F&C Private Equity Trust plc

Interim report and accounts
for the twelve months ended
31 July 2006

F&C Investments

Contents

Company Summary

The Company

The Company was launched in March 1999 as part of the reorganisation of The Scottish Eastern Investment Trust plc with the objective of managing the private equity investments formerly held by The Scottish Eastern Investment Trust plc so as to realise those assets and return cash to Shareholders.

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

In August 2005, Shareholders approved a change of company name from Martin Currie Capital Return Trust plc to F&C Private Equity Trust plc and the Company issued 49,758,449 C Shares following a capital reorganisation of Discovery Trust plc and a subscription of £20 million by Friends Provident. Please see note 6 on page 14 for further details of share conversions.

Objective

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

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

The conversion (C) shares' portfolio of quoted investments will be realised and the proportion equivalent to cash converted into continuation (B) shares on a quarterly basis over a twelve month period from 30 September 2005.

Management

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

Capital Structure at 31 July 2006

Gross assets
£144.4 million

Shareholders' funds
A shares £24.4 million
B shares £112.1 million
C shares £7.9 million

Market capitalisation
A shares £22.5 million
B shares £102.4 million
C shares £8.1 million

Capital structure from 26 September 2006
67,084,807 Realisation or A shares of 1 pence, each entitled to 1 vote
72,282,273 Continuation or B shares of 1 pence, each entitled to 1 vote

Financial Highlights

- NAV total return for the twelve months of 15.1 per cent for the A shares
- NAV total return for the twelve months of 27.7 per cent for the B shares
- A share special dividend of 15.5 pence payable on 20 October 2006
- £49.8 million added to net assets by the acquisition of the assets of Discovery Trust plc in August 2005
- Conversion of £42.5 million from C shares to B shares
- Realisation of private equity assets of £24.3 million
- New investment in private equity assets of £35.2 million

Net Asset Value

	As at 31 July 2006	As at 31 July 2005 (restated)*	% Change
Net assets (£'000)	**144,497**	82,839	74.4
Net asset value per:			
A share	**36.5p†**	46.8p	(22.0)
B share	**166.3p**	131.4p	26.6
C share	**94.1p**	n/a	n/a

Market Price

	As at 31 July 2006	As at 31 July 2005 (restated)*	% Change
A share	**33.5p†**	42.5p	(21.2)
B share	**152.0p**	107.0p	42.1
C share	**96.0p**	n/a	n/a
Premium/(discount):			
A share	**(8.2%)**	(9.2%)	–
B share	**(8.6%)**	(18.6%)	–
C share	**2.0%**	n/a	n/a

Income

	Twelve months ended 31 July 2006	Year ended 31 July 2005 (restated)*	% Change
Return after taxation (£'000)	**23,316**	21,024	10.9
Return per:			
A share	**5.91p**	14.41p	(59.0)
B share	**36.25p**	29.01p	25.0
C share	**2.51p**	n/a	n/a
Dividend per:			
A share	**16.20p**	17.95p	
B share	**1.40p**	1.65p	
C share	**n/a**	n/a	

* See notes 1 and 2 on page 13.

† Net asset value is stated after payment of special dividend of 7.50p and revenue dividend of 1.20p for year ended 31 July 2005 and a special dividend of 7.50p for the year ended 31 July 2006.

Financial Highlights

Portfolio Summary

	As at 31 July 2006 A shares	As at 31 July 2006 B shares	As at 31 July 2006 C shares
Shareholders' funds (£'000)	**24,464**	**112,079**	**7,954**
Loan drawdown (£'000)	**–**	**–**	**–**
Future commitments (£'000)	**5,351**	**132,025**	**n/a**

Total Returns†

	Twelve months ended 31 July 2006 A shares	Twelve months ended 31 July 2006 B Shares	Period‡ ended 31 July 2006 C Shares
Net asset value	**15.1%**	**27.7%**	**10.3%**
Share price	**19.3%**	**43.6%**	**14.5%**

† 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.

‡ From addition of C share pool on 17 August 2005. These returns are those generated for an original C share holder who held his C shares and the B shares that resulted from the sequential conversions during the twelve month period.

Chairman's Statement

David Simpson
Chairman

The last twelve months have seen further substantial progress for your Company and I am once again delighted to be able to report strong returns for shareholders.

Earlier this year the Board decided to change the Company's year end from 31 July to 31 December. This brings us more closely into line with the reporting dates of our underlying investments and our competitors who generally have calendar year ends. This report is therefore a second interim rather than an annual report, although it covers a full year, while the Annual General Meeting is being held in December for the last time. From 2007 I expect it to be held in May. An explanation of the business to be considered at the Annual General Meeting is set out in the Appendix to the Notice of Annual General Meeting on page 17.

The NAV per A share at 31 July was 36.47p. The Company has recently increased its distributable reserves through cancelling the share premium account and this enables the Board to declare a further substantial special dividend for A shareholders of 15.5p per share. This will be paid on 20 October. The net assets of the A pool now stand at £24.5 million prior to the special dividend, which will return £10.4 million. The NAV total return of the A shares over the twelve months to 31 July was 15.1 per cent. The A portfolio, although increasingly concentrated, still contains some promising investments and it is our intention to realise as many of these as practical.

The NAV per B share at 31 July was 166.30p. The B pool, which has been augmented by conversions from the C pool each quarter, had net assets of £112.1 million at 31 July. The NAV total return of the B shares over the twelve months to 31 July was 27.7 per cent.

It is our intention to declare interim dividends for the A and B shares for the 17 month accounting period ended 31 December 2006 as soon as practicable after the final conversion takes place.

The C share NAV at 31 July was 94.08p. The C pool has been largely liquidated and at 31 July had net assets of £7.9 million, of which £4.1 million was cash or gilts. Each C shareholder has been progressively converting into B shares. The blended NAV total return for each C shareholder from inception to 31 July was 10.3 per cent. The final conversion of remaining C shares into B shares will take place on 26th September. We will then have a B pool of approximately £120m and an A pool of approximately £14 million following the payment of the special dividend.

The period under review has once more been a strong one for private equity investments. This has been a function of the demand for capital by growing private companies internationally and the ability of private equity funds and the banking sector to meet this demand. The volume of transactions involving private equity is increasing and this has been reflected in our portfolio where there has been considerable activity with a flow of realisations from the maturing funds being balanced by our steady programme of investment in new funds and direct holdings. The considerable additional resources which the C pool has provided are being deployed through a combination of the drawdowns of primary funds, the acquisition of selected secondary positions in funds, and in co-investments directly in private companies. At the Annual General Meeting we are asking shareholders to approve an increase in the proportion of the Company's assets that can be invested in direct equity investments from 25 per cent to 33 per cent. We are also reviewing the listed private equity funds internationally and would expect to invest some of the liquid resources of the Company in this area when valuations are right.

The increased scale of the B pool is proving helpful to your manager in constructing and maintaining a well balanced high quality portfolio of private equity investments and it has also had a beneficial effect on the rating of the share price. The future progress of the Company depends on the success of the underlying companies in our portfolio, a product not only of manager selection but of the health of the global economy. The investment managers and company managements with whom we interact are generally confident, despite the potential pressures which oil prices or international affairs can exert on the business environment.

Sir James McKinnon joined the Board at the time of the merger with Discovery Trust in August 2005 and, as planned will be standing down at the AGM. I would like to thank him for his contribution to all the deliberations of the Board. He brought a fresh approach to our affairs and we will miss his wise counsel.

David Simpson
Chairman

19 September 2006

Manager's Review

The portfolio of the Company has evolved and strengthened over the year. We have been aided by a supportive private equity environment where realisations have been achieved and new dealflow is strong. There are, of course, competitive pressures and in certain sub-sectors of the international private equity market there can be many investors trying to acquire good quality fast growing or cash generative private companies. The degree to which this might threaten future returns varies, but it is our experience that with the larger deal sizes there are more bidders and higher prices. In the mid market, which we define as consisting of private equity deals where the enterprise value lies between €50 million and €500 million, there tend to be fewer participants in auctions and whilst every worthwhile deal is at least partially intermediated, the term 'proprietary dealflow' has some meaning.

The mid market is very broad internationally and remains generally inefficient and therefore continues to offer good opportunities to skilled investors. There is a large quantum of private equity capital focusing on the mid market and in certain markets competition is such that securing deals on price alone is unwise. Increasingly private equity investors are looking to acquire companies where they have an edge over the other bidders. This may derive from prior experience in the sector, an ability to make synergistic acquisitions and a practical ability to grow the business. Additionally it helps if management can have confidence that the deal will succeed and a proven track record of successful deals with clear added value is normally useful evidence of this. It is observable that the best private equity investors have such characteristics and it is this resulting 'franchise' which allows them to buy companies well, grow them and make excellent returns.

In current market conditions it is not enough for private equity investors to rely on high leverage and rising markets and those with additional skills are likely to outperform. The private equity investor has many advantages over an investor in publicly quoted companies. These often relate to access to information and rights to make changes in the management and strategy of companies, but these advantages can only be fully exploited by those with appropriate skills and experience. It is our objective to identify these private equity investment managers who are operating in the mid market, to invest with them and alongside them. In this way we will sustain the best returns for our shareholders.

Not only is the mid market inefficient and broad but it is where many of the emerging managers are found. Our experience is that identifying future successful managers early is particularly rewarding as the alignment of interest between investors and private equity manager is unusually close during the formative phase of a private equity firm's development. The exchange of information is usually stronger and consequently our understanding of how they achieve their returns is closer. This provides positive feedback into our decision making process for future fund and direct investments.

Over the twelve months to 31 July total investment in private equity assets, either funds or co-investments, was £35.2 million. £22.4 million of this was drawn down by funds, £6.2 million was invested in acquiring secondary positions in funds and £6.6 million in co-investments. We have made new commitments to 16 funds over the period. All of these new investments were for the B pool.

The underlying portfolio of companies continues to broaden. With the international funds we have been able to gain exposure to a wide variety of private companies with diverse economic drivers and covering many different growth trends. Examples of recent investments which illustrate this range include £0.5 million invested by Candover 2005 in UPC Norway, a cable company serving Oslo and the major cities of Southern Norway; £0.3 million by Montagu III into BSN, a Germany based medical products company; £0.5 million by LGV 4 in South Lakeland Caravans; £1.3 million by August Equity IV into Rixonway Kitchens; and, £0.4 million by Primary Capital III into Haines Watts Business Recovery and Insolvency.

We have been actively making co-investments with four completed during the year. There are certain principles underlying our co-investment portfolio, which may account for up to 33 per cent of the overall B pool portfolio, namely that the deals are led by private equity groups whom we know well, that the companies must have strong proven management, that our investment should be significant to the company and that the resulting portfolio of co-investments is heterogeneous. With these principles in mind we invested £1.5 million into Equidebt, a debt collection agency and purchaser of charged off consumer debt based in Stratford-upon-Avon (RJD Partners lead), £1.1 million into Viking Moorings, the market leader in oil rig moorings in the North Sea (Inflexion lead), £2 million into Whittan, a manufacturer of

Manager's Review

pallet racking systems (Stirling Square lead), and £2 million into LMS Holdings, market leading provider of remortgage conveyancing services (RJD Partners lead).

A very effective way of investing in private equity is to acquire secondary positions in funds which are already partially or substantially invested and where the management group is well known. The advantages are that it is possible to assess the investments as well as the management and often the holding period before realisations is relatively short. We have bought three such secondary positions. We acquired a £15 million commitment in the well known UK mid market fund, August Equity IV. The acquisition cost for this partially drawn fund was £3 million and we also assumed an undrawn commitment of £8 million. In the USA we acquired a $5 million position in Brown Brothers Harriman's 1818 Mezzanine Fund II. This involved a consideration of $2 million and an undrawn commitment of $1.3 million. We also bought a position in the specially formed fund HFP, which comprises Inflexion led investments, for £2 million with a further commitment of £1 million. In each case we had good visibility on the portfolios and we were well acquainted with the management groups. It is likely that we will selectively acquire further fund positions which are complementary to the rest of the portfolio and which can enhance returns.

Over the twelve month period the portfolio has had realisations totalling £24.3 million. From our longstanding fund holdings major realisations have included £4.6 million from Acertec (Candover 1997 Fund), which was recently listed on AiM; £2.8 million from JJI Lighting (International Mezzanine); £1.2 million from EurotaxGlass (Hicks Muse Fund IV), bought by Candover 2005 Fund; £1.75 million from Clear Channel (formerly Hicks Muse IV); and, a total £1.2 million from Third Private Equity Fund, now managed by Nova Capital. There is now a robust flow of realisations and recapitalisations from the more recent funds. Examples include £0.6 million from the listing of GAM, machinery rental business on the Madrid Stock Exchange (Nmas1); £0.3 million from tax consultancy Alma (Chequers Capital); £0.5 million from Celtic Inns (Equity Harvest Fund Dunedin); and, £0.4 million from Polish bus builder Solaris (Accession Mezzanine). In addition we have sold our holding in Candover investments for the A pool yielding £4.9 million. The most notable realisation of the year was from the listing of our co-investment with TDR Capital in Gondola Holdings, the holding company of Pizza Express. Gondola is now listed on the Stock Exchange and so far we have received £3.2 million back. The company is currently subject to a bid approach which may allow us to exit the remaining position.

The largest valuation uplifts over the period have related to the funds and direct investments where there have been realisations and fundamental progress on the underlying investments. The biggest uplift was £6.2 million for Gondola Holdings. The Dakota, Minnesota and Eastern Railroad has been trading well and this has been uplifted by £3.2 million over the year. TDR Capital has shown a gain of £3.2 million and Candover 1997 Fund £2.6 million. Other substantial uplifts include August Equity IV (+£1.4 million), Candover 2001 Fund (+£1.2 million), Nmas1 (+£1.1 million), Chequers Capital (+£0.8 million) and Warburg Pincus VIII (+£0.6 million). Of our other direct holdings there were uplifts for Academy Music Group of £0.7 million and Global Design Technologies of £0.3 million.

A total of 16 new fund commitments were made during the year. In the UK we have backed a number of mid market buy-out funds with £8 million to Primary Capital III, £5 million to LGV 5, £10 million to Inflexion 2006 Buy-out fund, £8 million to RJD Partners II, £5 million to Dunedin Buyout Fund II and £4 million to Piper Private Equity IV. We have added to our European country fund portfolio with commitments to Chequers Capital XV (€7.5 million, France), Ibersuizas (€5 million, Spain) and DBAG V (€8 million, Germany). Funds which cover all of Europe include Candover 2005 (€15 million), TDR Capital II (€10 million) and Hutton Collins Capital Partners II (€10 million). In the USA we have backed Blue Point Capital II ($10 million) and Camden Partners Strategic III ($5 million). We have backed two venture capital funds; SEP III (£7.5 million) and Life Science Partners III (€5 million). The total outstanding undrawn commitments of the B pool are currently £126 million. These will be drawn down over the next several years. Given the maturing portfolio and significant liquid resources of the Company and the unutilised borrowing facilities this level of commitments is well within the Company's capacity. These new commitments will combine with the existing portfolio to form the foundations of future growth.

Hamish Mair

19 September 2006

Portfolio Holdings

A & B Pools as at 31 July 2006

United Kingdom	Total Valuation £'000	% of Total Portfolio	A Pool Valuation £'000	% of A Pool Portfolio	B Pool Valuation £'000	% of B Pool Portfolio
UK 4.5% Treasury 07/03/07	27,355	21.8	–	–	27,355	24.6
August Equity Partners IV	5,909	4.7	–	–	5,909	5.3
Gondola Holdings	5,422	4.3	–	–	5,422	4.9
RL Private Equity	3,439	2.7	–	–	3,439	3.1
SEP II	2,698	2.1	–	–	2,698	2.4
Candover	2,404	1.9	–	–	2,404	2.2
LMS Group Holding	2,052	1.6	–	–	2,052	1.8
Academy Music Group	2,002	1.6	–	–	2,002	1.8
Hickory Fund Partnership LP	1,969	1.6	–	–	1,969	1.8
Third Private Equity	1,964	1.6	1,240	8.6	724	0.7
Equidebt Holdings	1,567	1.2	–	–	1,567	1.4
Inflexion 2003 Buyout Fund LP	1,417	1.1	–	–	1,417	1.3
Primary Capital II	1,365	1.1	–	–	1,365	1.2
Candover 1997	1,355	1.1	855	5.9	500	0.3
LGV4	1,340	1.1	–	–	1,340	1.2
LGV5	1,115	0.9	–	–	1,115	1.0
Viking Moorings	1,060	0.8	–	–	1,060	1.0
Equity Harvest Fund	931	0.7	–	–	931	0.8
Albany Ventures IIII	493	0.4	–	–	493	0.4
Primary Capital III	426	0.3	–	–	426	0.4
Strathdon Investment	360	0.3	–	–	360	0.3
Piper Private Equity Fund IV	350	0.3	–	–	350	0.3
Scottish Equity Partnership	259	0.2	164	1.1	95	0.1
Enterprise Plus	229	0.2	145	1.0	84	0.1
Parkmead Group (formerly Interregnum)	24	0.0	–	–	24	0.0
Total United Kingdom investments	**67,505**	**53.6**	**2,404**	**16.6**	**65,101**	**58.4**
Pan-Europe*						
International Mezzanine Investment NV	7,091	5.6	4,476	31.1	2,615	2.4
Candover 2001	5,222	4.2	–	–	5,222	4.7
TDR Capital	3,840	3.1	–	–	3,840	3.5
Alta-Berkeley VI	2,098	1.7	–	–	2,098	1.9
Hutton Collins Mezzanine	1,288	1.0	–	–	1,288	1.2
Candover 2005	1,106	0.9	–	–	1,106	1.0
Hutton Collins Capital Partners II	772	0.6	–	–	772	0.7
Montagu III	676	0.5	–	–	676	0.6
Alta-Berkeley V	480	0.4	259	1.8	221	0.2
Alta-Berkeley III	9	0.0	–	–	9	0.0
Total Pan-European investments	**22,582**	**18.0**	**4,735**	**32.9**	**17,847**	**16.2**
North America						
D.M. & E. Railroad	8,791	7.0	5,550	38.6	3,241	2.9
1818 Mezzanine Fund II	1,252	1.0	–	–	1,252	1.1
Camden Partner Fund III	1,228	1.0	–	–	1,228	1.1
1818 Mezzanine Fund	1,175	0.9	742	5.2	433	0.4
Blue Point Capital	1,139	0.9	–	–	1,139	1.0
Hicks, Muse, Tate & Furst Fund IV	1,085	0.9	685	4.8	400	0.4
RCP Fund II	651	0.5	–	–	651	0.6
Live Nation	152	0.1	96	0.7	56	0.1
Arch Capital	54	0.0	–	–	54	0.0
Total North America investments	**15,527**	**12.3**	**7,073**	**49.3**	**8,454**	**7.6**
Continental Europe†						
Nmas1 Private Equity	3,163	2.5	–	–	3,163	2.8
Whittan Co-Investment (No 1) L.P.	2,004	1.6	–	–	2,004	1.8
Accession Mezzanine	1,490	1.2	–	–	1,490	1.3
Chequers Capital	1,406	1.1	–	–	1,406	1.3
Ciclad 4	1,099	0.9	–	–	1,099	1.0
Life Sciences Partners III	1,091	0.9	–	–	1,091	1.0
DBAG Fund IV	468	0.4	–	–	468	0.4
Ciclad 2	278	0.2	175	1.2	103	0.1
Chequers Capital XV FCPR	231	0.2	–	-	231	0.2
Ibersuizas Capital Fund II	165	0.1	–	–	165	0.1
Total Continental Europe investments	**11,395**	**9.1**	**175**	**1.2**	**11,220**	**10.0**

Portfolio Holdings

A & B Pools as at 31 July 2006

Global	Total Valuation £'000	% of Total Portfolio	A Pool Valuation £'000	% of A Pool Portfolio	B Pool Valuation £'000	% of B Pool Portfolio
Global Design Technologies	3,031	2.5	–	–	3,031	2.8
Warburg Pincus VIII	2,693	2.2	–	–	2,693	2.5
Warburg Pincus IX	1,927	1.6	–	–	1,927	1.7
AIG Global Emerging Markets Fund II	922	0.7	–	–	922	0.8
Total Global investments	**8,573**	**7.0**	**–**	**–**	**8,573**	**7.8**
Total Investment Portfolio	**125,582**	**100.0**	**14,387**	**100.0**	**111,195**	**100.0**

*Europe including the UK
†Europe excluding the UK

C Pool as at 31 July 2006

Company	Business	Valuation £'000	% of Total Portfolio
UK 7.5% Treasury 07/03/07	Fixed Interest Gilt Bonds	2,321	41.3
Dwyka Diamonds	Diamond exploration and mining	438	7.7
Monterrico Metals	Mining and exploration in Peru	301	5.4
Omega International	Branded kitchen furniture	265	4.7
Faroe Petroleum	Oil and gas exploration and production	220	3.9
Maghreb Minerals	Mining	212	3.8
Questair Technologies	Engineering and machinery	199	3.5
LTG Technologies	Equipment supply to metal packaging industry	183	3.3
Europa Oil & Gas	Oil and gas exploration and production	156	2.8
Brazilian Diamonds	Mining	156	2.8
Top ten investments		**4,451**	**79.2**
Alizyme	Pharmaceuticals	153	2.7
Kryso Resources	Mineral exploration	150	2.7
NBA Quantum	Consultancy to the construction, engineering, petrochemicals industry	147	2.6
Eurogold	Mining and exploration	111	2.0
Northern Recruitment	Recruitment consultancy to the public sector	108	1.9
Sirvis IT	Multimedia educational software	100	1.8
Berkeley Scott Group	People resourcing solutions to the leisure and hospitality industry	95	1.7
Gaming Corporation	Online casino, TV listings and IT recruitment	88	1.6
The Local Radio Company	Operation of local radio stations	81	1.4
Elevation Events Group	Event management and corporate hospitality	56	1.0
Top twenty investments		**5,540**	**98.6**
PKL Holdings	Infrastructure services to food and healthcare industries	49	0.9
RingProp	Marine propeller technology	28	0.5
Total Investment Portfolio		**5,617**	**100.0**

Independent Review Report
to F&C Private Equity Trust plc

Introduction

We have been instructed by the company to review the financial information for the twelve months ended 31 July 2006 which comprises the Income Statement, Balance Sheet, Reconciliation of Movements in Shareholders' Funds, Cash Flow Statement and the related notes 1 to 7. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the twelve months ended 31 July 2006.

Ernst & Young LLP

Edinburgh

19 September 2006

Income Statement

for the year ended 31 July 2006

	Twelve months to 31 July 2006 (unaudited)			Year to 31 July 2005 (audited and restated)*		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments						
– realised	–	11,437	11,437	–	2,991	2,991
– unrealised	–	13,351	13,351	–	16,544	16,544
Currency (losses)/gains	–	(2,029)	(2,029)	–	56	56
Income – franked	482	–	482	182	–	182
– unfranked	3,084	–	3,084	2,870	–	2,870
Investment management fee	(338)	(1,016)	(1,354)	(170)	(510)	(680)
Other expenses	(740)	(490)	(1,230)	(334)	–	(334)
Net return before finance costs and taxation	2,488	21,253	23,741	2,548	19,081	21,629
Interest payable	(25)	(74)	(99)	(17)	(49)	(66)
Return on ordinary activities before taxation	2,463	21,179	23,642	2,531	19,032	21,563
Tax on ordinary activities	(657)	331	(326)	(707)	168	(539)
Return on ordinary activities after taxation	1,806	21,510	23,316	1,824	19,200	21,024
Return per A share †	0.87p	5.04p	5.91p	1.58p	12.83p	14.41p
Return per B share †	1.48p	34.77p	36.25p	1.96p	27.05p	29.01p
Return per C share †	1.49p	1.02p	2.51p	–	–	–

* See notes 1 and 2.

† See note 4.

Amounts Recognised as Dividends in the Period

	Twelve months ended 31 July 2006 £'000	Year ended 31 July 2005 £'000
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	–
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
	11,415	12,688

Balance Sheet

	As at 31 July 2006 (unaudited) £'000	£'000	As at 31 July 2005 (audited and restated)* £'000	£'000
Investments at market value				
Listed on exchanges in the UK	**36,275**		9,210	
Unlisted at Directors' valuation	**94,924**		65,434	
		131,199		74,644
Current assets				
Debtors	**1,416**		108	
Cash at bank and on deposit	**13,556**		9,210	
	14,972		9,318	
Creditors:				
Amounts falling due within one year	**(1,674)**		(1,123)	
Net current assets		**13,298**		8,195
Net assets		**144,497**		82,839
Capital and reserves				
Called-up share capital		**1,514**		1,063
Share premium account		**48,763**		–
Special distributable capital reserve		**40,000**		40,000
Special distributable revenue reserve		**–**		10,061
Capital redemption reserve		**544**		–
Capital reserve		**51,739**		30,229
Revenue reserve		**1,937**		1,486
Total shareholders' funds		**144,497**		82,839
Net asset value per A share		**36.47p**		46.76p
Net asset value per B share		**166.30p**		131.37p
Net asset value per C share		**94.08p**		–

David Simpson
Chairman

Reconciliation of Movements in Shareholders' Funds

	Twelve months ended 31 July 2006 (unaudited) £'000	Year ended 31 July 2005 (unaudited) £'000
Equity shareholders' funds at 1 August (as previously reported)	76,641	66,928
Less: change in method of valuation basis on quoted investments from mid to bid prices	(186)	–
Add: dividends accrued	6,384	7,575
Equity shareholders' funds at 1 August (as restated)	**82,839**	**74,503**
Return on ordinary activities after taxation	23,316	21,024
Dividends paid	(11,415)	(12,688)
Issue of C shares	49,757	–
Equity shareholders' funds at 31 July	**144,497**	**82,839**

Statement of Cash Flows

	Twelve months to 31 July 2006 (unaudited) £'000	£'000	Year to 31 July 2005 (audited) £'000	£'000
Operating activities				
Net dividends and interest received from investments	**2,450**		3,233	
Interest received from deposits	**635**		348	
Investment management fee	**(1,071)**		(765)	
Cash paid to and on behalf of Directors	**(116)**		(72)	
Bank charges	**(4)**		(4)	
Other cash payments	**(1,212)**		(167)	
Net cash inflow from operating activities		**682**		2,573
Servicing of finance				
Interest paid	**(99)**		(68)	
Net cash outflow from servicing of finance		**(99)**		(68)
Taxation				
Corporation tax paid	**(298)**		(1,528)	
Net cash outflow from taxation		**(298)**		(1,528)
Capital expenditure and financial investment				
Payments to acquire investments	**(82,949)**		(18,243)	
Receipts from disposal of investments	**94,867**		25,471	
Cash transferred from acquisition of Discovery Trust	**3,558**		–	
Net cash inflow from capital expenditure and financial investments		**15,476**		7,228
Equity dividends paid		**(11,415)**		(12,688)
Net cash inflow/(outflow) before financing		**4,346**		(4,483)
Increase/(decrease) in cash		**4,346**		(4,483)

1. The unaudited interim results have been prepared on the basis of the accounting policies set out in the statutory accounts of the Company for the year ended 31 July 2005 apart from the following changes in accordance with FRS 21 and FRS 26 effective for accounting periods commencing on or after 1 January 2005.

   - Dividends payable by the Company are recognised in the period in which they are paid.

     As a result of this change the Company's shareholders' funds as at 31 July 2005 have increased by £6,384,000 (being the special dividend of 7.5 pence per A share paid on 26 August 2005 and the revenue dividends of 1.20 pence per A share and 1.40 pence per B share paid on 9 December 2005).

   - Quoted investments are now valued at bid prices. This has the effect of reducing the valuation of the investment portfolio by £186,000 as at 31 July 2005.

2. The Directors have declared a special dividend of 15.5 pence per A share to be paid on 20 October 2006 to shareholders on the register on 29 September 2006, having an ex-dividend date of 27 September 2006.

3. A breakdown of income for the year to 31 July 2006 and 31 July 2005 was as follows:

	Twelve months to 31 July 2006 £'000	Year to 31 July 2005 £'000
Income from investments		
From listed investments	**631**	174
From unlisted investments	**2,299**	2,497
Interest on deposits	**636**	381
	3,566	3,052

4. The return per share is based on a net return on ordinary activities after taxation of £23,316,000 (2005 – £21,024,000) and on a weighted average of 67,084,807 A shares (2005 – 67,084,087), 51,230,582 B shares (2005 – 39,183,120) and 31,342,982 C shares (2005 – nil) in issue throughout the period.

5. Reconciliation of Net Asset Value per Ordinary share:

	As at 31 July 2006 £'000	As at 31 July 2005 £'000
A shares		
Net asset value per share (accounting policies at 31 July 2005)	**36.47p**	38.17p
Less: revaluation of investments from mid to bid prices	**–**	(0.11p)
Add: dividends accrued	**–**	8.70p
Net asset value per share (revised UK GAAP)	**36.47p**	46.76p

The net asset value per A share is based on net assets at the period end of £24,464,485 (31 July 2005 – £31,371,281) and on 67,084,807 (31 July 2005 – 67,084,807) shares, being the number of A shares in issue at the period end.

Notes to the Accounts

	As at 31 July 2006 £'000	As at 31 July 2005 £'000
B shares		
Net asset value per share (accounting policies at 31 July 2005)	**166.30p**	130.24p
Less: revaluation of investments from mid to bid prices	**–**	(0.27p)
Add: dividends accrued	**–**	1.40p
Net asset value per share (revised UK GAAP)	**166.30p**	131.37p

The net asset value per B share is based on net assets at the period end of £112,079,149 (31 July 2005 – £51,474,762) and on 67,397,005 (31 July 2005 – 39,183,120) shares, being the number of B shares in issue at the period end.

	As at 31 July 2006 £'000	As at 31 July 2005 £'000
C shares		
Net asset value per share	**94.08p**	–

The net asset value per C share is based on net assets at the period end of £7,953,715 (31 July 2005 – nil) and on 8,453,790 (31 July 2005 – nil) shares, being the number of C shares in issue at the period end.

6. In August 2005, Shareholders approved a change of company name from Martin Currie Capital Return Trust plc to F&C Private Equity Trust plc and the Company issued 49,758,449 C Shares following a capital reorganisation of Discovery Trust plc and a subscription of £20 million by Friends Provident.

   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 July 2006 there were 67,084,807 A shares, 67,397,005 B shares and 8,453,790 C shares in issue.

   At 26 September 2006 there were 67,084,807 A shares and 72,282,273 B shares in issue.

7. The financial information for the twelve months ended 31 July 2006 comprises non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. The full audited accounts for the year ended 31 July 2005, on which the auditors issued an unmodified report, have been lodged with the Registrar of Companies.

Notice of Meeting

Notice is hereby given that the seventh annual general meeting of F&C Private Equity Trust plc (the ''Company'') will be held at the offices of F&C Asset Management plc, 80 George Street, Edinburgh EH2 3BU on 15 December 2006 at 12.30 p.m. to transact the following business:

Ordinary business

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

1. To re-elect David Simpson as a director of the Company.

2. To re-elect Douglas Kinloch Anderson as a director of the Company.

3. To re-appoint Ernst & Young LLP as auditors and to authorise the directors of the Company to fix the remuneration of the auditors for the years ended 31 December 2006 and 31 December 2007.

And to transact any other ordinary business of the Company.

Special business

To consider, and if thought fit, to pass the following resolutions, resolutions 4 and 5 as ordinary resolutions and resolutions 6 and 7 as special resolutions:

4. That the investment objectives of the Company be varied by the increase of the limit on direct private equity investments from 25 per cent of the total of the pool of assets of the Company represented by the issued B ordinary shares (''B shares'') of 1 penny each in the capital of the Company (the ''B Pool'') to 33 per cent of the total net asset value of the B Pool from time to time.

5. That the directors of the Company (the ''Directors'') be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the ''Act'') to exercise all of the powers of the Company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount of £464,092, representing 33.3 per cent of the total equity share capital in issue as at 26 September 2006, provided that this authority shall expire on the fifth anniversary of the passing of this resolution save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the Directors shall be entitled to allot such relevant securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

6. Subject to and conditional on the passing of resolution 5 above, that the Directors be and they are hereby empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) pursuant to the authority conferred by resolution 7 above 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 in the capital of the Company 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 26 September 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 2007 save that the Company may, before the expiry of any power contained in this resolution, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot such equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

Notice of Meeting

7. That the Company be and it is hereby authorised in accordance with section 166 of the Act to make market purchases (within the meaning of section 163 of the Act) of A ordinary shares in the capital of the Company (''A shares'') and B ordinary shares in the capital of the Company (''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 hereby authorised to be purchased shall be 10,835,112;

   (c) the minimum price which may be paid for an A share or a B share shall be one penny:

   (d) the maximum price exclusive of expenses which may be paid for an A share or a B share (as the case may be) shall be not more than the higher of:

      (i) five 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 (EC227312003): 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 2007 save that the Company may, before the expiry of any power contained in this resolution, enter into contracts to purchase shares under such authority which will or might be executed in whole or in part after the expiration of such authority and may make purchases of shares pursuant to any such contracts.

By order of the Board

F&C Asset Management plc
Secretaries

Registered office
80 George Street
Edinburgh EH2 3BU
19 September 2006

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.

Appendix Explaining the Business of the Annual General Meeting

Directors

David Simpson, aged 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 retires from the Board by rotation and, being eligible, offers himself for re-election at the annual general meeting.

Douglas Kinloch Anderson, aged 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 retires from the Board by rotation and, being eligible, offers himself for re-election at the annual general meeting.

The Board confirms that, following formal performance evaluations, the performance of each of the directors seeking re-election continues to be effective and demonstrates commitment to the role, and believes that it is therefore in the interests of shareholders that Mr Simpson and Mr Kinloch Anderson be re-elected.

Change to part of investment objectives

In the prospectus of the Company issued on 15 July 2005, it was confirmed that, as part of the investment objectives, the direct private equity investments made by the Company would not exceed 25 per cent of the total of the pool of assets of the Company (the ''B Pool'') represented by the issued B ordinary shares of 1 penny each in the capital of the Company (''B shares''). The Company's investment guidelines are kept under review and in order to meet the changing nature of private equity opportunities and to allow greater diversification the directors concluded that it would be in the best interests of the Company for this limit to be increased to 33 per cent of the B Pool. As required by the Listing Rules of the UK Listing Authority, resolution 4 proposes as an ordinary resolution such an increase in this direct private equity investment limit.

Directors' Authority to Allot Shares and Disapplication of Pre-Emption Rights

At the extraordinary general meeting of the Company held on 31 August 2001 an ordinary resolution was passed which permitted the directors to allot equity share capital of the Company up to a maximum of 33.3 per cent of the equity share capital then in issue. This authority has now expired and resolution 5 to be proposed as an ordinary resolution at the forthcoming annual general meeting seeks to grant the directors such power up to a maximum of £151,389, being 10 per cent of the equity share capital in issue as at 31 July 2006. The authority contained in resolution 5 will continue until the fifth anniversary of its passing and the directors intend to seek to renew it at that time, provided it remains in accordance with any guidelines then in force.

At the annual general meeting of the Company held on 5 December 2005, 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 the authority for allotment without the application of pre-emption rights is now sought by means of a special resolution (resolution 6) at the forthcoming annual general meeting.

Allotments of B shares pursuant to the authorities contained in resolutions 5 and 6 would provide the directors with the flexibility 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 B shareholders.

The resolution required to allot B shares without the application of pre-emption rights is set out as resolution 6 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 £33,698 (being an amount representing 5 per cent of the total issued B share capital of the Company as at 31 July 2006) as described above. The calculation of the above figure is in accordance with the limits laid down

Appendix Explaining the Business of the Annual General Meeting

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 6 will continue until the annual general meeting of the Company in 2007, and the directors envisage seeking renewal of this authority in 2007 and in each succeeding year, subject to such renewals again being in accordance with the guidelines then in force.

Directors' Authority to Buy Back Shares

The current authority of the Company to make market purchases of up to 14.99 per cent of each of the issued A shares and the issued B shares expires at the end of the annual general meeting and resolution 7, 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 each of the issued A shares and the issued B shares of the Company (10,056,012 A shares, 10,835,112 B shares). The price paid for A shares and B shares will not be less than the nominal value of 1 penny per A share or 1 penny 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 market purchase would result in an increase in net asset value per share and be in the interests of the shareholders. Any shares purchased under this authority will be cancelled.

Proxy

F&C Private Equity Trust plc

I/We ____

(BLOCK LETTERS PLEASE)

of ____

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

____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company, to be held at the offices of F&C Asset Management plc, 80 George Street, Edinburgh EH2 3BU on 15 December 2006 at 12.30 pm, on the following Resolutions to be submitted to the meeting and at any adjournment thereof.

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

Ordinary Business	For	Against	Vote Withheld
1. That Mr Simpson, retiring by rotation, be re-elected as a Director.			
2. That Mr Kinloch Anderson, retiring by rotation, be re-elected as a Director.			
3. That Ernst & Young LLP be re-appointed as Auditors and that the Directors are authorised to determine the auditors' remuneration for the years to 31 December 2006 and 31 December 2007.			
Special Business			
4. That the Company's investment objective be varied.			
5. That the Directors be authorised to allot relevant securities.			
6. Renewal of authority for the Company to allot Equity Securities without pre-emption rights.			
7. Renewal of authority for the Company to make market purchases of its own A Shares and B Shares.			

Signature ____

Dated this ______________________ day of ______________________ 2006

Notes

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

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

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

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

Any alterations made in this proxy should be initialled.

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

SECOND FOLD

BUSINESS REPLY SERVICE
Licence MB 122

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

FIRST FOLD

THIRD FOLD AND TUCK IN

Corporate Information

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

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

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