Foreign & Colonial

Foreign & Colonial Eurotrust PLC

Report and Accounts

2008

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 assets of around £300m, Foreign & Colonial Eurotrust is one of the larger investment trusts in its peer group.
- Spread: We own shares in 69 companies throughout Europe.
- Number of shareholders: 73% of the Company's share capital is owned by individuals.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in Foreign & Colonial Eurotrust PLC please forward this document, together with the accompanying documents, immediately to the purchaser or transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Visit the website at **www.foreignandcolonialeurotrust.com**
Registered in England with company registration number 1055384.

Financial Highlights

Summary of results

Attributable to equity shareholders	30 September 2008	30 September 2007	% Change
Net assets	**£292.38m**	£464.52m	(37.1)
Net asset value per share	**599.36p**	897.31p	(33.2)
Share price	**518.00p**	812.50p	(36.2)
Revenue return per share	**14.30p**	8.04p	77.9
Dividends per share	**14.90p**	8.30p	79.5

Contents

Financial calendar

Annual general meeting	17 December 2008
Final and special dividends payable*	22 December 2008
Half-year results for 2009 announced	May 2009
Final results for 2009 announced	November 2009

* to shareholders on the register at the close of business on 14 November 2008

Chairman's Statement

Capital performance

The year to 30 September 2008 was a disappointing one for the Company. The net asset value ("NAV") per share fell by 33.2% from 897.3p to 599.4p compared with a decrease of 19.7% in the FTSE World Europe Index, excluding the UK and adjusted to sterling. The Company's share price fell by 36.2% from 812.5p to 518.0p. The discount widened from 9.5% to 13.6%. You will find an account of developments in the portfolio in the Manager's Review on pages 4 to 6.

Revenue

The gross income for the year increased, reflecting the strengthening of the euro against sterling. Expenses have decreased with the management fee having fallen in line with the decreased value of the portfolio. Finance costs have decreased due to there being no gearing for much of the year. There is also a £2m credit in respect of VAT recoverable on management fees paid in the past. The net revenue return attributable to shareholders increased by 68.1% from £4.3m to £7.3m.

VAT

Since last year progress in legal proceedings has been made in relation to the issue of VAT on investment management fees previously paid by the Company. At this stage, while uncertainties remain over the precise amount and the timing of recovery of previously paid VAT, the Board believes that it is appropriate to recognise £2m as recoverable in the accounts. It is possible that further amounts could be recovered in due course, but prudence dictates that we wait for further developments. Note 5 on the accounts provides additional detail on this issue.

Dividend

The Board is declaring a special dividend of 2.9p per share to distribute the net amount, after deducting attributable corporation tax, of the £2m recoverable VAT. The Board is recommending an increased final dividend of 12.0p per share reflecting a decrease in the level of expenses and the increased yield offered by European equities. This substantial increase in the final dividend being recommended reflects the Board's revised policy whereby the final dividend will fluctuate according to normal net income streams. Special dividends will now only be paid to distribute exceptional profits. This gives a combined dividend of 14.9p compared with last year's combined dividend of 8.3p. 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.

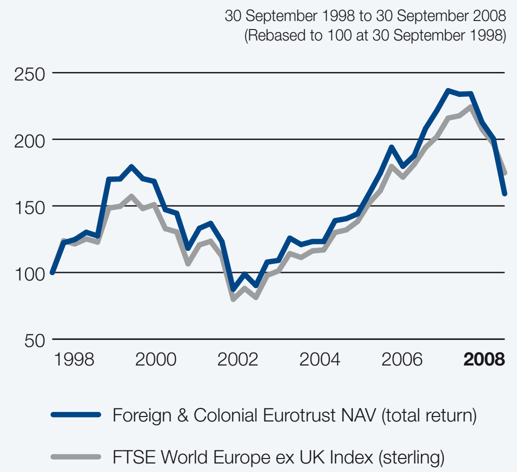
Gearing

At 30 September 2008 the Company's borrowings were more than offset by cash, adjusted for investment settlements, giving net liquidity of 2.0%.

Share buybacks and demand for shares

The Company bought back and cancelled 2,986,263 shares during the financial year, representing 5.8% of the share capital at the beginning of the year. The Board will again propose to the annual general meeting ("AGM") that the Company be granted powers to make further purchases as appropriate. We continue to monitor the level of discount to NAV at which your shares trade and believe that share buybacks are an important factor in addressing supply/demand imbalances while at the same time increasing the NAV per share.

Net asset value per share performance over 10 years



Source: Datastream and F&C Management Limited

At the end of September, there were over 2,400 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. The Company now has over 19,000 shareholders and the percentage of the share capital owned by private individuals is 73%. This continues to be one of the highest levels of individual ownership in the investment trust sector.

Annual general meeting

We hope that as many shareholders as possible will attend the AGM which will be held at 11 a.m. on Wednesday 17 December at the offices of F&C Management Limited at Exchange House, Primrose Street, London EC2A 2NY. We look forward to meeting all of you who can come.

Electronic communications

A resolution is to be put to the AGM to amend the Company's articles of association, more details of which are set out on pages 56 to 58. Part of these changes will allow the Company to communicate with shareholders both in electronic form and via a website in future. We expect these new communication arrangements to begin in 2009 and will write to all shareholders in due course to allow you to elect to continue to receive hard copy documents.

Douglas McDougall
Chairman
5 November 2008

Manager's Review

The past year has been a turbulent period for European equities, which declined sharply reflecting both difficulties in the credit markets and a broad based slowdown in growth which now appears to be taking hold. Domestic economic indicators paint a pessimistic picture, with Eurozone GDP declining by 0.2% in the second quarter and the German Information Und Forschung Index of business confidence deteriorating sharply.

The dramatic events which unfolded in the financial sector in September and October 2008 have led to near capitulation in equity markets. In addition to the ongoing efforts of governments to underwrite deposits in their banking systems across Europe and direct efforts to recapitalise (or nationalise) banks and financial institutions, we had co-ordinated rate cuts from many of the world's central banks, including the Bank of England, the US Federal Reserve and the European Central Bank, all of whom cut rates by 50bp. This was the first co-ordinated rate cut since the 9/11 attacks and markets had largely discounted that such a move would take place. The move was clearly welcome and was designed not just to ease monetary conditions globally but also to demonstrate that central bankers are undertaking aggressive and co-ordinated policy action in order to address current market dislocation through direct action on interest rates as well as liquidity provision.

The joint statement issued by the central banks pointed to declining inflationary pressures, partly as a function of lower commodity prices, and signalled the increased downside risks to growth as a function of the intensifying financial crisis. We believe the move will not be the end of easing in global policy; more rate cuts will be forthcoming in all major regions over coming months. Provided that financial stress does not intensify from here, the action may help to stabilise growth expectations for the coming year.

The key point of the central banks' move is that they are clearly signalling their recognition of the grave situation which is afflicting markets and which will push most of the global economy into recession. They will remain focused on improving financial (as well as monetary) conditions and we would not be surprised to see more unconventional action, similar to the Fed's planned purchase of commercial paper, in order to restore confidence.

Santander is a well-diversified bank

History has taught us that this type of exercise can prove effective. To give an example, the Swedish banking crisis of the early 90's and subsequent market volatility abated only following policy intervention.

The growing differential between the core and periphery markets across Europe is an added worry as the markets in Germany and France have demonstrated far more resilience than the Spanish and Irish markets, both of which have suffered similarly to the UK. As in Britain, Spain's and Ireland's booms were supported by growth in construction and property; the well-documented downturn in these areas has led to an inevitable fall-out. Initially, it was thought that Spain's fiscal strength would help cushion the slowdown, but the past year has seen government funding reduced from a surplus to a deficit position following tax rebates issued to Spanish citizens.

Overall strategy remains broadly unchanged

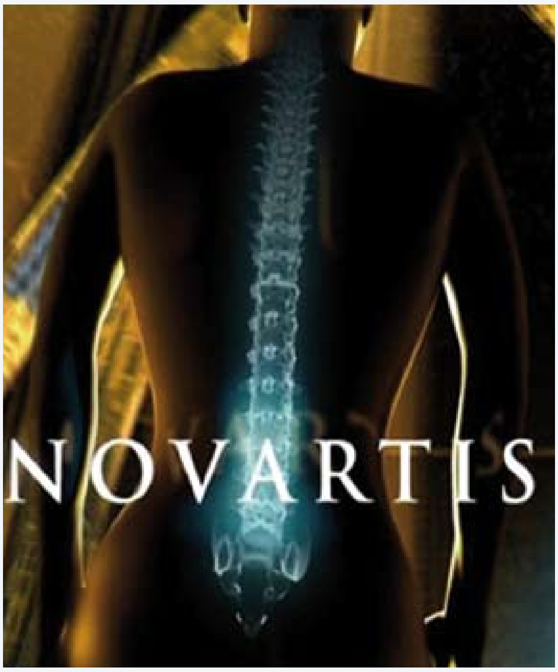
The composition of the portfolio remains a function of bottom up stock selection overlaid by the identification of strong themes with investments drawn from across the capitalisation scale.

Over the period the portfolio has suffered from its exposure to small and medium-sized companies. This portion of the market has de-rated as de-leveraging and lack of liquidity has led to dramatic price falls relative to the market. We believe that as markets begin to stabilise valuations will once again drive stock prices and these stocks will be key beneficiaries.

We have used the recent turmoil to increase the Company's exposure to selected banks.

Defensive growth

The Company is well represented in pharmaceuticals, which have performed well relative to the market. Our largest holding, Novartis, participates in a broad range of healthcare segments, covering innovative pharmaceutical products and differentiated generic drugs. We view this as an attractive business since diversification reduces the company's reliance on the branded pharmaceutical industry, an industry undergoing structural changes. It also means Novartis is exposed to higher growth areas such as consumer health, including over the counter medicines and eye-care, in addition to the generic drug market. Growth here should accelerate as a record number of branded pharmaceutical drugs lose US patent protection in 2010 to 2012. Novartis's Sandoz division is carving out a niche position in the creation of differentiated generics. The company has an established footprint in emerging economies and the ongoing acquisition of Alcon will enable Novartis, over the long term, to expand its eye-care division, including surgical intervention for cataracts and glaucoma, across a growing population of previously unmet need in these economies.



Novartis is a leading pharmaceutical company

Merger and acquisition ("M&A") activity now constrained

M&A activity had been reasonably buoyant and the Company benefited from this particular theme with the holdings in Zodiak Television, Speedel and Corporate Express all being bid for at healthy premiums.

However, the latest bout of financial distress has crippled confidence and constrained the funding required to complete many corporate transactions.

Focused investments

We focus on companies with strong balance sheets, a defensive earnings profile and robust cash flows, which we believe are in a position to weather a further deterioration in the economic back drop. An example is Unilever, which is well positioned with its global

Manager's Review (continued)

F-Secure is an internet security pioneer

footprint and diverse product portfolio. The company is set to benefit from increasing penetration of its products in emerging markets. In the last few years the company has been rationalising its portfolio, focusing on innovation and higher returns on capital. The group has been demonstrating the strength of its brand through its pricing power and should benefit with higher volumes as recent falls in commodities are passed on to its customers.

Another large holding is F-Secure which we believe is undervalued. The company writes software which protects consumers and businesses against computer security and other online threats from the internet and mobile networks. Real-time virus protection is available as a service subscription through more than 170 internet service providers and mobile operator partners around the world, making F-Secure the global leader in the market of internet and computer security.

Exposure to Russia and China

The Company has no direct investment in these markets but has exposure through the operations of a proportion of the companies that we invest in. Over the past few years, emerging economies have made a substantial and ever increasing contribution to world growth, they now account for 48% of world GDP up from 43% in 2000 and 29% in 1980.

Outlook

In the short term we believe conditions will remain difficult. Unfortunately, the deleveraging process which underpins the great credit unwind will not be resolved quickly. Credit will be constrained for some time. However, even taking this into account valuations are supportive across Europe and are low in historic terms.

Peter Jarvis
F&C Management Limited
5 November 2008

Twenty Largest Holdings

30 Sep 2008	30 Sep 2007	Company	Sector (Country)	% of total investments	Value £'000s
1	–	**Novartis**	Pharmaceuticals & biotechnology (Switzerland)	3.7	10,167
		Novartis participates in the broad range of healthcare segments, covering innovative pharmaceutical products and differentiated generic drugs. The company has an established footprint in emerging economies and the ongoing acquisition of Alcon will enable Novartis, in the long term, to expand its eye-care division, including surgical intervention for cataracts and glaucoma, across a growing population of previously unmet need in these economies.			
2	*60*	**F-Secure**	Software & computer services (Finland)	3.3	9,024
		F-Secure is a global leader in internet and global security. F-Secure's award-winning solution protects consumers and businesses against computer and other online threats from the internet and mobile networks. F-Secure's services are available via a subscription model through more than 170 internet service providers and mobile operator partners around the world and through thousands of resellers globally. The continuing development and penetration of smartphones will provide growth in the future as the need for security increases on these devices.			
3	*5*	**Société Générale**	Banks (France)	3.2	8,839
		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 expertise. Société Générale has been derated following recent credit turmoil, which does not affect the group significantly. The bank should emerge stronger from the recent rogue trader incident as internal risk-control procedures have been strengthened and the capital position bolstered.			
4	–	**Banco Santander**	Banks (Spain)	3.0	8,387
		Santander is one of the world's leading banks by market capitalisation and number one in the eurozone. The group offers a diverse international exposure through its strong position in both mature developed countries (Spain and the UK) and high-growth emerging markets in Latin America. The bank also has divisions that operate on a global scale, engaged in the businesses of wholesale banking, means of payment, asset management, insurance and private banking. The group has had the strength in the recent banking crisis to acquire distressed assets, thereby enabling it to enhance its growth profile at attractive prices.			
5	–	**RWE**	Gas, water & multi-utilities (Germany)	3.0	8,226
		RWE is among Europe's largest power and gas utilities and is Germany's biggest power producer. The company has sold its water assets in the UK and is in the process of divesting those in the US. The focus thereafter is expected to be on power and gas, centred on the core assets in Germany, the Czech Republic and the UK.			
6	*15*	**Unilever**	Food producers (Netherlands)	2.8	7,768
		Unilever is one of the world's leading companies in food manufacturing and in household products and personal care. The group's activities cover a number of categories including detergents, deodorants, haircare, ice cream, frozen food, spreads and culinary. Unilever operates a range of global and regional brands including Dove, Ben & Jerry's, Cif and Domestos.			
7	–	**Telefónica**	Fixed line telecom (Spain)	2.8	7,724
		Telefónica is a leading company in the global telecommunications market. The company is the dominant operator in both mobile and fixed telecommunications in Spain and has strong positions throughout Latin America, in particular in Brazil. The company has a strong balance sheet and is highly cash-generative, allowing it to drive growth for coming years. The stock trades at a discount to its peers and offers higher growth potential over the medium term.			

Twenty Largest Holdings (continued)

30 Sep 2008	*30 Sep 2007*	Company	Sector (Country)	% of total investments	Value £'000s
8	–	**Revus Energy**	Oil & gas producers (Norway)	**2.6**	**7,199**
		Revus Energy has an exploration and production strategy which focuses on the untapped opportunities on the UK and Norwegian continental shelves. Revus focuses on reservoir expertise and business development. The company has a strong asset base for development and trades at a large discount to its net worth.			
9	–	**Alleanza Assicurazioni**	Life insurance (Italy)	**2.5**	**7,008**
		Alleanza is a quoted subsidiary of Generali, operating in the Italian life insurance market. It is Italy's largest life company with 12% market share. The company specialises in selling to lower income clients through a network of 20,000 salespeople and has recently added banking distribution through its stake in the Intesa Vita joint venture. The group has a robust balance sheet and earnings can be driven forward with further restructuring.			
10	–	**E.On**	Gas, water & multi-utilities (Germany)	**2.4**	**6,685**
		E.On is one of Europe's biggest energy utilities, with just under €69bn in sales and close to 88,000 employees. E.On generates, distributes, and trades electricity and distributes gas and drinking water to industrial, commercial and residential customers. E.On has a portfolio of mainly vertically integrated assets across Germany, Central Europe, the Nordic Region, the UK and the US. The focus of the group has shifted from growth to integration and improving operational performance. The stock offers an attractive dividend with the potential for robust growth in the future.			
11	*36*	**Vallourec**	Industrial engineering (France)	**2.4**	**6,527**
		Vallourec is a global supplier of steel pipes. Sales are predominantly to the oil and gas industry, casing and tubing for oil wells and drill pipes, the power generation sector and the petrochemical/chemical industries. The company benefits from improvement in pricing dynamics which should offset cost pressures, and high activity levels in North America. The company is also set to be a key beneficiary from the commercialisation of recent deep offshore discoveries in Brazil, through its new Brazilian seamless tubes plant to be built by late 2010. The company has a strong balance sheet and an attractive valuation.			
12	–	**Inbev**	Beverages (Belgium)	**2.1**	**5,792**
		Inbev is the world's number one brewing company by beer market share. The company manufacturers and distributes premium beer brands such as Stella Artois and Beck's across the globe and is particularly known for its presence in Brazil, China and Russia. Inbev is currently pursuing an acquisition of the US brewing giant Anheuser-Busch. This gives Inbev access to iconic brand Budweiser plus an extensive distribution system in the US to launch Inbev brands. The combined company will benefit from scale, a wide variety of brands and also distribution capacity to developed and emerging economies.			
13	–	**Ipsen**	Pharmaceuticals & biotechnology (France)	**2.1**	**5,776**
		Ipsen is an innovation driven, international speciality pharmaceutical group, which currently manufactures and markets more than 20 drugs for targeted disease areas, including oncology, endocrinology and neuromuscular disorders. Ipsen has an exciting portfolio of drugs which should be value drivers of the future; in particular Taspoglutide, a treatment for type II diabetes currently in phase 3, has the potential to become a €1bn drug.			
14	*56*	**Axis Communications**	Technology hardware & equipment (Sweden)	**2.0**	**5,472**
		Axis operates worldwide with offices in more than 20 countries and co-operates with partners in more than 70 countries. The company is an IT company offering network video solutions for professional installations. It is the global market leader in network video, driving the ongoing shift from analog to digital video surveillance. Axis products and solutions focus on security surveillance and remote monitoring, and are based on innovative, open technology platforms.			

30 Sep 2008	*30 Sep 2007*	Company	Sector (Country)	% of total investments	Value £'000s
15	*46*	**Zurich Financial**	Non-life insurance (Switzerland)	**2.0**	**5,436**
		Zurich is an international insurer with major operations in the US, UK and Continental Europe. It is the fourth-largest insurer in Europe and the fourth-largest writer of property-casualty commercial multi-peril insurance in North America. Management has done a good job in strengthening the balance sheet, improving profitability, and adding resilience to the company's earnings profile.			
16	–	**Hellenic Exchanges S.A.**	General financial (Greece)	**1.9**	**5,404**
		Hellenic Exchanges S.A. runs Greece's primary national stock exchange and equity derivatives market. It operates markets for equities, derivatives and fixed-income securities, and raises capital for unlisted companies. The company also operates the parallel market for emerging markets and the New Market where medium-sized, innovative companies are listed. The company has a very strong balance and an attractive dividend yield.			
17	–	**Svenska Handelsbanken**	Banks (Sweden)	**1.9**	**5,299**
		Handelsbanken is a universal banking group with a market share of 25-30% in Sweden. It currently has international banking operations in Norway, Denmark, Finland and the UK. The bank's business model focuses on profitability over volumes and its decentralised decision process means risks are better managed, demonstrated by its historically lower loan loss ratio. The strong balance sheet and lending practises should mean the bank emerges as a winner from the current banking crisis.			
18	–	**Hellenic Telecom**	Fixed line telecom (Greece)	**1.9**	**5,271**
		Hellenic Telecom is Greece's largest telecommunication operator. It has bought out its listed mobile subsidiary Cosmote, which is Greece's leading wireless operator and also has investments in both fixed line and mobile telephony operators throughout the Balkans, the most significant of which is a 54% stake in the Romanian fixed line incumbent operator Romtelecom. The group has been derated on Deutsche Telecom taking a controlling stake, which leaves it trading at an attractive valuation with the potential for cash returns to increase.			
19	–	**G4S**	Support services (Denmark)	**1.9**	**5,183**
		G4S is the world's leading international security solutions group operating in over 110 countries with over 570,000 employees. The company offers security guards, alarms, monitoring, management and transportation of cash and valuables, prison management and electronic monitoring of offenders. Management strategy is to move G4S higher up the value chain, increasing the emphasis upon the provision of outsourced security solutions under long-term contracts.			
20	–	**Galp Energia**	Oil & gas producers (Portugal)	**1.9**	**5,131**
		Galp is an integrated oil and gas company with activities in oil refining and marketing, wholesale and retail gas sales and power generation in Portugal and a growing upstream oil business, mainly exposed to positions in Angola and offshore Brazil. The Brazilian exploration contains huge potential for the value of the company.			

The value of the twenty largest holdings represents 49.4% of the Company's total investments (30 September 2007: 36.9%).

List of Investments by Sector

Listed investments	% of total investments	Holding number	Value £'000s
		30 September 2008	
AUTOMOBILES & PARTS	**0.9%**		
Haldex		478,400	2,656
Total Automobiles & Parts			**2,656**
BANKS	**13.6%**		
Banco Santander		1,013,584	8,387
BNP Paribas		78,511	4,083
Commerzbank		260,990	2,223
Credit Suisse		133,333	3,329
Skandinaviska Enskilda Banken		383,700	3,226
Société Générale		181,157	8,839
Svenska Handlesbanken		433,300	5,299
Unicredit		1,698,342	3,476
Total Banks			**38,862**
BEVERAGES	**3.0%**		
C&C Group		1,879,257	2,812
Inbev		176,267	5,792
Total Beverages			**8,604**
CHEMICALS	**1.3%**		
Bayer		89,119	3,646
Total Chemicals			**3,646**
CONSTRUCTION & MATERIALS	**1.4%**		
Acciona		48,513	4,062
Total Construction & Materials			**4,062**
ELECTRICITY	**2.9%**		
Energias De Portugal		1,417,941	3,274
Oest Elektrizitats		149,565	5,086
Total Electricity			**8,360**

Listed investments	% of total investments	Holding number	Value £'000s
		30 September 2008	
ELECTRONIC & ELECTRICAL EQUIPMENT	**1.6%**		
Advanced Digital Broadcast		13,099	236
Swisslog Holding		10,805,584	4,325
Total Electronic & Electrical Equipment			**4,561**
FIXED LINE TELE-COMMUNICATIONS	**6.1%**		
Hellenic Telecom		530,000	5,271
Koninklijke Philips Electronics		550,000	4,417
Telefónica		583,760	7,724
Total Fixed Line Telecommunications			**17,412**
FOOD & DRUG RETAILERS	**1.3%**		
Carrefour		140,310	3,660
Total Food & Drug Retailers			**3,660**
FOOD PRODUCERS	**4.8%**		
Aarhuskarlshamn		95,000	889
Kerry Group		316,857	5,114
Unilever		496,969	7,768
Total Food Producers			**13,771**
GAS, WATER & MULTI-UTILITIES	**5.2%**		
E.On		236,305	6,685
RWE		153,631	8,226
Total Gas, Water & Multi-utilities			**14,911**
GENERAL FINANCIAL	**3.4%**		
Aareal Bank		303,225	1,924
Arques Industries		355,959	1,613
Hellenic Exchanges		836,240	5,404
Hypo Real Estate		267,889	844
Total General Financial			**9,785**

Listed investments	% of total investments	Holding number 30 September 2008	Value £'000s 30 September 2008
GENERAL INDUSTRIALS	**2.4%**		
CIR		4,412,140	4,221
Gerresheimer		101,954	2,588
Total General Industrials			**6,809**
INDUSTRIAL ENGINEERING	**2.3%**		
Vallourec		54,836	6,527
Total Industrial Engineering			**6,527**
INDUSTRIAL METALS	**0.9%**		
Mytilineos Holdings		593,522	2,666
Total Industrial Metals			**2,666**
LEISURE GOODS	**0.4%**		
Hanse Yachts		152,360	1,199
Total Leisure Goods			**1,199**
LIFE INSURANCE	**2.5%**		
Alleanza Assicurazioni		1,377,725	7,008
Total Life Insurance			**7,008**
MEDIA	**2.9%**		
Digital Multimedia		367,376	4,397
Wolters Kluwer		335,700	3,746
Total Media			**8,143**
MINING	**2.6%**		
New World Resources		421,208	2,856
Nyrstar		515,875	1,728
Voestalpine		163,461	2,802
Total Mining			**7,386**
NON-LIFE INSURANCE	**3.5%**		
Allianz		61,734	4,704
Zurich Financial		35,505	5,436
Total Non-life Insurance			**10,140**

Listed investments	% of total investments	Holding number 30 September 2008	Value £'000s 30 September 2008
OIL & GAS PRODUCERS	**7.8%**		
Artumas		1,787,400	2,459
Flex LNG		1,095,185	4,884
Galp Energia		562,060	5,131
Revus Energy		1,185,350	7,199
Sevan Marine		1,160,895	2,589
Total Oil & Gas Producers			**22,262**
OIL EQUIPMENT SERVICES & DISTRIBUTION	**3.1%**		
Electromagnetic Geoservices		2,041,600	2,412
Petrolia Drilling		29,540,000	4,008
Remedial Cyprus		1,068,120	2,534
Total Oil Equipment, Services & Distribution			**8,954**
PERSONAL GOODS	**1.5%**		
Folli Follie		539,673	4,329
Total Personal Goods			**4,329**
PHARMACEUTICALS & BIOTECHNOLOGY	**7.6%**		
AGI Therapeutics		4,527,492	2,497
Ipsen		230,186	5,776
Novartis		347,046	10,167
Stada Arzneimittel		143,800	3,235
Total Pharmaceutical & Biotechnology			**21,675**
REAL ESTATE	**1.4%**		
Arco Vara		5,340,603	1,599
GEK Group		703,697	2,373
Total Real Estate			**3,972**

List of Investments by Sector (continued)

Listed investments	% of total investments	30 September 2008 Holding number	Value £'000s
SOFTWARE & COMPUTER SERVICES	**7.3%**		
Compugroup		371,000	1,345
F-Secure		4,957,543	9,024
HIQ International		2,020,600	4,146
Orc Software		376,200	2,649
United Internet		623,998	3,762
Total Software & Computer Services			**20,926**
SUPPORT SERVICES	**4.8%**		
Datalex		3,732,900	853
G4S		2,562,828	5,183
Stepstone		6,492,477	4,004
TNT		239,722	3,684
Total Support Services			**13,724**
TECHNOLOGY HARDWARE & EQUIPMENT	**1.9%**		
Axis Communications		894,926	5,472
Total Technology Hardware & Equipment			**5,472**
TRAVEL & LEISURE	**1.6%**		
Intralot		967,346	4,543
Total Travel & Leisure			**4,543**
TOTAL INVESTMENTS			**286,025**

List of Investments by Country

Listed investments	% of total investments	Holding number	Value £'000s
	30 September 2008		
AUSTRIA	**2.8%**		
Oest Elektrizitats		149,565	5,086
Voestalpine		163,461	2,802
Total Austria			**7,888**
BELGIUM	**2.6%**		
Inbev		176,267	5,792
Nyrstar		515,875	1,728
Total Belgium			**7,520**
CYPRUS	**0.9%**		
Remedial Cyprus		1,068,120	2,534
Total Cyprus			**2,534**
DENMARK	**1.8%**		
G4S		2,562,828	5,183
Total Denmark			**5,183**
ESTONIA	**0.6%**		
Arco Vara		5,340,603	1,599
Total Estonia			**1,599**
FINLAND	**3.2%**		
F-Secure		4,957,543	9,024
Total Finland			**9,024**
FRANCE	**10.1%**		
BNP Paribas		78,511	4,083
Carrefour		140,310	3,660
Ipsen		230,186	5,776
Société Générale		181,157	8,839
Vallourec		54,836	6,527
Total France			**28,885**

Listed investments	% of total investments	Holding number	Value £'000s
	30 September 2008		
GERMANY	**14.7%**		
Aareal Bank		303,225	1,924
Allianz		61,734	4,704
Arques Industries		355,959	1,613
Bayer		89,119	3,646
Commerzbank		260,990	2,223
Compugroup		371,000	1,345
E.On		236,305	6,685
Gerresheimer		101,954	2,588
Hanse Yachts		152,360	1,199
Hypo Real Estate		267,889	844
RWE		153,631	8,226
Stada Arzneimittel		143,800	3,235
United Internet		623,998	3,762
Total Germany			**41,994**
GREECE	**8.6%**		
Folli Follie		539,673	4,329
GEK Group		703,697	2,373
Hellenic Exchanges		836,240	5,404
Hellenic Telecom		530,000	5,271
Intralot		967,346	4,543
Mytilineos Holdings		593,522	2,666
Total Greece			**24,586**
IRELAND	**3.9%**		
AGI Therapeutics		4,527,492	2,497
C&C Group		1,879,257	2,812
Datalex		3,732,900	853
Kerry Group		316,857	5,114
Total Ireland			**11,276**
ITALY	**6.7%**		
Alleanza Assicurazioni		1,377,725	7,008
CIR		4,412,140	4,221
Digital Multimedia		367,376	4,397
Unicredit		1,698,342	3,476
Total Italy			**19,102**

List of Investments by Country (continued)

Listed investments	% of total investments	30 September 2008 Holding number	Value £'000s
NETHERLANDS	**7.9%**		
Koninklijke Philips Electronics		550,000	4,417
New World Resources		421,208	2,856
TNT		239,722	3,684
Unilever		496,969	7,768
Wolters Kluwer		335,700	3,746
Total Netherlands			**22,471**
NORWAY	**9.6%**		
Artumas		1,787,400	2,459
Electromagnetic Geoservices		2,041,600	2,412
Flex LNG		1,095,185	4,884
Petrolia Drilling		29,540,000	4,008
Revus Energy		1,185,350	7,199
Sevan Marine		1,160,895	2,589
Stepstone		6,492,477	4,004
Total Norway			**27,555**
PORTUGAL	**2.9%**		
Energias De Portugal		1,417,941	3,274
Galp Energia		562,060	5,131
Total Portugal			**8,405**
SPAIN	**7.0%**		
Acciona		48,513	4,062
Banco Santander		1,013,584	8,387
Telefónica		583,760	7,724
Total Spain			**20,173**
SWEDEN	**8.5%**		
Aarhuskarlshamn		95,000	889
Axis Communications		894,926	5,472
Haldex		478,400	2,656
HIQ International		2,020,600	4,146
Orc Software		376,200	2,649
Skandinaviska Enskilda Banken		383,700	3,226
Svenska Handelsbanken		433,300	5,299
Total Sweden			**24,337**

Listed investments	% of total investments	30 September 2008 Holding number	Value £'000s
SWITZERLAND	**8.2%**		
Advanced Digital Broadcast		13,099	236
Credit Suisse		133,333	3,329
Novartis		347,046	10,167
Swisslog Holding		10,805,584	4,325
Zurich Financial		35,505	5,436
Total Switzerland			**23,493**
TOTAL INVESTMENTS			**286,025**

The number of investments in the portfolio is 69 (2007: 92).

There are no convertible securities in the portfolio (2007: none).

Management and Advisers

The management company

Foreign & Colonial Eurotrust PLC ("the Company") is managed by F&C Management Limited ("F&C" or "the Manager"), a wholly owned subsidiary of F&C Asset Management plc. The Manager is authorised and regulated in the UK by the Financial Services Authority. F&C is appointed under a management agreement with the Company setting out its responsibilities for investment management, administration and marketing.

Peter Jarvis

Fund manager and director of European equities at F&C, has managed European equity portfolios for around 14 years.

Mike Woodward

Head of investment trusts at F&C and responsible for F&C's relationship with the Company. He joined F&C in 2006.

Debbie Fish

Carries out the company secretarial duties of the Company on behalf of the Manager. She joined F&C in 2004.

Manager, Secretary and registered office

F&C Management Limited, Exchange House,
Primrose Street, London EC2A 2NY

Telephone: 020 7628 8000

Facsimile: 020 7628 8188

Website: www.foreignandcolonialeurotrust.com

Email: info@fandc.com

Registered in England

Independent auditors

PricewaterhouseCoopers LLP, Hay's Galleria,
1 Hay's Lane, London SE1 2RD

Bankers and custodian

JPMorgan Chase
The Royal Bank of Scotland plc

Registrars

Computershare Investor Services PLC,
PO Box 82, The Pavilions, Bridgwater Road,
Bristol BS99 7NH

Telephone: 0870 889 4086

Facsimile: 0870 703 6143

Authorised and regulated in the UK by the Financial Services Authority

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.

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.

Ralph Kanza
He is senior adviser to Egerton Capital L.D.C. 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.

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.

Members of the Audit and Management Engagement Committee
Mr D C P McDougall (Chairman)
Mr W D Eason
Mr M B Moule

Directors' Report & Business Review

The Directors present their Report, Business Review and the financial statements of the Company for the year ended 30 September 2008. The financial statements are set out on pages 32 to 50.

Results and dividends

The Company's net asset value ("NAV") per share on a total return basis fell by 33.2% in the year ended 30 September 2008, compared to a fall of 19.7% for the FTSE World Europe ex UK Index (total return, sterling adjusted) ("the Index"). The Manager's Review on pages 4 to 6, which forms part of this Business Review, contains a discussion of the background to this performance.

The net assets of the Company as at 30 September 2008 were £292,378,000 and dividends paid in respect of the year are set out below:

Results and dividends for the year ended 30 September 2008

	£'000s	£'000s
Revenue return attributable to equity shareholders		7,264
Dividends paid in the year:		
Final dividend of 1.7p per share*	(874)	
Special dividend of 6.6p per share*	(3,395)	
		(4,269)
Amount transferred to the revenue reserve		2,995

* Paid on 20 December 2007 to shareholders on the register at 16 November 2007.

The special dividend declared of 2.9p per share and the recommended final dividend of 12.0p per share are payable on 22 December 2008 to shareholders on the register of members on 14 November 2008.

Principal activity and status

The Company is an investment company as defined by Section 833 of the Companies Act 2006 ("CA2006"). As such, it analyses its profits between income, which is available for distribution by way of dividends, and capital, which it is prohibited from distributing other than by way of share buybacks. The Company is subject to the UK Listing Authority's Listing Rules, UK company law, financial reporting standards, taxation law and its own articles of association, amendments to which must be approved by shareholders via a special resolution. The Company has a secondary listing on the New Zealand Stock Exchange. The Company's listing on the Deutsche Börse was cancelled with effect from 18 August 2008.

Investment trust taxation status

The Company is subject to corporation tax on its net revenue profits but is exempt from corporation tax on capital gains, provided it complies at all times with Section 842 of the Income and Corporation Taxes Act 1988 ("Section 842").

Compliance with these rules qualifies the Company as an investment trust, and this status is granted annually in retrospect by HM Revenue and Customs subject to there being no subsequent enquiry under corporation tax self-assessment. The Company has qualified as an investment trust in respect of all relevant years up to and including the year ended 30 September 2007, and continues to conduct its affairs in compliance with Section 842.

Whilst these tax rules are similar to regulations covering competing open-ended investment companies and unit trusts, the Company's structure as a closed-ended investment trust provides it with the flexibility to borrow money to invest and take a longer-term view of markets.

Accounting and going concern

The financial statements, starting on page 32, comply with current UK financial reporting standards, supplemented by the revised statement of recommended practice for investment trust companies ("SORP"). The principal accounting policies of the Company are set out in note 2 on the accounts. The auditors' opinion on the financial statements appears on page 31. The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the Company has adequate resources to continue in operation for the foreseeable future and its assets consist mainly of securities that are readily realisable.

Directors' Report & Business Review (continued)

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 employs 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 2008, the portfolio was made up of 69 stocks with market capitalisations ranging from €20m to €105bn. 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 stocks 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% in normal market conditions.

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 that 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. It will not be changed materially without prior shareholder approval.

Capital structure and buyback policy

As at 30 September 2008 there were 48,781,641 ordinary shares of 25p each in issue. All ordinary shares rank equally for dividends and distributions and carry one vote each. Details of the capital structure can be found in note 16 on the accounts. The revenue profits of the Company (including accumulated revenue reserves) are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be paid to the holders of ordinary shares and distributed among such holders rateably.

Subject to approvals granted annually by its shareholders, the Company may purchase its own shares and issue new shares. The Directors consider it advantageous to shareholders for the Company to have the authority to make purchases of its own shares as and when it considers the timing to be favourable, depending on market conditions and the Board's judgement of its likely effectiveness in increasing NAV per share and/or reducing the discount. The level of discount varies from time to time according to a number of factors, including market sentiment and supply and demand for the Company's shares. The Board regularly monitors the management of share repurchases which are conducted by the Manager within the limits of the authority granted by shareholders. During the year under review 2,986,263 shares were purchased, representing 5.8% of the issued share capital at 30 September 2007. The purchases were made at prices ranging from 588.3p to 831.8p per share. Since the year end, the Company has purchased a further 348,435 shares for cancellation at prices ranging from 391.4p to 478.2p.

Borrowings

The Company has the ability to utilise short-term borrowings by way of loans and overdrafts subject to the limits set out in the Company's investment objective and policy. 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, although in practice borrowings and any short-term cash deposits are held in euros.

Principal risks

The specific key risks faced by the Company, together with our mitigation approach, 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 and the geographic and sector diversity of the portfolio enable 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 –** 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.
- **Gearing –** 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% in normal market conditions. Within that overall policy the Board agrees with the Manager an operational limit on gearing from time to time and reviews this at each Board meeting.
- **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 subject to corporation tax on its capital gains. The Board 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 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.
- **Counterparties –** the Company is exposed to potential failures by counterparties; more details are included on page 49.

The financial risks are set out in more detail in note 24 on the accounts. The Corporate Governance Statement, on pages 28 and 29, includes a summary of the risk management arrangements in place and the process for identifying, evaluating and managing significant risks.

The Board

The Board of non-executive Directors, whose appointment is approved by shareholders, is charged with ensuring that the Company complies with its objectives and the various rules and regulations. Further information on the role and powers of the Board is contained in the Corporate Governance Statement on pages 26 and 27.

Directors' Report & Business Review (continued)

Directors

Information on the individual Directors of the Company, all of whom are resident in the UK is set out on page 16.

There were no contracts of significance to which the Company was a party and in which a Director is, or was, materially interested during the year.

Directors' remuneration and shareholdings

The Directors' Remuneration Report, which can be found on page 25, provides detailed information on the remuneration of the Directors. Shareholders will be asked to approve the Directors' Remuneration Report at the annual general meeting ("AGM"). The Directors' remuneration is not conditional upon the resolution being passed.

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

Directors' interests

At 30 September	2008	2007
Mr D C P McDougall	10,000	10,000
Mr W D Eason	10,000	10,000
Mr R Kanza	10,000	10,000
Mr M B Moule	2,000	nil

There have been no changes in any of the Directors' interests in shares detailed above since the Company's year end.

No Director held any interest, beneficial or otherwise, in the issued shares of the Company other than stated above.

Directors' re-election

All Directors held office throughout the year under review. Having served over nine years, Mr McDougall and Mr Kanza will stand for re-election at the AGM. Mr Moule will retire by rotation.

Each of these Directors has made a valuable and effective contribution to your Company and the Board therefore recommends that you vote in favour of their re-election.

Director indemnification and insurance

On 14 December 2006, the Company entered into a deed poll providing the Directors with 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 CA2006). This deed poll is available for inspection at the Company's registered office during normal business hours and at the AGM. The Company has insurance in place which indemnifies the Directors against certain liabilities arising in carrying out their duties.

Investment management

In common with most investment trusts, the Company does not have any employees, and the Board has appointed F&C Management Limited ("F&C" or "the Manager") to manage the investment portfolio on a day-to-day basis, as well as to carry out administrative, accounting, company secretarial and marketing activities on behalf of the Company.

This appointment is governed by a management agreement, which is terminable upon three months' notice given by either party. Further details of the management agreement are set out in note 4 on the accounts.

The Company's investments are managed by the Manager in accordance with the investment objective and policy described on page 18. 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 cash flow 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 Board has reviewed and endorsed the Manager's approach to environmental, social and governance issues and its voting policy, which it exercises on behalf of the Company. The Manager's stated belief is that good governance creates value and it takes an interest in corporate governance and sustainable business practices. It votes all of its shares across all markets whenever possible, and engages with companies on corporate governance matters to encourage good practice. This includes engagement on significant social and environmental issues where these may impact shareholder value. It is the Company's general policy not to vote where to do so may hinder the Manager's investment decisions because of share blocking procedures often adopted in Continental Europe.

The Manager is a subsidiary of F&C Asset Management plc ("FCAM"), a leading European investment group with over £90bn under management. Friends Provident plc ("FP"), which owns 52% of FCAM, announced on 31 January 2008 that, as wealth management no longer forms part of its strategy, it would work with FCAM's board and management team to review its shareholding. On 31 October 2008 FCAM announced that its management had conducted a wide-ranging process to assist FP in its review and that FP had announced its intention to distribute its entire shareholding in FCAM to its shareholders. The FCAM board is continuing to explore opportunities and remains in discussions with interested parties, which may or may not lead to an offer for FCAM. The Board is closely monitoring developments.

F&C offers a range of savings plans through which individuals may invest in the Company.

JPMorgan Chase is appointed 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.

Management fees

The Manager receives 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 NAV per share of "target performance", defined as a margin of 1.5% over 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 respect of the year ended 30 September 2008 (2007: nil).

Key performance indicators

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.

The tables below, the ten year record on pages 51 and 52 and the Chairman's statement on pages 2 and 3 show how the Company has performed against these KPIs.

Discount

At 30 September	%
2008	13.6
2007	9.5
2006	9.1
2005	10.4
2004	13.9

Source: F&C Management Limited

Total expense ratio*

At 30 September	%
2008	0.7
2007	0.7
2006	0.7
2005	0.8
2004	0.7

* as a percentage of average total assets.

Source: F&C Management Limited.

Directors' Report & Business Review (continued)

Manager's evaluation and re-appointment

The Manager's performance is monitored by the Board and the remuneration and re-appointment of the Manager is assessed annually. This review takes into consideration the Company's investment record over short and long-term periods and the performance, competence and resources of the Manager, both as a management company and with regard to the fund management team in place. It also includes consideration of the other services provided by F&C.

In light of the long-term investment performance of the Manager and the quality and efficiency of the overall service provided, it is the opinion of the Board that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

Outlook

The outlook for the Company is reported in the Manager's Review on page 6.

GENERAL INFORMATION

Voting rights

At 4 November 2008 the Company had 48,433,206 ordinary shares in issue with a total of 48,433,206 voting rights. As at that date the Company had received notification of the following holdings of voting rights in accordance with the FSA's Disclosure and Transparency Rules:

Voting rights

	Ordinary shares of 25p each %
1607 Capital Partners	5.7
Legal & General	4.7
Barclays	4.1

The percentages are calculated by applying the holdings notified to the Company to the aggregate voting rights in respect of the issued ordinary share capital as at 4 November 2008.

Individual savings accounts ("ISAs")

The Company's shares are qualifying investments for ISAs, and the Board intends that the Company will continue to conduct its affairs so as to satisfy the requirements to remain so.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office as auditors to the Company and resolutions to re-appoint them and to authorise the Directors to determine their remuneration will be proposed at the AGM.

So far as each Director 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.

Annual general meeting

The AGM will be held on Wednesday 17 December 2008 at 11 a.m. at Exchange House, Primrose Street, London EC2. The Notice of Annual General Meeting ("the Notice") appears on pages 53 to 58, and includes a map of the venue. Peter Jarvis will give a presentation covering progress in the year to date and his views on the market for 2009. There will be an opportunity to ask questions during the AGM and shareholders will be able to meet the Directors and Mr Jarvis more informally over refreshments following the meeting. In addition to the ordinary business of the meeting, the resolutions numbered 9 to 11 are proposed as special business and are explained below.

Authority to allot shares (resolution 9)

Resolution 9 is similar in content 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 2009, the necessary authority to allot securities up to an aggregate nominal amount of £605,415 (2,421,660 ordinary shares). This is equivalent to approximately 5% of the issued ordinary share capital of the Company at the date of this report. It also empowers the Directors to allot such securities for cash, otherwise than to existing shareholders on a pro-rata basis. This authority and power 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 various F&C savings plans when they believe it is advantageous to plan participants and the Company's shareholders to do so.

Under no circumstances would the Directors use the authority and power to dilute the interests of existing shareholders by issuing shares at a price which is less than the NAV attributable to the shares at the time of issue.

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

Resolution 10 authorises the Company to purchase up to a maximum of 7,260,137 ordinary shares (equivalent to approximately 14.99% of the issued share capital) in the market at a minimum price of 25p per share and a maximum price per share (exclusive of expenses) of 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. The Directors would continue to use this authority with the objective of enhancing shareholder value. Purchases would only be made, within guidelines established from time to time by the Board, through the market for cash at prices below the prevailing NAV per ordinary share which would have the effect of increasing the NAV per ordinary share for the remaining shareholders. Any ordinary shares that are purchased would be cancelled.

The authority will continue until the expiry of 18 months from the date of the passing of the resolution 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.

Amendments to the articles of association (resolution 11)

Over the past two years company law in the United Kingdom has undergone major reform through the coming into force of parts of the CA2006. Accordingly, the Board considers it prudent to replace the Company's existing articles of association with new articles which take account of these developments (the "New Articles").

The CA2006 is being brought into force in stages, which began in January 2007, with full implementation scheduled by October 2009. At this year's AGM, the Company proposes to adopt provisions which reflect changes in the law brought about by the CA2006 in respect of, amongst other things, electronic communications, notice periods for meetings, proxy voting and directors' conflicts of interest.

A copy of the New Articles will be available for inspection at the registered office of the Company and at Royal London House, 22-25 Finsbury Square London EC2A 1DX during normal business hours on any weekday (public holidays excepted) from the date of the Notice until the conclusion of the AGM and on the date of the AGM at the Company's registered office from 10.45 a.m. until the conclusion of the meeting.

A summary of the material changes proposed to be brought about by the adoption of the New Articles is set out in the appendix to the Notice.

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 thereon, whether or not you intend to be present at the AGM. This will not preclude you from attending the AGM and voting in person if you wish to do so.

A proxy appointment should be submitted so as to be received not later than 48 hours before the time appointed for holding the AGM.

Form of direction

Participants in the various F&C savings plans will find enclosed a form of direction. Please complete and sign the form of direction as soon as possible in

Directors' Report & Business Review (continued)

accordance with the instructions thereon and ensure that the form is returned in the enclosed envelope to Computershare Investor Services PLC not later than 96 hours before the time appointed for holding the AGM so that the plan administrator can submit a form of proxy before the 48 hour period begins.

Recommendation

Your Board considers that the resolutions to be proposed at the AGM are in the best interests of shareholders as a whole and recommends that they vote in favour of such resolutions, as the Directors intend to do in respect of their own beneficial holdings.

By order of the Board
F&C Management Limited
Secretary
5 November 2008

Directors' Remuneration Report

The Company's articles of association limit the aggregate fees payable to the Board of Directors 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. The Board is comprised solely of non-executive Directors, none of whom has a service contract with the Company, and therefore no remuneration committee has been appointed.

The Chairman receives a fee of £25,000 per annum and the remaining Directors receive a fee of £17,000 per annum. These fees were increased from £23,000 and £15,000 per annum respectively on 1 October 2007. The Chairman of the Audit and Management Engagement Committee receives an additional £1,500 per annum.

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 2008 £s	 2007 £s
Mr D C P McDougall (Chairman, Chairman of the Audit Committee and highest paid Director)	**26,500**	24,500
Mr W D Eason[1]	**17,000**	5,692
Mr R Kanza	**17,000**	15,000
Mr M B Moule	**17,000**	15,000
Mr D F E Bierbaum[2]	**3,482**	15,000
Mr C A H Borsig[2]	**3,482**	15,000
	84,464	90,192

1 Appointed 16 May 2007
2 Retired 13 December 2007

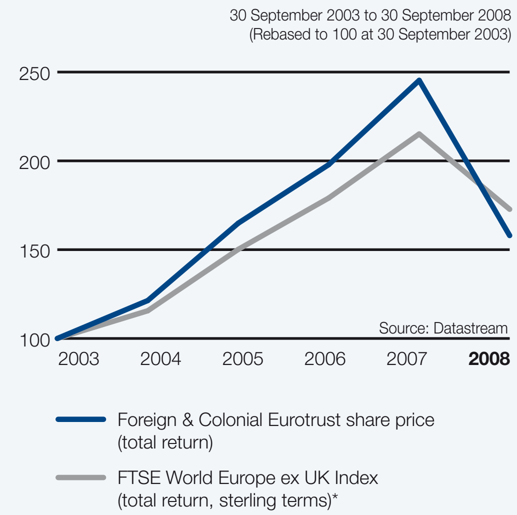
The information in the table has been audited (see the Independent Auditors' Report on page 31).

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.

Shareholders will be asked to approve this Directors' Remuneration Report at the annual general meeting (resolution 2).

By order of the Board
F&C Management Limited
Secretary
5 November 2008

Total shareholder return over five years



*This Index is the benchmark against which the Company's performance is measured

Corporate Governance Statement

Introduction

The Company is committed to high standards of corporate governance. The Board has considered the principles and recommendations of the Association of Investment Companies ("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 2006 Combined Code of Corporate Governance (the "Combined Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.*

The Board believes that the Company has complied with the recommendations of the AIC Code during the year under review and thereby the provisions of the Combined Code that are relevant to the Company.

The Board

The Board is responsible for the effective stewardship of the Company's affairs and a formal schedule of matters reserved for the decision of the Board has been adopted. It has responsibility for all corporate strategic issues, dividend policy, share buyback policy, risk and control assessment, monitoring investment performance, approving marketing budgets and corporate governance matters. It is responsible for the review and approval of annual and half-yearly reports. The Company does not have a chief executive as day-to-day management of the Company's affairs has been delegated to the Manager.

In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. The Board meets at least six times a year and at each meeting reviews the Company's management information, which includes reports on investment performance and strategic matters and financial analyses. It monitors compliance with the Company's objectives and is responsible for approving the asset allocation, investment and gearing ranges within which the Manager is given discretion to act. Key representatives of the Manager attend each Board meeting. Board meetings are also held on an ad-hoc basis to consider particular issues as 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. All Directors attended the annual general meeting ("AGM") in December 2007.

Meeting attendance

	A	B	C
Number of meetings	**7**	**2**	**1**
Mr D C P McDougall	7	2	1
Mr W D Eason	7	2	1
Mr R Kanza	7	n/a	1
Mr M B Moule	7	2	nil

A = Full Board meetings.

B = Audit and Management Engagement Committee meetings.

C = London Committee meetings (disbanded on 1 January 2008).

The Directors each have a signed letter of appointment to formalise in writing the terms of their engagement as non-executive Directors, copies of which are available on request and at the Company's AGM.

The Board believes that it has a reasonable balance of skills, experience and length of service. The Board recognises the value of progressive refreshing of, and succession planning for, company boards. Accordingly, each Director's appointment is reviewed prior to submission for re-election. All Directors are required to stand for re-election at least every three years, and those Directors serving more than six years are subject to more rigorous review before being proposed for re-election.

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 2008 in respect of the year under review. This encompassed the operation and performance of the Board, the Audit and Management Engagement Committee and appraisals of the individual Directors. The Senior Independent Director conducts the Chairman's appraisal. The Board does not consider that the use of external consultants to conduct

* Copies of the AIC Code, the AIC Guide and the Combined Code may be found on the respective organisations' websites: 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

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.

Directors are able to seek independent professional advice or training at the Company's expense in the furtherance of their duties. No such professional advice was taken by the Directors in the year under review. The Board has direct access to the 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 applicable regulations are complied with. The proceedings at all Board and other meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes. The appointment or removal of the Secretary is a matter for the Board as a whole in accordance with the terms of the management agreement.

Appointments of new Directors are made on a formal basis with the Board assessing the criteria for any appointments and the methods of recruitment, selection, appointment and induction.

All new appointments are subject to confirmation by shareholders and institutional shareholders are given the opportunity to meet any newly appointed Director if they wish.

An induction process is in place for new appointees, who meet the fund manager, the Secretary and other key employees of the Manager and are given a briefing on the workings and processes of the Company, including the receipt of a Directors' handbook and key documentation.

The Board carries out an annual review of the performance of the Manager, considering the investment performance and qualities of the administrative and support services provided to the Company, which includes a review of the management agreement, the level and structure of fees payable and the length of notice period.

Independence of Directors

The Board regularly reviews the independence of its members in accordance with current guidelines. In line with the AIC Code, the Board feels that length of service does not necessarily compromise the independence or contribution of directors of investment trust companies, where experience and continuity can be a significant strength. Therefore, no limit on the overall length of service of any of the Directors has been imposed, although all Directors who have served for more than nine years are required to retire and stand for re-election annually.

The Board believes that its four non-executive Directors, including Mr Kanza and Mr McDougall who have served for over nine years, are independent in character and judgement, with no relationships or circumstances relating to the Company or the Manager likely to alter this position.

Board committees

The Board has established an Audit and Management Engagement Committee, details of which are below. The terms of reference of this Committee are available on the website www.foreignandcolonialeurotrust.com and on request.

The Company has no executive Directors and no employees, and consequently does not have a remuneration committee. The Directors' Remuneration Report, which can be found on page 25, provides information on the remuneration arrangements for the Directors of the Company.

Following the retirement of the two overseas Directors, and an increase in the number of Board meetings held each year from four to six, the London Committee was disbanded on 1 January 2008. This committee was previously in place to deal with administrative matters, oversee the management of the portfolio and implement decisions of the Board between Board meetings. It also undertook the functions of a nomination committee which, as the Board is formed entirely of independent non-executive Directors and is small in size, are now undertaken by the Board and no separate committee has been established.

Audit and Management Engagement Committee

The primary responsibilities of the Audit and Management Engagement Committee ("Audit Committee"), which meets at least twice each year, are to review the integrity and contents of the Company's financial statements and the accounting policies included therein; to consider compliance with regulatory and financial reporting requirements; to review the Company's internal control and risk

Corporate Governance Statement (continued)

management systems; to review annually the need for the Company to have its own internal audit function; to consider the independence and objectivity of the auditors and the effectiveness of the audit process; and to make recommendations to the Board in relation to the reappointment and remuneration of the auditors. The Board retains the ultimate responsibility for the annual and half-yearly accounts and other significant financial information that is published.

The Audit Committee has direct access to the auditors, PricewaterhouseCoopers LLP ("PwC"), who attend Audit Committee meetings to review the annual results and provide a comprehensive review of the audit of the Company. The Audit Committee also has the opportunity to meet with the auditors without the Manager being present.

The Manager and the Company use different audit firms, and the Company's auditor is deemed to be independent. All non-audit work to be undertaken by PwC is approved by the Audit Committee in advance. During the year under review the fee for all non-audit work, which was for advice on taxation matters, was £2,000 inclusive of irrecoverable VAT. The Audit Committee considers that the provision of these services is cost-effective and does not impair the independence of PwC.

The Audit Committee has reviewed the work carried out by PwC in the year under review, including its audit of the annual financial statements. On the basis of PwC's experience in auditing the affairs of the Company, the standing, experience and tenure of the audit partner, the nature and level of service provided and confirmation of the auditors' independence, the Audit Committee recommended the continuing appointment of the auditors to the Board.

The Committee has direct access to the senior representatives of the Manager's audit, risk and compliance department and to its group audit committee, and reports its findings to the Board. It receives and reviews the Report referred to below under "Internal controls and management of risk".

Following a recommendation from the Audit Committee, the Board concluded that there is currently no need for the Company to have its own internal audit function. All of the Company's management functions are delegated to the Manager, and the Board monitors the controls in place through the Manager's audit, risk and compliance department.

The Audit Committee has reviewed, and is satisfied with, the "whistleblowing" policy that has been put in place by the Manager under which its staff may, in confidence, raise concerns about any possible improprieties in matters of financial reporting or other matters, including those relating to 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 currently comprises Mr McDougall (Chairman), Mr Eason and Mr Moule, all of whom are considered to be independent. It is considered that there is a range of recent and relevant financial experience amongst the members of the Audit Committee.

Internal controls and management of risk

The Board has overall responsibility for the Company's systems of internal controls, for reviewing their effectiveness and ensuring that risk management and control processes are embedded in the day-to-day operations of the Company. 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, reputational, compliance and overall risk management, is exercised by the Board through regular 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. The Company's principal risks are set out on page 19, with additional information given in note 24 on the accounts.

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 mis-statement, 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 2007 (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. Procedures are in place to capture and evaluate failings and weaknesses and ensure that action would be taken to remedy any significant issues identified from this monitoring, which would be reported to the Board.

Relations with shareholders

Communication with shareholders is given a high priority. In addition to the annual and half-yearly reports that are distributed to shareholders, interim management statements, monthly fact sheets and general information are also available on the www.foreignandcolonialeurotrust.com website. The annual report and notice of AGM are normally sent to shareholders at least 20 working days before the AGM.

At least one shareholder meeting is held each year to allow shareholders to vote on the appointment of Directors and the auditors, the payment of dividends, share issues and buybacks and any other special business. All shareholders are encouraged to attend the AGM, at which a presentation is made by the Manager and where there is an opportunity to question the Chairman, the Board and the Manager. Proxy voting figures are announced to shareholders at the AGM and are reported on the website. All beneficial shareholders in the F&C savings plans have the right to attend, speak and vote at general meetings.

A regular dialogue is maintained with the Company's institutional shareholders and private client asset managers through the Manager, which regularly reports to the Board on any such contact and any changes to the composition of the share register. The Chairman is available to meet with major shareholders, but no such meetings were held in the year under review. The Senior Independent Director and other Directors are available to attend these meetings as and when required. The Board welcomes dialogue with shareholders in order to ensure it is aware of any areas of concern.

Shareholders wishing to communicate with the Chairman, the Senior Independent Director or other members of the Board may do so by writing to the Secretary at the registered office address as detailed on page 15.

The Board receives regular reports from the Manager on the views and attitudes of shareholders in the Company, the level and nature of any complaints received from investors and its arrangements for "Treating Customers Fairly".

Statement of Directors' Responsibilities in Respect of the Financial Statements

As required by company law, the Directors are responsible for the preparation of the annual report and financial statements which give a true and fair view of the state of affairs of the Company as at 30 September 2008 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 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.foreignandcolonialeurotrust.com website, which is maintained by the Company's Manager, F&C Management Limited ("F&C"). The content 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.

In accordance with Chapter 4 of the Disclosure and Transparency Rules, we confirm that to the best of our knowledge:

- the financial statements have been prepared in accordance with applicable UK Accounting Standards, on a going concern basis, and give a true and fair view of the assets, liabilities, financial position and return of the Company;
- the annual report includes a fair review of the important events that have occurred during the financial year and their impact on the financial statements;
- the principal risks section of the Directors' Report and Business Review describes the principal risks and uncertainties for the forthcoming financial year; and
- the financial statements and the Directors' Report and Business Review include details on related party transactions.

On behalf of the Board
Douglas McDougall
Chairman
5 November 2008

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 2008 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 in Respect of the Financial Statements. 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 and Business Review is consistent with the financial statements. The information given in the Directors' Report and Business Review includes that specific information presented in the Chairman's Statement, Manager's Review, List of Investments and the Corporate Governance Statement which is cross referred from the Directors' Report and Business Review.

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 2006 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 Directors' Report and Business Review, the Corporate Governance Statement, the unaudited part of the Directors' Remuneration Report and all of the other information listed in the contents page. We consider the implications for our report if we become aware of any apparent mis-statements 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 mis-statement, 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 2008 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 and Business Review is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered accountants and registered auditors
Hay's Galleria
1 Hay's Lane
London SE1 2RD
5 November 2008

Income Statement

Revenue notes	Capital notes	for the year ended 30 September	Revenue £'000s	Capital £'000s	2008 Total £'000s	Revenue £'000s	Capital £'000s	2007 Total £'000s
	11	(Losses)/gains on investments	**–**	**(153,461)**	**(153,461)**	–	89,699	89,699
	19	Foreign exchange gains(losses)	**11**	**(941)**	**(930)**	30	(913)	(883)
3		Income	**11,607**	**–**	**11,607**	11,252	–	11,252
4		Management fee	**(1,863)**	**–**	**(1,863)**	(2,782)	–	(2,782)
5		Recoverable VAT	**2,000**	**–**	**2,000**	–	–	–
6	19	Other expenses	**(662)**	**(24)**	**(686)**	(680)	(52)	(732)
		Net return before finance costs and taxation	**11,093**	**(154,426)**	**(143,333)**	7,820	88,734	96,554
7		Finance costs	**(895)**	**-**	**(895)**	(1,596)	-	(1,596)
		Net return on ordinary activities before taxation	**10,198**	**(154,426)**	**(144,228)**	6,224	88,734	94,958
8		Taxation on ordinary activities	**(2,934)**	**–**	**(2,934)**	(1,903)	(140)	(2,043)
9	9	**Net return attributable to equity shareholders**	**7,264**	**(154,426)**	**(147,162)**	4,321	88,594	92,915
9	9	**Return per share – pence**	**14.30**	**(303.93)**	**(289.63)**	8.04	164.78	172.82

The total column of this statement is the profit and loss account of the Company. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

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 2008

Notes		Called up share capital £'000s	Share premium account £'000s	Capital redemp-tion reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total equity share-holders' funds £'000s
	Balance at 30 September 2007	12,942	123,749	5,869	313,755	8,205	464,520
	Movements during the year ended 30 September 2008						
10	Dividends paid	–	–	–	–	(4,269)	(4,269)
	Shares purchased and cancelled	(747)	–	747	(20,711)	–	(20,711)
	Net return attributable to equity shareholders	–	–	–	(154,426)	7,264	(147,162)
	Balance at 30 September 2008	12,195	123,749	6,616	138,618	11,200	292,378

for the year ended 30 September 2007

Notes		Called up share capital £'000s	Share premium account £'000s	Capital redemp-tion reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total equity share-holders' funds £'000s
	Balance at 30 September 2006	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 and cancelled	(963)	–	963	(30,108)	–	(30,108)
	Net 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

Balance Sheet

Notes	at 30 September	£'000s	2008 £'000s	£'000s	2007 £'000s
	Fixed assets				
11	Listed investments		**286,025**		502,397
	Current assets				
12	Debtors	**20,109**		3,820	
	Cash at bank	**877**		–	
		20,986		3,820	
	Creditors: amounts falling due within one year				
13	Foreign currency loans	**(11,820)**		(31,411)	
14	Other	**(2,813)**		(10,286)	
		(14,633)		(41,697)	
	Net current assets/(liabilities)		**6,353**		(37,877)
	Net assets		**292,378**		464,520
	Capital and reserves				
16	Called up share capital		**12,195**		12,942
17	Share premium account	**123,749**		123,749	
18	Capital redemption reserve	**6,616**		5,869	
19	Capital reserves	**138,618**		313,755	
19	Revenue reserve	**11,200**		8,205	
			280,183		451,578
20	**Total shareholders' funds – equity**		**292,378**		464,520
20	**Net asset value per share – pence**		**599.36**		897.31

Approved by the Board on 5 November 2008
and signed on its behalf by
Douglas McDougall, Chairman

Cash Flow Statement

Notes	for the year ended 30 September	**£'000s**	**2008 £'000s**	£'000s	2007 £'000s
	Operating activities				
	Investment income received	**12,167**		9,994	
	Interest received	**274**		103	
	Stock lending fees received	**96**		265	
	Fees paid to the management company	**(2,082)**		(2,709)	
	Directors' fees paid	**(90)**		(87)	
	Other payments	**(675)**		(597)	
21	**Net cash inflow from operating activities**		**9,690**		6,969
	Servicing of finance				
	Interest paid	**(941)**		(1,537)	
	Cash outflow from servicing of finance		**(941)**		(1,537)
	Tax paid				
	UK tax paid	**(882)**		(735)	
	Overseas tax paid	**(1,382)**		(1,631)	
	Overseas tax received	**249**		373	
	Total tax paid		**(2,015)**		(1,993)
	Financial investment				
	Purchases of investments	**(550,636)**		(526,194)	
	Sales of investments	**598,973**		545,186	
	Other capital charges and credits	**(30)**		(47)	
	Net cash inflow from financial investment		**48,307**		18,945
	Equity dividends paid		**(4,269)**		(4,977)
	Net cash inflow before use of liquid resources and financing		**50,772**		17,407
	Financing				
	Net loans redeemed	**(20,362)**		–	
	Shares purchased and cancelled	**(20,708)**		(30,108)	
	Net cash outflow from financing		**(41,070)**		(30,108)
22	**Increase/(decrease) in cash**		**9,702**		(12,701)

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 Company registration number 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 2007 and all previous applicable financial years. Such approval exempts the Company from UK corporation tax on gains realised in the relevant year on its portfolio of fixed asset investments.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Company have been prepared on a going concern basis and 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.

(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.

Finance charges, including interest, are accrued using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period. See (v) below for allocation of finance charges within the Income Statement.

(iii) Foreign currency

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.

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.

Foreign exchange profits and losses on fixed asset investments are included within the changes in fair value in the capital account. Foreign exchange profits and losses on other currency balances are separately credited or charged to the capital account except where they relate to revenue items.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Income

Income from equity shares is brought into the revenue account (except where, in the opinion of the Directors, its nature indicates 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" 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, including finance charges, are charged to the revenue account of the Income Statement, except for expenses incidental to the acquisition or disposal of fixed asset 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) Taxation

Deferred tax is provided in accordance with Financial Reporting Standard 19 "Deferred Tax" 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 purchased and cancelled 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 foreign 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
– costs of purchasing 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 foreign exchange differences of a capital nature.

Notes on the Accounts (continued)

3. INCOME

	2008 £'000s	2007 £'000s
Income from listed investments		
Overseas dividends	11,216	10,881
UK dividends	71	–
	11,287	10,881
Other income		
Interest on cash and short-term deposits	274	99
Stock lending fees*	46	272
	320	371
Total income	11,607	11,252

*Stock lending activity ceased on 22 January 2008.

4. MANAGEMENT FEE

	2008 £'000s	2007 £'000s
Management fee	1,863	2,456
Irrecoverable VAT thereon*	–	326
	1,863	2,782

* With effect from 30 September 2007 VAT was no longer suffered on management fees.

F&C Management Limited ("the Manager") provides investment management, marketing 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.

In addition a performance related management fee is payable at the rate of 0.05% per 1% of annual outperformance by the net asset value ("NAV") 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 per share 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 2008 (2007: £nil). The management agreement may be terminated upon three months' notice given by either party.

5. RECOVERABLE VAT

	2008 £'000s	2007 £'000s
Recoverable in respect of management fees	2,000	–

The Association of Investment Companies and JPMorgan Claverhouse Investment Trust lodged a joint appeal in 2004 for the payment of management and performance fees ("fees") by investment trusts to be treated as exempt from VAT. In June 2007 the European Court of Justice ("ECJ") found in favour of the appellants, declaring that investment trusts should be treated as special investment funds and thus exempted from VAT on fees. A separate decision by the House of Lords on the Condé Nast Case in January 2008 ruled that the imposition of a three year capping by HM Revenue & Customs ("HMRC"), relating to claims submitted prior to January 1997, was invalid.

HMRC has announced that it would not appeal against either decision, enabling the Manager to reclaim a proportion of VAT paid on behalf of the Company to HMRC in respect of periods between April 1990 and December 1996 and further periods since April 2001.

5. RECOVERABLE VAT (CONTINUED)

The amounts recoverable by the Manager on behalf of the Company, and the timing of the recoveries, are dependent upon negotiations between the Manager and HMRC, on the one hand, and between the Manager and the Company on the other. Taking into account HMRC's acceptance of the ECJ and Condé Nast decisions, the Directors believe that the negotiations with the Manager have reached a position of clarity such that the Company is certain of recovering at least £2m of VAT via the Manager in respect of the periods since April 2001. This sum has been recognised as a separate item within the Income Statement in the current year.

The Directors are unable to state with any degree of certainty the extent to which they believe the Manager will recover, on the Company's behalf, VAT in respect of the periods from 1990 to 1996 and interest in respect of all VAT claims.

6. OTHER EXPENSES

	2008 £'000s	2007 £'000s
Auditors' remuneration:		
for audit services	28	28
for other services	2	2
Custody fees	112	149
Directors' fees for services to the Company*	84	90
Marketing	84	63
Savings plan expenses	139	148
Sundry expenses	213	200
	662	680

* See the Directors' Remuneration Report on page 25.

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

7. FINANCE COSTS

	2008 £'000s	2007 £'000s
Interest payable on bank loans and overdrafts repayable within five years, not by instalments	895	1,596

8. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the year

	Revenue £'000s	Capital £'000s	2008 Total £'000s	Revenue £'000s	Capital £'000s	2007 Total £'000s
Corporation tax payable at 29% (2007: 30%)	3,294	–	3,294	1,588	140	1,728
Relief for overseas taxation	(1,260)	–	(1,260)	(1,194)	(55)	(1,249)
	2,034	–	2,034	394	85	479
Overseas taxation	1,135	–	1,135	1,311	55	1,366
Additional tax credits	(33)	–	(33)	6	–	6
Current tax charge for the year (note 8b)	3,136	–	3,136	1,711	140	1,851
Deferred taxation (note 8c)						
On accrued income	(202)	–	(202)	192	–	192
Taxation on ordinary activities	2,934	–	2,934	1,903	140	2,043

Notes on the Accounts (continued)

8. TAXATION ON ORDINARY ACTIVITIES (CONTINUED)

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

	Revenue £'000s	Capital £'000s	2008 Total £'000s	Revenue £'000s	Capital £'000s	2007 Total £'000s
Return on ordinary activities before tax	10,198	(154,426)	(144,228)	6,224	88,734	94,958
Return on ordinary activities multiplied by the effective rate of UK corporation tax of 29% (2007: 30%)	2,957	(44,784)	(41,827)	1,867	26,620	28,487
Effects of:						
Movement in taxable income accruals	315	–	315	(309)	–	(309)
UK dividends not subject to corporation tax	(21)	–	(21)	–	–	–
Disallowed expenses	33	–	33	32	–	32
Relief for overseas taxation	(1,260)	–	(1,260)	(1,194)	(55)	(1,249)
Overseas taxation	1,135	–	1,135	1,311	55	1,366
Additional tax credits	(23)	–	(23)	4	–	4
Reversing capital returns *	–	44,784	44,784	–	(26,480)	(26,480)
Total current taxation (note 8a)	3,136	–	3,136	1,711	140	1,851

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

(c) Provision for deferred taxation

	Revenue £'000s	Capital £'000s	2008 Total £'000s	Revenue £'000s	Capital £'000s	2007 Total £'000s
Balance brought forward	213	–	213	21	–	21
(Credit)/charge for the year (note 8a)	(202)	–	(202)	192	–	192
Balance carried forward	11	–	11	213	–	213

9. RETURN PER ORDINARY SHARE

Revenue return

The revenue return per share is based on the revenue return attributable to equity shareholders of £7,264,000 profit (2007: £4,321,000 profit).

Capital return

The capital return per share is based on the capital return attributable to equity shareholders of £154,426,000 loss (2007: £88,594,000 profit).

Weighted average ordinary shares in issue

Both the revenue and capital returns per share are based on a weighted average of 50,810,529 ordinary shares in issue during the year (2007: 53,764,678).

10. DIVIDENDS

Dividends on ordinary shares	Register date	Payment date	2008 £'000s	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
Special for the year ended 30 September 2006 of 7.3p	17 November 2006	21 December 2006	–	4,037
			4,269	4,977

The Directors recommend a final dividend in respect of the year ended 30 September 2008 of 12.0p and have declared a special dividend of 2.9p, both payable on 22 December 2008 to all shareholders on the register at close of business on 14 November 2008. 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 paid and payable in respect of the financial year ended 30 September 2008, which form the basis of the retention test under Section 842 of the Income and Corporation Tax Act 1988, are set out below:

	2008 £'000s
Revenue attributable to equity shareholders	7,264
Final dividend for the year ended 30 September 2008 of 12.0p[1]	(5,812)
Special dividend for the year ended 30 September 2008 of 2.9p[1]	(1,405)
Estimated undistributed revenue for Section 842 purposes[2]	47

1 Based on 48,433,206 shares in issue at 4 November 2008.
2 Undistributed revenue is 0.4% of income from investments of £11,287,000 (see note 3).

11. LISTED INVESTMENTS

	2008 £'000s
Cost at 30 September 2007	419,541
Unrealised appreciation at 30 September 2007	82,856
Valuation at 30 September 2007	502,397
Movements in the year:	
Purchases at cost	551,401
Sales proceeds	(614,312)
Sales realised losses	(42,159)
Movement in unrealised depreciation	(111,302)
Valuation at 30 September 2008	286,025
Cost at 30 September 2008	385,391
Unrealised depreciation at 30 September 2008	(99,366)
Valuation at 30 September 2008	286,025

The investment portfolio is set out on pages 10 to 14.

Notes on the Accounts (continued)

11. LISTED INVESTMENTS (CONTINUED)

(Losses)/gains on investments

	2008 £'000s	2007 £'000s
Realised gains based on historical cost	28,761	93,723
Amounts recognised as unrealised appreciation in previous years	(70,920)	(60,456)
	(42,159)	33,267
Movement in unrealised (depreciation)/appreciation	(111,302)	56,432
Losses/(gains) on investments	(153,461)	89,699

Stock lending

	2008 £'000s	2007 £'000s
Aggregate value of securities on loan at the year end	–	31,585
Maximum aggregate value of securities on loan during the year	52,265	77,858
Fee income from stock lending during the year	46	272

Stock lending ceased on 22 January 2008 and therefore the Company held no collateral at the year end (2007: £34,459,000).

In respect of the maximum aggregate value of securities on loan during the year, the Company held £56,238,000 as collateral (2007: £81,858,000), the value of which exceeded the value of securities on loan by 7.6% (2007: 5.1%).

12. DEBTORS

	2008 £'000s	2007 £'000s
Investment debtors	17,657	2,460
Recoverable VAT	2,000	–
Overseas taxation recoverable	292	249
Prepayments and accrued income	160	1,111
	20,109	3,820

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Foreign currency loans	2008 £'000s	2007 £'000s
€15,000,000 (2007: €45,000,000)	11,820	31,411

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Other	2008 £'000s	2007 £'000s
Investment creditors	873	108
Corporation tax	1,365	212
Deferred tax	11	213
Accrued expenses	564	956
Bank overdraft	–	8,797
	2,813	10,286

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

	Germany %	France %	Switzerland %	Norway %	Sweden %	Others %	**2008 Total %**	2007 Total %
Financials	3.7	4.3	2.9	–	2.8	9.3	**23.0**	22.8
Industrials	0.9	2.1	1.5	1.3	–	5.9	**11.7**	19.0
Oil & gas	–	–	–	7.7	–	2.5	**10.2**	15.1
Consumer goods	0.4	–	–	–	1.2	8.5	**10.1**	11.5
Technology	1.7	–	–	–	4.0	3.0	**8.7**	10.6
Utilities	4.9	–	–	–	–	2.8	**7.7**	8.5
Health care	1.1	1.9	3.3	–	–	0.8	**7.1**	5.5
Telecommunications	–	–	–	–	–	5.7	**5.7**	5.4
Consumer services	–	1.2	–	–	–	4.2	**5.4**	2.9
Basic materials	1.2	–	–	–	–	3.3	**4.5**	–
Total investments	13.9	9.5	7.7	9.0	8.0	46.0	**94.1**	101.3
Net current assets	1.7	0.2	1.8	–	0.2	2.0	**5.9**	(1.3)
Total assets less current liabilities (excluding loans)	**15.6**	**9.7**	**9.5**	**9.0**	**8.2**	**48.0**	**100.0**	
2007 totals	19.0	14.1	11.7	7.2	7.5	40.5		100.0

16. CALLED UP SHARE CAPITAL

Equity share capital	Authorised Number	Authorised £'000s	Issued and fully paid Number	Issued and fully paid £'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	–	–	(2,986,263)	(747)
Balance at 30 September 2008	**100,000,000**	**25,000**	**48,781,641**	**12,195**

During the year 2,986,263 ordinary shares were purchased and cancelled at a cost of £20,711,000. Since the year end 348,435 shares have been purchased and cancelled at a cost of £1,522,000. At 4 November 2008, there were 48,433,206 shares in issue.

17. SHARE PREMIUM ACCOUNT

	2008 £'000s	2007 £'000s
Balance brought forward and carried forward	**123,749**	123,749

18. CAPITAL REDEMPTION RESERVE

	2008 £'000s	2007 £'000s
Balance brought forward	**5,869**	4,906
Transfer from equity share capital	**747**	963
Balance carried forward	**6,616**	5,869

Notes on the Accounts (continued)

19. OTHER RESERVES

	Capital reserve realised £'000s	Capital reserve unrealised £'000s	Capital reserve total £'000s	Revenue reserve £'000s
Balance at 30 September 2007	230,899	82,856	313,755	8,205
Movements in the year ended 30 September 2008				
Realised losses on investments	(42,159)	–	(42,159)	–
Transfers on disposal of investments	70,920	(70,920)	–	–
Foreign exchange losses	(941)	–	(941)	–
Other expenses	(24)	–	(24)	–
Movement in unrealised depreciation on investments	–	(111,302)	(111,302)	–
Revenue return	–	–	–	7,264
Net return attributable to equity shareholders	27,796	(182,222)	(154,426)	7,264
Cost of shares purchased and cancelled	(20,711)	–	(20,711)	–
Dividends paid in the year	–	–	–	(4,269)
	7,085	(182,222)	(175,137)	2,995
Balance at 30 September 2008	**237,984**	**(99,366)**	**138,618**	**11,200**

Included within the capital reserve movement for the year are £803,000 (2007: £733,000) of transaction costs on purchases of investments, £953,000 (2007: £957,000) of transaction costs on sales of investments and £nil of distributions recognised as capital (2007: £560,000).

Distributable capital reserves

Under the terms of the Company's articles of association, sums standing to the credit of capital reserves are distributable only by way of redemption or purchase of any of the Company's own shares, for so long as the Company carries on business as an investment company. Company law states that investment companies may only distribute accumulated "realised" profits.

The Institute of Chartered Accountants in England and Wales in its technical guidance TECH 01/08, states that profits arising out of a change in fair value of assets, recognised in accordance with accounting standards, may be distributed, provided the change recognised can be readily converted into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash and hence unrealised profits in respect of such securities, currently included within the unrealised capital reserve, may be regarded as distributable under company law.

This technical interpretation of the meaning of distributable reserves would, as a consequence, give rise at 30 September 2008 to capital reserves available for distribution of approximately £138,618,000 and non-distributable capital reserves, excluding the share premium and the capital redemption reserve, of £nil.

20. NET ASSET VALUE PER ORDINARY SHARE

	2008	2007
Net asset value per share	**599.36p**	897.31p
Net assets attributable at the year end – £'000s	**292,378**	464,520
Ordinary shares of 25p in issue at the year end	**48,781,641**	51,767,904

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

	2008 £'000s	2007 £'000s
Total return before finance costs and taxation	(143,333)	96,554
Adjust for returns from non-operating activities		
– Losses/(gains) on investments	153,461	(89,699)
– Foreign exchange losses charged to capital	941	913
– Other expenses charged to capital	24	52
Return from operating activities	11,093	7,820
Adjust for non cash flow items		
Foreign exchange losses charged to revenue	(11)	(30)
Increase in recoverable VAT debtor	(2,000)	–
Decrease/(increase) in prepayments and accrued income	951	(887)
(Decrease)/increase in accruals and other creditors	(343)	66
Net cash inflow from operating activities	9,690	6,969

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

	2008 £'000s	2007 £'000s
Increase/(decrease) in cash	9,702	(12,701)
Decrease in short-term loans	20,362	–
Movement in net debt resulting from cash flows	30,064	(12,701)
Foreign exchange movement	(799)	(913)
Movement in net debt	29,265	(13,614)
Net debt brought forward	(40,208)	(26,594)
Net debt carried forward	(10,943)	(40,208)

Represented by:	Balance at 30 September 2007 £'000s	Cash flow £'000s	Foreign exchange movement £'000s	Balance at 30 September 2008 £'000s
Cash at bank	–	905	(28)	877
Bank overdraft	(8,797)	8,797	–	–
Movement in net debt resulting from cash flows	(8,797)	9,702	(28)	877
Short-term loans	(31,411)	20,362	(771)	(11,820)
Net debt carried forward	(40,208)	30,064	(799)	(10,943)

Notes on the Accounts (continued)

23. RELATED PARTY TRANSACTIONS

The following are considered related parties: the Board of Directors (the "Board") and F&C Management Limited ("the Manager") and the beneficial interests of the Directors in the ordiinary shares of the Company as disclosed.

There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on page 25, and as set out in note 6 on the accounts. There are no outstanding balances with the Board at the year end. Transactions between the Company and the Manager are detailed in note 4 on management fees, note 5 on recoverable VAT and in note 11, where stock lending fees and investments managed and advised by the Manager are disclosed.

24. FINANCIAL RISK MANAGEMENT

The Company is an investment company, listed on the London Stock Exchange, and conducts its affairs so as to qualify in the United Kingdom (UK) as an investment trust under the provisions of Section 842 of the Income and Corporation Taxes Act 1988. In so qualifying, the Company is exempted in the UK from corporation tax on capital gains on its portfolio of investments.

The Company's investment objective is to achieve long-term capital growth through a diversified portfolio of Continental European securities. In pursuing this objective, the Company is exposed to financial risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit. The Board, together with the Manager, is responsible for the Company's risk management, as set out in detail in the Directors' Report and Business Review. The Directors' policies and processes for managing the financial risks are set out in (a), (b) and (c) below.

The accounting policies which govern the reported balance sheet carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 2 on the accounts. The policies are in compliance with UK Accounting Standards and best practice and include the valuation of financial assets and liabilities at fair value. The Company does not make use of hedge accounting rules.

(a) Market risks

The fair value of equity and other financial securities held in the Company's portfolio fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. The Board sets policies for managing these risks within the Company's objective and meets regularly to review full, timely and relevant information on investment performance and financial results. The Manager assesses exposure to market risks when making each investment decision and monitors ongoing market risk within the portfolio.

The Company's other assets and liabilities may be denominated in currencies other than sterling and may also be exposed to interest rate risks. The Manager and the Board regularly monitor these risks. The Company does not normally hold significant cash balances. Borrowings are limited to amounts and currencies commensurate with the portfolio's exposure to those currencies, thereby limiting the Company's exposure to future changes in foreign exchange rates. Gearing may be short or long-term in foreign currencies, and enables the Company to take a long-term view of the countries and markets in which it is invested without having to be concerned about short-term volatility.

Income earned in foreign currencies is converted to sterling on receipt. The Board regularly monitors the effects on net revenue of interest earned on deposits and paid on gearing.

Currency exposure

The principal currencies to which the Company was exposed during the year were the euro, Swiss franc, Norwegian krone and Swedish krona.

The exchange rates applying against sterling at 30 September and the average rates during the year ended 30 September were as follows:

		2008		2007
	At 30 September	**Average for the year**	At 30 September	Average for the year
Euro	**1.2690**	**1.3171**	1.4008	1.4783
Swiss franc	**1.9987**	**2.1380**	2.3800	2.4038
Norwegian krone	**10.5384**	**10.5125**	11.0471	11.9638
Swedish krona	**12.4286**	**12.3858**	13.1798	13.6211

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Based on the financial assets and liabilities held and the exchange rates applying at the balance sheet date, a weakening or strengthening of sterling against each of these principal currencies by 10% would have the following approximate effect on returns attributable to equity shareholders and on net asset values ("NAV") per share:

Weakening of sterling by 10%	2008 Euro	2008 Swiss franc	2008 Norwegian krone	2008 Swedish krona	2007 Euro	2007 Swiss franc	2007 Norwegian krone	2007 Swedish krona
Net revenue return attributable to equity shareholders – £'000s	627	32	18	98	639	62	15	45
Net capital return attributable to equity shareholders – £'000s	19,819	2,908	2,756	2,491	32,357	5,807	3,595	3,694
Net total return attributable to equity shareholders – £'000s	20,446	2,940	2,774	2,589	32,996	5,869	3,610	3,739
NAV per share – pence	41.91	6.03	5.69	5.31	63.74	11.34	6.97	7.22

Strengthening of sterling by 10%	2008 Euro	2008 Swiss franc	2008 Norwegian krone	2008 Swedish krona	2007 Euro	2007 Swiss franc	2007 Norwegian krone	2007 Swedish krona
Net revenue return attributable to equity shareholders – £'000s	(627)	(32)	(18)	(98)	(639)	(62)	(15)	(45)
Net capital return attributable to equity shareholders – £'000s	(19,819)	(2,908)	(2,756)	(2,491)	(32,357)	(5,807)	(3,595)	(3,694)
Net total return attributable to equity shareholders – £'000s	(20,446)	(2,940)	(2,774)	(2,589)	(32,996)	(5,869)	(3,610)	(3,739)
NAV per share – pence	(41.91)	(6.03)	(5.69)	(5.31)	(63.74)	(11.34)	(6.97)	(7.22)

These effects are representative of the Company's activities although the level of the Company's exposure to currencies fluctuates in accordance with the investment and risk management processes.

The fair values of the Company's assets and liabilities at 30 September by currency are shown below:

2008	Investments £'000s	Short-term debtors £'000s	Cash at bank £'000s	Short-term creditors loans £'000s	Short-term creditors other £'000s	Net exposure £'000s
Euro	203,858	6,050	863	(11,820)	(764)	198,187
Swiss franc	23,493	5,699	–	–	(108)	29,084
Norwegian krone	27,555	–	–	–	–	27,555
Swedish krona	24,337	572	–	–	–	24,909
Other	1,599	5,697	–	–	–	7,296
Sterling	5,183	2,091	14	–	(1,941)	5,347
Total	286,025	20,109	877	(11,820)	(2,813)	292,378

2007	Investments £'000s	Short-term debtors £'000s	Cash at bank £'000s	Short-term creditors loans £'000s	Short-term creditors other £'000s	Net exposure £'000s
Euro	363,731	157	(8,797)	(31,411)	(108)	323,572
Swiss franc	56,988	1,079	–	–	–	58,067
Norwegian krone	34,386	1,587	–	–	(28)	35,945
Swedish krona	36,637	315	–	–	(11)	36,941
Other	10,655	591	–	–	(45)	11,201
Sterling	–	91	–	–	(1,297)	(1,206)
Total	502,397	3,820	(8,797)	(31,411)	(1,489)	464,520

Notes on the Accounts (continued)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate exposure

The exposure of the financial assets to interest rate movements at 30 September was:

	2008 Within one year £'000s	2007 Within one year £'000s
Exposure to floating rates – cash/(overdrafts)	877	(8,797)
Exposure to fixed rates – loan	(11,820)	(31,411)
Net exposure	(10,943)	(40,208)
Minimum net exposure during the year	6,030	(26,029)
Maximum net exposure during the year	(43,532)	(53,400)

Exposures vary throughout the year as a consequence of changes in the make-up of the net assets of the Company arising out of the investment and risk management processes.

Interest received on cash balances, or paid on bank overdrafts and borrowings, is at ruling market rates. There were no material holdings in fixed interest investment securities during the year or at the year end (2007: same).

The Company's total returns and net assets are sensitive to changes in interest rates on cash and borrowings.

Based on the financial assets and liabilities held and the interest rates ruling at each balance sheet date, a decrease or increase in interest rates of 2% would have the following approximate effects on the income statement revenue and capital returns after tax and on the NAV per share:

	2008 Increase in rate £'000s	2008 Decrease in rate £'000s	2007 Increase in rate £'000s	2007 Decrease in rate £'000s
Revenue return	(234)	234	(566)	566
Capital return	–	–	–	–
Total return	(234)	234	(566)	566
NAV per share – pence	(0.48)	0.48	(1.09)	1.09

Other market risk exposures

The Company does not usually enter into derivative transactions in managing its exposure to other market risks. The portfolio of investments, valued at £286,025,000 at 30 September 2008 (2007: £502,397,000) is therefore exposed to market price changes. The Manager assesses these exposures at the time of making each investment decision. The Board reviews overall exposures at each meeting against indices and other relevant information. An analysis of the portfolio by country and major industrial sector is set out in note 15 on the accounts.

Based on the portfolio of investments held at each balance sheet date, and assuming other factors remain constant, a decrease or increase in the fair value of the portfolio in sterling terms by 20% would have had the following approximate effects on the net capital return attributable to equity shareholders and on the NAV per share:

	2008 Increase in value £'000s	2008 Decrease in value £'000s	2007 Increase in value £'000s	2007 Decrease in value £'000s
Capital return	57,205	(57,205)	100,479	(100,479)
NAV per share – pence	117.27	(117.27)	194.10	(194.10)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

The Company is required to raise funds to meet commitments associated with financial instruments and share buybacks. These funds may be raised either through the realisation of assets or through increased borrowing. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given: the number of quoted investments held in the Company's portfolio (69 at 30 September 2008); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio (see note 15); and the existence of an ongoing loan facility agreement. Cash balances are held with approved banks, usually on overnight deposit. The Company does not normally invest in derivative products. The Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting.

The Company has a loan facility with The Royal Bank of Scotland plc of £30m renewable in September 2009.

The contractual maturities of the financial liabilities at each balance sheet date, based on the earliest date on which payment can be required, were as follows:

	2008 Three months or less £'000s	2007 Three months or less £'000s
Current liabilities – loans	**11,820**	31,411
Current liabilities – other	**2,813**	10,286
	14,633	41,697

(c) Credit risk and counterparty exposure

The Company is exposed to potential failure by counterparties to deliver securities for which the Company has paid, or to pay for securities which the Company has delivered. The Board approves all counterparties used in such transactions, which must be settled on the basis of delivery against payment (except where local market conditions do not permit).

A list of pre-approved counterparties is maintained and regularly reviewed by the Manager and the Board. Broker and stock lending counterparties are selected based on a combination of criteria, including credit rating, balance sheet strength and membership of a relevant regulatory body. The rate of default in the past has been negligible. Collateral on securities loaned to third parties exceeded the value of the securities throughout the duration of the loans. Cash and deposits are held with approved banks.

The Company has an ongoing contract with its custodian for the provision of custody services. The contract is reviewed regularly. Details of securities held in custody on behalf of the Company are received and reconciled monthly.

To the extent that the Manager carries out management and administrative duties (or causes similar duties to be carried out by third parties) on the Company's behalf, the Company is exposed to counterparty risk. The Board assesses this risk through regular meetings with the management of the Manager (including the fund manager) and with the Manager's internal audit function. In reaching its conclusions, the Board also reviews the Manager's parent group's annual audit and assurance faculty report, group accounts and other public information indicative of its financial position and performance.

The Company had no credit-rated bonds or similar securities or derivatives in its portfolio at the year end (2007: none) and does not normally invest in them. None of the Company's financial liabilities are past their due date or impaired.

(d) Fair values of financial assets and liabilities

The assets and liabilities of the Company are, in the opinion of the Directors, reflected in the balance sheet at fair value, or at a reasonable approximation thereof. Borrowings under loan facilities are short-term in nature and hence do not have a value materially different from their capital repayment amount. Borrowings in foreign currencies are converted into sterling at exchange rates ruling at each valuation date.

Notes on the Accounts (continued)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Capital risk management

The objective of the Company is stated as being to achieve long-term capital growth through a diversified portfolio of Continental European securities. In pursuing this long-term objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern. It must therefore maintain an optimal capital structure through varying market conditions. This involves the ability to: issue and buyback share capital within limits set by the shareholders in general meeting; borrow monies in the short and long term and pay dividends to shareholders out of current year revenue earnings as well as out of brought forward revenue reserves.

Changes to ordinary share capital are set out in note 16 on the accounts. Dividend payments are set out in note 10 on the accounts. Details of the loan are set out in note 13 on the accounts.

Ten Year Record

Assets

at 30 September (£'000s)	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total assets	349,366	438,554	563,974	359,895	271,468	332,448	350,088	415,207	437,207	495,931	**304,198**
Loans	42,508	48,538	44,370	–	6,913	12,617	20,728	23,853	30,517	31,411	**11,820**
Net assets	306,858	390,016	519,604	359,895	264,555	319,831	329,360	391,354	406,690	464,520	**292,378**

Net asset value ("NAV")

at 30 September	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
NAV per share	407.8p	518.3p	690.5p	478.3p	351.8p	433.7p	484.4p	624.9p	731.2p	897.3p	**599.4p**
NAV total return on 100p – 5 years (per AIC)											**143.0p**
NAV total return on 100p – 10 years (per AIC)											**155.4p**

Share price

at 30 September	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Middle market price per share	379.0p	495.0p	653.5p	438.5p	277.0p	349.5p	417.0p	560.0p	664.5p	812.5p	**518.0p**
Discount to NAV	7.1%	4.5%	5.4%	8.3%	21.3%	19.4%	13.9%	10.4%	9.1%	9.5%	**13.6%**
Share price high	576.0p	516.0p	763.5p	723.0p	529.5p	388.5p	430.0p	561.5p	690.0p	864.0p	**840.0p**
Share price low	329.0p	495.0p	491.0p	385.5p	277.0p	258.5p	352.0p	418.0p	533.5p	653.0p	**514.0p**
Share price total return on 100p – 5 years (per AIC)											**158.1p**
Share price total return on 100p – 10 years (per AIC)											**149.4p**

Revenue

for the year ended 30 September	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Available for ordinary shares – £'000s	2,192	1,558	765	2,737	3,659	4,864	3,623	4,680	5,043	4,321	**7,264**
Earnings per share	3.3p	2.1p	1.0p	3.6p	4.9p	6.5p	5.1p	7.0p	8.7p	8.0p	**14.3p**
Dividends per share	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]	8.3p[2]	**14.9p[3]**

Performance

(rebased to 100 at 30 September 1998)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
NAV per share	100.0	127.1	169.3	117.3	86.3	106.4	118.8	153.2	179.3	220.0	**147.0**
Middle market price per share	100.0	130.6	172.4	115.7	73.1	92.2	110.0	147.8	175.3	214.4	**136.7**
Earnings per share	100.0	62.7	30.9	110.3	147.3	198.2	154.8	211.2	264.5	243.6	**433.3**
Dividends per share	100.0	85.0	85.0	115.0	235.0	325.0	270.0	375.0	450.0	415.0	**745.0**
RPI	100.0	101.1	104.4	106.2	108.0	111.0	114.4	117.5	121.7	126.5	**132.8**

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.
3 Comprises a final dividend of 12.0p 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.

Ten Year Record (continued)

Costs of running the Company (total expense ratio)

for the year ended 30 September	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Operating costs (£'000s)	3,521	4,317	5,439	3,619	2,977	2,577	2,769	3,069	3,153	3,514	**2,549**
Operating costs as a percentage of:											
Average net assets	1.1%	1.1%	1.0%	0.8%	0.8%	0.9%	0.8%	0.8%	0.8%	0.8%	**0.7%**
Average total assets	1.0%	1.0%	0.9%	0.8%	0.8%	0.8%	0.7%	0.8%	0.7%	0.7%	**0.7%**

Gearing

at 30 September	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Effective gearing	9.0%	10.3%	7.9%	(0.6)%	2.5%	1.5%	5.9%	2.8%	6.5%	8.1%	**(2.0)%**
Fully invested gearing	14.5%	12.4%	8.5%	–	2.6%	3.9%	6.3%	6.2%	7.5%	6.8%	**4.0%**

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.

Notice of Annual General Meeting

Notice is hereby given that the thirty sixth annual general meeting of the Company will be held at Exchange House, Primrose Street, London EC2A 2NY on Wednesday 17 December 2008 at 11 a.m. for the following purposes:

Ordinary business

1. To receive and adopt the Directors' report and accounts for the year ended 30 September 2008.
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 re-elect Mr M B Moule 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

To consider and, if thought fit, pass the following resolution as a special resolution:

9. 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 (as defined by that section) up to an aggregate nominal amount of £605,415 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 2009; and
      (ii) empowered, pursuant to Section 95 of the Act, to allot equity securities (within the meaning of section 94 of the Act) 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 and notwithstanding such expiry the Directors may allot relevant securities and/or equity securities in pursuance of such offers or agreements;

   (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;
   (c) words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings in this resolution; and
   (d) references in this resolution to the Act, or to sections of the Act, shall, where appropriate, include references to the Companies Act 2006 and any corresponding or similar sections of that act, it being the intention that, to the extent permitted by law, the authorities and powers contained in this resolution shall continue in full force and effect notwithstanding any repeal of the Act or any relevant part or section thereof.

To consider and, if thought fit, pass the following resolution as a special resolution:

10. 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 25p 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 shall be 7,260,137;
    (b) the minimum price which may be paid for an ordinary share shall be 25p;
    (c) the maximum price (exclusive of expenses) 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;

Notice of Annual General Meeting

(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 the date which is 18 months after the passing of this resolution, unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution;

(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 or executed wholly or partly after the expiry of such authority; and

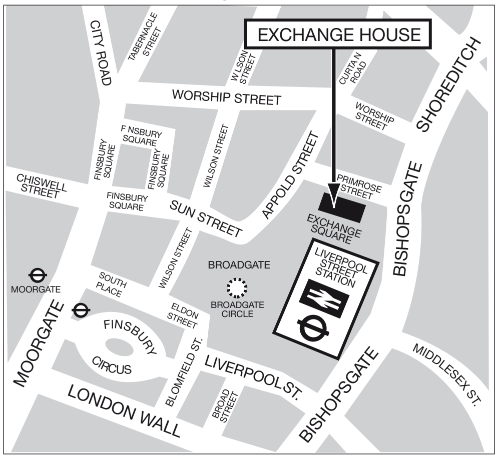
(g) references in this resolution to the Act, or to sections of the Act, shall where the context requires and where appropriate, include references to the Companies Act 2006 and any corresponding or similar sections of that act, it being the intention that, to the extent permitted by law, the authority and powers contained in this resolution shall continue in full force and effect notwithstanding any repeal of the Act or any relevant part or section thereof.

To consider and, if thought fit, pass the following resolution as a special resolution:

11. THAT the draft regulations ("the New Articles") produced to the meeting and, for the purposes of identification, initialled by the Chairman of the meeting be adopted as the articles of association of the Company in substitution for, and to the entire exclusion of, the existing articles of association of the Company.

By order of the Board	Registered office:
F&C Management Limited	Exchange House
Secretary	Primrose Street
5 November 2008	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 p.m. on 15 December 2008 (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 the specified time 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 p.m. on the day which is two days before the day of 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. The proxy form includes details on how to appoint more than one proxy. 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 as 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 4 November 2008, the latest practicable date prior to publication of this document, the Company had 48,433,206 ordinary shares in issue with a total of 48,433,206 voting rights.

In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

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, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not less than 48 hours before the time appointed for the holding of the meeting.

Investors holding shares in the Company through the F&C savings plans should ensure that forms of direction are returned to Computershare Investor Services PLC not later than 96 hours before the time appointed for holding the meeting.

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 147 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

The register of Directors' holdings, Directors' terms of 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.

A copy of the articles of association of the Company as proposed to be adopted with effect from the passing of resolution 11 will be available for inspection at Royal London House, 22-25 Finsbury Square, London EC2A 1DX and at the registered office of the Company from the date of this notice until the conclusion of the annual general meeting and on the date of the annual general meeting at the annual general meeting 15 minutes prior to the start until the conclusion of the meeting.

The members of the Company may require the Company to publish, on its website, a statement setting out any matter relating to the audit of the Company's accounts, including the auditors report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100.

Appendix: Summary of the proposed material changes to the articles of association of the Company

1. ELECTRONIC AND WEB COMMUNICATIONS

The New Articles allow communications to members in electronic format and permit the Company to take advantage of the provisions in the Companies Act 2006 ("CA2006") relating to website communications.

Various provisions are included in the New Articles to allow the Company to communicate with shareholders via electronic means and to give the Directors the discretion to use electronic communications to distribute notices of meetings, annual reports and accounts.

2. FORM OF RESOLUTIONS AND CONVENING MEETINGS

The existing articles contain provisions referring to "extraordinary" resolutions and "extraordinary" general meetings. With effect from 1 October 2007 these concepts have been abolished under the CA2006. Meetings of shareholders other than annual general meetings are referred to simply as general meetings. Any resolution requiring a 75% majority will be a "special" resolution.

The provisions of the existing articles dealing with the convening of general meetings and annual general meetings and the length of notice required to convene such meetings are amended in the New Articles to conform to the new provisions of the CA2006. In particular, general meetings to consider special resolutions can now be convened on 14 clear days' notice whereas previously 21 clear days' notice was required. The annual general meeting of the Company still requires 21 clear days' notice.

3. QUORUM

In the New Articles, the quorum requirement for general meetings and annual general meetings has been amended from three persons to two qualifying members in order to take account of the change in CA2006, which clarifies that corporate representatives can be included in the quorum requirements.

The New Articles also amend the default quorum requirement for Board meetings from three persons to two persons in order to provide greater flexibility due to the current number of directors on the Board.

4. PROXIES

The time limits for the appointment of proxies have also been altered by the CA2006 so weekends and bank holidays can be excluded for the purposes of the timing for delivery of proxies. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to different shares held by the shareholder. The New Articles reflect these changes.

5. CORPORATE REPRESENTATIVES

The CA2006 permits a corporate shareholder to appoint multiple corporate representatives who can attend, speak, vote and count towards a quorum at any general meeting. The New Articles reflect these provisions of the CA2006.

6. CONFLICTS OF INTEREST

The New Articles shall reflect the new provisions of the CA2006 in relation to directors' conflicts of interests which came into force on 1 October 2008.

The CA2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the CA2006, from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company, an advisor to the Company or a trustee of another organisation. The CA2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, insofar as the articles of association contain a provision to this effect. The CA2006 also allows articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

There are safeguards in the New Articles which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and second, in taking the decision, the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles contain provisions relating to confidential information, attendance at board meetings and the availability of board papers to protect a Director being in breach of duty if a conflict of interest or a potential conflict of interest arises. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers to authorise conflicts are operating effectively.

It is proposed that the New Articles will contain provisions giving the Directors authority to approve situations involving Directors' conflicts of interest and to allow conflicts of interest to be dealt with by the Board.

7. PERIODIC RETIREMENT

The Combined Code on Corporate Governance recommends that directors must submit themselves for election by shareholders at the first annual general meeting after their appointment and to re-election thereafter at intervals of no more than three years. The New Articles reflect these provisions.

These provisions will also allow the Board to implement a policy whereby each director will submit themselves for re-election at each annual general meeting in future.

8. AGE OF DIRECTORS ON APPOINTMENT

The current articles contain a provision limiting the age at which a Director can be appointed. Such a provision could now fall foul of the Employment Equality (Age) Regulations 2006 and have, accordingly, been removed from the New Articles.

9. INDEMNITY OF OFFICERS AND INSURANCE

The existing articles already provide for the Company to indemnify any Director or other officer of the Company subject to applicable law. The New Articles take advantage of the new wording in the CA2006 relating to directors' indemnities, to the extent applicable to the Company, and reflect the current market standard provisions which have evolved since the existing indemnity provisions were adopted.

10. CHAIRMAN'S CASTING VOTE

Although the CA2006 precludes the chairman's casting vote provision, this can be retained in the New Articles since, prior to the commencement of the relevant provisions of the CA2006, the Company had such a provision in its articles.

11. REGISTER OF MEMBERS

The current articles provide that the register of members shall not be closed for more than 30 days in any year. The CA2006 repeals the provisions of the Companies Act 1985 which allow a company to close the register of members with the result that the register must be open for inspection at all times. The New Articles reflect this provision.

12. REQUIREMENTS FOR REGISTRATION OF TRANSFER AND REFUSAL TO TRANSFER

The existing articles provide that the Directors may refuse to register a transfer of any certificated share in their absolute discretion and without assigning any reason for the refusal. The CA2006 introduces a new requirement for companies to register transfers or to provide the transferee with reasons for refusal as soon as possible. The New Articles reflect this new requirement.

13. CREST AND THE UNCERTIFICATED SECURITIES REGULATIONS

The New Articles reflect the Uncertificated Securities Regulations 2001 and the CA2006 provisions by permitting shareholders holding uncertificated shares to appoint, instruct, amend and revoke proxy appointments using the CREST system.

14. ARTICLES THAT DUPLICATE STATUTORY PROVISIONS

Certain other provisions in the current articles which replicate provisions contained in companies legislation are amended to bring them into line with the CA2006.

15. ORDINARY BUSINESS

Given the nature of the Company, the definition of ordinary business has been extended in the New Articles to include the granting, renewal or variation of any authority to allot securities in the Company, the disapplication of pre-emption rights and the renewal of share buyback authority as ordinary business when it is transacted at an annual general meeting of the Company (as these resolutions are routinely proposed at the Company's annual general meetings).

Information for Shareholders

Net asset value and share price

The Company's net asset value per share 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 stock market 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 half-yearly and final reports which are sent to shareholders in May and November respectively, and in the interim management statement announcements.

More up-to-date performance information is available on the internet at www.foreignandcolonialeurotrust.com This website also provides a monthly update on the Company's largest holdings, downloadable factsheets and fund manager commentary.

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 £9,600 in the tax year ending 5 April 2009 without incurring any tax liability.

Taper relief and indexation allowances were abolished with effect from 6 April 2008 in favour of a single rate of charge to CGT of 18%.

Shareholders in doubt as to their CGT position should consult their professional advisers.

Income tax

The special dividend declared and the recommended final dividend are payable in December 2008. Individual UK resident shareholders who are subject to UK income tax at 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.

Association of Investment Companies ("AIC")

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

aic
The Association of Investment Companies

Analysis of Ordinary Shareholders

Analysis of ordinary shareholders as at 30 September 2008		
Category	**Number of shares**	**% Holding**
Nominee holdings	14,752,772	30.3
F&C savings plans	14,736,301	30.2
Institutions	13,182,189	27.0
Direct individual holdings	6,110,379	12.5

Source: F&C Management Limited.

The total number of shareholders at 30 September 2008 was 19,622, of which 15,903 were investors through the F&C savings plans.

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