

F&C Private Equity Zeros plc

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Annual Report and Accounts from incorporation on 9
October 2009 to 31 December 2010

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F&C Private Equity Zeros plc

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F&C Private Equity Zeros plc

Corporate Summary

The Company

F&C Private Equity Zeros plc (the 'Company') was incorporated in Scotland on 9 October 2009 and has a capital structure comprising unlisted Ordinary Shares and Zero Dividend Preference Shares ('ZDP Shares') listed on the Official List and The London Stock Exchange. The Company is a wholly owned subsidiary of F&C Private Equity Trust plc ('F&C PET') which is a closed-ended investment company incorporated in Scotland. On 14 December 2009, the Company placed 30,000,000 ZDP Shares at 100p per share and this placing raised a total of £29.9 million of net proceeds. Pursuant to a loan agreement between the Company and F&C PET, the Company has lent F&C PET the net proceeds of its placing. These funds are to be managed in accordance with the investment policy of F&C PET. This loan is on terms requiring its repayment by F&C PET to the Company at any time up to or immediately prior to the ZDP Shares repayment date of 15 December 2014. The principal terms of the ZDP Shares are given in note 9 to the accounts.

Investment Objective and Investment Policy

The objective of the Company is to provide the final capital entitlement of the Company's ZDP Shares to the holders of the ZDP Shares at the repayment date of 15 December 2014.

Management

The Board has appointed F&C Investment Business Limited ('the Manager') as investment manager of the Company under a contract terminable by either party giving the other not less than six months' notice.

Company Secretary

F&C Asset Management plc.

Net Assets at 31 December 2010

£53,000

Market Capitalisation at 31 December 2010

£36.5 million

F&C Private Equity Zeros plc

Chairman's Statement

I am pleased to present the Company's first Annual Report for the period from incorporation on 9 October 2009 to 31 December 2010.

The Company is a wholly owned subsidiary of F&C Private Equity Trust plc ('F&C PET') and was established solely for the purpose of issuing and redeeming Zero Dividend Preference Shares ('ZDP Shares'). 30,000,000 ZDP Shares were issued on 14 December 2009 at 100 pence per share and will redeem on 15 December 2014 at a price of 152.14 pence per ZDP Share, giving a redemption yield of 8.75 per cent per annum. The proceeds of the ZDP Shares issue were lent to F&C PET for use in future investment opportunities.

The revenue available for dividends for the period was £2,920. As at 31 December 2010 the net asset value per Ordinary Share was 105.84 pence and the net asset value per ZDP Share was 105.91 pence.

As at 31 December 2010 the ZDP Share price was 121.50 pence, representing a premium of 14.7 per cent over the net asset value per share.

Mr David Simpson, who was the Company's Chairman from the date of incorporation, retired from the Board on 24 May 2010 and I was elected Chairman of the Company on the same date. All the Directors of the Company are also directors of F&C PET.



Mark Tennant
Chairman
8 April 2011

F&C Private Equity Zeros plc

Board of Directors

Mark Tennant Chairman

Age 63, is a senior adviser to JP Morgan and a member of the Advisory Board of T Rowe Price Global Investor Services. He is Chairman of the Scottish Financial Enterprise, the management consultancy firm Bluerock and of Honister Capital, the UK's second largest IFA. He joined the Board on 12 November 2009 and was appointed as Chairman on 24 May 2010. He is standing for election at this year's Annual General Meeting.

Elizabeth Kennedy

Age 55, is a senior Consultant Director of Brewin Dolphin with 30 years' experience in corporate finance, principally in IPOs, secondary issues and takeovers. She is also Chairman of Octopus Second AIM VCT plc. She joined the Board on 12 November 2009 and is standing for election at this year's Annual General Meeting.

Douglas Kinloch Anderson OBE

Age 71, 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 Fidelity Special Values plc. He joined the Board on 12 November 2009 and is standing for election at this year's Annual General Meeting.

John Rafferty

Age 59, was a senior partner of Burness, the Scottish Law firm, until his retiral in July 2009. He is a fellow of the Securities and Investment Institute, and Honorary Consul for Canada in Scotland. He has a wide experience of private equity investments and of investment realisations and is director of a number of private companies. He joined the Board on 12 November 2009 and is standing for election at this year's Annual General Meeting.

David Shaw

Age 62, sits on the boards of a number of private companies including acting as Chairman of the charity Dyslexia Scotland. He was previously Chief Executive, then Chairman, of Bridgepoint Capital, a leading European mid corporate private equity firm until his retiral in December 2009, and Chairman of Aberforth Smaller Companies Trust plc until his retiral in March 2010. He joined the Board on 12 November 2009 and is standing for election at this year's Annual General Meeting.

All the Directors are also directors of the Company's parent company, F&C PET.

F&C Private Equity Zeros plc

Report of the Directors

Results and Dividends

The Directors submit the first Annual Report and Accounts of the Company for the period from incorporation on 9 October 2009 to 31 December 2010.

The accounts have been prepared in accordance with International Financial Reporting Standards ('IFRS').

The revenue available for dividends for the period was £2,920.

Principal Activity and Status

The Company was incorporated in Scotland as a public limited company on 9 October 2009 with the name Dunwilco (1634) plc. Pursuant to a special resolution passed at a general meeting on 11 November 2009, the Company's name was changed from Dunwilco (1634) plc to F&C Private Equity Zeros plc on that date. It is a wholly owned subsidiary of F&C Private Equity Trust plc ('F&C PET') which is a closed-ended investment company incorporated in Scotland. F&C PET owns the entire issued ordinary share capital of the Company.

The Company is an investment company as defined by section 833 of the Companies Act 2006.

The Company's registration number is SC 366628.

Share Capital

Ordinary Shares

Upon incorporation, the Company's issued share capital was one Ordinary Share of £1 which share was taken by the Subscriber to the Company. This share was subsequently transferred to F&C PET. Pursuant to an ordinary resolution passed at a general meeting on 11 November 2009, 49,999 Ordinary Shares of £1 each were created. On 12 November 2009, 49,999 Ordinary Shares of £1 each were allotted to F&C PET at a price of £1 per share for a total consideration of £49,999.

The issued ordinary share capital of the Company at 31 December 2010 amounted to 50,000 Ordinary Shares of £1.00 each.

Zero Dividend Preference Shares

Pursuant to an ordinary resolution passed at a general meeting on 11 November 2009, 30,000,000 Zero Dividend Preference Shares of 0.01 pence each were created. On 14 December 2009 the Company issued 30,000,000 ZDP Shares at a price of 100 pence per share for a total consideration of £30 million. This issue raised a total of £29.9 million of net proceeds. Each ZDP Share has a par value of 0.01 pence and is redeemable on 15 December 2014 for 152.14 pence per share. The ZDP Shares were first admitted to the London Stock Exchange's Main Market on 14 December 2009.

At 31 December 2010 there were a total of 30,000,000 ZDP Shares of 0.01 pence each in issue.

In accordance with the Company's Articles of Association, the ZDP Shares carry no entitlement to any dividends or other distributions or to participate in the revenue or any other profits of the Company. The ZDP shareholders have no right to receive notice of, or to attend or vote at, any general meeting of the Company except in those circumstances set out in the Company's Articles of Association, which would be likely to affect their rights or general interests. The final capital entitlement for the ZDP Shares is not guaranteed should F&C PET's net assets be insufficient on the repayment date.

F&C Private Equity Zeros plc

Report of the Directors (continued)

Business Review

Board of Directors

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 4. All Directors are also directors of the Company's parent company, F&C PET.

Investment Objective and Investment Policy

The objective of the Company is to provide the final capital entitlement of the Company's ZDP Shares to the holders of the ZDP Shares at the repayment date of 15 December 2014.

A review of the Company's results for the period is included within the Chairman's Statement on page 3.

Principal Risks and Uncertainties and Risk Management

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

- Final capital entitlement - the ZDP Shares offer a pre-determined rate of growth in capital entitlement up to the repayment date of 15 December 2014 but no right of income.

F&C PET's debt to the Company is pursuant to the loan agreement which ranks behind any secured creditors of F&C PET. Therefore it is not guaranteed that the final capital entitlement will be paid. On a return of assets, including a winding up of F&C PET, the Company will only receive payment if there are sufficient assets of F&C PET, having first taken account of prior ranked liabilities and having regard to all other unsecured liabilities of F&C PET. ZDP shares are not a secured, protected or guaranteed investment. The final capital entitlement of the ZDP Shares is 152.14 pence per share.

- Liquid market for ZDP shares - the market price and realisable value of the ZDP Shares, as well as being affected by the underlying value of F&C PET's net assets, will be affected by interest rates, supply and demand for the ZDP Shares, market conditions and general investor sentiment. As such, the market value and realisable value (prior to redemption) of a ZDP Share can fluctuate and may not always reflect its accrued capital entitlement. In addition, given the Company's size and type, there is no guarantee that an active market will be sustained for the ZDP Shares. If an active trading market is not maintained, the liquidity and trading price of the ZDP Shares could be adversely affected.
- Macroeconomic and investment risks - the Company's obligation to pay the ZDP shareholders the final capital entitlement is dependent upon F&C PET's ability to comply with its obligations to the Company. This in turn is impacted by F&C PET's performance and its ability to manage macroeconomic and investment risk. A material fall in the value of assets in the investment portfolio of F&C PET may lead to a winding up of F&C PET in the longer term.

The performance of F&C PET's underlying investment portfolio is principally influenced by a combination of economic growth, the availability of appropriately priced debt finance, interest rates and the number of active trade and financial buyers. All of these factors have an impact on F&C PET's ability to invest, its ability to exit from its underlying portfolio and on the levels of profitability achieved on exit. Financial results may be adversely affected by movements in foreign exchange rates.

F&C Private Equity Zeros plc

Report of the Directors (continued)

F&C PET operates in a very competitive market. Changes in the number of market participants, the availability of funds within the market, the pricing of assets, or in the ability of its investment manager, F&C Investment Business Limited, to access deals could have a significant effect on F&C PET's competitive position and on sustainability of returns.

In order to source and execute good quality investments, F&C PET is primarily dependent upon F&C Investment Business Limited having the ability to attract and retain executives with the requisite investment experience.

Once invested, the performance of F&C PET's portfolio is dependent on a range of factors. These include, but are not limited to: (i) the quality of the initial investment decision; (ii) the ability of the portfolio company to execute successfully its business strategy; and (iii) actual outcomes against key assumptions underlying the portfolio company's financial projections. Any one of these factors could have an impact on the valuation of a portfolio company and upon F&C PET's ability to make a profitable exit from the investment within the desired timeframe. Future F&C PET share issues, share buy backs or raising new debt facilities in the longer term could dilute the interests of the holders of ZDP Shares and lower the price of the ZDP Shares.

- Government Policy and Regulation Risk - F&C PET carries on business as an investment trust under section 1158 of the Corporation Tax Act 2010. Continued status as an investment trust is subject to F&C PET conducting its affairs in a manner which will satisfy HM Revenue and Customs' conditions for continued approval as an investment trust. Any change in F&C PET's tax status, or in taxation legislation of practice in the UK or elsewhere, could affect the value of investments in F&C PET's investment portfolio and F&C PET's ability to achieve its investment objective and could also affect the tax treatment of the ZDP Shares and the tax treatment of the final capital entitlement.

The Company is also exposed to risks in relation to its financial instruments. Further details of these risks and the way in which they are managed are contained in note 12 to the financial statements.

Key Performance Indicators

The key performance indicators used by the Board to measure the Company's success are the asset cover and movement in price of the ZDP Shares.

The asset cover was 1.0 times repayment value as at 31 December 2010 and the price of a ZDP Share was 121.5p as at 31 December 2010 compared to the issue price of 100p on 14 December 2009.

Directors

Mr David Simpson, Mr Mark Tennant, Ms Elizabeth Kennedy, Mr Douglas Kinloch Anderson, Mr John Rafferty and Mr David Shaw were appointed as Directors on 12 November 2009. Mr David Simpson retired as a Director and Chairman on 24 May 2010 and was succeeded by Mr Mark Tennant. The Directors' biographical details are shown on page 4. All the Directors are also directors of the Company's parent company, F&C PET.

D.W. Director 1 Limited and Michael Polson were Directors of the Company from incorporation until 12 November 2009.

None of the Directors have had any interest in either the Ordinary Shares or the ZDP Shares of the Company at any time during the period. The Directors' interests in the shares of F&C PET, the Company's parent company, are shown in F&C PET's Annual Report and Accounts for the year ended 31 December 2010.

F&C Private Equity Zeros plc

Report of the Directors (continued)

In accordance with the Articles of Association, all the Directors retire at the forthcoming Annual General Meeting, being the first such meeting since the Company's incorporation. Being eligible, all of the Directors offer themselves for election.

The Board confirms that, following formal performance evaluations, the performance of each of the Directors seeking election continues to be effective and demonstrates commitment to the role. The Board therefore believes that it is in the interests of shareholders that these Directors are elected.

Directors' Indemnities

As at the date of this report, indemnities are in force between F&C PET and each of its Directors under which the Company has agreed to indemnify each Director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out his or her role as a Director of F&C PET and the Company. The Directors are also indemnified against the costs of defending any criminal or civil proceedings or any claim by the F&C PET or the Company or a regulator as they are incurred provided that where the defence is unsuccessful, the Director must repay those defence costs to the Company. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006.

A copy of each deed of indemnity is available for inspection at the Company's registered office during normal business hours.

Conflicts of Interest

Under the Companies Act 2006 a Director must avoid a situation where he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Company's Articles of Association give the Directors authority to approve such situations.

The Company maintains a register of Directors' conflicts of interest which have been disclosed and approved by the other Directors. This register is kept up-to-date and the Directors are required to disclose to the Company Secretary any changes to conflicts or any potential new conflicts.

Compliance with Corporate Governance

The Company is committed to high standards of corporate governance and the Board is accordingly accountable to the Company's shareholders for good governance. However, as the Company has only ZDP Shares listed, it has availed itself of an exemption from the Financial Services Authority's requirement to make corporate governance disclosures and from auditor review thereof.

Further detailed disclosures relating to the corporate governance procedures of the Group can be found in the Annual Report of the Parent Company, F&C Private Equity Trust plc, which is available on the Company's website (www.fcpet.co.uk).

Community, Employee and Environmental Issues

In carrying out its activities and in its relationships with the community, the Company aims to conduct itself responsibly, ethically and fairly. The Company has no employees and the Board is comprised entirely of non-executive Directors. As a wholly owned subsidiary of F&C PET, the Company has no direct impact on the environment.

F&C Private Equity Zeros plc

Report of the Directors (continued)

Going Concern

The Directors believe that the Company has the ability to meet its financial obligations as they fall due for a period of at least twelve months from the date of approval of the financial statements. Accordingly the financial statements have been prepared on a going concern basis.

Directors Authority to Buy Back Shares

Pursuant to a special resolution passed at a general meeting on 19 November 2009, the Company was authorised to make market purchase of ZDP Shares for cancellation in certain circumstances in accordance with section 701 of the Companies Act 2006. This authority expired on 19 February 2011. The Directors wish the Company to continue to have this authority and a resolution authorising the Company to make on market purchases of ZDP Shares will be proposed at the Annual General Meeting of the Company's ordinary shareholders in 2011.

Financial Instruments

The Company's financial instruments comprise its investments, cash balances and debtors and creditors that arise directly from its operations. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 12 to the financial statements.

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.

Significant Agreements

Pursuant to the intra-group loan agreement between the Company and F&C PET documenting the loan from the Company to F&C PET of the net proceeds of the ZDP Share placing, the loan will be on terms requiring its repayment by F&C PET to the Company immediately prior to the ZDP repayment date, being 15 December 2014.

These funds are to be managed in accordance with the investment policy of F&C PET.

Disclosure of Information to Auditors

The Directors confirm that, so far as each of them are 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

The Directors have appointed Ernst & Young LLP as auditors of the Company. Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution proposing their appointment will be submitted at the Annual General Meeting of the Company's ordinary shareholders in 2011. A separate resolution will be proposed at the Annual General Meeting authorising the Directors to determine the remuneration of the auditors.



By order of the Board
F&C Asset Management plc
Company Secretary
80 George Street
Edinburgh EH2 3BU
8 April 2011

F&C Private Equity Zeros plc

Directors' Remuneration Report

None of the Directors received any remuneration for his or her services during the period. No Director has a service contract with the Company and no Director is eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.



On behalf of the Board
Mark Tennant
Director
8 April 2011

F&C Private Equity Zeros plc

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in Relation to the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ('IFRS') as adopted by the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Company for that period. In preparing the financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibility Statements under the Disclosure and Transparency Rules

Each of the Directors confirms that to the best of his or her knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.



On behalf of the Board
Mark Tennant
Director
8 April 2011

F&C Private Equity Zeros plc

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

We have audited the financial statements of F&C Private Equity Zeros plc for the period from 9 October 2009 to 31 December 2010 which comprise the Statement of Comprehensive Income, Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities, set out on page 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the period then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

F&C Private Equity Zeros plc

Independent Auditor's Report to the Members of F&C Private Equity Zeros plc (continued)

Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The Directors' statement, set out on page 9, in relation to going concern;
- The part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- Certain elements of the report to the shareholders by the Board on Directors' remuneration.

Susan Dawe

Susan Dawe (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
8 April 2011

F&C Private Equity Zeros plc

Statement of Comprehensive Income Period from 9 October 2009 to 31 December 2010

	Note	Period ended 31 December 2010 £'000
Revenue		
Income	2	2,909
Total income		2,909
Expenditure		
Expenses	3	-
Total expenditure		-
Profit before finance costs and taxation		2,909
Finance costs	4	(2,906)
Profit before taxation		3
Taxation	5	-
Total comprehensive income		3
Earnings per Ordinary Share	6	5.84p

All items in the above statement are derived from continuing operations.

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

F&C Private Equity Zeros plc

Balance Sheet

At 31 December 2010

Company number: SC366628

	Note	£'000	2010 £'000
Non current assets			
Investments	7		50
			50
Current assets			
Loans and other receivables	8	31,775	
Cash at bank		2	
Net current assets			31,777
Total assets less current liabilities			31,827
Creditors: amounts falling due after one year			
Zero dividend preference shares	9		(31,774)
Net assets			53
Equity			
Ordinary share capital	10		50
Revenue reserve			3
Shareholders' funds			53
Net asset value per Ordinary Share	11		105.84p
Net asset value per ZDP Share	11		105.91p

The financial statements were approved and authorised for issue by the Board of Directors on 8 April 2011 and signed on their behalf by:



Mark Tennant, Chairman

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

F&C Private Equity Zeros plc

Statement of Changes in Equity

Period from 9 October 2009 to 31 December 2010

	Share Capital	Revenue Reserve	Total
	£'000	£'000	£'000
Net assets at start of period	-	-	-
Share Capital proceeds	50	-	50
Profit for the period	-	3	3
Net assets at 31 December 2010	50	3	53

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

F&C Private Equity Zeros plc

Cash Flow Statement

Period from 9 October 2009 to 31 December 2010

	2010 £'000
Cash flows from operating activities	
Profit before finance costs and taxation	3
Increase in other receivables	(1)
Net cash inflow from operating activities	2
Cash flows from investing activities	
Purchase of investments	(50)
Net cash outflow from investing activities	(50)
Cash flows from financing activities	
Proceeds from issue of share capital	50
Proceeds from issue of ZDPs	30,000
Loan to parent company	(30,000)
Net cash inflow from financing activities	50
Increase in cash and cash equivalents	2
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	2

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

F&C Private Equity Zeros plc

Notes to the Accounts

For the period ended 31 December 2010

1 Basis of Accounting

The financial information has been prepared under the historical cost convention and in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union. The financial information comprises the Balance Sheet as at 31 December 2010 and for the period ended 31 December 2010 the related Statement of Comprehensive Income, Statement of Changes in Equity, Cashflow Statement and related notes hereinafter referred to as 'financial information'. The principal accounting policies adopted by the Company are set out below.

The period of the accounts is from incorporation, on 9 October 2009, to 31 December 2010.

The financial information is prepared under the historical cost convention.

The Company's financial information is presented in sterling, which is the currency of the primary environment in which the Company operates. All values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

These accounting policies are expected to be consistent with those that will be applied in the annual financial statements of the Company for the period ended 31 December 2010.

Cash and Cash Equivalents

Cash comprises cash at bank.

Revenue

Gilt and loan interest income is recognised on an accruals basis.

Expenses

All expenses are accounted for on an accruals basis.

Investments

Investments are classified as fair value through profit or loss and are recognised on trade date. These are measured initially and at subsequent reporting dates at fair value, which for listed investments is bid price.

Zero Dividend Preference Shares

Zero Dividend Preference Shares are recognised as liabilities in the Balance Sheet in accordance with IAS 32. After initial recognition, these liabilities are measured at amortised cost, which represents the initial net proceeds of the issuance after issue costs plus the accrued entitlement to the date of these financial statements.

Finance Costs

The accrued entitlement (see above) is calculated as the difference between the proceeds on the issue of these shares and the final liability and is charged as finance costs over the term of the life of these shares using the effective interest method.

F&C Private Equity Zeros plc

Notes to the Accounts

For the period ended 31 December 2010 (continued)

Taxation

The charge for taxation is based on the taxable profits for the period. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are never taxable or deductible. The Company's liability for tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Key Estimates and Assumptions

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations

of future events that are believed reasonable. The resulting estimates will, by definition, seldom equal the related actual results.

Going Concern

The accounts have been prepared on a going concern basis as the Directors believe the Company has sufficient resources to continue for the foreseeable future.

2 Income

	Period from 9 October 2009 to 31 December 2010 £'000
Gilt interest	3
Loan interest	2,906
	2,909

3 Expenses

Administration expenses of £nil were suffered during the period from 9 October 2009 to 31 December 2010. All administration expenses during the period were borne by the parent company, F&C Private Equity Trust plc.

4 Finance costs

	Period from 9 October 2009 to 31 December 2010 £'000
ZDP interest costs	2,754
Amortisation of issue expenses	152
	2,906

5 Taxation

	Period from 9 October 2009 to 31 December 2010 £'000
Profit before tax	3
Corporation tax at 21 per cent	-

F&C Private Equity Zeros plc

Notes to the Accounts

For the period ended 31 December 2010 (continued)

6 Earnings per share

The calculation of earnings per share is based on a profit after tax for the year of £2,920 and a weighted average number of 50,000 Ordinary Shares in issue during the year. The basic and diluted earnings per share are the same.

7 Investments

	2010 £'000
Cost at beginning of period	-
Purchase of UK Gilt	49
Cost at end of period	49
Holding gain	1
Valuation at end of period	50

8 Loans and receivables

	2010 £'000
Amounts due from parent company	31,774
Accrued interest on gilts	1
	31,775

9 Zero dividend preference shares

	2010 Number	2010 £'000
ZDP Shares of 0.01pence each:		
Issued on 14 December 2009	30,000,000	30,000
Issue costs	-	(1,132)
Finance charges	-	2,906
Balance at 31 December 2010	30,000,000	31,774

On 14 December 2009 the Company issued 30,000,000 ZDP Shares at £1 each. These shares redeem on 15 December 2014 at a price of 152.14 pence per share giving a redemption yield of 8.75 per cent per annum. The ZDP Shares do not carry any voting rights.

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For the period ended 31 December 2010 (continued)

10 Ordinary share capital

	2010 Number	2010 £
Ordinary Shares of £1 each:		
Issued during period	50,000	50,000
Balance at 31 December 2010	50,000	50,000

On incorporation, the Company's issued share capital was one Ordinary Share of £1 which share was taken by the Subscriber to the Company. This share was subsequently transferred to F&C PET. Pursuant to an ordinary resolution passed at a general meeting on 11 November 2009, 49,999 Ordinary Shares of £1 each were created. On 12 November 2009, 49,999 Ordinary Shares of £1 each were allotted to F&C PET at a price of £1 per share for a total consideration of £49,999.

At 31 December 2010 there were 50,000 Ordinary Shares of £1 each in issue.

Each Ordinary Share is entitled to one vote at a general meeting.

In addition to receiving any income distributed by way of dividend, the ordinary shareholders will be entitled to all surplus assets after payment of all debts, including the ZDP Shares.

11 Net Asset Value per share

The net asset value per Ordinary Share is based on net assets of £52,375 and on 50,000 Ordinary Shares, being the number of Ordinary Shares in issue at year end.

The net asset value per ZDP Share is based on the entitlement due of £31,774,000 at the year end and on 30,000,000 ZDP Shares, being the number of ZDP Shares in issue at the year end.

12 Financial instruments

The Company's financial instruments comprise fixed interest investments, cash balances and liquid resources including debtors and creditors.

Quoted fixed assets investments held (see note 7) are valued at bid prices which equate to their fair values.

The main risks arising from the Company's financial instruments are market risk, interest rate risk, liquidity risk and credit risk.

The Company held the following categories of financial instrument at 31 December 2010:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2010 £'000
Investments	50	-	-	50

The above table provides an analysis of investments based on the fair value hierarchy described below and which reflects the reliability and significance of the information used to measure their fair value. The levels are determined by the lowest (that is the least reliable or least independently observable) level of impact that is significant to the fair value measurement for the individual investment in its entirety as follows:

Level 1 reflects financial instruments quoted in an active market.

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

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

Market risk

Market risk embodies the potential for both losses and gains and includes interest rate risk and price risk.

The Company's investment is listed on a recognised stock exchange. A 10 per cent increase in stock prices at 31 December 2010 would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £5,000; an equal change in the opposite direction would have decreased the net assets attributable to the Group's shareholders and the total profit for the year by an equal amount.

Interest rate risk

The Company's financial assets are interest bearing, some of which are at fixed rates and some at variable. As a result the Company is subject to exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Fixed rate

The Company holds a fixed interest investment.

	2010 £'000	2010 Average interest rate	2010 Average period until maturity
UK gilt	50	5%	3.7 years

Floating rate

When the Company retains cash balances the majority of the cash is held in deposit accounts. The benchmark rate which determines the interest payments received on cash balances is the bank base rate for the relevant currency.

The Company had the following floating rate instruments at 31 December 2010.

	2010 £'000	2010 Average interest rate	2010 Average period until maturity
Cash and cash equivalents	2	0.5%	n/a

An increase of 25 basis points in interest rates as at 31 December 2010 would have increased the cash balances by £5. A decrease of 25 basis points would have had an equal but opposite effect.

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Notes to the Accounts

For the period ended 31 December 2010 (continued)

Liquidity and funding risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is considered to be significant as the Company is reliant upon the sale of assets within its parent undertaking, which mainly comprises unlisted investments. Details of how this risk is managed are contained within the financial statements of the parent company.

Contractual maturity analysis for financial liabilities

	Between one and five years £'000	Total £'000
Cash and cash equivalents	45,642	45,642

Credit Risk

This is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered with the Company.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	2010 £'000
Investments in fixed interest instruments	50
Cash and cash equivalents	2
	52

Details of how this risk is managed are contained within the financial statements of the parent company.

13 Related Party Transactions

Transactions for the period from incorporation to 31 December 2010 between the Company and its parent, F&C Private Equity Trust plc, are disclosed below.

	Period from 9 October 2009 to 30 June 2010 £'000
Loan to parent company balance brought forward	-
Loan payment to parent company	30,000
ZDP issue expenses paid by parent on behalf of Company	(1,132)
Interest accrued	2,906
Loan to parent company balance carried forward	31,774

The loan to F&C Private Equity Trust plc commenced on 21 December 2009. The loan accrues interest at a rate of 8.75 per cent per annum and is repayable on demand.

F&C Private Equity Zeros plc

Corporate Information

Directors	Mark Tennant (Chairman) Elizabeth Kennedy Douglas Kinloch Anderson John Rafferty David Shaw
Investment Manager	F&C Investment Business Limited 80 George Street Edinburgh EH2 3BU Telephone: 0207 628 8000
Company Secretary	F&C Asset Management plc 80 George Street Edinburgh EH2 3BU Telephone: 0207 628 8000
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Telephone: 0871 664 0300
Auditors	Ernst & Young LLP Ten George Street Edinburgh EH2 2DZ
Solicitors	Dundas & Wilson CS LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EN
Bankers	The Royal Bank of Scotland plc 24-25 St Andrew Square Edinburgh EH2 5NT