F&C Private Equity Trust plc

Annual Report and Accounts

2013

F&C Investments

Contents

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 Ordinary Shares are traded on the Main Market of the London Stock Exchange. Its wholly owned subsidiary, F&C Private Equity Zeros plc ('FCPEZ'), was incorporated in October 2009 and has Zero Dividend Preference Shares ('ZDP Shares') which are also traded on the Main Market of the London Stock Exchange. The Company and FCPEZ are collectively referred to throughout this document as 'the Group'.

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 Company's investment policy is contained on page 5.

Dividend 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 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.

Group Capital Structure as at 31 December 2013

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

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 page 18.

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 59.

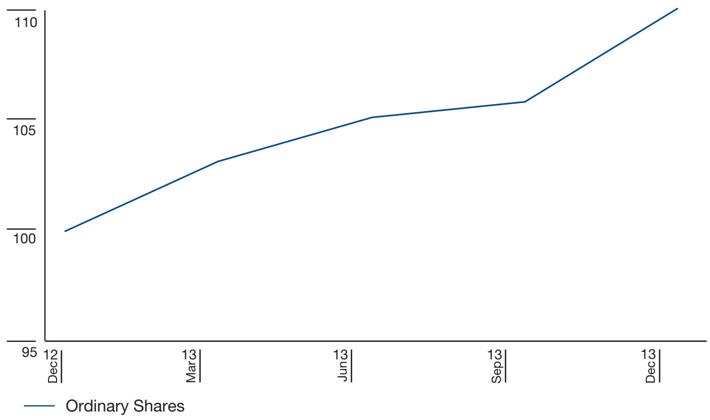
Website

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

Financial Highlights for the Year

- Share price total return for the year of 17.4 per cent for the Ordinary Shares.
- NAV total return for the year of 9.9 per cent for the Ordinary Shares.
- Total dividends of 10.58p per Ordinary Share.
- Dividend yield of 5.1 per cent based on the year-end share price.

F&C Private Equity Trust Net Asset Value Total Return for the Year Ended 31 December 2013



Source: F&C Investment Business

Performance Summary

	31 December 2013	31 December 2012	% change
Total Returns for the Year*			
Net asset value (fully diluted)	**+9.9%**	+6.8%	
Ordinary Share price	**+17.4%**	+31.7%	
Capital Values			
Net assets (£'000)	**197,217**	187,431	+5.2
Net asset value per Ordinary Share (fully diluted)	**269.07p**	254.38p	+5.8
Ordinary Share price	**207.50p**	185.75p	+11.7
Discount to net asset value (fully diluted)	**22.9%**	27.0%	
Income			
Revenue return after taxation (£'000)	**695**	1,818	
Revenue return per Ordinary Share (fully diluted)	**0.94p**	1.76p	
Dividends per Ordinary Share	**10.58p**	10.03p	
Dividend Yield	**5.1%**	5.4%	
Zero Dividend Preference Shares (£'000)	**41,835**	38,173	
Gearing†	**16.2%**	12.2%	
Ongoing Charges			
As a percentage of average net assets‡	**1.4%**	1.5%	
As a percentage of average net assets including performance fees	**2.0%**	1.5%	
Future commitments (£'000)	**61,091**	66,140	

* Total return is the combined effect of any dividends paid, together with the rise or fall in the net asset value per Ordinary 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 (excluding net cash and Zero Dividend Preference Shares) (Ordinary Pool).

‡ Using AIC recommended methodology.

Sources: F&C Investment Business, AIC and Datastream

Chairman's Statement

Mark Tennant Chairman

Introduction

Your Company performed strongly during the year ended 31 December 2013. Its net assets at the year end were £197.2 million, giving a diluted net asset value ('NAV') per Ordinary Share of 269.07p. Taking into account dividends paid during the year, which total 10.29p per share, the NAV total return of the shares was 9.9 per cent. The Ordinary Share price total return over the year was 17.4 per cent. At the end of the year the Ordinary Share price was 207.50p, representing a discount to the NAV of 22.9 per cent. Since the year end the share price has increased further and the current discount to NAV is approximately 17 per cent.

The Company has been active in making and realising investments. New investments during the year, covering both drawdowns by funds and co-investments made directly into private companies, totalled £39.6 million. Realisations and associated income totalled £42.5 million. At the year end the Company had net cash of £3.7 million. Taking into account the accrued liability for the Zero Dividend Preference Shares ('ZDPs') of £41.8 million, total net debt was £38.1 million, equivalent to gearing of 16.2 per cent. Currently the Company has cash of approximately £9 million and an unutilised borrowing facility of £50 million. Outstanding undrawn commitments at the year end were £61.1 million and, of this amount, approximately £20 million is to funds whose investment period has expired and is therefore only eligible to be drawn under limited circumstances.

The performance fee has a hurdle rate, calculated over two years, of an IRR of 8.0 per cent. The IRR of the NAV for the two year period ended 31 December 2013 was 8.7 per cent and therefore a performance fee of £1.175 million is payable to the Manager, F&C Investment Business Limited, in respect of 2013.

Dividends

In accordance with the Company's stated dividend policy, a semi-annual dividend of 5.22p per Ordinary Share was paid on 1 November 2013. The Board recommends payment of a final dividend of 5.36p per Ordinary Share payable on 30 May 2014 to shareholders on the register on 2 May 2014. The total dividend for the year amounts to 10.58p per Ordinary Share, equivalent to a dividend yield of 5.1 per cent at the year end.

Financing

As stated above, the Company currently has cash of approximately £9 million and a completely unutilised borrowing facility of £50 million. On 15 December 2014 it is due to redeem its 2009 issue of ZDPs. Whilst it would be possible to use accumulated cash and borrowings to do this, there remains market demand for ZDPs. As the gross redemption yields on ZDPs are significantly lower than they were when the existing ZDPs were issued in 2009, we are currently exploring with the Company's advisers whether to take advantage of this demand by offering new ZDPs with a much lower gross redemption yield than the 8.75 per cent on the existing ZDPs. If the Company proceeds with a new issue, existing ZDP Shareholders will be offered the opportunity to roll over at least part of their existing investment into the new issue. We are also considering taking advantage of an improved banking environment to extend and rearrange the Company's banking facilities.

Alternative Investment Fund Managers' Directive ('AIFMD')

The AIFMD is European legislation which creates a European-wide framework for regulating managers of alternative investment funds ('AIFs'). Investment trusts fall within the remit of these new regulations. The legislation came into force in July 2013 but there

Chairman's Statement (continued)

is a twelve month transitional period which means that the Company has until July 2014 to comply. The Board has reviewed the impact of the directive on the Company's operations and decided that it will appoint a subsidiary of F&C Asset Management plc as the Company's AIFM, at no additional cost to the Company. Under the directive the Company is also required to appoint a depository, and although this will result in an additional cost to the Company the Board does not expect this cost to be significant. Both appointments will become effective before the end of the transitional period.

Scottish Independence Referendum

The Company is registered in Scotland, its management is based in Scotland and all of its Directors and members of the investment management team are based in Scotland. The referendum on Scottish independence due to be held on 18 September this year is of direct interest to the Company. Shareholders are entitled to know the opinion of the Company's officers on this important issue.

At present, the Company, along with many other investment trusts, investment companies and other financial institutions, benefits from being fully integrated within the United Kingdom's financial system. These benefits include access to a significant reservoir of management expertise based in Edinburgh, a common system of taxation and benefits across the UK providing for the free movement of human capital and supervision by a common financial regulator (the Financial Conduct Authority) with access to the UK and EU savings and investment markets that this ensures. It also benefits from having the Bank of England as issuer of a single national currency, experienced manager of the nation's stock of debt and robust lender of last resort to financial institutions located within the nation state. Specifically, the investment trust sector, to which Scotland has contributed immensely, relies on a particular status within the British tax system as detailed within section 1158 of the Corporation Tax Act 2010. Additionally, many of the Company's retail investors, who are based around the UK, rely on the specific provisions within the UK taxation system which govern ISAs and SIPPs.

All of this provides a combination of consistency, stability, familiarity and economies of scale which would be put at risk in the event that Scotland became a fully independent nation state. Such a profound change in the constitutional status of Scotland would be likely to lead to a significant period of uncertainty, while we wait and see whether and to what extent these provisions are replicated, altered or abandoned within a newly independent country. The debate on whether Scottish independence will bring economic benefits will continue, but the scope for uncertainty and disruption in the event of a drastic change in Scotland's relationship with the remainder of Great Britain and Northern Ireland is clear. Whatever the outcome of the referendum, your Board and management team will continue to manage the Company's affairs to the best of their respective abilities in the interests of shareholders.

Annual General Meeting

The Annual General Meeting will be held on Thursday 29 May 2014 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. A Form of Proxy is enclosed separately and shareholders who are unable to attend the Meeting are requested to complete and return their forms so as to ensure that their votes are represented.

Outlook

As discussed in the Manager's Review, the Company's portfolio is well positioned to benefit from the strengthening economic recovery across Europe and further afield and from the continued diligence and judgement of our investment partners. Dealflow in funds, and the opportunities for attractive co-investments and secondary investments are as good as they have been for several years, and coupled with attractive pricing this should provide the foundation for good returns for shareholders in the medium and longer term.

Mark Tennant
Chairman
16 April 2014

Business Model and Strategy

The Company carries on business as an investment trust. Its Ordinary Shares are traded on the Main Market of the London Stock Exchange. The Zero Dividend Preference Shares of the Company's wholly owned subsidiary, F&C Private Equity Zeros plc ('FCPEZ'), are also traded on the Main Market of the London Stock Exchange.

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 17. The Board consists of four male and one female director. The Company has no employees.

The Board has contractually delegated the management of the investment portfolio and other services to F&C Investment Business Limited ('the Manager'). A summary of the terms of the management agreement is contained in note 4 to the accounts.

Investment Strategy

The Company's investment strategy is set out in its objective and investment policy as set out below.

Objective (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.

Investment Policy (Ordinary Shares)

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 are redeemed in December 2014. This liability was £41.8 million at 31 December 2013. After taking into account cash and cash equivalents of £3.7 million, this represented gearing of 16.2 per cent at 31 December 2013.

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.

Dividend Policy (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.

Objective (Zero Dividend Preferences Shares)

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

The ZDP Shares redeem on 15 December 2014 at 152.14p per share, an effective rate of 8.75 per cent per annum. Refinancing plans are discussed in the Chairman's Statement on page 3.

Investment of Assets

At each Board meeting, the Board receives a presentation from 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 2013 is presented in the Manager's Review on pages 9 to 11 and in the Portfolio Summary on page 12. The full portfolio listing is provided on pages 15 and 16.

Responsible Ownership

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

Business Model and Strategy (continued)

invests. Environmental policies, social, human rights, 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, human rights, 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.

Principal Risks and Uncertainties and Risk Management

As stated within the Report of the Audit Committee on pages 25 and 26, the Board applies the principles detailed in the internal control guidance issued by the Financial Reporting Council, and has established an ongoing process designed to meet the particular needs of the Company in managing the risks and uncertainties to which it is exposed.

The principal risks and uncertainties faced by the Company are described below and in note 17 to the financial statements, which provides detailed explanations of the risks associated with the Company's financial instruments.

- 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 other 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 other 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.
- Referendum on Scottish Independence – the Company is a Scottish registered company and the Board is mindful that there is uncertainty arising in relation to the referendum on Scottish Independence which is due to take place on 18 September 2014. Such matters of uncertainty include jurisdiction and taxation of savings and pension plans, financial services regulation, investment trust status, currency and membership of the European Union. The Board considers that, should the vote be in favour of independence, there will be a transitional period during which there will be an opportunity to assess the new situation and take any appropriate action. Further information is included in the Chairman's Statement on page 4.

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 and economic environment, the management of the Company's investment portfolio, the level of undrawn commitments and the Company's gearing policy.

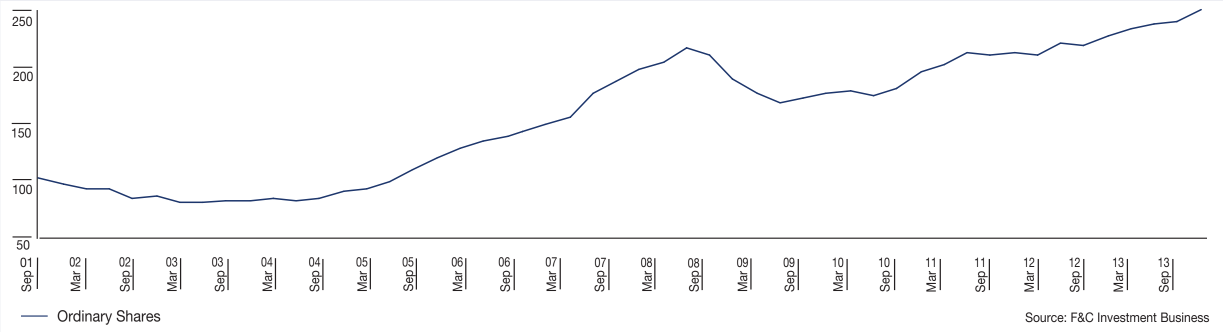
Key Performance Indicators

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.
- Discount of Ordinary Share price to net asset value.
- Dividend per Ordinary Share and dividend yield as a percentage of net asset value per share.
- Ongoing charges as a percentage of shareholders' funds.

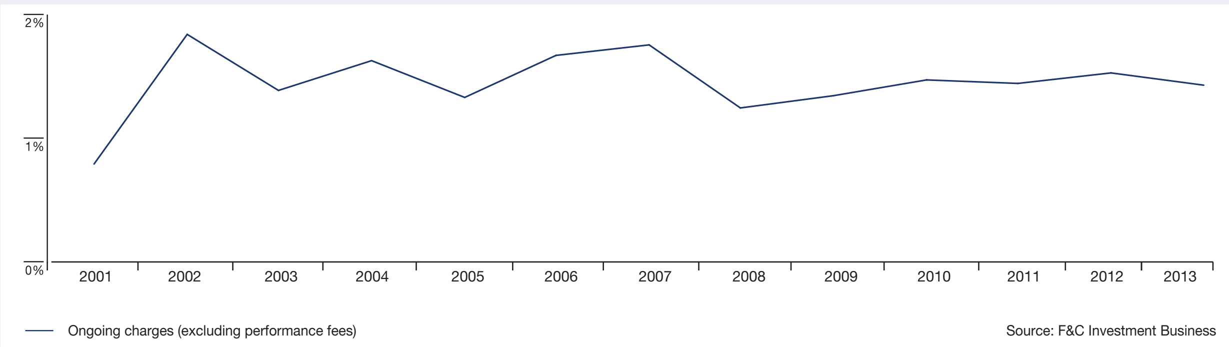
A historical record of these indicators is contained on page 7, except for the historical record of dividends per Ordinary Share which is included on page 58.

Net Asset Value Total Return
Ordinary 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



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 £82.1 billion of funds under management as at 31 December 2013.

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

Manager's Review

Your Company recorded a net asset value ('NAV') total return of 9.9 per cent for the year. This represents an acceleration in growth from the previous year. The environment in which private equity deals are done and in which companies make business decisions improved throughout the year. Deal activity increased in Europe reflecting greater confidence, a stronger banking sector and a number of successful private equity fundraisings. Together with these factors there is now a noticeable tail wind of an improving economic background across most of Europe, in contrast to the previous year when growth was more sluggish. The price of new private equity deals remains attractive, especially in the mid-market where, typically, companies can be acquired on between 6 and 8X EBITDA. A typical capital structure would be 50 per cent debt and 50 per cent equity. The provision of debt for buy-outs has improved in recent months. Banks are more willing to lend and, increasingly, unitranche debt packages from specialist funds are being considered as a credible alternative. Whilst there are significant differences across the different European markets the overall picture is one of a strengthening recovery.

New Investments

Five new commitments to private equity funds were made during the year. As noted in previous reports we have made two commitments in the mid-market to two European countries where we had previously only invested as part of a wider regional fund. €3 million was committed to Finland focused Vaaka Partners Buyout II. This team came out of Pohjola Bank in 2010. Finland is a small, but attractive, private equity market which is peculiarly difficult for outsiders to penetrate. In a larger, but also attractive, market we committed €3 million to Avallon MBO II, a Poland focused fund. Poland has a maturing private equity market within an economy which has shown robust momentum through the recession. €4 million was committed to Zurich based Capvis IV. We have previously invested with this specialist in German Speaking Europe, particularly in the Alpine Rim. Closer to home, we committed £3 million to August Equity Partners III. This lower mid-market fund is managed by one of our longstanding and successful investment partners. Lastly we committed £3.5 million to GCP Capital Partners Europe II, whose managers are now renamed as Kester Capital. This latter deal was a secondary investment where the Company immediately gained exposure to a pre-existing portfolio at an attractive price. Each of these funds was active during the year, adding companies to their respective portfolios.

In addition to new fund commitments we have consciously been adding to the portfolio of co-investments, with a total of £13.4 million invested in six companies during the year. This brings the co-investment component of the portfolio up to 15.1 per cent. We aim to add another 10 per cent or so to this element of the portfolio over the next year or two, subject to securing enough attractive opportunities. The dealflow at present is good.

The new co-investments cover a diverse range of sectors and countries. This is deliberate, as a key attribute of a private equity fund of funds is that the high risks of private equity are reduced to moderate levels through diversification.

In the Nordic Region, where we have accessed good dealflow, we made two investments during the year. £1.3 million was invested in Safran, a Stavanger based specialist software company which provides planning software to the oil and gas and aerospace and defence industries. The Company's stake is 20 per cent and the investment was led by Progressus, a boutique private equity manager based in Stavanger. At a larger scale we invested alongside emerging manager Agilitas, investing £2.2 million for a 7 per cent stake in Recover Nordic, a provider of damage control services, mainly to insurance companies.

In Switzerland, we invested £1.7 million alongside Zurmont Madison, in Schaetti, a chemical company principally involved in the manufacture of customised thermoplastic and thermo-fusible powders with a range of applications including in the apparel, footwear and automotive sectors.

In the UK, we completed three new co-investments during the year. £2.1 million was invested alongside Fleming Family and Partners for a 15 per cent stake in David Phillips Limited, the UK's largest specialist supplier of furniture and other accessories to the residential property market, providing a B2B furniture service to landlords, agents, developers and local authorities. Trading appears to have gone well in the first year following this investment. £3 million was invested alongside RJD Partners II in Harrington Brooks, the Manchester based provider of debt advice, debt management plans and individual voluntary arrangements. The Company has a holding of 6 per cent in this company where there is strong growth momentum. Lastly, £3 million was invested for an 11 per cent stake in Meter Provida Limited, the UK market leading distributor of gas meters to the energy industry. This deal provided both debt and equity and was led by emerging manager Total Capital Partners.

Manager's Review (continued)

Drawdowns

Fund drawdowns for the year amounted to £26.2 million. These have gone into a diverse range of companies. The more notable and the most recent, which have not been previously reported to shareholders are described below.

In the UK, new investments included £0.7 million by August Equity Partners III into schools group Minerva, £0.4 million by Lyceum Capital III into vehicle telematics company Isotrak and, most recently, £1.3 million by Hutton Collins III into burger restaurant chain Byron Burgers. In addition, GCP Capital Partners Europe II invested £0.5 million in medical products company Frontier Medical.

In Germany, Stirling Square Capital Partners II called £1.4 million for an investment in Cartonplast, the European market leader in plastic layer pads (PLPs) which are used in the packaging industry in transporting glass containers. Also, in German speaking Europe, DBAG VI invested £0.8 million in Schulerhilfe, a chain of school tutoring centres in Germany and Austria. In Norway, Herkules III invested £0.5 million in the combination of two companies in the marine life saving market, Schat-Harding, which is one of the world's largest companies in the life saving appliance market for lifeboats, and Noreq, which is a supplier of marine life saving systems. The plan is to merge the companies to create a global market leader. In Spain, N+1 Private Equity II invested £0.9 million in Probos, a global manufacturer of thermoplastic edgebanding for the furniture industry.

In North America, Camden Partners IV invested £0.4 million in Collections Marketing Center, a provider of a SaaS solution for the collection of consumer debt by a range of lenders. Blue Point Capital II called £0.4 million for investment in Shnier, the largest distributor of floor coverings in Canada.

Realisations

Although none of the co-investment portfolio was fully exited during the year, the total of realisations and associated income was £42.5 million. Although this was below the level in 2012, when the Company had two co-investment exits with combined proceeds of £20.5 million boosting the total to £60.6 million, the amount coming from funds alone was slightly up. The more significant and more recent ones are noted below.

In the UK, the largest individual exit was Napier Turbochargers, which was sold by Primary Capital III to Wabtec Corporation, yielding £2.5 million (multiple 5.5x, IRR 44 per cent). In its earlier fund, Primary Capital II, Primary exited specialist rail travel business Amber to ECI yielding £1.2 million (multiple 3.2x, IRR 17 per cent). RJD Partners II sold fund administration company IPES to Silverfleet with proceeds for the Company of £1.9 million (multiple 3.1x, IRR 26 per cent). Growth Capital Partners exited Glasgow based software and services company Amor to Lockheed Martin returning £1.0 million. During the final quarter, SEP III returned £0.6 million, representing the Company's share of the sale of part of the fund's holding in flight search engine Skyscanner to US venture firm Sequoia. TDR Capital I continued to sell down life assurance company Phoenix, returning a further £1.0 million. Alchemy Special Opportunities Fund made its final distributions, realising, amongst other residual holdings, its remaining interest in estate agency Countrywide and returning £1.0 million.

In Europe, major exits included the sale by Herkules III of Norwegian debt collection agency Gothia to Arvator Infoscore Gmbh of Germany yielding £1.6 million (multiple 2.2x, IRR 20 per cent), the sale of Polish medical clinics company Lux Med to BUPA, returning £1.5 million (multiple 2.0x, IRR 16 per cent) and sell down of some of the preference shares in Danish housebuilder Huscompagniet, with proceeds of £1.3 million. Recently, Alto Capital II exited Italian coffee machine manufacturer Rancilio bringing in £0.5 million (multiple 3.0x, IRR 20 per cent). Lastly, with some signs of recovery now apparent in France, Ciclad 4 exited LTI telecom to Numericable - Completel returning £0.5 million (multiple 5.7x, IRR 28 per cent).

In the US, the principal exits were the sale by Warburg Pincus IX of ophthalmic products company Bausch and Lomb yielding £0.9 million (multiple 3.5x, IRR 17 per cent) and recently the sale by both Camden Partners III and IV of outsourced car valeting company Towne Park to TA Associates which gave combined proceeds to the Company of £2.5 million (multiple 3.6x, IRR 26 per cent).

Valuation Changes

In a portfolio of some 80 fund positions and 15 co-investments there were many significant valuation changes over the year. The net effect was upwards. Key contributors and detractors are noted below.

The main venture capital holding through SEP III was uplifted over the year, principally to reflect the good progress of Skyscanner, by £7.7 million. Stirling Square Capital Partners II was uplifted by £1.8 million following good trading in several holdings. Primary Capital III benefited from strong trading in several holdings and was up by £1.7 million. Life Science Partners III was up by £1.3 million largely because of the successful exit of Okairos (T- cell vaccines) to GlaxoSmithKline. 3SI is trading well and was up by £1.0 million as was Harrington Brooks. Each of Warburg Pincus IX, RJD Partners II and N+1 Private Equity II were up by £1.0 million, in each case reflecting a number of individual uplifts and exits.

However, not all the investments had a good year. Axitea, the Italian security company, continues to face trading difficulties occasioned, at least in part, by poor payment practices of municipal authorities and this holding has been reduced to nil, a downgrade of £3.5 million. Whittan, the pallet racking systems company, has been hit by slowing orders from major customers and this has been reduced by £1.8 million.

Over the year currency movements added approximately 0.5 per cent to the value of the portfolio.

Outlook

The current outlook is the most encouraging for some years. As we have noted often, the private equity investment model has not only survived the recession but has added to returns all the way through. The valuation of mid-market private companies, particularly in Europe, is attractive and our investment partners are finding many good opportunities to invest. As can be seen from this report the portfolio continues to be renewed and refreshed with a diverse range of new investments. This diversification is the main means by which the strong returns which private equity seeks are achieved whilst taking only moderate levels of risk.

Hamish Mair
Investment Manager
F&C Investment Business Limited

16 April 2014

Portfolio Summary

Group Portfolio Distribution
As at 31 December 2013

	% of Total 2013	% of Total 2012
Buyout Funds – Pan European*	**13.3**	13.2
Buyout Funds – UK	**18.2**	19.3
Buyout Funds – Continental Europe†	**20.9**	20.7
Private Equity Funds – USA	**6.8**	8.0
Private Equity Funds – Global	**4.1**	6.3
Venture Capital Funds	**10.4**	8.3
Mezzanine Funds	**8.2**	9.8
Direct – Quoted	**0.5**	0.4
Secondary Funds	**2.5**	2.6
Direct – Investments/Co-Investments	**15.1**	11.4
	100.0	100.0

* Europe including the UK.
† Europe excluding the UK.

Largest Holdings
As at 31 December 2013

	Total Valuation £'000	% of Total Portfolio
SEP III	**13,619**	**5.7**
TDR Capital II	**8,804**	**3.7**
August Equity Partners II	**8,800**	**3.7**
Stirling Square Capital Partners II	**7,542**	**3.2**
Argan Capital	**7,122**	**3.0**
Hutton Collins III	**6,530**	**2.8**
Chequers Capital XV	**6,126**	**2.6**
The Aurora Fund	**6,013**	**2.5**
Primary Capital III	**5,970**	**2.5**
RJD Partners II	**5,820**	**2.5**

Top Ten Holdings

SEP III

Investment type: Venture capital fund
Region: Europe
Percentage held: 4.8%
Valuation basis: Percentage of fund value

SEP III had a fund close of £158 million. The Company made a commitment of £7 million, 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.

	31 December 2013 £'000	31 December 2012 £'000
Residual cost	**3,354**	3,934
Value	**13,619**	6,483

TDR Capital II

Investment type: Buyout fund
Region: Europe
Percentage held: 0.5%
Valuation basis: Percentage of fund value

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, the fund held a single close at €1.75 billion in June 2006 to which the Company committed €10 million. The fund invests in Pan-European buyouts with an emphasis on operational improvement and financial structuring.

	31 December 2013 £'000	31 December 2012 £'000
Residual cost	**6,829**	7,091
Value	**8,804**	8,452

August Equity Partners II

Investment type: Buyout fund
Region: United Kingdom
Percentage held: 6.5%
Valuation basis: Percentage of fund value

August Equity Partners II is a lower mid-market UK buyout fund which closed in July 2008 with total commitments of £155 million. 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.

	31 December 2013 £'000	31 December 2012 £'000
Residual cost	**5,756**	6,542
Value	**8,800**	9,511

Stirling Square Capital Partners II

Investment type: Buyout fund
Region: Europe
Percentage held: 3.2%
Valuation basis: Percentage of fund value

Stirling Square Capital Partners (SSCP) is a Pan-European buyout firm focussing on investments with enterprise values in the range of €100 million to €300 million that was founded in 2002. The Company co-invested alongside SSCP in four of their previous deals (GDT, Whittan, 3si and Axitea). The Company committed €12 million to this fund. SSCP closed at €375 million in March 2010.

	31 December 2013 £'000	31 December 2012 £'000
Residual cost	**5,408**	3,858
Value	**7,542**	4,177

Argan Capital

Investment type: Buyout fund
Region: Europe
Percentage held: 2.4%
Valuation basis: Percentage of fund value

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 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.

	31 December 2013 £'000	31 December 2012 £'000
Residual cost	**6,002**	5,646
Value	**7,122**	7,879

Top Ten Holdings (continued)

Hutton Collins III

Investment type: Mezzanine funds
Region: Europe
Percentage held: 1.7%
Valuation basis: Percentage of fund value

Hutton Collins was formed in 2002 by its eponymous founders Matthew Collins and Graham Hutton. The firm specialises in Pan-European mezzanine and preferred equity investments. Having invested in their first two funds, the Company committed €10 million to their third fund alongside F&C European Capital Partners in May 2008. The fund finally closed in April 2009 and had a size of €581 million.

	31 December 2013 £'000	31 December 2012 £'000
Residual cost	6,860	5,438
Value	6,530	4,813

Chequers Capital XV

Investment type: Buyout fund
Region: Continental Europe
Percentage held: 1.3%
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 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.

	31 December 2013 £'000	31 December 2012 £'000
Residual cost	4,934	4,999
Value	6,126	5,682

The Aurora Fund

Investment type: Secondary fund
Region: Europe
Percentage held: 10.2%
Valuation basis: Percentage of fund value

The Aurora Fund LP is a secondaries fund managed by F&C. It had an initial portfolio comprising of 24 underlying fund positions that was acquired from Landsbanki. The fund held a first close on 20 July 2009 at €30 million and a final close on 20 July 2010 at €45 million. The Company committed €4.6 million to the Fund in 2010.

	31 December 2013 £'000	31 December 2012 £'000
Residual cost	2,502	2,502
Value	6,013	5,488

Primary Capital III

Investment type: Buyout fund
Region: United Kingdom
Percentage held: 4.0%
Valuation basis: Percentage of fund value

In December 2005, 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.

	31 December 2013 £'000	31 December 2012 £'000
Residual cost	3,615	6,144
Value	5,970	7,214

RJD Partners II

Investment type: Buyout fund
Region: United Kingdom
Percentage held: 5.2%
Valuation basis: Percentage of fund value

This is the successor fund to RL Private Equity Fund. 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 brought 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.

	31 December 2013 £'000	31 December 2012 £'000
Residual cost	3,240	5,014
Value	5,820	7,062

Portfolio Holdings

Investment	Geographic Focus	Total Valuation £'000	% of Total Portfolio
Buyout Funds – Pan European			
TDR Capital II	Europe	8,804	3.7
Stirling Square Capital Partners II	Europe	7,542	3.2
Argan Capital	Europe	7,122	3.0
Candover 2005	Europe	5,282	2.2
Candover 2008	Europe	1,565	0.7
TDR Capital I	Europe	657	0.3
Candover 2001	Europe	499	0.2
Total Buyout Funds – Pan European		**31,471**	**13.3**
Buyout Funds – UK			
August Equity Partners II	UK	8,800	3.7
Primary Capital III	UK	5,970	2.5
RJD Partners II	UK	5,820	2.5
Dunedin Buyout II	UK	3,285	1.4
Inflexion 2010	UK	3,089	1.3
Piper Private Equity IV	UK	2,592	1.1
Inflexion 2012 Co-Investment Fund	UK	2,259	1.0
Inflexion 2006	UK	2,155	0.9
August Equity Partners III	UK	1,772	0.8
GCP Capital Partners Europe II	UK	1,511	0.6
August Equity Partners I	UK	1,004	0.4
Equity Harvest Fund	UK	885	0.4
Piper Private Equity V	UK	834	0.4
Hickory Fund Portfolio	UK	547	0.2
Lyceum Capital III	UK	537	0.2
Inflexion 2003	UK	533	0.2
Primary Capital II	UK	525	0.2
Penta F&C Co-Investment Fund	UK	524	0.2
RL Private Equity I	UK	228	0.1
Third Private Equity Fund	UK	219	0.1
Enterprise Plus	UK	90	–
Total Buyout Funds – UK		**43,179**	**18.2**
Buyout Funds – Continental Europe			
Chequers Capital XV	France	6,126	2.6
N+1 Private Equity II	Spain	5,731	2.4
Procuritas Capital IV	Nordic	5,314	2.2
Portobello Capital II	Spain	4,099	1.7
PineBridge New Europe II	Central & East Europe	4,072	1.7
Gilde Buyout Fund III	Benelux	3,980	1.7
Capvis III	DACH	3,889	1.6
DBAG V	Germany	3,876	1.6
Herkules Private Equity III	Nordic	3,833	1.6
Ciclad 4	France	2,439	1.0
Alto Capital II	Italy	2,011	0.9
Chequers Capital	France	943	0.4
Chequers Capital XVI	France	867	0.4
Ciclad 5	France	781	0.3
DBAG IV	Germany	432	0.2
Procuritas Capital V	Nordic	418	0.2
Avallon MBO II	Eastern European	329	0.1
DBAG VI	Germany	311	0.1
Vaaka Partners Buyout II	Nordic	184	0.1
Nmás1 Private Equity Fund	Spain	153	0.1
Total Buyout Funds – Continental Europe		**49,788**	**20.9**
Private Equity Funds – USA			
Camden Partners IV	USA	5,281	2.2
Blue Point Capital II	USA	3,791	1.6
Camden Partners III	USA	2,252	1.0
HealthpointCapital Partners III	USA	1,936	0.8
RCP II	USA	1,475	0.6
Hicks Muse Tate & Furst IV	USA	664	0.3
Blue Point Capital I	USA	637	0.3
Total Private Equity Funds – USA		**16,036**	**6.8**

Portfolio Holdings (continued)

Investment	Geographic Focus	Total Valuation £'000	% of Total Portfolio
Private Equity Funds – Global			
AIF Capital Asia III	Asia	3,432	1.4
Warburg Pincus IX	Global	2,788	1.2
Warburg Pincus VIII	Global	1,892	0.8
PineBridge Global Emerging Markets II	Global	1,223	0.5
F&C Climate Opportunity Partners	Global	318	0.1
PineBridge Latin America Partners II	Brazil	169	0.1
Total Private Equity Funds – Global		**9,822**	**4.1**
Venture Capital Funds			
SEP III	Europe	13,619	5.7
Environmental Technologies Fund	Europe	3,404	1.4
Life Science Partners III	Europe	2,171	0.9
SEP II	Europe	2,106	0.9
Pentech II	UK	1,535	0.7
Alta Berkeley VI	Europe	820	0.3
SEP IV	Europe	638	0.3
Pentech I	UK	211	0.1
Albany Ventures III	UK	134	0.1
Alta Berkeley III	Europe	5	–
Total Venture Capital Funds		**24,643**	**10.4**
Mezzanine Funds			
Hutton Collins III	Europe	6,530	2.8
Mezzanine Management IV	Europe	3,761	1.6
Hutton Collins II	Europe	3,487	1.5
Accession Mezzanine II	Central & East Europe	2,847	1.2
Accession Mezzanine I	Central & East Europe	801	0.3
Alchemy Special Opportunities Fund	Europe	756	0.3
1818 Mezzanine II	USA	531	0.2
Growth Capital II	UK	507	0.2
Hutton Collins I	Europe	176	0.1
International Mezzanine	Europe	93	–
Total Mezzanine Funds		**19,489**	**8.2**
Direct – Quoted			
Candover Investments	Europe	532	0.2
Nuance Communications	USA	369	0.1
Other – quoted holdings	Global	215	0.1
Laredo Petroleum	USA	187	0.1
Total Direct – Quoted		**1,303**	**0.5**
Secondary Funds			
The Aurora Fund	Europe	6,013	2.5
Total Secondary Funds		**6,013**	**2.5**
Direct – Investments/Co-investments			
3SI	Global	4,907	2.1
SMD Hydrovision	UK	4,000	1.7
Harrington Brooks	UK	3,934	1.7
Meter Provida	UK	3,000	1.3
Blueway	Europe	2,964	1.2
Safran	Nordic	2,821	1.2
HusCompagniet	Nordic	2,799	1.2
Avalon	UK	2,551	1.1
David Phillips	UK	2,336	1.0
Recover Nordic	Nordic	2,117	0.9
Schaetti	Europe	1,697	0.7
Whittan	Europe	1,102	0.4
Algeco Scotsman	Global	908	0.4
European Boating Holidays	Europe	380	0.1
Blues Clothing	UK	351	0.1
Total Direct – Investments/Co-investments		**35,867**	**15.1**
UK Gilts		**46**	**–**
Total Portfolio		**237,657**	**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 retiral 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 AIM VCT 2 plc, Beatson Cancer Charity and two private technology companies and is also a member of the AIM Advisory Group 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 retiral 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.

* Member of the Audit Committee
† Member of the Management Engagement Committee
‡ Member of the Nomination Committee

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 2013. 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.

An interim dividend of 5.22p per Ordinary Share was paid on 1 November 2013. The Board recommends a final dividend of 5.36p per Ordinary Share, to be paid on 30 May 2014 to shareholders on the register on 2 May 2014.

Principal Activity and Status

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

The Company carries on business as an investment trust and has been approved as such by HM Revenue and Customs.

Company Number: SC179412

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 a final Restricted Voting Shares dividend of 1.675p per share 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. Further details are contained in note 16 to the financial statements.

Zero Dividend Preference Shares

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

Directors

Biographical details of the Directors, all of whom are non-executive, can be found on page 17. There were no changes to the composition of the Board during the year.

Elizabeth Kennedy retires by rotation at the Annual General Meeting and, being eligible, offers herself 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 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.

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

Directors' Indemnities

As at the date of this report, indemnities are in place 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 Act.

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.

Substantial Interests in Share Capital

At 31 December 2013 the Company had received notification of the following holdings of voting rights (under the FCA's Disclosure and Transparency Rules):

	Ordinary Shares Held	% of Ordinary Shares
F&C Asset Management*	**11,564,925**	**15.9**
CCLA Investment Management	**7,468,330**	**10.3**
Prudential	**4,008,403**	**5.5**
Oxford County Council Pension Fund	**4,000,000**	**5.5**
Lazard Asset Management	**3,602,685**	**4.9**
Cayenne Asset Management	**3,000,000**	**4.1**
Henderson Global Investors	**2,733,869**	**3.7**

*In addition to this holding, the F&C Asset Management investment trust savings plans held 10,203,996 Ordinary Shares (14.1 per cent) as at 31 December 2013.

Since 31 December 2013, the Company has received no notifications of voting rights.

Conflicts of Interest

Under the Act 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 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, and 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.

Report of the Directors (continued)

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.

Greenhouse Gas Emissions

All of the Company's activities are outsourced to third parties. As such it does not have any physical assets, property, employees or operations of its own and does not generate any greenhouse gas or other emissions.

Going Concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Report Council. They have considered the current cash position of the Company, the availability of the Company's £50 million revolving credit facility and compliance with its covenants. They have also considered forecast cash flows, especially those relating to capital commitments and realisations, and the maturity of the Group's ZDP Shares on 15 December 2014.

As at 31 December 2013, the Company had outstanding undrawn commitments of £61.1 million. As explained in the Chairman's Statement on page 3, of this amount, approximately £20 million is to funds where the investment period has expired and the Manager would expect very little of this to be drawn. Of the outstanding undrawn commitments remaining within their investment periods, the Manger would expect that a significant amount will not be drawn before these periods expire.

The ZDP Shares of FCPEZ are due to mature on 15 December 2014 at a price of 152.14p per share, amounting to a cost of £45.6 million. The Board expects that it will be possible for this to be funded from accumulated cash and the Company's revolving credit facility. In addition, there are a number of options which the Board and Manager have been considering in relation to refinancing the ZDP Shares. Such options include, but are not limited to, extending and rearranging the terms of the existing revolving credit facility and issuing new ZDP Shares. The Board has received positive feedback from the Company's bankers and advisers in relation to these options and intends to develop more detailed proposals over the next few months. Further information is included in the Chairman's Statement on page 3.

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.

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. Financial instruments recognised at fair value are shown in the fair value hierarchy in note 12 to the financial statements. The financial risk management objectives and policies arising from the Group's financial instruments and the exposure to risk are disclosed in note 17 to the financial statements. Details of the Company's bank facility are contained in note 15 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 reasonable steps in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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.

Annual General Meeting

The notice of Annual General Meeting to be held on 29 May 2014 is set out on pages 53 to 56.

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.

Directors' Authority to Allot Shares

The Directors are seeking to renew the authority to allot shares. Resolution 10 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 11, 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 11, 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 10 and 11 will continue until the Annual General Meeting of the Company in 2015, and the Directors envisage seeking renewal of these authorities in 2015 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 12, as set out in the Notice of the Annual General Meeting, 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.

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.

Statement Regarding Annual Report and Accounts

Following a detailed review of the Annual Report and Accounts by the Audit Committee, the Directors consider that taken as a whole it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Accounts would have a reasonable level of knowledge of the investment industry in general and investment trusts in particular.

By order of the Board

F&C Asset Management plc
Company Secretary
80 George Street
Edinburgh EH2 3BU
16 April 2014

Corporate Governance Statement

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 September 2012, which can be found at www.frc.org.uk, and the recommendations of the AIC's Code of Corporate Governance issued in February 2013 (the 'AIC Code'), which can be found at www.theaic.co.uk. Since all Directors are non-executive, 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 on Directors' remuneration are not relevant to the Company (except in so far as they apply to non-executive Directors) and are therefore 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 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.

Amongst other things, the performance evaluation considered the balance of skills and diversity of the Board, as well as the Board's overall effectiveness. The Board believes it has an appropriate balance of skills and experience, length of service and knowledge of the Company.

The table below sets out the number of scheduled Board and Committee meetings held during the year ended 31 December 2013 and the number of meetings attended by each Director. In addition to these scheduled meetings, there were a further three 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 on which the Company aims to generate value over the longer term is set out within the Business Model and Strategy on pages 5 to 7. The Company has no executive Directors or employees. A management agreement between the Company and its Manager (F&C Investment Business Limited) 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.

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 are available for inspection on request at the Company's registered office.

	Board of Directors		Audit Committee		Management Engagement Committee		Nomination Committee	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Mark Tennant	5	5	2	2	1	1	1	1
Elizabeth Kennedy	5	5	2	2	1	1	1	1
Douglas Kinloch Anderson*	5	5	2	2	1	1	1	1
John Rafferty*	5	5	2	2	1	1	1	1
David Shaw	5	5	2	2	1	1	1	1

* Mr Kinloch Anderson and Mr Rafferty have stepped down from the Audit Committee since the year end (see page 25).

Corporate Governance Statement (continued)

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. The Directors have not set any measurable objectives in relation to the diversity of the Board.

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 Annual Report and Notice of Annual General Meeting are sent to shareholders at least 20 working days before the meeting.

By order of the Board

F&C Asset Management plc
Company Secretary
80 George Street
Edinburgh EH2 3BU
16 April 2014

Report of the Audit Committee

During the year, the Audit Committee comprised all of the Directors but since the year end Douglas Kinloch Anderson and John Rafferty have stepped down from the committee due to their lengths of tenure on the Board. The committee is chaired by Elizabeth Kennedy. The duties of the Audit Committee include reviewing the Annual and Interim Accounts, the system of internal controls, and the terms of appointment and remuneration of the Auditor, Ernst & Young LLP ('EY'), including its independence and objectivity. It is also the forum through which EY reports to the Board of Directors. The Committee meets at least twice yearly including at least one meeting with EY.

The Audit Committee met on two occasions during the year and the attendance of each of the members is set out on page 23. In the due course of its duties, the committee had direct access to EY and senior members of the Manager's fund management and investment trust teams. Amongst other things, the Audit Committee considered and reviewed the following matters and reported thereon to the Board:

- The annual results announcements, and annual and half-yearly reports and accounts and interim management statements;
- The accounting policies of the Group;
- The principal risks faced by the Company and the effectiveness of the Company's internal control environment;
- The effectiveness of the audit process and related non-audit services and the independence and objectivity of EY, their re-appointment, remuneration and terms of engagement;
- The policy on the engagement of EY to supply non-audit services;
- The implications of proposed new accounting standards and regulatory changes;
- The receipt of an internal controls report from the Manager.

As part of its review of the scope and results of the audit, during the year the Audit Committee considered and approved EY's plan for the audit of the financial statements for the year ended 31 December 2013. At the conclusion of the audit EY did not highlight any issues to the Audit Committee which would cause it to qualify its audit report nor did it highlight any fundamental internal control weaknesses. EY issued an unqualified audit report which is included on pages 30 and 31.

In relation to the provision of non-audit services by the Auditor 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. In addition to statutory audit fees of £30,000 (2012: £30,000), EY received fees for non-audit services of £13,000 for the year (2012: £26,000) which related to the provision of tax compliance and assurance services. The Audit Committee does not consider that the provision of such non-audit services is a threat to the objectivity and independence of the conduct of the audit.

As part of the review of auditor independence and effectiveness, EY has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating EY, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The appointment was last put out to tender in 2010. The Audit Committee, from direct observation and enquiry of the Manager, remains satisfied that EY continues to provide effective independent challenge in carrying out its responsibilities. Following professional guidelines, the audit partner rotates after five years. The current audit partner is in the fourth year of her appointment. On the basis of this assessment, the Audit Committee has recommended the continuing appointment of EY to the Board. EY's performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

Significant Issues Considered by the Audit Committee in Relation to the Financial Statements

Matter	Action
Valuation of Unlisted Investments	
The Company's portfolio is invested predominantly in unlisted securities. Errors in the valuation could have a material impact on the Company's net asset value per share.	The Company's accounting policy for valuing its unlisted investments is stated in note 1f to the financial statements. At the end of each quarter the Audit Committee reviewed and challenged the valuation prepared by the Manager, satisfying itself that the investments were valued consistently with prior periods and in accordance with published industry guidelines. The Audit Committee also considered the work carried out by the Auditor in respect of the year end valuation.

Report of the Audit Committee (continued)

Significant Issues Considered by the Audit Committee in Relation to the Financial Statements (continued)

Matter	Action
Going Concern With the Group's ZDP Shares due for redemption on 15 December 2014, the Audit Committee has paid particular attention to the applicability of the going concern basis in relation to the financial statements.	The Board and Manager have given significant consideration to the refinancing of the ZDP Shares and the going concern of the Company. An additional Board Meeting was held at the beginning of 2014 principally to consider this matter. The Board and Manager have met with the Company's advisers to discuss potential refinancing options and the Board has reviewed and discussed with the Manager cashflow projections covering a number of scenarios and the impact of these scenarios on the financial covenants relating to the Company's revolving credit facility. The Board has also carefully considered and approved the going concern disclosures as included on page 20.
Calculation of Performance Fee As disclosed in note 4 to the financial statements, the Manager is entitled to both a basic and performance related management fee. The entitlement to a performance fee is based on a number of criteria. Errors in its calculation could result in an overpayment or underpayment of fees to the Manager.	The Board reviews the Manager's entitlement to a performance fee on a quarterly basis and also reviews the calculation of any performance fee provisions. In addition, reliance is placed on the work of the Auditor, who checks the performance fee calculation at the end of each year as part of its audit.

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.

Elizabeth Kennedy
Chairman of the Audit Committee
16 April 2014

Directors' Remuneration Report

The Board consists solely of independent non-executive Directors. The Company has no executive Directors or employees. The Nomination Committee fulfils the function of a Remuneration Committee in addition to its nomination function, and is responsible for determining the level of Directors' fees.

Full details of the Company's policy with regards to Directors' fees, and fees paid during the year ended 31 December 2013, are shown below. No major decisions or substantial changes relating to Directors' remuneration were made during the year.

Under company law, the Auditor is required to audit certain disclosures provided. Where disclosures have been audited they are indicated as such. The Auditor's opinion is included in its report on pages 30 and 31.

Nomination Committee

As stated above, 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 and it is chaired by Mr Mark Tennant. The Board has appointed the Company Secretary, F&C Asset Management plc, to provide information in advance of the Nomination Committee considering the level of Directors' fees.

Directors' Remuneration Policy

The Company's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, Directors' time commitment, and be fair and comparable to that of other investment trusts that are similar in size and have similar investment objectives. There were no changes to the policy during the year and it is intended that this policy will apply following the Annual General Meeting and continue for the three year period ending 31 December 2016.

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 and may not be changed without seeking shareholder approval at a general meeting. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

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.

Future Policy Table

Based on the current levels of fees, Directors' remuneration for the forthcoming financial year would be as follows:

	2014* **£**	2013# £
Mark Tennant (Chairman)	**38,750**	35,000
Elizabeth Kennedy	**32,750**	32,000
Douglas Kinloch Anderson	**27,250**	25,000
John Rafferty	**27,250**	25,000
David Shaw	**27,250**	25,000
Total	**153,250**	142,000

* Directors' remuneration for the year ending 31 December 2014 based on current fee levels. Directors are not eligible for any other payments.

Actual Directors' remuneration for the year ended 31 December 2013.

The Company has not received any views from its Shareholders in respect of the levels of Directors' remuneration.

Voting at Annual General Meeting

An ordinary resolution for the approval of the Directors' remuneration policy will be put to Shareholders at the forthcoming Annual General Meeting.

Annual Report on Directors' Remuneration

Directors' Emoluments for the Year (audited)

The Directors who served during the financial year received the following emoluments in the form of fees. No other forms of remuneration were paid during the year.

	2013 **£**	2012 £
Mark Tennant (Chairman)	**35,000**	35,000
Elizabeth Kennedy	**32,000**	32,000
Douglas Kinloch Anderson	**25,000**	25,000
John Rafferty	**25,000**	25,000
David Shaw	**25,000**	25,000
Total	**142,000**	142,000

Directors' Remuneration Report (continued)

Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in relation to Directors' remuneration, other expenses and shareholder distributions:

	2013 £	2012 £	Change %
Aggregate Directors' Remuneration	**142,000**	142,000	–
Management and other expenses	**3,915,000**	2,815,000	+39.1%
Dividends paid to Shareholders	**8,562,000**	7,450,000	+14.9%

Directors' Shareholdings (audited)

The Directors who held office at the year end and their interests in the Ordinary Shares of the Company were as follows:

		31 December 2013 Ordinary Shares	31 December 2012 Ordinary Shares
Mark Tennant (Chairman)	–	–	–
Elizabeth Kennedy	Beneficial	30,000	30,000
Douglas Kinloch Anderson	Beneficial	4,955	4,955
John Rafferty	Beneficial	32,000	32,000
David Shaw	–	–	–

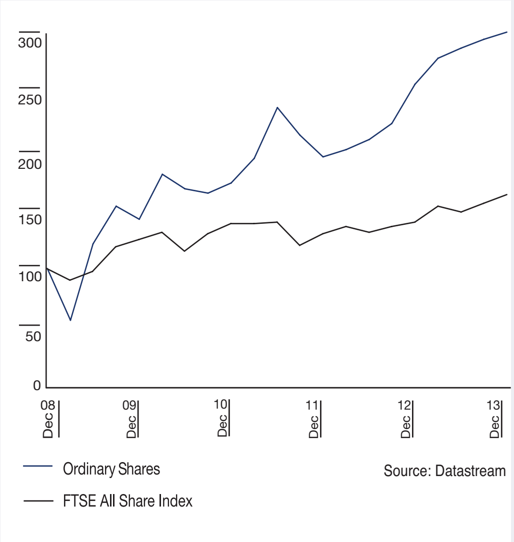
None of the Directors had an interest in the ZDP Shares of FCPEZ as at 31 December 2013 or 31 December 2012.

Since the year end David Shaw has acquired a beneficial interest of 10,000 Ordinary Shares. There have been no other changes in the Directors' interests in the shares of the Company between 31 December 2013 and 16 April 2014.

Company Performance

The graph below compares, for the five financial years ended 31 December 2013, 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.

Share Price Total Return Performance Graph



Voting at Annual General Meeting

At the Company's last Annual General Meeting, held on 30 May 2013, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 December 2012. 99.99% of votes were in favour of the resolution and 0.01% were against.

An ordinary resolution for the approval of this Annual Report on Directors' Remuneration will be put to shareholders at the forthcoming Annual General Meeting.

On behalf of the Board

Mark Tennant
Director
16 April 2014

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in Relation to the Financial Statements

The Directors are responsible for preparing 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. The Directors are also required to prepare a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement.

Under company law the Directors must not approve the Group and Company financial statements unless they are satisfied that they present a fair, balanced and understandable report and provide the information necessary for shareholders to assess the Company's performance, business model and strategy. 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 Business Model and Strategy 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
16 April 2014

Independent Auditor's Report

Independent Auditor's Report to the Members of F&C Private Equity Trust plc

We have audited the financial statements of F&C Private Equity Trust plc for the year ended 31 December 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements and the related notes 1 to 18. 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 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 Directors' Responsibilities Statement set out on page 29, 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 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 2013 Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 Company's affairs as at 31 December 2013 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; and
- the 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.

Our Assessment of Risk of Material Misstatement

We have identified the following risks of material misstatement that had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team:

- the valuation of Level 3 investments;
- management and performance fees are not calculated correctly in accordance with the investment management agreement; and
- the existence and ownership of the investments.

Our Application of Materiality

We apply the concept of materiality both in planning and performing our audit, in evaluating the effect of misstatements on our audit and on the financial statements and in forming our audit opinion.

We determined materiality for the Company to be £1.97 million which is 1 per cent of shareholders' funds. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 75 per cent of materiality, namely £1.48 million. Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our materiality level.

We have agreed with the Audit Committee to report any audit differences in excess of £0.10 million, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds.

An Overview of the Scope of our Audit

100 per cent of the Group's profit before tax and 100 per cent of the Group's net assets were subject to a full scope audit by the Group audit team.

Our response to the risks identified above was as follows:

- we have considered the appropriateness of the valuation techniques applied to Level 3 investments by reviewing the valuation methodology and agreeing the inputs to relevant source data;
- we have independently recalculated the management and performance fee calculations for the year with reference to contractual arrangements and agreed the calculation inputs to source data; and
- we have obtained independent confirmation of the Group's investments and agreed them to the books and records of the Group.

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 Business Model and Strategy and the Directors' Report 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 ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

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 20, in relation to going concern;
- 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.

Susan Dawe (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
16 April 2014

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013	Notes	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Income							
Gains on investments held at fair value	10	**–**	**24,606**	**24,606**	–	15,178	15,178
Exchange gains		**–**	**48**	**48**	–	176	176
Investment income	2	**2,331**	**–**	**2,331**	4,044	–	4,044
Other income	2	**53**	**–**	**53**	25	–	25
Total income		**2,384**	**24,654**	**27,038**	4,069	15,354	19,423
Expenditure							
Investment management fee – basic fee	4	**(515)**	**(1,544)**	**(2,059)**	(487)	(1,462)	(1,949)
Investment management fee – performance fee	4	**–**	**(1,175)**	**(1,175)**	–	–	–
Other expenses	5	**(681)**	**–**	**(681)**	(866)	–	(866)
Total expenditure		**(1,196)**	**(2,719)**	**(3,915)**	(1,353)	(1,462)	(2,815)
Profit before finance costs and taxation		**1,188**	**21,935**	**23,123**	2,716	13,892	16,608
Finance costs	6	**(278)**	**(4,497)**	**(4,775)**	(283)	(4,198)	(4,481)
Profit before taxation		**910**	**17,438**	**18,348**	2,433	9,694	12,127
Taxation	7	**(215)**	**215**	**–**	(615)	622	7
Profit for year/total comprehensive income		**695**	**17,653**	**18,348**	1,818	10,316	12,134
Return per Ordinary Share – Basic	9	**0.97p**	**24.41p**	**25.38p**	1.81p	15.08p	16.89p
Return per Ordinary Share – Fully diluted	9	**0.94p**	**23.77p**	**24.71p**	1.76p	14.68p	16.44p
Return per Restricted Voting Share – Basic	9	**(0.01)p**	**0.01p**	**– p**	0.76p	(0.87)p	(0.11)p

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 2013

	Notes	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Non-current assets					
Investments at fair value through profit or loss	10	**237,657**	**237,611**	213,662	213,614
Subsidiary undertaking	10, 11	**–**	**56**	–	56
		237,657	**237,667**	213,662	213,670
Current assets					
Other receivables	13	**321**	**320**	464	463
Cash and short-term deposits	14	**7,018**	**7,009**	12,931	12,924
		7,339	**7,329**	13,395	13,387
Current liabilities					
Other payables	15	**(5,944)**	**(5,944)**	(1,453)	(1,453)
Amounts due to subsidiary	15	**–**	**(41,835)**	–	–
Zero dividend preference shares	15	**(41,835)**	**–**	–	–
Net current (liabilities)/assets		**(40,440)**	**(40,450)**	11,942	11,934
Total assets less current liabilities		**197,217**	**197,217**	225,604	225,604
Non-current liabilities					
Amounts due to subsidiary	15	**–**	**–**	–	(38,173)
Zero dividend preference shares	15	**–**	**–**	(38,173)	–
Net assets		**197,217**	**197,217**	187,431	187,431
Equity					
Called-up ordinary share capital	16	**723**	**723**	1,394	1,394
Special distributable capital reserve		**15,679**	**15,679**	15,679	15,679
Special distributable revenue reserve		**31,403**	**31,403**	32,527	32,527
Capital redemption reserve		**1,335**	**1,335**	664	664
Capital reserve		**145,416**	**145,425**	135,201	135,208
Revenue reserve		**2,661**	**2,652**	1,966	1,959
Shareholders' funds		**197,217**	**197,217**	187,431	187,431
Net asset value per Ordinary Share – Basic	9	**272.84p**		257.75p	
Net asset value per Ordinary Share – Fully diluted	9	**269.07p**		254.38p	
Net asset value per Restricted Voting Share – Basic	9	**n/a**		1.67p	

The financial statements were approved and authorised for issue by the Board of Directors on 16 April 2014, 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 2013								
Net assets at 1 January 2013		1,394	15,679	32,527	664	135,201	1,966	187,431
Cancellation of Restricted Voting Shares		(671)	–	–	671	–	–	–
Profit for the year/total comprehensive income		–	–	–	–	17,653	695	18,348
Dividends paid	8	–	–	(1,124)	–	(7,438)	–	(8,562)
Net assets at 31 December 2013		**723**	**15,679**	**31,403**	**1,335**	**145,416**	**2,661**	**197,217**
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

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 2013								
Net assets at 1 January 2013		1,394	15,679	32,527	664	135,208	1,959	187,431
Cancellation of Restricted Voting Shares		(671)	–	–	671	–	–	–
Profit for the year/total comprehensive income		–	–	–	–	17,655	693	18,348
Dividends paid	8	–	–	(1,124)	–	(7,438)	–	(8,562)
Net assets at 31 December 2013		**723**	**15,679**	**31,403**	**1,335**	**145,425**	**2,652**	**197,217**
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

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

Cash Flow Statements

for the year ended 31 December 2013

	Notes	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Operating activities					
Profit before taxation		18,348	18,348	12,127	12,127
Gains on disposals of investments		(11,147)	(11,147)	(15,165)	(15,165)
Increase in holding gains		(13,459)	(13,461)	(13)	(15)
Exchange differences		(48)	(48)	(176)	(176)
Finance costs		4,775	4,775	4,481	4,481
Corporation tax reclaimed/(paid)		15	15	(15)	(15)
Increase in other receivables		(8)	(8)	(426)	(426)
Increase in other payables		1,148	1,148	625	625
Net cash (outflow)/inflow from operating activities		(376)	(378)	1,438	1,436
Investing activities					
Purchases of investments	10	(39,587)	(39,587)	(31,653)	(31,653)
Sales of investments	10	40,198	40,198	56,557	56,557
Net cash inflow from investing activities		611	611	24,904	24,904
Financing activities					
Repayment of bank loans		–	–	(13,019)	(13,019)
Draw down of bank loans		3,398	3,398	4,021	4,021
Interest paid		(962)	(962)	(993)	(993)
Equity dividends paid		(8,562)	(8,562)	(7,450)	(7,450)
Net cash outflow from financing activities		(6,126)	(6,126)	(17,441)	(17,441)
Net (decrease)/increase in cash and cash equivalents		(5,891)	(5,893)	8,901	8,899
Currency losses		(22)	(22)	(14)	(14)
Net (decrease)/increase in cash and cash equivalents		(5,913)	(5,915)	8,887	8,885
Opening cash and cash equivalents		12,931	12,924	4,044	4,039
Closing cash and cash equivalents		7,018	7,009	12,931	12,924

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 charges is provided in notes 10 and 12.

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 20.

The accounting policies adopted are consistent with those of the previous financial year, except that the following new standard has been adopted in the current year:

- 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. In particular, it unifies the definition of fair value as the price at which an ordinary transaction to sell an asset or to transfer a liability would take place between investor participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *'Financial Instruments: Disclosures'*. This standard became effective for accounting periods beginning on or after 1 January 2013 and requires specific disclosures on fair value but has not materially affected the fair value measurements made by the Company.

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 2018. 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 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.
- 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 relating to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate 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.

1 Accounting policies (continued)

(a) Basis of accounting (continued)

- 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.
- 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 2013. The profit of the Company for the year ended 31 December 2013 was £18,348,000.

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

Investment income 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. 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. Other income which includes deposit interest is recognised on an accruals basis.

(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.

(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.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

(f) Investments

Investments are classified as fair value through profit or loss at initial recognition and are recognised on trade date. 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. Purchases and sales of investments are recognised at the trade date of the transaction.

All investments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy in note 12, described as follows, based on the lowest significant applicable input:

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.

For investments that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest significant applicable input) at the date of the event that caused the transfer.

(g) Foreign currencies

Transactions denominated in foreign currencies are recorded in sterling 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	2013	2012
Euro	**1.2020**	1.2330
US Dollar	**1.6563**	1.6255
Norwegian Krone	**10.0482**	9.0463
Swiss Franc	**1.4730**	1.4879

(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.

(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.

1 Accounting policies (continued)

(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

Following the payment of a final Restricted Voting Shares dividend of 1.675p per share 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. 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. Prior to 14 February 2013, expenses were 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. Since 14 February 2013, expenses are allocated 100 per cent to the Ordinary Share 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.

2 Income

	31 December 2013 £'000	31 December 2012 £'000
Investment income	**2,331**	4,044
Other income		
Deposit interest	**25**	24
Other income	**28**	1
	53	25

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 32 and 33, can be analysed as follows:

Year to 31 December 2013	Revenue £'000	Capital £'000	Ordinary Pool Total £'000	Revenue £'000	Capital £'000	Restricted Voting Pool Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	–	24,599	24,599	–	7	7	–	24,606	24,606
Exchange gains/(losses)	–	50	50	–	(2)	(2)	–	48	48
Income	2,384	–	2,384	–	–	–	2,384	–	2,384
Expenses	(1,191)	(2,719)	(3,910)	(5)	–	(5)	(1,196)	(2,719)	(3,915)
Finance costs	(278)	(4,497)	(4,775)	–	–	–	(278)	(4,497)	(4,775)
Profit/(loss) before taxation	915	17,433	18,348	(5)	5	–	910	17,438	18,348
Taxation	(215)	215	–	–	–	–	(215)	215	–
Profit/(loss) for year	700	17,648	18,348	(5)	5	–	695	17,653	18,348
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

	Ordinary Pool		Restricted Voting Pool		Total	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Investments	237,657	213,068	–	594	237,657	213,662
Inter-pool debtor/(creditor)	–	7	–	(7)	–	–
Debtors	321	464	–	–	321	464
Cash and short-term deposits	7,018	12,389	–	542	7,018	12,931
Creditors due within one year	(47,779)	(1,447)	–	(6)	(47,779)	(1,453)
Creditors due after one year	–	(38,173)	–	–	–	(38,173)
Net assets	197,217	186,308	–	1,123	197,217	187,431
% of net assets of each voting pool	100.0	99.4	–	0.6	100.0	100.0

The figures above relate to the Group.

4 Investment management fee

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Investment management fee – basic fee	**515**	**1,544**	**2,059**	487	1,462	1,949
Investment management fee – performance fee	**–**	**1,175**	**1,175**	–	–	–
Total	**515**	**2,719**	**3,234**	487	1,462	1,949

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 0.9 per cent per annum of the relevant assets of the Ordinary Pool and, until the cancellation of the Restricted Voting Shares on 14 February 2013, 0.7 per cent per annum of the relevant assets of the Restricted Voting 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.

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 of 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.

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 £125,000 (2012: £128,000), which is subject to increases in line with the Consumer Price Index.

Notes to the Financial Statements (continued)

5 Other expenses

	2013 £'000	2012 £'000
Auditor's remuneration for:		
– statutory audit of the consolidated financial statements	**25**	25
– audit of the Company's subsidiary	**5**	5
– tax compliance services	**8**	16
– other assurance services	**5**	10
Directors' fees	**142**	142
Legal fees	**19**	69
Printing and postage	**39**	36
Registration fees	**35**	34
Secretarial and administrative fee (see note 4)	**125**	128
Irrecoverable VAT	**68**	52
Other	**210**	349
	681	866

6 Finance costs

			2013			2012
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest payable on bank loans and overdrafts	**278**	**835**	**1,113**	283	847	1,130
Finance costs attributable to ZDP Shares	**–**	**3,662**	**3,662**	–	3,351	3,351
	278	**4,497**	**4,775**	283	4,198	4,481

7 Taxation on ordinary activities

(a) Analysis of charge for the year

			2013			2012
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax	**215**	**(215)**	**–**	615	(622)	(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 a large company of 23.25 per cent (2012: 24.5 per cent). The table below provides a reconciliation of the respective charges.

	2013 £'000	2012 £'000
Profit before tax	**18,348**	12,127
Corporation tax at standard rate of 23.25 per cent (2012: 24.5 per cent)	**4,266**	2,971
Effects of:		
Non taxable capital gains	**(5,732)**	(3,762)
Non deductible charges in capital	**854**	821
Excess expenses/(income) arising in the year	**612**	(30)
Prior year adjustment	**–**	(7)
	–	(7)

At 31 December 2013, there was an unrecognised deferred tax asset of £1,618,000 in respect of unutilised expenses carried forward (31 December 2012: £971,000).

8 Dividends

	2013 £'000	2012 £'000
Amounts recognised as distributions to shareholders in the year:		
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
Final Ordinary Share dividend of 5.07p for the year ended 31 December 2012	**3,665**	–
Interim Ordinary Share dividend of 5.22p for the year ended 31 December 2013	**3,773**	–
	7,438	4,163
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 5.07p for the year ended 31 December 2012	**–**	3,665
Final Ordinary Share dividend of 5.36p for the year ended 31 December 2013	**3,874**	–
	3,874	3,665

Special dividends

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

	2013 Ordinary Pool	2012 Ordinary Pool	2013 Restricted Voting Pool	2012 Restricted Voting Pool
The returns and net asset values per share are based on the following figures:				
Revenue return	**£700,000**	£1,305,000	**£(5,000)**	£513,000
Capital return	**£17,648,000**	£10,902,000	**£5,000**	£(586,000)
Net assets attributable to shareholders	**£197,217,000**	£186,308,000	**–**	£1,123,000
Net assets attributable to shareholders (including warrants to be exercised)	**£199,763,000**	£188,854,000	**–**	£1,123,000
Number of shares in issue at end of period	**72,282,273**	72,282,273	**–**	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
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

	2013 Revenue	2013 Capital	2013 Total	2012 Revenue	2012 Capital	2012 Total
Return per Ordinary Share – Basic	**0.97p**	**24.41p**	**25.38p**	1.81p	15.08p	16.89p
Return per Ordinary Share – Fully diluted	**0.94p**	**23.77p**	**24.71p**	1.76p	14.68p	16.44p
Return per Restricted Voting Share – Basic	**(0.01)p**	**0.01p**	**– p**	0.76p	(0.87)p	(0.11)p

	2013	2012
Net asset value per Ordinary Share – Basic	**272.84p**	257.75p
Net asset value per Ordinary Share – Fully diluted	**269.07p**	254.38p
Net asset value per Restricted Voting Share – Basic	**n/a**	1.67p

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	2013 Total £'000	Listed £'000	Unlisted £'000	2012 Total £'000
Cost at beginning of year	**2,284**	**210,206**	**212,490**	2,175	220,054	222,229
Movements during the year:						
Purchases	**–**	**39,587**	**39,587**	–	31,653	31,653
Sales	**(605)**	**(39,593)**	**(40,198)**	–	(56,557)	(56,557)
Gains/(losses) on disposal	**45**	**11,102**	**11,147**	(341)	15,506	15,165
In specie distribution	**995**	**(995)**	**–**	450	(450)	–
Cost at end of the year	**2,719**	**220,307**	**223,026**	2,284	210,206	212,490
Holding (losses)/gains	**(1,370)**	**16,001**	**14,631**	(1,346)	2,518	1,172
Valuation at end of year	**1,349**	**236,308**	**237,657**	938	212,724	213,662

	2013 £'000	2012 £'000
Gains on disposals	**11,147**	15,165
Increase in holding gains	**13,459**	13
Gains on investments	**24,606**	15,178

Company

	Listed £'000	Unlisted £'000	Subsidiary Undertaking £'000	2013 Total £'000	Listed £'000	Unlisted £'000	Subsidiary Undertaking £'000	2012 Total £'000
Cost at beginning of year	**2,235**	**210,206**	**50**	**212,491**	2,126	220,054	50	222,230
Movements during the year:								
Purchases	**–**	**39,587**	**–**	**39,587**	–	31,653	–	31,653
Sales	**(605)**	**(39,593)**	**–**	**(40,198)**	–	(56,557)	–	(56,557)
Gains/(losses) on disposal	**45**	**11,102**	**–**	**11,147**	(341)	15,506	–	15,165
In specie distribution	**995**	**(995)**	**–**	**–**	450	(450)	–	–
Cost at end of the year	**2,670**	**220,307**	**50**	**223,027**	2,235	210,206	50	212,491
Holding (losses)/gains	**(1,367)**	**16,001**	**6**	**14,640**	(1,345)	2,518	6	1,179
Valuation at end of year	**1,303**	**236,308**	**56**	**237,667**	890	212,724	56	213,670

	2013 £'000	2012 £'000
Gains on disposals	**11,147**	15,165
Increase in holding gains	**13,461**	15
Gains on investments	**24,608**	15,180

The purchases figure for the year of £39,587,000 comprises £39,587,000 paid by the Ordinary Pool and £nil paid by the Restricted Voting Pool. The sales proceeds figure of £40,198,000 comprises £39,597,000 received by the Ordinary Pool and £601,000 received by the Restricted Voting Pool. In specie distributions of listed equities received from Warburg Pincus VIII and Warburg Pincus IX totalled £995,000 (2012: £450,000).

During the year the Group incurred transaction costs on purchases and sales of investments of £nil (year to 31 December 2012: £nil).

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. 2013 £'000
F&C Private Equity Zeros plc	Scotland	Ordinary	(509)	(3)	100	100	56

Notes to the Financial Statements (continued)

12 Fair value of assets and liabilities

Fair value hierarchy

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following table shows financial instruments recognised at fair value. Categorisation between those fair values is based on:

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.

				2013				2012
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Financial assets								
Investments	**1,349**	**–**	**236,308**	**237,657**	938	–	212,724	213,662
Financial liabilities								
Zero dividend preference shares	**(43,950)**	**–**	**–**	**(43,950)**	(42,264)	–	–	(42,264)

There were no transfers between levels in the fair value hierarchy in the year ended 31 December 2013 (2012: none). Transfers between levels of the fair value hierarchy are deemed to have occurred at the date of the event that caused the transfer.

Valuation techniques and processes

Listed equity investments

Quoted fixed asset investments held are valued at bid prices which equate to their fair values. When fair values of publicly traded equities are based on quoted market prices in an active market without any adjustments, the investments are included within Level 1 of the hierarchy.

Unlisted equity investments

The Company invests primarily in private equity funds and co-investments via limited partnerships or similar fund structures. Such vehicles are mostly unquoted and in turn invest in unquoted securities. The fair value of a holding is based on the Company's share of the total net asset value of the fund or co-investment calculated by the lead private equity manager on a quarterly basis.

The lead manager derives the net asset value of a fund from the fair value of underlying investments. The fair value of these underlying investments and the Company's co-investments is calculated using methodology which is consistent with the International Private Equity and Venture Capital Valuation Guidelines ('IPEG'). In accordance with IPEG these investments are generally valued using an appropriate multiple of maintainable earnings, which has been derived from comparable multiples of quoted companies or recent transactions. The F&C private equity team has access to the underlying valuations used by the lead managers including multiples and any adjustments. The F&C private equity team generally values the Company's holdings in line with the lead managers but may make adjustments where they do not believe the underlying managers' valuations represent fair value.

On a quarterly basis, the F&C private equity team present the valuations to the Board. This includes a discussion of the major assumptions used in the valuations, which focuses on significant investments and significant changes in the fair value of investments. If considered appropriate, the Board will approve the valuations.

Zero dividend preference shares

Zero dividend preference shares are recognised in the Balance Sheet in accordance with IFRS. The fair value of the intercompany loan from F&C Private Equity Zeros plc to the Company based on offer price was £43,950,000 at 31 December 2013 (2012: £42,264,000) compared to its value as stated on the balance sheet at amortised cost of £41,835,000 (2012: £38,173,000).

12 Fair value of assets and liabilities (continued)

Significant unobservable inputs for Level 3 valuations

The Company's unlisted investments are all classified as Level 3 investments. The fair values of the unlisted investments have been determined principally by reference to earnings multiples, with adjustments made as appropriate to reflect matters such as the sizes of the holdings and liquidity. The weighted average earnings multiple for the portfolio as at 31 December 2013 was 7 times EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation).

The significant unobservable input used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2013 are shown below:

Input	Sensitivity used*	Effect on fair value £'000
Weighted average earnings multiple	1x	59,077

*The sensitivity analysis refers to an amount added or deducted from the input and the effect this has on the fair value.

The fair value of the Company's unlisted investments is sensitive to changes in the assumed earnings multiples. The managers of the underlying funds assume an earnings multiple for each holding. An increase in the weighted average earnings multiple would lead to an increase in the fair value of the investment portfolio and a decrease in this multiple would lead to a decrease in the fair value.

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the year:

	2013 £'000	2012 £'000
Balance at beginning of year	**212,724**	222,678
Purchases	**39,587**	31,653
Sales	**(39,593)**	(56,557)
Gains on disposal	**11,102**	15,506
In specie distribution	**(995)**	(450)
Holding gains/(losses)	**13,483**	(106)
Balance at end of year	**236,308**	212,724

13 Other receivables

	Group 2013 £'000	**Company 2013 £'000**	Group 2012 £'000	Company 2012 £'000
Other debtors	**321**	**320**	464	463

14 Cash and short-term deposits

	Group 2013 £'000	**Company 2013 £'000**	Group 2012 £'000	Company 2012 £'000
Cash at banks and on hand	**3,070**	**3,061**	1,174	1,167
Short-term deposits	**3,948**	**3,948**	11,757	11,757
	7,018	**7,009**	12,931	12,924

15 Current liabilities

Other payables	**Group 2013 £'000**	**Company 2013 £'000**	Group 2012 £'000	Company 2012 £'000
Interest accrued	**239**	**239**	224	224
Due to Manager	**2,220**	**2,220**	984	984
Accrued expenses	**157**	**157**	245	245
Revolving credit facility utilised	**3,328**	**3,328**	–	–
	5,944	**5,944**	1,453	1,453

Notes to the Financial Statements (continued)

15 Current liabilities (continued)

On 21 February 2012, the Company entered into a four year £50 million unsecured committed multi-currency revolving credit facility agreement.

£3.3 million was drawn down at 31 December 2013 (2012: £nil).

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.

Amounts due to subsidiary	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Subordinated unsecured loan note (including issue expenses)	–	28,868	–	28,868
Capital contribution to subsidiary	–	12,967	–	9,305
Amounts due to subsidiary	–	41,835	–	38,173

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 loaned 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 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 redeem 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 2013 was £43,950,000 based on the quoted offer price of 146.50p per ZDP Share.

	Number of ZDP Shares	Amount due to ZDP shareholders (£'000)
As at 31 December 2012	30,000,000	38,173
ZDP Shares finance cost	–	3,662
As at 31 December 2013	30,000,000	41,835

16 Share capital

Equity share capital

At 31 December 2013 there were 72,282,273 Ordinary Shares and no 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 for an aggregate consideration of 1p 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 2013 £'000	31 December 2012 £'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
	723	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 issued share capital, special distributable capital reserve, special distributable revenue reserve, capital redemption reserve, capital reserve, revenue reserve and the ZDP Shares.

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 Business Model and Strategy.

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.

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.

Market risk

Market risk embodies the potential for both losses and gains and includes interest rate risk, foreign currency 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 5. 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

Notes to the Financial Statements (continued)

17 Financial instruments (continued)

the investment portfolio is set out on pages 12 to 16. 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.

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.

	2013 £'000	2013 average interest rate	2013 average period until maturity	2012 £'000	2012 average interest rate	2012 average period until maturity
Fixed interest portfolio	**46**	**5%**	**0.7 years**	48	5%	1.7 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 2013.

	2013 £'000	2013 average interest rate	2013 average period until maturity	2012 £'000	2012 average interest rate	2012 average period until maturity
Cash and cash equivalents	**7,018**	**0.4%**	**n/a**	12,931	0.3%	n/a
Multi-currency revolving credit facility	**(3,328)**	**4.0**	**0.08 years**	–	n/a	n/a

An increase of 25 basis points in interest rates as at 31 December 2013 would have increased loan interest payable, increased interest income receivable and increased the total profit for the year by £9,000 (2012: increased interest income receivable and increased the total profit by £32,000). A decrease of 25 basis points would have had an equal but opposite effect.

£3.3 million of the Company's multi-currency revolving credit facility was drawndown as at 31 December 2013 (2012: £nil).

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 2013 amounted to £61,091,000 (2012: £66,140,000). Of these outstanding commitments, at least £20 million (2012: £15 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 are regularly monitored by the Manager using a cashflow model and will be funded using cash, the revolving credit facility and realised capital gains from more mature funds which are distributing cash back to the Company.

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

The ZDP Shares redeem on 15 December 2014 at 152.14p per share. The Company expects to repay the ZDP Share liability using accumulated cash and existing borrowing facilities. Other financing options are currently being considered. Further information is provided in the Chairman's Statement on page 3.

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

17 Financial instruments (continued)

The Group's liquidity risk is managed on an ongoing basis by the Manager in accordance with policies and procedures in place as described on pages 5 and 6. 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 2013	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	**4,328**	**–**	**1,704**	**–**	**–**	**6,032**
ZDP Shares	**–**	**–**	**45,642**	**–**	**–**	**45,642**
Total liabilities	**4,328**	**–**	**47,346**	**–**	**–**	**51,674**

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

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, hence no separate disclosure is required.

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

	2013 £'000	2012 £'000
Investments in fixed interest instruments	**46**	48
Cash and cash equivalents	**7,018**	12,931
Interest, dividends and other receivables	**321**	464
	7,385	13,443

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.

Notes to the Financial Statements (continued)

17 Financial instruments (continued)

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:

	2013 Investments £'000	**2013 Cash £'000**	**2013 Borrowings £'000**	2012 Investments £'000	2012 Cash £'000	2012 Borrowings £'000
US Dollar	**26,904**	**2,809**	**–**	31,818	609	–
Euro	**108,370**	**249**	**(3,328)**	103,027	294	–
Norwegian Krone	**11,736**	**–**	**–**	7,477	238	–
Swiss Franc	**1,697**	**–**	**–**	–	–	–
Total	**148,707**	**3,058**	**(3,328)**	142,322	1,141	–

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 £7.8 million (2012: 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 £7.1 million (2012: 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 27 and 28.

Notice of Annual General Meeting

Notice is hereby given that the fifteenth Annual General Meeting of F&C Private Equity Trust plc (in this notice, the "Company") will be held on Thursday, 29 May 2014 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 2013 be received and adopted.
2. That the Directors' remuneration policy be approved.
3. That the Report on Directors' Remuneration for the year ended 31 December 2013 be approved.
4. That a final dividend of 5.36p per Ordinary Share be declared.
5. That Elizabeth Kennedy, who retires by rotation, be re-elected as a Director.
6. That Douglas Kinloch Anderson, who retires annually, be re-elected as a Director.
7. That John Rafferty, who retires annually, be re-elected as a Director.
8. That Ernst & Young LLP be re-appointed as auditor.
9. That the Directors be authorised to determine the remuneration of the auditor for the year ending 31 December 2014.
10. 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 16 April 2014, 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 2015, 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:

11. That, subject to resolution 10 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 10 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 16 April 2014, 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 2015, 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:

12. 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 in the Capital of the Company 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

Notice of Annual General Meeting (continued)

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 2015, 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

16 April 2014

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, 27 May 2014 (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, 27 May 2014 (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 Asset Services (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 Asset Services 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, 27 May 2014.

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 Asset Services PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received by the Registrar by not later than 12 noon on Tuesday, 27 May 2014. 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, 27 May 2014. 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"):

(i) 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

(ii) 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.

Notice of Annual General Meeting (continued)

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 be 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 16 April 2014, 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 16 April 2014 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 Asset Services, 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 Asset Services, 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 Asset Services 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 2014/2015

29 May 2014	Annual General Meeting
29 May 2014	Announcement of quarterly results to 31 March 2014
30 May 2014	Payment of final dividend
August 2014	Announcement of interim results to 30 June 2014
November 2014	Announcement of quarterly results to 30 September 2014
November 2014	Payment of semi-annual dividend
March 2015	Announcement of annual results to 31 December 2014

Warning to Shareholders – Beware of Share Fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

If you receive unsolicited investment advice or requests:

- Check the Financial Services Register from **www.fca.org.uk** to see if the person or firm contacting you is authorised by the Financial Conduct Authority ('FCA')
- Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms to avoid at **www.fca.org.uk/scams**
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme
- Think about getting independent financial and professional advice

If you are approached by fraudsters please tell the FCA by using the share fraud reporting form at **www.fca.org.uk/scams** where you can find out more about investment scams. You call also call the FCA Consumer Helpline on **0800 111 6768**. If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

History

1999

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.

2001

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).

2005

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.

2009

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.

2013

On 14 February 2013 the Restricted Voting Shares were converted and redesignated as Deferred Shares 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.

Historic Record

(Since reconstruction in 2005)

As at 31 December	Net Asset Value per Ordinary Share#	Ordinary Share Price	Discount	Revenue per Ordinary Share#	Dividends per Ordinary Share	Ongoing Charges
2005*	131.40p	107.00p	18.6%	1.96p	1.95p	1.3%
2006	178.10p	161.00p	9.6%	3.20p	2.50p	1.6%
2007	231.08p	187.00p	19.1%	0.60p	0.60p	1.7%
2008	218.74p	75.50p	65.5%	0.64p	0.50p	1.3%
2009	206.84p	107.00p	48.3%	0.58p	0.80p	1.3%
2010	228.02p	129.75p	43.1%	0.96p	0.95p	1.5%
2011	243.54p	146.00p	40.1%	0.78p	0.80p	1.4%
2012	254.38p	185.75p	27.0%	1.76p	10.03p	1.5%
2013	**269.07p**	**207.50p**	**22.9%**	**0.94p**	**10.58p**	**1.4%ø**

* as at 31 July 2005
# fully diluted
ø excluding performance fee

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 £11,880 for the 2014/15 tax year (due to increase to £15,000 from 1 July 2014) 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 £3,840 for birthdays in the 2014/15 tax year (due to increase to £4,000 from 1 July 2014).

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 £3,840 for the 2014/15 tax year (due to increase to £4,000 from 1 July 2014) 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
PIP: £40+VAT
JISA/CIP/CTF: £25+VAT
You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits)

Dealing Charge per Holding
ISA: 0.2%
PIP/CIP/JISA: postal instructions £12, online instruction £8.

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 two 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 large print. 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
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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
SC179412

* Chairman of the Management Engagement Committee and the Nomination Committee
† Chairman of the Audit Committee

J Thomson Colour Printers

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Registrars

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The Registry
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Beckenham
Kent BR3 4TU
Tel: 0871 664 0300*
Website: www.capitaassetservices.com

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