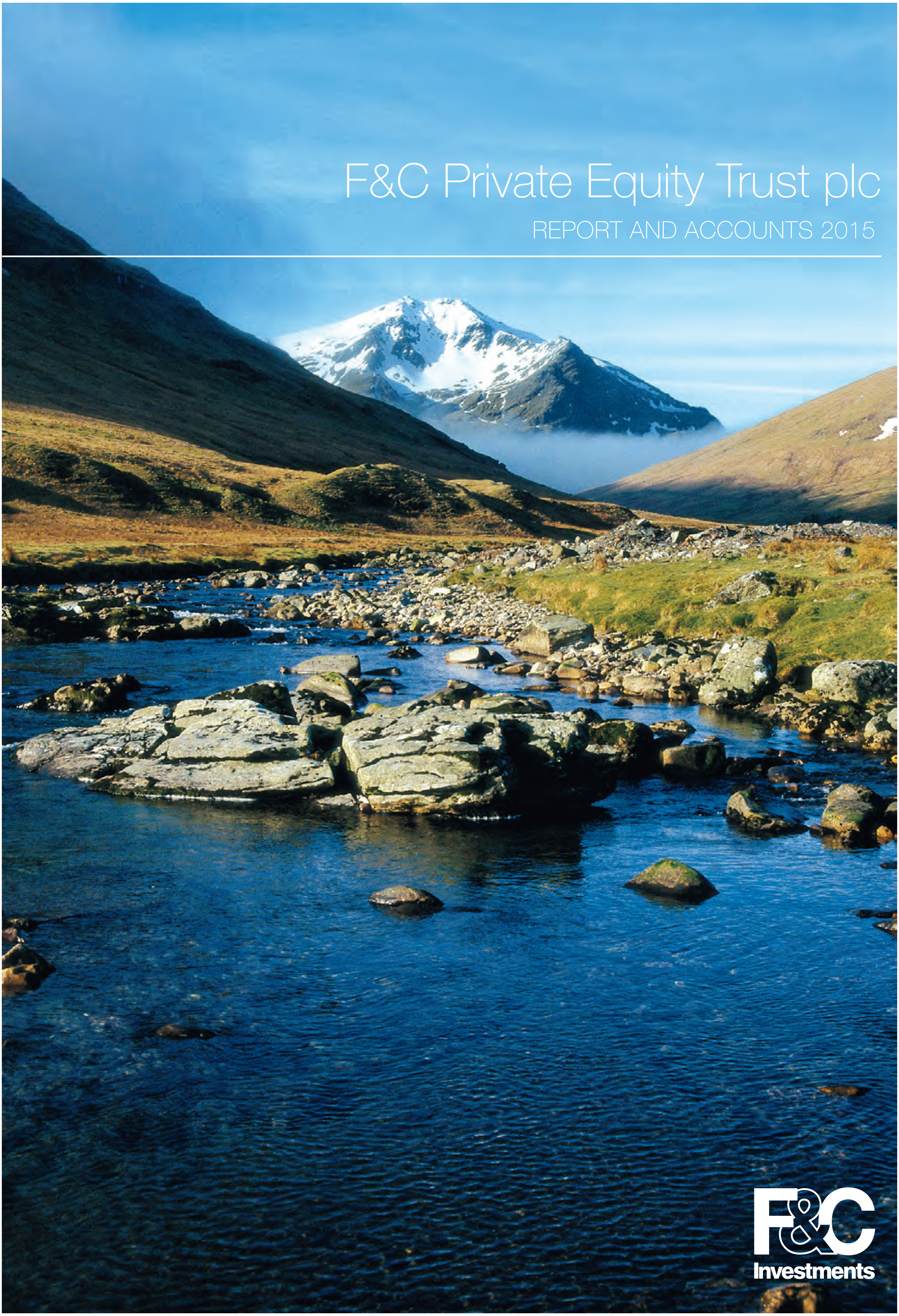
F&C Private Equity Trust plc

REPORT AND ACCOUNTS 2015



F&C
Investments

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

Company Overview

The Company

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.

Objective and Investment Policy

The Company's 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 9.

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'), a wholly owned subsidiary of F&C Asset Management plc ('F&C'), as the Company's investment manager 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 3 to the financial statements.

F&C is a wholly owned subsidiary of Bank of Montreal ('BMO') and is part of BMO Global Asset Management.

Capital Structure as at 31 December 2015

71,982,273 Ordinary Shares of 1 pence, each entitled to one vote at a general meeting.

Further details of the Company's capital structure, including the rights attributable to the Ordinary Shares, are provided on page 25.

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 69.

Website

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

Financial Highlights

16.4%

Share price

- Share price total return for the year of 16.4 per cent for the Ordinary Shares.

10.7%

NAV total return

- Fully diluted NAV total return for the year of 10.7 per cent for the Ordinary Shares. This compares to a total return from the FTSE All-Share Index for the year of 1.0 per cent.

11.41p

Dividends

- Total dividends of 11.41p per Ordinary Share.

4.7%

Yield

- Dividend yield of 4.7 per cent based on the year-end share price.

£78.9 million

Realisations

- Total realisations for the year of £78.9 million, a new record for the Company.

Summary of Performance

Total Returns for the Year*	31 December 2015	31 December 2014	% change
Net asset value (fully diluted)	**+10.7%**	+7.3%	
Ordinary Share price	**+16.4%**	+10.3%	
Capital Values			
Net assets (£'000)	**216,125**	203,508	+6.2
Net asset value per Ordinary Share (fully diluted)	**295.74p**	277.55p	+6.6
Ordinary Share price	**241.75p**	217.88p	+11.0
Discount to net asset value (fully diluted)	**18.3%**	21.5%	
Income			
Revenue return after taxation (£'000)	**5,026**	1,947	
Revenue return per Ordinary Share (fully diluted)	**6.78p**	2.62p	
Dividends per Ordinary Share	**11.41p**	10.84p	
Dividend Yield	**4.7%**	5.0%	
Gearing†	**-1.2%**	13.2%	
Ongoing Charges			
As a percentage of average net assets‡	**1.3%**	1.4%	
As a percentage of average net assets including performance fees	**2.0%**	2.0%	
Future commitments (£'000)	**56,024**	64,200	

* 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 less cash ÷ total assets less current liabilities (excluding borrowings and cash).

‡ Using AIC recommended methodology.

Sources: F&C Investment Business, AIC and Datastream

Chairman's Statement

Mark Tennant, Chairman

Introduction

Your Company made excellent progress during the year ended 31 December 2015. Its net assets at the year-end were £216.1 million giving a fully diluted net asset value ('NAV') per Ordinary Share of 295.74p. Taking into account dividends paid during the year which total 11.03p, the NAV total return was 10.7 per cent. This compares to a total return from the FTSE All-Share Index for the year of 1.0 per cent. The Ordinary Share price total return for the year was 16.4 per cent and the share price at the year-end was 241.75p, representing a discount to the NAV of 18.3 per cent. Frustratingly the share price has weakened since year-end and the current discount to the NAV is 19.5 per cent.

During the year the Company made new investments either through funds or as co-investments, totalling £35.3 million. Realisations and associated income totalled £78.9 million, a new record for the Company. At the year-end the Company had a net cash position of £2.7 million. Outstanding undrawn commitments at the year-end were £56.0 million of which £17.0 million was to funds where the investment period has expired.

The Company's performance fee arrangements contain a hurdle rate, calculated over rolling three year periods, of an IRR of 8.0 per cent per annum. The annual IRR of the NAV for the three year period ended 31 December 2015 was 9.5 per cent and, consequently, a performance fee of £1.34 million is payable to the Manager, F&C Investment Business Limited, in respect of 2015. This is the third consecutive year that a performance fee has been payable, demonstrating consistent performance and providing shareholders with an attractive total return, which includes capital growth and an above average dividend yield.

Dividends

An interim dividend of 5.58p per Ordinary Share was paid on 6 November 2015. In accordance with the Company's stated dividend policy, the Board recommends a final dividend of 5.83p per Ordinary Share, payable on 31 May 2016 to shareholders on the register on 6 May 2016. The total dividend for the year amounts to 11.41p per Ordinary Share equivalent to a dividend yield of 4.7 per cent at the year end.

Financing

As noted above the Company is currently ungeared with cash balances exceeding the term loan element of the £70 million total loan facility. It is the Company's policy to employ moderate levels of gearing to enhance returns to shareholders. The Company has a very well diversified underlying portfolio of investments and this provides a robust platform on which to base borrowings. As the Managers take advantage of new fund, co-investment and secondary opportunities over the coming months, we expect that a moderate level of gearing will be achieved. A considerable proportion of the Company's assets are usually invested in Euro denominated investments and to effect a partial hedge against a major depreciation of the value of the Euro versus sterling we customarily draw our multi-currency borrowing facility in Euros.

Share Buy-backs

At the Company's AGM we regularly ask shareholders for permission to buy back a limited number of shares with application of statutory pre-emption rights. There are occasions where the combination of the availability of shares, the share price discount to NAV and the Company's resources make it worthwhile to do so. These are rare instances and whilst there is always a modest enhancement to NAV from such a transaction, the use of the Company's resources in this way must always be balanced against the longer term returns that could be made deploying that capital into private equity investments. In July 2015 300,000 Ordinary Shares were bought back by the Company and cancelled. The Board reserves the right to make further buy-backs where it is in the interests of shareholders.

Annual General Meeting

The Annual General Meeting will be held at 12 noon on 25 May 2016 at the offices of BMO Global Asset Management (EMEA), 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

The Company has been a beneficiary of a strong run of exits during 2015 when many of our investment partners have been able to effect successful realisations for a considerable proportion of their stock of mature companies. In our case realisations and associated income was almost equivalent to 40 per cent of the opening NAV of the Company. A number of supportive factors combined during the year including steady economic growth in most of our investment geographies, good profits growth, a liquid banking sector enabling the provision of buy-out debt, strong fund raising and consequent ‘dry powder’ for private equity funds and an IPO market which provided several exit opportunities for portfolio companies. The beginning of 2016 where there has been a focus on the deceleration in economic growth and hence of corporate profits has led to a sell-off in many stockmarkets and this is likely to reduce investors’ propensity to deal for at least a period of time. Fortunately private equity investors are innately long term and do not invest on impulse or according to prevailing market fashions and so are not overly influenced by these macro factors. Our private equity investment partners have demonstrated an ability to make excellent returns in a variety of economic conditions. Additionally all private equity portfolios are bespoke in nature with a limited number of very carefully selected companies each with a unique investment thesis. In this respect an investor in private equity should be mindful of the wider market conditions but should understand that private equity aims not to buy the market but to outperform the market through expert selection and the uniquely close alignment of interest between investors and management.

Mark Tennant
Chairman
7 April 2016

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.

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 24. The Board consists of four male Directors and one female Director. The Company has no employees.

The Board has contractually delegated the management of the investment portfolio and other services to the Manager. A summary of the terms of the management agreement is contained in note 3 to the financial statements.

Investment Strategy

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

Objective

The Company's 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

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 may use gearing of 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 50 per cent of total assets may be invested in direct private equity co-investments.
- No more than 5 per cent of total assets to be invested in any one direct investment or co-investment.
- 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

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.

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. 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 2015 is presented in the Investment Manager's Review on pages 15 to 18 and in the Portfolio Summary on page 19. The full portfolio listing is provided on pages 22 and 23.

Responsible Ownership

The Manager is committed to socially responsible investment and, with the support of the Board, actively engages with investee companies in which the Company 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 that the Manager is a signatory to the UK Stewardship Code issued by the Financial Reporting Council.

Principal Risks and Uncertainties and Risk Management

As stated within the Report of the Audit Committee on pages 31 and 32, 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 note 17 to the financial statements 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 – breaches of law or regulation 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 or being unable to replace maturing borrowing facilities could lead to a loss of shareholders' confidence and financial loss for shareholders.
- Funding – failure by the Company to meet its outstanding undrawn commitments could lead to financial loss for shareholders.

The Board seeks to mitigate and manage these risks through continual review, policy setting, shareholder communication and enforcement of contractual obligations. It also regularly monitors the investment and economic environment, the management of the Company's investment portfolio, the level of undrawn commitments and the Company's gearing policy.

Viability assessment and statement

The 2014 UK Corporate Governance Code requires a Board to assess the future prospects for the Company, and report on the assessment within the Annual Report.

The Board considered that a number of characteristics of the Company's business model and strategy were relevant to this assessment:

- The Board looks to long-term performance rather than short term opportunities.
- The Company's investment objective, strategy and policy, which are subject to regular Board monitoring, mean that the Company is invested in a well-diversified portfolio of funds and direct investments and that the level of borrowings is restricted.
- The Company has a single class of Ordinary Shares.
- The Company's business model and strategy is not time limited.

Also relevant were a number of aspects of the Company's operational arrangements:

- The Company has title to all assets held.
- The Company's borrowing facility which was entered into on 30 June 2014 will not expire until 30 June 2019. It is composed of a €30 million term loan and a £45 million multi-currency revolving credit facility. The interest rate payable is variable.
- The Company aims to pay semi-annual dividends with an annual yield equivalent to not less than four per cent of the average of the published net asset values per ordinary share for the previous four financial quarters, or if higher in pence per share the highest semi-annual dividend previously paid. Dividends can be funded from the capital reserves of the Company.
- Revenue and expenditure forecasts and projected cash requirements are reviewed by the Directors at each Board Meeting.

In addition, the Directors carried out a robust assessment of the principal risks which could threaten the Company's objective, strategy, future performance, liquidity and solvency. These risks, their mitigations and the processes for monitoring them are set out on page 10, and in note 17 on the accounts.

The principal risks identified as relevant to the viability assessment were those relating to incorrect strategy, asset allocation and investment selection resulting in poor returns for shareholders and the failure of the Company to manage financial resources to allow it to meet its outstanding undrawn commitments.

The Board took into account the forecasted cash requirements of the Company, the existence of the borrowing facility, the effects of any significant future falls in investment values on the ability to repay and re-negotiate borrowings, maintain dividend payments and retain investors.

These matters were assessed over a three year period to April 2019, and the Board will continue to assess viability over three year rolling periods, taking account of foreseeable severe but plausible scenarios. Note 17 to the financial statements includes an analysis of the potential impact of movements of interest rates and foreign exchange on net asset value. A rolling three year period represents the horizon over which the Directors believe they can form a reasonable expectation of the Company's prospects, balancing the Company's financial flexibility and scope with the current uncertain outlook for longer-term economic conditions affecting the Company and its shareholders.

Based on their assessment, and in the context of the Company's business model, strategy and operational arrangements set out above, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to April 2019. For this reason, the Board also considers it appropriate to continue adopting the going concern basis in preparing the Report and Accounts.

By order of the Board

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

7 April 2016

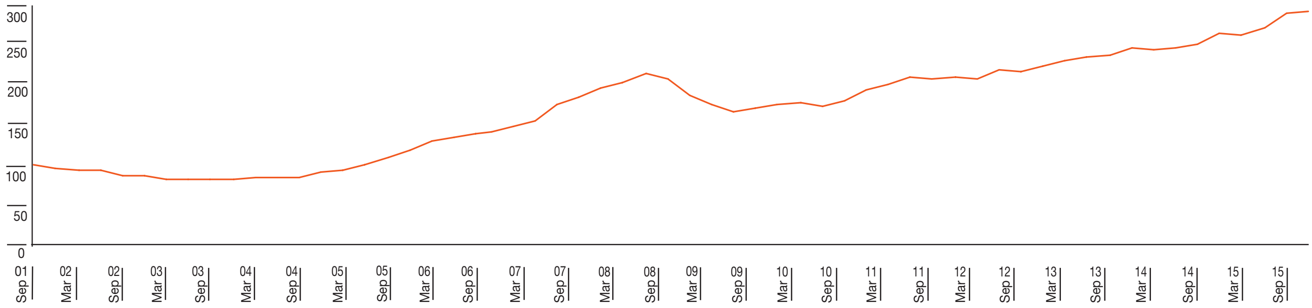
Key Performance Indicators

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.

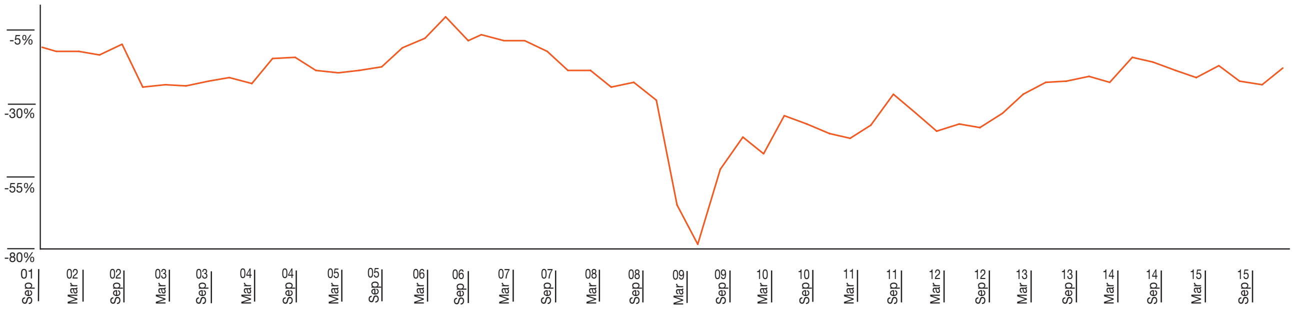
A historical record of these indicators is contained in the charts below (except for the historical record of dividends per share) and in the Historic Record on page 66.

Net Asset Value Total Return
Ordinary Shares since September 2001



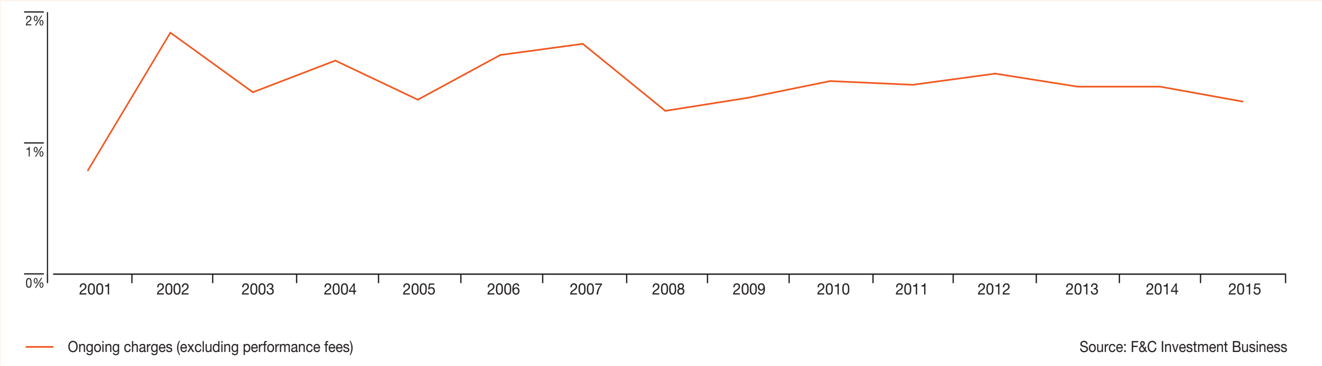
Source: F&C Investment Business

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



Source: F&C Investment Business

Ongoing Charges as a Percentage of Shareholders' Funds



Investment Manager

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
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.

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

F&C is a wholly owned subsidiary of Bank of Montreal ('BMO') and is part of BMO Global Asset Management.

Investment Manager's Review

Hamish Mair, Fund Manager

Introduction

2015 has provided good evidence of one of private equity's perennial attractions, namely that it tends to outperform the stockmarket by a distinct margin. Private Equity clearly carries higher risk; there is no liquid market in the shares of the companies and these businesses themselves are usually smaller, more focused and less well established than the equivalent quoted companies. These risks are often augmented by the more highly geared capital structures of management buyouts, which is the predominant mode in which private equity is pursued. An investor taking these risks is quite justified in seeking a higher return to compensate. The listed private equity fund of funds structure attempts to capture the outperformance of private equity whilst taking more moderate levels of risk than would the case if investing through a single manager fund. Through a fund of funds the single manager risk is much reduced and risk overall is lowered by a well-diversified portfolio. Despite this lower risk the best fund of funds deliver long term performance which is on a par with the best single manager funds. In most cases the returns over the long term tend to considerably exceed those from even highly specialised listed equity funds.

Private Equity's strengths lie in the unusually close alignment of interests between company management, the private equity manager and the ultimate investors. Where one succeeds all succeed. It is also the longest term of all equity asset classes enabling time for the difficult process of company building and associated value creation to occur.

As a means of financing smaller and medium sized companies private equity is gaining in popularity across Europe and further afield. In particular the mid-market and lower mid-market sector, where companies have enterprise values of below €500 million at the time of investment, offers a very broad range of opportunities with many thousands of companies in this size bracket appraised for investment by a few dozen European specialist private equity fund management houses. A typical private equity portfolio in this tier of the market consists of perhaps eight or ten companies each with a particular niche and a distinct investment thesis. Often these are in sectors or subsectors where there are no equivalent listed companies and hence exposure to some of these business areas can only really be achieved through private equity. In this respect private equity can add a diversification benefit as well as a performance enhancement benefit to an investor's portfolio.

New Investments

Three new fund commitments were made during the year. A further four fund positions were acquired through a secondary purchase and three co-investments were made.

In the UK a commitment of £4.8 million to the mid-market fund RJD Partners III was made. The first investment in this fund is Burgess Marine, a South Coast based marine engineering business. Burgess is also a co-investment, where we have invested £3 million alongside RJD for 19 per cent of the company.

€5 million was committed to Iberian fund Corpfin IV increasing the fund's exposure to the recovering private equity markets of Spain and Portugal. €4 million has been committed to Italian mid-market fund Aliante 3, which specialises in the food and beverage sectors. The fund already has a partly established portfolio which usefully reduces the 'blind pool' risk. Also in Italy the Company acquired secondary positions in four Italian mid-market funds in one deal. These funds were acquired at an effective discount to NAV of 19 per cent, increasing to 30 per cent with a portfolio revaluation. In aggregate they contain 14 companies and they are 76 per cent drawn. The funds are PM & Partners II, ILP III (managed by J Hirsch & Co), Progressio II and Mid Capital Mezzanine (managed by Emisys Capital). The total consideration was £4.0 million with an additional £1.2 million of undrawn commitment. Secondaries are not easy to source and execute but they are worth pursuing as it is possible to assess the existing portfolio directly and strike an advantageous price, often acquiring at a discount to NAV and with the prospect of benefiting from realisations after a relatively short time. All of these factors tend to improve the chances of a good return.

We have been highly selective in choosing co-investments. Apart from Burgess Marine, noted above, we invested £1.3 million for a 10.2 per cent stake in Nutrisure, a superfoods company which sells foods such as berries and pulses which are high in antioxidants, phytonutrients, vitamins, minerals, enzymes and amino acids. The main trading brand is Naturya. Lonsdale are the deal leaders. Lastly, we have invested £3.6 million for 7.1 per cent of Collingwood Insurance Group. We are part of a syndicate led by European mid-market house JZI, that has acquired 60 per cent of the company. Collingwood is a specialist UK motor insurer with products tailored for niche markets such as taxis, learner drivers and fleets. It is based in Gibraltar with the call centre and claims processing function in Newcastle. There are a handful of other co-investments at an

Investment Manager's Review (continued)

advanced stage of diligence and we expect that the portfolio will broaden as the year progresses.

Drawdowns

For the year as a whole taking all drawdowns and co-investments together £35.3 million was invested in new companies. The detail of many of the drawdowns earlier in the year has already been reported but the larger drawdowns as well as the notable final quarter investments are described below.

Inflexion have been active with two significant new investments drawn by their 2010 Fund and their 2012 Co-investment fund. £1.4 million was called for luxury holiday company Scott Dunn and £2.2 million for Shimtech, a producer of gap management components for aircraft. Lyceum Capital III called £0.4 million for Briefing Media, an agricultural publisher and events business. Amongst several investments made on the Continent, the larger ones included DBAG VI's £0.4 million invested into Gienanth, a foundry specialising in engine blocks and £0.4 million into Cleanpart, an engineering services provider to the semi-conductor industry. In North America Blue Point Capital III called £0.4 million for Russell Food Equipment, which provides food service equipment and supplies in Canada.

The total drawndown by funds in the final quarter was a modest £3.8 million. A number of the drawdowns were for small follow on acquisitions, but there were some new holdings. Lyceum Capital III called £0.5 million for two investments; TotalMobile, an enterprise mobility software company based in Belfast, which allows workers to enter and receive data in the field and Coryton Advanced Fuels which blends fuels for the aviation and motorsports sectors. In Germany DBAG VI called £0.4 million for Telio, a Hamburg based company which develops, installs and operates communications and media in prisons such as controlled telephone calls for inmates. The Finnish fund Vaaka Partners Buyout II called £0.3 million for Unisports Saltex, a company producing sports arena surfaces and seating equipment and systems. There were several other smaller drawdowns for new investments and follow-ons.

Realisations

The strong trend of exits has continued right up to the year end with a further £22.4 million of distributions, including £2.5 million of income, received during the final quarter. This brings the total realisations for the year to £78.9 million, a new record for the company. The realisation total for 2015 was 44 per cent ahead of 2014, itself a strong year, and the combined exits and associated income totalled almost 40 per cent of the starting NAV of the Company at 1 January 2015. 2015 witnessed a favourable combination of steadily growing economies, improved availability of buy-out debt, a further accumulation of 'dry powder' by buy-out funds, and an IPO market which was periodically accessible. It has been possible for many of our investment partners to move on much of their stock of mature holdings to trade, larger buy-out houses and in some cases to the stockmarket. Since the year-end conditions have been less benign with the global market sell off and subsequent partial rebound leaving a number of European markets several percentage points down for the year to date. This is engendering a less confident business environment and whilst we would still expect healthy realisations during 2016, the total may not be as high.

The realisations have been very well spread by geography and sector. A recap of the highlights illustrates this well.

In the UK the largest exit was the £8.3 million from our co-investment in marine engineering company SMD Hydrovision (2.1x, 11 per cent IRR) which was sold by Inflexion to Chinese buyer CSR ZhouZou. This market leading manufacturer of work class remote operated vehicles (WROVs) was held for seven years, which was longer than planned but during this time its market position improved and this facilitated the exit. We also exited the Stirling Square led co-investment in pallet racking systems company Whittan. This company had a challenging time during the recession with an economically sensitive retail customer base, but after a refinancing the final exit recovered the cost of the investment of £2.7 million. From the funds there were a number of significant exits. August Equity Partners II sold Funeral Service Partners (FSP) to its own successor Fund III returning £2.3 million (2.4x, 17 per cent IRR). Primary Capital III sold Pacific Direct, a toiletries and hospitality accessories provider, to ADA Cosmetics of Germany returning £1.1 million (3.2x, 17 per cent IRR). Amongst our small portfolio of venture capital funds Pentech II sold cloud based software company Maxymiser to Oracle returning £0.7 million.

In Germany Capvis III sold elevator components company Wittur to Bain Capital returning £1.2 million (3.9x, 38 per cent IRR). In the Benelux, Life Science Partners III distributed £1.7 million from the sale of Prosensa, a pharmaceutical company specialising in RNA modulating therapeutics. Gilde Buyout III sold poultry meat processor Plukon Royale returning £1.2 million (7.8x, 41 per cent

IRR) and conveyor belts company Ammeraal Beltech returning £0.8 million (5.7x, 44 per cent IRR). In France Chequers Capital XV sold Serma, a designer of embedded electronic systems used in severe environments to French PE house Ardian returning £0.5 million (3.1x, 34 per cent IRR) and Cenexi, a contract manufacturer of pharmaceuticals to Cathay Capital returning £0.6 million (4.5x, 24 per cent IRR). Ciclad 4 sold OMIA, a producer of surface treatment lines for the automotive and industrial sectors to Naxicap returning £0.6 million (3.6x, 21 per cent IRR). In Spain N+1 Private Equity II sold security electronics company Teltronic returning £1.6 million (6x, 68 per cent IRR). In the Nordics our FSN led co-investment in Danish house-builder HusCompagniet was sold to Nordic PE house EQT Capital returning £3.9 million (3.8x, 46 per cent IRR). Herkules Private Equity III sold coffee shop chain Espresso House returning £1.4 million (5.7x, 80 per cent IRR). In the USA our longstanding mid-market partners Blue Point Capital II achieved a remarkable exit with the sale of work zone safety services company Area Wide Protection (AWP) to Riverside, returning £2.9 million (11x, 51 per cent IRR).

In the fourth quarter there were a further twelve full realisations of holdings in the funds in which we are invested, a number of other partial realisations and one exit of a co-investment.

Our co-investment in angling equipment and accessories company Fox International, which was led by Next Wave, was sold to private equity group Mayfair Partners, after only 15 months. Net of carried interest and all costs, we received £4.0 million, representing 2.5x and an IRR of 105 per cent. There remains a possibility of further proceeds through a deferred consideration depending on the performance of the new deal.

Our longstanding partners at Inflexion have had an exceptionally successful year with no fewer than eight exits. Two of these were in the final quarter. Holiday company, On the Beach was exited via IPO achieving 3.6x and an 84 per cent IRR. Our share across two funds was £1.3 million. Secondly their TV shopping company Ideal Shopping was sold to Blackstone achieving 2.6x and an IRR of 25 per cent with our share at £1.1 million.

TDR Capital II exited debt collection agency Lowell returning £1.4 million (2.6x, 35 per cent IRR). Piper Private Equity IV, specialists in consumer brands, had two exits returning a combined £1.5 million through the sale of Diet Chef (0.5x) and Rug Co (1.8x).

In the UK we benefited from some significant partial realisations. The largest of these was £3.0 million from flight search engine, Skyscanner, where SEP III has sold down less than a fifth of their holding. The company has also been refinanced. The extraordinary progress of this investment makes it our largest look through investment by some margin at over £15 million. Primary Capital III refinanced stationery chain Paperchase, returning £1.0 million and also refinanced Leisure Pass Group returning £0.7 million. Park Holidays, is performing well and has paid back £0.5 million by way of dividend following a debt refinancing.

Further afield Spanish Fund N+1 Private Equity II sold on street parking company EYSA to Portobello Fund III (also in our portfolio) returning £1.2 million (2.1x, 55 per cent IRR). In Asia AIF Capital Asia III sold pharmaceuticals company Famy with proceeds to us of £0.8 million (3.3x, 22 per cent IRR). GCP Capital Partners Europe II sold Bermuda based insurance company Ironshore to Hong Kong listed company Fosun returning £0.6 million (1.7x, 22 per cent).

Valuation Changes

With the strong exit activity noted above and generally supportive economic conditions, it is not surprising that uplifts have exceeded downgrades in number and quantum this year.

The largest uplift was for venture capital fund SEP III, which was up by £5.3 million. This was largely attributed to the positive developments at Skyscanner, which, as noted above, is now our largest holding on a look through basis. A number of other funds have also done well, in most cases due to a combination of good exits and respectable profits progression for remaining portfolio companies. Inflexion has had an excellent year and our holdings in their 2010 Fund and 2012 Co-investment Fund are up by £2.7 million and £1.8 million respectively. In Continental Europe strong performers included DBAG V (+£2.2 million), N+1 Private Equity II (+£1.7 million) and Procuritas Capital IV (+£1.5 million). In the USA Blue Point Capital II was also up significantly (+£1.7 million).

Amongst our co-investment portfolio significant contributors this year were HusCompagniet (+£1.4 million), French cold sterilisation company Ionisos (+£1.2 million) and SMD Hydrovision (+£0.7 million).

There were some downgrades. A number of the larger individual ones had a common origin in the difficulties being experienced in the Oil Services sector due to the steep decline in the oil price. Candover 2008, which has one holding, oil services company Expro

Investment Manager's Review (continued)

was down by £1.3 million and Candover 2005 was down by £0.7 million for the same reason. Stirling Square Capital Partners II was down by £1.2 million mainly reflecting a reduction in value for SAR, a provider of waste management services to the oil and gas sector. Our co-investment in Norwegian based software company Safran was down by £1.0 million, as its core customer base in the offshore oil sector is decreasing faster than its newer defence related customer base is growing. Lastly, PineBridge New Europe II is down by £0.7 million reflecting more conventional portfolio problems with weak trading of key companies.

Outlook

After a very successful 2015 with many of our investment partners effecting several realisations at good prices, it will be challenging to entirely replicate quite this level of activity in 2016. The year has begun with a much more cautious attitude in the stockmarkets and there have been downgrades of the overall projections of economic growth. How relevant this is to our portfolio remains to be seen. Many of the sectors which have suffered most in the recent sell off are not represented in private equity portfolios and these portfolios themselves are usually not good proxies for the wider market. That said macro-economic factors and unsettling geo-political events do affect business confidence and consumer behaviour. Due to a combination of favourable factors during 2015 the average price of private equity deals increased across all segments and geographies. It remains the case that the midmarket and lower mid-market is cheaper than the larger end of the private equity market and it is in this tier that we continue our search for promising emerging managers, co-investments and secondary opportunities. Private Equity managers have the advantage of only having to deal when they think that pricing is right. They are driven by the quest for absolute returns rather than relative outperformance. Given the breadth of our investment partners and their portfolios there is likely to be a healthy two-way market with many exits and new investments during the year which will serve to harvest returns and sow the seeds of future value growth for shareholders.

Hamish Mair
Investment Manager
F&C Investment Business Limited

7 April 2016

Portfolio Summary

Portfolio Distribution
As at 31 December 2015

	% of Total 2015	% of Total 2014
Buyout Funds – Pan European*	**10.5**	11.7
Buyout Funds – UK	**17.5**	18.1
Buyout Funds – Continental Europe†	**22.9**	18.3
Private Equity Funds – USA	**8.8**	7.8
Private Equity Funds – Global	**2.9**	3.8
Venture Capital Funds	**11.2**	10.1
Mezzanine Funds	**3.4**	4.6
Direct – Quoted	**0.1**	0.2
Secondary Funds	**1.8**	2.2
Direct – Investments/Co-investments	**20.9**	23.2
	100.0	100.0

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

Ten Largest Holdings
As at 31 December 2015

	Total Valuation £'000	% of Total Portfolio
SEP III	**15,016**	**7.0**
Stirling Square Capital Partners II	**6,991**	**3.2**
Argan Capital	**6,683**	**3.1**
August Equity Partners II	**5,984**	**2.8**
DBAG V	**5,657**	**2.6**
Inflexion 2012 Co-Investment Fund	**5,606**	**2.6**
TDR Capital II	**5,404**	**2.5**
Camden Partners IV	**5,064**	**2.3**
HealthpointCapital Partners III	**5,034**	**2.3**
Inflexion 2010	**4,926**	**2.3**
	66,365	**30.7**

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 2015 £'000	31 December 2014 £'000
Residual cost	–	2,510
Value	15,016	12,878

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 2015 £'000	31 December 2014 £'000
Residual cost	6,954	6,691
Value	6,991	8,317

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 midmarket 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 2015 £'000	31 December 2014 £'000
Residual cost	4,844	5,149
Value	6,683	5,981

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 2015 £'000	31 December 2014 £'000
Residual cost	–	1,895
Value	5,984	7,472

DBAG V

Investment type: Buyout fund
Region: Germany
Percentage held: 1.9%
Valuation basis: Percentage of fund value

Deutsche Beteiligungs are one of the oldest private equity investors in Germany having started in 1965. It has also been investing successfully and achieving realisations when others have struggled in this market. The Company committed €8 million in December 2005 after a successful experience with DBAG IV.

	31 December 2015 £'000	31 December 2014 £'000
Residual cost	354	793
Value	5,657	4,075

Top Ten Holdings

Inflexion 2012 Co-Investment Fund

Investment type: Buyout fund
Region: United Kingdom
Percentage held: 6.0%
Valuation basis: Percentage of fund value

The Company will invest alongside Inflexion's 2010 Buyout Fund. Inflexion have proved one of our most successful investment partners since we backed their first fund in 2003. This co-investment fund will invest in the larger deals within the 2010 Buyout Fund, benefiting from a shorter investment period, more concentrated portfolio and preferred economics.

	31 December 2015 £'000	31 December 2014 £'000
Residual cost	2,467	2,992
Value	5,606	4,666

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 2015 £'000	31 December 2014 £'000
Residual cost	3,445	5,077
Value	5,404	7,184

Camden Partners IV

Investment type: Private equity fund
Region: USA
Percentage held: 13.3%
Valuation basis: Percentage of fund value

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

	31 December 2015 £'000	31 December 2014 £'000
Residual cost	3,307	3,243
Value	5,064	4,760

HealthpointCapital Partners III

Investment type: Private equity fund
Region: USA
Percentage held: 3.6%
Valuation basis: Percentage of fund value

The Company is a US private equity firm focused on the musculoskeletal industry - the largest medical device sector. The Company committed $5 million to the fund in July 2012. The segments of orthopaedics that are of particular interest to HealthpointCapital are: spine, reconstructive, ortho-biologics, dental and certain sub-segments of sports medicine and trauma.

	31 December 2015 £'000	31 December 2014 £'000
Residual cost	3,190	2,459
Value	5,034	3,156

Inflexion 2010

Investment type: Buyout fund
Region: United Kingdom
Percentage held: 1.9%
Valuation basis: Percentage of fund value

Inflexion 2010 is a £375 million fund managed by Inflexion Private Equity who we have backed since 2003 when they raised their first fund. The fund targets investments in the UK mid and lower mid-market with a view to backing companies with growth at a reasonable price.

	31 December 2015 £'000	31 December 2014 £'000
Residual cost	1,724	4,534
Value	4,926	5,730

Portfolio Holdings

Investment	Geographic Focus	Total Valuation £'000	% of Total Portfolio
Buyout Funds – Pan European			
Stirling Square Capital Partners II	Europe	6,991	3.2
Argan Capital	Europe	6,683	3.1
TDR Capital II	Europe	5,404	2.5
Candover 2005	Europe	3,570	1.7
Candover 2008	Europe	50	–
Total Buyout Funds – Pan European		**22,698**	**10.5**
Buyout Funds – UK			
August Equity Partners II	UK	5,984	2.8
Inflexion 2012 Co-Investment Fund	UK	5,606	2.6
Inflexion 2010	UK	4,926	2.3
RJD Partners II	UK	4,286	2.1
Dunedin Buyout II	UK	3,888	1.8
August Equity Partners III	UK	2,708	1.3
Primary Capital III	UK	2,405	1.1
Lyceum Capital III	UK	1,754	0.8
Piper Private Equity V	UK	1,736	0.8
Equity Harvest Fund	UK	1,108	0.5
GCP Capital Partners Europe II	UK	1,039	0.5
Primary Capital IV	UK	488	0.2
Piper Private Equity IV	UK	404	0.2
RL Private Equity I	UK	276	0.1
Inflexion Partnership Capital I	UK	256	0.1
Primary Capital II	UK	251	0.1
RJD Private Equity III	UK	215	0.1
Inflexion 2006	UK	196	0.1
Penta F&C Co-Investment Fund	UK	96	–
Enterprise Plus	UK	90	–
Inflexion Buyout IV	UK	21	–
Third Private Equity Fund	UK	16	–
Inflexion 2003	UK	3	–
Hickory Fund Portfolio	UK	1	–
Total Buyout Funds – UK		**37,753**	**17.5**
Buyout Funds – Continental Europe			
DBAG V	Germany	5,657	2.6
Procuritas Capital IV	Nordic	4,092	1.9
N+1 Private Equity II	Spain	4,067	1.9
Capvis III	DACH	3,963	1.8
PineBridge New Europe II	Central & East Europe	3,567	1.6
Aliante Equity 3	Italy	3,089	1.4
DBAG VI	Germany	2,472	1.1
ILP III	Italy	1,733	0.8
Mid Capital Mezzanine	Italy	1,693	0.8
Ciclad 4	France	1,668	0.8
Ciclad 5	France	1,628	0.8
Herkules Private Equity III	Nordic	1,597	0.7
Chequers Capital XVI	France	1,595	0.7
Progressio II	Italy	1,408	0.7
Chequers Capital XV	France	1,390	0.6
Avallon MBO II	Central & East Europe	1,311	0.6
Vaaka Partners Buyout II	Nordic	1,285	0.6
Procuritas Capital V	Nordic	1,130	0.5
PM & Partners II	Italy	1,058	0.5
Gilde Buyout III	Benelux	1,016	0.5
Corpfin Capital IV	Spain	1,000	0.5
Capvis IV	DACH	993	0.5
Portobello Fund III	Spain	586	0.2
Portobello Capital II	Spain	459	0.2
Chequers Capital	France	386	0.2
Alto Capital II	Italy	328	0.2
DBAG IV	Germany	150	0.1
Nmás1 Private Equity Fund	Spain	110	0.1
Total Buyout Funds – Continental Europe		**49,431**	**22.9**

Portfolio Holdings

Investment	Geographic Focus	Total Valuation £'000	% of Total Portfolio
Private Equity Funds – USA			
Camden Partners IV	USA	5,064	2.3
HealthpointCapital Partners III	USA	5,034	2.3
Blue Point Capital II	USA	3,488	1.6
Camden Partners III	USA	2,871	1.4
Blue Point Capital III	USA	1,671	0.8
RCP II	USA	370	0.2
Hicks Muse Tate & Furst IV	USA	324	0.2
Blue Point Capital I	USA	83	–
Total Private Equity Funds – USA		**18,905**	**8.8**
Private Equity Funds – Global			
AIF Capital Asia III	Asia	2,849	1.3
Warburg Pincus IX	Global	1,020	0.5
PineBridge Global Emerging Markets II	Global	891	0.4
Warburg Pincus VIII	Global	849	0.4
F&C Climate Opportunity Partners	Global	453	0.2
PineBridge Latin America Partners II	Brazil	132	0.1
Total Private Equity Funds – Global		**6,194**	**2.9**
Venture Capital Funds			
SEP III	Europe	15,016	7.0
Pentech II	UK	2,463	1.1
Environmental Technologies Fund	Europe	2,134	1.0
SEP IV	Europe	1,738	0.8
Life Sciences Partners III	Europe	1,108	0.5
SEP II	Europe	972	0.5
Alta Berkeley VI	UK	680	0.3
Total Venture Capital Funds		**24,111**	**11.2**
Mezzanine Funds			
Hutton Collins III	Europe	4,001	1.9
Accession Mezzanine II	Central & East Europe	1,146	0.5
Mezzanine Management IV	Europe	913	0.4
Hutton Collins II	Europe	774	0.4
Accession Mezzanine I	Central & East Europe	328	0.2
Hutton Collins I	Europe	97	–
International Mezzanine	Europe	66	–
1818 Mezzanine II	USA	25	–
Total Mezzanine Funds		**7,350**	**3.4**
Direct – Quoted			
Candover Investments	Europe	291	0.1
Antero	USA	12	–
Parkmead Group	UK	3	–
Total Direct – Quoted		**306**	**0.1**
Secondary Funds			
The Aurora Fund	Europe	3,901	1.8
Total Secondary Funds		**3,901**	**1.8**
Direct – Investments/Co-investments			
Park Holidays	UK	4,925	2.3
Avalon	UK	4,127	1.9
Ambio Holdings	USA	4,091	1.9
Harrington Brooks	UK	3,836	1.8
Collingwood Insurance Group	UK	3,614	1.7
Meter Provida	UK	3,228	1.5
Burgess Marine	UK	3,145	1.5
David Phillips	UK	3,103	1.4
3SI	Global	3,009	1.4
Recover Nordic	Nordic	2,948	1.4
Ionisos	Europe	2,871	1.3
Ticketscript	Europe	1,996	0.9
Nutrisure	UK	1,304	0.6
Schaetti	Europe	1,255	0.6
Safran	Nordic	876	0.4
Algeco Scotsman	Global	478	0.2
European Boating Holidays	Europe	256	0.1
Total Direct – Investments/Co-investments		**45,062**	**20.9**
Total Portfolio		**215,711**	**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 iBe 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 corporate and commercial lawyer with Kergan Stewart 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 and past Chair 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 was, until recently, 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.

* 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 Company for the year ended 31 December 2015. The results for the year are set out in the attached financial statements.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') adopted by the European Union.

An interim dividend of 5.58p per Ordinary Share was paid on 6 November 2015. The Board recommends a final dividend of 5.83p per Ordinary Share, to be paid on 31 May 2016 to shareholders on the register on 6 May 2016.

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

Company Number: SC179412

Share Capital

Ordinary Shares

Dividends

The Ordinary Shares carry the right to participate in the revenue profits of the Company. The dividends paid to the holders of Ordinary Shares currently depend on, inter alia, the income return on the Company's assets, 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 semi-annual 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, Ordinary Shareholders would be entitled to all the remaining assets.

Voting Rights

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

Liquidation of F&C Private Equity Zeros plc

On 12 December 2014, a special resolution was passed by the shareholders of F&C Private Equity Zeros plc ('FCPEZ') that FCPEZ be wound up voluntarily pursuant to Section 84(1)(b) of the Insolvency Act 1986 and that Derek Neil Hyslop and Colin Peter Dempster of Ernst & Young LLP of 10 George Street, Edinburgh EH2 2DZ, having consented to act, be appointed as joint liquidators with the power to act jointly and severally for the purpose of such winding up, including realising and distributing FCPEZ's assets, and any power conferred on them by law or by said resolution and any act required or authorised under any enactment to be done by them may be exercised by them jointly or by each of them alone. The completion meeting of the liquidation was held on 29 March 2016.

Directors

Biographical details of the Directors, all of whom are non-executive, can be found on page 24. There were no changes to the composition of the Board during the year.

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

Ms Elizabeth Kennedy, Mr Douglas Kinloch Anderson and Mr John Rafferty have served on the Board for nine years or more 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 2015 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
CCLA Investment Management	7,168,330	10.0
Prudential	4,008,403	5.6
Oxford County Council Pension Fund	4,000,000	5.6
Smith and Williamson Holdings	3,661,353	5.1
Lazard Asset Management	3,617,271	5.0
Bank of Montreal*	2,779,650	3.9

*In addition to this holding, the F&C Asset Management investment trust savings plans held 15,180,564 Ordinary Shares (21.1 per cent) as at 31 December 2015.

Since 31 December 2015, there have been no changes notified to the Company.

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.

Management and Management Fees

F&C Investment Business Limited provides investment management services to the Company and was appointed as the Company's AIFM on 22 July 2014. A summary of the contract between the Company and the Manager in respect of investment management services provided is given in note 3 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.

Depositary

JPMorgan Europe Limited was appointed as depositary on 22 July 2014 in accordance with the AIFM Directive. The depositary's responsibilities include, but are not limited to, cash monitoring, segregation and safe keeping of the Company's financial instruments and monitoring the Company's compliance with investment limits and leverage requirements.

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 Reporting Council. They have considered the current cash position of the Company, the availability of the Company's loan facility and compliance with its covenants. They have also considered forecast cash flows, especially those relating to capital commitments and realisations.

As at 31 December 2015, the Company had outstanding undrawn commitments of £56.0 million. Of this amount, approximately £17.0 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 Manager would expect that a significant amount will not be drawn before these periods expire.

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

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank debt 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 11 to the financial statements. The financial risk management objectives and policies arising from the Company'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 notes 14 and 15 to the financial statements.

Disclosure of Information to the Auditor

The Directors confirm that, so far as each of them is 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 25 May 2016 is set out on pages 60 to 64.

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 £72,912 (being an amount equal to 10 per cent of the total issued 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 £36,456 (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 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 2017, and the Directors envisage seeking renewal of these authorities in 2017 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 10.9 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 as a whole. 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 Board considers 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

7 April 2016

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 2014, which can be found at www.frc.org.uk, and the recommendations of the AIC's Code of Corporate Governance issued in February 2015 (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 nine or more 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. Mark Tennant is the 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 2015 and the number of meetings attended by each Director. In addition to these scheduled meetings, there were a further four 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 9 to 11. 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 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

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

Committee. The committees operate within clearly defined terms of reference which are available for inspection on request at the Company's registered office.

Bribery Act

The Company has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. The Manager also adopts a zero tolerance approach and has policies and procedures in place to prevent bribery.

Audit Committee

The Report of the Audit Committee is contained on pages 31 and 32.

Management Engagement Committee

The Management Engagement Committee comprises all of the Directors and is chaired by Mark Tennant. The committee reviews the appropriateness of the Manager's continuing appointment together with the terms and conditions thereof on a regular basis. Details of the current management fee arrangements are provided in note 3.

Nomination Committee

The Nomination Committee comprises all of the Directors and is chaired by 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
7 April 2016

Report of the Audit Committee

The members of the Audit Committee are Elizabeth Kennedy, David Shaw and Mark Tennant. The committee is chaired by Elizabeth Kennedy. The duties of the 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 29. In the 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;
- The accounting policies of the Company;
- 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; and
- Whether the Annual Report and Accounts is fair, balanced and understandable.

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 2015. 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 36 to 40.

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 £32,000 (2014: £33,000), EY received fees for non-audit services of £20,000 for the year (2014: £40,000) which related to the services in respect of the liquidation of F&C Private Equity Zeros plc and the provision of tax compliance and advisory 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 these services are provided by teams wholly independent from that 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 Company is not required to change its auditor until after the audit in respect of the year ended 31 December 2022. It is the current intention of the Audit Committee not to change the auditor until then. The Audit

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 1(e) to the financial statements. The Audit Committee reviewed and challenged the valuation prepared by the Manager, taking account of the latest available information about the Company's investments, the Manager's knowledge of underlying funds and current market information where appropriate. The Audit Committee satisfied itself that the investments were valued consistently with prior periods and in accordance with published industry guidelines and applicable accounting standards.

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

Matter	Action
Title to Unlisted Investments If the Company did not have legal title to its unlisted investments this could have a material impact on its net asset value per share.	The Board receives quarterly reports from the depositary and on an annual basis the Audit Committee reviews the Manager's AAF Report on its internal controls.
Calculation of Performance Fee As disclosed in note 3 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 Audit Committee reviews the Manager's entitlement to a performance fee and also reviews the calculation of any performance fee provisions twice a year.

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 first year of his 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.

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. Since its appointment in July 2014, the depositary has provided quarterly reports to the Board and carries out daily independent checks on cost and investment transactions and has strict liability for the loss of the Company's financial assets in respect of which it has safe keeping duties.

The Board has reviewed the need for an internal audit function. It 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

7 April 2016

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 2015, are shown below.

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 36 to 40.

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 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, their responsibilities and skills 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. The Board reviews the remuneration of Directors annually.

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 nine years or more 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:

	2016* £	2015# £
Mark Tennant (Chairman)	**42,000**	38,750
Elizabeth Kennedy	**34,000**	32,750
Douglas Kinloch Anderson	**28,500**	27,250
John Rafferty	**28,500**	27,250
David Shaw	**28,500**	27,250
Total	**161,500**	153,250

* Directors' remuneration for the year ending 31 December 2016 based on current fee levels. Directors are not eligible for any other payments.

Actual Directors' remuneration for the year ended 31 December 2015.

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

Voting at Annual General Meeting

At the Company's Annual General Meeting held on 29 May 2014, shareholders approved the Directors' Remuneration Policy. 99.7 per cent of votes were in favour and 0.3 per cent of votes against. It is the Board's intention that the Directors' Remuneration Policy will be put to a shareholder vote again at the Annual General Meeting in 2017.

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.

	2015 £	2014 £
Mark Tennant (Chairman)	**38,750**	38,750
Elizabeth Kennedy	**32,750**	32,750
Douglas Kinloch Anderson	**27,250**	27,250
John Rafferty	**27,250**	27,250
David Shaw	**27,250**	27,250
Total	**153,250**	153,250

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:

	2015 £	2014 £	Change %
Aggregate Directors' Remuneration	**153,250**	153,250	0%
Management and other expenses*	**4,075,000**	3,894,000	+4.6%
Dividends paid to Shareholders	**7,956,000**	7,770,000	+2.4%

*Includes Directors' remuneration.

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:

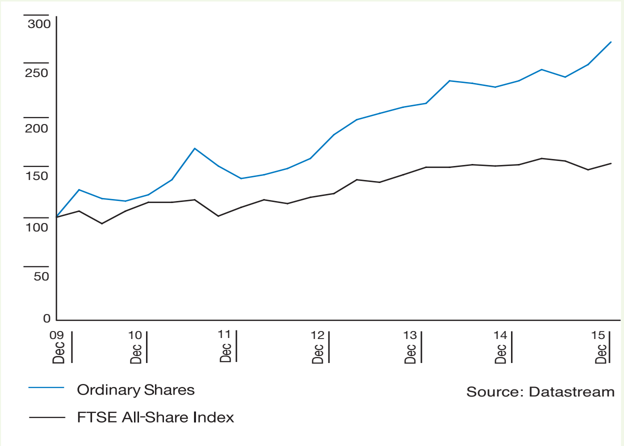
		31 December 2015 Ordinary Shares	31 December 2014 Ordinary Shares
Mark Tennant (Chairman)	Beneficial	**11,665**	5,165
Elizabeth Kennedy	Beneficial	**30,000**	30,000
Douglas Kinloch Anderson	Beneficial	**4,955**	4,955
John Rafferty	Beneficial	**35,000**	32,000
David Shaw	Beneficial	**10,000**	10,000

There have been no changes in the Directors' interests in the shares of the Company between 31 December 2015 and 7 April 2016.

Company Performance

The graph below compares, for the seven financial years ended 31 December 2015, 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 27 May 2015, shareholders approved the Report on Directors' Remuneration for the year ended 31 December 2014. 99.7 per cent of votes were in favour of the resolution and 0.3 per cent were against.

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

On behalf of the Board

Mark Tennant
Chairman

7 April 2016

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in Relation to the Financial Statements

The Directors are responsible for preparing the 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 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 financial statements the Directors are required to:

- select suitable accounting policies 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 financial position and financial performance;
- state that the Company has 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 Company and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for ensuring that the Company complies with the provisons of the Listing Rules, Disclosure Rules and Transparency Rules of the UK Listing Authority and the safeguarding of assets of the 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 Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Mark Tennant
Chairman

7 April 2016

Independent Auditor's Report

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

Our opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of the Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What We Have Audited

F&C Private Equity Trust plc's financial statements comprise:

Statement of Comprehensive Income for the year ended 31 December 2015
Balance Sheet as at 31 December 2015
Statement of Changes in Equity for the year ended 31 December 2015
Cash Flow Statement for the year ended 31 December 2015
Related notes 1 to 19 to the financial statements

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.

Overview of our Audit Approach

Risks of material misstatement	• Incorrect valuation and legal title of the unquoted investment portfolio. • The performance fees payable by the Company for investment management services are not calculated in accordance with the methodology prescribed in the investment management agreement.
Audit scope	• We performed an audit of F&C Private Equity Trust plc.
Materiality	• Materiality of £2.2 million which represents 1% of total equity (2014: £2.0 million).

Our Assessment of Risk of Material Misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we concluded to the Audit Committee
Incorrect valuation and existence of the unquoted investment portfolio (as described on pages 31 and 32 in the Report of the Audit Committee). The valuation of the unquoted portfolio at 31 December 2015 was £215 million (2014: £234 million). In accordance with the Company's policy, all unquoted investments are carried at their fair value on the basis of the latest available information and consistent with the principles of the International Private Equity and Venture Capital Association ("IPEVCA") guidelines. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders	We performed the following procedures: We selected a sample of unquoted investments from the investment portfolio and performed the following: • Agreed the valuation of private equity funds to the reports received from the underlying general partner; • Assessed that the framework of reporting from the underlying funds is consistent with the principles of fair value; • Reviewed and tested adjustments made by management to the valuations provided by the underlying general partners; • Reviewed the individual direct investment valuations and assessed their compliance with the valuation principles of the International Private Equity and Venture Capital Valuation Guidelines; and • Obtained evidence for inputs into the valuation models (e.g. relevant earnings, portfolio company capital structure and relevant comparative multiples). We assessed the valuation movements during the year with reference to the distributions and drawdowns which we agreed to bank statements; and For those investments held in foreign currencies, we have ensured that the applicable exchange rates have been applied. We reviewed the commentary on the remaining investments in the portfolio (outside the sample selected) for any apparent valuation anomalies. We continued to monitor details of any events that emerge in the post balance sheet period (up to the date of signing of the Company financial statements) that would have a potential impact on the value of the investment portfolio as at the year end. We requested independent confirmations from the underlying investment managers to confirm existence.	From our audit procedures performed we are satisfied that the unquoted investment portfolio has been properly valued in accordance with the Company's accounting policies as at 31 December 2015. We are satisfied with the existence and title of the Company's investments as at 31 December 2015.

Independent Auditor's Report (continued)

Our Assessment of Risk of Material Misstatement (continued)

Risk	Our response to the risk	What we concluded to the Audit Committee
The performance fees payable by the Company for investment management services are not calculated in accordance with the methodology prescribed in the investment management agreement (as described on page 32 of the Report of the Audit Committee). For the year ended 31 December 2015, the total performance fees amounted to £1.3 million (2014: £1.1 million). The fees payable by the Company for investment management services are a significant component of the Company's cost base and, therefore, impact the Company's total return. If the performance fees are not calculated in accordance with the methodology prescribed in the investment management agreement this could have a significant impact on both costs and overall performance.	We reperformed the calculation of the performance fees for the year ended 31 December 2015, verifying all key inputs. We have ensured the calculation is arithmetically accurate and in line with the Investment Management Agreement.	We are satisfied that the performance fees have been calculated in accordance with the Investment Management Agreement and have been properly disclosed in the financial statements.

The Scope of our Audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. The Company is a single component and we perform a full audit on this Company.

Our Application of Materiality

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

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined planning materiality for the Company to be £2.2 million (2014: £2.0 million), which is 1 per cent of total equity. This provided a basis for determining the nature, timing and extent of our risk assessment procedures, identifying and assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We derived our materiality calculation from a proportion of total equity as we consider that to be the most important financial metric on which shareholders judge the performance of the Company.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment 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 planning materiality, being £1.6 million (2014: £1.5 million). Our objective in adopting this approach was to ensure that total undetected and uncorrected audit differences in all accounts did not exceed our planning materiality level. We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold of £298,000 (2014: £119,000) for the revenue column of the Income Statement, being 5 per cent of the profit before taxation.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the audit committee that we would report all audit differences in excess of £108,000 (2014: £102,000) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

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 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 Annual Report 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.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 35, 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.

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.

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;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 29 to 30 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Independent Auditor's Report (continued)

Matters on Which we are Required to Report by Exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial 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 Company acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	We are required to report to you if, in our opinion: • adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or • the 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; or • a Corporate Governance Statement has not been prepared by the Company.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: • the Directors' statement in relation to going concern set out on page 27, and longer-term viability, set out on page 11; and • the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the Directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the Directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Ashley Coups (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

7 April 2016

Statement of Comprehensive Income

For the year ended 31 December 2015

Notes		2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
	Income						
9	Gains on investments held at fair value	–	17,401	17,401	–	18,588	18,588
	Exchange gains	–	2,072	2,072	–	572	572
2	Investment income	7,562	–	7,562	3,971	–	3,971
2	Other income	48	–	48	27	–	27
	Total income	7,610	19,473	27,083	3,998	19,160	23,158
	Expenditure						
3	Investment management fee – basic fee	(509)	(1,528)	(2,037)	(516)	(1,548)	(2,064)
3	Investment management fee – performance fee	–	(1,342)	(1,342)	–	(1,085)	(1,085)
4	Other expenses	(696)	–	(696)	(745)	–	(745)
	Total expenditure	(1,205)	(2,870)	(4,075)	(1,261)	(2,633)	(3,894)
	Profit before finance costs and taxation	6,405	16,603	23,008	2,737	16,527	19,264
5	Finance costs	(448)	(1,345)	(1,793)	(349)	(4,854)	(5,203)
	Profit before taxation	5,957	15,258	21,215	2,388	11,673	14,061
6	Taxation	(931)	931	–	(441)	441	–
	Profit for year/total comprehensive income	5,026	16,189	21,215	1,947	12,114	14,061
8	**Return per Ordinary Share – Basic**	6.97p	22.44p	29.41p	2.69p	16.76p	19.45p
8	**Return per Ordinary Share – Fully diluted**	6.78p	21.85p	28.63p	2.62p	16.32p	18.94p

The total column of this financial statement represents the Statement of Comprehensive Income of the Company, 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 financial 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.

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

FINANCIAL REPORT

Balance Sheet

Notes	As at 31 December 2015	2015 £'000	2014 £'000
	Non-current assets		
9	Investments at fair value through profit or loss	**215,711**	234,414
		215,711	234,414
	Current Assets		
12	Other receivables	**26**	2,577
13	Cash and cash equivalents	**24,023**	6,946
		24,049	9,523
	Current liabilities		
14	Other payables	**(2,278)**	(18,117)
	Net current assets/(liabilities)	**21,771**	(8,594)
	Total assets less current liabilities	**237,482**	225,820
	Non-current liabilities		
15	Interest-bearing bank loan	**(21,357)**	(22,312)
	Net assets	**216,125**	203,508
	Equity		
16	Called-up ordinary share capital	**720**	723
	Special distributable capital reserve	**15,040**	15,679
	Special distributable revenue reserve	**31,403**	31,403
	Capital redemption reserve	**1,335**	1,335
	Capital reserve	**158,002**	149,769
	Revenue reserve	**9,625**	4,599
	Shareholders' funds	**216,125**	203,508
8	**Net asset value per Ordinary Share – Basic**	**300.25p**	281.55p
8	**Net asset value per Ordinary Share – Fully diluted**	**295.74p**	277.55p

The financial statements were approved and authorised for issue by the Board of Directors on 7 April 2016, and signed on its behalf by:

Mark Tennant

Director

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

Statement of Changes in Equity

For the year ended 31 December 2015

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 2015							
	Net assets at 1 January 2015	723	15,679	31,403	1,335	149,769	4,599	203,508
16	Cancellation of Ordinary Shares	(3)	(639)	–	–	–	–	(642)
	Profit for the year/total comprehensive income	–	–	–	–	16,189	5,026	21,215
7	Dividends paid	–	–	–	–	(7,956)	–	(7,956)
	Net assets at 31 December 2015	**720**	**15,040**	**31,403**	**1,335**	**158,002**	**9,625**	**216,125**
	For the year ended 31 December 2014							
	Net assets at 1 January 2014	723	15,679	31,403	1,335	145,425	2,652	197,217
	Profit for the year/total comprehensive income	–	–	–	–	12,114	1,947	14,061
7	Dividends paid	–	–	–	–	(7,770)	–	(7,770)
	Net assets at 31 December 2014	723	15,679	31,403	1,335	149,769	4,599	203,508

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

Cash Flow Statement

For the year ended 31 December 2015

Notes		2015 £'000	2014 £'000
	Operating activities		
	Profit before taxation	21,215	14,061
	Adjustments for:		
	Gains on disposals of investments	(5,965)	(10,539)
	Increase in holding gains	(11,436)	(8,049)
	Exchange differences	(2,072)	(572)
	Interest income	(48)	(27)
	Interest received	48	27
	Investment income	(7,562)	(3,971)
	Investment income received	7,840	3,695
	Finance costs	1,793	5,203
	Decrease in other payables	(309)	(34)
	Net cash inflow/(outflow) from operating activities	3,504	(206)
	Investing activities		
	Purchases of investments	(35,271)	(29,114)
	Sales of investments	73,655	48,680
	Net cash inflow from investing activities	38,384	19,566
	Financing activities		
	Shares cancelled (net of costs)	(642)	–
	Repayment of bank loans	(14,618)	(7,286)
	Draw down of bank loans, net of costs	–	42,461
10	Amounts paid to subsidiary	–	(45,642)
	Interest paid	(1,586)	(980)
7	Equity dividends paid	(7,956)	(7,770)
	Net cash outflow from financing activities	(24,802)	(19,217)
	Net increase in cash and cash equivalents	17,086	143
	Currency losses	(9)	(206)
	Net increase/(decrease) in cash and cash equivalents	17,077	(63)
	Opening cash and cash equivalents	6,946	7,009
	Closing cash and cash equivalents	24,023	6,946

Certain comparative figures have been dis-aggregated to provide more detailed information in line with the current presentation adopted. There was no impact on the comparative net profit as a result of the new presentation.

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

Notes to the Financial Statements

1 Accounting policies

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

(a) **Basis of accounting**

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

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 November 2014 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

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

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. The valuation of unquoted securities requires estimates and assumptions. The nature of the estimations means that actual outcomes could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Further information on the portfolio valuation, market risk and sensitivity to market changes is provided in notes 9 and 17.

After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. 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 27.

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

- *Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle*. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

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

- In July 2014, the IASB issued the final version of IFRS 9 *'Financial Instruments'* which reflects all phases of the financial instruments project and replaces IAS 39 *'Financial Instruments: Recognition and Measurements'*. The standard introduces new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required with some exceptions. The adoption of IFRS 9 is unlikely to have a material effect on the classification and measurement of the Company's financial assets or financial liabilities.
- IASB has issued *'Annual Improvements to IFRSs 2012-2014 Cycle'* which will be effective for annual periods beginning on or after 1 January 2016. The adoption of these improvements is unlikely to have a material effect on the classification and measurement of the Company's financial position and peformance.
- IASB has issued a new standard for the recognition of revenue, IFRS 15 *'Revenue from Contracts with Customers'*. This will replace IAS 18 which covers contracts for goods and services. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

  The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 January 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

  The standard will be effective for annual periods beginning on or after 1 January 2018. The Company is yet to assess IFRS 15's full impact but it is not currently anticipated that this standard will have any material impact on the Company's financial statements as presented for the current year.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

(a) **Basis of accounting (continued)**

The Company 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) **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. Overseas dividends are shown net of withholding tax. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash (scrip dividends), the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in capital reserves. Other income which includes deposit interest is recognised on an accruals basis.

(c) **Expenses**

Expenses are accounted for on an accruals basis.

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 3) which is charged fully to capital.

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

(d) **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 the C Shares and Restricted Voting Shares bought back for cancellation were 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 paid during the year may be deducted from this reserve.

(e) **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. 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. Gains and losses arising from the changes in fair value are included in net profit for the year as a capital item.

All investments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy in note 11, 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.

1 Accounting policies (continued)

(e) Investments (continued)

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.

(f) 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	2015	2014
Euro	1.3568	1.2886
US Dollar	1.4739	1.5593
Norwegian Krone	13.0460	11.6906
Swiss Franc	1.4754	1.5494

(g) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Investment trusts which have approval under section 1158 Corporation Tax Act 2010 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(h) Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at banks and overnights deposits.

(i) Interest-bearing borrowings

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

Notes to the Financial Statements (continued)

2 Income

	31 December 2015 £'000	31 December 2014 £'000
Investment income	**7,562**	3,971
Other income		
Deposit interest	**48**	27
	7,610	3,998

3 Investment management fee

	Revenue £'000	Capital £'000	2015 Total £'000	Revenue £'000	Capital £'000	2014 Total £'000
Investment management fee – basic fee	**509**	**1,528**	**2,037**	516	1,548	2,064
Investment management fee – performance fee	**–**	**1,342**	**1,342**	–	1,085	1,085
Total	**509**	**2,870**	**3,379**	516	2,633	3,149

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

Throughout the year the Manager was entitled to a basic management fee payable quarterly in arrears, of 0.9 per cent per annum of the relevant assets of the Company (2014: 0.9 per cent). For the purposes of the basic management fees, the 'relevant' assets are the net assets plus the amount of any long-term borrowings undertaken for the purpose of investment but excluding the value of any investment in any fund which is managed by the Manager or an associate of the Manager.

The Manager 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 31 December 2014 (the end of the last period in respect of which a performance fee was paid) must exceed the audited diluted net asset value of 277.55p per Ordinary Share as at 31 December 2014 (the net asset value per Ordinary Share (fully diluted) at the end of the last period in respect of which a performance fee was paid, after accruing for that performance fee). If these 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 Company's net asset value. The performance period is the 36 month period ending on 31 December in the year in respect of which the performance fee may be payable.

The management agreement between the Company and the Manager 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, the Manager 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, the Manager is

3 Investment management fee (continued)

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 Company 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 the Manager of such notice to the effective date of termination.

During the year the Manager, also received a secretarial and administrative fee of £134,000 (2014: £132,000), which is subject to increases in line with the Consumer Price Index.

4 Other expenses

	2015 £'000	2014 £'000
Auditor's remuneration for:		
– statutory audit of the financial statements	32	33
– tax compliance services	10	14
– tax advisory services	–	1
– liquidation of subsidiary	10	25
Directors' fees	153	153
Legal fees	13	51
Printing and postage	33	33
Registration fees	18	31
Secretarial and administrative fee (see note 3)	134	132
Irrecoverable VAT	72	83
Other	221	189
	696	745

5 Finance costs

	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
Interest payable on bank loans and overdrafts	448	1,345	1,793	349	1,047	1,396
Finance costs attributable to subsidiary loan	–	–	–	–	3,807	3,807
	448	1,345	1,793	349	4,854	5,203

Notes to the Financial Statements

6 Taxation on ordinary activities

(a) Analysis of charge for the year

	Revenue £'000	Capital £'000	2015 Total £'000	Revenue £'000	Capital £'000	2014 Total £'000
UK corporation tax	**931**	**(931)**	**–**	441	(441)	–

(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 20.25 per cent (2014: 21.50 per cent). The table below provides a reconciliation of the respective charges.

	Revenue £'000	Capital £'000	2015 Total £'000	Revenue £'000	Capital £'000	2014 Total £'000
Profit before tax	**5,957**	**15,258**	**21,215**	2,388	11,673	14,061
Corporation tax at standard rate of 20.25 per cent (2014: 21.50 per cent)	**1,206**	**3,090**	**4,296**	513	2,510	3,023
Effects of:						
Non taxable capital gains	**–**	**(3,943)**	**(3,943)**	–	(4,119)	(4,119)
Non taxable dividend income	**(277)**	**–**	**(277)**	(64)	–	(64)
Non deductible expenditure	**2**	**–**	**2**	–	820	820
Excess expenses arising in the year	**–**	**–**	**–**	(8)	348	340
Brought forward expenses utilised	**–**	**(78)**	**(78)**	–	–	–
	931	**(931)**	**–**	441	(441)	–

At 31 December 2015, there was an unrecognised deferred tax asset of £2,030,000 in respect of unutilised losses carried forward (2014: £2,143,000).

7 Dividends

	2015 £'000	2014 £'000
Amounts recognised as distributions to shareholders in the year:		
Final Ordinary Share dividend of 5.36p for the year ended 31 December 2013	**–**	3,874
Interim Ordinary Share dividend of 5.39p for the year ended 31 December 2014	**–**	3,896
Final Ordinary Share dividend of 5.45p for the year ended 31 December 2014	**3,939**	–
Interim Ordinary Share dividend of 5.58p for the year ended 31 December 2015	**4,017**	–
	7,956	7,770
Amounts relating to the year but not paid at the year end:		
Final Ordinary Share dividend of 5.45p for the year ended 31 December 2014	**–**	3,939
Final Ordinary Share dividend of 5.83p for the year ended 31 December 2015	**4,251**	–
	4,251	3,939

Special dividends

There were no special dividends paid during the year ended 31 December 2015 and 31 December 2014.

8 Returns and net asset values

	2015	2014
The returns and net asset values per share are based on the following figures:		
Revenue return	£5,026,000	£1,947,000
Capital return	£16,189,000	£12,114,000
Net assets attributable to shareholders	£216,125,000	£203,508,000
Net assets attributable to shareholders (including warrants to be exercised)	£218,671,000	£206,054,000
Number of shares in issue at end of year	71,982,273	72,282,273
Weighted average number of shares in issue during year	72,143,369	72,282,273
Number of shares in issue at end of year (including warrants to be exercised)	73,941,429	74,241,429
Weighted average number of shares in issue during year (including warrants to be exercised)	74,102,525	74,241,429

	Revenue	Capital	2015 Total	Revenue	Capital	2014 Total
Return per Ordinary Share – Basic	6.97p	22.44p	29.41p	2.69p	16.76p	19.45p
Return per Ordinary Share – Fully diluted	6.78p	21.85p	28.63p	2.62p	16.32p	18.94p

	2015	2014
Net asset value per Ordinary Share – Basic	300.25p	281.55p
Net asset value per Ordinary Share – Fully diluted	295.74p	277.55p

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. At 31 December 2015, the Company has in issue 1,959,156 warrants to subscribe for Ordinary Shares as discussed in note 16.

Notes to the Financial Statements (continued)

9 Investments

	Listed £'000	Unlisted £'000	2015 Total £'000	Listed £'000	Unlisted £'000	Subsidiary Undertaking £'000	2014 Total £'000
Cost at beginning of year	1,386	210,339	211,725	2,670	220,307	50	223,027
Movements during the year:							
Purchases	–	35,271	35,271	–	29,114	–	29,114
Sales	–	(71,375)	(71,375)	(1,073)	(49,826)	(56)	(50,955)
(Losses)/gains on investments sold	(81)	6,046	5,965	(376)	10,909	6	10,539
In specie distribution	23	(23)	–	165	(165)	–	–
Cost at end of the year	1,328	180,258	181,586	1,386	210,339	–	211,725
Holding (losses)/gains	(1,022)	35,147	34,125	(826)	23,515	–	22,689
Valuation at end of year	306	215,405	215,711	560	233,854	–	234,414

	2015 £'000	2014 £'000
Gains on investments sold	5,965	10,539
Increase in holding gains	11,436	8,049
Gains on investments	17,401	18,588

In specie distributions of listed equities received from Warburg Pincus VIII totalled £23,000 (2014: in specie distributions received from Warburg Pincus IX totalled £165,000).

During the year the Company incurred transaction costs on purchases and sales of investments of £nil (2014: £nil).

10 Liquidation of F&C Private Equity Zeros plc

The Company had issued to F&C Private Equity Zeros plc (FCPEZ), a non interest bearing subordinated unsecured loan note 2015 equal to the net proceeds of the Zero Dividend Preference Shares issued by FCPEZ and loaned to the Company under an agreement dated 1 December 2009. The loan of £45,642,000 was repaid on 10 December 2014.

On 12 December 2014, a special resolution was passed by the shareholders of FCPEZ that FCPEZ be wound up voluntarily pursuant to Section 84(1)(b) of the Insolvency Act 1986 and that Derek Neil Hyslop and Colin Peter Dempster of Ernst & Young LLP of 10 George Street, Edinburgh EH2 2DZ, having consented to act, be appointed as joint liquidators with the power to act jointly and severally for the purpose of such winding up including realising and distributing FCPEZ's assets and any power conferred on them by law or by said resolution and any act required or authorised under any enactment to be done by them may be exercised by them jointly or by each of them alone.

The completion meeting of the liquidation was held on 29 March 2016.

11 Fair value of assets and liabilities

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments recognised in the balance sheet by level of the fair value hierarchy:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2015 Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2014 Total £'000
Financial assets								
Investments	306	–	215,405	215,711	560	–	233,854	234,414
Financial liabilities								
Interest-bearing bank loan	–	(22,172)	–	(22,172)	–	(23,341)	–	(23,341)

There were no transfers between levels in the fair value hierarchy in the year ended 31 December 2015 (2014: none).

11 Fair value of assets and liabilities (continued)

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 share of the valuation of the co-investment calculated by the lead private equity manager on a quarterly basis.

The lead private equity 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 private equity 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.

Interest-bearing bank loan

The interest-bearing bank loan is recognised in the Balance Sheet at amortised cost in accordance with IFRS. The fair value of the loan is based on indicative break costs of £22,172,000 (2014: £23,341,000).

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 2015 was 7.8 times EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) (2014: 7.7 times EBITDA).

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 are shown below:

Input	Sensitivity used*	Effect on fair value £'000
31 December 2015		
Weighted average earnings multiple	1x	43,081
31 December 2014		
Weighted average earnings multiple	1x	44,972

*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.

Notes to the Financial Statements (continued)

11 Fair value of assets and liabilities (continued)

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:

	2015 £'000	2014 £'000
Balance at beginning of year	233,854	236,308
Purchases	35,271	29,114
Sales	(71,375)	(49,826)
Gains on disposal	6,046	10,909
In specie distribution	(23)	(165)
Holding gains	11,632	7,514
Balance at end of year	215,405	233,854

The fair value of all other financial assets and liabilities is represented by their carrying value in the Balance Sheet.

12 Other receivables

	2015 £'000	2014 £'000
Investment debtors	–	2,551
Other debtors	26	26
	26	2,577

13 Cash and cash equivalents

	2015 £'000	2014 £'000
Cash at banks and on hand	3,633	196
Short-term deposits	20,390	6,750
	24,023	6,946

14 Current liabilities

Other payables	2015 £'000	2014 £'000
Interest accrued	244	253
Due to Manager	1,871	2,116
Accrued expenses	163	227
Multi-currency revolving credit facility utilised	–	15,521
	2,278	18,117

On 30 June 2014, the Company entered into a five year €30 million term and £45 million multi-currency revolving credit facility agreement ('RCF'). This replaced the Company's previous £50 million unsecured committed multi-currency revolving credit facility agreement which was cancelled on entering into the new agreement.

The €30 million term loan was fully drawn down throughout the year and is included within non-current liabilities (note 15). None of the RCF was drawn down at 31 December 2015. The amount of undrawn RCF at 31 December 2015 which is available for future operating activities and settling capital commitments is £45 million.

15 Non-current liabilities

Interest-bearing bank loan

On 30 June 2014 the Company entered into a five year €30,000,000 term loan agreement and this was fully drawn throughout the year. Interest rate margins on the amount drawn down are variable and are dependent upon commercial terms agreed with the bank. Commitment commissions are payable on undrawn amounts at commercial rates.

	31 December 2015 £'000	31 December 2014 £'000
Principal amount outstanding	**22,111**	23,282
Set up costs	**(1,079)**	(1,079)
Accumulated amortisation of set up costs	**325**	109
	21,357	22,312

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 25 per cent of the adjusted portfolio value;
- outstanding uncalled commitments expressed as a percentage of net asset value do not exceed 70 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 is not less than £140 million.

The Company met all covenant conditions during the year.

16 Share capital

Equity share capital

	31 December 2015 £'000	31 December 2014 £'000
Equity share capital:		
72,282,273 Ordinary Shares of 1p each in issue at 31 December 2014	**723**	723
Cancellation of 300,000 Ordinary Shares of 1p each	**(3)**	–
71,982,273 Ordinary Shares of 1p each in issue at 31 December 2015	**720**	723

The Company bought back 300,000 Ordinary Shares for cancellation during the year (2014: nil) for a consideration of £642,000. The surplus of cash paid for the buyback of shares over the par value of such shares is £639,000 and is credited to the special distributable capital reserve.

At 31 December 2015, the Company had 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 its issued share capital, special distributable capital reserve, special distributable revenue reserve, capital redemption reserve, capital reserve and revenue reserve.

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.

Notes to the Financial Statements (continued)

17 Financial instruments

The Company's financial instruments comprise equity investments, 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. From time to time the Company 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 Company'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 Company is exposed are market price risk, interest rate risk, liquidity and funding risk, credit risk and foreign currency risk.

Market price risk

The Company's strategy for the management of market price risk is driven by the Company's investment policy as outlined on page 9. The management of market price risk is part of the investment management process and is typical of private equity investment. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders. Further information on the investment portfolio is set out on pages 19 to 23. 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 Company's overall market positions are monitored by the Board on a quarterly basis.

Interest rate risk

Some of the Company's financial assets are interest bearing and, as a result, the Company is subject to exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

When the Company 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 Company held the following floating rate instruments at the year-end:

	2015 £'000	**2015 average interest rate**	**2015 average period until maturity**	2014 £'000	2014 average interest rate	2014 average period until maturity
Cash and cash equivalents	**24,023**	**0.3%**	**n/a**	6,946	0.3%	n/a
Multi-currency revolving credit facility	**–**	**–**	**–**	(15,521)	3.3%	0.17 years
Interest-bearing bank loan	**(22,111)**	**3.1%**	**3.50 years**	(23,282)	3.3%	4.50 years

An increase of 25 basis points in interest rates as at 31 December 2015 would have increased loan interest payable, increased interest income receivable and increased the total profit for the year by £5,000 (2014: increased loan interest payable, increased interest income receivable and reduced the total profit by £80,000). A decrease of 25 basis points would have had an equal but opposite effect.

Liquidity and funding risk

The Company'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 Company 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.

17 Financial instruments (continued)

Liquidity and funding risk (continued)

Capital commitments in respect of outstanding calls on investments at 31 December 2015 amounted to £56,024,000 (2014: £64,200,000). Of these outstanding commitments, at least £17 million (2014: £18 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 Company's listed securities are considered to be readily realisable.

The Company's liquidity risk is managed on an ongoing basis by the Manager in accordance with policies and procedures in place as described on pages 9 and 10. The Company's overall liquidity risks are currently monitored on a quarterly basis by the Board.

The Company 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 2015	One month £'000	Between one and three months £'000	Between three and twelve months £'000	Between one and five years £'000	Total £'000
Liabilities					
Other creditors	352	55	1,871	–	2,278
Interest-bearing bank loan	–	112	540	23,911	24,563
Total liabilities	352	167	2,411	23,911	26,841

As at 31 December 2014	One month £'000	Between one and three months £'000	Between three and twelve months £'000	Between one and five years £'000	Total £'000
Liabilities					
Other creditors	920	15,690	1,587	–	18,197
Interest-bearing bank loan	–	121	540	25,862	26,523
Total liabilities	920	15,811	2,127	25,862	44,720

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 Company. 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 Company's financial assets exposed to credit risk amounted to the following:

	2015 £'000	2014 £'000
Cash and cash equivalents	24,023	6,946
Interest, dividends and other receivables	26	2,577
	24,049	9,523

Notes to the Financial Statements (continued)

17 Financial instruments (continued)

Credit risk (continued)

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

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

The Company's cash balances are held by a number of counterparties. Bankruptcy or insolvency of these counterparties may cause the Company'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.

Foreign currency risk

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

Foreign currency exposure:

	2015 Investments £'000	**2015 Cash £'000**	**2015 Borrowings £'000**	2014 Investments £'000	2014 Cash £'000	2014 Borrowings £'000
US Dollar	**28,839**	**–**	**–**	30,860	11	–
Euro	**86,362**	**420**	**(22,111)**	92,985	179	(38,803)
Norwegian Krone	**5,420**	**–**	**–**	7,414	–	–
Swiss Franc	**1,255**	**–**	**–**	1,210	–	–
Total	**121,876**	**420**	**(22,111)**	132,469	190	(38,803)

To highlight the sensitivity to currency movements, if the value of sterling had weakened against each of the currencies in the portfolio by 5 per cent at 31 December 2015, the capital gain would have increased for the year by £5.3 million (2014: positive £4.9 million). If the value of sterling had strengthened against each of the currencies in the portfolio by 5 per cent, the capital gain would have decreased for the year by £4.8 million (2014: negative £4.5 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 following are considered related parties: the Board of Directors, the Manager and fellow members of BMO.

There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on page 33 and set out in note 4 on the accounts. There are no outstanding balances with the Board at year end. Transactions between the Company and F&C are detailed: in note 3 on management fees and in note 14 in relation to fees owed to F&C at the Balance Sheet date.

19 Post balance sheet

On 24 March 2016 the Company issued 930,599 Ordinary Shares of 1p each in the capital of the Company at 129.94p per share, payable in cash, following the exercise of subscription rights by holders of a corresponding number of management warrants previously issued by the Company in the capital of the Company. These Shares rank pari passu in all respects with the existing Ordinary Shares of 1p each in the capital of the Company.

AIFM Disclosures

Alternative Investment Fund Managers ('AIFM') Directive

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, F&C Investment Business Limited, is required to be made available to investors.

The Company's maximum and average actual leverage levels at 31 December 2015 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	200%	200%
Actual	110%	121%

For the purposes of the AIFM Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of Company's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

The leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Association. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

Detailed regulatory disclosures including those on the AIFM's remuneration policy and costs are available on the Company's website or from F&C on request.

An Investor Disclosure Document for the Company is available on the Company's website www.fcpet.co.uk.

Notice of Annual General Meeting

Notice is hereby given that the seventeenth Annual General Meeting of F&C Private Equity Trust plc (in this notice, the "Company") will be held on Wednesday, 25 May 2016 commencing at 12 noon at 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 2015 be received and adopted.
2. That the Directors' Remuneration Report for the year ended 31 December 2015 be approved.
3. That a final dividend of 5.83p per Ordinary Share be declared.
4. That David Shaw, who retires by rotation, be re-elected as a Director.
5. That Elizabeth Kennedy, who retires annually, 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 2016.
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 £72,912 (being an amount equal to 10 per cent of the total issued ordinary share capital of the Company as at 7 April 2016, 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 2017, 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 £36,456 (being an amount equal to 5 per cent of the total issued ordinary share capital of the Company as at 7 April 2016, 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 2017, 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 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 2017, 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

7 April 2016

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 Monday, 23 May 2016 (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 Monday, 23 May 2016 (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 12p 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.

Notice of Annual General Meeting (continued)

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 Monday, 23 May 2016.

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 Monday, 23 May 2016. 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 Monday, 23 May 2016. 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.

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.

Notice of Annual General Meeting (continued)

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

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

    (i) a hard copy request which is signed by the Ordinary Shareholder(s), states their full name(s) and address(es) and is sent to the Company Secretary, F&C Asset Management plc, 80 George Street, Edinburgh EH2 3BU;

    (ii) a request which is signed by the Ordinary Shareholder(s), states their full name(s) and address(es) and is sent to the Company Secretary, F&C Asset Management plc, 80 George Street, Edinburgh EH2 3BU; or

    (iii) a request which states "FPEO - AGM" in the subject line of the e-mail and the full name(s) and address(es) of the Ordinary Shareholder(s) and is sent to investor.enquiries@fandc.com.

13. ***Questions at the AGM***

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

    (i) answering the question would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information;

    (ii) the answer has already been given on the Company's website in the form of an answer to a question; or

    (iii) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

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

    At 7 April 2016, the Company's issued share capital comprised 72,912,872 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 7 April 2016 was 72,912,872.

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 2016/2017	
25 May 2016	Annual General Meeting
25 May 2016	Announcement of quarterly results to 31 March 2016
31 May 2016	Payment of final dividend
August 2016	Announcement of interim results to 30 June 2016
November 2016	Announcement of quarterly results to 30 September 2016
November 2016	Payment of semi-annual dividend
March 2017	Announcement of annual results to 31 December 2016

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 at **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 can 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 the Company, through its wholly owned subsidiary F&C Private Equity Zeros plc ('FCPEZ') issued 30,000,000 ZDP Shares at 100 pence per share. The ZDP Shares were designed to have a predetermined capital entitlement at the end of their life, on 15 December 2014, of 152.14 pence per share giving a redemption yield of 8.75 per cent per annum.

2012

On 23 May 2012 the Company adopted its current dividend policy, which is designed to provide shareholders with a regular and relatively predictable source of income, and the prospect of income growth over time.

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.

2014

On 15 December 2014, FCPEZ repaid its 30,000,000 ZDP Shares at 152.14 pence per share.

Historical Record

(Since reconstruction in 2005)

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
2014	277.55p	217.88p	21.5%	2.62p	10.84p	1.4%ø
2015	**295.74p**	**241.75p**	**18.3%**	**6.78p**	**11.41p**	**1.3%ø**

* as at 31 July 2005

fully diluted

ø excluding performance fee

Glossary of Terms

Corporate Terms

AAF – Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales.

AIC – Association of Investment Companies, is the trade body for Closed-end Investment Companies (www.theaic.co.uk).

AIFMD – Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires that all investment vehicles in the European Union, including Investment Trusts, must appoint a Depositary and an Alternative Investment Fund Manager. The Board of Directors of an Investment Trust, nevertheless, remains fully responsible for all aspects of the Company's strategy, operations and compliance with regulations.

Closed-end Investment Company – A company, including an Investment Trust, with a fixed issued ordinary share capital which is traded on an exchange at a price not necessarily related to the Net Asset Value of the company and where shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open-ended investment company, which has units not traded on an exchange but issued or bought back from investors at a price directly related to the Net Asset Value.

Custodian – A specialised financial institution responsible for safeguarding, worldwide, the listed securities and certain cash assets of the Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services. The Company's Custodian is JPMorgan Chase Bank.

Depositary – Under AIFMD rules applying from July 2014, the Company must appoint a Depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. Under AIFMD regulations, the Depositary has strict liability for the loss of the Company's financial assets in respect of which it has safekeeping duties. The Depositary's oversight duties include, but are not limited to, oversight of share buybacks, dividend payments and adherence to investment limits. The Company's Depositary is JPMorgan Europe Limited.

Derivative – A contract between two or more parties, the value of which fluctuates in accordance with the value of an underlying security. The contract is usually short-term (for less than one year). Examples of derivatives are put and call options, swap contracts, futures and contracts for difference. A derivative can be an asset or a liability and is a form of gearing because the fluctuations in its value are usually greater than the fluctuations in the underlying security's value.

Discount (or Premium) – If the share price of an Investment Trust is less than its Net Asset Value per share, the shares are trading at a discount. If the share price is greater than the Net Asset Value per share, the shares are trading at a premium.

Dividend – The income from an investment. The Company currently pays dividends to shareholders twice a year.

GAAP – Generally Accepted Accounting Practice. This includes UK GAAP and International GAAP (IFRS or International Financial Reporting Standards applicable in the European Union). The Company's financial statements are prepared in accordance with IFRS.

Gearing – Unlike open-ended investment companies, Investment Trusts have the ability to borrow to invest. This term is used to describe the level of borrowings that an Investment Trust has undertaken (see definition on page 6). The higher the level of borrowings, the higher the gearing ratio.

Investment Trust – A Closed-end Investment Company which satisfies the requirements of Section 1158 of the Corporation Tax Act 2010. Companies which meet these criteria are exempt from having to pay tax on the capital gains they realise from sales of the investments within their portfolios.

Leverage – As defined under AIFMD rules, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Leverage is broadly equivalent to Gearing, but is expressed as a ratio between the assets (excluding borrowings) and the Net Assets (after taking account of borrowings). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

Manager – The Company's investment manager is F&C Investment Business Limited, with is part of the BMO Global Asset Management Group. Further details are set out on page 14 and in note 3 to the financial statements.

Market Capitalisation – The stock market value of a company as determined by multiplying the number of shares in issue, excluding those shares held in treasury, by the market price of the shares.

Net Assets (or Shareholders' Funds) – This is calculated as the value of the investments and other assets of an Investment Trust, plus cash and debtors, less borrowings and any other creditors. It represents the underlying value of an Investment Trust at a point in time.

Net Asset Value ('NAV') per Ordinary Share – This is calculated as the net assets of an Investment Trust divided by the number of shares in issue, excluding those shares held in treasury.

Ongoing Charges – All operating costs expected to be incurred in future and that are payable by the Company expressed as a proportion of the average Net Assets of the Company over the reporting year. The costs of buying and selling investments are excluded, as are interest costs, taxation, non-recurring costs and the costs of buying back or issuing Ordinary Shares.

Ordinary Shares – The main type of equity capital issued by conventional Investment Trusts. Shareholders are entitled to their share of both income, in the form of dividends paid by the Investment Trust, and any capital growth. As at 31 December 2015 the Company had only Ordinary Shares in issue.

Share Price – The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the Main Market of the London Stock Exchange.

SORP – Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the AIC.

Glossary of Terms (continued)

Total Assets – This is calculated as the value of the investments and other assets of an Investment Trust, plus cash and debtors.

Total Return – The return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets.

Zero Dividend Preference Shares ('ZDP Shares') – An additional share class issued by some Investment Trusts. Their aim is to give investors back a certain amount of money, which is set in advance – called the redemption value.

Private Equity Terms

Carried Interest – The share in the proceeds of a sale of an investee company or fund that is retained by the private equity fund manager as a performance fee if the investment has performed well.

Co-investment – An investment made directly into a company alongside a financial sponsor or other private equity investors.

Deal Flow – The rate at which investment proposals come to a private equity fund manager.

Drawdown – When a private equity firm has decided where it would like to invest, it will approach its investor to drawdown the money already committed to the fund.

General Partner ('GP') – The manager of a limited partnership private equity fund.

Internal Rate of Return ('IRR') – Generally, the term refers to the annual compound rate of return to an investor over a given period. Returns normally include dividend and interest distributions and proceeds from disposals or a fair valuation of the company if unrealised.

Lead Investor – A private equity investor who either wins the mandate for, or invests the most in, a syndicated investment.

Limited Partnership – The legal structure of most private equity funds, comprising a fixed-life investment vehicle managed by General Partners with the Limited Partners being the investors. Limited Partners have limited liability and are not involved in the day-to-day management of the fund but receive regular and detailed reports on the holdings in the fund.

Management Buy-in ('MBI') – The purchase of a business by private equity investors together with one or more outside managers. The managers sometimes put up some of the finance and gain a share of the equity.

Management Buy-out ('MBO') – The purchase of a business by private equity investors with some or all of the existing management. The managers put up some of the finance and gain a share of the equity.

Mezzanine Finance/Debt – Loans, usually unsecured, which rank after secured or senior debt but before equity in the event of the company defaulting. To compensate for the greater risk, these loans usually carry interest at a higher rate than on a secured loan and an element of equity.

Secondaries Transaction – This is where an institutional, corporate or fund-of-funds investor in a private equity fund sells part or all of their portfolio of individual fund holdings to another institutional or corporate investor or fund-of-funds.

Senior Debt – Secured debt which ranks first in terms of repayment in the event of default.

Syndicated Investment – An investment which is too large to be undertaken by one fund on its own and which is therefore shared among several private equity funds.

Trade Sale – The sale of an investee company to another company in the same sector as opposed to a financial institution.

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 Investments.

F&C Investment Trust ISA
Use your ISA allowance to make an annual tax-efficient investment of up to £15,240 for 2015/16 tax year with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250 and transfer any existing ISAs to us whilst maintaining all the tax benefits.

F&C 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 £4,080 for 2015/16 tax year with all the tax benefits of the CTF. You can invest from £30 a month, or £500 lump sum, or a combination of both. Since 6 April 2015, CTF holders can choose to transfer an existing CTF to a Junior ISA.

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. Since 6 April 2015, the Registered Contact on a CTF can choose to transfer an existing CTF to a Junior ISA. Additional contributions can be made to the shares account version of the CTF from as little as £25 per month or £100 lump sum – up to a maximum of £4,080 for 2015/16 tax year.

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 Children's Investment Plan (CIP)
A flexible way to save for a child. With no maximum contributions, the plan can easily be set-up under bare trust (where the child is noted as the beneficial owner) to help reduce inheritance tax liability or kept in your name if you wish to retain control over the investment. 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.

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 for the PIP/CIP/JISA or the investment of regular monthly savings.

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

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

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

How to Invest
You can invest in all our savings plans online.

New Customers
Contact our Investor Services Team

Call: **0800 136 420** (8:30am – 5:30pm, weekdays, calls may be recorded for training and quality purposes)
Email: **info@fandc.com**
Investing online: **www.fandc.com/apply**

Existing Plan Holders
Contact our Investor Services Team

Call: **0345 600 3030** (*9:00am – 5:00pm, weekdays, calls may be recorded for training and quality purposes)
Email: **investor.enquiries@fandc.com**
By post: F&C Plan Administration Centre
PO Box 11114
Chelmsford
CM99 2DG

BMO A part of BMO Financial Group

F&C Investments CLIENTS FIRST RESPECT ACCOUNTABILITY INNOVATION

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

Alternative Investment Fund Manager ('AIFM') and Investment Manager

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

Auditor

Ernst & Young LLP
Ten George Street
Edinburgh EH2 2DZ

Broker and Financial Adviser

Cantor Fitzgerald Europe
One Churchill Place
Canary Wharf
London E14 5RB

Solicitors

CMS Cameron McKenna LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EN

Depositary

JPMorgan Europe Limited
25 Bank Street
Canary Wharf
London E14 5JP

Bankers

JPMorgan Chase Bank
25 Bank Street
Canary Wharf
London E14 5JP

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

Company Number

Registered in Scotland No: SC179412

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

aic The Association of Investment Companies

LPEQ Listed Private Equity

London Stock Exchange LISTED PREMIUM

F&C Private Equity Trust plc

REPORT AND ACCOUNTS 2015

Registered Office
80 George Street
Edinburgh EH2 3BU
Tel: 0207 628 8000
Fax: 0131 718 1280

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
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

F&C Investments