



## **F&C Private Equity Trust plc**

Annual Report and Accounts

2008

# 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 (now renamed Restricted Voting shares) and B shares (now renamed Ordinary 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 Ordinary shares.

## Objective and Investment Policy

The Ordinary shares' objective is to achieve long-term capital growth through investment in private equity assets.

The Restricted Voting 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 Company's investment policy is contained within the Business Review on pages 14 to 16.

## Management

The Board has appointed F&C Investment Business Limited as investment manager under a contract terminable by either party giving to the other not less than six months' notice. Further details of the management contract are provided in Note 4 to the accounts on page 33.

## Net assets as at 31 December 2008

£165.6 million

## Shareholders' funds as at 31 December 2008

Ordinary shares £159.9 million

Restricted Voting shares £5.7 million

## Market capitalisation as at 31 December 2008

Ordinary shares £54.6 million

Restricted Voting shares £4.7 million

## Capital structure

72,282,273 Ordinary shares of 1 pence, each entitled to 1 vote at a general meeting; and

67,084,807 Restricted Voting shares of 1 pence.

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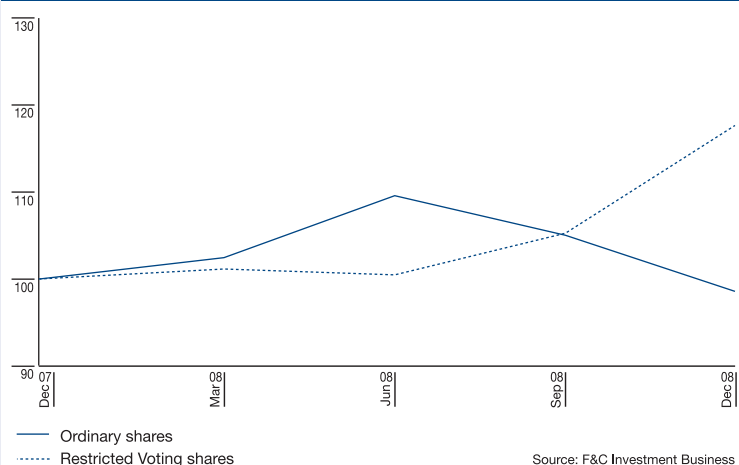
**If you have sold or otherwise transferred all of your shares in F&C Private Equity Trust plc, please forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was, or is being,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

# Financial Highlights for the year to 31 December 2008

- NAV total return for the year of –4.8 per cent for the Ordinary shares benefiting from significant currency gains; <sup>∅</sup>
- NAV total return for the year of 14.5 per cent for the Restricted Voting shares;
- Portfolio valued at 6.3x EV : EBITDA;
- Ordinary share interim dividend of 0.5 pence paid;
- Restricted Voting share dividends of 2.0 pence paid and declared;

<sup>∅</sup> Based on fully diluted NAV

F&C Private Equity Trust Net Asset Value Total Return for the year ended 31 December 2008



## Performance Summary

	31 December 2008	31 December 2007	% change
<b>Net Asset Value</b>			
Net assets (£'000)	165,571	198,908	-16.8
Net asset value per:			
Ordinary share (Fully diluted)	218.74p	231.08p	-5.3
Restricted Voting share	8.53p	44.56p	-80.9
<b>Market Price</b>			
Ordinary share	75.50p	187.00p	-59.6
Restricted Voting share	7.00p	48.50p	-85.6
Discount/(Premium):			
Ordinary share	65.5%	19.1%	
Restricted Voting share	17.9%	(8.8%)	
<b>Income</b>			
Revenue return after taxation (£'000)	748	1,392	-46.3
Revenue return per:			
Ordinary share (Fully diluted)	0.64p	0.60p	+6.7
Restricted Voting share	0.41p	1.34p	-69.4
Dividend per:			
Ordinary share	0.50p	0.60p	
Restricted Voting share	2.00p	1.35p	
<b>Annualised Total Expenses</b>			
As a percentage of shareholders' funds	1.3%	1.7%	
<b>Gearing†</b>			
	14.7%	-	
<b>Portfolio Summary</b>			
Shareholders' funds (£'000)	159,851	5,720	
Future commitments (£'000)	158,344	13	
<b>Total Returns for the year*</b>			
Net asset value (Fully diluted)	-4.8	14.5	
Share price	-59.2	-51.9	

\* 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.

† Borrowing less cash ÷ total assets.

Sources: F&C Investment Business, AIC and Datastream

# Portfolio Summary

## Portfolio Distribution

As at 31 December 2008

	<b>% of Ordinary Pool 2008</b>	<b>% of Restricted Voting Pool 2008</b>	<b>% of Company Total 2008</b>	<b>% of Company Total 2007</b>
Buyout Funds – Pan European*	13.5	3.2	13.3	12.1
Buyout Funds – UK	17.4	14.0	17.3	15.8
Buyout Funds – Continental Europe†	12.9	1.5	12.7	9.0
Private Equity Funds – USA	5.6	7.9	5.7	4.6
Private Equity Funds – Global	8.4	–	8.2	6.3
Venture Capital Funds	6.9	0.8	6.7	4.8
Mezzanine Funds	14.7	71.9	16.0	11.5
Direct Quoted	0.7	0.7	0.7	1.6
Direct Investments/Co-Investments	19.9	–	19.4	13.1
UK Gilts	–	–	–	21.1
AIM Holdings	–	–	–	0.1
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	100.0

\*Europe including the UK.

†Europe excluding the UK.

## Largest Holdings

As at 31 December 2008

	<b>Ordinary Pool Valuation £'000</b>	<b>% of Ordinary pool Portfolio</b>	<b>Restricted Voting Pool Valuation £'000</b>	<b>% of Restricted Voting pool Portfolio</b>	<b>% of Total Portfolio</b>
Viking Moorings	9,582	5.0	–	–	4.9
Argan Capital LP	7,550	4.0	–	–	3.9
Warburg Pincus IX	6,049	3.2	–	–	3.1
Mezzanine Management Fund IV	5,585	2.9	–	–	2.9
August Equity Partners I	5,499	2.9	–	–	2.8
Accession Mezzanine II	5,071	2.7	–	–	2.6
Hutton Collins Capital Partners II	4,842	2.5	–	–	2.5
Penta F&C Co-Investment Fund LP	4,838	2.5	–	–	2.5
Candover 2005	4,308	2.3	–	–	2.3
Stirling Square Capital Partners II	4,188	2.0	–	–	2.0

# Top Ten Holdings

## Viking Moorings

<b>Investment type:</b>	Co-investment	<b>31 December</b>	31 December
<b>Region:</b>	UK and Norway	<b>2008</b>	2007
<b>Percentage held:</b>	9.0%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Earnings multiple		
<i>Viking Moorings is the market leader in the provision of moorings systems for oil rigs in the North Sea. Based in Aberdeen and Stavanger, the Company is also expanding its activities into other offshore provinces. This buy-out was led by Inflexion and was completed in December 2005. The Company is now in the advanced stages of a sale process.</i>		<b>Residual cost</b>	-
		<b>Value</b>	9,582 3,433

## Argan Capital LP

<b>Investment type:</b>	Buyout fund	<b>31 December</b>	31 December
<b>Region:</b>	Continental Europe	<b>2008</b>	2007
<b>Percentage held:</b>	2.5%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Percentage of fund value		
<i>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 2007, the Ordinary Share 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.</i>		<b>Residual cost</b>	4,134 5,236
		<b>Value</b>	7,550 7,400

## Warburg Pincus IX

<b>Investment type:</b>	Limited partnership	<b>31 December</b>	31 December
<b>Region:</b>	North America with 35% rest of world	<b>2008</b>	2007
<b>Percentage held:</b>	0.2%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Percentage of fund value		
<i>Warburg Pincus IX is a \$8 billion fund which invests across the globe in growth companies at all stages of development, including venture and development capital, recapitalisation and special situations. Warburg Pincus is one of the longest established and largest private equity companies in the world with 150 investment professionals spread across nine offices. More than 40 per cent of these investment staff are now based outside of the United States.</i>		<b>Residual cost</b>	4,891 4,488
		<b>Value</b>	6,049 4,926

## Mezzanine Management Fund IV

<b>Investment type:</b>	Mezzanine fund	<b>31 December</b>	31 December
<b>Region:</b>	Pan Europe	<b>2008</b>	2007
<b>Percentage held:</b>	2.6%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Percentage of fund value		
<i>Mezzanine Management is one of the most established independent mezzanine houses in Europe. It was founded by Rory Brooks and Jim Read in 1988 at a time when mezzanine was a relatively unknown asset class in Europe. It is a group well known to the F&amp;C Private Equity team through our investments in their second fund (international Mezzanine Investment N.V.) in 1996 and in two CEE focussed funds managed by their associate, Accession Mezzanine. The fund closed in June 2007 with €268m of commitments including €10m from the Ordinary Share pool.</i>		<b>Residual cost</b>	4,231 1,515
		<b>Value</b>	5,585 1,679

## August Equity Partners I

<b>Investment type:</b>	Buyout fund	<b>31 December</b>	31 December
<b>Region:</b>	United Kingdom	<b>2008</b>	2007
<b>Percentage held:</b>	12.0%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Percentage of fund value		
<i>August Equity Partners I is a lower mid-market UK buy-out fund, which closed with total commitments of £130 million in December 2003. The Ordinary Share pool of the Company made 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.</i>		<b>Residual cost</b>	1,035 4,673
		<b>Value</b>	5,499 8,817

# Top Ten Holdings

## Accession Mezzanine II

<b>Investment type:</b>	Mezzanine fund	<b>31 December</b>	31 December
<b>Region:</b>	Central & Eastern Europe	<b>2008</b>	2007
<b>Percentage held:</b>	2.7%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Percentage of fund value		
<i>Accession Mezzanine II has a regional focus, investing primarily in Central Europe. Its mezzanine investments often include an equity kicker capable of providing equity like returns with a lower risk profile. The fund is managed from regional offices in Vienna, Warsaw and Budapest. The fund closed in March 2008 with €261m of commitments, including €7m from the Ordinary Share pool.</i>			
	<b>Residual cost</b>	<b>3,282</b>	1,486
	<b>Value</b>	<b>5,071</b>	2,265

## Hutton Collins Capital Partners II

<b>Investment type:</b>	Mezzanine fund	<b>31 December</b>	31 December
<b>Region:</b>	Pan Europe	<b>2008</b>	2007
<b>Percentage held:</b>	1.8%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Percentage of fund value		
<i>Hutton Collins was formed in 2002 by its eponymous founders Matthew Collins and Graham Hutton. The team specialise in Pan-European mezzanine and preferred equity investments. Following on successful investment in their inaugural fund the Ordinary Share pool of the company committed €10 million to the second fund which closed at €570 million in April 2006</i>			
	<b>Residual cost</b>	<b>5,415</b>	4,782
	<b>Value</b>	<b>4,842</b>	5,196

## Penta F&C Co-Investment Fund LP

<b>Investment type:</b>	Buyout fund	<b>31 December</b>	31 December
<b>Region:</b>	United Kingdom	<b>2008</b>	2007
<b>Percentage held:</b>	67%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Percentage of fund value		
<i>Penta was founded in 1999 by a group of former Royal Bank of Scotland private equity specialists led by Steven Scott. They operate from offices in Glasgow and London with a focus on the leisure, business services and infrastructure sectors within the UK lower mid-market. The Penta F&amp;C Co-Investment Fund LP invests alongside other Penta managed funds to create a concentrated portfolio of between 4 and 7 investments over a commitment period of 2 years.</i>			
	<b>Residual cost</b>	<b>6,056</b>	2,985
	<b>Value</b>	<b>4,838</b>	2,989

## Candover 2005

<b>Investment type:</b>	Limited partnership	<b>31 December</b>	31 December
<b>Region:</b>	Pan Europe	<b>2008</b>	2007
<b>Percentage held:</b>	0.4%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Percentage of fund value		
<i>The Candover 2005 Fund closed in November 2005 with commitments of €3.5 billion (including €500 million from Candover). It invests in mid to large (enterprise values €150 million to €1.5 billion) European buyouts. The Ordinary Share pool of the Company made an initial commitment of €10 million in July 2005 that was subsequently increased to €15 million in October 2005.</i>			
	<b>Residual cost</b>	<b>7,733</b>	6,787
	<b>Value</b>	<b>4,308</b>	5,374

## Stirling Square Capital Partners II

<b>Investment type:</b>	Buyout fund	<b>31 December</b>	31 December
<b>Region:</b>	Pan Europe	<b>2008</b>	2007
<b>Percentage held:</b>	4.3%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Percentage of fund value		
<i>Stirling Square Capital Partners is a Pan-European buy-out firm focussing on investments with enterprise values in the range of €100m to €300m. It was founded in 2002 by six partners who had worked together in various combinations at private equity firms. F&amp;C Private Equity Trust co-invested alongside SSCP in three of their previous deals (GOT, Whittan &amp; 3si). The Ordinary Share pool committed €12m to this fund. SSCP are targeting €600m with a hard cap of €750m.</i>			
	<b>Residual cost</b>	<b>3,595</b>	–
	<b>Value</b>	<b>4,188</b>	–