F&C Private Equity Trust plc

2005

Annual report and accounts for the year ended 31 July 2005

Contents

Company Summary

The Company

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 The Scottish Eastern Investment Trust plc so as to realise those assets and return cash to Shareholders.

In August 2001, the Company was reorganised and Shareholders were given the opportunity to convert all or part of their existing ordinary shares into A shares and B shares as outlined below.

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 a capital reorganisation of Discovery Trust plc and a subscription of £20 million by Friends Provident. Further details of this transaction are provided in note 26 to the accounts, on page 35.

Objective

The Company's realisation (A) shares retain the original investment policy, allowing shareholders to continue to realise their investment in the Company over a period of time.

The continuation (B) shares' investment policy permits reinvestment of the proceeds of the realisation of assets, enabling shareholders to continue their exposure to private equity investments.

The conversion (C) shares' portfolio of quoted investments will be realised and the proportion equivalent to cash converted into continuation (B) shares on a quarterly basis over a twelve month period from 31 July 2005.

Management

In June 2005, the Company changed its investment management arrangements and the team responsible for the day to day management of the Company's investments transferred to F&C Asset Management plc ("F&C"). The Company terminated its management agreement with Martin Currie Investment Management Ltd (without cost to the Company) and entered into a new investment management agreement with F&C. The Company is now managed by F&C under a contract terminable by either party giving to the other not less than six months' notice expiring on 31 July 2007 or at the end of any subsequent calendar month. Further details of the management contract are provided in the notes to the accounts.

Capital Structure

Gross assets
£76.6 million

Shareholders' funds
A shares £25.6 million
B shares £51.0 million

Market capitalisation
A shares £28.5 million
B shares £41.9 million

Capital structure from 17 August 2005
67,084,807 Realisation or A shares of 1 pence, each entitled to 1 vote
39,183,120 Continuation or B shares of 1 pence, each entitled to 1 vote; and
49,758,449 Conversion or C shares of 2 pence, each entitled to 1 vote

Financial Highlights

- NAV total return for the year of 37.6 per cent for the A shares;
- NAV total return for the year of 28.4 per cent for the B shares;
- Realisations of £25.5 million during the year;
- New investments of £18.2 million during the year;
- £49.8 million added to net assets by the acquisition of the assets of Discovery Trust plc after the year end.

Net Asset Value

	As at 31 July 2005	As at 31 July 2004	% Change
Net assets (£'000)	**76,641**	66,928	29.0*
Net asset value per:			
A share	**38.2p**	39.7p	32.7*
B share	**130.2p**	102.9p	26.6

Market Price

	As at 31 July 2005	As at 31 July 2004	% Change
A share	**42.5p**	39.5p	44.3*
B share	**107.0p**	88.0p	21.6
Discount:			
A share	**8.4%†**	11.8%‡	–
B share	**17.8%**	14.5%	–

Income

	Year ended 31 July 2005	Year ended 31 July 2004	% Change
Revenue return after taxation (£'000)	**1,824**	5,396	(66.2)
Revenue return per:			
A share	**1.58p**	5.16p	(69.4)
B share	**1.96p**	4.94p	(60.3)
Dividend per:			
A share	**1.50p**	5.15p	(70.9)
B share	**1.95p**	4.95p	(60.6)

* Adjusted for special dividends of 7.0 pence paid and of 7.5 pence accrued between 31 July 2004 and 31 July 2005.
† Adjusted for special dividend of 7.5 pence accrued at 31 July 2005, paid on 26 August 2005.
‡ Adjusted for special dividend of 4.5 pence.

Financial Highlights

Total Expenses

	Year ended 31 July 2005	Year ended 31 July 2004
As a percentage of shareholders' funds	**1.32%**	1.62%

Portfolio Summary

	As at 31 July 2005 A shares	As at 31 July 2005 B shares
Shareholders' funds (£'000)	**25,609**	**51,032**
Loan drawdown (£'000)	**–**	**–**
Future commitments (£'000)	**5,504**	**37,873**

Total Returns*

	Year ended 31 July 2005 A shares	Year ended 31 July 2005 B Shares
Net asset value	**37.6%**	**28.4%**
Share price	**48.9%**	**23.8%**

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

Portfolio Summary

Portfolio Distribution

As at 31 July

By Region	% of A Pool 2005	% of B Pool 2005	% of Company Total 2005	% of Company Total 2004
United Kingdom	**38.1**	**35.2**	**36.2**	36.5
Pan-Europe*	**28.3**	**29.1**	**28.8**	29.0
North America	**32.6**	**13.5**	**19.8**	28.6
Continental Europe†	**1.0**	**10.4**	**7.3**	5.9
Global	**–**	**10.6**	**7.1**	–
Unsettled capital calls	**–**	**1.2**	**0.8**	–
	100.0	**100.0**	**100.0**	100.0

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

By Asset Class				
Investment funds	**28.5**	**60.5**	**49.8**	48.8
Investment companies	**31.6**	**12.8**	**19.1**	27.6
Direct quoted	**21.9**	**7.4**	**12.3**	8.6
Direct unquoted	**14.9**	**17.3**	**16.4**	7.2
Cash and cash equivalents	**3.1**	**2.0**	**2.4**	7.8
	100.0	**100.0**	**100.0**	100.0

Largest Holdings

As at 31 July 2005

	A Pool Valuation £'000	% of A pool Portfolio	B Pool Valuation £'000	% of B pool Portfolio	% of Total Portfolio
International Mezzanine Investment IV*	6,607	26.6	3,859	7.7	14.0
Candover plc	4,298	17.3	2,510	5.0	9.1
Dakota, Minnesota & Eastern Railroad	3,804	15.3	2,222	4.4	8.1
Candover 2001 Fund*	–	–	5,233	10.5	7.4
Candover 1997 Fund*	2,191	8.8	1,280	2.6	4.6
Third Private Equity Fund*	1,977	8.0	1,154	2.3	4.2
Global Design Technologies	–	–	2,840	5.7	3.8
Hicks, Muse, Tate & Furst Fund IV*	1,530	6.2	893	1.8	3.2
Pizza Express	–	–	2,414	4.8	3.2
1818 Mezzanine Fund*	1,478	6.0	863	1.7	3.1

*These investments are limited partnerships which invest in a diversified portfolio of unlisted equities.

Top Ten Holdings

International Mezzanine Investment IV

			2005	2004
Investment type:	Netherlands Antilles registered investment company		**2005**	2004
Region:	Pan Europe		**£'000**	£'000
Percentage held:	8.9%	Cost	**9,374**	11,779
Valuation basis:	Directors' valuation	Value*	**10,466**	12,165

International Mezzanine Investment NV is a fund raised by Mezzanine Management Limited which invests in the mezzanine component of large buy-outs and capital reconstructions. Typically the mezzanine debt is subordinate only to senior bank debt. Geographically, the company focuses on Europe (both the UK and the Continent) but also retains some scope to invest up to 25% outside Europe. The fund closed with total commitments of $225 million.

Candover Investments plc

Investment type:	Direct quoted		**2005**	2004
Region:	United Kingdom		**£'000**	£'000
Percentage held:	1.7%	Cost	**3,437**	3,437
Valuation basis:	Middle market price	Value	**6,808**	5,169

Candover organises and invests principally in large buy-outs. Its primary objectives are to achieve above average capital gains from investments and to earn satisfactory income for shareholders.

Dakota, Minnesota & Eastern Railroad Corporation

Investment type:	Direct unquoted		**2005**	2004
Region:	North America		**£'000**	£'000
Percentage held:	6.8%	Cost	**4,062**	4,062
Valuation basis:	Directors' valuation	Value*	**6,026**	3,434

The Dakota, Minnesota & Eastern Railroad Corporation is a regional railway operator. It was a highly leveraged Management Buy Out sponsored by Candover and Lombard Investments Inc to acquire the railroad assets from Chicago North Western Transportation for $38 million. It is continuing its development of the proposed extension and upgrade of its rail line to enable it to participate in the lucrative Powder River Basin coal market.

Candover 2001 Fund

Investment type:	Limited partnership		**2005**	2004
Region:	Pan Europe		**£'000**	£'000
Percentage held:	0.4%	Cost	**3,984**	3,589
Valuation basis:	Directors' valuation	Value*	**5,233**	2,668

The Candover 2001 Fund closed in June 2002 with commitments of €2.7 billion from 110 investor groups. It will invest in mid to large (€100 million to €1.5 billion) European buy-outs. The continuation pool of the Company committed €10 million to it in February 2002.

Candover 1997 Fund

Investment type:	Limited partnership		**2005**	2004
Region:	United Kingdom		**£'000**	£'000
Percentage held:	7.0%	Cost	**–**	6,450
Valuation basis:	Directors' valuation	Value*	**3,471**	5,367

The Candover 1997 Fund raised £850 million in commitments, which were used to arrange and lead larger buyouts mainly in the UK but also in Continental Europe. The Company committed £61.5 million. The fund's investment period terminated when it was 91% committed, on 13 June 2001, following the first closing of the 2001 fund.

*Listing Rule 15.4.13 requires the disclosure of earnings per share, dividends per share, dividend cover and net assets attributable information for unlisted investments but the Company is unable to provide such information for investments in limited partnerships or direct investments held via limited partnerships.

Top Ten Holdings

Third Private Equity Fund

			2005	2004
Investment type:	Limited partnership		**2005**	2004
Region:	United Kingdom		**£'000**	£'000
Percentage held:	23.0%	Cost	**7,939**	8,012
Valuation basis:	Directors' valuation	Value*	**3,131**	3,023

A successor to the second Brown Shipley Fund, the Third Private Equity Fund invests in a mixture of buy-out, buy-in, replacement capital and development capital transactions in the UK and Western Europe. Investments are usually in the £1.5 to £5 million range. The fund closed in March 1996 with £44 million in commitments.

Global Design Technologies LLC

Investment type:	Direct unquoted		**2005**	2004
Region:	Global		**£'000**	£'000
Percentage held:	11.2%	Cost	**2,858**	–
Valuation basis:	Directors' valuation	Value*	**2,840**	–

Global Design Technologies LLC is a specialist designer and manufacturer of civil and military aerospace components. The group was formed in January 2005 in a $134 double buy-out led by Stirling Square Capital Partners: the first was of the business of Designed Metal Connections (formerly Deutsche Metal Components) the US aerospace division of DeutschCorp; the second was Permaswage, the French sister company 75% owned by DeutschCorp.

Hicks, Muse, Tate & Furst Fund IV

Investment type:	Limited partnership		**2005**	2004
Region:	North America		**£'000**	£'000
Percentage held:	1.2%	Cost	**21,263**	26,389
Valuation basis:	Directors' valuation	Value*	**2,423**	7,115

Hicks, Muse, Tate & Furst Inc is an international private investment firm of US origin with headquarters in Dallas. The fund has made leveraged equity investments in media, manufacturing, branded foods, service and other businesses that are located mainly, but not exclusively, in the US. The fund closed in February 1999 having raised $4.1 billion.

Pizza Express

Investment type:	Direct unquoted		**2005**	2004
Region:	United Kingdom		**£'000**	£'000
Percentage held:	n/a	Cost	**2,414**	1,414
Valuation basis:	Directors' valuation	Value*	**2,414**	1,414

Pizza Express is one of the UK's leading restaurant chains with over 300 outlets. It was taken private by TDR and Capricorn in July 2003, when the Company made its initial investment. A further £1 million was invested in April 2005 following the ASK Central deal.

1818 Mezzanine Fund

Investment type:	Limited partnership		**2005**	2004
Region:	North America		**£'000**	£'000
Percentage held:	8.0%	Cost	**2,255**	5,292
Valuation basis:	Directors' valuation	Value*	**2,341**	4,339

The 1818 Mezzanine Fund was organised by Brown Brothers Harriman & Co in 1997 to provide a source of financing to private or family owned US companies which need capital but are not prepared to cede a controlling interest. The fund has $250 million in committed capital. Investments are typically unsecured subordinated debt with warrants for the purchase of common equity and in the region of $5 to $10 million.

*Listing Rule 15.4.13 requires the disclosure of earnings per share, dividends per share, dividend cover and net assets attributable information for unlisted investments but the Company is unable to provide such information for investments in limited partnerships or direct investments held via limited partnerships.

Chairman's Statement

David Simpson
Chairman

The international private equity market has continued the strong recovery that began during 2004. This has been helped by buoyant stockmarkets and continued progress in most major economies. The profits of underlying companies have grown and this has continued to attract the interest of investors leading to considerable mergers and acquisition activity. The Trust's portfolio has been a beneficiary of this trend and has sustained a strong flow of realisations. We have been able to invest much of this amount through funds in a wide range of private companies internationally. The results for our shareholders have been excellent.

At 31 July the net asset value per A share was 38.2p. In respect of this financial year we have declared special dividends of 14.5p per A share. In addition an interim dividend of 0.3p per A share has been paid. The Directors are recommending a final dividend of 1.2p giving a total dividend per A share for the year of 1.5p. Taking all of these into account the NAV total return per A share is 37.6 per cent over the year.

At 31 July the net asset value per B share was 130.2p. An interim dividend of 0.55p has been paid and the Directors are recommending a final dividend of 1.4p giving a total dividend for the year of 1.95p. This gives a NAV total return for the year of 28.4 per cent.

There has been considerable activity in the portfolio during the year. Realisations totalled £25.5 million. This represents approximately 38 per cent of the value of the Company at the beginning of the year. These realisations have funded the special dividends for A shareholders and new investments for the B pool. New investments for the B pool have totalled £18.2 million. This is a substantial rate of investment and is equivalent to 45 per cent of the value of the B pool at the start of the year.

Although the total amount so far returned to A shareholders by way of special and ordinary dividend is over £68 million, the A pool still stands at £25.6 million and from here it is expected that over the next twelve to eighteen months most of the remaining assets will be liquidated, enabling the payment of further special dividends. The remaining A pool contains several funds which have mature holdings in a wide variety of sectors and geographies. The timing of the sale of these companies depends on many factors but the managers of our funds are in all cases directly incentivised to realise maximum value as quickly as possible.

In the B pool we now have a portfolio of thirty three funds, four direct investments and five quoted companies. The underlying portfolio of companies now numbers over 250. Through our investment partners we have access to the expertise of over twenty different private equity specialist firms. It is a key objective to maintain strong relationships with these managers and to build a strong, but well diversified, portfolio. Many of the funds in our portfolio focus on the mid market in their respective private equity markets. It is in this tier that the most obvious future value lies. Also the majority of the private equity groups that we back are emerging management groups. Experience suggests that this type of accomplished, but relatively new firm tends to be highly motivated and focused, giving us an excellent chance of achieving premium returns for shareholders.

Lastly, but very importantly, the management contract of your Company was transferred from Martin Currie Investment Management Limited to F&C Asset Management plc on 20 June 2005. The management team transferred with the Trust thus maintaining the continuity of management which your Board considered was in the best interests of the Company. At the same time we entered into an agreement to acquire the assets of Discovery Trust. This was enabled by the agreement of their shareholders and by the subscription of new C shares by Friends Provident. The general meetings necessary to effect this transaction proceeded successfully in August, and I should like to welcome Sir James McKinnon the Chairman of Discovery Trust, who joined our Board at the same time.

The significantly increased scale which this transaction brings should be of great benefit to our shareholders by improving the range of investment opportunities open to the managers and by enhancing the liquidity and rating of our shares.

David Simpson
Chairman

27 October 2005

Investment Managers

Hamish Mair

Hamish Mair is the head of private equity funds at F&C Asset Management plc and the manager of F&C Private Equity Trust

Neil Sneddon

Neil Sneddon is a director in the private equity funds team

Anna Vandor

Anna Vandor is an analyst in the private equity funds team

Investment Managers

F&C Asset Management plc (F&C) is the diversified asset management business created on 11 October 2004 following the merger of ISIS Asset Management plc and F&C Group Limited. The combined business has £125 billion of funds under management (as at 31 March 2005) and is a leading asset manager in both the UK and Europe. The shares of F&C are traded on the London Stock Exchange.

On 17 June 2005, it was announced that the investment management arrangements for the Company would change as a consequence of the transfer by Martin Currie Investment Management Ltd (''Martin Currie'') of its private equity fund of funds business to F&C. Martin Currie's contract as investment manager of the Company was terminated (without cost to the Company) with effect from 20 June 2005. With effect from the same date, the Company entered into a management agreement with F&C under which F&C is responsible for managing the Company and its portfolio of assets on a discretionary basis, but subject to the overall supervision of the Directors. The management agreement can be terminated by either the Company or F&C giving not less than six months' written notice expiring on 31 July 2007 or at the end of any subsequent calendar month.

Under the terms of the management agreement, F&C is responsible for the management of the assets and investments comprising the 'A' Pool, the 'B' Pool and the 'C' Pool. F&C has sub-contracted the implementation of the realisation of the investments comprised in the 'C' Pool to Bluehone Investors LLP. F&C is responsible for any fees payable to Bluehone Investors LLP, with such fees having been structured to incentivise progressive realisation of the 'C' Pool portfolio at best value.

Manager's Review

The environment for private equity investment has been positive internationally. There has been very strong deal flow in most major markets and confidence amongst private equity practitioners is at a high ebb. Generally buoyant stock markets and continued economic growth against a background of low inflation and a liquid and optimistic banking sector has led to sustained high levels of mergers and acquisition activity. The increasing adoption of private equity as a means for financing the growth of smaller and medium sized private companies means that the substantial increase in the size and influence of private equity funds will not necessarily compromise future returns. However there are certain sub sectors and geographies where there is a risk of oversupply of capital pushing up prices to unreasonable levels. Key determinants of the success of private equity fund managers will be the degree of pricing discipline maintained and the avoidance of unduly stretched capital structures. The majority of funds in our portfolio focus on the mid market tier and as it is generally well populated with suitable target companies, yet in most markets there are still a limited number of experienced private equity practitioners, the risk of over-priced deals is somewhat lower. The acquisition multiples reported to us by the funds in our portfolio appear reasonable given the economic conditions. For certain mid market funds the appetite for larger deals by the bigger funds is a distinct benefit as their portfolio companies are sold on to the larger private equity funds. Indeed this activity is so prevalent that secondary buy-outs now outrank trade sales as the most frequent form of exit.

Our portfolio has exposure to most of the world's private equity markets through investments in over thirty funds and several direct investments. A private equity fund of funds has twin aims. Firstly to maximise returns for shareholders through identifying the better managers, funds and co-investments, but secondly to reduce the risk associated with the asset class. The former aim is achieved through careful analysis of the very wide range of investment opportunities, focusing on both the quantitative and qualitative attributes of each proposition and assessing these in the light of experience. The latter is achieved through careful diversification. It is especially important to avoid backing funds with very similar investment styles and target markets; otherwise the dangers of over-concentration and self-competition will detract from returns.

In addition to monitoring the funds and direct investments in our existing portfolio our investment team reviews hundreds of new investment opportunities each year. Only a small subset of these are selected as investments.

During the year we made new commitments to five funds and two direct investments.

Our international investment mandate allows flexibility to invest up to 10 per cent outside Europe or North America. Some of this was utilised through our $5 million commitment to the AIG Global Emerging Markets Fund II. AIG Capital Partners, the fund's manager, has an unrivalled infrastructure and capability for private equity investment in emerging markets. Its approach is to invest only where a company's business model has been proven in developed markets. Maintaining a quality exposure to North America is important and as part of this we made a $5 million commitment to RCP II, a specialist mid-market fund of funds group. This fund will give us exposure to up to fifteen different US mid-market buy-out funds. This fund will be complementary to our other US investments and may also act as a source of investment opportunities in the most attractive tier of the world's largest private equity market.

We have made two commitments to Pan-European buy-out funds in the mid and upper mid market area. Firstly a €5 million commitment to Montagu III. This is the first fund following the management group's spin-out from the HSBC group. Whilst highly experienced, Montagu is therefore an emerging manager. We have made a commitment of €10 million to the Candover 2005 Fund. This Pan-European fund is the 7th by Candover that, in various guises, we have backed. Their past performance and present attributes both justified our continued support.

It is our policy to cover the European mid market with a combination of larger Pan-European firms, such as Candover and Montagu, and locally managed country funds. In this latter category we committed €7 million to Ciclad 4, a lower mid market MBO fund based in Paris. This is the third fund by Ciclad in which we have invested.

Up to 25 per cent of the B pool may be invested directly in private companies. This capacity is used mainly for co-investments alongside a selected group of the funds, and also with other management groups that we know well. During the year we invested £1.3 million, alongside Royal London Private Equity, for an 8.3 per cent in Academy Music Group, the UK's largest owner of live music venues. In the very different aerospace sector we invested £2.8 million for 12.5 per cent of Global Design Technologies. This company, which has proprietary critical expertise in aircraft components, was brought to us by Stirling Square Capital Partners. They lead the deal and have assembled a small syndicate to finance it. Also in the direct investment area we made an additional investment of £1 million in Pizza Express. Its parent

Manager's Review

company acquired Ask Central, another restaurant chain, enhancing the group's commercial position.

There has been a substantial amount of exit activity in our funds. £25.5 million was realised over the year from eighteen funds. These came from the partial or total realisation of over fifty companies. Many private equity funds have arranged recapitalisations for portfolio companies. Provided it does not burden a company with too much debt, it is an effective way of boosting returns through reducing the money at risk rapidly.

As would be expected a number of the larger realisations are from our longstanding mature funds, but there are also encouraging realisations from many of the newer funds.

The most significant sale, at £9.2 million, was the Candover 1997 Fund's exit of French frozen food retailer Picard Surgeles. The Brown Brothers Harriman 1818 Mezzanine Fund returned £2.5 million from the sale of American Tire. International Mezzanine Investment returned £1.3 million from the sale of pesticide company, Waterbury, and recapitalisation of JJI Lighting. This fund also returned £0.9 million from the sale of its mezzanine investment in Pescanova (Spanish fishing). Hicks Muse Tate & Furst Fund IV ("HMTF") returned a total of £3.4 million through the sale of International Seed, the recapitalisation of EurotaxGlass's, the sale of Clear Channel and the final sale of Microtune. In addition, HMTF distributed £2.0 million in Clear Channel shares.

Other significant realisations came from a range of funds held in the B pool. The Candover 2001 Fund returned £1.4 million. Much of this was from recapitalisations of Springer (£0.8 million) and Gala (£0.3 million). Our holding in venture capital fund SEP II yielded £0.7 million reflecting its sales of Cambridge Silicon Radio, Searchspace and some smaller holdings. Primary Capital II is also well into realisation mode and distributed £1.1 million including nearly £1.0 million from the sale of book retailer, The Works. Notable realisations came from our mezzanine funds. Hutton Collins has returned £0.7 million from several investments, Accession Mezzanine yielded £0.3 million from the redemption of its investment in Bulgarian Telecom. In Germany DBAG IV has successfully sold engineering company Babcock Borsig, yielding £0.7 million. In the US Blue Point Capital returned £0.6 million, again from several investments.

New investment activity has been substantial with drawdowns and direct investments totalling £18.2 million. Again this was from a wide range of funds.

In the UK SEP II evidenced the recovery in confidence in the venture sector by investing £1.0 million. LGV 4 was very active deploying £1.3 million in four companies and Royal London Private Equity and Inflexion invested £0.7 million and £0.6 million respectively on our behalf. Sand Aire invested £0.4 million. The Pan European funds were also active. Candover 2001 Fund drew £1.8 million for six separate investments, including Thule, the vehicle accessories company and Alcontrol, the food and environmental testing company. TDR Capital invested £2.0 million, including £1.2 million into the closed life insurance company, Pearl and £0.8 million into Algeco, the European market leader in modular buildings. In France, Chequers Capital have made four new investments, drawing £0.2 million. Nmás 1 has invested £0.8 million in three companies, including £0.5 million in perfume retailer, Bodybell. Blue Point Capital invested £0.25 million in US mid market companies and Warburg Pincus VIII drew £0.8 million for five new investments.

This substantial level of investment and realisation activity has contributed to the growth in NAV, through realisations, usually at a notable premium to the latest valuation and through uplifts to unrealised investments. It has also been necessary to downgrade the valuation of certain investments. Because of the spread and strength of the underlying portfolio good net progress has been made.

The deal flow of fund opportunities and direct investments continues from every private equity market. This will provide a means of investing the Trust's substantial additional resources arising from the transaction with Discovery Trust. At present the economic background for most of our fund investments is neutral or positive. The obvious adverse factor is the high oil price, which will inevitably result in some moderation of growth. The private equity fund managers, because of their influence on companies, have the chance of growing profits and building value even in conditions of deceleration or stagnation. This is a means of value enhancement that is not normally available to investors in the quoted markets. This is why private equity over the medium term outperforms the stock markets and is a major incentive for investment in the asset class. The asset class is not without risks and a fund of funds structure remains the sensible way of achieving diversification in quality funds and companies to mitigate these risks and maximise returns.

Hamish Mair

27 October 2005

Portfolio Holdings

United Kingdom	Total Valuation £'000	% of Total Portfolio	A Pool Valuation £'000	% of A Pool Portfolio	B Pool Valuation £'000	% of B Pool Portfolio
Candover plc	6,808	9.1	4,298	17.3	2,510	5.0
Candover 1997 Fund	3,471	4.7	2,191	8.8	1,280	2.6
Third Private Equity Fund	3,131	4.2	1,977	8.0	1,154	2.3
Pizza Express	2,414	3.2	–	–	2,414	4.8
Scottish Equity Partnership II	1,760	2.4	–	–	1,760	3.5
RL Private Equity	1,684	2.3	–	–	1,684	3.4
Sand Aire Equity Harvest Fund	1,371	1.8	–	–	1,371	2.7
Academy Music Group	1,341	1.8	–	–	1,341	2.7
LGV 4	1,286	1.7	–	–	1,286	2.6
Enterprise Plus	1,188	1.6	750	3.0	438	0.9
Primary Capital II	730	1.0	–	–	730	1.5
Inflexion Private Equity 2	607	0.8	–	–	607	1.2
Strathdon Investment	473	0.6	–	–	473	0.9
Albany Ventures Fund III	358	0.5	–	–	358	0.7
Scottish Equity Partnership	325	0.4	205	0.8	120	0.2
Martin Currie Income & Growth Trust	72	0.1	45	0.2	27	0.1
Interregnum	28	–	–	–	28	0.1
Total United Kingdom investments	**27,047**	**36.2**	**9,466**	**38.1**	**17,581**	**35.2**
Pan-Europe*						
International Mezzanine Investment IV	10,466	14.0	6,607	26.6	3,859	7.7
Candover 2001 Fund	5,233	7.0	–	–	5,233	10.5
TDR Capital	2,167	2.9	–	–	2,167	4.3
Alta Berkeley VI	2,130	2.8	–	–	2,130	4.3
Hutton Collins Mezzanine Fund	798	1.1	–	–	798	1.6
Alta Berkeley V	777	1.0	420	1.7	357	0.7
Alta Berkeley III	14	–	–	–	14	–
Total Pan-European investments	**21,585**	**28.8**	**7,027**	**28.3**	**14,558**	**29.1**
North America						
Dakota, Minnesota & Eastern Railroad	6,026	8.1	3,804	15.3	2,222	4.4
Hicks, Muse, Tate & Furst Fund IV	2,423	3.2	1,530	6.2	893	1.8
1818 Mezzanine Fund	2,341	3.1	1,478	6.0	863	1.7
Clear Channel	2,015	2.7	1,272	5.1	743	1.5
Blue Point Capital	1,832	2.4	–	–	1,832	3.7
RCP Fund II	201	0.3	–	–	201	0.4
Total North American investments	**14,838**	**19.8**	**8,084**	**32.6**	**6,754**	**13.5**
Continental Europe†						
Nmás 1	1,669	2.2	–	–	1,669	3.3
Chequers Capital	1,097	1.5	–	–	1,097	2.2
Accession Mezzanine	1,019	1.4	–	–	1,019	2.0
DBAG Fund IV	909	1.2	–	–	909	1.8
Ciclad 4	386	0.5	–	–	386	0.8
Ciclad 2	377	0.5	238	1.0	139	0.3
Total Continental European investments	**5,457**	**7.3**	**238**	**1.0**	**5,219**	**10.4**
Global						
Global Design Technologies	2,840	3.8	–	–	2,840	5.7
Warburg Pincus VIII	2,201	3.0	–	–	2,201	4.4
Warburg Pincus IX	170	0.2	–	–	170	0.3
AIG Global Emerging Markets II	83	0.1	–	–	83	0.2
Total Global investments	**5,294**	**7.1**	**–**	**–**	**5,294**	**10.6**
Unsettled Capital Calls	609	0.8	–	–	609	1.2
Total Investment Portfolio	**74,830**	**100.0**	**24,815**	**100.0**	**50,015**	**100.0**

*Europe including the UK
†Europe excluding the UK

Board of Directors

David Simpson
(Chairman)
Aged 64, is a non-executive director of Fidelity European Values plc. He was a general manager and company secretary of The Standard Life Assurance Company from 1988 to 1996. He joined the Board in January 1999. David Simpson's current term of office will expire at the annual general meeting of the Company to be held in 2006.

Douglas Kinloch Anderson OBE
Aged 66, is executive chairman of Kinloch Anderson Limited. He was national president of the Royal Warrant Holders Association, president of The Edinburgh Chamber of Commerce and Master of the Edinburgh Merchant Company. He is also a director of Martin Currie Portfolio Investment Trust plc and Fidelity Special Values plc. He joined the Board in December 2000. Douglas Kinloch Anderson's current term of office will expire at the annual general meeting of the Company to be held in 2006.

Robert Legget
Aged 55, is the managing director of Progressive Value Management Limited, a fund management company specialising in the realisation of illiquid holdings in UK listed small-capitalisation stocks and other 'difficult' asset classes. Previously he was a director of Quayle Munro Holdings plc, the Edinburgh based merchant bank. He joined the Board in January 1999. Robert Legget's current term of office will expire at the annual general meeting of the Company to be held in 2007.

Sir James McKinnon
Aged 76, joined the Board with effect from 17 August 2005. Formerly Chairman of Discovery Trust, Sir James intends to retire from the Board once the realisation of the C share portfolio has been completed. He was formerly chairman of Trafficmaster plc and deputy chairman of United News & Media plc (now called United Business Media plc).

John Rafferty
Aged 54, is a senior partner of Burness, the Scottish law firm. He is also a Fellow of the Securities and Investment Institute, and Honorary Consul for Canada in Scotland. He has wide experience of private equity investments and of investment realisations. He joined the Board in March 2000. John Rafferty's current term of office will expire at the annual general meeting of the Company to be held in 2005.

Report of the Directors

Results and Dividends

The Directors submit the sixth Annual Report and Accounts of the Company, for the year ended 31 July 2005.

	£'000
Revenue available for dividends	1,824
Interim dividend of 0.3p per A share and 0.55p per B share paid on 20 May 2005	(417)
Final dividend for the year of 1.2p per A share and 1.4p per B share, payable on 9 December 2005 to shareholders on the register at close of business on 28 October 2005	(1,353)
Transferred to revenue reserve	54

In addition to the revenue dividends paid and proposed as above, special dividends of 7.0p per A share were paid on 11 March 2005 and of 7.5p per A share were paid on 26 August 2005. Further details are provided in note 8, page 29.

Principal Activity and Status

The Company is registered as a Public Limited Company in terms of the Companies Act 1985 and is an Investment Company as defined by Section 266 of the Companies Act 1985.

The Company carries on business as an investment trust. It has been approved by the Inland Revenue as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 July 2004. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval.

A review of the business during the year is contained in the Chairman's Statement and Manager's Review.

Directors

Mr J Rafferty, whose biographical details are shown on page 12, retires from the Board by rotation and, being eligible, offers himself for re-election at the Annual General Meeting.

Sir James McKinnon was appointed to the Board on 17 August 2005 and, having attained the age of 76 prior to the Annual General Meeting, offers himself for election at the Annual General Meeting, special notice of a resolution to propose his re-appointment having been received. He intends to retire from the Board on the final conversion of the C Shares.

The Board confirms that, following formal performance evaluations, the performance of the Director seeking re-election continues to be effective and demonstrates commitment to the role, and believes that it is therefore in the interests of shareholders that Mr J Rafferty is re-elected. The Board also believes that Sir James McKinnon's knowledge of the C share portfolio will be valuable over the period of the realisation programme and it is therefore in the interests of shareholders that he is re-appointed.

The Directors who held office during the year and their interests in the shares of the Company as at 31 July 2005 were:

		2005 A Shares	**2005 B Shares**	2004 A Shares	2004 B Shares
David Simpson	Beneficial	**–**	**20,000**	–	20,000
Douglas Kinloch Anderson	Beneficial	**–**	**–**	–	–
Robert Legget	Beneficial	**–**	**10,000**	–	10,000
John Rafferty	Beneficial	**25,000**	**10,000**	15,000	10,000

Sir James McKinnon, appointed to the Board on 17 August 2005, elected to receive 100% C Shares in F&C Private Equity Trust plc for his shares in Discovery Trust plc as part of the reconstruction of Discovery Trust plc referred to below. He consequently holds 39,368 C Shares of F&C Private Equity Trust plc. No other Director of the Company holds any C Shares. There have been no other changes in the holdings of the Directors between 31 July 2005 and 27 October 2005.

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

No Director has a contract of service with the Company.

Report of the Directors

Substantial Interests in Share Capital

At 27 October 2005 the following holdings representing more than 3 per cent of the Company's issued share capital had been reported:

	A Shares Held	% of A Shares	B Shares Held	% of B Shares	C Shares Held	% of C Shares
Martin Currie Portfolio Investment Trust	31,097,772	46.4	7,836,624	20.0	–	–
Deutsche Bank	10,979,145	16.4	5,092,679	13.0	–	–
F&C Asset Management	4,482,165	6.7	2,180,360	5.6	30,931,171*	62.2*
CG Asset Management	3,241,320	4.8	–	–	–	–
M&G Investment Management	–	–	5,490,000	14.0	–	–
Aegon Asset Management	–	–	3,719,300	9.5	–	–
Co-operative Insurance Society	–	–	3,004,890	7.7	–	–
Standard Life Investments	–	–	2,239,555	5.7	–	–
Partners Group	–	–	1,745,000	4.5	–	–
New Star Asset Management	–	–	1,700,000	4.3	–	–
British Empire Securities & General Trust plc	–	–	–	–	4,500,000	9.0
Advance UK Trust plc	–	–	–	–	1,975,000	4.0

*Includes discretionary retail products.

No other interest in 3 per cent or more of the ordinary share capital of the Company has been reported in terms of Section 199 of the Companies Act 1985.

Management and Management Fees

On 17 June 2005, the Company announced a change in its investment management arrangements and the transfer to F&C Asset Management plc ("F&C") of the team responsible for the day to day management of the Company's investments with effect from 20 June 2005. The Company terminated its management agreement with Martin Currie Investment Management Ltd ("Martin Currie") (without cost to the Company) and entered into a new investment management agreement with F&C with effect from 20 June 2005. F&C provides management and secretarial services to the Company. A summary of the contracts between the Company and Martin Currie and the Company and F&C in respect of management services provided is given in note 4 to the accounts.

In entering into the new arrangements, the Management Engagement Committee reviewed the appropriateness of the Managers' appointment. In carrying out its review the Committee considered the past investment performance of the Company and the capability and resources of the Managers 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 Managers, together with the commitment of the Managers to the Company and its investment trust business and the standard of other services provided which include company secretarial, administration, marketing and corporate development.

Following this review it was, and continues to be, the Directors' opinion that the continuing appointment of the Managers on the terms agreed is in the interests of shareholders as a whole.

Corporate Governance

Arrangements in respect of corporate governance have been made by the Board, which it believes are appropriate to an investment trust. Except as disclosed below, the Company complied throughout the year with the provisions of the revised Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 ('the revised Code'). The Board has also taken into account the recommendations of the AITC Code of Corporate Governance ('the AITC Code') which was also issued in July 2003. Since all the Directors are non-executive, the provisions of the revised Code in respect of Directors' remuneration are not relevant to the Company, except in so far as they relate specifically to non-executive Directors.

In view of its non-executive nature and the requirement of the Articles of Association that all Directors retire by rotation, the Board considers that it is not appropriate for a senior independent director to be appointed or for the Directors to be appointed for a specified term as recommended by provisions A.3.3 and A.7.2 of the revised Code. However, the Board has agreed that each Director will retire and, if appropriate, seek re-election at the completion of each three years' service.

The Board consists solely of non-executive Directors. Mr David Simpson is Chairman. All Directors are considered by the Board to be independent of the Company's Managers. New Directors receive an induction from the Managers on joining the Board, and all Directors are made aware of appropriate training courses.

The Board, following formal performance evaluations, believes that each Director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect the judgement of any Director.

The Company has no executive Directors or employees. A management agreement between the Company and its Managers, F&C Asset Management plc, sets out the matters over which the Managers have authority and the limits above which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing, and corporate governance procedures, are reserved for the approval of the Board of Directors. The Board currently meets at least four times a year and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings. The Managers, in the absence of explicit instructions from the Board, are empowered to exercise discretion in the use of the Company's voting rights. All shareholdings are voted at all meetings worldwide where practicable in accordance with the Managers' own corporate governance policy, which is to seek to maximise shareholder value by constructive use of votes at Company meetings and by endeavouring to use its influence as an investor with a principled approach to corporate governance.

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.

Audit Committee

The Audit Committee, chaired by Mr Robert Legget, operates within clearly defined terms of reference and comprises all of the Directors. The duties of the Audit Committee include reviewing the Annual and Interim Accounts, the system of internal controls, and the terms of appointment of the auditors together with their remuneration. It also provides a forum through which the auditors may report to the Board of Directors and meets at least twice yearly. The objectivity of the auditors is reviewed by the Audit Committee which also reviews the terms under which the external auditors are appointed to perform non-audit services. The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors, with particular regard to non-audit fees. Such fees amounted to £3,000 for the year ended 31 July 2005 (2004: £5,000) and related to the provision of a review of the interim financial information and taxation services. Notwithstanding such services the Audit Committee considers Ernst & Young LLP to be independent of the Company.

Management Engagement Committee

The Management Engagement Committee, chaired by Mr David Simpson, comprises the full Board and reviews the appropriateness of the Managers' continuing appointment together with the terms and conditions thereof on a regular basis.

Nomination Committee

The Nomination Committee, chaired by Mr David Simpson, comprises the full Board and is convened for the purpose of considering the appointment of additional Directors as and when considered appropriate. In considering appointments to the Board, the Nomination Committee takes into account the ongoing requirements of the Company and the need to have a balance of skills, experience and tenure within the Board. During the year Sir James McKinnon, formerly Chairman of Discovery Trust plc, was invited to join the Board as his knowledge and experience of the investments transferred to the C Share pool during the reconstruction of Discovery Trust plc was judged to be valuable to the Board over the period of the C Share portfolio's realisation. The Nomination Committee concluded, following its review of Board composition, that there was no immediate need for further recruitment of Directors.

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

The following table sets out the number of Board and Committee meetings held during the year ended 31 July 2005 and the number of meetings attended by each Director.

	Board of Directors		Audit Committee		Management Engagement Committee		Nomination Committee	
Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended
David Simpson	14	14	2	2	1	1	1	1
Douglas Kinloch Anderson	14	12	2	2	1	1	1	1
Robert Legget	14	12	2	2	1	1	1	1
John Rafferty	14	12	2	2	1	1	1	1

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.

After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Report of the Directors

Internal Control

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the guidance provided by the Turnbull Committee. The Company employed two Investment Managers during the year ended 31 July 2005 and the process established was based principally on the two Managers' existing risk-based approach to internal control. Both Managers employ a system where a test matrix is created that identifies the key functions carried out by the Managers 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. 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 FRAG 21 and similar reports issued by the Managers and other service providers. A second meeting during the year receives updates on any material changes in the risk environment and the action taken.

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. By their nature these procedures can 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 Managers adhere to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to such policy and guidelines.

The Board has reviewed the need for an internal audit function. The Board has decided that the systems and procedures employed by the Managers, including their internal audit function and the work carried out by the Company's external auditors, 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.

Directors' Authority to Allot Shares

At the Annual General Meeting of the Company held on 6 December 2004, a special resolution was passed which permitted the Directors to allot new B shares as if Section 89(1) of the Companies Act 1985 did not apply. (This section requires that when shares are allotted for cash, such new shares are first offered to existing shareholders in proportion to their existing holdings of shares, this entitlement being known as ''pre-emption rights''). The renewal of this authority for allotment without the application of pre-emption rights is now sought by means of a special resolution at the forthcoming Annual General Meeting.

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

The resolution required to allot B shares in this way is set out as resolution 9 in the notice of meeting. The resolution, if passed, will give the Directors power to allot for cash B shares of the Company up to a maximum of £19,591 (being an amount representing 5% of the total issued B share capital of the Company as at 31 July 2005) without the application of the pre-emption rights as described above. The calculation of the above figure is in accordance with the limits laid down by the UK Listing Authority and Investment Protection Committee guidelines, and the Directors will not use the authority other than in accordance with the above guidelines.

The authority contained in resolution 9 will continue until the Annual General Meeting of the Company in 2006, and the Directors envisage seeking renewal of this authority in 2006 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 A and B Shares expires at the end of the Annual General Meeting and resolution 10, 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 A and B Shares of the Company as at the date of the passing of the resolution (10,056,012 A shares, 5,873,549 B shares). The price paid for shares will not be less than the nominal value of 1p per A share or 1p per B share, nor more than the higher of (i) 5 per cent above the average of the middle market values of those shares for the five business days before the shares are purchased and (ii) that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC 2273/2003). This power will only be exercised if, in the opinion of the Directors, a purchase will result in an increase in net asset value per share and be in the interests of the shareholders. Any shares purchased under this authority will be cancelled.

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. The Managers hold meetings with the Company's largest shareholders and report back to the Board on these meetings. The Chairman and other Directors are available to meet shareholders if required. 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 Managers of the Company.

Auditors

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

Creditor Payment Policy

The Company's payment policy is to settle investment transactions in accordance with market practice and to ensure settlement of supplier invoices in accordance with stated terms. The Company did not have any trade creditors at the year end.

Environment

The Company seeks to conduct its affairs responsibly and environmental factors are, where appropriate, taken into consideration with regard to investment decisions.

By Order of the Board

F&C Asset Management plc
Secretary

80 George Street
Edinburgh EH2 3BU
27 October 2005

Directors' Remuneration Report

Directors' emoluments for the year (audited)

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

	Fees 2004/2005 £	Reconstruction fee 2004/2005 £	Total 2004/2005 £	Fees 2003/2004 £
David Simpson (Chairman of the Board)	22,500	16,875	39,375	22,500
Douglas Kinloch Anderson	15,000	11,250	26,250	15,000
Robert Legget	15,000	11,250	26,250	15,000
John Rafferty*	15,000	11,250	26,250	15,000
	67,500	50,625	118,125	67,500

*Directors' fees of £26,250 in respect of John Rafferty were paid to Burness, of which John Rafferty is a Partner.
These payments were for making John Rafferty's services available as a Director of the Company.

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on pages 20 and 21.

Remuneration Committee

The Nominations Committee fulfils the function of a Remuneration Committee in addition to its nominations function. The Nominations Committee consists of all five (four prior to 17 August 2005) Non-Executive Directors. Their details are listed on page 12. The Board has appointed the Company Secretary, F&C Asset Management plc to provide information when the Nominations Committee considers the level of Directors' fees.

Policy on Directors' Fees

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

The fees for the Non-Executive Directors are determined within the limits set out in the Company's Articles of Association. Non-Executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

The Nominations Committee carried out a review of the level of Directors' fees during the year, and recommended that the Chairman's fee increase to £27,000 (2004: £22,500) the Audit Committee Chairman's fee increase to £21,000 (2004: £15,000) and Directors' fees increase to £18,000 (2004: £15,000). As disclosed in the shareholder circular dated 15 July 2005, on implementation of the proposals contained therein the Directors became entitled to additional remuneration, borne entirely by the B pool of the Company and payable as a lump sum, totalling £50,625.

Directors' Service Contracts

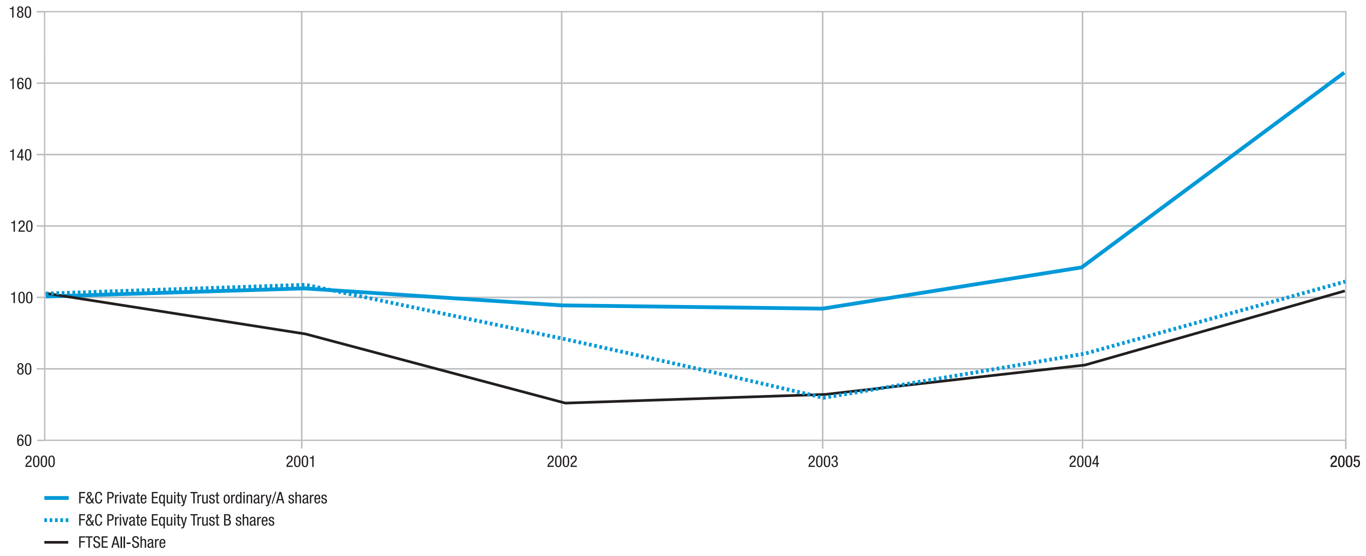
The Non-Executive Directors are engaged under letters of appointment and do not have a contract of service. The terms of their appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after their appointment. Directors are thereafter obliged to retire by rotation and, if they wish, to offer themselves for re-election, at least every three years after that. There is no notice period and no provision for compensation upon termination of appointment.

Directors' Remuneration Report

Company Performance

The graph below compares the total return (assuming all dividends are reinvested) to Ordinary Shareholders compared to the total shareholder 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

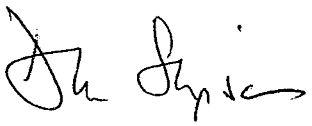


Directors' appointments and re-elections

	Date of appointment	Due date for re-election
David Simpson	28 January 1999	AGM 2006
Douglas Kinloch Anderson	8 December 2000	AGM 2006
Robert Legget	28 January 1999	AGM 2007
Sir James McKinnon	17 August 2005	AGM 2005
John Rafferty	20 March 2000	AGM 2005

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 27 October 2005 and signed on its behalf by



David Simpson
Chairman

Directors' Responsibilities Statement and Independent Auditors' Report

Directors' Responsibilities Statement in Relation to the Financial Statements

The Directors are required by law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the revenue of the Company for that period.

They are also responsible for ensuring that adequate accounting records are maintained and that the assets of the Company and the Group are safeguarded and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements have been prepared on a going concern basis, appropriate accounting policies have been used and consistently applied and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements. Applicable UK accounting standards have been followed.

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

We have audited the Company's financial statements for the year ended 31 July 2005 which comprise the Statement of Total Return, Balance Sheet, Statement of Cash Flow, and the related Notes 1 to 26. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters that we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Directors' Responsibilities Statement in relation to the financial statements. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Director's Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the Corporate Governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's Corporate Governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises: Company Summary, Financial Highlights, Portfolio Summary, Chairman's Statement, Investment Managers, Manager's Review, Portfolio Holdings, Board of Directors, Report of the Directors, unaudited part of the Directors' Remuneration Report, Notice of Meeting, Investor Information and Financial Calendar and Corporate Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the Accounting Policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

Directors' Responsibilities Statement and Independent Auditors' Report

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion

- the financial statements give a true and fair view of the state of affairs of the Company as at 31 July 2005 and of its net revenue for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1885.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
27 October 2005

Statement of Total Return

	Notes	Year to 31 July 2005 Revenue £'000	Year to 31 July 2005 Capital £'000	Year to 31 July 2005 Total £'000	Year to 31 July 2004 Revenue £'000	Year to 31 July 2004 Capital £'000	Year to 31 July 2004 Total £'000
Gains/(losses) on investments							
– realised	10	**–**	**2,991**	**2,991**	–	15,710	15,710
– unrealised		**–**	**16,730**	**16,730**	–	(14,226)	(14,226)
Currency gains		**–**	**56**	**56**	–	6	6
Income – franked	2	**182**	**–**	**182**	148	–	148
– unfranked	2	**2,870**	**–**	**2,870**	8,023	–	8,023
Investment management fee	4	**(170)**	**(510)**	**(680)**	(206)	(618)	(824)
Other expenses	5	**(334)**	**–**	**(334)**	(262)	–	(262)
Net return before finance costs and taxation		**2,548**	**19,267**	**21,815**	7,703	872	8,575
Interest payable and similar charges	6	**(17)**	**(49)**	**(66)**	(51)	(154)	(205)
Return on ordinary activities before taxation		**2,531**	**19,218**	**21,749**	7,652	718	8,370
Taxation on ordinary activities	7	**(707)**	**168**	**(539)**	(2,256)	232	(2,024)
Return on ordinary activities after taxation for the financial year		**1,824**	**19,386**	**21,210**	5,396	950	6,346
Dividends in respect of equity shares	8	**(1,770)**	**(9,727)**	**(11,497)**	(5,394)	(29,182)	(34,576)
Transfer to/(from) reserves	17, 18	**54**	**9,659**	**9,713**	2	(28,232)	(28,230)
Return per A share	9	**1.58p**	**12.94p**	**14.52p**	5.16p	2.39p	7.55p
Return per B share	9	**1.96p**	**27.32p**	**29.28p**	4.94p	(1.67p)	3.27p

The revenue columns of this statement are the profit and loss accounts of the Company.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued during the year.
The notes on pages 25 to 35 form part of these financial statements.

Balance Sheet

	Notes	As at 31 July 2005 £'000	As at 31 July 2005 £'000	As at 31 July 2004 £'000	As at 31 July 2004 £'000
Investments at market value					
Listed on recognised exchanges		**9,396**		5,754	
Unlisted at Directors' valuation		**65,434**		55,974	
	10		**74,830**		61,728
Current assets					
Debtors	11	**108**		622	
Cash at bank	12	**9,210**		13,693	
		9,318		14,315	
Creditors					
Amounts falling due within one year	13	**(7,507)**		(9,115)	
Net current assets			**1,811**		5,200
Net assets			**76,641**		66,928
Capital and reserves					
Called-up ordinary share capital	14		**1,063**		1,063
Special distributable capital reserve	15		**40,000**		40,000
Special distributable revenue reserve	16		**5,030**		14,757
Realised capital reserve	17		**49,624**		46,968
Unrealised capital reserve	17		**(19,209)**		(35,939)
Revenue reserve	17		**133**		79
	18		**76,641**		66,928
Net asset value per A share	9		**38.17p**		39.66p
Net asset value per B share	9		**130.24p**		102.91p

The financial statements were approved by the board on 27 October 2005, and signed on its behalf by

David Simpson
Chairman

The notes on pages 25 to 35 form part of these financial statements.

Statement of Cash Flow

	Notes	Year to 31 July 2005 £'000	Year to 31 July 2005 £'000	Year to 31 July 2004 £'000	Year to 31 July 2004 £'000
Operating activities					
Net dividends and interest received from investments		**3,233**		7,644	
Interest received from deposits		**348**		446	
Investment management fee		**(765)**		(888)	
Cash paid to and on behalf of Directors		**(72)**		(72)	
Bank charges		**(4)**		(3)	
Other cash payments		**(167)**		(171)	
Net cash inflow from operating activities	18		**2,573**		6,956
Servicing of finance					
Interest paid		**(68)**		(211)	
Net cash outflow from servicing of finance			**(68)**		(211)
Taxation					
Corporation tax paid		**(1,528)**		(1,618)	
Net cash outflow from taxation			**(1,528)**		(1,618)
Capital expenditure and financial investment					
Payments to acquire investments		**(18,243)**		(10,628)	
Receipts from disposal of investments		**25,471**		52,781	
Net cash inflow from capital expenditure and financial investments			**7,228**		42,153
Equity dividends paid			**(12,688)**		(38,062)
Net cash (outflow)/inflow before financing	19		**(4,483)**		9,218
Financing					
Movement in short-term borrowings		**–**		(4,020)	
Net cash outflow from financing			**–**		(4,020)
(Decrease)/increase in cash	19		**(4,483)**		5,198

The notes on pages 25 to 35 form part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

(a) The financial statements have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice for Financial Statements of Investment Trust Companies (SORP) issued in January 2003 other than as disclosed below in note 1e.

(b) Income from equity investments is determined on the date on which the investments are quoted ex-dividend, or where no ex-dividend date is quoted, when the Company's right to receive payment is established. Other income includes any taxes deducted at source. Scrip dividends are treated as unfranked investment income; any excess in value of the shares received over the amount of the cash dividend is recognised in capital reserves.

(c) Interest receivable and payable and management expenses are treated on an accruals basis.

(d) The management fee and finance costs 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.

(e) Realised and unrealised gains and losses on investments and exchange adjustments to overseas currencies are taken to capital reserve. Due to the nature of the investments held, the Company is unable to identify within realised gains those previously recorded as unrealised.

(f) Listed investments are valued at mid-market prices. These valuations also represent the fair value of the investments. Unlisted investments are valued on the basis of the latest information in line with the relevant principles of the British Venture Capital Association guidelines. These include valuation using an earnings multiple, application of an arm's length third party valuation, a provision on cost or a net asset basis. Investments held in foreign currencies are translated at the rates of exchange ruling on the balance sheet date. Investments are recognised initially as at the trade date of a transaction.

(g) Revenue received and interest paid in foreign currencies are translated at the rates of exchange ruling on the transaction date and exchange gains and losses arising on such transactions are taken to the revenue account.

(h) Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits available from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. Deferred taxation is measured without discounting and based on enacted tax rates.

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

2. Income from investments

	2005 £'000	2004 £'000
From listed investments	**174**	148
From unlisted investments	**2,497**	7,577
	2,671	7,725
Interest on deposits	**381**	446
	3,052	8,171

Notes to the Financial Statements

3. Segmental analysis

The Company carries on business as an investment trust, and operates two pools of assets: A and B. The Company's Statement of Total Return and Balance Sheet, on pages 22 and 23, can be analysed as follows:

	A Pool			B Pool			Total		
Year to 31 July 2005	**Revenue £'000**	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Gains on investments									
– realised	**–**	**1,888**	**1,888**	**–**	**1,103**	**1,103**	**–**	**2,991**	**2,991**
– unrealised	**–**	**6,925**	**6,925**	**–**	**9,805**	**9,805**	**–**	**16,730**	**16,730**
Currency (losses)/gains		**(11)**	**(11)**		**67**	**67**	**–**	**56**	**56**
Income	**1,619**	**–**	**1,619**	**1,433**	**–**	**1,433**	**3,052**	**–**	**3,052**
Expenses	**(149)**	**(168)**	**(317)**	**(355)**	**(342)**	**(697)**	**(504)**	**(510)**	**(1,014)**
Interest payable	**(1)**	**(4)**	**(5)**	**(16)**	**(45)**	**(61)**	**(17)**	**(49)**	**(66)**
Return before taxation	**1,469**	**8,630**	**10,099**	**1,062**	**10,588**	**11,650**	**2,531**	**19,218**	**21,749**
Taxation	**(412)**	**51**	**(361)**	**(295)**	**117**	**(178)**	**(707)**	**168**	**(539)**
Return after taxation	**1,057**	**8,681**	**9,738**	**767**	**10,705**	**11,472**	**1,824**	**19,386**	**21,210**
Dividends	**(1,006)**	**(9,727)**	**(10,733)**	**(764)**	**–**	**(764)**	**(1,770)**	**(9,727)**	**(11,497)**
Transfer to/(from) reserves	**51**	**(1,046)**	**(995)**	**3**	**10,705**	**10,708**	**54**	**9,659**	**9,713**
Year to 31 July 2004									
Gains/(losses) on investments									
– realised	–	10,455	10,455	–	5,255	5,255	–	15,710	15,710
– unrealised	–	(8,634)	(8,634)	–	(5,592)	(5,592)	–	(14,226)	(14,226)
Currency gains	–	–	–	–	6	6	–	6	6
Income	5,137	–	5,137	3,034	–	3,034	8,171	–	8,171
Expenses	(225)	(295)	(520)	(243)	(323)	(566)	(468)	(618)	(1,086)
Interest payable	(4)	(12)	(16)	(47)	(142)	(189)	(51)	(154)	(205)
Return before taxation	4,908	1,514	6,422	2,744	(796)	1,948	7,652	718	8,370
Taxation	(1,448)	92	(1,356)	(808)	140	(668)	(2,256)	232	(2,024)
Return after taxation	3,460	1,606	5,066	1,936	(656)	1,280	5,396	950	6,346
Dividends	(3,454)	(29,182)	(32,636)	(1,940)	–	(1,940)	(5,394)	(29,182)	(34,576)
Transfer to/(from) reserves	6	(27,576)	(27,570)	(4)	(656)	(660)	2	(28,232)	(28,230)

	A Pool		B Pool		Total	
As at 31 July	**2005 £'000**	2004 £'000	**2005 £'000**	2004 £'000	**2005 £'000**	2004 £'000
Investments	**24,815**	27,677	**50,015**	34,051	**74,830**	61,728
Debtors	**61**	387	**50**	235	**108**	622
Cash	**6,818**	6,621	**2,392**	7,072	**9,210**	13,693
Creditors	**(6,085)**	(8,081)	**(1,425)**	(1,034)	**(7,507)**	(9,115)
Total assets less current liabilities	**25,609**	26,604	**51,032**	40,324	**76,641**	66,928

4. Investment management fee

	2005 Revenue £'000	2005 Capital £'000	2005 Total £'000	2004 Revenue £'000	2004 Capital £'000	2004 Total £'000
Investment management fee	**170**	**510**	**680**	206	618	824

Martin Currie Investment Management Ltd (MCIM) was employed as the manager of the Company under a management agreement, and secretary of the Company under a secretarial agreement, both subject to 12 months' notice of termination by either party.

Under the terms of the management agreement, MCIM was entitled to receive a basic investment management fee, payable quarterly in arrears, at the rate of 0.7% of total assets less current liabilities in the A share pool, and at a rate of 0.9% per annum of total assets less current liabilities in the B share pool. Investments in ''in-house'' funds managed by MCIM were excluded when calculating the management remuneration charged to the Company.

Both agreements were terminable by the Company immediately if MCIM ceased to be capable of carrying on investment business or be authorised by the FSA, or became insolvent, was wound up or liquidated. In the event that the Company terminated either agreement otherwise than as set out above, MCIM was entitled to receive compensation equivalent to, in the case of the management agreement, four times the amount of the basic quarterly investment management fee payable immediately prior to the date of termination and, in the case of the secretarial agreement, a sum equal to the amount of the annual rate of the fee payable immediately prior to the date of termination. MCIM waived its right to compensation on the transfer of management arrangements as set out below.

F&C Asset Management plc was appointed as the Company's investment manager with effect from 20 June 2005.

F&C is entitled to a basic management fee payable quarterly in arrears of 0.7 per cent. per annum of the relevant assets of the A Pool, 0.9 per cent. per annum of the relevant assets of the B Pool and 1.0 per cent. per annum of the relevant assets of the C Pool. For the purposes of the basic management fees, the 'relevant' assets are the net assets of the relevant pool plus the amount of any long-term borrowings undertaken for the purpose of investment in relation to that pool but excluding the value of any investment in any fund which is managed by the Manager or an associate of the Manager.

F&C is entitled to an incentive fee if the internal rate per B Share over the performance period exceeds 8 per cent. per annum. The amount of the incentive fee will be 10 per cent. of the gains in excess of those required to satisfy the performance condition. The internal rate of return per B Share takes account of all distributions other than share buy-backs and the fee will be calculated by multiplying the excess gain per share by the weighted average number of B Shares in issue during the performance period. The performance period will commence on the earlier of 1 August 2006 or the day following the final conversion date of the New C Shares until 31 July in any one (to be determined by F&C) of the years 2010 to 2013 inclusive.

The Management Agreement will continue unless and until terminated by either party giving to the other not less than six months' notice expiring on 31 July 2007 or at the end of any subsequent calendar month.

The Management Agreement can be terminated by the Company by written notice with immediate effect and no compensation being payable, if, *inter alia*, F&C ceases to be an authorised person under the Financial Services and Markets Act 2000, or becomes insolvent, is wound up, has a receiver appointed over the whole or a substantial part of its assets or is liquidated. In the event that the Company terminates the agreement otherwise than in accordance with the Management Agreement, F&C is entitled to receive a compensation payment. The compensation sum shall be an amount equal to the aggregate of (i) 0.7 per cent. of the Net Asset Value of the A Pool; (ii) 0.9 per cent. of the Net Asset Value of the B Pool; and (iii) 1.0 per cent. of the Net Asset Value of the C Pool, as calculated at the business day prior to such termination becoming effective reduced *pro rata* in respect of any period of notice actually given from the date of receipt by F&C of such notice to the effective date or termination.

Notes to the Financial Statements

5. Administrative expenses

	2005 £'000	2004 £'000
Auditors' fees		
– audit work	**16**	16
– non audit work	**3**	5
Bank charges	**4**	3
Directors' fees	**118**	68
Employers national insurance contributions	**4**	4
Legal fees	**4**	7
Printing and postage	**19**	19
Registration fees	**12**	9
Secretarial fee	**60**	55
Irrecoverable VAT	**21**	21
Other	**73**	55
	334	262

6. Interest payable and similar charges

	Revenue £'000 (2005)	Capital £'000 (2005)	Total £'000 (2005)	Revenue £'000 (2004)	Capital £'000 (2004)	Total £'000 (2004)
Interest payable on bank loans and overdrafts	**17**	**49**	**66**	51	154	205

7. Taxation on ordinary activities

	Revenue £'000 (2005)	Capital £'000 (2005)	Total £'000 (2005)	Revenue £'000 (2004)	Capital £'000 (2004)	Total £'000 (2004)
(a) Analysis of charge for the year						
Prior year under accrual	**3**	**–**	**3**	1	–	1
UK corporation tax	**704**	**(168)**	**536**	2,255	(232)	2,023
	707	**(168)**	**539**	2,256	(232)	2,024

Taxation relief is allocated between income and capital on the statement of total return using the marginal method in accordance with the SORP issued in January 2003.

(b) Reconciliation of taxation for the year

The revenue account taxation charge for the year is lower than the standard rate of corporation tax in the UK for an investment trust, 30 per cent., (2004: 30 per cent.). The table below provides a reconciliation of the respective charges.

	Revenue £'000 (2005)	Capital £'000 (2005)	Total £'000 (2005)	Revenue £'000 (2004)	Capital £'000 (2004)	Total £'000 (2004)
Return on ordinary activities before taxation	**2,531**	**19,218**	**21,749**	7,652	718	8,370
Corporation tax at standard rate of 30 per cent.	**759**	**5,765**	**6,524**	2,296	215	2,511
Effects of:						
UK franked dividends*	**(55)**	**–**	**(55)**	(45)	–	(45)
Capital returns*	**–**	**(5,933)**	**(5,933)**	–	(447)	(447)
Expenses not deductible	**–**	**–**	**–**	4	–	4
Tax difference from prior years	**3**	**–**	**3**	1	–	1
	707	**(168)**	**539**	2,256	(232)	2,024

*These items are not subject to corporation tax within an investment trust. At 31 July 2005, there was no deferred taxation asset in respect of unutilised expenses (2004: nil).

8. Dividends

	2005 £'000	2004 £'000
Special dividends		
A share special dividend of 7.00p paid on 11 March 2005 (2004: 12.00p)	**4,696**	8,050
A share special dividend 2004: 22.00p	**–**	14,759
A share special dividend 2004: 5.00p	**–**	3,354
A share special dividend of 7.5p paid on 26 August 2005 (2004: 4.50p)	**5,031**	3,019
Revenue dividends		
Interim dividend of 0.3p per A share paid 20 May 2005 (2004: 1.00p)	**201**	671
Interim dividend of 0.55p per B share paid 20 May 2005 (2004: 0.85p)	**216**	333
Second interim dividend of nil (2004: 3.00p per A and B share)	**–**	3,188
Proposed final A share dividend of 1.2p (2004: 1.15p)	**805**	771
Proposed final B share dividend of 1.4p (2004: 1.10p)	**548**	431
	11,497	34,576

The final dividends, if approved, to both A and B shareholders will be paid on 9 December 2005 to shareholders on the register on 28 October 2005.

9. Returns and net asset values

	2005 A Share Pool	2004 A Share Pool	2005 B Share Pool	2004 B Share Pool
The returns and net asset values per share are based on the following figures:				
Revenue return	**£1,057,000**	£3,460,000	**£767,000**	£1,936,000
Capital return	**£8,681,000**	£1,606,000	**£10,705,000**	(£656,000)
Net assets attributable to shareholders†	**£25,609,000**	£26,604,000	**£51,032,000**	£40,324,000
Number of shares in issue as at 31 July	**67,084,807**	67,084,807	**39,183,120**	39,183,120
Average number of shares in issue during period	**67,084,807**	67,084,807	**39,183,120**	39,183,120

†After special dividend

Returns per share are calculated on the average number of shares in each class in issue during the period. Net asset values per share are calculated on the number of shares in each class in issue at the period end. Note 3 to the financial statements, on page 26, provides further analysis of the returns and net asset values of the A and B share pools.

Under the terms of the management warrant agreements summarised in note 14 on page 31, there is currently no dilution of the net asset value.

Notes to the Financial Statements

10. Investments

	2005 Listed £'000	2005 Unlisted £'000	2005 Total £'000	2004 Listed £'000	2004 Unlisted £'000	2004 Total £'000
Cost at beginning of year	**6,415**	**91,252**	**97,667**	6,909	117,473	124,382
Movements during the year:						
Purchases	**–**	**18,852**	**18,852**	491	9,865	10,356
Sales	**–**	**(25,471)**	**(25,471)**	–	(52,781)	(52,781)
Realised gains/(losses)	**–**	**2,991**	**2,991**	(985)	16,695	15,710
Reclassification	**1,789**	**(1,789)**	**–**	–	–	–
Cost at end of the year	**8,204**	**85,835**	**94,039**	6,415	91,252	97,667
Unrealised gains/(losses)	**1,192**	**(20,401)**	**(19,209)**	(661)	(35,278)	(35,939)
Valuation at end of year	**9,396**	**65,434**	**74,830**	5,754	55,974	61,728

The purchases figure for the period of £18,852,000 comprises £43,000 paid by the A share pool and £18,809,000 paid by the B share pool including £609,000 of capital calls unsettled at the year end. The sales figure for the period of £25,471,000 comprises £11,718,000 received by the A share pool and £13,753,000 received by the B share pool. As at 31 July 2005, the valuation of the A share investments was £24,815,000 and the B share investments was £50,015,000, giving a total of £74,830,000. Contingent liabilities in respect of outstanding calls on investments at 31 July 2005 amounted to £5,504,000 for the A share pool (2004: £5,478,000) and £37,873,000 for the B share pool (2004: £34,044,000).

11. Debtors

	2005 £'000	2004 £'000
Accrued income	**74**	603
Other debtors	**34**	19
	108	622

12. Cash at bank

	2005 £'000	2004 £'000
Sterling trading account	**6,814**	1,909
Sterling deposit – short-term	**–**	11,784
Euro bank account	**548**	–
US Dollar bank account	**1,848**	–
	9,210	13,693

13. Creditors – amounts falling due within one year

	2005 £'000	2004 £'000
Proposed final dividends	**1,353**	1,202
A share special dividends	**5,031**	6,373
Interest accrued	**15**	17
Due to manager, F&C Asset Management plc (2004: MCIM)	**91**	176
Accrued expenses	**116**	66
Taxation	**292**	1,281
Call payments due	**609**	–
	7,507	9,115

14. Share capital

Equity share capital

Following the share capital reorganisation on 31 August 2001 the following shares are in issue:

- 67,084,807 A shares of 1p, each entitled to 1 vote and entitled to A share dividends; and
- 39,183,120 B shares of 1p, each entitled to 1 vote and entitled to B share dividends.

Prior to the reorganisation, 106,267,927 ordinary shares of 1p, each entitled to 1 vote, were in issue.

As at 31 July 2005, the total (A shares plus B shares) authorised share capital was 150,000,000 shares, (2004: 150,000,000 shares).

On a winding-up of the Company, after paying all the debts and satisfying all the liabilities attributable to the B pool, B shareholders shall be entitled to receive by way of capital any surplus assets of the B pool in proportion to their holdings. In the event that the B pool has insufficient funds to meet all its debts and liabilities, any such shortfall shall be paid out of any surplus assets attributable to the A pool. Similarly on a winding-up of the Company, A shareholders shall be entitled to surplus assets of the A pool, with the B pool funding any shortfall the A pool might have when satisfying the A share debts and liabilities.

	2005 £'000	2004 £'000
Equity share capital		
Issued 67,084,807 A shares	**671**	671
Issued 39,183,120 B shares	**392**	392
	1,063	1,063

On 22 March 1999, 5,313,396 management warrants were issued to Martin Currie Investment Management Ltd (MCIM) and subsequently assigned to Martin Currie Limited, MCIM's parent company, giving the right to subscribe for ordinary shares of the Company. From 31 August 2001, after the share reorganisation, the management warrants attached to A and B shares in proportion to the number of A and B shares in issue. The exercise price and right to subscribe is calculated according to the rules laid out below:

The price payable on the exercise of the warrants is 100p subject to downward adjustment for distributions and capital repayments from the Company, at the rate of 1p per share for every 1p per share returned to Shareholders following the launch of the Company (subject to a minimum subscription price of 1p per share).

These warrants were intended as a long-term incentive and, subject to certain limited exceptions, are capable of exercise at any time.

The warrants may not be exercised unless the performance of the Net Asset Value for the relevant Pool, taking account of distributions and capital repayments made to Shareholders, exceeds a benchmark IRR performance level. As the relevant benchmark IRR target was not achieved in respect of the warrants over the B Shares, Martin Currie has, by a letter dated 16 June 2005, waived all and any rights to subscribe for B Shares under this Management Warrant Agreement.

Notes to the Financial Statements

14. Share capital (continued)

The 'IRR' represents the compound annual rate of interest which, when applied to a series of future cash flows, results in a present value equivalent to 100p (the opening NAV per share at the launch of the Company). The IRR takes into account the movement in quarterly Net Asset Value from the launch of the Company to the latest quarterly valuation prior to the date of calculation as though such movement reflects a positive or negative cash flow over the period under review. The warrants over Shares attributable to the A Pool may be exercised on a graduated basis as follows:

% IRR achieved on the A Pool	% of Issued A Shares available on Exercise of Warrants
11 to 11.99	1 to 1.99
12 to 12.99	2 to 2.99
13 to 13.99	3 to 3.99
14 to 14.99	4 to 4.99
15 and above	5

By a separate Management Warrant Agreement dated 26 July 2001 between the Company and Martin Currie Limited, the Company granted Martin Currie Limited warrants to subscribe for B Shares. No consideration is payable for these warrants which entitle Martin Currie Limited to subscribe for up to 5.0 per cent. of the B Shares in issue on 4 September 2001 (that is, to subscribe for 1,959,156 B Shares).

The exercise price of these warrants is 129.94p per B Share.

These warrants were intended as a long-term incentive and, subject to certain limited exceptions, will be capable of exercise at any time after 20 September 2009.

The warrants may not be exercised unless the performance of the Net Asset Value for the B Pool exceeds a benchmark IRR performance level. The 'IRR' represents the compound annual rate of interest which, when applied to a series of future cash flows, results in a present value equivalent to the fully diluted Net Asset Value per B Share at the date the warrants came into effect (the 'Start Date'). The IRR takes into account the movement in quarterly Net Asset Value from the Start Date to the date of calculation, with the relevant Net Asset Values being the net asset value at the latest quarterly valuation prior to the Start Date and the Net Asset Value at the latest quarterly valuation prior to the date of calculation. The warrants may be exercised on a graduated basis as follows:

% IRR achieved on the B Pool	% of B Shares in Issue on 4 September 2001 available on Exercise of Warrants
11 to 11.99	1 to 1.99
12 to 12.99	2 to 2.99
13 to 13.99	3 to 3.99
14 to 14.99	4 to 4.99
15 and above	5

Early exercise of the warrants (subject to the benchmark IRR target being achieved) will be permitted in the event that the Company is taken over or a resolution is presented for its winding up. The Board will also have discretion to permit early exercise of the warrants in other circumstances that the Board considers exceptional.

15. Special distributable capital reserve

	2005 £'000	2004 £'000
At 31 July	**40,000**	40,000

16. Special distributable revenue reserve

	2005 £'000	2004 £'000
Balance brought forward	**14,757**	43,939
Special dividend paid	**(9,727)**	(29,182)
	5,030	14,757

At the EGM on 31 August 2001, shareholders gave approval, subject to Court approval (subsequently obtained in May 2002) to cancel the share premium account and to transfer the balance to a special distributable revenue reserve. The special distributable revenue reserve will give the Company flexibility in returning cash to shareholders over time.

17. Movement in reserves

	2005 £'000	2004 £'000
Realised capital reserve		
Realised gain at beginning of year	**46,968**	31,792
Net realised gains on investments during the year	**2,991**	15,710
Net realised gains on currencies during the year	**56**	6
Capitalised expenses*	**(391)**	(540)
	49,624	46,968
Unrealised depreciation on investments at end of year	**(19,209)**	(35,939)
Total realised capital reserve at end of year	**30,415**	11,029

*Capitalised expenses include 75 per cent. of the basic management fee (including irrecoverable VAT) and finance costs which are allocated to the capital reserve, net of associated tax relief, plus other capitalised costs of nil (2004: £nil).

	2005 £'000	2004 £'000
Revenue reserve		
Revenue reserve at beginning of year	**79**	77
Transfer to revenue reserve for year	**54**	2
Total revenue reserve at end of year	**133**	79

18. Reconciliation of movements in shareholders' funds

	2005 £'000	2004 £'000
Revenue available for distribution	**1,824**	5,396
Revenue dividends	**(1,770)**	(5,394)
	54	2
Other recognised gains/(losses) for the year	**9,659**	(28,232)
Net movement in shareholders' funds	**9,713**	(28,230)
Opening shareholders' funds	**66,928**	95,158
Closing shareholders' funds	**76,641**	66,928

As at 31 July 2005, the total shareholders' funds of £76,641,000 (2004: £66,928,000) were split between the A share and B share pools as follows: A share pool £25,609,000 (2004: £26,604,000), B share pool £51,032,000 (2004: £40,324,000).

Notes to the Financial Statements

19. Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities

	2005 £'000	2004 £'000
Net revenue before finance costs and taxation	**2,548**	7,703
Decrease/(increase) in dividends receivable and other debtors	**514**	(72)
Decrease in other creditors	**(35)**	(63)
Expenses charged to capital	**(510)**	(618)
Exchange differences	**56**	6
Net cash inflow from operating activities	**2,573**	6,956

20. Analysis of net funds

	2005 £'000	Cash Flows £'000	2004 £'000
Cash at bank and in hand	**9,210**	**(4,483)**	13,693

21. Reconciliation of net cash flow to movement in net funds

	2005 £'000	2004 £'000
Balance at start of year	**13,693**	4,475
(Decrease)/increase in cash in year	**(4,483)**	9,218
Net cash at year end	**9,210**	13,693

22. Financial instruments

The Company's financial instruments comprise equity investments, cash at bank and on deposit, and borrowings. 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 achieve improved performance in rising markets. The downside risk of borrowings may be reduced by raising the level of cash balances held.

Quoted fixed asset investments held (see note 10) are valued at middle market prices which equate to their fair values. The fair value of all other financial assets and liabilities is represented by their carrying value in the Balance Sheet shown on page 23. Short term debtors and creditors are excluded from disclosure as allowed by FRS 13, other than for foreign currency disclosures (see note 25).

23. Market price risk

The management of market price risk is part of the fund management process and is typical of 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 4, 5, 6 and 11.

24. Interest rate risk and liquidity risk

Floating rate

When the Company retains cash balances the majority of the cash is held in deposit accounts. The average interest rate on cash balances held at 31 July 2005 was 4.50 per cent. (31 July 2004: 4.15 per cent.). The benchmark rate which determines the interest payments received on cash balances is the bank base rate for the relevant currency.

The Company has a revolving credit facility of £18 million (2004: £18 million) split £5 million to the A share pool and £13 million to the B share pool, of which £nil was drawn down at 31 July 2005 (2004: £nil). The average cost of debt for the year to 31 July 2005 was 5.37 per cent. (2004: 4.75 per cent.).

Fixed rate

The Company does not have any fixed interest liabilities, nor any directly held fixed rate assets.

Liquidity risk

In respect of liquidity risk, the Company's assets comprise mainly realisable securities. Short-term flexibility is achieved where necessary through the use of the revolving credit facility as described above.

25. 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:

	2005 Investments £'000	**2005 Cash £'000**	**2005 Loans £'000**	2004 Investments £'000	2004 Cash £'000	2004 Loans £'000
US Dollar	**30,600**	**1,848**	**–**	17,640	–	–
Euro	**16,248**	**548**	**–**	21,560	–	–
Total	**46,848**	**2,396**	**–**	39,200	–	–

In addition, the following currency amounts are included in net current assets/(liabilities): in US dollars, unsettled capital calls of £198,000 (2004: £nil); in Euros, unsettled capital calls of £18,000 (2004: £nil).

26. Post balance sheet event

The proposals outlined in the Company's Circular and Prospectus dated 15 July 2005 were approved by shareholders and implemented. Consequently, Friends Provident subscribed for 20 million C Shares at £1 each and, in exchange for a combination of cash and the issue of a further 29,758,449 New C Shares, the Company acquired from Discovery Trust plc a portfolio of assets comprising investments in stocks traded on the London Stock Exchange's Main Market or on AIM with a market capitalisation below £100 million at the date of the initial investment. At the date of transfer the equities in the portfolio, valued at bid price, together with the cash totalled £49,923,000. This portfolio is being managed as a separate C Pool and realised in an orderly manner. The New C Shares will carry the right to all the assets in, and income from, the C Pool.

At each quarter end commencing from 31 October 2005, the proceeds of the realisation programme will be transferred from the C Pool to the B Pool and a proportionate number of the New C Shares (calculated by reference to the then prevailing fully diluted NAV of the C Shares) will be converted into B Shares at a price per B Share equivalent to the fully diluted NAV of a B Share at the relevant calculation date. Sums so transferred will be invested in accordance with the investment objective of the B Pool. If at the end of the realisation period on 31 July 2006 (being the date following which all the remaining C Shares will convert into B Shares) any assets remain in the C Pool it is the intention of the Directors to transfer such assets into a suitable fund to be held as an investment in the B Pool.

Notice of Meeting

Notice is hereby given that the Sixth Annual General Meeting of F&C Private Equity Trust plc will be held at the offices of F&C Asset Management plc, 80 George Street, Edinburgh EH2 3BU, on 5 December 2005 at 12.30 pm to transact the following business.

Ordinary business

1. To receive the Report of the Directors and the financial statements for the year ended 31 July 2005.
2. To approve the Directors' Remuneration Report for the year ended 31 July 2005.
3. To declare a dividend of 1.20 pence per share in respect of A shares.*
4. To declare a dividend of 1.40 pence per share in respect of B shares.†
5. To re-elect John Rafferty as a Director.
6. To elect Sir James McKinnon, a Director having attained the age of 76, who retires at the first Annual General Meeting following his appointment, special notice having been given pursuant to Sections 293 and 379 of the Companies Act 1985.
7. To re-appoint Ernst & Young LLP as auditors.
8. To authorise the Directors to fix the remuneration of the auditors for the year ending 31 July 2006

and to transact any other Ordinary Business of the Company.

Special business

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

9. Special resolution

   That the Directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 (the ''Act'') to allot equity securities (as defined in section 94 of the Act) pursuant to the authority conferred upon them at the Extraordinary General Meeting of the Company in 2001 as if section 89(1) of the Act did not apply to any such allotment provided that the power conferred by this resolution shall be limited to the allotment of B shares having a nominal amount not exceeding £19,591 (being an amount equal to 5 per cent. of the total issued B share capital of the Company as at 31 July 2005). Unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2006, save that the Company may, before the expiry of any power contained in this resolution, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

10. Special resolution

   That the Company be and it is hereby authorised in accordance with section 166 of the Companies Act 1985 to make market purchases (within the meaning of section 163 of the said Act) of A shares and B shares, provided that:

   (a) the maximum number of A shares hereby authorised to be purchased shall be 10,056,012;

   (b) the maximum number of B shares authorised to be purchased shall be 5,873,549;

   (c) the minimum price which may be paid for a share shall be 1p;

   (d) the maximum price exclusive of expenses which may be paid for a share shall be not more than the higher of (i) 5 per cent. above the average of the market value of an A share (if an A share is being purchased) or of a B share (if a B share is being purchased) for the five business days immediately preceding the date of purchase and (ii) that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC 2273/2003); and

(e) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2006, save that the Company may, prior to such expiry, enter into a contract to purchase 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 shares pursuant to any such contract.

By order of the Board

F&C Asset Management plc

Secretaries

Registered office
80 George Street
Edinburgh EH2 3BU

27 October 2005

Notes:

A member entitled to attend and vote may appoint a proxy or proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company. To be valid, proxies must be lodged not less than 48 hours before the time of the meeting. A form of proxy is enclosed. Appointment of a proxy will not preclude a member from attending and voting in person.

*In accordance with the Articles of Association holders of B shares and C shares do not have the right to vote on a declaration of a dividend in respect of the A shares.

†In accordance with the Articles of Association holders of A shares and C shares do not have the right to vote on a declaration of a dividend in respect of the B shares.

Investor information

F&C Asset Management plc offers a number of investment options. Its product range is currently under review and a new range will be launched on 5 December 2005.

What products will be available to new investors?

A new product range will be available to new investors, that has a greater selection of trusts and new terms and conditions. The products will be:

- F&C Private Investor Plan
- F&C Investment Trust ISA
- F&C Investment Trust PEP
- F&C Children's Investment Plan
- F&C Child Trust Fund

What are the charges for the new F&C products?

There are no set-up charges or annual management fees, except for the ISA or PEP, where a £60 annual management fee applies (no matter how many ISAs or PEPs you hold), so the charges are still very low.

There are no exit fees or switching fees and a modest 0.2 per cent. dealing charge applies on sales and purchases. 0.5 per cent. Government Stamp Duty applies on purchase.

The F&C Child Trust Fund has no dealing charges and you can make two free switches per year.

Can I invest in the new products?

The new products will be available from 5 December 2005. If you would like to pre-register to receive information on the new products, please call 0800 136 420 or email info@fandc.com.

Financial Calendar

● December 2005	Annual General Meeting
● March 2006	Interim results announced
● April 2006	Interim Report issued
● September 2006	Year end results announced
● November 2006	Annual Report issued

F&C Private Equity Trust plc

PROXY

I/We ____
(BLOCK LETTERS PLEASE)

of ____
being a member of F&C Private Equity Trust plc, hereby appoint the Chairman of the meeting, or*

____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company, to be held at the offices of F&C Asset Management plc, 80 George Street, Edinburgh EH2 3BU on 5 December 2005 at 12.30 pm, on the following Resolutions to be submitted to the meeting and at any adjournment thereof.

Please indicate with an 'X' in the appropriate spaces how you wish your votes to be cast. Unless otherwise instructed, the proxy will vote as he thinks fit or abstain.

Ordinary Resolutions	For	Against	Vote Withheld
1. To receive the Report and Accounts for the year to 31 July 2005.			
2. To approve the Directors' Remuneration Report for the year to 31 July 2005.			
3. To approve payment of a final dividend of 1.20 pence per A Ordinary Share.†			
4. To approve payment of a final dividend of 1.40 pence per B Ordinary Share.‡			
5. To re-elect Mr Rafferty as a Director.			
6. To re-elect Sir McKinnon as a Director.			
7. To re-appoint Ernst & Young LLP as auditors.			
8. To authorise the Directors to determine the auditors' remuneration for the year to 31 July 2006.			
Special Resolutions			
9. To renew the Directors' authority to disapply statutory pre-emption rights.			
10. To renew the Directors' authority to buy-in shares.			

Signature ____

Dated this ______________________ day of ______________________ 2005

Notes

*You may, if you wish, in the space provided insert the name(s) of the person(s) of your choice to attend and vote at the meeting on your behalf.

In the case of a corporation, the proxy must be either under its common seal or under the hand of an officer.

In order to have effect, the proxy must be deposited at the Company's Registrars, Capita Registrars, Proxy Department, PO Box 25, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR at least 48 hours before the time of the meeting or any adjournment thereof together where appropriate with the power of attorney under which it is signed or a notarially certified copy of such power.

In the case of a joint holding, a proxy need only be signed by one joint holder. If more than one such joint holder lodges a proxy only that of the holder first on the Register will be counted.

Any alterations made in this proxy should be initialled.

Completion of a proxy shall not prevent a shareholder from attending the Annual General Meeting and voting in person should you decide to do so.

†Only holders of A shares may vote on this resolution.

‡Only holders of B shares may vote on this resolution.

SECOND FOLD

BUSINESS REPLY SERVICE
Licence MB 122

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Capita Registrars (Proxy Department)
PO Box 25
Beckenham
Kent BR3 4BR

FIRST FOLD

THIRD FOLD AND TUCK IN

Corporate Information

Directors
David Simpson (Chairman)
Douglas Kinloch Anderson
Robert Legget
Sir James McKinnon
John Rafferty

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Telephone 0131 465 1000
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Edinburgh Park
Edinburgh
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F&C Private Equity Trust plc is a member of the AITC.

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