



F&C Private Equity Trust plc

Annual Report and Accounts

2012

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If you have sold or otherwise transferred all of your shares in F&C Private Equity Trust plc, please forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.

Company Summary

The Group

F&C Private Equity Trust plc ('the Company') is an investment trust and its shares are traded on the London Stock Exchange. Its wholly owned subsidiary, F&C Private Equity Zeros plc ('FCPEZ'), was incorporated on 9 October 2009 and has Zero Dividend Preference Shares ('ZDP Shares') which are also traded on the London Stock Exchange. The Company and FCPEZ are collectively referred to throughout this document as 'the Group'.

The Company was launched in March 1999 as part of the reorganisation of The Scottish Eastern Investment Trust plc with the objective of managing the private equity investments formerly held by that company so as to realise those assets and return cash to shareholders.

In August 2001, the Company was reorganised and shareholders were given the opportunity to convert all or part of their existing ordinary shares into A Shares (subsequently renamed Restricted Voting Shares*) and B Shares (subsequently renamed Ordinary Shares).

In August 2005, shareholders approved a change of company name from Martin Currie Capital Return Trust plc to F&C Private Equity Trust plc and the Company issued 49,758,449 C Shares following the acquisition of Discovery Trust plc and a subscription of £20 million by Friends Provident. The C Shares subsequently converted into Ordinary Shares.

In December 2009 FCPEZ issued 30,000,000 ZDP Shares at 100 pence per share. The ZDP Shares redeem on 15 December 2014 at a price of 152.14 pence per share, giving a redemption yield of 8.75 per cent per annum.

Objective and Investment Policy

The Ordinary Shares' objective is to achieve long-term capital growth through investment in private equity assets, whilst providing shareholders with a predictable and above average level of dividend funded from a combination of the Company's revenue and realised capital profits.

The Restricted Voting Shares* objective was to manage the existing assets and to realise the value of those assets in a tax-efficient manner and return capital to shareholders.

A breakdown of the assets of each pool as at 31 December 2012 is contained on pages 12 and 13.

The Company's investment policy is contained within the Business Review on page 16.

Dividend Policy

In respect of the Ordinary Shares, the Company aims to pay semi-annual dividends with an annual yield equivalent to not less than 4 per cent of the average of the published net asset values per Ordinary Share as at the end of each of its last four financial quarters prior to the announcement of the relevant semi-annual dividend or, if higher, equal (in terms of pence per share) to the highest semi-annual dividend previously paid.

Management

The Board has appointed F&C Investment Business Limited ('the Manager') as investment manager of the Group under a contract terminable by either party giving to the other not less than six months' notice. Further details of the management contract are provided in note 4 to the financial statements.

Net Assets as at 31 December 2012

£187.4 million

Shareholders' Funds as at 31 December 2012

Ordinary Shares £186.3 million

Restricted Voting Shares £1.1 million

Market Capitalisation as at 31 December 2012

Ordinary Shares £134.3 million

Restricted Voting Shares £1.1 million

ZDP Shares in FCPEZ £42.3 million

Group Capital Structure as at 31 December 2012

72,282,273 Ordinary Shares of 1 pence, each entitled to one vote at a general meeting;

67,084,807 Restricted Voting Shares* of 1 pence each; and

30,000,000 ZDP Shares in FCPEZ.

Further details of the Group's capital structure, including the rights attributable to each of the share classes, are provided on pages 15 and 16.

How to Invest

The Manager operates a number of investment plans which facilitate investment in the shares of the Company. Details are contained on page 55.

Website

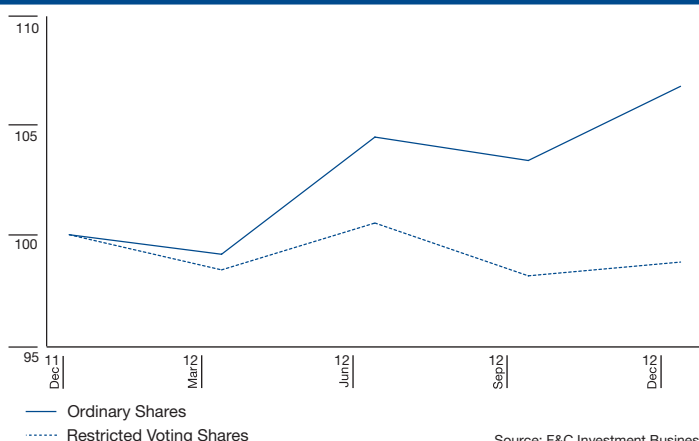
The Company's website address is: www.fcpet.co.uk

* The Restricted Voting Shares were converted and redesignated as Deferred Shares on 14 February 2013 and the Deferred Shares were bought back by the Company and cancelled on that date. On 15 February 2013 the admission of the Restricted Voting Shares to the Official List of the UKLA and trading on the London Stock Exchange's Main Market were cancelled. The Company therefore no longer has any Restricted Voting Shares in issue.

Financial Highlights for the Year

- Share price total return for the year of 31.7 per cent for the Ordinary Shares.
- NAV total return for the year of 6.8 per cent for the Ordinary Shares.
- Adoption of a new dividend policy – total dividend of 10.03p per Ordinary Share – equivalent to an annualised dividend yield of 5.4 per cent at the year end.
- Cancellation of Restricted Voting Shares since the year end.
- Good investment opportunities in funds and co-investments.
- Strengthened Balance Sheet.

F&C Private Equity Trust Net Asset Value Total Return for the Year Ended 31 December 2012



Performance Summary

	31 December 2012	31 December 2011	% change
Total Returns for the Year*			
Net asset value:			
Ordinary Share (fully diluted)	+6.8%	+8.5%	
Restricted Voting Share	-1.3%	+8.4%	
Share price:			
Ordinary Share	+31.7%	+13.2%	
Restricted Voting Share	+6.2%	+11.3%	
Net Asset Value			
Net assets (£'000)	187,431	182,747	+2.6
Net asset value per:			
Ordinary Share (fully diluted)	254.38p	243.54p	+4.5
Restricted Voting Share	1.67p	6.68p	-75.0
Market Price			
Ordinary Share	185.75p	146.00p	+27.2
Restricted Voting Share	1.65p	5.90p	-72.0
Discount:			
Ordinary Share (fully diluted)	27.0%	40.1%	
Restricted Voting Share	1.2%	11.7%	
Income			
Revenue return after taxation (£'000)	1,818	621	
Revenue return per:			
Ordinary Share (fully diluted)	1.76p	0.78p	
Restricted Voting Share	0.76p	0.06p	
Dividend per:			
Ordinary Share	10.03p	0.80p	
Restricted Voting Share	4.975p	1.60p	
Dividend Yield			
Ordinary Shares	5.4%	0.5%	
Zero Dividend Preference Shares (£'000)			
	38,173	34,822	
Gearing†			
	12.2%	18.8%	
Ongoing Charges‡			
As a percentage of average net assets	1.5%	1.4%	
	2012 Ordinary Shares	2012 Restricted Voting Shares	
Portfolio Summary			
Shareholders' funds (£'000)	186,308	1,123	
Future commitments (£'000)	66,140	-	

* Total return is the combined effect of any dividends paid, together with the rise or fall in the net asset value per share or share price. Any dividends are assumed to have been re-invested in either the Company's assets or in additional shares.

† Borrowings and Zero Dividend Preference Shares, less cash ÷ total assets less current liabilities and cash (Ordinary Pool).

‡ Ongoing Charges replaces the Total Expenses Ratio, as recommended by The Association of Investment Companies ('AIC'). Ongoing Charges are defined within the AIC Guidelines.

Sources: F&C Investment Business, AIC and Datastream

Portfolio Summary

Group Portfolio Distribution As at 31 December 2012

	% of Ordinary Pool 2012	% of Restricted Voting Pool 2012	% of Total 2012	% of Total 2011
Buyout Funds – Pan European*	13.2	–	13.2	11.3
Buyout Funds – UK	19.3	32.3	19.3	19.0
Buyout Funds – Continental Europe†	20.8	–	20.7	19.0
Private Equity Funds – USA	7.9	45.5	8.0	6.6
Private Equity Funds – Global	6.3	–	6.3	7.1
Venture Capital Funds	8.3	–	8.3	7.3
Mezzanine Funds	9.7	22.2	9.8	11.5
Direct – Quoted	0.4	–	0.4	0.3
Secondary Funds	2.6	–	2.6	2.4
Direct – Investments/Co-Investments	11.5	–	11.4	15.5
	100.0	100.0	100.0	100.0

* Europe including the UK.

† Europe excluding the UK.

Largest Holdings As at 31 December 2012

	Ordinary Pool Valuation £'000	% of Ordinary Pool Portfolio	Restricted Voting Pool Valuation £'000	% of Restricted Voting Pool Portfolio	% of Total Portfolio
August Equity Partners II	9,511	4.5	–	–	4.5
TDR Capital II	8,542	4.0	–	–	4.0
Argan Capital	7,879	3.7	–	–	3.7
Primary Capital III	7,214	3.5	–	–	3.4
RJD Partners II	7,062	3.3	–	–	3.3
SEP III	6,483	3.0	–	–	3.0
Procuritas Capital IV	5,839	2.7	–	–	2.7
Chequers Capital XV	5,682	2.7	–	–	2.7
Camden Partners IV	5,667	2.7	–	–	2.7
Warburg Pincus IX	5,531	2.6	–	–	2.6

Top Ten Holdings

August Equity Partners II

Investment type:	Buyout fund	31 December	31 December
Region:	United Kingdom	2012	2011
Percentage held:	6.5%	£'000	£'000
Valuation basis:	Percentage of fund value		
<p>August Equity Partners II is a lower mid-market UK buyout fund which closed in July 2008 with total commitments of £155 million. The Ordinary Pool of the Company made a £10 million commitment to the fund at its first close in July 2007. August Equity, the managers, specialise in four sectors: healthcare, media, specialist manufacturing and technology.</p>		Residual cost	6,542
		Value	8,258

TDR Capital II

Investment type:	Buyout fund	31 December	31 December
Region:	Europe	2012	2011
Percentage held:	0.5%	£'000	£'000
Valuation basis:	Percentage of fund value		
<p>TDR Capital II is the second fund raised by Manjit Dale and Stephen Robertson with the backing of Tudor since the team spun out from Deutsche Bank Capital Partners in 2002. In a very successful fundraising, Fund II held a single close at €1.75 billion in June 2006 to which the Ordinary Pool of the Company committed €10 million. This fund invests in Pan-European buyouts with an emphasis on operational improvement and financial structuring.</p>		Residual cost	7,091
		Value	5,340

Argan Capital

Investment type:	Buyout fund	31 December	31 December
Region:	Europe	2012	2011
Percentage held:	2.4%	£'000	£'000
Valuation basis:	Percentage of fund value		
<p>Argan Capital is an independent private equity partnership that, in October 2006, completed a spin-out from Bank of America. The team focuses on European mid-market buyouts in companies with enterprise values in excess of €100 million. In September 2007, the Ordinary Pool of the Company committed €10 million to their first independent fund that subsequently closed at €425 million. This was a partial secondary/partial primary investment, with the fund approximately 50 per cent invested from the outset.</p>		Residual cost	5,189
		Value	7,852

Primary Capital III

Investment type:	Buyout fund	31 December	31 December
Region:	United Kingdom	2012	2011
Percentage held:	4.0%	£'000	£'000
Valuation basis:	Percentage of fund value		
<p>In December 2005, the Ordinary Pool of the Company committed £8 million to Primary Capital III, the third fund to be raised and invested by Primary Capital Limited. This fund invests in buyouts at the lower end of the middle market, in companies with enterprise values between £10 million and £100 million. It mainly targets the UK but may invest in Continental European deals, particularly in Germany. The fund had a final close at its hard cap of £200 million on 30 March 2006.</p>		Residual cost	5,830
		Value	5,548

RJD Partners II

Investment type:	Buyout fund	31 December	31 December
Region:	United Kingdom	2012	2011
Percentage held:	5.2%	£'000	£'000
Valuation basis:	Percentage of fund value		
<p>This is the successor fund to RL Private Equity Fund. The Ordinary Pool of the Company committed £9 million. Although this was agreed before Christmas 2005, the first closing of the fund did not take place until 17 July 2006 with total commitments of £95 million. The fund had a final closing in July 2007 at £174 million which brings total committed capital to £179 million including the manager's investment. After two extensions, the fund came to an end of its investment period on 13 January 2013.</p>		Residual cost	3,932
		Value	5,276

SEP III

Investment type:	Venture capital fund	31 December	31 December
Region:	Europe	2012	2011
Percentage held:	4.8%	£'000	£'000
Valuation basis:	Percentage of fund value		

SEP III had a fund close of £158 million. The Ordinary Pool of the Company made a commitment of £7 million to SEP III, subsequently increased to £7.6 million. SEP III makes venture capital investments of between £0.5 million and £10 million in early stage and emerging growth companies mostly in the UK within the sectors of information technology, healthcare and energy-related technology.

Residual cost	3,934	4,356
Value	6,483	5,697

Procuritas Capital IV

Investment type:	Buyout fund	31 December	31 December
Region:	Continental Europe	2012	2011
Percentage held:	8.0%	£'000	£'000
Valuation basis:	Percentage of fund value		

Procuritas is one of the most established private equity firms in Sweden having been private equity investors since 1986. The Ordinary Pool of the Company committed €7 million to Procuritas Capital IV in June 2008. Procuritas Capital targets buyout investments in the Nordic region of between €10 million and €40 million in companies with an enterprise value of between €20 million and €100 million.

Residual cost	2,281	4,205
Value	5,839	6,418

Chequers Capital XV

Investment type:	Buyout fund	31 December	31 December
Region:	Continental Europe	2012	2011
Percentage held:	1.3%	£'000	£'000
Valuation basis:	Percentage of fund value		

Chequers Capital XV is a mid-market French buyout fund, which closed with total commitments of €600 million in July 2006. The Ordinary Pool of the Company made a €7.5 million commitment to the fund, which was oversubscribed. Chequers has a strong position investing in the French mid-market where it has been established for over 20 years.

Residual cost	4,999	5,284
Value	5,682	6,098

Camden Partners IV

Investment type:	Private equity fund	31 December	31 December
Region:	USA	2012	2011
Percentage held:	13.3%	£'000	£'000
Valuation basis:	Percentage of fund value		

The Ordinary Pool of the Company committed \$10 million to Strategic Fund IV in April 2008. The Fund continues Camden's growth private equity style of investing in a combination of negotiated private equity investments in often troubled micro-cap companies and later-stage private companies in North America. It continues to focus on Camden's target markets of business and financial services, healthcare and education. The fund closed with final commitments of \$118 million in December 2009.

Residual cost	4,825	3,474
Value	5,667	3,617

Warburg Pincus IX

Investment type:	Private equity fund	31 December	31 December
Region:	North America with 35% rest of world	2012	2011
Percentage held:	0.1%	£'000	£'000
Valuation basis:	Percentage of fund value		

Warburg Pincus IX is an \$8 billion fund which invests across the globe in growth companies at all stages of development, including venture and development capital, recapitalisation and special situations. Warburg Pincus is one of the longest established and largest private equity companies in the world with 150 investment professionals spread across nine offices. More than 40 per cent of these investment staff are now based outside of the USA.

Residual cost	1,656	3,076
Value	5,531	6,476

Chairman's Statement



Mark Tennant Chairman

Your Company made good progress during the year under review. Its net assets at 31 December 2012 were £187.4 million. The Ordinary Pool had net assets of £186.3 million, giving a diluted net asset value ('NAV') per share of 254.38p. Taking into account the 2011 final dividend of 0.80p per share paid on 8 June and the 2012 interim dividend of 4.96p per share paid on 2 November, the NAV total return of the Ordinary Shares was 6.8 per cent. Encouragingly, the Ordinary Share price total return was 31.7 per cent during 2012 and the discount narrowed significantly during the year to 27.0 per cent. The share price has increased further since the year end and the current discount to NAV is now around 20 per cent. Whilst the discount is at its narrowest for five years it is strikingly wide when the Company's record of realisations well above book value is considered.

This is the last time I will report on the Restricted Voting Pool, which had net assets at 31 December 2012 of £1.1 million giving a NAV per share of 1.67p. Taking into account the special dividends of 1.60p and 3.30p per share paid on 27 January and 28 September, the NAV total return for the year was -1.3 per cent. As previously noted, the share pool at this size no longer justified a separate listing. Following consultations with shareholders, the

Company brought forward proposals for the Ordinary Pool to acquire the remaining assets of the Restricted Voting Pool for cash at NAV. On 17 January 2013, the Company held a General Meeting and a Class Meeting of Restricted Voting Shareholders at which resolutions to effect the transfer of the assets of the Restricted Voting Pool to the Ordinary Pool, and the subsequent cancellation of the Restricted Voting Shares, were passed. The final dividend relating to the Restricted Voting Pool, of 1.675p per share, was paid on 14 February 2013 and the next day the shares and the listing were cancelled. Since the inception of the Company almost exactly 14 years ago, £118 million has been paid to Restricted Voting Shareholders. This equates to a NAV total return of 14.4 per cent. The equivalent figure for the FTSE All-Share Index over the same period is 4.4 per cent. This 'finished result' demonstrates clearly the additional value to be gained from investment in a private equity portfolio over the long term.

The Company's portfolio has had an active year with total realisations, including rolled-up income, of £60.6 million, up by nearly 60 per cent on 2011. This considerably exceeded the £31.7 million of drawdowns and new investments, and the Company's balance sheet has strengthened significantly. The Ordinary Pool had cash of £12.4 million at the year end. Taking into account the accrued liability for the Zero Dividend Preference Shares of £38.2 million, total net debt was £25.8 million, giving gearing of 12.2 per cent. Outstanding undrawn commitments at 31 December were £66.1 million. Including commitments made since the year end, outstanding undrawn commitments are currently £69 million. The revolving credit facility of £50 million is completely undrawn.

The new performance fee introduced last year, and approved by shareholders at the Annual General Meeting on 23 May, has a hurdle rate IRR of 8 per cent. The IRR of the NAV for 2012 was 6.8 per cent and, accordingly, a performance fee is not payable in respect of 2012.

Dividends

The new dividend policy, described in last year's Annual Report and accompanying circular, has been welcomed by shareholders. Under the new policy,

the Company aims to pay semi-annual dividends with an annual yield equivalent to not less than 4 per cent of the average of the published NAVs per Ordinary Share as at the end of each of its last four financial quarters prior to the announcement of the relevant semi-annual dividend or, if higher, equal (in terms of pence per share) to the highest semi-annual dividend previously paid.

The first semi-annual interim dividend of 4.96p per Ordinary Share was, as stated above, paid on 2 November. The Board recommends payment of a final dividend of 5.07p per Ordinary Share, payable on 31 May 2013 to shareholders on the register on 3 May 2013. The total dividend for the year under the new policy amounts to 10.03p per Ordinary Share, equivalent to a dividend yield of 5.4 per cent at the year end.

As previously advised, the Company now offers a dividend reinvestment plan which allows shareholders, if they so wish, to use their dividend payments to purchase as many additional Ordinary Shares as possible with each dividend payment made whilst they participate in the plan. Participation in such a plan can be a convenient and easy way to build up an existing shareholding. Details of how to join the plan can be found on page 55.

Annual General Meeting

The Annual General Meeting will be held on Thursday 30 May 2013 at 12 noon at the offices of F&C Asset Management plc, Exchange House, Primrose Street, London EC2A 2NY. This will be followed by a presentation by Hamish Mair, the Company's lead fund manager. This is a good opportunity for shareholders to meet the Manager and the Board and we would encourage you to attend.

Outlook

The Company's portfolio is broadly based and continues to perform well against a challenging economic background. Private equity as an asset class has fared strongly through both expansionary and recessionary periods and this sustained performance is rooted in the twin characteristics of deeply committed involvement and the adoption of a long term investment horizon that distinguishes private equity from other asset classes. The Company's well diversified portfolio and expert cadre

of investment partners makes this attractive asset class available to a wide audience. Notwithstanding the current drag effect of the Eurozone's travails there is real value to be found in the thousands of mid-sized private companies in Europe and further afield, and current conditions provide numerous buying opportunities for suitably skilled investors.



Mark Tennant

Chairman

10 April 2013

Investment Manager



Hamish Mair

Hamish Mair is the head of the private equity funds team at F&C Investment Business Limited and the fund manager of F&C Private Equity Trust plc.



Neil Sneddon

Neil Sneddon is a director in the private equity funds team at F&C Investment Business Limited and the deputy fund manager of F&C Private Equity Trust plc.



Gordon Hay Smith

Gordon Hay Smith fulfils the role of Company Secretary for F&C Asset Management plc, the corporate Company Secretary of F&C Private Equity Trust plc.

Investment Manager

F&C Private Equity Trust plc is managed by F&C Investment Business Limited, a wholly-owned subsidiary of F&C Asset Management plc ('F&C'). F&C is a leading asset manager in both the UK and Europe, with £95.2 billion of funds under management as at 31 December 2012. The shares of F&C are traded on the London Stock Exchange.

F&C provides investment management and other services to a range of investment trust clients.

Manager's Review

The Company's portfolio made good progress during the year. It is clear that the ongoing concerns in the Eurozone and more generally in Europe have acted as a partial brake on investment activity and business confidence. Our investment partners, who have been cautiously optimistic for some time, exhibited more caution than optimism at periods during the year. The stuttering recovery, which has included a number of setbacks, is affecting individual companies, sometimes severely. Looking at the European private equity market as a whole, preliminary figures suggest that, despite a marked pick up in the fourth quarter, the overall volume and value of deals was down by between 10 and 20 per cent compared with 2011. However, the general picture for the portfolio is one of growth in revenues and profits and of associated value creation.

There are many excellent opportunities to be found across the mid-market of Europe and further afield. The deals that are being done generally look attractively priced, holding good prospects for the excellent returns traditionally expected from private equity. The private equity model, which is based upon a direct alignment between the interests of investors, private equity fund managers and the management of underlying companies, has been well tested during the recession and appears robust. Specifically, the application of expertise in aiding the management of companies to grow profits during challenging times has been conspicuous in private equity backed companies. Indeed these are considered by many commentators to be more efficient than the corporate sector in general.

The current environment is attractive for new investment in mid-market buyouts. Prices for new deals are typically at around 7x EV:EBITDA or lower. The proportion of debt in the deals is around 50 per cent of enterprise value and for companies with stable or growing profits good returns should be made over the next few years. Debt for buy-outs is available to well established private equity groups but it is not generally available in large quantum. Equity for private equity deals is, if anything, becoming scarcer as the 'dry powder' from older funds is used up and is not fully replaced by new funds.

Fundraising is as difficult as it has been for a decade but these difficulties are felt unevenly. Private equity managers who have an unequivocally strong record and who have fared well in the recession have been able to raise funds satisfactorily whereas the others are taking longer to raise more modest amounts. Given the buying opportunity noted above most of the money raised has a good chance of delivering excellent returns. Another positive side effect is that the availability of co-investments has improved. This is a function of private equity groups husbanding resources as funds use up capital, or of groups which are between or before fund raisings.

New Investments

At the year end the Company's outstanding undrawn commitments totalled £66.1 million, a further reduction over the year. These commitments are an essential part

of keeping the portfolio fully invested and properly diversified. During the year a small number of new commitments were made and one co-investment was added. Subsequent to the year end some additional commitments have been made.

Nearly all the new commitments were to European mid-market buy-out funds or co-investments. However, the Company has the flexibility to invest selectively in North American and emerging markets private equity funds and we expect to use this from time to time.

We committed to two UK focused funds during the year: £4.0 million to Lyceum Capital III and £6.0 million to Inflexion 2012 Co-investment Fund. We have backed Lyceum previously in one of our other fund of funds and Inflexion is one of our longstanding core relationships. Inflexion's fund already has two investments in place. Since the year end we have also committed £3.5 million to GCP Capital Partners Europe II LP. This mainly UK focused European fund was acquired in a secondary transaction, so the Company has immediately gained exposure to six companies at a 10 per cent discount to the latest NAV.

Northern Europe has been a strong and attractive market and we added to the exposure there during the year and more recently. €4 million was committed to Stockholm based Nordic specialist Procuritas for their fund V, the second of their funds which we have backed. In Germany we again committed to DBAG for their fund VI with €5 million. Since the year end we have made our first investment in Finland by committing €3 million to Vaaka Buy-Out Fund II. This will give the Company exposure to this small but attractive market. Further south, another first was accomplished through the commitment of €3 million to Polish mid-market fund, Avallon MBO Fund II, again since the year end.

We made one commitment outside Europe during 2012. \$5 million was committed to HealthpointCapital Partners III, a New York based healthcare fund which specialises in the orthopaedic sector. This fund is what we could term an 'advanced primary' with an initial portfolio which is already showing strong signs of success.

The Company's co-investment component is currently just 11.4 per cent of the portfolio. It has reduced principally as a result of successful exits during the last few years. We are actively seeking to increase this and some initial progress has been made. In November we invested £2.3 million in funeral plans business Avalon (note different spelling from the Polish Buy-out fund) for a 9.5 per cent stake in the company which sells funeral plans in the UK and increasingly in other markets such as Spain. This deal was led by the emerging private equity group Lonsdale. Since the year end we have invested £2.0 million for a 15 per cent stake in UK furniture company David Phillips. Based in Becton, East London, David Phillips is the UK's largest specialist supplier to the residential property market, providing a B2B furniture service to landlords, agents, developers

Manager's Review (continued)

and local authorities. This investment was led by the private equity division of Fleming Family and Partners. A number of other co-investment opportunities are under consideration.

Drawdowns

Including co-investments, total drawdowns for 2012 were £31.7 million. 2012 saw drawdowns from a wide range of funds across Europe and further afield.

In the UK a number of interesting new investments were made by our investment partners. RJD Partners II invested £1.0 million in debt advisory business Harrington Brooks. The Company already had exposure to this through Inflexion which sold the company from two of its funds. Inflexion has also been an investor in a different but related area with an investment by its 2012 Co-investment fund of £0.6 million into Martson Group, the UK's largest provider of high court and civil enforcement services. £0.8 million was invested by Primary Capital III in Leisure Pass Group, the world's leading provider of smart card based multi-attraction tourist passes and associated operating systems. August Equity Partners II invested £0.7 million in SecureData, a provider of IT security solutions and managed services to mid sized and smaller enterprises. Hutton Collins III made two different investments with £0.6 million into each of premium wellington boot company Hunter and London based bar chain Novus.

In Continental Europe the larger new investments were equally diverse. TDR Capital II, a pan-European fund, invested a further £1.0 million in the global combination of modular buildings company Algeco/Scotsman/Ausco. In Spain, N+1 Private Equity II invested £1.1 million in on-street parking company EYSA. In Poland, Pinebridge New Europe II invested £0.5 million in TMS, one of the country's leading foreign exchange brokerages. In Germany, Capvis III invested £0.7 million in medical pendant manufacturer Ondal and £0.5 million in Hessnatur, the multi-channel retailer of natural and ecological apparel and home textiles. DBAG V invested £0.6 million in Heytex Bramsche, a manufacturer of technical textiles which are used for print media in the advertising industry and also in industrial applications such as truck tarpaulins. Lastly, in the Nordic area, Stirling Square Capital Partners II invested £1.4 million in SAR, a waste management provider to the Norwegian oil and gas industry and Herkules Private Equity III invested £0.5 million into Sweden's leading coffee chain Espresso House.

Realisations

Realisations were strong during 2012 with the total, including rolled up income, amounting to £60.6 million, a significant increase on the 2011 total of £38.3 million.

During the year two of the co-investment holdings were realised and another was partially realised. The August Equity led investment in the UK's largest

provider of supported living for disabled adults, Lifeways, was sold to the Canadian pension fund OMERS. The investment multiple was 3.0x and the IRR 25 per cent. Including the position held through the August Equity Partners I fund, proceeds totalled £13.5 million. Bartec, the German based explosion protection systems manufacturer, was sold by Capvis III to the larger private equity house Charterhouse. The investment multiple was 3.1x, the IRR 33 per cent and total proceeds to the Company of £7.0 million. 3si, the anti-theft security systems company, was recapitalised which led to a distribution to the Company of £2.6 million.

Within the fund holdings there were many realisations during the year. The larger individual ones give a strong affirmation of the strength of the private equity investment model over recent years, since most of these holdings have been held through the most severe period of economic contraction in recent memory.

In the UK, August Equity Partners II exited home care specialist Enara through its sale to MITIE plc. The investment multiple was 2.5x, IRR 24 per cent and proceeds £3.7 million. Arle sold Capital Safety Group to KKR achieving a multiple of 2.7x with an IRR of 26 per cent and proceeds to the Company of £1.2 million. As mentioned above, Inflexion sold debt advisory specialist Harrington Brooks to RJD Partners II. The investment multiple was 3.1x, the IRR 19 per cent and proceeds £1.2 million. Penta F&C Co-investment Fund exited telecoms masts company Wireless Infrastructure Group for 1.0x cost returning £1.2 million.

Despite the travails of the Eurozone there has been significant exit activity there also. In addition to Bartec noted above, in Germany DBAG sold machinery company Coperion to US listed trade buyer Hillenbrand. This yielded £2.5 million which was 3.7x cost and an IRR of 30 per cent. There is scope for further proceeds to bring the multiple to over 4x.

Contrary to received wisdom there is successful private equity activity in Southern Europe. In Spain, Nmás 1 Private Equity Fund sold ZIV, a control and metering products provider for power utilities to the Indian company Crompton Greaves. This yielded £0.8 million which was 3.5x cost. Portobello Capital II sold civil explosives company Maxam to Advent yielding £1.6 million, 3.4x cost and an IRR of 28 per cent. In Italy, Alto Capital II sold Monviso, the Turin based producer of bread substitutes and gluten free products, to private equity group PM&Partners achieving 1.9x cost, an IRR of 16 per cent and proceeds of £0.5 million.

In Northern Europe, a notable success was the sale by Procuritas Capital IV of tyre services company Dackia to Pirelli for a spectacular 9x cost and an IRR of 110 per cent. The Company's share of this exit was £2.1 million. Further afield there have also been good exits. A notable example was the sale of QSR (Quality Synthetic Rubber) by Blue Point Capital II for 3.7x cost

and an IRR of 35 per cent. The Company's share was £1.4 million.

Lastly, the final realisation of the Company's longstanding holding in International Mezzanine Investment was accomplished with the full exit of IAC and the receipt of proceeds from previously agreed exits of Hallmark and Waterbury. The last distributions totalled £3.4 million effectively terminating this 17 year old fund which has achieved a 1.9x investment multiple and 9 per cent IRR. This facilitated the final winding up of the Restricted Voting Pool described in the Chairman's Statement.

Valuation Changes

In a positive year, upgrades in valuation significantly outnumber downgrades. The largest uplifts are usually from a combination of exits above the most recent valuation and the reflection of strong trading in an increase in carrying value. In the former category, August Equity Partners II contributed £2.7 million. Through the Lifeways exit there was a £2.1 million uplift and August Equity Partners I also contributed £0.8 million. Capvis III and DBAG V, which each had excellent exits from Bartec and Coperion respectively, were uplifted by £1.7 million each. The Bartec co-investment exit added £1.6 million to the valuation. As a result of trading improvements, metal locker and pallet racking company Whittan was uplifted by £1.5 million. Other significant contributions came from Primary Capital III (£1.4 million), SEP III (£1.3 million) and Camden Partners IV (£1.1 million). There were numerous smaller contributions to value growth.

Inevitably there are investments which are experiencing difficulty or which have simply not worked out, and these give rise to downgrades. The Italian co-investment in security company Axitea was reduced by £1.8 million over the year. The company has seen a reduction in business which is directly or indirectly related to arduous economic conditions in its main domestic market. The business retains healthy margins and the support of its banks and we expect an improvement in due course. The holdings through the co-investment fund with Penta Capital have been affected by challenging economic conditions closer to home and the fund is down by £1.7 million. The Hutton Collins Mezzanine Funds II and III have also had some setbacks, most notably the recent failure of IT services company 2e2. Unexpectedly weak trading towards the end of 2012 led to the breach of banking covenants and administration. Between the two funds the adverse impact was £1.7 million.

Currency movements during the year reduced the portfolio value by approximately 2 per cent.

Financing

Over the course of the year the Company's Ordinary Pool moved from a position of net debt of £6.5 million to net cash of £12.4 million. When added to the accrued liability for the Zero Dividend Preference Shares

of £38.2 million, total net debt was £25.8 million resulting in gearing of 12.2 per cent.

The new dividend policy was effective from November and this entailed a first semi-annual dividend of £3.6 million. The strong surplus of realisations over drawdowns and new investments has strengthened the balance sheet considerably. The Company's £50 million revolving credit facility, which was arranged in February 2012 and runs for four years until 2016, is currently completely undrawn. Outstanding undrawn commitments at the year end were £66.1 million and, of this, a significant component – at least £15 million – is outside the relevant funds' investment periods and hence unlikely to be drawn. Our projections indicate a healthy continuing surplus of realisations over drawdowns and new investments and we would expect the financial resources of the Company to improve further.

Outlook

Private equity seeks to back companies which can grow profits and create value largely independently of the prevailing economic conditions. Often these businesses are exposed to, and indeed can create, strong growth trends in the demand for their products or services and management's task, aided by the private equity managers, is to maximise the financial benefit of these trends. In general, and in aggregate, private equity companies have grown profits and value impressively during the recent recessionary years. In certain markets and sectors, macroeconomic factors act as significant 'headwinds' and the uncertainty which continues to persist in the Eurozone is a rather dramatic example of this. Increasingly, businesses are explicitly factoring Eurozone uncertainty, including 'tail risks', into their business planning and because of this the underlying momentum of recovery across Europe is unlikely to be seriously interrupted.

Private equity is an innately conservative, patient and long term investment asset class and the private equity managers are under no compunction to deal if they cannot clearly discern long term value. Our investment partners have, in aggregate, many centuries of investment experience with the accompanying insight and judgement. Your Company benefits from this and it provides the basis of our confidence that the portfolio will continue to deliver strong long term returns.

Hamish Mair

Investment Manager
F&C Investment Business Limited
10 April 2013

Portfolio Holdings

Investment	Geographic Focus	Total Valuation £'000	% of Total Portfolio	Ordinary Pool Valuation £'000	% of Ordinary Pool Portfolio	Restricted Voting Pool Valuation £'000	% of Restricted Voting Pool Portfolio
Buyout Funds – Pan European							
TDR Capital II	Europe	8,542	4.0	8,542	4.0	–	–
Argan Capital	Europe	7,879	3.7	7,879	3.7	–	–
Candover 2005	Europe	5,035	2.4	5,035	2.4	–	–
Stirling Square Capital Partners II	Europe	4,177	2.0	4,177	2.0	–	–
TDR Capital I	Europe	886	0.4	886	0.4	–	–
Candover 2008	Europe	852	0.4	852	0.4	–	–
Candover 2001	Europe	656	0.3	656	0.3	–	–
Total Buyout Funds – Pan European		28,027	13.2	28,027	13.2	–	–
Buyout Funds – UK							
August Equity Partners II	UK	9,511	4.5	9,511	4.5	–	–
Primary Capital III	UK	7,214	3.4	7,214	3.5	–	–
RJD Partners II	UK	7,062	3.3	7,062	3.3	–	–
Dunedin Buyout Fund II	UK	3,441	1.6	3,441	1.6	–	–
Piper Private Equity IV	UK	2,321	1.1	2,321	1.1	–	–
August Equity Partners I	UK	2,103	1.0	2,103	1.0	–	–
Inflexion 2006	UK	1,794	0.8	1,794	0.8	–	–
Primary Capital II	UK	1,507	0.7	1,507	0.7	–	–
Penta F&C Co-Investment Fund	UK	1,298	0.6	1,298	0.6	–	–
Inflexion 2012 Co-Investment Fund	UK	1,145	0.5	1,145	0.5	–	–
Inflexion 2010	UK	997	0.5	997	0.5	–	–
Equity Harvest Fund	UK	858	0.4	858	0.4	–	–
Hickory Fund Portfolio	UK	557	0.3	557	0.3	–	–
Inflexion 2003	UK	507	0.2	507	0.2	–	–
Piper Private Equity V	UK	505	0.2	505	0.2	–	–
RL Private Equity I	UK	238	0.1	238	0.1	–	–
Third Private Equity Fund	UK	226	0.1	83	–	143	24.1
Enterprise Plus	UK	78	–	29	–	49	8.2
Total Buyout Funds – UK		41,362	19.3	41,170	19.3	192	32.3
Buyout Funds – Continental Europe							
Procuritas Capital IV	Nordic	5,839	2.7	5,839	2.7	–	–
Chequers Capital XV	France	5,682	2.7	5,682	2.7	–	–
Herkules Private Equity III	Nordic	4,542	2.1	4,542	2.1	–	–
Gilde Buyout III	Benelux	4,205	2.0	4,205	2.0	–	–
N+1 Private Equity II	Spain	4,139	1.9	4,139	1.9	–	–
Portobello Capital II	Spain	3,408	1.6	3,408	1.6	–	–
Ciclad 4	France	2,993	1.4	2,993	1.4	–	–
Capvis III	DACH	2,895	1.4	2,895	1.4	–	–
PineBridge New Europe II	Central & East Europe	2,874	1.3	2,874	1.3	–	–
DBAG V	Germany	2,537	1.2	2,537	1.2	–	–
Alto Capital II	Italy	1,948	0.9	1,948	1.0	–	–
Chequers Capital	France	999	0.5	999	0.5	–	–
Chequers Capital XVI	France	679	0.3	679	0.3	–	–
Ciclad 5	France	641	0.3	641	0.3	–	–
DBAG IV	Germany	391	0.2	391	0.2	–	–
Procuritas Capital V	Nordic	305	0.1	305	0.1	–	–
Nmás1 Private Equity Fund	Spain	173	0.1	173	0.1	–	–
Total Buyout Funds – Continental Europe		44,250	20.7	44,250	20.8	–	–
Private Equity Funds – USA							
Camden Partners IV	USA	5,667	2.7	5,667	2.7	–	–
Camden Partners III	USA	3,446	1.6	3,446	1.6	–	–
Blue Point Capital II	USA	3,386	1.6	3,386	1.6	–	–
RCP Fund II	USA	2,009	0.9	2,009	0.9	–	–
HealthpointCapital III	USA	1,547	0.7	1,547	0.7	–	–
Blue Point Capital I	USA	580	0.3	580	0.3	–	–
Hicks Muse Tate & Furst IV	USA	428	0.2	158	0.1	270	45.5
Total Private Equity Funds – USA		17,063	8.0	16,793	7.9	270	45.5

	Geographic Focus	Total Valuation £'000	% of Total Portfolio	Ordinary Pool Valuation £'000	% of Ordinary Pool Portfolio	Restricted Voting Pool Valuation £'000	% of Restricted Voting Pool Portfolio
Investment							
Private Equity Funds – Global							
Warburg Pincus IX	Global	5,531	2.6	5,531	2.6	–	–
AIF Capital Asia III	Asia	3,412	1.6	3,412	1.6	–	–
Warburg Pincus VIII	Global	2,518	1.2	2,518	1.2	–	–
PineBridge Global Emerging Market II	Global	1,642	0.8	1,642	0.8	–	–
PineBridge Latin America Partners II	Brazil	314	0.1	314	0.1	–	–
Total Private Equity Funds – Global		13,417	6.3	13,417	6.3	–	–
Venture Capital Funds							
SEP III	Europe	6,483	3.0	6,483	3.0	–	–
Environmental Technologies Fund	Europe	3,453	1.6	3,453	1.6	–	–
Life Science Partners III	Europe	2,440	1.1	2,440	1.1	–	–
SEP II	Europe	2,348	1.1	2,348	1.1	–	–
Pentech II	UK	1,622	0.8	1,622	0.8	–	–
Alta Berkeley VI	Europe	828	0.4	828	0.4	–	–
SEP IV	Europe	277	0.1	277	0.1	–	–
Albany Ventures III	UK	264	0.1	264	0.1	–	–
Pentech I	UK	258	0.1	258	0.1	–	–
Alta Berkeley III	Europe	6	–	6	–	–	–
Total Venture Capital Funds		17,979	8.3	17,979	8.3	–	–
Mezzanine Funds							
Accession Mezzanine II	Central & East Europe	4,886	2.3	4,886	2.3	–	–
Hutton Collins III	Europe	4,813	2.3	4,813	2.3	–	–
Mezzanine Management IV	Europe/USA	3,261	1.5	3,261	1.5	–	–
Hutton Collins II	Europe	3,046	1.4	3,046	1.4	–	–
Alchemy Special Opportunities Fund	Europe	2,392	1.1	2,392	1.1	–	–
Growth Capital Partners II	UK	772	0.4	772	0.4	–	–
Accession Mezzanine I	Central & East Europe	733	0.3	733	0.3	–	–
1818 Mezzanine Fund II	USA	721	0.3	721	0.3	–	–
International Mezzanine	Europe	208	0.1	76	–	132	22.2
Hutton Collins I	Europe	112	0.1	112	0.1	–	–
Total Mezzanine Funds		20,944	9.8	20,812	9.7	132	22.2
Direct – Quoted							
Candover Investments	Europe	453	0.2	453	0.2	–	–
Other – quoted holdings	Global	220	0.1	220	0.1	–	–
Fidelity National	USA	203	0.1	203	0.1	–	–
Parkmead Group	UK	14	–	14	–	–	–
Total Direct – Quoted		890	0.4	890	0.4	–	–
Secondary Funds							
The Aurora Fund	Europe	5,488	2.6	5,488	2.6	–	–
Total Secondary Funds		5,488	2.6	5,488	2.6	–	–
Direct – Investments/Co-investments							
SMD Hydrovision	UK	4,000	1.9	4,000	1.9	–	–
3SI	USA	3,638	1.7	3,638	1.7	–	–
Axitea (Sicurglobal)	Italy	3,347	1.6	3,347	1.6	–	–
HusCompagniet	Nordic	3,225	1.5	3,225	1.6	–	–
Blueway	Europe	2,935	1.4	2,935	1.4	–	–
Whittan	Europe	2,783	1.3	2,783	1.3	–	–
Avalon	UK	2,306	1.1	2,306	1.1	–	–
Algeco Scotsman	Global	864	0.4	864	0.4	–	–
Blues Clothing	UK	725	0.3	725	0.3	–	–
European Boating Holidays	Europe	371	0.2	371	0.2	–	–
Total Direct – Investments/Co-investments		24,194	11.4	24,194	11.5	–	–
UK Gilts		48	–	48	–	–	–
Total Portfolio		213,662	100.0	213,068	100.00	594	100.0

Board of Directors



Mark Tennant

Chairman

is a senior adviser to JP Morgan and a member of the Advisory Board of T Rowe Price Global Investor Services. He is Chairman of the management consultancy firm

Bluerock and a trustee of Grameen Scotland Foundation. He joined the Board in February 2009 and was appointed as Chairman in May 2010.



John Rafferty

was a senior partner of Burness, the Scottish law firm, until his retirement in July 2009. He is a Fellow of the Securities and Investment Institute, and Honorary Consul for Canada in Scotland. He

has wide experience of private equity investments and of investment realisations and is a director of a number of private companies. He joined the Board in March 2000.



Elizabeth Kennedy

Chairman of the Audit Committee

is a partner of Kergan Stewart LLP with over 30 years' experience in corporate finance, principally in IPOs, secondary issues and

takeovers. She is also a director of Octopus Second AIM VCT plc, a member and past chairman of the AIM Advisory Group and a member of the AIM Disciplinary Committee of the London Stock Exchange. She joined the Board in July 2007.



David Shaw

sits on the boards of a number of private companies including acting as Chairman of the charity Dyslexia Scotland. He was previously Chief Executive, then

Chairman, of Bridgepoint Capital, a leading European mid corporate private equity firm until his retirement in December 2009. He joined the Board in November 2009.



**Douglas Kinloch
Anderson, OBE**

is Executive Chairman of Kinloch Anderson Limited. He was National President of the Royal Warrant Holders Association, President of The Edinburgh Chamber of

Commerce and Master of the Edinburgh Merchant Company. He is also a director of Fidelity Special Values plc. His career has included wide experience in manufacturing, retailing and exporting, particularly to Europe, North America and the Far East. He joined the Board in December 2000.

All the Directors are also directors of F&C Private Equity Zeros plc.

Report of the Directors

Results and Dividends

The Directors submit the Annual Report and financial statements of the Group and the Company for the year ended 31 December 2012. The results for the year are set out in the attached financial statements.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') adopted by the European Union as is required for group financial statements.

A special dividend of 3.30p per Restricted Voting Share was paid on 28 September 2012. A final Restricted Voting Shares dividend of 1.675p per share was paid on 14 February 2013 following which the Restricted Voting Pool had no assets or liabilities.

An interim dividend of 4.96p per Ordinary Share was paid on 2 November 2012. The Board recommends a final dividend of 5.07p per Ordinary Share, to be paid on 31 May 2013 to shareholders on the register on 3 May 2013.

Principal Activity and Status

The Company is registered as a public limited company in terms of the Companies Act 2006 and is an investment company as defined by Section 833 of that act.

The Company carries on business as an investment trust. It has been approved by HM Revenue and Customs as an investment trust for accounting periods commencing on or after 1 January 2012 subject to the Company continuing to meet the eligibility conditions in Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements for approved companies in Chapter 3 of Part 2 Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instrument 2011/2999).

Company Number: SC 179412

Share Capital

Ordinary Shares

Dividends

The Ordinary Shares are the only shares in the capital of the Company with any right to participate in the revenue profits of the Company attributable to the Ordinary Pool. The dividends paid to the holders of Ordinary Shares currently depend on, inter alia, the income return on assets attributable to the Ordinary Pool and the Group's capital structure and gearing and, accordingly, may vary over time.

In respect of the Ordinary Shares, the Company aims to pay semi-annual dividends with an annual yield equivalent to not less than 4 per cent of the average of the published net asset values per Ordinary Share as at the end of each of its last four financial quarters prior to the announcement of the relevant dividend or, if higher, equal (in terms of

pence per share) to the highest semi-annual dividend previously paid.

Capital Entitlement

On a winding up of the Company, after satisfying all liabilities attributable to the Ordinary Pool, Ordinary Shareholders would be entitled to all the remaining assets attributable to the Ordinary Pool.

Voting Rights

Ordinary Shareholders are entitled to receive notice of, attend and vote at all general meetings of the Company.

Restricted Voting Shares

Following the payment of the final Restricted Voting Shares dividend as described above, the Restricted Voting Pool had no assets or liabilities. The Restricted Voting Shares were converted and redesignated as Deferred Shares on 14 February 2013 and the Deferred Shares were bought back by the Company and cancelled on that date. On 15 February 2013 the admission of the Restricted Voting Shares to the Official List of the UKLA and trading on the London Stock Exchange's Main Market were cancelled. The Company therefore no longer has any Restricted Voting Shares in issue.

Dividends

Prior to their conversion and redesignation as Deferred Shares, the Restricted Voting Shares were the only shares in the capital of the Company with any right to participate in the revenue profits of the Company attributable to the Restricted Voting Pool. Dividends paid to the holders of Restricted Voting Shares depended principally on the level of realisations of investments in the Restricted Voting Pool and, accordingly, varied over time.

Capital Entitlement

On a winding up of the Company, after satisfying all liabilities attributable to the Restricted Voting Pool, Restricted Voting Shareholders would have been entitled to all the remaining assets attributable to the Restricted Voting Pool.

Voting Rights

As announced on 24 April 2008, as a result of the net asset value per Restricted Voting Share being below 10p per share (which was announced in the Company's final results on 14 April 2008), holders of Restricted Voting Shares of 1p each in the Company no longer had the right to receive notice of, attend and vote at general meetings of the Company.

Zero Dividend Preference Shares

In accordance with the articles of association of the Company's subsidiary, F&C Private Equity Zeros plc

Report of the Directors (continued)

(‘FCPEZ’), its ZDP Shares carry no entitlement to any dividends or other distributions or to participate in the revenue or any other profits of FCPEZ. The ZDP Shareholders have no right to receive notice of, or to attend or vote at, any general meeting of FCPEZ except in those circumstances set out in FCPEZ’s articles of association, which would be likely to affect their rights or general interests.

Subsidiary Undertaking

The Company owns 100 per cent of the issued Ordinary Shares in FCPEZ.

The ZDP Shares of FCPEZ were admitted to the Official List of the UKLA on 14 December 2009. FCPEZ subsequently lent £30.0 million to the Company. Further details of the ZDP Shares and the loan to the Company are contained in note 15 to the financial statements.

Business Review

Board of Directors

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, gearing, corporate governance procedures and risk management. Biographical details of the Directors, all of whom are non-executive, can be found on page 14.

Investment Objective and Investment Policy

Ordinary Shares

The Ordinary Shares’ objective is to achieve long-term capital growth through investment in private equity assets, whilst providing shareholders with a predictable and above average level of dividend funded from a combination of the Company’s revenue and realised capital profits.

The Company makes private equity investments by taking stakes in private equity focused limited partnerships, offshore funds, investment companies and investment trusts. In addition to investing in newly-formed private equity funds, the Company may also purchase secondary private equity fund interests (that is, portfolios of investments in existing private equity funds). The Company may also make direct private equity investments, mainly through co-investment with the funds in which the Company is invested.

The private equity funds in which the Company invests comprise buy-out funds, venture capital funds and mezzanine funds. Both the funds and the direct investments are selected in order to create an underlying portfolio which is well-diversified by geography, sector, size of company, stage of development, transaction type and management style. The Company will continue to be geared by the ZDP Share liability represented by the loan from FCPEZ

until the ZDP Shares redeem in December 2014. This liability was £38.2 million at 31 December 2012. After taking into account cash and cash equivalents of £12.4 million, this represented gearing of 12.2 per cent within the Ordinary Pool at 31 December 2012. The Company may use gearing up to 30 per cent of its total assets at the point of drawdown.

At the time of investment:

- No more than 15 per cent of total assets may be invested in UK-listed investment companies.
- No more than 15 per cent of total assets may be invested in non-UK listed investment companies.
- No more than 33 per cent of total assets may be invested in direct private equity co-investments.
- No more than 10 per cent of total assets may be invested outside the United States of America, the United Kingdom and Continental Europe.

As far as practicable the Company will be fully invested at all times.

Restricted Voting Shares

As explained on page 15, following the end of the year the Restricted Voting Shares were converted and redesignated as Deferred Shares and the Deferred Shares were bought back and cancelled by the Company. The Company therefore no longer has any Restricted Voting Shares in issue.

The Restricted Voting Shares’ objective was to manage the existing assets and to realise the value of those assets in a tax-efficient manner and return capital to shareholders.

Zero Dividend Preferences Shares

FCPEZ’s principal objective is to provide the holders of its ZDP Shares with a pre-determined final capital entitlement.

Investment of Assets

At each Board meeting, the Board receives a presentation from F&C Investment Business Limited (‘the Manager’) which includes a review of investment performance, recent portfolio activity and a market outlook and the Board also considers compliance with the investment policy and other investment restrictions during the reporting period. An analysis of the portfolio as at 31 December 2012 is presented on page 3 and in the Manager’s Review on pages 9 to 11. The full portfolio listing is provided on pages 12 and 13.

Strategy

As part of its strategy, the Board has contractually delegated the management of the investment portfolio and other services to the Manager.

The Company's performance in meeting its objectives is measured against key performance indicators as set out below. A review of the Company's returns during the financial year, the position of the Company at the year-end, and the outlook for the coming year are contained in the Chairman's Statement on pages 6 and 7 and the Manager's Review on pages 9 to 11, both of which form part of this Business Review.

Principal Risks and Uncertainties and Risk Management

Detailed explanations of the risks associated with the Group's financial investments are contained in note 17 and relate to market, interest rate, liquidity and funding, credit and foreign currency risks. Other risks faced by the Company include the following:

- Investment and strategic – incorrect strategy (including the deployment of, and managing the repayment of, gearing), asset allocation, and investment selection could all lead to poor returns for shareholders.
- External – events such as terrorism, disease, protectionism, inflation or deflation, economic shocks or recessions, the availability of credit and movements in interest rates and exchange rates could affect share prices and the valuation of investments.
- Regulatory – breach of regulatory rules could lead to suspension of the Company's stock exchange listing, financial penalties or a qualified audit report. Breach of Section 1158 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on capital gains.
- Operational – failure of the Manager's accounting systems or disruption to the Manager's business, or that of third-party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence.

- Financial – inadequate controls by the Manager or third-party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations. Breaching loan covenants, being unable to replace maturing borrowing facilities or FCPEZ being unable to redeem its ZDP Shares on maturity could lead to a loss of shareholders' confidence and financial loss for shareholders.
- Funding – failure by the Company to meet its outstanding undrawn commitments could lead to financial loss for shareholders.

The Board seeks to mitigate and manage these risks through continual review, policy setting, shareholder communication and enforcement of contractual obligations. It also regularly monitors the investment environment, the management of the Company's investment portfolio, the level of undrawn commitments and the Company's gearing policy. Details of the Company's internal controls are described in more detail on pages 22 and 23.

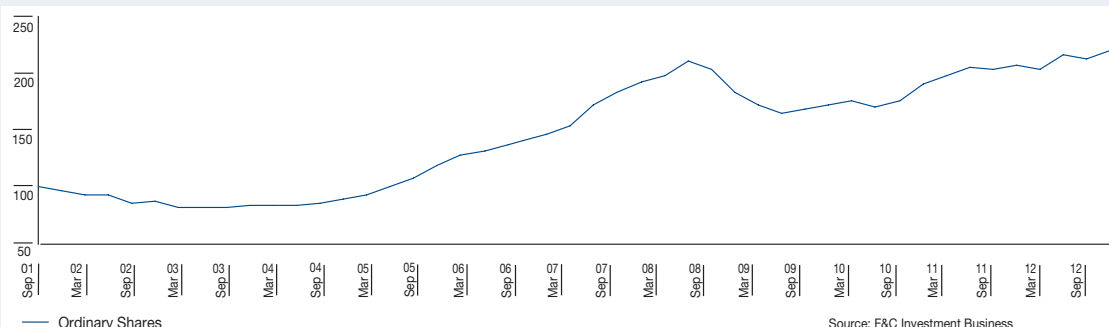
Key Performance Indicators

Throughout the year, the Board used a number of performance measures to assess the Company's success in meeting its objectives. The key performance indicators are as follows:

- Net asset value total return of the Ordinary Shares and Restricted Voting Shares.
- Discount of Ordinary Share price to net asset value.
- Ongoing charges as a percentage of shareholders' funds.

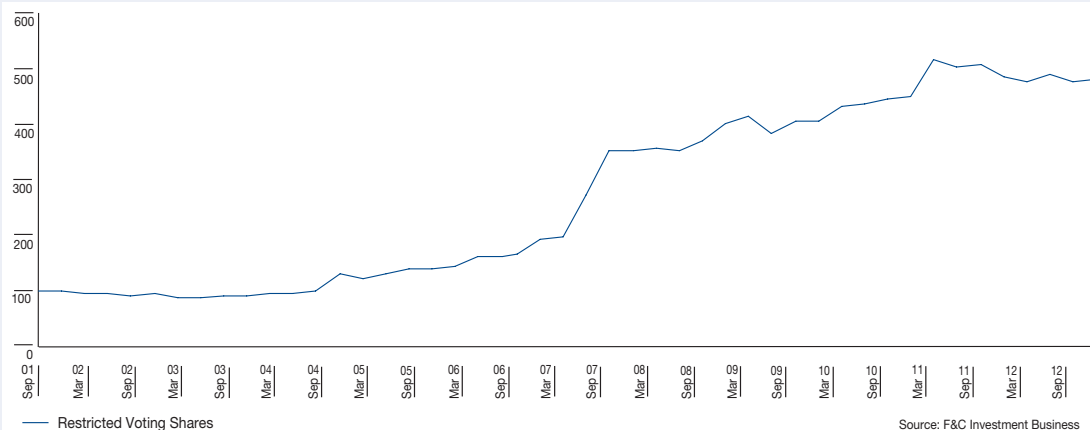
A historical record of these indicators is contained below.

**Net Asset Value Total Return
Ordinary Shares since 1 September 2001**

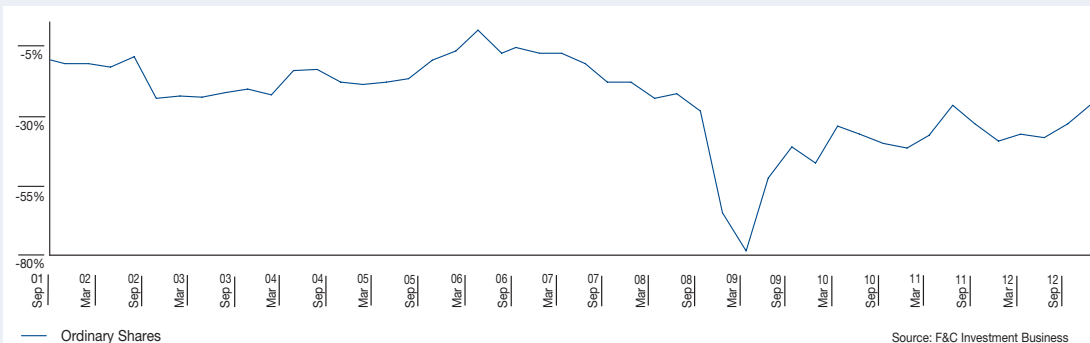


Report of the Directors (continued)

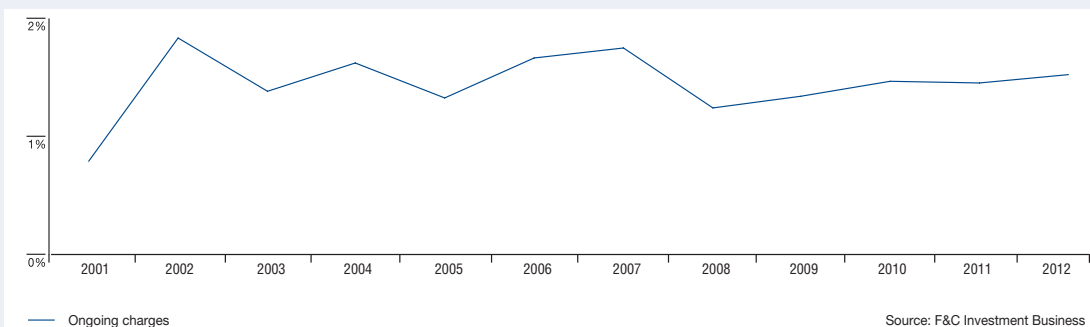
Net Asset Value Total Return Restricted Voting Shares since 1 September 2001



Discount of Share Price to Net Asset Value Ordinary Shares since September 2001



Ongoing Charges as a Percentage of Shareholders' Funds



Substantial Interests in Share Capital

At 31 December 2012 the Company had received notification of the following holdings of voting rights (under the FSA's (the FCA with effect from 1 April 2013) Disclosure and Transparency Rules):

	Ordinary Shares Held	% of Ordinary Shares	Restricted Voting Shares Held	% of Restricted Voting Shares
F&C Asset Management*	11,564,925	16.0	4,357,165	6.5
Prudential	4,826,147	6.7	-	-
Oxford County Council Pension Fund	4,000,000	5.5	-	-
Henderson Global Investors	3,633,502	5.0	-	-
Lazard Asset Management	3,614,140	5.0	-	-
Cayenne Asset Management	3,000,000	4.1	-	-
Kames Capital	2,564,313	3.5	-	-
CG Asset Management	-	-	18,616,320	27.7
Deutsche Bank	-	-	11,709,145	17.5
Investec Wealth & Investment	-	-	4,378,775	6.5

*In addition to this holding, the F&C Asset Management investment trust savings plans held 8,998,738 Ordinary Shares (12.4 per cent) as at 31 December 2012.

Since 31 December 2012, the Company has received no notifications of voting rights.

As explained on page 15, following the end of the year the Restricted Voting Shares were converted and redesignated as Deferred Shares and the Deferred Shares were bought back and cancelled by the Company. The Company therefore no longer has any Restricted Voting Shares in issue.

Directors

The Directors who held office during the year and their interests in the shares of the Company at the year end were:

	2012 Ordinary Shares	2011 Ordinary Shares
Mark Tennant	-	-
Elizabeth Kennedy Beneficial	30,000	30,000
Douglas Kinloch Anderson Beneficial	4,955	4,955
John Rafferty Beneficial	32,000	27,124
David Shaw	-	-

	2012 Restricted Voting Shares	2011 Restricted Voting Shares
Mark Tennant	-	-
Elizabeth Kennedy	-	-
Douglas Kinloch Anderson	-	-
John Rafferty Beneficial	5,000	5,000
David Shaw	-	-

None of the Directors had an interest in the ZDP Shares of FCPEZ as at 31 December 2012 or 31 December 2011.

There have been no changes in the holdings of the Directors in the Ordinary Shares of the Company between 31 December 2012 and 10 April 2013 except that Mr Rafferty no longer has an interest in any Restricted Voting Shares as that class of share no longer exists (see note above).

No Director has any material interest in any contract to which the Company is a party.

Mr David Shaw retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election.

Mr Douglas Kinloch Anderson and Mr John Rafferty have served on the Board for more than nine years and, as recommended by the UK Corporate Governance Code and the AIC Code, seek re-election annually. The Board subscribes to the view expressed within the AIC Code that long-serving Directors should not be prevented from forming part of an independent majority. It does not consider that a Director's tenure necessarily reduces his or her ability to act independently and, following formal performance evaluations, believes that each of those Directors is independent in character and judgement and that there are no relationships or circumstances which are likely to affect their judgement. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed. The term of any non-executive

Report of the Directors (continued)

Director beyond six years is subject to rigorous review by the Board.

The Directors believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company to enable it to provide effective strategic leadership and proper governance of the Company. The Board confirms that, following formal performance evaluations, the performance of each of the Directors continues to be effective and demonstrates commitment to the role. The Board therefore believes that it is in the interests of shareholders that those Directors seeking re-election are re-elected.

Directors' Indemnities

As at the date of this report, indemnities are in force between the Company and each of its Directors under which the Company has agreed to indemnify each Director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out his or her role as a Director of the Company. The Directors are also indemnified against the costs of defending any criminal or civil proceedings or any claim by the Company or a regulator as they are incurred provided that where the defence is unsuccessful the Director must repay those defence costs to the Company. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006.

A copy of each deed of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting.

Conflicts of Interest

Under the Companies Act 2006 a Director must avoid a situation where he or she has, or could have, a direct or indirect interest that conflicts, or possibly 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 or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Company's Articles of Association give the Directors authority to approve such situations.

The Company maintains a register of Directors' conflicts of interest which have been disclosed and approved by the other Directors. This register is kept up-to-date and the Directors are required to disclose to the Company Secretary any changes to conflicts or any potential new conflicts.

Management and Management Fees

The Manager provides investment management services to the Company. A summary of the contract between the Company and the Manager in respect of investment management services provided is given in note 4 to the financial statements.

The Management Engagement Committee has reviewed the appropriateness of the Manager's appointment. In carrying out its review, the Committee considered the past investment performance of the Company and the capability and resources of the Manager to deliver satisfactory investment performance. It also considered the length of the notice period of the investment management contract and the fees payable to the Manager, together with the commitment of the Manager to the Company and its investment trust business and the standard of other services provided which include administration, marketing and corporate development.

Following this review it is the Directors' opinion that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

Company Secretary

F&C Asset Management plc provides secretarial services to the Company.

Corporate Governance

Arrangements in respect of corporate governance appropriate to an investment trust have been made by the Board. Except as disclosed in the following paragraph, the Company complied throughout the year with the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010, which can be found at www.frc.org.uk, and the recommendations of the AIC's Code of Corporate Governance issued in October 2010 (the 'AIC Code'), which can be found at www.theaic.co.uk. Since all Directors are non-executive, and in accordance with the AIC Code and the preamble to the UK Corporate Governance Code, the provisions of the UK Corporate Governance Code on the role of the chief executive and, except in so far as they apply to non-executive Directors, on Directors' remuneration are not relevant to the Company and are not reported on further.

In view of its non-executive nature and the requirement of the Articles of Association that all Directors are subject to retirement by rotation, the Board does not consider it appropriate for the Directors to be appointed for a specified term as

recommended by provision B.2.3 of the UK Corporate Governance Code. The Articles of Association require the Directors to retire by rotation at least every three years, and the Board has agreed that Directors will retire annually after serving on the Board for more than nine years. In addition, due to its size and non-executive nature, the Board does not consider it appropriate for a Senior Independent Director to be appointed as recommended by provision A.4.1 of the UK Corporate Governance Code and principle 1 of the AIC Code.

The Board has considered the amendments to the UK Corporate Governance Code which apply to accounting periods beginning on or after 1 October 2012. It is the intention of the Board that, except for the matters disclosed above, the Company will comply fully with the amended code throughout the year ending 31 December 2013.

The Board consists solely of non-executive Directors. Mr Mark Tennant is Chairman. All Directors are considered by the Board to be independent of the Manager. New Directors receive an induction from the Manager on joining the Board and all Directors are made aware of appropriate training courses.

During the year the performance of the Board, committees and individual Directors was evaluated through a discussion process led by the Chairman. The performance of the Chairman was evaluated by the other Directors.

The table below sets out the number of scheduled Board and Committee meetings held during the year ended 31 December 2012 and the number of meetings attended by each Director. In addition to these scheduled meetings, there were a further seven Board and Board committee meetings held during the year.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Company maintains appropriate Directors' and Officers' liability insurance.

The basis of which the Company aims to generate value over the longer term is set out in its objective, investment policy and strategy as contained within the Business Review on pages 16 to 18. The Company has no executive Directors or employees. A management agreement between the Company and its Manager sets out the matters over which the Manager has authority and the limits above which Board approval must be sought. All other matters, including corporate strategy, investment and dividend policies, gearing, corporate governance procedures and risk management are reserved for the approval of the Board of Directors. The Board currently meets at least four times a year and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings.

The Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights. The Manager is a leader in the field of socially responsible investment and, with the support of the Board, actively engages with investee companies and managers of funds in which the Company invests. Environmental policies and social, community and ethical issues are, therefore, where appropriate, taken into consideration with regard to investment decisions on behalf of the Company. The Company has no employees and the Board is composed entirely of non-executive Directors. As an investment trust, the Company has no significant direct social, community or environmental responsibilities. The Board notes the Manager's statement of compliance with the UK Stewardship Code issued by the Financial Reporting Council in July 2010, which can be found on its website at www.fandc.com/ukstewardshipcode.

Throughout the year, a number of committees have been in operation. Those committees are the Audit Committee, the Management Engagement Committee, and the Nomination Committee. The committees operate within clearly defined terms of reference which

	Board of Directors		Audit Committee		Engagement Management Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mark Tennant	4	4	2	2	1	1	1	1
Elizabeth Kennedy	4	4	2	2	1	1	1	1
Douglas Kinloch Anderson	4	4	2	2	1	1	1	1
John Rafferty	4	4	2	2	1	1	1	1
David Shaw	4	4	2	2	1	1	1	1

Report of the Directors (continued)

are available for inspection on request at the Company's registered office. Each of the committees comprises all of the Directors. The Board considers that, given its size, it would be unnecessarily burdensome to establish separate committees which did not include the entire Board and believes that this enables all Directors to be kept fully informed of any issues that arise.

Audit Committee

The Audit Committee comprises all of the Directors and is chaired by Elizabeth Kennedy. The Audit Committee meets at least twice yearly. Its duties include reviewing the Annual and Interim Accounts, the system of internal controls, and the terms of appointment of the auditors together with their remuneration. It is also the forum through which the auditor reports to the Board of Directors. The Audit Committee reviews the scope and results of the audit, its cost-effectiveness and the independence and objectivity of the auditor, with particular regard to non-audit fees. Such fees amounted to £26,000 for the year ended 31 December 2012 (31 December 2011 £24,000) and related to the provision of tax compliance and assurance services. It has been agreed that all non-audit work to be carried out by the auditor must be approved in advance by the Audit Committee and any special projects must also be approved in advance. Notwithstanding such non-audit services, the Audit Committee considers Ernst & Young LLP to be independent of the Company and recommends that it be re-appointed. A description of the main features of the Company's internal control and risk management systems is contained below.

Management Engagement Committee

The Management Engagement Committee comprises all of the Directors and is chaired by Mr Mark Tennant. The committee reviews the appropriateness of the Manager's continuing appointment together with the terms and conditions thereof on a regular basis.

Nomination Committee

The Nomination Committee comprises all of the Directors and is chaired by Mr Mark Tennant. It considers the level of Directors' fees at least annually and is also convened for the purpose of considering the appointment of additional Directors as and when considered appropriate. Any appointments to the Board are based on merit, but in considering appointments, the Nomination Committee also takes into account the ongoing requirements of the Company and the need to have a balance of skills, experience, diversity, including gender, independence and knowledge of the Company within the Board.

Going Concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. They have considered the current cash position of the Company, the availability of the Company's revolving credit facility and compliance with its covenants, and forecast cash flows, especially those relating to capital commitments and realisations.

As at 31 December 2012, the Company had outstanding undrawn commitments of £66.1 million. As explained in the Manager's Review on page 11, of this amount, at least £15 million is to funds where the investment period has ended and the Manager would expect very little of this to be drawn. Of the outstanding undrawn commitments remaining within their investment periods, the Manager would expect that a significant amount will not be drawn before these periods expire.

Based on this information the Directors believe that the Company has the ability to meet its financial obligations as they fall due for a period of at least twelve months from the date of approval of the financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

Internal Control

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the internal control guidance issued by the Financial Reporting Council. The process is based principally on the Manager's existing risk-based approach to internal control whereby a test matrix is created that identifies the key functions carried out by the Manager and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. These functions include the financial reporting process. A residual risk rating is then applied. The test matrix is regularly updated and the Board is provided with regular reports highlighting all material changes to the risk ratings and confirming the action which has been, or is being, taken. A formal annual review of these procedures is carried out by the Audit Committee and includes consideration of internal control reports issued by the Manager and other service providers.

Such review procedures have been in place throughout the financial year and up to the date of

approval of the Annual Report, and the Board is satisfied with their effectiveness. These procedures are designed to manage rather than eliminate risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss. At each Board meeting the Board monitors the investment performance of the Company in comparison to its stated objective, its peer group and a broad equity market index. The Board also reviews the Company's activities since the last Board meeting to ensure that the Manager adheres to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to such policy and guidelines.

The Board has reviewed the need for an internal audit function. The Board has decided that the systems and procedures employed by the Manager, including its internal audit function, provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investments and the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary but this decision will be kept under review.

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communications with them. The Manager holds meetings with the Company's largest shareholders and reports back to the Board on these meetings. The Board is also regularly briefed on shareholder attitudes by the Company's broker. The Chairman and other Directors are available to meet shareholders if required to discuss any significant issues that have arisen and address shareholder concerns and queries. The Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager of the Company. The Notice for the forthcoming Annual General Meeting, to be held on 30 May 2013, is set out on pages 50 to 53. The Annual Report and Notice of Annual General Meeting are sent to shareholders at least 20 working days before the meeting.

Directors' Authority to Allot Shares

The Directors are seeking to renew the authority to allot shares. Resolution 9 in the Notice of Annual General Meeting seeks renewal of such authority to allot Ordinary Shares up to an aggregate nominal amount of £72,282 (being an amount equal to 10 per cent of the total issued Ordinary Share capital of the Company as at the date of this report).

Under resolution 10, which is a special resolution, the Directors are also seeking to renew the authority

to allot new Ordinary Shares and/or sell Ordinary Shares held by the Company as treasury shares for cash as if Section 561 of the Companies Act 2006 did not apply. (This section requires that, when equity securities are allotted for cash, such new shares are first offered to existing equity shareholders in proportion to their existing holdings of shares, this entitlement being known as "pre-emption rights"). The purpose of holding shares in treasury is to allow the Company to re-issue those shares quickly and cost-effectively.

Allotments of Ordinary Shares pursuant to these authorities would enable the Directors to issue shares for cash to take advantage of changes in market conditions that may arise, in order to increase the amount of the Company's issued share capital. The purpose of such an increase would be to improve the liquidity of the market in the Company's shares and to spread the fixed costs of administering the Company over a wider base. The Directors believe that this would increase the investment attractions of the Company to the benefit of existing shareholders. The Directors have no present intention of using these authorities, if granted. No issue of shares would be made which would dilute the net asset value per Ordinary Share of existing shareholders.

Resolution 10, if passed, will give the Directors power to allot for cash Ordinary Shares of the Company and to sell Ordinary Shares out of treasury up to a maximum nominal amount of £36,141 (being an amount representing 5 per cent of the total issued ordinary share capital of the Company as at the date of this report) without the application of the pre-emption rights described above. The calculation of the above figure is in accordance with the limits laid down by the UK Listing Authority and Investment Protection Committee guidelines, and the Directors will not use the authority other than in accordance with the above guidelines.

The authorities contained in resolutions 9 and 10 will continue until the Annual General Meeting of the Company in 2014, and the Directors envisage seeking renewal of these authorities in 2014 and in each succeeding year, subject to such renewals again being in accordance with the above guidelines.

Directors' Authority to Buy Back Shares

The current authority of the Company to make market purchases of up to 14.99 per cent of the issued Ordinary Shares expires at the end of the Annual General Meeting and resolution 11, as set out in the Notice of the Annual General Meeting,

Report of the Directors (continued)

seeks renewal of such authority. The renewed authority to make market purchases will be in respect of a maximum of 14.99 per cent of the issued Ordinary Shares as at the date of the passing of the resolution (approximately 10.8 million Ordinary Shares). The price paid for shares will not be less than the nominal value of 1p per Ordinary Share nor more than the higher of (i) 5 per cent above the average of the middle market values of those shares for the five business days before the shares are purchased and (ii) that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC 2273/2003). This power will only be exercised if, in the opinion of the Directors, a purchase will result in an increase in net asset value per share of the Ordinary Shares and be in the interests of shareholders. Any shares purchased under this authority will be cancelled or held in treasury for future re-issue at a premium to the prevailing net asset value per share.

Financial Instruments

The Group's financial instruments comprise its investment portfolio, cash balances, bank debt, ZDP Shares of FCPEZ and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 17 to the financial statements.

Disclosure of Information to the Auditor

The Directors confirm that, so far as each of them are aware, there is no relevant audit information of which the Company's auditor is unaware and the Directors 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 Company's auditor is aware of that information.

Auditor

Ernst & Young LLP has expressed its willingness to continue in office as auditor and a resolution proposing its re-appointment will be submitted at the Annual General Meeting.

Individual Savings Accounts

The Company's shares are qualifying investments as defined by HM Revenue & Customs' regulations for Individual Savings Accounts. It is the intention of the Directors that the Company will continue to conduct its affairs to satisfy this requirement.

Creditor Payment Policy

The Company's payment policy is to settle investment transactions in accordance with market practice and to ensure settlement of supplier invoices in accordance with stated terms.

Recommendation

The Directors consider that the passing of the resolutions to be proposed at the Annual General Meeting is in the interests of the Company and its shareholders as a whole and they unanimously recommend that shareholders vote in favour of those resolutions.

By order of the Board
F&C Asset Management plc
Company Secretary
80 George Street
Edinburgh EH2 3BU
10 April 2013

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditor to audit certain of the disclosures provided. The auditor's opinion is included in its report on pages 28 and 29.

Remuneration Committee

The Nomination Committee fulfils the function of a Remuneration Committee in addition to its nomination function. The Nomination Committee consists of all five non-executive Directors. The Board has appointed the Company Secretary, F&C Asset Management plc, to provide information when the Nomination Committee considers the level of Directors' fees.

Policy on Directors' Fees

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts that are similar in size and have similar investment objectives. It is intended that this policy will continue for the foreseeable future.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The present limit is £250,000 per annum. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors' Service Contracts

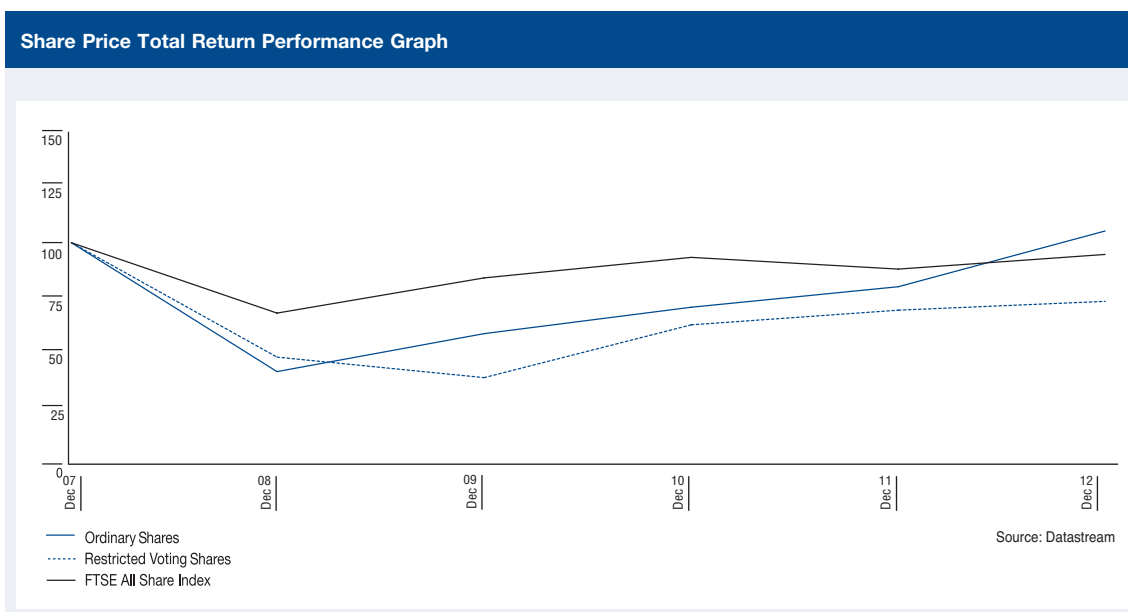
The non-executive Directors are engaged under letters of appointment and do not have service contracts. Each Director has a letter of appointment setting out the terms and conditions of his or her appointment and such letters are available for inspection at the Company's registered office. The terms of appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after his or her appointment. Directors are thereafter obliged to retire by rotation and, if they wish, to offer themselves for re-election, at least every three years after that. Any Director who has served on the Board for more than nine years will offer himself or herself for re-election annually. There is no notice period and no provision for compensation upon termination of appointment.

Director	Date of appointment	Due date for re-election
Mark Tennant	3 February 2009	AGM 2015
Elizabeth Kennedy	1 July 2007	AGM 2014
Douglas Kinloch Anderson	8 December 2000	AGM 2013
John Rafferty	20 March 2000	AGM 2013
David Shaw	12 November 2009	AGM 2013

Company Performance

The graph overleaf compares, for the five financial years ended 31 December 2012, the total return (assuming all dividends are reinvested) to shareholders compared to the total return on the FTSE All Share Index. However, the Board recognises that the FTSE All Share Index is not directly correlated with private equity investment.

Directors' Remuneration Report (continued)



Directors' Emoluments for the Year (audited)

The Directors who served during the year received the following emoluments in the form of fees:

	Year to 31 December 2012 £	Year to 31 December 2011 £
Mark Tennant	35,000	30,000
Elizabeth Kennedy	32,000	29,000
Douglas Kinloch Anderson	25,000	23,000
John Rafferty	25,000	23,000
David Shaw	25,000	23,000
Total	142,000	128,000

On behalf of the Board

Mark Tennant

Director

10 April 2013

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in Relation to the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ('IFRS') as adopted by the European Union.

Under company law the Directors must not approve the Group and Company financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group and the Company for that period. In preparing the Group and Company financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and the Company's financial position and financial performance;
- state that the Group and Company have complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the transactions of the Group and the Company and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Group and Company financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibility Statements under the Disclosure and Transparency Rules

Each of the Directors confirms that to the best of his or her knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Company; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Group and Company together with a description of the principal risks and uncertainties that they face.

On behalf of the Board
Mark Tennant
Director
10 April 2013

Independent Auditor's Report

We have audited the financial statements of F&C Private Equity Trust plc for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities as set out on page 27, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the

accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 2012 Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 22, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Susan Dawe (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
10 April 2013

Notes:

1. The maintenance and integrity of the website maintained for F&C Private Equity Trust plc is the responsibility of the Directors; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

	Notes	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Income							
Gains on investments held at fair value	10	–	15,178	15,178	–	17,923	17,923
Exchange gains		–	176	176	–	911	911
Investment income	2	4,044	–	4,044	2,176	–	2,176
Other income	2	25	–	25	37	–	37
Total income		4,069	15,354	19,423	2,213	18,834	21,047
Expenditure							
Investment management fee	4	(487)	(1,462)	(1,949)	(467)	(1,403)	(1,870)
Other expenses	5	(866)	–	(866)	(694)	–	(694)
Total expenditure		(1,353)	(1,462)	(2,815)	(1,161)	(1,403)	(2,564)
Profit before finance costs and taxation							
		2,716	13,892	16,608	1,052	17,431	18,483
Finance costs	6	(283)	(4,198)	(4,481)	(208)	(3,672)	(3,880)
Profit before taxation		2,433	9,694	12,127	844	13,759	14,603
Taxation	7	(615)	622	7	(223)	216	(7)
Profit for year/total comprehensive income		1,818	10,316	12,134	621	13,975	14,596
Return per Ordinary Share							
– Basic	9	1.81p	15.08p	16.89p	0.80p	18.75p	19.55p
Return per Ordinary Share							
– Fully diluted	9	1.76p	14.68p	16.44p	0.78p	18.26p	19.04p
Return per Restricted Voting Share – Basic							
	9	0.76p	(0.87)p	(0.11)p	0.06p	0.63p	0.69p

The total column of this statement represents the Statement of Comprehensive Income of the Group, prepared in accordance with IFRS. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.

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

No operations were acquired or discontinued during the year.

All income is attributable to the equity holders of F&C Private Equity Trust plc. There are no minority interests.

The accompanying notes are an integral part of the above statement.

Balance Sheets

as at 31 December 2012

	Notes	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Non-current assets					
Investments at fair value through profit or loss	10	213,662	213,614	223,388	223,338
Subsidiary undertaking	10, 11	–	56	–	56
		213,662	213,670	223,388	223,394
Current assets					
Other receivables	12	464	463	23	22
Cash and short-term deposits	13	12,931	12,924	4,044	4,039
		13,395	13,387	4,067	4,061
Current liabilities					
Other payables	14	(1,453)	(1,453)	(9,886)	(9,886)
Net current assets/(liabilities)		11,942	11,934	(5,819)	(5,825)
Total assets less current liabilities		225,604	225,604	217,569	217,569
Non-current liabilities					
Amounts due to subsidiary	15	–	(38,173)	–	(34,822)
Zero dividend preference shares	15	(38,173)	–	(34,822)	–
Net assets		187,431	187,431	182,747	182,747
Equity					
Called-up ordinary share capital	16	1,394	1,394	1,394	1,394
Special distributable capital reserve		15,679	15,679	15,679	15,679
Special distributable revenue reserve		32,527	32,527	35,814	35,814
Capital redemption reserve		664	664	664	664
Capital reserve		135,201	135,208	128,470	128,475
Revenue reserve		1,966	1,959	726	721
Shareholders' funds		187,431	187,431	182,747	182,747
Net asset value per Ordinary Share					
– Basic	9	257.75p		246.62p	
Net asset value per Ordinary Share					
– Fully diluted	9	254.38p		243.54p	
Net asset value per Restricted Voting Share					
– Basic	9	1.67p		6.68p	

The financial statements were approved and authorised for issue by the Board of Directors on 10 April 2013, and signed on its behalf by:



Mark Tennant
Director

The accompanying notes are an integral part of the above statements.

Statements of Changes in Equity

Group	Notes	Share Capital £'000	Special Distributable Capital Reserve £'000	Special Distributable Revenue Reserve £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
For the year ended 31 December 2012								
Net assets at 1 January 2012		1,394	15,679	35,814	664	128,470	726	182,747
Profit for the year/total comprehensive income		-	-	-	-	10,316	1,818	12,134
Dividends paid	8	-	-	(3,287)	-	(3,585)	(578)	(7,450)
Net assets at 31 December 2012		1,394	15,679	32,527	664	135,201	1,966	187,431
For the year ended 31 December 2011								
Net assets at 1 January 2011		1,394	15,679	36,686	664	114,495	792	169,710
Profit for the year/total comprehensive income		-	-	-	-	13,975	621	14,596
Dividends paid	8	-	-	(872)	-	-	(687)	(1,559)
Net assets at 31 December 2011		1,394	15,679	35,814	664	128,470	726	182,747
Company								
	Notes	Share Capital £'000	Special Distributable Capital Reserve £'000	Special Distributable Revenue Reserve £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
For the year ended 31 December 2012								
Net assets at 1 January 2012		1,394	15,679	35,814	664	128,475	721	182,747
Profit for the year/total comprehensive income		-	-	-	-	10,318	1,816	12,134
Dividends paid	8	-	-	(3,287)	-	(3,585)	(578)	(7,450)
Net assets at 31 December 2012		1,394	15,679	32,527	664	135,208	1,959	187,431
For the year ended 31 December 2011								
Net assets at 1 January 2011		1,394	15,679	36,686	664	114,497	790	169,710
Profit for the year/total comprehensive income		-	-	-	-	13,978	618	14,596
Dividends paid	8	-	-	(872)	-	-	(687)	(1,559)
Net assets at 31 December 2011		1,394	15,679	35,814	664	128,475	721	182,747

The accompanying notes are an integral part of the above statements.

Cash Flow Statements

for the year ended 31 December 2012

	Notes	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Operating activities					
Profit before taxation		12,127	12,127	14,603	14,603
Gains on disposals of investments		(15,165)	(15,165)	(5,732)	(5,732)
Increase in holding gains		(13)	(15)	(12,191)	(12,194)
Exchange differences		(176)	(176)	(911)	(911)
Finance costs		4,481	4,481	3,880	3,880
Corporation tax paid		(15)	(15)	–	–
Increase in other receivables		(426)	(426)	(4)	(4)
Increase/(decrease) in other payables		625	625	(424)	(424)
Net cash inflow/(outflow) from operating activities		1,438	1,436	(779)	(782)
Investing activities					
Purchases of investments	10	(31,653)	(31,653)	(30,677)	(30,677)
Sales of investments	10	56,557	56,557	36,126	36,126
Net cash inflow from investing activities		24,904	24,904	5,449	5,449
Financing activities					
Repayment of bank loans		(13,019)	(13,019)	(8,373)	(8,373)
Draw down of bank loans		4,021	4,021	7,385	7,385
Interest paid		(993)	(993)	(847)	(847)
Equity dividends paid		(7,450)	(7,450)	(1,559)	(1,559)
Net cash outflow from financing activities		(17,441)	(17,441)	(3,394)	(3,394)
Net increase in cash and cash equivalents		8,901	8,899	1,276	1,273
Currency (losses)/gains		(14)	(14)	87	87
Net increase in cash and cash equivalents		8,887	8,885	1,363	1,360
Opening cash and cash equivalents		4,044	4,039	2,681	2,679
Closing cash and cash equivalents		12,931	12,924	4,044	4,039

The accompanying notes are an integral part of the above statements.

Notes to the Financial Statements

1 Accounting policies

A summary of the principal accounting policies adopted is set out below.

(a) Basis of accounting

The financial statements of the Company and the Group have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

The financial statements have been prepared on a going concern basis. The principal accounting policies are set out below. Where presentational guidance set out in the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ('SORP') issued by the Association of Investment Companies ('AIC') in January 2009 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The notes and financial statements are presented in pounds sterling (functional and presentational currency) and are rounded to the nearest thousand except where otherwise indicated.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. The valuation of unquoted securities requires estimates and assumptions. The nature of the estimations means that actual outcomes could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Further information on the portfolio valuation, market risk and sensitivity to market changes is provided in notes 10 and 17.

After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further detail is contained in the Report of the Directors on page 22.

The accounting policies adopted are consistent with those of the previous financial year.

The following new standards have been issued but are not effective for this accounting period and have not been adopted early:

- In October 2010, the IASB issued IFRS 9 (2010) '*Financial Instruments*' which, following an amendment in December 2011, becomes effective for accounting periods commencing on or after 1 January 2015. This represents part of a project to replace IAS 39 '*Financial Instruments Recognition and Measurement*'. The objective of the standard is to enhance the ability of investors and other users of financial information to understand the accounting of financial assets and to reduce complexity.
- In June 2011, the IASB issued '*Presentation of Items of Other Comprehensive Income*' (Amendments to IAS 1 '*Presentation of Financial Statements*'). The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.
- In May 2011, the IASB issued IFRS 10 '*Consolidated Financial Statements*'. IFRS 10 established a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2014.

1 Accounting policies (continued)

(a) Basis of accounting (continued)

- In May 2011, the IASB issued IFRS 12 *'Disclosure of Involvement with Other Entities'*. IFRS 12 includes all the disclosures which were previously required by IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These will lead to disclosures relating to interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2014.
- As a consequence of the new IFRS 10 and IFRS 12 above, what remains of IAS 27 *'Separate Financial Statements (2011)'* is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2014.
- In May 2011, the IASB issued IFRS 13 *'Fair Value Measurement'*. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard becomes effective for accounting periods beginning on or after 1 January 2013;
- On 31 October 2012, the IASB issued amendments to IFRS 10, IFRS 12, *'Disclosure of Interests in Other Entities'* and IAS 27, *'Separate Financial Statements'*. These amendments are expected to exempt the Company from consolidating controlled investees and allow the Company to fair value controlled investments, rather than having to consolidate them. The amendments to IFRS 12 introduce additional disclosures. The amendments apply for annual periods beginning on or after 1 January 2014; earlier application is permitted.

The Group does not consider that the future adoption of any new standards, in the form currently available, will have any material impact on the financial statements as presented.

(b) Group financial statements

The Group financial statements consolidate the financial statements of the Company and its wholly-owned subsidiary, F&C Private Equity Zeros plc. The Company has taken advantage of the exemption permitted by Section 408 of the Companies Act 2006 not to present its own Statement of Comprehensive Income for 2012. The profit of the Company for the year ended 31 December 2012 was £12,134,000.

Subsidiaries are consolidated from the date of acquisition, being the date from which control is transferred to the Group, and cease to be consolidated from the date on which control is transferred out of the Group.

(c) Income

Income from equity investments is determined on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Other income includes any tax deducted at source. Scrip dividends are treated as unfranked investment income; any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves. Income from fixed interest securities is recognised on a time-apportioned basis so as to reflect the effective yield.

(d) Expenses

Expenses are accounted for on an accruals basis except for the interest detailed in accounting policy note Zero Dividend Preference Shares.

The management fee and bank loan interest are allocated 75 per cent to capital and 25 per cent to revenue in accordance with the Board's expected long-term split of returns in the form of capital gains and income, respectively. All other expenses are charged to revenue with the exception of any performance fee (described in more detail in note 4) which is charged fully to capital together with the finance costs in respect of the ZDP Shares (see note 6).

Transaction costs incurred on the purchase and sale of investments are taken to the Statement of Comprehensive Income as a capital item.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

(e) Reserves

- (i) Special Distributable Capital Reserve – the Special Distributable Capital Reserve is available for the Company to return capital to shareholders.
- (ii) Special Distributable Revenue Reserve – the Special Distributable Revenue Reserve is available for the Company to return revenue to shareholders by way of special dividends.
- (iii) Capital Redemption Reserve – the nominal value of shares bought back for cancellation is added to this reserve. This reserve is non-distributable.
- (iv) Capital Reserve – holding gains and losses, gains and losses on the disposal of investments and exchange adjustments to overseas currencies are taken to the Capital Reserve together with the proportion of management fees, finance costs and taxation allocated to capital. Dividends paid may be deducted from accumulated realised capital profits recognised within this reserve.
- (v) Revenue Reserve – the net profit arising in the revenue column of the Statement of Comprehensive Income is added to this reserve. Dividends (excluding special dividends) paid during the year may be deducted from this reserve.

(f) Investments

Investments other than the subsidiary undertaking are classified as fair value through profit or loss at initial recognition and are recognised on trade date. The subsidiary undertaking is valued at cost less any impairment incurred. Financial assets designated as fair value through profit or loss are measured initially and at subsequent reporting dates at fair value. For listed investments this is bid price. Unlisted investments are fair valued by the Directors and determined in accordance with the International Private Equity and Venture Capital Valuation guidelines. The guidelines are also followed in respect of the marketability discounts applied to unlisted investments and the valuation and write-down of loan stock. Investments held in foreign currencies are translated at the rates of exchange ruling on the balance sheet date. Disposals of investments are recognised at the trade date of the transaction.

(g) Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in either the capital or revenue column of the Statement of Comprehensive Income depending on whether the gain or loss is of a capital or revenue nature respectively.

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in profit or loss in the Statement of Comprehensive Income as part of the 'Gains on investments held at fair value'. Exchange differences on other financial instruments are included in profit or loss in the Statement of Comprehensive Income as 'Exchange gains'.

Rates of exchange at 31 December	2012	2011
Euro	1.2330	1.1972
US Dollar	1.6255	1.5541
Norwegian Krone	9.0463	9.2748

(h) Tax

Tax relief is allocated between revenue and capital on the Statement of Comprehensive Income using the marginal method in accordance with the SORP.

1 Accounting policies (continued)

(i) Deferred tax

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits available from which the future reversal of the underlying temporary differences can be deducted. Deferred taxation is measured without discounting and based on substantially enacted tax rates.

(j) Zero Dividend Preference Shares

Zero Dividend Preference Shares are recognised as liabilities in the Balance Sheet in accordance with IAS 32. After initial recognition, these liabilities are measured at amortised cost, which represents the initial net proceeds of the issuance after issue costs plus the accrued entitlement to the date of these financial statements.

The accrued entitlement is calculated as the difference between the proceeds on the issue of these shares and the final liability and is charged as finance costs over the term of the life of these shares using the effective interest rate method. In accordance with the SORP this item is allocated to the capital column of the Statement of Comprehensive Income.

The costs of issue of the ZDP Shares in December 2009, amounting to £1,132,000, are amortised on an effective yield basis over the life of the ZDP Shares.

(k) Share pool allocations

As a result of the Company's reorganisation in August 2001, drawdowns, receipts and income on investments held prior to that date are split between the Ordinary and Restricted Voting Share Pools on the basis of the proportion of each investment held by each respective class. Any new investments are allocated 100 per cent to the Ordinary Share Pool and drawdowns, receipts and income relating to such investments are attributable wholly to the Ordinary Share Pool. Expenses are split between the Ordinary and Restricted Voting Pools on the basis of the ratio of the most recently published net assets of the respective pools when the expense is incurred, except for items which, by their nature, relate exclusively to a specific pool.

(l) Cash and short-term deposits

Cash and short-term deposits in the Balance Sheet comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purposes of the Cash Flow Statements, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

(m) Interest-bearing borrowings

All current external borrowings are initially recognised at cost, being fair value of the consideration received, net of arrangement costs associated with the borrowings. After initial recognition, all interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any loan arrangement costs and any discount or premium on settlement.

2 Income

	31 December	31 December
	2012	2011
	£'000	£'000
Investment income	4,044	2,176
Other income		
Deposit interest	24	11
Other income	1	26
	25	37

Notes to the Financial Statements (continued)

3 Share pool reconciliations

The Company carries on business as an investment trust and during the year operated two pools of assets: Ordinary and Restricted Voting Pools. The Group's Statement of Comprehensive Income and Balance Sheet, on pages 30 and 31, can be analysed as follows:

	Ordinary Pool			Restricted Voting Pool			Total		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Year to 31 December 2012									
Gains/(losses) on investments	-	15,931	15,931	-	(753)	(753)	-	15,178	15,178
Exchange gains	-	159	159	-	17	17	-	176	176
Income	3,390	-	3,390	679	-	679	4,069	-	4,069
Expenses	(1,343)	(1,449)	(2,792)	(10)	(13)	(23)	(1,353)	(1,462)	(2,815)
Finance costs	(283)	(4,198)	(4,481)	-	-	-	(283)	(4,198)	(4,481)
Profit/(loss) before taxation	1,764	10,443	12,207	669	(749)	(80)	2,433	9,694	12,127
Taxation	(459)	459	-	(156)	163	7	(615)	622	7
Profit/(loss) for year	1,305	10,902	12,207	513	(586)	(73)	1,818	10,316	12,134

Year to 31 December 2011

Gains on investments	-	17,465	17,465	-	458	458	-	17,923	17,923
Exchange gains	-	929	929	-	(18)	(18)	-	911	911
Income	2,141	-	2,141	72	-	72	2,213	-	2,213
Expenses	(1,142)	(1,379)	(2,521)	(19)	(24)	(43)	(1,161)	(1,403)	(2,564)
Finance costs	(208)	(3,672)	(3,880)	-	-	-	(208)	(3,672)	(3,880)
Profit before taxation	791	13,343	14,134	53	416	469	844	13,759	14,603
Taxation	(209)	209	-	(14)	7	(7)	(223)	216	(7)
Profit for year	582	13,552	14,134	39	423	462	621	13,975	14,596

	Ordinary Pool		Restricted Voting Pool		Total	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Investments	213,068	220,071	594	3,317	213,662	223,388
Inter-pool debtor/(creditor)	7	144	(7)	(144)	-	-
Debtors	464	22	-	1	464	23
Cash and short-term deposits	12,389	2,717	542	1,327	12,931	4,044
Creditors due within one year	(1,447)	(9,868)	(6)	(18)	(1,453)	(9,886)
Creditors due after one year	(38,173)	(34,822)	-	-	(38,173)	(34,822)
Net assets	186,308	178,264	1,123	4,483	187,431	182,747
% of net assets of each voting pool	99.4	97.5	0.6	2.5	100.0	100.0

The figures above relate to the Group.

4 Investment management fee

	2012		2011		
	Revenue	Capital	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000
Investment management fee	487	1,462	467	1,403	1,870

The Company's investment manager is F&C Investment Business Limited ('F&C').

Throughout the year F&C was entitled to a basic management fee payable quarterly in arrears, of 0.7 per cent per annum of the relevant assets of the Restricted Voting Pool and 0.9 per cent per annum of the relevant assets of the Ordinary Pool. For the purposes of the basic management fees, the 'relevant' assets are the net assets of the relevant pool plus the amount of any long-term borrowings undertaken for the purpose of investment in relation to that pool but excluding the value of any investment in any fund which is managed by the Manager or an associate of the Manager.

With effect from 1 January 2012, F&C is also entitled to an annual performance fee if the internal rate of return per Ordinary Share over the relevant performance period (based on the net asset values per Ordinary Share at the beginning and end of that period, before accruing for any performance fee, and the dividends paid and other distributions made per Ordinary Share during that period) exceeds 8 per cent per annum (the "performance hurdle"). The performance fee is also subject to a "high water mark" such that the aggregate of the net asset value per Ordinary Share at the end of the relevant performance period, before accruing for any performance fee, and the dividends paid and other distributions made per Ordinary Share since 1 January 2012 (or, if later, since the end of the last period in respect of which a performance fee has been paid) must exceed the audited net asset value of 243.54p per Ordinary Share as at 31 December 2011 (or, if later, the net asset value per Ordinary Share at the end of the last period in respect of which a performance fee has been paid, after accruing for that performance fee). If both of those conditions are satisfied in respect of a performance period, the performance fee will be equal to 7.5 per cent of the annualised increase in the net asset value per Ordinary Share (calculated using the internal rate of return per Ordinary Share) over that period multiplied by the time-weighted average number of Ordinary Shares in issue (excluding any shares held in treasury) during that period, provided that such performance fee will be reduced to such amount as may be necessary to ensure that (i) both the performance hurdle and the high water mark would still be satisfied if calculated based on the net asset value per Ordinary Share at the end that period after accruing for the performance fee and (ii) the aggregate basic management and performance fees do not exceed 2 per cent per annum of the Ordinary Pool's net asset value. The performance period is the 36 month period ending on 31 December in the year respect of which the performance fee may be payable, with transitional 12 and 24 month periods for the performance years ending on 31 December 2012 and 31 December 2013 respectively.

Prior to 1 January 2012 F&C was entitled to an incentive fee if the internal rate of return per Ordinary Share over the performance period exceeded 8 per cent per annum. The amount of the incentive fee would have been 10 per cent of the gains in excess of those required to satisfy the performance condition. The internal rate of return per Ordinary Share took account of all distributions other than share buy-backs and the fee was calculated by multiplying the excess gain per share by the weighted average number of Ordinary Shares in issue during the performance period.

The management agreement between the Company and F&C may be terminated at any time by either party giving six months' notice of termination. The management agreement can be terminated by the Company by written notice with immediate effect and no compensation being payable, if, *inter alia*, F&C ceases to be an authorised person under the Financial Services and Markets Act 2000, or becomes insolvent, is wound up, has a receiver appointed over the whole or a substantial part of its assets or is liquidated. In the event that the Company terminates the agreement otherwise than in accordance with the management agreement, F&C is entitled to receive a compensation payment. The compensation sum shall be an amount equal to 0.9 per cent of the net asset value of the Ordinary Pool as calculated at the business day prior to such termination becoming effective reduced *pro rata* in respect of any period of notice actually given from the date of receipt by F&C of such notice to the effective date of termination.

During the year F&C also received a secretarial and administrative fee of £128,000 (2011: £121,000), which is subject to increases in line with the Consumer Price Index.

Notes to the Financial Statements (continued)

5 Other expenses

	2012	2011
	£'000	£'000
Auditor's remuneration for:		
– statutory audit of the consolidated financial statements	25	24
– audit of the Company's subsidiary	5	5
– tax compliance services	16	21
– other assurance services	10	3
Directors' fees	142	128
Legal fees	69	9
Printing and postage	36	36
Registration fees	34	18
Secretarial and administrative fee (see note 4)	128	121
Irrecoverable VAT	52	67
Other	349	262
	866	694

6 Finance costs

	Revenue	Capital	2012			
	£'000	£'000	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest payable on bank loans and overdrafts	283	847	1,130	208	624	832
Finance costs attributable to ZDP Shares	–	3,351	3,351	–	3,048	3,048
	283	4,198	4,481	208	3,672	3,880

7 Taxation on ordinary activities

(a) Analysis of charge for the year	Revenue	Capital	2012			
	£'000	£'000	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
UK corporation tax	615	(622)	(7)	223	(216)	7

7 Taxation on ordinary activities (continued)

(b) Reconciliation of taxation for the year

The taxation charge for the year is lower than the standard rate of corporation tax in the UK for an investment trust of 24.5 per cent (2011: 26.5 per cent). The table below provides a reconciliation of the respective charges.

	2012	2011
	£'000	£'000
Profit before tax	12,127	14,603
Corporation tax at standard rate of 24.5 per cent (2011: 26.5 per cent)	2,971	3,870
Effects of:		
Non taxable capital gains	(3,762)	(4,991)
Non deductible charges in capital	821	808
Excess (income)/expenses arising in the year	(30)	313
Prior year adjustment	(7)	7
	(7)	7

At 31 December 2012, there was an unrecognised deferred tax asset of £971,000 in respect of unutilised expenses carried forward (31 December 2011: £960,000).

8 Dividends

	2012	2011
	£'000	£'000
Amounts recognised as distributions to shareholders in the year:		
Final Ordinary Share dividend of 0.95p for the year ended 31 December 2010	–	687
Final Ordinary Share dividend of 0.80p for the year ended 31 December 2011	578	–
Interim Ordinary Share dividend of 4.96p for the year ended 31 December 2012	3,585	–
	4,163	687
Proposed distributions to equity shareholders at the year end on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered:		
Final Ordinary Share dividend of 0.80p for the year ended 31 December 2011	–	578
Final Ordinary Share dividend of 5.07p for the year ended 31 December 2012	3,665	–
	3,665	578

Special dividends

On 7 January 2011 a special dividend of 1.30p per Restricted Voting Share was paid. The total amount paid was £872,000.

On 27 January 2012 a special dividend of 1.60p per Restricted Voting Share was paid. The total amount paid was £1,073,000.

On 28 September 2012 a special dividend of 3.30p per Restricted Voting Share was paid. The total amount paid was £2,214,000.

On 14 February 2013 a final Restricted Voting Shares dividend of 1.675p per Restricted Voting Share was paid. The total amount paid was £1,124,000.

Notes to the Financial Statements (continued)

9 Returns and net asset values

	2012	2011	2012	2011
	Ordinary	Ordinary	Restricted	Restricted
	Pool	Pool	Voting	Voting
			Pool	Pool
The returns and net asset values per share are based on the following figures:				
Revenue return	£1,305,000	£582,000	£513,000	£39,000
Capital return	£10,902,000	£13,552,000	£(586,000)	£423,000
Net assets attributable to shareholders	£186,308,000	£178,264,000	£1,123,000	£4,483,000
Net assets attributable to shareholders (including warrants to be exercised)	£188,854,000	£180,810,000	£1,123,000	£4,483,000
Number of shares in issue at end of period	72,282,273	72,282,273	67,084,807	67,084,807
Weighted average number of shares in issue during period	72,282,273	72,282,273	67,084,807	67,084,807
Number of shares in issue at end of period (including warrants to be exercised)	74,241,429	74,241,429	67,084,807	67,084,807
Weighted average number of shares in issue during period (including warrants to be exercised)	74,241,429	74,241,429	67,084,807	67,084,807

	Revenue	Capital	2012	Revenue	Capital	2011
			Total			Total
Return per Ordinary Share						
– Basic	1.81p	15.08p	16.89p	0.80p	18.75p	19.55p
Return per Ordinary Share						
– Fully diluted	1.76p	14.68p	16.44p	0.78p	18.26p	19.04p
Return per Restricted						
Voting Share – Basic	0.76p	(0.87)p	(0.11)p	0.06p	0.63p	0.69p
Net asset value per Ordinary Share – Basic			257.75p			246.62p
Net asset value per Ordinary Share – Fully diluted			254.38p			243.54p
Net asset value per Restricted Voting Share – Basic			1.67p			6.68p

Returns per share are calculated on the weighted average number of shares in each class in issue during the year. Net asset values per share are calculated on the number of shares in each class in issue at the year end. Note 3 to the financial statements provides further analysis of the returns and net asset values of the Ordinary and Restricted Voting Pools.

10 Investments

Group

	Listed £'000	Unlisted £'000	2012 Total £'000	Listed £'000	Unlisted £'000	2011 Total £'000
Cost at beginning of year	2,175	220,054	222,229	2,181	219,765	221,946
Movements during the year:						
Purchases	-	31,653	31,653	-	30,677	30,677
Sales	-	(56,557)	(56,557)	(66)	(36,060)	(36,126)
(Loss)/gains on disposal	(341)	15,506	15,165	60	5,672	5,732
In specie distribution	450	(450)	-	-	-	-
Cost at end of the year	2,284	210,206	212,490	2,175	220,054	222,229
Holding (losses)/gains	(1,346)	2,518	1,172	(1,465)	2,624	1,159
Valuation at end of year	938	212,724	213,662	710	222,678	223,388

	2012 £'000	2011 £'000
Gains on disposals	15,165	5,732
Increase in holding gains	13	12,191
Gains on investments	15,178	17,923

Company

	Listed £'000	Unlisted £'000	Subsidiary Undertaking £'000	2012 Total £'000	Listed £'000	Unlisted £'000	Subsidiary Undertaking £'000	2011 Total £'000
Cost at beginning of year	2,126	220,054	50	222,230	2,132	219,765	50	221,947
Movements during the year:								
Purchases	-	31,653	-	31,653	-	30,677	-	30,677
Sales	-	(56,557)	-	(56,557)	(66)	(36,060)	-	(36,126)
(Loss)/gains on disposal	(341)	15,506	-	15,165	60	5,672	-	5,732
In specie distribution	450	(450)	-	-	-	-	-	-
Cost at end of the year	2,235	210,206	50	212,491	2,126	220,054	50	222,230
Holding (losses)/gains	(1,345)	2,518	6	1,179	(1,466)	2,624	6	1,164
Valuation at end of year	890	212,724	56	213,670	660	222,678	56	223,394

	2012 £'000	2011 £'000
Gains on disposals	15,165	5,732
Increase in holding gains	15	12,194
Gains on investments	15,180	17,926

The purchases figure for the year of £31,653,000 comprises £31,653,000 paid by the Ordinary Pool and £nil paid by the Restricted Voting Pool. The sales proceeds figure of £56,557,000 comprises £54,586,000 received by the Ordinary Pool and £1,971,000 received by the Restricted Voting Pool. As at 31 December 2012, the valuation of the Ordinary Pool investments was £213,068,000 and the valuation of the Restricted Voting Pool investments was £594,000, giving a total Group valuation of £213,662,000.

During the year the Group incurred transaction costs on purchases of quoted stocks of £nil (year to 31 December 2011: £nil) and transaction costs on sales of quoted stocks of £nil (year to 31 December 2011: £196).

11 Subsidiary undertaking

Name	Country of incorporation or registration	Class of capital	Share capital and reserves £'000	Loss for the year £'000	% of class held	% of equity held	Valuation at 31 Dec. 2012 £'000
F&C Private Equity Zeros plc	Scotland	Ordinary	(1,091)	(3)	100	100	56

Notes to the Financial Statements (continued)

12 Other receivables

	Group	Company	Group	Company
	2012	2012	2011	2011
	£'000	£'000	£'000	£'000
Other debtors	464	463	23	22

13 Cash and short-term deposits

	Group	Company	Group	Company
	2012	2012	2011	2011
	£'000	£'000	£'000	£'000
Cash at banks and on hand	1,174	1,167	2,257	2,252
Short-term deposits	11,757	11,757	1,787	1,787
	12,931	12,924	4,044	4,039

14 Current liabilities

Other payables	Group	Company	Group	Company
	2012	2012	2011	2011
	£'000	£'000	£'000	£'000
Interest accrued	224	224	87	87
Due to Manager	984	984	476	476
Accrued expenses	245	245	128	128
Revolving credit facility utilised	-	-	9,188	9,188
Taxation	-	-	7	7
	1,453	1,453	9,886	9,886

On 21 February 2012, the Company entered into a four year £50 million unsecured committed multi-currency revolving credit facility agreement. This replaced the Company's previous £40 million facility which was due to expire on 30 April 2012 and which was cancelled on entering into the new agreement.

£nil was drawn down at 31 December 2012 (2011: £9,188,000).

Under the covenants which relate to the facility, the Company is required to ensure that at all times:

- the total borrowings of the Company do not exceed 20 per cent of the adjusted portfolio value;
- outstanding uncalled commitments expressed as a percentage of net asset value do not exceed 75 per cent;
- outstanding uncalled commitments forecast to be called during the three month period following a covenant test date do not exceed the available funds; and
- the net asset value must not be less than £120 million.

The Company met all covenant conditions during the year.

15 Non-current liabilities

Amounts due to subsidiary	Group	Company	Group	Company
	2012	2012	2011	2011
	£'000	£'000	£'000	£'000
Subordinated unsecured loan note (including issue expenses)	-	28,868	-	28,868
Capital contribution to subsidiary	-	9,305	-	5,954
Amounts due to subsidiary	-	38,173	-	34,822

The Company has issued to its subsidiary, F&C Private Equity Zeros plc, a non interest bearing subordinated unsecured loan note 2014 equal to the net proceeds of the Zero Dividend Preference Shares ('ZDP Shares') issued by the subsidiary and lent to the Company under an agreement dated 1 December 2009.

The loan is repayable three business days prior to the ZDP repayment date (see below) or immediately upon an event of default. The Company has also entered into a capital contribution agreement with its subsidiary whereby the Company

15 Non-current liabilities (continued)

has undertaken to contribute such funds to the subsidiary as will ensure that the subsidiary has sufficient assets to satisfy the final capital entitlement of the ZDP Shares.

Zero dividend preference shares

The ZDP Shares of F&C Private Equity Zeros plc were issued on 14 December 2009 at 100p per share and redeemed on 15 December 2014 at 152.14p per share, an effective rate of 8.75 per cent per annum.

The ZDP Shares carry no entitlement to income, however they have a pre-determined final capital entitlement which ranks behind all other liabilities and creditors of the Group but in priority to the Ordinary Shares of the Company save in respect of certain winding-up revenue profits.

The ZDP Shares do not carry voting rights at general meetings of the Company.

The growth of each ZDP Share accrues daily and is reflected in the return and net asset value per ZDP Share on an effective interest rate basis.

The fair value of the ZDP Shares at 31 December 2012 was £42,264,000 based on the quoted offer price of 140.88p per ZDP Share.

	Number of ZDP Shares	Amount due to ZDP shareholders (£'000)
As at 31 December 2011	30,000,000	34,822
ZDP Shares finance cost	–	3,351
As at 31 December 2012	30,000,000	38,173

16 Share capital

Equity share capital

At 31 December 2012 there were 72,282,273 Ordinary Shares and 67,084,807 Restricted Voting Shares in issue. On 14 February 2013 the Restricted Voting Shares were converted and designated as Deferred Shares. The Deferred Shares were bought back by the Company and cancelled at that date. On 15 February 2013 the admission of the Restricted Voting Shares to the Official List of the UKLA and trading on the London Stock Exchange's Main Market were cancelled. The Company therefore no longer has any Restricted Voting Shares in issue.

The Restricted Voting Shares did not have the right to vote at general meetings of the Company.

On a winding-up of the Company, after paying all the debts and satisfying all the liabilities attributable to the Ordinary Pool, Ordinary Shareholders shall be entitled to receive by way of capital any surplus assets of the Ordinary Pool in proportion to their holdings. In the event that the Ordinary Pool had insufficient funds to meet all its debts and liabilities, any such shortfall would have been paid out of any surplus assets attributable to the Restricted Voting Pool. Similarly, on a winding-up of the Company, Restricted Voting Shareholders would have been entitled to surplus assets of the Restricted Voting Pool, with any surplus assets attributable to the Ordinary Pool funding any shortfall the Restricted Voting Pool might have had when satisfying the Restricted Voting Share debts and liabilities.

	31 December 2012 £'000	31 December 2011 £'000
Equity share capital:		
Issued 72,282,273 Ordinary Shares of 1p each	723	723
Issued 67,084,807 Restricted Voting Shares of 1p each	671	671
	1,394	1,394

The Company has in issue 1,959,156 warrants to subscribe for Ordinary Shares at an exercise price of 129.94p per Ordinary Share. These warrants are capable of exercise at any time after 20 September 2009. The warrants are held by Martin Currie Limited (the holding company of the Company's previous investment manager) and by certain employees of the Manager.

Capital management

The Company's capital is represented by the Issued Share Capital, Special Distributable Capital Reserve, Special Distributable Revenue Reserve, Capital Redemption Reserve, Capital Reserve and Revenue Reserve.

Notes to the Financial Statements (continued)

16 Share capital (continued)

The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objective, both of which are detailed in the Report of the Directors.

17 Financial instruments

The Group's financial instruments comprise equity and fixed interest investments, ZDP Shares, cash balances, bank loan and liquid resources including debtors and creditors. As an investment trust the Company holds a portfolio of financial assets in pursuit of its investment objective. In addition to the ZDP Share funding, from time to time the Group may make use of borrowings to fund outstanding commitments and achieve improved performance in rising markets. The downside risk of borrowings may be reduced by raising the level of cash balances held.

The sensitivity calculations given in this note are based on positions at the respective balance sheet dates and are not representative of the year as a whole.

Quoted fixed asset investments held (see note 10) are valued at bid prices which equate to their fair values. Unquoted investments are valued by the Directors on the basis of all the information available to them at the time of valuation. The fair value of the ZDP Shares is shown in note 15. The fair values of all of the Group's other financial assets and liabilities are not materially different from their carrying value in the balance sheet. The fair value of the intercompany loan from F&C Private Equity Zeros plc to the Company was £37,026,000 as at 31 December 2012 (2011: £33,103,000) compared to its value as stated on the balance sheet of £38,173,000 (2011: £34,822,000).

The Group's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Group is exposed are market risk, interest rate risk, liquidity and funding risk, credit risk and foreign currency risk.

The Group held the following categories of financial instruments as at 31 December 2012 and 31 December 2011:

	2012				2011			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	938	–	212,724	213,662	710	–	222,678	223,388

The above table provides an analysis of investments based on the fair value hierarchy described below and which reflects the reliability and significance of the information used to measure their fair value. The levels are determined by the lowest (that is the least reliable or least independently observable) level of impact that is significant to the fair value measurement for the individual investment in its entirety as follows:

Level 1 reflects financial instruments quoted in an active market.

Level 2 reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables includes only data from observable markets.

Level 3 reflects financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument and not based on available observable market data.

There were no transfers of investments between levels in the year ended 31 December 2012 (2011: none).

The following table summarises the Group's Level 3 investments that were accounted for at fair value in the year to 31 December 2012.

	2012 £'000	2011 £'000
Balance at beginning of year	222,678	209,802
Purchases	31,653	30,677
Sales	(56,557)	(36,060)
Gains on disposal	15,506	5,672
In specie distribution	(450)	–
Holding (losses)/gains	(106)	12,587
Balance at end of year	212,724	222,678

17 Financial instruments (continued)

Market risk

Market risk embodies the potential for both losses and gains and includes interest rate risk and price risk.

The Group's strategy on the management of investment risk is driven by the Company's investment objective as outlined on page 16. The management of market risk is part of the investment management process and is typical of private equity investment. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders. Further information on the investment portfolio is set out on pages 3, 4, 5, 12, and 13. Investments in unquoted stocks, by their nature, involve a higher degree of risk than investments in the listed market. Some of that risk can be, and is, mitigated by diversifying the portfolio across business sectors and asset classes, and by having a variety of underlying private equity managers. New private equity managers are only chosen following a rigorous due diligence process. The Group's overall market positions are monitored by the Board on a quarterly basis.

0.4 per cent of the Group's investments are listed on recognised stock exchanges or traded on AIM. A 10 per cent increase in stock prices as at 31 December 2012 would have increased the net assets attributable to the Group's shareholders and the total profit for the year by £94,000 (2011: £71,000); an equal change in the opposite direction would have decreased the net assets attributable to the Group's shareholders and the total profit for the year by an equal amount.

85.6 per cent of the Group's investments are in unquoted partnerships held at fair value. Valuation methodology includes the application of a Price/Earnings ratio derived from listed companies with similar characteristics, to which an appropriate liquidity discount is applied. Therefore the value of the unquoted element of the portfolio is also indirectly affected by price movements on the listed exchanges. A 15 per cent increase in the valuations of unquoted investments at 31 December 2012 would have increased the net assets attributable to the Group's shareholders by £27,456,000 (2011: £27,404,000); an equal change in the opposite direction would have decreased the net assets attributable to the Group's shareholders and the total profit for the year by an equal amount.

Interest rate risk

Some of the Group's financial assets are interest bearing, some of which are at fixed rates and some of which are at variable rates. As a result, the Group is subject to exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Fixed rate

The Group holds fixed interest investments.

	2012 £'000	2012 average interest rate	2012 average period until maturity	2011 £'000	2011 average interest rate	2011 average period until maturity
Fixed interest portfolio	48	5%	1.7 years	50	5%	2.7 years

Floating rate

When the Group retains cash balances the majority of the cash is held in deposit accounts. The benchmark rate which determines the interest payments received on cash balances is the bank base rate for the relevant currency.

The Group held the following floating rate instruments at 31 December 2012.

	2012 £'000	2012 average interest rate	2012 average period until maturity	2011 £'000	2011 average interest rate	2011 average period until maturity
Cash and cash equivalents	12,931	0.3%	n/a	4,044	0.5%	n/a
Multi-currency revolving credit facility	-	n/a	n/a	(9,188)	3.8%	0.09 years

An increase of 25 basis points in interest rates as at 31 December 2012 would have increased interest income receivable by the Group and increased the total Group profit for the year by £32,000 (2011: increased loan interest payable, increased interest income receivable and decreased the total Group profit by £13,000). A decrease of 25 basis points would have had an equal but opposite effect.

£nil was drawdown of the multi-currency revolving credit facility as at 31 December 2012 (2011: £9,188,000).

Notes to the Financial Statements (continued)

17 Financial instruments (continued)

Liquidity and funding risk

The Group's financial instruments include investments in unlisted equity investments which are not traded in an organised public market and which generally may be illiquid. As a result, the Group may not be able to liquidate quickly some of its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements, including the need to meet outstanding undrawn commitments or to respond to specific events such as a deterioration in the creditworthiness of any particular issuer.

Capital commitments in respect of outstanding calls on investments at 31 December 2012 amounted to £66,140,000 for the Ordinary Pool (2011: £73,209,000) and £nil for the Restricted Voting Pool (2011: £nil). Of these outstanding commitments, at least £15 million (2011: £14.2 million) is to funds where the investment period has ended and the Manager would expect very little of this to be drawn. The outstanding undrawn commitments remaining within their investment periods will be funded using cash, the revolving credit facility and realised capital gains.

The Group's listed securities are considered to be readily realisable.

Flexibility is achieved where necessary through the use of the revolving credit facility as described above.

The Group's liquidity risk is managed on an ongoing basis by the Manager in accordance with policies and procedures in place as described in the Report of the Directors on pages 16 and 17. The Group's overall liquidity risks are currently monitored on a quarterly basis by the Board.

The Group maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses.

Contractual maturity analysis for financial liabilities

As at 31 December 2012	One month £'000	Between one and three months £'000	Between three and twelve months £'000	Between one and five years £'000	After five years £'000	Total £'000
Liabilities						
Other creditors	1,030	–	498	–	–	1,528
ZDP Shares	–	–	–	45,642	–	45,642
Total liabilities	1,030	–	498	45,642	–	47,170

As at 31 December 2011	One month £'000	Between one and three months £'000	Between three and twelve months £'000	Between one and five years £'000	After five years £'000	Total £'000
Liabilities						
Other creditors	9,434	–	476	–	–	9,910
ZDP Shares	–	–	–	45,642	–	45,642
Total liabilities	9,434	–	476	45,642	–	55,552

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group. The Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets best represents the maximum credit risk exposure at the balance sheet date.

At the reporting date, the Group's financial assets exposed to credit risk amounted to the following:

	2012 £'000	2011 £'000
Investments in fixed interest instruments	48	50
Cash and cash equivalents	12,931	4,044
Interest, dividends and other receivables	464	23
	13,443	4,117

17 Financial instruments (continued)

Credit risk (continued)

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the high credit quality of the brokers used. The Manager monitors the quality of service provided by the brokers used to further mitigate this risk.

All the listed assets of the Group (which are traded on a recognised exchange) are held by The Northern Trust Company, the Group's custodian. Bankruptcy or insolvency of the custodian may cause the Group's rights with respect to securities held by the custodian to be delayed or limited. The Board monitors the Group's risk by reviewing the custodian's internal control reports.

The Group's cash balances are held by a number of counterparties. Bankruptcy or insolvency of these counterparties may cause the Group's rights with respect to the cash balances to be delayed or limited. The Manager monitors the credit quality of the relevant counterparties and should the credit quality or the financial position of these counterparties deteriorate significantly the Manager would move the cash holdings to another bank.

As at 31 December 2012 the Company had three overnight deposits of £8.1 million, £1.9 million and £1.1 million (2011: £1.9 million and £1.3 million) with three separate counterparties. There were no other significant concentrations of credit risk to counterparties at 31 December 2012 or 31 December 2011.

Foreign currency risk

The Group invests in overseas securities and holds foreign currency cash balances which give rise to currency risks. It is not the Group's policy to hedge this risk on a continuing basis but it may do so from time to time.

Foreign currency exposure:

	2012 Investments £'000	2012 Cash £'000	2012 Borrowings £'000	2011 Investments £'000	2011 Cash £'000	2011 Borrowings £'000
US Dollar	31,818	609	–	35,252	342	–
Euro	103,027	294	–	109,639	1,885	(9,188)
Norwegian Krone	7,477	238	–	5,962	–	–
Total	142,322	1,141	–	150,853	2,227	(9,188)

If the value of sterling had weakened against each of the currencies in the portfolio by 5 per cent, the impact on the profit or loss would have been positive £7.6 million (2011: positive £7.6 million). If the value of sterling had strengthened against each of the currencies in the portfolio by 5 per cent, the impact on the profit or loss would have been negative £6.9 million (2011: negative £6.9 million). The calculations are based on the portfolio valuation and cash and loan balances as at the respective balance sheet dates and are not representative of the year as a whole.

18 Related party transactions

The Directors of the Company received fees for their services. Further details are provided in the Directors' Remuneration Report on pages 25 and 26.

19 Post balance sheet event

Following the payment of the final Restricted Voting Shares dividend on 14 February 2013, the Restricted Voting Pool had no assets or liabilities. The Restricted Voting Shares were converted and redesignated as Deferred Shares on 14 February 2013 and the Deferred Shares were bought back by the Company and cancelled on that date. On 15 February 2013 the admission of the Restricted Voting Shares to the Official List of the UKLA and trading on the London Stock Exchange's Main Market were cancelled. The Company therefore no longer has any Restricted Voting Shares in issue.

Notice of Annual General Meeting

Notice is hereby given that the fourteenth Annual General Meeting of F&C Private Equity Trust plc (in this notice, the “Company”) will be held on Thursday, 30 May 2013 commencing at 12 noon at the offices of F&C Asset Management plc, Exchange House, Primrose Street, London EC2A 2NY, to transact the following business.

Ordinary Business

To consider and, if thought fit, pass the following as ordinary resolutions:

1. That the Report of the Directors, the Auditor’s Report and the financial statements for the year ended 31 December 2012 be received and adopted.
2. That the Directors’ Remuneration Report for the year ended 31 December 2012 be approved.
3. That a final dividend of 5.07p per Ordinary Share be declared.
4. That David Shaw, who retires by rotation, be re-elected as a Director.
5. That Douglas Kinloch Anderson, who retires annually, be re-elected as a Director.
6. That John Rafferty, who retires annually, be re-elected as a Director.
7. That Ernst & Young LLP be re-appointed as auditor.
8. That the Directors be authorised to determine the remuneration of the auditor for the year ending 31 December 2013.
9. That, in accordance with Section 551 of the Companies Act 2006 (the “Act”), the Directors be and they are hereby generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (“Rights”) up to an aggregate nominal amount of £72,282 (being an amount equal to 10 per cent of the total issued ordinary share capital of the Company as at 10 April 2013, being the latest practicable date before the publication of this notice). Unless previously varied, revoked or renewed, this authority shall expire at the conclusion of the Annual General Meeting of the Company in 2014, save that the Company may, before the expiry of any authority contained in this resolution, make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares or grant Rights in

pursuance of such offer or agreement as if the authority conferred hereby had not expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 80 of the Companies Act 1985 or Section 551 of the Act.

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

10. That, subject to resolution 9 being passed, the Directors be and they are hereby empowered pursuant to Section 570 of the Companies Act 2006 (the “Act”) to allot equity securities (as defined in Section 560 of the Act) pursuant to the authority to allot equity securities conferred upon them pursuant to the authority granted under resolution 9 and/or to sell Ordinary Shares held by the Company as treasury shares for cash as if Section 561 of the Act did not apply, provided that the power conferred by this resolution shall be limited to the sale out of treasury and the allotment of Ordinary Shares having a nominal amount not exceeding £36,141 (being an amount equal to 5 per cent of the total issued ordinary share capital of the Company as at 10 April 2013, being the latest practicable date before the publication of this notice). Unless previously varied, revoked or renewed, the power hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2014, save that the Company may, before the expiry of any power contained in this resolution, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

Special Business

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

11. That the Company be and it is hereby authorised in accordance with Section 701 of the Companies Act 2006 (the “Act”) to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary Shares, provided that:
 - (i) the maximum number of Ordinary Shares authorised to be purchased shall be 14.99 per cent of the number of the Ordinary Shares in issue at the date on which this resolution is passed;

- (ii) the minimum price which may be paid for an Ordinary Share shall be 1p;
- (iii) the maximum price (exclusive of expenses) which may be paid for a Share shall not be more than the higher of:
 - (a) 5 per cent above the average of the market value of for the five business days immediately preceding the date of purchase; and
 - (b) that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC 2273/2003); and
- (iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2014, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares under such authority which will or might be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

By order of the Board
 F&C Asset Management plc
 Company Secretary
 80 George Street
 Edinburgh EH2 3BU
 10 April 2013

Notes

1. **Website Giving Information Regarding the AGM**
 Information regarding the AGM, including the information required by Section 311A of the Companies Act 2006, is available from www.fcpet.co.uk.
2. **Entitlement to Attend and Vote**
 Only Ordinary Shareholders registered in the Company's register of members at 6.00 p.m. on Tuesday, 28 May 2013 (or, if the AGM is adjourned, at 6.00 p.m. on the day two business days prior to the adjourned meeting) shall be entitled to attend and vote at the AGM in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the register of members after 6.00 p.m. on Tuesday, 28 May 2013 (or, if the AGM is adjourned, at 6.00 p.m. on the day two business days prior to the date of the adjourned meeting) shall be disregarded in determining the rights of any person to attend, speak and vote at the AGM.

3. **Attending the AGM in Person**

An Ordinary Shareholder who wishes to attend the AGM in person should arrive at the venue for the AGM in good time to allow their attendance to be registered. As they may be asked to provide evidence of their identity prior to being admitted to the AGM, it is advisable for Ordinary Shareholders to have some form of identification with them.

4. **Appointment and Revocation of Proxies**

- 4.1 An Ordinary Shareholder at the time set out in note 2 above is entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote at the AGM. A proxy does not need to be a member of the Company but must attend the AGM to represent the Ordinary Shareholder. A proxy may only be appointed using the procedures set out in these notes and the notes on the Form of Proxy.
- 4.2 An Ordinary Shareholder may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different Ordinary Shares. An Ordinary Shareholder cannot appoint more than one proxy to exercise rights attached to the same Ordinary Shares. If an Ordinary Shareholder wishes to appoint more than one proxy, they should contact the Company's registrar, Capita Registrars (the "Registrar"), on 0871 664 0300. Calls to this number cost 10p per minute plus network extras (excluding VAT). Lines open 9.00 a.m. to 5.30 p.m., Monday to Friday. Overseas Ordinary Shareholders should call +44 (0) 20 8639 3399.
- 4.3 If an Ordinary Shareholder wishes a proxy to speak on their behalf at the AGM, the Ordinary Shareholder will need to appoint their own choice of proxy (not the chairman of the AGM) and give their instructions directly to them. Such an appointment can be made using the Form of Proxy or through CREST.
- 4.4 An Ordinary Shareholder may instruct their proxy to abstain from voting on a particular resolution to be considered at the AGM by marking the "Vote Withheld" option in relation to that particular resolution when appointing their proxy. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "For" or "Against" that particular resolution.
- 4.5 An Ordinary Shareholder who wishes to change their proxy instruction must submit a new appointment of proxy in accordance with notes 5-7 (as appropriate) below. If an Ordinary Shareholder requires another hard-copy Form of Proxy to enable them to change their proxy instruction, they should contact the Registrar on either of the telephone numbers set out in note 4.2 above.
- 4.6 In order to revoke a proxy instruction, an Ordinary Shareholder must inform the Company by sending a hard-copy notice clearly stating their revocation of their proxy instruction to Capita Registrars PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of an Ordinary Shareholder that is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. The revocation notice must be received by the Registrar not later than 12 noon on Tuesday, 28 May 2013.

Notice of Annual General Meeting (continued)

- 4.7 Appointment of a proxy will not preclude an Ordinary Shareholder from attending the AGM and voting in person.
- 4.8 A person who is not an Ordinary Shareholder but has been nominated by an Ordinary Shareholder to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these notes and should read note 9 below.
5. **Appointment of Proxy using Hard-copy Form of Proxy**
- The notes on the Form of Proxy explain how to direct a proxy how to vote, or abstain from voting, on the resolution. To appoint a proxy using the Form of Proxy, the Form of Proxy must be completed and signed and sent or delivered to Capita Registrars PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received by the Registrar by not later than 12 noon on Tuesday, 28 May 2013. In the case of an Ordinary Shareholder which is a company, the Form of Proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy.
6. **Appointment of Proxy through CREST**
- 6.1 CREST members who wish to appoint a proxy or proxies for the AGM by utilising the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual, which can be reviewed at www.euroclear.com/CREST. CREST personal members or other CREST sponsored members and those CREST members who have appointed (a) voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.
- 6.2 In order for a proxy appointment made via CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must be transmitted so as to be received by the Registrar (RA10) by not later than 12 noon on Tuesday, 28 May 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
- 6.3 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 6.4 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. **Appointment of Proxy by Joint Members**
- In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
8. **Corporate Representatives**
- Any corporation which is an Ordinary Shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as an Ordinary Shareholder provided that no more than one corporate representative exercises powers over the same Ordinary Share(s).
9. **Nominated Persons**
- A person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person"):
- may have a right under an agreement between the Nominated Person and the Ordinary Shareholder who has nominated them to have information rights (the "Relevant Member") to be appointed or to have someone else appointed as a proxy for the AGM; and
 - if they either do not have such a right or if they have such a right but do not wish to exercise it, may have a right under an agreement between them and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.
- A Nominated Person's main point of contact in terms of their investment in the Company remains the Relevant Member (or, perhaps, their custodian or broker) and they should continue to contact them (and not the Company) regarding any changes or queries relating to their personal details and their interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from the Nominated Person.
10. **Website Publication of Audit Concerns**
- Pursuant to Chapter 5 of Part 16 of the Companies Act (Sections 527 to 531), where requested by (an) Ordinary Shareholder(s) meeting the qualification criteria set out in note 11 below, the Company must publish on its

website a statement setting out any matter that such Ordinary Shareholder(s) propose(s) to raise at the AGM relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM. Where the Company is required to publish such a statement:

- (i) it may not require the Ordinary Shareholder(s) making the request to pay any expenses incurred by the Company in complying with the request;
- (ii) it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website; and
- (iii) the statement may be dealt with as part of the business of the AGM. The request:
 - (a) may be in hard copy form or in electronic form (see note 12 below);
 - (b) either set out the statement in full or, if supporting a statement sent by another Ordinary Shareholder, clearly identify the statement which is being supported;
 - (c) must be authenticated by the person or persons making it (see note 12 below); and
 - (d) be received by the Company at least one week before the AGM.

11. **Ordinary Shareholders' Qualification Criteria**

In order to be able to exercise the members' right to require the Company to publish audit concerns (see note 10 above) the relevant request must be made by:

- (i) (an) Ordinary Shareholder(s) having a right to vote at the AGM and holding at least 5 per cent of the total voting rights of the Company; or
- (ii) at least 100 Ordinary Shareholders having a right to vote at the AGM and holding, on average, at least £100 of paid up share capital.

12. **Submission of Hard Copy and Electronic Requests and Authentication Requirements**

Where (an) Ordinary Shareholder(s) wish(es) to request the Company to publish audit concerns (see note 10 above) such request must be made in accordance with one of the following ways:

- (i) a hard copy request which is signed by the Ordinary Shareholder(s), states their full name(s) and address(es) and is sent to the Company Secretary, F&C Asset Management plc, 80 George Street, Edinburgh EH2 3BU;
- (ii) a request which is signed by the Ordinary Shareholder(s), states their full name(s) and address(es) and is sent to the Company Secretary, F&C Asset Management plc, 80 George Street, Edinburgh EH2 3BU; or
- (iii) a request which states "FPEO - AGM" in the subject line of the e-mail and the full name(s) and address(es) of the Ordinary Shareholder(s) and is sent to investor.enquiries@fandc.com.

13. **Questions at the AGM**

Under Section 319A of the Companies Act 2006, the Company must cause to be answered any question relating to the business being dealt with at the AGM put by an Ordinary Shareholder attending the AGM unless:

- (i) answering the question would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information;
- (ii) the answer has already been given on the Company's website in the form of an answer to a question; or
- (iii) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

14. **Issued Shares and Total Voting Rights**

At 10 April 2013, the Company's issued share capital comprised 72,282,273 Ordinary Shares, none of which were held in treasury. Each Ordinary Share carries the right to one vote, and, therefore, the total number of voting rights in the Company at 10 April 2013 was 72,282,273.

15. **Disclosure Obligations**

Any person holding 3 per cent or more of the total voting rights of the Company who appoints a person other than the chairman of the AGM as their proxy will need to ensure that both they and their proxy complies with their respective disclosure obligations under the FCA's Disclosure and Transparency Rules.

16. **Communication**

Any electronic address provided either in this notice of AGM or any related documents (including the Form of Proxy) to communicate with the Company may not be used for any purposes other than those expressly stated.

Shareholder Information

Dividends

Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandates may be obtained from Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU on request. Where dividends are paid to shareholders' bank accounts, dividend tax vouchers are sent directly to shareholders' registered addresses.

Dividend Reinvestment Plan

Shareholders who wish to use their dividends to purchase further shares in the Company by participating in the Company's Dividend Reinvestment Plan can complete an application form which may be obtained from Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU on request.

Share Price

The Company's shares are listed on the London Stock Exchange. Prices are given daily in the *Financial Times* and in other newspapers.

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to Capita Registrars under the signature of the registered holder.

Website

Additional information regarding the Company may be found at its website address which is: www.fcpet.co.uk

Financial Calendar 2013/2014

30 May 2013	Annual General Meeting
30 May 2013	Announcement of quarterly results to 31 March 2013
31 May 2013	Payment of final dividend
August 2013	Announcement of interim results to 30 June 2013
November 2013	Announcement of quarterly results to 30 September 2013
November 2013	Payment of semi-annual dividend
March 2014	Announcement of annual results to 31 December 2013

Warning to Shareholders – Boiler Room Scams

In recent years, many companies have become aware that their shareholders have been targeted by unauthorised overseas-based brokers selling what turn out to be non-existent or high risk shares, or expressing a wish to buy their shares. If you receive unsolicited investment advice or requests:

- Make sure you get the correct name of the person or organisation
- Check that they are properly authorised by the Financial Conduct Authority ('FCA') before getting involved by visiting www.fsa.gov.uk/register/home.do
- Report the matter to the FCA by calling **0800 111 6768**
- If the calls persist, hang up.

More detailed information on this matter can be found on the FCA website:

www.fca.org.uk/consumers/scams-and-swindles

How to Invest

One of the most convenient ways to invest in F&C Private Equity Trust plc is through one of the savings plans run by F&C Management Limited ('F&C').

F&C Private Investor Plan (PIP)

A flexible way to invest with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250.

F&C Investment Trust ISA

Use your ISA allowance to make an annual tax-efficient investment of up to £11,520 for the 2013/14 tax year with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250 and transfer any existing ISAs to us whilst maintaining all the tax benefits.

F&C Child Trust Fund (CTF)

CTFs are closed to new investors; however, if your child has a CTF with another provider, it is easy to transfer it to F&C. Additional contributions can be made from as little as £25 per month or £100 lump sum – up to a maximum of £3,720 for the 2013/14 tax year.

F&C Children's Investment Plan (CIP)

A flexible way to save for a child. With no maximum contributions, the plan can easily be written under trust to help reduce inheritance tax liability or kept in your name if you may need access to the funds before the child is 18. Investments can be made from a £250 lump sum or £25 a month. You can also make additional lump sum top-ups at any time from £100.

F&C Junior ISA (JISA)

This is a tax-efficient savings plan for children who did not qualify for a CTF. It allows you to invest up to £3,720 for the 2013/14 tax year with all the tax benefits of the CTF. You can invest from £30 a month, or £500 lump sum, or a combination of both.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and you may not receive back the full amount originally invested. Tax rates and reliefs depend on the circumstances of the individual. The CTF and JISA accounts are opened in the child's name. Money cannot be withdrawn until the child turns 18.

Annual management charges and certain transaction costs apply according to the type of plan.

Annual Account Charge

ISA: £60+VAT

JISA: £25+VAT

PIP: £40+VAT (from 6 April 2013)

CIP/CTF: £25+VAT (from 6 April 2013)

You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits).

Dealing Charge

ISA: 0.2%

PIP/CIP: 0.2% (to 5 April 2013)

Fixed rate of £12 per trust which is reduced to £8 per trust for instructions placed online (from 6 April 2013)

JISA: Fixed rate of £12 which is reduced to £8 for instructions placed online.

The dealing charge applies when shares are bought or sold but the fixed rate charge does not apply to the reinvestment of dividends or the investment of regular monthly savings.

There is no dealing charge on a CTF but a switching charge of £25 applies if more than 2 switches are carried out in one year.

Government stamp duty of 0.5% also applies on purchases (where applicable).

There may be additional charges made if you transfer a plan to another provider or transfer the shares from your plan. For full details of charges, please read the Key Features and Terms and Conditions of the plan before investing.

How to Invest

You can invest in all our savings plans online.

New Customers

Contact our Investor Services Team

Call: **0800 136 420** (8:30am – 5:30pm, weekdays, calls may be recorded)

Email: **info@fandc.com**

Investing online: **www.fandc.com**

Existing Plan Holders

Contact our Investor Services Team

Call: **0845 600 3030** (*9:00am – 5:00pm, weekdays, calls may be recorded)

Email: **investor.enquiries@fandc.com**

By post: F&C Plan Administration Centre
PO Box 11114
Chelmsford
CM99 2DG

If you have trouble reading small print, please let us know. We can provide literature in alternative formats, for example large print or on audiotape. Please call 0845 600 3030*.

The above has been approved by F&C Management Limited which is a member of the F&C Asset Management Group and is authorised and regulated in the UK by the Financial Conduct Authority.

Corporate Information

Directors

Mark Tennant (Chairman)*
Elizabeth Kennedy†
Douglas Kinloch Anderson, OBE
John Rafferty
David Shaw

Company Secretary

F&C Asset Management plc
80 George Street
Edinburgh EH2 3BU
Tel: 0207 628 8000

Investment Manager

F&C Investment Business Limited
80 George Street
Edinburgh EH2 3BU
Tel: 0207 628 8000

Auditor

Ernst & Young LLP
Ten George Street
Edinburgh EH2 2DZ

Broker and Financial Adviser

Cantor Fitzgerald Europe
17 Crosswall
London EC3N 2LB

Solicitors

Dundas & Wilson CS LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EN

Bankers

The Northern Trust Company
50 Bank Street
Canary Wharf
London E14 5NT

The Royal Bank of Scotland plc
24-25 St Andrew Square
Edinburgh EH2 1AF

Company Number

SC 179412

* Chairman of the Management Engagement Committee and the Nomination Committee

† Chairman of the Audit Committee

**Registered Office**

80 George Street
Edinburgh EH2 3BU
Tel: 0207 628 8000
Fax: 0131 225 2375

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 0871 664 0300*
Website: www.capitaregistrars.com

* Calls to this number cost 10p per minute plus network extras. Callers from outside the UK: +44(0) 208 639 3399