F&C Private Equity Trust plc

Annual Report and Accounts

for the seventeen month period

ended 31 December 2006

F&C Investments

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 the acquisition of Discovery Trust plc and a subscription of £20 million by Friends Provident. The C shares subsequently converted into B shares. Note 15 on page 36 gives further details of this transaction.

Objective

The Company's realisation (A) shares' objective is to manage the existing assets and to realise the value of those assets in a tax efficient manner and return capital to shareholders.

The continuation (B) shares' objective is to achieve long-term capital growth through investment in private equity assets.

Management

The Board has appointed F&C Investment Business Limited as investment managers under a contract terminable by either party giving to the other not less than six months' notice expiring on 31 July 2008 or at the end of any subsequent calendar month. Further details of the management contract are provided in Note 4 on page 31 to the accounts.

Gross assets as at 31 December 2006

£146.2 million

Shareholders' funds as at 31 December 2006

A shares £17.1 million

B shares £129.1 million

Market capitalisation as at 31 December 2006

A shares £16.3 million

B shares £116.4 million

Capital structure from September 2006

67,084,807 Realisation or A shares of 1 pence, each entitled to 1 vote; and

72,282,273 Continuation or B shares of 1 pence, each entitled to 1 vote.

Front cover: Ben Lui by Derek Sime

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The Association of Investment Companies

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

Financial Highlights for the seventeen month period to 31 December 2006

- NAV total return for the period of 36.8 per cent for the A shares;
- NAV total return for the period of 36.7 per cent for the B shares; ∅
- A share special dividends of 7.5 pence and 15.5 pence paid;
- £49.8 million added to net assets by acquisition of the assets of Discovery Trust plc in August 2005;
- Conversion of £50.6 million of assets from C shares to B shares;
- Realisation of private equity investments of £36.1 million;
- New investment in private equity investments of £63.0 million during the year.

∅ Based on fully diluted NAV

F&C Private Equity Trust Net Asset Value Total Return for the seventeen month period ended 31 December 2006

Source: F&C Investment Business

Performance Summary

	31 December 2006	31 July 2005 (restated‡)	% change
Net Asset Value			
Net assets (£'000)	**146,233**	82,839	+76.5
Net asset value per:			
A share	**25.4p**	46.7p	+19.7†
B share (Fully diluted)	**178.1p**	131.4p	+35.5
Market Price			
A share	**24.3p**	42.5p	+28.9†
B share	**161.0p**	107.0p	+50.5
Discount:			
A share	**4.3%**	9.0%	–
B share	**9.6%**	18.6%	–
Income			
Revenue return after taxation (£'000)	**2,533**	1,824	+38.9
Revenue return per:			
A share	**1.05p**	1.58p	–33.5
B share (Fully diluted)	**3.20p**	1.96p	+63.3
Dividend per:			
A share	**1.00p**	1.50p	
B share	**2.50p**	1.95p	
Annualised Total Expenses			
As a percentage of shareholders' funds	**1.6%**	1.3%	

	2006 A Shares	2006 B Shares
Portfolio Summary		
Shareholders' funds (£'000)	**17,059**	**129,174**
Future commitments (£'000)	**5,243**	**128,227**
Total Returns for the seventeen month period*		
Net asset value (Fully diluted)	**36.8**	**36.7**
Share price	**49.2**	**54.1**

* 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.

‡ See note 23 on page 40.

† Adjusted for special dividends of 7.5 pence paid on 26 August 2005, 7.5 pence paid on 14 April 2006 and 15.5 pence paid on 20 October 2006.

Sources: F&C Investment Business, AIC and Datastream

Portfolio Summary

Portfolio Distribution
As at 31 December

By Region	% of A Pool 2006	% of B Pool 2006	% of Company Total 2006	% of Company Total 31 July 2005
United Kingdom	**14.8**	**47.0**	**43.5**	36.2
Pan-Europe*	**24.8**	**18.6**	**19.3**	28.8
North America	**59.3**	**8.6**	**14.2**	19.8
Continental Europe†	**1.1**	**14.0**	**12.6**	7.3
Global	**–**	**11.3**	**10.0**	7.1
AiM Listed Holdings	**–**	**0.5**	**0.4**	–
Unsettled capital calls	**–**	**–**	**–**	0.8
	100.0	**100.0**	**100.0**	100.0

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

By Asset Class				
Investment funds	**44.9**	**59.8**	**58.9**	49.8
Investment companies	**–**	**2.0**	**1.8**	19.1
Direct quoted	**0.6**	**16.8**	**15.0**	12.3
Direct unquoted	**44.0**	**17.5**	**20.9**	16.4
Cash and cash equivalents	**10.5**	**3.9**	**3.4**	2.4
	100.0	**100.0**	**100.0**	100.0

Largest Holdings
As at 31 December 2006

	A Pool Valuation £'000	% of A pool Portfolio	B Pool Valuation £'000	% of B pool Portfolio	% of Total Portfolio
Dakota, Minnesota & Eastern Railroad Corporation	7,651	49.4	4,469	3.6	8.6
August Equity Partners IV	–	–	7,402	5.9	5.3
Gondola Holdings	–	–	6,835	5.5	4.9
International Mezzanine Investment IV	3,834	24.6	2,239	1.8	4.3
Candover 2001 Fund	–	–	5,197	4.2	3.7
Global Design Technologies	–	–	4,857	3.9	3.5
TDR Capital	–	–	3,875	3.1	2.7
Candover 2005 Fund	–	–	3,781	3.0	2.7
Argan Capital LP	–	–	3,771	3.0	2.6
RL Private Equity	–	–	3,443	2.8	2.5

Top Ten Holdings

Dakota, Minnesota & Eastern Railroad Corporation

Investment type: Direct unquoted
Region: North America
Percentage held: 6.8%
Valuation basis: Earnings based

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.

	31 December 2006 £'000	31 July 2005 £'000
Cost	4,062	4,062
Value*	12,120	6,026

August Equity Partners IV

Investment type: Direct unquoted
Region: United Kingdom
Percentage held: 11.5%
Valuation basis: Percentage of fund value

August Equity Partners IV is a lower mid-market UK buy-out fund, which closed with total commitments of £130 million in December 2003. F&C Private Equity Trust acquired a £15 million commitment through a secondary transaction in January 2006. August Equity, the managers, specialise in four sectors: healthcare, media, specialist manufacturing and technology.

	31 December 2006 £'000	31 July 2005 £'000
Cost	4,265	–
Value*	7,402	–

Gondola Holdings

Investment type: Direct quoted
Region: United Kingdom
Percentage held: n/a
Valuation basis: Sale price

Gondola Holdings is the holding company for Pizza Express and ASK Central. The continuation pool invested alongside TDR and Capricorn Ventures in the initial take private of PizzaExpress in July 2003. This investment was subsequently increased in April 2005 following the acquisition of ASK Central. The enlarged group was floated on the LSE in November 2005 before being privatised again by Cinven in a deal that completed in early 2007.

	31 December 2006 £'000	31 July 2005 £'000
Cost	2,414	2,414
Value*	6,835	2,414

International Mezzanine Investment NV

Investment type: Netherlands Antilles registered investment company
Region: Pan Europe
Percentage held: 9.0%
Valuation basis: Percentage of fund value

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 scope to invest up to 25% outside Europe. The fund closed in 1996 with total commitments of $225 million.

	31 December 2006 £'000	31 July 2005 £'000
Cost	5,760	9,374
Value*	6,073	10,466

Candover 2001 Fund

Investment type: Limited partnership
Region: Pan Europe
Percentage held: 0.4%
Valuation basis: Percentage of fund value

The Candover 2001 Fund closed in June 2002 with commitments of €2.7 billion from 110 investor groups. It invests 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.

	31 December 2006 £'000	31 July 2005 £'000
Cost	3,154	3,984
Value*	5,197	5,233

*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

Global Design Technologies LLC

Investment type: Direct unquoted
Region: Global
Percentage held: 10.8%
Valuation basis: Earnings based

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 million 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.

	31 December 2006 £'000	31 July 2005 £'000
Cost	**2,585**	2,858
Value*	**4,857**	2,840

TDR Capital

Investment type: Direct unquoted
Region: Pan Europe
Percentage held: 1.0%
Valuation basis: Percentage of fund value

TDR Capital was founded in 2002 by former Deutsche Bank Capital Partners executives Manjit Dale and Stephen Robertson with the backing of the Tudor group. In April 2003, the continuation pool of the company committed €5 million to their first independent fund which closed at €547 million. The fund invests in Pan-European Buy-outs with an emphasis on operational improvements and financial structuring.

	31 December 2006 £'000	31 July 2005 £'000
Cost	**751**	2,333
Value*	**3,875**	2,167

Candover 2005 Fund

Investment type: Limited partnership
Region: United Kingdom
Percentage held: 0.3%
Valuation basis: Percentage of fund value

The Candover 2005 Fund closed at €3.5 billion in November 2005 (including €500 million from Candover). It invests in mid to large (enterprise values €150 million to €1.5 billion) European buyouts. The continuation pool made an initial commitment of €10 million in July 2005 that was subsequently increased to €15 million in October 2005.

	31 December 2006 £'000	31 July 2005 £'000
Cost	**3,987**	–
Value*	**3,781**	–

Argan Capital LP

Investment type: Direct unquoted
Region: Continental Europe
Percentage held: 2.5%
Valuation basis: Cost

Argan Capital is an independent private equity partnership that in October 2006 completed a spin-out from Bank of America. The team of 12 professionals focus on European mid-market buyouts in companies with enterprise values in excess of €100 million. In September 2006, the continuation pool of the company committed €10 million to their first independent fund that subsequently closed at €425 million. This was a partial secondary/partial primary investment with the fund approximately 50% invested from the outset.

	31 December 2006 £'000	31 July 2005 £'000
Cost	**3,898**	–
Value*	**3,771**	–

RL Private Equity

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

The RL Private Equity Fund closed at £75 million in April 2004. The continuation pool of the company committed a total of £3 million. The fund is managed by newly independent firm RJD partners that spun-out of Royal London Private Equity during the course of 2006. They focus on buyouts at the lower end of the UK mid-market.

	31 December 2006 £'000	31 July 2005 £'000
Cost	**2,644**	2,738
Value*	**3,443**	1,684

*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 Company has again made good progress and I am pleased to report excellent returns for our shareholders. As previously intimated the Company has changed its year end to the 31 December and this 'annual' report covers the 17 Month period to the end of December 2006. Over this period the net asset value (''NAV'') return to the A shareholders has been 36.8 per cent and to the B shareholders 36.7 per cent. The corresponding share price total returns have been 49.2 per cent and 54.1 per cent, reflecting the narrowing of the discount in both classes.

The A pool, which retains the original realisation mandate, is fairly small now with £17 million of net assets at 31 December giving a NAV per A share of 25.43 pence. A special dividend of 7.5 pence was paid on 14 April 2006, another special dividend of 15.5 pence was paid on 20 October 2006 and an ordinary dividend of 1.0 pence per A share was paid on 19 January 2007. The A pool still has a small number of investments with potential and we expect a fair proportion of these to be realised during 2007. Shareholders will realise that this is now a very concentrated portfolio and future returns may be correspondingly volatile. It is expected that further special dividends can be paid over the next year.

The basic NAV per B share at 31 December 2006 was 178.71 pence. After adjustment for the possible future dilution arising from the exercise of management warrants the fully diluted NAV per B share at 31 December was 178.06 pence. The B pool now has net assets of £129.2 million. The Directors are recommending an ordinary final dividend of 0.4 pence per share which, together with the interim dividend of 2.1 pence paid on 19 January 2007, makes a total dividend of 2.5 pence per B share for the 17 month period.

In August 2005, the Company acquired the assets of Discovery Trust, almost doubling the size of the continuation investment pool. The C share pool, which was established to enable the orderly sell down of fledgling and AiM listed shares and the transfer of the proceeds gradually to the B pool, was completely merged into the B pool at the final conversion on 26 September 2006. The increased scale of the B pool has proved helpful to your manager in constructing and maintaining a distinctive international portfolio of private equity investments. The share price rating of the B pool has also improved with this additional scale.

The Company has outstanding undrawn commitments of around £150 million, which will be drawn down over the next 5 years. With cash or near cash resources in the B pool of £18 million and unutilised borrowing capacity of up to 20 per cent of total assets (to be increased to 30 per cent subject to shareholder approval) the Company is well placed to continue to benefit from the private equity sector's growth.

The period under review has seen a sustained period of enhanced value for private equity investments and a considerable expansion in the size of the asset class internationally. This has been accompanied by a rise in its public profile. This public scrutiny has not always been from well informed quarters and much of the negative commentary surrounding private equity managers

Chairman's Statement (continued)

and their tactics appears, from our perspective, to be unfounded and unfair. Shareholders can be confident that your Board and Manager do not back 'asset strippers' or 'locusts' and have no intention of doing so. The additional focus and incentive which private equity managers bring to their investee companies must be creative of value for ultimate shareholders such as us to benefit, but it also usually benefits other stakeholders in these enterprises. The UK is the leading country in Europe for private equity. The sector is a top performing component of a successful financial services industry, and our shareholders should continue to benefit from this association.

The outlook for our private equity investments is not independent of the wider fortunes of the global economy and stockmarket conditions. These are in turn influenced directly by confidence within the business communities which manage and invest in private companies. At present the managements of private companies and private equity funds in which we invest are confident that it will be possible to make strong returns in 2007.

For most of this period the Company has been under the management of F&C Asset Management plc, although with the same managers as previously. I am pleased to report that this transition has proved entirely satisfactory to the Company. The greater resources in all areas are already proving beneficial.

The European Advocate General's views on the question of VAT on management fees were made available last month. These were generally supportive of the Association of Investment Companies in its claim that VAT had been wrongly claimed from Investment Trusts domiciled in the UK. The final judgement from the European Court of justice is not due until June, but if the case is ultimately successful there will be a reduction in your Company's running costs, as well as a one-off benefit from the recovery of VAT already paid.

At the AGM of the Company in December, Sir James McKinnon stood down from the Board. He joined at the time of the acquisition of Discovery Trust and during his short time on the Board made a very valuable contribution.

David Simpson
Chairman
30 March 2007

Investment Managers

Hamish Mair

Hamish Mair is the head of the private equity funds team 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.

Martin Cassels

Martin Cassels is the Company Secretary.

Investment Managers

F&C Private Equity Trust plc is managed by F&C Investment Business Limited, a wholly owned subsidiary of F&C Asset Management plc ('F&C'). F&C is a leading asset manager in both the UK and Europe and has £103 billion of funds under management (as at 31 March 2007). The shares of F&C are traded on the London Stock Exchange.

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

Manager's Review

Our Investment Approach

This review covers an exceptionally busy period for the private equity industry, in which we have been very much involved. Our Company has an evergreen mandate, meaning that the proceeds of disposals must be continually reinvested to lay the foundations of future returns. It is necessary for us to plan several years ahead if we are to maintain appropriate levels of growth for shareholders. Unusually amongst investment asset classes private equity is essentially long term in nature. This is because the value creating changes which private equity practitioners make to investee companies take time to bear fruit. Occasionally these changes and associated value uplifts are achieved ahead of plan and this can enhance returns, but it is also the case that changes in the business environment or obstacles to successful implementation of agreed plans can extend holding periods and erode returns. Most of the funds in our portfolio are planning to hold companies for about 4 years before selling and therefore patience is required.

Because of these extended timelines the final performance of a private equity fund cannot be definitely assessed for several years; however, an interim assessment is almost always necessary to determine whether to continue backing a particular manager when its fund raising for the next fund takes place, usually within 3 years of the immediate predecessor fund. Interim assessment of immature funds is a key task of the fund of funds manager, but one which can only be sensibly done with the reference points derived from experience. This application of judgement based on both quantitative and qualitative factors is also critical in assessing the future performance of emerging management groups where the investment case is, by definition, a much less certain proposition. Our policy follows the dual track of continuing to back strong performers whilst seeking out newer groups who have a good chance of delivering sector leading returns in the future. Persistence of outperformance is particularly marked in private equity investment – for good reasons of franchises providing competitive advantage in deal sourcing and execution – compared with other short term and innately more efficient investment asset classes. This means that identifying management groups with potential can underwrite outperformance well into the future.

The growth of private equity globally is continually widening the opportunities to invest. Each new market has its own characteristics and these are often not easily appreciated by outsiders, meaning that appropriately equipped, locally based specialists usually have a major advantage. In recent years our portfolio has broadened considerably, most notably into Continental Europe. There we have benefited from the expansion of the use of private equity to finance the growth of smaller and medium sized companies. Each geographic market in our favoured mid market tier is distinct, but there are common trends and a clear move towards European wide best practice in the way these firms operate particularly in process. It is part of our job to assess not only individual groups but the markets in which they operate, determining whether there really are substantive opportunities to make good risk adjusted returns or merely unfounded hope.

During this period we have continued to back funds and to make co-investments that are predominantly involved in the mid market. This is because we see this tier as offering persistent inefficiencies which should continue to provide excellent opportunities for the foreseeable future. The major expansion in private equity both in Europe and in the USA has disproportionately favoured the larger, so called mega funds, that are typically doing deals in the €1 billion + enterprise value category. The increase in the capital available for mid market funds has been far less marked and it is our view that it is not out of balance with the number of suitable investment opportunities available.

Our activities over the reporting period can be summarised under the following headings;

New Fund Commitments

We have reinforced a number of existing relationships in the UK market through new fund commitments to Primary Capital III (£8 million), LGV 5 (£5 million), Inflexion 2006 Buy-out fund (£10 million), RJD Partners II (£8 million), Dunedin Buy-Out Fund II (£5 million) and Piper Private Equity IV (£4 million). We have deepened our

European relationships with follow on commitments to Chequers Capital XV (France €7.5 million) and DBAG V (Germany €8 million). New relationships have been established with Ibersuizas (Spain & Portugal €5 million), Gilde Buyout Fund III (Benelux €5 million) and Alto Capital II (Italy €3 million). We have made fresh commitments to successor Pan European funds including Candover 2005 (€15 million), TDR Capital II (€10 million), Hutton Collins Capital Partners II (mezzanine €10 million) and Mezzanine Management IV (€7 million). We have also made a commitment to specialists Alchemy, through their Special Situations Fund (£5 million).

We are deliberately retaining an exposure to the world's largest private equity market in the US and we have once again backed Bluepoint Capital, the Cleveland based mid market fund, in their second fund ($10 million) and initiated an investment with crossover fund specialists from Baltimore, Camden Strategic Partners III ($5 million). After several years of consideration we have made a first commitment to an Asian Fund, AIF Asia III ($5m) managed by an accomplished Hong Kong based team.

The venture capital sub sector of private equity has had a difficult recent past, but our stance is to continue to support the leaders in this field and highly selectively to open up new relationships. This should leave us well placed as the sector continues its recovery. Accordingly new commitments have been made to our longstanding contacts at SEP III (£7.5 million) and to Amsterdam based Life Science Partners III (€5 million).

Secondaries

As the private equity market has grown so have the opportunities to acquire secondary positions in pre-existing funds. If these can be sourced at appropriate prices and they have an investment focus and management team consistent with the remainder of our portfolio then there can be a very effective and rapid contribution to performance. This is due to the truncation of the early years of a fund's life when returns can be modest or even negative. Through different contacts in the market we have been able to source and execute several secondary deals. In each case the funds have been partially drawn, the focus of the fund is complementary to the remainder of our portfolio, the management team strong and the price paid has been at or below asset value. We have acquired secondary positions in the following funds: August Equity IV (£15 million), Brown Brothers Harriman 1818 II ($5 million), Alto Capital I (€3 million), HFP Inflexion (£3 million) and Argan Capital (€10 million). Secondaries now account for approximately 15 per cent of the B pool portfolio.

Co-investments

The Company has always had the ability to invest directly in private companies either alongside the managers we are backing through funds or with others whom we know well. During the year the limit for direct investment was increased from 25 per cent to 33 per cent and this has given us valuable additional scope to construct a properly diversified portfolio of co-investments. Six such direct private equity investments have been made during the period covered by the report. £2.3 million was invested in Equidebt (RJD Partners Lead), a Stratford-on-Avon based debt collection agency and buyer of bought debt, giving F&C PET a 6.7 per cent equity stake. We have recently added to this investment through an additional investment of £0.75 million in loan stock. We have participated in two other RJD led investments; £2 million invested in LMS, a market leading provider of remortgage conveyancing for 6.5 per cent of the company and £2 million into European Boating Holidays, a boating holidays company, for 15.5 per cent. We have invested £1.1 million in Viking Moorings (Inflexion lead), the market leader in the North Sea for moorings for oil rigs for 10 per cent of the company. Stirling Square Capital Partners were the lead for two co-investments: Whittan, a manufacturer of metal pallet racking systems and lockers where we have invested £2.0 million for 6.0 per cent; and 3si, the market leader in cash security systems, based in Valley Forge, where we have invested $4.2 million for 6.5 per cent.

Realisations

Realisations totalled £36.1 million over the period. The largest of these was Gondola Holdings, the parent company of Pizza Express. This company was a co-investment made with TDR Capital in 2003. The business was rejuvenated and then

Manager's Review (continued)

relisted on the stockmarket before being acquired by Cinven in December 2006. F&C PET's total proceeds, including £6.8 million received after the year end, were £10 million, representing an investment multiple of 4.0X and an IRR of 65 per cent. Other major realisations included £4.6 million from engineering company, Acertec, which was listed on AIM (Candover 1997 Fund), £2.8 million from JJI Lighting (International Mezzanine), £1.7 million from Securistyle (August Equity IV), £1.4 million from ACIS (Inflexion), £1.2 million from Eurotaxglass (Hicks Muse Fund IV) and £1.0 million from machinery company GAM (Nmas1). There were many smaller distributions from other funds reflecting a buoyant exit environment internationally.

New Investments

New investments amounted to £63 million. These were made by a wide variety of funds and include the co-investments described above. Some of the larger ones illustrate the diversity of the underlying portfolio which is being established. In the UK we now have exposure to Rixonway Kitchens (£1.3 million August Equity IV), DX/SMS, a private mail company (£0.9 million Candover 2005), Parasol, an employment agency (£0.7 million Inflexion), James Hull, a specialist dentist (£0.6 million Hutton Collins), Tobar, a vendor of toys and gifts (£0.5 million Primary III) and WFEL, a manufacturer of temporary bridges (£0.5 million Dunedin Buy-out Fund II) amongst many others. In Europe we have holdings of £1 million in Italian boat builder Feretti (Candover 2005), £0.4 million in French catering company HBI (Elior) (Chequers) and £0.4 million in German medical products company, BSN (Montagu III).

Valuation changes

Over the period there have been uplifts amounting to over £40 million. These reflect both uplifts in valuation and premiums to carrying value achieved on exit. The individually most significant ones represent a mixture of older holdings and newer ones as well as a spread between UK and European and US investments. As noted above Gondola has been a highly successful co-investment and over the period this accounts for £7.6 million of uplift. The DM&E Railroad, a longstanding US investment, has traded very strongly and an uplift of £7.0 million is included, most of this accruing to the A pool. The combined investments of the now almost fully liquidated Candover 1997 Fund contributed £3.5 million. £3.5 million was also accrued from TDR Capital. Our secondary purchase of August Equity IV contributed £3.3 million, reflecting a strong fundamental performance, successful realisations and an advantageous acquisition price. The co-investment with Stirling Square, GDT, our aerospace components company is also trading well and an uplift of £2.2m has been made. LGV 4 has also performed well and has recently announced the sale of restaurant company Tragus to Blackstone achieving a 5.4x investment multiple, contributing to an uplift of £1.4 million. Our European funds have contributed strongly with uplifts of £1.3 million from Nmas1 and £1.0 million from Chequers. There have also been some downgrades over the period, but these mainly relate to the start up costs of new funds where the early years suffer slightly from the J Curve effect. Exchange rate impact has been adverse to the extent of £3.6 million, entirely due to the pronounced depreciation of the dollar.

Outlook

The Company begins 2007 with a well diversified portfolio of funds giving an underlying portfolio of over 200 companies. The co-investment portfolio is performing well and further realisations from here are expected during the year. The fund portfolio is maturing and this will continue to build value over the next few years. The successful fund relationships will be reinforced with new commitments and new funds which add to the portfolio's strength will also be added. The Company has outstanding undrawn commitments of around £150 million, which will be drawn down over the next 5 years. With cash or near cash resources in the B pool of £18 million and unutilised borrowing capacity of up to 20 per cent of total assets (to be increased to 30 per cent subject to shareholder approval) the Company is well placed to continue to benefit from the private equity sector's growth.

Hamish Mair

30 March 2007

Board of Directors

David Simpson

Chairman

age 65, 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 2008.

Robert Legget

age 56, 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.

Douglas Kinloch Anderson OBE

age 67, 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 2009.

John Rafferty

age 55, 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 2008.

Portfolio Holdings

Investment

Investment	Total Valuation £'000	% of Total Portfolio	A Pool Valuation £'000	% of A Pool Portfolio	B Pool Valuation £'000	% of B Pool Portfolio
United Kingdom						
UK 4.5% Treasury 07/03/07	13,377	9.5	–	–	13,377	10.7
August Equity Partners IV	7,402	5.3	–	–	7,402	5.9
Gondola Holdings	6,835	4.9	–	–	6,835	5.5
RL Private Equity	3,443	2.5	–	–	3,443	2.8
SEP II	2,666	1.9	–	–	2,666	2.1
Candover plc	2,546	1.8	–	–	2,546	2.0
Equidebt Holdings	2,317	1.7	–	–	2,317	1.9
Hickory Fund Partnership	2,253	1.6	–	–	2,253	1.8
Third Private Equity	2,112	1.5	1,333	8.5	779	0.6
European Boating Holdings	2,074	1.5	–	–	2,074	1.7
LGV4	2,064	1.5	–	–	2,064	1.7
LMS Group Holding	2,032	1.4	–	–	2,032	1.6
Inflexion 2003 Buyout Fund	1,834	1.3	–	–	1,834	1.5
Academy Music Group	1,333	1.0	–	–	1,333	1.1
Equity Harvest Fund	1,311	0.9	–	–	1,311	1.1
Candover 1997 Fund	1,175	0.8	742	4.8	433	0.3
LGV5	1,114	0.8	–	–	1,114	0.9
Viking Moorings	1,060	0.8	–	–	1,060	0.8
Primary Capital II	927	0.7	–	–	927	0.7
Primary Capital III	865	0.6	–	–	865	0.7
Albany Ventures III	616	0.4	–	–	616	0.5
Dunedin Buyout Fund II	378	0.3	–	–	378	0.3
Piper Private Equity Fund IV	371	0.3	–	–	371	0.3
Strathdon Investment	315	0.2	–	–	315	0.2
Scottish Equity Partnership	211	0.2	133	0.9	78	0.1
Enterprise Plus	158	0.1	100	0.6	58	0.0
SEP III	67	0.0	–	–	67	0.1
RJD Private Equity Fund II	64	0.0	–	–	64	0.1
Parkmead Group	23	0.0	–	–	23	0.0
Total United Kingdom investments	**60,943**	**43.5**	**2,308**	**14.8**	**58,635**	**47.0**
Pan-Europe*						
International Mezzanine Investment NV	6,073	4.3	3,834	24.6	2,239	1.8
Candover 2001 Fund	5,197	3.7	–	–	5,197	4.2
TDR Capital	3,875	2.7	–	–	3,875	3.1
Candover 2005 Fund	3,781	2.7	–	–	3,781	3.0
Alta-Berkeley VI	2,334	1.7	–	–	2,334	1.9
Whittan Co-Investment (No 1)	1,975	1.4	–	–	1,975	1.6
Hutton Collins Capital Partners II	1,350	1.0	–	–	1,350	1.1
Hutton Collins Mezzanine	1,338	1.0	–	–	1,338	1.1
Montagu III	1,102	0.8	–	–	1,102	0.8
Alta-Berkeley V	52	0.0	28	0.2	24	0.0
Alta-Berkeley III	15	0.0	–	–	15	0.0
Total Pan-European investments	**27,092**	**19.3**	**3,862**	**24.8**	**23,230**	**18.6**
North America						
Dakota, Minnesota & Eastern Railroad Corporation	12,120	8.6	7,651	49.4	4,469	3.6
1818 Mezzanine Fund II	1,502	1.1	–	–	1,502	1.2
Camden Partners Strategic Fund III	1,431	1.0	–	–	1,431	1.2
1818 Mezzanine Fund	1,351	1.0	853	5.5	498	0.4
Blue Point Capital	1,201	0.8	–	–	1,201	1.0
Hicks, Muse, Tate & Furst Fund IV	930	0.7	587	3.8	343	0.3
RCP Fund II	908	0.7	–	–	908	0.7
Blue Point Capital II	277	0.2	–	–	277	0.2
Live Nation	155	0.1	98	0.6	57	0.0
Arch Capital	57	0.0	–	–	57	0.0
Total North America investments	**19,932**	**14.2**	**9,189**	**59.3**	**10,743**	**8.6**

Investment

	Total Valuation £'000	% of Total Portfolio	A Pool Valuation £'000	% of A Pool Portfolio	B Pool Valuation £'000	% of B Pool Portfolio
Continental Europe†						
Argan Capital LP	3,771	2.6	–	–	3,771	3.0
Alto Capital I	3,087	2.1	–	–	3,087	2.5
Nmás1 Private Equity	2,961	2.1	–	–	2,961	2.4
Accession Mezzanine	1,775	1.3	–	–	1,775	1.4
Life Sciences Partners III	1,443	1.0	–	–	1,443	1.2
Ciclad 4	1,170	0.8	–	–	1,170	0.9
Chequers Capital	830	0.6	–	–	830	0.6
Chequers Capital XV	716	0.6	–	–	716	0.6
Gilde Buy-Out Fund III	642	0.5	–	–	642	0.5
Ibersuizas Capital Fund II	463	0.3	–	–	463	0.4
DBAG Fund IV	439	0.3	–	–	439	0.4
Ciclad 2	273	0.3	173	1.1	100	0.1
PizzaExpress International	83	0.1	–	–	83	0.0
Total Continental Europe investments	**17,653**	**12.6**	**173**	**1.1**	**17,480**	**14.0**
Global						
Global Design Technologies	4,857	3.5	–	–	4,857	3.9
Warburg Pincus VIII	2,944	2.1	–	–	2,944	2.4
Warburg Pincus IX	2,478	1.8	–	–	2,478	2.0
Stirling Square 3Si Co-investment	2,124	1.5	–	–	2,124	1.7
AIG Global Emerging Markets Fund II	1,434	1.0	–	–	1,434	1.2
AIF Capital Asia III	206	0.1	–	–	206	0.1
Total Global investments	**14,043**	**10.0**	**–**	**–**	**14,043**	**11.3**
AiM Listed Holdings	**613**	**0.4**	**–**	**–**	**613**	**0.5**
Total Investment Portfolio	**140,276**	**100.0**	**15,532**	**100.0**	**124,744**	**100.0**

* Europe including the UK
†Europe excluding the UK

Report of the Directors

Results and Dividends

The Directors submit the seventh Annual Report and Accounts of the Company, for the seventeen month period ended 31 December 2006.

The revenue available for dividends was £2,533,000.

Interim dividends of 1.00p per A share and 2.10p per B share were paid on 19 January 2007. In addition special A share dividends of 7.50p and 15.50p were paid on 14 April 2006 and 20 October 2006 respectively.

The Board recommends a final dividend of 0.4p per B share payable on 15 June 2007 to shareholders on the register at close of business on 25 May 2007.

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 2005. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval.

Business Review

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, corporate governance, and risk management. Biographical details of the Directors, all of whom are non-executive, can be found on page 11.

Objectives and Strategy

The Company's realisation (A) shares' objective is to manage the existing assets and to realise the value of those assets in a tax-efficient manner and return capital to shareholders.

The continuation (B) shares' objective is to achieve long-term capital growth through investment in private equity assets.

The Board has contractually delegated the management of the investment portfolio, and other services, to F&C Investment Business Ltd.

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

The private equity funds in which the Company will invest comprise buy-out funds, venture funds and mezzanine funds. Both the funds and the direct investments will be selected in order to create an underlying portfolio which is well diversified by geography, sector, size of company, stage of development, transaction type and management style.

The Company's performance is measured against key performance indicators as set out below. A review of the Company's returns during the financial period, the position of the Company at the period end, and the outlook for the coming year is contained in the Chairman's Statement on pages 5 to 6 and in the Manager's Review on pages 8 to 10.

Principal Risks and Risk Management

The Board believes that the principal risks faced by the Company are:

- Investment and strategic – incorrect strategy (including use of gearing), asset allocation, and stock selection could all lead to poor returns for shareholders.
- External – events such as terrorism, disease, protectionism, inflation or deflation, economic recessions and movements in interest rates could affect share prices.
- Regulatory – breach of regulatory rules could lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report. Breach of Section 842 of the Income and Corporation Taxes Act 1988 could lead to the Company being subject to tax on capital gains.
- Operational – failure of the Managers' accounting systems or disruption to the Managers' business, or that of third-party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence.

- Financial – inadequate controls by the Managers or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations.

The assets of the A shares are highly concentrated, with one investment representing 49 per cent of their value, and two investments 74 per cent. This is a consequence of the advanced stage of the realisation process.

The Company is also exposed to currency risks in respect of the overseas markets in which it invests.

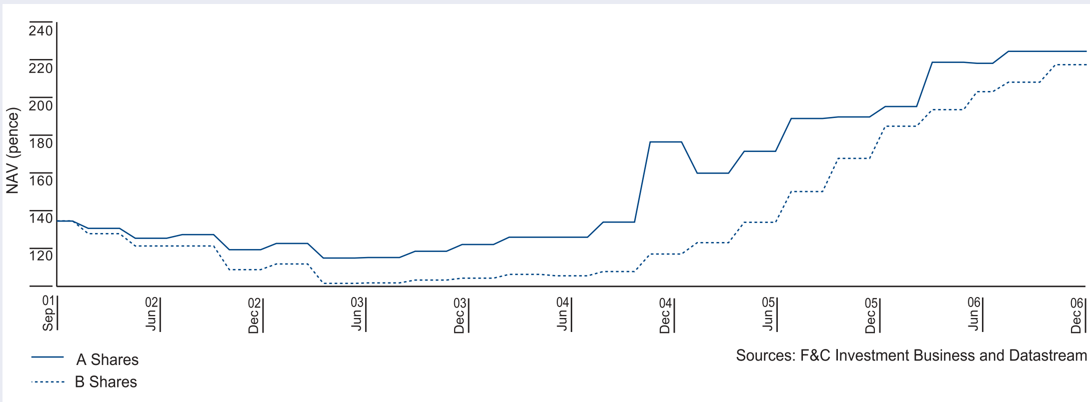
More detailed explanations of these risks and the way in which they are managed are contained in notes 20 to 22 to the accounts.

The Board seeks to mitigate and manage these risks through continual review, policy setting, shareholder communication and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Company's investment portfolio, and applies the principles detailed in the guidance provided by the Turnbull Committee. Details of the Company's internal controls are described in more detail on page 11.

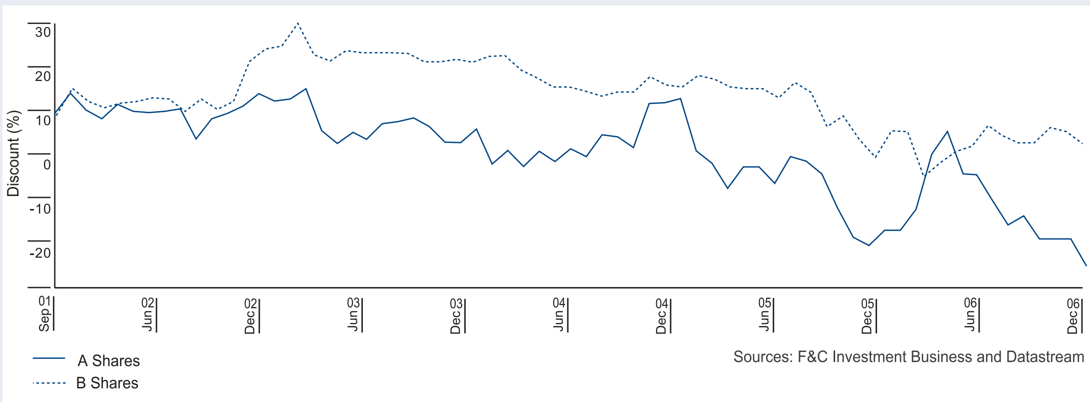
Key Performance Indicators

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

Net Asset Value Total Returns
A and B shares since 1 September 2001

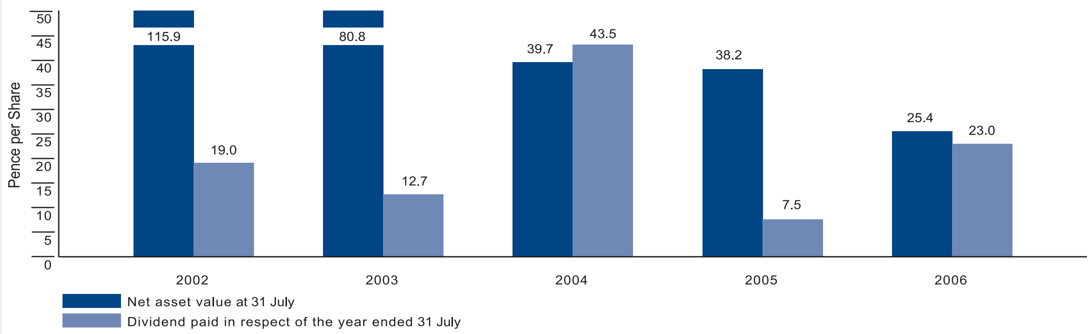


Discount of Share Prices to Net Asset Values
A and B shares since 1 September 2001



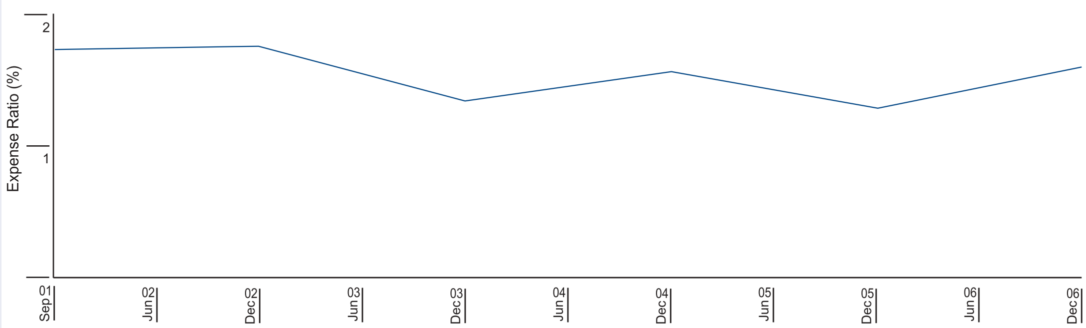
Report of the Directors (continued)

Special Dividends Paid to A Shares
A shares since 1 September 2001



Net asset value as at 31 December 2006 and dividend paid in respect of the 17 months to 31 December 2006. Source: F&C Investment Business

Total Expenses as a Percentage of Shareholders' Funds



Source: F&C Investment Business

Directors

Mr R Legget, whose biographical details are shown on page 11, retires from the Board by rotation and, being eligible, offers himself for re-election at the Annual General Meeting.

The Board confirms that, following a formal performance evaluation, the performance of Mr R Legget continues to be effective and demonstrates commitment to the role. It believes that it is in the interests of shareholders that Mr R Legget is re-elected.

The Directors who held office at the end of the period and their interests in the shares of the Company as at 31 December 2006 were:

		2006 A Shares	2005 A Shares
David Simpson		**–**	–
Douglas Kinloch Anderson		**–**	–
Robert Legget		**–**	–
John Rafferty	Beneficial	**25,000**	25,000

		2006 B Shares	2005 B Shares
David Simpson	Beneficial	**20,000**	20,000
Douglas Kinloch Anderson		**–**	–
Robert Legget	Beneficial	**10,000**	10,000
John Rafferty	Beneficial	**10,000**	10,000

There have been no changes in the holdings of the Directors in the shares of the Company between 31 December 2006 and 30 April 2007.

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

Substantial Interests in Share Capital

At 30 April 2007 the following holdings representing more than 3 per cent of the Company's issued share capital had been notified to the Company:

	A Shares Held	% of A Shares	B Shares Held	% of B Shares
Martin Currie Portfolio Investment Trust	31,097,772	46.4	7,836,624	10.8
Deutsche Bank	11,629,145	17.3	4,830,000	6.7
F&C Asset Management	4,357,165	6.5	18,008,755	24.9
CG Asset Management	4,181,320	6.2	–	–
IIMIA Investment Group	2,300,000	3.4	–	–
Asset Value Investors	–	–	5,640,676	7.8
M&G Investment Management	–	–	5,490,000	7.6
Partners Group	–	–	3,118,000	4.3
Co-operative Insurance Society	–	–	3,004,890	4.2
Aegon Asset Management	–	–	2,883,563	4.0

Management and Management Fees

F&C Investment Business Limited provides management and secretarial services to the Company. A summary of the contract between the Company and F&C Investment Business Limited in respect of management services provided is given in note 4 to the accounts.

The Management Engagement Committee has 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 AIC Code of Corporate Governance ('the AIC Code') which was issued in February 2006. 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.

Report of the Directors (continued)

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 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 Investment Business Limited, 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.

The Audit Committee, chaired by Mr Robert Legget, operates within clearly defined terms of reference, which are available on request, 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 is also the forum through which the auditors 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 £18,000 for the period ended 31 December 2006 (Year to 31 July 2005: £3,000) and related to the provision of two reviews of interim financial information, a review of the calculations of the quarterly conversion of the C shares and taxation services. Notwithstanding such services, the Audit Committee considers Ernst & Young LLP to be independent of the Company.

The Management Engagement Committee, chaired by Mr David Simpson, operates within clearly defined terms of reference, which are available on request, and comprises the full Board and reviews the appropriateness of the Managers' continuing appointment together with the terms and conditions thereof on a regular basis.

The Nomination Committee, chaired by Mr David Simpson, operates within clearly defined terms of reference, which are available on request, and comprises the full Board 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 and experience within the Board.

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 period ended 31 December 2006 and the number of meetings attended by each Director.

Director	Board of Directors Held	Board of Directors Attended	Audit Committee Held	Audit Committee Attended	Management Engagement Committee Held	Management Engagement Committee Attended	Nomination Committee Held	Nomination Committee Attended
David Simpson	9	9	3	3	1	1	1	1
Douglas Kinloch Anderson	9	7	3	3	1	1	1	1
Robert Legget	9	7	3	3	1	1	1	1
John Rafferty	9	9	3	3	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.

Going Concern

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.

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, as issued by the Financial Reporting Council in October 2005. The process is based principally on the Managers' existing risk-based approach to internal control whereby 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 internal control reports issued by the Managers and other service providers.

Such review procedures have been in place throughout the financial year and up to the date of approval of the Annual Report, and the Board is satisfied with their effectiveness. These procedures are designed to manage, rather than eliminate, risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss. At each Board meeting the Board monitors the investment performance of the Company in comparison to its stated objective, its peer group and a broad equity market index. The Board also reviews the Company's activities since the last Board meeting to ensure that the 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.

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communications with its shareholders. The Managers hold meetings with the Company's largest shareholders and report back to the Board on these meetings. The Board is

Report of the Directors (continued)

also regularly briefed on shareholder attitudes by the Company's brokers. 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.

Directors' Authority to Allot Shares

At the Annual General Meeting of the Company held on 15 December 2006, 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 7 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 £36,141 (being an amount representing 5 per cent of the total issued B share capital of the Company as at 31 December 2006) 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 7 will continue until the Annual General Meeting of the Company in 2008, and the Directors envisage seeking renewal of this authority in 2008 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 8, 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, 10,835,112 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 shareholders. Any shares purchased under this authority will be cancelled.

Change to Investment Policy on Gearing

At present, one of the investment policies of the Company is that the Company may use gearing of up to 20 per cent of the total assets attributable to the 'B' pool in order to meet commitments as they are drawn down and to enhance long-term returns to shareholders. As part of the special business at the Annual General Meeting, an ordinary resolution is being proposed which, if passed, will amend this investment policy such that the maximum gearing level as outlined above will be increased from 20 per cent to 30 per cent.

The Board believes this will allow greater flexibility in managing the investment portfolio through an economic cycle.

Disclosure of Information to Auditors

The Directors confirm that, so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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.

Individual Savings Accounts and Personal Equity Plans

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

Creditor Payment Policy

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

Environment

The Company's Managers, F&C Investment Business Limited, are leaders in the field of socially responsible investment and, with the support of the Board, actively engage with investee companies. Environmental factors are, therefore, where appropriate, taken into consideration with regard to investment decisions on behalf of the Company.

Recommendation

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

By order of the Board

F&C Investment Business Limited

Secretary

80 George Street

Edinburgh EH2 3BU

30 April 2007

Directors' Remuneration Report

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 24 and 25.

Remuneration Committee

The Nomination Committee fulfils the function of a Remuneration Committee in addition to its nomination function. The Nomination Committee consists of all four non-executive Directors. Their details are listed on page 11. The Board has appointed the Company Secretary, F&C Investment Business Limited to provide information when the Nomination Committee considers the level of Directors' fees.

Policy on Directors' Fees

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

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

The Nomination Committee carried out a review of the level of Directors' fees during the period, and recommended no increase in the level of fees.

The current annual fees payable are: Chairman £27,000 (2005: £22,500); Chairman of the Audit Committee £21,000 (2005: £15,000); Other Directors £18,000 (2005: £15,000).

Directors' Service Contracts

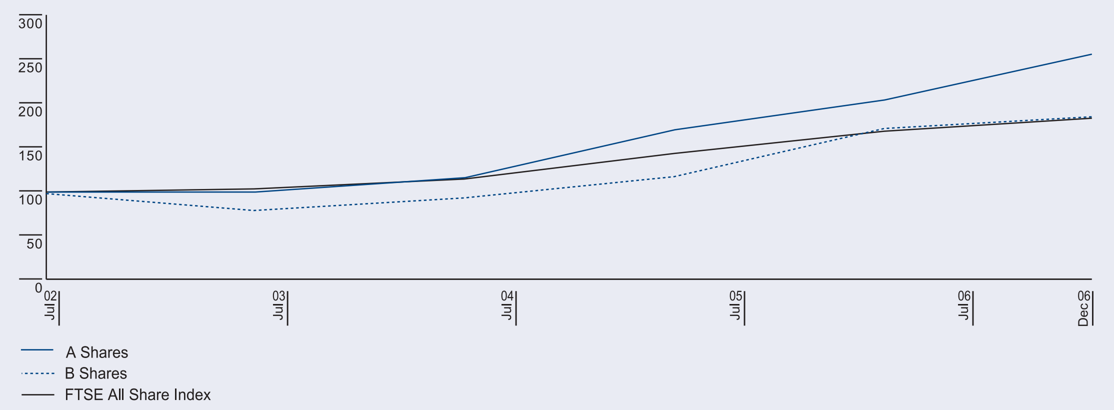
The non-executive Directors are engaged under letters of appointment and do not have a contract of service. The terms of their appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after their appointment. Directors are thereafter obliged to 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.

Director	Date of Appointment	Due date for Re-election
David Simpson	28 January 1999	AGM 2008
Douglas Kinloch Anderson	8 December 2000	AGM 2009
Robert Legget	28 January 1999	AGM 2007
John Rafferty	20 March 2000	AGM 2008

Company Performance

The graph overleaf 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' Emoluments for the seventeen month period (audited)

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

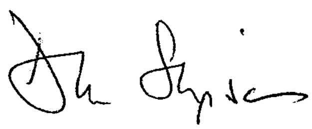
	17 months to 31 December 2006 £	12 months to 31 July 2005 £
David Simpson (Chairman of the Board)	**38,250**	39,375
Douglas Kinloch Anderson	**25,500**	26,250
Robert Legget	**29,750**	26,250
Sir James McKinnon	**25,500**	–
John Rafferty*	**25,500**	26,250
Total	**144,500**	118,125

During the year to 31 July 2005 reconstruction fees of £50,625 were paid to the Directors.

*Directors' fees of £25,500 in respect of John Rafferty were paid to Burness, of which John Rafferty is a Partner.

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 30 April 2007 and signed on its behalf by



David Simpson

Chairman

Directors' Responsibility Statement and Independent Auditors' Report

Statement of Directors' Responsibilities 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 net return for that period.

They are also responsible for ensuring that adequate accounting records are maintained and that the assets of the Company 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, and applicable UK accounting standards have been followed.

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

We have audited the financial statements of F&C Private Equity Trust plc for the period ended 31 December 2006 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, Cash Flow Statement and the related notes 1 to 23. These financial statements have been prepared under 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 we are required to state to them in an auditors' 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' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Directors' Responsibility Statement.

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 and International Standards on Auditing (UK and Ireland).

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 Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined 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. The other information comprises: Company Summary, Financial Highlights, Performance Summary, Portfolio Summary, Top Ten Holdings, Chairman's Statement, Investment Managers, Manager's Review, Board of Directors, Portfolio Holdings, Report of the Directors, unaudited part of the Directors' Remuneration Report, Notice of Annual General Meeting and How to Invest. 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 International Standards on Auditing (UK and Ireland) 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 judgments 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.

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its net return for the period then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
30 April 2007

Income Statement

	Notes	Seventeen months ended 31 December 2006 Revenue £'000	Capital £'000	Total £'000	Year ended 31 July 2005 Revenue (restated*) £'000	Capital (restated*) £'000	Total (restated*) £'000
Gains on investments	10	**–**	**34,622**	**34,622**	–	19,650	19,650
Currency (losses)/gains		**–**	**(58)**	**(58)**	–	56	56
Income – franked	2	**527**	**–**	**527**	182	–	182
– unfranked	2	**4,344**	**–**	**4,344**	2,870	–	2,870
Investment management fee	4	**(509)**	**(1,532)**	**(2,041)**	(170)	(510)	(680)
Other expenses	5	**(857)**	**(505)**	**(1,362)**	(334)	–	(334)
Net return before finance costs and taxation		**3,505**	**32,527**	**36,032**	2,548	19,196	21,744
Interest payable and similar charges	6	**(31)**	**(93)**	**(124)**	(17)	(49)	(66)
Return on ordinary activities before taxation		**3,474**	**32,434**	**35,908**	2,531	19,147	21,678
Taxation on ordinary activities	7	**(941)**	**483**	**(458)**	(707)	168	(539)
Return on ordinary activities after taxation		**2,533**	**32,917**	**35,450**	1,824	19,315	21,139
Return per A share – Basic	9	**1.05p**	**9.31p**	**10.36p**	1.58p	12.86p	14.44p
Return per B share – Basic	9	**3.21p**	**46.85p**	**50.06p**	1.96p	27.27p	29.23p
Return per B share – Fully diluted	9	**3.20p**	**46.70p**	**49.90p**	1.96p	27.27p	29.23p

The total column of the income statement is the profit and loss account of the Company. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.

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

No operations were acquired or discontinued during the year.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses by the Company have been reflected in the above Income Statement.

Reconciliation of Movements in Shareholders' Funds

	Seventeen months ended 31 December 2006 £'000	Year ended 31 July 2005 £'000
Opening shareholders' funds (as previously reported)	**76,641**	66,928
Adjustment from mid to bid pricing for investments	**(186)**	(115)
Dividends accrued added back	**6,384**	7,575
Adjusted opening shareholders' funds	**82,839**	74,388
Return on ordinary activities after taxation	**35,450**	21,139
Dividends paid	**(21,813)**	(12,688)
Issue of C Shares	**49,757**	–
Closing shareholders' funds	**146,233**	82,839

A more detailed reconciliation of movement in shareholders' funds is contained in note 16.

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

*See note 23.

Balance Sheet

	Notes		As at 31 December 2006		As at 31 July 2005 (as restated)
		£'000	£'000	£'000	£'000
Investments at fair value					
Listed on recognised exchanges		**23,922**		9,210	
Unlisted		**116,354**		65,434	
	10		**140,276**		74,644
Current assets					
Debtors	12	**416**		108	
Cash at bank	13	**6,764**		9,210	
		7,180		9,318	
Creditors					
Amounts falling due within one year	14	**(1,223)**		(1,123)	
Net current assets			**5,957**		8,195
Net assets			**146,233**		82,839
Capital and reserves					
Called-up ordinary share capital	15		**1,394**		1,063
Special distributable capital reserve	16		**40,000**		40,000
Special distributable revenue reserve	16		**38,363**		10,061
Capital redemption reserve	16		**664**		–
Capital reserve	16		**63,146**		30,229
Revenue reserve	16		**2,666**		1,486
			146,233		82,839
Net asset value per A share – Basic	9		**25.43p**		46.72p
Net asset value per B share – Basic	9		**178.71p**		131.43p
Net asset value per B share – Fully diluted	9		**178.06p**		131.43p

The financial statements were approved and authorised for issue by the board on 30 April 2007, and signed on its behalf by

David Simpson, Chairman

The notes on pages 29 to 41 form part of these financial statements.

Cash Flow Statement

	Notes	£'000	Seventeen months ended 31 December 2006 £'000	£'000	Year ended 31 July 2005 £'000
Operating activities					
Net dividends and interest received from investments		**3,919**		3,233	
Interest received from deposits		**819**		348	
Investment management fee		**(1,507)**		(765)	
Cash paid to and on behalf of Directors		**(138)**		(72)	
Bank charges		**(4)**		(4)	
Other cash payments		**(1,260)**		(167)	
Net cash inflow from operating activities	17		**1,829**		2,573
Servicing of finance					
Interest paid		**(124)**		(68)	
Net cash outflow from servicing of finance			**(124)**		(68)
Taxation					
Corporation tax paid		**(312)**		(1,528)	
Net cash outflow from taxation			**(312)**		(1,528)
Capital expenditure and financial investment					
Payments to acquire investments		**(135,888)**		(18,243)	
Receipts from disposal of investments		**150,304**		25,471	
Cash transferred from acquisition of Discovery Trust		**3,558**		–	
Net cash inflow from capital expenditure and financial investments			**17,974**		7,228
Equity dividends paid			**(21,813)**		(12,688)
Net cash outflow	18		**(2,446)**		(4,483)
Decrease in cash	18		**(2,446)**		(4,483)

The notes on pages 29 to 41 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

(a) The financial statements have been prepared under UK Generally Accepted Accounting Practice ('UK GAAP') and in accordance with guidelines set out in the Statement of Recommended Practice ('SORP'), revised December 2005, for investment trusts, issued by the Association of Investment Companies ('AIC'), except as disclosed below in note 1e. A number of new UK Financial Reporting Standards have been introduced as part of the UK convergence programme with International Financial Reporting Standards. The changes affecting the Company relate to FRS 26 Financial Instruments: Measurement, FRS 25 Financial Investments: Presentation and Disclosures, and FRS 21 Events after the Balance Sheet Date. A reconciliation of these changes is set out in note 22.

(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, the incentive fee, finance costs and costs incurred in the acquisition of Discovery Trust 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.
Transaction costs incurred on the purchase and sale of investments are taken to the income statement as a capital item.

(e) Dividends payable are recognised in the period in which they are paid.

(f) 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.

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

(h) 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. The functional currency of the Company, being its statutory reporting currency, is sterling.

(i) 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.

(j) 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

	Seventeen months ended 31 December 2006 £'000	Year ended 31 July 2005 £'000
Income – franked	**527**	182
Income – unfranked	**4,344**	2,870
	4,871	3,052

Notes to the Financial Statements (continued)

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 Income and Balance Sheet, on pages 26 and 27, can be analysed as follows:

	A Pool			B Pool			Total		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Period to 31 December 2006	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gains on investments									
– realised	**–**	**5,636**	**5,636**	**–**	**5,374**	**5,374**	**–**	**11,010**	**11,010**
– unrealised	**–**	**833**	**833**	**–**	**22,779**	**22,779**	**–**	**23,612**	**23,612**
Currency (losses)/gains	**–**	**(73)**	**(73)**	**–**	**15**	**15**	**–**	**(58)**	**(58)**
Income	**1,188**	**–**	**1,188**	**3,683**	**–**	**3,683**	**4,871**	**–**	**4,871**
Expenses	**(203)**	**(214)**	**(417)**	**(1,163)**	**(1,823)**	**(2,986)**	**(1,366)**	**(2,037)**	**(3,403)**
Interest payable	**–**	**–**	**–**	**(31)**	**(93)**	**(124)**	**(31)**	**(93)**	**(124)**
Return before taxation	**985**	**6,182**	**7,167**	**2,489**	**26,252**	**28,741**	**3,474**	**32,434**	**35,908**
Taxation	**(278)**	**64**	**(214)**	**(663)**	**419**	**(244)**	**(941)**	**483**	**(458)**
Return after taxation	**707**	**6,246**	**6,953**	**1,826**	**26,671**	**28,497**	**2,533**	**32,917**	**35,450**
Year to 31 July 2005 (restated*)									
Gains on investments									
– realised	–	1,888	1,888	–	1,103	1,103	–	2,991	2,991
– unrealised	–	6,821	6,821	–	9,723	9,723	–	16,659	16,659
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	8,526	9,995	1,062	10,506	11,568	2,531	19,147	21,678
Taxation	(412)	51	(361)	(295)	117	(178)	(707)	168	(539)
Return after taxation	1,057	8,577	9,634	767	10,623	11,390	1,824	19,315	21,139

	A Pool		B Pool		Total	
	31 December 2006	31 July 2005 (restated*)	**31 December 2006**	31 July 2005 (restated*)	**31 December 2006**	31 July 2005 (restated*)
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Investments	**15,532**	24,711	**124,744**	49,933	**140,276**	74,644
Debtors	**9**	61	**407**	47	**416**	108
Cash	**1,818**	6,818	**4,946**	2,392	**6,764**	9,210
Creditors	**(300)**	(249)	**(923)**	(874)	**(1,223)**	(1,123)
Total assets less current liabilities	**17,059**	31,341	**129,174**	51,498	**146,233**	82,839

* See note 23.

4 Investment management fee

	Revenue £'000	Capital £'000	Seventeen months ended 31 December 2006 Total £'000	Revenue £'000	Capital £'000	Year ended 31 July 2005 Total £'000
Investment management fee	**509**	**1,532**	**2,041**	170	510	680

Throughout the period the Company's investment manager was F&C Asset Management plc ('F&C'). On 18 January 2007 the investment management agreement was novated to F&C Investment Business Limited, a wholly owned subsidiary of F&C.

F&C Investment Business Limited 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 and 0.9 per cent. per annum of the relevant assets of the B 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 Investment Business Limited is entitled to an incentive fee if the internal rate of return 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 commenced on 1 August 2006 and continues until 30 June in any one (to be determined by F&C Investment Business Limited) of the years 2010 to 2013. 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 Investment Business Limited 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, 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 Investment Business Limited of such notice to the effective date or termination.

Notes to the Financial Statements (continued)

5 Administrative expenses

	Seventeen months ended 31 December 2006 £'000	Year ended 31 July 2005 £'000
Auditors' fees		
– audit work	18	16
– non audit work	18	3
Bank charges	4	4
Directors' fees	145	118
Employer's national insurance contributions	10	4
Legal fees	58	4
Printing and postage	22	19
Registration fees	16	12
Secretarial fee	143	60
Irrecoverable VAT	93	21
Other	330	73
	857	334

Other expenses allocated to capital total £505,000 (Year to 31 July 2005: £nil). These were incurred in the acquisition of Discovery Trust.

6 Interest payable and similar charges

			Seventeen months ended 31 December 2006			Year ended 31 July 2005
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest payable on bank loans and overdrafts	31	93	124	17	49	66

7 Taxation on ordinary activities

			Seventeen months ended 31 December 2006			Year ended 31 July 2005
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(a) Analysis of charge for the year						
Prior year under accrual	57	–	57	3	–	3
UK corporation tax	884	(483)	401	704	(168)	536
	941	(483)	458	707	(168)	539

Taxation relief is allocated between income and capital on the statement of total return using the marginal method in accordance with the SORP revised December 2005.

7 Taxation on ordinary activities (continued)

(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., (2005: 30 per cent.). The table below provides a reconciliation of the respective charges.

	Revenue £'000	Capital £'000	Seventeen months ended 31 December 2006 Total £'000	Revenue £'000	Capital £'000	Year ended 31 July 2005 Total £'000
Return on ordinary activities before taxation	**3,474**	**32,434**	**35,908**	2,531	19,032	21,563
Corporation tax at standard rate of 30 per cent.	**1,042**	**9,731**	**10,773**	759	5,709	6,468
Effects of:						
UK franked dividends*	**(158)**	**–**	**(158)**	(55)	–	(55)
Capital returns*	**–**	**(10,369)**	**(10,369)**	–	(5,933)	(5,933)
Expenses not deductible	**–**	**155**	**155**	–	–	–
Tax difference from prior years	**57**	**–**	**57**	3	56	59
	941	**(483)**	**458**	707	(168)	539

*These items are not subject to corporation tax within an investment trust. At 31 December 2006, there was no deferred taxation asset in respect of unutilised expenses (31 July 2005: nil).

8 Dividends

	Seventeen months ended 31 December 2006 £'000	Year ended 31 July 2005 (Restated) £'000
Final A share dividend of 1.15p for year ended 31 July 2004	**–**	771
Final B share dividend of 1.10p for year ended 31 July 2004	**–**	431
A share special dividend of 5.00p for year ended 31 July 2004	**–**	3,354
A share special dividend of 4.50p for year ended 31 July 2004	**–**	3,019
Interim A share dividend of 0.30p for year ended 31 July 2005	**–**	201
Interim B share dividend of 0.55p for year ended 31 July 2005	**–**	216
A share special dividend of 7.00p for year ended 31 July 2005	**–**	4,696
Final A share dividend of 1.20p for year ended 31 July 2005	**805**	–
Final B share dividend of 1.40p for year ended 31 July 2005	**548**	–
A share special dividend of 7.50p for year ended 31 July 2005	**5,031**	–
A share special dividend of 7.50p for year ended 31 July 2006	**5,031**	–
A share special dividend of 15.50p for period ended 31 December 2006	**10,398**	–
	21,813	12,688

The final dividend, if approved, to B shareholders will be paid on 15 June 2007 to shareholders on the register on 25 May 2007.

Notes to the Financial Statements (continued)

9 **Returns and net asset values**	**Seventeen months ended 31 December 2006 A Share Pool**	Year ended 31 July 2005 (Restated) A Share Pool	**Seventeen months ended 31 December 2006 B Share Pool**	Year ended 31 July 2005 (Restated) B Share Pool
The returns and net asset values per share are based on the following figures:				
Revenue return	**£707,000**	£1,057,000	**£1,826,000**	£767,000
Capital return	**£6,246,000**	£8,628,000	**£26,671,000**	£10,687,000
Net assets attributable to shareholders	**£17,059,000**	£31,341,000	**£129,174,000**	£51,498,000
Net assets attributable to shareholders †	**£17,059,000**	£31,341,000	**£128,620,000**	£51,498,000
Number of shares in issue at end of period – Basic	**67,084,807**	67,084,807	**72,282,273**	39,183,120
Number of shares in issue at end of period – Fully diluted	**67,084,807**	67,084,807	**73,301,034**	39,183,120
Average number of shares in issue during period – Basic	**67,084,807**	67,084,807	**56,929,847**	39,183,120
Average number of shares in issue during period – Fully diluted	**67,084,807**	67,084,807	**57,122,585**	39,183,120

	Seventeen months ended 31 December 2006			Year ended 31 July 2005		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000 (Restated)	Capital £'000 (Restated)	Total £'000 (Restated)
Return per A share – Basic	**1.05p**	**9.31p**	**10.36p**	1.58p	12.86p	14.44p
Return per B share – Basic	**3.21p**	**46.85p**	**50.06p**	1.96p	27.27p	29.23p
Return per B share – Fully diluted	**3.20p**	**46.70p**	**49.90p**	1.96p	27.27p	29.23p

	As at 31 December 2006	As at 31 July 2005 (Restated)
Net asset value per A share – Basic	**25.43p**	46.72p
Net asset value per B share – Basic	**178.71p**	131.43p
Net asset value per B share – Fully diluted	**178.06p**	131.43p

†After conversion of B warrants

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 30, provides further analysis of the returns and net asset values of the A and B share pools.

10 Investments

	Listed £'000	Unlisted £'000	As at 31 December 2006 Total £'000	Listed (Restated) £'000	Unlisted £'000	As at 31 July 2005 (Restated) Total £'000
Cost at beginning of period	**8,204**	**85,835**	**94,039**	6,415	91,252	97,667
Movements during the period:						
Purchases	**112,428**	**68,991**	**181,419**	–	18,852	18,852
Sales	**(106,000)**	**(44,410)**	**(150,410)**	–	(25,471)	(25,471)
Realised gains	**2,036**	**8,974**	**11,010**	–	2,991	2,991
Reclassification	**–**	**–**	**–**	1,789	(1,789)	–
Cost at end of the period	**16,668**	**119,390**	**136,058**	8,204	85,835	94,039
Unrealised gains/(losses)	**7,254**	**(3,036)**	**4,218**	1,006	(20,401)	(19,395)
Valuation at end of period	**23,922**	**116,354**	**140,276**	9,210	65,434	74,644

	Seventeen months ended 31 December 2006	Year ended 31 July 2005 (Restated)
Realised gain on sales	**11,010**	2,991
Increase in unrealised appreciation	**23,612**	16,659
Gains on investments	**34,622**	19,650

The purchases figure for the period of £181,419,000 comprises £4,020,000 paid by the A share pool and £177,399,000 paid by the B share pool. There are no capital calls unsettled at 31 December 2006. The sales figure of £150,410,000 comprises £19,695,000 received by the A pool and £130,715,000 received by the B pool. As at 31 December 2006, the valuation of the A share investments was £15,532,000 and the B share investments was £124,744,000, giving a total of £140,276,000.

During the period, transaction costs totalling £177,271 were incurred on the purchase and sale of investments.

11 Commitments and contingent liabilities

Capital commitments in respect of outstanding calls on investments at 31 December 2006 amounted to £5,243,000 for the A share pool (31 July 2005: £5,504,000) and £128,227,000 for the B share pool (31 July 2005: £37,873,000).

12 Debtors

	31 December 2006 £'000	31 July 2005 £'000
Due from brokers	**106**	–
Accrued income	**198**	74
Other debtors	**112**	34
	416	108

Notes to the Financial Statements (continued)

13 Cash at bank	31 December 2006 £'000	31 July 2005 £'000
Sterling trading account	2	6,814
Sterling deposit – short-term	6,093	–
Euro bank account	447	548
US Dollar bank account	222	1,848
	6,764	9,210

14 Creditors: amounts falling due within one year	31 December 2006 £'000	31 July 2005 £'000
Interest accrued	15	15
Due to manager, Investment Business Limited	625	91
Accrued expenses	144	116
Taxation	439	292
Call payments due	–	609
	1,223	1,123

15 Share capital

Equity share capital

Following the share capital reorganisation on 31 August 2001 the following shares were 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.

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 with Discovery Trust plc and a subscription of £20 million by Friends Provident.

On 9 December 2005, 18,120,198 C shares converted into 12,554,828 B shares.
On 10 March 2006, 10,584,172 C shares converted into 6,952,398 B shares.
On 8 June 2006, 12,600,289 C shares converted into 8,706,659 B shares.
On 26 September 2006, 8,453,790 C shares converted into 4,885,268 B shares.

At 31 December 2006 there were 67,084,807 A shares and 72,282,273 B shares in issue.

As at 31 December 2006, the total (A shares plus B shares) authorised share capital was 150,000,000 shares, (31 July 2005: 150,000,000 shares).

15 Share capital (continued)

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.

	31 December 2006 £'000	31 July 2005 £'000
Equity share capital		
Issued 67,084,807 A shares	**671**	671
Issued 72,282,273 B shares	**723**	392
	1,394	1,063

By a 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 up to 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.

Notes to the Financial Statements (continued)

16 Reserves

	Share Capital	Share Premium	Special Distributable Capital Reserve	Special Distributable Revenue Reserve	Capital Redemption Reserve	Capital Reserve	Revenue Reserve	Total
At 1 August 2004	1,063	–	40,000	14,757	–	11,029	79	66,928
Restatement of investments to bid prices	–	–	–	–	–	(115)	–	(115)
Dividends accrued	–	–	–	–	–	–	7,575	7,575
At 1 August 2004 (restated)	1,063	–	40,000	14,757	–	10,914	7,654	74,388
Exchange differences	–	–	–	–	–	56	–	56
Net gain on realisation of investments	–	–	–	–	–	2,991	–	2,991
Increase in unrealised appreciation on investments	–	–	–	–	–	16,659	–	16,659
Management fees charged to capital	–	–	–	–	–	(510)	–	(510)
Finance costs charged to capital	–	–	–	–	–	(49)	–	(49)
Taxation charged to capital	–	–	–	–	–	168	–	168
Net revenue for the year	–	–	–	–	–	–	1,824	1,824
Dividends paid	–	–	–	(4,696)	–	–	(7,992)	(12,688)
At 1 August 2005 (restated)	1,063	–	40,000	10,061	–	30,229	1,486	82,839
Exchange differences	–	–	–	–	–	(58)	–	(58)
Creation of C pool	995	48,762	–	–	–	–	–	49,757
C share conversions	(664)	–	–	–	664	–	–	–
Cancellation of share premium account	–	(48,762)	–	48,762	–	–	–	–
Net gain on realisation of investments	–	–	–	–	–	11,010	–	11,010
Increase in unrealised appreciation on investments	–	–	–	–	–	23,612	–	23,612
Management fees charged to capital	–	–	–	–	–	(1,532)	–	(1,532)
Other expenses charged to capital	–	–	–	–	–	(505)	–	(505)
Finance costs charged to capital	–	–	–	–	–	(93)	–	(93)
Taxation charged to capital	–	–	–	–	–	483	–	483
Net revenue for the year	–	–	–	–	–	–	2,533	2,533
Dividends paid	–	–	–	(20,460)	–	–	(1,353)	(21,813)
At 31 December 2006	1,394	–	40,000	38,363	664	63,146	2,666	146,233

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.

At the EGM on 9 August 2005, shareholders gave approval, subject to Court approval (subsequently obtained in September 2006) 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 Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities

	31 December 2006 £'000	31 July 2005 £'000
Net return before finance costs and taxation	**36,032**	21,629
Gains on investments	**(34,622)**	(19,535)
Exchange differences	**58**	(56)
(Increase)/decrease in accrued income and other debtors	**(202)**	514
Increase in other creditors	**563**	21
Net cash inflow from operating activities	**1,829**	2,573

18 Analysis of changes in net debt

	At 31 December 2006 £'000	Cash Flows £'000	At 31 July 2005 £'000
Cash at bank and on deposit	**6,764**	**(2,446)**	9,210

19 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 bid 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 27. Short term debtors and creditors are excluded from disclosure as allowed by FRS 25, other than for foreign currency disclosures (see note 22).

20 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. Investment and portfolio performances are discussed in more detail in the Manager's Review. Further information on the investment portfolio is set out on pages 2, 3, 4, 12 and 13.

21 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 December 2006 was 5.0 per cent. (31 July 2005: 4.50 per cent.). The benchmark rate which determines the interest payments received on cash balances is the bank base rate for the relevant currency.

On 30 April 2007 the Company entered into a five year £40 million multi currency revolving credit facility with The Royal Bank of Scotland. At 30 April 2007 the amount of the facility that was drawn down was £nil.

The Company's £18 million revolving credit facility with Lloyds TSB Bank terminated on 5 November 2006.

Fixed rate

The Company holds the following fixed interest investments.

	2006	2006 average interest rate	2006 average period until maturity	2005	2005 average interest rate	2005 average period until maturity
Fixed interest portfolio	**13,377**	**6.0%**	**0.17 years**	–	–	–

Notes to the Financial Statements (continued)

21 Interest rate risk and liquidity risk (continued)

Liquidity risk

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

The Company's limited securities are considered to be readily realisable.

Short term flexibility is achieved where necessary through the use of the revolving credit facility as described above.

22 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:

	31 December 2006		31 July 2005	
	Investments	**Cash**	Investments	Cash
	£'000	**£'000**	£'000	£'000
US Dollar	**33,068**	**222**	30,600	1,848
Euro	**45,653**	**447**	16,248	548
Total	**78,721**	**669**	46,848	2,396

In addition, the following currency amounts are included in net current assets: in US dollars, unsettled capital calls of £nil (31 July 2005: £198,000); in Euros, unsettled capital calls of £nil (31 July 2005: £18,000).

23 Explanation of prior year adjustments

Restatement of balances as at and for the year ended 31 July 2005

There have been a number of changes to financial reporting standards that came into effect on 1 January 2005. The principal ones affecting the Company are the requirement to value quoted investments at fair value, and to account for dividends on a payment date basis. The effect of these changes in policy is set out below:

	Notes	Previously reported 31 July 2005 £'000	Effect of change in policy £'000	Restated 31 July 2005 £'000
Investments	1	74,830	(186)	74,644
Net current assets	2	1,811	6,384	8,195
Net assets		76,641	6,198	82,839
Capital and reserves				
Called-up ordinary share capital		1,063	–	1,063
Special distributable capital reserve		40,000	–	40,000
Special distributable revenue reserve		5,030	–	5,030
Capital reserve	1	30,415	(186)	30,229
Revenue reserve	2	133	6,384	6,517
Shareholders' funds		76,641	6,198	82,839

Notes to the reconciliation

1. Investments are designated as held at fair value under FRS 26 and are carried at bid prices which total their fair value of £74,644,000. Previously they were carried at mid prices. The aggregate difference, being the reduction in value of £186,000 also decreases the Capital Reserve.
2. No provision has been made for the final dividend on the A and B shares for the year ended 31 July 2005. Under FRS 21 dividends are not accounted for until they are paid. The aggregate amount of £6,384,000 increases the Revenue Reserve.

23 Explanation of prior year adjustments (continued)

Restatement of the Income Statement for the year ended 31 July 2005

	Notes	Previously reported £'000	Effect of change in policy £'000	As Restated £'000
Gains on investments				
– realised		2,991	–	2,991
– unrealised	1	16,730	(71)	16,659
Currency gains		56	–	56
Income				
– franked		182	–	182
– unfranked		2,870	–	2,870
Investment management fee		(680)	–	(680)
Other expenses		(334)	–	(334)
Net return before finance costs and taxation		21,815	(71)	21,744
Finance costs		(66)	–	(66)
Return on ordinary activities before taxation		21,749	(71)	21,678
Taxation on ordinary activities		(539)	–	(539)
Return on ordinary activities after taxation		21,210	(71)	21,139
Dividends in respect of ordinary shares	2	(11,497)	11,497	–
Transfer to reserves		9,713	11,426	21,139

Notes to the reconciliation

1. The investments at 31 July 2005 are required to be valued at fair value following the adoption of FRS 26. The value differs from the previous valuation by £71,000.
2. Under FRS 21 dividends are not accounted for until they are paid and are shown through the Reconciliation of Movements in Shareholders' Funds rather than through the Income Statement.

Restatement of balances as at and for the year ended 31 July 2004

	Notes	Previously reported 31 July 2004 £'000	Effect of change in policy £'000	Restated 30 July 2004 £'000
Investments	1	61,728	(115)	61,613
Net current assets	2	5,200	7,575	12,775
Net assets		66,928	7,460	74,388
Capital and reserves				
Called-up ordinary share capital		1,063	–	1,063
Special distributable capital reserve		40,000	–	40,000
Special distributable revenue reserve		14,757	–	14,757
Capital reserve	1	11,029	(115)	10,914
Revenue reserve	2	79	7,575	7,654
Shareholders' funds		66,928	7,460	74,388

Notes to the reconciliation

1. Investments are designated as held at fair value under FRS 26 and are carried at bid prices which total their fair value of £61,613,000. Previously they were carried at mid prices. The aggregate difference, being the reduction in value of £115,000 also decreases the Capital Reserve.
2. No provision has been made for the final dividend on the A and B shares for the year ended 31 July 2004. Under FRS 21 dividends are not accounted for until they are paid. The aggregate amount of £7,575,000 increases the Revenue Reserve.

Notice of Annual General Meeting

Notice is hereby given that the Eighth 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 29 May 2007 at 12 noon to transact the following business.

To consider and, if thought fit, pass the following as Ordinary Resolutions:

1. To receive the Report of the Directors and the financial statements for the period ended 31 December 2006.
2. To approve the Directors' Remuneration Report for the period ended 31 December 2006.
3. To declare a dividend of 0.4 pence per share in respect of B shares.*
4. To re-elect Robert Legget as a Director.
5. To re-appoint Ernst & Young LLP as auditors.
6. To authorise the Directors to determine the remuneration of the auditors for the year ending 31 December 2007.

and to transact any other Ordinary Business of the Company.

To consider and, if thought fit, pass the following resolutions as Special Business of the Company:

Special Resolution:

7. 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 £36,141 (being an amount equal to 5 per cent. of the total issued B share capital of the Company as at 31 December 2006). Unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2008, save that the Company may, before the expiry of any power contained in this resolution, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

Special Resolution:

8. 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 10,835,112;

   (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 2008, 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.

Ordinary Resolution:

9. That the investment policies of the Company be amended such that the Company may use gearing of up to 30 per cent of the total assets attributable to the 'B' pool in order to meet commitments as they are drawn down and to enhance long-term returns to the shareholders.

By order of the Board
F&C Investment Business Limited
Secretaries
80 George Street
Edinburgh EH2 3BU

30 April 2007

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 A shares do not have the right to vote on a declaration of a dividend in respect of the B shares.

How to Invest

As well as investing in F&C Private Equity Trust plc directly through a stockbroker, you can enjoy some additional benefits by investing through one of the savings plans run by F&C Management plc.

You can enjoy the convenience of making regular savings by Direct Debit, take advantage of our tax-efficient ISA and PEP wrappers, receive a simple statement every six months and let us automatically reinvest your dividends for you.

- **F&C Private Investor Plan**
  A flexible, low cost way to invest with a lump sum from £500 or regular savings from £50 a month.

- **F&C Investment Trust ISA**
  Invest up to £7,000 tax efficiently each year with a lump sum from £500 or regular savings from £50 a month. You can also transfer any existing ISAs.

- **F&C Investment Trust PEP**
  Although you can no longer invest in a PEP, you can transfer existing PEPs without losing their tax efficient status.

- **F&C Child Trust Fund ('CTF')**
  F&C is a leading provider of children's investment plans and is currently the only provider to offer an investment trust based CTF. Suitable for children born after 1 September 2002.

- **F&C Children's Investment Plan**
  Suitable for older children ineligible for a CTF, or if you need access to the funds before the child is 18. This flexible plan can easily be written under trust to help reduce inheritance tax liability. Investments can be made from a £250 lump sum or £25 a month.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and you may not receive back the full amount originally invested. Tax rates and reliefs depend on the circumstances of the original investor. Freedom from tax in an ISA or PEP applies directly to the investor.

Low charges

All the plans are low cost and flexible. When you buy or sell shares in these plans the dealing fee is only 0.2%. 0.5% Government stamp duty also applies on purchases. There are no initial or exit charges. The only annual management fee is on the ISA or PEP, which is £60+VAT (no matter how many tax years' ISAs you take out with F&C, or how many ISAs or PEPs you transfer).

The F&C Child Trust Fund has no initial charges, dealing charges or annual management fee.

How to invest

For more information on any of these products, please contact F&C's Investor Services Team:

Call us on **0800 136 420**

email at **info@fandc.com**

invest online at **www.fandc.com**

Existing plan holders' enquiry line
0845 600 3030

Calls may be recorded.

Or write to:

F&C
Freepost RLRY-LYSR-KYBU
Clandeboyne Business Park
West Circular Road
Bangor BT19 1AR

The information on this page has been approved by F&C Management Limited which is a member of the F&C Asset Management Group and is authorised and regulated by the Financial Services Authority ('FSA').

Corporate Information

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

Manager and secretaries
F&C Investment Business Limited
80 George Street
Edinburgh EH2 3BU
Telephone 0131 718 1000

Auditors
Ernst & Young LLP
Ten George Street
Edinburgh EH2 2DZ

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

JP Morgan
3 Lochside View
Edinburgh Park
Edinburgh EH12 9DH

Lloyds TSB Scotland plc
Henry Duncan House
120 George Street
Edinburgh EH2 4LH

Association of Investment Companies (AIC)
AIC
9th Floor
24 Chiswell Street
London EC1Y 4YY
Telephone 020 7282 5555
website www.itsonline.co.uk

F&C Private Equity Trust plc is a member of the AIC.

Summerhall Corporate 30990

Registered Office:

80 George Street
Edinburgh EH2 3BU
Tel: 0131 718 1000
Fax: 0131 225 2375

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone 0870 162 3100
website www.capitaregistrars.com