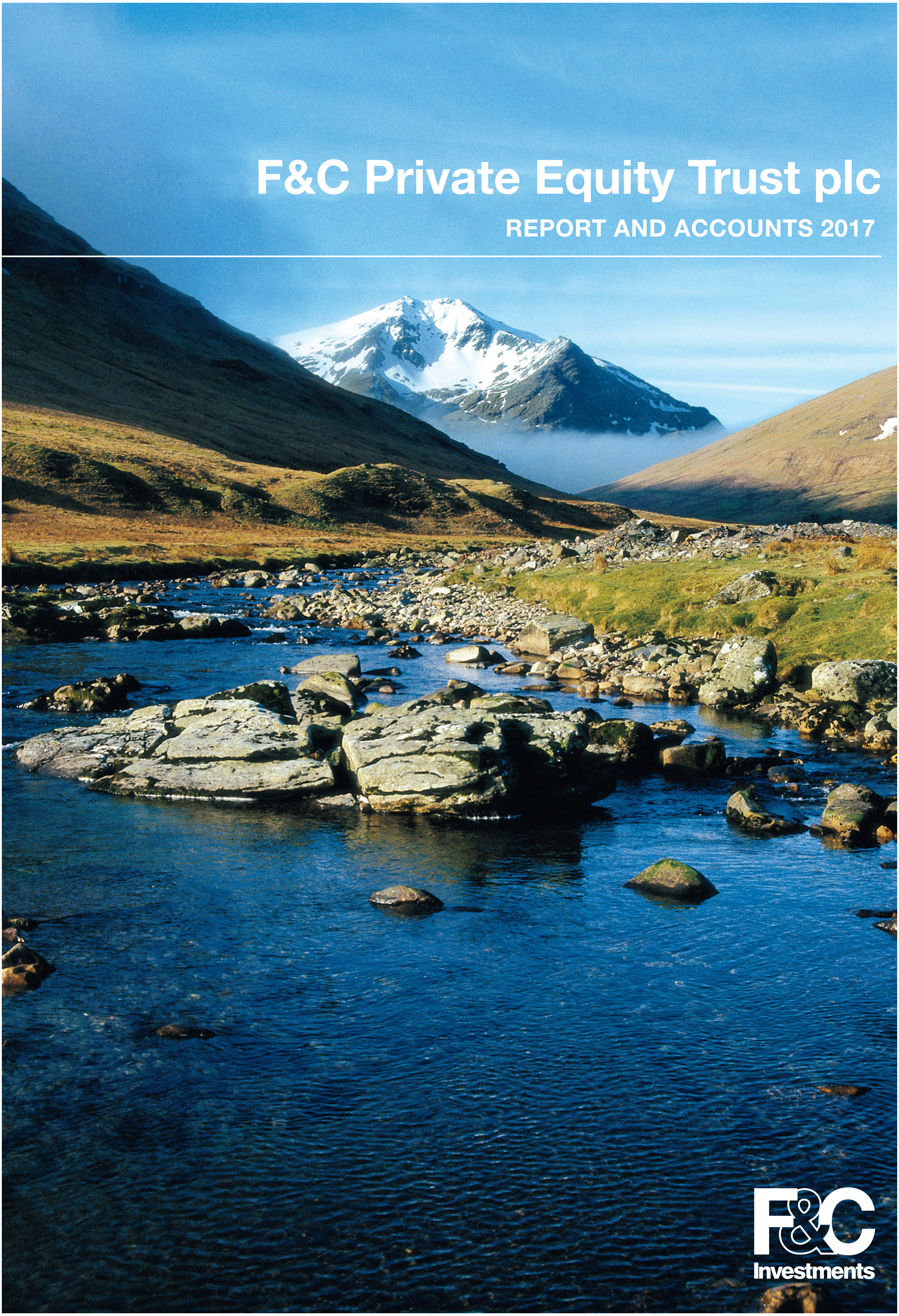
F&C Private Equity Trust plc

REPORT AND ACCOUNTS 2017



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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 quarterly 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 quarterly dividend or, if higher, equal (in terms of pence per share) to the highest quarterly dividend previously paid*. All quarterly dividends will be paid as interim dividends. The interim dividends payable in respect of the quarters ended 31 March, 30 June, 30 September and 31 December are expected to be paid in the following July, October, January and April respectively.

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 2017

73,941,429 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

* Prior to January 2018, the Company paid semi-annual dividends.

Financial Highlights

19.2%

Share price total return

- Share price total return [1] for the year of 19.2 per cent for the Ordinary Shares.

5.6%

NAV total return

- Net Asset Value [2] total return for the year of 5.6 per cent for the Ordinary Shares.

14.04p

Dividends

- Total dividends of 14.04p per Ordinary Share which represents growth of 11.4 per cent in comparison to the previous year.

4.1%

Yield

- Dividend yield of 4.1 per cent based on the year-end share price.

(1) Total Return. Refer to Alternative Performance Measures on page 67.

(2) Net Asset Value per Ordinary Share. Refer to Alternative Performance Measures on page 67.

Summary of Performance

Total Returns for the Year*	31 December 2017	31 December 2016	% change
Net asset value per Ordinary Share (1)	+5.6%	+23.0%	
Ordinary Share price	+19.2%	+27.8%	
Capital Values			
Net assets (£'000)	264,144	259,523	+1.8
Net asset value per Ordinary Share (1)	357.23p	350.98p	+1.8
Ordinary Share price	339.00p	295.50p	+14.7
Discount to net asset value (2)	5.1%	15.8%	
Income			
Revenue return after taxation (£'000)	(426)	(300)	
Revenue return per Ordinary Share (fully diluted)	(0.58)p	(0.41)p	
Dividends per Ordinary Share	14.04p	12.60p	
Dividend Yield	4.1%	4.3%	
Gearing†	-0.2%	-10.0%	
Ongoing Charges (3)			
As a percentage of average net assets	1.3%	1.3%	
As a percentage of average net assets including performance fees	2.0%	2.2%	
Future commitments (£'000)	123,389	116,822	

* 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).

(1) Net Asset Value per Ordinary Share. Refer to Alternative Performance Measures on page 67.

(2) Discount (or Premium). Refer to Alternative Performance Measures on page 67.

(3) Ongoing Charges. Refer to Alternative Performance Measures on page 67.

Sources: F&C Investment Business and Thomson Reuters Eikon

Chairman's Statement

Mark Tennant, Chairman

Introduction

I am pleased to report that your Company has achieved a net asset value ("NAV") total return for the year ended 31 December 2017 of 5.6 per cent. With the discount falling to 5.1 per cent as at 31 December 2017 (2016: 15.8 per cent), the share price total return for the year was 19.2 per cent. This compares to a total return from the FTSE All-Share Index for the year of 13.1 per cent. The share price at the year-end was 339.00p per share (2016: 295.50p), and NAV per share was 357.23p (2016: 350.98p). At times during the year the share price traded at a premium to NAV, a situation which has not occurred for many years.

During the year the Company made new investments either through funds or as co-investments, totalling £69.9 million. Realisations and associated income totalled £65.1 million. Outstanding undrawn commitments at the year-end were £123.4 million of which £18.0 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 2017 was 13.2 per cent and, consequently, a performance fee of £2.0 million is payable to the Manager, F&C Investment Business Limited, in respect of 2017. This is the fifth 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

Since 2012 your Company has paid a substantial dividend from realised capital profits allowing shareholders to participate, to some degree, directly in the proceeds of the steady stream of private equity realisations which the Company achieves. This policy has been well received by shareholders and your Board is fully committed to maintaining this general approach for the foreseeable future. One enhancement which the Board implemented during the year was for the Company to move from the payment of semi-annual dividends to quarterly dividends. This innovation regularises the flow of income to shareholders.

The quarterly dividends are payable in respect of the quarters ended 31 March, 30 June, 30 September and 31 December and are paid in the following July, October, January and April respectively. As shareholders no longer have an opportunity to approve a final dividend at each Annual General Meeting, shareholders have been asked to approve the Company's dividend policy at the forthcoming Annual General Meeting.

In accordance with the Company's stated dividend policy, the Board recommends a further quarterly dividend of 3.57p per Ordinary Share, payable on 30 April 2018 to shareholders on the register on 6 April 2018. Total dividends paid for the year therefore amount to 14.04p per Ordinary Share equivalent to a dividend yield of 4.1 per cent at the year-end.

Financing

At 31 December 2017 the Company held cash balances in excess of the €30.0 million term loan element of the £70.0 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 Manager takes advantage of new fund, co-investment and secondary opportunities over the coming months, we expect that a moderate level of gearing will be achieved.

Markets in Financial Instruments Directive ('MiFID') II

A significant regulatory task during the last year for the investment management industry was the implementation of the requirements of the revised European Union Markets in Financial Instruments Directive, better known as MiFID II. The preparation of a Key Information Document for the Company was the responsibility of the investment manager. This document, which, to ensure comparability, was prepared according to prescriptive guidelines and rules laid down by the FCA is available on the Company's website. However concerns have been raised, across the investment trust sector, which your Board shares that the performance scenarios disclosed in the document, which applies a methodology based upon past performance, may provide results for future returns which are too optimistic. Shareholders are reminded that past performance does not guarantee future results.

Annual General Meeting

The Annual General Meeting will be held at 12 noon on 24 May 2018 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.

Outlook

The private equity market internationally has raised record amounts of equity capital and is well supported by debt from diverse sources. Confidence levels amongst private equity professionals and company management are high and this makes for a healthy and active market in most geographies. The Company has many relationships with some of the most successful private equity investors and through partnership with them we have delivered good growth in shareholder value for many years. This is evidenced by the flow of exits which remains at impressive levels. We are also re-investing for the future with new commitments to funds and co-investments alongside experienced and motivated managers. The Company remains one of the few vehicles which gives investors exposure to predominantly European lower mid-market private equity with an emphasis on emerging private equity firms. This remains a broad and attractive sector in which to invest for the long term.

Mark Tennant
Chairman
6 April 2018

Business Model, Strategy and Policies

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 who served during the year, all of whom are non-executive, can be found on page 24.

The Board consists of four male Directors and two female Directors.

Richard Gray and Swantje Conrad were appointed to the Board with effect from 23 March 2017 and 2 April 2017 respectively.

John Rafferty retired from the Board at the conclusion of the 2017 Annual General Meeting.

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 quarterly 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 quarterly dividend or, if higher, equal (in terms of pence per share) to the highest quarterly dividend previously paid. The dividend can be funded from a combination of the Company's revenue and realised capital profits. Prior to January 2018, the Company paid semi-annual dividends.

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 2017 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 16 to the financial statements provides detailed explanations of the risks associated with the Company's financial instruments.

Principal Risks	Mitigation	Actions taken in the year
Inappropriate capital structure: Failure by the Company to meet its outstanding undrawn commitments could lead to financial loss for shareholders. Failure to replace maturing borrowings or enter agreement for new borrowings. **No change in overall risk in year**	The Board receives a detailed analysis of outstanding commitments at each meeting. A medium term cashflow projection is also provided. The Company has a borrowing facility which will not expire until 30 June 2019.The facility is composed of a €30 million term loan and a £45 million revolving credit facility.	The £45 million revolving credit facility remained undrawn throughout the year.
Poor long term investment performance relative to the peer group or other asset classes. **No change in overall risk in year**	Investment policy and performance are reviewed at each meeting. Borrowing limits have been set and monitored regularly.	The Board reviewed investment performance against the peer group and the FTSE All-Share Index at each regular meeting held during the year ended 31 December 2017.
Share price discount: Objective and strategy are inappropriate in relation to investor demands, adversely affecting the Company's share price discount. **No change in overall risk in year**	At each meeting of the Board, the Directors monitor performance against peer group and returns from the FTSE All-Share Index. Market intelligence is maintained via the Company's broker, Cantor Fitzgerald Europe and the provision of shareholder analyses. The Board meets shareholders on an annual basis at the Annual General Meeting held in London.	An Annual General Meeting was held in May 2017 attended by shareholders and the Company's broker. A strategy meeting of the Board was held in February 2018.
External risks: External events such as terrorism, disease, protectionism, inflation or deflation, economic shocks or recessions, the availability of credit and movements in interest rates could affect share prices and the valuation of investments. **No change in overall risk in year**	Each regular meeting of the Board provides a forum to discuss with the Manager the general economic environment and to consider any impact upon the investment portfolio and objectives.	A strategy meeting of the Board was held in February 2018.
Key personnel: Loss of key personnel from the BMO Private Equity team. **No change in overall risk in year**	Regular meetings between the Board and senior staff of the Manager. There is a six month notice period to the investment management agreement.	The Board met senior executives of BMO Global Asset Management (EMEA) during the year.
Systems and service providers: Failure of the Manager's accounting systems or disruption to the Manager's business or that of other third party service providers through cyber-attack or business continuity failure could lead to an inability to provide accurate reporting and monitoring, leading to loss of shareholders' confidence. **No change in overall risk in year**	The Depositary oversees custody of investments and cash in accordance with the requirements of the AIFMD. The Board receives an annual internal controls report from the Manager and the Registrar.	The Manager continues to strengthen and develop its Risk, Compliance and Internal Control functions and continues to invest in IT security. Supervision of F&C's third party service providers, including State Street and DST, has been maintained by F&C and includes assurances regarding IT security and cyber-attack prevention.

Rolling five year viability assessment and statement

The 2017 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 quarterly 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 quarterly 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 16 of the accounts.

The principal risks identified as relevant to the viability assessment were those relating to inappropriate objective and strategy, poor long term investment performance 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 long-term nature of the investments held, the existence of the borrowing facility including its expiration on 30 June 2019 and 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 five year period to April 2023, and the Board will continue to assess viability over five year rolling periods, taking account of foreseeable severe but plausible scenarios. Note 16 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 five 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 five year period to April 2023. 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
6th Floor
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG

6 April 2018

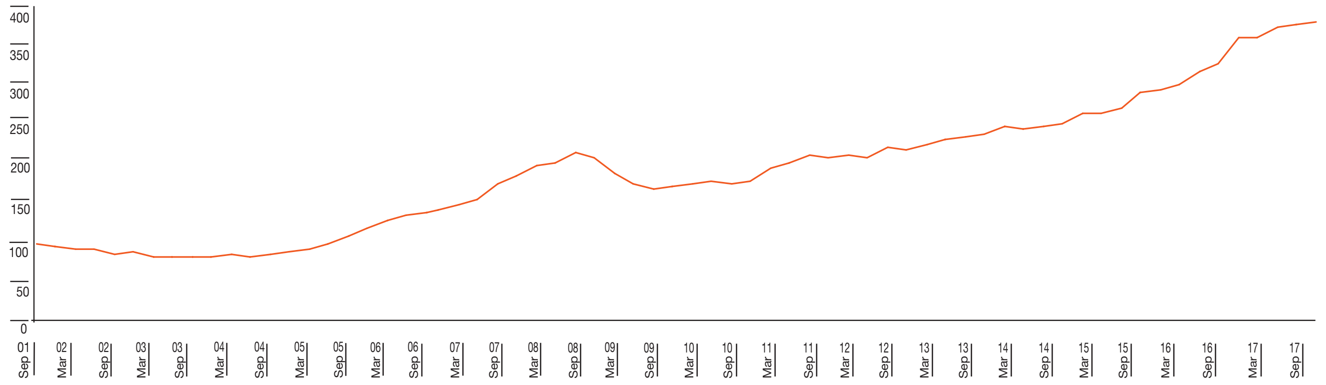
Key Performance Indicators

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[1] of the Ordinary Shares.
- Discount[2] 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[3] as a percentage of shareholders' funds.

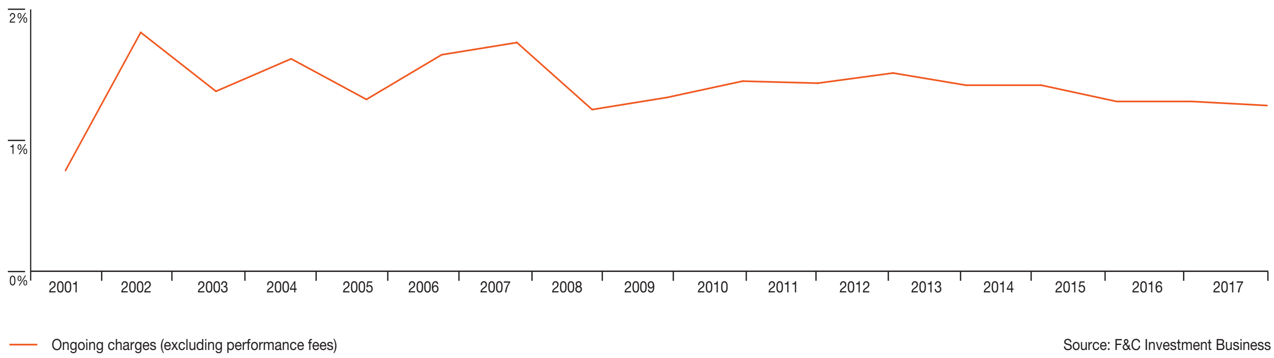
A historical record of these indicators is contained in the charts below (except for the historical record of discount and dividend yield) and in the Historical Record on page 66.

Net Asset Value Total Return
Ordinary Shares since September 2001



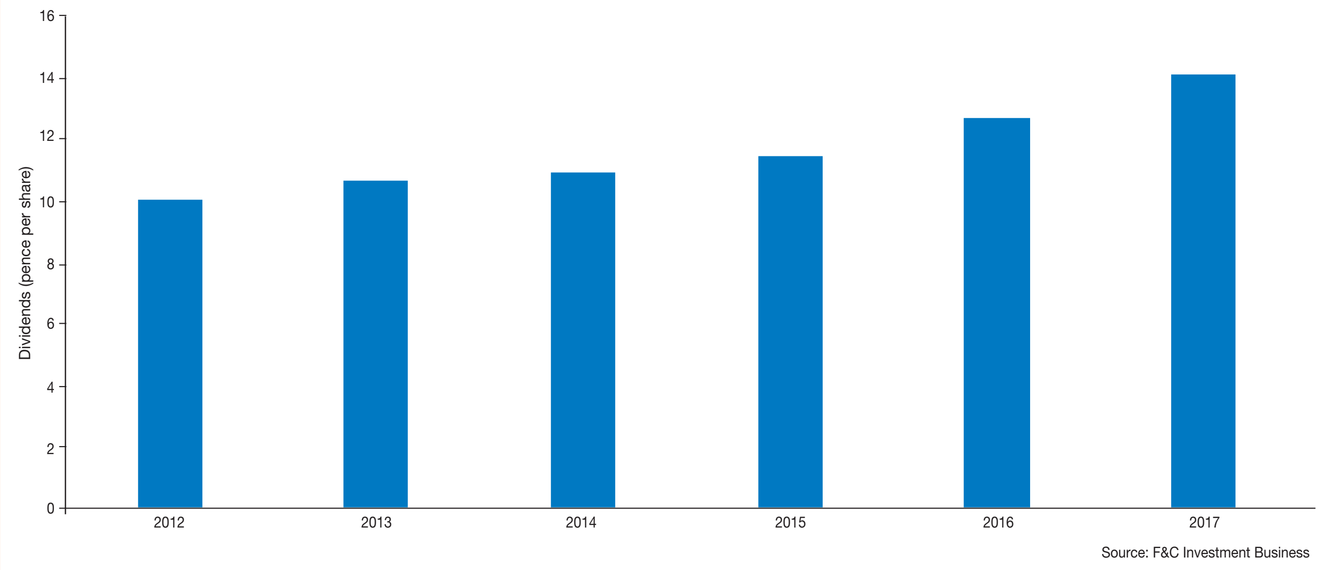
Source: F&C Investment Business

Ongoing Charges as a Percentage of Shareholders' Funds



Source: F&C Investment Business

Dividends per Ordinary Share



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

The Company's portfolio continued to make progress during the year. Key influences were the overall positive tone in the private equity market internationally and the specific contributions from some of our larger investments. The majority of our holdings increased in value over the year through fundamental growth in profits or through achieving good exits. Towards the end of the year a small number of investments encountered serious difficulties and the associated write downs have led to the NAV growing less strongly than originally expected. These issues are not linked nor reflect any systemic weakness but are rather a coincidental outcome of investing in a wide range of small private companies which carries with it inescapable vulnerabilities. There are many positives in the Company's portfolio and much of this is not yet fully reflected in the portfolio valuation.

New Investments

In order to lay the foundations for future value growth it is important that fresh commitments to funds and co-investments are made. In the case of primary funds and co-investments there is generally a lag before progress can be seen in the value of these investments as it takes time for investments to be drawn down and for profits to grow sufficiently to prove that the investment thesis is working and to justify an uplift. It follows that a substantial new investment programme can act in the short term as a minor drag on performance but over the longer term it is essential if returns are to be maintained and enhanced. During the year we have made commitments to eight new funds and invested in nine new co-investments. Each of these funds will in turn build a portfolio of around ten investments. The co-investment portfolio now numbers 24 investments and accounts for nearly a third of the total portfolio.

As it happens almost all of the new fund commitments are to funds with their principal focus outside the UK and most of the co-investments are UK focused. Whilst this is not a deliberate result of our research process, it does give a helpful amount of geographic diversification.

The only primarily UK fund added during the year was Apposite Healthcare II to which £6 million was committed. This fund focuses on UK lower mid-market companies in healthcare services, digital health, social care and medical products and has the flexibility to invest up to 30% in Western Europe. The fund is managed by a very experienced team and already has made four investments taking the fund to approximately 20% drawn. Also in the healthcare sector, but with a broader geographic remit, is ArchiMed II to which €5 million has been committed. Both funds were selected following an extensive market mapping exercise looking at opportunities in the healthcare and related sectors in Europe.

As previously noted we have renewed our commitment to leading French mid-market investor Chequers through a €6 million commitment to their Fund XVII. After a considerable period of review of the Central and Eastern European private equity markets we have committed €5 million to ARX CEE IV, a Czech Republic based mid-market investor which was originally a spin-out from DBAG. In Finland we have committed €6 million to Vaaka Partners Buyout III, a lower mid-market buyout fund focusing on this small but well defined market.

We have refreshed our North American exposure with three new commitments. $8 million was committed to Blue Point Capital IV. Blue Point is based in Cleveland Ohio and is a mid-market focused fund which generally invests in the vicinity of its HQ and close to its Seattle and Charlotte offices. Additionally, and unusually for a mid-market firm, Blue Point has for many years successfully developed the China angle of its US investee companies. This is the fourth Blue Point fund we have backed with our original investment dating back to 2002. We have committed $6 million to Graycliff Private Equity Partners III which specialises in lower mid-market buyouts. We have also committed $4 million to Stellex Capital Partners, an investor in distressed situations and companies requiring significant operational improvements primarily in the US mid-market. This investment begins with three platform investments in place and the fund 25% invested.

After the year end there are two further fund commitments. SEK 50 million was committed to Verdane Edda, a Nordic area focused fund investing in technology and technology enabled companies. £5 million was committed to Apiary Capital Partners I, a new lower mid-market UK fund focusing on B2B services, healthcare and education sectors. The team which is comprised of managers from Bowmark, Inflexion and August, will target control buyouts in the size range of enterprise value £10-50 million. This lower mid-market focus and their pricing disciplines match closely with our preferences.

During 2017 we made six new co-investments in the UK. These are in diverse sectors and are led by management teams with different specialisms.

Investment Manager's Review (continued)

We have invested £5 million in TWMA, an Aberdeen based oil services company involved in drilling waste management services. The investment thesis is that TWMA's largely offshore-based drilling waste solution, using a thermomechanical cylindrical mill, can make a major contribution to reducing the total cost of production for oil companies. Understandably, bringing costs down remains a key focus while the oil price is depressed. Buckthorn, which is an energy specialist, is the lead on the deal.

In the clothing sector, we have partnered with Total Capital Partners to invest £6.2 million, through an integrated finance structure, in Weird Fish. Its main products are active lifestyle clothes such as T–shirts and 'macaroni' sweatshirts aimed at the stable and affluent 35–55 age demographic. The company is both a wholesaler and retailer with a limited estate of stores in outdoor holiday areas in the UK.

We have committed to invest £3.0 million with Apposite Capital in Swanton Care Group. The initial investment is £1.4 million creating a platform for the company which is involved in residential care homes and supported living for people with learning disabilities and autism spectrum disorders. The company already has 23 properties and the plan is to add to this through acquisition during the holding period.

We have invested £2.8 million in CETA, a specialist insurance broker, which concentrates on the caravan and leisure boat niches. The company has set up a Managing General Agent (MGA) which will allow it to capture more of the value chain in this sector. The investment is led by Kester Capital.

We have invested £3.0 million in Walkers, a Leeds based transport and logistics company which specialises in small pallet loads and operates a distribution hub for one of the large pallet networks. Pallet hubs are being utilised increasingly, in part due to the increase in the popularity of online shopping and the requirement for many small batch deliveries. This investment is led by Total Capital Partners.

We have invested £4.0 million alongside leading venture capitalist SEP in a specialist software company Dotmatics. This company provides sophisticated software to the pharmaceutical industry which is primarily used to facilitate research.

There has been one new co-investment in Continental Europe. €2 million was invested in December in RGI, an Italian based provider of software solutions for the insurance industry. The deal is led by Corsair Capital, a financial services focused private equity house that spun-out of JP Morgan over a decade ago. The need for digital solutions is reshaping insurers' business models generating opportunities for third party software vendors. European insurers' IT spend on external software is growing strongly driven by insurers' need to replace legacy systems and keep up with technological advances. The investment thesis is based upon expanding from the company's base in Italy into adjacent markets of France, Germany and Spain.

In North America at the start of the year $5 million was invested in North Carolina based Sigma Electric Manufacturing, a leading manufacturer of metal castings, precision machined components and sub-assemblies for the US low voltage electrical products market. The investment is led by Argand, a mid-market specialist.

Near the end of 2017 $3 million was invested in Tier1 CRM, an Ontario based cloud-based customer relationship management ('CRM') software provider for financial services firms. The investment is led by Wavecrest Growth Partners, a Boston based lower mid-market growth equity firm focused on the software and tech enabled services sector.

Drawdowns

During the year drawdowns from our portfolio of funds totalled £38.8 million. Taking into account the co-investments as well brings the total newly invested up to £69.9 million. This represents around 27% of the Company's NAV at the start of the period. The detail of many of the significant drawdowns has been reported earlier in the year. The notable drawdowns in the final quarter are described below.

In the UK our key mid-market investment partners were active. Inflexion called a total of £2.3 million across its range of funds for several different investments. Inflexion Enterprise IV, their lower mid-market fund, invested £0.3 million into two new deals; Virgin Experience Days and Alston Eliot (Sports television graphics). Inflexion Buyout IV called £1.1 million for four investments; Xtrac (transmissions systems for racing cars), Bollington Wilson (commercial and personal insurance), PCMS (commercial software mainly for the retail sector) and Atcore (software for travel agents). August Equity Partners IV called £1.3 million for three investments; Fosters (low cost funerals), Zenergie (energy procurement) and Genesis (Dental Practices). RJD Private Equity III invested £0.5 million in Class Tours (bespoke school trips).

In Continental Europe Corpfin Capital IV invested £0.5 million in Kids & Us, a leading provider of English learning services in Spain operating more than 300 franchise centres with 115,000 students and £0.7 million in Marjal, one of the leading operators of camping holiday resorts in Spain. In Germany DBAG VII invested £0.7 million in More than Meals, a pan-European supplier of private label chilled convenience foods. In France Astorg IV invested £0.6 million in Audiotronix (digital sound mixing consoles for professionals). In the USA Blue Point Capital III invested £0.5 million in Italian Rose Garlic Products, a leading manufacturer and distributor of premium salsa, dips, sauces and spreads going into the retail and foodservice sectors.

Realisations

Over the fourth quarter realisations totalled £13.5 million bringing the total for 2017 to £65.1 million, just below the level achieved in 2016. There were several notable exits coming from different parts of the portfolio.

In the UK August Equity Partners II sold fostering company, Compass returning £2.5 million (2.2x, 15% IRR). Mezzanine Management IV exited US robotics company PAR returning £0.9 million (2.3x, 13% IRR). Ticketscript and Weird Fish each returned some capital through loan stock redemptions amounting to £0.6 million and £0.7 million respectively. SEP IV sold online retailer Matchesfashion to Apax returning £1.2 million (8.5x, 55% IRR).

In Europe Procuritas Capital IV exited Sonans, a Norwegian schools chain returning £2.1 million (4.3x, 32% IRR).

In the USA Blue Point Capital II returned £1.3 million from the exit of valves and pipes company Smith Cooper (2.9x, 24% IRR) and final sale proceeds from the 2015 sale of AWP. Camden Partners IV returned £2.1 million from the sale of healthcare software company, Essence Group (3.2x, 21% IRR).

Valuation Changes

Over the course of the year there were dozens of notable changes in valuation. These covered both the fund portfolio and the growing co-investment portfolio.

The funds which contributed most over the year were from each section of the portfolio. In the UK August Equity was notable with uplifts of £1.5 million and £1.2 million respectively for their Funds II and III. Part of this came from the exit after the year end of Active Assistance which achieved 4.7x and an IRR of 28%. August Equity Partners III benefitted from an uplift in the carrying value of VetPartners (veterinary clinics) to 4.9x, in line with the terms of a recapitalisation which took place in January.

In Germany DBAG V and VI were uplifted by a combined £3.2 million reflecting a flow of good exits. Nordic based Procuritas also had a good year with exits and trading related uplifts giving a combined uplift of £3.1 million for Procuritas Capital IV and V. Procuritas IV benefitted from the sale of Sonans noted above and an uplift for Green Magnum, the ice-cream machine maker which has since been sold to FSN achieving 6.5x and an IRR of 41%.

A number of funds were down over the year. These included RJD Private Equity II (£1.5 million), Pinebridge New Europe II (£0.9 million) and Primary Capital III (£0.6 million).

In our portfolio of co-investments there was a mixture of excellent progress and some disappointments.

Over the year the total uplift for Ambio Holdings, our co-investment in the peptide related active pharmaceutical ingredient (API) sector, was £10 million. The company is growing robustly and plans are afoot for an IPO possibly as early as the end of this year. Collingwood Insurance Group, our co-investment in Gibraltar based specialist motor insurer, has traded well and is uplifted by £2.1 million.

David Phillips (furniture for rental properties) has been reduced to zero from £4 million, as the company, which was in breach of banking covenants, was sold as a going concern to a consortium led by Epic Private Equity on 19 December. This repaid the bank in full but did not yield any value for our equity. This deal was led by FPE. Our initial investment was £2 million which was supplemented by £0.6 million in a ‘rescue’ refinancing in July 2017. Shortly after this it became clear that the forecasts on which the refinancing was based were not being met and whilst revenues were close to budget the business displayed a degree of operational gearing which made small misses on revenue produce a large adverse impact on EBITDA. FPE worked on a further refinancing option but this was deemed unjustifiable and an accelerated M&A process was initiated to meet the bank’s requirements for full recovery as soon as possible.

Burgess Marine was reduced from £0.9 million to zero. The company went into administration in December and the administrators sold the company’s subsidiary Global. After collection of the debtor book there may be a small recovery of our original investment of £3.0 million. Burgess has struggled for a number of reasons since our investment with RJD in January 2015. Competition from East Coast yards, which had spare capacity in the wake of the weak offshore market, eroded margins. In addition the MoD business was smaller and later than expected and the

Investment Manager's Review (continued)

workboat business Meercat failed to convert prospects into orders. The proximate cause of the demise was a cashflow crisis resulting from a major yacht refit.

We have also recognised a large downgrade of £3.2 million for the RJD led co-investment in debt management company Harrington Brooks. The company has been badly impacted by the prolonged process of becoming regulated by the FCA which has affected both Harrington Brooks and the debt management sector as a whole. Specifically the company struggles to find a reliable and cost effective means of acquiring new customers as the smaller companies who historically 'fed' customers to Harrington Brooks and others have been very much reduced during the elongated process of regulation.

The coincidence of these developments offset much of the progress in the rest of the portfolio in the final quarter. However our overall contribution from co-investments this year remains strong and we expect this to continue.

Financing

The company is effectively ungeared at present and has all of its £70 million borrowing facility available. The facility expires at the end of June 2019 and we will commence discussions with RBS and some alternative lenders later in the year with a view to replacing the facility in due course.

Outlook

The downgrades in a few of the co-investments have complicated origins and these provide useful learning for the future, but it is clear that there do not appear to be systemic underlying factors. On the contrary the general tenor of the European private equity market is good with fundamental progress in profits across the portfolio and a healthy two-way market of new deals and exits in many sectors and geographies. As noted on several occasions before, the price of new deals in the market in general is higher than in recent years although most of the deals made by our investment partners are below the market and not far away from our historically observed norms. Maintaining buying discipline and making realistic and conservative assumptions for their investment theses is critical. As we move further into 2018 confidence levels within the private equity market internationally are high and this should allow us to deliver more growth for shareholders this year.

Hamish Mair

Investment Manager

F&C Investment Business Limited

6 April 2018

Portfolio Summary

Portfolio Distribution
As at 31 December 2017

	% of Total 2017	% of Total 2016
Buyout Funds – Pan European*	**9.9**	11.1
Buyout Funds – UK	**17.9**	15.5
Buyout Funds – Continental Europe†	**23.7**	25.2
Private Equity Funds – USA	**6.5**	8.6
Private Equity Funds – Global	**1.9**	2.4
Venture Capital Funds	**4.2**	4.7
Mezzanine Funds	**1.8**	2.9
Direct – Quoted	**0.4**	0.2
Secondary Funds	**1.2**	1.6
Direct – Investments/Co-investments	**32.5**	27.8
	100.0	100.0

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

Ten Largest Holdings
As at 31 December 2017

	Total Valuation £'000	% of Total Portfolio
Ambio Holdings	**16,598**	**6.2**
Avalon	**9,458**	**3.5**
Stirling Square Capital Partners II	**7,730**	**2.9**
TDR Capital II	**6,954**	**2.6**
Argan Capital	**6,696**	**2.5**
Collingwood Insurance Group	**5,930**	**2.2**
Weird Fish	**5,503**	**2.1**
Aliante Equity 3	**5,324**	**2.0**
August Equity Partners II	**5,247**	**2.0**
TWMA	**5,000**	**1.9**
	74,440	**27.9**

Top Ten Holdings

Ambio Holdings

Investment type: Direct investment
Region: USA
Percentage held: 11.6%
Valuation basis: Percentage of co-investment value

The Company invested $6 million in Ambio Holdings, a new Delaware company established to hold 100% of the shares and assets of both AmbioPharm and Ambio which were merged as part of a deal constructed by MVM, a London/Boston based private equity manager which focuses on life science investments in Europe and the US. Ambiopharm is a profitable pharmaceutical contract manufacturing business, and Ambio is a drug development company focused on high-value complex generic pharmaceuticals.

	31 December 2017 £'000	31 December 2016 £'000
Residual cost	3,739	3,739
Value	16,598	7,275

Avalon

Investment type: Direct investment
Region: United Kingdom
Percentage held: 9.5%
Valuation basis: Percentage of co-investment value

In the last quarter of 2012, the Company invested £2.25 million in Avalon alongside Lonsdale Capital Partners, a UK lower mid-market PE firm. The Company, founded in 1990, is one of the leading independent providers of pre-paid funeral plans in the UK and more recently Spain.

	31 December 2017 £'000	31 December 2016 £'000
Residual cost	2,306	2,306
Value	9,458	5,723

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 2017 £'000	31 December 2016 £'000
Residual cost	4,006	7,318
Value	7,730	9,966

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 2017 £'000	31 December 2016 £'000
Residual cost	3,109	4,178
Value	6,954	7,117

Argan Capital

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

Argan Capital Management 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 2017 £'000	31 December 2016 £'000
Residual cost	3,118	3,425
Value	6,696	7,512

Top Ten Holdings

Collingwood Insurance Group

Investment type: Direct Investment
Region: UK
Percentage held: 16.2%
Valuation basis: Percentage of co-investment value

Collingwood Insurance Group is a specialist UK motor insurer, providing a select number of products tailored specifically for certain categories of the market. It currently caters for taxis, learner drivers, younger drivers and fleets, with new niche products also under development. The Company invested £3.6 million in Collingwood.

	31 December 2017 £'000	31 December 2016 £'000
Residual cost	3,156	3,481
Value	5,930	4,279

Weird Fish

Investment type: Direct Investment
Region: UK
Percentage held: 62.5%
Valuation basis: Percentage of co-investment value

Weird Fish is a UK premium lifestyle clothing brand serving men, women and children, with a core focus on the 'stable and affluent' 35-55 age demographic. At the time of acquisition Weird Fish had 12 retail outlets, 13 concessions, and a fast growing online sales channel. The Company invested £6.2 million in Weird Fish, with the investment completing in April 2017.

	31 December 2017 £'000	31 December 2016 £'000
Residual cost	5,744	–
Value	5,503	–

Aliante Equity 3

Investment type: Buyout Fund
Region: Italy
Percentage held: 3.9%
Valuation basis: Percentage of fund value

Based in Milan, Aliante is an independent Italian private equity manager that focuses on lower mid-market investments predominately in the Italian food and beverage sector. It was founded in May 2006 by two Italian nationals, Paolo Righetto and Niccolo Fischer. The fund is unusually structured as an Italian corporate which has been investing since inception in late 2011. The fund had a final close at €102.8 million at the end of March 2015.

	31 December 2017 £'000	31 December 2016 £'000
Residual cost	2,746	2,327
Value	5,324	4,186

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 2017 £'000	31 December 2016 £'000
Residual cost	–	60
Value	5,247	6,069

TWMA

Investment type: Direct investment
Region: UK
Percentage held: 44.5%
Valuation basis: Percentage of co-investment value

TWMA has been developing drilling waste management solutions for over 15 years and has successfully pioneered and established a fully comprehensive management solution for Offshore Services, Onshore Services, Waste Handling & Transfer Services and Environmental Solutions. The group's revenues are generated from treating and handling offshore oil and gas drill cuttings and slops which must be removed efficiently and safely from the drilling process, treated and disposed of.

	31 December 2017 £'000	31 December 2016 £'000
Residual cost	5,004	–
Value	5,000	–

Portfolio Holdings

Investment	Geographic Focus	Total Valuation £'000	% of Total Portfolio
Buyout Funds – Pan European			
Stirling Square Capital Partners II	Europe	7,730	2.9
TDR Capital II	Europe	6,954	2.6
Argan Capital	Europe	6,696	2.5
TDR II Annex Fund	Europe	4,477	1.7
Agilitas 2015 Private Equity Fund	Europe	643	0.2
Total Buyout Funds – Pan European		**26,500**	**9.9**
Buyout Funds – UK			
August Equity Partners II	UK	5,247	2.0
Lyceum Capital III	UK	4,463	1.7
Inflexion 2010	UK	4,416	1.7
August Equity Partners III	UK	3,814	1.4
Inflexion Buyout IV	UK	3,785	1.4
Inflexion 2012 Co-Investment Fund	UK	3,208	1.2
RJD Private Equity III	UK	2,426	0.9
GCP Capital Partners Europe II	UK	2,353	0.9
Dunedin Buyout II	UK	2,230	0.8
August Equity Partners IV	UK	1,842	0.7
Primary Capital IV	UK	1,738	0.6
Inflexion Partnership Capital I	UK	1,624	0.6
Piper Private Equity V	UK	1,621	0.6
Apposite Healthcare II	UK	1,538	0.6
FPE II	UK	1,431	0.5
Inflexion Supplemental Fund IV	UK	1,224	0.5
RJD Private Equity II	UK	1,129	0.4
Piper Private Equity VI	UK	1,047	0.4
Equity Harvest Fund	UK	978	0.4
Inflexion Enterprise IV	UK	844	0.3
Primary Capital III	UK	510	0.2
Primary Capital II	UK	192	0.1
Penta F&C Co-Investment Fund	UK	90	–
Enterprise Plus	UK	90	–
Total Buyout Funds – UK		**47,840**	**17.9**
Buyout Funds – Continental Europe			
Aliante Equity 3	Italy	5,324	2.0
Procuritas Capital IV	Nordic	4,802	1.8
Corpfin Capital IV	Spain	4,287	1.6
Procuritas Capital V	Nordic	4,137	1.5
DBAG VI	Germany	3,902	1.5
Vaaka Partners Buyout Fund II	Nordic	3,386	1.3
ILP III	Italy	3,066	1.2
Avallon MBO II	Central & East Europe	3,040	1.1
N+1 Private Equity II	Spain	3,036	1.1
Astorg VI	France	2,729	1.0
Capvis IV	DACH	2,611	1.0
Chequers Capital XVI	France	2,431	0.9
Capvis III	DACH	2,407	0.9
PineBridge New Europe II	Central & East Europe	2,314	0.9
Portobello Fund III	Spain	2,248	0.8
Ciclad 5	France	2,148	0.8
Progressio II	Italy	1,838	0.7
Herkules Private Equity III	Nordic	1,239	0.5
DBAG V	Germany	1,189	0.4
Summa I	Norway	1,166	0.4
Ciclad 4	France	1,148	0.4
PM & Partners II	Italy	783	0.3
Bencis Buyout V	Benelux	778	0.3
DBAG VII	Germany	760	0.3
Chequers Capital XV	France	753	0.3
Procuritas Capital VI	Nordic	391	0.1
Montefiore IV	France	286	0.1
Gilde Buyout III	Benelux	219	0.1
Vaaka Partners Buyout III	Nordic	211	0.1
DBAG VIIB	Germany	197	0.1
ARX CEE IV	Central & East Europe	186	0.1
Chequers Capital	France	154	0.1
Chequers Capital XVII	France	107	–
Total Buyout Funds – Continental Europe		**63,273**	**23.7**

Portfolio Holdings

Investment	Geographic Focus	Total Valuation £'000	% of Total Portfolio
Private Equity Funds – USA			
Camden Partners IV	USA	3,885	1.5
Blue Point Capital III	USA	2,910	1.1
Blue Point Capital II	USA	2,718	1.0
Camden Partners III	USA	2,361	0.9
HealthpointCapital Partners III	USA	2,336	0.9
Graycliff Private Equity Partners III	USA	2,183	0.8
Stellex	USA	919	0.3
Total Private Equity Funds – USA		**17,312**	**6.5**
Private Equity Funds – Global			
AIF Capital Asia III	Asia	1,981	0.7
PineBridge Global Emerging Markets II	Global	938	0.3
Warburg Pincus IX	Global	802	0.3
F&C Climate Opportunity Partners	Global	693	0.3
Warburg Pincus VIII	Global	422	0.2
PineBridge Latin America Partners II	Brazil	144	0.1
Total Private Equity Funds – Global		**4,980**	**1.9**
Venture Capital Funds			
SEP V	Europe	2,252	0.8
SEP III	Europe	2,118	0.8
Pentech Fund II	UK	1,694	0.6
SEP IV	Europe	1,563	0.6
Environmental Technologies Fund	Europe	1,221	0.5
SEP II	Europe	1,031	0.4
Life Sciences Partners III	Europe	731	0.3
Alta Berkeley VI	UK	657	0.2
Total Venture Capital Funds		**11,267**	**4.2**
Mezzanine Funds			
Hutton Collins III	Europe	2,315	0.9
Hutton Collins II	Europe	1,111	0.4
Accession Mezzanine II	Central & East Europe	984	0.4
Hutton Collins I	Europe	227	0.1
Total Mezzanine Funds		**4,637**	**1.8**
Direct – Quoted			
Parques Reunidos	Europe	410	0.2
Antero	USA	300	0.1
Candover Investments	Europe	157	0.1
Laredo Petroleum	USA	86	–
Other quoted holdings	Global	3	–
Total Direct – Quoted		**956**	**0.4**
Secondary Funds			
The Aurora Fund	Europe	3,251	1.2
Total Secondary Funds		**3,251**	**1.2**
Direct – Investments/Co-investments			
Ambio Holdings	USA	16,598	6.2
Avalon	UK	9,458	3.5
Collingwood Insurance Group	UK	5,930	2.2
Weird Fish	UK	5,503	2.1
TWMA	UK	5,000	1.9
Ashtead	Global	4,783	1.8
Recover Nordic	Nordic	4,461	1.7
Sigma	USA	4,454	1.7
Dotmatics	UK	3,994	1.5
Calucem	Europe	3,130	1.2
Walkers	UK	3,000	1.1
Ticketscript	Europe	2,979	1.1
Babington	UK	2,907	1.1
CETA	UK	2,594	1.0
Tier1 CRM	USA	2,250	0.8
RGI Group	Europe	1,820	0.7
Swanton	UK	1,362	0.5
Meter Provida	UK	1,280	0.5
Nutrisure	UK	1,226	0.5
Safran	Nordic	1,180	0.5
Schaetti	Europe	957	0.4
Alpitour	Italy	919	0.3
Harrington Brooks	UK	653	0.2
Algeco Scotsman	Global	82	–
Total Direct – Investments/Co-investments		**86,520**	**32.5**
Total Portfolio		**266,536**	**100.0**

Board of Directors

Mark Tennant *†‡

Chairman

is a member of the Advisory Board of T Rowe Price Global Investor Services. He is Chairman of the Centrica Combined Common Investment Fund Limited and a trustee of Grameen Scotland Foundation. Until recently he was a Senior Adviser to J.P. Morgan. He joined the Board in February 2009 and was appointed as Chairman in May 2010.

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.

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.

Swantje Conrad *†‡

was a Managing Director at J.P. Morgan with 26 years' of experience across corporate finance, M&A, global capital markets, and institutional asset servicing. She is a non-executive director of Siemens Gamesa Renewable Energy, S.A. and a trustee of the Whitechapel Art Gallery, London. She was appointed to the Board in April 2017.

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. 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.

Richard Gray *†‡

is Vice Chairman of Panmure Gordon & Co. He has previously worked at Lazard & Co., Charterhouse, UBS and Hoare Govett and held senior positions in London and New York. He has broad experience across equity research, equity sales, equity capital markets, corporate broking and corporate finance. He was appointed to the Board in March 2017.

* 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 2017. 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') as adopted by the European Union.

An interim dividend of 6.92p per Ordinary Share was paid on 3 November 2017. Following the introduction of quarterly dividends an interim dividend of 3.55p per Ordinary Share was paid on 31 January 2018. A further interim dividend of 3.57p per Ordinary Share will be paid on 30 April 2018 to Shareholders on the register on 6 April 2018.

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 and realised capital 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 quarterly 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 quarterly dividend or, if higher, equal (in terms of pence per share) to the highest quarterly dividend previously paid. Prior to January 2018, the Company paid semi-annual dividends.

As Sharesholders no longer have an opportunity to approve a final dividend at each Annual General Meeting, Shareholders have been asked to approve the Company's dividend policy at the forthcoming Annual General Meeting.

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.

Directors

Biographical details of the Directors, all of whom are non-executive, can be found on page 24.

Mr Richard Gray and Ms Swantje Conrad were appointed to the Board with effect from 23 March 2017 and 2 April 2017 respectively.

Mr John Rafferty retired from the Board at the conclusion of the Annual General Meeting on 25 May 2017.

Ms Elizabeth Kennedy, Mr Mark Tennant and Mr Douglas Kinloch Anderson 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. In addition, during November 2018 Mr David Shaw will have served on the Board for nine years and in line with the spirit of the Code will seek re-election at this year's Annual General Meeting. 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 2017 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	9.7
Prudential	4,584,498	6.2
Oxford County Council Pension Fund	4,000,000	5.4
Smith and Williamson Holdings	3,638,081	4.9
Lazard Asset Management	3,617,271	4.9
Bank of Montreal*	2,779,650	3.8

*In addition to this holding, the F&C Asset Management investment trust savings plans held 18,322,534 Ordinary Shares (24.8 per cent) as at 31 December 2017.

Since 31 December 2017, 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 2017, the Company had outstanding undrawn commitments of £123.4 million. Of this amount, approximately £18 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 10 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 16 to the financial statements. Details of the Company's bank facility are contained in note 14 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 24 May 2018 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.

Dividend Policy

Resolution 3 is to approve the Company's dividend policy. The resolution is being proposed to comply with guidance issued by certain voting agencies since, in line with the dividend policy set out on page 9, all dividends are now declared as interim dividends, and without this resolution shareholders would otherwise not have the opportunity to vote on dividends.

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 £73,941 (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 and/or to sell equity securities held as treasury shares 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. No issue of shares and/or sale of shares held in treasury 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 £36,970 (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 2019, and the Directors envisage seeking renewal of these authorities in 2019 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 11.1 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, (ii) the price of the last independent trade on the trading venue where the purchase is carried out; and (iii) the highest current independent bid on that venue. 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. Purchases would only be made for cash at a cost which is below the prevailing net asset value per share. 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. The effect of any cancellation would be to reduce the number of shares in issue. For most purposes, where held in treasury, shares are treated as if they had been cancelled (for example they carry no voting rights and do not rank for dividends). The purpose of holding some shares in treasury is to allow the Company to re-issue these share quickly and cost effectively, thus providing the Company with greater flexibility.

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
6th Floor
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG

6 April 2018

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 April 2016, which can be found at www.frc.org.uk, and the recommendations of the AIC's Code of Corporate Governance issued in July 2016 (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 2017 and the number of meetings attended by each Director. In addition to these scheduled meetings, there were a further two 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, Strategy and Policies 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.

Attendance at meetings held during year ended 31 December 2017	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 (retired 25 May 2017)	2	2	–	–	1	1	1	1
Swantje Conrad (appointed 2 April 2017)	3	3	1	1	–	–	–	–
Richard Gray (appointed 23 March 2017)	4	4	1	1	–	–	–	–
David Shaw	4	4	2	2	1	1	1	1

The Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights.

Throughout the year, a number of committees have been in operation. Those committees are the Audit Committee, the Management Engagement Committee, and the Nomination Committee. The committees operate within clearly defined terms of reference which are available for inspection on request at the Company's registered office.

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.

Criminal Finances Act

The Company is subject to the Criminal Finances Act 2017 and has adopted a policy designed to prevent tax evasion and its facilitation. The policy is based upon a risk assessment undertaken by the Supervisory Board.

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
6th Floor
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG

6 April 2018

Report of the Audit Committee

The members of the Audit Committee who served throughout the year ended 31 December 2017 were Elizabeth Kennedy, David Shaw and Mark Tennant. Swantje Conrad and Richard Gray joined the Committee during the year. 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 2017. 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.

Following the implementation of the Statutory Audit Amending Disclosure, with effect from 1 January 2017, EY, as the Company's auditor is no longer able to provide tax compliance and advisory services to the Company.

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 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 third 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

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.

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 'Guidance on Risk Management, Internal Control and Related Financial & Business Reporting' issued by the Financial Reporting Council in September 2014.

The process is based principally on the Manager's existing risk-based approach to internal control whereby a 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

6 April 2018

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 2017, 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 non-executive Directors and is chaired by Mr Mark Tennant. The Board has appointed the Company Secretary, F&C Asset Management plc, to provide information in advance of the Nomination Committee considering the level of Directors’ fees.

Directors’ Remuneration Policy

The Company’s policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, Directors’ time commitment, 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 and immediately prior and during the Company’s Annual General Meeting. 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:

	2018* **£**	2017# £
Mark Tennant (Chairman)	**45,000**	45,000
Swantje Conrad [(1)]	**30,000**	22,418
Richard Gray [(2)]	**30,000**	23,240
Elizabeth Kennedy	**35,000**	35,000
Douglas Kinloch Anderson	**30,000**	30,000
John Rafferty [(3)]	**–**	12,021
David Shaw	**30,000**	30,000
Total	**200,000**	197,679

[(1)] Appointed with effect from 2 April 2017.
[(2)] Appointed with effect from 23 March 2017.
[(3)] Retired from the Board on 25 May 2017.
* Directors’ remuneration for the year ending 31 December 2018 based on current fee levels. Directors are not eligible for any other payments.
# Actual Directors’ remuneration for the year ended 31 December 2017.

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 25 May 2017, shareholders approved the Directors’ Remuneration Policy. 99.3 per cent of votes were in favour and 0.7 per cent of votes against.

Annual Report on Directors’ Remuneration

Directors’ Emoluments for the Year (audited)

The Directors who served during the financial year received the following amounts for services as non-executive Directors as well as reimbursement for expenses necessarily incurred. No other forms of remuneration were paid during the year.

Fees for services to the Company (audited)						
	Fees (audited)		Taxable Benefits [1] (audited)		Total (audited)	
Director	**2017**	2016	**2017**	2016	**2017**	2016
Mark Tennant (Chairman)	**45,000**	42,000	**2,831**	3,658	**47,831**	45,658
Swantje Conrad (appointed 2 April 2017)	**22,418**	–	**847**	–	**23,265**	–
Richard Gray (appointed 23 March 2017)	**23,240**	–	**2,369**	–	**25,609**	–
Elizabeth Kennedy	**35,000**	34,000	**233**	99	**35,233**	34,099
Douglas Kinloch Anderson	**30,000**	28,500	**222**	–	**30,222**	28,500
John Rafferty (retired 25 May 2017)	**12,021**	28,500	**–**	–	**12,021**	28,500
David Shaw	**30,000**	28,500	**165**	–	**30,165**	28,500
Total	**197,679**	161,500	**6,667**	3,757	**204,346**	165,257

[1] Comprises amounts reimbursed for expenses incurred in carrying out business for the Company, which have been grossed up to include PAYE and NI contributions.

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:

	2017 £	2016 £	Change %
Aggregate Directors' Remuneration	**197,679**	161,500	22.4%
Management and other expenses*	**5,430,000**	5,090,000	6.7%
Dividends paid to Shareholders	**9,908,000**	8,776,000	12.9%

*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 2017 Ordinary Shares	31 December 2016 Ordinary Shares
Mark Tennant (Chairman)	Beneficial	**11,665**	11,665
Swantje Conrad*	Beneficial	**8,478**	–
Richard Gray†	Beneficial	**10,000**	–
Elizabeth Kennedy	Beneficial	**30,000**	30,000
Douglas Kinloch Anderson	Beneficial	**4,955**	4,955
David Shaw	Beneficial	**10,000**	10,000

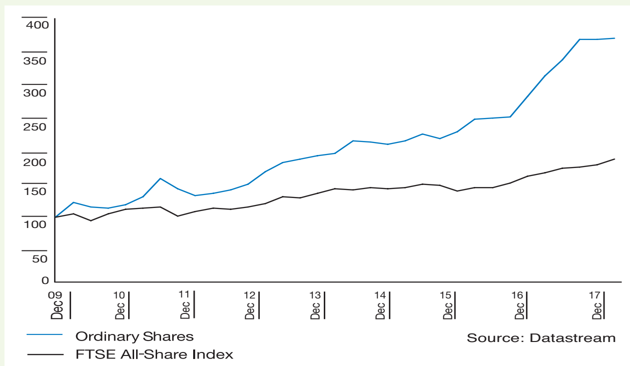
* Appointed 2 April 2017 † Appointed 23 March 2017

There have been no changes in the Directors' interests in the shares of the Company between 31 December 2017 and 6 April 2018.

Company Performance

The graph below compares, for the nine financial years ended 31 December 2017, 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 25 May 2017, shareholders approved the Report on Directors' Remuneration for the year ended 31 December 2016. 93.3 per cent of votes were in favour of the resolution and 6.7 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
6 April 2018

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

6 April 2018

Independent Auditor's Report

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

Opinion

We have audited the financial statements of F&C Private Equity Trust plc (the 'Company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 10 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 11 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 Directors' statement set out on page 27 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
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 11 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.

Overview of our Audit Approach

Risks of material misstatement	• Incorrect valuation and existence of the unlisted investment portfolio; and. • The performance fees payable by the Company are not calculated in accordance with the methodology prescribed in the investment management agreement.
Materiality	• Overall materiality of £2.64 million which represents 1% of shareholders' funds (2016: £2.59 million).

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation and existence of the unlisted investment portfolio (£266.54 million, 2016 comparative £239.05 million). *Refer to the Audit Committee Report (pages 31 and 32); Accounting policies (pages 46 and 47); and Note 10 of the financial statements.* In accordance with the Company's accounting policy, all investments are classified as fair value through profit or loss. Unlisted investments are fair valued by the Directors and determined in accordance with the International Private Equity and Venture Capital Association ("IPEVCA") guidelines. The guidelines are also followed in respect of the marketability discounts applied to unlisted investments. 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. The valuation of the unlisted investments is the area requiring the most significant judgement and estimation in the preparation of the financial statements.	**We have performed the following procedures:** For a sample of private equity funds: • We agreed the valuation of private equity funds to the reports received from the underlying general partner. • We assessed that the framework of reporting from the underlying funds is consistent with the principles of fair value. • We reviewed and tested any adjustments made by management to the valuations provided by the underlying general partners. For a sample of co-investments: • We reviewed the direct investment valuations and assessed their compliance with the valuation principles of the International Private Equity and Venture Capital Valuation Guidelines. • We discussed the valuations with Manager, considering areas requiring most judgement to assess whether the valuations are consistent with underlying general partner valuations. • We obtained evidence for inputs into the valuation models (e.g. relevant earnings, portfolio company structure and relevant comparative multiples). We reviewed the commentary on the remaining investments in the portfolio (outside the sample selected) for any apparent valuation anomalies. We converted those investments held in foreign currencies using an independent exchange rate as at the year end. For all private equity funds and co-investments, we tested a sample of drawdowns and distributions which we agreed to bank statements. We requested independent confirmations from the underlying investment managers to confirm existence.	**The results of our procedures are:** For our sample of private equity funds we noted no issues with agreeing the valuation to the reports received from the underlying general partner and we are satisfied that the framework for reporting is consistent with the principles of fair value. We also have no matters to report regarding any adjustments made by management to the valuations provided by the underlying general partners. For our sample of co-investments we noted no issues with the direct investment valuations and we are satisfied with their compliance with the valuation principles of the International Private Equity and Venture Capital Valuation Guidelines. From our discussions with the Manager, we gained an understanding of the areas requiring most judgement and assessed that these were consistent with the underlying general partner valuations. We also obtained inputs into the valuation models, noting no issues to report. We did not identify any apparent valuation anomalies from our review of the commentary on the remaining investments in the portfolio (outside the sample selected. We noted no issues with the conversion of investments held in foreign currencies. For all private equity funds and co-investments, we noted no issues with our sample testing over drawdowns and distribution in agreement to bank statements. We noted no differences between the independent confirmations and the Company's underlying financial records. Where independent confirmations were not reviewed, we performed alternative procedures.

Independent Auditor's Report (continued)

Our Assessment of Risk of Material Misstatement (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The performance fees payable by the Company are not calculated in accordance with the methodology prescribed in the investment management agreement (£2.04 million, 2016 comparative £2.02 million). *Refer to the Audit Committee Report (page 32); Accounting policies (page 46); and Note 3 of the financial statements.* The performance 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 fee is 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 performed the following procedures:** We recalculated the performance fee due for the year ended 31 December 2017, with reference to the methodology prescribed in the investment management agreement, verifying all key inputs to independent sources.	**The results of our procedures are:** We noted no issues in the recalculation of the performance fee for the year ended 31 December 2017. We have no matters to communicate with respect to the prescribed methodology in the investment management agreement.

There has been no change to the key audit matters raised in the above table from the prior year.

An overview of the scope of our audit

Tailoring the scope

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.

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 materiality for the Company to be £2.64 million (2016: £2.59 million), which is 1% of shareholders' funds (2016: 1% of shareholders' funds). We believe that shareholders' funds provides us with materiality aligned to the key measurement of the Company's performance.

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 judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely £1.98 million (2016: £1.95 million). 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 revenue tolerable threshold of £0.13 million (2016: £0.10 million) for the revenue column of the Statement of Comprehensive Income being the lower of; 1% of gross revenue and our reporting threshold (2016: 5% of the average normalized earnings of the Company before taxation). This basis has been selected due to the recurring losses in the revenue column of the Statement of Comprehensive Income.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.13 million (2016: £0.13 million), which is set at 5% (2016: 5%) of planning materiality, 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 light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 35** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 31 and 32**– the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 35** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- 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 Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

Independent Auditor's Report (continued)

- 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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement 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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are IFRS as adopted by the European Union, the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incorrect valuation and existence of the unlisted investment portfolio. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 21 January 1999 to audit the financial statements for the year ending 31 December 2000 and subsequent financial periods.

  The period of total uninterrupted engagements including previous renewals and reappointments is 18 years, covering the years ending 31 December 2000 to 31 December 2017.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Ashley Coups (Senior statutory auditor)

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

London

6 April 2018

Notes:

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

Statement of Comprehensive Income

For the year ended 31 December 2017

Notes		2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
	Income						
9	Gains on investments held at fair value	–	21,216	21,216	–	58,538	58,538
	Exchange losses	–	(1,019)	(1,019)	–	(3,584)	(3,584)
2	Investment income	1,422	–	1,422	1,386	–	1,386
2	Other income	51	–	51	54	–	54
	Total income	1,473	20,197	21,670	1,440	54,954	56,394
	Expenditure						
3	Investment management fee – basic fee	(641)	(1,922)	(2,563)	(582)	(1,745)	(2,327)
3	Investment management fee – performance fee	–	(2,037)	(2,037)	–	(2,024)	(2,024)
4	Other expenses	(830)	–	(830)	(739)	–	(739)
	Total expenditure	(1,471)	(3,959)	(5,430)	(1,321)	(3,769)	(5,090)
	Profit before finance costs and taxation	2	16,238	16,240	119	51,185	51,304
5	Finance costs	(428)	(1,283)	(1,711)	(419)	(1,257)	(1,676)
	(Loss)/profit before taxation	(426)	14,955	14,529	(300)	49,928	49,628
6	Taxation	–	–	–	–	–	–
	(Loss)/profit for year/total comprehensive income	(426)	14,955	14,529	(300)	49,928	49,628
8	**Return per Ordinary Share – Basic**	(0.58)p	20.23p	19.65p	(0.41)p	68.16p	67.75p
8	**Return per Ordinary Share – Fully diluted**	(0.58)p	20.23p	19.65p	(0.41)p	67.53p	67.12p

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.

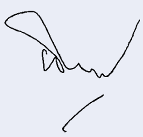
The accompanying notes are an integral part of the above financial statement.

Balance Sheet

As at 31 December 2017

Notes		2017 £'000	2016 £'000
	Non-current assets		
9	Investments at fair value through profit or loss	**266,536**	239,049
		266,536	239,049
	Current Assets		
11	Other receivables	**232**	26
12	Cash and cash equivalents	**26,765**	48,575
		26,997	48,601
	Current liabilities		
13	Other payables	**(3,081)**	(3,057)
	Net current assets	**23,916**	45,544
	Total assets less current liabilities	**290,452**	284,593
	Non-current liabilities		
14	Interest-bearing bank loan	**(26,308)**	(25,070)
	Net assets	**264,144**	259,523
	Equity		
15	Called-up ordinary share capital	**739**	739
	Share premium account	**2,527**	2,527
	Special distributable capital reserve	**15,040**	15,040
	Special distributable revenue reserve	**31,403**	31,403
	Capital redemption reserve	**1,335**	1,335
	Capital reserve	**213,100**	203,679
	Revenue reserve	**–**	4,800
	Shareholders' funds	**264,144**	259,523
8	**Net asset value per Ordinary Share**	**357.23p**	350.98p

The financial statements were approved and authorised for issue by the Board of Directors on 6 April 2018, 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 2017

Notes		Share Capital £'000	Share Premium Account £'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 2017								
	Net assets at 1 January 2017	739	2,527	15,040	31,403	1,335	203,679	4,800	259,523
	Profit/(loss) for the year/total comprehensive income	–	–	–	–	–	14,955	(426)	14,529
7	Dividends paid	–	–	–	–	–	(5,534)	(4,374)	(9,908)
	Net assets at 31 December 2017	**739**	**2,527**	**15,040**	**31,403**	**1,335**	**213,100**	**–**	**264,144**
	For the year ended 31 December 2016								
	Net assets at 1 January 2016	720	–	15,040	31,403	1,335	158,002	9,625	216,125
15	Issue of Ordinary Shares	19	2,527	–	–	–	–	–	2,546
	Profit/(loss) for the year/total comprehensive income	–	–	–	–	–	49,928	(300)	49,628
7	Dividends paid	–	–	–	–	–	(4,251)	(4,525)	(8,776)
	Net assets at 31 December 2016	**739**	**2,527**	**15,040**	**31,403**	**1,335**	**203,679**	**4,800**	**259,523**

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

Statement of Cash Flows

For the year ended 31 December 2017

Notes		2017 £'000	2016 £'000
	Operating activities		
	Profit before taxation	**14,529**	49,628
	Adjustments for:		
9	Gains on disposals of investments	**(32,637)**	(33,421)
9	Decrease/(increase) in holding gains	**11,421**	(25,117)
	Exchange differences	**1,019**	3,584
	Interest income	**(51)**	(54)
	Interest received	**51**	54
	Investment income	**(1,422)**	(1,386)
	Investment income received	**1,422**	1,386
	Finance costs	**1,711**	1,676
	Decrease in other receivables	**1**	–
	Increase in other payables	**26**	778
	Net cash outflow from operating activities	**(3,930)**	(2,872)
	Investing activities		
	Purchases of investments	**(69,546)**	(32,797)
	Sales of investments	**63,068**	67,997
	Net cash (outflow)/inflow from investing activities	**(6,478)**	35,200
	Financing activities		
15	Shares issued (net of costs)	**–**	2,546
	Interest paid	**(1,497)**	(1,459)
7	Equity dividends paid	**(9,908)**	(8,776)
	Net cash outflow from financing activities	**(11,405)**	(7,689)
	Net (decrease)/increase in cash and cash equivalents	**(21,813)**	24,639
	Currency gains/(losses)	**3**	(87)
	Net (decrease)/increase in cash and cash equivalents	**(21,810)**	24,552
	Opening cash and cash equivalents	**48,575**	24,023
	Closing cash and cash equivalents	**26,765**	48,575

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 and updated in February 2018 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.

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 standard has been adopted in the current year:

- *'Disclosure Initiative – Amendments to IAS 7'*. The adoption of these amendments did not have any impact on the current period or any prior period other than additional disclosure in note 14.

New standards and interpretations not yet adopted:

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 published the final version of IFRS 9 *'Financial Instruments'* which replaces the existing guidance in IAS 39 *'Financial Instruments: Recognition and Measurement'.*

  The IFRS 9 requirements represent a change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

  For financial liabilities, IFRS 9 largely carries forward without substantive amendment the guidance on classification and measurement from IAS 39. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss.

  The standard introduces new requirements for hedge accounting that align hedge accounting more closely with risk management and establishes a more principles-based approach to hedge accounting. The standard also adds new requirements to address the impairment of financial assets and means that a loss event will no longer need to occur before an impairment allowance is recognised.

  The standard will be effective for annual periods beginning on or after 1 January 2018, and is required to be applied retrospectively with some exemptions. There will be no material impact for the Company as financial assets will continue to be classified as fair value through profit and loss, financial liabilities will continue to be held at amortised cost, the expected credit loss model will not give rise to a material increase in impairment and the Company does not apply hedge accounting.

- 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, 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.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

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.

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) Share Premium Account – the surplus of net proceeds received from the issue of new ordinary shares over the nominal value of such shares is credited to this account. The nominal value of the shares issued is recognised in share capital.

(ii) Special Distributable Capital Reserve – the Special Distributable Capital Reserve is available for the Company to return capital to shareholders and for buy back of shares.

(iii) Special Distributable Revenue Reserve – the Special Distributable Revenue Reserve is available for the Company to return revenue to shareholders by way of special dividends and for buy back of shares.

(iv) Capital Redemption Reserve – the nominal value of the Restricted Voting Shares bought back for cancellation were added to this reserve. This reserve is non-distributable.

(v) 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.

(vi) Revenue Reserve – the net profit/loss 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 closing 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.

1 Accounting policies (continued)

All investments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy in note 10, described as follows, based on the lowest significant applicable input:

Level 1 reflects financial instruments quoted in an active market.

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

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

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

(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. Non-monetary fixed assets held at fair value through profit and loss and denominated in foreign currencies are reported at the rates of exchange prevailing when the fair value was assessed. 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 losses'.

Rates of exchange at 31 December	2017	2016
Euro	**1.12650**	1.1715
US Dollar	**1.35275**	1.2357
Norwegian Krone	**11.06464**	10.6362
Swedish Krona	**11.07555**	11.2254
Swiss Franc	**1.31820**	1.2559

(g) Taxation

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

Tax 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.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

(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.

(j) **Use of judgements, estimates and assumptions**

The presentation of the financial statements in accordance with accounting standards requires the Board to make judgements, estimates and assumptions that affect the accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on perceived risks, historical experience, expectations of plausible future events and other factors. 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.

The area requiring the most significant judgement and estimation in the preparation of the financial statements is accounting for the value of unquoted investments. The policy for valuation of unquoted investments is set out in note 1(e) and further information on Board procedures is contained in the Report of the Audit Committee and note 10.

2 Income

	31 December 2017 £'000	31 December 2016 £'000
Investment income	**1,422**	1,386
Other income		
Deposit interest	**51**	54
	1,473	1,440

3 Investment management fee

	Revenue £'000	**Capital £'000**	**2017 Total £'000**	Revenue £'000	Capital £'000	2016 Total £'000
Investment management fee – basic fee	**641**	**1,922**	**2,563**	582	1,745	2,327
Investment management fee – performance fee	**–**	**2,037**	**2,037**	–	2,024	2,024
Total	**641**	**3,959**	**4,600**	582	3,769	4,351

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 (2016: 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 2016 (the end of the last period in respect of which a performance fee was paid) must exceed the audited diluted net asset value of 350.98p per Ordinary Share as at 31 December 2016 (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).

3 Investment management fee (continued)

If the above 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 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 £140,000 (2016: £136,000), which is subject to increases in line with the Consumer Price Index.

4 Other expenses

	2017 £'000	2016 £'000
Auditor's remuneration for:		
– statutory audit of the financial statements	**33**	32
– tax compliance services*	**–**	6
Directors' fees	**198**	162
Legal fees	**11**	20
Printing and postage	**29**	31
Registrars fees	**19**	17
Secretarial and administrative fee (see note 3)	**140**	136
Irrecoverable VAT	**75**	79
Other	**325**	256
	830	739

* Tax compliance services are carried out by Deloitte.

5 Finance costs

	Revenue £'000	**Capital £'000**	**2017 Total £'000**	Revenue £'000	Capital £'000	2016 Total £'000
Interest payable on bank loans	**428**	**1,283**	**1,711**	419	1,257	1,676

Notes to the Financial Statements (continued)

6 Taxation on ordinary activities

(a) Analysis of charge for the year

	Revenue £'000 2017	Capital £'000 2017	Total £'000 2017	Revenue £'000 2016	Capital £'000 2016	Total £'000 2016
UK corporation tax	**–**	**–**	**–**	–	–	–

(b) Reconciliation of taxation for the year

The taxation charge for the year is 19.25 per cent (2016: 20.00 per cent). The table below provides a reconciliation of the respective charges.

	Revenue £'000 2017	Capital £'000 2017	Total £'000 2017	Revenue £'000 2016	Capital £'000 2016	Total £'000 2016
(Loss)/profit before tax	**(426)**	**14,955**	**14,529**	(300)	49,928	49,628
Corporation tax at standard rate of 19.25 per cent (2016: 20.00 per cent)	**(82)**	**2,879**	**2,797**	(60)	9,986	9,926
Effects of:						
Non taxable capital gains	**–**	**(3,888)**	**(3,888)**	–	(10,991)	(10,991)
Non taxable dividend income	**(39)**	**–**	**(39)**	(134)	–	(134)
Non deductible expenditure	**11**	**–**	**11**	3	–	3
Unutilised expenses	**110**	**1,009**	**1,119**	191	1,005	1,196
	–	**–**	**–**	–	–	–

At 31 December 2017, there was an unrecognised deferred tax asset of £3,723,000 in respect of unutilised losses carried forward (2016: £2,743,000).

7 Dividends

	2017 £'000	2016 £'000
Amounts recognised as distributions to shareholders in the year:		
Final Ordinary Share dividend of 5.83p for the year ended 31 December 2015	**–**	4,251
Interim Ordinary Share dividend of 6.12p for the year ended 31 December 2016	**–**	4,525
Final Ordinary Share dividend of 6.48p for the year ended 31 December 2016	**4,791**	–
Interim Ordinary Share dividend of 6.92p for the year ended 31 December 2017	**5,117**	–
	9,908	8,776
Amounts relating to the year but not paid at the year end:		
Final Ordinary Share dividend of 6.48p for the year ended 31 December 2016	**–**	4,791
Interim Ordinary Share dividend of 3.55p for the year ended 31 December 2017	**2,625**	–
Interim Ordinary Share dividend of 3.57p for the year ended 31 December 2017*	**2,640**	–
	5,265	4,791

* Based on 73,941,429 Ordinary Shares in issue at 6 April 2018. This dividend is proposed to be paid from the Company's revenue reserve.

Special dividends

There were no special dividends paid during the year ended 31 December 2017 and 31 December 2016.

8 Returns and net asset values

	2017	2016
The returns and net asset values per share are based on the following figures:		
Revenue return	(£426,000)	(£300,000)
Capital return	£14,955,000	£49,928,000
Net assets attributable to shareholders	£264,144,000	£259,523,000
Number of shares in issue at end of year	73,941,429	73,941,429
Weighted average number of shares in issue during year – Basic	73,941,429	73,249,836
Weighted average number of shares in issue during year – Fully diluted	73,941,429	73,941,429

			2017			2016
	Revenue	Capital	Total	Revenue	Capital	Total
Return per Ordinary Share – Basic	(0.58)p	20.23p	19.65p	(0.41)p	68.16p	67.75p
Return per Ordinary Share – Fully diluted	(0.58)p	20.23p	19.65p	(0.41)p	67.53p	67.12p

	2017	2016
Net asset value per Ordinary Share – Basic	357.23p	350.98p

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. During the year ended 31 December 2017, the Company issued nil Ordinary Shares. During the previous year ended 31 December 2016, the Company issued 1,959,156 Ordinary Shares of 1p each in the capital of the Company, 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. No warrants remain in issue.

Notes to the Financial Statements (continued)

9 Investments

	Listed £'000	Unlisted £'000	2017 Total £'000	Listed £'000	Unlisted £'000	2016 Total £'000
Cost at beginning of year	**1,746**	**178,061**	**179,807**	1,328	180,258	181,586
Movements during the year:						
Purchases	**–**	**69,339**	**69,339**	–	32,797	32,797
Sales	**–**	**(63,068)**	**(63,068)**	–	(67,997)	(67,997)
Gains on investments sold	**–**	**32,637**	**32,637**	–	33,421	33,421
In specie distribution	**570**	**(570)**	**–**	418	(418)	–
Cost at end of the year	**2,316**	**216,399**	**218,715**	1,746	178,061	179,807
Holding (losses)/gains	**(1,360)**	**49,181**	**47,821**	(1,202)	60,444	59,242
Valuation at end of year	**956**	**265,580**	**266,536**	544	238,505	239,049

	2017 £'000	2016 £'000
Gains on investments sold	**32,637**	33,421
(Decrease)/increase in holding gains	**(11,421)**	25,117
Gains on investments	**21,216**	58,538

Unlisted investments are valued in accordance with the policies set out in note 1(e). It is in the nature of Private Equity and similar unquoted investments that they may be loss making, with no certainty of survival, and that they may prove difficult to realise. The concept of "fair value" as applied to such investments is not precise and their ultimate realisation may be at a value materially different from that reflected in the accounts. Futher details on the valuation process in respect of Private Equity investments can be found in note 10.

In specie distributions of listed equities received from Warburg Pincus IX totalled £126,000 and Candover 2005 totalled £444,000. (2016: in specie distributions received from Warburg Pincus VIII totalled £418,000).

During the year the Company incurred transaction costs on purchases and sales of investments of £nil (2016: £nil).

10 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	2017 Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2016 Total £'000
Financial assets								
Investments	**956**	**–**	**265,580**	**266,536**	544	–	238,505	239,049
Financial liabilities								
Interest-bearing bank loan	**–**	**(26,643)**	**–**	**(26,643)**	–	(25,627)	–	(25,627)

There were no transfers between levels in the fair value hierarchy in the year ended 31 December 2017 (2016: none).

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.

10 Fair value of assets and liabilities (continued)

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, on a marked to market basis was £26,643,000 at 31 December 2017 (2016: £25,627,000). The fair value is calculated using a discounted cash flow technique based on relevant current interest rates.

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 2017 was 8.7 times EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) (2016: 8.4 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 2017		
Weighted average earnings multiple	1x	48,287
31 December 2016		
Weighted average earnings multiple	1x	43,365

*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)

10 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:

	2017 £'000	2016 £'000
Balance at beginning of year	238,505	215,405
Purchases	69,339	32,797
Sales	(63,068)	(67,997)
Gains on disposal	32,637	33,421
In specie distribution	(570)	(418)
Holding (losses)/gains	(11,263)	25,297
Balance at end of year	265,580	238,505

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

11 Other receivables

	2017 £'000	2016 £'000
Investment debtors	207	–
Other debtors	25	26
	232	26

12 Cash and cash equivalents

	2017 £'000	2016 £'000
Cash at banks and on hand	815	65
Short-term deposits	25,950	48,510
	26,765	48,575

13 Current liabilities

Other payables	2017 £'000	2016 £'000
Interest accrued	243	245
Due to Manager	2,683	2,660
Accrued expenses	155	152
	3,081	3,057

14 Non-current liabilities

Interest-bearing bank loan

On 30 June 2014 the Company entered into a five year €30 million term loan agreement and a £45 million multi-currency revolving credit facility agreement ('RCF'). The €30 million term loan was fully drawn throughout the year.

None of the RCF was drawn down at 31 December 2017 (31 December 2016: £nil drawdown). The amount of undrawn RCF at 31 December 2017 which is available for future operating activities and settling capital commitments is £45 million.

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 2017 £'000	31 December 2016 £'000
Opening balance	**25,070**	21,357
Amortisation of set up costs	**215**	215
Non-cash foreign currency movements	**1,023**	3,498
Closing balance	**26,308**	25,070

Interest payable on bank loans is shown in note 5 and loan interest accrued in note 13.

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.

15 Share capital

Equity share capital

	31 December 2017 £'000	31 December 2016 £'000
Equity share capital:		
Opening balance of Ordinary Shares of 1p each in issue	**739**	720
Issue of Ordinary Shares of 1p each	**–**	19
73,941,429 Ordinary Shares of 1p each in issue	**739**	739

During the year ended 31 December 2017, the Company issued nil Ordinary Shares.

During the previous year ended 31 December 2016 the Company issued 1,959,156 Ordinary Shares of 1p each in the capital of the Company for a consideration of £2,546,000, 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. The surplus of cash received for the issue of shares over the par value of such shares is £2,527,000 and is credited to the share premium account. No warrants remained in issue at 31 December 2016.

Capital management

The Company's capital is represented by its issued share capital, share premium account, 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, Strategy and Policies.

Notes to the Financial Statements (continued)

16 Financial instruments

The Company's financial instruments comprise equity investments, cash balances, a 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:

	2017 £'000	**2017 average interest rate**	**2017 average period until maturity**	2016 £'000	2016 average interest rate	2016 average period until maturity
Cash and cash equivalents	**26,765**	**0.3%**	**n/a**	48,575	0.1%	n/a
Interest-bearing bank loan	**(26,308)**	**2.9%**	**1.50 years**	(25,070)	2.9%	2.50 years

An increase of 25 basis points in interest rates as at 31 December 2017 would have increased loan interest payable, increased interest income receivable and increased the total profit for the year by £335 (2016: increased loan interest payable, increased interest income receivable and increased the total profit by £57,000). 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.

Capital commitments in respect of outstanding calls on investments at 31 December 2017 amounted to £123,389,000 (2016: £116,822,000). Of these outstanding commitments, at least £18 million (2016: £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.

16 Financial instruments (continued)

Liquidity and funding risk (continued)

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 2017	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	333	65	2,683	–	3,081
Interest-bearing bank loan	–	123	600	26,991	27,714
Total liabilities	333	188	3,283	26,991	30,795

As at 31 December 2016	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	335	62	2,660	–	3,057
Interest-bearing bank loan	–	119	540	26,688	27,347
Total liabilities	335	181	3,200	26,688	30,404

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:

	2017 £'000	2016 £'000
Cash and cash equivalents	26,765	48,575
Interest and other receivables	25	26
	26,790	48,601

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.

Notes to the Financial Statements (continued)

16 Financial instruments (continued)

Credit risk (continued)

All the listed assets of the Company (which are traded on a recognised exchange) are held by JPMorgan Chase Bank, the Company's custodian. The Company has an ongoing contract with the Custodian for the provision of custody services. The contract was reviewed and updated in 2014. Details of securities held in custody on behalf of the Company are received and reconciled monthly. The Depositary has regulatory responsibilities relating to segregation and safe keeping of the Company's financial assets, amongst other duties, as set out in the Directors' Report. The Board has direct access to the Depositary and receives regular reports from it via the Manager.

To the extent that the Manager carries out management and administrative duties (or causes similar duties to be carried out by third parties) on the Company's behalf, the Company is exposed to counterparty risk. The Board assesses this risk continuously through regular meetings with the management of F&C (including the Fund Manager) and with the F&C's Risk Management function. In reaching its conclusions, the Board also reviews F&C's annual Audit and Assurance Faculty Report.

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 at the year end is:

	2017 Investments £'000	**2017 Cash £'000**	**2017 Borrowings £'000**	2016 Investments £'000	2016 Cash £'000	2016 Borrowings £'000
US Dollar	**45,286**	**–**	**–**	33,384	–	–
Euro	**100,293**	**146**	**(26,631)**	103,021	39	(25,608)
Norwegian Krone	**6,881**	**–**	**–**	7,427	–	–
Swedish Krona	**1,166**	**–**	**–**	71	–	–
Swiss Franc	**957**	**–**	**–**	1,474	–	–
Total	**154,583**	**146**	**(26,631)**	145,377	39	(25,608)

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 2017, the capital gain would have increased for the year by £6.7 million (2016: positive £6.3 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 £6.1 million (2016: negative £5.7 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.

17 Related Parties and Transactions with the Manager

The Directors are considered to be related parties. There are no transactions with the Directors other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on page 34 and set out in note 4 to the accounts. There are no outstanding balances with the Directors at year end.

The amounts paid to the Manager, together with the details of the Investment Management Agreement, are disclosed in note 3. The existence of an Independent Board of Directors demonstrates that the Company is free to pursue its own financial and operating policies and therefore, under the AIC SORP, the Manager is not considered to be a related party.

18 Securities financing transactions ('SFT')

The Company has not, in the year to 31 December 2017 (2016: same), participated in any: repurchase transactions; securities lending or borrowing; buy-sell back transactions; margin lending transactions; or total return swap transactions (collectively called SFT). As such, it has no disclosure to make in satisfaction of the EU regulations on transparency of SFT, issued in November 2015.

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 2017 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	200%	200%
Actual	101%	111%

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 nineteenth Annual General Meeting of F&C Private Equity Trust plc (in this notice, the "Company") will be held on Thursday, 24 May 2018 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 2017 be received and adopted.
2. That the Directors' Remuneration Report for the year ended 31 December 2017 be approved.
3. To approve the Company's dividend policy as set out on page 9 of the 2017 annual report.
4. That Mark Tennant, who retires annually, 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 David Shaw, 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 2018.
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 £73,941 (being an amount equal to 10 per cent of the total issued ordinary share capital of the Company (excluding shares held in treasury) as at 6 April 2018, 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 2019, 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 the directors be empowered pursuant to section 570 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560 of that Act) for cash pursuant to the general authority conferred on them by resolution 10 and/or to sell equity securities held as treasury shares for cash pursuant to section 727 of the Companies Act 2006, in each case as if section 561 of that Act did not apply to any such allotment or sale, provided that this power shall be limited to:

    a) any such allotment and/or sale of equity securities in connection with an offer or issue by way of rights or other pre-emptive offer or issue, open for acceptance for a period fixed by the directors, to holders of Ordinary Shares (other than the Company) on the register on any record date fixed by the directors in proportion (as nearly as may be) to the respective number of Ordinary Shares deemed to be held by them, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and

    b) any such allotment and/or sale, otherwise than pursuant to sub-paragraph (a) above, of equity securities having an aggregate nominal value not exceeding the sum of £36,970 (being an amount equal to 5 per cent of the total issued ordinary share capital of the Company as at 6 April 2018, being the latest practicable date before the publication of this notice).

    This authority shall expire, unless previously varied, revoked or renewed by the Company in general meeting, at the conclusion of the Annual General Meeting of the Company in 2019, except that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the directors may allot equity securities and/or sell equity securities held as treasury shares in pursuance of such an offer or agreement as if the power conferred by this resolution 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 11,083,820, (being 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 an Ordinary Share shall not be more than the higher of:
        - (a) 5 per cent above the average of the middle market quotations of Ordinary Shares as derived from the Daily Official List for the five business days immediately preceding the date of purchase;
        - (b) the price of the last independent trade on the trading venue where the purchase is carried out; and
        - (c) the highest current independent purchase bid on that venue.
    - (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 2019, 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
6th Floor
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG

6 April 2018

Notes

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 close of business on Tuesday, 22 May 2018 (or, if the AGM is adjourned, at close of business 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 close of business on Tuesday, 22 May 2018 (or, if the AGM is adjourned, at close of business 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. If you have sold or otherwise transferred all your shares in the Company please forward this document, together with the Form of Proxy enclosed at once to the purchaser or transferee, or to the stockbroker, bank, or other agent, through whom the sale of transfer was effected, from transmission to the purchaser or transferee. If you have sold or otherwise transferred only a part of your holding of shares, you should retain these documents.

Notice of Annual General Meeting (continued)

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, Link 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.

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 Link Asset Services PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of an Ordinary Shareholder that is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. The revocation notice must be received by the Registrar not later than 12 noon on Tuesday, 22 May 2018.

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 Link Asset Services PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received by the Registrar by not later than 12 noon on Tuesday, 22 May 2018. In the case of an Ordinary Shareholder which is a company, the Form of Proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy.

6. ***Appointment of Proxy through CREST***

6.1 CREST members who wish to appoint a proxy or proxies for the AGM by utilising the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual, which can be reviewed at www.euroclear.com/CREST. CREST personal members or other CREST sponsored members and those CREST members who have appointed (a) voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

6.2 In order for a proxy appointment made via CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must be transmitted so as to be received by the Registrar (RA10) by not later than 12 noon on Tuesday, 22 May 2018. 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 2006 (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.

Notice of Annual General Meeting (continued)

11. ***Ordinary Shareholders' Qualification Criteria***

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

    (i) (an) Ordinary Shareholder(s) having a right to vote at the AGM and holding at least 5 per cent of the total voting rights of the Company; or

    (ii) at least 100 Ordinary Shareholders having a right to vote at the AGM and holding, on average, at least £100 of paid up share capital.

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

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

    (i) a hard copy request which is signed by the Ordinary Shareholder(s), states their full name(s) and address(es) and is sent to the Company Secretary, F&C Asset Management plc, 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh EH3 9EG;

    (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, 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh EH3 9EG; 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 6 April 2018, the Company's issued share capital comprised 73,941,429 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 6 April 2018 was 73,941,429.

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 comply 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 Link 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 Link 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 Link 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 2018/2019

30 April 2018	Payment of interim dividend for 2017
24 May 2018	Annual General Meeting
24 May 2018	Announcement of quarterly results to 31 March 2018
July 2018	Payment of first interim dividend for 2018
August 2018	Announcement of interim results to 30 June 2018
October 2018	Payment of second interim dividend for 2018
November 2018	Announcement of quarterly results to 30 September 2018
January 2019	Payment of third interim dividend for 2018
March 2019	Announcement of annual results to 31 December 2018
April 2019	Payment of fourth interim dividend for 2018

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.

2016

During the year, the Company issued 1,959,156 Ordinary Shares of 1p each in the capital of the Company, 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. No warrants remain in issue.

2017

During the year the Company amended its dividend policy to introduce the payment of quarterly dividends. The first quarterly dividend was paid in January 2018. Previously the Company paid semi-annual dividends.

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
2016	350.98p	295.50p	15.8%	(0.41)p	12.60p	1.3%ø
2017	**357.23p**	**339.00p**	**5.1%**	**(0.58)p**	**14.04p**	**1.3%ø**

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

Alternative Performance Measures

The Company uses the following Alternative Performance Measures ("APMs"):

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.

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, performance fees, non-recurring costs and the costs of buying back or issuing Ordinary Shares. Ongoing charges of the Company's underlying investments are also excluded.

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.

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.

Dividend – The income from an investment. The Company currently pays dividends to shareholders quarterly.

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.

Glossary of Terms (continued)

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.

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 2017 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.

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

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.

F&C Investment Trust ISA
You can use your ISA allowance to make an annual tax-efficient investment of up to £20,000 for the 2018/19 tax year with a lump sum from £500 or regular savings from £50 a month per Trust. You can also transfer any existing ISAs to us whilst maintaining the tax benefits.

F&C Junior ISA (JISA)(1)
You can invest up to £4,260 for the tax year 2018/19 from £500 lump sum or £30 a month per Trust, or a combination of both. Please note, if your child already has a Child Trust Fund (CTF), then you cannot open a separate JISA, however you can transfer the existing CTF (held either with F&C or another provider) to an F&C JISA.

F&C Child Trust Fund (CTF)(1)
If your child has a CTF you can invest up to £4,260 for the 2018/19 tax year, from £100 lump sum or £25 a month per Trust, or a combination of both. You can also transfer a CTF from another provider to an F&C CTF. Please note, the CTF has been replaced by the JISA and is only available to investors who already hold a CTF.

F&C Private Investor Plan (PIP)
This is a flexible way to invest in our range of Investment Trusts. There are no maximum contributions, and investments can be made from £500 lump sum or £50 a month per Trust. You can also make additional lump sum top-ups at any time from £250 per Trust.

F&C Children's Investment Plan (CIP)
This is a flexible way to save for a child in our range of Investment Trusts. There are no maximum contributions, and the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) 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 per Trust. You can also make additional lump sum top-ups at any time from £100 per Trust.

(1) The CTF and JISA accounts are opened in the child's name and they have access to the money at age 18.

(2) Calls may be recorded or monitored for training and quality purposes.

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Charges
Annual management charges and other charges 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 charges
ISA: 0.2%
JISA/CIP/PIP: postal instructions £12, online instructions £8 per Trust
Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits for the PIP, CIP and JISA.

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

Government stamp duty of 0.5% also applies on the purchase of shares (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 our savings plans and charges, please read the Key Features Document, Key Information Document ("KID") and Terms and Conditions of the plan – available on our website fandc.co.uk.

HOW TO INVEST
To open a new F&C savings plan, apply online at fandc.com/apply

Note, this is not available if you are transferring an existing plan with another provider to F&C, or if you are applying for a new plan in more than one name.

New Customers:
Call: **0800 136 420(2)**
(8:30am – 5:30pm, weekdays.)
Email: **info@fandc.com**

Existing Plan Holders:
Call: **0345 600 3030(2)**
(9:00am – 5:00pm, weekdays)
Email: **investor.enquiries@fandc.com**
By post: F&C Plan Administration Centre
PO Box 11114
Chelmsford CM99 2DG

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include: Alliance Trust Savings, Barclays Smart Investor, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, Lloyds Bank, Selftrade, TD Direct Investing, The Share Centre.

The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please read our Key Information Document and Key Features Document before you invest and this can be found on our website fandc.co.uk. F&C cannot give advice on the suitability of investing in our investment trust or savings plans. If you have any doubt as to the suitability of an investment, please contact a professional financial adviser.

Corporate Information

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Elizabeth Kennedy†
Swantje Conrad
Richard Gray
Douglas Kinloch Anderson, OBE
David Shaw

Company Secretary

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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

PREMIUM MAIN MARKET LONDON STOCK EXCHANGE

What Investment Best Alternative Investment Trust 2016

F&C Private Equity Trust plc

REPORT AND ACCOUNTS 2017

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F&C Investments