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**Foreign & Colonial  
Eurotrust PLC**

Report and Accounts

for the half-year ended **31 March 2008**

## Objective

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

## Financial Highlights

### Summary of Unaudited Results

Attributable to equity shareholders	<b>31 March 2008</b>	30 September 2007	% Change
Net assets	<b>£407.14m</b>	£464.52m	(12.4)
Net asset value per share	<b>800.62p</b>	897.31p	(10.8)
Share price	<b>731.00p</b>	812.50p	(10.0)
	<b>Half-year ended 31 March 2008</b>	Half-year ended 31 March 2007	
Revenue return per share	<b>0.93p</b>	0.05p	

Visit our website at [www.foreignandcolonialeurotrust.com](http://www.foreignandcolonialeurotrust.com)

Registered in England with Company Registration Number: 1055384

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

## Manager's Review

### Capital performance

Over the half-year ended 31 March 2008, your Company's net asset value per share fell by 10.8% from 897.3p to 800.6p compared with a fall of 5.2% in the FTSE World Europe Index, excluding the UK and adjusted to sterling. The Company's share price fell by 10.0% from 812.5p to 731.0p. The discount narrowed from 9.5% to 8.7%.

### Revenue

The net revenue return attributable to shareholders is higher than at the interim stage last year. Although income has fallen, management fees and finance costs have reduced by a greater amount. Management fees are no longer subject to VAT and were based on lower average assets under management. The decrease in finance costs reflects the decision to repay the loan during the current period. The figures are not indicative of the full year results because European companies tend to pay their dividends between April and September whereas expenses are incurred throughout the year.

### Gearing

The effective gearing of the Company was 0.9% at 31 March 2008. It is the policy of the Board that the level of gearing should not exceed 20%.

### German listing

The Company has applied for the cancellation of its listing on the Frankfurt Stock Exchange. The Directors believe that the time and resources of maintaining that listing are not justified in view of the fact that there had been no share trading on that exchange. The delisting is expected to become effective in July 2008.

### Review of markets

Equities in Continental Europe suffered in the recent environment, impacted by continuing global credit market turmoil and the fears of an economic recession in the US. In particular, the banking sector was once again impacted by further write-downs and the rescue of Bear Stearns in the US. In its latest Global Financial Stability Report (April 2008), the International Monetary Fund estimated potential losses of the financial crisis at US\$945bn.

The disappointing performance of our financial holdings, combined with a bias towards small and mid-cap stocks, predominantly accounted for the divergence in performance from the benchmark in the first half of the year.

The European Central Bank (ECB) left rates unchanged at 4.0%. At its most recent press conference, Jean-Claude Trichet crushed all hopes of imminent interest rate cuts, arguing that there is still inflationary pressure in the short-term. The ECB considers that fundamentals in the euro zone are still sound for economic activity. It believes both domestic and overseas demand should underpin growth in 2008. This view has been backed by recent data which indicated that fundamentals are holding up in the face of the main challenges of the strong Euro and lack of monetary easing. We expect the region's diversified export base to provide some protection from the US slowdown. Structurally Europe is also shielded, to some extent, by consumers that are less indebted and housing markets that for the most part are less stretched than their US and UK counterparts.

At a corporate level, the results from the upcoming Q1 earnings season will be important in assessing the impact of the recent financial turmoil on the wider market.

Merger and acquisition activity continued, driven by the strength of corporate balance sheets. Notable deals included the staffing company Randstadt's buying its Dutch listed competitor Vedior.

### Portfolio strategy

We are adding to positions in companies that can withstand the global headwinds, exhibit pricing power to offset rising input costs and generate cash earnings irrespective of the economic cycle. Conversely, we are trimming exposure to more cyclical companies that would suffer most in a more protracted economic downturn.

Within the financial sector, UBS announced a second wave of write-downs and we expect further announcements from other institutions. However, we believe markets have now priced in the majority of this bad news and, with this in mind, we added to our holding in the German listed Hypo Real Estate. The latter finances large volume and complex real estate projects, advises on disposing of real estate portfolios and structures investments in real estate based instruments.

We have maintained our focus on seeking out companies with robust earnings and future potential. With this in mind we continue to favour investments geared into Asian domestic strength like Folli Follie, a Greek mid-range jewellery manufacturer.

Towards the end of the period the Company established a new holding in Digital Multimedia Technologies (DMT). Listed in Italy, DMT owns and operates the major independent tower infrastructure for TV, radio, mobile and other wireless communication services.

We continued to add to our position in the attractively valued Vivendi, a leader in

entertainment including music, cinema and the internet. We are positive on its recent tie-up with Electronic Arts, believing the deal will help them crystallise value in their gaming business. At the beginning of the period under review a position was established in Speedel, which focuses on the development of drugs to treat cardiovascular and metabolic diseases and has three products in Phase II-III clinical trials. The most advanced drug, Tekturna, is the first in a new class of renin inhibitors for cardiovascular disease and is partnered with Novartis.

### Outlook

Although risks to financial markets have undoubtedly increased, we take comfort from the aggressive and proactive measures taken by the US Federal Reserve to alleviate the strains in the financial system and stimulate growth. This, combined with valuations that look increasingly compelling, should provide some support to equity markets.

The Euro's current strength against Sterling and the Dollar is a risk to earnings and we believe consensus forecasts may be underestimating the negative impact. Nevertheless, we believe the long-term case for investment in selected European equities remains robust. While we expect corporate earnings to deteriorate and market volatility to restrict gains, current conditions provide opportunities to add exposure to companies we favour and initiate new positions, based on price weakness, where we see value.



Peter Jarvis  
May 2008

## Twenty Largest Equity Holdings at 31 March 2008

31 Mar 2008	30 Sep 2007	Company Sector (Country)	Value £'000s	% of total investments
1	2	<b>Nokia</b> Technology hardware & equipment (Finland)	13,159	3.2
2	1	<b>Total</b> Oil & gas producers (France)	10,664	2.6
3	–	<b>Grupo Ferrovial</b> Construction & materials (Spain)	10,579	2.6
4	–	<b>ABB</b> Electronic & electrical equipment (Switzerland)	8,809	2.1
5	–	<b>CNP Assurances</b> Life insurance (France)	8,721	2.1
6	15	<b>Unilever</b> Food producers (Netherlands)	8,543	2.1
7	6	<b>ENI</b> Oil & gas producers (Italy)	8,534	2.1
8	4	<b>Roche</b> Pharmaceuticals & biotechnology (Switzerland)	8,367	2.0
9	31	<b>Ipsen</b> Pharmaceuticals & biotechnology (France)	7,862	1.9
10	–	<b>Bank of Ireland</b> Banks (Ireland)	7,510	1.8

31 Mar 2008	30 Sep 2007	Company Sector (Country)	Value £'000s	% of total investments
11	–	<b>Suez</b> Gas, water & multi-utilities (France)	7,508	1.8
12	–	<b>Hypo Real Estate</b> General financial (Germany)	7,323	1.8
13	16	<b>FLSmidth</b> Construction & materials (Denmark)	7,273	1.8
14	35	<b>Konecranes</b> Industrial engineering (Finland)	7,251	1.8
15	51	<b>Actelion</b> Pharmaceuticals & biotechnology (Switzerland)	6,880	1.7
16	33	<b>United Internet</b> Software & computer services (Germany)	6,826	1.6
17	5	<b>Société Générale</b> Banks (France)	6,527	1.6
18	40	<b>CRH</b> Construction & materials (Ireland)	6,513	1.6
19	17	<b>Koninklijke Philips Electronics</b> Leisure goods (Netherlands)	6,456	1.6
20	12	<b>Intralot</b> Travel & leisure (Greece)	6,329	1.5

The value of the twenty largest equity holdings represents 39.3% of the Company's total investments (30 September 2007: 36.9%). The country is the country of incorporation.

## Unaudited Income Statement

Notes	Half-year ended 31 March 2008			Half-year ended 31 March 2007			Year ended 30 September 2007			
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s	
	(Losses)/gains on investments	–	(46,021)	(46,021)	–	64,369	64,369	–	89,699	89,699
	Exchange gains/(losses)	36	(393)	(357)	(6)	(124)	(130)	30	(913)	(883)
2	Income	2,301	–	2,301	2,567	–	2,567	11,252	–	11,252
	Management fee	(987)	–	(987)	(1,366)	–	(1,366)	(2,782)	–	(2,782)
	Other expenses	(347)	(21)	(368)	(348)	(22)	(370)	(680)	(52)	(732)
	<b>Net return before finance costs and taxation</b>	<b>1,003</b>	<b>(46,435)</b>	<b>(45,432)</b>	<b>847</b>	<b>64,223</b>	<b>65,070</b>	<b>7,820</b>	<b>88,734</b>	<b>96,554</b>
	Finance costs	(460)	–	(460)	(781)	–	(781)	(1,596)	–	(1,596)
	<b>Net return on ordinary activities before taxation</b>	<b>543</b>	<b>(46,435)</b>	<b>(45,892)</b>	<b>66</b>	<b>64,223</b>	<b>64,289</b>	<b>6,224</b>	<b>88,734</b>	<b>94,958</b>
	Taxation on ordinary activities	(64)	–	(64)	(39)	–	(39)	(1,903)	(140)	(2,043)
3	<b>Net return attributable to equity shareholders</b>	<b>479</b>	<b>(46,435)</b>	<b>(45,956)</b>	<b>27</b>	<b>64,223</b>	<b>64,250</b>	<b>4,321</b>	<b>88,594</b>	<b>92,915</b>
3	<b>Return per share – pence</b>	<b>0.93</b>	<b>(90.58)</b>	<b>(89.65)</b>	<b>0.05</b>	<b>116.89</b>	<b>116.94</b>	<b>8.04</b>	<b>164.78</b>	<b>172.82</b>

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.

## Unaudited Reconciliation of Movements in Shareholders' Funds

Notes	Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total equity shareholders' funds £'000s
<b>Half-year ended 31 March 2008</b>						
Balance at 30 September 2007	12,942	123,749	5,869	313,755	8,205	464,520
<b>Movements during the half-year ended 31 March 2008</b>						
4 Dividends paid	-	-	-	-	(4,269)	(4,269)
6 Shares purchased by the Company	(229)	-	229	(7,154)	-	(7,154)
3 Net return attributable to equity shareholders	-	-	-	(46,435)	479	(45,956)
<b>Balance at 31 March 2008</b>	<b>12,713</b>	<b>123,749</b>	<b>6,098</b>	<b>260,166</b>	<b>4,415</b>	<b>407,141</b>
<b>Half-year ended 31 March 2007</b>						
Balance at 30 September 2006	13,905	123,749	4,906	255,269	8,861	406,690
<b>Movements during the half-year ended 31 March 2007</b>						
4 Dividends paid	-	-	-	-	(4,977)	(4,977)
6 Shares purchased by the Company	(498)	-	498	(14,552)	-	(14,552)
3 Net return attributable to equity shareholders	-	-	-	64,223	27	64,250
<b>Balance at 31 March 2007</b>	<b>13,407</b>	<b>123,749</b>	<b>5,404</b>	<b>304,940</b>	<b>3,911</b>	<b>451,411</b>
<b>Year ended 30 September 2007</b>						
Balance at 30 September 2006	13,905	123,749	4,906	255,269	8,861	406,690
<b>Movements during the year ended 30 September 2007</b>						
4 Dividends paid	-	-	-	-	(4,977)	(4,977)
6 Shares purchased by the Company	(963)	-	963	(30,108)	-	(30,108)
3 Net return attributable to equity shareholders	-	-	-	88,594	4,321	92,915
<b>Balance at 30 September 2007</b>	<b>12,942</b>	<b>123,749</b>	<b>5,869</b>	<b>313,755</b>	<b>8,205</b>	<b>464,520</b>

# Unaudited Balance Sheet

Notes	31 March 2008		31 March 2007		30 September 2007	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Fixed assets</b>						
Listed investments		<b>410,828</b>		482,326		502,397
<b>Current assets</b>						
Debtors	<b>4,863</b>		2,519		3,571	
Taxation recoverable	<b>245</b>		582		249	
Cash at bank	<b>-</b>		5,540		-	
	<b>5,108</b>		8,641		3,820	
<b>Creditors: amounts falling due within one year</b>						
5 Foreign currency loans	<b>-</b>		(30,541)		(31,411)	
Other	<b>(8,795)</b>		(9,015)		(10,286)	
	<b>(8,795)</b>		(39,556)		(41,697)	
<b>Net current liabilities</b>		<b>(3,687)</b>		(30,915)		(37,877)
<b>Net assets</b>		<b>407,141</b>		451,411		464,520
<b>Capital and reserves</b>						
6 Share capital		<b>12,713</b>		13,407		12,942
Share premium account	<b>123,749</b>		123,749		123,749	
Capital redemption reserve	<b>6,098</b>		5,404		5,869	
Capital reserves	<b>260,166</b>		304,940		313,755	
Revenue reserve	<b>4,415</b>		3,911		8,205	
		<b>394,428</b>		438,004		451,578
7 <b>Total shareholders' funds – equity</b>		<b>407,141</b>		451,411		464,520
7 <b>Net asset value per share – pence</b>		<b>800.62</b>		841.76		897.31

## Unaudited Summary Cash Flow Statement

Notes	Year ended			
	Half-year ended	Half-year ended	30 September	
	31 March 2008	31 March 2007	2007	
	£'000s	£'000s	£'000s	
8	Net cash inflow from operating activities	1,131	844	6,969
	Cash outflow from servicing of finance	(513)	(763)	(1,537)
	Total tax paid	(291)	(756)	(1,993)
	Net cash inflow from financial investment	43,783	21,928	18,945
	Equity dividends paid	(4,269)	(4,977)	(4,977)
	<b>Net cash inflow before use of liquid resources and financing</b>	<b>39,841</b>	16,276	17,407
	Net cash outflow from financing	(39,749)	(14,668)	(30,108)
	<b>Increase/(decrease) in cash</b>	<b>92</b>	1,608	(12,701)
	<b>Reconciliation of net cash flow to movement in net debt</b>			
	Increase/(decrease) in cash	92	1,608	(12,701)
	Decrease in short-term loans	32,595	116	–
	<b>Movement in net debt resulting from cash flows</b>	<b>32,687</b>	1,724	(12,701)
	Exchange movement	(419)	(131)	(913)
	<b>Movement in net debt</b>	<b>32,268</b>	1,593	(13,614)
	<b>Net debt brought forward</b>	<b>(40,208)</b>	(26,594)	(26,594)
	<b>Net debt carried forward</b>	<b>(7,940)</b>	(25,001)	(40,208)
	<b>Represented by:</b>			
	Cash at bank	–	5,540	–
	Bank overdraft	(7,940)	–	(8,797)
		(7,940)	5,540	(8,797)
	Short-term loans	–	(30,541)	(31,411)
		(7,940)	(25,001)	(40,208)

## Unaudited Notes on the Accounts

### 1 Significant accounting policies

These financial statements have been prepared on the basis of the accounting policies set out in the Company's financial statements at 30 September 2007. These accounting policies are expected to be followed throughout the year ending 30 September 2008.

### 2 Income

	Half-year ended	Half-year ended	Year ended
	31 March 2008	31 March 2007	30 September 2007
	£'000s	£'000s	£'000s
<b>Income from investments</b>			
Overseas dividends	2,103	2,477	10,881
<b>Other income</b>			
Bank interest	152	37	99
Stock lending fees	46	53	272
	198	90	371
<b>Total income</b>	<b>2,301</b>	2,567	11,252

### 3 Return per share

	Half-year ended	Half-year ended	Year ended
	31 March 2008	31 March 2007	30 September 2007
Revenue return per share – pence	0.93	0.05	8.04
Net revenue return attributable to equity shareholders – £'000s	479	27	4,321
Capital return per share – pence	(90.58)	116.89	164.78
Net capital return attributable to equity shareholders – £'000s	(46,435)	64,223	88,594
Weighted average number of shares in issue during the period	51,262,887	54,937,829	53,794,678

## Unaudited Notes on the Accounts (continued)

### 4 Dividends

Dividends on ordinary shares	Register date	Payment date	Half-year ended	Half-year ended	Year ended
			31 March 2008 £'000s	31 March 2007 £'000s	30 September 2007 £'000s
Final for the year ended 30 September 2007 of 1.7p	16 November 2007	20 December 2007	874	–	–
Special for the year ended 30 September 2007 of 6.6p	16 November 2007	20 December 2007	3,395	–	–
Final for the year ended 30 September 2006 of 1.7p	17 November 2006	21 December 2006	–	940	940
Special for the year ended 30 September 2006 of 7.3p	17 November 2006	21 December 2006	–	4,037	4,037
			<b>4,269</b>	<b>4,977</b>	<b>4,977</b>

The Directors have not declared an interim dividend.

### 5 Creditors: amounts falling due within one year

Foreign currency loans	31 March 2008 £'000s	31 March 2007 £'000s	30 September 2007 £'000s
	–	30,541	31,411
Comprise	€'000s	€'000s	€'000s
Euro denominated	–	45,000	45,000

### 6 Share capital

Equity share capital	Number	Authorised	Issued and fully paid	
		£'000s	Number	£'000s
Ordinary shares of 25p each				
Balance at 30 September 2007	100,000,000	25,000	51,767,904	12,942
Transfer to capital redemption reserve	–	–	(914,698)	(229)
<b>Balance at 31 March 2008</b>	<b>100,000,000</b>	<b>25,000</b>	<b>50,853,206</b>	<b>12,713</b>

During the half-year ended 31 March 2008 914,698 ordinary shares were purchased for cancellation at a cost of £7,154,000.

### 7 Net asset value per share

	31 March 2008	31 March 2007	30 September 2007
Net asset value per share – pence	800.62	841.76	897.31
Net assets attributable at the period end – £'000s	407,141	451,411	464,520
Number of ordinary shares in issue at the period end	50,853,206	53,626,807	51,767,904

### 8 Reconciliation of return before finance costs and taxation to net cash inflow from operating activities

	Half-year ended 31 March 2008 £'000s	Half-year ended 31 March 2007 £'000s	Year ended 30 September 2007 £'000s
Net return before finance costs and taxation	(45,432)	65,070	96,554
Adjust for returns from non-operating activities			
Losses/(gains) on investments	46,021	(64,369)	(89,699)
Exchange losses of a capital nature	393	124	913
Non-operating expenses of a capital nature	21	22	52
Return from operating activities	1,003	847	7,820
Adjust for non-cash flow items			
Exchange (gains)/losses of a revenue nature	(36)	6	(30)
Decrease/(increase) in prepayments and accrued income	408	(84)	(887)
(Decrease)/increase in accruals and other creditors	(244)	75	66
	<b>1,131</b>	<b>844</b>	<b>6,969</b>

## Unaudited Notes on the Accounts (continued)

### 9 Contingent asset

As detailed in the Company's report and accounts for the year ended 30 September 2007, the European Court of Justice has ruled that investment trusts are exempted from paying VAT on management fees. A separate UK House of Lords decision in January 2008 ruled that the three year capping imposed by HM Revenue and Customs (HMRC) in relation to VAT claims submitted prior to January 1997 was invalid. The two rulings enable the Company's Manager, F&C Management Limited, to enter into negotiations with HMRC to reclaim a proportion of VAT paid on behalf of the Company in the periods between April 1990 and December 1996 and further periods since April 2001.

Although recovery of a proportion of VAT suffered remains highly probable, the quantum and timing of any recoveries is dependent upon the outcome of the Manager's separate negotiations with HMRC, as well as upon the negotiations between the Company and the Manager. As a consequence of this on-going uncertainty, no amount relating to VAT recoverable has been recognised as an asset within these accounts.

### 10 Results

The results for the half-year ended 31 March 2008 and for the half-year ended 31 March 2007, which are unaudited, constitute non-statutory accounts within the meaning of Section 434 of the Companies Act 2006. The latest published accounts which have been delivered to the Registrar of Companies are for the year ended 30 September 2007; the report of the auditors thereon was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The abridged financial statements shown above for the year ended 30 September 2007 are an extract from those accounts.

By order of the Board  
F&C Management Limited, Secretary  
Exchange House  
Primrose Street  
London EC2A 2NY

13 May 2008

## Directors' Statement of Principal Risks and Uncertainties

The Company's assets consist of quoted equity securities and its principal risks are therefore market related. Other key risks faced by the Company include investment strategy, currency and gearing, management resources, regulatory and financial controls. These risks, and the way in which they are managed, are

described in more detail under the heading "Principal risks and risk management" within the business review in the Company's annual report for the year ended 30 September 2007. The Company's principal risks and uncertainties have not changed materially since the date of that report.

## Directors' Statement of Responsibilities

We confirm that to the best of our knowledge:

- the condensed set of financial statements have been prepared in accordance with the statement "Half-yearly financial reports" issued by the UK Accounting Standards Board and give a true and fair view of the assets, liabilities, financial position and net return of the Company as required by the Disclosure and Transparency Rules ("DTR") 4.2.4R;
- the Manager's Review (constituting the interim management report) includes a fair review of the information required by DTR 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the financial statements;
- the Statement of Principal Risks and Uncertainties shown above is a fair review of the information required by DTR 4.2.7R; and
- the financial statements include a fair review of the information required by DTR 4.2.8R regarding related party transactions.

On behalf of the Board  
Douglas McDougall  
Chairman  
13 May 2008

### Availability of report and accounts

The Company's report and accounts are available on the Internet at [www.foreignandcolonialeurotrust.com](http://www.foreignandcolonialeurotrust.com). Printed copies may be obtained from the Company's registered office, Exchange House, Primrose Street, London EC2A 2NY