeting by special resolution. The Board intends to seek a renewal of such authority at subsequent AGMs.

Form of proxy

Registered shareholders will find enclosed a form of proxy for use at the AGM. Please complete, sign and return the form of proxy in the envelope provided as soon as possible in accordance with the instructions, whether or not you intend to be present at the AGM. The return of a form of proxy will not preclude you from attending the meeting and voting in person if

you wish to do so. A form of proxy should in any event be returned so as to be received by 11 am on 11 December 2007.

Form of direction

Participants in the various F&C plans will find enclosed a form of direction. Please complete and sign the form of direction as soon as possible in accordance with the instructions and ensure, in any event, that it is returned in the enclosed envelope to Computershare Investor Services PLC not later than 11 am on 7 December 2007 in order for the plan administrator to submit a form of proxy in compliance with the deadline stated above.

Recommendation

The Directors consider that the resolutions to be proposed at the meeting are in the best interests of shareholders as a whole and recommend shareholders to vote in favour as the Directors intend to do in respect of their own beneficial shareholdings.

OTHER MATTERS

Going concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities which are readily realisable.

ISA and PEP investment

The Company's shares are eligible for inclusion in an Individual Savings Account and are also eligible as an investment for Personal Equity Plan transfers.

Significant voting rights

As at 31 October 2007, the latest practicable date prior to the publication of this report, the Company had 51,660,804 ordinary shares in issue with a total of 51,660,804 voting rights.

As at that date the Company had received notification of the following significant voting rights in respect of its ordinary share capital.

	Ordinary shares of 25p each	%
Barclays plc	2,122,964	4.1
Legal and General Group plc	2,540,144	4.9

Directors

With the exception of Mr Eason, who was appointed on 16 May 2007 and stands for election at the AGM, all of the Directors listed on page 9 held office throughout the year under review. Mr McDougall retires by rotation and, being eligible, he will stand for re-election at the AGM. Having served for more than nine years, Mr Kanza will also retire and seek re-election. Mr Bierbaum and Dr Börsig will retire at the AGM but will not stand for re-election.

The Board has appraised the performance, effectiveness and commitment of each of the Directors seeking re-election or election as well as the balance of skills and experience collectively brought to the Board. The Board believes that each Director continues to make a positive contribution and therefore recommends their respective re-election or election to shareholders.

Each Director has signed a letter of appointment setting out the terms of his engagement as a non-executive Director. Copies of these letters are available for inspection at the Company's registered office during normal business hours and at the AGM. No Director has a service contract with the Company.

On 14 December 2006 the Company entered into a deed poll providing the Directors with, inter alia, indemnities against liability to third parties arising in connection with any negligence, default, breach of duty or breach of trust by the Directors (such indemnities being qualifying third party indemnities, as permitted under the Companies Act 1985). This deed poll is also available for inspection at the Company's registered office during normal business hours and at the AGM. The Company has in place insurance which indemnifies the Directors against certain liabilities arising in carrying out their duties.

Details of the Directors' shareholdings in the Company and their interests in contracts and agreements to which the Company is a party are contained in note 6 on the accounts.

Directors' remuneration

The Directors' Remuneration Report on page 28 and note 6 on the accounts provide detailed information on the remuneration arrangements for the Directors. Shareholders will be asked to approve the Directors' Remuneration Report at the AGM. The Directors'

Report of the Directors (continued)

remuneration is not conditional on the relevant resolution being passed.

Policy on payments to suppliers

The Company's principal supplier, the Manager, is paid in the month following the end of each calendar quarter, in accordance with the terms and conditions of the Management Agreement. Other suppliers are paid in accordance with the individual payment terms agreed with each supplier. At 30 September 2007, the Company's outstanding trade creditors were equivalent to one day's payment to suppliers (2006: two days).

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and resolutions to reappoint them and to authorise the Directors to determine their remuneration will be proposed at the AGM. The auditors provide some non-audit services to the Company, the details of which are set out in note 5 on the accounts and on page 25. So far as each of the Directors is aware there is no relevant audit information of which the Company's auditors are unaware. The Directors believe that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of this information.

Donations

The Company did not make any political or charitable donations during the year, or in the previous year.

By order of the Board
F&C Management Limited
Secretary
1 November 2007

Corporate Governance

Introduction

The Company is committed to high standards of corporate governance. The Board has considered the principles and recommendations of the AIC Code of Corporate Governance (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code addresses all the principles set out in Section 1 of the Combined Code of Corporate Governance (the "Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.*

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Code), provides more relevant information to shareholders.

The Board believes that during the year under review the Company has complied with the recommendations of the AIC Code. It also believes that it complied with the relevant provisions of Section 1 of the Code except that, for reasons explained later in this report, the Company does not have in place its own internal audit function (page 25) and it does not have a separate remuneration committee (page 28).

The Board

The biographical details of the Directors, all of whom are non-executive, can be found on page 9.

It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. Strategic issues and all operational matters of a material nature are determined by the Board. A formal schedule of matters reserved for the decision of the Board has been adopted. In order to enable them to discharge their responsibilities, all Directors have full and timely access to all relevant information. The Board meets at least quarterly. The Board also operates through a committee which comprises those Directors resident in the UK which generally meets each month that the Board does not. This committee, the London Committee, which all Directors are entitled to attend, is charged with

* Copies of the AIC Code, the AIC Guide and the Code may be found on the respective organisations' web sites: www.theaic.co.uk and www.frc.org.uk. Investors in New Zealand should note that the corporate governance rules and principles applicable to the Company in the UK may differ materially from those of the New Zealand Stock Exchange's Corporate Governance Best Practice Code.

dealing with administrative matters, overseeing the management of the portfolio and implementing decisions of the Board. At each meeting of the Board and the London Committee the Directors review investment performance and asset allocation, sector allocation and stock selection, and consider financial and other reports of a strategic nature. The Directors also monitor compliance with the Company's objectives and consider the policies on gearing and share buy-backs and the investment limits within which the Manager is given discretion to act. Key representatives of the Manager attend Board meetings. Board meetings are also held on an ad hoc basis to consider particular issues reserved to the Board as and when they arise.

The table below sets out the number of Board and committee meetings held during the year under review and the number of meetings attended by each Director.

Meeting attendance			
	A	B	C
No. of meetings	6	2	5
D C P McDougall	6	2	5
D F E Bierbaum	5	n/a	1 ¹
C A H Börsig	4	n/a	n/a
W D Eason ²	2	–	1
R Kanza	6	2	5
M Moule	6	2	5

A = Board meetings.

B = Audit & Management Engagement Committee meetings.

C = London Committee meetings.

¹ Mr Bierbaum is not a member of the London Committee but attended one meeting during the year at the invitation of the Committee

² Mr Eason was appointed as a Director and a member of the London Committee and the Audit & Management Engagement Committee on 16 May 2007.

All Directors attended the Annual General Meeting ("AGM") in December 2006 apart from Mr Eason, who was not appointed until May 2007.

The Board believes that it has a reasonable balance of skills, experience and length of service. The Board recognises the value of succession planning and periodically reviews the composition of the Board. The Board has considered the independence of each of the Directors and is satisfied that they are independent of the Manager and that there are no

Corporate Governance (continued)

other relationships or circumstances relating to the Company that are likely to affect their judgement. The Board is of the view that length of service does not compromise the independence or contribution of Directors of an investment trust company, where continuity and experience can add significantly to the strength of the Board. This is in accordance with the views expressed in the AIC Code. No limit on the overall length of service of any of the Directors has therefore been imposed. Whilst Mr Bierbaum Dr Börsig and Mr Kanza have served as Directors for more than nine years, the Board believes they continue to be independent in character and judgement. However, all Directors who have served for more than nine years are required to retire and stand for re-election annually in accordance with the Code. Other Directors are required, in accordance with the Company's Articles of Association, to submit themselves for re-election at least every three years. Each Director has signed a letter of appointment to formalise the terms of his engagement as a non-executive Director.

The London Committee of the Board, chaired by Mr McDougall, operates as the Nomination Committee. Appointments of new Directors are made on a formal basis with the final decision in any particular case resting with the full Board. The primary role of the Nomination Committee is to review and make recommendations to the Board with regard to the Board structure, size and composition, the balance of knowledge, skills and experience, age profile, and to consider succession planning. It also assesses the criteria for future Board appointments and the methods of recruitment, selection, appointment and induction. An induction process has been designed for new appointees to the Board. This comprises a briefing on the workings and processes of the Company by the Chairman, the Fund Manager, the Company Secretary and other appropriate employees of the Manager, and provision of a Company Handbook and other key documentation. All appointments are subject to confirmation by shareholders and institutional shareholders are able to meet any newly appointed Director if they wish. Copies of the terms of reference of this Committee are available on the F&C website at www.fandc.com.

In order to review the effectiveness of the Board, its committees and the individual Directors, the Board carried out a thorough appraisal process in September 2007 in respect of the year under review. This encompassed the operation and performance of the Board, the Audit & Management Engagement Committee (the "Audit Committee") and the London Committee, and appraisals of the Directors. The Senior Independent Director conducts the Chairman's appraisal. The Board does not consider that the use of external consultants to conduct this evaluation is likely to provide any meaningful advantage over the process that has been adopted, but the option of doing so will be kept under review.

It is not compulsory for Directors to hold shares in the Company. Details of Directors' holdings are set out in note 6 on the accounts.

The Board has established a procedure whereby Directors may take independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as Directors. No professional advice in this regard has been taken by the Directors during the year under review. All Directors are entitled to undertake relevant training at the Company's expense. The Board has direct access to company secretarial advice and services of the Manager which, through its nominated representative, is responsible for ensuring that Board and Committee procedures are followed, and that applicable regulations are complied with. The proceedings at all Board and other meetings are fully recorded through a process that allows any concerns of Directors to be recorded in the minutes. The appointment or removal of the Company Secretary is a matter for the whole Board. During the year under review, the Board has maintained appropriate insurance cover in respect of legal action against the Directors.

The Board reviews the investment performance of the Manager and the qualities of its company secretarial, accounting, administrative and support services to the Company, and carries out an annual review of the management contract with the Manager, including the level and structure of fees payable and the length of the notice period.

Audit & Management Engagement Committee

The Audit Committee, which is chaired by Mr McDougall, currently comprises Mr McDougall

(Chairman), Mr Eason and Mr Moule, each of whom is considered to be independent. Mr Kanza was a member of the Committee until 16 May 2007. The Audit Committee meets at least twice a year and operates within written terms of reference that clearly set out its authority and duties. Copies of the terms of reference are available on request and can also be found on the F&C website at www.fandc.com. The Board is satisfied that, having regard to their background and skills, there is a range of recent and relevant financial experience amongst the members of the Audit Committee.

The primary role of the Audit Committee is to review the Company's accounting policies; to monitor the integrity and contents of the financial statements; to review the Company's internal financial controls and the internal control and risk management systems applicable to the Company; to review annually the need for the Company to have its own internal audit function; to make recommendations to the Board in relation to the re-appointment of the auditors and to approve their remuneration and terms of engagement; to monitor the auditor's independence and objectivity and the effectiveness of the audit process; and to develop and implement policy on the engagement of the auditors to provide non-audit services.

Following the recommendation of the Audit Committee, the Board has concluded that there is no current need for the Company to have its own internal audit function; all of the Company's management functions are delegated to the Manager, which has its own internal audit, risk and compliance department, and the controls it has in place are monitored by the Board. The Audit Committee has received and reviewed the statement referred to below under "Internal controls and management of risk" and an annual compliance report from the Manager's head of audit, risk and compliance.

The Audit Committee has reviewed, and is satisfied with, the "whistle blowing" policy that has been put in place by the Manager under which its staff, in confidence, may raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company. The necessary arrangements are in place for

proportionate and independent investigation of such matters and for appropriate follow-up action.

The Audit Committee has direct access to the auditors, PricewaterhouseCoopers LLP, and to the compliance and internal audit directors of the Manager and the Manager's group audit committee, and reports its findings to the Board. The Board retains ultimate responsibility for all aspects relating to the annual and interim accounts and other significant published financial information. The auditors attend the Audit Committee meeting to review the annual results and provide a comprehensive review of the audit of the Company. The Audit Committee also meets with the auditors without the Manager being present. The Audit Committee, together with the Manager, has reviewed the work carried out by PricewaterhouseCoopers LLP for the audit of the annual financial statements. On the basis of this and the auditors' experience in auditing the affairs of the Company, the Audit Committee has assessed the effectiveness of the external audit and recommended the continuing appointment of the auditors to the Board. The Audit Committee has taken into account the standing, experience and tenure of the audit partner, the nature and level of service provided and confirmation of the auditors' independence within the meaning of UK professional and regulatory requirements. The Audit Committee considers PricewaterhouseCoopers LLP to be independent both of the Company and the Manager in all respects.

The Audit Committee approves all non-audit work to be undertaken by the auditors in advance and reviews the provision of non-audit services by them. During the year under review total fees for these services amounted to £2,000 inclusive of irrecoverable VAT and were in relation to taxation matters. The Audit Committee considers that the services provided are cost effective and do not impair the independence of the auditors.

Internal controls and management of risk

The Board has overall responsibility for the Company's systems of internal controls and for reviewing their effectiveness and ensuring that risk management and control processes are embedded in the day to day operations of the Company.

Corporate Governance (continued)

These controls aim to ensure that the assets of the Company are safeguarded, proper accounting records are maintained and the financial information used within the business and for publication is reliable. Control of the risks identified covering financial, operational, compliance and overall risk management is exercised by the Board through monthly reports provided by the Manager on investment performance, performance attribution, compliance with agreed investment restrictions, financial analyses and other management issues. A quarterly control report is prepared by the Manager's audit, risk and compliance department that provides details of any material internal control failure. The control report incorporates a key risk table that identifies the risks to which the Company is exposed and the controls in place to mitigate them, including risks that are not directly the responsibility of the Manager. Typical areas of risk material to investment trusts in general, and which have been identified and are monitored as part of the control process include excessive gearing, inappropriate long-term investment strategy, inappropriate asset allocation, loss of management personnel and potential loss of Section 842 status under the provisions of the Income and Corporation Taxes Act 1988. The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement, loss or fraud.

The Board has carried out a risk and control assessment including a review of the Manager's risk management infrastructure and the report on policies and procedures in operation and tests for the period 1 January to 31 December 2006 (the "Report") that has been prepared by the Manager for its investment trust clients to the standards of the Institute of Chartered Accountants in England and Wales Technical Release AAF (01/06). Containing a report from independent external accountants, the Report sets out the Manager's control policies and procedures with respect to the management of its clients' investments. The effectiveness of these controls is monitored by the Manager's group audit committee which receives regular reports from the Manager's audit, risk and compliance department

and ensures that action would be taken to remedy any significant failings or weakness identified from this monitoring.

Investment management, administration and custody

The Board has contractually delegated the management of the investment portfolio, the operation of custodial services and the provision of accounting, company secretarial and marketing services to the Manager. Details of the principal terms of the Management Agreement are set out in note 4 on the accounts.

In November 2003 the Manager outsourced certain of its administrative functions to Mellon Bank N.A (London Branch) ("Mellon"). On 1 July 2007 the contract between Mellon and the Manager was terminated and these functions are now provided by the Manager. The Manager retained full responsibility for these functions throughout the year under review and thereafter.

The Company has appointed JPMorgan Chase to act as custodian of the Company's assets. Operational matters with the custodian are carried out by the Manager in accordance with the provisions of the Management Agreement.

Investor relations

Communication with shareholders is given a high priority. The Company's annual report and accounts, containing a detailed review of performance and the investment portfolio, is sent to all shareholders. At the half year stage, an interim report, containing updated information in a more abbreviated form, is also sent to all shareholders. Updated information is available on the F&C website at www.fandc.com.

The Board anticipates that the Company will make its first interim management statement ("IMS") in accordance with the Disclosure and Transparency Rules of the UK Listing Authority in January 2008. Thereafter the IMS is expected to be released to the market via the London Stock Exchange Regulatory News Service in January and July each year.

All shareholders are encouraged to attend the AGM, where a presentation is made by the Manager and where shareholders are given the opportunity to question the Chairman, the Board and the Manager.

All beneficial shareholders in the F&C savings schemes have the opportunity to vote using a form of direction. Proxy voting figures are announced to shareholders at the AGM and are included on the F&C website.

The Manager communicates throughout the year with institutional investors and private client brokers and asset managers and regularly reports to the Board on investors' views and attitudes relating to the Company. The Chairman is available to attend meetings with these investors. The Board also receives regular reports from the Manager analysing and commenting on the composition of the Company's shareholder register and monitors significant changes in shareholdings.

Shareholders wishing to communicate with the Chairman or other members of the Board may do so by writing to the Company at its registered office address, which can be found on page 10.

Corporate governance, voting policy and socially responsible investment

The Manager engages with investee companies on corporate governance and socially responsible investment and exercises voting rights on behalf of the Company. It is the Company's general policy not to vote where to do so might hinder the Manager's investment decisions because of share blocking procedures often adopted in Continental Europe. At all times, the driving investment principle is the maximisation of shareholder returns.

Directors' Remuneration Report

The Company's Articles of Association limit the aggregate fees payable to the Board to a total of £150,000 per annum. Within that limit, it is the responsibility of the Board as a whole to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities, and the time committed to the Company's affairs. As the Board comprises solely non-executive Directors, none of whom has a service contract with the Company, it is exempt under the Listing Rules from appointing a remuneration committee.

During the year the Board approved an increase in the fees paid to Directors. With effect from 1 October 2007, the Chairman receives a fee of £25,000 per annum (previously £23,000), whilst the remaining Directors receive a fee of £17,000 per annum (previously £15,000). The Chairman of the Audit Committee receives £1,500 per annum (unchanged).

The amounts paid to each Director, which were for services to the Company solely in the capacity of non-executive Directors and have no performance related element, are set out in the table below.

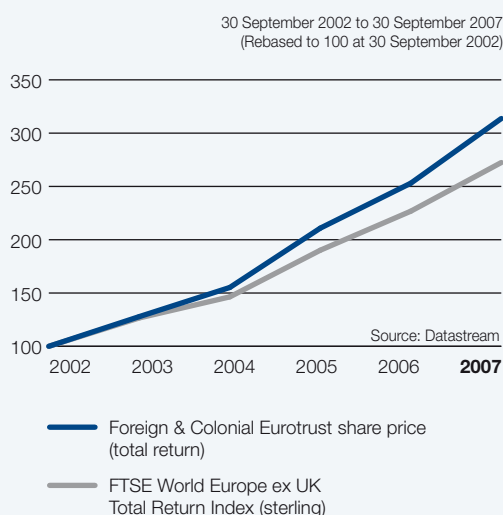
Remuneration for qualifying services

for the year ended 30 September Director	Fees for services to the Company	
	2007 £s	2006 £s
Douglas McDougall (Chairman, Chairman of the Audit Committee and highest paid director)	24,500	24,500
Detlef Bierbaum	15,000	15,000
Clemens Börsig	15,000	15,000
William Eason ¹	5,692	–
Ralph Kanza	15,000	15,000
Michael Moule	15,000	15,000
Pedro Schwartz ²	–	3,135
	90,192	87,635

¹ Appointed 16 May 2007

² Retired 15 December 2005

Total shareholder return over 5 years



The information in the above table has been audited (see the Independent Auditors' Report on page 30).

No Director past or present has any entitlement to pensions, and the Company has not awarded any share options or long-term performance incentives to any of the Directors.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

By order of the Board
F&C Management Limited
Secretary
1 November 2007

Directors' Statement of Responsibilities

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 as at 30 September 2007 and of the results for the year then ended. 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 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 Company and to prevent and detect fraud and other irregularities.

The financial statements are published on the www.fandc.com website, which is a website maintained by the Company's Manager, F&C Management Limited ("F&C"). The maintenance and integrity of the website maintained by F&C or any of its subsidiaries is, so far as it relates to the Company, the responsibility of F&C. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Overseas visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Analysis of Ordinary Shareholders

Analysis of ordinary shareholders at 30 September 2007		
Category	Number of shares	% Holding
Nominee holdings	17,296,084	33.4
F&C savings plans	14,766,630	28.5
Institutions	13,303,901	25.7
Direct individual holdings	6,401,289	12.4

Source: F&C Management Limited.

The total number of shareholders at 30 September 2007 was 19,353, of which 15,402 were investors through the F&C savings plans.

Independent Auditors' Report

Independent Auditors' Report to the members of Foreign & Colonial Eurotrust PLC

We have audited the financial statements of Foreign & Colonial Eurotrust PLC for the year ended 30 September 2007 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code 2003 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Manager's Review, the Report of the Directors incorporating the Business Review, the Corporate Governance Statement and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 September 2007 and of its net return and cash flows for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

Chartered accountants and registered auditors

Hay's Galleria

1 Hay's Lane

London SE1 2RD

8 November 2007

Income Statement

Revenue notes Capital notes		for the year ended 30 September			2006		
		Revenue £'000s	Capital £'000s	2007 Total* £'000s	Revenue £'000s	Capital £'000s	Total* £'000s
11	Gains on investments	–	89,699	89,699	–	56,792	56,792
20	Exchange gains/(losses)	30	(913)	(883)	(9)	55	46
3	Income	11,252	–	11,252	11,621	–	11,621
4	Management fee	(2,782)	–	(2,782)	(2,498)	–	(2,498)
5	20 Other expenses	(680)	(52)	(732)	(655)	(45)	(700)
	Return before finance costs and taxation	7,820	88,734	96,554	8,459	56,802	65,261
7	Finance costs	(1,596)	–	(1,596)	(1,216)	–	(1,216)
	Return on ordinary activities before taxation	6,224	88,734	94,958	7,243	56,802	64,045
8	Taxation on ordinary activities	(1,903)	(140)	(2,043)	(2,200)	–	(2,200)
9	9 Return attributable to equity shareholders	4,321	88,594	92,915	5,043	56,802	61,845
9	9 Return per share – pence	8.04	164.78	172.82	8.73	98.28	107.01

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

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

A statement of total recognised gains and losses is not required as all gains and losses of the Company have been reflected in the above statement.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 September 2007

Notes	Called up share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total equity shareholders' funds £'000s
	13,905	123,749	4,906	255,269	8,861	406,690
Movements during the year ended 30 September 2007						
¹⁰ Dividends paid	-	-	-	-	(4,977)	(4,977)
Shares purchased by the Company	(963)	-	963	(30,108)	-	(30,108)
Return attributable to equity shareholders	-	-	-	88,594	4,321	92,915
Balance at 30 September 2007	12,942	123,749	5,869	313,755	8,205	464,520

for the year ended 30 September 2006

Notes	Called up share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total equity shareholders' funds £'000s
	15,657	123,749	3,154	240,559	8,235	391,354
Movements during the year ended 30 September 2006						
¹⁰ Dividends paid	-	-	-	-	(4,417)	(4,417)
Shares purchased by the Company	(1,752)	-	1,752	(42,092)	-	(42,092)
Return attributable to equity shareholders	-	-	-	56,802	5,043	61,845
Balance at 30 September 2006	13,905	123,749	4,906	255,269	8,861	406,690

Balance Sheet

Notes	at 30 September	2007	2006
		£'000s	£'000s
Fixed assets			
11	Listed investments	502,397	437,827
Current assets			
12	Debtors	3,571	306
13	Taxation recoverable	249	360
	Cash at bank	–	3,923
		3,820	4,589
Creditors: amounts falling due within one year			
14	Foreign currency loans	(31,411)	(30,517)
15	Other	(10,286)	(5,209)
		(41,697)	(35,726)
	Net current liabilities	(37,877)	(31,137)
	Net assets	464,520	406,690
Capital and reserves			
17	Called up share capital	12,942	13,905
18	Share premium account	123,749	123,749
19	Capital redemption reserve	5,869	4,906
20	Capital reserves	313,755	255,269
20	Revenue reserve	8,205	8,861
		451,578	392,785
21	Total equity shareholders' funds	464,520	406,690
21	Net asset value per share – pence	897.31	731.20

Approved by the Board on 1 November 2007

and signed on its behalf by:
Douglas McDougall, Chairman



Cash Flow Statement

Notes	for the year ended 30 September		2007	2006
	£'000s	£'000s	£'000s	£'000s
Operating activities				
Investment income received	9,994		11,217	
Interest received	103		123	
Stock lending fees received	265		148	
Fees paid to the management company	(2,709)		(2,498)	
Directors' fees paid	(87)		(88)	
Other payments	(597)		(595)	
22 Net cash inflow from operating activities		6,969		8,307
Servicing of finance				
Interest paid	(1,537)		(1,225)	
Cash outflow from servicing of finance		(1,537)		(1,225)
Tax paid				
UK tax paid	(735)		(909)	
Overseas tax paid	(1,631)		(1,699)	
Overseas tax received	373		447	
Total tax paid		(1,993)		(2,161)
Financial investment				
Purchases of equities	(526,194)		(218,967)	
Sales of equities	545,186		266,766	
Other capital charges and credits	(47)		(45)	
Net cash inflow from financial investment		18,945		47,754
Equity dividends paid		(4,977)		(4,417)
Net cash inflow before use of liquid resources and financing		17,407		48,258
Management of liquid resources				
Decrease in short-term deposits		-		13,884
Financing				
Loans raised		-		6,782
Purchases of ordinary shares	(30,108)		(65,981)	
Net cash outflow from financing		(30,108)		(59,199)
23 (Decrease)/increase in cash		(12,701)		2,943

Notes on the Accounts

1. GENERAL INFORMATION

Foreign & Colonial Eurotrust PLC is an investment company incorporated in the United Kingdom with a listing on the London Stock Exchange. The registration number of the Company is 1055384 and the registered office is Exchange House, Primrose Street, London, EC2A 2NY, England.

The Company conducts its affairs so as to qualify as an investment trust under the provisions of Section 842 of the Income and Corporation Taxes Act 1988. Approval of the Company under Section 842 has been received (subject to there being no subsequent enquiry) in respect of the year ended 30 September 2006 and all previous financial years. Such approval exempts the Company from UK corporation tax on gains realised on its portfolio of fixed asset investments.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The accounts of the Company have been prepared under the historical cost convention, modified to include fixed asset investments at fair value, and in accordance with the Companies Act 1985, Accounting Standards applicable in the United Kingdom and with the Revised Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (SORP) issued in December 2005.

The functional and reporting currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates.

There have been no significant changes in accounting policies during the year ended 30 September 2007.

In accordance with the SORP, the Income Statement has been analysed between a revenue account (dealing with items of a revenue nature) and a capital account (relating to items of a capital nature). Revenue returns include, but are not limited to, dividend income and operating expenses and tax (insofar as the expenses and tax are not allocated to capital, as described below). Net revenue returns are allocated via the revenue account to the revenue reserve, out of which dividend payments are made.

Capital returns include, but are not limited to, realised and unrealised profits and losses on fixed asset investments and derivative instruments and currency profits and losses on cash and borrowings. Net capital returns may not be distributed by way of dividend and are allocated via the capital account to the capital reserves.

(b) Principal accounting policies

The policies set out below have been applied consistently throughout the year.

(i) Fixed asset investments

As an investment trust, the Company measures its fixed asset investments at "fair value through profit or loss" and treats all transactions on the realisation and revaluation of investments as transactions on the capital account. Purchases are recognised on the relevant trade date, inclusive of expenses which are incidental to their acquisition. Sales are also recognised on the trade date, after deducting expenses incidental to the sales.

Quoted investments are valued at bid value at the close of business on the relevant date on the exchange on which the investment is quoted.

Investments which are not quoted or which are not frequently traded are stated at Directors' best estimate of fair value. In arriving at their estimate, the Directors make use of recognised valuation techniques and may take account of recent arm's length transactions in the same or similar investment instruments. Where no reliable fair value can be estimated, investments may be carried at cost less any provision for impairment.

(ii) Borrowings

Loans and overdrafts are recorded at the proceeds received, net of issue costs, irrespective of the duration of the instrument.

(iii) Foreign currency

Foreign currency assets and liabilities are expressed in sterling at rates of exchange ruling at the balance sheet date. Purchases and sales of investment securities, dividend income, interest income and expenses are translated at the rates of exchange prevailing at the respective dates of such transactions. Exchange profits and losses on fixed asset investments are included within the changes in fair value in the capital account. Exchange profits and losses on other

Notes on the Accounts (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

currency balances are separately credited or charged to the capital account except where they relate to revenue items.

(iv) Income

Income from equity shares is brought into the revenue account (except where, in the opinion of the Directors, its nature indicates that it should be recognised as within the capital 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. Dividends are accounted for in accordance with Financial Reporting Standard 16 "Current Taxation" (FRS16) on the basis of income actually receivable, without adjustment for the tax credit attaching to the dividends. Dividends from overseas companies are shown gross of withholding tax.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash (scrip dividends), 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 reserves.

(v) Expenses, including finance charges

Expenses are charged to the revenue account of the Income Statement, except for expenses incidental to the acquisition or disposal of fixed assets investments, which are included within the cost of the investments or deducted from the disposal proceeds of investments and are thus charged to capital reserve realised via the capital account.

All expenses are accounted for on an accruals basis.

(vi) Deferred tax

Deferred tax is provided in accordance with FRS19 on all timing differences that have originated but not reversed by the Balance Sheet date. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. In line with the recommendations of the SORP, the allocation method used to calculate the tax relief on expenses charged to capital is the "marginal" basis. Under this basis, if taxable income is capable of being offset entirely by expenses charged through the revenue account, then no tax relief is transferred to the capital account.

(vii) Capital redemption reserve

The nominal value of ordinary share capital repurchased for cancellation is transferred out of called-up share capital and into the capital redemption reserve.

(viii) Capital reserves

Capital reserve realised

The following are accounted for in this reserve:

- Gains and losses on the realisation of fixed asset investments,
- Realised exchange differences of a capital nature,
- Costs of professional advice, including related irrecoverable VAT, relating to the capital structure of the Company,
- Other capital charges and credits charged or credited to this account in accordance with the above policies, and the
- The cost of the purchase of ordinary share capital.

Capital reserve unrealised

The following are accounted for in this reserve:

- Increases and decreases in the valuation of fixed asset investments held at the year end, and
- Unrealised exchange differences of a capital nature.

3. INCOME

	2007 £'000s	2006 £'000s
Income from listed investments		
Overseas dividends	10,881	11,310
	10,881	11,310
Other income		
Interest on cash and short-term deposits	99	125
Stock lending fees	272	186
	371	311
Total income	11,252	11,621

4. MANAGEMENT FEE

	2007 £'000s	2006 £'000s
Management fee	2,456	2,229
Irrecoverable VAT thereon (see note 25)	326	269
	2,782	2,498

The Manager provides investment management and general administrative services to the Company for a management fee payable in arrears of 0.125% per quarter on the funds under management at the quarter end. The management agreement may be terminated upon three months' notice given by either party.

In addition a performance related management fee is payable at the rate of 0.05% per 1% of annual outperformance by the NAV (net asset value per share, inclusive of revenue return attributable to shareholders) of target performance. Target performance is defined as a margin of 1.5% over the FTSE World Europe ex UK Index (total return, sterling adjusted). Any underperformance against target will be carried forward and no further performance fee will be payable until the NAV has both recovered the accumulated underperformance and exceeded the target performance for the year. The combined management fee and performance related management fee cannot be greater than 0.1875% per quarter of the first £400m of funds under management and 0.125% per quarter of funds under management in excess of £400m, at each quarter end. No performance fee is payable for the year ended 30 September 2007 (2006: £nil).

Notes on the Accounts (continued)

5. OTHER EXPENSES

	2007 £'000s	2006 £'000s
Auditors' remuneration:		
for audit services	28	27
other services	2	2
Directors' fees		
fees for services to the Company	90	88
Marketing	63	73
Private Investor Plan expenses	148	129
Sundry expenses	349	336
	680	655

All expenses are stated gross of irrecoverable VAT, where applicable.

6. DIRECTORS' REMUNERATION AND CONTRACTS

(a) Remuneration

The Company had no employees during the year (2006: none). The amounts paid by the Company to the Directors of the Company, which were for services as non-executive Directors and which did not include any payments or rights to pensions, are detailed in the Directors' Remuneration Report on page 28.

(b) Directors' interests in shares

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

	2007 Number	2006 Number
D C P McDougall	10,000	10,000
D F E Bierbaum	16,000	16,000
C A H Börsig	–	–
W D Eason (appointed 16 May 2007)	10,000	–
R Kanza	10,000	10,000
M B Moule	–	–

There have been no changes in the Directors' shareholdings, detailed above, since the Company's year end.

(c) Directors' interests in contracts with the Company

No contract of significance to which the Company is a party and in which a Director is or was materially interested existed during the year.

7. FINANCE COSTS

	2007 Total £'000s	2006 Total £'000s
Interest payable on bank loans and overdrafts repayable within five years, not by instalments	1,596	1,216

8. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the year

	Revenue £'000s	Capital £'000s	2007 Total £'000s	Revenue £'000s	Capital £'000s	2006 Total £'000s
Corporation tax payable at 30% (2006: 30%)	1,588	140	1,728	2,170	–	2,170
Relief for overseas taxation	(1,194)	(55)	(1,249)	(1,289)	–	(1,289)
	394	85	479	881	–	881
Overseas taxation	1,311	55	1,366	1,311	–	1,311
Additional tax credits	6	–	6	(11)	–	(11)
Current tax charge for the year (note 8b)	1,711	140	1,851	2,181	–	2,181
Deferred taxation (note 8c)						
On accrued income	192	–	192	19	–	19
Taxation on ordinary activities	1,903	140	2,043	2,200	–	2,200

(b) Factors affecting the current tax charge for the year

	Revenue £'000s	Capital £'000s	2007 Total £'000s	Revenue £'000s	Capital £'000s	2006 Total £'000s
Return on ordinary activities before tax	6,224	88,734	94,958	7,243	56,802	64,045
Return on ordinary activities multiplied by the standard rate of corporation tax of 30% (2006: 30%)	1,867	26,620	28,487	2,173	17,041	19,214
Effects of:						
Movement in taxable income accruals	(309)	–	(309)	(37)	–	(37)
Disallowed expenses	32	–	32	31	–	31
Relief for overseas taxation	(1,194)	(55)	(1,249)	(1,289)	–	(1,289)
Overseas taxation	1,311	55	1,366	1,311	–	1,311
Additional tax credits	4	–	4	(8)	–	(8)
Reversing capital returns*	–	(26,480)	(26,480)	–	(17,041)	(17,041)
Total current taxation (note 8a)	1,711	140	1,851	2,181	–	2,181

* These items are not subject to corporation tax in an investment trust company.

(c) Provision for deferred taxation

	Revenue £'000s	Capital £'000s	2007 Total £'000s	Revenue £'000s	Capital £'000s	2006 Total £'000s
Balance brought forward	21	–	21	2	–	2
Charge for the year (note 8a)	192	–	192	19	–	19
Balance carried forward	213	–	213	21	–	21

9. RETURN PER ORDINARY SHARE

Revenue return

The revenue return per share is based on the revenue return attributable to equity shareholders of £4,321,000 profit (2006: £5,043,000 profit).

Capital return

The capital return per share is based on the capital return attributable to equity shareholders of £88,594,000 profit (2006: £56,802,000 profit).

Weighted average ordinary shares in issue

Both the revenue and capital returns per share are based on a weighted average of 53,764,678 ordinary shares in issue during the year (2006: 57,792,436).

Notes on the Accounts (continued)

10. DIVIDENDS

Dividends on ordinary shares	Register date	Payment date	2007 £'000s	2006 £'000s
Final for the year ended 30 September 2005 of 1.7p	18 November 2005	22 December 2005	–	1,001
Special for the year ended 30 September 2005 of 5.8p	18 November 2005	22 December 2005	–	3,416
Final for the year ended 30 September 2006 of 1.7p	17 November 2006	21 December 2006	940	–
Special for the year ended 30 September 2006 of 7.3p	17 November 2006	21 December 2006	4,037	–
			4,977	4,417

The Directors recommend a final dividend in respect of the year ended 30 September 2007 of 1.7p and have declared a special dividend of 6.6p, both payable on 20 December 2007 to shareholders on the register at close of business on 16 November 2007. The recommended final dividend is subject to approval by shareholders at the Annual General Meeting. Neither the recommended final dividend nor the special dividend have been included as a liability in these financial statements.

The dividends payable in respect of the financial year ended 30 September 2007, which form the basis of Section 842 of the Income and Corporation Tax Act 1988 retention test, are set out below:

	2007 £'000s
Revenue attributable to equity shareholders	4,321
Final dividend for the year ended 30 September 2007 of 1.7p ¹	(878)
Special dividend for the year ended 30 September 2007 of 6.6p ¹	(3,410)
Estimated undistributed revenue for Section 842 purposes ²	33

¹ Based on 51,660,804 shares in issue at 1 November 2007.

² Undistributed revenue is 0.3% of income from investments of £10,881,000 (see note 3).

11. LISTED INVESTMENTS

	2007 £'000s
Cost at 30 September 2006	350,947
Unrealised appreciation at 30 September 2006	86,880
Valuation at 30 September 2006	437,827
Movements in the year:	
Purchases at cost	522,408
Sales proceeds	(547,537)
Sales realised gains	33,267
Increase in unrealised appreciation	56,432
Valuation at 30 September 2007	502,397
Cost at 30 September 2007	419,541
Unrealised appreciation at 30 September 2007	82,856
Valuation at 30 September 2007	502,397

The investment portfolio is set out on pages 11 to 15.

11. LISTED INVESTMENTS (CONTINUED)

Gains on investments

	2007 £'000s	2006 £'000s
Realised gains based on historical cost	93,723	35,615
Amounts recognised as unrealised appreciation in previous years	(60,456)	(26,159)
	33,267	9,456
Movement in unrealised appreciation	56,432	47,336
Gains on investments	89,699	56,792

Stock lending

	2007 £'000s	2006 £'000s
Aggregate value of securities on loan at the year end	31,585	13,760
Maximum aggregate value of securities on loan during the year	77,858	46,723
Fee income from stock lending during the year	272	186

In respect of securities on loan at the year end, the Company held £34,459,000 as collateral (2006: £14,410,000), the value of which exceeded the value of the securities on loan by 9.1% (2006: 4.7%).

In respect of the maximum aggregate value of securities on loan during the year, the Company held £81,858,000 as collateral (2006: £49,268,000), the value of which exceeded the value of securities on loan by 5.1% (2006: 5.4%).

F&C Management Limited received remuneration of £91,000 for managing the Company's stock lending activities (2006: £62,000).

12. DEBTORS

	2007 £'000s	2006 £'000s
Investment debtors	2,460	109
Prepayments and accrued income	1,111	197
	3,571	306

13. TAXATION RECOVERABLE

	2007 £'000s	2006 £'000s
Overseas taxation recoverable	249	360

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000s	2006 £'000s
Foreign currency loans	31,411	30,517
€45,000,000 (2006: €45,000,000)		

Notes on the Accounts (continued)

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000s	2006 £'000s
Other		
Bank overdraft	8,797	–
Investment creditors	108	3,894
Corporation tax	212	468
Deferred tax	213	21
Accrued expenses	956	826
	10,286	5,209

16. GEOGRAPHICAL AND INDUSTRIAL CLASSIFICATION (TOTAL ASSETS LESS CURRENT LIABILITIES)

	Germany %	France %	Switzerland %	Italy %	Sweden %	Others %	2007 Total %	2006 Total %
Financials	5.8	2.2	2.7	2.4	0.9	8.8	22.8	41.9
Consumer goods	3.0	2.2	1.6	2.6	–	9.6	19.0	11.3
Oil and gas	2.9	2.3	3.2	–	1.5	5.2	15.1	11.4
Industrials	3.5	–	–	–	4.5	3.5	11.5	10.8
Healthcare	–	3.1	–	3.2	–	4.3	10.6	9.1
Technology	0.9	2.3	3.6	–	–	1.7	8.5	5.5
Utilities	–	1.1	0.4	–	–	4.0	5.5	2.9
Consumer services	1.5	0.9	–	–	0.5	2.5	5.4	2.5
Basic materials	1.3	–	–	–	–	1.6	2.9	1.1
Telecommunications	–	–	–	–	–	–	–	3.6
Total equities	18.9	14.1	11.5	8.2	7.4	41.2	101.3	100.1
Net current assets	0.1	–	0.2	–	0.1	(1.7)	(1.3)	(0.1)
Total assets less current liabilities (excluding loans)	19.0	14.1	11.7	8.2	7.5	39.5	100.0	
2006 totals	11.4	18.3	20.0	8.7	6.7	34.9		100.0

17. CALLED UP SHARE CAPITAL

Equity share capital	Authorised		Issued and fully paid	
	Number	£'000s	Number	£'000s
Ordinary shares of 25p each				
Balance at 30 September 2006	100,000,000	25,000	55,619,765	13,905
Transfer to capital redemption reserve	–	–	(3,851,861)	(963)
Balance at 30 September 2007	100,000,000	25,000	51,767,904	12,942

Since the year end 107,100 shares have been bought back and cancelled, reducing the number of issued and fully paid shares at 1 November 2007 to 51,660,804.

18. SHARE PREMIUM ACCOUNT

	2007 £'000s	2006 £'000s
Balance brought forward and carried forward	123,749	123,749

19. CAPITAL REDEMPTION RESERVE

	2007 £'000s	2006 £'000s
Balance brought forward	4,906	3,154
Transfer from equity share capital	963	1,752
Balance carried forward	5,869	4,906

20. OTHER RESERVES

	Capital reserve realised £'000s	Capital reserve unrealised £'000s	Capital reserve total £'000s	Revenue reserve £'000s
Balance at 30 September 2006	168,389	86,880	255,269	8,861
Movements in the year ended 30 September 2007				
Realised gains on investments	33,267	–	33,267	–
Transfers on disposal of investments	60,456	(60,456)	–	–
Exchange losses	(913)	–	(913)	–
Other expenses	(52)	–	(52)	–
Taxation on ordinary activities	(140)	–	(140)	–
Movement in unrealised appreciation on investments	–	56,432	56,432	–
Revenue return	–	–	–	4,321
Return attributable to ordinary shareholders	92,618	(4,024)	88,594	4,321
Cost of purchase of ordinary shares	(30,108)	–	(30,108)	–
Dividends paid in the year	–	–	–	(4,977)
	62,510	(4,024)	58,486	(656)
Balance at 30 September 2007	230,899	82,856	313,755	8,205

Included within the capital reserve realised movement for the year are £733,000 (2006: £401,000) of transaction costs on purchases of investments, £957,000 (2006: £416,000) of transaction costs on sales of investments and £560,000 of distributions recognised as capital (2006: £194,000).

21. NET ASSET VALUE PER ORDINARY SHARE

	2007	2006
Net asset value per share – pence	897.31	731.20
Net assets attributable at the year end – £'000s	464,520	406,690
Ordinary shares of 25p in issue at the year end	51,767,904	55,619,765

Notes on the Accounts (continued)

22. RECONCILIATION OF RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007 £'000s	2006 £'000s
Total return before finance costs and taxation	96,554	65,261
Adjust for returns from non-operating activities		
– Gains on investments	(89,699)	(56,792)
– Exchange losses/(gains) of a capital nature	913	(55)
– Non-operating expenses of a capital nature	52	45
Return from operating activities	7,820	8,459
Adjust for non cash flow items		
Exchange (gains)/losses of a revenue nature	(30)	9
Increase in prepayments and accrued income	(887)	(137)
(Decrease)/increase in accruals and other creditors	66	(24)
	6,969	8,307

23. RECONCILIATION OF NET CASH FLOW MOVEMENT TO MOVEMENT IN NET DEBT

	2007 £'000s	2006 £'000s
(Decrease)/increase in cash	(12,701)	2,943
(Decrease) in short-term deposits	–	(13,884)
Increase in short-term loans	–	(6,782)
Movement in net debt resulting from cash flows	(12,701)	(17,723)
Exchange movement	(913)	75
Movement in net debt	(13,614)	(17,648)
Net debt brought forward	(26,594)	(8,946)
Net debt carried forward	(40,208)	(26,594)

	Balance at 30 September 2006 £'000s	Cash flow £'000s	Exchange movement £'000s	Balance at 30 September 2007 £'000s
Represented by:				
Cash at bank	3,923	(3,904)	(19)	–
Bank overdraft	–	(8,797)	–	(8,797)
Movement in net debt resulting from cash flows	3,923	(12,701)	(19)	(8,797)
Short-term loans	(30,517)	–	(894)	(31,411)
Net debt carried forward	(26,594)	(12,701)	(913)	(40,208)

24. RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES

The Company is an investment company as defined by Section 266 of the Companies Act 1985 and conducts its affairs so as to qualify as an investment trust under the provisions of Section 842 of the Income and Corporation Taxes Act 1988.

The Company's investment objective is to achieve long-term capital growth through a diversified portfolio of Continental European securities. The portfolio held throughout this year and last year is in line with the Company's investment objective. The Company has the power to take out both short-term and long-term borrowings. During the year ended 30 September 2007 the Company did not make use of derivatives (2006: none).

In pursuing its investment objective, the Company faces risks to both assets and revenue. These risks, and the Directors' approach to the management of these risks, are set out on pages 46 and 47.

Details of the interest rate profiles of the Company's financial assets and liabilities, together with the currency exposure of the net monetary assets/(liabilities) are set out below.

Financial assets

The interest rate profile of the Company's financial assets (excluding short-term debtors) at 30 September 2007 was:

Currency	Floating rate financial assets* £'000s	Fixed rate financial assets £'000s	Weighted average interest rate %	Weighted average period for which rate is fixed days
Euro cash at bank (undated)	–	–	–	–

The interest rate profile of the Company's financial assets (excluding short-term debtors) at 30 September 2006 was:

Currency	Floating rate financial assets* £'000s	Fixed rate financial assets £'000s	Weighted average interest rate %	Weighted average period for which rate is fixed Days
Euro cash at bank (undated)	3,851	–	–	–
Sterling cash at bank (undated)	72	–	–	–

* Floating rate financial assets earn interest at competitive rates. The Company's listed investments, debtors and taxation recoverable have been excluded from the interest rate profiles, as they neither earn interest nor have a maturity date.

Financial liabilities

The interest rate profile of the Company's financial liabilities (including short-term loans and bank overdrafts but excluding other short-term creditors) at 30 September 2007 was:

Currency	Floating rate financial liabilities* £'000s	Fixed rate financial liabilities £'000s	Weighted average interest rate %	Weighted average period for which rate is fixed days
Euro loan (fixed period)	–	31,411	5.15	82
Euro bank overdraft (undated)	8,797	–	–	–

The interest rate profile of the Company's financial liabilities (including short-term loans but excluding other short-term creditors) at 30 September 2006 was:

Currency	Floating rate financial liabilities* £'000s	Fixed rate financial liabilities £'000s	Weighted average interest rate %	Weighted average period for which rate is fixed days
Euro loan (fixed period)	–	30,517	3.59	30

*Floating rate financial liabilities suffer interest at competitive rates.

Notes on the Accounts (continued)

24. RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Currency exposure

The currency profile of the Company's net monetary assets/(liabilities) at 30 September 2007 was:

	Euro £'000s	Swiss franc £'000s	Swedish kronor £'000s	Norwegian kroner £'000s	Sterling £'000s	Other £'000s	Total £'000s
Net monetary assets	324,149	58,067	36,952	35,973	(1,290)	10,669	464,520

The currency profile of the Company's net monetary assets/(liabilities) at 30 September 2006 was:

	Euro £'000s	Swiss franc £'000s	Swedish kronor £'000s	Norwegian kroner £'000s	Sterling £'000s	Other £'000s	Total £'000s
Net monetary assets	267,891	86,912	29,288	20,942	(1,141)	2,798	406,690

Fair value

The Directors are of the opinion that the financial assets and liabilities are stated at fair value in the Balance Sheet at 30 September 2007 and 30 September 2006.

Management of financial risks

Risk	Management of risk
<p>Credit</p> <p>Failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered. There is also a credit risk associated with deposit takers.</p>	<p>All transactions are settled on the basis of delivery against payment, except where local market conditions do not permit. Only approved counterparties are used.</p>
<p>Liquidity</p> <p>Difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments.</p>	<p>The Company's investments are principally quoted equities and are readily realisable. The Company has the power to take out borrowings, both short and long-term, and has a loan facility of £40 million in place with The Royal Bank of Scotland.</p>
<p>Market price</p> <p>The Company's assets consist principally of quoted equities and fixed interest stocks, the values of which are determined by market forces.</p>	<p>The Board manages the market price risks inherent in the Company's portfolio by ensuring full and timely access to relevant information from the Manager. The Board meets quarterly, with the London Committee meeting in the intervening months. At each meeting investment performance and financial results are reviewed. The Board monitors compliance with the Company's objectives and is directly responsible for investment strategy, asset allocation and gearing.</p>
<p>Currency</p> <p>Certain of the Company's assets and liabilities are denominated in currencies other than sterling. As a result movements in exchange rates may affect the sterling value of the portfolio, cash, investment purchases and sales and income. The Company does not make use of hedging.</p>	<p>Income denominated in foreign currencies is converted to sterling on receipt. Borrowings are limited to currencies and amounts commensurate with the net exposure to those currencies. The Company does not normally hedge foreign currency exposure through derivatives.</p>

24. RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Management of financial risks (continued)

Risk	Management of risk
Taxation	
Non-compliance with the rules of S842 of the Income and Corporation Taxes Act 1988 could result in the Company being subjected to corporation tax on gains realised on sale of the investment portfolio.	All investment movements are monitored by the Board to ensure that no purchase results in any one investment being worth more than 15% of the total value of the portfolio. The Board also considers the level of forecast income and expenditure to ensure that income is derived mainly from shares and securities and that the proposed dividends payable to shareholders do not result in a breach of the S842 retention rules.

25. CONTINGENT ASSET

The Association of Investment Companies (AIC) and JPMorgan Claverhouse Investment Trust lodged a joint appeal in 2004 for the payment of management fees by Investment Trusts to be treated as exempt from VAT. In June 2007 the European Court of Justice found in favour of the appellants, declaring that Investment Trusts should be treated as Special Investment Funds and thus exempted from VAT on management fees. HM Revenue and Customs (HMRC) has recently announced that it will not appeal against the ECJ decision, in principle. Nevertheless, a number of legal and procedural matters remain to be resolved before certainty is reached in respect of entitlement to repayment of VAT paid in the past.

The Manager has submitted protective claims to HMRC in respect of all prior periods which might fall within the scope of the ECJ ruling and in which VAT was collected from the Company by the Manager on behalf of HMRC. The likelihood of the Company realising some benefit from this decision is probable, but is dependent upon resolution of outstanding matters, including finalisation of agreement with the Manager. It is not possible at this point in time, therefore, to consider recovery of VAT as virtually certain and no amounts have been recognised as an asset within these Accounts.

Ten Year Record

Assets

at 30 September (£'000s)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total assets	293,101	349,366	438,554	563,974	359,895	271,468	332,448	350,088	415,207	437,207	495,931
Loans	43,316	42,508	48,538	44,370	–	6,913	12,617	20,728	23,853	30,517	31,411
Net assets	249,785	306,858	390,016	519,604	359,895	264,555	319,831	329,360	391,354	406,690	464,520

Net asset value (NAV)

at 30 September	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
NAV per share	400.8p	407.8p	518.3p	690.5p	478.3p	351.8p	433.7p	484.4p	624.9p	731.2p	897.3p
NAV total return on 100p – 5 years (per AIC)											268.9p
NAV total return on 100p – 10 years (per AIC)											239.4p

Share price

at 30 September	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Mid-market price per share	371.0p	379.0p	495.0p	653.5p	438.5p	277.0p	349.5p	417.0p	560.0p	664.5p	812.5p
Discount to NAV	7.4%	7.1%	4.5%	5.4%	8.3%	21.3%	19.4%	13.9%	10.4%	9.1%	9.5%
Share price high	371.0p	576.0p	516.0p	763.5p	723.0p	529.5p	388.5p	430.0p	561.5p	690.0p	864.0p
Share price low	290.5p	329.0p	495.0p	491.0p	385.5p	277.0p	258.5p	352.0p	418.0p	533.5p	653.0p
Share price total return on 100p – 5 years (per AIC)											313.7p
Share price total return on 100p – 10 years (per AIC)											238.4p

Revenue

for the year ended 30 September	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Available for ordinary shares – £'000s	1,090	2,192	1,558	765	2,737	3,659	4,864	3,623	4,680	5,043	4,321
Earnings per share	1.8p	3.3p	2.1p	1.0p	3.6p	4.9p	6.5p	5.1p	7.0p	8.7p	8.0p
Dividends per share	1.6p	2.0p ¹	1.7p	1.7p	2.3p ²	4.7p ²	6.5p ²	5.4p ²	7.5p ²	9.0p ²	8.3p²

Performance

(rebased to 100 at 30 September 1997)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
NAV per share	100.0	101.7	129.3	172.3	119.3	87.8	108.2	120.9	155.9	182.4	223.9
Middle market price per share	100.0	102.2	133.4	176.1	118.2	74.7	94.2	112.4	150.9	179.1	219.0
Earnings per share	100.0	188.6	118.3	58.3	208.0	277.7	373.7	292.0	398.3	498.9	459.4
Dividends per share	100.0	125.0	106.3	106.3	143.8	293.8	406.3	337.5	468.8	562.5	518.8
RPI	100.0	103.2	104.3	107.8	109.6	111.5	114.6	118.1	121.2	125.6	130.6

1 Comprises a final dividend of 0.4p and a foreign income dividend of 1.6p.

2 Comprises a final dividend of 1.7p together with a special dividend.

Definitions

Total assets	Total assets less current liabilities (excluding loans).
NAV total return	Return on net assets per share with dividends paid to shareholders reinvested.
AIC	Association of Investment Companies.
Discount to NAV	Amount that the middle market share price is less than the NAV.
Share price total return	Return on the middle market share price with dividends paid to shareholders reinvested.
RPI	All-items retail price index.

Costs of running the Company (total expense ratio)

for the year ended 30 September	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Operating costs (£'000s)	2,738	3,521	4,317	5,439	3,619	2,977	2,577	2,769	3,069	3,153	3,514
Operating costs as a percentage of:											
Average net assets	1.2%	1.1%	1.1%	1.0%	0.8%	0.8%	0.9%	0.8%	0.8%	0.8%	0.8%
Average total assets	1.1%	1.0%	1.0%	0.9%	0.8%	0.8%	0.8%	0.7%	0.8%	0.7%	0.7%

Gearing

at 30 September	1997	1998	1999	2000	2001	2002	2003	2004	2005*	2006	2007
Effective gearing	16.7%	9.0%	10.3%	7.9%	(0.6)%	2.5%	1.5%	5.9%	2.8%	6.5%	8.1%
Fully invested gearing	17.3%	14.5%	12.4%	8.5%	–	2.6%	3.9%	6.3%	6.2%	7.5%	6.8%

Definitions

Operating costs	All costs charged to revenue and capital, other than interest costs, taxation, the costs of purchase of share capital and the costs of buying and selling investments.
Average net assets	The average of net assets at the end of each quarter.
Average total assets	The average of total assets at the end of each quarter.
Effective gearing	Loans, less cash (adjusted for settlements), as a percentage of net assets.
Fully invested gearing	Loans as a percentage of net assets at the year end.

Notice of Annual General Meeting

Notice is hereby given that the thirty fifth Annual General Meeting of Foreign & Colonial Eurotrust PLC will be held at Exchange House, Primrose Street, London EC2A 2NY on Thursday 13 December 2007 at 11 am for the following purposes:

Ordinary business:

- 1 To receive and adopt the Directors' Report and Accounts for the year ended 30 September 2007.
- 2 To approve the Directors' Remuneration Report.
- 3 To declare a final dividend.
- 4 To re-elect Mr D C P McDougall as a Director.
- 5 To re-elect Mr R Kanza as a Director.
- 6 To elect Mr W D Eason as a Director.
- 7 To re-appoint PricewaterhouseCoopers LLP as auditors to the Company.
- 8 To authorise the Directors to determine the remuneration of the auditors.

Special business

- 9 To consider and, if thought fit, pass the following resolution as a special resolution: THAT:
 - (a) the Directors be and they are hereby:
 - (i) generally and unconditionally authorised, in accordance with Section 80 of the Companies Act 1985 (the "Act"), to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £645,760 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the annual general meeting of the Company in 2008; and
 - (ii) empowered, pursuant to Section 95 of the Act, to allot equity securities pursuant to the authority referred to in paragraph (a)(i) of this resolution as if Section 89(1) of the Act did not apply to any such allotment; but so that this authority and power shall enable the Company to make offers or agreements which would or might require relevant securities or equity securities to be allotted after the expiry of this authority and power;
 - (b) all authorities and powers previously conferred under Section 80 or Section 95 of the Act be and they are hereby revoked, provided that

such revocation shall not have retrospective effect; and

- (c) words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings in this resolution.
- 10 To consider and, if thought fit, pass the following resolution as a special resolution: THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 of the Act) of ordinary shares of 25 pence each in the capital of the Company ("ordinary shares") on such terms and in such manner as the Directors may from time to time determine, provided that:
 - (a) the maximum number of ordinary shares hereby authorised to be purchased is 7,743,954;
 - (b) the minimum price which may be paid for an ordinary share shall be 25 pence;
 - (c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased;
 - (d) the minimum and maximum prices per ordinary share referred to in sub-paragraphs (b) and (c) of this resolution are in each case exclusive of any expenses payable by the Company;
 - (e) the authority hereby conferred shall expire on 12 June 2009 unless it is renewed at the annual general meeting of the Company in 2008, or is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; and
 - (f) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed wholly or partly after the expiration of such authority.

By Order of the Board
F&C Management Limited
Secretary

1 November 2007

Registered Office:
Exchange House
Primrose Street
London EC2A 2NY

Location of meeting



NOTES:

Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered on the register of members of the Company at 11 pm on 11 December 2007 (the "specified time") shall be entitled to attend and vote or be represented at the meeting in respect of the shares registered in their name at that time. Changes to entries on the register of members after 11 pm on 11 December 2007 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

If the meeting is adjourned to a time not more than 48 hours after the time applicable to the original meeting, the specified time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If, however, the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at 11 pm on the day which is two business days before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at any time specified in that notice.

A member entitled to attend, speak and vote at the meeting may appoint one or more proxies to attend, speak and vote instead of him/her. If you wish to appoint more than one proxy please contact the Company's registrars on 0870 889 4086. You may not appoint more than one proxy to exercise rights attached to any one share. A proxy need not be a member of the Company. If the Chairman, as a result of any proxy appointments, is given discretion to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any person holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.

Any such person holding 3% or more of the voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

As at 31 October 2007, the latest practicable date prior to publication of this document, the Company had 51,660,804 ordinary shares in issue with a total of 51,660,804 voting rights.

This notice of meeting does not include an electronic address for the Company and accordingly all documents or information sent to the Company in relation to proceedings at this meeting, or proxies for the meeting, must be in hard copy form.

To be valid, a form of proxy for use at the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority, must be deposited with the Company's registrars, Computershare Investor Services PLC, PO Box 1075, Bristol, BS99 6ZY, by 11 am on 11 December 2007. In view of this requirement, investors holding shares in the Company through the F&C Private Investor, Personal Equity or Pension Savings Plans or in a F&C Individual Savings Account should ensure that forms of direction are returned to Computershare Investor Services PLC at the address on the form not later than 11 am on 7 December 2007.

The register of Directors' holdings, Directors' appointment letters and a deed poll in relation to Directors' indemnities are available for inspection at the registered office of the Company during normal business hours on any weekday and will be available at the place of the meeting from 15 minutes prior to the commencement of the meeting until the conclusion thereof.

No Director has any contract of service with the Company.

The final dividend in respect of the year ended 30 September 2007 will, if approved, be paid on 20 December 2007 to holders of ordinary shares on the register at the close of business on 16 November 2007. The special dividend declared by the Directors on 1 November 2007 will also be paid on 20 December 2007 to holders of ordinary shares on the register at the close of business on 16 November 2007.

Information for Shareholders

Net asset value and share price

The Company's Net Asset Value ("NAV") is released daily, on the working day following the calculation date, to the London Stock Exchange.

The current share price of Foreign & Colonial Eurotrust PLC is shown in the investment trust or investment companies section of the stockmarket page in most leading newspapers, usually under "For&Col Euro". Investors in New Zealand can obtain share prices from leading newspapers in that country.

Performance information

Information on the Company's performance is provided in the interim and final reports which are sent to shareholders in May and November respectively.

More up-to-date performance information is available on the Internet at www.fandc.com (select your country, click on "Private Investors", then scroll down to the bottom of the page and select the Company from the drop down menu under the title "F&C Funds"). The Company's section of the F&C website also provides a link to a monthly factsheet which includes details of the Company's largest holdings, along with comments from the fund manager.

Association of Investment Companies ("AIC")

Foreign & Colonial Eurotrust PLC is a member of the AIC, which publishes a monthly statistical information service in respect of member companies. The publication also has details of ISA, PEP and other investment plans available. For further details, please contact the AIC on 020 7282 5555, or visit the website: www.theaic.co.uk.

UK capital gains tax ("CGT")

An approved investment trust does not pay tax on capital gains. UK resident individuals may realise net capital gains of up to £9,200 in the tax year ended 5 April 2008 without incurring any tax liability.

Up to April 1998, the cost of investments for CGT purposes was adjusted to allow for inflation between the month of acquisition and the month of disposal of the investments. For investments held at 6 April 1998 and disposed of after that date, this indexation allowance will be computed for the period from the date of acquisition to April 1998, with taper relief applying after April 1998. For assets acquired on or after 6 April 1998, only taper relief applies. The taper reduces the amount of chargeable gain according to the number of complete years after 5 April 1998 for which the investment has been held.

Significant changes to the CGT regime were proposed in the October 2007 pre-budget report. These changes may come into force through inclusion in the Finance Bill 2008 which is subject to royal assent.

Income tax

The recommended final dividend is payable in December 2007. Individual UK resident shareholders who are subject to UK income tax at the lower rate or the basic rate have no further tax liability.

Shareholders not resident in the UK, and any shareholders in doubt as to their tax position, should consult their professional advisers.

The logo for the Association of Investment Companies (AIC) consists of the lowercase letters 'aic' in a bold, sans-serif font. The letter 'i' has a dot above it.

The Association of
Investment Companies



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info@fandc.com

Registrars:

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